



Sandy City Council Office

10000 South Centennial
Parkway Suite 231
Sandy, UT 84070
O | 801-568-7141
Sandy.Utah.Gov

MEMORANDUM

May 6, 2022

To: City Council Members

From: Council Member Robinson

Subject: May 17th Alta Canyon Discussion (SSD and Financing)

Background of Special Service Districts

Special Service Districts (SSD's) are addressed in [UCA 17D-1 Special Service District Act](#). For this discussion it's important that the Council has a general understanding of (1) How SSD's are created and/or expanded, (2) How they tax and bond, (3) How they are dissolved or is reorganized, and (4) What services they can provide. For the purpose of this memo, we will refer to the legislative body of the municipality that created the SSD as the City Council.

1. *Creation and/or expansion of an SSD*

It is the sole authority of the legislative body (City Council) of the municipality that created the SSD to expand the boundaries of the district. The City Council cannot delegate this authority. Expansion of the district would follow the same process required to create an SSD. That is, the municipality must:

- a. Initiate the creation/expansion of an SSD by resolution of the City Council. The process can also be initiated through a petition filed with the City Council that is signed by 10% of voters and/or property owners within the boundaries of the proposed district.
- b. Notice the SSD creation and/or expansion, hold a public hearing, and have a public protest period of 60 days following the public hearing.
- c. Adopt an ordinance creating (expanding) the district and file it with the lieutenant governor's office for approval.

2. *Taxes and Bonding*

The City Council that created the SSD may levy a property tax.

- a. This cannot be done until approved by lieutenant governor's office and approval is filed with the County Recorder.

- b. Before a property tax can be levied, an opportunity to vote on the SSD property tax must be presented to registered voters within the SSD through an question on an election ballot.
- c. Following the same process of issuing a bond, as described below, the City Council must adopt a resolution at least 75 days prior to the election in which the property tax levy is being presented to the voters.
- d. If the voters elect to do so, then the City Council may levy the property tax.

An SSD can also issue general obligation bonds, revenue bonds, or guaranteed bonds. Prior to being issued, general obligation bonds must be presented to and adopted by the voters during an election. Revenue bonds may, but are not required to, be presented to the voters during an election. They can be adopted without voter approval. Guaranteed bonds must go through a more complicated process that includes the preparation of a report (including specs, costs, annual debt service, project completion date, etc.) that is submitted to the Governor's Office of Economic Development (GOED) for approval. If GOED approves the bonds, then they must be approved by voters during an election.

Should it be determined that issuance of a new bond requiring a bond election for an SSD is desirable, then the City Council shall, at least 75 days before the date of the election, approve a resolution submitting the question of the issuance of the bonds to the voters of the SSD. The bond election may be held on the same date as the regular general election, the municipal general election, or at a special election called specifically for the purpose of voting on the bond in question.

The City Council is the only entity that can issue bonds payable from taxes (general obligation), including those for any SSD.

3. Dissolution or reorganization of an SSD

The City Council may, by resolution, withdraw a portion of an SSD, approve the dissolution of an SSD, or discontinue a service provided by the SSD.

4. Eligible Services of an SSD

[UCA 17D-1-201](#) describes in detail the services that an SSD may be organized to provide, including (8) Recreation.

Our process so far

In early 2020, the City Council underwent a capital projects prioritization process, which led to the identification of the Alta Canyon Sports Center (AC) as one of a handful of capital priorities. Once AC was identified as a council priority, the administration hired a consultant (AECOM) to conduct a feasibility analysis. In 2021, the Council adopted a timeline (Exhibit "A") for our decision-making surrounding the Alta Canyon Sports Center and the Special Service District that supports the Center. Of the five steps in the outline, we've made it to step 3: "financing major improvements." There are three questions that the council needs to answer while working through this step:

1. Which scenario(s) is the council interested in pursuing?

- a. This question was answered on March 29, 2022, when the council selected rebuild/remodel Options B and D to gather public input on. For more information you can review the [March 29th video recording](#).
2. What happens to the Special Service District? (Tonight)
3. How do we fund the selected improvements and services? (Tonight)

Question #2: What happens to the Alta Canyon Recreation Special Service District (SSD)?

