

State of Arizona  
House of Representatives  
Forty-eighth Legislature  
First Regular Session  
2007

# HOUSE BILL 2692

## AN ACT

AMENDING SECTIONS 41-3014.06, 49-1201, 49-1202, 49-1203, 49-1261, 49-1263, 49-1264, 49-1265 AND 49-1267, ARIZONA REVISED STATUTES; CHANGING THE DESIGNATION OF TITLE 49, CHAPTER 8, ARTICLE 2, ARIZONA REVISED STATUTES, TO "CLEAN WATER REVOLVING FUND, DRINKING WATER REVOLVING FUND AND HARDSHIP GRANT FUND FINANCIAL PROVISIONS"; AMENDING TITLE 49, CHAPTER 8, ARIZONA REVISED STATUTES. BY ADDING ARTICLE 3; RELATING TO THE WATER INFRASTRUCTURE FINANCE PROGRAM; PROVIDING FOR CONDITIONAL ENACTMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 41-3014.06, Arizona Revised Statutes, is amended to  
3 read:

4 ~~41-3014.06.~~ Water infrastructure finance authority: termination  
5 July 1, 2014

6 A. The water infrastructure finance authority terminates on July 1,  
7 2014.

8 B. Sections 49-1201 through 49-1204, 49-1224 through 49-1226, 49-1244,  
9 49-1245, 49-1246, ~~and~~ 49-1261 through ~~49-1268~~ 49-1269 AND 49-1274 THROUGH  
10 49-1282 are repealed on January 1, 2015, if the authority:

11 1. Has no outstanding contractual obligations with the United States  
12 or any United States agency.

13 2. Has no debts, obligations or guarantees that were issued for the  
14 purposes of title 49, chapter 8.

15 3. Has otherwise provided for paying or retiring such debts or  
16 obligations.

17 C. If any debt or obligation listed in subsection B of this section  
18 exists and no satisfactory provision has been made to pay or retire the debt  
19 or obligation, the authority and statutes shall continue in existence until  
20 the debt or obligation is fully satisfied.

21 Sec. 2. Section 49-1201, Arizona Revised Statutes, is amended to read:

22 ~~49-1201.~~ Definitions

23 In this ~~article~~ CHAPTER, unless the context otherwise requires:

24 1. "Authority" means the water infrastructure finance authority of  
25 Arizona.

26 2. "Board" means the board of directors of the authority.

27 3. "Bonds of a political subdivision" means bonds issued by a  
28 political subdivision as authorized by law.

29 4. "Clean water act" means the federal water pollution control act  
30 amendments of 1972 (P.L. 92-500; 86 Stat. 816), as amended by the water  
31 quality act of 1987 (P.L. 100-4; 101 Stat. 7).

32 5. "COMMITTEE" MEANS THE WATER SUPPLY DEVELOPMENT FUND COMMITTEE  
33 ESTABLISHED BY SECTION 49-1202, SUBSECTION B.

34 ~~5-~~ 6. "Drinking water facility" means a community water system or a  
35 nonprofit noncommunity water system as defined in the safe drinking water act  
36 (P.L. 93-523; 88 Stat. 1660; P.L. 95-190; 91 Stat. 1393; P.L. 104-182; 110  
37 Stat. 1613) that is located in this state. For purposes of this article,  
38 drinking water facility does not include water systems owned by federal  
39 agencies.

40 ~~6-~~ 7. "Financial assistance loan repayment agreement" means an  
41 agreement to repay a loan provided to design, construct, acquire,  
42 rehabilitate or improve water or wastewater infrastructure, related property  
43 and appurtenances OR A LOAN PROVIDED TO FINANCE A WATER SUPPLY DEVELOPMENT  
44 PROJECT.

~~7.~~ 8. "Indian tribe" means any Indian tribe, band, group or community that is recognized by the United States secretary of the interior and that exercises governmental authority within the limits of any Indian reservation under the jurisdiction of the United States government, notwithstanding the issuance of any patent and including rights-of-way running through the reservation.

~~8.~~ 9. "Nonpoint source project" means a project designed to implement a certified water quality management plan.

~~9.~~ 10. "Political subdivision" means a county, city, town or special taxing district authorized by law to construct wastewater treatment facilities, drinking water facilities or nonpoint source projects.

~~10.~~ 11. "Safe drinking water act" means the federal safe drinking water act (P.L. 93-523; 88 Stat. 1660; P.L. 95-190; 91 Stat. 1393; P.L. 104-182; 110 Stat. 1613), as amended in 1996.

~~11.~~ 12. "Technical assistance loan repayment agreement" means EITHER OF THE FOLLOWING:

(a) An agreement to repay a loan provided to develop, plan and design water or wastewater infrastructure, related property and appurtenances. The agreement shall be for a term of not more than three years and the maximum amount that may be borrowed is limited to not more than five hundred thousand dollars.

(b) AN AGREEMENT TO REPAY A LOAN PROVIDED TO DEVELOP, PLAN OR DESIGN A WATER SUPPLY DEVELOPMENT PROJECT.

~~12.~~ 13. "Wastewater treatment facility" means a treatment works, as defined in section 212 of the clean water act, that is located in this state and that is designed to hold, cleanse or purify or to prevent the discharge of untreated or inadequately treated sewage or other polluted waters for purposes of complying with the clean water act.

14. "WATER PROVIDER" MEANS ANY OF THE FOLLOWING:

(a) A MUNICIPAL WATER DELIVERY SYSTEM AS DEFINED IN SECTION 42-5301, PARAGRAPHS 1 AND 3.

(b) A MUNICIPAL WATER DELIVERY SYSTEM AS DEFINED IN SECTION 42-5301, PARAGRAPH 2, WHICH HAS ENTERED INTO A PARTNERSHIP WITH A CITY, TOWN OR COUNTY FOR A WATER SUPPLY AUGMENTATION PLAN.

(c) A COUNTY WATER AUGMENTATION AUTHORITY ESTABLISHED UNDER TITLE 45, CHAPTER 11.

(d) A COUNTY WATER AUTHORITY ESTABLISHED UNDER TITLE 45, CHAPTER 13.

(e) AN INDIAN TRIBE.

(f) A COMMUNITY FACILITIES DISTRICT AS ESTABLISHED BY TITLE 48, CHAPTER 4.

15. "WATER SUPPLY DEVELOPMENT" MEANS EITHER OF THE FOLLOWING:

(a) THE ACQUISITION OF WATER OR RIGHTS TO OR CONTRACTS FOR WATER TO AUGMENT THE WATER SUPPLY OF A WATER PROVIDER.

(b) THE DEVELOPMENT OF FACILITIES FOR ANY OF THE FOLLOWING PURPOSES:

(i) CONVEYANCE, STORAGE OR RECOVERY OF WATER.

1 (ii) RECLAMATION AND REUSE OF WATER.

2 (iii) REPLENISHMENT OF GROUNDWATER.

3 Sec. 3. Section 49-1202, Arizona Revised Statutes, is amended to read:

4 49-1202. Water infrastructure finance authority of Arizona:  
5 board; water supply development fund committee;  
6 violation; classification

7 A. The water infrastructure finance authority of Arizona is  
8 established. A board of directors shall govern the authority. The board of  
9 directors consists of:

10 1. The director of environmental quality, or the director's  
11 representative, who serves as chairman.

12 2. The director of the department of commerce or the director's  
13 representative.

14 3. The state treasurer or the treasurer's representative.

15 4. One member WHO IS appointed by the governor to represent  
16 municipalities with populations of fifty thousand persons or more ~~according~~  
17 ~~to the most recent United States decennial census.~~

18 5. One member WHO IS appointed by the governor to represent  
19 municipalities with populations of less than fifty thousand persons from a  
20 county with a population of less than five hundred thousand persons ~~according~~  
21 ~~to the most recent United States decennial census.~~

22 6. One member WHO IS appointed by the governor to represent counties  
23 with populations of five hundred thousand persons or more ~~according to the~~  
24 ~~most recent United States decennial census.~~

25 7. One member WHO IS appointed by the governor to represent sanitary  
26 districts in counties with populations of less than five hundred thousand  
27 persons ~~according to the most recent United States decennial census.~~

28 8. The director of water resources or the director's representative.

