

# TRUTH IN TAXATION

Harrisville City

2022

# WHAT IS PROPERTY TAX?

**SALES TAXES**

**+**

**PROPERTY TAXES**

# PROPERTY TAX IS REVENUE DRIVEN

- ▶ Utah's 1985 Truth in Taxation law brings transparency to the area of property taxes. This law makes property tax revenue-driven, not rate-driven. This means, all else remaining equal, when property values rise... property tax rates fall proportionally.
- ▶ Each year, the state and counties work together to generate a certified tax rate. The certified tax rate is the tool that provides the same property tax revenue to a taxing entity as was generated the previous fiscal year. If a taxing entity wishes to raise that rate to generate more revenue, the entity must go through Truth in Taxation. That requires a mandatory notice to property owners of the proposed increase as well as a public hearing.

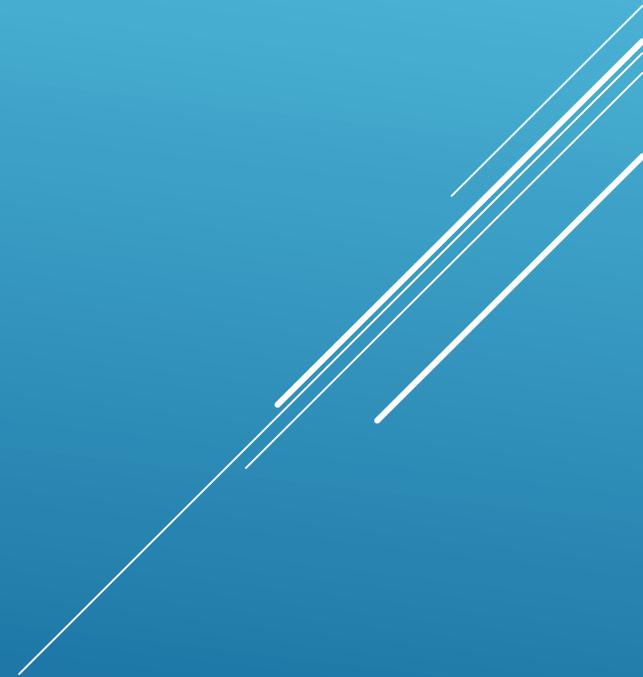
DOESN'T THE CITY RECEIVE MORE REVENUE  
WITH INCREASED PROPERTY VALUES?



