



COUNCIL STAFF REPORT

CITY COUNCIL *of* SALT LAKE CITY
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TO: City Council Members

FROM: Austin Kimmel, Public Policy Analyst

DATE: April 15, 2025

**RE: FISCAL YEAR 2025-2026 BUDGET,
DEPARTMENT OF PUBLIC UTILITIES,
Water, Sewer, Stormwater, and Street Lighting Funds**

Project Timeline:

Set Date & 1st Briefing: April 15, 2025
2nd Briefing: in May or June (if needed)
Public Hearings: May 20 and June 3, 2025
Potential Action: June 10, or later date TBD

ISSUE AT-A-GLANCE

The total proposed FY26 budget for the Department of Public Utilities is **\$410,518,007**, representing a \$149,643,376 or **26.71% decrease** from the amended FY25 budget. The decrease is primarily driven by a 52.54% reduction (\$162,654,324) in the department's total capital projects and a 21.08% (\$72,846,199) reduction in the department's bond/loan proceeds compared to FY25. An increase of 22% (\$50,059,367) is expected in total utility rate revenue compared to FY25.

The Department consists of four utilities: Water, Sewer, Stormwater, and Street Lighting. Each utility operates as separate enterprise funds, generating revenue through user fees to fund separately allocated staffing, materials budgets, and capital improvement programs. Each fund is responsible for extensive capital asset networks, with the three water-related utilities largely regulated by state and federal requirements. The department funds and implements infrastructure maintenance and upgrades to comply with current federal regulations and mandates for reliable customer service.

Public Utilities is one of the oldest and largest water utility systems west of the Mississippi River. Its total service area covers 141 square miles, covering Salt Lake City and the eastern side of Salt Lake Valley to the mouth of Little Cottonwood Canyon. This includes water service to portions of Millcreek, Cottonwood Heights, Holladay, Murray, Midvale, and South Salt Lake.

The Department of Public Utilities identified the following budget insights for FY26:

- 1.) Assessment and replacement of aging infrastructure,
- 2.) Federal and state regulatory obligations,
- 3.) Inflationary pressures,
- 4.) Implementation of the 2024 Water, Sewer, and Stormwater Rate Study, and
- 5.) Alignment of the Department of Public Utilities with the Mayor's priorities for resiliency and operational efficiency.

These budget insights are explained on page 4 of Public Utilities FY26 proposed budget (Attachment 1).

In FY25, a temporary rate stabilization fee was implemented on water and sewer utility accounts. **The stabilization fee has been eliminated in the FY26 budget** and the proposed budget includes new rate structures for the water, sewer, and stormwater utilities based on a 2024 rate study, which ensures utility pricing structures remain appropriate and provide necessary and reliable revenues.

POLICY QUESTIONS

1. **Customer Communication and Rate Impact Outreach:** The Council may wish to ask the Department to expand on its communication and outreach plan to inform customers across all classes about the proposed rate changes. Additionally, the Council could ask how Public Utilities has coordinated with other City departments, like Public Lands, about how the proposed rates may affect their proposed operational budgets.
2. **Water Usage Trends and Revenue Projections:** Given that actual water sales were below projections in previous years due to decreased usage, the Council may wish to ask the Department to explain how the new rate design will generate the necessary revenue without requiring mid-year adjustments or the reintroduction of a stabilization fee.
3. **Streetlighting Rate Study Timeline and Implementation:** The Council may wish to ask Public Utilities about the current status of the streetlighting rate study, including the anticipated timeline for completion. The Council could also ask if the Department anticipates the study being presented to the Council and implemented in the FY27 budget. Lastly, the Council may ask if the study will address the ongoing challenges of copper wire theft and the associated costs challenging that utility's budget.
4. **Infrastructure Replacement Prioritization:** With aging infrastructure identified as a key budget insight, the Council may wish to ask the Department to expand on how it prioritizes replacement projects and forecasts future years across all four utilities. How are factors such as asset condition, service reliability risk, regulatory compliance, and coordination with other city capital projects weighted in these decisions?
5. **Water Reclamation Facility Status:** As the Water Reclamation Facility approaches its anticipated completion in July 2026, the Council may request if the Department anticipates additional cost increases due to the current state of the markets and federal tariffs.
6. **Climate Resilience Planning:** The Council could ask the Department how climate change considerations, particularly related to drought conditions and storm intensification, are incorporated into infrastructure planning across all four utilities.

