



# Property Tax Discussion

## September 24, 2019

# Property Tax Utilization

**Base  
Property**



**Tax**

=

**General Governmental**



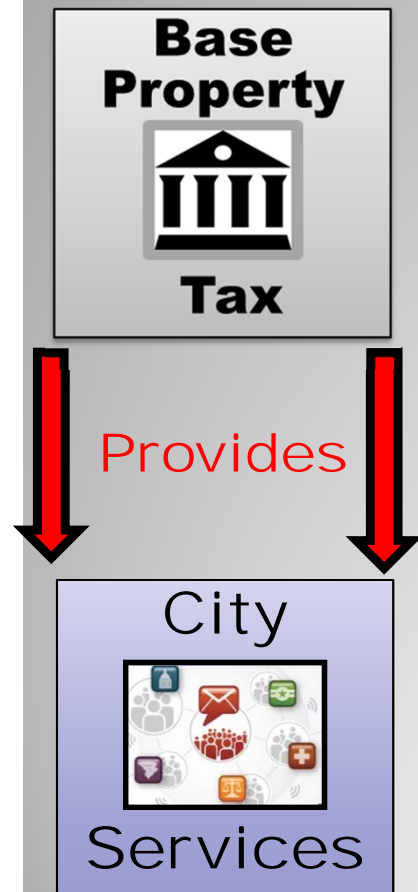
**Services**



Prior year's  
revenue  
from  
property  
tax.

- Legislative
- Legal
- Administration
- Information Technology
- Finance & Accounting
- Treasury & Utility Billing
- Human Resources
- Building Maintenance
- Police Patrol & Detectives
- School Resource Officers
- Crossing Guards
- Animal Control
- Fire and EMS
- Street Maintenance
- Snowplowing
- Engineering
- Building Permits
- Public Works
- Parks Maintenance
- Planning & Zoning
- Code Enforcement

How does **inflation** affect the base tax revenue?



2009

\$1,000



\$1,000

2019

\$1,000



\$841

Over time, the City can provide fewer services for the same base tax revenue generated year over year.

Source: Bureau of Labor Statistics CPI Inflation Calculator  
[http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)

**Bountiful City Property Tax  
Council Intents and  
Analysis of Need for Increase**

### **2018 and 2019 City Council Stated Intents:**

- Go through the Truth-in-Taxation process annually to allow the residents to get accustomed to the process but to only increase taxes when warranted
- Making sure that all revenue sources are considered before raising taxes
- Keep City property tax revenues caught up with inflation
- Incremental increases to property taxes are better than large one-time increases
- Staff should review the need for a tax increase annually as part of the budgeting process and recommend to the Council when an increase was needed

## **Council Intents – Property Tax**

### Underlying Support Principles

The following underlying support principles are identified and restated in support of Council policy. Consideration for an increase in the level of general property taxes (and change in the associated tax rate) will be made for the purpose of maintaining alignment with the following underlying principles:

1. To provide a protection against the loss of future purchasing power.
2. For capturing additional revenues from years with positive trends with an eye toward increasing fund balance as a hedge against lean budget years.
3. To accumulate reserves consistent with the long-time established City philosophy and culture of pay-as-you-go versus issuance of debt.

## Supporting Principles

### **Factors for Consideration in Evaluating the Need for a Tax Increase**

Decision points in considering an increase in general property taxes and rate include the following:

- Maintaining existing service levels.
- Increasing service levels.
- Increasing levels of budgeted expenditures exceeding the rate of inflation.
- Declining Sales Tax revenues.
- To meet the planned level of infrastructure needs.
- To maintain fund balance.
- To address a decreasing trend in fund balance (whether forecasted or actual).
- For maintenance of cash balances.
- To address pending emergency situations.
- To mitigate the loss of other ongoing revenue source(s).
- For protection against adverse Legislative changes and mandates.
- Maintain the functional level of City infrastructure.

## **Evaluating Need for Tax Increase**



- At what point do property tax increases become necessary?
  - Self-sustaining balance
- What are some financial trends/indicators that help make that decision?

