

**Draft 5 not for distribution—check the math.**

**County “Surplus”  
Water Customers Are  
Being Overcharged  
\$5.2 Million Per Year  
By Salt Lake City**

**The Metro Tax up  
charge rate should be  
12.5% not the  
current 35%.**

**An immediate 22.5%  
water rate reduction is  
due Salt Lake County  
“surplus” water  
customers.**

Salt Lake City Department of Public Utilities is overcharging County water customer by approximately \$5.2 million per year. Salt Lake City is charging Salt Lake County “surplus” water customers an up charge of 35% because county customers don't pay the Metropolitan Water District of Salt Lake & Sandy property tax of .035%.

According to a water rate review by Utahwater.net, a water watchdog, the correct percent of the up charge for County “surplus” water customers should be 12.5% not 35%.

In other words, the fair share which should be charged to County “surplus” water customers is \$1.66 million not the \$6.86 million actually being charged.

**Salt Lake County “surplus” water customers are entitled to an immediate 22% reduction (\$5.2 million) plus a refund \$5.2 million per year for past overcharges and an apology.**

Salt Lake City told Salt Lake County “surplus” water customers they had to pay an extra 35% because County customers don't pay the Metropolitan Water District tax of .035%.

Where are the supporting Salt Lake City documents and calculations used to derive the 35% County rate up charge? One hopes that Salt Lake City Public Utilities has not mislead the public to gain extra \$5.2 million per year from their neighbors. Show us the math that gets one to the 35% up charge?

It appears Salt Lake City is gaming not only Utah's water to levy a “surplus water tax” on non-SLC residents, but also gaming its Salt Lake County “customers” to drain them of an extra \$5.2 million per year in water overcharges by mis-calculating Metro tax surcharge.



Who hasn't Salt Lake City water department gamed or sued?

Salt Lake County "Customers" fair share of the Metropolitan Water District Tax potential tax offset is \$1.7 million not the \$6.9 million currently being charged.

Let's do some basic Jr. High math.

- \$5,181,394<sup>1</sup> is the amount of Metropolitan Water District of Salt Lake & Sandy tax paid by Salt Lake City residents in 2006 in their property taxes.
- 3,573,480,500 Cubic Feet of Water is the total amount used by Salt Lake City customers and County "surplus" customers. (2,438,245,300 for City and 1,135,235,200 for County)<sup>2</sup>
- \$29,894,939.83 is the amount SLC customers paid for water in FY 2006/2007<sup>3</sup>
- \$19,948,096.39 is the amount County "surplus" customers paid for water in FY 2006/2007<sup>4</sup>

**The basic math questions are the following:**

Q: How much of the \$5,181,394 Metropolitan Water District tax is attributable to the water sold to Salt Lake County "surplus" water customers? Or, what is Salt Lake County "surplus" water customers fair share of the Metropolitan water tax<sup>5</sup>?

**A: 32% is amount of water used/sold to County "surplus" water customers. Therefore County water customers fair share of the Metro tax is 32% of \$5,181,394, or \$1.66 million<sup>6</sup>.**

Q: How much is the actual amount collected for the Metro Tax up charged from County "surplus" water customers?

**A: \$6.86 million<sup>7</sup>**

Q: How much are County "surplus" water customers being overcharged annually?

**A: \$5.2 million<sup>8</sup>**

Q: What percent up charge should County "surplus" customers be paying as an offset for the Metro tax issue?

**A: 12.5%<sup>9</sup>, not the current 35%**

Q: How much do Salt Lake County customers pay per on average for 100 CF?

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1 Salt Lake County Treasurer's Office Record

2 Salt Lake City Department of Public Utilities Record

3 Salt Lake City Department of Public Utilities Record

4 Salt Lake City Department of Public Utilities Record

5 In 2006, the Metropolitan Water District of Salt Lake & Sandy mill rate was .035%. For comparison, Metropolitan Water District of Orem City was .0042% or 1/8<sup>th</sup> of Metropolitan Water District of Salt Lake & Sandy's

6 Percent of water used by County Customers is 1,135,235,200 divided by 3,573,480,500 = 31.76683334 or 32% 32% x \$5181,394 = \$1,658,046.08 or \$1.66 million

7 \$1.1525 x 11,352,352 100 CF = \$13,083,585.68 (\$13 million) \$13,083,585.68 + \$1,658,046.08 = \$14,741,631.76  
Total amount of water charges to County \$19,948,096.39 less \$13,083,585.68 = \$6,864,510.71 or \$6.86 million.

