



October 10, 2017

Honorable Steve DeBry
And Members of the Salt Lake County Council
2001 South State Street
Salt Lake City, Utah 84114

Dear Chair DeBry and County Council Members,

Attached please find the Salt Lake Valley Law Enforcement Service Area (SLVLESA) Resolution for Approval by the Legislative Body for an Increase in the Certified Tax Rate by SLVLESA in 2018.

On August 17, 2017, the SLVLESA Board unanimously approved a resolution to move forward with the notice of intent to increase property tax by 5% in 2018. Utah Code Annotated §17B-2a-903 states that a service area that provides law enforcement service may not levy a property tax or increase its certified tax rate without the prior approval of the legislative body of each municipality and county that is currently within the boundary of the service area.

History

The Salt Lake Valley Law Enforcement Service Area was created in 2010 to provide a funding mechanism for police services. The goal was to fund regional police services in a more coordinated manner. SLVLESA does not provide law enforcement services; instead, revenue is generated to pay for the police services provided by the Unified Police Department (UPD). SLVLESA includes unincorporated areas of Salt Lake County, Riverton City, Herriman City, Millcreek City, Kearns Metro Township, Magna Metro Township, Copperton Metro Township, Emigration Metro Township, and White City Metro Township. SLVLESA is entirely funded with revenue from property taxes. The challenge is that the only way to generate additional revenue is through new growth or by increasing the certified tax rate.

SLVLESA did not raise property taxes from 2012 - 2016. Several years without a tax increase began to jeopardize SLVLESA's financial stability and erode the service level by using new growth revenue to offset inflationary cost increases. Therefore, the SLVLESA Board embarked on a strategic planning process to address this challenge. The plan was to develop a revenue strategy that fulfills the service demands of SLVLESA's communities and ensures the long-term financial viability of the district.

The plan had three financial goals:

- Financial stability for public safety by maintaining a 15% level fund balance
- Structurally balanced budget where ongoing revenue equals ongoing expenditures
- Provide new resources with new growth revenue



In order to accomplish the strategic plan and the financial goals, the SLVLESA Board adopted a resolution in August 2016 that set the direction and intent to increase property tax beginning 2017 and beyond to offset inflationary and market increases in the UPD contract. The plan set the policy direction to do small annual tax increases rather than doing large infrequent tax increases.

SLVLESA Composition

In 2018, SLVLESA's landscape will change. The cities of Herriman, Riverton, and Millcreek have elected to withdraw from SLVLESA. They will pay for UPD services from their city's entity or from a district created solely within the city's border. SLVLESA will then comprise of the unincorporated areas of Salt Lake County and each individual Township.

The withdrawal of the three cities will have a negative impact on the remaining partners within the service area. The Kennecott landslide in 2012 greatly reduced the taxable values for the unincorporated areas of Salt Lake County. The financial impact shifted the taxable value from unincorporated areas of Salt Lake County to the other more residential jurisdictions within the service area. In other words, other jurisdictions began generating more revenue merely due to the landslide. Unfortunately, the taxable value has not recovered from the landslide and the shift in taxable value is still contained among those jurisdictions.

The withdrawal of the cities will reset the tax base for the service area and the tax base will begin to stabilize after 2018.

2018 Tax Increase

The property tax increase for 2018 will help accomplish the financial goals of the service area. The proposed 5% tax increase is estimated to increase property tax revenue by \$700 thousand and will help achieve the service area's objectives.

Financial Stability

SLVLESA's goal of a 15% fund balance level is essential in funding public safety as it provides approximately two months of reserves. SLVLESA also borrows money in public markets, either for long-term capital expenditures or short-term financing, and interest rates will be based on the financial stability of the service area.

Furthermore, the tax increase provides an estimated 7% fund balance reserve by the end of 2018. This is essential as it ensures SLVLESA will not be insolvent in accordance with UCA §17B-1-612.



Structurally Balanced Budget

Presently, SLVLESA is not structurally balanced and is drawing down fund balance to meet operational needs. The increase in property tax will help reduce the drawdown of fund balance in order to provide public safety service without making service level cuts.

Provide new resources

The goal is to dedicate new growth revenue for new resources. Historically, new growth revenue was used to fund the increased market and inflationary costs of providing law enforcement services. Ideally, tax revenue from new homes and businesses will fund new resources. Service levels will decrease over time if new growth revenues are exclusively used to fund the increased costs of providing law enforcement services.

The tax increase will earmark the new revenue for new resources such as staffing, capital outlay, equipment, pooled services, and support. This strategy prevents service levels from decreasing over time by exclusively using new growth revenues rather than funding the increased market/inflation costs of providing law enforcement services.

Taxpayer Impact

The current tax rate is .002031 and the estimated tax rate for 2018 will be .002133. The tax paid on a \$306,700 residence would increase from \$342.60 to \$359.81, which is an annual increase of \$17.21 or \$1.43 a month. The tax paid on a \$306,700 business would increase from \$622.91 to \$654.19, which is an annual increase of \$31.28 or \$2.61 a month.

