

REFERENCE TITLE: water; residential lease communities

State of Arizona
House of Representatives
Fifty-seventh Legislature
Second Regular Session
2026

HB 2722

Introduced by
Representative Bliss

AN ACT

AMENDING TITLE 9, CHAPTER 4, ARTICLE 6.4, ARIZONA REVISED STATUTES, BY ADDING SECTION 9-470.02; AMENDING TITLE 11, CHAPTER 2, ARTICLE 9, ARIZONA REVISED STATUTES, BY ADDING SECTION 11-325; AMENDING SECTIONS 45-576, 48-3701, 48-3772, 48-3774, 48-3774.01 AND 48-3779, ARIZONA REVISED STATUTES; RELATING TO BUILDING PERMITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 9, chapter 4, article 6.4, Arizona Revised
3 Statutes, is amended by adding section 9-470.02, to read:

4 9-470.02. Residential lease communities; building permits;
5 water supply; applicability; definition

6 A. THE LEGISLATIVE BODY OF A MUNICIPALITY MAY NOT APPROVE A
7 BUILDING PERMIT FOR ONE OR MORE DETACHED RESIDENTIAL DWELLING UNITS THAT
8 ARE LOCATED IN A RESIDENTIAL LEASE COMMUNITY WITHIN AN INITIAL ACTIVE
9 MANAGEMENT AREA UNLESS BOTH OF THE FOLLOWING APPLY:

10 1. THE RESIDENTIAL DWELLING UNITS HAVE OBTAINED A CERTIFICATE OF
11 ASSURED WATER SUPPLY FROM THE DIRECTOR OF THE DEPARTMENT OF WATER
12 RESOURCES OR A WRITTEN COMMITMENT OF WATER SERVICE FROM A CITY, TOWN OR
13 PRIVATE WATER COMPANY THAT IS DESIGNATED AS HAVING AN ASSURED WATER
14 SUPPLY.

15 2. THE APPLICANT HAS PAID ALL APPLICABLE FEES PURSUANT TO SECTIONS
16 48-3772 AND 48-3774.01 AND HAS ATTACHED TO THE BUILDING PERMIT APPLICATION
17 PROOF THAT THE APPLICABLE FEES HAVE BEEN PAID.

18 B. THE LEGISLATIVE BODY OF THE MUNICIPALITY SHALL NOTE ON THE FACE
19 OF THE BUILDING PERMIT THAT THE APPLICANT HAS COMPLIED WITH SUBSECTION A
20 OF THIS SECTION OR IS EXEMPT FROM THIS SECTION PURSUANT TO SUBSECTION C OF
21 THIS SECTION.

22 C. THIS SECTION DOES NOT APPLY TO AN EXISTING RESIDENTIAL LEASE
23 COMMUNITY OR PLANNED RESIDENTIAL LEASE COMMUNITY THAT APPLIED FOR OR THAT
24 RECEIVED ZONING ENTITLEMENTS ON OR BEFORE SEPTEMBER 30, 2026.

25 D. FOR THE PURPOSES OF THIS SECTION, "RESIDENTIAL LEASE COMMUNITY"
26 MEANS SIX OR MORE DETACHED RESIDENTIAL DWELLING UNITS ON ONE OR MORE LOTS,
27 PARCELS OR FRACTIONAL INTERESTS, WITHOUT REGARD TO THE ZONING
28 CLASSIFICATION OF THE LOTS, PARCELS OR FRACTIONAL INTERESTS, THAT ARE
29 INTENDED TO BE OFFERED FOR THE PURPOSE OF LEASE, WHETHER IMMEDIATE OR
30 FUTURE, WITHOUT REGARD TO THE LEASE TERM, UNDER A COMMON PROMOTIONAL PLAN
31 AS DEFINED IN SECTION 32-2101.

32 Sec. 2. Title 11, chapter 2, article 9, Arizona Revised Statutes,
33 is amended by adding section 11-325, to read:

34 11-325. Residential lease communities; building permits;
35 water supply; applicability; definition

36 A. THE BOARD OF SUPERVISORS MAY NOT APPROVE A BUILDING PERMIT FOR
37 ONE OR MORE DETACHED RESIDENTIAL DWELLING UNITS THAT ARE LOCATED IN A
38 RESIDENTIAL LEASE COMMUNITY WITHIN AN INITIAL ACTIVE MANAGEMENT AREA
39 UNLESS BOTH OF THE FOLLOWING APPLY:

40 1. THE RESIDENTIAL DWELLING UNITS HAVE OBTAINED A CERTIFICATE OF
41 ASSURED WATER SUPPLY FROM THE DIRECTOR OF THE DEPARTMENT OF WATER
42 RESOURCES OR A WRITTEN COMMITMENT OF WATER SERVICE FROM A CITY, TOWN OR
43 PRIVATE WATER COMPANY THAT IS DESIGNATED AS HAVING AN ASSURED WATER
44 SUPPLY.

1 2. THE APPLICANT HAS PAID ALL APPLICABLE FEES PURSUANT TO SECTIONS
2 48-3772 AND 48-3774.01 AND HAS ATTACHED TO THE BUILDING PERMIT APPLICATION
3 PROOF THAT THE APPLICABLE FEES HAVE BEEN PAID.

4 B. THE BOARD OF SUPERVISORS SHALL NOTE ON THE FACE OF THE BUILDING
5 PERMIT THAT THE APPLICANT HAS COMPLIED WITH SUBSECTION A OF THIS SECTION
6 OR IS EXEMPT FROM THIS SECTION PURSUANT TO SUBSECTION C OF THIS SECTION.

7 C. THIS SECTION DOES NOT APPLY TO AN EXISTING RESIDENTIAL LEASE
8 COMMUNITY OR PLANNED RESIDENTIAL LEASE COMMUNITY THAT APPLIED FOR OR THAT
9 RECEIVED ZONING ENTITLEMENTS ON OR BEFORE SEPTEMBER 30, 2026.

10 D. FOR THE PURPOSES OF THIS SECTION, "RESIDENTIAL LEASE COMMUNITY"
11 MEANS SIX OR MORE DETACHED RESIDENTIAL DWELLING UNITS ON ONE OR MORE LOTS,
12 PARCELS OR FRACTIONAL INTERESTS, WITHOUT REGARD TO THE ZONING
13 CLASSIFICATION OF THE LOTS, PARCELS OR FRACTIONAL INTERESTS, THAT ARE
14 INTENDED TO BE OFFERED FOR THE PURPOSE OF LEASE, WHETHER IMMEDIATE OR
15 FUTURE, WITHOUT REGARD TO THE LEASE TERM, UNDER A COMMON PROMOTIONAL PLAN
16 AS DEFINED IN SECTION 32-2101.

