



STAFF REPORT

TO: Summit County Council
FROM: Matt Leavitt, Summit County Finance Officer
DATE: October 5, 2017
SUBJECT: Staff report regarding 2018 Truth in Taxation required public meeting

This staff report and included presentation materials are for the first public meeting that is required under the “Truth in Taxation” statute, which will occur on October 11, 2017 as part of the County Council’s regular meeting. Since the Council has already been presented this information, this public meeting is mainly for the benefit of the Summit County citizens.

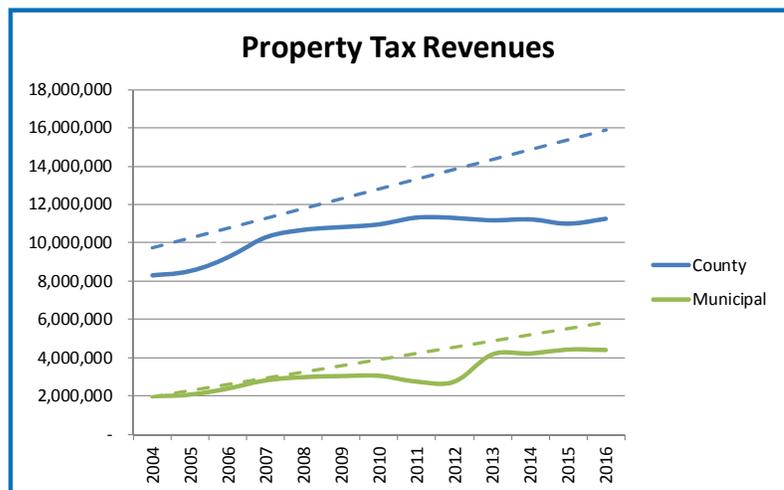
THE PROBLEM:

Summit County will have to cut important programs and service levels that are supported by the general and municipal services property tax revenues in order to adopt a balanced budget.

BACKGROUND:

Summit County is a vibrant community with the perception that there is substantial growth occurring. While population growth levels are approximately 1.5% growth per year, the County is recognizing significant growth related to jobs (4.2% per year). The significant growth in jobs, while significantly beneficial to the County, has created the idea that the County is experiencing substantial building growth. However, average annual building permits issued in the most recent years are only half of the number of annual average building permits issued before the 2010-2012 recession period. The result is that the type of growth that we are experiencing does not produce enough new property tax revenue to support current service levels or to continue making advancements on the Council’s strategic objectives.

Since 2008 property tax revenues in the general and municipal services funds combined have remained relatively flat, increasing less than 1.6% per year. As the County has addressed the growing needs for programs and services, budgets for those funds have increased at a rate of 3.0% per year. One of the areas that is included in this 3.0% annual growth includes cost of living adjustments for employees, modest merit pay incentives and the increased cost of benefits. Budget decisions by the Council included the intentional use of available resources for capital expenditures such as the Kamas building and the acquisition of the Cline/Dahle property as well as services for the community such as the



addition of services around the Council’s strategic priorities, the County’s contribution to Communities That Care and other wellness/substance abuse programs.

While estimating the impacts of inflation (dashed lines on chart), property tax revenues have failed to keep pace. According to Utah State Senator Howard Stephenson, “Taxing entities are expected to raise rates and capture inflation every five to eight years.” While the general fund (blue line on chart) has not had an increase in property tax revenues as a result of the truth in taxation process, the municipal services fund (green line on chart) went through the truth in taxation process in 2013. As can be seen on the chart, in 2013 the municipal services fund was able to recapture some of the lost purchasing power through the truth in taxation process while the general fund has fallen behind.

Recognizing that efforts could be made towards reducing expenses and increasing efficiencies, the County has made efforts to adopt a balanced budget with estimated resources that are available. Efforts to achieve efficiencies include the recent dispatch merger, self-checkout of library books, documents made available online, holding and analyzing the needs of some positions to achieve salary savings, in-house or low cost staff training, raising tipping fees, and moving towards self-insurance and high deductible plans for employee health insurance and risk management programs.

In order to address the increasing demands for services with limited resources, the County has used fees for services to help offset increasing costs. Fees such as the curbside collection fee implemented in 2016 have helped delay but not prevent the need for the County to address property tax revenues. In addition, certain resources received by the County are restricted in their availability to be used for operations. To go further, even certain specific resources within funds may have additional restrictions on their use.

It is important to note that resources that the County has utilized for programs such as open space acquisition, E-bike programs, and fairground improvements have not come from general or municipal services property tax revenues. These programs have been funded by resources that are restricted for specific uses.

Some of the programs and services that are funded or partially subsidized by general and municipal services property tax revenues are:

General Fund	Municipal Services Fund
Corrections	Law enforcement
Public health	Snow plowing
Library	Road maintenance
Waste collection	Planning & zoning
Ambulance	

The County must address the impacts of inflation in order to continue to successfully provide programs and maintain levels of services to which are community has become accustomed. **Without an increase**

in property tax revenues, the County will be forced to reduce or eliminate programs and services to adopt a balanced budget.

