

MINUTES OF THE EXECUTIVE WATER FINANCE BOARD

Tuesday, October 16, 2018

9:00 a.m.

Utah State Capitol, Room 450, 350 N. State Street

Members Present:

Phil Dean, Chairman

Jon Bronson

Laura Briefer

Evan Curtis

Eric Millis

Juliette Tennert

Members Absent:

David Damschen

Staff Present:

Miranda Jones, Finance Specialist

1. Call to Order

Chair Phil Dean called the meeting to order at about 9:05 A.M.

a. Approval of minutes

Phil Dean asked the board to review the minutes from the July and August meetings to approve them at the end of the meeting.

2. Paying for Water

Zachary Frankel and Nick Schou from the Utah Rivers Council introduced themselves to the board. Zach stated that the council had done a survey of western states, noting of that study 78% of western state water districts do not collect property taxes for water, but may vote to use the property tax for specific infrastructure projects.

Zach indicated that for the Washington County Water Conservancy District there are more property tax revenues than water rate revenues, indicating the district's revenue streams as 33% property taxes, 36% impact fees, 22% water rates, and 9% other income. Zach showed the board various charts of block water rate structures in various cities, sharing his concern with how Washington County prices their water. He explained that water rates would have to be increased significantly to cover the cost of the pipeline.

Zach expressed concern that 11 of the top 20 water use accounts are tax-exempt entities, and that subsidized rates can lead to increased water use. He mentioned that the level of water demand is often a community's choice and can lead to overbuilding water supply.

The Rivers Council then shared concerns with differing water demand projections, and reported water storage. Zach indicated that the Rivers Council does not believe the state is running out of water, and does not need to develop the Lake Powell Pipeline.

Jon Bronson asked if the Rivers Council had looked into the property tax levied by Central Utah Water Conservancy District, and how property taxes are tied to federal loans and grants. He also asked about the Lake Mead water level forecast. Zach responded by discussing Utah's water rights.

Phil asked Eric Millis about the Utah's Colorado River water right and how secure that right is. He also asked a clarifying question about an issue that was raised by Zach regarding leasing the state's water allotment. Eric and Phil discussed what a leasing allotment would look like. Phil asked the River Council's position on the state using its allotment of Colorado River water. Nick highlighted consideration of climate affects and how it would affect the state's allotments.

Laura asked about the chart showing various rates and asked if the rates represented were recent. Zach Frankel indicated that they were. Evan asked if cities have differing seasonal rates, to which Zach responded that most have a year-round water rate.

Dave Clark from Washington County Water Conservancy District discussed reservoir sustainable yield with the board. He also spoke about Utah's economy, how it differs from other western state economies, and indicating that Washington County has economic growth that other localities do not have.

Phil stated that he supports Utah's economic and population growth, and that in planning how an economy and community grows, how that growth is paid for is an important consideration.

Phil addressed information that Dave Clark previously provided to the board about taxes imposed in other states impose related to water, including property tax, water volume assessments, a sales tax on sales of water, and a local option sales tax for water.

Dave asked the board to keep the large capacity of Lake Powell in mind when considering Colorado River flows and availability of water for the Lake Powell Pipeline project.

Lisa Rutherford from Conserve Southwest Utah discussed the reliable yield of local reservoirs, and echoed questions posed by the Rivers Council on the availability of water.

Phil asked Eric to address questions regarding Lake Powell, and Utah's share of Colorado River water. Ron Thompson discussed the history of Utah's share of water and said that building climate change into various models have changed the estimated yield numbers. He also addressed system losses.

3. Institutional Water Use

Sara Boll, high performance building manager with the State of Utah's Division of Facilities and Construction Management (DFCM), presented to the board about new high performance building standards the state has now and will continue to use going forward. She explained how the state will be implementing a data platform and dashboard to show water usage among state buildings, and how a new analytical tool or sensor will be used to detect leaks in state buildings. Jon Bronson asked why the tool isn't already being used, and Sarah responds that most new state buildings of a certain size will have that technology, but that for very small ones the cost may not be justified.

Sarah also stated that DFCM will be updating irrigation problems on the State Capitol grounds, has hired a new grounds manager, and will continue to discuss different landscaping options.

Phil asked what the state could be doing better in its overall water use. Sarah responded that they could be updating irrigation systems, and changing landscaping, but that the latter can often be sensitive.

Phil also asked Sarah what she believes to be a reasonable target for the state in improving water use efficiency. Sara spoke about potential efficiencies with plumbing fixtures, water budgets, and others, but that the state should implement reduction targets.

Laura mentioned that a majority of conservation efforts are focused on residential users, and recommended that the state focus more on institutional water users by hosting an institutional water user summit, pulling together different stakeholders and groups to share best practices.

Motion: Laura Briefer moved that the board make a recommendation to the Governor to convene an institutional water user summit to highlight available resources and best practices for institutional water users.

The motion passed unanimously with a 6-0 vote.

Phil called for the board to recess.

The meeting reconvened at 11:20 p.m.

