



Domestic Water Improvement District Frequently Asked Questions & Answers

- 1. Why did the water group create a Limited Liability Company (LLC)?**
 - a. The group created an LLC to provide financial structure and accountability for fund-raising efforts. It will also allow the team to pursue and promote community service projects in New River and Desert Hills in future years. None of the individuals who have volunteered their time, talent, and yes, personal treasure, to the group/LLC have been elected, appointed or assigned. They are all volunteers – people who care about their neighbors and the future of our community.

- 2. Are the principles of the LLC going to be running the Domestic Water Improvement District (DWID)?**
 - a. The first Board of the DWID may be the Maricopa County Board of Supervisors or there may be individuals who serve as members of the organizing board of directors. If there is an organizing board of directors, some directors will serve for a 2-year term, and others will serve for a 4-year term. Following the first election, those seats that originally held 2-year terms will hold 4-year terms. State law grants the County Board of Supervisors the authority to revoke the authority of an elected board of directors of a Domestic Improvement District at any time in order to protect the residents of the District. The Board of Supervisors may then continue to act as the District's board of directors or may call for new elections for the District board. Any person owning property within the boundary of the DWID and who meets the election eligibility requirements, is entitled to run for a seat on the Board if an election is held. If members of the community are interested in joining the team to help form the DWID and want to become involved, we welcome their participation.

- 3. Will the LLC be disbanded upon formation of the DWID?**
 - a. After the DWID is formed and a source of water has been secured, then the LLC will continue to focus on community service projects in the New River/Desert Hills communities so long as the members of the LLC determine such activity is feasible.

- 4. The water group LLC is fund-raising. What is the money going to be used for? Can we deduct any donations from our income taxes?**
 - a. \$2,000 of the monies raised in September and October 2017 have been used to retain an attorney who is working with the New River/Desert Hills Water team on the DWID formation. Some amounts have been used to secure a Post Office Box and to set-up a website. New amounts raised will be used to reimburse members of the team who have advanced monies for fundraising materials (t-shirts and other items), administrative costs,

website fees and miscellaneous expenses. Some team members have donated fund-raising items they purchased for the benefit of the DWID formation. We anticipate the costs to form the DWID will be in the neighborhood of \$10,000. The LLC is not-for-profit but is not a “charity” under IRS guidelines. Money donated to fund the DWID is not tax deductible.

5. In layman’s terms, what is the difference between a DWID, Co-op, and CFD (Community Facilities District)?

- a. **A Domestic Water Improvement District** is a subdivision of the State. Among other powers, it has the authority to finance and serve water inside and outside District boundaries – meaning that if the District puts in standpipes, it can sell water to people outside the District boundaries. Rates are established to cover the costs of running the District and serving water. A DWID is not-for-profit. Rates can be set and adjusted as appropriate without gaining approval from the Arizona Corporation Commission. Rates will be established to cover the cost of operation of the DWID.
- b. **A Cooperative (Co-op)** is not-for-profit and is set up to serve its members. This restricts access to participating members. Water is not served/provided to persons who are not members of the cooperative. Rates must first be approved by the Arizona Corporation Commission. If a Co-op needs to modify rates, it must first get approval from the Corporation Commission. If a Co-op makes a profit, it distributes excess monies collected back to its members.
- c. **A Community Facilities District (CFD)** is a District created by a town or a city, typically in conjunction with a developer, to fund infrastructure improvements for new growth. A CFD is not applicable to the situation in New River/Desert Hills at this time.

6. Why is a DWID the best option?

- a. Creation of a DWID allows the community access to work with Arizona Rural Water Infrastructure Committee (RWIC). The RWIC is a partnership of various federal and state agencies who provide loans, grants and technical assistance to Arizona’s Rural Communities. Some of the services offered by the RWIC address:
 - Affordable Funding Solutions
 - Technical Assistance
 - Water/Wastewater Infrastructure Needs
 - Water Quality Compliance
 - Water Quantity Problems

7. Who makes the decisions regarding the DWID?

- a. The Board of the DWID makes decisions regarding the DWID. DWIDs are required by Arizona law to follow the same budget process set out for counties and municipalities which require public notice, public access to estimates of revenues and expenses as well as public hearings.

