

Utah League of Cities and Towns
Legislative Policy Committee Agenda – February 25, 2019, 12:00 p.m.
Utah State Capitol, Senate Building Room 210 (and Zoom webcast)

1. Welcome, introductions, logistics, and adoption of February 11, 2019 minutes (ULCT 1st Vice President Mike Mendenhall) (12-12:10)
2. ULCT communications efforts – Cameron Diehl (12:10-12:15)
3. Legislative items:
 - a. **UPDATE:** Tax reform and sales tax (Rep. Tim Quinn and Roger Tew) (12:15-12:35)
 - b. **UPDATE:** [SB 52: Secondary Water Metering Requirements](#) (Wayne Bradshaw and John Hiskey) (12:35-12:45)
 - c. **UPDATE:** Tier 2 retirement – [SB 129: Public Safety and Firefighter Tier II Retirement Enhancements](#) (Wayne Bradshaw) (12:45-12:50)
 - d. **UPDATE:** Week 4 update and Week 5 preview (Rachel Otto) (12:50-1:05)
 - e. **UPDATE:** Other legislative issues by staff and membership (1:05-1:15)
 - f. **ACTION:** Ratify staff positions (1:15-1:20)
4. Adjourn by 1:30

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Utah League of Cities and Towns
Legislative Policy Committee Minutes – February 11, 2019, 12:00 p.m.
Utah State Capitol, Senate Building Room 210 (and Zoom webcast)

1. Welcome, introductions, logistics, and adoption of February 4, 2019 minutes, ULCT 1st Vice President Mike Mendenhall.
2. Legislative items:
 - a. UPDATE: Tier 2 retirement – SB 129: Public Safety and Firefighter Tier II Retirement Enhancements – ULCT Executive Director Cameron Diehl announced SB 129 would be considered in the Retirement Committee at 12:30 and outlined three potential positions the members could take: (1) support when amended; (2) no position until amended; and (3) oppose until amended. Cameron stated that members should consider the issue the bill is trying to solve and that ULCT does not generally support bills that create unfunded mandates on local governments. ULCT Director of Policy Wayne Bradshaw stated that Senator Harper is proposing SB 129 as a way to address recruitment issues for first responders and firefighters. Wayne stated that the disparity between Tier I and Tier II recipients is causing a problem in recruitment. The bill provides that after July of 2019, Tier II retirement benefits will increase from 1.5% to 2%. The bill provides \$5.3 million in one-time funding that will cover state and municipality expenses for the first year. After that, it only has up to \$3 million in state funding and most of that would cover the state's obligation, with municipalities paying for the remaining costs. Wayne discussed the appropriation hearing held on February 7, 2019. Former Senator Dan Liljenquist spoke in favor of the legislation at the hearing because it addresses the disparity of Tier I and Tier II first responders and is more in line with what first responders in neighboring states receive. Liljenquist encouraged the committee to consider fully funding the increased benefit. Wayne reported that ULCT had a meeting with city managers earlier in the day where city managers discussed their concerns about funding increased benefits over time. Wayne opened the floor to questions. Jewel Allen, Grantsville, asked about smaller cities and what they could do to stay competitive in recruitment when they are competing with cities with bigger budgets. Mark Christensen, Saratoga Springs, says the city has taken steps to support their law enforcement, but he does not support the bill because it triggers discussions with employees in other city departments that are impacted by Tier I and Tier II disparities. Also, the Saratoga Springs city council does not support such changes. Don Shelton, South Jordan, wonders if there is empirical data showing that increasing retirement will address recruitment in a 3% unemployment market and believes that increased wages may be more effective than retirement benefits. City human resources has this data and we should compile and study it before moving forward. Roger Baker, Tooele, wants to know if the Chiefs of Police Association feels this is the right policy approach. Cameron stated that earlier in the day the law enforcement legislative committee met and voted to support the concept of SB 129 with the caveat that many cities and counties still had concerns about the funding mechanism within the bill. Chief Ross indicated that police chiefs at the city level

