



City Council Report

Date: November 21, 2022
To: City Council
Through: Marc Heirshberg, Deputy City Manager
From: Chris Hassert, Water Resources Director
Subject: Formation of Sherwood Mesa Irrigation Water Delivery District, Council District 1

Purpose and Recommendation

The purpose of this report is to discuss and consider a request received from the Sherwood Mesa neighborhood to form an Irrigation Water Delivery District (IWDD) within the Salt River Project canal system and take action on a resolution forming such district.

The Sherwood Mesa neighborhood submitted a request for resolution in support of their proposed IWDD in October of 2016, however, the IWDD was never formed. The neighborhood has since redefined the boundaries of their proposed IWDD and are resubmitting their request based on the new boundaries.

On October 13, 2022, the Sherwood Mesa neighborhood held a meeting with 19 people in attendance to discuss the formation of an IWDD. During the meeting there was agreement among attendees to proceed with the formation of the IWDD for the benefit of the neighborhood. There are approximately 216 lots affected by the proposed Sherwood Mesa IWDD.

Water Resources Department staff have reviewed the conditions of the request. Staff believes it is in the City's best interest to allow the residents of Sherwood Mesa greater control of their irrigation infrastructure and recommends that the Council issue a resolution of approval of the proposed IWDD. This action would set in motion the process for Maricopa County to create the Sherwood Mesa IWDD to allow residents to improve the maintenance and operation of their irrigation system.

Background

An IWDD is a special taxing district authorized under Chapter 20 of Title 48 of the Arizona Revised Statutes. An IWDD may be formed when the owners of a majority of the acreage of lots or parcels of land entitled to or capable of receiving irrigation water from the same ditch system, pipeline or system of pipes desire to provide for the delivery of irrigation water to their lands. IWDD's are "bodies corporate" but not municipal corporations. An IWDD has perpetual succession and may:

- Exercise the power of eminent domain;
- Contract and be contracted with;
- Sue and be sued in its corporate name;
- Acquire, hold and dispose of real and personal property; and
- Do all things lawful and reasonably useful in carrying out its purposes.

Anyone proposing to create an IWDD must first prepare and submit an impact statement for submission to the board of supervisors of the county in which the district is to be located in accordance with state law. The county board then sets a public hearing and if it subsequently determines that the creation of the district will promote public health, comfort, convenience, necessity and welfare, it will approve the impact statement and authorize the persons proposing the district to begin circulation of petitions. If a proposed district includes property located within an incorporated city or town, the board shall approve the creation and authorize the circulation of the petitions only if the governing body of the city or town has, by ordinance or resolution, endorsed such creation.

Once formed, the management and control of an irrigation water delivery district is vested in a board of trustees which consists of three persons who are landowners within the district. Trustees are elected biennially, with the election held “at a convenient place within the district.” Each landowner in the district is qualified to vote and can cast one vote for each one-fifth acre of land owned. The trustees have two-year terms, serve without compensation, and must post a one thousand-dollar bond. Two board members constitute a quorum. The board may employ personnel necessary to conduct the affairs of the district. However, attorneys and engineers may only be hired to perform specific services – not salaried. Contracts and other documents which bind the district or involve the payment of money must also be signed by two board members. The board annually estimates taxes necessary to defray expenses and certifies the estimate to the county board of supervisors, which levies the taxes. Costs of distributing and measuring water are paid through service charges.

Attachments to this report include a city-wide map showing all IWDD's in Mesa, proposed IWDD boundary maps and list of properties, written request for resolution from the Sherwood Mesa neighborhood, neighborhood meeting notice, and SRP's consent to the formation of an IWDD.

Discussion

Water Rights

Formation of an IWDD does not appear to have any impact on Mesa's water rights, as landowners in Salt River Project and Roosevelt Water Conservation District receive irrigation water in accordance with the historic surface water rights regardless of the formation of an IWDD. However, formation does appear to have other potential impacts on the City. These impacts relate mainly to taxation, use of public roads and the power of eminent domain.

Taxation

Property owned by IWDD's is exempt from taxation including a primary or secondary property tax when used for district purposes. The exemption applies only to district owned property, not property owned by people within the district. In this case, there would unlikely be an impact to the City as the district is unlikely to purchase significant amounts of real property.

Use of Public Roads

Any IWDD may use the public highways, roads, streets and alleys in or outside the district for right-of-way. This use is subject to reasonable restrictions imposed by the City. Generally, the City has control of its streets under A.R.S. § 9-276. However, if a controversy arises over the exercise of right-of-way between the IWDD and the City, it is resolved at the Arizona Corporation Commission (ACC) (A.R.S. § 48-3448). This removes some authority over the public thoroughfares from the City and places it in the hands of the ACC. This is an unusual and significant statutory provision, as in almost all other contexts the ACC has no jurisdiction over the City of Mesa under Article 15, Section 2 of the Arizona Constitution.

The Power of Eminent Domain

State law provides that an IWDD “may condemn rights-of-way for the purposes of this chapter.” Any condemnation action by an IWDD is thus limited by the requirement that it be consistent with or incidental to the primary purpose of the IWDDs – delivery of irrigation water. It is unlikely, based on the existing law, that an irrigation related use would be found to be more necessary than an existing municipal use, and therefore, it is unlikely that an IWDD could condemn property belonging to the City. Other property in the district may be subject to condemnation.

Alternatives

Not approve the request for resolution: Council could choose not to approve the request for resolution. Doing so would result in the County not moving forward with the process to create the Sherwood Mesa IWDD.

Take no action: Council could choose to take no action or table the item until a future date. This would result in a delay of the formation of the Sherwood Mesa IWDD.

Fiscal Impact

There is no direct cost to the City in approving a resolution for the formation of an IWDD for Sherwood Mesa. However, any property owned by an IWDD could potentially be exempt from taxation. In addition, the formation of an additional political subdivision within City boundaries could result in costs related to disputes over eminent domain and use of public roads.

Coordinated With

This proposal was coordinated with the Water Resources Department, Salt River Project, and Sherwood Mesa neighborhood representatives.