

THE LAKE POWELL PIPELINE: CAN YOU AFFORD IT?



CITIZENS FOR DIXIE'S FUTURE

Fiscal Responsibility is not Anti-Growth Economics

Citizens for Dixie's Future is committed to maintaining and protecting the quality of life in Washington County for present and future generations. Maintaining quality of life does not have to come at the expense of economic development, progress or growth. ***In fact, community growth and progress that is well planned and sustainable allows for a vibrant economic picture which capitalizes on the unique qualities of our area.***

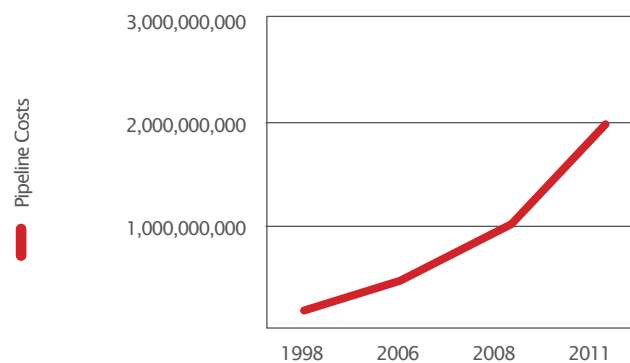
As part of this commitment, Citizens for Dixie's Future continues to question the justifications for the Lake Powell Pipeline (Pipeline) and the financial impacts this project will have on you, the residents of Washington County. ***Questioning the rationale of developing a multibillion dollar unnecessary water project does not equate to an anti-growth stance. This type of questioning and examination of government spending is an active step towards fiscal responsibility.***

The Washington County Water Conservancy District (District) continues to seek funding for the Lake Powell Pipeline. This unelected body of officials has the ability guarantee that the citizens of Washington County will foot 80% or more of the multi-billion dollar cost. There will be no state or federal funding for this project. Recent cost estimates show project costs range from \$1.4-\$2.7 billion. If the District is successful in pursuing the Pipeline, Washington County residents could be facing loan payments as high as \$70 million per year. And, yet, when State Legislators and Washington County residents have questioned the District's vague repayment plan, no real answers are given.

Citizens of Washington County deserve to know exactly how the Lake Powell Pipeline will impact their financial future. *What effect will increased impact fees have on the construction and real estate industry? How will residents on fixed incomes respond to potential water surcharge and property tax increases? How will the District make \$70 million dollar payments if growth levels fall short of their predictions?* If we allow the District to pursue the pipeline without concrete answers to these financial questions we may find Washington County drowning in debt.



Lake Powell Pipeline Costs Continue to Rise



“The US is drowning in debt as a result of a failure to live within our means... The politicians making these decisions may not be in office when the debt comes due.”

Dr. George Feiger

2012 Southern Utah Economic Summit

Water Conservation is Cost Effective

Simple sustainable water conservation measures would entirely eliminate the need to transport water 138 miles across the desert. While more aggressive water conservation does have costs, experts widely agree that it is the least expensive source of water available. With wise use of our current water resources improved efficiency, water reuse and recycling, and land management practices to conserve water our area can continue to grow and thrive sustainably without burdening future generations with crushing and uncontrollable debt.

We Are Not Running Out of Water

This legislative session, the State Legislature will determine whether or not the entire state should subsidize the Lake Powell Pipeline. Unfortunately, the State is seeking to answer the questions of how to pay for the Pipeline before any real “need” for the Pipeline has been established. The Water District justifies building this massive project by stating that we will run out of water by 2020, only eight years away. But, when you look a little closer, it is apparent that these doom and gloom predictions are based on out dated and flawed data that does not accurately count the available water supplies within our county.

To thrive in the desert communities must have adequate water resources. But how much water is adequate? And, do we even know accurately how much water we currently have available for use? The truth is there are ample water supplies for our community to grow and thrive on the local resources we currently have. If we are good stewards and use our existing water supplies more efficiently, there is adequate water for future growth that comes without burdening future generations with compounding debt.

