

Memo

TO: City Council leadership
 DATE: February 2, 2024
 FROM: Metropolitan Water District of Salt Lake & Sandy
 SUBJECT: FY25 Proposed Increase to the Certified Tax Rate
 CC: MWDSLS Board of Trustees

ISSUES

The Metropolitan Water District of Salt Lake & Sandy (“District”) needs an increase in revenue to address critical water infrastructure and to pay for the cost increases from other entities (i.e., Central Utah Water Conservancy District, Jordan Valley Water Conservancy District, and Provo River Water Users Association). The following is a summary of these critical capital projects and costs from other entities:

Description	Annual Cost	Type of Expense	Long-Term Financial Impact	Entity responsible for securing funding
Cottonwoods Connection Project (District/SLC/SC) <u>Purpose:</u> Required project to address aging infrastructure and Salt Lake Aqueduct seismic and other elements of resiliency.	\$2,276,800	Capital	\$41.5 Million (repayment of 30 year loan/bond)	Metropolitan Water District of Salt Lake & Sandy
Deer Creek Dam Intake Project (PRWUA costs) <u>Purpose:</u> Required project to replace aging dam infrastructure that delivers 85,000 AF of water (80% of water portfolio) to the Salt Lake Valley.	\$1,240,000	Capital	\$37 Million (30 years repayment)	Provo River Water Users Association
Jordan Aqueduct/Jordan Valley Water Treatment Plant Capital and O&M (JVWCD costs) <u>Purpose:</u> Address aging infrastructure that delivers water to Northwest quadrant of Salt Lake City.	\$5,023,680 (5 year average)	Capital and O&M	\$32.5 Million (10 years of capital projects)	Jordan Valley Water Conservancy District
Central Utah Project OMR&R (CUWCD costs) <u>Purpose:</u> Expenses related to the District’s investment in Central Utah Project water.	\$1,501,500	O&M and repair and replacement of CUP facilities	\$6.9 Million (forecasted target increase)	Central Utah Water Conservancy District
Total	\$9,371,370		\$117.9 Million	

RECOMMENDATION

To meet the District's revenue needs, the board of trustees recommends increasing the certified tax rate to 0.00035. By way of information, the District's maximum tax rate is 0.0005.

In 2008, the District increased the certified rate to 0.00035. Over time, the rate has eroded as the value of properties has increased. Since 2008, the District has not implemented a certified rate increase. Taxes are a reliable source of revenue and the investment in water infrastructure projects will benefit future generations. The investment in capital projects that will last more than 75 years supports generational equity.

AUTHORIZATION FROM SALT LAKE CITY AND SANDY COUNCILS

As of January 1, 2015 current statute (17B-2a-608) states that increasing the certified tax rate requires approval by "the legislative body of each municipality that appoints a member to the board of trustees under Section 17B-2a-604." The appointed board of trustees of the Metropolitan Water District of Salt Lake & Sandy must receive approval from their appointed authority to increase the certified tax rate to 0.00035.

The timing of the city councils' approving the District's certified tax rate needs to occur after the District adopts the tentative FY25 budget on April 15, 2024 and before the budget public hearing on May 20, 2024. The statutory deadline for budget adoption is June 22, 2024.

With the approval of both city councils, the certified rate would increase as budgeted and be formally adopted after a Truth in Taxation hearing in August.

A question to be resolved is how the two cities want to present the tax increase to their councils for approval.

Attachment A describes in more detail the statutory requirements of each city council.

CONCENSUS FROM CITY COUNCILS

There must be consensus from both councils and each city will be taxed at a uniform and equal rate. If either council does not approve an increase to the certified tax rate, then the District will propose an increase to the water rate. The water rate must also be uniformly applied to all cities comprising this District. The District will propose a 39.33% water rate increase to both member cities (36.33% generates the revenue equal to the property tax and the 3% water rate increase was already forecasted in the FY25 budget).

Table 1 calculates the annual impact of an increase to the certified tax rate to Sandy City and Salt Lake City property owners. On average, a property owner in the Metropolitan Water District of Salt Lake & Sandy's service area would see an annual property tax increase of \$47.00.

Table 1: Annual impact of property tax increase to Property Owner

City	Median Market Value of Property	Taxable Home Value (55% of median)	Current Year Tax Rate	Proposed Next Year Certified Tax Rate	Percent Increase	Annual Increase to property owner	Monthly increase
Sandy	\$628,000	\$345,400	0.000216	0.00035	62.04%	\$46.28	\$3.86
Salt Lake	\$576,000	\$316,800	0.000200	0.00035	75.00%	\$47.52	\$3.96

Table 2 represents the net revenue generated from the certified tax rate increase. The District would receive an additional \$8.6 million in tax revenue. Table 2 also shows the estimated tax revenue from each member city.

Table 2: Dollar amount generated from an increase in the certified tax rate

City	2023 Tax Year Certified Tax Rate	2023 Tax Revenue	Proposed Certified Tax Rate	Estimated 2024 Tax Revenue	Net Revenue Increase
Sandy City	0.000216	\$3,010,170	0.00035	\$ 4,877,590	\$1,867,420
Salt Lake City	0.000200	\$9,030,509	0.00035	\$15,802,603	\$6,772,094
Total MWDSLS Taxes		\$12,040,679	0.00035	\$20,680,193	\$8,639,514

Table 3 represents the current water sales revenue and the projected water rate increase of 36.33% to match the revenue net revenue increase of the proposed property tax.

Table 3: Dollar amount generated from an increase to water rates

City	FY24 Water Sales Revenue	Percent Increase	Estimated FY25 Water Sales Revenue	Net Revenue Increase
Sandy City	\$ 6,658,388	36.33%	\$ 9,077,381	\$2,418,993
Salt Lake City	\$17,121,570	36.33%	\$23,341,836	\$6,220,266
Total MWDSLS Water Sales to Member Cities	\$23,779,958	36.33%	\$32,419,217	\$8,639,259