

**Joint Legislative Study  
Committee on Water in  
Mobile Home Parks**

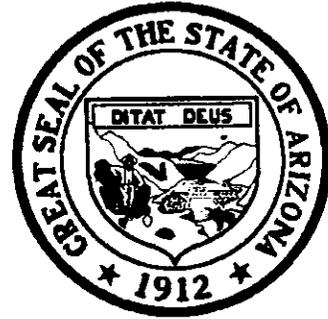
***Final Report***

December 15, 2001

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**Joint Legislative Study Committee  
On Water in Mobile Home Parks**



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**Final Report  
December 15, 2001**

**Committee Members:**

Senator Ruth Solomon, Cochair  
Senator Marsha Arzberger  
Senator Brenda Burns  
Senator Darden Hamilton  
Senator Marilyn Jarrett  
Senator Ramon Valadez  
Susan Brenton  
David Crockett  
Dean Miller  
Kirk Saunders  
Brian Townsend

Representative Edward Poelstra, Cochair  
Representative Debra Brimhall  
Representative Gary Pierce  
Representative Dean Cooley  
Representative Christine Weason  
Representative Mark Clark  
Karen Barfoot  
David Cormier  
Linda Lindhol  
Sonny Rickels

Gladys Ann Wells  
State Library, Archives and Public Records

# Joint Legislative Study Committee on Water Services in Mobile Home Parks

## Final Report

December 15, 2001

### Background

The Joint Legislative Study Committee on Water Services in Mobile Home Parks was established by Laws 2001, Chapter 351, Sec. 2, to do the following:

To study issues involving master water metering in mobile home parks including: (1) number and type of water systems used in mobile home communities; (2) cost of providing water, water metering services and providing and maintaining the infrastructure for master meter communities; (3) analysis of distribution systems involved in master water meter mobile home communities; and (4) rehabilitation upgrades of mobile home communities including infrastructure.

### Membership

Senator Ruth Solomon, Cochair  
Senator Marsha Arzberger  
Senator Brenda Burns  
Senator Darden Hamilton  
Senator Marilyn Jarrett  
Senator Ramon Valadez  
Susan Brenton  
David Crockett  
Dean Miller  
Kirk Saunders  
Brian Townsend

Representative Edward Poelstra, Cochair  
Representative Debra Brimhall  
Representative Gary Pierce  
Representative Dean Cooley  
Representative Christine Weason  
Representative Mark Clark  
Karen Barfoot  
David Cormier  
Linda Lindhol  
Sonny Rickels

### Meetings

Meetings were held as follows:

October 11, 2001  
October 23, 2001  
November 08, 2001

### Summary of Issues

- In there are approximately 100 mobile home parks with 4000 customers behind a master meter.
- A universal theme was there is a great deal of differentiation from one community to another as to issues regarding the distribution of utilities.

- There are three general categories of water delivery:
  - Regulated municipal utility company to master meter
  - Regulated private utility company to master meter
  - Mobile home community wells.
  
- In testimony it was a general understanding that mobile home communities which are master metered pay a higher rate than the single-family user. However, by law under the Landlord-Tenant Act, those communities are only allowed to charge the single-family residential user rate.
  
- The Arizona Corporation Commission does not regulate or have jurisdiction over municipal water companies, but rather only private water companies totaling approximately 500 in the State.
  
- Surveys say average water use for a family of two is 3,200 gallons of water a month after a park is submetered. Prior to submetering that same resident used approximately 6,000 gallons of water a month. In family parks with children, the water consumption will decrease from 12,000 gallons to 4,700 gallons after submetering.
  
- Utilities are very expensive for park owners to maintain. The old Landlord Tenant Act used to state that a mobile home park owner could not make any money on utilities. The law was changed a second time and stated that a mobile home park owner could charge for the maintenance, repair and administration costs of the distribution system.
  
- In 24 other states, utility companies have many different methods of charging for utilities.
  
- The major issue being addressed in Tucson is the issue of fairness and equity between people similarly situated. Attempts are being made to negotiate with Tucson Water to devise a rate structure that will allow individuals similarly situated to have the same payment for water without any hidden costs in rent for the water consumed.
  
- In Tucson the goal would be that the water cost to the resident would be transparent to the resident and exactly the same rate as that billed to a single-family resident living outside a park.
  
- Ms. Barfoot commented that every situation is different, and explained the rate structure in the City of Chandler. She noted that the reality is that the single-family homeowner is paying more than someone living in a mobile home park unit. She said it is not a "one size fits all" solution.
  
- Several members suggested there be no legislation since the State cannot preempt municipal rates
  
- It was suggested that there be no legislation until the Tucson pilot project has time to be tried.

- The public testimony primarily discussed the fact that private owners had sold out to corporations and the corporations were scrupulous in the operations.
- ARS 33-1413.01 was mention many times during the meetings. It is a landlord tenant act dealing with mobile home parks.

### **Recommendations**

- Mr. Cooley moved to recommend the following language:
  - “single family rate or the prevailing rate charged to mobile home parks by the water provider.” The motion carried by a voice vote.
- Mr. Cooley pointed out that his motion is a recommendation only and that other stakeholders would be able to respond to the proposal.

NOTE: All agendas and minutes relating to this committee are attached. All other documentation and materials are on file in the Chief Clerk’s Office of the Arizona House of Representatives and the Secretary of the Senate’s Office of the Arizona State Senate.

## ARIZONA STATE LEGISLATURE

### INTERIM MEETING NOTICE OPEN TO THE PUBLIC

#### JOINT LEGISLATIVE STUDY COMMITTEE ON WATER SERVICES IN MOBILE HOME PARKS

**Date:** Thursday, October 11, 2001

**Time:** 10 a.m.

**Place:** Senate Hearing Room 1

#### AGENDA

- ✓ 1. Call to Order
- ✓ 2. Welcome and Introductions
- ✓ 3. Charge of the Study Committee - Legislative Research Staff
4. Presentation of Master Water Metering in Mobile Home Parks - Edison Company
  - Number and type of water systems in mobile home communities
  - Costs of providing water, water metering services & providing and maintaining the infrastructure for master meter communities
5. Discussion of Committee Objectives and General Discussion
6. Public Testimony
7. Schedule Next Meeting
8. Adjourn

#### Members:

✓ Senator Ruth Solomon, Cochair  
Senator Marsha Arzberger  
Senator Brenda Burns  
✓ Senator Darden Hamilton  
✓ Senator Ramon Valadez  
✓ Karen Barfoot  
✓ Susan Brenton  
David Crockett  
✓ Dean Miller  
✓ Kirk Saunders  
✓ Senator Janett

✓ Representative Edward Poelstra, Cochair  
✓ Representative Debra Brimhall  
Representative Carmine Cardamone  
✓ Representative Mark Clark  
Representative Dean Cooley  
~~Representative Marilyn Jarrett~~  
✓ David Cormier  
✓ Linda Lindholm  
✓ Sonny Rickels  
✓ Brian Townsend

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**ARIZONA STATE LEGISLATURE**  
**JOINT LEGISLATIVE STUDY COMMITTEE**  
**ON WATER SERVICES IN MOBILE HOME PARKS**

**Minutes of the Meeting**  
**Thursday, October 11, 2001 – 10:00 A.M.**  
**Senate Hearing Room 1**

**Members Present:**

Senator Ruth Solomon, Cochair	Representative Edward Poelstra, Cochair
Senator Darden Hamilton	Representative Debra Brimhall
Senator Ramon Valadez	Representative Mark Clark
Karen Barfoot	Representative Marilyn Jarrett
Susan Brenton	David Cormier
Dean Miller	Linda Lindholm
Kirk Saunders	Sonny Rickels
Brian Townsend	

**Other Legislators Present:**

Representative Christine Weason

**Members Absent:**

Senator Marsha Arzberger	Representative Carmine Cardamone
Senator Brenda Burns	Representative Dean Cooley
David Crockett	

**Staff:**

Julie Szperling, Senate Commerce Research Analyst

Senator Solomon called the meeting to order at 10:07 a.m., and attendance was noted. Introductions of Committee members took place.

