

Truth in Taxation Hearing

Aug. 2, 2022



Why are we holding this hearing today?

- The purpose of this property tax rate increase is to provide additional funds to construct a **recreation center**, which would include indoor and outdoor pools and a senior center
- \$4.90 per month on the average home
- \$58.80 per year on the average home
- Average home is valued today at \$461,000



Why are we holding this hearing today?

- What will be discussed tonight:
 - Why has the city council reached this decision
 - How do property taxes work
 - A framework for how this project would be funded
 - Addressing several questions asked in various public and private forums
- Receive public comment



SURVEY METHODOLOGY

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Sample of Spanish Fork residents consisted of a universe of Spanish Fork residents sampled from the city utility billing contact database. Invitations were sent via email, and responses were collected from June 12-19, 2020.

32m

The average Spanish Fork resident took 32 minutes to complete the survey.

20%

Of the 7,992 delivered invitations, 1,418 citizens responded by completing online surveys. This results in a response rate of approximately 20% overall. Each email address could respond only once.

+
- 2.56

1,418 interviews among an estimated adult population of 35,000 results in a margin of error for the survey of plus or minus 2.56 percentage points. Responses were weighted by age, gender, and home ownership to better approximate the City's demographic composition.

GEOCODED RESPONSES

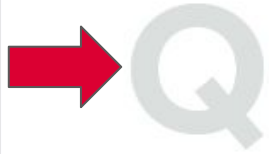


Sample consists of Spanish Fork residents from all areas of the city with no clear geographic nonresponse bias patterns.

Neighborhood- or planning area-level analysis can be conducted on our response data as a follow-up to this overall report as needed.

RECREATION CENTERS, POOLS MOST COMMONLY-USED AMENITIES

Recreation centers, including Provo Recreation Center and Springville Recreation Center, were among the most frequently mentioned amenities. Mountain biking, indoor pool, and swimming pool were also in the top 10 most common answers.

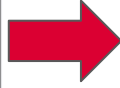



What recreational activities, facilities, or programs do you use or participate in besides those previously mentioned, if any (including any outside of Spanish Fork City)?



RECREATION CENTERS, POOLS AMONG TOP DESIRED AMENITIES

Many residents are interested in recreation centers. Both indoor and outdoor swimming pools, including a water park, are frequent requests.

  What programs or facilities would you be interested in using or participating in that are not currently offered by the Spanish Fork City?

