

CAPITAL ASSETS FOR WATER

2022 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Keven J. Stratton

Senate Sponsor: _____

LONG TITLE

General Description:

This bill addresses policies related to capital assets for water.

Highlighted Provisions:

This bill:

- ▶ defines terms;
- ▶ requires the adoption and implementation of policies and plans related to capital assets;
- ▶ requires reporting to the Division of Water Resources; and
- ▶ addresses the scope of the part.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

ENACTS:

73-10g-401, Utah Code Annotated 1953

73-10g-402, Utah Code Annotated 1953

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **73-10g-401** is enacted to read:



Part 4. Capital Assets for Water

73-10g-401. Definitions.

As used in this part:

(1) "Capital asset" means an asset that:

(a) is a significant investment or an essential component necessary to provide a service, including:

(i) a facility;

(ii) infrastructure, whether above or below ground level;

(iii) equipment; or

(iv) a communications network; and

(b) is owned by a water provider.

(2) "Division" means the Division of Water Resources.

(3) "Governing body" means:

(a) for a political subdivision, the political subdivision governing body defined in Section 63A-15-102; or

(b) for a private entity, the private entity's board of directors, managing members, partners, or equivalent body.

(4) "Policy" means the capital asset assessment, maintenance, and replacement policy required under Subsection 73-10g-402(1).

(5) "Qualified capital asset" means a capital asset that is:

(a) identified in a policy as a qualified capital asset in accordance with Subsection 73-10g-402(1)(b); and

(b) inventoried, assessed, funded, or otherwise subject to a water provider's policy in accordance with Section 73-10g-402.

(6) "Water provider" means:

(a) a retail water supplier as defined in Section 19-4-102; or

(b) a water conservancy district as defined in Section 73-10-32.

Section 2. Section 73-10g-402 is enacted to read:

73-10g-402. Capital asset policies.

(1) (a) A water provider shall adopt a policy for the assessment, maintenance, and replacement of a capital asset that is a qualified capital asset.

59 (b) A policy shall define in general or specific terms which capital assets are qualified
60 capital assets.

61 (c) A water provider shall adapt the terms of a policy to the size of the water provider
62 measured either by annual operating budget or the number of connections served by the water
63 provider.

64 (2) The policy shall require the water provider to:

65 (a) complete an inventory of each qualified capital asset; and

66 (b) assess the physical condition of the qualified capital asset at least every five years
67 in accordance with a method established under Subsection (3)(a)(i).

68 (3) (a) The policy shall establish:

69 (i) a method to assess the physical condition of a qualified capital asset;

70 (ii) performance and condition standards for a qualified capital asset;

71 (iii) a program for monitoring and reporting the water provider's application of and
72 compliance with the policy, including a comparison of each qualified capital asset's current
73 status and targeted standards for that qualified capital asset as set forth in the policy;

74 (iv) a process for the water provider to evaluate an existing qualified capital asset for
75 efficiency and expected service delivery; and

76 (v) objective criteria for the water provider to prioritize maintenance or replacement of
77 a qualified capital asset.

78 (b) A performance and condition standard described in Subsection (3)(a)(ii) may be:

79 (i) a mandated safety standard;

80 (ii) a standard condition of receiving federal, state, or local funding; or

81 (iii) an applicable engineering or other professional standard.

82 (4) (a) As part of a policy, a water provider shall adopt financial guidelines to dedicate
83 revenue to a priority qualified capital asset identified under Subsection (3)(a)(v) in accordance
84 with a multiyear qualified capital plan that:

85 (i) includes criteria and guidelines in the policy for allocating sufficient funds in a
86 multiyear qualified capital asset plan and in the water provider's annual operating budget for
87 assessing, maintaining, repairing, and replacing qualified capital assets;

88 (ii) establishes an ongoing source of funds in the multiyear qualified capital asset plan
89 and each annual operating budget for repair and replacement costs of qualified capital assets in

90 accordance with the policy; and

91 (iii) for a water conservancy district, establishes a repair and replacement reserve for
92 capital projects in the water conservancy district's capital projects fund and allocate from the
93 repair and replacement reserve, subject to Subsection [17B-1-612\(5\)](#).

94 (b) The governing body of a water provider shall adopt an annual operating budget that
95 includes ongoing funding described in Subsection (4)(a)(ii).

96 (5) (a) A water provider shall submit a report of the water provider's qualified capital
97 asset facilities to the division by no later than December 31, 2022, and no less than every five
98 years thereafter.

99 (b) The qualified capital asset facilities report required under this Subsection (5) shall:

100 (i) describe the proposed replacement time frame for each qualified capital asset;

101 (ii) account for each funding source for a qualified capital asset and include any
102 restrictions a funding source may impose on the use or disposal of the qualified capital asset;

103 (iii) account for any change in a qualified capital asset's value since the last qualified
104 capital asset facilities report submitted by the water provider; and

105 (iv) provide a statement of actual expenditures and performance data for each qualified
106 capital asset compared to budgeted expenditures.

107 (6) A qualified water conservancy district, as defined in Section [17B-2a-1010](#), is not
108 subject to this part but shall comply with Section [17B-2a-1010](#).