8 \$6.86 million less fair amount of \$1.66 million = \$5.2 million overcharge

9 12.5% of \$1.1525 = \$0.144 per 100 CF increase over 11,532,532 100 CF is \$1,660,684 about County's fair share

**A: \$1.76 per CF on average<sup>10</sup> or \$2.35 per 1,000 gallons.**

Q: How much does Salt Lake City customers pay on average per 100 CF<sup>11</sup>?

**A: \$1.15 per 100 CF average<sup>12</sup> or \$1.54 per 1,000 gallons.**

Q: How much more per 100 CF should Salt Lake County “customers pay than Salt Lake City residents to make up the \$1,658,046.08 difference for the Metropolitan Water District water tax offset?

**A: \$0.146 or about 14.6 cents<sup>13</sup> per 100 CF, or 19.5 per 1,000 gallons**

The average charge to Salt Lake County “customers” should be approximately \$1.30 per 100 CF, not the current \$1.76 per 100 CF.

Excluding waste, inefficiencies, and over staffing issues, the most increase justified based on the Metropolitan Salt Lake & Sandy tax offset is 13% not 35%. **Salt Lake County “surplus” water customers are entitled to an immediate 22.5% (\$5.2 million) reduction plus a \$5.2 million refund for past overcharges.**

The Salt City City Council may get away with SLC's \$5.2 million over charge prank if it immediately cuts the County customer water rate 22.5% and apologizes. This the Salt Lake City Council should do.

Based on an average charge of \$1.30 per 100 CF which includes the Metropolitan Water District of Salt Lake & Sandy water tax, Salt Lake County “customers” should have only paid \$14,758,057.60 for water in 2006, not \$19,948,096.39.

**Salt Lake City adjusted percent is 68%.**

**Salt Lake County percent is 32%.**

\$5,181,394 is the amount of Metropolitan Water District of Salt Lake & Sandy collected from Salt Lake City properties at the .035% mill rate in 2006.<sup>14</sup>

Salt Lake City Public Utilities has done the math in their favor and against County customers. If there were not millions and millions to be made from Salt Lake County “surplus water customers” by overcharging, then Salt Lake City would get out of the surplus water business wouldn't they. Salt Lake City has exaggerated water demand, understated water supply, made false, misleading and inconsistent statements to game and hoard Utah's water to exact a “surplus water tax” upon non-SLC residents. Salt Lake City's water department is a so-called enterprise gone wild with no effective oversight or control by any elected officials.

Platt v. Torrey 949 P.2d 325 (Utah Supreme Court 1997)

“A city or town is authorized to deliver its surplus product beyond its corporate limits and is not precluded from charging different rates to customers outside its boundaries than charged to residents

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<sup>10</sup> **\$19,948,096.39 / 1,135,235,200 = \$1.7571774 per 100 CF average**

<sup>11</sup> 1 Cubic Foot (1 CF) of water is 7.48 gallons. 100 Cubic Feet of water (100 CF) is 748 gallons.

<sup>12</sup> \$29,894,939.83 divided by 2,438,245,300 CF = .012269841 per CF, or , or \$1.2260841 less 6% Franchise fee or \$1.1525 per 100 CF average

<sup>13</sup> **\$1,658,046.08 divided by 1,135,235,200 CF = \$0.00146053 per CF or \$0.146 per 100 CF**

<sup>14</sup> Salt Lake County record

within its boundaries. However, the rates charged must be reasonable. A showing that rate discrimination rest solely on the nonresident status user, without some other legitimate justification, will invalidate the rate schedule.” Utah Water Law: Case Briefs Edited by Kendrick J. Hafen

Salt Lake City has maintained that the 35% surcharge in rates to Salt Lake County “customers” is due to the Metropolitan Water District of Salt Lake & Sandy water tax paid by Salt Lake City residents but not paid by Salt Lake County “customers” outside Salt Lake City limits.

Since the water delivered to Cottonwood Heights is produced in Cottonwood Heights, Salt Lake City cannot claim increased transmission costs as a legitimate justification for the 35% rate up charge.

**An immediate 22.5% cost reduction is required now. Also, an immediate return of the over charges of about \$5.2 million per year for past years.**

Another issue facing Salt Lake City Public Utilities other than over charging is Article XI, Section 6 of Utah's Constitution forbidding municipalities to directly or indirectly alienate water away from their residents.

10-8-14 allows temporary “surplus” water sales outside a municipal boundary which is why Salt Lake City includes language that its “surplus” water contracts are terminable within 30 days notice at SLC sole discretion. However, in reality these contracts are being used for a permanent water source which is an alienation of water away from Salt Lake City residents. Salt Lake City's “surplus” water program is illegal except for snowmaking “surplus” water contracts. Snowmaking does not require a permanent water source. No one loses their house nor bank its collateral if Salt Lake City terminates its “surplus” snowmaking contract.

