

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

1. Welcome, introductions, logistics, and adoption of March 4, 2019 minutes, ULCT 2nd Vice President Mike Caldwell

2. ULCT communications efforts
 - a. ULCT Podcast -- ULCT Director of Communications and Training Susan Wood informed members how to access the weekly ULCT podcast on Podiant through a link sent in the Friday Facts email. Susan thanked LPC members for their efforts to help the League produce and share the housing affordability and growth videos.
 - b. Midyear Conference -- Susan informed members that registration is open for the Midyear Conference, which will be held in St. George from April 24th through the 25th. The Midyear Conference will include sessions on how to improve community outreach on Facebook, emergency management, budgeting, land use, implementing legislation enacted this session, and a session for women in local government featuring Holly Richardson from *The Salt Lake Tribune*. Attendees will have an opportunity to meet for caucus discussions and to deliberate the anticipated issues of the 2020 legislative session. Susan hinted that the League is scheduling an incredible keynote speaker, but negotiations are ongoing and the speaker will be announced at a later date.

3. Legislative items
 - a. UPDATE: HB 441 -- Tax Equalization and Reduction Act -- ULCT Senior Policy Advisor Roger Tew walked LPC members through the timeline of HB 441 and recapped the LPC discussion from the previous week wherein the League was working to come up with options to mitigate impacts of the proposed tax reform. After the previous LPC, Roger and ULCT Executive Director Cameron Diehl met with Representative Tim Quinn and Rep. Quinn informed Roger and Cameron that all local governments would be taken out of the bill because of the complexity of the issue and the time constraints. Roger and Cameron had mixed feelings because the League supports expanding the tax base and wants to ensure that cities participate in the tax discussions. The exclusion of local governments from the base expansion could become problematic. Rep. Quinn assured Roger and Cameron that removing local governments from the bill was not based on anything cities had done, but rather to protect outstanding UTA and Park City bonds. Roger questioned whether or not removing local governments from an expanded sales tax base would comply with the streamline sales tax requirements. The League anticipated an updated bill for several days but was informed there was a hastily called press conference and HB 441 was dead this session. Roger does not think there will be a surprise bill brought in during the last three days of the session, but it is a possibility. Some budgetary decisions throughout the session were based on anticipated increased revenue from an expanded tax base and this will diminish the budget. Now the question is whether or not a special session will be called. The governor and legislative leadership say that there will be, but there are unanswered questions. The League is not involved in the fight over what

is included in the base. The League is looking at the rates and how to protect the financial status of cities. There is a fiscal split between the house and the senate and the next few days will be spent in caucus working through this. Roger feels that LPC did well in sending the message to the legislature that cities will be impacted and this needs to be considered in the reform process. The 50-50 issue started to recede as the legislature considered other issues, but this will come up again. Spanish Fork City Manager Seth Perrins commented that if a special session is called, this is essentially pushing the pause button. Seth asked if the League's proposal that was going to be presented to Rep. Quinn is something that LPC members should be aware of and working on within their cities to prepare for the special session. Roger stated that the options the League devised during the session will be valid. The local rates will eventually have to come down. The questions will be how to come up with a hold harmless formula, which can be problematic because it means taking money out and lockboxing it. The boutique tax rates that impact certain cities will need to be addressed separately. The structure of what the League put together is a good structure and needs refinement. Cities will not be dollar-for-dollar where they are from year-to-year, but that is true under the current system. The Census in two years will change things. The question is have we directionally covered everyone? Duchesne City Attorney Craig Smith asked if there will be less money because he has a funding request for two cities and is being told there will not be as much money to pass around. Roger responded that the issue of this year's budget and the broader issue of tax reform need to be separated. Because the legislature held this bill and built up certain expectations around it the legislature has less revenue. Washington Terrace City Manager Tom Hanson asked what we can do to encourage a deeper dive on the analysis of tax reform that teaches all involved about the impacts across the board so decisions are not made half blind. Roger responded that one of the issues about expanding the sales tax base is that we cannot know the impacts until the bill is run. The dynamics and their relation to communities is tied to sourcing, where the point of sale is for services. Utah is a destination sourcing state where the rate that is attached is where the product ends up. For online sales and services this could be where the client is located. This could be spread out across the state more than anticipated, but it is hard to get a feel for this before the bill is implemented. Salt Lake City Senior Advisor for Intergovernmental Affairs Lynn Pace thanked Roger and the ULCT staff for representing cities on this issue.

