
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: November 10, 2005

SUBJECT: **Interlocal Agreement between Salt Lake City, Sandy City and the Metropolitan Water District regarding the acquisition of new water sources from the Utah Lake System of the Central Utah Project**

AFFECTED COUNCIL DISTRICTS: Citywide

STAFF REPORT BY: Gary Mumford

ADMINISTRATIVE DEPT. AND CONTACT PERSON: Department of Public Utilities
LeRoy Hooton, Director

KEY ELEMENTS:

On March 1, 2005 LeRoy Hooton briefed the City Council on an interlocal agreement between the Metropolitan Water District, Sandy City and Salt Lake City regarding the allocation of new water sources. An additional 30,000 acre-feet of Central Utah Project (CUP) water will be made available to the Salt Lake County area in about 2016 with 21,400 acre-feet available to the Jordan Valley Water Conservancy District and 8,600 acre feet available to the Metropolitan Water District of Salt Lake & Sandy. The proposed interlocal agreement with the Metropolitan Water District allocates 3,400 acre-feet to Salt Lake City and 2,500 acre-feet to Sandy. Each of the two cities has the option of taking 50% of the remaining 2,700 acre feet at the time that the water becomes available.

At the March 1st briefing, the Council did not indicate any concerns with the Agreement, but at the conclusion of the briefing, LeRoy Hooton asked that the Council not take formal action because he was meeting with Mayor Cullimore of Cottonwood Heights regarding water issues. Mayor Cullimore had raised a question about the allocation of this water since Cottonwood Heights City receives water on a "surplus agreement." Last spring, LeRoy met with Mayor Cullimore and some members of the Cottonwood Heights city council and discussed overall water issues. LeRoy met with Mayor Cullimore again on November 8, 2005 and confirmed that the mayor did not want to hold up approval of the interlocal agreement.

The proposed interlocal agreement:

- allocates the amount of this new water and costs to Salt Lake City and Sandy;
- recognizes potential surcharges that may be imposed for not reaching certain conservation targets; and
- acknowledges that the Metropolitan Water District is investigating options for enclosing the Provo Reservoir Canal.

POTENTIAL MOTIONS:

1. ["I move that the Council"] **Adopt a resolution authorizing the approval of an interlocal agreement among Metropolitan Water District of Salt Lake & Sandy, Salt Lake City Corporation and Sandy City.**
2. ["I move that the Council"] **Refer the resolution to a future work session for additional discussion.**

The following information was provided previously. It is provided again for your reference.

Utah Lake Drainage Basin Water Delivery System - The Central Utah Water Conservancy District was established by the State of Utah in 1964 to contract with the federal government in connection with construction and financing of the Central Utah Project (CUP). The purpose of the CUP is to enable the people of Utah to benefit from a portion of the state's allocation of Colorado River water. The component of the CUP that relates to the rivers that flow into Utah Lake is known as the Utah Lake Drainage Basin Water Delivery System (ULS). Some ULS water was recently reprogrammed for residential and industrial use. The Metropolitan Water District petitioned for 8,600 acre feet per year.

Conveyance pipeline required - The ULS water that was reprogrammed comes from Strawberry Reservoir through a series of tunnels and pipelines to Spanish Fork Canyon. The Central Utah Water Conservancy District will need to construct a pipeline from the mouth of Spanish Fork Canyon to the mouth of Provo Canyon so that the water can be conveyed to the Provo Reservoir Canal in order to reach the Metropolitan Water District treatment plant in Draper. Because of various studies and processes required, it is estimated that the pipeline project won't be completed until about 2016.

Proposed commitment to purchase ULS water - The Salt Lake City Department of Public Utilities recommends that Salt Lake City commit to acquire 3,400 acre feet on an annual basis. Sandy City is requesting 2,500 acre feet. Each of the two cities has the option of taking 50% of the remaining 2,700 acre feet at the time that the water become available. The cost is to be \$301 per acre foot in 2016. The Metropolitan Water District currently charges \$163 per acre foot of water.