**Opening Remarks**

Senator Solomon stated she is pleased that some of the problems that were brought forward during the last legislative session have been addressed, but there are still issues that need to be discussed and resolved. She indicated that one of the greatest concerns pertains to people living in mobile home parks, many of whom are elderly or retired who do not have the financial means and are paying more for water service than others.

Representative Poelstra stated he would like to echo the same concerns as Senator Solomon, and is looking forward to making progress on this important issue.

Julie Szperling, Senate Commerce Research Analyst, stated the charge to the Committee as follows:

To study issues involving master water metering in mobile home parks including:

1. Number and type of water systems used in mobile home communities
2. Cost of providing water, water metering services and providing and maintaining the infrastructure for master meter communities
3. Analysis of distribution systems involved in master water meter mobile home communities
4. Rehabilitation upgrades of mobile home communities including infrastructure.

A final report is required to be submitted by December 15 and the Committee is due to expire by the end of 2001.

### **Presentation of Master Water Metering in Mobile Home Parks**

**Ron Spendley, Edison Micro-Utilities, Inc.**, presented a handout prepared for the Committee (Attachment A). He said he received a request to provide the following information:

- Number and types of water systems in mobile home communities;
- Costs of providing (1) water, (2) water metering services and (3) providing and maintaining the infrastructure for master meter communities.

He noted there is a great deal of differentiation from one community to another. He outlined the three general categories of water delivery:

- Regulated municipal utility company to master meter
- Regulated private utility company to master meter
- Mobile home community wells.

Senator Solomon asked whether any information is available that details the number of master submetered mobile home communities that are regulated through each of the three entities mentioned regarding amounts charged beyond the range indicated. Mr. Spendley responded there is no single list that identifies all the manufactured housing communities in the State. He said of the 300 communities that his company serves in Arizona, almost half of them were not on any of the lists available. He said research would need to be conducted to provide a complete list. He commented that the issue relating to the number that is submetered is more difficult because that information is probably not being tracked. He said a sampling could be conducted by statistical means based upon the total number in an attempt to learn the percentage of master metered communities that are actually submetered.

Mr. Rickels commented that he has researched this issue, and believes all of the water providers have a list but will not release it. He voiced his concerns as to the reason for the list not being made available. Mr. Spendley replied that he could not speak on behalf of the utilities as to why the list is not being made available.

Mr. Cormier, representing Tucson Water, stated the number of submetered mobile home parks is approximately 100 ~~per~~ 4,000 customers. He noted that although the Company's legal department will not provide customer names and addresses, general information can be provided regarding submeters. He said he would attempt to secure a response from the legal department on that issue.

Mr. Miller referred to Attachment A, page 1, item 1c, and clarified that the Arizona Corporation Commission does not regulate or have jurisdiction over municipal water companies, but rather only private water companies totaling approximately 500 in the State.

Senator Solomon asked that if water is provided from a municipal water system to a mobile home park, is there information available to know how many mobile home parks are charged a greater fee for delivery of water than to other municipal users or any users through the water providers. Mr. Spendley replied he is only able to address the issue of those communities with which his company is involved. He noted that in all cases his company would not create a bill that exceeds the single-family residential rate of the providing utility.

Representative Brimhall stated she has been advised by developers of the mobile parks that there is an effort to discourage the creation of mobile home parks using water as a disincentive. She asked Mr. Spendley whether water delivered to a mobile home park development is greater than that being charged to deliver water to a housing development. Mr. Spendley responded that information would require a survey be conducted. He said his company's role is to collect consumption information and create a bill consistent with current Arizona law. He pointed out that in a large number of cases, the communities do not recover an amount equal to the amount being paid for the water.

Representative Poelstra asked Mr. Spendley to address the Tucson situation. He said his understanding is that mobile home communities which are master metered pay a higher rate than the single-family user. However, by law under the Landlord-Tenant Act, those communities are only allowed to charge the single-family residential rate user. The additional cost then is passed on to the tenants. Mr. Cormier responded he believes it depends on the specific park experience. He said last year Tucson Water worked with representatives of mobile home park communities, and the rates to go into effect in two weeks reflect a common cost for both the residential customer and the mobile home park owner.

Mr. Rickels commented that it has been his belief that the rate has been based on the size of the master meter. Mr. Cormier responded that is true with respect to the base monthly charges. However, with respect to consumption or use of water, it is the same for mobile home parks and the cost does not vary with the size of the meter.

Mr. Spendley explained the infrastructure portion as highlighted on Attachment A, page 2.

Representative Poelstra asked whether it would be beneficial to master meter mobile home parks since consumption is reduced. Mr. Spendley stated that more apartments are being submetered for allocating water.

Mr. Rickels commented that even though prices vary in certain parts of the State, it is important to note that many of the costs divert to the landlord. He explained that the landlord installs, maintains and owns the system, and the water provider has no investment. He said the responsibility falls on the landlord, and ultimately the resident. Mr. Spendley voiced agreement and said that it is the responsibility of the community to maintain the infrastructure. He indicated that it would be important to keep Mr. Rickels' comments in mind in a rate discussion because there is a real cost and maintenance factor involved.

Representative Poelstra stated that to Mr. Rickels' point, it is the property owner who maintains the infrastructure of the water system. However, as pointed out a higher rate is being charged to a business that is maintaining the pipelines. He asked for clarification on that point.

Mr. Cormier responded that he could only speak for Tucson, and the situation would have to be reviewed on a utility by utility basis. He further explained the rate structure and costs.

Representative Brimhall asked for information regarding the consumer use average nationally.

Bill Robertson, President and Owner, Edison Micro-Utilities Company, explained that his company conducted a survey and the average water use for a family of two is 3,200 gallons of water a month after a park is submetered. Prior to submetering that same resident used approximately 6,000 gallons of water a month. In family parks with children, the water consumption will decrease from 12,000 gallons to 4,700 gallons after submetering.

Mr. Rickels commented he has been in business for forty years and has faced many problems with all the utilities. He indicated studies were conducted on occasion in the mobile home parks because of the problems. He explained the way the procedure was handled in Tucson. He said he found that less water was used in a mobile home park per family than any other user of water. Mr. Cormier responded he would somewhat agree, although raw data was not available on that issue.

Representative Brimhall commented that as a health advocate, she is concerned about what is expected as far as water usage in a healthy environment. Mr. Robertson responded that he believes in Tucson that an average family uses approximately 275 gallons of water a day. After conservation efforts went into effect, the consumption

dropped to 235 gallons. In an average mobile home park, particularly with the elderly, the water consumption can drop to 60 to 90 gallons of water per day. Representative Brimhall asked staff to research the health standard relating to the recommended daily or monthly water usage for health purposes.

Senator Jarrett asked Mr. Robertson if he was referring to individual residences versus apartment complexes. Mr. Robertson said that is correct, and apartment buildings generally use less water than individual residences. He said the health issue is a very good point. He indicated that water usage in mobile home parks is certainly more than adequate. He explained the problems arise when maintenance does not occur with respect to leaky faucets or leaving water hoses running unnecessarily and other wasted efforts. He noted that the rate structure in Phoenix and Tucson is very difficult to handle for a mobile park owner. He added that the new rate structure will even be worse for owners due to volume.

Mr. Cormier explained the costs during winter months versus summer months. He explained that in Tucson over the last two years efforts have been in place to remove any allowance from the monthly service charge.

Ms. Barfoot commented she works for the City of Chandler. She said studies were conducted in the mobile home parks in her area and described those studies regarding usage and costs. She noted that the actual cost in Chandler is less to a mobile home park user than it is to a single-family resident. She pointed out that the studies also included reviewing homeowner associations and common areas for comparison purposes. She said she feels that there is not a "one solution fits all" and the situation will vary throughout the State. She commented on the rates charged in Chandler for mobile home parks and other users. Representative Poelstra thanked Ms. Barfoot for her report, and requested her to provide a copy of that information for the next meeting of the Committee. In response to Representative Brimhall, Ms. Barfoot further explained the meter rate structure, and would provide additional information for the next meeting.