29 9. The chairman of the Arizona corporation commission or the  
30 chairman's representative.

31 10. One member WHO IS appointed by the governor from a public water  
32 system that serves five hundred persons or more.

33 11. One member WHO IS appointed by the governor from a public water  
34 system that serves fewer than five hundred persons.

35 12. One member WHO IS appointed by the governor to represent Indian  
36 tribes.

37 B. THE WATER SUPPLY DEVELOPMENT FUND COMMITTEE OF THE AUTHORITY IS  
38 ESTABLISHED. THE COMMITTEE CONSISTS OF:

39 1. THE DIRECTOR OF WATER RESOURCES, OR THE DIRECTOR'S REPRESENTATIVE,  
40 WHO SERVES AS CHAIRPERSON OF THE COMMITTEE.

41 2. THE DIRECTOR OF ENVIRONMENTAL QUALITY, OR THE DIRECTOR'S  
42 REPRESENTATIVE, WHO SERVES AS VICE CHAIRPERSON OF THE COMMITTEE.

43 3. THE CHAIRMAN OF THE CORPORATION COMMISSION OR THE CHAIRMAN'S  
44 REPRESENTATIVE.

45 4. THE STATE TREASURER OR THE TREASURER'S REPRESENTATIVE.

1           5. ONE MEMBER WHO IS APPOINTED BY THE GOVERNOR TO REPRESENT  
2 MUNICIPALITIES WITH POPULATIONS OF FIFTY THOUSAND PERSONS OR MORE BUT LESS  
3 THAN ONE HUNDRED THOUSAND PERSONS.

4           6. ONE MEMBER WHO IS APPOINTED BY THE GOVERNOR TO REPRESENT  
5 MUNICIPALITIES WITH POPULATIONS OF LESS THAN FIFTY THOUSAND PERSONS FROM A  
6 COUNTY WITH A POPULATION OF LESS THAN FIVE HUNDRED THOUSAND PERSONS.

7           7. ONE MEMBER WHO IS APPOINTED BY THE GOVERNOR TO REPRESENT COUNTIES  
8 WITH POPULATIONS OF LESS THAN TWO HUNDRED THOUSAND PERSONS.

9           8. ONE MEMBER WHO IS APPOINTED BY THE GOVERNOR TO REPRESENT COUNTIES  
10 WITH POPULATIONS OF TWO HUNDRED THOUSAND PERSONS OR MORE BUT LESS THAN ONE  
11 MILLION PERSONS.

12           9. ONE MEMBER WHO IS APPOINTED BY THE GOVERNOR TO REPRESENT COUNTIES  
13 WITH POPULATIONS OF ONE MILLION PERSONS OR MORE.

14           10. ONE MEMBER WHO IS APPOINTED BY THE GOVERNOR TO REPRESENT CITIES  
15 WITH POPULATIONS OF MORE THAN ONE HUNDRED THOUSAND PERSONS IN COUNTIES WITH  
16 POPULATIONS OF MORE THAN ONE MILLION PERSONS.

17           11. ONE MEMBER WHO IS APPOINTED BY THE GOVERNOR FROM A PUBLIC SERVICE  
18 CORPORATION THAT SERVES ONE THOUSAND EIGHT HUNDRED FIFTY PERSONS OR MORE.

19           12. ONE MEMBER WHO IS APPOINTED BY THE GOVERNOR FROM A PUBLIC WATER  
20 SYSTEM THAT SERVES FEWER THAN ONE THOUSAND EIGHT HUNDRED FIFTY PERSONS.

21           13. ONE MEMBER WHO IS APPOINTED BY THE GOVERNOR TO REPRESENT INDIAN  
22 TRIBES.

23           ~~B.~~ C. Members OF THE BOARD AND THE COMMITTEE WHO ARE appointed by the  
24 governor serve at the governor's pleasure and serve staggered five year  
25 terms. Members of the board AND THE COMMITTEE are not eligible to receive  
26 compensation for their services but are eligible for reimbursement for travel  
27 and other expenses pursuant to title 38, chapter 4, article 2. Members of the  
28 board AND THE COMMITTEE are public officers for purposes of title 38, and the  
29 authority ~~is a~~ AND THE COMMITTEE ARE public ~~body~~ BODIES for purposes of title  
30 38, chapter 3, article 3.1.

31           ~~C.~~ D. Members of the board shall not have any direct or indirect  
32 personal financial interest in any clean water or drinking water project  
33 financed under this article. MEMBERS OF THE COMMITTEE SHALL NOT HAVE ANY  
34 DIRECT OR INDIRECT PERSONAL FINANCIAL INTEREST IN ANY WATER SUPPLY  
35 DEVELOPMENT PROJECT FINANCED UNDER THIS ARTICLE. For THE purposes of this  
36 subsection, a member of the board OR THE COMMITTEE who is a full-time  
37 employee of a participant in or applicant for a loan does not have a direct  
38 or indirect personal financial interest in a project. A violation of this  
39 subsection is a class 1 misdemeanor.

40           ~~D.~~ E. The department of environmental quality shall provide clerical  
41 support and office and meeting space to the board.

42           F. THE DEPARTMENT OF WATER RESOURCES SHALL PROVIDE TECHNICAL  
43 ASSISTANCE TO THE COMMITTEE AS REQUESTED BY THE COMMITTEE.

1           Sec. 4. Section 49-1203, Arizona Revised Statutes, is amended to read:  
2           ~~49-1203.~~ Powers and duties of authority; definition

3           A. The authority is a corporate and politic body and shall have an  
4 official seal that shall be judicially noticed. The authority may sue and be  
5 sued, contract and acquire, hold, operate and dispose of property.

6           B. The authority, through its board, may:

7           1. Issue negotiable water quality bonds pursuant to section 49-1261  
8 for the following purposes:

9           (a) To generate the state match required by the clean water act for  
10 the clean water revolving fund and to generate the match required by the safe  
11 drinking water act for the drinking water revolving fund.

12           (b) To provide financial assistance to political subdivisions, Indian  
13 tribes and eligible drinking water facilities for constructing, acquiring or  
14 improving wastewater treatment facilities, drinking water facilities,  
15 nonpoint source projects and other related water quality facilities and  
16 projects.

17           2. ISSUE WATER SUPPLY DEVELOPMENT BONDS FOR THE PURPOSE OF PROVIDING  
18 FINANCIAL ASSISTANCE TO WATER PROVIDERS FOR WATER SUPPLY DEVELOPMENT PURPOSES  
19 PURSUANT TO SECTIONS 49-1274 AND 49-1275.

20           ~~2-~~ 3. Provide financial assistance to political subdivisions and  
21 Indian tribes from monies in the clean water revolving fund to finance  
22 wastewater treatment projects.

23           ~~3-~~ 4. Provide financial assistance to drinking water facilities from  
24 monies in the drinking water revolving fund to finance these facilities.

25           5. PROVIDE FINANCIAL ASSISTANCE TO WATER PROVIDERS FROM MONIES IN THE  
26 WATER SUPPLY DEVELOPMENT REVOLVING FUND TO FINANCE WATER SUPPLY DEVELOPMENT.

27           ~~4-~~ 6. Guarantee debt obligations of, and provide linked deposit  
28 guarantees through third party lenders to:

29           (a) Political subdivisions that are issued to finance wastewater  
30 treatment projects.

31           (b) Drinking water facilities that are issued to finance these  
32 facilities.

33           (c) WATER PROVIDERS THAT ARE ISSUED TO FINANCE WATER SUPPLY  
34 DEVELOPMENT PROJECTS.

35           ~~5-~~ 7. Provide linked deposit guarantees through third party lenders  
36 to political subdivisions, ~~and~~ drinking water facilities AND WATER PROVIDERS.

37           ~~6-~~ 8. Apply for, accept and administer grants and other financial  
38 assistance from the United States government and from other public and  
39 private sources.

40           ~~7-~~ 9. Enter into capitalization grant agreements with the United  
41 States environmental protection agency.

