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Metropolitan Water District of Salt Lake & Sandy
Board Meeting Information
Last Update: July 27, 2023

Agenda Item: Consider approval of Property tax position statement

Background: In 2015, Zions Public Finance completed a review of property tax alternatives for the District. After which the board approved a property tax position statement. Based on feedback from the board, the statement was updated in March 2022.

In 2023, Zions Public Finance completed an update of the property tax alternatives. The Finance Committee reviewed the updated report during the May 23, 2023 committee meeting. At the June 12, 2023 board meeting, the board discussed the updated property tax report and the 2022 property tax position statement. The board recommended updating the formatting and language in the property tax position statement. The board's stance on property taxes has stayed the same.

The GM proposed changes to the property tax position statement and requested feedback from the board. During the August 7, 2023 work session, the board will discuss the feedback provided to the position statement.

Recommendation: Board approval of the updated property tax position statement based on input received during the work session.

Attachments:

- Property Tax Position Statement Updated July 25, 2023.

Metropolitan Water District of Salt Lake & Sandy Property Tax Position Statement

(Approved on January 25, 2016 and Revised on March 3, 2022)
Updated: July 25, 2023

The Metropolitan Water District of Salt Lake & Sandy Board of Trustees believes it is proper to maintain property tax as an option for funding District responsibilities. A balanced approach to financing the District has proven effective and necessary in the past and will continue in the future. A balanced approach is reasonable and preferred with other tools, such as revenues from water sales and assessments.

Key concepts that led to this position:

- **Property tax is a stable, predictable source of revenue.**
The District has annual expenses that stay the same regardless of the volume of water sold. However, water sales increase or decrease annually and are less predictable. Property tax provides the predictable revenue to operate and maintain water infrastructure and related facilities.
- **Property tax provides a mechanism for revenue fairness.**
The District's expenditures on water infrastructure add value to the properties to be developed or redeveloped in the future. All property owners assist in the funding of water infrastructure.
- **Property tax is a tool to provide revenue for critical infrastructure when water sales revenue is unavailable from such infrastructure.**
Necessary infrastructure includes new capacity for future growth and situations where a catastrophic event prevents water delivery for extended periods (e.g., earthquakes, wildfires).
- **Property tax can act as a virtual reserve fund and mitigate the need for more significant actual reserves.**
When the certified tax rate has not reached its maximum level, the District can increase revenue by raising the property tax rate to the maximum level. The additional revenue pays for unanticipated emergencies.
- **The District's ability to levy a property tax bolsters good bond ratings.**
The District issues bonds to fund water infrastructure projects. Bond rating agencies evaluate the District's ability to repay the loans. A good bond rating decreases the overall cost of financing, which benefits the public.

- **District revenues are currently structured such that most revenues (approx. 75%) come directly or indirectly from water sales.**

Approximately 25% of revenues come from property taxes. Salt Lake City and Sandy City do not levy a property tax for water. Shifting all revenue generation to water sales has pros and cons.

- Cons:

- Current water users bear a more considerable burden of developing supplies and building and rehabilitating infrastructure versus sharing the cost over a longer period.
- For the District and its member cities, higher rates for surface water provided by the District may result in higher utilization and depletion of groundwater reserves. A better approach is to use surface water when it is available. Higher water rates may accelerate the depletion of groundwater reserves which are less affected by short-term drought conditions.

- Pros:

- A stronger (or higher) price signal at the retail level will likely be more effective at reducing water consumption, especially in the long term.
- Establishing conservation-based price signals such as tiered block unit pricing at the retail level (by the cities) will lead to more efficient water use.
- Less consumption reduces or delays the need for significant capital expenditures to develop water systems.

- **Reducing or eliminating property tax as a source of revenue for the District will lead to a shift of costs among various users:**

- Schools, governments, hospitals, churches, and non-profit organizations (property tax-exempt or partially exempt entities) will pay more for water.
- Commercial and industrial organizations (high property value but low water users) will see a greater reduction in property tax than the increased cost from water rates.
- Residential users with lower-valued properties will see a more significant burden than those with higher-valued properties or the owners of second homes with less tax exemption.

- **Eliminating the Property Tax would impact the revenue generated for Redevelopment Agencies.**

A Redevelopment Agency receives a percentage of property tax revenue from the District to improve neglected or blighted areas. However, the agency could not collect the tax increment if the District lost its taxing authority.

- **The District encourages water conservation efforts and other sustainable practices.**

The objectives of the District's Environmental Mission Statement reinforce the long-term sustainable development and wise use of water.

The District desires to provide for each city's health, safety, and welfare. As each member city continues to make choices and provide direction for their overall development, the ability to

count on a stable, predictable water supply in the most balanced, reasonable manner is a good ideal.

1. Property tax analysis final report (to be provided as a separate document)