Water conservation targets - In order to petition for Central Utah Project water, the Metropolitan Water District must agree to meet a per capita water usage conservation trend-line target. The agreement considers Salt Lake City's population to be the City's daytime population. Because daytime population is used in the target calculation, the Director of the Department of Public Utilities believes that the target is reasonable. Since the target is a trend line, if the City doesn't meet the target in any one year, steps can be taken to meet and exceed the target in a subsequent year to offset the year in which the target was not reached. Any penalties for not meeting the conservation target will be the responsibility of the city (Salt Lake or Sandy) that caused the target not to be reached. The CUP allows any penalties will be returned to the paying city for water conservation projects.

Options for enclosing of canal – It is estimated that from 8,000 to 10,000 acre feet of water is lost in the Provo Reservoir Canal due to seepage and evaporation. The Central Utah Project and the U.S. Department of Interior have proposed that together they finance one-half of the cost of lining and enclosing the Provo Reservoir Canal in return for using the water savings for stream flow purposes in the lower Provo River to protect endangered fish. An enclosed canal provides added safety especially as the area surrounding the canal becomes urbanized. Water quality is also better ensured with a closed system. The land over the canal would provide trails for recreation. The proposed interlocal agreement recognizes that the Metropolitan Water District is investigating options for enclosing the canal, but requires the District to obtain approval from member cities before committing funds for this 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.

In 1990, Sandy City became the second member of the District. Sandy City sought membership in the District to treat its approximately 34 percent water right in Little Cottonwood Creek. Sandy City's annexation in the District increased efficiencies by consolidating water supplies and delivery systems to most of eastern Salt Lake County. As part of the agreement, the District receives water purchase revenue and ad valorem tax revenue from Sandy City. Furthermore, as a part of the annexation Salt Lake City acquired additional water rights in Little Dell Reservoir and \$4 million in water transmission mains installed on the City's west side. Also, the 1990 agreement admitting Sandy City established conjunctive water management practices among Salt Lake City, Sandy City, Jordan Valley Water Conservancy District and the Metropolitan Water District.

The 2003 Legislature made some changes to the Interlocal Cooperation Act. Prior to this legislation, approval was necessary by the legislative body of a local government before entering into an interlocal agreement. Under the new legislation, City Council action is not required except when the interlocal agreement includes any of the following:

- Acquires or transfers real property
- Construction of a facility or improvements to real property
- Bonding
- Sharing taxes or other revenue

- Agreements that includes an out-of-state public agency
- Agreements that require budget adjustments to the City's current or future budgets
- Creation of an interlocal agency

This interlocal agreement commits the City to future budget payments for water beginning in about 2016.

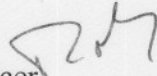
cc: Rocky Fluhart, LeRoy Hooton, Jeff Niermeyer, DJ Baxter

LEROY W. HOOTON, JR.
DIRECTOR

SALT LAKE CITY CORPORATION
DEPARTMENT OF PUBLIC UTILITIES
WATER SUPPLY AND WATERWORKS
WATER RECLAMATION AND STORMWATER

ROSS C. "ROCKY" ANDERSON
MAYOR

Council Transmittal

To: Rocky Fluhart, Chief Administrative Officer 

February 3, 2005

RE: Interlocal Cooperation Agreement between Salt Lake City, Sandy City and the Metropolitan Water District of Salt Lake & Sandy regarding the Acquisition of New Water Sources from the Utah Lake System (ULS).

Recommendation: That the Council approve the Interlocal Agreement and forward it to the Mayor for execution in behalf of the City.

Availability of Funds: Future budget commitment beginning in approximately 2016.