42           ~~8-~~ 10. Adopt rules pursuant to title 41, chapter 6 governing the  
43 application for and awarding of wastewater treatment facility, drinking water  
44 facility and nonpoint source project financial assistance under this ~~article~~

1 CHAPTER, the administration of the clean water revolving fund and the  
2 drinking water revolving fund and the issuance of water quality bonds.

3 ~~9.~~ 11. Hire a director and staff for the authority.

4 ~~10.~~ 12. Contract for the services of outside advisors, attorneys,  
5 consultants and aides reasonably necessary or desirable to allow the  
6 authority to adequately perform its duties.

7 ~~11.~~ 13. Contract and incur obligations as reasonably necessary or  
8 desirable within the general scope of authority activities and operations to  
9 allow the authority to adequately perform its duties.

10 ~~12.~~ 14. Assess financial assistance origination fees and annual fees  
11 to cover the reasonable costs of administering the authority and the monies  
12 administered by the authority. Any fees collected pursuant to this paragraph  
13 constitute governmental revenue and may be used for any purpose consistent  
14 with the mission and objectives of the authority.

15 ~~13.~~ 15. Perform any function of a fund manager under the CERCLA  
16 Brownfields cleanup revolving loan fund program as requested by the  
17 department. The board shall perform any action authorized under this article  
18 on behalf of the Brownfields cleanup revolving loan fund program established  
19 pursuant to chapter 2, article 1.1 of this title at the request of the  
20 department. In order to perform these functions, the board shall enter into  
21 a written agreement with the department.

22 ~~14.~~ 16. Provide grants, staff assistance or technical assistance in  
23 the form of loan repayment agreements and other professional assistance to  
24 political subdivisions, any county with a population of less than five  
25 hundred thousand persons, Indian tribes and community water systems in  
26 connection with the development or financing of wastewater, drinking water,  
27 water reclamation or related water infrastructure. Assistance provided under  
28 a technical assistance loan repayment agreement shall be in a form and under  
29 terms determined by the authority and shall be repaid not more than three  
30 years after the date that the monies are advanced to the applicant. The  
31 provision of technical assistance by the authority does not create any  
32 liability for the authority or this state regarding the design, construction  
33 or operation of any infrastructure project.

34 17. PROVIDE GRANTS, STAFF ASSISTANCE OR TECHNICAL ASSISTANCE IN THE  
35 FORM OF LOAN REPAYMENT AGREEMENTS AND OTHER PROFESSIONAL ASSISTANCE TO WATER  
36 PROVIDERS IN CONNECTION WITH THE PLANNING OR DESIGN OF WATER SUPPLY  
37 DEVELOPMENT PROJECTS AS DETERMINED BY THE COMMITTEE PURSUANT TO SECTION  
38 49-1274. A SINGLE GRANT SHALL NOT EXCEED ONE HUNDRED THOUSAND DOLLARS.  
39 ASSISTANCE PROVIDED UNDER A TECHNICAL ASSISTANCE LOAN REPAYMENT AGREEMENT  
40 SHALL BE IN A FORM AND UNDER TERMS DETERMINED BY THE COMMITTEE AND SHALL BE  
41 REPAYED NOT MORE THAN THREE YEARS AFTER THE DATE THAT THE MONIES ARE ADVANCED  
42 TO THE APPLICANT. THE PROVISION OF TECHNICAL ASSISTANCE BY THE AUTHORITY OR  
43 THE COMMITTEE DOES NOT CREATE ANY LIABILITY FOR THE AUTHORITY, THE COMMITTEE  
44 OR THIS STATE REGARDING THE DESIGN, CONSTRUCTION OR OPERATION OF ANY WATER  
45 SUPPLY DEVELOPMENT PROJECT.

1 C. THE AUTHORITY, IN CONSULTATION WITH THE COMMITTEE, MAY:

2 1. ADOPT RULES PURSUANT TO TITLE 41, CHAPTER 6 GOVERNING THE  
3 APPLICATION FOR AND AWARDING OF WATER SUPPLY DEVELOPMENT FUND PROJECT  
4 FINANCIAL ASSISTANCE UNDER THIS CHAPTER AND THE ADMINISTRATION OF THE WATER  
5 SUPPLY DEVELOPMENT REVOLVING FUND.

6 2. APPOINT A TECHNICAL ADVISORY SUBCOMMITTEE OF NOT MORE THAN FIVE  
7 PERSONS WITH EXPERTISE IN WATER RESOURCE PLANNING AND DEVELOPMENT TO ADVISE  
8 THE COMMITTEE REGARDING THE TECHNICAL FEASIBILITY OF WATER SUPPLY DEVELOPMENT  
9 PROJECTS.

10 ~~E.~~ D. The board shall deposit, pursuant to sections 35-146 and  
11 35-147, any monies received pursuant to subsection B, paragraph ~~6~~ 8 of this  
12 section in the appropriate fund as prescribed by the grant or other financial  
13 assistance agreement.

14 ~~D.~~ E. Disbursements of monies by the water infrastructure finance  
15 authority pursuant to a financial assistance agreement are not subject to  
16 title 41, chapter 23.

17 ~~E.~~ F. For THE purposes of the safe drinking water act, the department  
18 of environmental quality is the state agency with primary responsibility for  
19 administration of this state's public water system supervision program and,  
20 in consultation with other appropriate state agencies, is the lead agency in  
21 establishing assistance priorities as prescribed by section 49-1243,  
22 subsection A, paragraph 6 and section 49-1244, subsection B, paragraph 3.

23 ~~F.~~ G. For THE purposes of this section, "CERCLA" has the same meaning  
24 prescribed in section 49-201.

25 Sec. 5. Heading change

26 The article heading of title 49, chapter 8, article 2, Arizona Revised  
27 Statutes, is changed from "FINANCIAL PROVISIONS" to "CLEAN WATER REVOLVING  
28 FUND, DRINKING WATER REVOLVING FUND AND HARDSHIP GRANT FUND FINANCIAL  
29 PROVISIONS."

30 Sec. 6. Section 49-1261, Arizona Revised Statutes, is amended to read:

31 49-1261. Water quality bonds

32 A. The authority, through the board of directors, may issue negotiable  
33 water quality bonds in a principal amount that in its opinion is necessary to  
34 provide sufficient monies for financial assistance under this ~~chapter~~  
35 ARTICLE, maintaining sufficient reserves to secure the bonds, to pay the  
36 necessary costs of issuing, selling and redeeming the bonds and to pay other  
37 expenditures of the authority incidental to and necessary and convenient to  
38 carry out the purposes of this article.

39 B. The board must authorize the bonds by resolution. The resolution  
40 shall prescribe:

- 41 1. The rate or rates of interest and the denominations of the bonds.
- 42 2. The date or dates of the bonds and maturity.
- 43 3. The coupon or registered form of the bonds.
- 44 4. The manner of executing the bonds.
- 45 5. The medium and place of payment.



1           6. The terms of redemption.

2           C. The bonds shall be sold at public or private sale at the price and  
3 on the terms determined by the board. All proceeds from the issuance of  
4 bonds shall be deposited in the appropriate accounts of the funds  
5 administered by the board.

6           D. The board shall publish a notice of its intention to issue bonds  
7 under this article for at least five consecutive days in a newspaper  
8 published in this state. The last day of publication must be at least ten  
9 days before issuing the bonds. The notice shall state the amount of the  
10 bonds to be sold and the intended date of issuance. A copy of the notice  
11 shall be hand delivered or sent, by certified mail, return receipt requested,  
12 to the director of the department of administration on or before the last day  
13 of publication.

14           E. To secure any bonds authorized by this section, the board by  
15 resolution may:

16           1. Provide that bonds issued under this section may be secured by a  
17 first lien on all or part of the monies paid into the appropriate account or  
18 subaccount of the funds administered by the authority.

19           2. Pledge or assign to or in trust for the benefit of the holder or  
20 holders of the bonds any part or appropriate account or subaccount of the  
21 monies in the funds as is necessary to pay the principal and interest of the  
22 bonds as they come due.

23           3. Set aside, regulate and dispose of reserves and sinking funds.

24           4. Provide that sufficient amounts of the proceeds from the sale of  
25 the bonds may be used to fully or partly fund any reserves or sinking funds  
26 set up by the bond resolution.