- b. UPDATE: SB 52 -- Secondary Water Metering -- ULCT Director of Policy Wayne Bradshaw stated that SB 52 was amended on the senate floor creating an interim study bill with caveats. The topic will go to the Water Task Force over the interim to look at how things should be paid for and who should pay for them, what exemptions should be allowed, and other technicalities that should be included in metering mandate legislation. The bill requires everyone with secondary water systems to report to the Division of Water Resources a timeline by which they could add meters and the cost to install the meters, requiring cities to go through the steps of evaluating the implementation of meters. The reports are due at the end of 2019. These reports give cities an opportunity to make an argument for certain exclusions for this public good. The bill increases annual reporting requirements and cities will need to report by March 31, 2020 the connection types, how many months the system is in service, and the volume of water that goes

through the system. This does not appropriate any new funds, but makes \$10 million available in loans for secondary system metering. Wayne will continue discussions with the bill sponsor because the task force report is due in November and city reports are due in December. It is unclear if the city reports are intended to provide information to the task force as they develop their report, or if cities should wait until the task force publishes their report before cities complete and submit their report. Lindon City Administrator Adam Cowie asked if the grant option is completely out. Wayne responded that there is no grant money but there is also no mandate to meter existing systems. Adam asked if the legislature expects cities to report when cities will be implementing citywide metering. Wayne responded that yes, on paper, cities must do this.

- c. UPDATE: Week 6, what's left in Week 7, and Interim plans -- ULCT Director of Government Relations Rachel Otto presented an overview on bills that the League is working to get across the finish line.
 - i. Water: The status of the three bills the League worked on with the Executive Water Task Force last year is: SB 17, Extraterritorial Jurisdiction, enrolled; HJR 1 & HB 31, senate 2nd reading calendar; SB 52, introduced in the house, but there will not be any committee hearings.
 - ii. Housing: SB 34, the Affordable Housing Modifications bill that was the product of the Commission on Housing Affordability over the past interim went through a senate committee, the senate, passed a house committee, and is now in house rules because of the \$20 million one-time appropriation in the bill that goes to the Olene Walker Low-Income Housing Fund and a \$4 million ongoing appropriation. Getting the bill funded at this point with the tax reform and budget restraints, it seems less likely that there will be money attached. This bill focuses on what cities can do through planning, zoning, and regulation to support housing affordability and affordable housing and the concern is that without money attached to the bill, it becomes a bill about what cities can do without the funds available for developers to build units at a low cost. The League continues to support the bill to be proactive on what cities control in the housing realm and the League may need to come back next year to ask for money. Rachel thanked LPC members for talking to their legislators to make sure this bill gets through without penalties attached. Washington Terrace City Manager Tom Hanson stated that it is obvious that if we're taxing services and we're discussing housing affordability, there is a link between increased taxes on construction and supplies and the cost of housing. Rachel discussed HB 386, Economic Development and Affordable Homes, which started out as a \$20 million ongoing appropriation but was pared down to \$3 million a year for preservation of affordable units. Cities lose about 1,000 units every year and this money will be geared toward preserving some of those units. Wasatch Front Regional Council Executive Director Andrew Gruber stated that HB 386 failed to pass five minutes earlier. HB 371, Homeless youth services, and HB 465, Homeless youth fee waiver, do not have huge fiscal notes attached to them and will probably pass.
 - iii. Taxes: HB 382, Resort Communities Tax Notices, passed out of senate committee earlier in the day. Roger said there are 17 resort communities in Utah.