Finally, an issue for Salt Lake City residents is that municipal residents are entitled to “water at a reasonable charges.” Over staffing with 1 employee to 343 connections is un-reasonable.

Salt Lake City over staffing is highlighted by the daily “activity” of its employees. On March 10, 2010 where was SLC water employee Peggy Garcia at 9:00 am? At the Hill Ditch meeting in Murray where she is a director. Where was SLC Deputy Director Tom Ward at 9:00 am? Where was SLC water employee Dave Maiorano? At the Hill Ditch meeting in Murray. Where was SLC Water Director Jeff Niermeyer? At Cottonwood Heights where he was presented with an engineering study showing Cottonwood Heights is paying on average about double for water. Where was Special Operations Laura McIndoe Briefer? Who knows? At Alta? At Envision Utah? At the Forest Service? Where was Rusty Vetter? At a legal meeting on lawsuit disputes over 5 acre-feet or 4.5 acre-feet of water, or arguing against open records at the State Records Committee?

What are so many Salt Lake City water employees doing outside Salt Lake City limits?

Salt Lake City's water bureaucracy is enormous and an enormous burden to Salt Lake City, Salt Lake County, and Wasatch County water rate payers.

There is a culture of make work, fake work, busy work at the Salt Lake City Public Utility Department. In any given day, how many of the 400 employees have left Salt Lake City limits? Half?

There must be minimum standards of efficiency for un-regulated water utilities. How can many comparable cities provide the same or better service with less than half the employees per connection?

Why won't Salt Lake City Public Utilities compare themselves to Provo City, Orem City, or Jordan Valley instead of California or Texas? Because they'd look so bad they would be fired.

There would be no loss of water quality or service if staffing at the Salt Lake City Public Utilities were cut in half and water costs cut in half.

Salt Lake City does not operate water department like Orem City, Provo City, or Jordan Valley, but one of the most inefficient and wasteful water departments in Utah focusing on high salaries, lavish retirement benefits, pet eco-projects and personal agenda instead of the highest possible water quality at the lowest possible cost to residents and non-residents.

Salt Lake City Corporation's water enterprise fund has gamed Utah Division of Water Rights, gamed Salt Lake City Council, gamed Salt Lake City residents, gamed Salt Lake County residents, gamed Wasatch County residents to build a wasteful water empire out of touch with rate payers and the public good.

All the salaries, health insurance, dental insurance, life insurance, personal leave days, cars, fuel, training, trips are paid charged to the water coming from taps.

When the director's salary and benefit package reach \$200,000 per year is that when the City Council will act?

This is why Salt Lake City residents and non-residents pay double and triple for water?

- Metro water tax<sup>15</sup> (\$5.2 million)
- CUP water tax<sup>16</sup> (\$6 million)
- Watershed tax<sup>17</sup> (\$.3 million)
- 6% franchise water tax for having city water lines in city roads<sup>18</sup> (\$1.8 million)
- Bloated bureaucracy over staffed tax<sup>19</sup> (\$20 million)

Clearly, the initial 50% up charge Metro tax figure was arbitrary, because the Salt Lake City County reduced the up charge from 50% to 35% by a mere wave of the hand at a hostile public meeting.

In summary, Salt Lake City has been gaming water and water customers for gain and extra-territorial control. It is time for substantial and immediate change to protect Salt Lake City residents and non-residents from a water department out of control and out of touch with the public.

Who was or is the architect of this over charging house of cards? Who is accountable for the mis-use, mis-direction, hoarding and gaming of water for gain and extra-territorial control?

Who cooked up this scheme to overcharge County customers 22.5% and gamed Utah's water for gain and extra-territorial control? This did not happen by chance.

Utahwater.net challenges Salt Lake City Water Department to produce their figures justifying the current 35% Metro tax up charge on Salt Lake County "surplus" water customers.

\$5.2 million is the estimated overcharge by Salt Lake City Public Utility Salt Lake County "customers".odt

15 Tax Levy Mill rate in 2006 .00035 for Metropolitan Water District of Salt Lake & Sandy

16 Taxing entity--Central Utah Water Conservation District with Tax Rate of is .0004

17 \$0.50 surcharge per bill on 600,000 Salt Lake City bills is \$300,000. ? if surcharge is on County bills.

18 Salt Lake City charges Salt Lake City residents a 6% franchise tax for Salt Lake City water pipes to be in Salt Lake City roads.

19 \$50 million in sales with 40% inefficiency and waste