Mr. Robertson explained that the Arizona Landlord Tenant Act and the Mobile Home Landlord Tenant Act provide that a resident in a mobile home park will be billed at the same rate by the local utility as would be residents living in a house across the street from the park. Representative Brimhall emphasized that people living in mobile home parks often struggle with costs not associated with residents in homes outside of the parks. Mr. Rickels responded there is a difference in the costs, and explained the higher costs paid by the landlord of the mobile home parks. He said it becomes a dilemma for landlords, and ultimately they are forced to raise rents in order to compensate for the high water bills.

#### **TAPE 1, SIDE B**

Mr. Miller referred to Mr. Rickels' comments and indicated that in 1972 it was determined that the Arizona Corporation Commission could not regulate rates charged

by mobile home parks as the parks are in the primary business of renting space and the charges for utilities are incidental to their business.

Mr. Robertson stated he is concerned about what may occur by changing present laws. He explained that utilities are very expensive for park owners to maintain. He noted that the old Landlord Tenant Act used to state that a mobile home park owner could not make any money on utilities. He said the law was changed a second time and stated that a mobile home park owner could charge for the maintenance, repair and administration costs of the distribution system.

Representative Weason commented that it appears many of the infrastructure costs also exist in residential homes. She noted that homeowners' association members pay a certain amount each year to compensate for the infrastructure costs and maintenance of the common areas. She asked whether mobile home parks have such a fee arrangement to assist in infrastructure costs. Mr. Robertson responded he wanted to clarify an earlier point on the Landlord Tenant Act. He commented that the law was then changed where the park owner could charge an administration fee and for maintenance and repair work. He cited an example. He pointed out that in 1987 it was determined that the law should be changed to bill the residents of a mobile home park the same rate as that charged to single family residences. He said that change has worked out quite well with the exception of Phoenix and Tucson, and explained the circumstances.

Mr. Cormier clarified a point on the allowance. He said that since 1995 the park owner of submetered parks has received a credit of equal amount of usage allowance per unit. He added it is consistent between the residential customer and the park owner.

Mr. Robertson commented that his firm conducts business in 24 other states, and utility companies have different methods. He cited an example of the billing method in California, which has worked very well. He said he is concerned that in today's manufactured housing industry, a primary focus is affordable housing. In response to Representative Weason's earlier question, Mr. Robertson responded that statutory law eliminated the administrative costs being paid by the tenant, and now the residential rates are used for mobile home parks.

Mr. Cormier responded to an earlier comment by Representative Brimhall, and indicated the key consideration is the tenant in the submetered mobile home park. He said Tucson has made great efforts this year in working with the owners of manufactured parks to ensure that any increases or decreases shared by the residential class impacted tenants to the same level and that there were not any excessive charges passed on through rate increases or general overhead.

Senator Jarrett directed her question to Mr. Rickels. She asked if the rents for spaces are increasing due to the costs, whether through the county assessor or the utilities. Mr. Rickels responded he could speak for some park owners in Tucson. He explained he is a master metered park operator with his own wells, and does not have to purchase

water from Tucson Water. He said he believes the park owners are paying too much for water from the utilities because of the rate that is charged at the master meter, which is one of the reasons why the rents increase. Senator Jarrett indicated she is receiving many such complaints in her district in Mesa regarding increased rents. She said the costs are forcing people to leave and are unable to deal with the issue. Mr. Rickels stated he asked Senator Solomon to introduce the bill, which he wrote. He said he assumed at the time that other water providers were conducting their business the same as Tucson Water.

Mr. Saunders commented from his point of view as a park owner and as a member of the board of the Manufactured Housing Communities of Arizona, it is true that the costs will have to be passed on to residents if the park owners are to remain in business. However, he believes the major issue being addressed in Tucson is the issue of fairness and equity between people similarly situated. He said attempts are being made to negotiate with Tucson Water to devise a rate structure that will allow individuals similarly situated to have the same payment for water without any hidden costs in rent for the water consumed. He commented that the issue of mixing in the amount of rent paid is based on several issues and germane to the discussion to the extent rents are raised to compensate for the cost of water. He noted there are inputs that enter into that equation, especially with the increasing cost of housing in the State. He believes it is a totally separate topic as to how water costs are passed on in the form of rents.

Senator Solomon said the issue is whether the mobile home park is being provided the same rate as the single-family residence. She suggested it would be helpful for the next meeting to have a list of those being served by the three water entities articulated in the information provided, and the number of those who are charged the single-family rates as compared to an increased rate for master metered parks. She said it would be helpful to know how many regulated municipal water utilities and regulated private utilities are charging master meter water providers the same rate as the single family rate. Mr. Miller responded with respect to private water companies, every circumstance is different because some are located in remote areas of Arizona with varying infrastructure costs. He said there will be different rates for individual users. He pointed out that with respect to private water companies, the Corporation Commission ultimately decides the rates to charge after a rate review. In the case of municipal water companies, the city councils approve rates. He said he would be interested in having a presentation from the city councils, such as Tucson, as to why there is a difference in the rates charged. Senator Solomon said she is interested in knowing whether the City of Tucson is unique among municipal water suppliers in the State in the manner in which rates are charged. She said, however, that she does not wish to single out only Tucson because it is a statewide issue. Mr. Miller suggested perhaps asking the Arizona Municipal Water Users Association (AMWUA) to give a presentation.

Representative Brimhall stated the issue is how to change the mentality of charging based on volume rather than a single resident fee. Mr. Saunders replied that in Tucson the goal would be that the water cost to the resident would be transparent to the resident and exactly the same rate as that billed to a single-family resident living outside

a park. He said an objective of the Committee could be to suggest a statement or policy including all appropriate definitions of transparency. He said that although there are administration complexities in Tucson, a pilot program is being prepared to test some of those complications. He said he believes that Tucson is not opposing the concept of transparency, and believes an appropriate solution may be forthcoming. He said he hopes the issue of how water rates are created is left for another meeting because it is a political process in each jurisdiction and may not be appropriate for this Committee.

Mr. Cormier said that perhaps for the next meeting information could be presented regarding the pilot project.

Ms. Barfoot commented that every situation is different, and explained the rate structure in the City of Chandler. She noted that the reality is that the single-family homeowner is paying more than someone living in a mobile home park unit. She said it is not a "one size fits all" solution. Senator Solomon said the question is whether or not there are individuals paying more for the same service and whether there needs to be some consistency in the basic delivery. She said she would like to ask the Committee to provide staff with the topics that members would like to see presented at the next meeting. She said the rate structure would be helpful information for comparative purposes. She said a request for a presentation from AMWUA would also be helpful. Representative Brimhall said she would like to have a presentation regarding the pilot project mentioned. Senator Solomon would like the information provided to staff for review prior to the next meeting.

Representative Weason commented she would like to see statewide information presented. She said if a uniform system is to be considered, it would be helpful to have the entire picture.

Senator Jarrett remarked that she would like to know if there is a practice among mobile home park owners of passing on and collecting extra rentals to cover the cost of utilities. Representative Brimhall suggested looking at other approaches that are being used elsewhere in order to address the issue of the mobile home park residents' investment. Senator Solomon suggested that staff provide some background information from the Landlord Tenant Act to members.

Senator Jarrett asked whether it would be helpful to have a subcommittee review some of the particular items mentioned and then report to the Committee. Senator Solomon responded that it is not a purview of the charge to the Committee, however, members may informally meet to discuss issues. Representative Brimhall commented that the goal is to help protect people within mobile home parks from costs and circumstances over which they have no control. Senator Solomon stated she would ask staff to check with the Rules attorneys as to whether or not it would be considered as part of the charge to the Committee. Representative Weason said it would be of interest to look into the existing statutory language regarding homeowners' associations as to how those entities deal with fines and assessments regarding infrastructure costs and utility delivery, and how it could relate to mobile home parks. It would be helpful to know if

there are restrictions from implementing that type of strategy or trust account within a mobile home park community. Senator Solomon said she would have staff check with the Rules attorneys and Legislative Council for their determination.

