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July 12, 2011
Municipality Fees Meeting (SB 1624)
10:00 a.m.
ADWR, Verde conference room
Phoenix, AZ 85012

Summary of Q&A Session

1. Q. Leslie Graser, Prescott – The Water Resources Fund has money in it. Where did it come from? Can the legislature sweep that money?
The \$743,000 is from last year's licensing fees and has accumulated because ADWR was not given authority to spend it until this Fiscal Year.
A. Statute includes language prohibiting the sweeping of monies in the fund, but we can never be 100% sure that a fund is unsweepable.
2. Q. Leslie Graser, Prescott – Are you open to other forms of information for your permanent calculation?
No, we plan to use the calculation formula we have. There will be a public stakeholder process on the permanent rulemaking proposal.
3. Q. Mel Irazarry, Yuma County Water Users Association, Yuma – Why did we not know the fee before July 1st? What will the fees be used for?
The legislation passed in May. We needed time for our legal analysis. As soon as that was complete, we notified the Cities and Towns.
A. – the funds will be used for planning, hydrologic studies, research in areas where we do not have sufficient information and data collection, among other activities. (The Department has committed to provide a summary of activities supported by the municipal fees in its annual report.)
4. Q. Christine Nuñez, City of Surprise – Municipalities consist of 73% of Arizona's population. Are you going to attempt to collect from the other 27% of the population not in municipal areas?
– the legislation doesn't allow for collection from other sources.
5. Q. Mark Welch, Sierra Vista – What was the ADWR budget last year and what is the justification for taking it to the \$7,000,000 maximum?
– \$7 million plus \$2 million fee authority. We used \$7 million as our starting point. Cities stated they need consistency in the fee calculation in order to plan properly.
6. Q. Ken Strobeck, Executive Director, League of Cities and Towns – August is WAY beyond the budget year for Cities and Towns. That is why the League, back in March, sent a list of estimated fees for FY12 to cities for budget planning purposes based on the \$7 million draft estimate. Mr. Strobeck suggested that ADWR should send each municipality an estimate of its fee for a fiscal year as early as possible before the beginning of the fiscal year, possibly in February or March when the cities are conducting their budget planning.
7. Q. Mel Irazarry, Yuma County Water Users Association, Yuma – Does ADWR plan to hire additional employees with these fees?
– Money will be used for statewide regional planning/AMA/ protect Colorado River. Also, flood warning monitoring equipment. We will be **very** cautious in

staffing increases because the economy has not recovered and it is unknown what our General Fund will be for next year.

8. Q. Eric Duthrie, Town of Taylor – Will this fund be available to fund the recommendations of the Water Resources Development Commission (WRDC)? Or is that, if accepted, to be a different revenue stream?

The WRDC Recommendations & Finance committees are not that far along to be able to provide funding needs. It is an example of a possible use. We also used to develop information and studies.

9. Q. Robin Bain, Peoria – Understands that the 2012 numbers are set. When we get to the permanent process, cities will have passed the fee along but not collected. Would you consider a Quarterly payment? Will the Department consider alternatives to include private water providers having a way of pass along the fee but they aren't paying this.

For 2013 and beyond, we certainly understand that a quarterly payment would ease cash flow issues. The legislation does not require municipalities to assess this fee on a water bill. They are free to collect these monies from their citizens in a manner that captures both municipal, private water company, and self served water supplies within each municipality.

10. Q. Mark Welch, Sierra Vista – Will we receive an itemized list from ADWR on how this money is spent?

The very best source of how the money is spent is our Annual Report available on our website. (The Department has committed to provide a summary of activities supported by the municipal fees in its annual report.)

11. Q. Christine Nunez, Surprise – Christine expressed the same concern as Robin. The private providers should also pay because they have a way to pass along the fee.

This would require legislation.

12. Q. Mel Irazarry, Yuma County Water Users Association, Yuma – Does ADWR plan to hire additional personnel with these fees?

– Planners yes. Our future potential needs could include AMA Management Plan and WRDC projects.

13. Q. Karen Peters, Phoenix – Legislation was clear that the calculation be done based on population and not on water use. It is based on people. The City would like to see the fee collected across additional use sectors, including industry and agriculture.

14. Q. Chuck Cahoy, Tempe – There is a one year moratorium on increasing municipal fees for 2012. Will you consider fee increases from other use sectors when funds above the \$7 million are required?

- ADWR is not currently looking at additional fees but of it has to in the future will certainly give consideration to other sources of fees increases not on Municipalities.

15. Q. Robin Bain, Peoria – First invoice is ½ of the Fee?

– The first invoice will be ½ but you can also pay the full amount. If you pay a partial payment, you will receive a second invoice.

16. Q. Tom Klimek, Bisbee – The fee is untimely and a BIG strain on the City of Bisbee. Bisbee's infrastructure is weak and oversized for the current population served. Tom didn't budget for this and Bisbee isn't a water provider so has no way to pass the fee to on to anyone.

– There are no exemption provisions in the current statute.

17. Q. Ron Grittman, Chino Valley – What happens if we don't pay?

– ADWR has no direct recourse. We would notify the State Budget office, Governor's office and Legislature. Non-Compliance could also be posted on our website.

18. Q. Christine Nunez, Surprise – Would ADWR support legislation to recoup the 27%?

– Our legislative directives come from the Governor's office.