IMPLEMENTATION OF THE 2024 RATE STUDY

In 2024, the Department of Public Utilities conducted a comprehensive utility rate study with FCS Group, a consulting firm specializing in municipal rate and fee setting. The study continues Public Utilities' practice of conducting rate evaluations every five to six years, which is a necessary review in order to ensure the structure meets the Department's revenue needs, and adjusts based on projected capital and operating increases. Last year, the Department applied a stabilization fee to water and sewer accounts, because the cost of providing water and sewer service had outpaced the rate revenue. This year, the study and proposed new rate structure means the stabilization fee is eliminated and the new rate structure will account for the needed revenues. The impact across the board to customers who paid the stabilization fee will vary – when compared to utility bills this past year, some customers will see a decrease, and others will either remain flat or see an increase. Water and sewer utility bills will be affected by the amount of water used in any given billing cycle.

The study resulted in several recommended changes to more accurately reflect the actual cost of service delivery across different customer classes. The study also reflects key feedback about incorporating values such as affordability, fairness, water conservation, clarity of charges, predictability. The rates and rate structure were developed to address sufficient revenue for critical infrastructure capital programs, operations, and ongoing

compliance with state and federal regulations. The study encompasses Fiscal Year 2026 (FY26) through 2029 (FY29).

The FY26 budget incorporates the results and recommendations of the rate study, which is notable since this is the first substantial modification to the utility rate design for water, sewer, and wastewater in several years. Customers should anticipate changes to their utility bills as a result of the new rates and design. While Public Utilities also manages Streetlighting, this service will be analyzed in a separate rate study.

The chart below shows key utility service impacts for an average city resident. The example below is based on a residential customer scenario of “low” utility usage during a month. The assumptions in this scenario include 8 ccf of water usage, 4 ccf of sewer usage, and less than .25 acre property for stormwater charges. It should be noted that more than half of the water bills sent to customers during the year are for water use of 5 ccf or lower. Because each utility customer is different, actual impacts to customers will vary. However, the example below provides the Council an approximation of the financial impacts the implementation of the new water, sewer, and wastewater rates and design structure may have on a residential customer.

Example of utility rate changes on select residential customer with low utility usage:

<u>Utility</u>	<u>FY25 Utility Monthly Cost</u>	<u>Proposed FY26 Utility Monthly Cost</u>	<u>Estimated Monthly Change in Cost</u>	<u>Estimated Annual Change in Cost</u>
Water	\$41.13	\$47.15	\$6.02	\$72.25
Sewer	\$35.46	\$37.94	\$2.48	\$29.76
Stormwater	\$8.33	\$8.75	\$0.42	\$5.04
Streetlighting	\$6.86	\$7.89	\$1.03	\$12.30
<u>Total</u>	\$91.78	\$101.73	\$9.95	\$119.35

Customers outside of Salt Lake City will experience an approximate 35% higher cost than city residents to compensate for the property tax assessment city residents pay to the Metropolitan Water District of Salt Lake City and Sandy, and because outside-city customers do not share the same inherent risks that city customers bear as owners and operators of the water system. The budget book includes more information about other classes of users for each utility listed.

OPERATING BUDGET SUMMARY

The proposed operating budget for Public Utilities is **\$177,326,052**, representing a **17.07%** increase from the FY25 budget. The increase is driven by several key factors: additional compensation and benefits to support 15 new employees; payments to other departments for IMS charges, administrative service fees, payment in lieu of taxes, and risk management; a \$927,121 increase in payments to the Metropolitan Water District of Salt Lake and Sandy for water purchased, then conveyed through the Salt Lake City water system.

Summary of Utilities Fund Budgets FY 2026

Funds	Operations	Capital	Debt	Fund Totals
Water	111,741,712	87,273,671	17,596,432	216,611,815
Sewer	46,451,812	75,760,569	36,809,653	159,022,034
Storm	14,770,314	9,968,987	1,726,499	26,465,800
Street	4,362,214	3,862,616	193,528	8,418,358
Total	\$ 177,326,052	\$ 176,865,843	\$ 56,326,112	\$ 410,518,007

Figure 1 - Copied from page 7 of Public Utilities FY26 Proposed Budget Book

Public Utilities proposes adding 15 full-time equivalent (FTE) employees in the proposed budget to support operational and regulatory requirements for the water, sewer, and stormwater utility systems. Public Utilities currently has a total of 484 FTEs, including seasonal and part-time employees. The 15 proposed new employees, described more below, would bring the total number of FTEs to 499.

