**A Proposal for WCWCD Revenue Sources**

**Submitted by Conserve Southwest Utah**

**November 13, 2019**

**Rev A**

Contents

[1 Requirements sought to be met by this proposal 2](#_Toc24540968)

[2 Questions not Answered 2](#_Toc24540969)

[3 Assumptions, Conditions and Background 4](#_Toc24540970)

[4 Conserve Southwest Utah’s Position on Water 5](#_Toc24540971)

[5 The Proposal 6](#_Toc24540972)

[5.1 Principles 6](#_Toc24540973)

[5.2 Concepts for Revenue Sources and Uses 6](#_Toc24540974)

[5.3 Proposal for Revenue Sources 6](#_Toc24540975)

[5.4 Related proposals 7](#_Toc24540976)

# Requirements sought to be met by this proposal

1. Provide a stable long-term revenue stream to support the costs of providing water to Washington County residents served by community water supplies.
2. Provide significant incentives for wise and fiscally responsible water use.
3. Fund water expenses from a stable base of revenue sources, apportioning the burden as fairly as possible among those who directly benefit.
4. Significantly increase citizen engagement in water policy development, including revenue sources and uses, especially in proposals for major expenditures and in how to pay for them.
5. Provide neutral information.
6. Base decisions on facts and data and, when assumptions are used, make them explicit.

# Questions not Answered

The announcement for the December 4, 2019 public hearing said to send any questions to the water district. The following questions were sent on October 30, 2019, but answers have not yet been received two weeks later. Our assumptions on the answers are included below each question.

1. In accordance with the public hearing announcements, the questions about the hearing and the proposed tax increase were sent to the WCWCD on October 30, 2019. Since they have not yet been answered, the following answers are assumed:
2. What is the objective of the tax increase, and can that objective be discussed in the hearing (or elsewhere) and verified as appropriate?

Assumed answer: to fund a down-payment for the LPP. No discussion on this point is planned.

1. Is there a plan to verify the objective has been met by the proposed action, and if so, can it be made available?

Assumed answer: no, there is no plan.

1. What alternatives were identified to achieve the objective, what criteria were used to evaluate the alternatives, who was involved in the alternatives analysis, and can the results of the analysis be made available?

Assumed answer: Some alternatives were discussed but there was no formal evaluation criteria and no formal analysis.

1. Can a citizen submit an alternative proposal, and if so, what is the process for doing so, and what is the process for evaluating it?

Assumed answer: Yes, alternatives can be submitted, but there is no formal evaluation process, and certainly no commitment to make any evaluation public.

1. What is the purpose of this hearing?

The purpose of a public hearing is generally for a decision-making body to obtain knowledge and opinion to aid in making the decision.  Is it correct to assume the decision-making body is the WCWCD Board, and the hearing was called by them?  Is the purpose of the hearing to gather citizen input to be used in later deliberations of the proposed tax increase, or are no further deliberations planned?

Background: Was this tax increase not approved in the [12-5-18 hearing](https://www.wcwcd.org/wp-content/uploads/2019/01/2018-12-05-Minutes.pdf)?   From that meeting’s minutes, board members said they “noticed that two-thirds of the people present for the public hearing left before they even heard a response from the board.”  Due to a lack of clarity about the process, many (or most) of those who left the meeting apparently misinterpreted an announcement indicating the remainder of the meeting was closed to the public.  There appeared to be little discussion or consideration of the public input (which was nearly unanimous against the tax increase).  If it is the intent that the proposed increase be approved during or soon after the hearing, it will give credence to the impression that it is merely a formality to fulfill a legal requirement.

Assumed answer: Probably, to both questions.

1. How does the board rationalize the need for conservation with a property tax increase that does not encourage conservation?  How and when will the board plan water conservation improvements, and how would they be financed?

Background: From the minutes, a board member said that the “district has one mission and that is to provide water for current and future residents.”  It's unclear how to interpret that statement, but it could be interpreted as only addressing supply, not demand.   [Utah code](https://www.wcwcd.org/wp-content/uploads/2015/10/UtahLegislation.WCD_.pdf) (17B-2a-1002), defines the purpose of water conservancy districts as both.  Doing so requires plans, which document how proposed actions were derived and then describe authorized actions, with objectives, tasks, schedules, budget, responsibilities, etc.  The WCWCD has plans for “development” of water (the LPP), but none for the conservation of water (note that the document entitled "Water Conservation Plan" does not meet the definition of a plan in that it is not actionable).

Assumed answer: unknown.

1. What is the history of tax increases and the objectives/reasons for each?

Assumed answer: unknown.