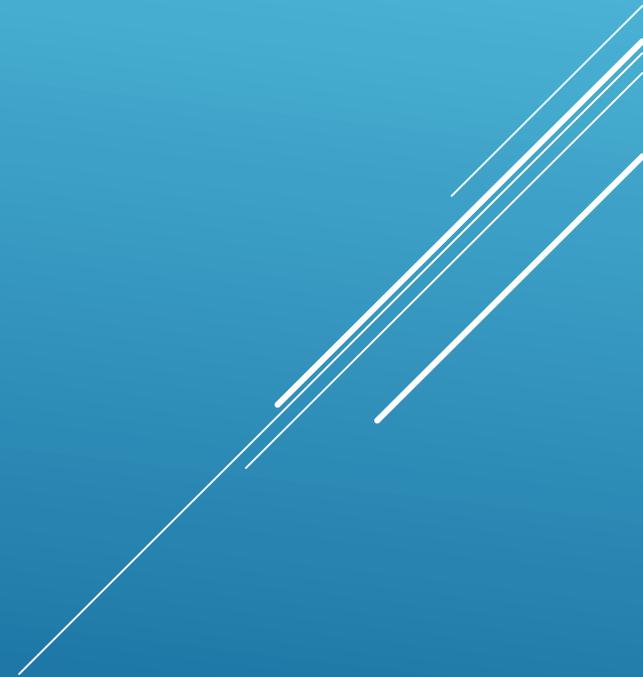
Property  
Values



Certified  
Tax Rate



# DOESN'T THE CITY RECEIVE MORE REVENUE WITH MORE GROWTH?



<b>PROPERTY TAX REVENUE</b>	<b>CERTIFIED TAX RATE</b>	<b>AUDITOR'S CERTIFIED TAX RATE</b>	<b>HARRISVILLE CITY'S ADOPTED CERTIFIED TAX RATE</b>	<b>TOTAL REVENUE RECEIVED</b>
		<b>2011</b>	<b>0.000671</b>	<b>0.000671</b>
	<b>2012</b>	<b>0.000738</b>	<b>0.000738</b>	<b>\$154,697.83</b>
<b>HARRISVILLE CITY'S HISTORICAL TAX RATES</b>	<b>2013 TRUTH IN TAXATION</b>	<b>0.000735</b>	<b>0.001292</b>	<b>\$164,815.74</b>
	<b>2014</b>	<b>0.001259</b>	<b>0.001259</b>	<b>\$300,003.45</b>
	<b>2015</b>	<b>0.001202</b>	<b>0.001202</b>	<b>\$300,773.63</b>
	<b>2016</b>	<b>0.001123</b>	<b>0.001123</b>	<b>\$313,661.08</b>
	<b>2017</b>	<b>0.001074</b>	<b>0.001074</b>	<b>\$312,479.17</b>
	<b>2018</b>	<b>0.000952</b>	<b>0.000952</b>	<b>\$320,882.00</b>
	<b>2019</b>	<b>0.000875</b>	<b>0.000875</b>	<b>\$349, 580.13</b>
	<b>2020</b>	<b>0.000802</b>	<b>0.000802</b>	<b>\$314,621.46</b>
	<b>2021</b>	<b>0.000708</b>	<b>0.000708</b>	<b>\$350,008.26</b>

# WHY A PROPOSED 166% INCREASE?

The 166% proposed increase to the certified tax rate is to balance the city's budget. If the city does not realign the certified tax rate, the auditor's proposed rate would decline to **0.000564**, based on calculations that keep the revenue received consistent. To completely balance the budget, the city would need to adopt a new certified tax rate of 0.001500.

- 50% increase in the certified tax rate 0.000846
- 100% increase in the certified tax rate 0.001128
- 166% increase in the certified tax rate 0.001500 

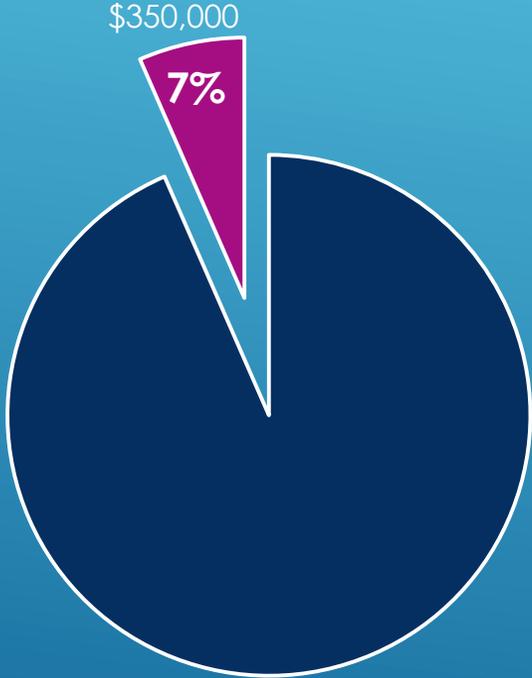
It is not uncommon for entities to capture lost revenue when the certified tax rate decreases by holding Truth in Taxation annually.

If Harrisville City had held Truth in Taxation each year since the 2013 increase, the proposed increase would have been approximately 14%, rather than the proposed 166%.