Representative Weason commented she agrees with the statement that all similarly situated individuals whether residing in a mobile home park or not should pay the same rates for the equal amount of water used. She said she believes that by reviewing situations regarding homeowners' associations or individuals living in single-family residences, it would provide insight for dealing with the mobile home park situation. She noted it is unfair that residents in mobile home parks are paying more for the same water as those living outside the parks.

Senator Solomon announced that the next meeting is scheduled for October 23 from 10:00 a.m. to 12:00 p.m.

There being no further business, the meeting adjourned at 11:40 a.m.

Respectfully submitted,



Nancy L. DeMichele, Committee Secretary

(Tapes and attachments on file in the Secretary of the Senate's Office/Resource Center, Room 115)

# ARIZONA STATE LEGISLATURE

Joint Interim Meeting Notice  
Open to the Public

## JOINT LEGISLATIVE STUDY COMMITTEE ON WATER SERVICES IN MOBILE HOME PARKS

**DATE:** Tuesday, October 23, 2001

**TIME:** 10:00 a.m.

**PLACE:** House Hearing Room 3

### AGENDA

1. Call to Order
2. Roll Call
3. Approval of Minutes
4. Staff Presentations on Committee Requested Information
5. Presentation by the Arizona Municipal Water users Association
6. Presentation by Tucson Water
7. General Discussion
8. Public Testimony
9. Schedule Next Meeting
10. Adjourn

### MEMBERS:

Senator Ruth Solomon, Cochair ✓  
Senator Marsha Arzberger  
Senator Brenda Burns  
Senator Darden Hamilton ✓  
Senator Marilyn Jarrett  
Senator Ramon Valadez ✗  
Susan Brenton ✓  
David Crockett ✓  
Dean Miller ✓  
Kirk Saunders ✓

Representative Edward Poelstra, Cochair ✓  
Representative Debra Brimhall  
Representative Carmine Cardamone  
Representative ~~Mark Clark~~ *Christene Weason* ✓  
Representative Dean Cooley ✓  
Karen Barfoot ✓  
David Cormier ✓  
Linda Lindholm ✓  
Sonny Rickels ✓  
Brian Townsend ✓

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10/19/2001

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ARIZONA STATE LEGISLATURE  
Forty-fifth Legislature – First Regular Session

**JOINT LEGISLATIVE STUDY COMMITTEE ON WATER SERVICES  
IN MOBILE HOME PARKS**

Minutes of Meeting  
Tuesday, October 23, 2001  
House Hearing Room 3 -- 10:00 a.m.

(Tape 1, Side A)

Chairman Poelstra called the meeting to order at 10:05 a.m. and roll call was taken by the secretary.

**Members Present**

Senator Hamilton  
Senator Jarrett  
Karen Barfoot  
Susan Brenton  
David Cormier  
David Crockett  
Senator Solomon, Cochairman

Representative Cooley  
Lnda Lindholm  
Dean Miller  
Sonny Rickels  
Kirk Saunders  
Brian Townsend  
Representative Poelstra, Cochairman

**Members Absent**

Senator Arzberger  
Senator Burns  
Senator Valadez

Representative Brimhall  
Representative Cardamone  
Representative Clark

**Speakers Present**

Larry Chesley, House Majority Research Analyst, Military, Veteran Affairs and Aviation Committee; Native American Affairs Committee  
Julie Szperling, Senate Research Analyst, Commerce Committee  
Bob McCain, Program Director, Arizona Municipal Water Users Association (AMWUA)  
David Cormier, Tucson Water  
Jeff Landon, Manufactured Housing Communities of Arizona, Tucson  
Andy Jacobson, Director, Brentwood West Homeowners Association, Mesa  
Richard B. "Dick" Paulin, President, Homeowners Association, San Estrella Community  
Jim Whittington, President, Arizona Renters Association, Mesa  
John Wayne Gonzales, Management Assistant, City of Phoenix  
Suzanne Gilstrap, Lobbyist, Arizona Multihousing Association  
Mildred Rickels, representing herself, Tucson

### **Staff Presentations on Committee Requested Information**

Larry Chesley, House Majority Research Analyst, Military, Veteran Affairs and Aviation Committee; Native American Affairs Committee, provided the following information in response to questions posed at the previous meeting:

- In order to remain healthy, an individual needs about 270 gallons of water per month or 9 gallons per day (one gallon to drink and the remainder for hygiene/cleanliness).
- Owners wrap everything into the rent, such as underfunded utilities, in order to keep ahead of the game. No one he contacted wished to be identified.
- The Rules attorney was consulted on whether the Committee can compare homeowner association issues such as fines, rents, utilities, and trust accounts with mobile home parks. The Rules attorney said it can be done only if the homeowner's association actually delivers water to a mobile home park.

Julie Szperling, Senate Research Analyst, Commerce Committee, provided the following information in response to questions posed at the last meeting:

- A copy of Ms. Barfoot's chart relating to mobile home water consumption comparisons in the City of Chandler was mailed to the Members (Attachment 1).
- She attempted to find out if tenants of mobile home parks are charged more than the single-family residential rate, but everyone she talked to said that a comprehensive list was never compiled. She did, however, obtain water rate structures from the cities of Yuma, Chandler, Mesa, Tucson, Flagstaff, and Tempe, half of which are currently under review (Attachments 2 through 7).

Mr. Rickles remarked that there is no water authority so he does not believe it is possible to find out if a landlord is charging too much for water.

Mr. Poelstra noted that the Members were provided with a copy of a memo from David Modeer Director, Tucson Water, in response to Senator Solomon's request for information about mobile home parks and how many are master metered, etc. (Attachment 8). Mr. Cormier commented that the list shows the number of submetered mobile home parks served by Tucson Water. The park owners provided the number of occupied spaces, which gives some idea of the size of the mobile home parks.

Mr. Rickles questioned why the names and addresses cannot be disclosed. Mr. Poelstra noted that the memo states that the customers may waive privacy rights by contacting Tucson Water to allow disclosure of the information. He suggested that Mr. Rickles contact Christopher Avery, the Senior Assistant City Attorney, for further information. He added that he will also call to see what can be done.

### **Presentation by the Arizona Municipal Water Users Association**

Bob McCain, Program Director, Arizona Municipal Water Users Association (AMWUA), stated that AMWUA is a voluntary nonprofit corporation formed by a number of municipalities in Maricopa County to provide a forum for development of urban water resource policies. He noted

that he lobbies the Legislature on water-related matters that have statewide impact, except water rates, which are usually a local government issue. He added that members of AMWUA include the cities of Chandler, Glendale, Goodyear, Mesa, Peoria, Phoenix, Scottsdale, Tempe, and the Town of Gilbert.

Mr. McCain indicated that the items included in the charge of the Committee are basically the responsibility of the landlord of a mobile home community; however, he can provide some information on costs of water since he sent out an emergency memo late last week to AMWUA members asking for information about monthly service charges and received a response from the cities of Chandler, Phoenix, Scottsdale, and Tempe (Attachment 9). He noted that the monthly service charge is based on meter size and a 5/8" meter is the general size for a single-family dwelling. He reviewed a summary of selected characteristics of water commodity charges, i.e. the charge for a block of water, noting that there are similarities, but none are the same (Attachment 10).

Mr. Rickles asked how the cost of water for a person living in a master metered mobile home park compares to someone living in a single family residence. Mr. McCain surmised that the information from Ms. Barfoot shows that the charge for water in a mobile home community is less than the charge for water in a single family residence in the City of Chandler, but he cannot speak to any of the other cities AMWUA represents (Attachment 1).