17 Sec. 3. Section 45-576, Arizona Revised Statutes, is amended to
18 read:

19 45-576. Certificates of assured water supply; designated
20 cities, towns and private water companies;
21 exemptions; rules; definition

22 A. Except as provided in subsections G and J of this section, a
23 person who proposes to offer subdivided lands, as defined in section
24 32-2101, for sale or lease in an active management area shall apply for
25 and obtain a certificate of assured water supply from the director before
26 presenting the plat for approval to the city, town or county in which the
27 land is located, where such is required, and before filing with the state
28 real estate commissioner a notice of intention to offer such lands for
29 sale or lease, pursuant to section 32-2181, unless the subdivider has
30 obtained a written commitment of water service for the subdivision from a
31 city, town or private water company designated as having an assured water
32 supply pursuant to this section.

33 B. Except as provided in subsections G and J of this section, a
34 city, town or county may approve a subdivision plat only if the subdivider
35 has obtained a certificate of assured water supply from the director or
36 the subdivider has obtained a written commitment of water service for the
37 subdivision from a city, town or private water company designated as
38 having an assured water supply pursuant to this section. The city, town
39 or county shall note on the face of the approved plat that a certificate
40 of assured water supply has been submitted with the plat or that the
41 subdivider has obtained a written commitment of water service for the
42 proposed subdivision from a city, town or private water company designated
43 as having an assured water supply pursuant to this section.

1 C. Except as provided in subsections G and J of this section, the
2 state real estate commissioner may issue a public report authorizing the
3 sale or lease of subdivided lands only on compliance with either of the
4 following:

5 1. The subdivider, owner or agent has paid any activation fee
6 required under section 48-3772, subsection A, paragraph 7 and any
7 replenishment reserve fee required under section 48-3774.01, subsection A,
8 paragraph 2 and has obtained a certificate of assured water supply from
9 the director.

10 2. The subdivider has obtained a written commitment of water
11 service for the lands from a city, town or private water company
12 designated as having an assured water supply pursuant to this section and
13 the subdivider, owner or agent has paid any activation fee required under
14 section 48-3772, subsection A, paragraph 7.

15 D. The director shall designate private water companies in active
16 management areas that have an assured water supply. If a city or town
17 acquires a private water company that has contracted for central Arizona
18 project water, the city or town shall assume the private water company's
19 contract for central Arizona project water.

20 E. The director shall designate cities and towns in active
21 management areas where an assured water supply exists. If a city or town
22 has entered into a contract for central Arizona project water, the city or
23 town is deemed to continue to have an assured water supply until December
24 31, 1997. Commencing on January 1, 1998, the determination that the city
25 or town has an assured water supply is subject to review by the director
26 and the director may determine that a city or town does not have an
27 assured water supply.

28 F. The director shall notify the mayors of all cities and towns in
29 active management areas and the chairmen of the boards of supervisors of
30 counties in which active management areas are located of the cities, towns
31 and private water companies designated as having an assured water supply
32 and any modification of that designation within thirty days after the
33 designation or modification. If the service area of the city, town or
34 private water company has qualified as a member service area pursuant to
35 title 48, chapter 22, article 4, the director shall also notify the
36 conservation district of the designation or modification and shall report
37 the projected average annual replenishment obligation for the member
38 service area based on the projected and committed average annual demand
39 for water within the service area during the effective term of the
40 designation or modification subject to any limitation in an agreement
41 between the conservation district and the city, town or private water
42 company. For each city, town or private water company that qualified as a
43 member service area under title 48, chapter 22 and that was designated as
44 having an assured water supply before January 1, 2004, the director shall
45 report to the conservation district on or before January 1, 2005 the

1 projected average annual replenishment obligation based on the projected
2 and committed average annual demand for water within the service area
3 during the effective term of the designation subject to any limitation in
4 an agreement between the conservation district and the city, town or
5 private water company. Persons proposing to offer subdivided lands served
6 by those designated cities, towns and private water companies for sale or
7 lease are exempt from applying for and obtaining a certificate of assured
8 water supply.

9 G. This section does not apply in the case of the sale of lands for
10 developments that are subject to a mineral extraction and metallurgical
11 processing permit or an industrial use permit pursuant to sections 45-514
12 and 45-515.

13 H. The director shall adopt rules to carry out the purposes of this
14 section. The rules shall provide for a reduction in water demand for an
15 application for a designation of assured water supply or a certificate of
16 assured water supply if a gray water reuse system will be installed that
17 meets the requirements of the rules adopted by the department of
18 environmental quality for gray water systems and if the application is for
19 a certificate of assured water supply, the land for which the certificate
20 is sought must qualify as a member land in a conservation district
21 pursuant to title 48, chapter 22, article 4. For the purposes of this
22 subsection, "gray water" has the same meaning prescribed in section
23 49-201.

24 I. If the director designates a municipal provider as having an
25 assured water supply under this section and the designation lapses or
26 otherwise terminates while the municipal provider's service area is a
27 member service area of a conservation district, the municipal provider or
28 its successor shall continue to comply with the consistency with
29 management goal requirements in the rules adopted by the director under
30 subsection H of this section as if the designation was still in effect
31 with respect to the municipal provider's designation uses. When
32 determining compliance by the municipal provider or its successor with the
33 consistency with management goal requirements in the rules, the director
34 shall consider only water delivered by the municipal provider or its
35 successor to the municipal provider's designation uses. A person is the
36 successor of a municipal provider if the person commences water service to
37 uses that were previously designation uses of the municipal provider. Any
38 groundwater delivered by the municipal provider or its successor to the
39 municipal provider's designation uses in excess of the amount allowed
40 under the consistency with management goal requirements in the rules shall
41 be considered excess groundwater for purposes of title 48, chapter 22.
42 For the purposes of this subsection, "designation uses" means all water
43 uses served by a municipal provider on the date the municipal provider's
44 designation of assured water supply lapses or otherwise terminates and all
45 recorded lots within the municipal provider's service area that were not

1 being served by the municipal provider on that date but that received
2 final plat approval from a city, town or county on or before that date.
3 Designation uses do not include industrial uses served by an irrigation
4 district under section 45-497.

5 J. Subsections A, B and C of this section do not apply to a person
6 who proposes to offer subdivided land for sale or lease in an active
7 management area if all the following apply:

8 1. The director issued a certificate of assured water supply for
9 the land to a previous owner of the land and the certificate was
10 classified as a type A certificate under rules adopted by the director
11 pursuant to subsection H of this section.

12 2. The director has not revoked the certificate of assured water
13 supply described in paragraph 1 of this subsection, and proceedings to
14 revoke the certificate are not pending before the department or a court.
15 The department shall post on its website a list of all certificates of
16 assured water supply that have been revoked or for which proceedings are
17 pending before the department or a court.

18 3. The plat submitted to the department in the application for the
19 certificate of assured water supply described in paragraph 1 of this
20 subsection has not changed.

21 4. Water service is currently available to each lot within the
22 subdivided land and the water provider listed on the certificate of
23 assured water supply described in paragraph 1 of this subsection has not
24 changed.

25 5. The subdivided land qualifies as a member land under title 48,
26 chapter 22 and the subdivider has paid any activation fee required under
27 section 48-3772, subsection A, paragraph 7 and any replenishment reserve
28 fee required under section 48-3774.01, subsection A, paragraph 2.