[Link](#) to view the boundaries of the SSD.

I've identified three options for the boundaries of the SSD. Within each option there are additional choices related to revenues and tax levies.

1. Status Quo

In this scenario the council would maintain the current boundaries of the SSD. This option would maintain a source of revenue from those residents who live closest to AC. Assuming no increase or decrease to the tax levied on properties within the current boundaries of the district, the SSD will continue to receive approximately \$375,000 in annual tax revenue (2021). In this scenario the council may opt to raise/lower the levied property tax in order to increase/decrease tax revenues to the SSD from properties within the boundaries of the district. The council may also opt to expand the services that the SSD offers.

In my mind, maintaining status quo may make sense if the only issue we're addressing is a localized recreation center fulfilling the needs of a portion of the community. However, if our intent is a center that fulfills the needs of a larger portion of our city, or the city in its entirety, then status quo may not be ideal. Furthermore, if the recreation center is only a portion of our overall vision surrounding the funding of parks, recreation, trails, etc. in Sandy then, once again, the status quo may not be the ideal solution.

2. Dissolve/constrict the SSD boundaries

In this scenario the council would opt to either constrict the current boundaries of the SSD or dissolve the SSD completely. If the boundaries are restricted the council may choose to increase/decrease the tax levied on those remaining within the district boundaries. They may also opt to expand the services offered by the SSD. Should the council opt to dissolve the district, the district would cease to exist, and any tax revenues tied to the SSD would also cease.

I feel that the only argument to pursue either of these options is if the council determines that some other mechanism for funding Alta Canyon and/or other park, recreation, trail, etc. facilities in Sandy is preferred.

3. Expand the SSD boundaries (or create a new district altogether)

In this scenario the council would opt to do one of the following:

- A. Expand the boundaries of the SSD to the entire City
- B. Expand the boundaries of the SSD to a portion of the city larger than the current district but smaller than the entire city

C. Create a new district altogether

In option 3A, 3B, or 3C the council would have the ability to increase/decrease the levied tax on properties within the district boundaries. Maintaining the current tax rate (2021) would result in an estimated tax revenue increase for the district of approximately \$1.12 million for a total annual tax revenue of approximately \$1.495 million (\$1.12 million + \$375 thousand). Should the council determine that a tax increase/decrease is warranted for an expanded SSD revenues would increase/decrease accordingly.

Again, in any of the options 3A, 3B, or 3C the council may also elect to expand the services offered by the district. However, if we reach the point where we are both dramatically expanding the boundaries and the services offered by the SSD, it may be worthwhile to consider creating a new SSD altogether, as the process for expansion mirrors the process for creation almost exactly.

The main argument to pursue these options is that our proposal for Alta Canyon and for parks, recreation, trails, etc. services in Sandy City encompass a large portion of the City, or the city in its entirety.

Question #3: How do we fund the selected improvements and Services?

While I feel that there are many different scenarios surrounding this question, I've opted to identify only a few, in no particular order. In each of the scenarios below I'm assuming that the council will use a large portion of the available capital projects contingency fund to pay for the capital needs within each scenario. I'm sure that individual council members will have alternative funding scenarios that they'd like to discuss as well.

Funding Scenario Alpha

This funding scenario focuses on the recreation center only. In this scenario, the council would opt to pursue option #1 from question #2 above (status quo). We would maintain the current district boundaries and the current levied property tax on properties within the current boundary. This revenue in combination with user fees would fund the operations of a newly built/remodeled Recreation Center. Any shortfalls in operations would be subsidized from the general fund.

To finance the expense of building/remodeling the recreation center, the City would pursue either a General Obligation Bond or a Sales Tax Revenue Bond, decreasing the total bond by spending a large portion of our capital projects contingency on the rebuild/remodel. A general obligation bond would need to go before the voters for approval. A sales tax revenue bond would not, but the City would need to pledge a portion of its annual sales tax revenue for the bond, possibly impacting our ability to bond for future needs.

Funding Scenario Beta

This funding scenario focuses on the recreation center only. In this scenario, the council would opt to pursue option #3A or C from question #2 above (expanding or creating a new SSD). Unlike Scenario Alpha, in this scenario the SSD boundaries would expand city wide. The current levied property tax on

properties within the district would be set to a level that would cover operations and debt service obligations to rebuild/remodel the center minus revenues from user fees.