have to consider city budgets that elected sheriffs do not. UAC does not have an official position yet because counties are concerned about funding and their elected sheriffs are not. Brian Braithwaite, Highland, stated that cities must increase wages because it is difficult to sustain pensions for the long-term. Braithwaite supports SB 129 if it is funded by the state, but thinks that in the future the thinking needs to shift from pensions to a 401k that can be managed by individuals without the cost to the organization. Mayor Ron Bigelow, West Valley City, states that there are no guarantees that the state will fund the true cost of the benefit over the years. Cities should increase salaries for recruitment rather than depend on the state to increase retirement benefits. Andrew Johnson, Salt Lake City, says that cities need to help out firefighters and police officers because of the long-term impacts on their health and he supports the concept if the financial piece is in order. Rob Dotson, Enoch, asked if there is data from URS on the numbers. Cameron stated that URS has been involved in the past, but there is no recent information. ULCT is working to gather current information. Mark Johnson, Ogden, proposed that LPC oppose the bill with the pledge that we work with the sponsor if we can find funding. Gary accepted the substitute motion. JJ Allen seconded it. LPC majority voted aye, with three nays.

3. ULCT communications efforts

- a. ULCT Director of Communications and Training Susan Wood challenged members to be the first to retweet the ULCT video post on Richfield. She gave an update about ULCT posts on social media and showed the ULCT YouTube channel highlights. She encouraged members to post and share the URL address of the videos through social media. Cameron stated that these videos matter because they put a face to city efforts to address growth and housing. The governor and legislators are viewing these videos. Cameron encouraged members to share these videos with their legislators so that the discussions on growth and housing are informed.

4. Legislative items continued:

- a. Outreach: SB 34 & Tax Policy. ULCT handed out sign-up sheets and encouraged members to volunteer to reach out to their legislators, especially those who serve on critical committees, to discuss SB 34 and tax policy. Cameron stated that the League would follow-up with volunteers so that the League can better understand how to best advocate for cities on these issues this session.
- b. UPDATE: SB 34, Affordable Housing Modifications – ULCT Director of Government Relations Rachel Otto, stated that Anderegg has been a champion for cities in sponsoring this bill. ULCT supports SB 34 because it is the next step to the process started last session through SB 136, Transportation Governance Amendments, and HB 259, Moderate Income Housing Amendments. Cities committed to be proactive with the keys cities hold through zoning, planning, and regulation to address housing. Over the interim, ULCT worked to implement SB 136 and HB 259. SB 34 only addresses things that cities control and it does not solve the housing crisis. The commission on housing affordability has a five-year horizon and we have two ULCT spots on that commission—we will continue to

push other stakeholders to help solve the housing issue. The menu items in SB 34 originated through the LPC body and are based on planning tools that some cities are using to address housing. SB 34 connects housing planning to transportation funding. ULCT supports this connection because it makes sense from a policy perspective: smart state investment for smart local planning. The bill is changing. We started out with eight planning tools on the menu and we are up to 22 items. This gives cities the flexibility to pick items that work for them. The intention is to help cities show how they are planning for the future. ULCT expects this bill to change in the house. The development committee and others are pushing for this to become a penalty bill that will tie compliance for moderate income housing reports with class B & C road funds. ULCT will not support a class B & C road fund penalty.

- c. UPDATE: SB 52: Secondary Water Metering Requirements– ULCT Senior Policy Adviser John Hiskey reported that ULCT Director of Policy Wayne Bradshaw is collecting data from cities relative to the secondary water metering requirement amendments. Senator Anderegg has been very responsive in discussing concerns regarding rural Utah and specific Utah committees that will be impacted by this bill. The committee was cancelled and we expect an amended bill in the near future. Cities that have not yet done so should send data to Wayne on how secondary water metering will impact them.
- d. UPDATE: SB 71: Food Truck Amendments – Rachel welcomed Senator Henderson and thanked her for her advocacy for cities as she has worked through food truck amendments this session. Senator Henderson thanked cities for their efforts in revamping ordinances and processes to be compliant with state law and to be friendly toward food trucks. Senator Henderson explained that SB 71 addresses instances where cities are finding loopholes. The bill does five major things: (1) it clarifies that land use has to comply with food truck law; (2) it clarifies that cities cannot charge any fee or require a permit for food trucks operating on private property; (3) cities cannot require the date, time, or length in advance from a food truck; (4) reciprocal license fees can only cover the actual cost of processing; and (5) counties may not require food trucks to go home every night.
- e. UPDATE: Sales Tax– ULCT Senior Policy Adviser Roger Tew described the sales tax situation as the beginning of a horror movie where the basic plot is outlined and there are four or five potential victims, but you don't know what is going to happen, who it is going to happen to, or when it is going to happen. Cities are in the same situation they were in several weeks ago. There is no bill. The legislature is about two weeks behind because of Medicare. We know there is concern about the budget dynamics of the state. The governor wants to expand the sales tax, but did not put out a proposal. We don't know who is on the list when they expand the tax base and this will be the first great unveiling. The chairs of the Rev & Tax committee, plus leadership and a few people, have been tasked to come up with a list, but to date they have not held any meetings, just informal discussions. We are waiting for the threshold question to find out who is on the tax expansion list, and we want to plant seeds that there are 18+ other taxes and these will be impacted if tax rates are lowered. The 50-50 distribution formula