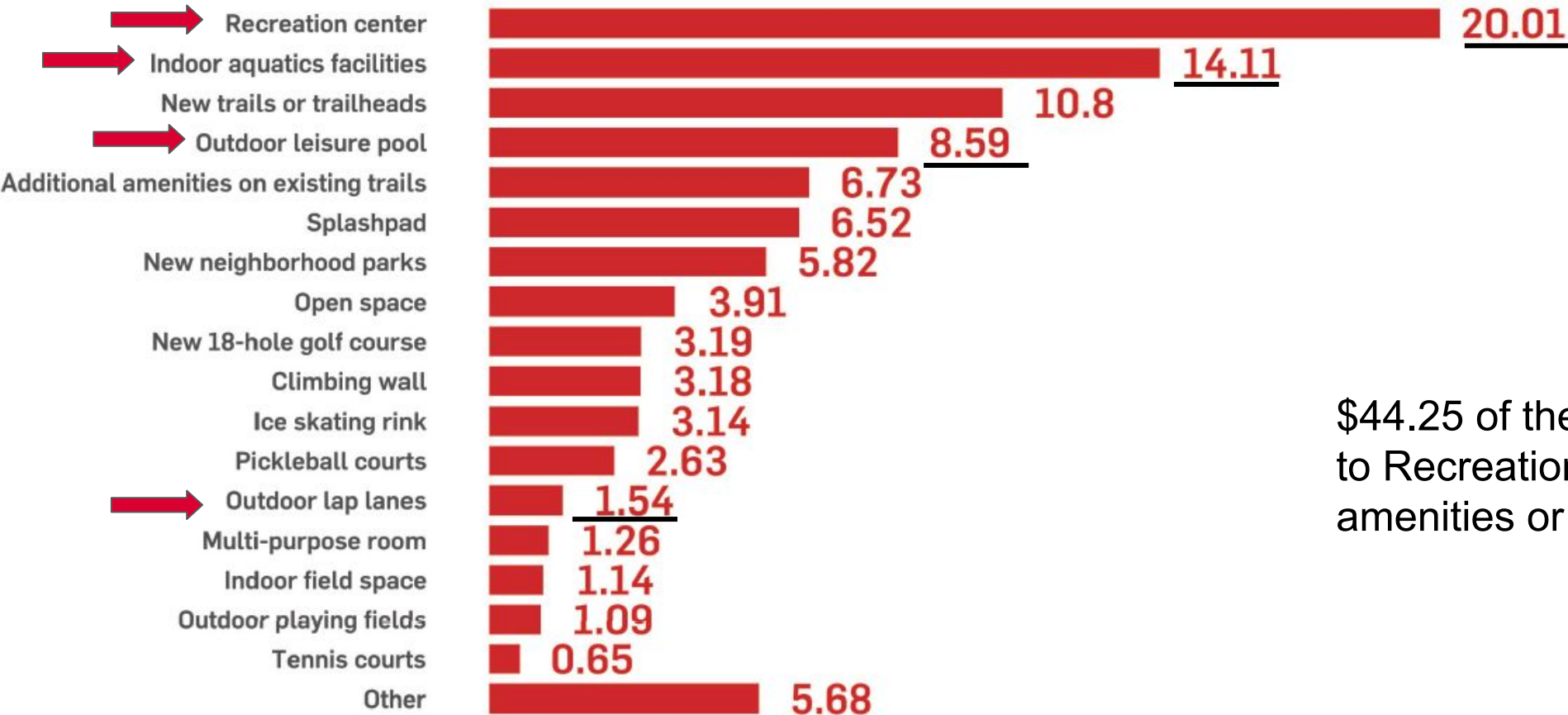


RECREATION CENTER, INDOOR AQUATICS FACILITY GIVEN MOST FUNDING

A plurality of funds for additional programs (\$20.01) goes towards a new recreation center. Resident would allocate \$14.11 towards an indoor aquatic facility. Tennis courts received the lowest amount of funding at \$0.65.



Suppose you had \$100 to spend on additional parks, recreational programs, facilities, open space, or trails the Spanish Fork city boundaries. How would you divide your \$100 among the various projects that could be funded?



\$44.25 of the \$100 to Recreation Center amenities or facilities

RESIDENTS WILL PAY ~\$67 MORE ANNUALLY FOR RECREATION OPPORTUNITIES

On average, residents are willing to pay \$67.30 in additional property taxes to fund the types of parks, trails, open space, and recreation facilities that are most important to them. A plurality of respondents (18%) were only willing to pay \$50. The next largest group was the 13% of respondents who were willing to pay \$100 per year. 9% said they don't want to pay higher taxes.



What is the maximum amount of additional annual property taxes you would be willing to pay to fund the development and operations of the types of parks, trails, open space, and recreation facilities that are most important to you and members of your household?





1. Spanish Fork residents are generally active. **Most residents use Spanish Fork parks, fields, or recreational facilities at least once a month.** However, over half did not participate in Spanish Fork City recreation programs such as organized sports for youth and adults.
2. A **recreation center and indoor pools are the top requests** for new recreation amenities. When asked to allocate \$100 in hypothetical funds, respondents put **\$20 towards a recreation facility and \$14 to indoor aquatics facilities, on average.** New trails/trailheads are also a popular request.
3. Residents are **most likely to support a bond for a new recreation center,** and least likely to support a bond for arts and cultural programs.
4. Residents report a willingness to pay an average of \$67.30 a year in higher taxes to fund the types of trails, parks, open space, and recreation facilities that are the most important to their households.
5. Having **a park within walking distance from home is important to residents.** It is the most significant factor that determines which parks residents visit the most often.

FINDINGS TO REMEMBER

Property Tax 101



How is my property tax bill calculated?

$$\text{Taxable Property Value} \times \text{Tax Rate} = \text{Property Tax Bill}$$

Set by Utah County Assessor

Set by Governing Body of each
Taxing Entity

The sum of several smaller tax
bills from each taxing entity.



Steps to Calculate Property Tax Bill

- The county assessor assigns a value to the land and improvements by May 22.
- Then the county auditor calculates the tax rate required to yield the same tax revenue as the prior year.
 - i. This rate is called the certified tax rate and is usually lower each year since values typically increase each year.
- The certified tax rate is communicated to each local government which then must choose to adopt the certified rate or another rate.
 - i. If the local government entity chooses to adopt a rate higher than the certified rate it must undergo a process known as “Truth in Taxation.” This process requires multiple public notifications and a public hearing.



Steps to Calculate Property Tax Bill

- The county auditor then sends a valuation notice by July 22 to inform property owners of the value assigned to their property and the anticipated tax amount they will owe.
- A public hearing is held at which the governing body will set a tax rate.
- Once a final tax rate is adopted and valuation appeals have been completed, the county treasurer sends a tax bill to each property owner indicating that taxes are due by the end of November.