To expand the current SSD or create a new SSD, the council would need to follow the process outlined in the background section of this memo, including the process for levying a tax on properties within the SSD.

Funding Scenario Gamma

This funding scenario expands our focus from the recreation center to parks, recreation, trails, and other SSD eligible art, social, and cultural opportunities. In this scenario, the council would opt to pursue option #3A or C from question #2 above (expand or create a new SSD). Like Scenario Beta, in this scenario the SSD boundaries would expand city wide. The current levied property tax on properties within the district would be set to a level that would cover operations and debt service obligations for expanded SSD eligible services under the umbrella of recreation (this may include a recreation center, parks, and trails for example, but we would need a firm definition of the word “recreation” as used in UCA 17D-1-201(8)). This will allow us the opportunity to not only accomplish Sandy goals with the Alta Canyon Recreation Center, but also Sandy goals in creating a more active community with ample opportunities to enjoy recreational facilities.

To expand the current SSD, or create a new SSD, the council would need to follow the process outlined in the background section of this memo, including the process for levying a tax on properties within the SSD.

Funding Scenario Delta

This scenario would dissolve the SSD and fund the operations and capital expenditures for the recreation center (possibly including other related uses such as parks, arts, recreation, and trails, for example) from general fund revenues or as a special revenue fund ([UCA 10-6-133.4](#)). More specifically, using the combination of capital projects contingency and either a general obligation bond or a revenue bond, that would be paid for in part by a future general property tax increase to cover the remaining bond payments.

To dissolve the SSD, the council would need to follow the process outlined in the background section of this memo. Issuing a general obligation bond is subject to the prior approval of a majority of the registered voters in Sandy City during an election for that purpose. While issuing a revenue bond is not required to go on the ballot, the possible future tax increase, or a tax levy for a specified service to a special revenue fund, would need to go through the truth in taxation process.

My Request for May 17th

On May 17, 2022, I’m requesting that the council discuss the options for the SSD and the funding scenarios I’ve outlined, as well as any additional funding scenarios other members would like to bring forward. If possible, I’d like the council to give formal direction the administration regarding how we would like to move forward with both the SSD and funding Alta Canyon (and potentially other parks, arts, recreation, and trails projects).

Exhibit "A"				
Topic	Discussion Date(s)	Discussion Items	Major Decisions	Latest completion date:
Outline Future Discussions	7/27/2021	1. What are the major decisions that need to be discussed and made as related to Alta Canyon Sports Center? 2. Can the Council make these decisions incrementally? 3. What is the timeline, deadlines, and dates for these conversations	1. Adopt a plan of attack moving forward with a process and outline to address the pressing considerations at Alta Canyon	8/31/2021
Governing Structure of Alta Canyon	9/14/2021	1. What should be the governing structure of Alta Canyon?	1. Does the Alta Canyon Board remain or get dissolved? 3. Identify timeline for next topic of	12/31/2021
Financing - Major improvements	TBD	1. What are the options for the taxing district? 2. What are our options for funding major improvements at Alta Canyon? 3. What are the major improvements we should be considering (if any?) 4. How does these options impact taxpayers?	1. Does the Special Services District remain, change, or get dissolved? 2. How should we finance major improvements? (user fees, bonding, general fund, property tax increase, other) 3. What level of major improvement are we willing to invest in? 4. Identify timeline for next topic of discussion	6/30/2022
Operations	TBD	1. Depending on the governing structure, what options do we have in terms of how Alta Canyon operates? 2. What are our options/preferences for financing the operations of Alta Canyon? 3. How can we better understand what programs Alta Canyon should provide?	1. Where does Alta Canyon fit operationally within the City? 2. How should the ongoing operations of Alta Canyon be financed? 3. Which Alta Canyon programs are important to the Council? 3. Identify timeline for next topic of discussion	6/30/2022
Long-term Vision	TBD	1. What is the future of Alta Canyon and where can/should it go? 2. What is the feedback and recommendations that we've received from our area experts (AECOM)?	1. Reassess and determine next steps	TBD