



Prepared for the Utah
Division of Water
Resources and the
Water Development
Coordinating Council

by Zions Public Finance, Inc.



Utah HB 280 Water Infrastructure Projects Fee Study

October 2025



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Executive Summary

The HB 280 Water Infrastructure Projects Fee Study (the study, HB 280 Fee Study), prepared by Zions Public Finance, Inc. (ZPFI) in partnership with Bowen Collins & Associates and Cohne & Kinghorn, provides a comprehensive financial and policy framework to support the long-term sustainability of Utah’s water infrastructure. In 2024, the Utah Legislature passed [HB 280](#)¹, which requires a study (HB 280 Fee Study) and analysis on whether to impose a new fee to fund water infrastructure projects identified in the Unified Water Infrastructure Plan (UWIP) ([Utah Code 73-10-39](#))². The Utah Division of Water Resources commissioned the ZPFI team to study and address the urgent need for coordinated investment in water systems across the state, identify funding gaps, and propose a balanced revenue strategy that aligns with affordability, equity and growth.

Context and Purpose

Utah’s arid climate, rapid population growth, aging infrastructure, and increasing regulatory demands have created a pressing need for strategic investment in water infrastructure. The HB 280 Fee Study was mandated to evaluate the scale of future infrastructure needs, assess the financial capacity of local and state entities, and recommend a sustainable funding mechanism to ensure the reliability, safety and efficiency of Utah’s water systems.

Key Findings

Projected Infrastructure Needs

Utah faces an estimated \$1.2 billion per year of expense, in 2025 dollars, related to water infrastructure projects. This includes:

- \$740 million for drinking water and secondary water systems.
- \$420 million for sewer and stormwater systems.
- \$40 million for off-farm agricultural irrigation.

Affordability and Revenue Capacity

ZPFI conducted a statewide affordability analysis using Median Adjusted Gross Income (MAGI) by city and found that Utah residents currently spend an average of 2.1% of MAGI on water and sewer services—well below the EPA’s 4.5% affordability threshold. This indicates significant capacity for local agencies to raise additional revenue through rate adjustments.

¹ Utah State Legislature, Utah House of Representatives Bill 280, 2024.

² Utah Code, Title 73, Chapter 10, Section 39.

Local vs. State Roles

While local agencies have the authority and capacity to generate approximately \$852 million annually through rate increases, a funding gap of \$346 million per year remains. This gap underscores the need for state-level coordination and supplemental funding mechanisms.

Recommended Revenue Strategy

To close the funding gap and ensure equitable investment across the state, the study proposes implementing a volume-based user fee, with consideration for a future multi-pronged revenue strategy:

State Water Future Fee

- Consider a volume-based fee to generate approximately \$140-150 million annually.
- A range of options are available and could be phased into over time.
- Applied to all metered end-user retail connections, with flexibility for local implementation.
- Water providers that have both retail and wholesale customers will not have this fee applied to wholesale customers.

Consider a Future Ad Valorem Concept

- While not currently proposed in the study, consider a potential ad valorem revenue strategy in the future.

Continued Allocation of 1/8th Sales Tax

- Maintain the current policy of dedicating a portion of state sales tax to water infrastructure.
- Approximately \$48–50 million annually is already generated for new, low-interest loans.

Growth as a Funding Pillar

- The strategy assumes continued economic and population growth, which will expand and increase revenue from impact fees, user fees and sales taxes over time.

Equity and Distribution

The study emphasizes equitable distribution of funds across Utah's river basins. Revenue contributions and infrastructure needs are closely aligned by basin, supporting a proportional allocation model. However, the Water Development Coordinating Council is empowered to adjust allocations based on project prioritization, public input, and regional collaboration opportunities.

Implementation and Oversight

The study outlines a clear process for fee collection, fund management and project funding:

- Revenues will be deposited into the Utah Water Infrastructure Fund (the Fund, WIF) and managed under the State Money Management Act.
- State Water Future Fee revenues will be distributed as grants to avoid impacting local agency credit ratings.
- The council will oversee project selection, with input from basin representatives and alignment with the UWIP.

Additional Recommendations

To support successful implementation, the study recommends:

- Ongoing engineering and financial consulting support for rural and small systems.
- One-time appropriations for public outreach and rate structure adjustments.
- Consideration of allowing the fund to issue tax-exempt debt to accelerate project delivery while lowering overall funding costs of projects relative to other debt alternatives.

The ZPFI team looks forward to continue working with the State of Utah, Department of Natural Resources, Division of Water Resources and the council on this project and Utah's exciting water future.

Introduction

Zions Public Finance, Inc. (ZPFI), Bowen Collins & Associates and Cohne & Kinghorn working as a project team (the ZPFI team) in collaboration with the Utah Department of Natural Resources, Division of Water Resources is pleased to present this fee study (the study, HB 280 Fee Study) as required by Utah HB 280³.

The Case for Funding Water Infrastructure

Utah has a strong tradition of meeting challenges with collaboration, partnership and creativity. Utah's water future will not be different. As a collected geography, Utah faces \$1.2 billion per year, in 2025 dollars, of needed water infrastructure investment. With rapid population growth of about 1.7% per year over the last 10 years⁴, Utah continues to grow. However, this intensifying demand on water resources is paired with aging infrastructure. Many of Utah's contemporary water infrastructure systems were first developed in the early and mid-20th century, and a wave of replacement projects is already underway.

In parallel, federal funding available for water projects is on a declining trend. Indeed, within the 2025 period the White House fiscal year 2026 budget proposal signaled a dramatic reduction for U.S. Environmental Protection Agency (EPA) Clean Water State Revolving Fund monies. Uncertainty and removal of earmarks means that states are likely to receive less discretionary funding than in previous years⁵.

In addition to current trends, water infrastructure investment remains a critical component of public and economic health. For example, a 2021 Kem C. Gardner Policy Institute study⁶ found that \$2.5 billion of federal investment in the Central Utah Project led to \$5.9 billion of growth in Utah's gross domestic product from 1960 to 2017. This amounts to a 236% total return over the period in nominal terms. It is reasonable to conclude that future water infrastructure investment will correspondingly help Utah's future economic success.

³ Utah State Legislature, Utah House of Representatives Bill 280, 2024.

⁴ U.S. Census Bureau, *Utah – Census Bureau Profile*,
<https://data.census.gov/profile/Utah?g=040XX00US49>

⁵ 2025, May 2. *Proposed EPA Budget Puts Americans' Health and Clean Water at Risk*. NACWA.
<https://www.nacwa.org/news-publications/news-detail/2025/05/02/proposed-epa-budget-puts-americans'-health-and-clean-water-at-risk>

⁶ 2021, January 6, Kem C. Gardner Policy Institute, *Success of Central Utah Project Shows Value of Long-Term Water Projects*,
<https://cuwcd.gov/assets/documents/Press/CUPPolicyBriefPressReleaseFINAL.pdf>

Finally, further investment in water infrastructure remains consistent with Utah's Coordinated Action Plan for Water⁷ which envisioned, "strong state leadership, effective policy decisions, and collaborative partnerships with state, regional and local water managers." (State of Utah, 2022, p. 17).

The case is clear. Continued investment in Utah's water infrastructure is and will remain a critical component of the State's health, vibrancy and economic success for rural and urban communities alike.

Utah's History of Water Collaboration

Utah's water history is marked by a strong tradition of collaboration, born out of necessity in an arid environment. From early pioneer settlements to modern water management, working together across governmental levels and with various stakeholders has been essential for developing and managing water resources effectively.

Early pioneers relied on cooperative efforts to build irrigation systems and share limited water resources, laying the foundation for local water management and community agreements.

In 1924, Weber County farmers partnered with the Bureau of Reclamation on a multipurpose project, demonstrating collaboration between local and federal entities to manage a river system for irrigation, municipal, and other uses.

In the mid to latter 20th century, the Central Utah Project, a massive and complex federal project, involved extensive infrastructure to move water from the Uintah Basin to the Wasatch Front. This ambitious project required long-term cooperation between the federal government and various state and local entities to plan, fund, and implement its various phases. By 1992, local water districts were authorized to complete outstanding project features, demonstrating a transfer of responsibility and continued progress.

The reconstruction of the Quail Creek South Dam, in the 1990s, provided additional culinary water to the St. George area and marked a success for the Washington County Water Conservancy District. Additionally, completed in 2002, the Sand Hollow reservoir in Washington County was another water infrastructure achievement as two central core rockfill dams were constructed to aid in aquifer recharge while simultaneously offering many recreational amenities. Both projects were achieved without the aid of federal funding.

⁷ 2022, November, State of Utah, Utah's Coordinated Action Plan for Water, https://gopb.utah.gov/wp-content/uploads/2022/11/2022_11-Plan-for-Coordinated-Water-Action-FINAL.pdf

Now, the Unified Water Infrastructure Plan (UWIP) and Utah Water Infrastructure Fund (WIF) are poised to take further steps, demonstrating a commitment to statewide collaboration by identifying projects and funding strategies to secure Utah's water future. Partnering across the multiple layers of government will remain as essential today as it has been in Utah's past.

Teamwork has been a cornerstone of Utah's water history, evolving from early pioneer cooperation to complex intergovernmental partnerships for large-scale projects and contemporary efforts to address the challenges of water scarcity and sustainable management.

The Value of a Layered System

In Utah, water management involves a layered system of agencies with specific roles and responsibilities to ensure the sustainable and efficient use of this precious resource. No single entity controls all aspects of water diversion, delivery and use. This layered approach is crucial for addressing the diverse and often competing needs of agriculture, industry, municipalities and the environment.

State-level Agencies

Utah's state-level water agencies include the Division of Water Resources, which handles planning, conservation and development; the Division of Water Rights, which manages water rights based on priority; the Division of Water Quality, which enforces standards for surface and groundwater; the Division of Drinking Water, which oversees public water systems; and the Colorado River Authority of Utah, which manages the state's share of the Colorado River.

Local-level Agencies

Local agencies include wholesalers like water conservancy districts, special service districts, and retailing entities such as cities and irrigation companies that deliver water directly to end users. In many cases, single agencies provide both functions to different customers with wholesale and retail customers served.

The layered system in Utah's water management offers several key advantages:

- **Focused Expertise:** Different agencies can concentrate on their specific areas of knowledge, from statewide planning to local distribution.
- **Effective Resource Planning:** This layered structure allows for comprehensive planning, ensuring that supply, demand, water quality and environmental considerations are addressed effectively.
- **Public and Environmental Protection:** Agencies focused on water quality and drinking water play a crucial role in safeguarding public health and the environment.

- **Orderly Water Distribution:** The system helps manage the allocation of water resources in an arid state, adhering to the principle of prior appropriation.
- **Cooperation and Coordination:** The tiered structure promotes collaboration among state and local entities, as seen in initiatives like Utah's Coordinated Action Plan for Water and the Utah Watersheds Council.
- **Addressing Diverse Needs:** Different agencies cater to the specific requirements of various water users, such as municipalities, agriculture and industries.

Water infrastructure development in Utah is a testament to the state's ongoing efforts to manage a scarce resource in an arid environment, adapting over time from pioneering initiatives to sophisticated governmental structures and large-scale projects.

Similarities and Differences in Transportation and Water

This section compares water and transportation investment, asset ownership, planning, and governance within Utah. Transportation networks play an essential role in commerce, mobility and public safety with investment needs on a scale that cannot be supported by single market participants, much like water. In Utah, both transportation and water resources involve complex systems of governance and funding, but they differ in some key aspects. Transportation has a state department, in the Utah Department of Transportation (UDOT), that can make capital investments and own assets statewide. The ZPFI team notes that the UDOT model of investment comes with its own tradeoffs where local control may be less prevalent, at times, when compared to water infrastructure planning and investment.

Similarities

Layered Governance

Both sectors utilize a layered approach to management. In water, state agencies like the Division of Water Rights and Division of Water Quality, play key roles alongside local water conservancy districts and municipalities. Similarly, transportation involves state entities like UDOT and the Utah Transit Authority, regional planning bodies like the Wasatch Front Regional Council (WFRC) and local governments.