Subsidizing Waste

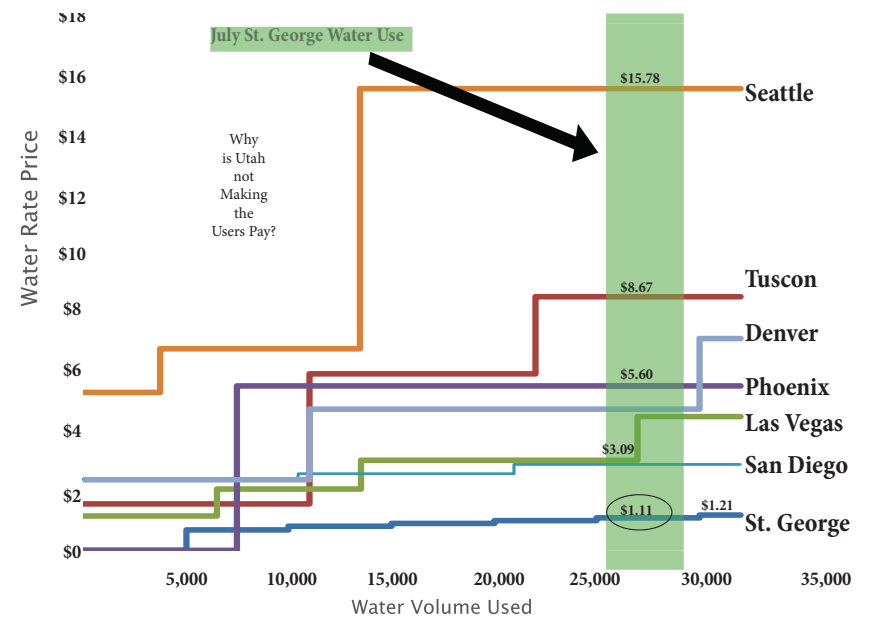
The District has also suggested that any shortfalls could be made up through property tax increases. **Currently, every property owner pays a line item in their taxes to the Water District. Utah is the only state in the West that subsidizes water supplier operations through property taxation.** In other states the true cost of water is reflected in water prices and the open market operates effectively; residents who use more water pay more, those who use less pay less. But, when you tax all homeowners to subsidize the cost of water, there is no incentive to conserve. Individuals and businesses do not suffer the consequence of their wasteful use. It is precisely this lack of incentive that has led Washington County to become the west’s most wasteful water user.

The “need” for the Pipeline is based on subsidy economics. If property tax subsidies for water were eliminated and residents paid the true cost for the water they use, demand for water would be reduced. This reduction in water use would show a very different picture of the “need” for Lake Powell Pipeline water. Although the District frequently states that new growth should pay for new water projects, we can plainly see that in the end, the debt for the Lake Powell Pipeline falls on all residents.

“ Utah is the only state in the West that subsidizes water supplier operations through property taxation. ”



Water Subsidies Encourage Wasteful Use



Courtesy of Utah Rivers

Who Will Pay?

If there is one thing that is certain about the Lake Powell Pipeline, it is that the expense is tremendous and keeps growing. In 1998, the Pipeline's cost was estimated at \$250 million; by fall 2008 the cost had risen to over \$1 billion, and the most recent estimates released in the 2011 Draft Economic Study Report shows costs as high as \$2.7 billion. Based on past water projects we can expect the costs for the pipeline to continue to increase before the project is completed. The burden of repayment will fall directly on the shoulders of Washington County residents. So, exactly how are we going to repay this debt?



Impact Fees

According to the Water District's 2006 Regional Water Capital Facilities Plan and Impact Fee Study, the Pipeline would be funded "through a balance of local taxes, fees and water rate increases". Under the current plan, every family or business that buys a water hookup from the Water District would pay for the Lake Powell Pipeline through impact fees. In 2009, the water impact fee was \$5,021; by 2041 this fee will skyrocket to \$25,942. **Contractors, developers, real estate professionals, and homebuyers will all be affected by this non-value added increase in housing prices.**

This exponential increase in government fees is especially troubling in light of the fact that the estimated cost of the pipeline has tripled, yet the repayment mechanism has not. Because the District has not adequately explained how they will make up for this shortfall we are left with perplexing questions. **Will future impact fees need to be increased even more? Realistically, can the housing market in Washington County continue to recover and face added costs? Will future growth, including your children and grandchildren be able to afford a home?**

If the disparity in cost vs. repayment isn't troubling enough, consider the assumptions for growth built into the repayment plan. In recent years, the number of new building permits issued in Washington County has plummeted. In 2006, when the Impact Fee study was completed, there were 2,054 residential building permits issued. This rapid expansion was expected to continue with a population growth rate exceeding 5% until 2015. Unfortunately, in 2011 there were only 886 residential permits issued. Further, building permit growth is not expected to increase until the excess supply in housing is reduced. The current housing market is flooded with foreclosures; in 2011 there were 1165 foreclosures and 1476 Notices of Defaults. This supply of existing homes will further slow the District's impact fee collection. Growth in our area has decelerated dramatically and the concept that impact fees will pay for the majority of the Pipeline is no longer valid.

