

**TREMONTON CITY CORPORATION
CITY COUNCIL MEETING
JULY 30, 2021**

Members Present:

Connie Archibald

Lyle Holmgren

Bret Rohde

Rick Seamons

Lyle Vance

Roger Fridal, Mayor

Shawn Warnke, City Manager

Linsey Nessen, City Recorder

CITY COUNCIL MEETING

Mayor Fridal called the July 30, 2021 City Council Meeting to order at 12:00 p.m. The meeting was held in the Tremonton City Council Meeting Room at 102 South Tremont Street, Tremonton, Utah. Those in attendance were Mayor Fridal, Councilmembers Archibald Holmgren, Rohde, Seamons, and Vance, City Manager Warnke, and City Recorder Nessen. The following Department Head was also present: Public Works Director Paul Fulgham.

1. Introduction of guests
2. Approval of agenda

Motion by Councilmember Vance to approve the agenda of July 30, 2021. Motion seconded by Councilmember Archibald. Vote: Councilmember Archibald - aye, Councilmember Holmgren - aye, Councilmember Rohde - aye, Councilmember Seamons - aye, Councilmember Vance - aye. Motion approved.

3. Presentation and/or question and answer session on the property tax system, Tom Kotter-Box Elder County Auditor

Mr. Tom Kotter said January 1 is the date the assessor sets the value of the property. It is important to remember that in Utah property taxes are revenue driven. That means Tremonton is entitled to the same money they got last year using the same properties from last year at this year's value. For example if Gotham City had 100 parcels in 2020 and the total taxable value was \$100 million they would be entitled to \$25,000 with a tax rate of the .0025. Go forward one year and Gotham is still entitled to \$25,000. The assessor would only look at the 100 parcels that existed in 2020, but with their 2021 value. In 2021 there are now 110 parcels in Gotham, but the certified tax rate will exclude those 10 parcels, which are considered new growth. The value on the 100 parcels increased during reappraisal to \$105 million. Gotham is still entitled to \$25,000 so that is divided by \$105 million giving you a tax rate of .0024. Times that by the new value for all of Gotham and the new amount for the city is \$26,400. The problem is this all happens as if inflation does not exist. Gotham will get the \$26,400, but if inflation was at 5% they

are not coming ahead in anything with the new growth, which also require services. New growth does not come in at a zero cost.

Mr. Kotter showed the Council the value for Tremonton for the 2021 tax year. He said the big thing to know is the tax commission checks these numbers and makes sure everything is legit. When we calculated the certified tax rate, we looked at all of Tremonton for 2021 and there was a value of \$787,000,000. We anticipate there to be about a \$15 million adjustment down with a collection rate of 97.5% so we get \$753,000,000 and we know there is \$9,000 in new growth. We take that number out since we do not use new growth for the certified tax rate calculation and end up with \$744,000,000 as the taxable value in Tremonton. Last year Tremonton was just under \$1.7 million for revenue. We take last year's revenue and divide that by this year's new values to give us your certified tax rate (.002279). That is timed by the proposed tax rate value, which gives me \$1,700,000. That is the amount Tremonton is entitled to take for the 2021 tax year without going through the Truth in Taxation process.

Mr. Kotter said none of this happens parcel by parcel. There was a 5% increase overall so the rate comes down 5% because Tremonton City is only entitled to the same amount of money you got the year before. If values go up, the rate will come down since the rate is a plug number. The rate is just the multiplier to get us to your budgeted revenue for the year before. A person could pay less if the rate came down and their value did not change. However, someone, somewhere else is paying the additional money that person is now not paying. Tremonton will still get that money it is just coming from someone else. The County assessor reviews a parcel every five years. For Tremonton, 2018 was the last time Tremonton was in the reappraisal area so this year it would have just been a factor they looked into. Commercial is not changing from the assessor's standpoint. They are holding steady and residential is increasing so you have a tax shift. Tremonton is still getting that money it is just coming from someone else.

