

Utah League of Cities and Towns
Legislative Policy Committee Minutes – 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.
2. Legislative items:
 - a. UPDATE: Tax reform and sales tax–ULCT Senior Policy Advisor Roger Tew announced that Representative Tim Quinn will be attending the meeting and provided background on sales tax reform. Roger expressed gratitude for member discussions with legislators after Local Officials Day on sales tax concerns. Roger outlined the four steps involved in sales tax reform: Step A: the state will decide on base expansion to tax new items. Roger emphasized that cities share the same tax base as the state. Base expansion is still an unknown. Step B: the state offset will be ‘revenue neutral,’ but this will not be revenue neutral for cities. Step C: determine the local impact of the new tax base; Step D: local offset; rates, formula, and impact. Roger introduced Representative Tim Quinn, the point-person in the House on base broadening. Representative Quinn stated that the legislature has been working on this for about a year with the Tax Commission, the Legislative Fiscal Analyst, and policy analysts to address the disparity between income and sales tax revenue. Representative Quinn assured cities that there would be a hold harmless clause so that cities will not be harmed by changes. The legislature is building in a buffer to make sure estimates are accurate or off on the positive side and funds will be held in a restricted account with the ability to adjust state and local rates as data is available. The legislature plans to ease in new rates based on incoming data. Representative Quinn opened the floor to questions. Roger asked if the 50/50 is part of the discussion and if so, why? Representative Quinn said that it is not part of his bill but there may be another bill that impacts 50/50 distribution model. Roger asked about the year-long process and said that cities have not been a part of the process. Roger asked if Representative Quinn feels tax reform being pushed through too fast. Representative Quinn said that many in the business community feel they were left out of the process, but stated that they purposefully excluded industry from the tax discussions because they would all lobby to be excluded from sales tax on services. Roger asked how they will define hold harmless. Representative Quinn said it will include a growth mechanism. Salt Lake City Mayor’s Office Senior Advisor for Intergovernmental Affairs Lynn Pace asked if all local rates will be lowered. Representative Quinn stated that they do not know the formula yet and transportation funds and levies cities have put in will be held harmless. Lynn asked if it is a goal to be revenue neutral at both the state and local level. Representative Quinn stated that the goal is to provide a tax cut on the income tax side for the state. Lynn asked if excess funds will be held in a lockbox or through a diverted effective date. Representative Quinn responded that funds will be held in a lockbox and the sales tax portion will impact people immediately. Layton City Attorney Gary Crane said that cities feel left out of the process and expressed

caution on things that happen at the end of the session on important issues. Gary discussed how this might impact municipal bond ratings and may have other unintended consequences. Gary asked when cities will be brought in to the discussion. Representative Quinn said that if there was a change to the 50/50 component, it might be on the excess. ULCT Executive Director Cameron Diehl asked if the calculation on the growth component will be individualized to recognize that all cities grow in different ways and reform will impact cities in different ways. Cameron shared the ULCT resolution on tax policy with the Representative and highlighted the importance of long-term sustainability and asked if cities will have time to look at tax in context rather than just sales tax in a vacuum. Cameron asked if there will be time to consider sustainability for cities. Representative Quinn said that sales tax might be implemented July 1, 2020 and have a waterfall effect so it is not fully implemented until July 1, 2021 to give time for policy discussions. Highland City Mayor Rod Mann asked if there is room for local growth if tax reform is revenue neutral and gave the example of the gas tax that had unintended consequences. Representative Quinn said that legislators have to remember that counties and cities are political subdivisions of the state, but he does not want to centralize government. Representative Quinn says that cities should have a say in the process and if the state benefits from growth, cities should benefit from growth. An LPC member voiced concern that the state excluded cities and towns in the tax discussions that have been held over the past year. He asked what cities and towns can do to collaborate on tax discussions moving forward. Representative Quinn stated he is willing to meet with any LPC member. Roger thanked Representative Quinn. Wasatch Front Regional Council Executive Director Andrew Gruber asked if Roger interprets that increase in state sales tax will be put into a lockbox or that locally imposed sales tax could be put into a state lockbox. Roger stated he interpreted it to mean that all the rates will be subject to the lockbox. Cameron said the lockbox concept has caused concern if the natural growth becomes part of the lockbox. Cameron discussed the short-term, medium-term, and long-term League considerations. The short-term focus is on what is taxed, what is the offset, what is the framework, and what is defined as new money: untaxed services or untaxed services + growth. The medium-term focus is the timing of implementation. The long-term focus is on fairness and sustainability regarding revenue-neutral and impact-neutral reforms, local taxes, and the distribution formula and rates.

- b. UPDATE: SB 52: Secondary Water Metering Requirements – ULCT Director of Policy Wayne Bradshaw gave an update on recent amendments to the bill. It increases the grant amount to 50%, allows 25% of costs to be a low-interest loan with 25% being paid through the system. It requires the Department of Water Resources to have an appeal process for systems that are unable to meter and it increases the window to meter to 2039. Wayne said they anticipate a third substitute that will exclude counties of the third through sixth class and will include an appeal process for built-out systems where conservation at higher elevations could have a negative impact on lower elevation systems. Wayne asked members to read the third substitute to see if LPC can be neutral or supportive

with the compromises Senator Anderegg has made. There will be a provision that if there is conservation, the city will maintain that water right.