Ms. Barfoot explained that the chart is broken down into the cost per 1,000 gallons. The comparison involved a review of mobile home parks with pools or clubhouses and those without, subdivisions with homeowner's associations and those without, and a number of single family homes in the areas of the mobile home parks. She added that she believes the chart provides a representative sample of what is actually occurring in the City of Chandler.

Mr. Cooley commended Ms. Barfoot on the research. He asked why the cost was less in mobile home parks and more for single family residences. Ms. Barfoot replied that she is not sure why there is a difference, but she does not believe it is very significant. Mr. Cooley stated that brick and mortar homes house more people so if the number of people in a unit is divided into the figures, mobile home tenants might be paying more per person.

Mr. Cooley asked Mr. McCain if this is a unique situation or the same problem applies elsewhere. Mr. McCain responded that a few years ago there was an issue with utility service to multi-family dwellings, and legislation was passed, so perhaps that model could be used for mobile home communities. It was proposed last year, but for some reason, determined not to be a workable solution. He indicated that he is not sure the specific problem has been defined. The figures in the chart relate to the rate per 1,000 gallons, not necessarily the rate per dwelling unit, and under that principle the residential homeowner pays more than a tenant in a mobile home community.

Mr. Cooley stated that AMWUA and the City of Chandler do not know how much of the charge is passed on to tenants. The problem is that owners of the parks are using utilities as an additional profit-making item. Mr. McCain stated that municipalities deliver water to the master meter and bill according to what the master meter indicates. He acknowledged that

municipalities have no idea what tenants in a mobile home park pay, but it is something municipalities have no control over.

Mr. Rickles asked if mobile home parks serviced by a municipality pay the same rate at the master meter. Mr. Cooley surmised that everyone pays the same rate per 1,000 gallons. Ms. Barfoot agreed that everyone is charged the same rate. The per unit cost per 1,000 gallons was determined so the number of people does not necessarily matter. What happens inside the park and how much people are actually charged is not known. She can only say that if a landlord calculates the cost based on what the city bills the landlord on a per unit basis, the chart shows what the person would pay per 1,000 gallons.

Mr. Saunders clarified that the real issue is that in some places like the City of Chandler there appears to be a differential where the cost of water to the landlord may be less than the single family rate charged to a single family resident and the landlord may make money on water. In the cases of the City of Phoenix and the City of Tucson, the reverse is true. The cost of water to the landlord is somewhat higher than the family rate owners are allowed to charge to residents so the landlord loses money on water. The issue in front of the Committee is what to do when the cost of water to the landlord is greater than what the landlord is allowed to charge the resident so residents do not end up being charged an additional amount of rent for what should be a passthrough of actual utility charges.

Mr. Cooley noted that no facts were given as to how much water is required for common areas swimming pools, etc., which contributes to the added cost versus what the landlord bills a customer. Mr. Saunders responded that the presentation from Tucson Water addresses a pilot program in the City of Tucson that, hopefully, will address the issue and breaks out the common area expense. The common area would be charged at a commercial rate versus the expense charged to the resident at a residential rate so communities would be required to pay a fair share for common area usage.

Mr. McCain acknowledged that City of Chandler charges relate to the cost per 1,000 gallons of water. It is not known what the tenant in a mobile home community pays the landlord for utility service because many items are involved other than the simple cost of the water. Mr. Rickles pointed out that landlords are supposed to charge the single family residential rate according to State law, which is a number that was created by water providers. Ms. Brenton specified that the law states that the landlord can charge up to the single family residential rate, but does not have to charge the single family residential rate.

Senator Solomon remarked that in order to recoup a loss, it may be necessary for the landlord to "eat" some of the rental profit or impose the loss on the tenants.

### **Presentation by Tucson Water**

David Cormier, Tucson Water, noted that the Members were provided with a copy of the law stating that the landlord cannot charge more than the residential rate charged by the utility provider (Attachment 11, Page 1).

Jeff Landon, Manufactured Housing Communities of Arizona, Tucson, stated that in looking at a master metered park with submeters and water rates, it is necessary to consider the State law that parks can only charge residents up to the single family rate and what water utilities can charge the park. He noted that two years ago, Tucson Water raised the rates that parks paid for water by approximately 20 percent, but the effect on rates tenants paid was negligible (about 1 percent more), which led to an upward pressure to raise the rent to recapture the lost revenue that could not be gained because of the limit of the single family rate. He related that he participated in a Customer Rate Design Group that reviewed Tucson Water's methodology and developed a few recommendations, one of which is the Concept of Transparency in which parks can pass along the amount collected for water to the City so there would be no upward pressure on rent due to increasing water rates.

Mr. Cormier indicated that at the last meeting, a question was asked about how a submetered park is billed. He reviewed a simplified explanation of the billing process (Attachment 11, Page 2) and the Tucson Water Financial Plan/Rate Process (Attachment 11, Page 3). He noted that when Tucson Water changed the differential between the mobile home park rate and the residential rate, park owners indicated that they cannot maintain their operations, which is how the issue came up within the City of Tucson.

Mr. Landon advised Chairman Poelstra that he was the only representative for master metered property owners in the Customer Rate Design Group. Mr. Cormier added that there are six customer classes and a representative of each class was included, as well as two single family residential customers. He related that customers with submeters were not involved because they are not direct customers of Tucson Water. He reviewed the rate schedule developed as a result of the efforts of the Design Group (Attachment 11, Page 4). He advised Chairman Poelstra that the price for mobile home parks with submeters prior to the reduction to \$1.15 was \$1.37 per cubic feet.

(Tape 1, Side B)

Mr. Cormier explained that an intermediate step in resolving the problem is a pilot project in which the park owner will inform Tucson Water what was billed out in commodities to each of the tenants, and Tucson Water will charge the park owner for that volume of water. The park owner retains the minimum service charge of \$5.35 to cover the cost of billing, meter reading, and system maintenance. He noted that four meetings were held on the pilot program. The process will begin with billing for November, and hopefully, this type of approach can be accommodated administratively.

Mr. Saunders pointed out that Mr. Cormier did not mention the component that relates to common area water usage. He explained that the pilot program basically stipulates that the resident should pay the single family rate for water, which should be passed through directly from the water utility as far as cost, and any balance in the common area would be paid at prevailing rates for a commercial water user in the rate class. The intent is not to get away from master meter mobile home parks paying a fair price for water for common area usage, but to have residents of mobile home parks pay the same amount of money as someone living next door in a single family house for the same amount of water.

Mr. Rickles related that this issue has been a problem for many years and when the City Council finally voted to form a committee to resolve the issue, Tucson Water was given the charge of appointing the committee members. In the meantime, people in the senior age bracket who can barely make it have been paying more for water than anybody else. Mr. Cormier responded that Tucson Water approached the Manufactured Housing Communities of Arizona, Chamber of Commerce, and neighborhood associations and asked for appointees. The Mayor and Council also appointed a Subcommittee, which met three times with representatives of the Design Group so he believes there has been a sincere, dedicated effort within the City. He added that the schedule that was developed shows a definite improvement in this issue from a year ago.

Senator Solomon remarked that the Members are not present to condemn Tucson Water or the City of Tucson, but to decide if people who are sub-metered in mobile home parks are treated in an equitable fashion with regard to the cost of water service.

Mr. Rickles asked how much it costs Tucson Water to deliver water to a master meter. Mr. Landon replied that a cost of service analysis is conducted annually, which involves a review of the amount of water used, peaking factors, and other items to determine the size of the system needed and what is involved, then the cost is allocated across commercial, residential, master meter, etc.

Mr. Cormier commented that it costs more to deliver water to a single residential customer than a submetered mobile home park. The difference is the rate structure and recovering the higher cost over and above \$1.11 through the rates in the upper tiers, such as the charge of \$6.60 for some of the usage. He said he would have to double check, but he believes the average per unit charge for residential is about \$1.80 compared to \$1.15 for submetered mobile home parks. Mr. Landon stated that he believes the pilot project also addresses that discrepancy, which would be eliminated if the pilot project works.