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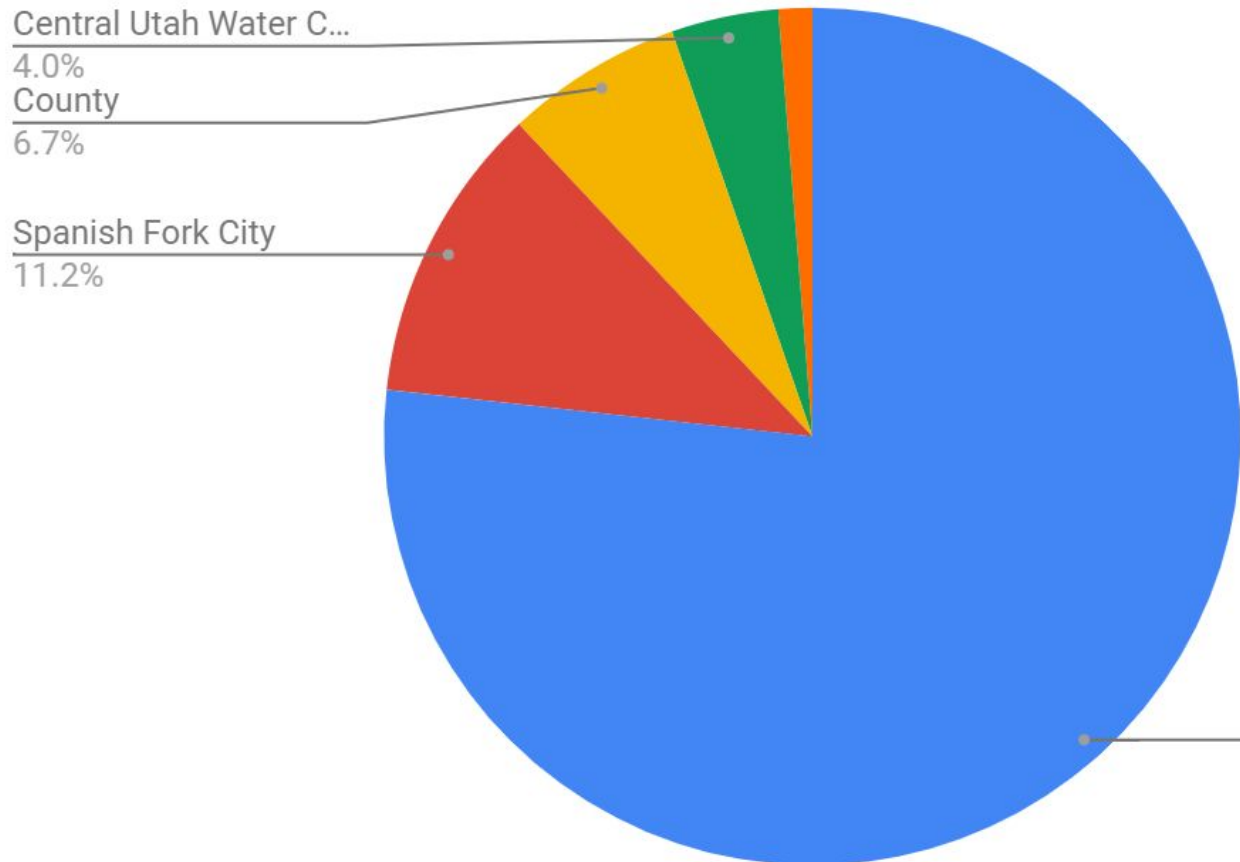
NOTICE OF PROPERTY VALUATION			APPEAL INFORMATION
ASSESSMENT TYPE	2021	2022	<p>If you believe the assessed value of your property is incorrect, you may begin the appeal process by filing an appeal (online, mail or email) with the County Auditor by <u>September 15, 2022</u></p> <p>Please see the back of this notice for phone numbers, website, and more information.</p>
FULL MARKET VALUE	360,100	473,700	
RESIDENTIAL EXEMPTION	-162,045	-213,165	
TOTAL TAXABLE VALUE	198,055	260,535	

THIS IS NOT A BILL. DO NOT PAY FROM THIS NOTICE. ADJUSTMENTS FOR TAX RELIEF PROGRAMS ARE NOT LISTED.