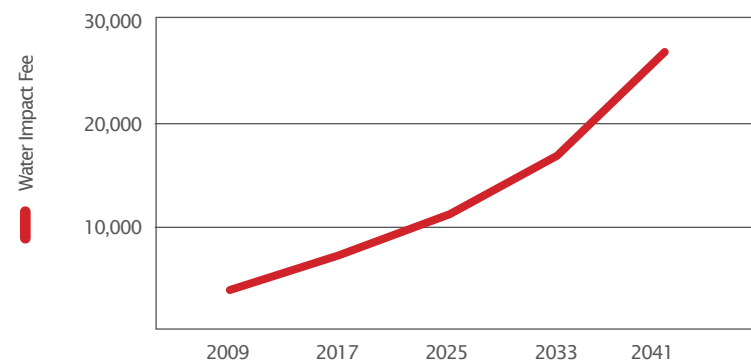
Water Surcharges

To cover any shortfall in impact fees, the Water District has imposed a \$1.85 Water Development Surcharge on residents' utility bills in communities that have signed their Regional Water Supply Agreement. The District has the ability to increase this surcharge if impact fees do not cover water infrastructure costs. This surcharge is applied uniformly to all residents despite their individual use of water. Residents on fixed incomes do not have the ability to choose to conserve and reduce or eliminate this cost. **Families that choose to live within their means and use water efficient landscape practices will have no choice but to subsidize the wasteful use of others.**

“ Do not expect to see the rate of population growth to be as high as in past years. ”

Lecia Langston
2012 Southern Utah Economic Summit

Lake Powell Pipeline Will Increase Housing Prices



Who Finances Waste?

How do you fund a \$2 billion dollar project after a recession? The recession has left the state's finances hanging in a delicate balance. The state treasurer has warned that state bonding for the Lake Powell Pipeline could hurt the state's AAA credit rating and put the state over its Constitutional debt limit. Bonding to fund the pipeline may no longer be an option. After a summer full of debate, the State Legislature's Water Issues Task Force recently recommended a 15% earmark on future sales tax growth slated to finance the Lake Powell Pipeline and other water projects. ***Despite a lack of evidence for the actual "need" of Pipeline water, the Task Force has pressed forward by proposing this future earmark.***

The sales tax makes up about 83% of the general fund. Each legislative session, these funds are allocated to public services including public safety, higher education, workforce services, child and family services and health services. ***Earmarks prevent legislators from having the ability to come into session and look in real time at what the issues of the day are and then prioritize accordingly.*** The Water Issues Task Force's proposed earmark combined with last year's 30% transportation earmark would leave future legislators wrangling with 45% of sales tax revenue being unavailable to support the vital services provided by the general fund. Financing Washington County's wasteful water project would cost those who benefit from public services statewide.

CONTACT

The Washington County Water Conservancy District is seeking the support of the state legislature for funding the Lake Powell Pipeline. Call or email your legislator and tell them you don't want to pay for bonds, higher sales tax, higher property tax, or any other tax for water you don't need:

1. Stay informed. Visit www.citizensfordixie.org for up to date information.
2. Contact your legislators and demand accountability and representation on this issue.
 - Lowry Snow: 435-634-5123
 - Don Ipson: 435-674-6301 dipson@utah.gov
 - Brad Last: 435-635-7334 blast@le.utah.gov
 - Stephen Urqhart: 435-668-7759 surquhart@le.utah.gov
3. To make a difference in Washington County's future join CDF or donate today.

Contact Christi Nuffer for more information and volunteer opportunities. (435)215-8619

Borrowing Against Your Future

The Washington County Water District has requested that the state "loan" them the funds to construct the Lake Powell Pipeline. One might think that obtaining a loan from the state would be similar to getting a loan from the bank. A borrower would need to show positive credit history in addition to a solid business plan that shows how the funds will be repaid. This plan would include details on transaction quantities and volumes necessary to repay the debt. Unfortunately for Utah taxpayers, the District is not being held to these same standards. When the District was asked to produce a detailed business plan with information on how the loan from the state would be repaid, the legislators and the public were presented with nothing more than further justifications for the project.

An examination of the District's numbers makes it clear why they would avoid detail. To put it simply, there is no real feasible plan to pay for the Lake Powell Pipeline. The District is asking to be funded for this project on the basis that they have always outperformed and paid their debts. If there is one lesson to garner from the recent recession, it is that things don't always turn out as we hope. You do not have to look far to see projects that had millions of investment dollars turn belly up leaving the investors holding the tab. ***With the Lake Powell Pipeline, Utah taxpayers are the investors and are being asked to fund over \$2 billion dollars on a handshake.***

The taxpayers of Washington County and Utah deserve more. Before the state puts Washington County residents on the hook for annual payments as high as \$70 million, the District should be required to show in detail where this money will come from given the current economic and growth circumstances. The district has vaguely explained that repayment will occur through impact fees, water surcharges, and property taxes. Each of these mechanisms will impact Washington County residents, yet residents have had no say in whether or not they want to incur this debt and be responsible for the massive annual payments. ***The District has an obligation to explain to the public precisely how many building permits must be issued to cover this debt, the projected increase in water surcharges, and any potential impacts to property taxes.*** In addition, residents need to know what will happen if the District fails to raise enough revenue from these sources. Back room agreements and speculative payback scenarios are not acceptable or prudent management of taxpayer dollars.

“Citizens for Dixie's Future is questioning the assumptions of the Water District.”

*Mike Small, President
Citizens for Dixie's Future*