Discussion: Salt Lake City has been part of the Central Utah Project (CUP) since its inception in 1965. In 1977 the City requested the Metropolitan Water District of Salt Lake City to petition for 20,000 acre-feet of CUP Bonneville Unit M&I System water to meet the City's future water supply needs. In 1986, the petition agreement was approved with block notices in 4,000 acre-foot increments issued beginning in 2005 and continuing over a 5 year period until the 20,000 acre-foot petition is fulfilled.

In 2002, addition water supply became available from CUP by re-programming the Spanish Fork – Nephi Irrigation System (SFN System). Water that would have been delivered into southern Utah County and Juab County was redirected to northern Utah County and water treatment plants in Salt Lake County. The water from the ULS will be provided by a portion of the transbasin diversion of 101,900 acre-feet of water from the Strawberry Reservoir and by exchange of Central Utah Water Conservancy District's (CUWCD) water rights in Utah Lake. Included in ULS is the completion of environmental commitments associated with previously constructed CUP systems.

The 30,000 acre-feet of water made available to Salt Lake County water treatment plants was allocated between the Jordan Valley Water Conservancy District (21,400 acre-feet) and the Metropolitan Water District of Salt Lake & Sandy (MWDSLS) (8,600 acre-feet). On September 20, 2004 MWDSLS executed a petition with the CUWCD for 8,600 acre-feet of water. The Department of Public Utilities recommends that the City acquire 3,400 acre-feet of preferential water from the ULS System, and this Interlocal Agreement will commit Salt Lake City to pay for this water, estimated to cost \$301 per acre-foot in the year 2016. In accordance with this Interlocal Agreement, an addition 2,700 acre-feet of ULS water will be allocated between Salt Lake City, Sandy and MWDSLS at a later date.

1530 SOUTH WEST TEMPLE, SALT LAKE CITY, UTAH 84115

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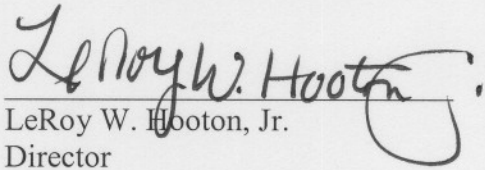


This Interlocal Agreement fulfills terms and conditions contained in an Interlocal Agreement dated May 1, 2001; apportions the water and allocates the cost of the 8,600 acre-feet of water between Salt Lake City and Sandy City; potentially allows this water to be used for 207 Conservation projects; allocates the conservation surcharge risk; and addresses ULS pipeline capacity.

On January 27, 2005, the Public Utilities Advisory Committee unanimously recommended approval of the ULS Interlocal Agreement.

Contact Person: LeRoy W. Hooton, Jr. at 483-6768 or Jeff Niermeyer at 483-6785.

Submitted By:

A handwritten signature in cursive script that reads "LeRoy W. Hooton, Jr." with a large, stylized flourish at the end.

LeRoy W. Hooton, Jr.
Director

LERROY W. HOOTON, JR.
DIRECTOR

SALT LAKE CITY CORPORATION

DEPARTMENT OF PUBLIC UTILITIES
WATER SUPPLY AND WATERWORKS
WATER RECLAMATION AND STORMWATER

ROSS C. "ROCKY" ANDERSON
MAYOR

February 3, 2005

Mayor Ross C. Anderson
451 South State Street
City & County Building
Room 306
Salt Lake City, Utah 84111

RE: Interlocal Cooperative Agreement between Salt Lake City, Sandy City and the Metropolitan Water District of Salt Lake & Sandy regarding the Acquisition of New Water Sources from the Utah Lake System (ULS).

Dear Mayor Anderson:

The Central Utah Water Conservancy District and the U.S. Department of Interior have re-programmed the Central Utah Project Spanish Fork – Nephi Irrigation System (SFN System) to a new project entitled the Utah Lake System (ULS). The ULS takes water that would have been delivered to southern Utah and Juab Counties, and redirects it to Northern Utah County and Salt Lake County water treatment plants. Included in the ULS is the completion of environmental commitments associated with previously constructed CUP systems.