does not have to be tied to this. We are not going to negotiate changes to 50-50 until we see that there is a sizeable amount of money to protect people who may lose. Roger encouraged LPC members to follow-up with their legislators, especially those on the House Rev & Tax committee. Don Shelton, South Jordan, had a discussion with Senator Fillmore who said he is in support of expanding the base to everything and he does not like the 50-50 formula. Ryan Loose, South Jordan, reported that Representative Pulsipher said it would be bad for schools if they zone for more residential and less commercial, so there could be allies and partners in this. Mayor Rees asked what reasons legislators are being given to change the 50-50 allocation. Roger responded that legislators are hearing that cities are chasing sales tax and that communities have zoned portions of their city for commercial and have not approved housing in a time when housing is critical.

- f. UPDATE: Week 2 Recap—Cameron touched on HB 119, Initiatives, Referenda, and Other Political Activities, and is working on it with stakeholders. Cameron asked for feedback about the referendum process. Cameron referenced HB 262, Municipal Boundary Adjustment Amendments, about the Brickyard issue. ULCT expects the bill to be held, but the underlying policy would be a major change. ULCT is opposed to the bill. Cameron opened the floor for LPC to bring up bills. Question: what is the status with the gravel pit bill? Rachel gave an update on HB 288, Critical Infrastructure Materials, and stated that ULCT has been in discussions with Representative Wilde for the past few months. ULCT is opposed to the bill. ULCT has meetings with industry representatives later in the day. ULCT is trying to get all parties to agree to a one-year moratorium on gravel pit expansion and city ordinances that impact gravel pit operations in order to work out a resolution through the land use task force. Online Question: What is the latest update on SB 44, the ATV amendments bill? Rachel stated that this is Lincoln Fillmore's bill and ULCT is trying to get an amendment in order to give cities some flexibility for cities to designate routes that commercial ATV tours can take. Fillmore is not running the amendment, so Rachel is reaching out to other senators to get the amendment through. Online Question: What is the latest update on SB 72, Transportation Governance and Funding Revisions? Cameron stated the bill is a consensus bill and it looks at the UTA and transit districts, and local options for sales tax. At one point the bill was going to remove the secondary imposition for cities, but ULCT fought to keep it in so that if a county has not imposed the fourth quarter, cities can step in and do it. The bill moved out of Senate Transportation Committee last week. Kari Malcovich, Woodland Hills, stated her city is in support of HB 305, Post Disaster Recovery and Mitigation Restricted Account and she encouraged ULCT to support the bill. Cameron said this is on the ULCT radar, and the League supports this bill, which creates a statewide mitigation fund for small communities dealing with natural disasters.
- g. NEXT WEEK: No LPC next week because of Presidents' Day. We will have another method of communicating with LPC, most likely Tuesday.
- h. ACTION: Ratify staff positions – Motion made to ratify positions, seconded. No opposition. Positions ratified.

5. Adjourn



SALES TAX REFORM INFORMATION AND TALKING POINTS AS OF FEBRUARY 25, 2019

I) Background:

As of July 2019, there will be 19 sales tax rates. The state rate of 4.7% is 100% point of sale (POS). 16 local rates are 100% point of sale (i.e. RAP). Three local rates have a 50% population element (i.e. 50/50 formula in the 1%). ULCT has historically opposed any changes to the 50/50 formula in the 1% without sufficient new revenue to offset the potential losses. Any de-emphasis of POS could hurt many cities. For example, high-tourism cities would see a drastic impact. The source of where the taxed good or service exists is a necessary data point.