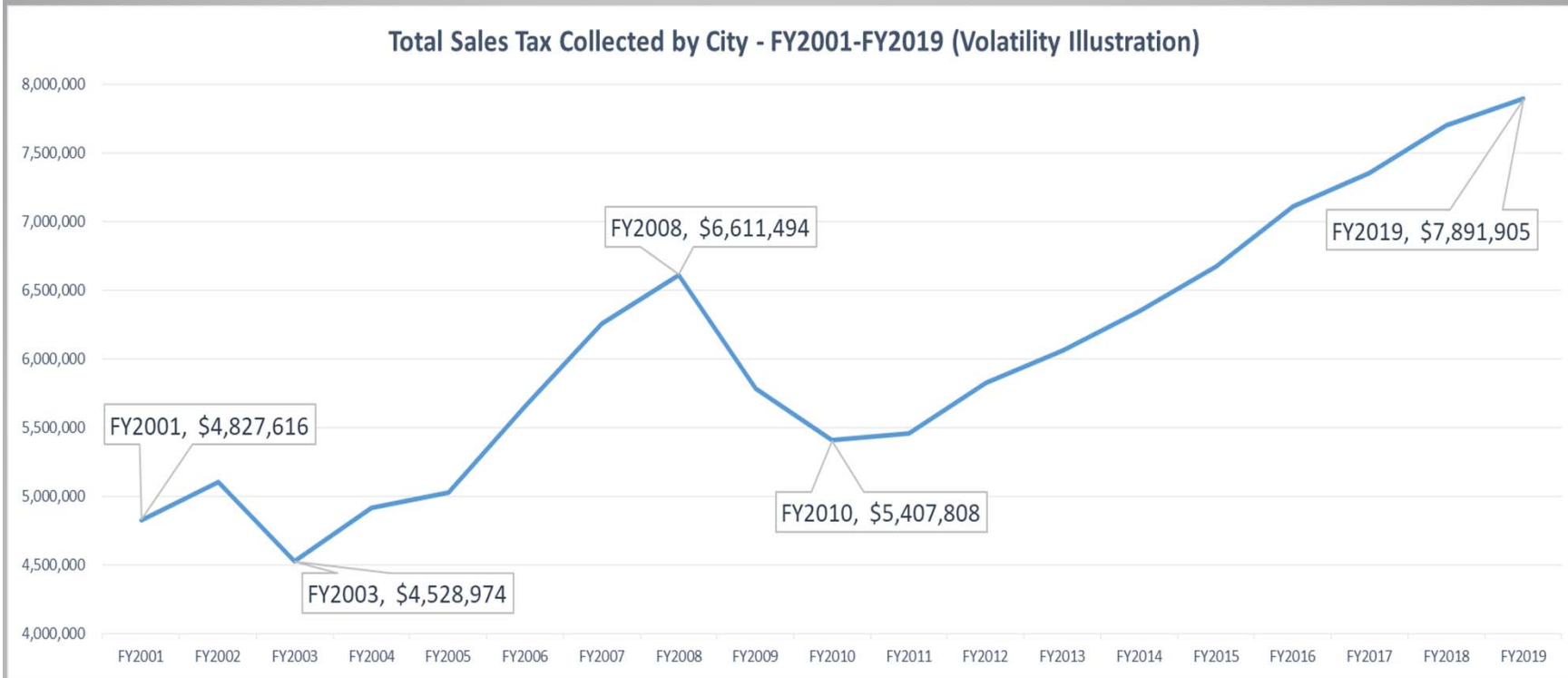
## **Bountiful City Property Tax Financial Analysis of Need**



- The General Fund has four revenue sources that make up 89% of the fund's revenue:
  1. Sales Taxes
  2. Franchise Taxes
  3. Property Taxes
  4. Transfers from Light & Power Fund
- Property tax is the most controllable and reliable General Fund revenue
  - Tax levy is set by the City
  - Collection rate ranges mostly between 95-99% over the past 10 years

