

Mike Applegarth

To: Brooke Christensen
Subject: RE: Why Sandy Needs a Property Tax Increase

From: Bruce Blanchard <brcblnch1@gmail.com>

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Subject: Why Sandy Needs a Property Tax Increase

This is my fifth year of reviewing the annual budgets of Sandy City. Over those five years I have spent at least 200 hours in reviewing their financial data. I am a slow learner, but I retired after 34 years as an accountant who worked for Intermountain Health Care. Never in my life did I imagine that I would ever advocate for a property tax increase, but I am doing so this year. And I hope I never have to again. I live on a fixed income that will never have a cost of living increase. Here are some of my reasons why for this year:

FYI - The 2018 average salary and benefit compensation for each Sandy City Council Member was \$33,300 - about in the middle of compensation for council members of large cities in Utah. They do not get paid for all of the time they spend on our behalf.

FYI - 49,000+ Sandy residents are registered voters - meaning at least half are adults.

The Utah Taxpayer Assoc. just released its Cost of City Governments - Fiscal Year 2018 data for the 50 largest cities in Utah (Salt Lake City - Santaquin). *Each City provides a different mix of services so comparisons are not always apples to apples.* **Sandy has the sixth largest population - 96,901; ranks 6th in City per Capita Income - \$35,929. It ranks 4th highest in City Gov. Rev. from Taxes and Fees - \$74,535,265; but is 47th in 2018 Property tax rate.** (If it is so high in revenue from taxes and fees, but so low in property taxes (there are other taxes) it should rank almost at the top in a "just fees" ranking - which the Assoc. is now attempting to calculate.) Because the median family income in Sandy is in the top 20% of cities in the nation, residents rank 29th in Utah for Rev. from Taxes, Fees Per \$1,000 of Citizen Income (\$21.41).

If this year's proposed 34% increase would have been in effect in 2018, Sandy would have ranked 35th highest in property tax rate rather than 47th. Our property taxes are not high compared to other cities - Our fees are. This year's proposal would eliminate the street light fee - a start. **Sometimes usage based fees are appropriate. But unless the usage can be accurately measured - like water - they tend to hurt those least able to pay.**

Most cities and counties are seeing slower growth in tax revenue than the inflation rate of their expenses. There is a real pinch occurring. SL County Mayor Jennie Wilson is seriously considering a property tax hike for next year. **Sandy's buffer from the past is gone.**

I do most of my excel spreadsheets using the June 30, 2011 year end actual data as my starting point to see longer term trends. When I started with the 2016 budget it was only a five year span, now it is nine years. Now: 1) **Sales taxes** - \$23 million - 57% of taxpayer revenue. When Sandy was rapidly growing, the increases were large. Now the growth is about 2.5%. 2) **Property taxes** - \$9.4 million or 23% of tax revenue - have had one 4% increase in the last 17 years. 3) **Franchise taxes** (on your utility bills) - \$7.4 million or 18% of tax revenue - are actually declining as people switch to solar power and drop telephone land lines. 4) **Motor vehicle Fee** - \$620,000 or 1.5% is flat at best. **We are getting a 2.5% increase on 57% (sales tax) of our taxpayer revenue and flat to negative on the rest.**

Personnel costs are 70% of the operating budget. For 2011 - 2018, 1) **total employee compensation** - from raises and new employees - **increased 26.6%** (an average of 3.8% per year). 2) **Pay for time worked only increased 19.1%** (some retirement turnover). 3) **Paid leave time increased 31.1%**. 4) **Paid benefits increased 39.6%** - **double** the % of pay for time worked (health insurance is part of this).

Recap: 2.5% increase on 57% of tax revenue and 3.8% annual increase on 70% (employee compensation) of operating expenses. Expenses have been increasing faster than revenue and the City is now in an annual deficit problem.

