

SEPTEMBER 21, 2026

Novum Advisory, PLLC
Attn: Stephanie Palmertree
Via email: spalmertree@novum.cpa

RE: Performance Audit and Sunset Review of the Water Infrastructure Finance Authority

Dear Stephanie,

On behalf of the Board of Directors of the Water Infrastructure Finance Authority (WIFA), we would like to express our appreciation for the work of your firm in conducting WIFA's performance audit and sunset review. We have reviewed the revised audit report and agree to implement all recommendations, either as presented or in a different manner.

We would like to acknowledge the diligent work done by the Novum Advisory team in performing this audit and communicating the depth and complexity of WIFA's programming. We also appreciate the Auditor General's Office and their staff for their collaboration and presentation of the draft report to the WIFA board.

It is our great honor to serve on WIFA's behalf as we seek to build a thriving Arizona where water is secure.

Sincerely,



Jonathan Lines (Sep 21, 2026 11:22:45 PDT)

Jonathan Lines
Board Chairman



Ted Cooke
Chairman, LTWAF Committee

Cc: Arizona Auditor General's Office
WIFA Board of Directors
WIFA Director Chelsea McGuire

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Governor: Katie Hobbs | Director: Chelsea McGuire
Chairman: Jonathan Lines | Vice-Chairman: Peter Kim | Treasurer: Tim Thomure
Stephen Q. Miller, Voting Member | Sue Montgomery, Voting Member | Donna Michaels, Voting Member
Drew John, Voting Member | Patrice Horstman, Voting Member | Ted Cooke, Voting Member

Finding 1: Although the Authority has followed a public water augmentation program planning and procurement process, it has not developed a consolidated and updated comprehensive plan, risking that stakeholders could misunderstand the program’s status.

Authority response: The finding is not agreed to.

Response explanation: The Authority has a coherent, comprehensive, and thoughtful plan for the long-term augmentation fund.

The Authority respectfully disagrees with the conclusion that it does not have a consolidated and updated comprehensive plan for its long-term water augmentation program. As the Report explains, the Authority is actively implementing a three-phase plan which has already identified a broad universe of potential water importation projects. The Authority is currently working with developers, stakeholders, and offtakers to narrow that universe to projects with the highest likelihood of success. This plan is posted prominently on the Authority’s public-facing materials, including on [the Authority’s Website](#).



The Report points to timelines discussed in the Authority’s evolving 5-year strategic frameworks to support the Finding. The Authority believes the Report incorrectly interprets the purpose of the 5-year strategic framework, which represents aspirational goals, not specific timing. The comprehensive plan for the Long-Term Augmentation Fund is incorporated in the three-phase process described above and is being continuously refined by the scopes of work for each of the seven proposed importation projects on an ongoing basis. As outlined in our responses to recommendations 1, 2, and 3, WIFA will continue to refine its external communication regarding timelines for each augmentation project, consistent with the work produced pursuant to these scopes.

While recognizing that there is always room for improvement, the Authority’s robust public outreach program has communicated relevant, timely information to invested audiences.

The Authority wholeheartedly agrees with the importance of external stakeholders having clear understanding of the Long-Term Water Augmentation program’s status. The Authority’s current process is, in many respects, the product of lessons learned from the prior unsolicited proposal

process, which led WIFA to place heavy importance on transparency, stakeholder engagement, public reporting, and Board oversight. The Authority's outreach was undertaken specifically to reduce uncertainty, improve public confidence, and avoid the perception risks flagged by the Report:

Legislative Outreach

The Legislature has direct participation in Board proceedings, appointment authority over four voting members, and a formal role in identifying a fifth, providing multiple ongoing avenues for legislative awareness of the Authority's work. See ARS § 49-1206(B)(4). Four of the Authority's nine voting Board members are appointed through legislative leadership, while the ninth voting member is appointed by the Governor from a joint list submitted by the President of the Senate and Speaker of the House. In addition, the Senate President, House Speaker, Senate Minority Leader, and House Minority Leader, or their designees, serve as nonvoting advisory members of the Board.