### **General Discussion**

Mr. Cooley speculated that too many landlords are making a profit on different aspects of the parks, which is frustrating to the homeowners because they do not know how much of what they are paying is profit. He said he believes it would be much simpler for mobile home park owners who believe a certain amount of profit is needed to make the profit in terms of raising the rent.

Ms. Brenton indicated that from 1985 through 1987, a legislative study committee basically rewrote the Mobile Home Parks Landlord Tenant Act. Prior to 1987, parks could only charge whatever they were charged divided by the number of residents or spaces in the park and add \$1 to cover administrative costs. Many residents thought that was not fair because a single person paid the same amount for water as a family of six next door so the study committee composed of park owners, residents, etc., came up with the idea that the park owner could only charge the single family residential rate, which is easy to access to make sure the landlord is not overcharging.

Mr. Cooley stated that he would like some information on common practices of park owners when a winter visitor leaves the park for six months, for example, since he recalls hearing from constituents about a year ago that the charges continue. Ms. Brenton related that the City of

Mesa, for instance, would not charge a rate if someone called to request that their water be turned off, but the customer would be charged a \$10 or \$15 turn-on fee upon return, and again, the park is allowed to charge whatever the water provider would charge.

### **Public Testimony**

Andy Jacobson, Director, Brentwood West Homeowners Association, Mesa, testified that Brentwood West Mobile Home Park used to be privately owned. Unfortunately, the owner died and the park was purchased by a Florida corporation that immediately raised rents sky high and installed water meters in residents' back yards so everyone could be charged separately for utilities, which were previously included in the cost of rent. He noted that the water meter in his back yard is completely aboveground and made of copper pipes that are very sloppily soldered together. The pipes are vertically mounted and there is a tremendous amount of weight and leverage, which guarantees that the pipes will break in the not too distant future. He has to be extremely careful as do many other people in the park with disabilities caused by injuries because the pipes are very easy to trip over. He noted that there have already been two significant injuries, but the park owner does not care.

He related that one of the residents called a City of Mesa inspector to see if anything can be done about the meters. The inspector visited the park and agreed that the meters are unsightly and unsafe, but indicated that the park is located on private property so there is nothing the City can do. He added that the City charges \$18.22 for a shut-off fee when a "snowbird" leaves to migrate north, and when the person returns, he calls the City and a representative comes out and turns the water back on. Because the City charges \$18.22, the manager decided to do the same. The water was not immediately turned off to a house near him, and as a result, a leak occurred and about 5,000 gallons of water leaked under the unit. Anyone aware of how termites like damp ground under mobile homes in the desert can imagine the mess. He added that he is not asking the Committee to do anything except be aware.

Richard B. "Dick" Paulin, President, Homeowners Association, San Estrella Community, stated that the park was owned by a private owner then purchased by "carpetbaggers" from Florida with the intent to evade rent control in Florida and nest in Arizona where there is none. He said immediately everything changed. Before meters were installed, the owner charged separately for everything. His water bill increased so he complained, but the owner's reaction was rather profane, and he basically told him to leave the park if he did not like it. Mr. Paulin noted that he added onto his house so it is not movable. He submitted that the residents are charged a rate for water based on what the owner decides it will be, and even though he is limited by the Mobile Home Park Landlord Tenant Act as to the maximum, he does not know why he has to charge the maximum all the time. People in the park are in excess of 80 years of age and live on less than \$750 per month from social security. The rents are up over \$300 and will probably be raised to \$500 plus utilities.

Mr. Paulin related that the gentleman from Florida charges residents \$13.20 per month more for garbage than he pays to have it collected. He talked to the collector who charges the owner less than \$6 to collect the garbage, but the owner charges the tenants \$19.20. The owner says he has the right under the Mobile Home Park Landlord Tenant Act to charge City of Phoenix rates as a

municipal entity or the provider rate so he charges as a municipal entity. He added that some of the ladies in the park did not turn the air conditioning on all summer because of the cost.

Jim Whittington, President, Arizona Renters Association, Mesa, stated that the mobile home park owner where he lives makes at least a 100 percent profit on water and sewer. He is billed by the City of Mesa at a bulk rate and charges residents the single-family residential rate, then pockets the difference. The same applies to trash. He noted that several people in the park are very old and try to subsist on \$750 per month or less, but some have had to file for bankruptcy because they could not pay the increased rent, utilities, and buy medicine as well.

He indicated that he was told by the Corporation Commission that anyone who is a vendor of utilities and makes a profit in Arizona must be registered with the Corporation Commission; however, there are only two mobile home parks in Arizona registered as vendors of utilities. He questioned if failure of the owner to register with the Corporation Commission provides a private owner of a mobile home a right of action against the landlord. He submitted that the residents are getting ripped off royally and asked the Committee and Legislature to step forward and do something to begin to protect senior citizens in Arizona that the State spent hundreds of millions of dollars to attract.

Mr. Whittington advised Mr. Cooley that park owners are not only raising rents on a yearly basis, and in many cases, much more than the consumer price index (CPI), but they are also making a profit on utilities, and the combination of the two factors is making it necessary for people to supplement their fixed income to be able to afford to live in Arizona. These people worked for 40 to 45 years with the idea that they would be able to retire with a reasonable cost of living. He said he would prefer a rent increase because it would be more digestible and he would know up front what costs would be. He related that the Mobile Home Park Landlord Tenant Act is biased toward the owner. For example, if the landlord raises the rent to the point where the tenant cannot afford to pay the increase, the tenant can move the mobile home and the park owner has to contribute to the cost of the move; however, the tenant is only able to qualify for the moving assistance fund if their income is at or below the federal poverty level (FPL).

Ms. Brenton specified that the Landlord Tenant Act states that if the landlord raises the rent at 10 percent plus CPI, the tenant qualifies for assistance to move the mobile home regardless of level of income.

John Wayne Gonzales, Management Assistant, City of Phoenix, indicated that Mr. McCain already provided some information about the City of Phoenix. He noted that the Assistant Director of Water Services was scheduled to attend the meeting, but had a family medical emergency so he is pinch-hitting. He said a question was raised about charges for a single family versus multi-family residences and clarified that the City of Phoenix does not have customer classes. The cost of one gallon of water to commercial, industrial, residential, etc., is the same across the board; therefore, a master meter is charged the same amount as a person in a single family.

Mr. Gonzales related that the base charge for a single family home with a typical 5/8" meter is \$5.15 and the charge for a multi-family residence, which could be apartments or a mobile home, with the 2" meter for 20 units is \$9.78, or 49 cents per unit. The typical monthly average cost of

the base charge and consumption for a single family user in the City of Phoenix, not including taxes and sewage fees, is \$18.30, but for multi-family use, using the same numbers as before, the cost breaks down to about an average of \$11.26 per unit. In summary, the City basically charges the same for water for residential, commercial, and industrial, but the cost to multi-family residents is less per unit.

Suzanne Gilstrap, Arizona Multihousing Association, indicated that the Legislature passed a bill a few years ago allowing the apartment industry to either pass through the cost based on the submeter or allocate the cost based on four or five different formula options in the law. If what is charged is passed through, it is fair to the customer and the industry is also able to pass through an administrative fee to cover the cost of maintaining the system, meter reading, and billing. She added that she would not like to see the Committee do anything that would create a problem as far as charging user classes by what it actually costs to serve the classes so one resolution may be to allow mobile home parks to pass through the cost based on their cost plus an administrative fee.

Mr. Cooley asked staff to obtain a copy of the legislation passed for apartments since it appears that it solved some problems.

Ms. Gilstrap indicated that one of the reasons for the legislation was to promote more conservation within apartment communities because technology is now available to submeter, whereas it was previously so expensive that it could not be done. She opined that the options in that law are very fair as far as allocation based on the number of people, square footage, number of bedrooms, etc., and it would be a good model to consider.