Sandy was bailed out for part of this year's budget, before the proposed tax increase, by \$2 million of new SL County (1/4 of 1%) sales tax for Transportation. We voted it down several years ago. Residents of SL County are now paying \$58 million more per year for this tax. The County keeps 40%, the cities get 40% and UTA gets 20%. Since \$5 million was collected in Sandy, we get \$2 (40%) million back. The rules do not state that this money has to go to increased funding for transportation, it just has to go to transportation expenditures; so Sandy took \$2 million of our other taxes that had been going to transportation and used them to cover ongoing costs of operation leaving transportation expenditures at their previous level.

I placed all the departments into four categories: 1) Public Safety - Police & Fire; 2) Infrastructure - streets, transportation, public works, electric utilities; 3) Sandy Support Services - administration, finances, human resources, etc.; and 4) Fun - the Amenities of Life.

Before this proposed property tax increase and budget adjustment, for the last nine budgets **Taxpayer revenue is up 29.5%**. Also, court fines used to exceed court costs by \$1.2 million, now costs exceed fines by \$124,000. (I hope we are truly better citizens.)

Taxpayer spending on **Public Safety is up 33.7%**; spending on **Infrastructure is up 14.2%**; spending on **Sandy Support Services is up 35.8%**; and spending on **Fun - The Amenities of Life are up 59.8%**. The Parks and Cemetery department budget is up 75%. They are working on the reasons for this for me - they were not self imposed.

The initial possible property tax increase was a lot more than 34%. - **The effective rate increase after adjusting for elimination of street light fee is 23%**. There are many more financial challenges in the coming years. Several buildings need to be built/rebuilt. The water fund (different funding pool but still our pockets) has a \$20 million need for pipe replacement.

FYI - Sandy has 313 acres of parks, 46 acres of buildings and grounds, 70 acres of streetscapes and medians, 45 acres of parking lots snow removal related to the before mentioned acreage, 92 miles of trails, 29 playgrounds, 39 pavilions and picnic shelters, 26 restrooms, 29 tennis courts, 8

basketball courts, 4 pickle ball courts (more on the way), 5 volley ball courts, 1 skate park, 1 three acre urban fishery, 2 splash pads, 1 outdoor workout station (2 more coming at \$40,000), 1 dog park, **plus 884 acres of undeveloped open space**. I don't believe there is a city in the valley that can match this.

Sandy made the decision to be responsible for all of the backyard fencing in the city. It does give a more pleasingly uniform appearance. And since the city is responsible for the fencing, it is also responsible for the sidewalk snow removal by the fencing within 24 hours of each snow storm, just like us. The total miles of this fencing and sidewalks would stretch along I-15 from Murray to Payson - 53 miles. There is a budget of \$150,000 per year to maintain and replace these fences. Probably not enough to keep up with maintenance. I don't know what it costs for the snow removal on the sidewalks.

We have enough sidewalks to go from Layton to St George on both sides of I-15. They now expect to need \$800,000 per year, every year forward for hazardous concrete repair. Same problem with 300 miles of aging water lines, which is now estimated at \$20 million to replace. All that wonderful development is now beginning to need serious money for upkeep.

A plug in support of more firefighters:

The Sandy City Fire Department opened its fifth station **in 2002 with 15 new FTEs added bringing staffing to 87**. In 2005 staffing dropped to 81, then to 79 in 2010. By 2014 it was down to 77. Three positions were added back over the next five years bringing the current total to 80. *If the proposed tax increase passes and the seven requested firefighters are hired, **the total will be back to 87 - the same as in 2002***. The department would like to add 14 additional personnel in the future. Call volume has increased by 200 calls per year.

Each station has a fire truck and a Paramedic Unit. The fire truck is normally manned by 3 to 4 people. Most cities locally have 4 people, Sandy has 3. The Paramedic vehicle is manned by 2 people. **76% of the calls received are NOT fire related**. None fire emergency calls require 4 people to move the patient, take care of family members, etc. Normally a paramedic unit and a fire truck answer these calls. The current number of people in the fire department often results in only one or two paramedic unit being staffed and able to respond. Hiring these new seven people will result in all paramedic units being staffed.

The police department has a compelling story for additional officers also.

Thanks for listening,
Bruce Blanchard