4. Recommendations on 2018 study items

a. Advancing state water goals

Phil stated that he believes the state should articulate what its water policy goals are, and advance those policy goals as the state becomes involved financially in water projects.

b. Efficient use of limited water and financial resources

Phil stated that the state is subject to practical constraints, as it has limited financial resources, debt limits it should consider, and physical constraints on water resources. He noted that the state will need come up with new revenue to pay the annual debt service payment on any state bond issuance for major projects, and would like to discuss further how state taxpayers will actually pay for the costs of the debt.

c. Water metering and technology

Evan stated his belief that water metering will be key and critical for an informed water consumer and decisionmaker. Jon Bronson recommended that all new developments for any new primary or secondary water should require a meter.

Jon stated that he is not quite sure what to recommend regarding retrofitting existing development. He referenced a bill from last session that Senator Anderegg ran related to water metering. Todd Adams confirmed that the Senator is running the bill again, and that the retrofit period in the bill was 10 years. Jon stated that 10 years may be too short of a time period given the \$240 million estimated cost and that 20 years may be more manageable.

Juliette asked Eric Millis what the state is currently doing to subsidize metering of secondary water, to which Eric responded that local governments have not yet taken advantage of the \$3 million in current water meter loan programs.

Representative Mike Noel spoke to the issue, stating that we should also be subsidizing agricultural water metering. Todd Adams clarified that the former bill's fiscal note did not include agricultural water, just M&I water metering.

Motion: Jon Bronson moved that the board recommend requiring statewide connection-level metering for all M&I water for new developments, including primary and secondary water; and recommend requiring retrofitting with meters all unmetered M&I water connections for currently existing developments within a 10-20 year time period and with increased state financial participation to pay for a portion of the costs of retrofitting meters.

The vote passed unanimously with a vote of 6-0.

d. Water data reporting

Evan suggested a recommendation regarding water billing so that consumers have the proper information they need to make informed choices about water use.

The board discussed smart meters and providing appropriate consumer information for decision-making. Laura noted that supplying smart meters statewide would be very expensive, and that creating a new billing process may also require significant planning. Juliette clarified that we may not need to recommend smart meters statewide, but that cities provide better water use information to users.

Marie Owens from the Division of Drinking Water stated that smaller communities may not have resources or capacity to implement such a system, and that some communities don't even have basic culinary water metering in place. She suggesting communities with 3,300 connections or greater (an existing cutoff point for drinking water systems) be included in the board's recommendation.

Darren Hess from Weber Basin Water Conservancy District described the district's installation and cost of smart meter installations over the past several years. He also stated that some small communities may not be able to afford reading smart meters even if the smart meters were in place. The board discussed smaller irrigation companies and cities. Darren recommended a cutoff of 1,000 connections for developing a plan.

Motion: Jon moved that the board recommend that (1) any water system with over 1,000 connections that comes to the state for any type of water funding or financing, as well as all water systems with more than 3,300 connections be required to provide the state a detailed water conservation plan that addresses smart metering, water billing practices, and delivery of water use information that informs water consumers, and (2) the state ensure that appropriate technical assistance be available to smaller local entities that need the assistance.

The vote passed unanimously with a 6-0 vote.

Motion: Laura Briefer made a motion that the both state and local entities reporting water data to the state continue to improve water data reporting to facilitate better water planning.

The motion passed unanimously with a 6-0 vote.

e. Capital replacement planning and funding

Phil spoke about infrastructure repair and replacement funding and the need to plan for ultimate infrastructure replacement. Phil also noted that water leakage audits should be an area of focus as part of an infrastructure replacement plan.

Laura explained that cities have different types of planning efforts, some long-term for water supply and infrastructure, some for mid-term planning and maintenance. Laura and Phil discussed what capital replacement planning should look like for entities requesting funding from the state.

Ron Thompson addressed capital repair and replacement planning and funding, and shared what WCWCD does in terms of planning, and repair and replacement of capital infrastructure. He indicated that many cities do not have adequate repair and replacement funding in place for water infrastructure.

Motion: Laura Briefer moved that the board recommend requiring all public water suppliers with over 3,300 connections have a long-term capital repair and replacement planning and financing plan, including but not limited to water leakage audits, replacement and maintenance of assets, and assets related to future growth.

The motion passed unanimously with a vote of 6-0.

Phil recommended that the board continue to study several items in 2019, including water reuse and the interactions between land use and water. Phil raised the issue of the State of Utah's water use as an entity.

Motion: Laura Briefer moved that the State of Utah set a conservation target for its own water use at state facilities, including more efficient use of water at the State Capitol.

The motion passed unanimously with a vote of 6-0.

Phil raised the issue of the time frame for local entities to spend impact fees, and stated that the board should discuss this topic further at the next meeting.

5. Public Comment

Lisa Rutherford from Conserve Southwest Utah spoke about the lack of affordable housing and the problem of intergenerational poverty in Washington County and how the Lake Powell Pipeline would economically impact the county's residents. She also clarified a comment made at the July board meeting.

Phil addressed the affordability of water and mentioned the importance of emphasizing efficient water use, particularly for more discretionary water use, for all households.

6. Other items / adjourn

Motion: Jon Bronson moved to approve the July 17 and August 21 2018 meeting minutes.

The motion passed with a 6-0 vote.

Motion: Evan moved to adjourn the meeting at 12:50 p.m.

The motion passed with a 6-0 vote. The meeting was adjourned.