For members who do not serve on WIFA's Board, the Authority has presented reports on the progress of its programs to the House Natural Resources, Energy & Water Committee and Senate Committee on Natural Resources each legislative session since 2023. In-house government affairs staff also engage in regular, individualized discussions with legislators and legislative leadership.¹

This outreach has been effective. In 2025, a bipartisan, bicameral majority of the Legislature passed [HCR 2016 reinstatement; WIFA monies](#). This Concurrent Resolution, which was supported by more than 35 organizations and entities before both chambers of the legislature (see For/Against/Neutral on the State's [Request to Speak System](#)), reiterated the Legislature's commitment to the Authority's long-term water augmentation mission. It specifically recognized the Authority's stakeholder engagement and competitive solicitation process as "an effective way to facilitate" project development and praised the "significant tangible progress" the Authority had made toward its mission. Accordingly, the measure committed to "reinstating the full appropriation envisioned" as "budgetary conditions improve."

Public Outreach

In Fiscal Years 2023-2026, Authority Board members and staff participated in an average of 38 external outreach events, reaching an average of over 2,000 audience members per year. Examples of these events include project site tours for Legislative leadership and panel presentation at state- and nation-wide water conferences such as the Arizona Water Conference, the Arizona League of Cities and Towns annual meeting, the Arizona Agribusiness and Water Council annual meeting, the American Water Works Association annual conference, the Arizona Water Law and Colorado River Water CLEs, and the Colorado River Water Users Association Annual Meeting. Local and national media coverage of our programming has also been plentiful and diverse. Outlets from the Arizona Republic and Arizona Capitol Reports to the New York Times have covered the Authority's innovative approach to public-private partnership models.

Additional Stakeholder Outreach

Additional outreach engagement necessarily serves two distinct but complementary audiences. Within Arizona, the Authority works directly with prospective water purchasers, water infrastructure

¹ An example of the district-specific engagement provided to Legislators is available [here](#).

entities, local governments, tribes, and other interested entities, including through the Offtaker Advisory Group, which provides potential purchasers a structured opportunity to understand project concepts, costs, risks, and potential participation.

Outside Arizona, engagement is focused on prospective regional, interstate, and international partners whose cooperation, infrastructure, approvals, or resources may ultimately be necessary to make augmentation projects viable. These audiences have different interests and decision-making roles, requiring outreach that is tailored accordingly: helping Arizona entities determine whether and how they may participate as offtakers while building the relationships and credibility with external partners necessary to develop water supplies that Arizona cannot secure on its own.²

Because the Finding is unclear as to how the Authority should improve public understanding of its process, it risks establishing expectations that are neither defined nor well-suited to the complexity of the process underway.

While the Authority disagrees that it lacks a comprehensive plan for the Long-Term Water Augmentation Fund, the Report fails to give clear guidance as to what such a plan should entail, how it should be communicated, or what would make the Authority's current plan more adequate.

The Authority appreciates that the Report cites external guidelines to support its conclusion but disputes the relevance of these guidelines. The GFOA guidance cited by the Report applies to the "management of capital facilities and infrastructure" by general government entities or enterprise funds.³ Currently, WIFA neither manages capital assets nor provides capital-asset related services to constituents. While these standards will certainly be relevant to any augmentation project once a specific project is sufficiently defined to be included in a budget (typically at least AACE Class 3 estimates), they are not relevant to the identification of a project delivery model.⁴ The Report also cites GAO Principle 15, which provides guidance for communication between a federal entity and external stakeholders. That principle emphasizes intentional communication of information relevant to a variety of audiences to support the entity achieving its objectives, mitigate risk, and strengthen internal controls.⁵ Nevertheless, the principle does not outline a specific set of objectives for a comprehensive plan.

The Authority appreciates the Report's highlighting of the planning and process already undertaken by the Authority. The Authority agrees that clear, concise communication is essential to keeping the

² It is important to note that much of this work is necessarily relationship-based and project-specific; therefore, it cannot be fully reflected through a website or public planning document alone. Oversimplified reporting and public declarations of presumed timelines and results risks harm to critical stakeholder relationships.

