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## **SALT LAKE CITY COUNCIL STAFF REPORT**

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**DATE:** May 16, 2003  
**SUBJECT:** **BUDGET FOR THE METROPOLITAN WATER DISTRICT  
OF SALT LAKE AND SANDY**  
**STAFF REPORT BY:** Gary Mumford  
**CC:** Rocky Fluhart, David Nimkin, John Carman, Reed  
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The Council has traditionally received a briefing on the proposed budget for the Metropolitan Water District of Salt Lake and Sandy. Verbal feedback can be provided to representatives of the District at the briefing. The Council has on occasion also provided written comments to Board members representing Salt Lake City. Salt Lake City appoints five of the seven members of the Metropolitan Water District. Sandy City appoints the remaining two Board members.

Utah Code Annotated, §17A-1-502, provides that constituent entities of a special district can request a meeting with representatives of a district to discuss the budget. The law does not prevent the board of a special district from approving and implementing a budget over protests or objections of constituent entities.

The Metropolitan Water District of Salt Lake and Sandy is proposing an operating budget of \$7,922,172 for fiscal year 2003-04. The proposed operating budget represents an increase of \$236,692 or 3.1%. In addition, the Metropolitan Water District is proposing a budget for debt service of \$4,690,488 and a budget for capital improvements of \$37,100,366.

### **OPTIONS**

Salt Lake City, as a constituent entity of the District, can provide input regarding the proposed budget to District management and/or the Board of Trustees. The City Council is not required to take any official action regarding the District's proposed budget. On June 12, 2003, the Metropolitan Water District will hold a public hearing on its budget. The Members of the Board are scheduled to consider adoption of the budget immediately following the public hearing.

<b>Metropolitan Water District of Salt Lake &amp; Sandy Tentative Budget</b>				
	<b>2002-2003 Budget</b>	<b>2003-2004 Proposed Budget</b>	<b>Difference</b>	<b>Percent Change</b>
<b>Sources of Funds</b>				
Water sales & other operating revenue	\$ 8,721,300	<b>\$ 8,896,510</b>	\$ 175,210	2.0%
Revenue for CUP water (placed in reserve account to be paid in 2005)		<b>1,425,100</b>	1,425,100	
Pass through costs of purchasing spot market water		<b>814,400</b>	814,400	
Tax revenue	4,299,852	<b>4,571,000</b>	271,148	6.3%
Interest revenue	375,000	<b>340,000</b>	(35,000)	(9.3%)
Lab Fees, power and miscellaneous	132,000	<b>134,000</b>	2,000	1.5%
Equalizing assessment (Sandy City)		<b>1,000,000</b>	1,000,000	
Bond proceeds		<b>15,000,000</b>	15,000,000	
Use of reserves/prior bond proceeds	24,248,778	<b>18,135,766</b>	(6,113,012)	(25.2%)
Total sources of funds	\$37,776,930	<b>\$50,316,776</b>	\$12,539,846	33.2%
<b>Uses of Funds</b>				
Operations	\$ 7,685,480	<b>\$ 7,922,172</b>	\$ 236,692	3.1%
Spot market water purchases (paid \$314,400 in fiscal year 2002-03)	2,000,000	<b>500,000</b>	(1,500,000)	(75.0%)
Transport fee to Bureau of Reclamation		<b>46,750</b>	46,750	
Property tax reimbursement (White City)	50,000	<b>57,000</b>	7,000	14.0%
Debt service				
Interest expense	1,821,600	<b>3,342,700</b>	1,521,100	83.5%
Principal	1,120,388	<b>1,347,788</b>	227,400	20.3%
Capital improvements				
Equipment purchases	420,480	<b>136,740</b>	(283,740)	(67.5%)
Operating & maintenance projects	375,500	<b>49,750</b>	(325,750)	(86.8%)
Capital projects under construction	13,950,000	<b>22,570,000</b>	8,620,000	61.8%
New capital improvement projects	5,150,000	<b>9,435,000</b>	4,285,000	83.2%
Engineering	766,755	<b>1,703,050</b>	936,295	122.1%
Land & reservoir/canal title transfer	560,250	<b>375,000</b>	(185,250)	(33.1%)
Jordan Valley Plant (28.6% owner)	1,109,219	<b>920,347</b>	(188,872)	(17.0%)
Jordan Aqueduct (28.6% owner)	857,258	<b>196,999</b>	(660,259)	(77.0%)
Contingency (5% of capital projects)	1,910,000	<b>1,713,480</b>	(196,520)	(10.3%)
Total uses of funds	\$37,776,930	<b>\$50,316,776</b>	\$12,539,846	33.2%