Federal Funding

Both rely, to varying degrees, on federal funding. For transportation, the federal Infrastructure Investment and Jobs Act⁸ (2022) is injecting billions into state roads, bridges, and public transit. For water, the law also provided significant funds for infrastructure

⁸ 49 *National Defense Authorization Act*, Title U.S.C. §6609, Chapter 53, Title 49 (2022), <https://www.transit.dot.gov/funding/grants/fta-program-fact-sheets-under-infrastructure-investment-and-jobs-act>

upgrades, mainly through the Clean Water and Drinking Water State Revolving Funds, although many of these water-related funds are facing budget cuts.

Need for Investment

Both sectors face a significant need for ongoing investment in infrastructure development and maintenance to accommodate growth and ensure system reliability.

Local Involvement

Local governments play crucial roles in planning and implementing projects in both sectors.

Planning

Both have established planning processes to guide future development and prioritize projects. For example, Utah has a Unified Transportation Plan and is developing watershed-based water quality plans. There are similarities in regional planning scale and potential. For example, Utah transportation infrastructure has four metropolitan planning organizations and UDOT. Water infrastructure has 13 watersheds councils and five agencies within the council.

Table 1: Prioritization Process and Planning for Transportation and Water

Category	Transportation	Water	Similar or Different for Water?
Asset Ownership	State, Local Agencies and Districts	Local Agencies and Districts, State, U.S. federal government	Different, more local focus historically. Bear River and Colorado River projects are in planning process via State of Utah at this time.
Input Plans	Ranges from MPO/UDOT level to Local Agencies	Agency and District Plans	Similar and Different, water plans more bottom up historically, but Utah's Coordinated Action Plan for Water takes steps on coordination and new UWIP and WDCC equip water to be similar in future
Scope	Regional	Regional and Local	Different, Water tends to have more local plans historically
Project Types	Highway, Transit, Active Transportation	Storage, Conveyance, Delivery, Treatment	Similar and Different, Transportation and Water have fundamentally different assets, but they are similar in that they are networks to distribute essential goods
Timing	Phases Underway, 2023-2052 and Future	Beginning, 2024 - 2033 and Future	Different, Transportation slightly ahead timewise

Source: ZPFI, as of October 2025.

Differences

Ownership

Stated very simply, there is no UDOT for water. UDOT has special characteristics when compared to water, given that it not only plans for inter-jurisdiction infrastructure projects, but it owns roadways, highways and freeways at the level of the state. The development of water resources proceeds from a more “bottom-up” approach where systems developed in areas proximate to natural resources and the cities and towns surrounding them. There is not, as yet, a state authority that directly owns water infrastructure assets. However, project planning for the Bear River and Colorado River projects is led by the state at this time.

Funding Structures

Water infrastructure funding often comes from a mix of sources including municipal bonds, user rates, property taxes, impact fees, state loans/grants and federal programs. Local water conservancy districts are key actors in developing and delivering water, typically funding their operations through property taxes, user rates and bonds. Utah is exploring the use of water rates based on the true cost of service to encourage conservation and fund infrastructure, while addressing equity concerns.

Transportation funding primarily relies on fuel-related sales taxes (state and federal), broader sales taxes, vehicle registration fees, general fund appropriations and bond proceeds. Federal funding plays a major role in highway capital outlays.

Table 2: Revenue and Funding Structures for Transportation and Water

Category	Transportation	Water	Similar or Different for Water?
Revenue Source and Authorities	Federal grants, State gas tax, Mass transit sales tax, Additional mass transit sales tax, County option transportation sales tax, Transportation infrastructure sales tax, Highways sales tax, User fees (fares)	Federal grants, Property tax (not all systems), Impact fees (future growth), User fees (water rates), 1/8 th State sales tax	Similarities: Federal grants, State support Differences: Property tax vs. sales tax funding, water tendency for larger proportion of funding to be driven from user rates
Use of Funds	Dependent on source	Dependent on source	Similar
Financial Analysis Process	WFRC Coordination among MPOs and joint Utah Unified Transportation Plan Financial Model to assess potential revenues and create unit costs for facility types	Local agencies assess financial needs and must align rates to cost of service and capital needs	Different but UWIP and financial model can equip water to be similar in future
Source of Credit in Case of Debt Issuance	State, Local Agencies	Mostly local agencies but sometimes access to State and federal water loan programs	Water systems frequently have to finance projects on their own credit, leading to marginally higher interest costs, while some transportation agencies like UDOT may benefit from the larger scale of the State
Allocation Criteria	UDOT and MPO process subject to prioritization models Allocation process in agencies	Allocation decisions made within agencies	Different, but UWIP and the HB 280 Fee Study equip water to be similar in future

Source: ZPFI, as of October 2025.

Nature of the Resource

Water is a vital resource with established water rights based on prior appropriation, creating a distinct governance challenge related to allocation and conservation. Utah is actively investing in water conservation programs and infrastructure to manage scarce resources.

Transportation infrastructure is generally public access (roads, highways, public transit), requiring coordinated planning to accommodate traffic flow, safety and different modes of travel.

Environmental Considerations

Water projects are heavily regulated to protect water quality and ecosystems, involving state agencies like the Division of Water Quality and compliance with federal environmental laws.

Transportation projects undergo environmental reviews to assess their impact on air quality, wildlife and other environmental factors.

While transportation planning incorporates efficiency and sustainable modes, water management places a particularly strong emphasis on conservation due to Utah's arid climate and growing population. Utah has programs specifically dedicated to agricultural water optimization and secondary water metering to improve water efficiency.

HB 280 Fee Study Process and Agency Feedback

The HB 280 Fee Study was conducted over the period from February to October 2025, with the bulk of the stakeholder feedback, research and analysis phases completed by July 2025. Throughout the process, agency stakeholders throughout the State provided immensely insightful input and feedback throughout the process.

Fee Study Process

This study remains only one part of a larger strategy and set of requirements outlined by HB 280. The previous Integration of Funds study was completed in 2024. In 2025, the HB 280 Fee Study was conducted in parallel with the infrastructure study designated to develop the UWIP. As both projects were conducted in parallel, stakeholders frequently provided input regarding both projects. However, for the purposes of this report, final recommendations are only given within the scope of the law pertaining to the fee study. Remaining phases of the HB 280 requirements regarding the UWIP and project ranking systems will be concluded by 2026.

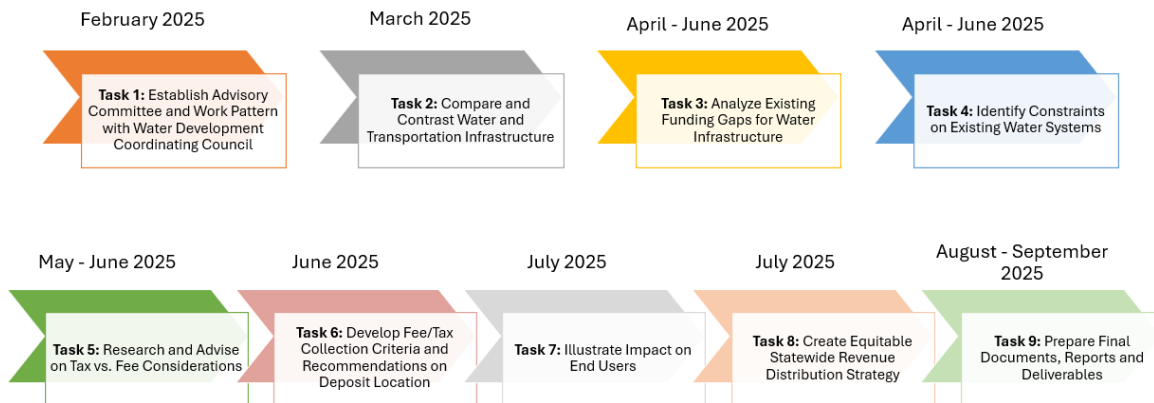
Chart 1: HB 280 Annual Process Highlights



Source: ZPFI, as of October 2025.

Within the fee study itself, the ZPFI team pursued an aggressive timeline to quantify Utah's water infrastructure needs while developing a corresponding revenue strategy required by the study. This involved data collection and analysis activities while engaging agency stakeholders one-on-one and in monthly working group meetings in coordination with the division.

Chart 2: HB 280 Fee Study Process



Source: ZPFI, as of October 2025.

Agency Feedback

Throughout the fee study process the ZPFI team received valuable input and feedback from local municipal and industrial water agencies, sewer districts, water conservancy districts, special districts, the Utah Department of Agriculture and Food, the council and the fee study working group. ZPFI has provided highlights of stakeholder feedback by category below.

Global Concerns

- Almost all stakeholders expressed concerns that a fee would reduce agencies' capacity to raise rates or fees themselves in the future.
- Stakeholders expressed concern about the distribution of funds and the potential that a single system might pay more into the fund than it would necessarily receive back in project allocations in a single year or over multiple years. This is a possibility for a single system over a short-term period.
- Multiple participants expressed concern about any funding changes to the existing system.
- Multiple stakeholders advocated labeling all fee proposals as a tax, because they may be imposed regardless of the cost of service within a single system.
- Multiple stakeholders felt that a new user fee would not be the most efficient revenue strategy to optimize the state's overall infrastructure needs and that preserving local control was essential to the process.

- Some agencies noted that this process is more transparent and systematic for all and saw benefits in potential increases in access to state funding and grants.

Municipal and Industrial Water Providers

- Stakeholders who have recently undertaken one or more rate increase expressed a challenging political environment for their local municipal councils in raising rates and the ability to weather future increased costs with concerns about “rate fatigue.”
- Stakeholders questioned whether there was a rational nexus between a State volume-based water fee and the costs of service provided within their own system. It is true that a statewide fee does not directly correspond to the cost of service within a single system. However, it does correspond to costs of service statewide.
- Multiple stakeholders wished to ensure that water systems that have low water rates as a percentage of median household income or median adjusted gross income did not receive project funding allocations from the State to ensure that those systems are still incentivized to appropriately share in funding their own infrastructure needs.
- Multiple participants expressed concerns about software and billing costs associated with implementing any new rate or fee schedule as a result of the HB 280 Fee Study.
- Some municipal and industrial systems were concerned that a statewide fee would not conform to American Water Works Association (AWWA) practices.

Water Conservancy and Special Districts

- Water conservancy districts were generally open to the HB 280 process but wished to ensure their existing authorities were not detracted from, especially as it pertains to property taxes, which they appropriately see as essential to maintaining lower debt and project costs relative to other alternatives.

Sewer Districts

- Sewer districts were similarly concerned about any changes to their existing authorities, especially pertaining to property taxes, which they appropriately see as essential to maintaining lower debt and project costs relative to other alternatives.

Off-farm Agricultural Irrigation

- Off-farm Agricultural Irrigation systems were concerned about the imposition of any volume-based fees and noted that these would likely prevent these systems from further operating.
- Multiple stakeholders did express a willingness to consider demonstrating additional public benefits with their projects, ranging from public access to recreation amenities to additional water conservation steps.

Funding Utah's Water Infrastructure Future

Utah has a track record of water infrastructure success. However, as assets age and communities grow, new investments will be needed. COVID-related and post-COVID inflationary pressures have particularly impacted infrastructure development costs, and both local agencies and the state will need to increase or create revenue to meet the investment need.

A Growing Expense Picture

Local and state agencies recorded many water infrastructure successes in the 20th century, ranging from the Strawberry Aqueduct and Collection System, to the Ogden and Weber River Projects, to the development of reservoirs in Washington County such as the Ivins and Kolob reservoirs. Further, multiple municipalities continued to develop, upgrade and expand their systems.

However, as these assets age, repair and replacement costs will become particularly important to consider. In addition, the need to improve assets to facilitate conservation, and to an extent new growth, will be essential across the water infrastructure spectrum from residential drinking water to sewer collection and treatment.

Two prominent studies provide the most comprehensive and consolidated view of the future water infrastructure needs of the state along with costs. Prepare 60 addresses future investment needs in Utah's residential and non-residential water supply by identifying the most critical new projects to meet future growth needs while also protecting and maintaining the State's existing infrastructure. Reclaim 60 provided a similar effort by addressing the costs associated with the renewal, replacement and expansion of the state's sewer and stormwater systems, including projected regulatory changes, through the year 2060. Both plans were developed and informed by industry experts and provide the basis for our understanding of future costs associated with statewide water infrastructure.