8. How is the DWID funded? Are my property taxes going to rise?

- a. Initially, the DWID may be funded by grants or low-interest loans available through the RWIC or its members. The costs to operate the DWID may be wholly covered by the

charges for water delivered by the DWID which may not require a tax levy. Districts may also issue bonds for improvements.

A DWID is a “special taxing District” under Arizona Revised Statute Title 48, and if revenues from water sales are not sufficient to fund DWID operations, then the DWID has the authority to levy taxes. To do so, DWIDs follow procedures prescribed by Arizona law to notice property owners within the District and hold public hearings. Any taxpayer within the District may appear and be heard in favor of or against any proposed tax levy.

9. What are the DWID's boundaries? Does the DWID include Desert Hills?

- a. The boundaries of the DWID are currently undetermined. A minimum of 51% of property owners within a proposed area must agree to inclusion with a DWID.

10. Will there be a vote to decide if we want a DWID? If there is a vote, are only the people within the boundaries of the DWID allowed to vote?

- a. A vote is not required to form a DWID. Property owners who want to be included in the DWID boundaries must sign a petition consenting to inclusion within the DWID. When elections are later held for the DWID Board, only property owners within the DWID boundaries are eligible to vote.

11. In a DWID, if you don't have to go to the Arizona Corporation Commission to apply for a rate increase, who determines rates and when/how they may increase? Is there a vote taken amongst the residents within the DWID boundaries regarding rate increases?

- a. Each year the board of directors of a District must prepare annual statements and estimates of expenses for the District, publish a notice to the public, hold hearings and adopt the budget at the times and in the manner provided for county statements and estimates by Arizona Revised Statutes Title 42, Chapter 17, Article 3. This is the same timeframe required for cities and towns. A vote is not required, but a public hearing must be held and residents within the District have the right to question the proposed budget and any charges resulting from the budget.

12. If I am on a working well and don't need water, why should I want a DWID created, especially if it may raise my property taxes?

- a. Inclusion within the District guarantees you a voice and a vote in the District. If you are outside the District, you may still be able to get water, but you would not have a vote regarding District affairs, rates or other matters. If your property is adjacent (next to) the District after it is formed, you may be able to annex your property into the District at a later date. There are additional costs associated with adding a property to a District after initial formation.

13. How much is it going to cost to create a DWID? Who is paying for these legal fees?

- a. The attorney retained to assist with formation of the DWID has informed us that a DWID can be formed for less than \$10,000. We have paid the attorney an initial retainer of \$2,000 which was raised from fundraising efforts initiated in October 2017. We are actively working to raise the additional monies required to form the DWID.

14. How long before the DWID is operational?

- a. We do not know how long it will take to secure all of the technical assistance, funding, water rights and infrastructure required to make the DWID operational. However, we do not have access to the technical advice and expertise of the Rural Water Infrastructure Committee and cannot negotiate with holders of water rights, municipalities, or water companies until the DWID is formed. Fortunately, the EPCOR water station will help support our communities until the DWID is able to secure water of its own.

15. Will this affect the new water fill station that EPCOR is providing off Desert Hills Drive?

- a. We do not believe this will have any negative impact on the EPCOR water station. The EPCOR station will provide the DWID time to secure its own water resources and plan for the future.

16. What would be the first order of business for the DWID?

- a. The first order of business would be to access the technical assistance and expertise of the Rural Water Infrastructure Committee to determine all options available to the District, explore costs, and define options for the District moving forward.

17. Will the DWID purchase land and increase the number of water fill stations in the area?

- a. The District would have the right to take such actions if they are deemed in the best interests of the District. There may be many options available to the District of which the team is unaware. Tapping into the experience and expertise of the RWIC Technical Advisors is vital to identifying opportunities available to the District.

18. What type of zoning is needed in order to place a water fill station on it?

- a. That is something the District would learn more about from the RWIC Technical Advisors.

19. Does forming a DWID mean that sometime in the future everyone within the DWID boundaries may have to pay for piped-in water, even if their well is working?