$$0.001292 + \text{approximately } 14\% = 0.001500$$

# HOW MUCH OF THE CITY'S REVENUE IS FUNDED BY PROPERTY TAX?

Harrisville City Budget

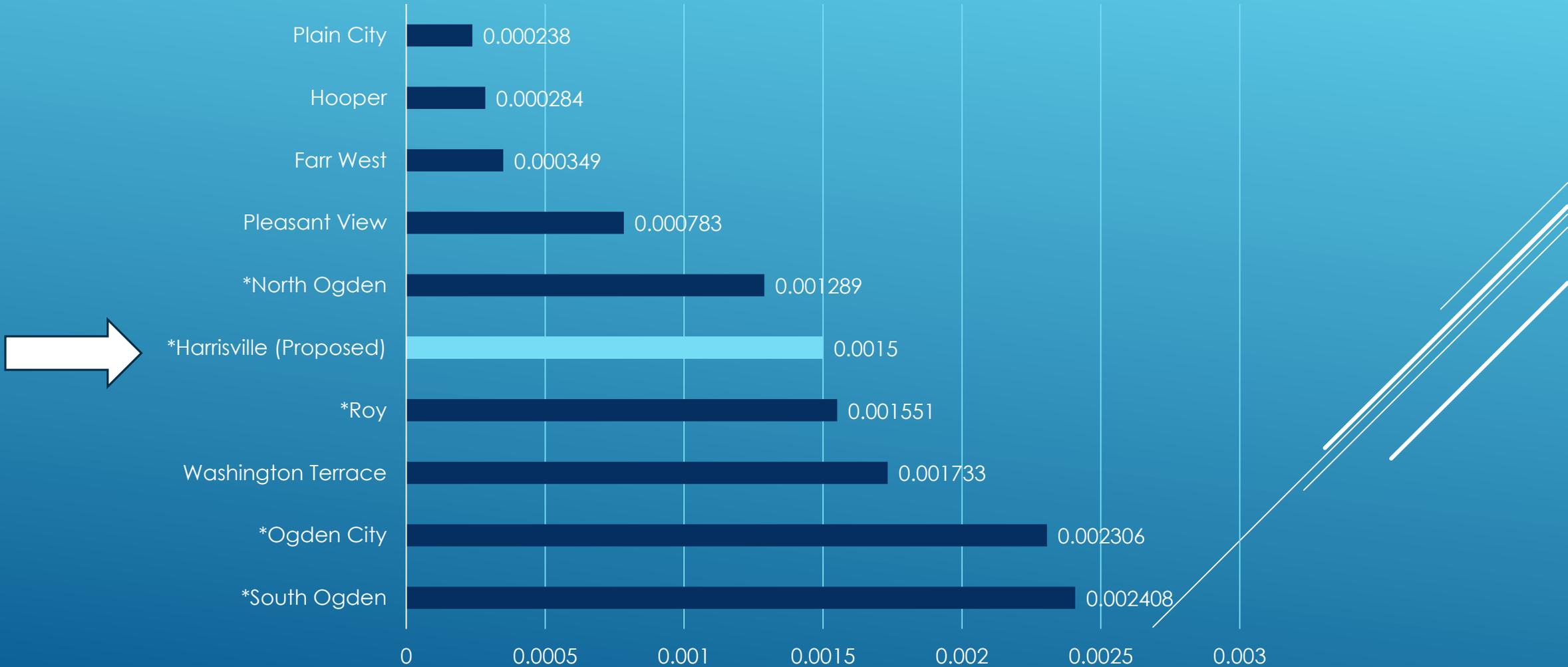


□ \$5MM   □ \$350,000

# PROPERTY TAX COMPARISON

## (PROPOSED TAX RATE)

Certified Tax Rate



# HOW HAS THE CITY BALANCED WITHOUT THE 166% PROPOSED TAX INCREASE?

- ▶ Use of Fund Balance Projections
  - ▶ 2022      \$191,818 deficit
  - ▶ 2021      \$190,921 deficit
  - ▶ 2020      \$265,921 deficit
- ▶ CARES Act and ARPA Funding
  - ▶ FY2021 \$370,000 received
  - ▶ FY2020 \$199,258 received
- ▶ ARPA Funds
  - ▶ FY2022 \$406,653 received

Federal Funding received through the CARES Act and ARPA. This money was issued to the city to address lost revenue during the pandemic. Mayor Tait opted to keep this money within the city to help balance the budget. All other cities within Weber County turned their CARES Act funding over to the County for distribution.

- ❑ New city facilities are needed
  - ❑ Outdated buildings that do not meet code and demands
  - ❑ Public safety
  - ❑ Justice court facility
  - ❑ IT and security needs
- ❑ Additional staff to meet service needs related to growth
- ❑ Public Safety personnel and programs
- ❑ Utility service equipment
- ❑ Parks and Recreation updates
  - ❑ Main park playground replacement
  - ❑ Additional recreation amenities
- ❑ Public Works - road maintenance and repair including sidewalk and the public right-of-way
- ❑ Code Enforcement
- ❑ Planning/zoning developments and engineering
- ❑ Emergency Management
- ❑ Transportation needs
- ❑ Rising costs due to inflation (vehicle repairs, maintenance, fuel costs, etc.)

