



COUNCIL STAFF REPORT

CITY COUNCIL *of* SALT LAKE CITY

TO: City Council Members

FROM: Sam Owen, Policy Analyst

DATE: May 7, 2024

RE: FISCAL YEAR 2024-25 BUDGET,
Metropolitan Water District of Salt Lake & Sandy

Item Schedule:

Briefing: May 7, 2024

Public Hearing: May 7 & May
21, 2024

Potential Action: May 21, 2024
(property tax proposal)

ISSUE AT-A-GLANCE

The Metropolitan Water District of Salt Lake and Sandy stores, treats and conveys culinary water supplies for Salt Lake City and Sandy City. The District is one of the taxing entities that appears as a line on the property tax bill for Salt Lake City property owners.

The District is proposing a property tax increase that would generate new property tax revenue from Salt Lake City taxpayers, and net an additional estimated \$6.77 million. Cost impact from the tax proposal to a residential property of median value in Salt Lake City (\$596,000) would be about \$4.10 monthly, or \$3.92 based on alternate median valuation of \$576,000.

Each City Council of the member cities, Salt Lake City and Sandy, must approve the proposal for the tax to increase. If the tax proposal fails, the District could increase water sales costs to member cities to recover the revenue, instead.

Property tax makes up about one quarter of the District's annual revenue. The remainder comes from a regular capital assessment to member cities, as well as water sales, primarily to member cities. The District also proposes bonding revenue of about \$24.3 million for the new fiscal year, as well.

The District highlights a current grouping of required capital improvements and projects totaling \$117.9 million. Anticipated annual fiscal impact is an estimated \$9.3 million per year, from these new capital expenses.

The Council reviews the rest of the District's budget, and does not formally adopt it. The Council appoints five of the seven-member Board of Trustees. The total FY25 expenditures and revenues figure is an estimated \$100.3 million, up from last year's total \$51,190,072. Budget figures including capital projects could shift, pending outcome of the property tax proposal.



PROPERTY TAX PROPOSAL: PRIORITY CAPITAL PROJECTS

Project description	Annual cost	Total long-term cost
Cottonwoods Connection Project (District/SLC/SC)	\$2,276,800	\$41.5 Million (repayment of 30 year loan/bond)
Purpose: Required project to address aging infrastructure and Salt Lake Aqueduct seismic and other elements of resiliency.		
Deer Creek Dam Intake Project (Provo River Water Users Association costs)	\$1,240,000	\$37 Million (30 years repayment)
Purpose: Required project to replace aging dam infrastructure that delivers 85,000 AF of water (80% of water portfolio) to the Salt Lake Valley.		
Jordan Aqueduct/Jordan Valley Water Treatment Plant Capital and O&M (Jordan Valley Water Conservancy District costs)	\$5,023,680 (5 year average)	\$32.5 Million (10 years of capital projects)
Purpose: Address aging infrastructure that delivers water to Northwest quadrant of Salt Lake City.		
Central Utah Project OMR&R (Central Utah Water Conservancy District costs)	\$1,501,500	\$6.9 Million (forecasted target increase)
Purpose: Expenses related to the District's investment in Central Utah Project water.		
TOTALS	\$9,371,370	\$117.9 Million

SELECT BUDGET FIGURES

	Revenue from water sales	Revenue from property tax	Revenue from capital assessments to member cities*	Total capital projects	Regular operations and maintenance	Total debt service
Budget FY25	\$24,493,357	\$20,527,935	\$26,213,293	\$45,966,987	\$22,882,120	\$15,549,000
Budget FY24	\$23,779,958	\$12,040,679	\$12,930,620	\$16,463,660	\$21,960,664	\$11,865,000
Variance	3.00%	70.49%	102.72%	179.20%	4.20%	31.05%
			*(prior financial commitment paid through utilities)			

KEY ITEMS

The district evaluated capital and operational costs and developed a budget proposal for the coming year that would include a property tax rate increase. The annual increase to a median value property owner could be about \$49.

