

Town Hall Meeting for Future of the Water Company, Option Two:
Scottsdale/Annexation
September 6, 2007

Guest speaker Don Hadder, community planner for City of Scottsdale, reported that the annexation process begins when a community of property owners petitions Scottsdale. State law requires 51% of property owners and 51% of assessed value be pro-annexation. COS has previously approved 7 annexations, the last one in 2001. The annexation process includes an assessment of the merits, including an evaluation of the water company. Scottsdale would likely require that the entire water system be rebuilt to their current standards, and fire provision requirements need to be met. Tonto Hills would need to form an improvement district (DWID), funded by the property owners, to upgrade the system. Financing is under the aegis of COS, as they can provide low interest loans (at municipal rates) to be paid off over time. However, low interest rate savings will be offset by higher insurance rates for contractors, etc. imposed by the City. Mr. Hadder emphasized the stringency of current water system standards compared to standards circa 1970's. He noted Scottsdale wants water system parts and components to be new in order to facilitate repairs and needed replacements.

To complete an evaluation, Scottsdale would bring in an engineering firm to evaluate each element of the system, at Tonto Hills' expense. Mr. Hadder asserts the effective life of infrastructure is 30 years, especially with hard water systems. If Tonto Hills conducts its engineering evaluation independently, Mr. Hadder suggests we procure a list of Scottsdale standards from Doug Mann, and tailor the evaluation accordingly so Scottsdale may accept our analysis.

Once the DWID is formed, Tonto Hills would then give it to COS; annexation would ensue. Tonto Hills Utility Company owns the CAP (71 acre feet allocation). Whoever owns the water company owns the CAP. Mr. Hadder claims Scottsdale is legally obligated to provide water to Tonto Hills once we are annexed, but he did not say that the allocation would be commensurate with the current CAP. That would be at the discretion of COS.

When asked if COS would require sewer, Mr. Hadder digressed into a long explanation regarding the size, cost, and capacity of the treatment plant at Walapai and Pima, the "largest reuse plant in the world." He explained how golf courses use secondary water, but the treatment plant could treat water to the fourth level of treatment, rendering the water potable. Mr. Hadder queried, "Is it possible to gravity sewer water back into the system? Can the system reuse that water?" He is unsure of the answer to that question.

A property owner wondered, if we pay to improve the system, then pay to buy it, why then give it away to COS. Mr. Hadder noted that Tonto Hills property taxes would not increase significantly, as COS relies largely (60%-70%) on sales tax revenues. He predicted a 10% to 25% property tax hike. He also claimed they charged an operating fee only, in addition to water usage fee.

Mr. Hadder reported that COS is looking for letters of strong support. Though 51% approval is the state minimum, COS generally requires a 65% approval rate among property owners. Mr. Hadder explained the approval process entails the initial petition, hearings, protests, etc. He described it as a "rigid process." He predicts the annexation process can take from six to eighteen months, including engineering evaluation. Once annexed, services are provided immediately. However, zoning can take up to an additional 6 months. Mr. Hadder noted we are currently zoned R-43; that would change to R-143 under COS, and we would be subject to ESL, Environmentally Sensitive Lands Ordinance. ESL delineates a series of regulations and requirements, including 24' building height restrictions, building color limitations, landscape materials restraints, etc. Mr. Hadder noted that during the pre-annexation negotiation process, some rules may be modified per agreement. Moreover, all previously built and/or County permitted projects will be grand-fathered in, as long as they are legal under County ordinances.

In regard to road paving, COS has never paved local streets, and they do not require paving. However, they are subject to federal PM10 guidelines. Mr. Hadder cited 150 trips per day (about 15 houses, according to his calculations) generally requires a hard surface. He referred to a dust palliative treatment that has been successfully used in some sections of Scottsdale that could be utilized until the numbers indicate otherwise. When asked who would pay for paving, Mr. Hadder replied that was a policy decision to be determined by the council. However, COS usually paves four lane roads, and they remain backlogged in their current obligations.

In regard to street lights, Mr. Hadder averred no lights would be required in Tonto Hills except possibly at the entrance (low wattage) to alert drivers to the intersection. A Design Standards and Procedures manual is available on the internet to clarify such regulations. All pre-existing lighting would be grand-fathered in, but all new exterior lighting would have to meet new COS standards. Moreover, if a house is improved by more than 50%-all grand-fathering is off. Then the entire house (pre-existing plus renovations) must meet COS standards.

In regard to water bill amounts, Mr. Hadder explained that rates differ in different parts of the city, but this end of the city, where Tonto Hills is located, would have a higher bill. He pointed out that Desert Mountain has more water pressure zones than in all of Scottsdale.

Regarding fire service, fire suppression would be required, and COS must be the primary fire service. THVFD would not be allowed except as a recreational club. Mr. Hadder claimed a permanent COS fire station is planned next to Renegade golf course to be completed within five years. Furthermore, the entire standpipe system we currently use would have to be replaced by fire hydrants that meet COS standards in terms of water capacity and total amount required. COS contracts with outside companies for ambulance/EMS services.

Regarding Tonto Hills Utility Company statistics, we currently use 32 acre feet of our 71 acre feet allocation. There are currently 130 connections out of 230 total lots. Mr. Hadder speculated that Tonto Hills would eventually need its entire CAP allocation.

Questions concerning natural gas piping and cable service prompted Mr. Hadder to reply that Scottsdale does not provide these services.

When asked about the benefit of annexation to Scottsdale, Mr. Hadder replied that this is a decision in the minds of the council members. He mentioned several possible considerations, including improving the overall quality of the community via COS stringent rules, and rounding out Scottsdale's borders in this northeast corner. He noted that for Scottsdale, the cost-benefit ratio is not strong. The council is fiscally conservative, he added, and will not be prone to pay for improvements. No one on the current council has any experience with annexation. Still, no annexation petitions have been turned down since the 1950's and '60's.

Mr. Hadder reported that Scottsdale needs an expression of interest from 25% of the property owners to even begin the annexation process. Such an expression of interest would then start communication with city planning staff. Mr. Hadder explicated a lengthy pre-annexation process that would serve to clarify and delineate the exact terms of annexation. Then Tonto Hills property owners would vote to approve or not.

Don Unthank, Tonto Hills Utility Company owner, reported that they are currently asking \$526, 303.30 for the company. Also, THUC currently meets standards set by the Corporation Commission, which Tonto Hills would have to continue to meet if we formed a DWID.