29 6. The plat is submitted for approval to a city, town or county
30 that is listed on the department's website as a qualified platting
31 authority.

32 K. Subsection J of this section does not affect the assignment of a
33 certificate of assured water supply as prescribed by section 45-579.

34 L. On or before December 31, 2023, the director shall study and
35 submit to the governor, president of the senate and speaker of the house
36 of representatives a report on whether and how a person that seeks a
37 building permit for six or more residences within an active management
38 area, without regard to any proposed lease term for those residences,
39 should apply for and obtain a certificate of assured water supply from the
40 director before presenting the permit application for approval to the
41 county in which the land is located, unless the applicant has obtained a
42 written commitment of water service for the residences from a city, town
43 or private water company designated as having an assured water supply
44 pursuant to this section.

1 M. For the purposes of this section, the director shall find that
2 any volume of groundwater or stored water recovered outside the area of
3 impact of storage that is subject to groundwater savings credits issued
4 pursuant to section 45-465.05 or rules adopted by the director pursuant to
5 section 45-465.05, subsection L and pledged to an application for a
6 certificate or designation of assured water supply is exempt from the
7 physical availability requirement for an assured water supply. This
8 subsection does not exempt:

9 1. Any volume of groundwater or stored water recovered outside the
10 area of impact of storage that is subject to groundwater savings credits
11 from any requirement for an assured water supply other than the physical
12 availability requirement.

13 2. A water supply to be stored underground from the requirement to
14 demonstrate that the supply will be physically available for storage.

15 N. EXCEPT FOR APPLICATIONS SUBMITTED ON OR BEFORE SEPTEMBER 30,
16 2026, BEFORE PRESENTING A PERMIT APPLICATION FOR APPROVAL TO THE
17 LEGISLATIVE BODY OF A MUNICIPALITY OR THE BOARD OF SUPERVISORS OF THE
18 COUNTY IN WHICH THE LAND IS LOCATED, A PERSON THAT SEEKS A BUILDING PERMIT
19 FOR ONE OR MORE DETACHED RESIDENTIAL DWELLING UNITS THAT ARE LOCATED IN A
20 RESIDENTIAL LEASE COMMUNITY AS DEFINED IN SECTIONS 9-470.02 AND 11-325
21 WITHIN AN ACTIVE MANAGEMENT AREA SHALL:

22 1. UNLESS THE APPLICANT HAS OBTAINED A WRITTEN COMMITMENT OF WATER
23 SERVICE FOR THE RESIDENCES FROM A CITY, TOWN OR PRIVATE WATER COMPANY THAT
24 IS DESIGNATED AS HAVING AN ASSURED WATER SUPPLY PURSUANT TO THIS SECTION,
25 APPLY FOR AND OBTAIN A CERTIFICATE OF ASSURED WATER SUPPLY FROM THE
26 DIRECTOR.

27 2. PAY ALL APPLICABLE FEES PURSUANT TO SECTIONS 48-3772 AND
28 48-3774.01 AND ACCOMPANY THE BUILDING PERMIT APPLICATION WITH PROOF THAT
29 THE APPLICABLE FEES HAVE BEEN PAID.

30 O. EXCEPT FOR APPLICATIONS SUBMITTED ON OR BEFORE SEPTEMBER 30,
31 2026, A CITY, TOWN OR COUNTY MAY ONLY APPROVE A BUILDING PERMIT FOR ONE OR
32 MORE DETACHED RESIDENTIAL DWELLING UNITS THAT ARE LOCATED IN A RESIDENTIAL
33 LEASE COMMUNITY AS DEFINED IN SECTIONS 9-470.02 AND 11-325 AND WITHIN AN
34 ACTIVE MANAGEMENT AREA IF THE DETACHED RESIDENTIAL DWELLING UNITS HAVE
35 OBTAINED A CERTIFICATE OF ASSURED WATER SUPPLY FROM THE DIRECTOR OR A
36 WRITTEN COMMITMENT OF WATER SERVICE FOR THE RESIDENCES FROM A CITY, TOWN
37 OR PRIVATE WATER COMPANY THAT IS DESIGNATED AS HAVING AN ASSURED WATER
38 SUPPLY PURSUANT TO THIS SECTION.

39 ~~N.~~ P. For the purposes of this section, "assured water supply"
40 means all of the following:

41 1. Sufficient groundwater, surface water or effluent of adequate
42 quality will be continuously available to satisfy the water needs of the
43 proposed use for at least one hundred years. Beginning January 1 of the
44 calendar year following the year in which a groundwater replenishment
45 district is required to submit its preliminary plan pursuant to section

1 45-576.02, subsection A, paragraph 1, with respect to an applicant that is
2 a member of the district, "sufficient groundwater" for the purposes of
3 this paragraph means that the proposed groundwater withdrawals that the
4 applicant will cause over a period of one hundred years will be of
5 adequate quality and will not exceed, in combination with other
6 withdrawals from land in the replenishment district, a depth to water of
7 one thousand feet or the depth of the bottom of the aquifer, whichever is
8 less. In determining depth to water for the purposes of this paragraph,
9 the director shall consider the combination of:

10 (a) The existing rate of decline.

11 (b) The proposed withdrawals.

12 (c) The expected water requirements of all recorded lots that are
13 not yet served water and that are located in the service area of a
14 municipal provider.

15 2. The projected groundwater use is consistent with the management
16 plan and achievement of the management goal for the active management
17 area.

18 3. The financial capability has been demonstrated to construct the
19 water facilities necessary to make the supply of water available for the
20 proposed use, including a delivery system and any storage facilities or
21 treatment works. The director may accept evidence of the construction
22 assurances required by section 9-463.01, 11-822 or 32-2181 to satisfy this
23 requirement.

24 Sec. 4. Section 48-3701, Arizona Revised Statutes, is amended to
25 read:

26 48-3701. Definitions

27 In this chapter, unless the context otherwise requires:

28 1. "Active management area" means an active management area
29 established under title 45, chapter 2, article 2.

30 2. "Board" means the board of directors of a multi-county water
31 conservation district.

32 3. "Contract replenishment obligation" means an amount of
33 groundwater that the district contracts to replenish in a year on behalf
34 of a municipal provider pursuant to a contract authorized under section
35 48-3772, subsection B, paragraph 9.

36 4. "Credits" means any groundwater in addition to the amount of
37 groundwater that may be used at a member land or delivered within a member
38 service area for use within the member service area pursuant to the
39 applicable assured water supply rules adopted by the department of water
40 resources.

41 5. "Declaration" means an instrument recorded against real property
42 and conforming to the requirements prescribed by section 48-3774,
43 subsection A, paragraph 5.

44 6. "District" means a multi-county water conservation district
45 organized under the authority of this chapter.

