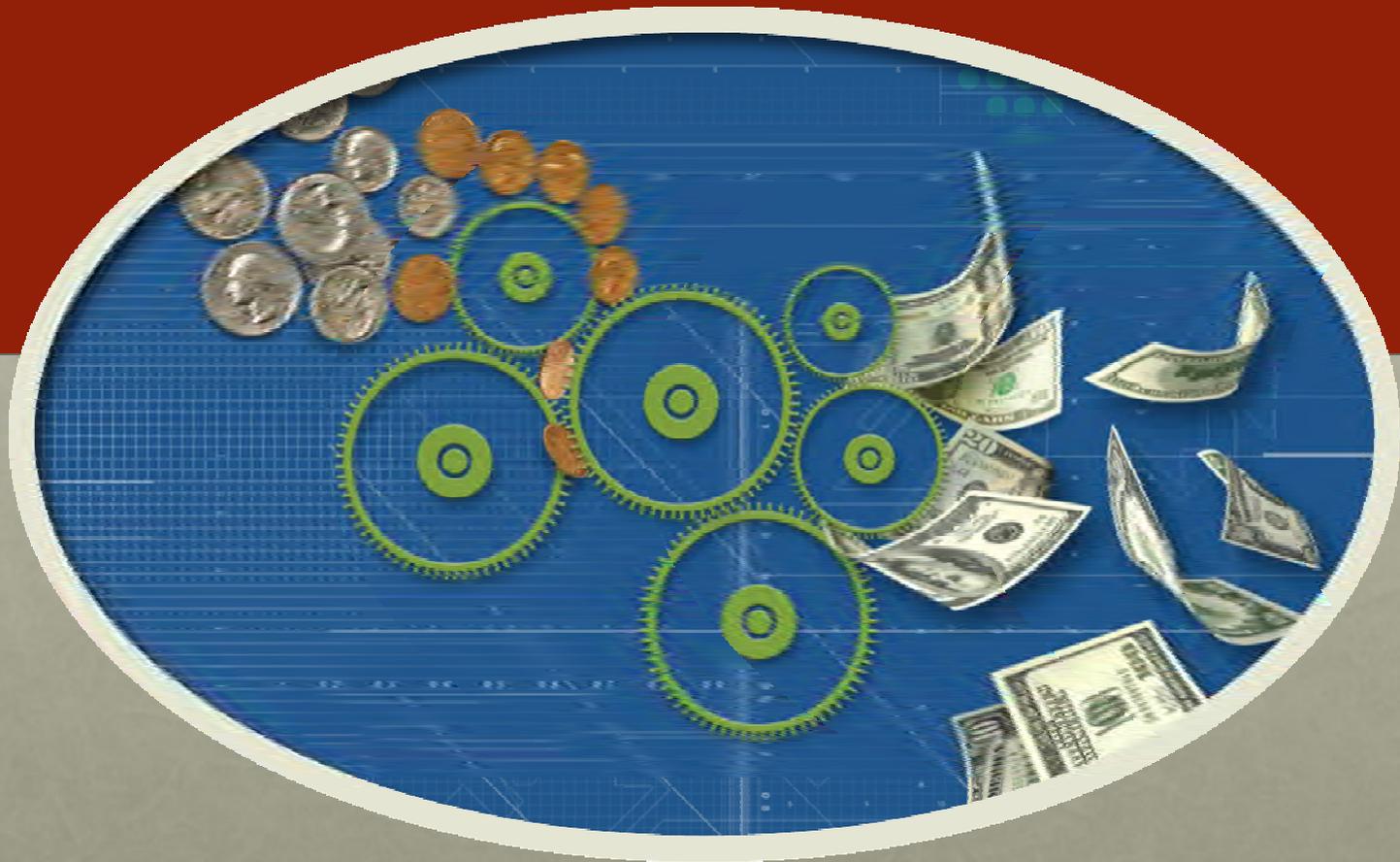


CITY FISCAL PORTFOLIO



“Money puts the fun into governing.” -- Dave Church



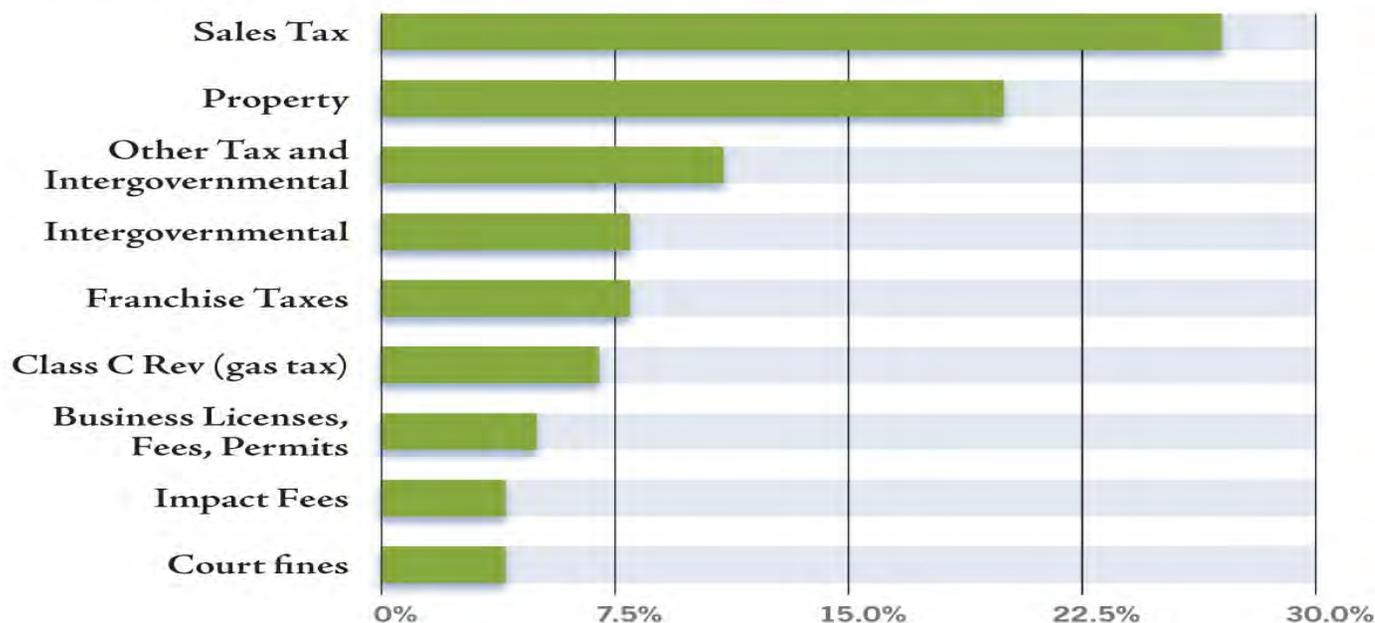
"IT WAS AT THIS POINT, GENTLEMEN, THAT REALITY INTRUDED."

WHY TALK ABOUT TAXES?

- Budget document is the best policy document for a city or town
- Accountability to citizens
 - Can you explain local taxes to your constituency?
- Understanding the budget from a “portfolio” perspective
 - Why is a discussion of a mix of taxes is important?
 - How are taxes impacted differently during economic slowdown?

WHAT DOES THE “*AVERAGE CITY*” REVENUE PICTURE LOOK LIKE

Average Revenue Portfolio—Utah’s Cities and Towns



“Other Tax and Intergovernmental” includes: service charges, user fees, utility charges, special assessments

“Intergovernmental” includes: grants, liquor funds, general state or federal support



PROPERTY TAX

Best or Worst local government tax?

PROPERTY TAX

MYTH VS. REALITY

Utah's property tax burden is higher than the national average...