Prepare 60

Prepare 60 involves collaboration between state agencies and local suppliers. The plan addresses the long-term funding needs for water infrastructure, including rehabilitating or replacing existing infrastructure and developing new water supplies. Prepare 60 analyzed needed project expenses over the 40-year period from 2020 – 2060 and reported an expense need ranging from \$38 – 47.5 billion in 2020 dollars. Of this \$47.5 billion, \$15 billion corresponded to new growth infrastructure. For the purposes of this study, ZPFI assumed that 75% of new growth-related expenses will be funded through impact fees and therefore excluded that amount from the study. Subsequently, we updated the starting year to 2025 and the ending year to 2070, increasing the baseline year costs by the historical change in Western Region CPI from 2020 to 2025. Then, we annualized the expenses and applied an annual inflationary increase assumption of 3% per year. Based on

this analysis, we estimate that the future cost of needed water infrastructure investments is at least \$55 billion in future value through 2070. In present value terms, this amounts to \$28 billion in 2025 dollars.

Reclaim 60

Reclaim 60 provided a similarly insightful and informative analysis on future investment needs associated with the renewal, replacement and expansion of the state's sewer and stormwater systems. Reclaim 60 expenses were originally provided in 2020 dollars as well, and ZPFI has updated these expense figures utilizing the same methodology as described above. Based on this analysis, we estimate that the future cost of needed sewer, collection, and stormwater infrastructure investments is \$40 billion in future value through 2070.

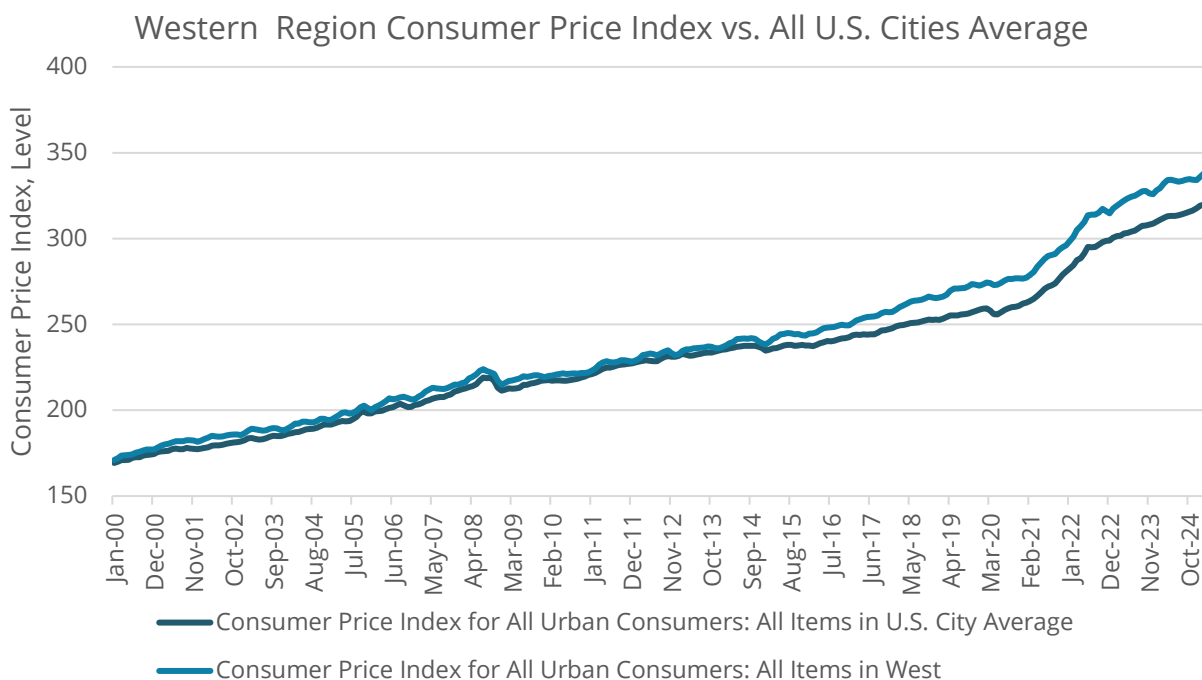
Off-Farm Agricultural Irrigation

As part of the UWIP and HB 280 Fee Study the project team partnered with the Utah Agricultural Water Optimization Task Force, overseen by the division to understand the future needs of off-farm agricultural irrigation. Off-farm agricultural irrigation is defined as canal and irrigation companies with systems not on single private farms. For example, non-profit canal or irrigation companies with shared infrastructure that is not located on the land of private farms are included in this category. Again, utilizing the annualization and inflationary adjustment method cited above, ZPFI projects that off-farm agricultural irrigation projects will cost \$7.6 billion through 2070. In present value this amounts to \$3.4 billion.

Inflation

Throughout the study period of 2025-2070 ZPFI assumed an annual inflationary increase of 3% per year. We note that while inflation in the western U.S. has generally outpaced national averages, this is likely due to and in part balanced by growth. A 3% inflation assumption is in line with the historical annual average of 2.9% of the Consumer Price Index for All Urban Consumers: All Items in West since 1990. We note that recent inflation has outpaced this historical figure. However, multiple factors associated with the COVID-19 pandemic such as supply chain mobility constraints, along with significant expansion of the global monetary base are causal factors that may not be emulated directly in the near term. ZPFI notes that if inflation rises above this 3% assumption, then costs will certainly rise, and the sizing of any fee may have to be adjusted.

Chart 3: Western Region Consumer Price Index vs. All U.S. Cities Average



Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CPIAUCSL>, September 8, 2025.

U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in West [CUUR0400SA0], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CUUR0400SA0>, September 8, 2025.

Future Water-Related Expenses and the Study Period Window

In considering the scope of future water infrastructure needs in the State of Utah, we combine the expense knowledge above and see that the investment needed amounts to \$102 billion of future costs from 2025 to 2070, which we define as the 45-year study period.

ZPFI has decomposed this amount by the State's river basins to illustrate where infrastructure investments are needed, and the corresponding expense needs of each basin.

Table 3: Statewide Water Infrastructure Expense Needs by Basin, 2025-2070

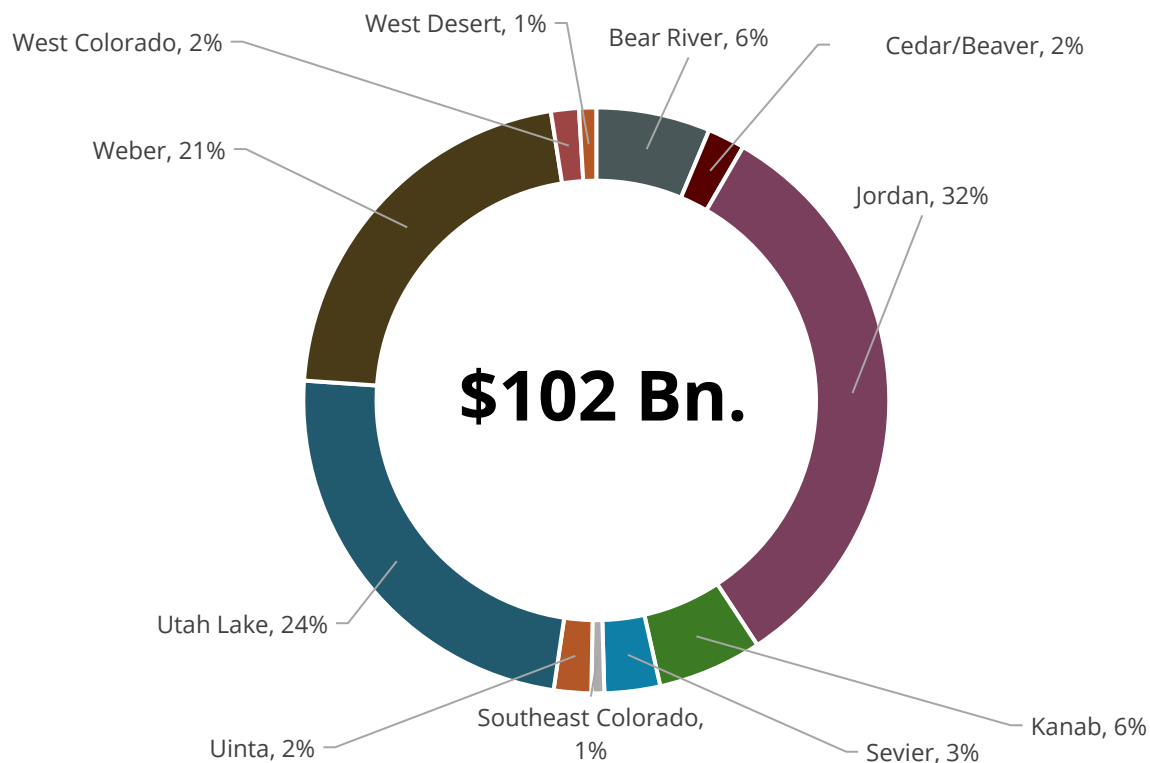
River Basin	Expense Needs by Basin
Bear River	\$6,446,982,318
Cedar/Beaver	\$2,109,528,320
Jordan	\$33,130,632,062
Kanab	\$5,899,628,118
Sevier	\$3,140,137,612
Southeast Colorado	\$726,185,018
Uinta	\$2,108,063,183
Utah Lake	\$24,307,310,232
Weber	\$21,942,820,725
West Colorado	\$1,575,095,385
West Desert	\$965,962,513
Total	\$102,352,345,486

Source: ZPFI, as of October 2025.

The chart below illustrates the expense needs in percentage terms.

Chart 4: Statewide Water Infrastructure Expense Needs by Basin in Percent of Total Expense, 2025-2070

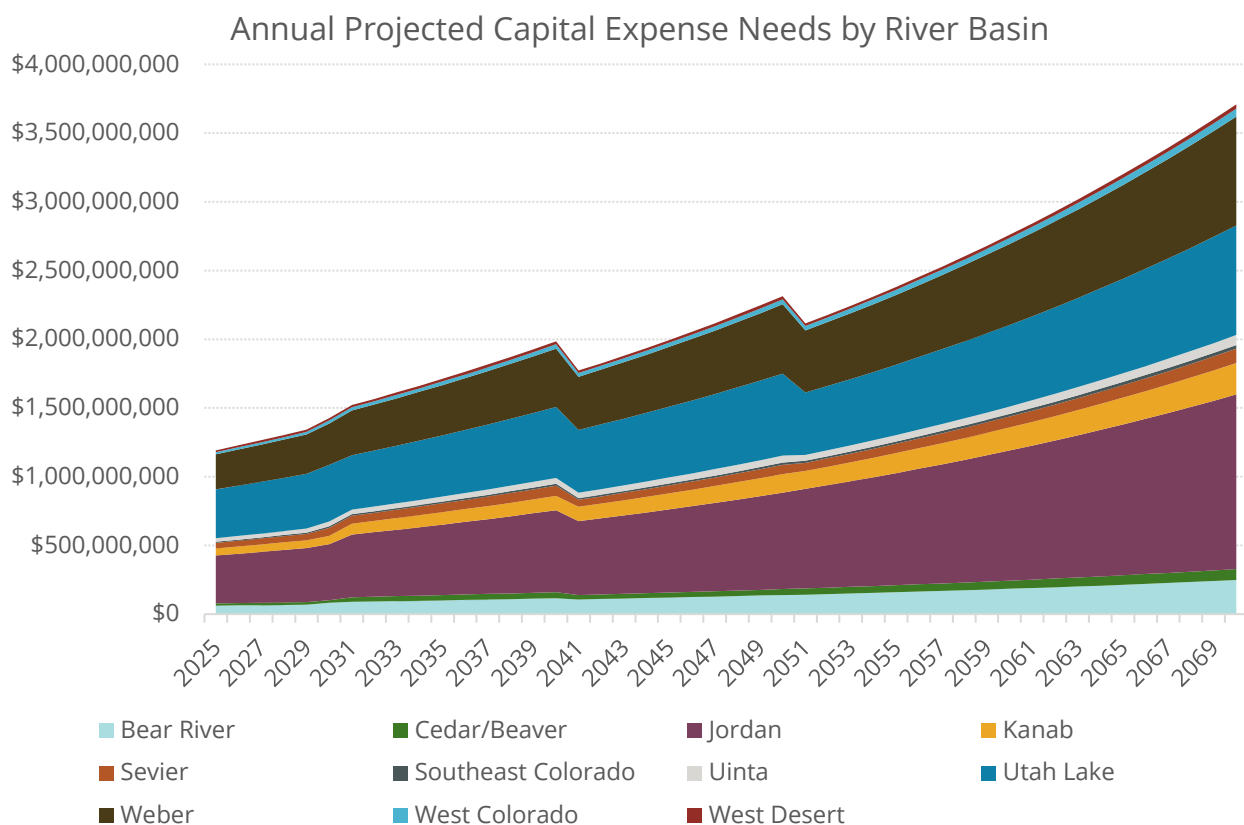
% of Projected Capital Needs By River Basin 2025-2070



Source: ZPFI, as of October 2025.