1 7. "Excess groundwater" means an amount of groundwater equal to
2 that amount of groundwater delivered to a member land in a calendar year
3 or delivered within a member service area by the municipal provider for
4 that member service area in a calendar year in excess of the amount of
5 groundwater that may be used at the member land in that calendar year or
6 that may be delivered by the municipal provider for use within the member
7 service area in that calendar year and consistent with the applicable
8 assured water supply rules adopted by the department of water resources
9 for the active management area where the member land or the member service
10 area is located.

11 8. "Excess groundwater increment" means the amount by which excess
12 groundwater reported for a member service area under section 48-3775,
13 subsection B in any year exceeds the maximum amount of excess groundwater
14 reported for that member service area in any prior year.

15 9. "Groundwater replenishment obligation" means, for each active
16 management area in which member lands or member service areas are or may
17 be located, the total of the cumulative parcel replenishment obligation of
18 all parcels of member land in that active management area for a particular
19 calendar year plus the cumulative service area replenishment obligation of
20 all member service areas in that active management area for a particular
21 calendar year.

22 10. "Member land" means any real property that meets the
23 requirements of section 48-3774.

24 11. "Member service area" means the service area of a municipal
25 provider that qualifies as a member service area under section 48-3780,
26 including any additions to or extensions of the service area.

27 12. "Multi-county water conservation district" means a district
28 composed of three or more counties that have joined together for the
29 creation of a district.

30 13. "Municipal provider" means a city, town or private water
31 company or an irrigation district that supplies water for non-irrigation
32 use.

33 14. "Parcel of member land" means any portion of member land for
34 which the tax assessor for the county in which the member land is located
35 has issued a separate county parcel number.

36 15. "Parcel replenishment obligation" means, with respect to any
37 particular parcel of member land, an amount of groundwater that is equal
38 to the amount of groundwater delivered to the parcel of member land in a
39 calendar year multiplied by the percentage that the excess groundwater of
40 the applicable member land for that year bears to the total amount of
41 groundwater delivered to the applicable member land during that year.

42 16. "Population" means the population determined in the most recent
43 United States decennial census.

44 17. "Private water company" has the same meaning prescribed in
45 section 45-402.

1 18. "Projected replenishment obligation" means for each active
2 management area, the district's total projected annual groundwater
3 replenishment obligation for each of the one hundred years following
4 submission of the district plan of operation.

5 19. "Replenish" means to increase the amount of groundwater in an
6 aquifer through water storage pursuant to title 45, chapter 3.1 for the
7 purpose of meeting the obligations of article 4 of this chapter.

8 20. "Reserve target" means the volume calculated for each active
9 management area as prescribed by section 48-3772, subsection E.

10 21. "RESIDENTIAL LEASE COMMUNITY" HAS THE SAME MEANING PRESCRIBED
11 IN SECTION 9-470.02 OR 11-325, AS APPLICABLE.

12 ~~21.~~ 22. "Resolution" means a resolution adopted by the governing
13 body of a city or town, by the board of directors of a private water
14 company that is a corporation, by the general partners of a private water
15 company that is a partnership or by the individual owners of a private
16 water company that is individually owned.

17 ~~22.~~ 23. "Secretary" means the secretary of the interior of the
18 United States of America.

19 ~~23.~~ 24. "Service area" has the same meaning prescribed in section
20 45-402.

21 ~~24.~~ 25. "Service area replenishment obligation" means, with
22 respect to any particular member service area, the excess groundwater of
23 that member service area in a particular calendar year reduced by the
24 replenishment credits, if any, applied by the municipal provider with
25 respect to the member service area under section 48-3772, subsection H.

26 ~~25.~~ 26. "Water storage" has the same meaning prescribed in section
27 45-802.01.

28 Sec. 5. Section 48-3772, Arizona Revised Statutes, is amended to
29 read:

30 48-3772. Duties and powers of district regarding
31 replenishment

32 A. The district shall:

33 1. Establish annually the costs and expenses to replenish
34 groundwater pursuant to this article with respect to all parcels of member
35 lands and all member service areas located in each active management area,
36 including capital expenses, debt service expenses, the operation,
37 maintenance, replacement and administrative costs and expenses of the
38 district, replenishment reserve costs and expenses as provided in
39 subsection E of this section and reasonable reserves. Separate
40 calculations of costs and expenses shall be made for each active
41 management area in which member lands or member service areas are located
42 and for each membership category. Costs and expenses attributed by the
43 district to contract replenishment obligations shall not be included in
44 these calculations.

1 2. Provide for the payment of all costs and expenses to replenish
2 groundwater pursuant to this chapter and the payment of operation,
3 maintenance, replacement and administrative costs and expenses and debt
4 service expenses of the district.

5 3. Levy an annual replenishment assessment against each parcel of
6 member land pursuant to section 48-3778 and an annual replenishment tax
7 against each municipal provider that has a member service area pursuant to
8 section 48-3781 to pay the district's costs and expenses as established
9 pursuant to paragraph 1 of this subsection.

10 4. Levy a contract replenishment tax against municipal providers
11 that are parties to contracts authorized under subsection B, paragraph 9
12 of this section to pay the district's costs and expenses to replenish
13 groundwater based on contract replenishment obligations.

14 5. Establish and maintain reserve accounts in amounts as may be
15 deemed necessary to perform the district's obligations under this article.

16 6. Fulfill all obligations under resolutions adopted pursuant to
17 subsection B, paragraph 10 of this section.

18 7. Levy an activation fee as follows:

19 (a) For subdivisions within member lands and member service areas
20 that are enrolled before May 6, 2004 and that had not been issued a public
21 report before August 12, 2005, the district shall levy a onetime
22 activation fee against each housing unit to be constructed within the
23 subdivision.

24 (b) For subdivisions within member lands and member service areas
25 that are enrolled on or after May 6, 2004, the district shall levy a
26 onetime activation fee against each housing unit to be constructed within
27 the subdivision.

28 (c) FOR RESIDENTIAL LEASE COMMUNITIES WITHIN MEMBER LANDS AND
29 MEMBER SERVICES AREAS THAT ARE ENROLLED ON OR AFTER JANUARY 1 2027, THE
30 DISTRICT SHALL LEVY A ONETIME ACTIVATION FEE AGAINST EACH DETACHED
31 RESIDENTIAL DWELLING UNIT TO BE CONSTRUCTED WITHIN THE RESIDENTIAL LEASE
32 COMMUNITY.

33 ~~(c)~~ (d) The activation fee shall be paid to the district according
34 to ~~either~~ ONE of the following schedules, whichever the subdivider elects:

35 (i) Paid in full before issuance of a public report for each real
36 estate subdivision identified in subdivision (a) or (b) of this paragraph.

37 (ii) One-half paid before issuance of a public report for each real
38 estate subdivision identified in subdivision (a) or (b) of this paragraph
39 and the remaining amount paid no later than one year after the issuance of
40 the public report. The total amount of the activation fee must be the
41 amount of the activation fee in effect at the time of the initial payment.
42 Payment of the initial one-half of the activation fee pursuant to this
43 item constitutes sufficient payment of applicable fees for notice of
44 intent to subdivide as prescribed in section 32-2181, subsection C and for
45 issuance of a public report as prescribed in section 32-2183, subsection G

1 and section 45-576, subsection C, except that on failure to pay the
2 remaining amount, the commissioner shall suspend the public report for
3 that subdivision pursuant to section 32-2183.