Property tax revenues provide a more reliable and steady foundation to build County programs and services. The process for collecting property revenues was created so that taxing authorities such as counties have a more dependable source of revenue compared to other economy-based revenue sources such as fees. It is essential to establish a correct funding level for property tax revenues.

Taxpayers in Summit County paid \$139.3 million in property taxes in 2016 (most recent completed tax cycle). Summit County's portion of the total tax bill is only 15% (\$20.1). By comparison, on a state-wide average counties typically receive approximately 19% of the county tax bill.

RECOMMENDATION:

Summit County needs to increase property tax revenues to maintain expected service levels in the community *and* address the impacts of inflation.

Staff is recommending a \$3.0 million increase in the general fund *property tax revenues* (27%) and \$1.1 million increase in the municipal services fund *property tax revenues* (27%). **This means an increase of 5.5% - 7.0% increase on the average property tax bill for primary residents of Summit County.** For unincorporated areas of the County, the increase would be approximately \$34.90 for \$100,000 of taxable (not market) value. Incorporated areas (general fund only), the increase would be approximately \$19.50 for \$100,000 of taxable (not market) value.

The County has the lowest general fund tax rate of all 29 counties in the State and the lowest tax rate compared to the incorporated (municipal) areas of the County. With the proposed increases, the County would have the second lowest tax rate (Utah County would be the lowest by a small difference) and still lowest tax rate among the incorporated areas of the County.

Without an increase in property tax revenues the County will need to reduce budgeted expenditures in core government services and will not be able to fund programs related to the Council's strategic objectives (which are a direct response to community needs).

The Council has already asked what we won't be able to do or what areas of service we would need to reduce in order to balance the budget if no tax increase is adopted. We know that all of our services are important to someone or many, but the only areas that we have available are those supported by the subject funds. Many of these areas are core services of our County government or they are community priorities that the Council has raised in the past few years as strategic goals. These programs include:

- Public Safety
 - Addressing law enforcement within incorporated areas;
 - Working inmate program;
 - Justice Reinvestment Initiative (JRI) and its substance abuse programs;
- Roads and Bridges
 - Changes in snow plow schedules and priorities;
 - Further defer maintenance on our critical transportation corridors
- Health Department programs and services
- Environmental sustainability programs including the Council's objective for a net zero emissions;
- Additional transportation funding beyond the scope of those provide by the additional mass transit sales tax;
- Economic development programs and affordable housing objectives;
 - Any program furthering the objectives with the Cline/Dahle parcel;
- Mental wellness programs and services that are dependent on County resources (not grant funded);
- Library programs and services;

In addition to other programs and services that are funded by general or municipal services property tax revenues.

Staff is additionally recommending that the Council adopt by Resolution the policy to address and make recommendations regarding the status of property tax revenues on a more frequent basis.

Recognizing that it is the intention of the State Code to raise rates and capture inflation every five to eight years, the County will make the process of reviewing property tax revenues in relation to inflation an annual practice as part of the budget recommendations made by the Budget Committee and County Manager. The recommendation of increasing property tax revenues and therefore going through the truth in taxation process should rise to the level of the County Council on the frequency of at least once every five years. A draft resolution is attached with the staff report.

NEXT STEPS:

This meeting satisfies the requirement for a public meeting on the subject at least 14 days prior to Election Day the first week in November. Further process on Truth in Taxation is as follows:

- By November 1st: a parcel specific notice must be mailed to property owners which includes (1) value of the property for the current year (2017), (2) the tax on the property for the current year, (3) estimated tax on the property with the proposed increase, (4) date, time and place of the public hearing(s) (December 6 and 13), and (5) statement from 59-2-919(3)(c)(iv)¹.

¹ Statement required: "Summit County is proposing a tax increase for 2018. This notice contains estimates of the tax on your property and the proposed tax increase on your property as a result of this tax increase. These

- This parcel specific notice can and will be mailed with the property tax notices in order to reduce expenses.
- November 22nd: the County is required to notify the public with a newspaper advertisement, post on the public notice website, and suggested to post on the County's web site the truth in taxation advertisement which is filled out on the Certified Tax Rate System.
- November 29th: a *second* advertisement with the same information must be issued.
- December 6th: the County will hold its first public hearing on the 2018 budget which *may* include the recommended increase.
- After the December 13th public hearing on the 2018 budget the property tax increase may be adopted by resolution.
- By June 22, 2018 the County Council will approve the 2018 tax rates. This will include general and municipal services funds rates sufficient to generate the additional property tax revenues as part of the adopted 2018 budget.
 - Before July 2018 the County Auditor will send disclosure notices to property owners. These disclosure notices will include the tax rate that is approved by the County Council.
- By November 1, 2018 the County will mail property tax notices which will include the new rates.

estimates are calculated on the basis of 2017 data. The actual tax on your property and proposed tax increase on your property may vary from this estimate.”