³ <https://www.gfoa.org/materials/multi-year-capital-planning>

⁴ If any GFOA guidance is relevant, it is likely its GFOA is the "Capital Planning Policies" Best Practice, which says, "Governments should develop and adopt capital planning policies that take into account their unique organizational characteristics including the services they provide, how they are structured, and their external environment." <https://www.gfoa.org/materials/capital-planning-policies>

⁵ <https://guides.gaoinnovations.gov/greenbook/2025/principle-15-communicate-externally/#ref108>

public informed. Consistent with its commitment to transparency, the Authority will continue refining how it presents complex program information so that progress, key decisions, and next steps are easy to understand and accessible both to technical stakeholders and the general public. At the same time, the Authority will preserve a thorough public history of how key milestones and decisions were reached, while avoiding inferences that presume project outcomes or commitments that depend on factors Authority's control. The Authority looks forward to further communication from the Auditor General regarding improvements to the Authority's external reporting.

Recommendation 1: Develop and obtain Board approval of a consolidated and updated comprehensive plan for the water augmentation program and post the plan to its website. The consolidated and updated comprehensive plan should extend through anticipated first water delivery and identify the water augmentation program's phases, major activities, target dates or reasonable date ranges, responsible parties, dependencies, financing and procurement actions, regulatory approvals, decision points, project-selection criteria, construction milestones, and significant risks that could affect the schedule. The consolidated and updated comprehensive plan should also distinguish activities within the Authority's control from those dependent on developers, potential water purchases, regulators, financing parties, or other government entities. The Authority should post the consolidated and updated comprehensive plan to its website.

Authority response: The audit recommendation will be implemented in a different manner.

Response explanation: the Authority is actively implementing a three-phase comprehensive plan for the long-term augmentation fund. This plan is easily accessible and available on the [Authority's website](#). This plan will be further refined through the scopes of work for each of seven water importation proposals. As scopes are developed, the Authority will continue to consolidate existing planning, milestones, dependencies, and other program information into an accessible public facing format and make that information available on its website.

Recommendation 2: Use the consolidated and updated comprehensive plan to publicly report progress to different audiences including the Legislature, general public, and other relevant stakeholders. The Authority should periodically communicate relevant information to the Legislature, the public, and other appropriate stakeholders including completed and upcoming milestones, schedule variances, reasons for delays, corrective actions, changes in project risks, and updated estimates for project selection, construction, and water delivery and ensure the information is consistent with its other public materials.

Authority response: The audit recommendation will be implemented.

Response explanation: The Authority's comprehensive three-phase plan is already publicly reported to different audiences through our website, extensive community outreach, media coverage, and legislative engagement. The Authority looks forward to continuing and strengthening this robust outreach programming as the projects become more mature and our information shifts from general awareness to technical understanding.

In addition, the Authority will:

- Provide in public session all non-confidential material produced by its Development Teams pursuant to the scopes of work

- Convene the Long-Term Water Augmentation Committee on a bi-monthly basis to receive updates on Developer Team progress pursuant to their scopes of work
- Continue to convene its Community Engagement Advisory Group to communicate with and receive input from critical water stakeholders on augmentation project proposals
- Continue to convene potential water purchasers to communicate with and receive input from potential water purchasers regarding the commercial and political viability of our augmentation project proposals
- Convene its Regulatory Advisory Group to communicate with and receive input from critical environmental regulatory entities regarding our augmentation project proposals

Sunset Factor 2: The Authority's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

Although the Authority has generally developed processes to carry out its principal statutory responsibilities, the review found that the Authority could further strengthen its processes.

Authority response: The finding is agreed to.

Response explanation: The Authority acknowledges that its current ability to track the metrics across all programs, including the newer WCGF, WSDRF, and LTWAF programs, can be improved and that additional metrics and tracking would help ensure the Authority is meeting customer demands in a timely and effective manner.

Recommendation 3: Track and routinely review comprehensive performance measures, including application intake to award, award to first disbursement, and the reasons for delays, exceptions, or other processing variations, to strengthen internal monitoring of program effectiveness and efficiency across the Authority's financing, conservation, and augmentation activities.

Authority response: The audit recommendation will be implemented.

Response explanation: The Authority is actively implementing an updated loans and grants tracking system that more effectively captures these metrics and allows us to easily produce public-facing reports and dashboards for accountability. This \$1.8 million investment in our customer engagement, finance, and operations software will enable more effective metric tracking previously unavailable to the Authority.