4 (iii) PAID IN FULL FOR A RESIDENTIAL LEASE COMMUNITY AT THE TIME OF
5 ENROLLMENT TO SHOW COMPLIANCE WITH SECTION 9-470.02 OR 11-325, AS
6 APPLICABLE.

7 ~~(d)~~ (e) The activation fee shall be established annually by the
8 district. The amount of the activation fee to be paid to the district
9 under subdivision ~~(c)~~ (d) of this paragraph must be the amount of the
10 activation fee in effect at the time of payment. Revenues from the
11 activation fee together with revenues from other sources that are legally
12 available to the district for those uses shall be used by the district to
13 acquire, lease or exchange water or water rights and develop
14 infrastructure necessary for the district to perform its replenishment
15 obligations.

16 8. For any year, set all of its rates and charges associated with
17 the acquisition, lease or exchange of water or water rights and
18 development of infrastructure necessary for the district to perform its
19 replenishment obligations, other than the annual membership dues
20 established pursuant to section 48-3779, so that the total projected
21 revenues from revenue sources other than the annual membership dues, that
22 are legally available to the district in that year to pay costs associated
23 with the acquisition, lease or exchange of water or water rights and
24 development of infrastructure necessary for the district to perform its
25 replenishment obligations, shall be at least three times the total
26 projected revenues from the annual membership dues in that year. For the
27 purposes of this paragraph, costs associated with the acquisition, lease
28 or exchange of water or water rights do not include the annual costs
29 associated with delivery of water for replenishment purposes.

30 B. The district may:

31 1. Acquire, develop, construct, operate, maintain, replace and
32 acquire permits for water storage, storage facilities and recovery wells
33 for replenishment purposes.

34 2. Acquire, transport, hold, exchange, own, lease, store or
35 replenish water, except groundwater withdrawn from an active management
36 area, subject to the provisions of title 45, for the benefit of member
37 lands and member service areas.

38 3. Acquire, hold, exchange, own, lease, retire or dispose of water
39 rights for the benefit of member lands and member service areas.

40 4. Require municipal providers to provide such information, in such
41 form and within the time limits prescribed by the district, as may be
42 necessary to carry out the purpose of this chapter.

43 5. Levy and collect assessments, fees, charges, taxes and other
44 revenues as are provided in this chapter for the financing of
45 replenishment activities.

1 6. Contract for or perform feasibility studies of water storage,
2 storage facilities and recovery wells for replenishment purposes.

3 7. Acquire real and personal property for water storage, storage
4 facilities and recovery wells for replenishment purposes by purchase,
5 lease, donation, dedication, exchange or other lawful means.

6 8. Use any facilities and any excess storage capacity of any state
7 demonstration projects undertaken pursuant to title 45, chapter 3.1 for
8 water storage for replenishment purposes.

9 9. Subject to subsection G of this section, contract with any
10 municipal provider having a member service area to replenish groundwater
11 on behalf of the municipal provider and with respect to the member service
12 area in an amount in excess of the sum of the service area replenishment
13 obligations applicable to the member service area for all years in which
14 the district has not completed the replenishment of the groundwater
15 replenishment obligation for the member service area.

16 10. Adopt resolutions granting water availability status to a
17 member service area of a city, town or private water company and
18 committing to replenish a specified average annual volume of water in a
19 location where the city, town or private water company may physically
20 access the water for service to its customers, if all of the following
21 apply:

22 (a) The district has reviewed its requirements for transportation
23 of central Arizona project water, its contracts, subcontracts, letter
24 agreements, excess water contracts and other contractual obligations and
25 its member service area and member land requirements and has determined
26 that the district can meet those obligations and that capacity remains in
27 the central Arizona project to meet the obligations undertaken through the
28 resolution.

29 (b) The resolution acknowledges that the commitment to replenish
30 the specified average annual volume of water in the location cited in the
31 resolution shall be a permanent obligation of the district, unless one of
32 the following applies:

33 (i) A permanent substitute supply of water is found for the city,
34 town or private water company and the substitution is approved by the
35 director of water resources, thus terminating the water availability
36 status of the member service area.

37 (ii) The requirements of section 45-576.07, subsection A are not
38 met, and thus the director of water resources does not issue an order
39 granting or maintaining the city, town or private water company as having
40 an assured water supply based in whole or in part on section 45-576.07.
41 If no order is issued within two years of the district adopting the
42 resolution, the resolution may be repealed, and the district shall be
43 relieved of all obligations under the resolution.

1 (c) The average annual volume of water specified in the resolution,
2 when added to the average annual volume of water specified in all other
3 resolutions adopted pursuant to this paragraph, does not exceed twenty
4 thousand acre-feet.

5 (d) The district has entered into an agreement with the city, town
6 or private water company under which the city, town or private water
7 company will hold for the district's future use, and provide to the
8 district when needed, sufficient water to meet the obligations undertaken
9 by the district through the resolution.

10 (e) The district determines that the obligations undertaken by the
11 district through the resolution will not increase annual replenishment
12 assessment rates or costs to central Arizona project contract and
13 subcontract holders and its member service areas and member lands.

14 (f) The director of water resources has found, pursuant to section
15 45-576.07, subsection H, that the district has the capability to grant
16 water availability status to member service areas.

17 11. Provide in resolutions adopted pursuant to paragraph 10 of this
18 subsection that the district may fulfill its obligations under the
19 resolution in any year by directly delivering to the city, town or private
20 water company the water that otherwise would have been replenished
21 pursuant to the resolution, if all of the following apply:

22 (a) The district has reviewed its requirements for transportation
23 of central Arizona project water, its contracts, subcontracts, letter
24 agreements, excess water contracts and other contractual obligations and
25 its member service area and member land requirements and has determined
26 that the district can meet those obligations and that capacity remains in
27 the central Arizona project to make direct deliveries pursuant to this
28 paragraph.

29 (b) The district determines that the delivery will not increase
30 annual replenishment assessment rates or costs to central Arizona project
31 contract and subcontract holders, its member service area and member
32 lands.

33 12. Enter into agreements with a city, town or private water
34 company that will have water made available to it through a resolution
35 adopted pursuant to paragraph 10 of this subsection and under which the
36 city, town or private water company compensates the district for the costs
37 and fair value of the water supply provided by the district.

38 13. Issue revenue bonds pursuant to article 3 of this chapter to
39 fund the costs and expenses of the district for the acquisition, lease or
40 exchange of water or water rights and the development of infrastructure
41 necessary for the district to perform its replenishment obligations
42 subject to the following:

43 (a) The principal of, interest and premiums, if any, on revenue
44 bonds issued pursuant to article 3 of this chapter to acquire, lease or
45 exchange water or water rights and develop infrastructure necessary for

1 the district to perform its replenishment obligations are not payable from
2 any revenues of the district other than revenues generated or collected
3 pursuant to this article that are legally available to the district for
4 those purposes and revenues from the investment of the proceeds of the
5 bonds.