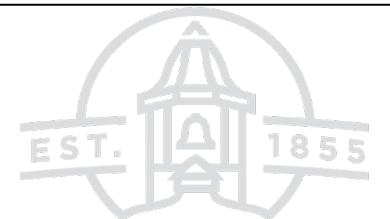
NOTICE OF TAX CHANGES - PRIOR, CURRENT, AND PROPOSED TAXES COMPARISON							
TAXING ENTITIES Each entity sets its own budget. For questions about tax changes, please contact that specific entity.	2021 Rate	CURRENT TAX DUE NO BUDGET CHANGE		PROPOSED TAX DUE IF BUDGET APPROVED		CHANGE IN TAXES	
	2021	2022		2022		2022	
	TAXES	RATE	TAXES	RATE	TAXES	CHG TAX	% CHG
UTAH COUNTY - LOCAL ASSESSING	.000142 28.12	.000111	28.92	.000111	28.92	0.00	0.00%
MULTI COUNTY ASSESSING	.000012 2.38	.000010	2.61	.000015	3.91	1.30	49.81%
UTAH COUNTY	.000853 168.94	.000661	172.21	.000661	172.21	0.00	0.00%
CENTRAL UTAH WATER CONS DIST	.000400 79.22	.000322	83.89	.000400	104.21	20.32	24.22%
NEBO SCHOOL DIST (BASIC)	.001661 328.97	.001401	365.01	.001652	430.40	65.39	17.91%
NEBO SCHOOL DIST (OTHER)	.006957 1,377.87	.005464	1,423.56	.005861	1,527.00	103.44	7.27%
STATE CHARTER SCHOOL-NEBO	.000076 15.05	.000070	18.24	.000070	18.24	0.00	0.00%
SPANISH FORK CITY	.001129 223.60	.000879	229.01	.001111	289.45	60.44	26.39%
TOTALS	2,224.16	.008918	2,323.45	.009881	2,574.35	250.89	10.80%

Where does my property tax go?

% of Total 2022 Property Taxes



2022 Property Proposed Taxes			
Taxing Entity	Proposed Tax Rates	% of Total Taxes	Annual Property Tax on Home Valued at \$460,800 with 45% Residential Tax Exemption
Nebo School District	0.007583	76.74%	\$1,921.84
Spanish Fork City	0.001111	11.24%	\$281.57
County	0.000661	6.69%	\$167.52
Central Utah Water Conservancy District	0.000400	4.05%	\$101.38
St. A/C	0.000126	1.28%	\$31.93
Total Tax Rate for District 150	0.009881	100%	\$2,504.24



Do taxes capture inflation? Stated another way.
Do taxes increase when the cost of goods goes up?



Do taxes capture inflation?

In the case of sales tax, **YES**.

When the cost of milk goes up
the sales tax rate stays flat and
the amount of tax paid goes up.

		Price	Tax Rate	Tax Paid
Gallon of Milk	Year 1	\$4.00	7.25%	\$0.29
	Year 2	\$5.00	7.25%	\$0.36



Do taxes capture inflation?

In the case of property tax, **NO**.

When the property value goes up the property tax rate goes down and the property tax paid remains the same. The city council can choose to set the rate higher.

		Price	Tax Rate	Tax Paid
Value of Home	Year 1	\$400,000	0.10%	\$400.00
	Year 2	\$500,000	0.08%	\$400.00



Do taxes capture inflation?

In the case of sales tax, **YES**.

When the cost of milk goes up the sales tax rate stays flat and the amount of tax paid goes up.

In the case of property tax, **NO**.

When the property value goes up the property tax rate goes down and the property tax paid remains the same. The city council can choose to set the rate higher.

		Price	Tax Rate	Tax Paid
Gallon of Milk	Year 1	\$4.00	7.25%	\$0.29
	Year 2	\$5.00	7.25%	\$0.36
Value of Home	Year 1	\$400,000	0.10%	\$400
	Year 2	\$500,000	0.08%	\$400



Why doesn't property tax capture inflation?

Utah's property tax system is governed by a set of laws and regulations commonly referred to as "Truth in Taxation".

The objective of these rules is to keep property taxes from rising simply as a result of increasing property values. Each year the Utah State Tax Commission determines each taxing entity's "Certified Tax Rate".

Anytime a taxing entity assesses a property tax rate higher than the certified rate, the entity must advertise that rate as a tax increase.



Super Tiny Town Case Study - Year 1

	Property Type	Assessed Value	45% Primary Residence Discount?		Taxable Value	Certified Tax Rate	Tax Revenue
Total: Year 1	Home	\$500,000	Yes		\$275,000	1.000%	\$2,750
					\$275,000	1.000%	\$2,750



Super Tiny Town Case Study - Year 2

My value went up a \$100k and my bill stayed the same.

