

How the Kearns Improvement District Uses Property Tax Revenue in Providing Water and Sewer Services

As an essential utility provider we recognize that there is more to a water and sewer system than just providing culinary water for drinking, landscape watering, and the handling and treating of wastewater. Through the combined efforts of our Improvement District with Conservancy Districts and Water Reclamation Facilities we provide myriads of benefits to the citizenry that go far beyond just the delivery of reliable, safe, and clean water to our customers.



The Kearns Improvement District (KID) relies on property tax revenues as part of our overall budget in providing water and sewer services to our customers. In turn, KID purchases wholesale water from Jordan Valley Water Conservancy District (JVWCD) which also relies on property tax to partial fund their overall budget. KID combined with two (2) cities and four (4) other improvement districts owns and operates the Central Valley Water Reclamation Facility which receives the wastewater, treats and cleans the water, and returns the cleaned water back into our rivers which eventually discharge into the Great Salt Lake.

From the collection, storage, purification, distribution, disposing, treatment, and discharging of life's most precious resource of water, these processes depends on property taxes paid by our customers. Here is how property taxes are used by the Kearns Improvement District.



1. The vast majority of financing for major new and replacement of water delivery and treatment facilities comes from public & private bond financing. In acquiring public bond financing, a bond rating company reviews the finance records of the District, determines how well it is run, their growth projections, condition and maintenance of existing facilities, and examines if they have a stable revenue source. With the volatility that can impact the delivery and treatment of water, such as the severe drought conditions we have been experiencing, revenues can fluctuate considerably. The property taxes that KID receives provides a stable revenue source. This is a major factor in allowing KID to maintain an excellent bond rating, thus allowing us to qualify for lower interest rate bonds. A recent example of this occurred just recently. KID refinanced an existing higher interest rate bond. KID's high bond rating allowed us to lower the interest rate by one percent (1%), saving the District more than one-million dollars (\$1,000,000.00) in interest costs over the remaining life of the \$13,000,000.00 bond. All customers, residential, commercial, industrial, and institutional of the District received benefit from this action.



2. To meet new Federal and State Clean Water Regulations our Central Valley Water Reclamation Facility has had to renovate and replace a majority of its wastewater treatment facilities. Construction costs are nearly \$500,000,000.00. The bond fund stabilizing rate that property taxes provides has been essential in the obtaining of lower interest rate financing, and in the saving of millions of dollars in interest payments.

3. Property taxes serve as an equalizing component to the cost of water in the servicing and maintenance of the fire suppression system that KID services and maintains for the community. In the tragic event of a fire within the District, the use and cost of the water to fight the fire is not charged to the property owner. The water system is much like an insurance policy for the community as a whole. This resource is available to all if and when needed. Property tax pays for a portion of this service



4. The manner in which KID supports and maintains its water system infrastructure and fire suppression system directly relates to how the insurance industry rates our community for homeowner and business owner insurance availability and premiums. The rating does not discriminate among residential, commercial, institutional, or industrial properties. The insurance industry rating is based on the community as a whole. Because KID has a well-maintained water system, our area has a better insurance rating. This rating saves homeowners, renters, commercial, industrial, and institutional facilities, thousands of dollars in insurance premiums. The community's property taxes pay for this service.



5. The payment of property taxes to KID also provides direct benefits to undeveloped properties. Property tax funds from the undeveloped properties help pay for the operation and maintenance of the water system (pipes, valves, fire hydrants, etc.) adjacent to the property, and the tanks and pumping systems that provide water to the system. The proximity of these facilities to the property significantly increase the value and development potential of that property.



6. Regarding conservation messaging in the Salt Lake Valley, the Jordan Valley Water Conservancy District, coordinating with its stakeholders, including KID, created the water efficiency standards that were adopted and then promoted to local municipalities for adoption. Creating a standard to reduce water use is the antithesis of what a water district does-- sell water. Water conservation not only preserves a precious resource, but it also allows continued economic promotion and growth for the State as a whole, enhancing the well-being of society itself. All of this is a result of wise and profound insight by water districts. The stabilizing revenue from the current property tax assessments allows forward-thinking initiatives from water suppliers like KID. In the end, we need the public to adopt an ethic of using water wisely and more compatibly with Utah's climate. Less water use by the public will benefit critical ecosystems such as the Great Salt Lake and preserve the electrical energy production capabilities of Lake Powell and Lake Meade.



7. There are other items that are not included in the normal delivery of culinary and irrigation water that the citizens as a whole enjoy because of the property tax received by Water Conservancy Districts and Improvement Districts.

- Creation of Reservoirs for the storage of water that provide recreational opportunities such as boating, fishing, camping, etc.
- Stream and River Erosion Control Structures that preserve the integrity of streams and rivers, which in turn preserve the recreational enjoyment of the streams and rivers for activities such as; rafting, fishing, camping, hiking, etc.



- Stream and River Flood Control Structures, that are constructed as part of the delivery and treatment system for deliverable water, protect and significantly reduce the risk of flooding of downstream properties.
- The water reservoirs, lakes, rivers, streams, and ponds provide habitat that sustains and protects wildlife, including endangered species.
- Water Conservancy Districts, in the development and protection of water supplies, provide protection for watersheds and forestry lands that benefit wildlife, including fowl and fish.
- Water Conservancy Districts have created back country and high-country vehicle equipment access roads for the development, construction, and maintenance of water projects. These improved roadways and vehicle access ways allow for the enjoyment of these remote places by the public.
- The creation of water infrastructure improvements allows, and has created, safe and environmentally clean electrical energy facilities.



- Water Districts acquire water shares and water sources to meet current and future needs.
- Water Districts purchase easements and rights-of-way for future water improvements.
- By planning ahead, water Districts construct facilities to provide services well into the future before they are needed.

There has not been, in recent memory, a more critical issue than the delivery and treatment of this most precious resource-- safe, clean and reliable water. As the Smithsonian Magazine has indicated, we are experiencing the worst drought in 1200 years. Despite the severity of the situation, the Kearns Improvement District, along with our partners, continue to meet our water needs without missing a beat. The managing leadership and engineering specialists have planned well, and we are confident that we will continue to find reliable and safe solutions to the water circumstances in which we find ourselves. The well-proven funding mechanism of property tax assessments by governmental water providers has allowed us to navigate the difficult circumstances and climate changes that we now face, and those into the foreseeable future.



Should you have any questions regarding any of these items discussed above, please feel free to contact us.