- c. UPDATE: Tier II Retirement – SB 129: Public Safety and Firefighter Tier II Retirement Enhancements – Wayne provided an update on SB 129 and said that as it currently stands, it provides a one-time funding of \$5.3 million with \$3 million in ongoing funding. It passed out of committee with Senator Fillmore voting no. Senator Fillmore proposes to amend the bill to take out the ongoing funding of \$3 million and simply leave the \$5.3 one-time funding. Wayne stated that he has spoken with Senator Stevenson about full funding from the state, but the Senator did not anticipate that there would be available funds. Wayne stated the LPC position is still oppose until fully funded. President of the Utah Chiefs of Police Association Chief Ross spoke in support of enhancing Tier II retirement.
- d. UPDATE: Week 4 update and Week 5 preview– ULCT Director of Government Relations Rachel Otto said there are 1,401 total bill requests and ULCT is tracking 316. Rachel highlighted that the House Economic Development Committee unanimously recommended SB 34, Affordable Housing Modifications. The three water bills ULCT worked on with stakeholders and experts over the interim passed the House Natural Resources Committee (SB 17; HB 31; HJR 1) without proposed hostile amendments. HB 288: Critical Infrastructure Materials will create a mutual moratorium where there will be no new pits and no new regulations until stakeholders work through the issues over the interim. HB 228 Towing Revisions was held in committee. SB 184: Code Enforcement bill was substituted and is now a bill ULCT can support. It requires that the subject property is given notice of the violation with time to cure. SB 154: UCA Amendments is now at a place where it is acceptable. SB 56: CRA Report Amendments is Senator Henderson’s bill that creates county databases for cities to upload CRA information. ULCT is in discussions to move the database to a statewide GOED database. Up this week: HB 320: Container Regulation Act; HB 311: GIA; SB 107: Nuisance; and HB 315: LUDMA. Other bills to note: HB 354: Business Regulation Amendments, a problematic bill targeted at Turo, the car-sharing app, will have far-ranging impacts on regulating peer-to-peer services; HB 376: Driver License Suspension Amendments; HB 401: Eminent Domain Amendments will be held this year.
- e. UPDATE: Other legislative issues by staff and membership – ULCT Executive Director Cameron Diehl asked members to keep staff updated on concerns with new bills. Cameron discussed an anticipated substitute on HB 119, the referendum bill: it will include a 20-day pause, the required fiscal/legal analysis on proposed referendum a city must prepare will be part of the proactive materials a city distributes about the referendum; for a divided council, preference will be given to a council member on the prevailing side; geographic diversity will require every city above 10,000 in population to create geographic diversity requirements for signature gathering; rolling signature submissions will require a signature packet to be delivered within 7 days of obtaining the signature; and cities can answer specific questions from the public during the process. Continued concerns: (1) When does the Political Activities of Public Entities Act apply; and

(2) Is the definition of *influence* that may prevent dissemination of information prior to an act by a council problematic?

- f. ULCT Communication: Cameron presented an update on social media outreach and said that there were 16,670 Facebook post reaches last week with 118 engagements and a 227% increase in Facebook page likes with 10,100 Twitter impressions. Cameron encouraged members to continue to share ULCT videos on growth and housing with their communities and legislators.
- g. MEMBERSHIP COMMENTS, SB 129: St. George City Attorney Shawn Guzman asked where LPC is on SB 129. Cameron stated the approved LPC position is to oppose unless funded. Shawn asked if there is a middle ground LPC is willing to consider. Murray City Councilman Dale Cox proposed changing the position to *support* and to work with the legislature to get as much funding possible to support first responder retirement. Saratoga Springs City Manager Mark Christensen said that Saratoga Springs has already altered their pay plan to add benefits for first responders and that each council must make that decision, but the state should not impose it. Mark wants the motion to stay. An LPC member stated that Utah has a fully funded system and not a contributory system, so comparisons with other states is not accurate. An LPC member asked if \$3 million ongoing funds the state contribution or whether it is split 70% to 30% between the state and municipalities. Wayne said that this needs to be clarified. In testimony Representative Harper said after year 10 there would be no funding left for municipalities. Ogden Chief Administrative Officer Mark Johnson made a counterproposal that LPC remain neutral to send a message to first responders that cities are not opposed to a fair retirement system. The countermotion was seconded. An LPC member voiced concern with supporting an unfunded mandate. An LPC member made a substitute motion that LPC maintain its position to oppose unless funded. The substitute motion was seconded. The substitute motion passed and LPC maintains its position to oppose SB 129 unless funded.
- h. ACTION: Ratify staff positions – Washington Terrace Mayor Mark Allen motioned LPC ratify staff positions. The motion was seconded. Staff positions are ratified.

3. Adjourn