27           5. Prescribe the procedure, if any, by which the terms of any contract  
28 with bondholders may be amended or abrogated, the amount of bonds the holders  
29 of which must consent to and the manner in which consent may be given.

30           6. Provide for payment from the proceeds of the sale of the bonds of  
31 all legal and financial expenses incurred by the board in issuing, selling,  
32 delivering and paying the bonds.

33           7. Do any other matters that in any way may affect the security and  
34 protection of the bonds.

35           F. The members of the board or any person executing the bonds are not  
36 personally liable for the payment of the bonds. The bonds are valid and  
37 binding obligations notwithstanding that before the delivery of the bonds any  
38 of the persons whose signatures appear on the bonds cease to be members of  
39 the board. From and after the sale and delivery of the bonds, they are  
40 incontestable by the board.

41           G. The board, out of any available monies, may purchase bonds, which  
42 may be canceled, at a price not exceeding either of the following:

43           1. If the bonds are then redeemable, the redemption price then  
44 applicable plus accrued interest to the next interest payment date.

1           2. If the bonds are not then redeemable, the redemption price  
2 applicable on the first date after purchase on which the bonds become subject  
3 to redemption plus accrued interest to that date.

4           Sec. 7. Section 49-1263, Arizona Revised Statutes, is amended to read:

5           49-1263. Bond obligations of the authority

6           Bonds issued under this ~~chapter~~ ARTICLE are obligations of the water  
7 infrastructure finance authority of Arizona, are payable only according to  
8 their terms and are not obligations general, special or otherwise of this  
9 state. The bonds do not constitute a legal debt of this state and are not  
10 enforceable against this state. Payment of the bonds is not enforceable out  
11 of any state monies other than the income and revenue pledged and assigned  
12 to, or in trust for the benefit of, the holder or holders of the bonds.

13          Sec. 8. Section 49-1264, Arizona Revised Statutes, is amended to read:

14          49-1264. Certification of bonds by attorney general

15          The board may submit any water quality bonds issued under this ~~chapter~~  
16 ARTICLE to the attorney general after all proceedings for their authorization  
17 have been completed. On submission the attorney general shall examine and  
18 pass on the validity of the bonds and the regularity of the proceedings. If  
19 the proceedings comply with this article, and if the attorney general  
20 determines that, when delivered and paid for, the bonds will constitute  
21 binding and legal obligations of the board, the attorney general shall  
22 certify on the back of each bond, in substance, that it is issued according  
23 to the constitution and laws of this state.

24          Sec. 9. Section 49-1265, Arizona Revised Statutes, is amended to read:

25          49-1265. Water quality bonds as legal investments

26          Water quality bonds issued under this ~~chapter~~ ARTICLE are securities in  
27 which public officers and bodies of this state and of municipalities and  
28 political subdivisions of this state, all companies, associations and other  
29 persons carrying on an insurance business, all financial institutions,  
30 investment companies and other persons carrying on a banking business, all  
31 fiduciaries and all other persons who are authorized to invest in obligations  
32 of this state may properly and legally invest. The bonds are also securities  
33 that may be deposited with public officers or bodies of this state and  
34 municipalities and political subdivisions of this state for purposes that  
35 require the deposit of state bonds or obligations.

36          Sec. 10. Section 49-1267, Arizona Revised Statutes, is amended to  
37 read:

38          49-1267. Hardship grant fund

39          A. The hardship grant fund is established to be administered by the  
40 authority consisting of:

41           1. Monies received for that purpose from the United States government,  
42 including monies that are awarded to this state pursuant to title II of the  
43 clean water act and that are no longer obligated to the construction grants  
44 program.

2. Gifts, grants and other donations received for that purpose from public or private sources.

3. Monies appropriated by the legislature for the hardship grant program.

B. Monies in the fund are continuously appropriated and are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

C. The board shall administer the fund pursuant to rule and in compliance with this section and guidance from the United States government.

D. Monies in the fund may be used for the following purposes:

1. Providing hardship grants to political subdivisions or Indian tribes to plan, design, acquire, construct or improve wastewater collection and treatment facilities.

2. Providing training and technical assistance related to the operation and maintenance of wastewater systems.

E. The board shall use the monies and other assets in the fund only for the purposes authorized by this ~~chapter~~ ARTICLE.

F. The board shall establish a hardship grant program account and as many other accounts and subaccounts as required to administer the hardship grant fund.

G. All proceeds of hardship grant program monies that are received from the United States shall be deposited in the hardship grant fund and shall be used only to provide grants and technical assistance to political subdivisions or Indian tribes to plan, design, acquire, construct or improve wastewater collection and treatment facilities.

Sec. 11. Title 49, chapter 8, Arizona Revised Statutes, is amended by adding article 3, to read:

#### ARTICLE 3. WATER SUPPLY DEVELOPMENT

##### REVOLVING FUND FINANCIAL PROVISIONS

49-1271. Water supply development revolving fund: legislative intent

A. THE WATER SUPPLY DEVELOPMENT REVOLVING FUND IS ESTABLISHED TO BE MAINTAINED IN PERPETUITY CONSISTING OF:

1. MONIES RECEIVED FROM THE ISSUANCE AND SALE OF WATER SUPPLY DEVELOPMENT BONDS UNDER SECTION 49-1278.

2. MONIES APPROPRIATED BY THE LEGISLATURE TO THE WATER SUPPLY DEVELOPMENT REVOLVING FUND.

3. MONIES RECEIVED FOR WATER SUPPLY DEVELOPMENT PURPOSES FROM THE UNITED STATES GOVERNMENT.

4. MONIES RECEIVED FROM WATER PROVIDERS AS LOAN REPAYMENTS, INTEREST AND PENALTIES.

5. INTEREST AND OTHER INCOME RECEIVED FROM INVESTING MONIES IN THE FUND.

6. GIFTS, GRANTS AND DONATIONS RECEIVED FOR WATER SUPPLY DEVELOPMENT PURPOSES FROM ANY PUBLIC OR PRIVATE SOURCE.

1 B. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED AND ARE EXEMPT  
2 FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

3 C. THE LEGISLATURE FINDS THAT MANY WATER PROVIDERS IN THIS STATE,  
4 PARTICULARLY IN RURAL AREAS, LACK ACCESS TO SUFFICIENT WATER SUPPLIES TO MEET  
5 THEIR LONG-TERM WATER DEMANDS AND NEED FINANCIAL ASSISTANCE TO CONSTRUCT  
6 WATER SUPPLY PROJECTS AND OBTAIN ADDITIONAL WATER SUPPLIES. IT IS THE INTENT  
7 OF THE LEGISLATURE THAT THE WATER SUPPLY DEVELOPMENT REVOLVING FUND  
8 ESTABLISHED BY THIS SECTION BE USED TO PROVIDE FINANCIAL ASSISTANCE TO THESE  
9 WATER PROVIDERS UNDER THE TERMS SET FORTH IN THIS ARTICLE.

10 49-1272. Water supply development revolving fund;  
11 administration

12 A. THE BOARD SHALL ADMINISTER THE WATER SUPPLY DEVELOPMENT REVOLVING  
13 FUND.

14 B. ON NOTICE FROM THE BOARD, THE STATE TREASURER SHALL INVEST AND  
15 DIVEST MONIES IN THE FUND AS PROVIDED BY SECTION 35-313, AND MONIES EARNED  
16 FROM INVESTMENT SHALL BE CREDITED TO THE FUND.

17 C. MONIES AND OTHER ASSETS IN THE FUND SHALL BE USED SOLELY FOR THE  
18 PURPOSES AUTHORIZED BY THIS ARTICLE.

19 49-1273. Water supply development revolving fund; purposes;  
20 limitation

21 A. MONIES IN THE WATER SUPPLY DEVELOPMENT REVOLVING FUND MAY BE USED  
22 FOR THE FOLLOWING PURPOSES:

23 1. MAKING WATER SUPPLY DEVELOPMENT LOANS TO WATER PROVIDERS IN THIS  
24 STATE UNDER SECTION 49-1274 FOR WATER SUPPLY DEVELOPMENT PURPOSES.