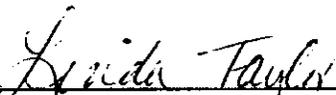
(Tape 2, Side A)

### **Schedule Next Meeting**

Chairman Poelstra announced that the next meeting will be held on November 8 at 1:00 p.m. in the House and asked that any recommendations be forwarded to him, Senator Solomon, or staff.

Mildred Rickels, representing herself, Tucson, asked why the Committee is continuing its work if the new rates are already in place in Tucson. Chairman Poelstra explained that the Committee is committed to meeting the final timeline for recommendations for proposed legislation or necessary changes that would affect all municipalities in the State and not only Tucson Water.

Without objection, the meeting adjourned at 12:08 p.m.

  
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Linda Taylor, Committee Secretary  
October 31, 2001

(Original minutes, attachments, and tapes are on file in the Office of the Chief Clerk.)

# ARIZONA STATE LEGISLATURE

## Joint Interim Meeting Notice Open to the Public

### JOINT LEGISLATIVE STUDY COMMITTEE ON WATER SERVICES IN MOBILE HOME PARKS

**DATE:** Thursday, November 8, 2001

**TIME:** 10:00 a.m.

**PLACE:** House Hearing Room 1

#### AGENDA

1. Call to Order
2. Roll Call
3. Approval of Minutes
4. Staff Recap the previous meetings
5. Presentation of proposed solutions
6. General Discussion
7. Public Testimony
8. Adjourn

#### MEMBERS:

Senator Ruth Solomon, Cochair  
Senator Marsha Arzberger  
Senator Brenda Burns  
Senator Darden Hamilton  
Senator Marilyn Jarrett  
Senator Ramon Valadez  
Susan Brenton  
David Crockett  
Dean Miller  
Kirk Saunders

Representative Edward Poelstra, Cochair  
Representative Debra Brimhall  
Representative Gary Pierce  
Representative Mark Clark  
Representative Dean Cooley  
Representative Christine Weason  
Karen Barfoot  
David Cormier  
Linda Lindholm  
Sonny Rickels  
Brian Townsend

af  
11/5/2001

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ARIZONA STATE LEGISLATURE  
Forty-fifth Legislature – First Regular Session

**JOINT LEGISLATIVE STUDY COMMITTEE ON  
WATER SERVICES IN MOBILE HOME PARKS**

Minutes of Meeting  
Thursday, November 8, 2001  
House Hearing Room 1 -- 10:00 a.m.

(Tape 1, Side A)

Cochairman Poelstra called the meeting to order at 10:11 a.m. and the secretary called the roll.

**Members Present**

Karen Barfoot	Representative Cooley
David Cormier	Representative Pierce
David Crockett	Representative Weason
Don Lemasters, representing Susan Brenton	Kirk Saunders
Linda Lindholm	Brian Townsend
Dean Miller	Representative Poelstra, Cochairman
Sonny Rickels	

**Members Absent**

Senator Arzberger	Senator Valadez
Senator Burns	Senator Solomon, Cochairman
Senator Hamilton	Representative Brimhall
Senator Jarrett	Representative Clark

**Speakers Present**

Larry Chesley, House Majority Analyst  
John Wayne Gonzales, Management Assistant, City of Phoenix

**Approval of Minutes**

Mr. Cormier, representing Tucson Water, noted that Tucson Water has 149 submetered mobile home customers out of 200,000 customer connections, and asked that the minutes be corrected to read 100 *with* 4000 customers behind the meters rather than 100 *per* 4000 customers. With that change, Chairman Poelstra declared the minutes approved.

**Staff Recap of Previous Meetings**

Larry Chesley, House Majority Analyst, briefly reviewed past discussion of water delivery systems in mobile home communities (see notes, Attachment 1).

Ms. Barfoot, representing the City of Chandler, observed that the city does not know what charges are made between landlords and tenants in a mobile home park.

### **Presentation of Proposed Solutions**

Chairman Poelstra solicited recommendations of the Committee.

Ms. Lindholm, Tempe, representing Manufactured Housing Communities of Arizona (MHCA) recommended that, recognizing that the State cannot preempt municipal rates, she suggested there be no legislative action at this time to allow for the pilot programs in Tucson to work.

Mr. Rickels, Tucson, representing an Association of Recreational Vehicle Parks, disagreed that the State cannot preempt, and distributed a copy of proposed legislation (Attachment 2). He contended that the proposed legislation will create a formula to provide equitability for residents who have been paying too much for as long as twenty years, and that the City of Tucson's allowing the change represents a tacit admission of guilt. Mr. Rickels emphasized that residents of master metered parks have been paying more for water than residents of single family homes, which has meant that people on the lowest rung of the economic ladder have paid more for water than anyone else in the State.

Mr. Cormier opined that the pilot project just begun in Tucson is preferable to the proposed legislation because it will charge submetered customers exactly what they would be paying if they were residential customers, with the exception of community pools, laundry, and other public areas.

Mr. Saunders, representing operators of Mobile Home Parks, said it is his understanding that surcharges will be exactly the same as for single family residences. Mr. Cormier explained that that is correct under the pilot project, which has a \$1.16 base rate in the winter, but a surcharge for the summer. As a result, the rates are not identical because the structures are different. He noted that submetered mobile home parks do not use a lot more water in the summer than in the winter, but it is not easy to determine how much water goes to common areas.

Mr. Saunders remarked that the intent is transparency. Mr. Cormier confirmed that rates and structures are identical under the pilot project.

Mr. Rickels opined that the pilot project is a dream that will never be realized. He asked why the issue is being made so complex, when the fact is that mobile home users are paying more for water than people in single family homes.

Mr. Cooley related that a number of his constituents in the east Mesa area are also concerned about charges. He noted that while a landlord can charge the residential rate, the prorated cost to the landlord may be significantly less. Additionally, seasonal tenants who live in the area for only half the year are still charged the same, creating a burden on people living on a fixed income. He added that he was impressed with the Tucson pilot project, and suggested an identifiable solution in the Landlord and Tenant Act described by Suzanne Gilstrap of the Arizona Multihousing Association at the last meeting.

Mr. Chesley noted that there is no apartment or townhouse act, only a Residential Landlord and Tenant Act that gives both sides access to arbitration. He said it is his understanding that a tenant must abide by a contract that has been entered into with a landlord. He added that he is not sure that the proposed legislation would provide the fairness sought, although he believes it could probably be fixed.

Mr. Cooley said he has been informed that some parks use water charges as an additional profit maker, which creates resentment because tenants believe they are paying a higher cost than the owner pays. He suggested that it would be fairer to increase the rent rather than add profit to utility charges.

Mr. Chesley said it is his understanding that a landlord will have to pay taxes on the income if it is added to the rent.

Mr. Cooley pointed out that tenants have no control over changes that may be made by the landlord, which essentially holds them hostage because of the high cost of moving a manufactured home.

Mr. Saunders noted that the Landlord and Tenant Act allows allocation techniques and breakout amounts for utilities separate from rent. He pointed out that it would be impossible to have a standard charge because the amount of water used is different, and charges are so complex.

There followed further discussion of accounting methods and the use of pass-through charges, which are not taxable.

Mr. Cormier clarified that under the pilot project common areas will be charged at a commercial rate, while other water used will be at the residential rate.

Mr. Pierce asked why this method was selected. Mr. Saunders said the City of Tucson tried to find a fair and equitable system, and this was a negotiated solution. Mr. Pierce noted that people want an accurate accounting.

Mr. Rickels observed that residents of single family homes do not pay extra for their laundry or pool water. He added that despite Tucson Water's claim to the contrary, the laundry and pool are used by everybody in a mobile home park, and it is not a commercial use. He emphasized that although tenants think their landlords are gouging them, the fact is that the landlord is paying more for water than can be charged to the tenants, and decent landlords do not skim.