The Metropolitan Water District of Salt Lake & Sandy (MWDSLS) has an approved petition for 8,600 acre-feet of ULS water. In accordance to an May 1, 2001 Interlocal Agreement between MWDSLS, Salt Lake City and Sandy City, the two cities are to agree on the allocation of new water sources and the respective costs born by each city.

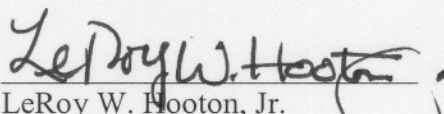
Salt Lake City and Sandy City have agreed to apportion the water among the two cities, with Sandy City taking and paying for 2,500 acre-feet and Salt Lake City 3,400 acre-feet of ULS water. The two cities have the option of each city taking 50 percent of the remaining 2,700 acre-feet of ULS water at a future date when the first block notice is issued by the Central Utah Water Conservancy District. There is provision in the Interlocal agreement to allocate any unclaimed ULS by the two cities.

Other provisions in the Interlocal Agreement include the potential use of this water for 207 Conservation Projects, allocates the conservation surcharge risk and address ULS pipeline capacity.

This Interlocal Agreement will commit Salt Lake City to pay an estimated \$301 per acre-feet of ULS water acquired by the City beginning in about the year 2016

I recommend that this Interlocal Agreement be approved and executed by Salt Lake City.

Sincerely,


LeRoy W. Hooton, Jr.
Director

1530 SOUTH WEST TEMPLE, SALT LAKE CITY, UTAH 84115

TELEPHONE: 801-483-6900 FAX: 801-483-6818

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INTERLOCAL COOPERATION AGREEMENT
REGARDING ACQUISITION
OF NEW WATER SOURCES
(ULS Petition)

* * *

THIS INTERLOCAL COOPERATION AGREEMENT REGARDING ACQUISITION OF NEW WATER SOURCES (ULS Petition), dated as of January ___, 2005 (this "Agreement"), by and among METROPOLITAN WATER DISTRICT OF SALT LAKE & SANDY, a metropolitan water district organized and existing under the laws of the state of Utah (the "District"), SALT LAKE CITY CORPORATION, a municipal corporation of the State of Utah ("Salt Lake"), and SANDY CITY, a municipal corporation of the State of Utah ("Sandy"),

W I T N E S S E T H :

WHEREAS, the District, Salt Lake and Sandy have heretofore entered into that certain Interlocal Agreement Relating to Metropolitan Water District of Salt Lake & Sandy Capacity Capital Improvements and New Water Supplies, dated as of May 1, 2001 (the "2001 Interlocal Agreement"); and

WHEREAS, the 2001 Interlocal Agreement provides, among other things, that the District shall actively investigate potential new sources of water supply, and that the costs of such new sources of water supply shall be allocated between Salt Lake and Sandy as such cities agree in writing; and

WHEREAS, the District has been presented with the opportunity to obtain 8,600 acre feet of water for municipal and industrial ("M&I") purposes (the "ULS Water"), from Central Utah Water Conservancy District ("Central"), which water is made available through the Utah Lake Drainage Basin Water Delivery System of the Bonneville Unit of the Central Utah Project ("ULS"); and

WHEREAS, on September 20, 2004, the Board of Trustees of the District passed a motion approving that certain Petition of Metropolitan Water District of Salt Lake & Sandy to The Central Utah Water Conservancy District For The Allotment of Water For Municipal and Industrial Use, by and among the District, Central and the United States of America acting by and through the Secretary of the Interior, relating to the ULS Water (the "Petition"), and the Petition has subsequently been executed by the District and delivered to Central; and

WHEREAS, a copy of the Petition, as executed by the District and delivered to Central, is attached hereto as Exhibit A; and

WHEREAS, Salt Lake and Sandy wish to document certain understandings between them relating to the ULS Water and the Petition, and to approve the actions of the District with respect thereto, pursuant to the provisions of the 2001 Interlocal Agreement; and