II) Legislative timing:

- Step A: to expand or not to expand the sales tax base (state & local gov't share the same base)
- Step B: the potential state offset to be "revenue neutral"
- Step C: the impact of base expansion on local sales tax revenues
- Step D: potential state mandated offsets to local rates and formulas
 - "revenue neutral" in the aggregate and "impact neutral" to specific cities are different!

ULCT cannot analyze the impact of steps C and D until the state determines the course of action on steps A and B. The Tax Commission must create a system to collect taxes from currently untaxed services. The legislature has discussed a delayed effective date and ULCT has urged that delay in order to collect data on the sourcing of currently untaxed services to inform discussion about steps C and D.

III) Components to consider (the math):

- $BASE + RATE = REVENUE YIELD$
 - Broaden the base, lower the rate = same revenue yield in the aggregate
 - What if the broadened base does not apply equally in all cities? (i.e. ski school)
Broadening the base & lowering the rate could actually result in less revenue
- City FY 2019 base = B (current base) and City FY 2020 base = B + G (natural growth in the base)
- Base expansion = X (expansion)
 - ULCT definition of new money = X only
 - Definition of new money from certain legislators/state leaders = G + X
- Full implementation of base expansion = $B + G + X$
 - *If the yield includes a distribution formula (i.e. 50/50) that may change, then the broadened base and/or rate adjustment must also compensate for the formula change*

IV) Key Concerns:

- 1) It is critical that the legislature not negatively impact the economic dynamics of the current base and growth (B + G). It is critical that the legislature not negatively impact bonds.
- 2) New money (X) could be used to reduce local sales tax rates (1%, .25% for transportation, etc.) or adjust formulas (i.e. 50% POS, 50% population). You likely can't spend it (X) to do both.

- 3) We cannot analyze the impacts of X on all of the local rates on cities, counties, and towns until the state defines what currently untaxed services will be taxed and identifies their sourcing.
- 4) Local option sales taxes are local taxes. Cities, towns, and counties imposed them, not the state. We imposed them by ordinance to capture revenue generated in our communities. If the state sought to reduce or divert local sales tax revenue, how would the state legally do it? Will the state repeal the rate authorizations and force cities, towns, and counties to re-impose them?

V) Takeaways:

- 1) ***Short-term: ULCT will oppose any reductions to current revenues or to natural growth in the current base (B + G) prior to the implementation of the base expansion.***
- 2) ***Medium term: Revenue neutral in the aggregate and impact neutral for specific cities are different things and both, along with the “new money,” must be analyzed.***
- 3) ***Long term: Sales tax reform will have consequences on every single city and town budget. We are concerned about fairness among cities and financial sustainability. ULCT supports delayed implementation of sales tax changes so that ULCT has time during the interim to analyze the specific impacts of base expansion and the potential long-term changes to local rates and/or formulas. ULCT also welcomes discussion about other revenue streams. Distribution formulas and rates are different things. “New money” may facilitate rate reductions or new distribution formulas, but it is unlikely to do both without resulting in unfairness among cities.***

2011 Utah League of Cities and Towns Resolution – Local Government Tax Structure

In 2004 and 2005, the Utah League of Cities and Towns established the League's Tax Team. This group met for nearly two years and after input from a wide variety of people and organizations developed the League's tax plan. The plan's general principles were affirmed by the League's general membership in September 2005 (Annual Convention).

These general principles are:

- The municipal tax structure should be rooted in the principles of fairness, consistency, predictability, stability, sustainability, efficiency, flexibility, and effectiveness.
- A one-size tax structure does not fit all municipal situations.
- Portions of the current tax structure are obsolete and no longer represent the current economy.
- As demographics and economics change, municipal services must reflect those changes.
- Municipalities' dependence on sales tax revenue creates a situation where day to day needs cannot be met when this revenue decreases unless other services or revenue sources are adjusted.

Recently, various proposals are being considered by the Utah State Legislature that authorizes additional sales tax rates for a variety of targeted programs. In addition, proposals to change the current 50/50 sales tax distribution formula have been presented to the Legislature.