Some of the issues regarding the Metropolitan Water District or major changes reflected in the District's proposed budget include:

1. Capital improvement master plan – Fiscal year 2003-04 will be the fifth year of the District's \$237 million capital improvement master plan. The District secured a \$34 million revenue bond in 1999 to partially fund the initial phase of the master plan. The major project is a new water treatment plant near the Point of the Mountain at 300 West 15000 South (east of I-15) in Draper. The

plant is expected to open in 2006. Additional bonding is anticipated in each of the next four fiscal years. *The Council may wish to ask representatives of the District for an update on the status of the master plan improvements.*

2. Water rate increases – The Metropolitan Water District increased wholesale water rates from \$85 to \$105 per acre-foot in February 1999, from \$105 to \$125 in July 2001, and from \$125 to \$150 per acre-foot in July 2002. In response to these wholesale water rate increases, the Salt Lake City Council approved four retail water rate increases (4% on July 1, 2002; 3% on July 1, 2003; 3% on July 1, 2004; and 3% on July 1, 2005). The July 1, 2003 increase has now been included in the water conservation rate restructure. The future rate increases for July 2004 and July 2005 previously contemplated by the City are no longer in the City's ordinance; the City's Department of Public Utilities desires to analyze the results of the new rate structure before recommending future increases in the City's retail water rates. The Salt Lake City Department of Public Utilities is not planning on another rate increase from the Metropolitan Water District until 2006. *The Council may wish to ask representatives of the District regarding the timing of future rate increases and estimated amounts.*
3. Salt Lake City water purchases – According to the District's budget, Salt Lake City will purchase 34,000 acre feet of water from the Metropolitan Water District at a cost of \$5,100,000. Salt Lake City will also purchase 5,000 acre feet of spot market water at a cost of \$500,000 plus treatments costs of \$523,900. Salt Lake City will purchase 8,000 acre-feet of water from the Central Utah Project (CUP) at a cost of \$1,140,080 plus treatment costs by the District of \$838,240. Council staff's understanding is that the CUP water is an advance of future allotments. The Metropolitan Water District projects that total revenue of \$8,102,220 will come from Salt Lake City. At the time that the Department of Public Utilities prepared its budget, an expense of \$9,050,000 was projected. *The Council may wish to ask about whether there are disadvantages for receiving an advance of CUP water.*
4. Annual assessments to member cities – In 2004-05, Salt Lake City's Department of Public Utilities will be assessed \$3.5 million for capital improvements of the Metropolitan Water District. In 2005-06 the assessment will be \$7 million and will continue at that level for 30 years with the exception of the last assessment in fiscal year 2034-35, which will be \$3.5 million. Sandy City will also be making assessment payments.
5. Zoning for Point-of-the-Mountain Water Treatment Plant – After the District obtained the land for the Point-of-the-Mountain Water Treatment Plant, Draper City would not rezone the land because Draper had hoped the land would be part of a commercial development with about \$3 million a year in potential tax revenue. The District filed a lawsuit against Draper City in November 2002 saying the site is the only place in the Salt Lake Valley suitable for a new water plant (based upon engineering, location needs, etc.). Draper City officials and the District agreed in February to an out-of-court settlement to allow the District to construct the Point-of-the-Mountain Water Treatment Plant. The agreement provides that Draper will receive more than \$10 million in benefits from the District including fill material for a new road, a 5-acre landing site for hang gliders, landscaping along Highland Drive and Minuteman Drive, a \$1.2 million

trail system, \$2.4 million in savings on a new water storage tank, and new transportation and general plans for the area. The proposed budget for fiscal year 2003-04 includes \$1 million to begin these off-site improvements.