Total: Year 1

Total: Year 2

45% Primary						
Property Type	Assessed Value	Residence Discount?	Taxable Value	Certified Tax Rate	Tax Revenue	
Home	\$500,000	Yes	\$275,000	1.000%	\$2,750	
			\$275,000	1.000%	\$2,750	
Home	\$600,000	Yes	\$330,000	0.833%	\$2,750	
			\$330,000	0.833%	\$2,750	

The town received the same amount of revenue even though values went up because the rate was forced down.



Super Tiny Town Case Study - Year 3

			45% Primary			
	Property Type	Assessed Value	Residence Discount?	Taxable Value	Certified Tax Rate	Tax Revenue
Total: Year 1	Home	\$500,000	Yes	\$275,000	1.000%	\$2,750
				\$275,000	1.000%	\$2,750
Total: Year 2	Home	\$600,000	Yes	\$330,000	0.833%	\$2,750
				\$330,000	0.833%	\$2,750
Total: Year 3	Home	\$600,000	Yes	\$330,000	0.833%	\$2,750
	Commercial	\$600,000	No	\$600,000	0.833%	\$5,000
				\$930,000	0.833%	\$7,750

The town received more revenue without raising the rate due to new development.



Super Tiny Town Case Study - Year 4

			45% Primary			
	Property Type	Assessed Value	Residence Discount?	Taxable Value	Certified Tax Rate	Tax Revenue
Total: Year 1	Home	\$500,000	Yes	\$275,000	1.000%	\$2,750
				\$275,000	1.000%	\$2,750
Total: Year 2	Home	\$600,000	Yes	\$330,000	0.833%	\$2,750
				\$330,000	0.833%	\$2,750
Total: Year 3	Home	\$600,000	Yes	\$330,000	0.833%	\$2,750
	Commercial	\$600,000	No	\$600,000	0.833%	\$5,000
				\$930,000	0.833%	\$7,750
Total: Year 4	Home	\$625,000	Yes	\$343,750	0.780%	\$2,681
	Commercial	\$650,000	No	\$650,000	0.780%	\$5,069
				\$993,750	0.780%	\$7,750

If the Certified Tax Rate doesn't increase taxes, why did my bill go up?

Because my bill went down. Sorry!

Don't ask us. We received the same amount of money.



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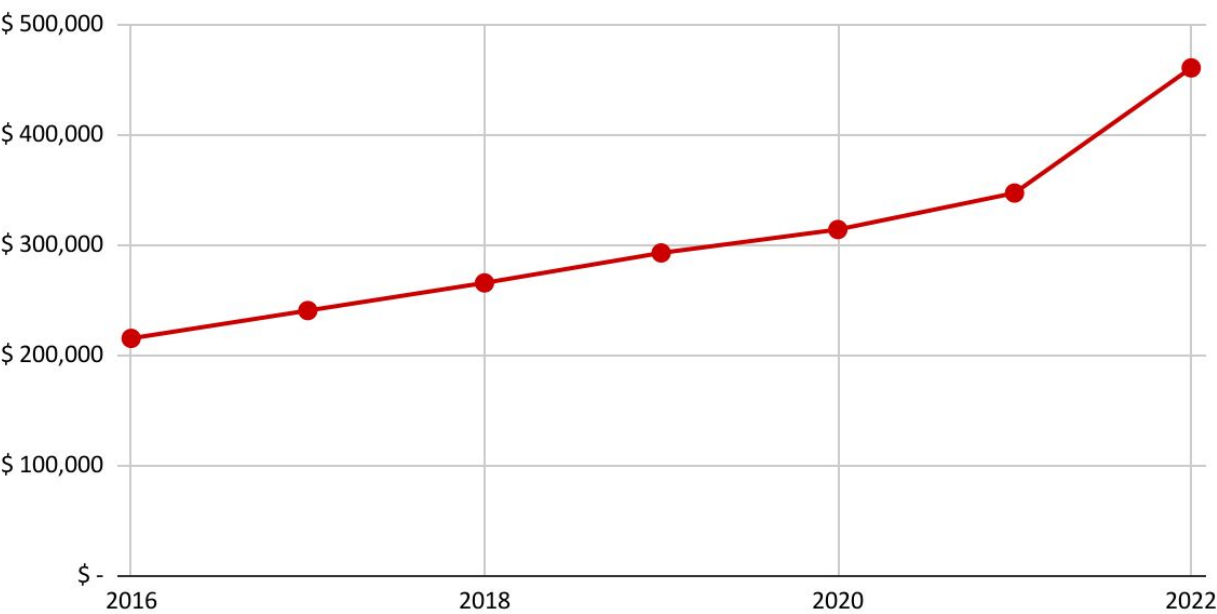
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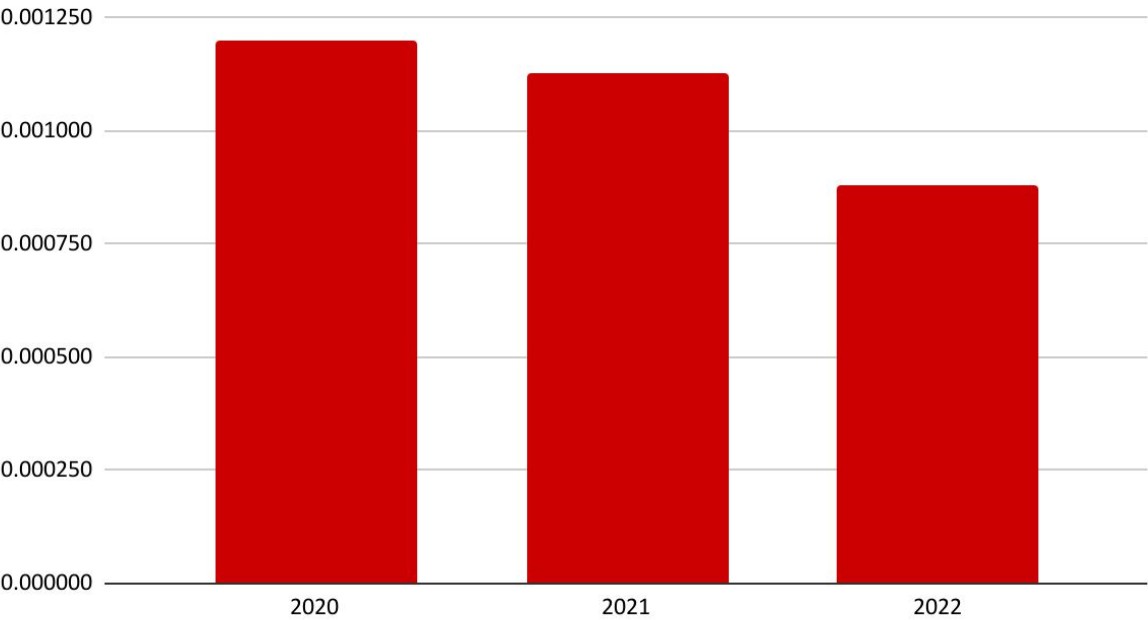
The county did not raise taxes, but the amount still went up because this property's value went up a greater percentage than the rest of the city.