Proposed Personnel Adjustments FY 2025-2026

Development Services	Water	Sewer	Stormwater	Street Lighting	Total
Engineer IV	0.40	0.30	0.30	-	1.00
					1.00
Finance					
Customer Service Acct Collector/Invest Utilities Spec	1.00	-	-	-	1.00
					1.00
GIS and IT Systems					
Software Support Administrator I	0.50	0.30	0.20	-	1.00
					1.00
Maintenance					
Drainage Maintenance Worker (Ditch Crew)	-	-	1.00	-	1.00
Stormwater Maintenance Supervisor (Ditch Crew)			1.00		1.00
Maintenance Operator (Lids Crew)		1.00			1.00
Irrigation Supervisor	1.00				1.00
Water Service Coordinator Assistant	1.00				1.00
Fleet Coordinator Assistant	1.00				1.00
Maintenance Operator (Reset Crew)	1.60	1.60	0.80	-	4.00
Maintenance Supervisor (Reset Crew)	0.40	0.40	0.20	-	1.00
					11.00
Water Quality					
Water Quality Coordinator	1.00		-	-	1.00
					1.00
Total New FTEs	7.90	3.60	3.50	-	15.00

BUDGET HIGHLIGHTS BY UTILITY

A. Water Utility

The FY26 proposed water budget is **\$216,611,815**, an increase of \$4,882,815 or 2.31% from FY25. The increased budget is driven a new rate and design structure, as recommended by the 2024 rate study. The revenue budget proposes using debt and a grant to finance major infrastructure projects such as the City Creek Water Treatment Plant, lead service line replacements, and other regulatory-driven capital projects. A bond issuance of \$24,000,000 is anticipated during FY26.

WATER UTILITY			
Revenue			
	AMENDED FY25	PROPOSED FY26	PERCENT CHANGE
Water Rates Revenue	\$119,655,560	\$143,182,162	19.66%
Interest	\$4 63,989	\$468,629	1.00%
Interfund Charges	2,325,645	\$2,325,645	4.02%
Other Revenues	\$2,000,000	\$2,000,000	unchanged
Impact Fees	\$70,401,000	\$32,220,653	unchanged
Contributions	\$38,770,000	\$15,075,000	-61.12%
Bond Proceeds	\$100,558,000	\$24,134,000	-75.99
From (To) Reserves	(\$56,682,698)	\$24,601,383	-143.40%
Total Revenue	\$211,729,000	\$216,611,815	2.31%
Expenditures			
Personal Services	\$35,599,948	\$42,125,279	18.33%
Materials & Supplies	\$7,182,025	\$7,662,206	6.69%
Charges for Services	\$57,938,676	\$61,954,227	6.93%
Debt Service	\$17,114,227	\$17,596,432	2.82%
Capital Outlay	\$7,731,124	\$6,923,671	-10.44%
Capital Improvements	\$86,163,000	\$80,350,000	-6.75%
Total Expenditures	\$211,729,000	\$216,611,815	2.31%

In previous years, actual water sales were below projections due largely to decreased water usage. This, in combination with the implementation of large aging infrastructure capital projects resulted in a temporary rate stabilization fee in FY25, which has been eliminated in FY26. Based on the new rate design and cost of service, water sales in FY26 are expected to be 19.66% higher than in FY25.

Public Utilities plans to transfer \$24,601,383 from its reserve funds to pay for capital improvements.

The expenditure budget for the water utility is proposed to increase by \$4,882,815, or 2.31%, from FY25. The expenses for the Water Fund in FY26 are driven by increased personnel costs, including the addition of 7.90 FTEs; increased supply and chemical costs; a 2.82% increase in debt service to comply with current bond issues and anticipation of the Series 2026 debt; and various capital outlay expenditures (watershed purchases, land purchases, vehicles, equipment, etc.); and capital improvement expenditures.