- a. We do not have the answer to that question at this time. However, some areas of our communities may not be suitable for installation of underground water lines due to the significant costs involved to install water lines due to geology and geography. It is anticipated that the District may ultimately contain a mix of water delivery types.

20. Is the DWID non-profit?

- a. A DWID is a political subdivision of the county. It is not-for-profit – meaning that no one is permitted to be personally enriched by the District and rates are set to cover the projected expenses of the District. Excess funds, if not set aside for capital improvements, are required to be returned to the property owners within the District.

- 21. Will being within the boundaries of the DWID make my property more valuable?**
 - a. Inclusion within a DWID may or may not impact your property values, and the individuals on the team are not qualified to answer that question. However, if your well runs dry and you are not within the DWID boundary, it is expected that you will still be able to get water from the DWID. You will not be able to vote during Board elections and you will not have a voice in the budget or rates adopted by the District unless you are able to annex into the District boundary.

- 22. If I agree to be a part of the DWID, can I change my mind and get out at a later date if I don't like how it's being operated or disagree with what they're doing?**
 - a. There is a mechanism to deannex property from a District, and deannexation can be granted if it serves the public good of the District. Each application would be examined and considered separately. If people within the District are unhappy with the actions and decisions of the Board, the Maricopa County Board of Supervisors can replace the sitting board if certain provisions of the law are met.

- 23. How does the DWID interfere with the incorporation group?**
 - a. A DWID does not interfere with incorporation. The two entities are compatible.

- 24. Can the DWID stop or undermine the incorporation group's plans in any way?**
 - a. No, the DWID does not impact an effort to incorporate an area. If a DWID exists it can complement an incorporation effort. If an incorporation effort is unsuccessful, the DWID is still able to secure water resources for a community. Some members of the New River/Desert Hills Water Team are also involved in the New River Desert Hills Community Association (NRDHCA). They support securing a water resource for our communities which is not a political effort.

- 25. Why do anything? We now have water for at least 20 years.**
 - a. Arizona has experienced a drought for over 17 years. At 20 years, we will be in a Mega Drought. If the level of Lake Mead in northwestern Arizona falls below a predesignated level, then water allocations from the Central Arizona Project (CAP) canal system will begin to be reduced. Securing water rights from the CAP under contracts that guarantee access to water for our area into the future is critical to ensure that we are not adversely impacted by potential future reductions in CAP deliveries.

- 26. What if EPCOR changes their mind and pulls out of the fill station after 6 weeks, months or years?**
 - a. EPCOR has declared its intent to serve our area through the water station and has received Arizona Corporation Commission approval to do so. If EPCOR determines it no longer wants to provide the service, it will be required by to fulfill certain obligations by the Arizona Corporation Commission to make such a change which may include finding an alternate water provider.

27. Where will the DWID get water from?

- a. The team does not have a definitive answer to this question at this time. The RWIC Technical Advisors will assist in finding water resources for the communities and help to secure them. The DWID may be able to lease unused water allocations, drill wells, contract with neighboring municipalities or water companies. All of that will be determined after the DWID is formed and the team is able to work with the resources provided by the RWIC.

28. What makes you think Phoenix will sell the DWID water if they won't let us have/ buy it now?

- a. The team does not know that the City of Phoenix will or will not sell water to the DWID. However, there are certain water rights owners who have “wheeling” agreements that allow CAP water to be moved through infrastructure of a municipality or private water company. Of course, the entity owning the infrastructure and treatment facilities will require payment for providing the service. The DWID will be able to explore these and other options following formation. Until a DWID is formed, the New River/Desert Hills area is not able to negotiate for water service from any entity.

29. How much will the DWID sell the water for, and who will be able to buy water from the DWID?

- a. The cost of water delivered by the DWID will be dependent on the cost to buy, treat and transport the water being delivered to our communities and the approved budget for the DWID. It is currently planned that the DWID will provide access to water not only to property owners within the DWID but also to others outside the DWID. Only property owners within the DWID boundaries will have a voice in the activities of the DWID.