To qualify for the resort communities tax cities have to have hotel rooms in numbers that represent 66% of the population. When there is a population spike, the city may not have the requisite rooms to keep their resort community tax. This bill gives resort communities extra time to bring new projects online. SB 256, Truth in Taxation, allows for a property tax inflation, which is a good idea but has never been done. This becomes a leverage point for looking at overall tax reform and is being stalled. Saratoga Springs City Manager Mark Christensen asked if there are concerns with new growth being pulled out of the calculation with how you determine your base. Roger responded that changing the computation of property tax merits an investigation. New growth is the free money portion, the portion you get with new properties added. It is a misnomer to call it new growth because the computation takes in other factors. This should be re-examined in the broader tax reform process.

- iv. Land Use: Rachel said that the League will discuss the specifics of HB 315, the Land Use Task Force bill, at the Midyear Conference. HB 315 is on the senate 2nd reading calendar and there should be no issues with getting it passed. HB 288, the critical infrastructure bill, the gravel pit regulation bill, is up in senate committee this afternoon and started out as a damaging bill for local government because it preempted local governments from regulating gravel pits. The bill is pared back significantly thanks in part to help from Layton City Attorney Gary Crane and the League supports the bill. The League will work on this throughout the interim. HB 122 amends attorney fee provisions in the Property Rights Ombudsman statute. The Community Reinvestment Agency bills have been amended based on feedback from LPC and the Utah RDA Association and, except for HB 70, which is dead, are on track to pass: HB 245, senate 2nd reading; SB 77 is in the house; SB 56 and SB 98 enrolled; and HB 70 is dead. Lynn Pace said there is an amendment in SB 77 that will need to be adopted on the floor of the house and the amendment has been agreed upon.
- v. Public Safety: SB 129, Tier 2 retirement, is now back in house rules because of the \$5.3 million appropriation. Dave Spatafore stated that it all depends on what is decided with the budget. SB 154, the UCA amendments, is in house rules because of its appropriation. Dave Spatafore said that the key provision in SB 154 is the increase from 9 to 25 cents per month per line for operations and maintenance for the services and new phone system. The other part that is not listed in SB 154 is a one-time funding request that was made for \$5 million to do the initial purchase of the necessary equipment. That may or may not be funded. Rachel stated that ULCT Legislative Research Analyst Karson Eilers worked with Representative Kwan on HB 154, mental health for first responders, which creates a working group to examine workers compensation claims for mental health for first responders. HB 53 is a bill that was started last session and morphed into a task force that worked on privilege and communications between victims and victim advocates and prosecutors. The task force produced this bill and since it was released the bill has been adjusted a few times, but some victim advocates and prosecutors are unhappy with the status of this bill. Rachel spent

time with Representative Snow and the South Jordan City Prosecutor and Representative Snow expressed an interest in continuing to work on this effort over the coming year and in next session. HB 466 just came out last week and clarifies the statute on the premium insurance tax to make sure the firefighters retirement is appropriately funded. The League will continue to make sure HB 466 makes it through. HB 13, distracted driver amendments, and HB 153, run a red light on certain occasions, both failed. SB 109, asset forfeiture, is being held for interim.