While this remains a significant investment, the good news is that it does not need to arrive all at once and growth will pay for much of the need. We outline the costs by river basin with respect to time to show how and when expenses arrive. The investment needed in early years of the study period amounts to approximately \$1.2 billion per year statewide.

Chart 5: Statewide Water Infrastructure Expense Needs by Basin, 2025-2070



Source: ZPFI, as of October 2025.

Revenue Strategy

While \$102 billion of expense over 45 years is a significant investment, the State's residents, businesses and visitors have the capacity to achieve it. The first tool for funding these expenses is and will remain local agency revenue authorities. ZPFI conducted a water affordability study across drinking water suppliers and utilized a similar affordability study conducted by Reclaim 60 to see that local agencies have additional revenue capacity.

Environmental Protection Agency Affordability Guidance

In its December 2024 "Water Affordability Needs Assessment: Report to Congress"⁹ the Environmental Protection Agency (EPA) stated that households spending 4.5% of their annual income on water and sewer related utilities are considered to face a high water

⁹ "Water Affordability Needs Assessment: Report to Congress" December 2024.

<https://www.epa.gov/system/files/documents/2024-12/water-affordability-needs-assessment.pdf>.

burden. Further, the report cites that, “4.5% of [Median Household Income (MHI)] is commonly used as a threshold value for evaluating the financial capability of a utility” (Cardoso & Wichman, 2022; Berahzer et al., 2023; Mack & Wrase, 2017).

Local Agency Affordability and Revenue Capacity

As part of the HB 280 Fee Study, ZPFI collected all available published drinking water rate schedules for every municipality in Utah. In a select set of municipalities water rate schedules were not published or could not be acquired. However, this effort led to the collection of 1,075 municipal and industrial water rate schedules across customer classes and municipalities in the state.

Additionally, thanks to the work of the Reclaim 60 team, ZPFI also collected sewer rate schedules for the state’s municipalities and sewer districts.

This equipped the project team to conduct an affordability study and analysis of additional revenue capacity across the state through both the lens of water and sewer.

Broadly, Utah’s water and sewer costs track much lower than the EPA’s maximum affordability metric. Our affordability study indicates that, on average, median Utah residents spend 1.24% of their median adjusted gross income (MAGI) on primary and secondary water expenses, while spending 0.86% of MAGI on sewer and stormwater expenses. This sums to 2.1% of MAGI spent on water related utility costs. Additionally, ZPFI extended this affordability study to analyze costs for lower quartile income households in terms of lower quartile adjusted gross income. Lower quartile income households spend more of their earnings for water with primary and secondary water expenses of 1.73% of their adjusted gross income. Further, they spend 1.03% of their income on sewer and stormwater expenses. This figure is inclusive of property tax in the communities that pay property taxes within a conservancy district and/or sewer district boundary.

Table 4: Annual Residential Water & Sewer Costs as % of Median Adjusted Gross Income and Lower Quartile Adjusted Gross Income

MAGI		Lower Quartile AGI	
Average Annual Water Bill as % of MAGI	1.24%	Average Annual Water Bill as % of Lower Quartile Adjusted Gross Income	1.73%
Average Annual Sewer. Bill as % of MAGI	0.86%	Average Annual Sewer Bill as % of Lower Quartile Adjusted Gross Income	1.03%
Total Bill as % of MAGI	2.10%	Total Bill as % of Lower Quartile AGI	2.76%

Source: ZPFI, Utah Division of Drinking Water as of October 2025.

While we acknowledge that lower, not higher costs should be the target, this also means that all residents, on average, have additional capacity to pay for rate increases relative to EPA guidance. However, as lower quartile income households already spend 0.56% more

than median households on water, potential future mitigations or exemptions on cost growth for this contingent are important to consider.

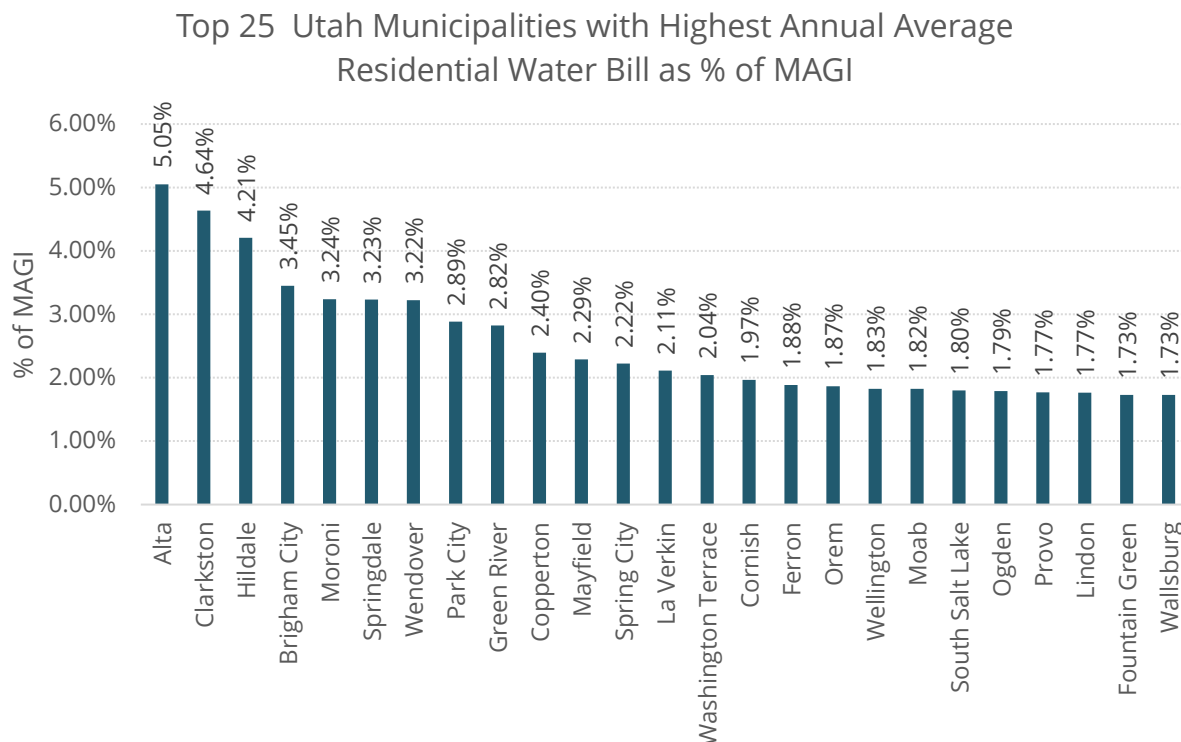
This study was conducted in terms of MAGI by City, a convention used by the Utah Department of Environmental Quality, Division of Drinking Water¹⁰. To calculate lower quartile adjusted gross income ZPFI utilized U.S. Census American Community Survey data to contrast appropriate MAGI-based income distribution metrics. We note that MAGI tends to track lower than MHI, the metric used by the EPA. Therefore, when compared to the EPA's standards, Utah residents have even more space on this affordability metric.

Pressure on Rural Systems

While much of the state's residents have affordable water costs, certain rural systems are under pressure in terms of per connection costs. Among the top 25 Utah municipalities with the highest drinking water costs as a percentage MAGI, 81% of these cities have less than 4,000 households.

¹⁰ "MAGI by City" <https://deq.utah.gov/drinking-water/magi-by-city>. For the purposes of this study ZPFI updated these to 2025 levels by scaling the numbers via the Western Region Consumer Price Index, available here: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in West [CUUR0400SA0], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CUUR0400SA0>, September 8, 2025

Chart 6: Top 25 Utah Municipalities with Highest Annual Average Residential Drinking Water Bill as % of MAGI



Source: ZPFI, as of October 2025.

Water utilities have significant fixed costs associated with infrastructure such as pipes, pumps and treatment plants as well as personnel and maintenance. These costs remain relatively constant regardless of how much water is used. Therefore, smaller communities tend to face significantly higher costs per user than their urban, more dense counterparts. While urban development forms are very efficient in scaling water infrastructure services, access and water safety in the state's rural communities will remain important to the residents and visitors of these communities alike.

Role for Local Agencies

To gauge future revenue creation capacity, ZPFI examined how much revenue would be created across multiple scenarios if municipal and industrial agencies were to increase their rates to various affordability thresholds. We see, as highlighted in the table below, that if agencies moved rates up to 1.5% MAGI on drinking water and secondary water, and 1.5% MAGI on sewer, \$419 million new revenue per year would be created statewide. This is an economically feasible increase and remains below the EPA's affordability thresholds on average.

Table 5: Residential Rate Increase Scenarios & New Revenue Raised

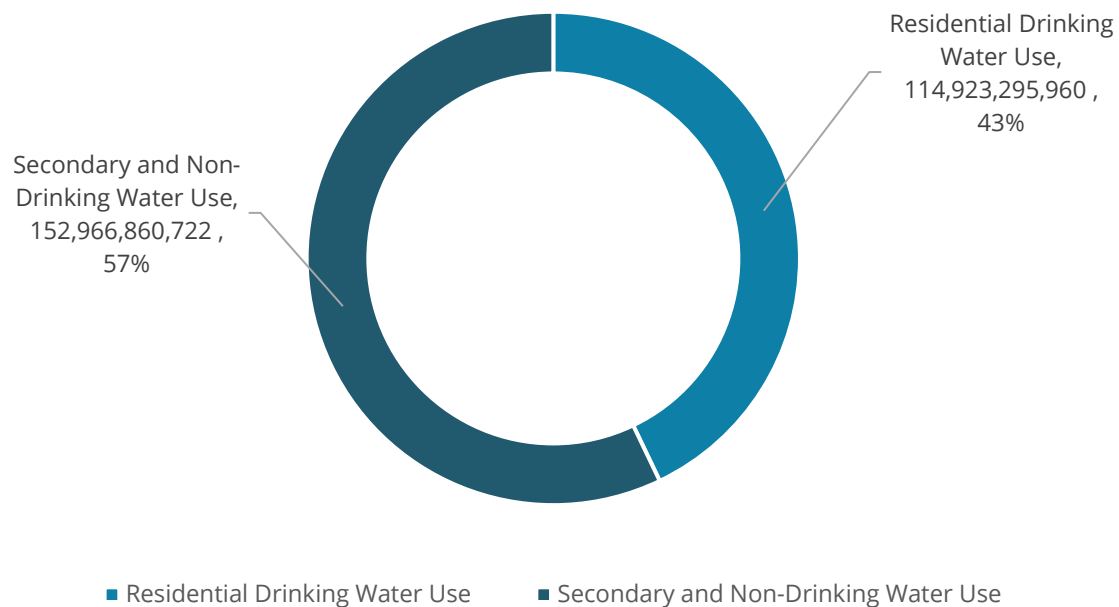
Category	Drinking & Secondary Water	Treatment, Collection, Reclamation Water	Drinking, Secondary, Treatment, Collection, and Reclamation Total
Residential End User Revenue Capacity at 3% MAGI (1.5% Water, 1.5% Sewer)	\$198,601,803	\$221,237,800	\$419,839,604
Residential End User Revenue Capacity at 3.5% MAGI (1.75% Water, 1.75% Sewer)	\$316,984,999	\$308,441,347	\$625,426,346
Residential End User Revenue Capacity at 4% MAGI (2% Water, 2% Sewer)	\$455,226,285	\$402,134,165	\$857,360,450

Source: ZPFI, as of October 2025.

Additionally, non-residential water uses surpass the consumption of residential uses in the state by approximately 33%, and ZPFI believes non-residential and secondary users have similar capacity to pay for water rate increases associated with future infrastructure needs to support commerce. Therefore, non-residential and secondary uses have proportionately similar revenue capacity of approximately \$432 million.

