

Frequently Asked Questions

Ballot Question No. 2 **Proposed Water Utility Purchases**

1) What is this item all about?

In addition to the Town of Chino Valley's municipal water system, there is one public and several private water companies and/or systems operating within the Town. The Town may consider purchasing one or more of these in the future. State law (A.R.S. 9-514) requires voter approval for a town to establish water utility services, including construction, purchase, acquisition, or lease of utility.

2) Why do Town residents have to vote on this?

Per state law (A.R.S. § 9-514), the voters must authorize the construction, purchase, acquisition, or lease of any plant or property or portion of a plant or property devoted to services provided by a public utility. Should the Town want to acquire any of these systems in the future, this voter approval is required.

3) Didn't the voters approve the Town establishing water and sewer in 2000?

Yes, they did, but due to a court ruling in 2016 the language on the Town's 2000 ballot is now considered too vague to allow the Town to proceed with possibly purchasing other public or private water companies. Now, the Town is going back to the voters to ask specifically about purchasing these companies/systems.

4) How will these systems be paid for?

The Town will purchase a system at a determined fair market value. Each system has already been appraised, and the Town already knows it can absorb any of the systems, when bought at current fair market value, into its current rates. The utility would come under the Town's current service area rights. Each purchase would be financed with low interest loans from the Water Infrastructure Finance Authority of Arizona (WIFA) and be paid from the rates paid by the customers of the acquired system.

5) Will the purchase of a water system cause my taxes to increase to pay for repairs, upgrades, and connection to the Town's system?

It should not. The Town would also finance needed improvements with low interest loans from WIFA. These loans would also be paid from the customers of the acquired system. There should be no additional taxes incurred by residents, nor should there be an increase in water rates based on the acquisition.

6) How will purchase of private water companies benefit the Town and its citizens?

Most municipalities own and operate the water and sewer systems within their corporate boundaries. One major challenge the Town faces is that we cannot offer municipal water and sewer to many new homes and businesses because there is another system operating in that area that we do not own. One system operating in Chino Valley is owned by the City of Prescott, which has a fairly extensive infrastructure that could be extended; however, smaller private water systems serve specific neighborhoods only and do not have the capital to improve and update infrastructure when needed. Thus, a single Town-owned utility could save money for customers of smaller systems if the Town could purchase these systems and consolidate their service.

Adding other water systems to the Town's current utility will allow the Town to spread the costs over a greater number of customers, thus realizing the benefits of economies of scale. The more customers on the system, the more efficient the infrastructure would be, as the costs for operation, maintenance, and capital improvements would be spread over a larger number of customers.

In addition, if a business is to locate here and is unable to connect to our municipal system, they may end up paying more to ensure fire flow or to meet other fire suppression requirements. The Town believes it can deliver water services more efficiently, and invest in capital improvements and upgrades of the systems better than non-municipal systems.

7) When will the Town acquire these other water systems?

Approval of this Ballot Question only grants permission to the Town to negotiate for and possibly purchase any of these systems. It is not a directive. When the owners of these systems are interested in selling, the Town can then negotiate a market value price and purchase them.

8) Will the purchase of a water system cause my utility rates to go up?

It should not. The Town will only purchase a system if the fiscal analysis shows that the system can be operated and maintained at the customers' current or lower rates. Adding another water system to the Town's current utility will allow the Town to spread the costs over a greater number of customers, thus realizing the benefits of economies of scale. The more customers on the system, the more efficient the infrastructure would be, as the costs for operation, maintenance, and capital improvements would be spread over a larger number of customers.