Councilmember Rohde said if we were just following through at a normal rate we would get \$1.7 million, plus the new growth. What is the new growth number? How much more would that add to our bottom line? Mr. Kotter said about \$20,000. The Council is asking for about \$200,000 more through the tax increase process. The City can always lower the proposed rate, you just cannot go higher. If you decide you only need \$150,000 you could adjust the proposed rate down. Councilmember Rohde said if we applied an inflationary rate to our taxes every year we would not be in this position because we would be growing at that rate each year. This is not uncommon we would just need to go through Truth in Taxation every year? Mr. Kotter said correct. Brigham City is one who is doing this. There is nothing in the Truth in Taxation laws in the State code that allows you to capture inflation through the certified tax rate process. Cities have to come back each year with Truth in Taxation. The legislature has looked at that in the past, but is very hesitant to add inflation. If you want it, you have to ask the public for it.

The Council discussed depreciation and Mr. Kotter said there are three property types: real value, centrally assessed, and personal property. About 16% of your tax base is personal property, which is a depreciating tax base and the value will go down. That can

and does impact your rates. Councilmember Vance said so over time if new businesses are not moving in and personal property depreciates, the County reassesses so the revenue comes in the same amount. Mr. Kotter said the revenue would always stay the same it just depends where it comes from. People who may have had 30% reappraisal on their home would be hit hard, as well as adding on any type of proposed tax increase. A resident's value could go down or stay the same.

Mr. Kotter said I assess the certified tax rate with the help of the tax commission. We question and verify the data to make sure it is correct. Councilmember Vance said if we go through the Truth in Taxation and get the 11.8% increase, does it go back to the certified tax rate next year or how does that work? Mr. Kotter said if your new number goes through and you get the \$1.9 million instead of the \$1.7 million you are now entitled to that going forward. It does not reset. That will be your new base budget number. Councilmember Rohde said I am curious to know if we apply this technique for inflation (5%) each year. In three years we would be where we need to be for this budget for the fire department. I wonder if we consider that idea of increasing 5% each year instead of going with the 11.8% increase now. We have not done any increases in 30 plus years and have depended solely on growth. It seems if we are following inflation, our budget is going to increase much more rapidly. Mr. Kotter said every time you exceed the certified tax rate the tax commission makes you go through Truth in Taxation. Manager Warnke said what we are proposing is not an inflationary issue. We are adding full-time staff to take care of a need. That other approach is more commonly used to keep up with the inflation that is occurring. That is when that idea of increasing it by inflation is appropriate, but I do not think that would work here.

Councilmember Archibald said I think a lot of citizens are under the impression that the reason we are doing this is because the City is growing and that is not really true. The reason we are raising taxes is because safety is so important to us. We have concluded we cannot go any longer without full-time professionals helping us with our safety. We have been here for a long time. Yes Tremonton is growing, but we have been to the point where this is needed long before all this growth happened. With the growth coming it just stimulates more of a reason as to why we are doing it. Councilmember Holmgren said the City has not gone through Truth in Taxation, but taxes have increased so for some it is getting hard. Our taxes have increased and that is what people see. Mr. Kotter gave the example of when the pipeline came through and added \$1 million in new growth. Overtime the pipeline's value goes down, and the same can happen for someone else's property through reappraisals, but that number will get made up somewhere else. Personal property is a depreciating tax base. As that goes down there will be a shift and someone else will pick it up. If values go down, these taxing entities are still entitled to the same amount of money so the tax rate would go up to get that. It speaks well that you as a Council want to learn about this process. The Council thanked Mr. Kotter for his time.

4. ***CLOSED SESSIONS: No closed session as held at this time.***
 - a. ***Strategy session to discuss the purchase of real property when public discussion of the transaction would disclose the appraisal or estimated value of the***

property under consideration or prevent the public body from completing the transaction on the best possible terms; and/or

- b. Strategy session to discuss the character, professional competence or physical or mental health of an individual; and/or*
- c. Strategy sessions to discuss pending or reasonably imminent litigation; and/or*
- d. Discussions regarding security personnel, devices or systems*

5. Adjournment.

Motion by Councilmember Archibald to adjourn the meeting. Motion seconded by Councilmember Holmgren. Vote: Councilmember Archibald - aye, Councilmember Holmgren - aye, Councilmember Rohde - aye, Councilmember Seamons - aye, Councilmember Vance - aye. Motion approved.

The meeting adjourned at 12:46 p.m.

The undersigned duly acting and appointed Recorder for Tremonton City Corporation hereby certifies that the foregoing is a true and correct copy of the minutes for the City Council Meeting held on the above referenced date. Minutes were prepared by Jessica Tanner.

Dated this 17th day of August, 2021.

Linsey Nessen, City Recorder