**Proposed Water Capital Improvement Program
for FY 2025-26**

Type of Project	Proposed Budget 2025-2026
Treatment Plants	63,140,000
Water Service Connections	7,450,000
Pumping Plant Upgrades	-
Reservoirs	1,760,000
Water Mains and Hydrants	4,275,000
Wells	1,500,000
Culverts, Flumes, and Bridges	1,775,000
Buildings	450,000
Total	\$ 80,350,000

Figure 1 - Copied from page 12 of Public Utilities FY26 Proposed Budget Book

B. Sewer Utility

The FY26 proposed Sewer budget is **\$159,022,034**, a significant decrease from FY25 by \$153,426,791, or a 49.10% decrease most notably due to the capital budget. \$48,865,324 of the Sewer Fund's \$73,230,324 capital improvement budget, is designated for the new Water Reclamation Facility (WRF), and approximately \$2 million will be used on the existing WRF. The WRF is the City's largest public works project, and it is anticipated to be complete in July 2026. The total cost for the project is now nearly \$940 million.

Sewer service fees (those paid by customers) are expected to increase by \$22,714,368, or 25.84%, for a total budget of \$110,630,000.

SEWER UTILITY			
Revenue			
	AMENDED FY25	PROPOSED FY26	PERCENT CHANGE
Sewer Rates Revenue	\$87,915,632	\$110,630,000	25.84%
Interest	\$784,650	\$900,556	14.77%
Permits	\$267,500	\$267,500	unchanged
Other Revenues	\$1,132,002	\$1,132,002	unchanged
Bond / Loan Proceeds	\$240,009,000	\$242,580,801	1.07%
Impact Fees	\$1,650,000	\$1,650,000	unchanged
From (To) Reserves	(\$19,309,959)	(\$198,138,825)	926.10%
Total Revenue	312,448,825	159,022,034	-49.10%
Expenditures			
Personal Services	\$16,576,744	\$20,005,102	20.68%
Materials & Supplies	\$4,155,306	\$5,051,957	21.58%
Charges for Services	\$13,405,363	\$21,394,753	59.60%
Debt Service	\$33,150,579	\$36,809,653	11.04%
Capital Outlay	\$2,462,500	\$2,530,245	2.75%
Capital Improvements	\$242,698,333	\$73,230,324	-69.83%
Total Expenditures	\$312,448,825	\$159,022,034	-49.10%

The sewer expenditure budget in FY26 is driven by increased personnel costs, including the addition of 3.60 FTEs; increased materials and supplies; a \$3.6 million increase in debt service to comply with existing debt and interest payments for the Series 2026 debt; various vehicle and equipment purchases and billing software costs; and capital improvement expenditures. Some of the increases are due to the operation of the existing WRF concurrently with the new WRF when it is complete.

**Proposed Sewer Capital Improvement Program for
FY 2025-26**

Type of Project	Proposed Budget 2025-2026
WRF	50,915,324
Collection System	21,965,000
Lift Stations	-
Buildings	350,000
Total	\$ 73,230,324

Figure 1 - Copied from page 13 of Public Utilities FY26 Proposed Budget Book

C. Stormwater Utility

The FY26 proposed Stormwater budget is **\$26,465,800**, a decrease from FY25 by \$2,740,995, or a 9.38% decrease. Due to the new rate structure, revenue is expected to increase by about 20.53% from FY25.

STORMWATER UTILITY			
Revenue			
	AMENDED FY25	PROPOSED FY26	PERCENT CHANGE
Stormwater Rates Revenue	\$14,909,297	\$17,970,000	20.53%
Interest	\$266,901	\$3 01,904	13.11%
Other Revenues	\$63,000	\$72,065	14.39%
Impact Fees	\$750,000	\$825,000	10.00%
Contributions	\$2,000,000	\$125,000	-93.75%
Bond Proceeds	\$5,028,000	\$6,034,000	-20.01%
From (To) Reserves	\$6,189,597	\$1,137,831	-81.62%
Total Revenue	29,206,795	26,465,800	-9.38%
Expenditures			
Personal Services	\$5,707,591	\$7,186,214	25.91%
Materials & Supplies	\$664,497	\$710,250	6.89%
Charges for Services	\$6,125,631	\$6,873,850	12.21%
Debt Service	\$1,673,376	\$1,726,499	3.17%
Capital Outlay	\$2,429,500	\$2,334,987	-3.89%
Capital Improvements	\$12,606,200	\$7,634,000	-39.44%
Total Expenditures	29,206,795	26,465,800	-9.38%