SLVLESA representatives will be available at the upcoming council meeting. In the meantime please feel free to contact me with any questions or concerns.

Best Regards,


Sheriff Rosie Rivera
SLVLESA CEO

Outline of SLVLESA Budget September 21, 2017

Budget Outline

Revenues

Total Law Enforcement Fee			
Property Taxes (base)	29,845,063	29,837,373	14,002,413
Property Tax Increase	2,835,281	2,835,281	702,621
Property Tax New Growth	600,000	735,073	50,000
Property Tax Reduction per Annexations			
Judgement Levy	35,374	35,374	-
Fee in Lieu of	1,450,000	1,550,000	663,977
Prior Year Tax Collections	500,000	500,000	500,000
TRANS Revenue	21,000,000	21,000,000	10,000,000
Fund Balance Contribution			
Interest	45,000	75,000	20,000
Contribution From Fund Balance			5,569,384
<u>Total Revenues</u>	56,310,718	56,568,101	31,508,395

Expenses

Contract with UPD

Base Contract Adjustments (New Growth driven)	600,000	285,042	-
Base Contract Cost	34,097,064	33,975,183	16,249,023

Professional Fees

External Auditor	10,000			
Accounting Services	40,000			
Administrator Services	50,000			
Bond Issuance	24,000			
Consulting Services	25,000			
Insurance	15,000			
Lobbyist	25,000			
Memberships	15,000			
Tax Increase Fees	15,000			
Bank Fees	1,000			
Legal Fees	30,000			
Total Professional Fees	250,000	250,000	250,000	250,000

Other Expenses

TRANS	21,000,000	21,000,000	10,000,000
TRANS Interest	250,000	250,000	125,000
Contribution to Fund Balance	28,429	722,651	-
Total Expenses	56,310,718	56,568,101	31,508,395

Fund Balance Projection

Projected Beginning Fund Balance	6,065,483	6,065,483	6,788,134
Contribution to / (from) Fund Balance	28,429	722,651	(5,569,384)
Projected Ending Fund Balance	6,093,912	6,788,134	1,218,750
	17.3%	19.1%	7.6%

RESOLUTION NO. _____

DATE: _____

A RESOLUTION OF THE SALT LAKE COUNTY COUNCIL APPROVING THE LEVYING OF PROPERTY TAXES BY THE SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA, APPROVING A 2018 PROPERTY TAX LEVY IN EXCESS OF THE CERTIFIED TAX RATE BY THE SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA

WHEREAS, Salt Lake County participated in creating the Unified Police Department (AUPD@) to operate the provision of local law enforcement services;

WHEREAS, the Salt Lake Valley Law Enforcement Service Area ("SLVLESA") was created by Resolution of the Salt Lake County Council dated August 18, 2009;

WHEREAS, on November 24, 2009, Salt Lake County assigned its responsibilities for providing local law enforcement services and participation in the UPD to SLVLESA with the County retaining no responsibility for either the provision of local law enforcement services or the funding of those services;

WHEREAS, the unincorporated area of Salt Lake County is included in the boundaries of SLVLESA for the funding and provision of law enforcement services to the unincorporated area of Salt Lake County;

WHEREAS, SLVLESA has proposed to budget a 5% increase in the certified tax rate as defined in UCA Sec. 59-2-924 in 2017 to fund the increased costs of providing local law enforcement services and has proposed to increase property taxes solely for the purposes of maintaining its fund balance, paying increases in the costs assessed to SLVLESA by the Unified Police Department and allowing new growth in its tax base to be used for the provision of required new services;

WHEREAS, UCA 17B-2a-903 requires the prior approval of an increase in the certified tax rate by SLVLESA by the legislative bodies of any municipality and county whose territory is located within SLVLESA.

NOW THEREFORE, BE IT RESOLVED BY THE SALT LAKE COUNTY COUNCIL as follows:

1. The Salt Lake County Council hereby reaffirms its authorization of the SLVLESA Board of Trustees to impose property taxes on the areas within the boundaries of SLVLESA including the imposition of necessary judgment levies.

2. The Salt Lake County Council hereby approves for 2018 the budgeting of a 5% increase in property tax revenues in excess of those budgeted in the prior year and the imposition of property taxes in excess of the certified tax rate to generate the increase in budgeted property tax revenues as defined in UCA Sec. 59-2-924.

DATED this _____ day of _____, 2017.

SALT LAKE COUNTY COUNCIL

Chair

ATTEST:

Deputy Salt Lake County Clerk

Approved as to Form:

Deputy Salt Lake District
Attorney

Councilmember Bradley voting _____
Councilmember Bradshaw voting _____
Councilmember Burdick voting _____
Councilmember DeBry voting _____
Councilmember Granato voting _____
Councilmember Jensen voting _____
Councilmember Winder Newton voting _____
Councilmember Snelgrove voting _____
Councilmember Wilson voting _____