Now, therefore be it resolved that we, the members of the Utah League of Cities and Towns, recommend that we reaffirm the tax principles adopted in 2005. In addition, we recommend that before any statutory changes are adopted that impact municipal funding, that the Utah Legislature considers the following factors:

- 1) Any change to municipal funding should include the comprehensive input of cities and towns to ensure that all circumstances are considered.
- 2) Recognition that periodic evaluation of the funding tools available to local government is important.
- 3) Recognition that a review of municipal funding sources should not be singularly focused on one portion of the funding, but should be comprehensive of all available funding sources.
- 4) Recognition that there is no one right, or fair, answers to sales tax distribution. Each formula has "pros and cons" and must be generally supported by Utah's cities and towns.
- 5) Maintenance of a 50/50 distribution formula for the municipal sales tax creates stability and consistency for local governments, has been agreed to by our membership as the suggested distribution formula, and "hold harmless" cities forfeited sales tax growth starting in 2005 to maintain that distribution formula.
- 6) Significant long-term financing, business development, land use, and community sustainability decisions have been made by municipalities based upon the premise of a continuing 50/50 distribution formula.
- 7) Changes to the distribution formula creates "winners" and "losers" and should be evaluated carefully.
- 8) Recognition that most new "endeavors" look at sales tax as the preferred funding option. With limited sales tax capacity, a prioritization of those endeavors is important.