25 2. MAKING LOANS OR GRANTS TO WATER PROVIDERS FOR THE PLANNING OR  
26 DESIGN OF WATER SUPPLY DEVELOPMENT PROJECTS. A SINGLE GRANT SHALL NOT EXCEED  
27 ONE HUNDRED THOUSAND DOLLARS.

28 3. PURCHASING OR REFINANCING DEBT OBLIGATIONS OF WATER PROVIDERS AT OR  
29 BELOW MARKET RATE IF THE DEBT OBLIGATION WAS ISSUED FOR A WATER SUPPLY  
30 DEVELOPMENT PURPOSE.

31 4. PROVIDING FINANCIAL ASSISTANCE TO WATER PROVIDERS WITH BONDING  
32 AUTHORITY TO PURCHASE INSURANCE FOR LOCAL BOND OBLIGATIONS INCURRED BY THEM  
33 FOR WATER SUPPLY DEVELOPMENT PURPOSES.

34 5. PAYING THE COSTS TO ADMINISTER THE FUND.

35 6. PROVIDING LINKED DEPOSIT GUARANTEES THROUGH THIRD PARTY LENDERS BY  
36 DEPOSITING MONIES WITH THE LENDER ON THE CONDITION THAT THE LENDER MAKE A  
37 LOAN ON TERMS APPROVED BY THE COMMITTEE, AT A RATE OF RETURN ON THE DEPOSIT  
38 APPROVED BY THE COMMITTEE AND THE STATE TREASURER AND BY GIVING THE LENDER  
39 RECOURSE AGAINST THE DEPOSIT OF LOAN REPAYMENTS THAT ARE NOT MADE WHEN DUE.

40 B. IF THE MONIES PLEDGED TO SECURE WATER SUPPLY DEVELOPMENT BONDS  
41 ISSUED PURSUANT TO SECTION 49-1278 BECOME INSUFFICIENT TO PAY THE PRINCIPAL  
42 AND INTEREST ON THE WATER SUPPLY DEVELOPMENT BONDS GUARANTEED BY THE WATER  
43 SUPPLY DEVELOPMENT REVOLVING FUND, THE AUTHORITY SHALL DIRECT THE STATE  
44 TREASURER TO LIQUIDATE SECURITIES IN THE FUND AS MAY BE NECESSARY AND SHALL  
45 APPLY THOSE PROCEEDS TO MAKE CURRENT ALL PAYMENTS THEN DUE ON THE BONDS. THE

1 STATE TREASURER SHALL IMMEDIATELY NOTIFY THE ATTORNEY GENERAL AND AUDITOR  
2 GENERAL OF THE INSUFFICIENCY. THE AUDITOR GENERAL SHALL AUDIT THE  
3 CIRCUMSTANCES SURROUNDING THE DEPLETION OF THE FUND AND REPORT THE FINDINGS  
4 TO THE ATTORNEY GENERAL. THE ATTORNEY GENERAL SHALL CONDUCT AN INVESTIGATION  
5 AND REPORT THOSE FINDINGS TO THE GOVERNOR AND THE LEGISLATURE.

6 C. MONIES IN THE WATER SUPPLY DEVELOPMENT REVOLVING FUND SHALL NOT BE  
7 USED TO PROVIDE FINANCIAL ASSISTANCE TO A WATER PROVIDER, OTHER THAN AN  
8 INDIAN TRIBE, UNLESS ONE OF THE FOLLOWING APPLIES:

9 1. THE BOARD OF SUPERVISORS OF THE COUNTY IN WHICH THE WATER PROVIDER  
10 IS LOCATED HAS ADOPTED THE PROVISION AUTHORIZED BY SECTION 11-806.01,  
11 SUBSECTION F.

12 2. THE WATER PROVIDER IS LOCATED IN A CITY OR TOWN AND THE LEGISLATIVE  
13 BODY OF THE CITY OR TOWN HAS ENACTED THE ORDINANCE AUTHORIZED BY SECTION  
14 9-463.01, SUBSECTION 0.

15 3. THE WATER PROVIDER IS LOCATED IN AN ACTIVE MANAGEMENT AREA  
16 ESTABLISHED PURSUANT TO TITLE 45, CHAPTER 2, ARTICLE 2.

17 49-1274. Water supply development revolving fund financial  
18 assistance; procedures

19 A. IN COMPLIANCE WITH ANY APPLICABLE REQUIREMENTS, A WATER PROVIDER  
20 MAY APPLY TO THE AUTHORITY FOR AND ACCEPT AND INCUR INDEBTEDNESS AS A RESULT  
21 OF A LOAN OR ANY OTHER FINANCIAL ASSISTANCE PURSUANT TO SECTION 49-1273 FROM  
22 THE WATER SUPPLY DEVELOPMENT REVOLVING FUND FOR WATER SUPPLY DEVELOPMENT  
23 PURPOSES. IN COMPLIANCE WITH ANY APPLICABLE REQUIREMENTS, A WATER PROVIDER  
24 MAY ALSO APPLY TO THE AUTHORITY FOR AND ACCEPT GRANTS, STAFF ASSISTANCE OR  
25 TECHNICAL ASSISTANCE FOR THE PLANNING OR DESIGN OF A WATER SUPPLY DEVELOPMENT  
26 PROJECT. A WATER PROVIDER THAT APPLIES FOR AND ACCEPTS A LOAN OR OTHER  
27 FINANCIAL ASSISTANCE UNDER THIS ARTICLE IS NOT PRECLUDED FROM APPLYING FOR  
28 AND ACCEPTING A LOAN OR OTHER FINANCIAL ASSISTANCE UNDER ARTICLE 2 OF THIS  
29 CHAPTER OR UNDER ANY OTHER LAW.

30 B. THE AUTHORITY, IN CONSULTATION WITH THE COMMITTEE, SHALL:

31 1. PRESCRIBE A SIMPLIFIED FORM AND PROCEDURE TO APPLY FOR AND APPROVE  
32 ASSISTANCE.

33 2. ESTABLISH BY RULE CRITERIA BY WHICH ASSISTANCE WILL BE AWARDED,  
34 INCLUDING REQUIREMENTS FOR LOCAL PARTICIPATION IN PROJECT COSTS, IF DEEMED  
35 ADVISABLE. THE CRITERIA SHALL INCLUDE:

36 (a) A DETERMINATION OF THE ABILITY OF THE APPLICANT TO REPAY A LOAN  
37 ACCORDING TO THE TERMS AND CONDITIONS ESTABLISHED BY THIS SECTION. AT THE  
38 OPTION OF THE COMMITTEE, THE EXISTENCE OF A CURRENT INVESTMENT GRADE RATING  
39 ON EXISTING DEBT OF THE APPLICANT THAT IS SECURED BY THE SAME REVENUES TO BE  
40 PLEDGED TO SECURE REPAYMENT UNDER THE LOAN REPAYMENT AGREEMENT CONSTITUTES  
41 EVIDENCE REGARDING ABILITY TO REPAY A LOAN.

42 (b) A DETERMINATION OF THE APPLICANT'S LEGAL CAPABILITY TO ENTER INTO  
43 A LOAN REPAYMENT AGREEMENT.

44 (c) A DETERMINATION OF THE APPLICANT'S FINANCIAL ABILITY TO CONSTRUCT,  
45 OPERATE AND MAINTAIN THE PROJECT IF IT RECEIVES THE FINANCIAL ASSISTANCE.

1 (d) A DETERMINATION OF THE APPLICANT'S ABILITY TO MANAGE THE PROJECT.  
2 (e) A DETERMINATION OF THE APPLICANT'S ABILITY TO MEET ANY APPLICABLE  
3 ENVIRONMENTAL REQUIREMENTS IMPOSED BY FEDERAL OR STATE AGENCIES.

4 (f) A DETERMINATION OF THE APPLICANT'S ABILITY TO ACQUIRE ANY  
5 NECESSARY REGULATORY PERMITS.

