

March 11, 2010  
Public Comment:

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 customers 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% rate reduction (\$5.2 million) plus a refund of \$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%.<sup>1</sup>

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 game extra \$5.2 million per year from their neighbors. Show us the math that gets one to the 35% up charge?

**Over charged or under charged? That is the question.**

<sup>1</sup> “Before the vote, there was much public comment on both sides. Many Salt Lake County residents were miffed that they pay more for water than city customers. Given the uproar, the council decided to reduce county customers’ rates from 1.5 times what the city resident pays to 1.35 times what city residents pay. The extra amount is to compensate for property tax payments that city residents pay to the Metropolitan Water District of Salt Lake.” “S.L. boosts water rates for wasters.” *Deseret News* April 23, 2003.

**If the math shows County customers are being under charged, then how long would it take the Salt Lake City Council to raise County water rates?**

**If the math shows County customers are being over charged, then how long would it take Salt Lake City Council to decrease County water rates?**

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 the Metro tax up charge or surcharge.

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

Salt Lake County "Customers" fair share of the Metropolitan Water District Tax 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>2</sup> is the amount of Metropolitan Water District of Salt Lake & Sandy tax paid by Salt Lake City residents in 2006 on 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 + 1,135,235,200 for County)<sup>3</sup>
- \$29,894,939.83 is the amount SLC customers paid for water in FY 2006/2000<sup>4</sup>
- \$19,948,096.39 is the amount County "surplus" customers paid for water in Fy 2006/2007<sup>5</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>6</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>7</sup>**

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

**A: \$6.86 million<sup>8</sup>**

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

**A: \$5.2 million<sup>9</sup>**

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2 Salt Lake County Treasurer's Office Record.

3 Salt Lake City Department of Public Utilities Record.

4 Salt Lake City Department of Public Utilities Record.

5 Salt Lake City Department of Public Utilities Record.

6 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 water tax.

7 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.

8  $1.1525 \times 11,352,352 \text{ 100 CF} = \$13,083,585.68$  (\$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.

9 \$6.86 million less fair amount of \$1.66 million = \$5.2 million overcharge.

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

A: **12.5%,<sup>10</sup> not the current 35%.**

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

A: **\$1.76 per CF on average<sup>11</sup> or \$2.35 per 1,000 gallons.**

Q: How much does Salt Lake City customers pay on average per 100 CF<sup>12</sup>?

A: **\$1.15 per 100 CF on average<sup>13</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 Metropolitan Water District water tax offset?

A: **\$0.146 or about 14.6 cents<sup>14</sup> per 100 CF, or 19.5 cents 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 rate 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 customers 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. That is the difference of the \$5.2 over charge to County customers.

**Salt Lake City customers buy 68% and County customers buy 32% of all the water sold by SLC Water Department.**

\$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>15</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

10 12.5% of \$1.1525 = \$0.144 per 100 CF increase over 11,532,532 100 CF is \$1,660,684 about the County's real fair share.

11 **\$19,948,096.39 / 1,135,235,200 = \$1.7571774 per 100 CF average.**

12 1 Cubic Foot (1 CF) of water is 7.48 gallons. 100 Cubic Feet of water (100 CF) is 748 gallons.

13 \$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.

14 **\$1,658,046.08 divided by 1,135,235,200 CF = \$0.00146053 per CF or \$0.146 per 100 CF**

15 Salt Lake County record.

residents. Salt Lake City's water department is a so-called enterprise gone wild with no effective oversight or control by any elected officials. Circular oversight, concentration, and cross-pollenization are the mantras of Salt Lake Public Utilities.

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 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 represented that the 35% surcharge in rates to Salt Lake County “customers” was 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.<sup>16</sup>

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.

Utah Code 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's 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. Because snowmaking does not require a permanent water source. No one loses their house nor bank its loan collateral if Salt Lake City terminates its “surplus” snowmaking contracts.

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. Double staffing, pet eco-projects, and water junkets are not reasonable funding demands on a standard water connection.

Salt Lake City Water Dept.'s over staffing is highlighted by the daily “activities” of its employees.

On March 10, 2010 where were three SLC water employees at 9:00 am? At the Hill Ditch meeting in Murray where one SLC water employee is a Hill Ditch director. Where was the SLC's Deputy Water Director 9:00 am? Where was another SLC water employee? All at the Hill Ditch meeting in Murray. Over \$200,000 in staff at a small HOA in which SLC owns water stock it does not use.

Where was SLC Water Director? At Cottonwood Heights where he was to be presented with an engineering study showing Cottonwood Heights is paying on average about double for water. Where

<sup>16</sup> **“Before the vote, there was much public comment on both sides. Many Salt Lake County residents were miffed that they pay more for water than city customers. Given the uproar, the council decided to reduce county customers’ rates from 1.5 times what the city resident pays to 1.35 times what city residents pay. The extra amount is to compensate for property tax payments that city residents pay to the Metropolitan Water District of Salt Lake.” “S.L. boosts water rates for wasters.” Deseret News April 23, 2003.**

was a “Special Operations” employee? Who knows? At Alta stopping Alta land owners from using their land? At Envision Utah executive committee meetings seeking to control the canyons? At the Forest Service Office? Where was the Senior water attorney? 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?

Again, on March 15, 2010 where were three SLC water employees? In the basement of the Holladay City Office building located at 4580 E 2300 S Holladay, UT where a Holliday Water Company annual meeting was held. Holliday Water Company has about 3,500 members. Only 1.5% showed up or about 50. Why would SLC Water Department send over \$200,000 worth of employees to this meeting? The answer is to maintain SLC's water empire.