ULCT Priority Bills - Updated February 24, 2019

Tracking Level	Bill Number	Title	Sponsor	Position	Location	Next Consideration
Hot	SB 17	Extraterritorial Jurisdiction Amendments	R. Okerlund	Support	House 3rd Reading Calendar - Senate Bills (7)	Senate/to Governor for signing
Hot	HB 31	Water Supply and Surplus Water Amendments	K. Coleman	Support	House 3rd Reading Calendar - House Bills (53)	Senate Rules Committee
Hot	HB 78	Federal Designation	C. Albrecht	Opposed	House 3rd Reading Calendar - House Bills (7 (cir.))	Senate Rules Committee
Work	HB 272	Write-in Candidate Amendments	M. Nelson	Support	House 3rd Reading Calendar - House Bills (27)	Senate Rules Committee
Hot	SB 72	Transportation Governance and Funding Revisions	W. Harper	Support	Senate 3rd Reading Calendar (8)	House Rules Committee
Hot	SB 129	Public Safety and Firefighter Tier II retirement Enhancements	W. Harper	Opposed	Senate 2nd Reading Calendar (14)	Senate 3rd Reading Calendar
Hot	SB 52	Secondary Water Metering Requirements	J. Anderegg	Amend	Senate 2nd Reading Calendar (25)	Senate 3rd Reading Calendar
Hot	SB 160	Body Camera Disclosure Amendments	D. McCay	Opposed	Senate 2nd Reading Calendar (35)	Senate 3rd Reading Calendar
Work	SB 179	Truth in Taxation Amendments	L. Fillmore	Opposed	Senate 2nd Reading Calendar (49)	Senate 3rd Reading Calendar
Hot	SB 184	Nuisance and Code Enforcement Amendments	D. Thatcher	Opposed	Senate 2nd Reading Calendar (52)	Senate 3rd Reading Calendar
Work	HB 216	Utah Wholesome Food Act Revisions	K. Stratton	Amend	House Committee (BL)	House 3rd Reading Calendar
Work	HB 354	Business Regulation Amendments	K. Coleman	Amend	House Committee (BL)	House 3rd Reading Calendar
Hot	HB 119	Initiatives, Referenda, and Other Political Activities	B. Daw	Amend	House Committee (GO)	House 3rd Reading Calendar
Work	HB 145	Citizen Political Process Amendments	N. Thurston	Amend	House Committee (GO)	House 3rd Reading Calendar
Work	HB 311	Government Immunity Revisions	M. McKell	Opposed	House Committee (J)	House 3rd Reading Calendar
Work	SB 109	Asset Forfeiture Amendments	T. Weiler	Opposed	House Committee (LECJ)	House 3rd Reading Calendar
Work	HB 179	Road Closure Amendments	P. Lyman	Amend	House Committee (LECJ)	House 3rd Reading Calendar
Hot	HB 288	Critical Infrastructure Amendments	L. Wilde	Opposed	House Committee (NRAE)	House 3rd Reading Calendar
Hot	HJR 1	Proposal to Amend Utah Constitution -- Municipal Water Resources	K. Stratton	Opposed	House Committee (NRAE)	House 3rd Reading Calendar
Hot	HB 320	Container Regulation Act	M. McKell	Opposed	House Committee (NRAE)	House 3rd Reading Calendar
Work	HB 180	Agriculture and Industrial Protection Areas	K. Coleman	Amend	House Committee (NRAE)	House 3rd Reading Calendar
Work	SB 93	Agricultural Nuisance Amendments	S. Sandall	Amend	House Committee (NRAE)	House 3rd Reading Calendar
Work	HB 164	Local Boards and Councils Structure Amendments	J. Stenquist	Opposed	House Committee (PS)	House 3rd Reading Calendar
Work	HB 315	Land use and Development Amendments	L. Wilde	Support	House Committee (PS)	House 3rd Reading Calendar
Work	HB 162	Damage to Underground Facilities Amendments	S. Handy	Amend	House Committee (PUET)	House 3rd Reading Calendar
Work	SB 98	Community Reinvestment Agency Amendments	W. Harper	Amend	House Committee (RT)	House 3rd Reading Calendar
Hot	HB 228	Towing Revisions	C. Maloy	Opposed	House Committee (T)	House 3rd Reading Calendar
Work	SB 50	Local Government Office Amendments	E. Vickers	Support	House Committee (GO)	House 3rd Reading Calendar
Work	SB 107	Nuisance Ordinances for Municipalities	L. Fillmore	Opposed	Senate Committee (GOPS)	Senate 2nd Reading Calendar
Work	SB 90	Political Signs Amendments	T. Weiler	Opposed	Senate Committee (GOPS)	Senate 2nd Reading Calendar
Work	HB 79	Interlocal Provision of Law Enforcement Service	M. Winder	Amend	Senate Committee (JLECJ)	Senate 2nd Reading Calendar
Work	HB 143	Water Conservation Plan Amendments	S. Harrison	Amend	Senate Committee (NRAE)	Senate 2nd Reading Calendar
Work	SB 117	Tax Amendments	D. McCay	Opposed	Senate Committee (RT)	Senate 2nd Reading Calendar
Work	HB 148	Vehicle Idling Revisions	P. Arent	Support	Senate Committee (TPUET)	Senate 2nd Reading Calendar
Hot	HB 262	Municipal Boundary Adjustment Amendments	V. Potter	Opposed	House Rules Committee	House Committee
Hot	SB 34	Affordable Housing Modifications	J. Anderegg	Support	House Rules Committee	House Committee
Work	HB 348	Utah Emergency Medical Services System Act Amendments	K. Christofferson	Amend	House Rules Committee	House Committee
Work	HB 59	Government Enterprise Amendments	A. Robertson	Opposed	House Rules Committee	House Committee
Hot	HB 401	Eminent Domain Amendments	P. Ray	Opposed	House Rules Committee	House Committee
Work	HB 378	Regulatory Sandbox	M. Roberts	Amend	House Rules Committee	House Committee
Work	HB 391	Modifications to Governmental Immunity Provisions	K. Ivory	Opposed	House Rules Committee	House Committee
Hot	HB 203	Homeless Shelter Funding Revisions	S. Chew	Support	Senate Rules Committee	Senate Committee
Work	HB 266	Resort Communities Transient Room Tax Amendments	B. Last	Support	Senate Rules Committee	Senate Committee
Hot	HB 5	Retirement and Independent Entities Base Budget	C. Hall	Support	House/ to Governor for signing	Enrollment

Work	HB 64	Lobbyist Expenditure Amendments	M. McKell	Neutral	House/ to Governor for signing	Enrollment
Work	HB 122	Property Rights Ombudsman Advisory Opinion Amendments	C. Musselman	Support	House/ to Governor for signing	Enrollment
Work	HB 154	Mental Health Protections for First Responders	K. Kwan	Support	House/ to Governor for signing	Enrollment
Work	SB 44	Street-legal Atv Amendments	L. Fillmore	Amend	Senate/ to Governor for signing	Enrollment