Chart 7: 2022 Residential Drinking Water Use vs. Secondary & Non-Residential Use (Gals., %)

2022 Residential Drinking Water Use vs. Secondary and Non-Drinking Water Use (Gals., %)



Source: "2022 Municipal and Industrial Water Use", Utah Department of Natural Resources, Division of Water Resources, <https://dwre-utahdnr.opendata.arcgis.com/datasets/utahDNR::2022-municipal-and-industrial-water-use/explore?layer=0>, ZPFI calculations, as of September 2025.

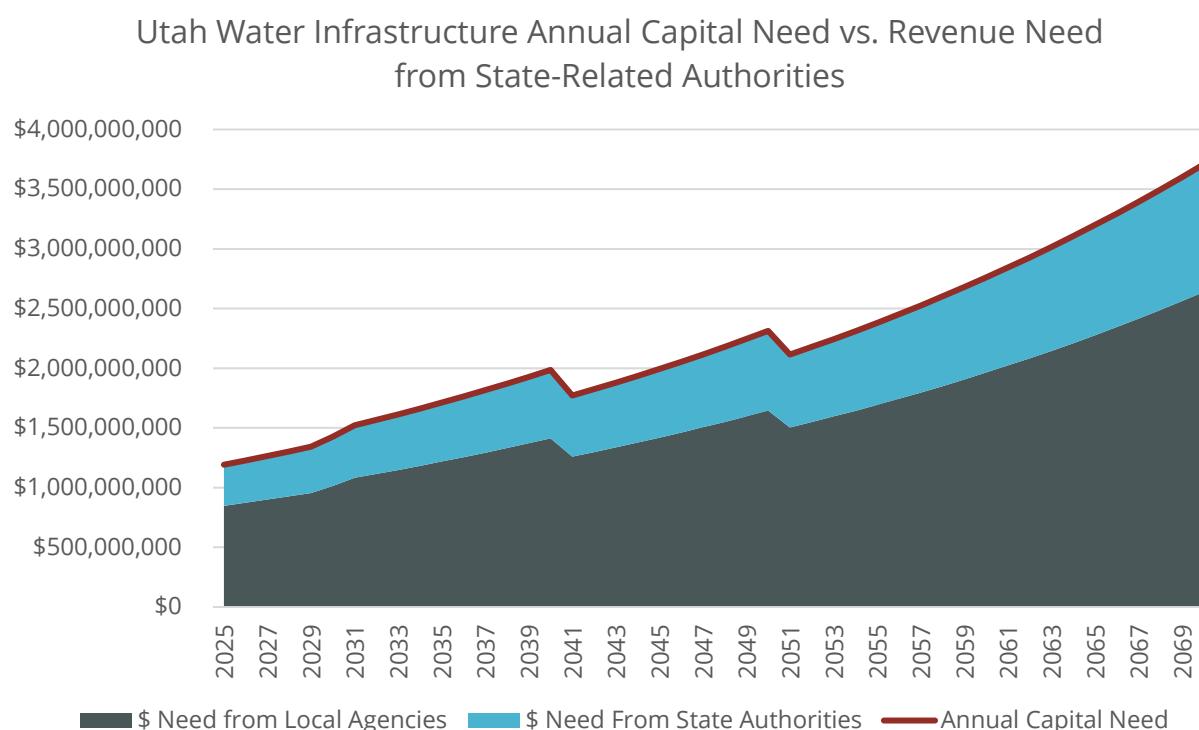
To meet the future infrastructure needs of their systems and the state, local agencies must create the revenue needed to meet these future expenses.

Role for the State

We see above that local agencies have significant additional revenue potential available to them under their own existing authorities. Yet, even if agencies raise needed revenues to average rates of 1.5% MAGI on water and 1.5% MAGI on sewer, additional revenue of \$346 million per year, in 2025 dollars, is needed to meet Utah's water infrastructure needs. We also note that local agencies do not raise rates in a uniform manner with respect to time. By solving this coordination problem, the state can prioritize investments now. This is critical for maintaining and enabling growth, while also lowering exposure to the effects of inflation by enabling more investments today than would otherwise be possible. ZPFI has calculated the needed funding gap for the state to fill and believes that the WIF is the appropriate tool for this role.

As seen in the chart below, \$346 million amounts to an approximate 29% funding gap annually if the state does not deploy additional revenue tools.

Chart 8: Utah Water Infrastructure Annual Capital Need vs. Revenue from State-Related Authorities



Source: ZPFI, as of October 2025.

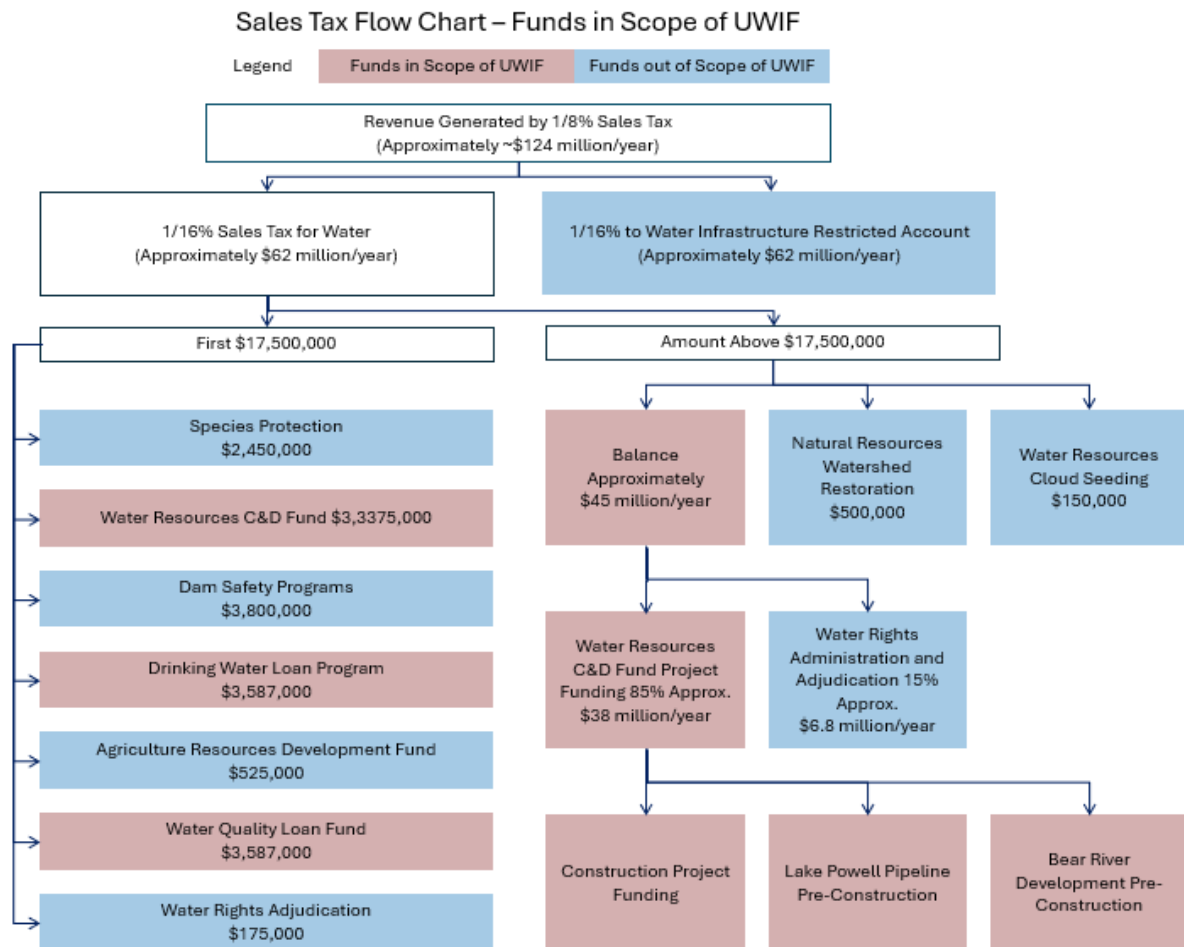
To close this funding gap ZPFI recommends a multi-step approach. First, local agencies should continue to understand system conditions, update their capital plans and budget for rate increases. Secondly, the state should maintain its existing policy of deploying 1/8th sales tax for water while also implementing its fee authority. Thirdly, the state should consider implementing the State Water Future Fee. We outline these recommendations below.

1/8th Sales Tax

The HB 280 law required a consolidation of funds study preceding this study. As part of that exercise, the division identified the state's strategy of allocating 1/8% of the state's sales tax to water projects. Of this 1/8%, half of this amount is split for the state's Water Infrastructure Restricted Account, which is out of the scope of this study. The other remaining 1/16% is sub-divided among multiple strategies and uses. However, a significant portion of this, approximately \$62 million per year, is allocated to funds that are within the scope of the Fund, providing a meaningful tool to the Fund. As part of this study, working in conjunction with division staff, we have outlined the funds that remain in scope of the Fund, amounting to approximately \$48-50 million per year. We note that the Water Resources C&D Fund has the capacity to make loans. This will generate interest income for the fund over time. However, sales taxes are an inherently volatile revenue source subject to economic downturns and changes. For the purposes of this study ZPFI has assumed the future interest income revenue of the fund to be zero as an offset to the historical volatility of sales tax revenue. For the future growth of the revenue, we studied the historical growth rate of sales taxes in the state, excluding COVID-related years 2020 and 2021, to project revenue growth forward at approximately 5.2% per year.

ZPFI does not propose any change to the current methods that this revenue is functioning within. We reinforce the need to maintain this tool for the future health of water infrastructure projects in the state.

Chart 9: Sales Tax Flow Chart – Funds in Scope of Fund



Source: Utah Division of Water Resources, "Integration of Existing Funds Study." 2024, pp. 5.

State Water Future Fee

In addition to the existing sales tax-related revenue source cited above, the fund will require additional sources of revenue to close the expected funding gap for water infrastructure projects. To this end, ZPFI recommends the implementation of a volume-based user fee on all end user connections associated with drinking and secondary water along with sewer connections. Water providers that have both retail and wholesale customers will not have this fee applied to wholesale customers.

This is an existing revenue authority as provided by Utah SB 80¹¹, "the state council may establish a fee schedule for public water systems for water service and delivery in the state." (SB 80, Section 7(1)(a), 2025)¹² Furthermore, the bill states that "on or before October 31, 2026 the state council shall report to the Natural Resources, Agriculture, and

¹¹ Utah State Legislature, Utah Senate Bill 80, 2024.

¹² Utah State Legislature, Utah Senate Bill 80, 2024. Section 7 (1)(a).

Environment Interim Committee regarding the development of the fee schedule.” (SB 80, Section 7(5), 2025)¹³ This means that the state legislature will review any potential fee schedule that the council may propose.

This user fee is calculated with a range of implementable options below. The user fee is reasonable and related to the expense needs of water infrastructure in the state and is needed to allow the WIF and public water systems to fund water infrastructure projects ranked and prioritized under the UWIP. As seen in the table below, if the council wished to establish a fee to generate approximately \$150 million per year, then the council should implement the volume-based fee on drinking and secondary water end-user connections at \$0.40/1,000 gallons and a \$0.20/1,000 gallons fee on end-user connections for sewer.

Table 6: Utah Water Future Fee Options

Utah Water Future Fee Options												
Water Fee, \$/1000 gal.	\$0.10	\$0.20	\$0.30	\$0.40	\$0.50	\$0.60	\$0.70	\$0.80	\$0.90	\$1.00	\$1.10	\$1.20
Sewer Fee, \$/1000 gal.	\$0.05	\$0.10	\$0.15	\$0.20	\$0.25	\$0.30	\$0.35	\$0.40	\$0.45	\$0.50	\$0.55	\$0.60
Total Fee, \$/1000 gal.	\$0.15	\$0.30	\$0.45	\$0.60	\$0.75	\$0.90	\$1.05	\$1.20	\$1.35	\$1.50	\$1.65	\$1.80
Estimated Revenue	\$40M	\$70M	\$110M	\$150M	\$190M	\$220M	\$260M	\$300M	\$340M	\$370M	\$410M	\$450M

Source: ZPFI, as of October 2025.

Drinking Water and Secondary Water

The drinking water and secondary water fee is designed to be charged to all metered end-user connections across all retail drinking water and secondary customers.