WHEREAS, this Agreement is entered into pursuant to the provisions of the Interlocal Cooperation Act, Title 11, Chapter 13, Utah Code Annotated (the "Interlocal Act"),

NOW THEREFORE, for and in consideration of the premises, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

SECTION 1. Approval of Petition. Salt Lake and Sandy agree that the acquisition by the District of 8,600 acre feet of ULS Water pursuant to and in accordance with the Petition is in the best interests of the District, Salt Lake and Sandy. As required by and in satisfaction of the provisions of the 2001 Interlocal Agreement, Salt Lake and Sandy hereby approve the execution and delivery of the Petition by the District, and all further actions required to be taken by the District to secure delivery of the ULS Water to the District.

SECTION 2. Potential Use of ULS Water for 207 Conservation. Central and the United States Department of the Interior ("DOI") have proposed that together they finance one-half of the costs of the enclosure of the Provo Reservoir Canal ("PRC") in return for (i) PRC capacity for Central, and (ii) conveyance to DOI of a right to 8,000 AF of water annually that can be used by DOI for stream flow purposes in the lower Provo River. The lower Provo River has been designated as critical habitat for the endangered June Sucker and endangered species issues threaten the water supply of the Provo River Project. The annual 8,000 AF represents the estimated long-term average annual quantity of water that will be lost to all PRC users through the unlined PRC absent enclosure. Central and DOI have indicated that users of the PRC that are Central Utah Project petitioners could meet their proposed obligations for saved water by giving back to DOI water that would be available to the petitioner under a CUP petition or petitions, pursuant to section 207 of the Central Utah Project Completion Act ("CUPCA"). If the District were to participate in the enclosure project and give back a portion of the ULS Water available under the Petition, it would not be required to pay for the portion of the ULS Water given back, and the District could keep and use the District water, principally Provo River Project water, saved through enclosure. The District is exploring the enclosure project and the proposal by DOI and Central to fund a portion of the project in exchange for a portion of the ULS Water and PRC capacity. Salt Lake and Sandy acknowledge the efforts of the District in investigating all options available to the District in connection with the proposed enclosure project. Neither such acknowledgment, nor any course of dealing among the parties, nor any provisions of this Agreement shall be construed as constituting any consent legally required to be obtained by the District from Salt Lake and/or Sandy in connection with the District's participation in the enclosure project, or the disposition of ULS Water. Conversely, this Agreement is not intended by the parties to impose on the District any additional consent requirement not otherwise required under applicable law or contract.

SECTION 3. Status of ULS Water Under 2001 Interlocal Agreement. The last sentence of Article VI of the 2001 Interlocal Agreement provides as follows:

"Absent the written agreement of both Salt Lake City and Sandy City, the District will not enter into any agreement with JWCD or others which would involve the treatment or transportation of water in District facilities, or facilities which are jointly owned, used or managed by the District and JWCD, other than water from Jordanelle Reservoir, Deer Creek Reservoir, Little Cottonwood Creek, Bell Canyon or Little Dell Reservoir."

This Agreement shall constitute the written agreement of Salt Lake and Sandy that ULS Water may be treated or transported in District facilities, or facilities jointly owned, used or managed by the District and Jordan Valley Water Conservancy District ("JWCD"), (assuming compliance with all otherwise applicable provisions of the 2001 Interlocal Agreement, any other applicable contracts, and applicable law), notwithstanding the prohibition of the last sentence of Article VI of the 2001 Interlocal Agreement.