6. Provo River Water Users Association assessment (\$125,362 increase) – Over half of the increase in the Metropolitan Water District’s operating costs is due to budgeting for a 4% increase in operating and maintenance costs of the Provo River Water Users Association and a \$1 per share increase for capital improvements of the Association. This increase is an estimate since the fiscal year of the Association doesn’t begin until November 1<sup>st</sup>. The Metropolitan Water District is a 61.7% owner of the Provo River Water Users Association.
7. Salary and benefit increases (\$56,090 increase) – The budget proposes a 3% increase for salaries and wages. Staffing is proposed to remain the same with no new positions.
8. Medical insurance premiums (\$22,170 increase) – Employee health insurances is budgeted to increase 4.47%.
9. Professional and contract services (\$86,930 decrease) – The operating budget for professional services is proposed to decrease by \$86,930 because some contract services will now be included in construction costs.
10. Property and liability insurance (\$38,840 increase) – Property and liability insurance premiums are expected to increase.
11. Jordan Valley Water Treatment Plant (\$35,000 increase) – An increase to the budget is proposed to pay for water treated at the Jordan Valley Water Treatment Plant. The Metropolitan Water District is a 28.6% owner of the Jordan Valley Plant.
12. Utilities (\$21,600 increase) – A new maintenance building has been completed at the Little Cottonwood Water Treatment Plant. The budget includes costs for natural gas and other utilities.
13. Chemicals (\$40,000 decrease) – The amount of chemicals needed is projected to decrease since less water will be treated due to the drought and conservation.
14. Computer hardware & other supplies (\$60,200 increase) – The budget proposes \$12,000 for geographical information system (GIS) software; \$11,000 for a purchasing inventory system that will be integrated into the District’s financial system; a \$20,000 increase for replacement of desktop computers; and \$17,200 for other hardware and software upgrades. *The Council may wish to ask whether the Metropolitan Water District now shares its relevant GIS information with Salt Lake City or is willing to do so in the future.*
15. Equalizing assessment to Sandy City – The District is proposing a \$1 million assessment to Sandy City to equalize the revenue from member cities for master plan improvements. About 75% of the District’s revenue comes from Salt Lake City and about 25% from Sandy City. Sandy City will receive 37½% of the benefits of the master plan improvements and Salt Lake City will receive 62½% of the benefits. The proposed assessment to Sandy City is to equalize payments for master plan improvements.

16. New capital improvement projects:

- \$2,600,000 – Point of the Mountain aqueduct
- \$1,000,000 – Point of the Mountain Treatment Plant raw water supply
- \$1,000,000 – Point of the Mountain Treatment Plant raw water reservoir
- \$1,000,000 – Point of the Mountain Treatment Plant finished water reservoir and pump station
- \$1,000,000 – Point of the Mountain Treatment Plant off-site improvements
- \$ 150,000 – Point of the Mountain Treatment Plant raw water pump station
- \$1,500,000 – Little Cottonwood Water Treatment Plant on-site improvements
- \$ 400,000 – Upgrade of district-wide computer systems (PCA/SCADA) that monitor water treatment and movement
- \$ 250,000 – Landscaping master plan & implementation
- \$ 200,000 – 15000 South pump station
- \$ 150,000 – Vulnerability assessment/risk reduction
- \$ 100,000 – Southeast pipeline & pump station
- \$ 85,000 – UTA bridge project

## **BACKGROUND**

In 1935, the voters of Salt Lake City formed the Metropolitan Water District in order to enter into long-term agreements to build the Provo River Project including Deer Creek Reservoir. The Bureau of Reclamation built the project, and it was necessary to enter into repayment contracts to reimburse the federal government for the construction costs plus interest. The Metropolitan Water District is a 61.7% owner of the Provo River Project. The water rights for the Provo River Project consist of water diverted from the Duchesne and Weber Rivers conveyed through a tunnel and canal system from the two basins to the Provo River for use by the Metropolitan Water District and others. In order to reimburse the Federal Government for the cost of the Provo River Project and Deer Creek Reservoir, the residents of Salt Lake City have paid property taxes since 1935. The Metropolitan Water District continues to build dams and facilities such as Little Dell Reservoir. Sandy City became the second member of the District on February 22, 1990.

In 1998, the Metropolitan Water District updated its capital improvement master plan and identified \$236 million in improvements and expansion of water capacity. The major project is a new water treatment plant near the Point of the Mountain in the Draper area. The Metropolitan Water District owns additional water from the Provo River Project but hasn't been able to treat and convey the water to users. Additional water will also be available from the Central Utah Bonneville Unit (Jordanelle Reservoir) beginning in the year 2005.

The master plan improves redundancy in the event of a water treatment plant or aqueduct failure. Improvements include pipeline connections between the Little Cottonwood Water Treatment Plant, the Jordan Valley Water Treatment Plant, and the Point of the Mountain Water Treatment Plant. This will allow flexibilities in shifting water between major north-south pipelines.