Throughout the user fee study process, local agencies emphasized the need to preserve flexibility with their rates structures. Therefore, ZPFI proposes that agencies have two options in how to implement the fee. Option one is analytically simple; agencies can apply a volume-based fee, if adopted by the council, to each customer account and then remit the revenue to the Fund. As a second option, agencies can customize the user fee and apply it in any structure that they wish subject to the condition that the agency delivers the equivalent revenue that the simple, linear, first option creates.

ZPFI notes that existing secondary water end-user connections are not required to be metered until January 1, 2030¹⁴. While the fee is sized relative to documented consumption volumes that includes secondary use, according to the division’s 2022 Municipal and Industrial Water Use¹⁵ consumption data, this metering requirement means that revenue volatility will likely occur if the fee is commenced prior to the January 1, 2030, deadline.

¹³ Utah State Legislature, Utah Senate Bill 80, 2024. Section 7 (5).

¹⁴ Utah Code, Title 73, Chapter 10, Section 34.

¹⁵ “2022 Municipal and Industrial Water Use”, Utah Department of Natural Resources, Division of Water Resources, <https://dwre-utahdnr.opendata.arcgis.com/datasets/utahDNR::2022-municipal-and-industrial-water-use/explore?layer=0>.

Sewer

The sewer component of the fee is designed to be charged to all metered retail end-user connections across all drinking water customer classes as well.

The rationale for the sizing cited above arises from the traditional practice of sewer rates being generally charged as a percentage of total water consumption. While this can vary across districts and by season, 50% of consumption is an average practice we observed across our review. Balancing the need for ease of implementation led ZPFI to recommend sizing this sewer component as a fee that is 50% of the water component.

Again, if agencies wish to customize this rate, ZPFI proposes that agencies have two options in how to implement the sewer fee. Option one is the simple option of applying a volume-based fee, if adopted by the council, to each 1,000 gallons of consumption of each customer account and then remitting the revenue to the fund. The second option remains similar to the above. Agencies can customize the user fee and apply it in any structure that they wish subject to the condition that the agency delivers the equivalent revenue that the simple, linear, first option creates.

Sizing and Adjustment

A total combined fee of \$0.60/1,000 gallons is sized to produce approximately \$150 million per year of revenue for WIF. This rate is designed to be constant throughout the 45-year study period. However, the above table gives the council the flexibility to adopt an alternate fee or phase in fees if it chooses. ZPFI recommends the council retain the ability to adjust the fee in the future, especially if inflationary periods return as seen in the 2020-2025 period.

Additional Revenue Concepts

Throughout the HB 280 Fee Study, ZPFI and the advisory group investigated additional potential funding sources. The HB 280 Fee Study does not specifically recommend additional funding sources currently. However, future revenue sources to consider could include ad valorem concepts or other sales-related concepts.

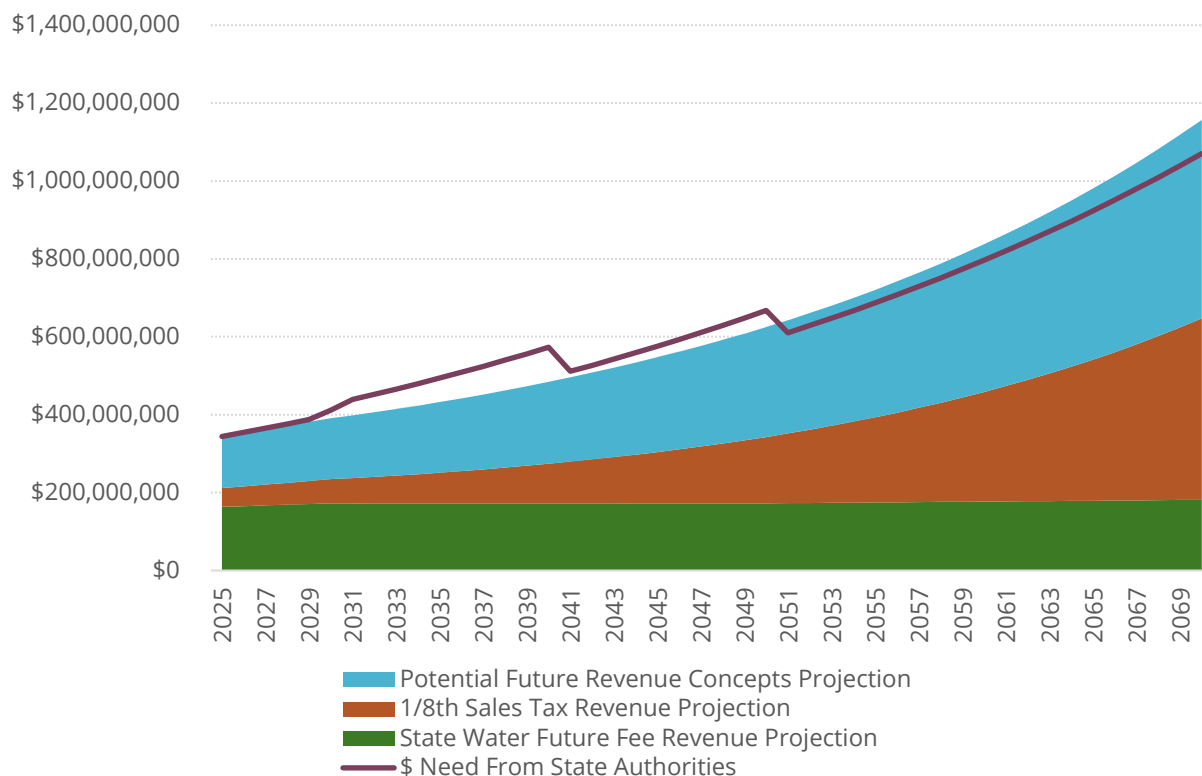
The Essential Role of Growth

The fourth essential pillar of the revenue strategy for fund health, and therefore the success of the UWIP, is for the state to continue to embrace a positive growth environment for residents and businesses. While economic success is a dynamic, multi-factor, set of conditions and policy initiatives outside the scope of this study, ZPFI reinforces that the revenue tools above are sized to account for conservative, but necessary, assumptions of growth in Utah's sales and asset markets. Furthermore, the WIF and UWIP serve to stabilize and accelerate investment in Utah's water infrastructure. Providing strategies for essential infrastructure in water, transportation, power generation and food security will remain fundamental components of equipping continuing virtuous cycles of growth in the state.

The chart below demonstrates how the potential revenue tools have been sized to close the projected 29% expense gap for water projects over the study period to 2070 while illustrating the importance of the state's future growth, which sales and asset values will particularly benefit from.

Chart 10: Potential State Revenues vs. Annual Capital Need from State, \$

Potential State Revenues vs. Annual Capital Need from State



Source: ZPFI, as of October 2025.

Finally, ZPFI provides a sources and uses table for the first year of the study period. This table is for demonstration purposes only and includes hypothetical revenues that are not currently implemented. The primary purpose of this table is to demonstrate how state tools could complement existing local agency authorities to fund statewide water infrastructure projects. ZPFI notes that while it is unlikely for local agencies to simultaneously move their rates to the "1.5%, 1.5%" threshold, this remains within their capacity and should be preserved as a tool for their action.

*Table 7: Statewide Water Infrastructure Annual Funding Strategy - Year 1 - Sources and Uses
Percent Decomposition*

Sources			Uses	
Entity	Revenue	% of Total Revenue	Expense	% of Total Expense
Local Agencies - Additional Revenue Capacity	Residential Increases to 3% MAGI (1.5% Water, 1.5% Sewer)	35%	Drinking Water & Secondary Water Project Expenses	62%
Local Agencies - Additional Revenue Capacity	Non-Residential Increases	37%	Sewer, Collection, & Storm Project Expenses	35%
WIF Fund - Existing Authority	In-Scope 1/16th Sales Tax Authority	4%	Off-Farm Agricultural Irrigation	3%
WIF Fund - Existing Authority	State Water Future Fee	12%		
WIF Fund - Potential Future Concepts	Additional Revenue Concepts	12%		
	Total Sources	100%	Total Uses	100%

Source: ZPFI, as of October 2025.

In year one, without WIF participation, ZPFI projects the funding gap for statewide water infrastructure projects to stand at approximately 26%. However, this grows to average 29% over the study window. The below table highlights the projected funding gap for statewide water infrastructure projects over the study period if the council and state do not implement the potential revenue tools of the fund.

Table 8: Utah Statewide Water Infrastructure Funding Gap Without Fund Participation

Funding Gap Without WIF Participation, %
29%

Source: ZPFI, as of October 2025.

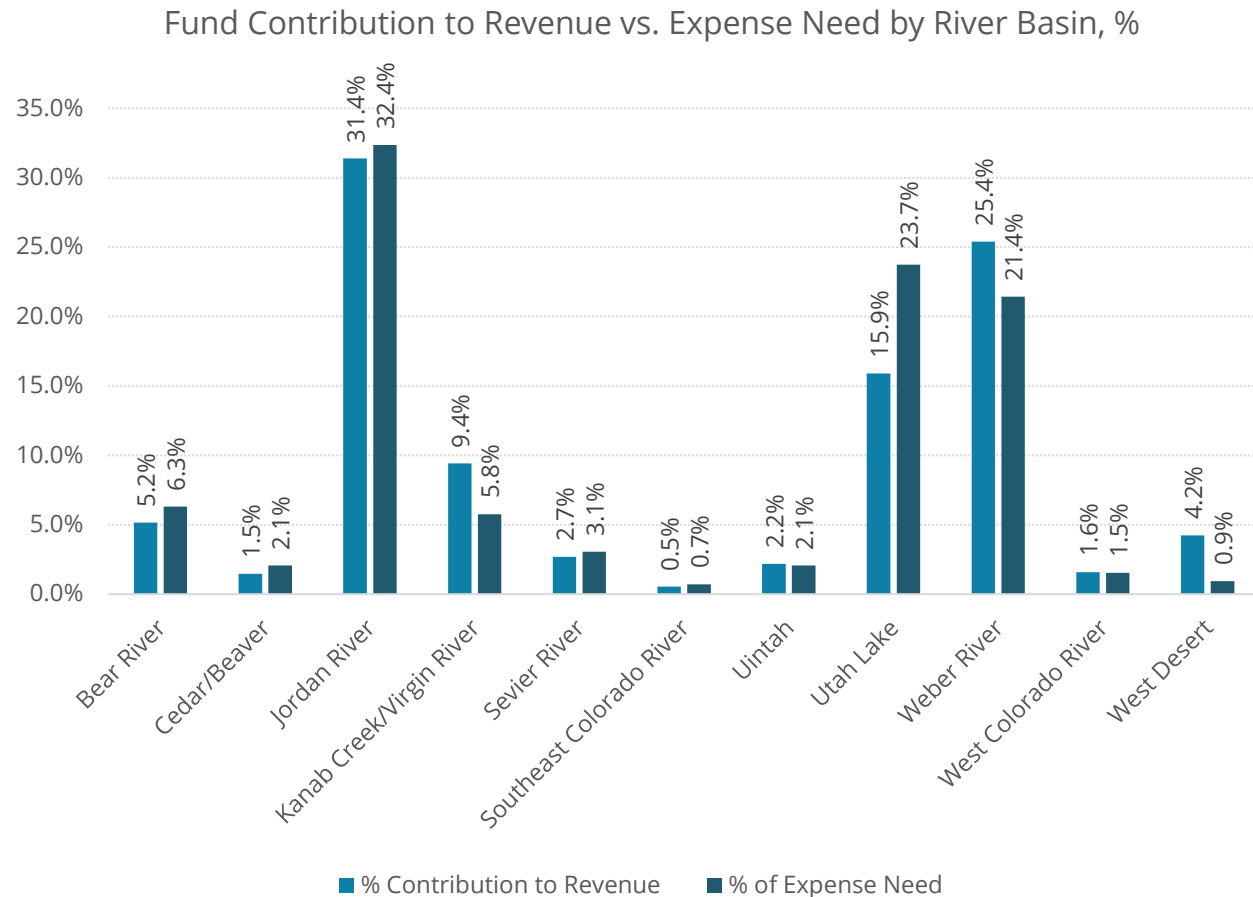
Equitable Distribution

For distribution, ZPFI first recommends distributing the State Water Future Fee revenues as grants. Distribution as loans would otherwise impact local agency debt coverage ratios and/or credit ratings. This is an outcome that should be avoided as it would further constrain local agencies.