SECTION 4. Allocation of Cost and Preferential Right. Under the 2001 Interlocal Agreement, the costs of new water supplies are to be allocated to Salt Lake and Sandy in proportion to the preferential right in such water allocated to each city, and such allocated costs are to be paid by each city through Annual New Water Supply Charges. Under the 2001 Interlocal Agreement, Sandy has the first right to secure a preferential right to purchase up to a total aggregate of 5,200 acre feet of water from all new District water supplies, through the payment of Annual New Water Supply Charges. The aggregate amount of water requested by the District in the Petition of 8,600 acre feet was based on written requests from Sandy, in the amount of 5,200 acre feet, and from Salt Lake, in the a amount of 3,400 acre feet. However, Sandy is currently exploring other potential new sources of water supply, and is not prepared as of the date of this Agreement to commit to the full 5,200 acre feet of ULS Water available under the Petition. Accordingly, the preferential right to purchase the ULS Water, and the costs of acquiring the ULS Water, shall be allocated between the two cities as follows:

1. There is hereby allocated to Sandy the preferential right to purchase the first 2,500 acre feet of the ULS Water. Sandy agrees, subject to the provisions of Article III, Paragraph G of the 2001 Interlocal Agreement, to reimburse to the District the District's costs of acquiring such 2,500 acre feet of ULS Water, as set forth in the Petition, through the payment of Annual New Water Supply Charges.

2. There is hereby allocated to Salt Lake the preferential right to purchase the next 3,400 acre feet of the ULS Water, after taking into account the preferential right allocated to Sandy in paragraph 1 above. Salt Lake agrees, subject to the provisions of Article III, Paragraph G of the 2001 Interlocal Agreement, to reimburse to the District the District's costs of acquiring such 3,400 acre feet of ULS Water, as set forth in the Petition, through the payment of Annual New Water Supply Charges.

3. Salt Lake and Sandy shall negotiate in good faith the precise allocation between the two cities of the preferential right in and to the remaining portion of ULS Water not allocated to the two cities pursuant to paragraphs 1 and 2 above, and the cost of such remaining portion of ULS Water. Such negotiations must be completed prior to the issuance by Central of the first Block Notice under the Petition. In the event the cities are unable to negotiate an agreement, the following shall apply:

(a) Sandy shall have the right (but not the obligation), to acquire a preferential right in and to any portion of the remaining 2,700 acre feet of ULS Water available under the Petition and not allocated to Sandy and Salt Lake pursuant to paragraphs 1 and 2 above, through the payment by Sandy of Annual New Water Supply Charges; provided that such right shall be reduced to the extent of any water from other sources as to which Sandy acquires a preferential right, as contemplated above.

(b) Salt Lake and Sandy shall each have the right (but not the obligation), to acquire a preferential right in and to one-half of any portion of remaining ULS Water available under the Petition and not allocated to Sandy and Salt Lake pursuant to paragraphs 1, 2 and 3(a) above, through the payment by of Annual New Water Supply Charges.

(c) The preferential right to any ULS Water not acquired by Salt Lake or Sandy as provided above shall be allocated between the cities based upon the total accumulation of amounts levied as taxes by the District, as provided in the Metropolitan Water District Act, Title 17A, Chapter 2, Part 8, Utah Code Annotated. The District's obligation to pay Central for the ULS Water, pursuant to the Petition, to the extent not satisfied out of Annual New Water Supply Charges as provided above, shall be satisfied by the District from District revenues derived from a combination of water rates and taxes, in the same manner as all other District obligations not otherwise satisfied out of Annual New Water Supply Charges or Annual New Capacity Demand Charges under the 2001 Interlocal Agreement.

The parties agree that the right of Sandy contained in the 2001 Interlocal Agreement to secure a preferential right to purchase up to a total aggregate of 5,200 acre feet of water from all new District water supplies shall be fully extinguished upon the allocation of the ULS Water, and water from other sources, as contemplated in this Section 4, whether or not Sandy chooses to exercise its right to the full 5,200 acre feet available.

SECTION 5. Allocation of Conservation Surcharge Risk.