In 1993, the City completed a Drainage Master Plan, and the FY26 budget includes an update which will incorporate considerations for water quality and account for the anticipated impacts of climate change,

such as storm intensification, in addition to traditional conveyance methods. The FY26 Stormwater budget also proposes the addition of 3.50 full-time equivalent positions (FTEs)

An issuance of \$6 million of revenue bonds is anticipated in FY26.

\$7.6 million is proposed for Stormwater's Capital Improvement Program to renovate portions of the stormwater collection system. This is a decrease of about \$4.9 million from FY25's Stormwater Capital Improvement Program. The projects listed below are anticipated to be covered by these dollars:

Proposed Storm Capital Improvement	
Type of Project	Proposed Budget
Lines and Riparian Corridor Projects	5,347,000
Lift Stations	1,837,000
Landscaping	50,000
Buildings	300,000
Detention Basins	100,000
Total	\$ 7,634,000

Figure 1 - Copied from page 19 of Public Utilities FY26 Proposed Budget Book

D. Streetlighting Utility

The FY26 proposed Streetlighting budget is **\$8,418,358**, an increase from FY25 by \$1,641,595, or a 24.22% increase. Streetlighting fees are proposed to **increase by 15%** to keep up with increased costs and to continue implementing the street lighting master plan. The Administration is embarking on a streetlighting rate study, which will inform revenue requirements and streetlighting fees in future budgets.

STREETLIGHTING UTILITY			
Revenue			
	AMENDED FY25	PROPOSED FY26	PERCENT CHANGE
Streetlighting Rates Revenue	\$5,051,294	\$5,808,988	15.00%
Interest	\$42,594	\$45,652	7.18%
Other Revenues	\$100	\$240	140.00%
General Fund Contributions	\$20,000	\$20,000	unchanged
From (To) Reserves	\$1,662,775	\$2,543,478	52.97%
Total Revenue	\$6,776,763	\$8,418,358	24.22%
Expenditures			
Personal Services	\$446,120	\$421,410	-5.54%
Materials & Supplies	\$6,994	\$9,994	42.89%
Charges for Services	\$3,640,121	\$3,930,810	7.99%
Debt Service	\$193,528	\$193,528	unchanged
Capital Outlay	\$1,250,000	\$2,422,616	93.81%
Capital Improvements	\$1,240,000	\$1,440,000	16.13%
Total Expenditures	\$6,776,763	\$8,418,358	24.22%

One of the unique challenges the Streetlighting utility faces compared to other utilities, is the theft of copper wire, which leads to significant damage to the infrastructure. The FY26 budget proposes \$1,000,000 for system repairs due to theft-related damages. Public Utilities continues to explore ways to mitigate wire theft.

Public Utilities proposes a \$20,000 transfer from the General Fund for the private lights program in FY26. \$1,440,000 is anticipated for Streetlight’s Capital Improvement Program.

Proposed Street Lighting Capital Improvement Program for FY 2025-2026	
Type of Project	Proposed Budget 2025-2026
System upgrades for high efficiency and uniformity - Base Tiers 1-3	1,440,000
Total	\$ 1,440,000.00

Figure 1 - Copied from page 12 of Public Utilities FY26 Proposed Budget Book

ADDITIONAL & BACKGROUND INFORMATION

Public Utilities Debt Service Schedule & Metro Water Assessment

This chart from the department’s budget book shows the timing of debt service (payments) on bonds and loans. The revenue generated from the bonds is used to fund capital programs in the utilities.

Total debt service will increase this fiscal year and in subsequent years. The timing of these infrastructure costs is partially determined by state and federal government regulatory requirements. It is also determined by opportunities to coordinate projects with the City’s other capital programs, such as road reconstruction.