6 3. DETERMINE THE ORDER AND PRIORITY OF PROJECTS ASSISTED UNDER THIS  
7 SECTION BASED ON THE MERITS OF THE APPLICATION WITH RESPECT TO WATER SUPPLY  
8 DEVELOPMENT ISSUES, INCLUDING THE FOLLOWING:

9 (a) EXISTING, NEAR-TERM AND LONG-TERM WATER DEMANDS OF THE WATER  
10 PROVIDER COMPARED TO THE EXISTING WATER SUPPLIES OF THE WATER PROVIDER.

11 (b) EXISTING AND PLANNED CONSERVATION AND WATER MANAGEMENT PROGRAMS OF  
12 THE WATER PROVIDER.

13 (c) BENEFITS OF THE PROJECT.

14 (d) THE SUSTAINABILITY OF THE WATER SUPPLY TO BE DEVELOPED THROUGH THE  
15 PROJECT.

16 (e) THE WATER PROVIDER'S NEED FOR FINANCIAL ASSISTANCE.

17 (f) THE COST-EFFECTIVENESS OF THE PROJECT.

18 C. THE COMMITTEE SHALL REVIEW ON ITS MERITS EACH APPLICATION RECEIVED  
19 AND SHALL INFORM THE APPLICANT OF THE COMMITTEE'S DETERMINATION WITHIN NINETY  
20 DAYS AFTER RECEIPT OF A COMPLETE AND CORRECT APPLICATION. IF THE APPLICATION  
21 IS NOT APPROVED, THE COMMITTEE SHALL NOTIFY THE APPLICANT, STATING THE  
22 REASONS. IF THE APPLICATION IS APPROVED, THE COMMITTEE MAY CONDITION THE  
23 APPROVAL ON ASSURANCES THE COMMITTEE DEEMS NECESSARY TO ENSURE THAT THE  
24 FINANCIAL ASSISTANCE WILL BE USED ACCORDING TO LAW AND THE TERMS OF THE  
25 APPLICATION.

26 D. ON APPROVAL OF AN APPLICATION UNDER THIS SECTION BY THE COMMITTEE,  
27 THE AUTHORITY SHALL USE MONIES IN THE WATER SUPPLY DEVELOPMENT REVOLVING FUND  
28 TO FINANCE THE PROJECT.

29 49-1275. Water supply development revolving fund financial  
30 assistance; terms

31 A. A LOAN FROM THE WATER SUPPLY DEVELOPMENT REVOLVING FUND SHALL BE  
32 EVIDENCED BY BONDS, IF THE WATER PROVIDER HAS BONDING AUTHORITY, OR BY A  
33 FINANCIAL ASSISTANCE AGREEMENT, DELIVERED TO AND HELD BY THE AUTHORITY.

34 B. A LOAN UNDER THIS SECTION SHALL:

35 1. BE REPAYED NOT MORE THAN THIRTY YEARS AFTER THE DATE INCURRED.

36 2. REQUIRE THAT INTEREST PAYMENTS BEGIN NOT LATER THAN THE NEXT DATE  
37 THAT EITHER PRINCIPAL OR INTEREST MUST BE PAID BY THE AUTHORITY TO THE  
38 HOLDERS OF ANY OF THE AUTHORITY'S BONDS THAT PROVIDED FUNDING FOR THE LOAN.  
39 IF THE LOAN IS FOR CONSTRUCTION OF WATER SUPPLY DEVELOPMENT FACILITIES, THE  
40 AUTHORITY MAY PROVIDE THAT LOAN INTEREST ACCRUING DURING CONSTRUCTION AND ONE  
41 YEAR AFTER COMPLETION OF THE CONSTRUCTION BE CAPITALIZED IN THE LOAN.

42 3. BE CONDITIONED ON THE ESTABLISHMENT OF A DEDICATED REVENUE SOURCE  
43 FOR REPAYING THE LOAN.

1 C. THE AUTHORITY, IN CONSULTATION WITH THE COMMITTEE, SHALL PRESCRIBE  
2 THE RATE OF INTEREST ON LOANS MADE UNDER THIS SECTION, BUT THE RATE SHALL NOT  
3 EXCEED THE PREVAILING MARKET RATE FOR SIMILAR TYPES OF LOANS. THE AUTHORITY,  
4 UPON RECOMMENDATIONS FROM THE COMMITTEE, MAY ADOPT RULES WHICH PROVIDE FOR  
5 FLEXIBLE INTEREST RATES AND INTEREST FREE LOANS. ALL FINANCIAL ASSISTANCE  
6 AGREEMENTS OR BONDS OF A WATER PROVIDER SHALL CLEARLY SPECIFY THE AMOUNT OF  
7 PRINCIPAL AND INTEREST AND ANY REDEMPTION PREMIUM THAT IS DUE ON ANY PAYMENT  
8 DATE.

9 D. THE APPROVAL OF A LOAN IS CONDITIONED ON A WRITTEN COMMITMENT BY  
10 THE WATER PROVIDER TO COMPLETE ALL APPLICABLE REVIEWS AND APPROVALS AND TO  
11 SECURE ALL REQUIRED PERMITS IN A TIMELY MANNER.

12 E. A LOAN MADE TO A WATER PROVIDER UNDER THIS SECTION MAY BE SECURED  
13 ADDITIONALLY BY AN IRREVOCABLE PLEDGE OF ANY SHARED STATE REVENUES DUE TO THE  
14 WATER PROVIDER FOR THE DURATION OF THE LOAN AS PRESCRIBED BY A RESOLUTION OF  
15 THE COMMITTEE. IF THE COMMITTEE REQUIRES AN IRREVOCABLE PLEDGE OF THE SHARED  
16 STATE REVENUES FOR FINANCIAL ASSISTANCE LOAN REPAYMENT AGREEMENTS, THE  
17 AUTHORITY SHALL ENTER INTO AN INTERCREDITOR AGREEMENT WITH THE GREATER  
18 ARIZONA DEVELOPMENT AUTHORITY TO DEFINE THE ALLOCATION OF SHARED STATE  
19 REVENUES IN RELATION TO INDIVIDUAL BORROWERS. IF A PLEDGE IS REQUIRED AND A  
20 WATER PROVIDER FAILS TO MAKE ANY PAYMENT DUE TO THE AUTHORITY UNDER ITS LOAN  
21 REPAYMENT AGREEMENT OR BONDS, THE AUTHORITY SHALL CERTIFY TO THE STATE  
22 TREASURER AND NOTIFY THE GOVERNING BODY OF THE DEFAULTING WATER PROVIDER THAT  
23 THE WATER PROVIDER HAS FAILED TO MAKE THE REQUIRED PAYMENT AND SHALL DIRECT A  
24 WITHHOLDING OF STATE SHARED REVENUES AS PRESCRIBED IN SUBSECTION F OF THIS  
25 SECTION. THE CERTIFICATE OF DEFAULT SHALL BE IN THE FORM DETERMINED BY THE  
26 AUTHORITY, EXCEPT THAT THE CERTIFICATE SHALL SPECIFY THE AMOUNT REQUIRED TO  
27 SATISFY THE UNPAID PAYMENT OBLIGATION OF THE WATER PROVIDER.

28 F. ON RECEIPT OF A CERTIFICATE OF DEFAULT FROM THE AUTHORITY, THE  
29 STATE TREASURER, TO THE EXTENT NOT EXPRESSLY PROHIBITED BY LAW, SHALL  
30 WITHHOLD ANY MONIES DUE TO THE DEFAULTING WATER PROVIDER FROM THE NEXT  
31 SUCCEEDING DISTRIBUTION OF MONIES PURSUANT TO SECTION 42-5029. IN THE CASE  
32 OF A CITY OR TOWN, THE STATE TREASURER SHALL ALSO WITHHOLD FROM THE MONIES  
33 DUE TO THE DEFAULTING CITY OR TOWN FROM THE NEXT SUCCEEDING DISTRIBUTION OF  
34 MONIES PURSUANT TO SECTION 43-206 THE AMOUNT SPECIFIED IN THE CERTIFICATE OF  
35 DEFAULT AND SHALL IMMEDIATELY DEPOSIT THE MONIES IN THE WATER SUPPLY  
36 DEVELOPMENT REVOLVING FUND. THE STATE TREASURER SHALL CONTINUE TO WITHHOLD  
37 AND DEPOSIT MONIES UNTIL THE AUTHORITY CERTIFIES TO THE STATE TREASURER THAT  
38 THE DEFAULT HAS BEEN CURED. THE STATE TREASURER SHALL NOT WITHHOLD ANY  
39 AMOUNT THAT IS NECESSARY TO MAKE ANY REQUIRED DEPOSITS THEN DUE FOR THE  
40 PAYMENT OF PRINCIPAL AND INTEREST ON BONDS OF THE WATER PROVIDER IF SO  
41 CERTIFIED BY THE DEFAULTING WATER PROVIDER TO THE STATE TREASURER AND THE  
42 AUTHORITY. THE WATER PROVIDER SHALL NOT CERTIFY DEPOSITS AS NECESSARY FOR  
43 PAYMENT FOR BONDS UNLESS THE BONDS WERE ISSUED BEFORE THE DATE OF THE LOAN  
44 REPAYMENT AGREEMENT AND THE BONDS WERE SECURED BY A PLEDGE OF DISTRIBUTION  
45 MADE PURSUANT TO SECTIONS 42-5029 AND 43-206.