(a) Pursuant to the Petition, the District has agreed to pay certain surcharge payments ("Surcharges") to Central in the event per capita water usage within the service area of the District exceeds the conservation Goal Line described in the Petition. Such Surcharges, if imposed, are payable from 2005 through the year 2050, and consist of a percentage of the repayment amounts which would be due from all CUP water available in the year of non-compliance to the District under all allotment notices. The per capita water usage within the District used to determine compliance with the Petition necessarily constitutes a blending of the

per capita usage rates within the respective retail service areas of Salt Lake and Sandy. Salt Lake and Sandy agree to provide to the District, on a timely basis, the per capita consumption information necessary to enable the District to meet all conservation goal reporting requirements under the Petition.

(b) The cities agree that, in the event Surcharges are imposed on the District pursuant to the Petition, the city whose water service area per capita water consumption rate exceeded the Goal Line established in the Petition, and thereby caused the District to incur the Surcharges, shall bear the full cost of paying such Surcharges. Such cost shall be payable by way of an Annual New Water Supply Charge, payable by such city to the District. In the event both cities' water service area per capita water consumption rates exceed the Goal Line established in the Petition, any Surcharges shall be payable by both cities, with each city responsible to pay Surcharges in proportion to the amount of combined Bonneville Unit water and Provo River Project water delivered by the District to each city.

(c) Pursuant to the terms of the Petition, any amounts paid as Surcharges to Central are subject to being refunded to the District if compliance with Central's conservation goal is achieved by the District within 12 months after determination of non-compliance. During such 12-month period, the District agrees to advance to Central, on behalf of the city or cities responsible for payment of the Surcharges, all Surcharges payable to Central, in anticipation of the refund by Central of the amount so advanced, prior to the end of such 12-month period. At such time as a final determination is made that such amount shall not be refunded to the District, the city or cities responsible to pay such Surcharge pursuant to subparagraph (b) above shall reimburse to the District the full amount of such advance, plus interest at the rate per annum equal to the average interest rate paid by the Public Treasurer's Investment Fund during the period of such advance.

(d) Pursuant to the terms of the Petition, all amounts paid by the District to Central as Surcharges shall be deposited into a segregated interest-bearing account, and shall be used by Central to help fund water conservation projects developed by the District and approved by Central and DOI. The parties agree that, to the fullest extent practicable, the District shall develop, propose and support water conservation projects that result in the full amount of such segregated funds being expended within, or for the benefit of, the city responsible for the Surcharges. In the event both Salt Lake and Sandy share responsibility for the Surcharges, the District shall, subject to the last sentence of this Section 5, develop, propose and support water conservation projects that accrue to the benefit of each city, as such cities shall reasonably agree. Salt Lake and Sandy agree that, to the extent either or both of such cities are responsible for payment of the Surcharges, such cities shall, at their expense, develop plans for the water conservation projects contemplated in this subparagraph (d), and generally cooperate with the District in (i) obtaining Central and DOI approval of such plans, and (ii) implementing the project(s).

SECTION 6. Limited ULS Pipeline Capacity. The available capacity in the pipeline delivering ULS Water to the PRC will be limited, and needs to be coordinated with Central and

JVWCD. Accordingly, the District may deliver ULS Water to the cities on such schedule as the District reasonably determines is appropriate, after consultation with Salt Lake and Sandy; provided that the District shall use all reasonable means to ensure that available ULS Water will be delivered to each city consistent with the preferential rights of each city, at such time as the cities are able to utilize the water to meet demands that are not being met by the cities through diversion of available direct flows.

SECTION 7. Term. This Agreement shall remain in effect for fifty (50) years, unless otherwise agreed by the parties.

SECTION 8. Interlocal Act Requirements. In satisfaction of the requirements of the Interlocal Act in connection with this Agreement, the parties agree as follows:

(a) This Agreement shall be authorized by resolution of the governing body of each party, pursuant to Section 11-13-202.5(1)(b) of the Interlocal Act.

(b) A duly executed original counterpart of this Agreement shall be filed with the keeper of records of each party pursuant to Section 11-13-209 of the Interlocal Act.