Spanish Fork City Average Home Values

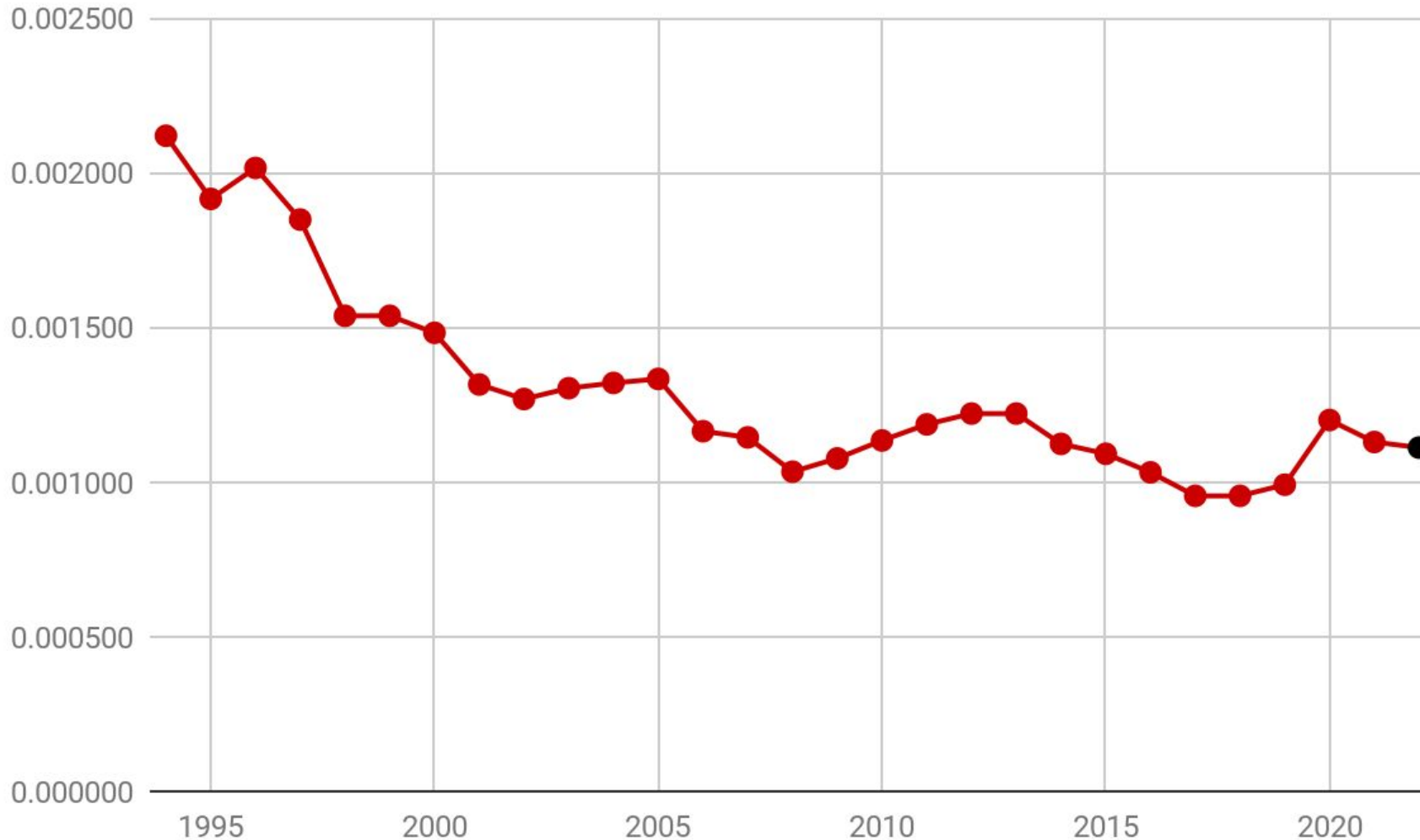
Home Values are Set by the County Assessor