PUBLIC UTILITIES PROPOSED DEBT SERVICE SCHEDULE
AND METROPOLITAN WATER ASSESSMENT

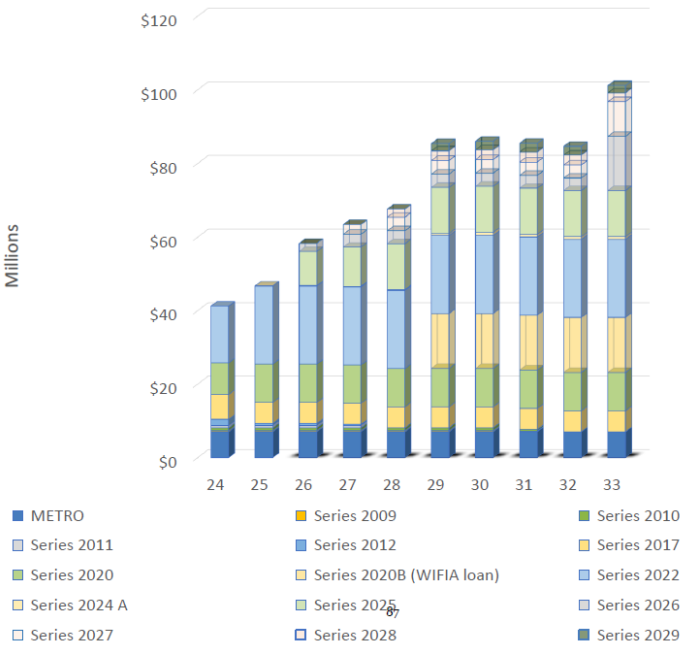


Figure 2 - Copied from page 90 of Public Utilities FY26 Proposed Budget Book

Declining Water Delivery Volumes

The chart below shows the ongoing decline in projected water delivery volumes for Fiscal Years 2025 and 2026. The decline in the estimated millions of gallons delivered reflects ongoing conservation efforts and changing consumption patterns.

Despite the fewer budgeted gallons, the implementation of changes from the 2024 Rate Study and its recommended rate adjustments aim to ensure the department will receive sufficient revenue to maintain critical infrastructure and service delivery.

MILLION GALLONS DELIVERED BY FISCAL YEAR

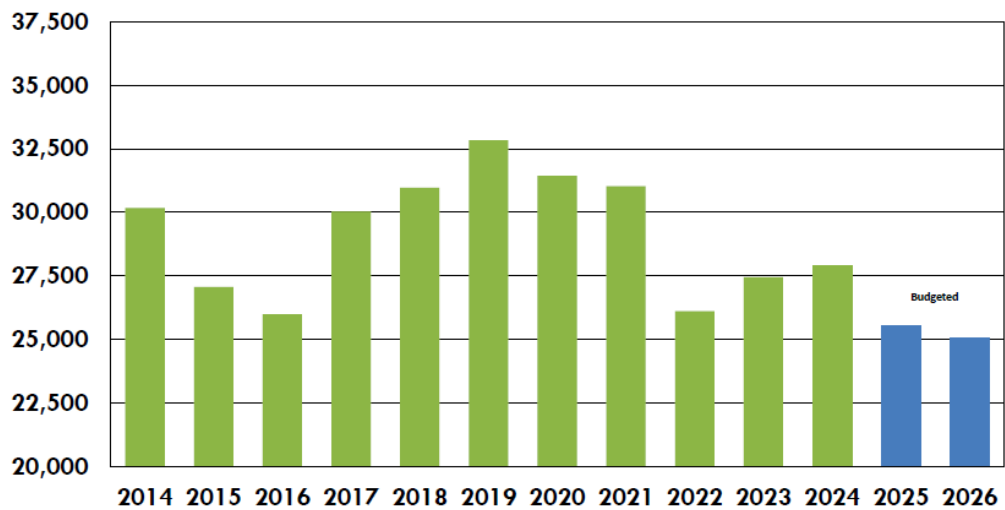


Figure 1- Copied from page 91 of Public Utilities FY26 Proposed Budget Book

ACRONYMS

- CCF – Centum Cubic Feet (one hundred cubic feet of water)
- FTE – Full Time Equivalent
- FY – Fiscal Year
- IMS – Information Management Services Department
- WRF – Water Reclamation Facility

ATTACHMENTS

- [Fiscal Year 2025-26 Public Utilities budget book](#)