Next, geographic distribution of the new revenue is a critical component of the WIF and UWIP process. In analyzing potential distribution strategies, ZPFI and the advisory group sought to find a method for proportionally distributing revenues according to their sources of contribution while balancing this against system needs.

Studying revenue contribution versus project needs by river basin is quite illuminating and also provides equitable proportionality as the revenue contribution of each basin aligns closely with expense needs of each basin. Therefore, ZPFI recommends aligning revenue distribution by basin as an initial strategy.

Chart 11: Fund Contribution to Revenue vs. Expense Need by River Basin, %

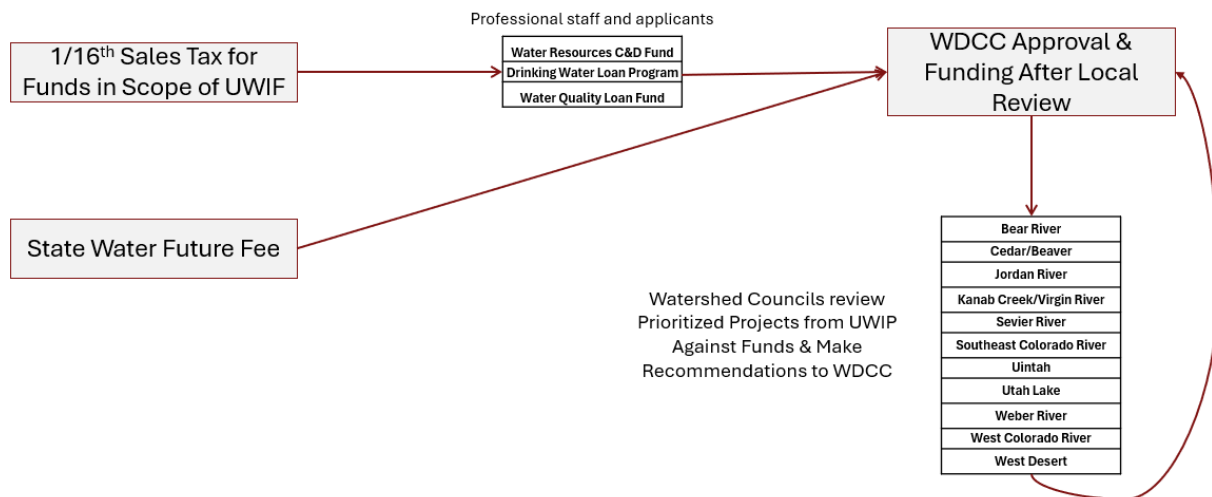


Source: ZPFI, as of October 2025.

However, the UWIP is required to provide its own project ranking strategy and methodology, which is outside the scope of the fee study. Therefore, allocations should honor the UWIP project prioritization process.

Lastly, allocations should have a degree of human-tuned judgment to account for any information that the quantitative ranking process may not capture. Therefore, project allocations by the council must receive public feedback from representatives from each basin before final awards are made, as illustrated below. Accordingly, the council should have the authority to depart from purely quantitative allocations of revenues with a written and publicly available rationale for the allocation.

Chart 12: Fund Revenue Path and Project Review



Source: ZPFI, as of October 2025.

Legislative Requirements of the Utah HB 280 Fee Study

The below section reviews and provides recommendations on the specific requirements of Utah HB 280 pertaining to the fee study.

Who is Assessed the Fee¹⁶

As mentioned above, a fee is proposed to aid in the funding needs of the state's water systems. We outline the methodology below.

State Water Future Fee

The drinking and secondary water fee is designed to be charged to all metered end-user connections across all drinking water and secondary customer classes.

The sewer component of the fee is designed to be charged to all metered end-user connections across all drinking water customer classes. Water providers that have both retail and wholesale customers will not have this fee applied to wholesale customers. In summary, the fee will be applied to all end-user retail connections.

How to Calculate the Fee Amount, Including Any Adjustments to the Fee Amount Over Time¹⁷

The below section illustrates how to calculate the fee amount.

State Water Future Fee

This user fee is calculated with a range of implementable options below. The user fee is reasonable and related to the expense needs of water infrastructure in the state and is

¹⁶ Utah State Legislature, Utah House Of Representatives Bill 280, 2024. Section 3 (2)(b)(i)

¹⁷ Utah State Legislature, Utah House of Representatives Bill 280, 2024. Section 3 (2)(b)(ii)

needed to allow the division and public water systems to fund water infrastructure projects ranked and prioritized under the UWIP. As seen in the table below, if the council wished to establish a fee to generate approximately \$150 million per year, then the council should implement the volume-based fee on drinking and secondary water end-user connections at \$0.40/1,000 gallons and a \$0.20/1,000 gallons fee on end-user connections for sewer for a total of \$0.60/1,000 gallons.

Table 9: Utah Water Future Fee Options

Utah Water Future Fee Options												
Water Fee, \$/1000 gal.	\$0.10	\$0.20	\$0.30	\$0.40	\$0.50	\$0.60	\$0.70	\$0.80	\$0.90	\$1.00	\$1.10	\$1.20
Sewer Fee, \$/1000 gal.	\$0.05	\$0.10	\$0.15	\$0.20	\$0.25	\$0.30	\$0.35	\$0.40	\$0.45	\$0.50	\$0.55	\$0.60
Total Fee, \$/1000 gal.	\$0.15	\$0.30	\$0.45	\$0.60	\$0.75	\$0.90	\$1.05	\$1.20	\$1.35	\$1.50	\$1.65	\$1.80
Estimated Revenue	\$40M	\$70M	\$110M	\$150M	\$190M	\$220M	\$260M	\$300M	\$340M	\$370M	\$410M	\$450M

Source: ZPFI, as of October 2025.

The above table gives the council the flexibility to see that every \$0.15/1,000 gallons of total fees leads to approximately \$40 million in revenue. Through another lens, every \$0.01/1,000 gallons of total fee leads to approximately \$2.6 million in revenue.

ZPFI recommends the council retain the ability to adjust the fee in the future. For example, if the council wishes to phase in the fee over time, it can do so. Or, if inflation increases rapidly over a future period the council should be able to adjust the fee. In this case the user fee could be increased from the above amounts based on the percentage change of the Consumer Price Index for All Urban Consumers: All Items in West, published by the U.S. Bureau of Labor Statistics. The determination to make this change and the period of the inflationary change analyzed should be made by the council.

As mentioned above, ZPFI notes that existing secondary water end-user connections are not required to be metered until January 1, 2030¹⁸. Therefore, revenue volatility will likely occur and will grow over time if the fee is commenced prior to the January 1, 2030 deadline for secondary metering.

The Process for Collecting the Fee¹⁹

ZPFI outlines the process for the collection of the State Water Future Fee in the following steps:

1. Local agencies shall register and create an account with the Utah State Tax Commission.
2. Local agencies shall remit user fee revenues on a monthly or quarterly basis to the Utah State Tax Commission.

¹⁸ Utah Code, Title 73, Chapter 10, Section 34.

¹⁹ Utah State Legislature, Utah House of Representatives Bill 280, 2024. Section 3 (2)(b)(iii)

3. If a local agency has implemented a custom implementation of the user fee, they shall be subject to an annual “true up” remittance with the Utah State Tax Commission that ensures that the annual revenue remitted by the agency equals the equivalent amount of revenue that a linear monthly implementation of the user fee would have otherwise created.
4. The Utah State Tax Commission shall deposit these funds in the WIF with cash balances to be managed by the Utah Public Treasurer’s Investment Fund consistent with Utah Code, Title 51, Chapter 7 State Money Management Act.

Where the Money Collected Should be Deposited²⁰

The money should be deposited in the WIF and should be managed consistent with Utah Code, Title 51, Chapter 7 State Money Management Act.

Whether the Revenue Stream Should be Configured as a Tax Rather Than a Fee²¹

As indicated above, ZPFI recommends the implementation of a user fee to provide the appropriate funding strategy to balance local agency affordability with the needs of statewide water infrastructure projects.

How the Money Collected Should be Spent²²

Loans

Revenue associated with the 1/16th sales tax that is in scope of the fund should continue to be distributed in line with current state processes. For example, revenue that goes to the division C&D loan fund should continue to be distributed as loans according to its existing process.

Grants

Revenue associated with the State Water Future Fee should be distributed as project grants. The alternative of a loan to receive project funding would intermediate local agency debt profiles, debt service ratios, and potentially their credit ratings. This is an outcome that would reduce local agency flexibility and therefore should be avoided.

Drinking Water vs. Sewer, Collection, and Stormwater

Since the State Water Future Fee charges a volumetric fee for sewer and stormwater that is sized as 50% of the fee for metered drinking water consumption, approximately one third, or 33%, of the State Water Future Fee revenue should be allocated to sewer, collection and stormwater projects as a baseline target for the council.

²⁰ Utah State Legislature, Utah House Of Representatives Bill 280, 2024. Section 3 (2)(b)(iv))

²¹ Utah State Legislature, Utah House Of Representatives Bill 280, 2024. Section 3 (2)(b)(v))

²² Utah State Legislature, Utah House Of Representatives Bill 280, 2024. Section 3 (2)(b)(vi))

By Basin

As seen in Chart 11 above, economic contribution to revenue by river basin aligns quite closely with the expense needs of each basin. This means that revenues collected within each basin should primarily be spent within each basin. An initial allocation is outlined in the table below.

Table 10: Initial Non-Sales Tax-Related Revenue Allocation of the State Water Future Fee

Basin	Initial Revenue Allocation
Bear River	5.2%
Cedar/Beaver	1.5%
Jordan River	31.4%
Kanab Creek/Virgin River	9.4%
Sevier River	2.7%
Southeast Colorado River	0.5%
Uintah	2.2%
Utah Lake	15.9%
Weber River	25.4%
Total	100.0%

Source: ZPFI, as of October 2025.

Consistent with UWIP

The UWIP is required to provide its own project ranking strategy and methodology, which is outside the scope of the fee study. Therefore, allocations should honor the UWIP project prioritization process to the extent possible which may require minor modifications from the pure quantitative allocation outline above.

Local Review

Additionally, as indicated in Chart 12 above, allocations should have a degree of human-tuned judgment to account for any information that the quantitative ranking process may not capture. Therefore, project allocations by the council must receive public feedback from representatives from each basin before final awards are made. Accordingly, the council and local basin representatives may find opportunities for potential collaboration, economies of scale or cost reduction through aligning certain projects in time and location. The council should have the authority to depart from purely quantitative allocations of revenues with a written and publicly available rationale for the allocation.

The Affordability of the Fee for End Users²³

ZPFI projects the average cost per connection of the State Water Future Fee will be \$11.27 per month if implemented at the \$0.60/1,000 gallons total fee level but will vary based on

²³ Utah State Legislature, Utah House Of Representatives Bill 280, 2024. Section 3 (2)(b)(vii)

end user consumption. ZPFI finds that this is an affordable fee. \$11.27 per month amounts to a state average of approximately 0.22% of median household income and is 0.25% of lower quartile income. While lower quartile income earners can afford this increase relative to EPA guidance, this reduces their capacity to absorb future rate increases and potential mitigations within individual agencies should be considered by the council.

How to Assure that the Revenue is Distributed Equitably Statewide²⁴

ZPFI believes that the strategy outlined above where revenues generated by each basin are initially allocated to each basin is an equitable strategy because it recognizes the economic contribution of each basin and proportionally addresses the expense needs of each basin. Further, by allocating funding to drinking water projects and sewer, collection and stormwater projects in the two third versus one third ratio, proportionality in revenue distribution is preserved when compared to revenue contribution. However, as cited above, the council should retain the capacity to adjust any formulaic allocation in order to account for potential collaboration, economies of scale or cost reduction through aligning certain projects in time and location.

Existing Statute Review and Modification

This section reviews the policy recommendations from the HB 280 Fee Study with existing statute and states whether legislative changes may be required. ZPFI notes that the state Water Future fee is a state-mandated fee, if implemented by the council, and is not the direct decision of local water providers. The below review highlights that there a few specific state code instances and water rate-setting practices that the council and state legislature may wish to review, consider, and amend if it proceeds in implementing a fee.