- vi. General Bills: HB 119, referenda, passed through a senate committee 5-1 today. HB 228, towing, passed senate committee today. HB 324, the tobacco bill that raises the age for tobacco purchase and sales to 21 statewide, passed unscathed, but Wayne said there will be an amendment in the senate that will clarify that the age is 21 statewide. HB 433, the inland port bill, passed through senate committee earlier in the day. The League has received mixed comments on the bills with rural communities in support of the bill. The League is working to amend a provision in the bill that prohibits an executive from suing the port authority without council approval. HB 320, the container bill, is circled in the house and Rachel anticipates that it will stay there, but will come back next year. SB 90, political signs, was crushed in committee by Gary Crane's testimony. SB 107, the nuisance bill, is held. Representative Roberts released a new substitute for HB 59, government enterprise, and is committed to working on the issue over the interim. The League has committed to have conversations on it and the bill will not go anywhere this session.
- vii. Air Quality: When the League sent out a survey at the beginning of the session to ask what priorities are, air quality measured very high. HB 148, vehicle idling, is supported by the League. It reduces the required warnings from 3 to 1 before a city can issue an idling citation. HB 411, renewable energy, passed out of committee last week and Rachel hopes that this bill will get through this session. Lynn Pace stated that he will be working the bill this afternoon because he expects a move to amend the bill to require opt-in rather than opt-out and he stated LPC members should support the second version of the bill. SB 144, inland port monitoring, requires DEQ to do additional monitoring at the inland port. HCR 11 and HCR 13 encourage tier 3 fuel and these resolutions are enrolled.
- d. UPDATE: Other legislative issues by staff and membership -- Brigham City Economic Development Director Paul Larsen asked about SB 200 and stated concern that it allows tax incentives to bypass municipal economic development agencies in third through sixth class counties. This could be applied to first and second class counties in the future. Rachel responded that one of the topics the League will be discussing over the interim is economic development, the overall structure, and where funds are going. There has been a push to shift economic development to counties and that is a trend the League will be getting a handle on. ULCT Senior Policy Advisor John Hiskey discussed the major issue this session of addressing firefighter retirement and the \$17 million backfill and \$12 million ongoing required. In the first few weeks, a bill was passed creating a restricted

fund and has been signed by the governor. Steve Young, retained by the UFA out of Salt Lake County, to investigate the issue reported that the software failed in terms of sending money to the right allocations. HB 466 will correct this and was worded by URS. John thanked the Spatafores for their work on the bill.

- e. INTERIM EFFORTS: Rachel outlined the League's focus moving into interim and tax reform tops the list. Part of the compromise on SB 129 is that public safety retirement will be investigated and discussed over the interim and the League will be asking for data regarding public safety retirement from cities. Gravel pit regulation will be discussed in the land use task force and Rachel encouraged cities who are concerned about gravel pits to participate in the conversations. There will be discussions on water conservation on Representative Harrison's bill and SB 52 and the League will participate in these discussions. The Commission on Housing Affordability will reconvene its five-year effort and it is in year two. The League has ideas on specific issues like funding mechanisms to look at this interim so we will have quality legislation next year. Regarding beer, Bountiful City Councilmember Kate Bradshaw stated that we may be drinking 4. something beer by the end of the session. The League has an appointment on the state flag commission and will be involved in interim discussions. Lynn Pace asked about HB 459, political activities, and asked for the League's position. Rachel responded that the League is opposed to the bill and will be opposing it in committee later in the afternoon. It contradicts the progress made with Representative Daw on HB 119. Moab Mayor Emily Niehaus asked what the League's position is on HB 453 that allows 18 year olds to serve alcohol. Rachel responded that this was wrapped into Rep. Hawkes bill, HB 453, and is moving forward. Dave Spatafore stated that McCay substituted the fines and fees bill, SB 252, and the ULCT tracking shows the League is opposed, but with the amendments the tracking should be updated to show that the League supports the bill. Rachel responded that the tracker will be updated. Andrew Gruber stated that there will be a skinny budget where not all available money will be appropriated and the house leadership proposal for the skinny budget is available on the executive appropriations committee website. Most discretionary appropriations requests are not funded on the list.
- f. THANK YOU: Rachel expressed gratitude to those who participated this session and attended LPC meetings. Rachel also expressed thanks to those who invested significant time this session to support city interests, including: Brian Allen, Nicole Cottle, Gary Crane, Mark Christensen, LaNiece Davenport, Jamie Davidson, Evelyn Everton, Andrew Gruber, Shawn Guzman, Jodi Hart, Brandon Hill, Gary Hill, Kory Holdaway, Mark Johnson, Rob Jolley, Joel Linares, Ryan Loose, Lynn Pace, Wayne Parker, Isaac Paxman, Ryan Peterson, David Peterson, Tom Ross, Heather Schriever, Melinda Seager, Ashley Spatafore, Dave Spatafore, Shelley Teuscher, and Rob Wall.
- g. ACTION: Staff positions were ratified. Mayor Caldwell stated there is near consensus that this session has been a significant attack on local government and he applauded ULCT staff commitment.

4. Adjourn