**WHY IS THIS REVENUE NEEDED?**

# What will the proceeds from the property tax increase cover?

**STAFFING.** Each department needs at least one full time employee to balance the work load and meet the necessary provided services (sewer, storm water, road maintenance, public safety, Justice court, code enforcement, parks and recreation, finance, planning, zoning, and building).

## **UNFUNDED Mandates.**

State Legislators (State of Utah) require the city to meet Public Safety training hours, Moderate Income Housing requirements, studies and other public sector requirements.

**FACILITIES.** Many of the facilities do not meet environmental, ADA Standards and BCI Requirements.

The City has outgrown the current facilities.

Mayor Tait's office is currently used for contract employees because there is a lack of office space for daily operations. The city has held public hearings at the Jr. High because of a lack of room in the current Council room. Public safety needs are not being met.

**GROWTH.** Like most cities on the Wasatch Front, the City is experiencing more growth and development than ever before.

Although the initial costs of development are paid by developers, the long term services are provided by current city staff which must expand to meet these new demands. The city anticipates an increase in population of 50% in the next 3-5 years, approx. 1,000 new homes.

- ▶ **The Public Works budget** has been realigned to balance utility funds.
  - ▶ Operational costs for these utility funds will now be paid from the utility fees collected and not the General Fund balance
- ▶ **Solid Waste and Recycle Services** have been audited to balance the cost of providing these services against the number of garbage service cans at each residence.
- ▶ **Impact Fees** to address new development have been updated through the appropriate state mandated process, which takes about 1.5 – 2 years to complete.
- ▶ **Fee Schedules** have been reviewed and updated as necessary to pass on the appropriate costs, which includes Storm water, Sewer, and Central Weber Sewer fees.
- ▶ **Additional Studies**, at a cost to the city, to address business license and building fees are future considerations to increase the city's budget.

**WHAT IS THE CITY CURRENTLY DOING TO  
BALANCE THE BUDGET?**

# WHY CAN'T THE CITY CUT BACK IN STAFFING TO REDUCE THE DEFICIT?

In 2020, the city reduced staff by one employee in each department in an effort to balance the budget. The result of this increased the burden on the remaining staff and caused a 66% or greater turnover rate in most departments. When tenured employees are lost, the investment in training, education, and institutional knowledge is lost, which is ultimately at a cost to the city.

## Cost For a Replacement Officer on current scale

- ✓ **Background Investigation:** 8 hrs. x 28 = \$224
- ✓ **Initial Required Training** (Firearms, defensive tactics, mental health response, domestic violence, department policy, and 16 hrs. of mandated State Training: 60 hrs. x 25= \$1,500
- ✓ **Emergency Vehicle Operations:** 40 hrs. x 25 = \$1,000
- ✓ **Uniforms:** \$900
- ✓ **Body Armor:** \$1,100
- ✓ **Field Training (FTO):** 20.00 x 480= \$12,000

**Total basic cost** for hiring and training a new officer is approx. **\$16,724**. Does not include the hourly wage for the Field Training Officers (FTO).

# CAN THE CITY REDUCE THE PROPOSED 166% INCREASE?

Yes. The City Council can reduce the proposed rate of 0.001500 to a lower rate. The associated risk with this reduction is the deficit that would be created would be more substantial and the “Use of Fund” balance would likely be used to close the gap between revenue and expenditures from the city’s Capital Projects Fund.

The long term result of this imbalance would create additional hardship on the city to recover what has already been lost the last ten years.

In healthy budget years, state law prohibits city’s from transferring more than 24% of the General Fund budget balance to the Capital Projects Fund.

## Timeline

- ▶ 2013 Truth in Taxation
- ▶ 2014 - Present
  - ▶ Growth and development slowed and staffing needs were stable.
  - ▶ No Truth in Taxation
  - ▶ Revenues exceeded anticipated expenditures
    - ▶ CARES Act Funding
    - ▶ The American Rescue Plan Act (ARPA) Funding
  - ▶ Focus on Personnel Issues
- ▶ Our resources to balance the budget with CARES and ARPA funds have been depleted.

**WHY NOW?**

[QUESTIONS@CITYOFHARRISVILLE.COM](mailto:QUESTIONS@CITYOFHARRISVILLE.COM)