# Assumptions, Conditions and Background

1. This proposal is notional since we do not have all the data necessary to present an alternative in final form. For this reason, the assumptions stated below must be verified.
2. Categories of costs:
	1. Normal operations: management and administration, operations, maintenance.
	2. Service area expansion: infrastructure necessary to supply new neighborhoods/developments.
	3. Improvements to supply (new supply development) and demand (conservation):
		1. Minor (TBD % of annual revenue)
		2. Major (TBD % of annual revenue)
3. Current revenue sources
	1. Property taxes, including both the WCWCD line item and a portion of cities’ line items
	2. Impact fees, at the city and county levels
	3. Usage fees
	4. Interest on savings/investments.
	5. Sales tax, some portion of which is allocated to water expenses by some cities
	6. Developer contributions, as part of development agreements
	7. For Washington County, taxes, impact fees and usage fees are fairly even in their use. Not so in many counties.
4. Approval mechanisms and accountability
	1. Property tax rates are approved by the WCWCD Board.
	2. Impact fees at the county level are set by the WCWCD Board; at the city level they are set by city councils.
	3. Usage fees are approved by the governing bodies of the retail suppliers (mostly by city councils) and are influenced by the wholesale cost set by the WCWCD Board
	4. Normal operations budgets are approved by the governing bodies (the WCWCD Board and city councils).
	5. Service area expansion budgets are approved by the governing bodies (the WCWCD Board and city councils).
	6. City rates for property and sales taxes and their application to water expenses is probably approved by city councils.
	7. Budget approvals for major improvements are not so clear. For the LPP, it involves the state legislature; local government/citizens involvement is unclear.
	8. It is unclear if revenue sources are mixed to cover costs or if there is no directing of certain sources to certain costs (although it has little bearing on the proposal).
	9. Minor improvement budgets are approved by the governing bodies (the WCWCD Board and city councils).
	10. Public hearings by the WCWCD Board have the appearance of a formality, where the decision-makers have already made up their minds, with little diverse perspective. The WCWCD Board is appointed to their positions, not elected, yet they have taxation authority. Many of the appointees have been elected to other local offices, yet their “grade” is not based on their performance on the Board. This raises the importance of engaging citizens early and deeply in the development of their positions, long before minds are made up.
	11. Those making decisions on water property taxes are not directly accountable to those paying them; a taxation and representation issue.
5. Complexities to consider:
	1. The water district is primarily a water wholesaler to the cities, so there are two classes of revenue streams to consider: the water district and the cities.
	2. The cities also supply their own water to their customers.
	3. Some properties are currently developed and using water (and paying water use fees), others are not. And some capital costs are required before all of the proposed recipients receive their share.
	4. Owners of non-primary residences pay higher property taxes and use significantly more water per occupied day than owners of primary residences.
	5. It is unclear if there is a convention on how much of which revenue sources are directed to cover which costs.
	6. Certain water users (government or non-profits) do not pay taxes, so there is not revenue stream for them on that element of revenue.

# Conserve Southwest Utah’s Position on Water

*This position influences our proposal; please inform us of issues with it.*

Washington County should focus on water conservation, becoming exemplary users of our local water supply, and consider the Lake Powell Pipeline only after:

1. use has become exemplary,
2. the security of the water right and the climate impacts to the Colorado River flows are better known, and
3. the population growth has been realized and can reduce the interest burden through a shorter loan term.

 Rationale and explanation:

1. Exemplary water use

* + We use a lot more water than needed to retain a viable, attractive community.  Other comparable Southwestern communities use much less.
	+ Water agencies contend that because comparisons to other communities are “apples to oranges”, they can’t be compared.  This is incorrect.  No two real entities are exactly comparable, even two apples.  Differences must be recognized and addressed.  There is a common scientific method called “normalization” for performing comparisons of data about two entities that are not identical.  We should enlist the DWRe to help in making those comparisons.
	+ Reducing our M&I water use from 300 GPCD to 180 over the next 50 years would enable us to support our projected population growth with only our local water.  This could be done incrementally, with little or no debt/interest, and with a much lower principal investment than required by the LPP. We should enlist the DWRe to help determine if/how to make this happen, what the cost/yield is, what different levels of water use in our community would look like, set meaningful and realistic objectives for our future water use, and then build a plan for it.
	+ There have been few active conservation methods implemented in the county.  Many *active* conservation methods (not relying on voluntary or “pull” actions by the public) have high yields and low costs, like conservation-minded revenue streams and water-wise building codes. Even though [Utah law](https://le.utah.gov/xcode/Title73/Chapter10/C73-10-S32_1800010118000101.pdf) (sections 1.f and 2.a.i) is fairly weak in its requirement for water conservation planning, DWRe guidelines are weaker yet, and even though most “plans” in the state, including those in Washington County, follow those guidelines, they do not meet state requirements, do not qualify as a “plan”, and indicate conservation is not taken seriously.