Where was the Director or Deputy Director? Perhaps in St. George at the annual water junket. “Water Conferences” are held in St. George, Las Vegas, Jackson Hole, San Diego, Orlando, Chicago. Q: Who pays for all this so-called “training”? A: City and County water rate payers.

What are so many Salt Lake City water employees doing outside Salt Lake City limits on a regular basis?

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. Call a meeting, attend a meeting, plan another meeting is the chronic story. In any given day, how many of the 400 employees have left Salt Lake City limits? Half?

There must be some minimum standards of efficiency for un-regulated water utilities. How can many comparable cities provide the same or better service and high quality water 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 would 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 1/3 and water costs cut 1/3. Natural attrition and retirements could trim the work force without impact to current workers. A hiring freeze would re-align the work load to staff more in line with Jordan Valley, Provo City, and Orem City which are competitive water providers.

Salt Lake City does not operate an efficient 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, water junkets and personal agenda instead of the highest possible water quality at the lowest possible cost.

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>17</sup> (\$5.2 million)
- CUP water tax<sup>18</sup> (\$6 million)
- Watershed tax<sup>19</sup> (\$.3 million)
- 6% franchise water tax for having city water lines in city roads<sup>20</sup> (\$1.8 million)
- Bloated water bureaucracy over staffed tax<sup>21</sup> (\$20 million)

Clearly, the initial 50% up charge Metro tax figure proposed by the SLC Water Department was arbitrary, because the Salt Lake City Council 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 gaming water customers for gain and extra-territorial control. It is time for substantial and immediate change to protect Salt Lake City residents and nonresidents from a water department out of control and out of touch with the public good.

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.**

When Salt Lake County contacted the Salt Lake City Department of Public Utilities it was told water rates were set using American Water Works Association rate manuals.

That's funny because SLC may have helped write AWWA water rate manuals. In fact, SLC is the current chair of American Water Works Association-Inter-mountain Division which is head quartered inside the Metropolitan Water District of Salt Lake & Sandy building located on Danish Road in Cottonwood Heights, Utah. This is the very water treatment plant from which SLC buys treated water for \$200 and marks it up up to \$1,108 and re-sells to Cottonwood Heights. SLC claims it makes no profit. That is laughable.

**Harley Davidson reduced its staff by 40%. Oddly enough, productivity went up. Quality went up. Service went up. Dead wood in the Salt Lake City Department of Public Utilities costs more and produces less for City and County customers.**

Jordan Valley produces both retail water and wholesale water in Salt Lake County. If all Salt Lake City County customers were served by Jordan Valley's retail division, then their water costs would be half. This the real issue impacting the daily lives of busy SL County residents.

Salt Lake City Public Utilities is simply not competitive. Jordan Valley does not compare itself to California or Texas water providers to make themselves look good. Why? Because Jordan Valley is really competitive and provides a real public service--low cost, high quality water without the politics

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

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

19 \$0.50 surcharge per bill on 600,000 Salt Lake City bills is \$300,000.

20 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.

21 \$50 million in sales with 40% inefficiency and waste is an estimate.

of lawsuits, eco-projects, PR costs, and gaming of Utah's water resources for excessive gain and extra-territorial control. Jordan Valley does not micro manage its water customers by denying them hot tubs.

One does not see why the Salt Lake City Council would not hire Jordan Valley or Provo City, or Orem City to independently evaluate efficiency and cost cutting measures for Salt Lake City Public Utilities.

Are there no improvements possible at Salt Lake City Public Utilities?

Please call your Salt Lake County Commissioner regarding this issue. It is and has been the County Commissioners duty to protect County water customers.

Utahwater.net  
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1-801-471-6469

Public Utilities  
Amount of Charges  
FY 2006/2007

City \$29,894,939.83  
County \$19,948,096.39

Cubic Feet Consumed  
FY 2006/2007

City 2,438,245,300  
County 1,135,235,200

Salt Lake City Public Utility claims no profit on 20 million dollars of "surplus" water sales to non-SLC residents in Salt Lake County?

From these five data points provided by SLC and SLCO, one can calculate the \$5.2 million overcharge on County water customers using only multiplication and division.

Data Point:  
\$5,181,394 is the amount of Metro Salt Lake & Sandy tax collected from SLC properties in 2006

1 CF = 7.48 Gallons  
100 CF = 748 Gallons  
1,000 Gallons = 133.7 CF  
1 Acre-foot = 325,851 Gallons  
1 CFS = 1.983 Acre-feet per day  
1 CFS over 1 year = 723.795 Acre-feet

How could anyone argue that 20 million dollars of "surplus" water sales is what the Utah Legislature authorized under Utah Code 10-8-14?

How many years will it be before Salt Lake City Public Utility Department takes in more revenue from outside city limit water sales than in-city water sales?

1,135,235,200  
748

Before the vote, there was much public comment on both sides. Many Salt Lake County residents were miffed that they pay more for water than city customers. Given the uproar, the council decided to reduce county customers rates from 1.5 times what the city resident pays to 1.35 times what city residents pay. **The extra amount is to compensate for property tax payments that city residents pay to the Metropolitan Water District of Salt Lake.** S.L. boosts water rates for wasters • Deseret News April 23, 2003.

[SLC outside corporate "surplus" water sales business] just like a monopoly, • [CPA, Salt Lake City Public Utility Finance Administrator James M.] Lewis said. Lewis said the benefit would be for public relations with county customers who have no representation on the City Council or with the Public Utilities Advisory Panel, which recommend the rate restructuring. And without representation, those county customers might feel they are getting a raw deal if higher rates are approved. • Water fee may soar in county, • Deseret News March 21, 2003.