Powers and Duties of Municipalities²⁵

Utah Code, Title 10, Chapter 8, Section 22(5)(b) requires that municipalities have a reasonable basis in “charging different rates for different classifications.” Municipalities may be concerned that the State Water Future Fee does not provide a reasonable basis for charging the rate.

It is true that the fee may be distributed in project allocations among more than one system. Therefore, there may not be a direct nexus between the State Water Future Fee that a single system charges its customers and the costs of service of that system.

The proposal would allow local agencies to customize their implementation of the fee as the local agency can still choose to charge different rates for different user classifications if it wishes. However, as there can be no guarantee that a municipality receives back all the

²⁴ Utah State Legislature, Utah House Of Representatives Bill 280, 2024. Section 3 (2)(b)(viii))

²⁵ Utah Code, Title 10, Chapter 8, Section 22

funds that it charges with respect to the fee, the state legislature may consider amending this title of the municipal code to exempt the State Water Future Fee from the reasonable basis test.

Drinking Water Pricing Structure²⁶

Utah Code, Title 73, Chapter 10, Section 32.5(2)(b)(iv) requires that a water rate structure “is based on a generally accepted rate setting method, including a standard or method established by the American Water Works Association.”

ZPFI believes that AWWA standards primarily address rate setting within one single system and do not contemplate cross-jurisdictional rates directly. AWWA standards also propose that rates should be tied to the cost of service. While ZPFI has demonstrated that the State Water Future Fee is tied the capital costs of service statewide, this is not the case within a single system as AWWA contemplates.

Therefore, the state legislature may wish to consider amending this title of the code to exempt the State Water Future Fee from the AWWA standards test.

Consistency with AWWA Practices

This section reviews the policy recommendations from the HB 280 Fee Study with core recommendations of the American Water Works Association (AWWA) associated with water rate studies.

Cost-of-Service-Based Rates

Full Cost Recovery

Rates should cover operational and maintenance expenses, fund capital costs, maintain working capital and meet financial performance metrics. As demonstrated by the revenue strategy above, the revenue tools proposed allow the state collectively to fund needed capital investments, while allowing agencies to continue to fund their operational needs.

Equitable Allocation

Rates should distribute costs fairly among customer classes based on service needs. The tools proposed above provide a linear change to agency rates, thereby preserving their rate structures and allocation strategies. Additionally, the option for agencies to customize their implementation allows them to define alternative allocations based on their customer needs.

Transparency and Communication

Regularly inform customers, the financial community and the public about the utility's financial health and the need for revenue. The WIF and council will regularly publish the

²⁶ Utah Code, Title 73, Chapter 10, Section 32.5

WIF and UWIP project allocations and amounts and inform communities about the health of the Fund.

Sound Financial Management

Prohibit Diversion of Funds

Utility funds should only be used for utility services. The WIF operates consistently with this guidance by allocating revenues from utility payers to expenses of the agencies of Utah's water agencies and utilities.

Asset Management Program

Include support for asset management to maintain utility assets. ZPFI proposes that a small portion of funds be preserved as grants to help local agencies conduct asset management and condition assessments on their systems.

Rate Structure Design and Goals

Align with Objectives

Rate structures should support financial stability, affordability and water conservation.

Consider Alternative Structures

Explore options like inclining block rates, seasonal rates or water budget-based rates for specific goals. The HB 280 Fee Study allows for customization of existing rate structures.

Promote Efficiency

Encourage efficient water use and discourage waste. The UWIP and WIF align with these goals by accelerating repair, replacement and conservation projects. In fact, efficiency projects are likely to be accelerated by this framework.

Addressing Affordability

Infrastructure Investment

Invest in infrastructure and operations to reduce the cost burden on systems and households. The WIF and UWIP are designed to focus directly on infrastructure needs within the state.

Low-Income Assistance

By allowing local agencies to customize the structure of how they implement the user rate, local agencies can provide low-income assistance if they wish or it is necessary.

Innovative Pricing Models

AWWA recommends considering models that can redistribute costs and potentially reduce the need for shutoffs and supplement assistance programs. ZPFI believes that this study incorporates multiple innovative proposals that solve funding coordination problems with respect to time while also distributing revenues consistent with needs.

Effective Communication and Education

Customer Education and Transparent Information

Provide clear materials explaining water bills and the services they cover. While this will remain the primary responsibility of local agencies, the council and local agencies can partner to show how bills may change in the future.

Stakeholder Engagement

Engage with customers, the financial community and the public on financial conditions and rate setting. ZPFI proposes below that the state allocate additional one-time funding for local agencies to conduct public outreach to customers to explain the future changes to customer bills.

Continuous Evaluation and Adaptation

Assess Rate Structures and Adapt to Evolving Issues

Regularly evaluate if rates are equitable, provide sufficient revenue, manage risks and align with objectives. The ability of the council to adjust the State Water Future Fee, if necessary, allows the WIF to adapt to evolving needs to project expenses over time.

Consistency with Water Environment Federation Practices

This section reviews the policy recommendations from the HB 280 Fee Study with core recommendations of the Water Environment Federation's (WEF) 4th edition of Financing and Charges for Wastewater Systems²⁷ associated with sewer and stormwater rate studies.

Sewer Rate Setting

The manual details a cost-of-service based methodology to develop sewer rates. The primary goal is to allocate the sewer utilities total revenue requirements to customer classes based on how much they use the system.

Determine the Revenue Requirement

The WEF recommends that the utility identify the total amount of money needed to run the system, meet financial obligations and fund capital projects. The Reclaim 60 and the HB 280 study made best efforts to estimate and update the capital costs of needed sewer capital infrastructure within Utah.

²⁷ Water Environment Federation, *Financing & Charges for Wastewater Systems, 4th Edition, Manual of Practice 27*. Water Environment Federation. <https://e-wef.org/Store/ProductDetails.aspx?productId=62500667>

Functionalize Costs

Costs should be broken down by utility function. For example, costs should be separated by collection, pumping, treatment and administration. The Reclaim 60 study outlined collection, pumping and treatment costs within a range of investment scenarios. However, the HB 280 fee study does not include an analysis of administration costs as only infrastructure was considered.

Allocate Costs to Cost-Causative Parameters

Costs should be allocated to the specific demands that customers place on the system. Three primary parameters should be used to allocated costs. These parameters are volume, strength and customers. Volume refers to the amount of wastewater sent through the system which has implications for tank, pump and pipe sizing. Strength/loading refers to the concentration of pollutants in the water, typically measured by biochemical oxygen demand or total suspended solids. Higher strength waste is more expensive to treat. Lastly, costs that are specific to customers, such as billing systems, should be allocated. The Reclaim 60 analyzed physical models of future needs dependent on treatment levels and volumes. However, the HB 280 study does not recommend an allocation of the State Water Future Fee at this degree of specificity.

Distribute Costs to Customer Classes

After analyzing the cost allocation indicated above, costs should be assigned to customer classes based on how much each customer group contributes to the metrics indicated above such as volume and total suspended solids. Costs should then be proportionally aligned to each class.

Design the Rate Structure

Understanding the costs of each customer class, the rate structure should be designed to generate revenues proportional to the costs imposed on the system from each customer class. The WEF recommends a fixed rate charge designed to cover customer costs and a volumetric charge based on the volume of wastewater discharged into the system. Considering that the HB 280 study and State Water Future Fee must apply to the statewide geography, it does represent a reflection of the infrastructure costs sewer systems can reasonably anticipate in the future and imposed a volumetric charge. However, the State Water Future is approximated by water consumption and not a volumetric or metered measurement of sewer and wastewater flows. Therefore, the State Water Future Fee is not sized to be customized with this level of specificity to each sewer utility system in the state.

High Strength Surcharges

For industrial or commercial customers who discharge wastewater significantly stronger than typical residential waste, a separate surcharge is often added to cover the extra treatment costs.

Stormwater Rate Setting

Unlike sewer rates, the WEF recommends that stormwater rates should be based on a property's contribution to runoff.

Establish a Stormwater Utility

This creates a dedicated public enterprise funded by user fees rather than general taxes, linking the cost of service to the properties that benefit from and create the need for it. The WIF is not a standalone utility fund for stormwater only but is able to receive revenues and allocate project funds across multiple project types.

Determine Revenue Requirement

This includes the costs for maintaining and improving stormwater infrastructure such as pipes, ponds, swales, street sweeping, water quality programs and complying with environmental regulations like MS4 permits. Reclaim 60 and the HB 280 study examined infrastructure costs only.

Identify the Rate Basis

The guiding principle from WEF is that properties creating more runoff should pay more. The most widely accepted and legally defensible basis for this is the amount of impervious surface like rooftops, driveways, parking lots, on a property, as this is the primary factor in generating runoff.

Establish the Billing Unit

The standard billing unit is an Equivalent Residential Unit (ERU). An ERU is defined as the average amount of impervious area found on a single-family residential property within the community. This ERU will vary depending on community within Utah. A billing unit should account for its proportional contribution to system costs.

Design the Rate Structure

Single-Family Residential: These properties are typically charged a flat fee of one ERU per month. Some utilities use a tiered system such as small, medium, large residential lots to make the flat fee more equitable.

Non-Residential Properties: These properties are charged based on their actual, measured impervious area divided by the ERU value.

Credits & Incentives: The manual supports offering rate credits for properties that install and maintain on-site stormwater controls like rain gardens or permeable pavement that reduce their runoff.

As with sewer, the State Water Future is approximated by water consumption and not a calculated measure of impervious area at the level of every property in the state. Therefore, the State Water Future Fee is not sized with this level of specificity to each stormwater utility system in the state. However, if an agency wishes to customize the application of the fee to their system, they can do so as mentioned above.

Additional Recommendations

ZPFI provides additional, minor, recommendations to aid in the implementation of the revenue tools proposed above and to propel further success in Utah's water infrastructure future.

Ongoing Engineering and Asset Planning Services

Human capital is a common challenge among smaller and more rural systems due to existing high costs per connection. Therefore, the council should consider an ongoing allocation for systems to hire engineering consultants to do conditions assessments and capital plans for these systems. This will allow them to better understand their needs and plan for rates increases that will be necessary to fund their systems.

Ongoing Financial Services

Similarly, the council should consider an ongoing allocation for systems to hire financial consultants to conduct water, sewer, stormwater and irrigation rates studies to help systems maintain fiscal sustainability and achieve their capital plans. Further, water impact fee studies will be necessary for municipalities to maintain consistent levels of service and providing this service for regional and rural systems will remain an important tool.

Consider Allowing the Fund to Issue Tax-Exempt Debt

While grants do not harm local agency credit ratings, a pay-as-you-go strategy may also prevent systems from undertaking large-scale projects in a timely manner. Therefore, ZPFI proposes allowing the WIF to pledge basin-specific revenues as collateral in municipal debt markets to accelerate project construction. This has the potential to lower funding costs for projects in a specific region as a state authority would likely achieve higher credit ratings than a single local agency, thereby generating cost savings and additional funding capacity for projects in a basin. If permitted, this activity or strategy should be conducted with the approval of the council in consultation with basin representatives and needs.

Appropriation for Outreach and Local Rate Modifications

At the time that any of the above revenue tools are implemented or required of local agencies, ZPFI recommends that the council seek a one-time appropriation to grant local agencies funding for community outreach to explain the implementation of new fees on customer accounts. Additionally, this funding should be available to local agencies to study or modify their rate schedules as they incorporate the new state-related fees into their rate schedules. If billing systems require material changes or upgrades to accommodate the fee, the council should consider offering grants to agencies to undertake these changes.

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Conclusion

The HB 280 Fee Study presents a forward-looking, data-driven strategy to secure Utah's water future. It recognizes the critical role of both local and state entities in funding and managing water infrastructure and offers a balanced approach that aligns financial capacity with infrastructure needs.

By leveraging existing revenue tools, introducing new end user-based fees, and maintaining a commitment to affordability and equity, Utah can address its \$102 billion infrastructure challenge without overburdening residents or compromising service quality. The study's recommendations provide a clear path for legislative and administrative action, ensuring that Utah's water systems remain resilient, sustainable and capable of supporting continued growth and prosperity.

The successful implementation of this strategy will require continued collaboration, transparent governance and adaptive management. With these principles in place, Utah is well-positioned to lead in water infrastructure planning and investment for decades to come.