

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA



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PROPOSED MODIFICATION TO SECTION 17B-1-1002 (1) of the UTAH CODE

Section 17B-1-1002 (1) of the Utah Code states that:

. . . The rate at which a local district levies a property tax for district operation and maintenance expenses on the taxable value of property within the district may not exceed0023, for a service area that . . . is located in a county of the first or second class; and provides fire protection, paramedic, and emergency services; or . . . provides law enforcement services

The certified tax rate for SLVLESA is presently at .002254. Because of the statutory tax rate cap of .0023, SLVLESA will never be able to increase its budgeted revenues above 2% in the future even if its members determine that such increase is needed for its communities. (Given the impact of changes in centrally assessed valuation, SLVLESA probably will never be able to increase budgeted revenue in the future by any percentage). Changing the statutory tax rate cap is not enacting a property tax increase. Rather, changing the statutory tax rate maximum recognizes that SLVLESA member governing bodies know what is best for their communities. They should be entrusted with the responsibility to determine the law enforcement needs of their communities even if it means, at times, deciding that budgeted revenues must be increased. Further, the certified tax rate can increase by decisions of the Utah Tax Commission to reduce centrally assessed valuation, without SLVLESA's knowledge or input, as happened early this year when it reduced the valuation for Kennecott by \$650 million. A reduction in centrally assessed valuation is beyond the control of SLVLESA and its members.

The statutory tax rate maximum for districts providing law enforcement services to its members has not been addressed since 2006. If the statutory tax rate cap is not changed, SLVLESA members, particularly its Township members, will need to diminish the level of law enforcement services to its communities since property tax through SLVLESA is their only source of revenue. They are, however, entitled to the same level of law enforcement services as their neighboring communities. Further, if the statutory tax rate cap is not changed, SLVLESA will not be able to sustain itself.

History of the Statutory Tax Rate Cap.

In 2006, the newly formed Unified Fire Services Area (UFSA), a local district that funds fire services for its members, worked with the Utah Legislature to establish a statutory tax rate maximum specifically for fire service districts. In setting the maximum tax rate, the Legislature considered the existing revenue needs of the UFSA, the UFSA projected revenue needs, the capital needs of the UFSA and the frequent fluctuations of centrally assessed valuation. Since the Unified Fire Authority (UFA), which provides the fire services to UFSA members, has a 12-step wage scale for its merit employees, the maximum rate was based on a 12-year projection. The UFSA originally proposed to the Legislature a maximum tax rate of .0030. Ultimately, the Legislature passed a .0023 maximum tax rate for fire service districts.

SLVLESA was formed in 2009. Initially, SLVLESA implemented a fee-for-services to generate revenue to fund law enforcement services for its members. The Legislature subsequently prohibited the fee-based funding and limited SLVLESA's source of revenue to property taxes. The Legislature included law enforcement services under the same provision as fire services subject to the same maximum tax rate. The maximum tax rate remained unchanged. In 2012, SLVLESA approved its first tax levy at .001999.

Modifying the Statutory Cap is not increasing property taxes.

Based on existing statutory tax rate cap, SLVLESA is not able to increase budgeted revenues in the future even if its members determine that there is a need to do so. SLVLESA understands that the State wants to set parameters for increases in tax rates. Changing the parameters does not mean that the local governing bodies will recklessly increase property taxes. Rather, before a property tax is implemented, Utah law provides a strict truth-in taxation process that must be followed which includes enhanced public notice and opportunity for public input. Further, a property tax increase cannot be implemented unless either all the SLVLESA member Councils approve or the increase is approved by majority of the member Councils and the Salt Lake County Council, by two-thirds vote. (See sections 17B-2a-903, 17B-1-1003, 59-2-919 of the Utah Code).

The local governing bodies should be entrusted to make decisions for their communities regarding their law enforcement needs within reasonable parameters set by the State.

Each SLVLESA member is governed by a duly elected mayor and council. They are the government closest to the people of their community. They understand, better than any other governmental entity, the law enforcement needs of their community. They are best to decide the quality and manner of law enforcement their community should have. They should be able to decide whether they are prepared to pay more for compensation of the police officers assigned to their community even if it means approving, through the truth-in-taxation process, an increase in property taxes. They should be able to decide if they want more assigned police officers in their community for their growing population even if it means approving, through the truth-in-taxation process, a property tax increase.

Further Township members do not have the authority under the law to levy property taxes. They

have no other source of revenue to fund law enforcement except through SLVLESA. If the statutory cap is not changed, the Townships have no ability to obtain future additional revenue to fund law enforcement services in their communities. This means in the future, if the statutory tax rate cap is not changed, they may have no choice but to reduce police services to its community. This should not be the case. Townships should have the same quality of law enforcement services provided to other communities. Further, it is questionable whether SLVLESA would survive leaving the Townships vulnerable.

SLVLESA has no option but to pursue an increase in the statutory cap.

As stated, property tax revenue is the only way SLVLESA funds the law enforcement needs of its member communities. Property tax revenue levied by SLVLESA is the only source of revenue to fund law enforcement services for Townships. Given the existing market, it may be necessary to increase police officer compensation in order to retain and recruit police officers. Since approximately 85% of the costs of law enforcement is personnel, increases in police officer compensation will increase law enforcement costs in the future to SLVLESA and its members. At minimum, the 2.75% annual merit increases under the 12-step wage scale would be paid. Further, the wide range of changes in centrally assessed valuations could increase the certified tax rate beyond the control of SLVLESA and its members.

The proposed modification is being analyzed by an independent consultant.

SLVLESA has retained Econowest, an independent consultant, to analyze the historical data and other factors to determine what should be proposed as a modification to the existing statutory tax rate maximum. The consultant will use the same assumptions relied on in 2006 such as existing revenue, future projected revenue needs and anticipated fluctuations in centrally assessed valuations. He will do a 12-year projection since the UPD merit employees are subject to a 12-step wage scale with annual increases which is the same assumption relied on by the Legislature in 2006 when it set the maximum tax rate at .0023. He will use other factors as he deems pertinent. This analysis will be provided by separate communication.

Conclusion.

The statutory tax rate cap on districts that provide law enforcement services was established 14 years ago. The statutory cap needs to be revisited. SLVLESA is presently within 2% of the statutory cap. If it does not have the opportunity to increase its budgeted revenues in the future, law enforcement services to the SLVLESA members, particularly the Townships, may be significantly reduced making public safety in those communities vulnerable. They are, however, entitled to the same level of law enforcement services as provided to all other communities. The local mayors and councils should have the ability to make the decisions of what is best for their communities and, if they deem necessary, to approve increases in property taxes through the truth-in-taxation process.