6 (b) The district may not use the proceeds of the bonds to acquire
7 or lease:

8 (i) Groundwater, as defined in section 45-101, except as expressly
9 authorized in sections 45-547, 45-553 and 45-554.

10 (ii) Surface water, as defined in section 45-101, that is the
11 subject of a general adjudication pursuant to title 45, chapter 1,
12 article 9.

13 (c) Subdivision (b) of this paragraph does not prohibit the
14 district from acquiring or leasing central Arizona project water.

15 14. Except as provided in section 48-3780.01, subsection B, in
16 addition to any other assessments, fees, charges or taxes levied and
17 collected under this chapter, or under any declaration, contract or
18 agreement entered into under this chapter, charge annual dues for
19 membership pursuant to section 48-3779 against each parcel of member land
20 and each municipal provider that has a member service area.

21 C. The functions of the district under subsection B, paragraph 1 of
22 this section may be performed on behalf of the district by other persons
23 under contract with the district.

24 D. The capital costs of the facilities of any state demonstration
25 projects used by the district pursuant to subsection B, paragraph 8 of
26 this section shall not be included in the capital costs and expenses
27 established by the district under subsection A, paragraph 1 of this
28 section.

29 E. The district shall establish and maintain a replenishment
30 reserve of long-term storage credits as follows:

31 1. The district shall calculate a reserve target for each of the
32 three active management areas within the district and shall identify the
33 reserve target in the plan of operation prepared pursuant to section
34 45-576.02. The reserve target for each active management area shall be
35 calculated as follows:

36 (a) For each active management area, add together the projected
37 replenishment obligation for each of the twenty years following submission
38 of the plan of operation. For the purposes of this subdivision, each
39 active management area's projected replenishment obligation does not
40 include replenishment obligations under resolutions adopted pursuant to
41 subsection B, paragraph 10 of this section or replenishment obligations
42 for category 2 member lands.

43 (b) Divide each sum from subdivision (a) of this paragraph by
44 twenty to determine the twenty-year average annual projected replenishment
45 obligations for each active management area and multiply by five. Each

1 product is the reserve target for the applicable active management area.
2 If the replenishment reserve account balance in any active management area
3 exceeds the reserve target as of September 26, 2025, the excess shall
4 remain in the account.

5 2. The reserve target for an active management area may be adjusted
6 by the district, subject to the approval of the director of water
7 resources, based on changes in either of the following:

8 (a) The active management area's projected replenishment
9 obligation.

10 (b) The volumes of water identified in the plan of operation
11 prepared pursuant to section 45-576.02 as water that the district plans to
12 use to meet its replenishment obligations for that active management area.

13 3. The district shall include a replenishment reserve charge in the
14 annual replenishment assessment levied against all parcels of category 1
15 member land as provided in section 48-3774.01 and in the annual
16 replenishment tax levied against all municipal providers that have member
17 service areas as provided in section 48-3780.01. The replenishment
18 reserve charge for each active management area is established annually by
19 the district based on the reserve target for that active management area.

20 4. The district shall levy a replenishment reserve fee against
21 category 1 member lands pursuant to section 48-3774.01 and against member
22 service areas pursuant to section 48-3780.01. For category 1 member lands
23 the fee is equal to twice the applicable replenishment reserve charge
24 multiplied by the total projected average annual replenishment obligation
25 for the member lands as reported by the director of water resources
26 pursuant to section 45-578, subsection F. For member service areas the
27 fee is equal to twice the applicable replenishment reserve charge
28 multiplied by the excess groundwater increment. With the approval of the
29 district and the director of water resources, long-term storage credits as
30 defined in section 45-802.01 may be assigned to the district's
31 replenishment reserve subaccount in lieu of paying the replenishment
32 reserve fee.

33 5. The district shall use replenishment reserve charges and
34 replenishment reserve fees collected within each active management area
35 together with all interest earned on the charges and fees to store water
36 in that active management area in advance of groundwater replenishment
37 obligations for the purpose of developing long-term storage credits as
38 defined in section 45-802.01 that shall be credited to the replenishment
39 reserve subaccount for that active management area as provided in section
40 45-859.01.

41 6. Beginning on January 1, 2030 or earlier, on approval of the
42 director of water resources pursuant to section 45-859.01, subsection K,
43 the district may transfer credits from a replenishment reserve subaccount
44 to a conservation district account as provided in section 45-859.01 to
45 satisfy its groundwater replenishment obligations.

1 7. If the district transfers credits from the replenishment reserve
2 subaccount for an active management area pursuant to section 45-859.01,
3 subsection E, the district shall include in the annual replenishment
4 assessment levied against all parcels of category 1 member land in that
5 active management area and, except as provided in section 48-3780.01,
6 subsection B, in the annual replenishment tax levied against all municipal
7 providers that have member service areas in that active management area a
8 reserve replacement component to fund the replacement of the transferred
9 credits. The district shall use all monies from the reserve replacement
10 component collected within an active management area together with all
11 interest earned on the monies to develop long-term storage credits as
12 defined in section 45-802.01 within that active management area to be
13 credited to the replenishment reserve subaccount for that active
14 management area as provided in section 45-859.01.

15 8. For the purposes of establishing and maintaining the
16 replenishment reserve, the district shall have access to excess central
17 Arizona project water equivalent to but not more than the access the
18 Arizona water banking authority has for the purposes specified in section
19 45-2401, subsection H, paragraph 2.

20 F. Groundwater replenished by the district pursuant to a contract
21 to replenish groundwater under subsection B, paragraph 9 of this section
22 shall not be credited to a replenishment reserve subaccount established
23 under section 45-859.01.

24 G. The district shall not enter into a contract authorized under
25 subsection B, paragraph 9 of this section unless the district has
26 determined that the contract will not adversely affect the district's
27 ability to fulfill its obligations under this chapter. For each contract
28 entered into under subsection B, paragraph 9 of this section, the district
29 shall perform its contract replenishment obligations in the active
30 management area in which the service area of the municipal provider that
31 is the party to the contract is located.

32 H. If the district replenishes groundwater on behalf of a municipal
33 provider pursuant to a contract to replenish groundwater under subsection
34 B, paragraph 9 of this section, the amount of groundwater so replenished
35 shall be a replenishment credit to the municipal provider that may be
36 applied by the municipal provider on notice to the district to reduce the
37 service area replenishment obligations applicable to the municipal
38 provider.