2. The water right risk

Utah’s ability to support the LPP with its allocation of the Colorado River is based on the assumption that river flows will not decrease much below the 1922 Compact assumption of 15 MAFY.  For the past 20 years Colorado River flows have averaged more like 12.5 MAFY.  Climate projections indicate a significant chance of it dropping to 9 MAFY within the next 50 years.  At that flow, Utah is currently using more than its allocation, not including the LPP.  There is no concept, much less a plan, for supplying the LPP under those conditions.  We should enlist the DWRe and the BOR to help define the concept and the plan for a contingency where Colorado River flows are greatly reduced.

3. Reduced interest

At the LPP’s estimated cost of $1.5B, normal interest costs at 5% over the proposed 50-year term would be about $2.5B.  If we could wait 20 years or more for our population to grow as projected, we could plan a 30-year payback rather than a 50-year payback, saving over $1B in interest.

# The Proposal

## Principles

1. The costs of supplying water must be covered, and should be paid by those who will benefit:
	1. Those using existing water should pay the cost of supplying it.
	2. Those wanting new service connections for use of existing water supply should pay the cost of extending the service area and connecting to it.
	3. Those who would benefit from new water supplies in the future should pay for it. Most of that benefit falls upon businesses, land owners/developers/agents, and future residents, but existing residents also have some benefit as property values increase.
	4. Non-primary residences place an additional burden on water use in that they use a significant amount of water even when not occupied, decreasing the utility of the water used. Owners of these residences should compensate for this lost utility.
2. Wise water use should be affordable, and water waste should be charged a penalty.
3. Realistic water use objectives should be set and plans should be put in place to meet them.
4. Funding mechanisms and pricing should encourage less water use.
5. An appropriate balance of revenue sources should be used to cover revenue uses (costs). This is of course what any governing board would set as a principle. Determining “appropriate” is the challenge. Our proposal is intended to satisfy those requirements.
6. Funding should not be initiated for unapproved projects.

## Concepts for Revenue Sources and Uses

Applying the principles results in the following concepts:

1. Fund all operations with usage fees.
2. Fund all service area expansion with impact fees and some portion of property taxes.
3. Fund minor improvements with small portions of usage fees, impact fees and property taxes.
4. Fund major improvements with property taxes, voter-approved bond (repaid via temporary property tax increases), and future usage fees and impact fees.

## Proposal for Revenue Sources

The following proposal results from applying the principles and concepts stated above. Note that the amounts are notional. The main point is to make the tiers significant to make a difference. There is also a relationship to water use objectives based on projected supply

1. Water use rate

Implement an aggressively tiered water use fee starting at a baseline and increasing 10% per year for 10 years. Cities are charged for water deliveries by the water district *based on* the number and type of their meter installations and on an agreed target retail rate charged by cities.

For example, for normal residential meters, the target baseline retail rate would be:

1st 5,000 gallons per month: $25

2nd 5,000 gallons per month: $50

3rd 5,000 gallons per month: $100

Etc.

There would be similar targets for other water use types and meter sizes.

The income from this revenue stream would be split between the water district and the cities by a pre-determined percentage considering the current wholesale-retail price difference.

Increase the target baseline rate for cities who do not implement water-saving building codes (such as those mentioned in item 3 below). Consider increasing the baseline rate for non-primary individual residences.

1. Property tax line item for water
	1. Decrease the property tax for primary residences by 10% per year for 8 years, resulting in a tax of 20% of its current level.
	2. Keep or increase the property tax for undeveloped property, properties receiving CII water, and for non-primary residences.
	3. If a property’s zoning is changed such that it becomes eligible for M&I water delivery, its property tax is adjusted retro-actively to the date of this proposal’s implementation. (This will need some more thought.)
	4. Use voter-approved temporary tax increases for major improvements.
2. Impact/Connection fees
	1. Adjust impact fees downward based on water-wise landscaping, hot water recirculation pumps and on-demand water heaters, water-wise fixtures, and other water-saving implementations.
	2. Add a significant impact fee for pools and require pools to be fitted with covers to reduce evaporation.

## Related proposals

1. Planning

Implement program and project planning processes for water management by the counties and cities, including for supply and demand improvement. Current planning mechanisms are inadequate to implement improvements. Actionable plans for active water conservation do not exist.

1. Just-in-Time Education
	1. Change billing systems to show historical use and project future bills if current water use is not changed.
	2. Change billing systems to compare water use to similar properties.
	3. Continue to offer hints to reduce water use (assuming hints will be better received once there is an incentive).
2. Increase conservation encouragement for existing developed properties
	1. Increased support for landscape adjustment (more rebates for grass replacement with desert landscape).
	2. Support for recirculation pumps and on-demand water heaters.