1           49-1276. Enforcement: attorney general

2           THE ATTORNEY GENERAL MAY TAKE ACTIONS NECESSARY TO ENFORCE THE LOAN  
3 CONTRACT AND ACHIEVE REPAYMENT OF LOANS PROVIDED BY THE AUTHORITY PURSUANT TO  
4 SECTIONS 49-1274 AND 49-1275.

5           49-1277. Water supply development bonds

6           A. THE AUTHORITY MAY ISSUE NEGOTIABLE WATER SUPPLY DEVELOPMENT BONDS  
7 IN A PRINCIPAL AMOUNT NECESSARY TO PROVIDE SUFFICIENT MONIES FOR THOSE  
8 PROJECTS APPROVED UNDER THIS ARTICLE AND INCLUDING SUCH ITEMS AS MAINTAINING  
9 SUFFICIENT RESERVES TO SECURE THE BONDS, TO PAY THE NECESSARY COSTS OF  
10 ISSUING, SELLING AND REDEEMING THE BONDS AND TO PAY OTHER EXPENDITURES OF THE  
11 AUTHORITY INCIDENTAL TO AND NECESSARY AND CONVENIENT TO CARRY OUT THE  
12 PURPOSES OF THIS ARTICLE. THE BOARD SHALL ISSUE THE BONDS PURSUANT TO  
13 SUBSECTIONS C AND D.

14           B. THE BOARD SHALL AUTHORIZE THE BONDS BY RESOLUTION. THE RESOLUTION  
15 SHALL PRESCRIBE:

- 16           1. THE RATE OR RATES OF INTEREST AND THE DENOMINATIONS OF THE BONDS.
- 17           2. THE DATE OR DATES OF THE BONDS AND MATURITY.
- 18           3. THE COUPON OR REGISTERED FORM OF THE BONDS.
- 19           4. THE MANNER OF EXECUTING THE BONDS.
- 20           5. THE MEDIUM AND PLACE OF PAYMENT.
- 21           6. THE TERMS OF REDEMPTION.

22           C. THE BONDS SHALL BE SOLD AT PUBLIC OR PRIVATE SALE AT THE PRICE AND  
23 ON THE TERMS DETERMINED BY THE BOARD. ALL PROCEEDS FROM THE ISSUANCE OF  
24 BONDS SHALL BE DEPOSITED IN THE APPROPRIATE ACCOUNTS OF THE FUNDS  
25 ADMINISTERED BY THE AUTHORITY.

26           D. THE BOARD SHALL PUBLISH A NOTICE OF ITS INTENTION TO ISSUE BONDS  
27 UNDER THIS ARTICLE FOR AT LEAST FIVE CONSECUTIVE DAYS IN A NEWSPAPER  
28 PUBLISHED IN THIS STATE. THE LAST DAY OF PUBLICATION MUST BE AT LEAST TEN  
29 DAYS BEFORE ISSUING THE BONDS. THE NOTICE SHALL STATE THE AMOUNT OF THE  
30 BONDS TO BE SOLD AND THE INTENDED DATE OF ISSUANCE. A COPY OF THE NOTICE  
31 SHALL BE HAND DELIVERED OR SENT, BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED,  
32 TO THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION ON OR BEFORE THE LAST DAY  
33 OF PUBLICATION.

34           E. TO SECURE ANY BONDS AUTHORIZED BY THIS SECTION, THE BOARD BY  
35 RESOLUTION MAY:

36           1. PROVIDE THAT BONDS ISSUED UNDER THIS SECTION MAY BE SECURED BY A  
37 FIRST LIEN ON ALL OR PART OF THE MONIES PAID INTO THE APPROPRIATE ACCOUNT OR  
38 SUBACCOUNT OF THE FUNDS ADMINISTERED BY THE AUTHORITY.

39           2. PLEDGE OR ASSIGN TO OR IN TRUST FOR THE BENEFIT OF THE HOLDER OR  
40 HOLDERS OF THE BONDS ANY PART OR APPROPRIATE ACCOUNT OR SUBACCOUNT OF THE  
41 MONIES IN THE FUNDS AS IS NECESSARY TO PAY THE PRINCIPAL AND INTEREST OF THE  
42 BONDS AS THEY COME DUE.

43           3. SET ASIDE, REGULATE AND DISPOSE OF RESERVES AND SINKING FUNDS.



1           4. PROVIDE THAT SUFFICIENT AMOUNTS OF THE PROCEEDS FROM THE SALE OF  
2 THE BONDS MAY BE USED TO FULLY OR PARTLY FUND ANY RESERVES OR SINKING FUNDS  
3 SET UP BY THE BOND RESOLUTION.

4           5. PRESCRIBE THE PROCEDURE, IF ANY, BY WHICH THE TERMS OF ANY CONTRACT  
5 WITH BONDHOLDERS MAY BE AMENDED OR ABROGATED, THE AMOUNT OF BONDS THE HOLDERS  
6 OF WHICH MUST CONSENT TO AND THE MANNER IN WHICH CONSENT MAY BE GIVEN.

7           6. PROVIDE FOR PAYMENT FROM THE PROCEEDS OF THE SALE OF THE BONDS OF  
8 ALL LEGAL AND FINANCIAL EXPENSES INCURRED BY THE BOARD IN ISSUING, SELLING,  
9 DELIVERING AND PAYING THE BONDS.

10          7. DO ANY OTHER MATTERS THAT IN ANY WAY MAY AFFECT THE SECURITY AND  
11 PROTECTION OF THE BONDS.

12          F. ANY MEMBER OF THE BOARD, ANY MEMBER OF THE COMMITTEE OR ANY PERSON  
13 EXECUTING THE BONDS IS NOT PERSONALLY LIABLE FOR THE PAYMENT OF THE BONDS.  
14 THE BONDS ARE VALID AND BINDING OBLIGATIONS NOTWITHSTANDING THAT BEFORE THE  
15 DELIVERY OF THE BONDS ANY OF THE PERSONS WHOSE SIGNATURES APPEAR ON THE BONDS  
16 CEASE TO BE MEMBERS OF THE BOARD. FROM AND AFTER THE SALE AND DELIVERY OF  
17 THE BONDS, THEY ARE INCONTESTABLE BY THE BOARD AND THE COMMITTEE.

18          G. THE BOARD, OUT OF ANY AVAILABLE MONIES, MAY PURCHASE BONDS, WHICH  
19 MAY BE CANCELED, AT A PRICE NOT EXCEEDING EITHER OF THE FOLLOWING:

20           1. IF THE BONDS ARE THEN REDEEMABLE, THE REDEMPTION PRICE THEN  
21 APPLICABLE PLUS ACCRUED INTEREST TO THE NEXT INTEREST PAYMENT DATE.

22           2. IF THE BONDS ARE NOT THEN REDEEMABLE, THE REDEMPTION PRICE  
23 APPLICABLE ON THE FIRST DATE AFTER PURCHASE ON WHICH THE BONDS BECOME SUBJECT  
24 TO REDEMPTION PLUS ACCRUED INTEREST TO THAT DATE.