Mr. Cormier pointed out that rates increase sharply for high use residential customers, and that minimum monthly charges vary considerably. While Tucson Water charges \$5.35 per month, the City of Chandler's charge is more than \$10 per month.

Chairman Poelstra asked members to vote on the correction to the minutes discussed earlier.

**Representative Cooley moved to amend the minutes to reflect approximately 100 with 4,000 customers behind the master meter. The motion carried by a voice vote.**

Chairman Poelstra noted that the minutes of October 23, 2001 should reflect that Senator Jarrett was present.

**Representative Cooley moved to amend the minutes to indicate that Senator Jarrett was present. The motion carried by a voice vote.**

Mr. Cormier advised that water services provided that are not submetered are considered multi-family.

Mr. Cooley recommended consideration of provisions in the Residential Landlord and Tenant Act, Section 33-1314.01 (see copy, Attachment 3), and voiced his belief that this would give tenants the satisfaction that they are being properly charged for water.

Mr. Townsend, representing the Residential Utility Consumers Office (RUCO), noted that there are three governing acts, Residential, Mobile Home, and Recreational Vehicle, all of which treat utility charges differently.

Mr. Saunders noted that the Residential Utility Billing System (RUBS) has been discussed previously, and said he would have liked further input from Susan Brenton who represents the largest number of homeowners in the state, and who is absent due to a death in the family. He said he believes MHCA would oppose bundling because different usages require variable rates, and cautioned that it might be premature to make such a proposal.

Mr. Lemasters, representing Ms. Brenton on behalf of Arizona Association of Manufactured Home & R.V. Owners (AAMHO), said it is the desire of the state board of AAMHO that the rates not change, but remain at the single family dwelling rate.

Mr. Cooley remarked that east Mesa residents claim rates are causing a substantial burden. Mr. Lemasters responded that he lives in that area and has received no complaints from members. Mr. Cooley said he is informed they continue to pay the same rate when they leave for six months. Mr. Lemasters noted that that is not the case in the park in which he lives. Mr. Cooley said he understands the problem has arisen in mobile home parks that have been purchased by large corporations whose only interest is profitability. Mr. Lemasters reiterated that his organization has received no complaints.

Mr. Saunders pointed out that in the interest of fairness and consistency, residents of mobile home parks can not be offered special rates.

Mr. Cooley said his proposal is simply that a landlord may recover the charges imposed on the landlord by the utility provider.

Mr. Rickels voiced agreement with Mr. Cooley's proposal, and suggested that it could be corrected as needed.

Mr. Cooley asked if Tucson Water will pass through the actual cost plus a \$1 administration fee in the pilot project. Mr. Cormier explained that there is no administration fee. Customers will pay exactly what a residential customer pays, which is the monthly minimum charge of

\$5.35, plus the commodity charge. The \$5.35 charge will be retained by the park owner to cover expenses.

Mr. Saunders observed that the issue is extremely complex, and that Mr. Cooley's proposal requiring one rate is not equitable because of the different costs involved. He urged that much more research is needed before such a measure can be undertaken, and pointed out that the goal is to come up with something that works in the City of Tucson.

(Tape 1, Side B)

Mr. Rickels remarked that there are some good water providers in the State and that there is no need to make the issue so complicated.

Mr. Lemasters noted that it is easy to find out the cost of water when the single family residence rate is charged, but it is not possible to determine the costs when they are passed through.

Mr. Cooley explained that his proposal would allow the cost to the landlord to be passed on to the tenants, as in the case of apartments, and further discussion ensued. Mr. Cooley said he believes something needs to be done to provide relief for mobile home park residents.

### **Public Testimony**

John Wayne Gonzales, Management Assistant, City of Phoenix, noted that he testified at the last meeting of this Committee. He pointed out that municipalities work in different ways and that the City of Phoenix does not have a system of different classifications and does not submeter, but charges at the master meter. As a result, because of the way the charges are passed on, a tenant in a mobile home park in the City of Phoenix pays less than a single family user. He suggested a cap at what is owed, as opposed to "up to the residential rate."

Responding to questions, Mr. Gonzales explained that everything on the other side of the master meter is the responsibility of the owner, and that costs for the master meter are included in the fees.

Mr. Pierce cautioned that it is difficult to put a cap because of the different rate structures.

Ms. Barfoot noted that each city determines what goes into the base rate and the commodity charge, and how it is assessed varies from water provider to water provider.

In response to questions from Mr. Cooley, Mr. Gonzales reiterated that Phoenix uses a staggered rate and that water usage in mobile home parks tends to be lower than in single family homes. However, rates and cost structures are the same. He offered to get more information on how wastewater charges are assessed.

Jeff Landon, Tucson, representing Manufactured Housing Communities of Arizona (MHCA), explained that the industry, tenants and water authority have reached agreement in Tucson and are moving ahead with the pilot project. He cautioned that because all municipalities are different, a move to fix the problem in one area may create problems in another municipality.

Mr. Rickels opined that the agreement provides no guarantee of a lasting answer to the problem.

Mr. Landon pointed out that landlords will be able to pass through their costs to the tenants without raising rents. He observed that Tucson residents of mobile home parks are not now paying more for water than others in similar situations, although MHCA is concerned about the future.

Mr. Rickels maintained that the problem has existed for twenty years, through five city councils in addition to the present one, and that owners have never been able to find a permanent remedy.

**Ms. Lindholm moved that this Legislative Study Committee not recommend changes to the Mobile Home Parks Landlord and Tenant Act for this coming session.**

Representative Weason pointed out that the Committee is presently hearing public testimony and the motion is out of order.

**Ms. Lindholm moved to withdraw her motion.**

Further discussion followed between Mr. Cooley and Mr. Landon on the need to find a solution to the problem in Tucson and east Mesa, and whether a legislative solution is needed.

Mr. Cooley suggested that "at the single family rate or the prevailing rate charged to mobile home parks by the water providers" would take care of his constituents and allow for greater flexibility.

Mr. Saunders pointed out that Mr. Cooley's proposal would not address the problem in those mobile home parks with no submeters. He said he would prefer that the stakeholders get together to research the issue more thoroughly, and then return with proposed legislation.

Mr. Cormier noted that the single family rate is tiered in Tucson. Mr. Cooley observed that "at the single family rate" is the current law, and said he is proposing that if it is a lower rate it must be passed on.

Mr. Landon said he would need to think through the implications before responding to the proposal.

(Tape 2, Side A)

Mr. Landon reiterated that the present agreement with Tucson Water allows for a straight pass-through of the single family rate, plus retention of the administrative cost, and the multifamily or commercial rate for those areas run as a business. He reviewed the way charges are currently assessed, and emphasized that only submetered parks are involved in the pilot project. Further discussion ensued and Mr. Landon confirmed that it is a true pass-through in terms of cost.

Mr. Cooley clarified that he will move to provide for "the single family rate which is currently or the prevailing rate charged to a mobile home park by a water provider."

Mr. Landon said he believes the proposal would not affect Tucson.

Mr. Saunders observed that both Tucson and Phoenix could potentially be affected by the motion.

Ms. Barfoot advised that the City of Chandler has a commodity charge based on usage, and that the residential monthly service charge is almost \$11.00.

Further discussion on Mr. Cooley's proposed motion ensued.

Mr. Saunders pointed out that the Committee was convened to address the problem of Tucson Water making changes to its water rate charges, which is currently being addressed through negotiation with the City of Tucson.

Chairman Poelstra announced that no other member of the public has asked to speak.

Mr. Cooley pointed out that his motion is a recommendation only and that other stakeholders would be able to respond to the proposal.

**Mr. Cooley moved to recommend the following language:**

**"single family rate or the prevailing rate charged to mobile home parks  
by the water provider."**

**The motion carried by a voice vote.**

Chairman Poelstra announced the end of public meetings and thanked the staff for their work.

Without objection, the meeting adjourned at 12:28 p.m.

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Carole Price, Committee Secretary  
November 21, 2001

(Original minutes, attachments and tapes are on file in the Office of the Chief Clerk.)