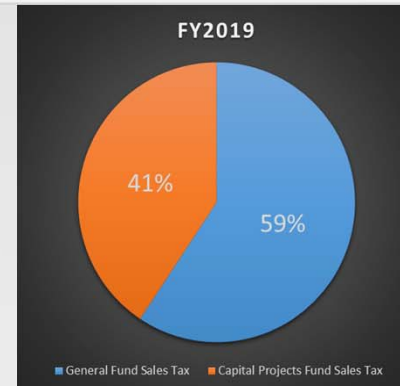
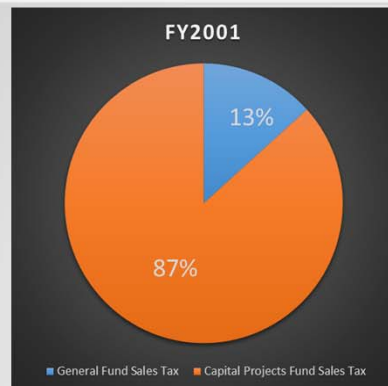
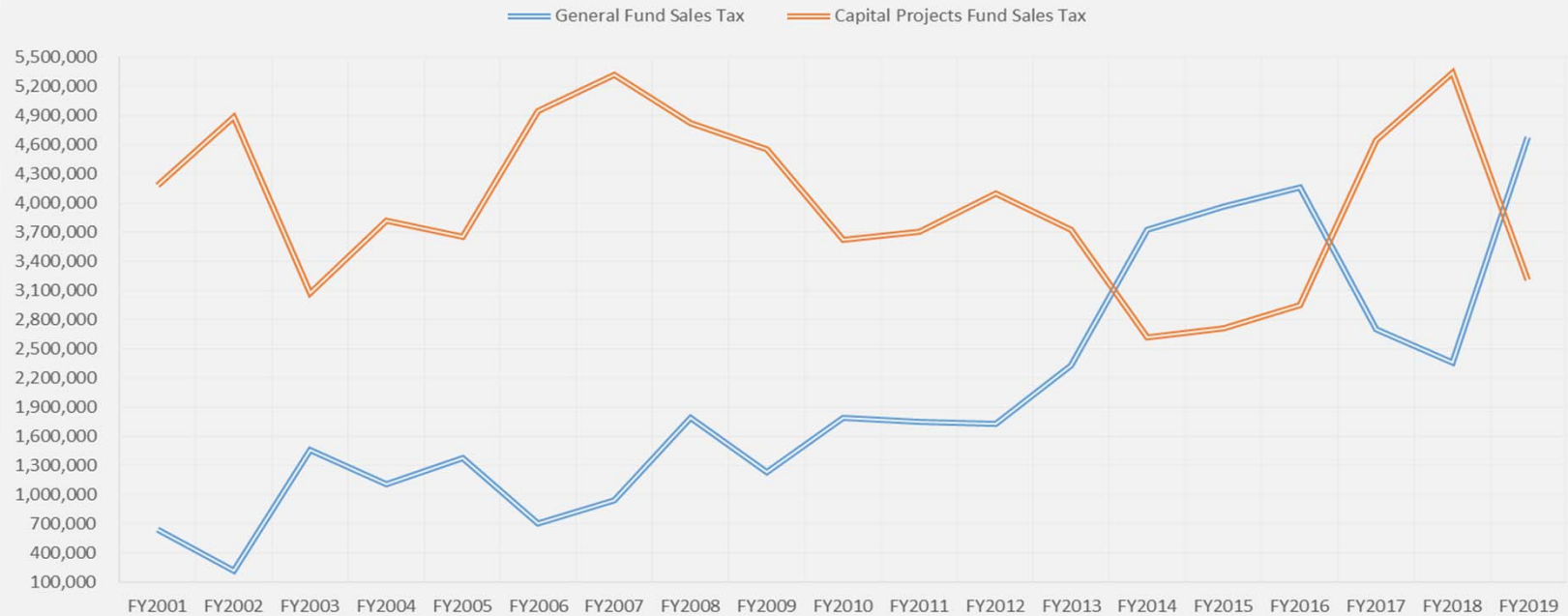
## **General Fund Revenue Sources & Property Tax Stability**

- Property taxes do not change with the economy



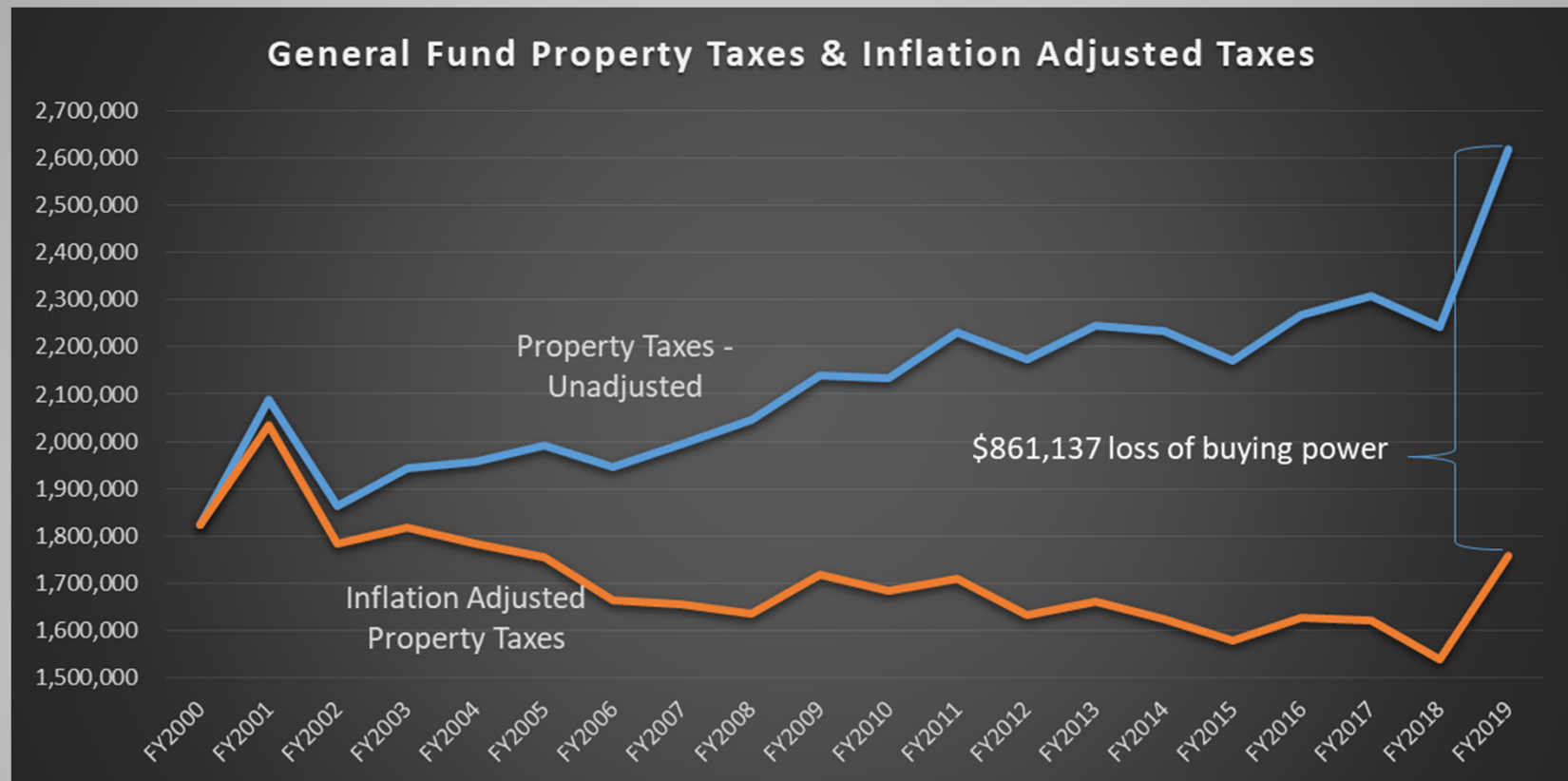
## General Fund Revenue Sources & Property Tax Stability

## SALES TAX EXPENDED BY FUND - FY2001-FY2019



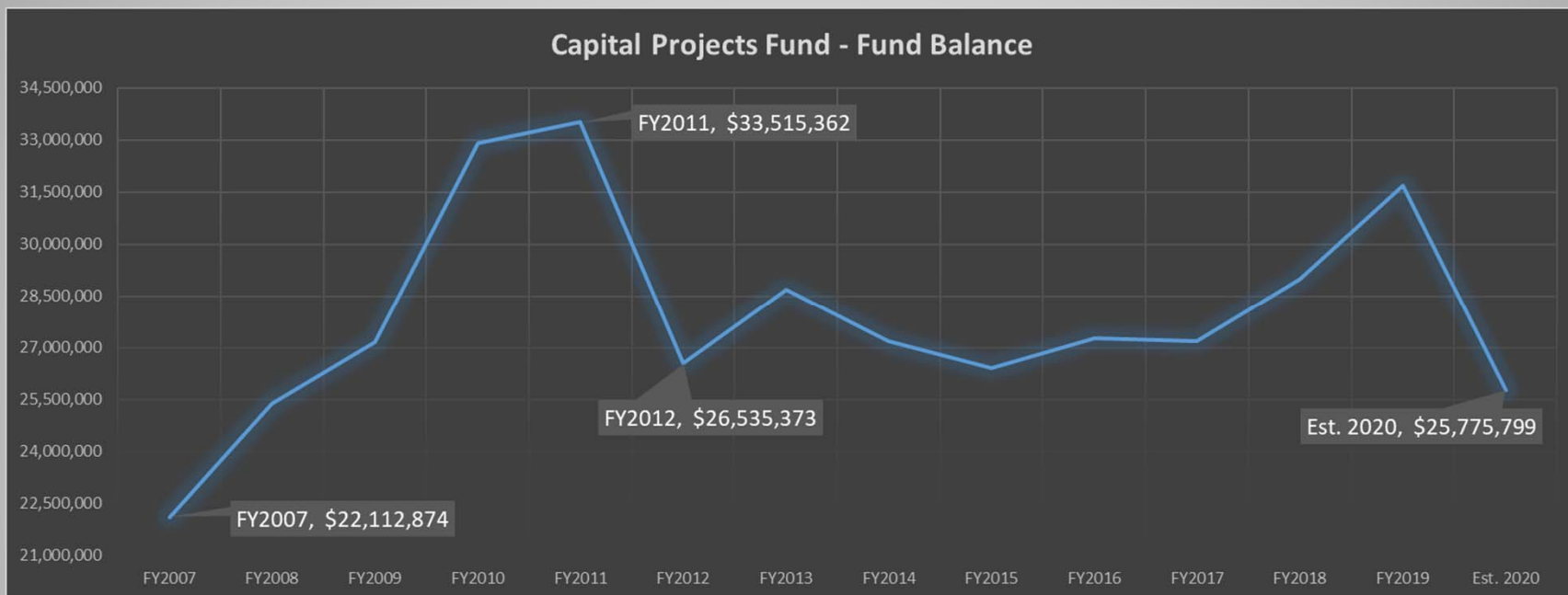
**Property Tax Increase Considerations: Greater Operational Dependency on Sales Tax**

- Over the 19 years since the City's FY2001 property tax increase the General Fund expenditures have increased by \$6,963,792 (65.32%) without any property tax increases to recover lost buying power due to inflation



**Property Tax Increase Considerations: Decreased buying power due to inflation & increased expenditures**

- With a 'pay-as-you-go' financial policy there are going to be large swings in reserve balances
- Sales taxes as well as Light & Power transfers have kept the City from having to substantially raise property taxes; however, additional use of sales taxes in the General Fund as well as potential recessions could reduce our ability to replenish Capital Project fund reserves



**Property Tax Increase Considerations: Depletion of Reserves (i.e. fund balance)**

To Recap.....

- City expenditure needs are reviewed annually and balanced with available revenue sources.
- Recommendations for adjustments (including property taxes, if needed) are part of the annual budget process in May and June.
- Adjustments in the property tax are proposed only after analyzing all available revenue sources and identifying possible expenditure reductions.
- Financial trends continue to support the need for a future upward adjustment in property taxes.
- We will perform this analysis again for the upcoming fiscal year 2020-2021 and report back.

## Property Tax Analysis Process

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# Questions?