Certified Tax Rate for 2021 and 2022



Spanish Fork City's 2022 Property Tax Rate



The average home value in Spanish Fork City as assigned by the county assessor went from \$347,300 in 2021 to \$460,800 in 2022.

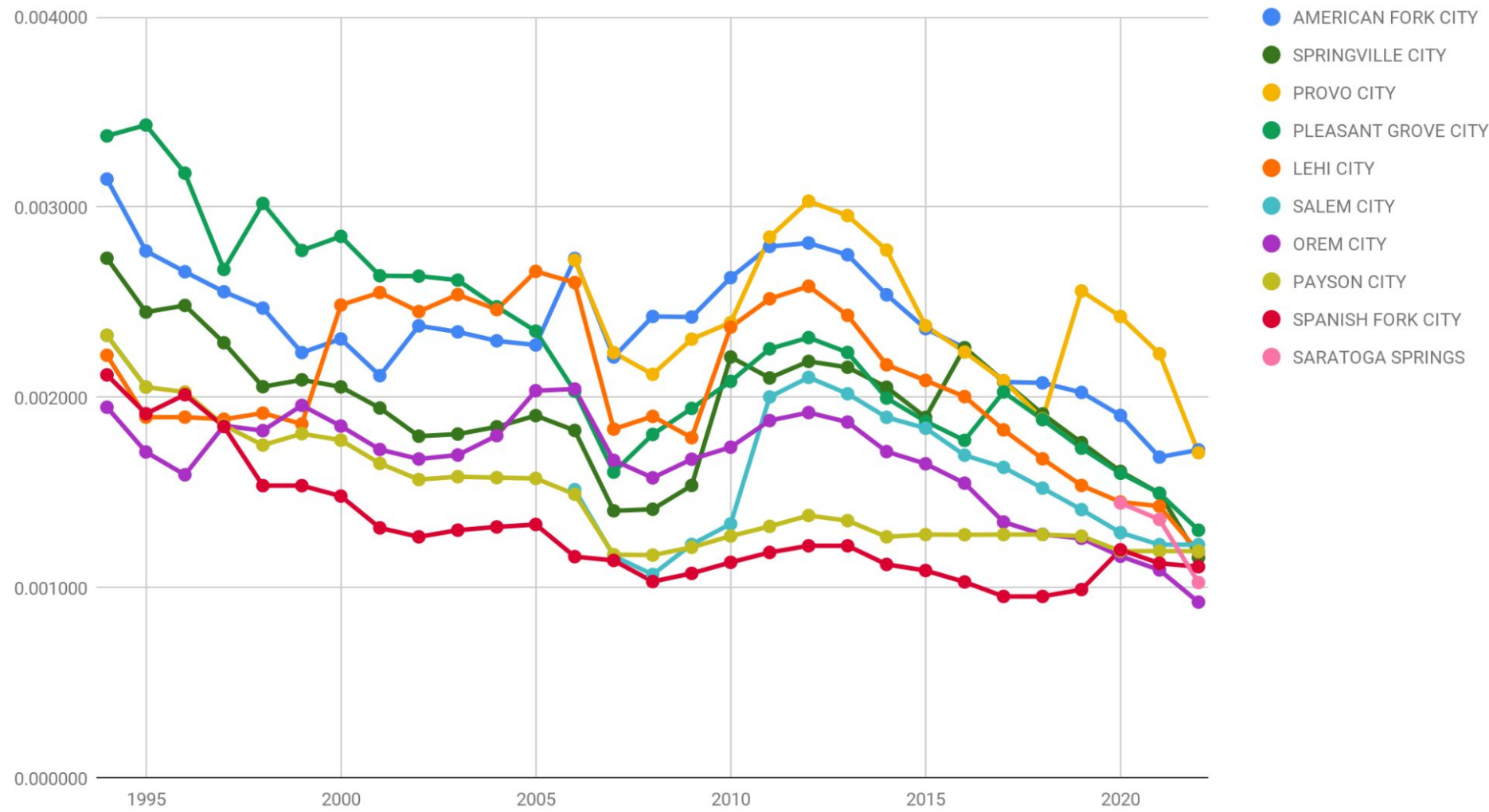
The large increase in home values led to a large decrease in the certified tax rate.

