

Citizens Rates and Governance Advisory Committee

# KVID Committee Update

Monday December 10, 2018

Sam Mossman



# Governance Transition Overview



# Governance Transition Overview

- ▶ We have identified three main areas of effort need to complete the governance transition:
- ▶ Reclassify KVID as a Domestic Water Improvement District (DWID)
- ▶ Transition from County services
- ▶ Transition from the Board of Supervisors to a local Board of Directors



# Governance Transition – DWID

- ▶ KVID currently is an Improvement District
  - Not necessarily the best form of governance
- ▶ Domestic Water Improvement Districts (DWID) are authorized to construct, operate, and maintain a water system in perpetuity
- ▶ DWIDs provide a greater level of statutory authority for purposes of running a utility
- ▶ DWID may operate sewer systems



# Governance Transition – County Services

- ▶ While KVID is largely self-sufficient, the utility does purchase services from Coconino County
- ▶ Some County service maybe retained through an IGA, if:
  - Fiscally reasonable for both parties, or
  - A short-term solution to help transition (payroll services)
- ▶ Some County services will be duplicated internally by KVID staff (accounts payable services)
- ▶ Other services may be obtained through a third party vendor, either for financial reasons, or due to conflict of interest (attorney services)





# Governance Transition – Board of Directors

- ▶ KVID's transition to a DWID will facilitate a local Board of Directors governing the utility
- ▶ This builds a closer relationship between customers and the decision-makers
- ▶ A five member Board composed of Advisory Committee volunteers that will be appointed for a first term, with seats being filled by election for subsequent terms



# KVID – History



# KVID – History

- ▶ Kachina Village Improvement District (KVID) was formed as a County Improvement District (CID) in 1965 by the property owners in Kachina Village. At the time the property owners largely consisted of the area's developers.
- ▶ In 1974 the Environmental Protection Agency (EPA) issued a permit to KVID, allowing treated water to be discharged into Pumphouse Wash.
- ▶ In 1976 KVID entered into an agreement with Kachina Utilities, an Arizona corporation, to maintain the community's water and sewer system.





# KVID – History

- ▶ Under the management of Kachina Utilities, KVID struggled to maintain EPA compliance, with numerous issues occurring going back as far as 1978
- ▶ These issues culminate in 1986 with a consent decree being filed against the utility demanding resources be secured to properly upgrade and repair the treatment facilities to meet EPA standards
- ▶ Coconino County became the utility manager (c. 1987)



# KVID – History

- ▶ The residents of Kachina Village invested in KVID (via assessments), along with the County and grant funding through the EPA
- ▶ The utility continued to improve under County stewardship and has become a reliable fixture of the community
- ▶ The intent has never been for Coconino County to administer the utility in perpetuity, and now we are working towards reestablishing local governance of KVID



# KVID – Transition to a DWID



# Transition to a DWID

- ▶ Steve Wene
- ▶ Attorney with Moyes, Sellers and Hendricks
- ▶ Expertise in water districts, serving as council for over 40 districts in the State of Arizona
- ▶ Retained to provide guidance on our governance transition process



# Transition to a DWID

## ▶ Potential Governance Structures

- Domestic Wastewater Improvement District (DWWID) – similar advantages, but would require KVID to split into 2 separate entities (one water, one sewer), with an increase in costs and effort needed to administer both
  - Perception problem of buying drinking water from a wastewater district.
- Sanitary District – Have less legal authority than a DWID, and would also require KVID to split into 2 entities
- Private Water Company – ACC control for rates, potential loss of control of utility for landowners





# Transition to a DWID

## ▶ Why should KVID convert to a DWID?

- A DWID is the most advantageous structure for a small water provider in Arizona
- Landowners prefer self-governance
- The cost of operating a DWID is lower than other entities
  - Less regulatory burden in setting rates
  - No profit motive
  - Advantages of being a government entity
- A DWID holds all of the rights, privileges, and immunities of other political subdivisions, such as cities, town, and irrigation districts



# Transition to a DWID

- ▶ Relationship between a DWID and a County
  - DWIDs are County subdivisions, but generally act independently
  - Elections are often conducted through the County
  - Annual budgets are filed with the County
- ▶ DWID Internal Structure
  - Governed by a Board of Directors comprised of district landowners
  - The Board of Directors hires a utility manager, who in turn hires the rest of the utility's staff
- ▶ DWID Revenue
  - The primary revenue source is utility rates (water bills)
  - DWIDs can charge connection fees, levy taxes and assessments
  - Provide services outside the district to collect revenue



# Conversion Process

- ▶ A Board of Supervisors resolution sets a public hearing on the conversion
- ▶ 20 days before the hearing the county must mail notices of the hearing to each district landowner (as shown by the tax assessment rolls)
- ▶ At the public hearing, the Board of Supervisors has the option of converting the improvement district to the DWID (or decline to do so)
- ▶ If conversion is granted, the Board of Supervisors will appoint the initial directors



# Moving Forward



# Public Engagement

- ▶ In addition to meeting the legal requirements for the DWID transition, and engaging with our advisory committee, KVID also plans to focus on a public engagement process.
- ▶ Information sent via bill inserts (minimum 2, in Feb and April)
- ▶ Information posted on KVID's web page
- ▶ Open House (total of 2, in Feb and March)





# Timeline

- ▶ Jan 8, 2019 – Board of Supervisors work session
- ▶ Feb 1, 2019 – Informational mailer sent with bills
- ▶ Feb 2019 – KCRGAC meeting (transition details, open house prep)
- ▶ Feb 20, 2019 – 1<sup>st</sup> open house
- ▶ March 2019 – KCRGAC meeting (open house results, organizing the new Board of Directors)
- ▶ March 13, 2019 – 2<sup>nd</sup> open house
- ▶ April 1, 2019 – Informational mailer sent with bills
- ▶ April 2019 – BoS resolution setting the public hearing date
- ▶ April 2019 – District landowner notifications sent
- ▶ May 2019 – Public hearing on KVID's transition to a DWID



# Questions and Discussion