Reality...Utah's property tax burden ranks 45th nationally (2006 Minnesota Taxpayers Association national study)

Utah cities and towns receive more property tax revenue than any other government entity...

Reality...municipal government receive 15% of the average residential property tax bill (55% to schools and 20% to counties)



Cities receive more property tax revenue when home values appreciate...

Reality...non necessarily, Truth-in-Taxation requires that the property tax rate roll back to ensure that government entities receive the same as the previous year (plus new growth). Cities only receive more revenue if they raise the rate.

RATE x BASE = TAX REVENUE



RATE

Certified tax rate determined by the tax commission (calculation of previous revenue and new growth).

Certified tax rate “floats” and does not account for inflation.

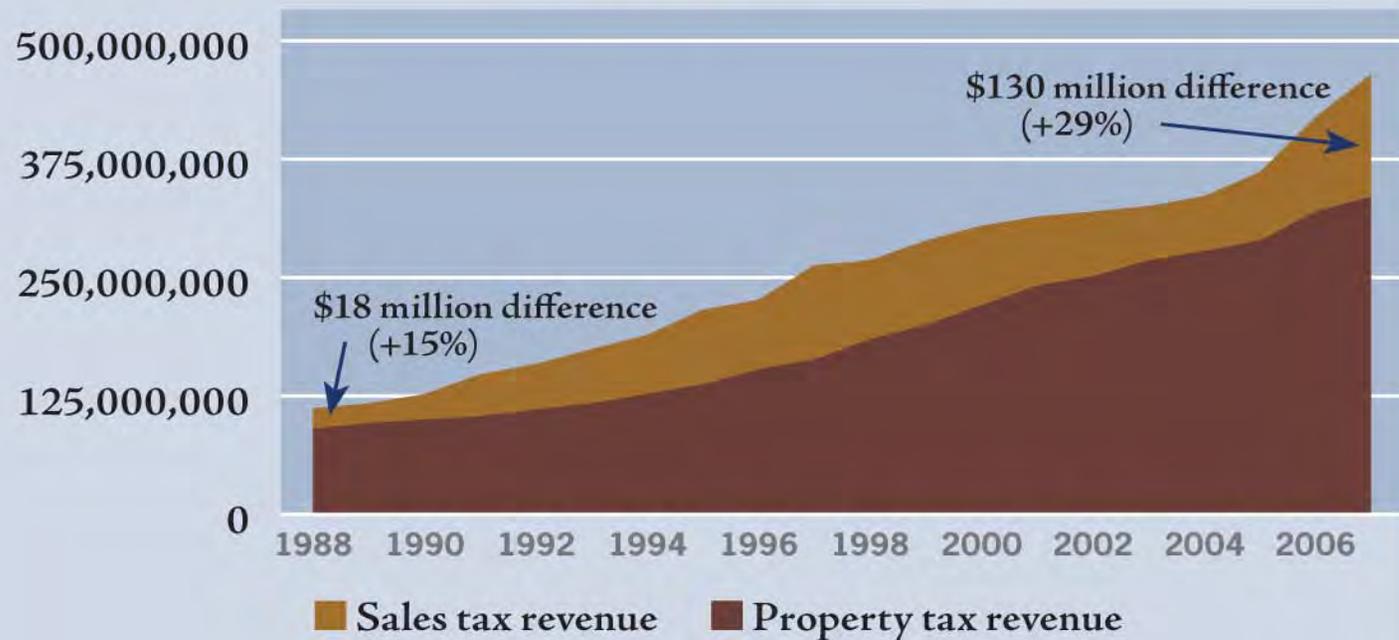
Truth-in-Taxation required to raise the certified rate.



BASE

- Assessed property value in your community
- Primary residential 45% exemption
- Commercial and secondary property taxed at 100% value
- Determined by a mass appraisal system

Municipal Sales Tax vs. Property Tax Revenue, 1988-2007



SHIFTING DEPENDENCE

Decreasing property and increasing sales tax dependence

PUBLIC PERCEPTION

Unpopular tax – especially with demographic over the age of 65

Misperceptions with where the money goes – 40% of Utahns believe the state govt. receives property tax revenue.