(c) For purposes of Section 11-13-207(1) of the Interlocal Act, the Mayor of Salt Lake, the Mayor of Sandy and the General Manager of the District are designated as joint administrators of this Agreement.

(d) This Agreement shall be submitted to the attorneys authorized to represent Salt Lake, Sandy and the District, respectively, for review as to proper form and compliance with applicable law, pursuant to Section 11-13-202.5(3) of the Interlocal Act.

(e) Except as otherwise specifically provided herein, the right to use ULS Water acquired by the District through the ULS Petition shall be held by the District, subject to the preferential rights of the cities as determined pursuant to Section 4 above. To the extent that any other real or personal property is acquired under this Agreement, any such real or personal property shall be acquired and held by Salt Lake, Sandy and the District as the parties shall reasonably agree. Absent such agreement, any such real and personal property shall be held by the District and used in a manner consistent with the 2001 Interlocal Agreement. Upon partial or complete termination of this Agreement, any real or personal property acquired through this Agreement shall be divided as the parties' representatives shall reasonably agree. Absent such agreement, any such real or personal property shall be divided as follows: 1) the right to use ULS Water acquired by the District through the ULS Petition shall continue to be held by the District, subject to the preferential rights of the cities as determined pursuant to Section 4 above; and 2) any real or personal property acquired as a part of any conservation project described in Section 5(d) intended to benefit one city shall be held by that city; and 3) any real or personal property acquired as a part of any conservation project described in Section 5(d) intended to

benefit both cities shall be held jointly by both cities; and 4) any other real or personal property acquired through this Agreement shall be held by the District and used in a manner consistent with the 2001 Interlocal Agreement.

SECTION 9. Representations Regarding Ethical Standards For Salt Lake and Sandy Officers And Employees And Former Salt Lake and Sandy Officers and Employees. Each party represents that it has not (1) provided an illegal gift or payoff to a Salt Lake or Sandy officer or employee or former officer or employee of Salt Lake or Sandy, or his or her relative or business entity; (2) retained any person to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, other than bona fide employees or bona fide commercial selling agencies for the purpose of securing business; (3) knowingly breached any of the ethical standards set forth in Salt Lake's conflict of interest ordinance, Chapter 2.44, Salt Lake City Code or Sandy's Conflict of Interest Ordinance, Chapter 1-3, Revised Ordinances of Sandy City; or (4) knowingly influenced, and hereby promises that it will not knowingly influence, an officer or employee or former officer or employee to breach any of the ethical standards set forth in Salt Lake's conflict of interest ordinance, Chapter 2.44, Salt Lake City Code or Sandy's Conflict of Interest Ordinance, Chapter 1-3, Revised Ordinances of Sandy City.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement effective as of the date described in the preamble.

SALT LAKE CITY CORPORATION

ROSS C. ANDERSON, MAYOR

ATTEST AND COUNTERSIGN:

CHRISTINE MEEKER,
CHIEF DEPUTY SALT LAKE CITY RECORDER

Approved as to form and legality:

CHRISTOPHER E. BRAMHALL
Senior City Attorney

METROPOLITAN WATER DISTRICT OF
SALT LAKE & SANDY

JOHN ROBERT CARMAN, GENERAL
MANAGER

Approved as to form and legality:

SHAWN E. DRANEY
General Counsel

SANDY CITY

TOM DOLAN, MAYOR

ATTEST AND COUNTERSIGN:

DIANNE AUBREY,
SANDY CITY RECORDER

Approved as to form and legality:

PATRICK R. CASADAY
Sandy City Public Utilities Attorney

STATE OF UTAH)

: ss.

County of Salt Lake)

On the ____ day of _____, 2005, personally appeared before me Tom Dolan and Dianne Aubrey, who being by me duly sworn, did say that they are the Mayor and City.

NOTARY PUBLIC, residing in
Salt Lake County, Utah

My Commission Expires:
