



ARIZONA STATE SENATE
Fifty-Fifth Legislature, Second Regular Session

FACT SHEET FOR S.B. 1564

domestic water districts; wastewater; annexation

Purpose

Outlines requirements for municipalities, domestic water improvement districts (water districts) and domestic wastewater improvement districts (wastewater districts) following the municipal annexation of any portion of a water or wastewater district.

Background

Statute allows an improvement district to be established in any unincorporated area by the area's county board of supervisors (county BOS) to: 1) construct and operate a wastewater treatment facility; and 2) make other local improvements or acquisitions in the district or for the benefit of the district. A water district may be formed or expanded in noncontiguous areas. If the proposed boundaries of a noncontiguous improvement district are located within six miles of an incorporated city or town, the improvement district must obtain the consent of the municipality's governing body prior to the formation or expansion of the district ([A.R.S. § 48-902](#)). A county BOS, by resolution, may convert a county improvement district into a water or wastewater district after conducting a public hearing ([A.R.S. § 48-1018](#)). A county BOS may determine out of public interest that an improvement district may provide both domestic water services and domestic wastewater services (services). A water district that proposes to provide services within the certified area of a public service corporation serving domestic water must provide compensation to the public service corporation for the facilities or certified area taken ([A.R.S. § 48-909](#)).

Statute requires a county BOS to dissolve an improvement district when: 1) all of the district's bonds and other obligations are paid or have become barred by statute of limitations; and 2) an incorporated municipality, county or utility has taken over the operation and maintenance functions of the district or a major part of those functions. ([A.R.S. § 48-959](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Allows a water or wastewater district to continue providing services in an area annexed by a municipality if the municipality elects not to provide services in the area.
2. Requires a water or wastewater district to continue operating outside of the boundaries of an area annexed by a municipality if:
 - a) the municipality elects to provide services or the management of services in the annexed area; and
 - b) the water or wastewater district provides services in areas outside of the boundaries of the annexed area.

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3. Merges, on the date that a municipality elects to provide services to an annexed area, the assets and liabilities of the area's former water or wastewater district with those of the municipality.
4. Requires a water or wastewater district and a municipality to reasonably cooperate to ensure that services to areas that the municipality did not annex are not disrupted.
5. Dissolves a water or wastewater district on the date a municipality elects to provide services to a newly annexed area if the municipality determines that the water or wastewater district lacks the capacity to maintain peak domestic demand and the municipality's fire flow demand requirements in the newly annexed area.
6. Requires a municipality to provide services to a newly annexed area if the water or wastewater district in the area is dissolved.
7. Allows a municipality, in determining lack of capacity, to consider:
 - a) inadequate fire flow storage capacity;
 - b) new development modeling;
 - c) redundancy or emergency contingency planning; and
 - d) other possible factors.
8. Transfers, on the dissolution of a water or wastewater district, the dissolved district's assets and liabilities to the municipality providing the services.
9. Exempts municipal services provided outside of the municipality's corporate boundaries from this legislation.
10. Makes a technical change.
11. Becomes effective on the general effective date.

Prepared by Senate Research

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RC/MAH/slp