No one agrees with their assessment



PROS AND CONS

PROS:

Allows for local control

Stable revenue source, rare fluctuations and easy to budget forecast

Old proven tax

CONS:

Can appear complex (many different tax rates on one bill)

Subject of scrutiny

Visible



SALES TAX

Best or Worst local government tax?

SALES TAX

MYTH VS. REALITY

The sales tax rate is the same in every city in Utah...

Reality...There are over 90 different rates in the state of Utah.

Sales taxes matches the economy...

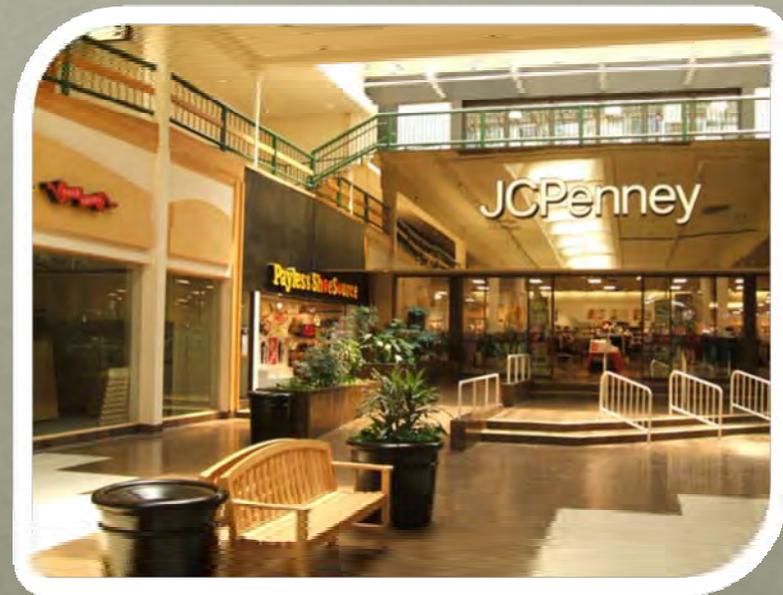
Reality...service sector (professional services) and increasing number of interstate sales are new dynamics of the economy that are excluded from sales tax.

Sales tax revenue can be used for whatever you want.

Reality...increasing percent of the sales tax is being dedicated to specific projects.

Utahns pay far more in property tax individually than sales tax in a year...

Reality...dollar amount in taxes between the two is fairly comparable (in many cases sales tax is higher) but since sales tax is incremental the burden feels far less.



RATE x BASE = TAX REVENUE



RATE

- Headroom concerns
 - How high can the total rate go?
- Politically becoming the tax of choice (“Christmas Tree” approach)
- Boutique taxes
 - What are they?
 - Are they truly local option?

BASE

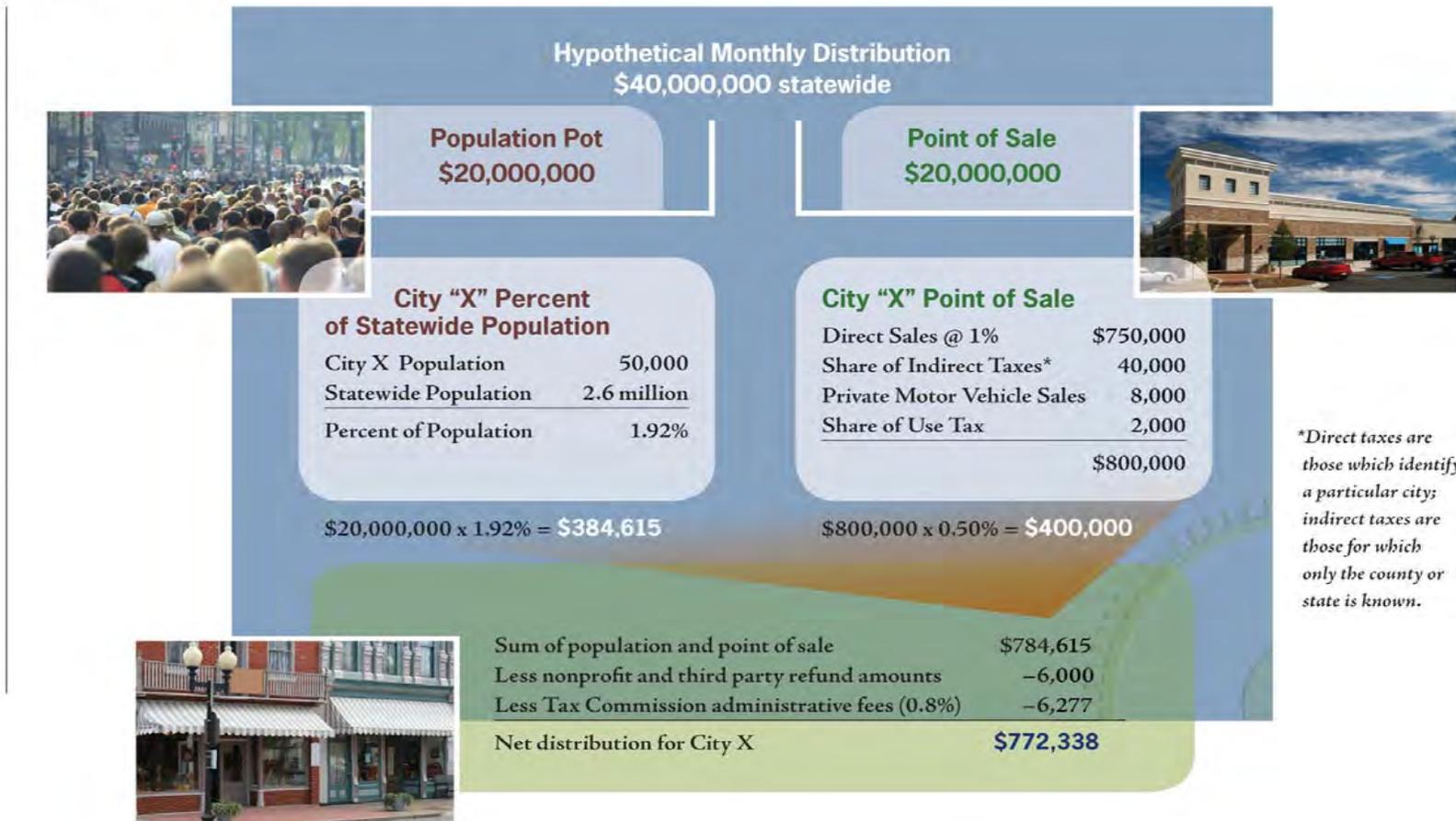
- What is subject to sales tax?
 - Exemptions, exclusions, etc.
- The 21st Century economy is more of a “service-based” economy – what does that mean? And how does it impact sales tax revenue?
- What about electronic commerce?
- Policy issues of the base – what is taxed – is largely a state legislative decision.

Tax Type	Rate		Number Cities (243)	
	High	Low	#	%
ST--State Sales & Use	4.65%		ALL	
LS = Local Sales & Use Tax	1.00%		ALL	
RH = Rural Hospital Tax	1.00%	0.40%	23	9%
CZ = Botanical, Cultural, Zoo Tax	0.10%		66	27%
HT = Highways Tax	0.25%	0.30%	23	9%
CO = County Option Tax	0.25%		ALL	
TOURISM				
TR = Transient Room Tax	3.00%	4.25%	ALL*	
TA= Additional Municipal TRT	0.50%		4	1%
TM = Municipality Transient Room Tax	1.00%		36	15%
TT = Tourism Transient Room Tax	0.50%		17	7%**
MV = Motor Vehicle Rental Tax	2.50%		ALL	
FF = Tourism-Short Term Leasing Tax	3.00%		120	49%
FG = Tourism-Restaurant Tax	1.00%		214	88%
RR = Resort Community Tax	1.10%	1.00%	15	6%
RA= Additional Resort Comm. Tax	0.50%		5	2%
FP= Tourism ST Leasing Population	4.00%		107	44%
TRANSPORTATION				
MT = Mass Transit Tax	0.30%	0.25%	88	36%
MA= Additional Mass Transit Tax	0.25%		52	21%
MF= Mass tran Fixed Guideway	0.30%		27	11%
CT= County Option Transportation	0.25%		54	22%
OTHER				
SM= Supplemental State Sales & Use	0.05%		32	13%
MZ= Botanical, Cultural, Zoo Tax (Municipality)	0.10%		12	5%
TO= Town Option Tax	1.00%		1	.004%
ENERGY AND TELCO				
ME= Municipal Energy Tax	6.00%	1.5%	135	55%
TC= Municipal Telecommunication License Tax	0.50%	3.5%	148	61%

HOW IS SALES TAX DISTRIBUTED?

Figure 2

How is Sales Tax Distributed?



PUBLIC PERCEPTION

Popular tax – 38% of Utahns consider sales tax the “most fair” tax they pay

44% feel their sales tax rate in Utah is higher than other states.

70% of Utahns state that sales tax should not be imposed on lawyers, doctors, accountants, and other services.

PROS AND CONS

PROS:

Politically popular tax

Booms during economic good times

Fair tax

CONS:

Can be difficult to forecast

May dictate land use decisions

Falls during bad economic times



FRANCHISE TAXES

- Is there really a franchise tax? Or is it a misnomer?
- What are franchise taxes?
 - History
 - Why?
- Differences between MET and Telco?
- What are the mechanics? How does it work?
 - Implementing these taxes
- What are the pros and/or cons?
 - Universal application
 - Public perception/acceptability

Funds for Highways Plummet As Drivers Cut Gasoline Use

BY CHRISTOPHER CONKEY

An unprecedented cutback in driving is slashing the funds available to rebuild the nation's aging highway system and expand mass-transit options, underscoring the economic impact of high gasoline prices. The resulting financial strain is touching off a political battle over government priorities in a new era of expensive oil.

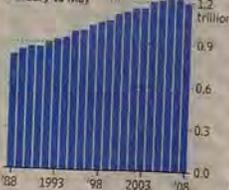
A report to be released Monday by the Transportation Department shows that over the past seven months, Americans have reduced their driving by more than 40 billion miles. Because of high gasoline prices, they drove 3.7% fewer miles in May than they did a year earlier, the report says, more than double the 1.8% drop-off seen in April.

The cutback furthers many

Parked Cars

Soaring gas prices have caused a rare drop in American driving.

U.S. vehicle miles traveled,
January to May



Source: Department of Transportation

U.S. policy goals, such as reducing oil consumption and curbing emissions. But, coupled with a rapid shift away from gas-guzzling vehicles, it also means con-

sumers are paying less in federal fuel taxes, which go largely to help finance highway and mass-transit systems. As a result, many such projects may have to be pared down or eliminated.

The challenge comes at a time when surging costs for asphalt and other construction materials already are straining state and local transportation budgets. Those cost increases make it more expensive to maintain the nation's roads, bridges and rail networks.

In many areas, the ragged edges are already showing. About 25% of bridges in the U.S. are either "functionally obsolete" or "structurally deficient," like the Mississippi River bridge that collapsed in Minneapolis last August, killing 13 people.

Moreover, the pavement is

Please turn to page A11

Gas Tax or B&C Revenue

**Freeway isn't
free; we have to
pay somehow**

The head of the state transportation department drew "snickers and groans" from the crowd at a public hearing as he said he wouldn't proceed with a toll road until he felt there was strong public support. One man said the public had lost all faith in the process and in the department really listening to the ne-

**Should local transportation
sales taxes be dedicated to new capacity
projects?**

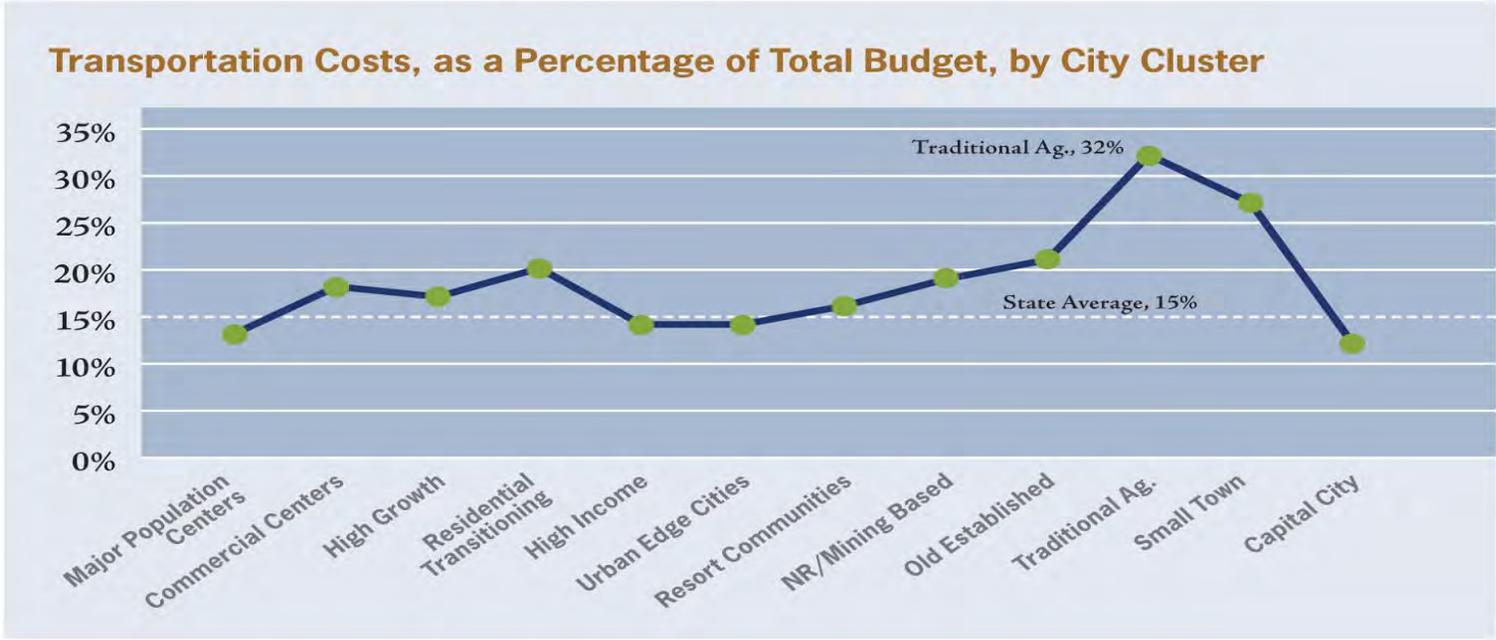
**If local sales tax is used for statewide
transportation projects how will local
governments address their own
transportation needs?**

**How should we pay for the
maintenance of a growing
transportation system?**

**How closely should transportation
revenue sources mirror "user fees"?**

**B&C covers the cost of local
transportation needs...**

**REALITY...for most cities and towns
gas tax revenue only covers 40 to 60% of
the cost of road construction and
maintenance.**



TRANSPORTATION COSTS BY CITY CLUSTER

WHAT ABOUT FEES?

- Difference between taxes and fees
- Relationship with fee charged and cost of service
- Are fees preferred by the general public? Why?

CONCLUSION

- Managing your budget “portfolio”
- Provision for appropriate revenues
- Controls risk
- Flexibility to cope with variety of economic and demographic outcomes