39 I. In the Phoenix active management area, the district, to the
40 extent reasonably feasible, shall replenish groundwater in the east
41 portion of the active management area and in the west portion of the
42 active management area in the approximate proportion that the groundwater
43 replenishment obligation attributable in a particular year to member lands
44 and member service areas located in the east portion of the active
45 management area bears to the groundwater replenishment obligation

1 attributable in that year to member lands and member service areas located
2 in the west portion of the active management area. For the purposes of
3 this subsection, the boundary between the east Salt river valley subbasin
4 and the west Salt river valley subbasin is the boundary between the east
5 and west portions of the active management area.

6 J. The costs and expenses charged by the district to an active
7 management area water district established under chapter 28 of this title
8 for delivery of surplus central Arizona project water to such active
9 management area water district for replenishment purposes shall not exceed
10 the costs and expenses for delivery of such water that are or would be
11 included by the district in the costs and expenses of replenishment for
12 member lands and member service areas within the active management area in
13 which such active management area water district is situated.

14 Sec. 6. Section 48-3774, Arizona Revised Statutes, is amended to
15 read:

16 48-3774. Qualification as member land

17 A. Real property qualifies as member land only if all of the
18 following apply:

19 1. The real property is located in an active management area in
20 which a part of the central Arizona project aqueduct is located.

21 2. The real property is not in a member service area or in a
22 groundwater replenishment district under chapter 27 of this title.

23 3. The real property is not a water district member land or a
24 parcel of water district member land, or in a water district member
25 service area established under chapter 28 of this title.

26 4. The conditions stated in section 45-576.01, subsection B,
27 paragraphs 2 and 3 are satisfied with respect to the district at the time
28 of the qualification.

29 5. The owner of the real property, or other person or entity, such
30 as a property owners' or homeowners' association, if the person or entity
31 has proper authority, records a declaration that has been approved by the
32 district against the real property in the official records of the county
33 where the real property is located that:

34 (a) Contains the legal description of the real property.

35 (b) Declares the intent of the owner that the real property qualify
36 as member land under this chapter.

37 (c) Declares that, in order to ~~permit~~ ALLOW the delivery of excess
38 groundwater to the real property, each parcel of member land thereafter
39 established at the real property is subject to a parcel replenishment
40 obligation and to a replenishment assessment to be determined by the
41 district.

42 (d) Declares that qualifying as member land and subjecting the real
43 property to the parcel replenishment obligation and the replenishment
44 assessment directly benefits the real property by increasing the potential
45 of the property to qualify for a certificate of assured water supply

1 issued by the department of water resources pursuant to title 45, chapter
2 2, article 9, thereby allowing the development, use and enjoyment of the
3 real property.

4 (e) Contains a covenant that is binding against the real property
5 and each parcel of member land thereafter established at the real property
6 to pay to the district a replenishment assessment based on the parcel
7 replenishment obligation in an amount determined by the district pursuant
8 to section 48-3772, subsection A.

9 (f) Declares that the district may impose a lien on the real
10 property and each parcel of member land thereafter established at the real
11 property to secure payment of the replenishment assessment and any
12 applicable replenishment reserve fee.

13 (g) Declares that the covenants, conditions and restrictions
14 contained in the declaration run with the land and bind all successors and
15 assigns of the owner.

16 B. The declaration may contain covenants, conditions and
17 restrictions in addition to those prescribed by this section. The
18 declaration may be an amendment or supplement to covenants, conditions and
19 restrictions recorded against developed or undeveloped land.

20 C. Notwithstanding subsection A of this section, no real property
21 qualifies as member land unless the municipal provider that will provide
22 water to the real property that is subject to the declaration records in
23 the official records of the county where the real property is located an
24 agreement between the district and the municipal provider that contains
25 both of the following:

26 1. The legal description of the real property and the tax parcel
27 numbers for the real property.

28 2. An agreement by the municipal provider to submit to the district
29 by March 31 of each year after the recordation of the instrument the
30 information prescribed by section 48-3775, subsection A and such other
31 information as the district may reasonably request.

32 D. Real property previously accepted as member land pursuant to
33 subsection A of this section terminates its member land status only if all
34 of the following apply:

35 1. No lot or parcel of ~~subdivided~~ land within the real property has
36 been sold or leased to a retail purchaser or lessee.

37 2. The state real estate commissioner has not issued a public
38 report for the real property.

39 3. If lot or parcel boundaries were previously recorded for the
40 real property, the planning agency having planning authority over the real
41 property has approved a plat vacating the lot or parcel boundaries that
42 were previously recorded for the real property.

43 4. The owner or owners of the real property or other person or
44 entity, such as a property owners' or homeowners' association, if the
45 person or entity has proper authority, records a declaration that has been

1 executed by the district and the director of water resources against the
2 real property in the official records of the county where the real
3 property is located AND that:

4 (a) Contains the legal description of the real property that is
5 substantially similar to the legal description of the real property
6 included in the declaration recorded pursuant to subsection A, paragraph 5
7 of this section.

8 (b) Declares that the covenants, conditions and restrictions
9 previously recorded pursuant to subsection A, paragraph 5 of this section
10 are revoked.

11 5. The agreement recorded pursuant to subsection C of this section
12 has been revoked by mutual agreement of the parties to that agreement and
13 the municipal provider has recorded notice of the revocation in the
14 official records of the county where the real property is located.

15 6. If the department of water resources has issued a certificate of
16 assured water supply for the real property, the director of water
17 resources has revoked the certificate pursuant to a written agreement for
18 revocation entered into between the holder of the certificate and the
19 director.

20 E. For the purposes of subsection D of this section, ~~a~~ "retail
21 purchaser or lessee" means EITHER OF THE FOLLOWING:

22 1. A purchaser or lessee of a lot or parcel of subdivided lands
23 that is entitled to receive a public report from the seller or lessor
24 pursuant to section 32-2183, subsection I.

25 2. A LESSEE OF A RESIDENTIAL LEASE COMMUNITY.

26 Sec. 7. Section 48-3774.01, Arizona Revised Statutes, is amended to
27 read:

28 48-3774.01. Category 1 member lands; category 2 member lands;
29 fees

30 A. Except as provided in subsection B of this section, all real
31 property that qualifies under section 48-3774 shall be category 1 member
32 land. The district shall levy annual replenishment reserve charges and
33 ~~one-time~~ ONETIME replenishment reserve fees for category 1 member lands as
34 provided in section 48-3772, subsection E and as follows:

35 1. For category 1 member lands that qualified before January 1,
36 2004, the district shall levy annual replenishment reserve charges for
37 twenty-five years beginning in 2004.

38 2. For category 1 member land that qualifies on or after January 1,
39 2004, a replenishment reserve fee shall be paid before issuance of a
40 public report for each final plat within the member land as provided in
41 section 45-576, subsection C OR PAID IN FULL AS PROVIDED IN SECTION
42 45-576, SUBSECTION N and the district shall levy annual replenishment
43 reserve charges against the land included within the final plat for
44 twenty-three years beginning in the year after payment of the
45 corresponding replenishment reserve fee.

1 B. A parcel of member land shall be a category 2 member land if all
2 of the following apply:

3 1. The parcel of member land is or will be used as a golf course.