Salt Lake and Sandy are the only two member cities, so only those residents would pay the tax increase. (It should be noted that residents who are customers in Salt Lake City's water service area, but are not City residents, would not pay the property tax increase. In the Salt Lake City Public Utilities water rate structure, those water customers pay a "differential" that accounts for this factor, plus others.)

In this scenario, rate increases for water sales to member cities would be 3%. The City's Public Utilities customers pay this increase through the water bill. If the tax proposal fails, the increase on water bills is likely to be an amount corresponding to the revenue that would have been recovered for the District through the tax increase. The total revenue required from an alternate water rate scenario without new property tax would be about \$6.2 million from Salt Lake City water customers.

A 4% cost of living adjustment (COLA)/merit salary increase for employees is proposed. Full-time equivalent (FTE) count would increase by four. Health insurance premium payment through benefits plan would hold at 5%.

District supplies are included in the Public Utilities long-term water source forecast and plan for Salt Lake City and the service area. See the last item in the last section of this report for an image depicting Salt Lake City water supply composition.

POLICY QUESTIONS

1. In the Council's previous discussion related to the tax increase, there seemed to be support to pursue that option for additional revenue. However, the tax increase will not be approved until the Council's required hearings are held. If the Council would prefer to evaluate other scenarios where some or all of the new property tax revenue is recovered instead through increased water sales rates, additional conversations will be needed.
 - a. This could shift the historical cost burden, and is not the District's stated preference.
 - b. Because of State law, rejection of the proposal by one member city would automatically mean rejection for the other city, as well.
2. The Central Utah Water Conservancy District (CUWCD) is an entity organized for conveyance, treatment, storage, and capital needs related to water obtained through the Central Utah Project.
 - a. In the future, the Council may wish to explore working with Salt Lake area representatives on the CUWCD Board to encourage budget and policy measures that would continue to address infrastructure and service needs, along with balanced affordability.
 - b. Discussion could also include planning for CUWCD policy decisions that create impacts to City ratepayers. For example, CUCWD water cost continues to increase year-over-year, with a stated goal of reaching \$300 per acre foot from the current proposed \$75 per acre foot (an 8% increase from last year).

OTHER BACKGROUND

The Metropolitan Water District of Salt Lake & Sandy (the district) was created in 1935 by the voters of Salt Lake City in order to provide for additional water management and treatment options from sources within and beyond the Salt Lake watershed areas. The district treats and conveys water from the Provo River system and the Central Utah Project, drawing from sources such as the Strawberry Reservoir and Provo and Weber Rivers, among many others.

The district is funded primarily through the water sales to its member cities (Salt Lake and Sandy) and other surplus customers. Other revenue sources include property taxes from member city residents, and capital assessments paid by each member city toward costs related to master planned capital improvements.

The expenditures include operations and maintenance costs within their own system, debt service, capital assessments, as well as water purchases, conveyance, and operations and maintenance for the Provo River Water Users Association, the Central Utah Water Conservancy District (CUWCD) and Central Utah Project (CUP), and the Jordan Valley Water Conservancy District (JVWCD). These relationships allow the District to collect, treat, store and convey water resources throughout the Salt Lake Valley.

Water sales revenues collected from sales of surplus water to outside entities (others beside member cities) is placed in an Aquifer Storage and Recovery reserve to help offset member city capital costs.