25           49-1278. Water supply development bonds: purpose

26          A. WATER SUPPLY DEVELOPMENT BONDS MAY BE ISSUED TO PROVIDE FINANCIAL  
27 ASSISTANCE UNDER THIS ARTICLE AND TO INCREASE THE CAPITALIZATION OF THE WATER  
28 SUPPLY DEVELOPMENT REVOLVING FUND TO ACCOMPLISH THE PURPOSES STATED IN  
29 SECTION 49-1273. THESE BONDS MAY BE SECURED BY ANY MONIES RECEIVED OR TO BE  
30 RECEIVED IN THE WATER SUPPLY DEVELOPMENT REVOLVING FUND. AMOUNTS IN THE  
31 WATER SUPPLY DEVELOPMENT REVOLVING FUND MAY BE USED TO CURE DEFAULTS ON LOANS  
32 MADE FROM THE WATER SUPPLY DEVELOPMENT REVOLVING FUND TO THE EXTENT OTHERWISE  
33 PERMITTED BY LAW.

34          B. ANY PLEDGE MADE UNDER THIS ARTICLE IS VALID AND BINDING FROM THE  
35 TIME WHEN THE PLEDGE IS MADE. THE MONIES PLEDGED AND RECEIVED TO BE PLACED  
36 IN THE APPROPRIATE FUND ARE IMMEDIATELY SUBJECT TO THE LIEN OF THE PLEDGE  
37 WITHOUT ANY FUTURE PHYSICAL DELIVERY OR FURTHER ACT, AND ANY SUCH LIEN OF ANY  
38 PLEDGE IS VALID OR BINDING AGAINST ALL PARTIES HAVING CLAIMS OF ANY KIND IN  
39 TORT, CONTRACT OR OTHERWISE AGAINST THE BOARD REGARDLESS OF WHETHER THE  
40 PARTIES HAVE NOTICE OF THE LIEN. THE OFFICIAL RESOLUTION OR TRUST INDENTURE  
41 OR ANY INSTRUMENT BY WHICH THIS PLEDGE IS CREATED, WHEN PLACED IN THE BOARD'S  
42 RECORDS, IS NOTICE TO ALL CONCERNED OF THE CREATION OF THE PLEDGE, AND THOSE  
43 INSTRUMENTS NEED NOT BE RECORDED IN ANY OTHER PLACE.

1 C. THE BONDS ISSUED UNDER THIS SECTION, THEIR TRANSFER AND THE INCOME  
2 THEY PRODUCE ARE EXEMPT FROM TAXATION BY THIS STATE OR BY ANY POLITICAL  
3 SUBDIVISION OF THIS STATE.

4 49-1279. Bond obligations of the authority

5 BONDS ISSUED UNDER THIS ARTICLE ARE OBLIGATIONS OF THE WATER  
6 INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA, ARE PAYABLE ONLY ACCORDING TO  
7 THEIR TERMS AND ARE NOT GENERAL OBLIGATIONS, SPECIAL OBLIGATIONS OR OTHERWISE  
8 OF THIS STATE. THE BONDS DO NOT CONSTITUTE A LEGAL DEBT OF THIS STATE AND  
9 ARE NOT ENFORCEABLE AGAINST THIS STATE. PAYMENT OF THE BONDS IS NOT  
10 ENFORCEABLE OUT OF ANY STATE MONIES OTHER THAN THE INCOME AND REVENUE PLEDGED  
11 AND ASSIGNED TO, OR IN TRUST FOR THE BENEFIT OF, THE HOLDER OR HOLDERS OF THE  
12 BONDS.

13 49-1280. Certification of bonds by attorney general

14 THE BOARD MAY SUBMIT ANY WATER SUPPLY DEVELOPMENT BONDS ISSUED UNDER  
15 THIS ARTICLE TO THE ATTORNEY GENERAL AFTER ALL PROCEEDINGS FOR THEIR  
16 AUTHORIZATION HAVE BEEN COMPLETED. ON SUBMISSION, THE ATTORNEY GENERAL SHALL  
17 EXAMINE AND PASS ON THE VALIDITY OF THE BONDS AND THE REGULARITY OF THE  
18 PROCEEDINGS. IF THE PROCEEDINGS COMPLY WITH THIS ARTICLE, AND IF THE  
19 ATTORNEY GENERAL DETERMINES THAT, WHEN DELIVERED AND PAID FOR, THE BONDS WILL  
20 CONSTITUTE BINDING AND LEGAL OBLIGATIONS OF THE BOARD, THE ATTORNEY GENERAL  
21 SHALL CERTIFY ON THE BACK OF EACH BOND, IN SUBSTANCE, THAT IT IS ISSUED  
22 ACCORDING TO THE CONSTITUTION AND LAWS OF THIS STATE.

23 49-1281. Water supply development bonds as legal investments

24 WATER SUPPLY DEVELOPMENT BONDS ISSUED UNDER THIS ARTICLE ARE SECURITIES  
25 IN WHICH PUBLIC OFFICERS AND BODIES OF THIS STATE AND OF MUNICIPALITIES AND  
26 POLITICAL SUBDIVISIONS OF THIS STATE, ALL COMPANIES, ASSOCIATIONS AND OTHER  
27 PERSONS CARRYING ON AN INSURANCE BUSINESS, ALL FINANCIAL INSTITUTIONS,  
28 INVESTMENT COMPANIES AND OTHER PERSONS CARRYING ON A BANKING BUSINESS, ALL  
29 FIDUCIARIES AND ALL OTHER PERSONS WHO ARE AUTHORIZED TO INVEST IN OBLIGATIONS  
30 OF THIS STATE MAY PROPERLY AND LEGALLY INVEST. THE BONDS ARE ALSO SECURITIES  
31 THAT MAY BE DEPOSITED WITH PUBLIC OFFICERS OR BODIES OF THIS STATE AND  
32 MUNICIPALITIES AND POLITICAL SUBDIVISIONS OF THIS STATE FOR PURPOSES THAT  
33 REQUIRE THE DEPOSIT OF STATE BONDS OR OBLIGATIONS.

34 49-1282. Agreement of state

35 THIS STATE PLEDGES TO AND AGREES WITH THE HOLDERS OF THE BONDS THAT  
36 THIS STATE WILL NOT LIMIT OR ALTER THE RIGHTS VESTED IN THE WATER  
37 INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA OR ANY SUCCESSOR AGENCY TO  
38 COLLECT THE MONIES NECESSARY TO PRODUCE SUFFICIENT REVENUE TO FULFILL THE  
39 TERMS OF ANY AGREEMENTS MADE WITH THE HOLDERS OF THE BONDS, OR IN ANY WAY  
40 IMPAIR THE RIGHTS AND REMEDIES OF THE BONDHOLDERS, UNTIL ALL BONDS ISSUED  
41 UNDER THIS ARTICLE, TOGETHER WITH INTEREST, INCLUDING INTEREST ON ANY UNPAID  
42 INSTALLMENTS OF INTEREST, AND ALL COSTS AND EXPENSES IN CONNECTION WITH ANY  
43 ACTION OR PROCEEDINGS BY OR ON BEHALF OF THE BONDHOLDERS, ARE FULLY MET AND  
44 DISCHARGED. THE BOARD AS AGENT FOR THIS STATE MAY INCLUDE THIS PLEDGE AND  
45 UNDERTAKING IN ITS RESOLUTIONS AND INDENTURES SECURING ITS BONDS.

1           Sec. 12. Initial terms of members of the water supply  
2                               development fund committee

3           A. Notwithstanding section 49-1202, Arizona Revised Statutes, as  
4 amended by this act, the initial terms of water supply development fund  
5 committee members appointed by the governor are:

- 6           1. One term ending January 31, 2009.  
7           2. Two terms ending January 31, 2010.  
8           3. Two terms ending January 31, 2011.  
9           4. Two terms ending January 31, 2012.  
10          5. Two terms ending January 31, 2013.

11          B. The governor shall make all subsequent appointments as prescribed  
12 by statute.

13          Sec. 13. Conditional enactment

14          This act does not become effective unless Senate Bill 1575,  
15 forty-eighth legislature, first regular session, relating to water adequacy  
16 provisions, becomes law.