4 2. The parcel of member land is not served by a water provider that
5 has been designated by the director of water resources as having an
6 assured water supply pursuant to section 45-576.

7 3. The owner of the parcel notifies the district in writing at the
8 time of qualification that the parcel is to be category 2 member land.
9 For member land that qualified under section 48-3774 before January 1,
10 2004, ~~such~~ THE notification must be made ~~no~~ NOT later than January 30,
11 2004.

12 C. The district shall not levy replenishment reserve fees,
13 replenishment reserve charges or a reserve replacement component against
14 category 2 member lands.

15 D. The district shall not use credits from a replenishment reserve
16 subaccount established under section 45-859.01 to satisfy its groundwater
17 replenishment obligations for category 2 member lands. If as a result the
18 district incurs additional costs and expenses in meeting its replenishment
19 obligations for category 2 member lands, those additional costs and
20 expenses are attributed solely to category 2 member lands for THE purposes
21 of section 48-3772, subsection A, paragraph 1.

22 Sec. 8. Section 48-3779, Arizona Revised Statutes, is amended to
23 read:

24 48-3779. Annual membership dues

25 A. On or before the third Monday of August of each year, the
26 district may charge annual membership dues on all parcels of member lands,
27 ON EACH DWELLING UNIT WITHIN A RESIDENTIAL LEASE COMMUNITY and on all
28 municipal providers having a member service area.

29 B. The annual membership dues shall be established annually by the
30 district. The district shall use revenues from the annual membership
31 dues, together with revenues from other revenue sources that are legally
32 available to the district for those uses, solely to pay costs associated
33 with the acquisition, lease or exchange of water or water rights and
34 development of infrastructure necessary for the district to perform its
35 replenishment obligations, including the payment of debt service expenses,
36 and necessary reserves and coverage requirements, on bonds issued for
37 replenishment purposes.

38 C. For any year in which the district has, or expects to have, any
39 revenue bonds outstanding that were issued for replenishment purposes
40 pursuant to section 48-3772, subsection B, paragraph 13, the annual
41 membership dues shall be established in an amount determined by the
42 district to be sufficient to provide, with other revenues legally
43 available to the district for those purposes, and taking into account the
44 requirements of section 48-3772, subsection A, paragraph 8, for the

1 payment of all debt service expenses, including necessary reserves and
2 coverage requirements with respect to the bonds.

3 D. When the district has determined the amount of revenues to be
4 raised through the annual membership dues, the district shall allocate the
5 amount to be raised between member lands and member service areas prorated
6 on the basis of the following two volumes:

7 1. For member lands, the projected groundwater use per lot
8 multiplied by the total number of residential, commercial and common area
9 lots that are included, or intended to be included, in each parcel of
10 member land.

11 2. Total planned annual service area replenishment obligations for
12 all member service areas. The planned annual service area replenishment
13 obligation for a member service area is the lesser of:

14 (a) The annual service area replenishment obligation, as determined
15 by the district, associated with the current and committed water demands
16 projected within the member service area as of December 31 of the year
17 following the year in which the district is required to submit its next
18 plan under section 45-576.02, subsection C.

19 (b) The maximum amount of excess groundwater that may be reported
20 to the district as delivered by the municipal provider within the member
21 service area in any year as established in an agreement executed between
22 the municipal provider and the district.

23 E. The total amount allocated to member lands in any year, as
24 calculated pursuant to subsection D of this section, shall be prorated
25 among all parcels of member land, AND ALL DWELLINGS WITHIN A RESIDENTIAL
26 LEASE COMMUNITY based on a uniform fee ~~per lot~~ levied against the total
27 number of residential, commercial and common area lots AND ALL DWELLINGS
28 WITHIN A RESIDENTIAL LEASE COMMUNITY included, or intended to be included,
29 in each parcel of member land as determined in subsection D of this
30 section. These dues are a lien on each parcel of member land and shall be
31 certified, collected and enforced with respect to member land in the same
32 manner as the annual assessment pursuant to section 48-3778, except that
33 any parcel of member land that is included in the service area of a
34 municipal provider that has been designated as having an assured water
35 supply under section 45-576 is not subject to the annual membership dues.

36 F. The total amount allocated to member service areas in any year,
37 as calculated pursuant to subsection D of this section, shall be prorated
38 among all member service areas based on a uniform fee per acre-foot levied
39 against the member service area's dues volume. The dues volume for a
40 member service area is the greater of:

41 1. The planned annual service area replenishment obligation as
42 established pursuant to subsection D, paragraph 2 of this section for the
43 member service area.

1 2. Five percent of the service area's annual estimated water demand
2 to be satisfied with excess groundwater as identified in the service
3 area's most recent designation order issued by the director of water
4 resources. If the service area's most recent designation order issued by
5 the director of water resources does not identify the annual estimated
6 water demand to be satisfied with excess groundwater, the service area's
7 annual estimated water demand to be satisfied with excess groundwater
8 shall be calculated consistent with the rules adopted by the director
9 pursuant to section 45-576, subsection H.

10 G. Except in the first full year following the year in which the
11 director makes a determination that the district's most recent plan of
12 operation is consistent with achieving the management goals of the active
13 management areas pursuant to section 45-576.03, subsection M, for any year
14 in which the dues volume for a member service area, as determined pursuant
15 to subsection F of this section, exceeds the previous year's dues volume
16 for the member service area, a makeup charge shall be added to the annual
17 membership dues allocated under subsection F of this section to the member
18 service area. The makeup charge shall become part of the member service
19 area's annual membership dues for that year and is the sum of:

20 1. The difference between the current year's dues volume and the
21 previous year's dues volume, in acre-feet, multiplied by the sum of the
22 uniform fees per acre-foot established pursuant to subsection F of this
23 section for each year since the later of:

24 (a) The first full year following the year of the director's
25 determination that the district's most recent plan of operation is
26 consistent with achieving the management goals of the active management
27 areas pursuant to section 45-576.03, subsection M.

28 (b) The year in which the service area qualified as a member
29 service area pursuant to section 48-3780.

30 2. Interest on the amount established in paragraph 1 of this
31 subsection calculated at an interest rate determined by the district.

32 3. The amounts established in paragraphs 1 and 2 of this subsection
33 multiplied by ten percent.

34 H. The annual membership dues become an obligation of each
35 municipal provider that has a member service area and shall be stated,
36 collected and enforced with respect to the municipal provider in the same
37 manner as the annual replenishment tax pursuant to sections 48-3781 and
38 48-3782.

39 I. Annual membership dues collected by the district shall be
40 deposited in a special fund established by the state to be spent by the
41 district only for the purposes authorized by this article, including:

42 1. The payment of debt service expenses and funding reserves for
43 bonds issued for replenishment purposes.

1 2. The payment of the costs of acquiring, leasing or exchanging
2 water or water rights and development of infrastructure necessary for the
3 district to perform its replenishment obligations.

4 J. Amounts collected may be transferred to a bank or trust company
5 to be held in trust and spent with respect to bonds issued for
6 replenishment purposes.