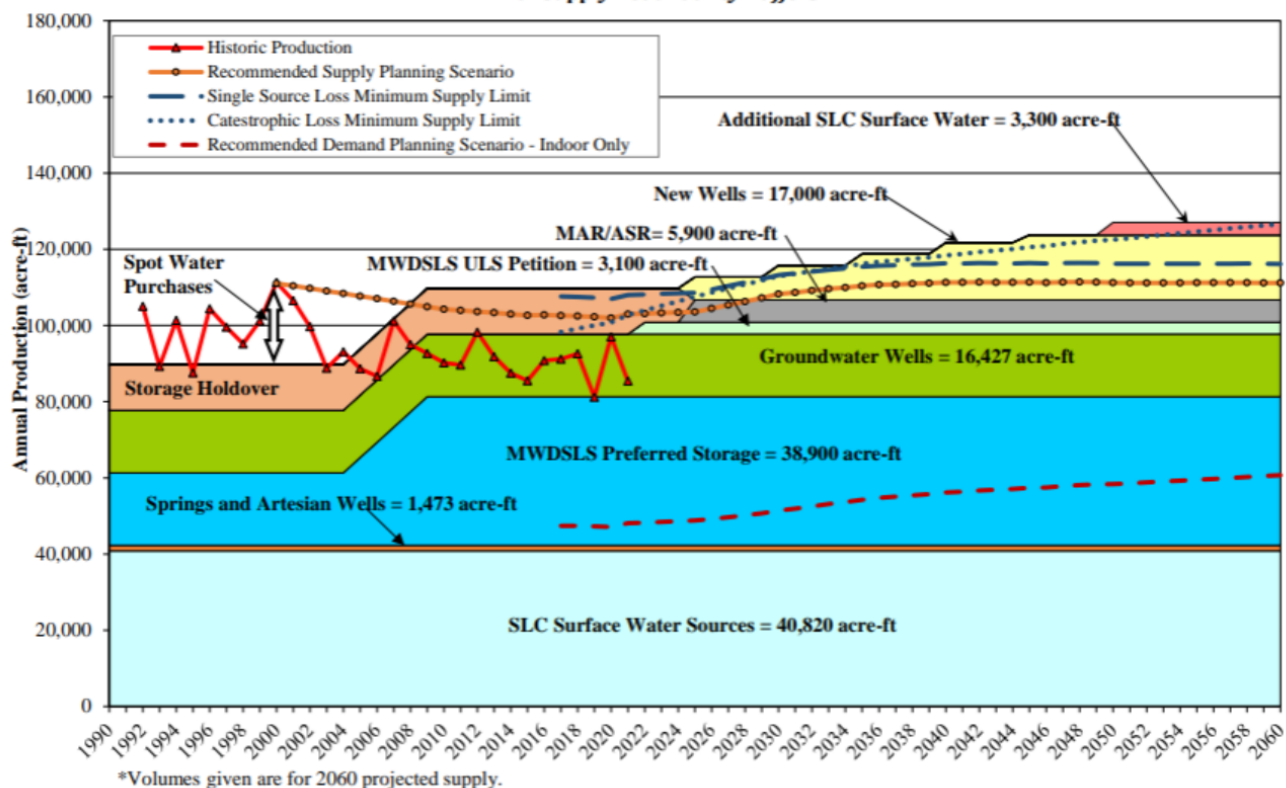
Salt Lake City's Annual Contributions

- Each City pays a capital assessment through water rates, this year estimated at \$13,254,236, related to current and historical infrastructure upgrades and facility improvements; for example, the Metro Water Project completed in 2007, construction of Point of the Mountain Water Treatment Plant, Point of the Mountain Aqueduct, capacity upgrades to Little Cottonwood Water Treatment Plant, and the new Cottonwoods Connection Project.
- \$18,542,410 paid for wholesale water purchased from the district for resale through the Water Utility to customers throughout the SLC system
- \$9,030,509 estimated in property taxes paid by Salt Lake City residents, 2023 (the most recent year with complete data available)

Salt Lake City Water Supply Composition, anticipated through 2060

Salt Lake City is no longer considering wastewater reuse as a future water supply source, but has instead dedicated this amount of water to the Great Salt Lake.

Figure 1
Projected Salt Lake City Annual Production Requirements vs. Supply (Dry Year)
With Supply Redundancy Buffers



ATTACHMENTS

1. Metropolitan Water District FY25 proposed budget
2. Property tax proposal and discussion, summary from District staff