The tax rate in 2021 was .001129

The proposed rate for 2022 is .001111.



Comparison of City Property Tax Rates

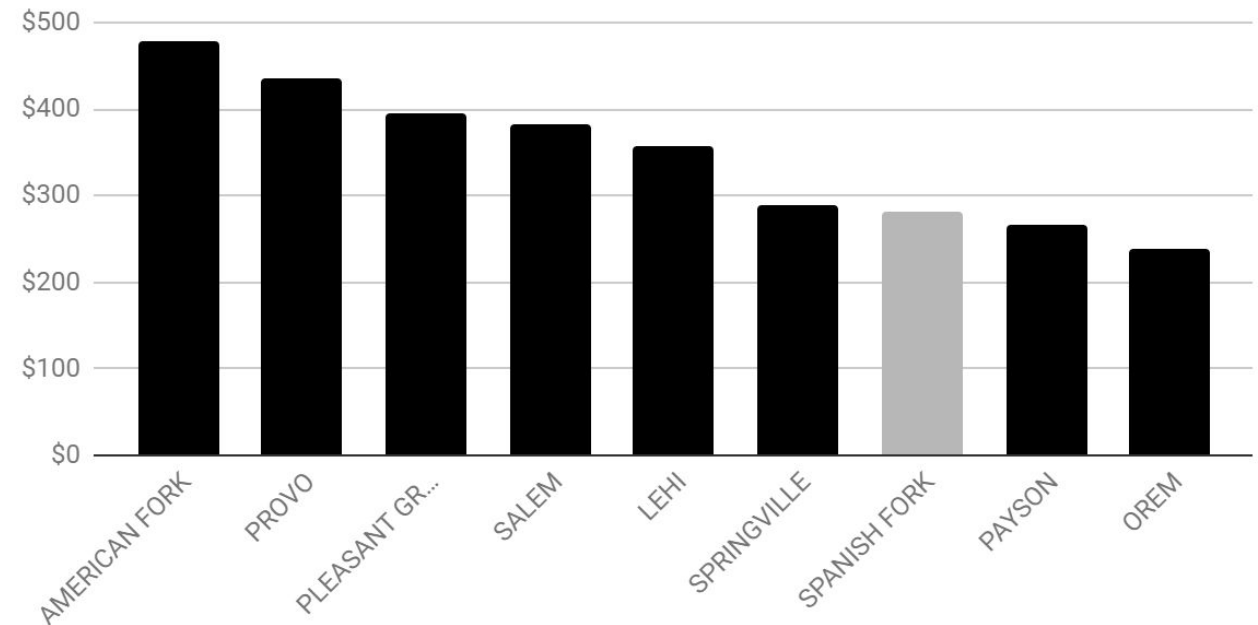


How does Spanish Fork's property tax compare?

	2022 Proposed Tax Rate	Average Home Value	Taxable Value	Average Property Tax
AMERICAN FORK	0.001725	\$505,400	\$277,970	\$479
PROVO	0.001710	\$463,400	\$254,870	\$436
PLEASANT GROVE	0.001303	\$551,800	\$303,490	\$395
SALEM	0.001227	\$568,000	\$312,400	\$383
LEHI	0.001189	\$558,600	\$307,230	\$356
SPRINGVILLE	0.001159	\$454,500	\$249,975	\$290
SPANISH FORK	0.001111	\$460,800	\$253,440	\$282
PAYSON	0.001193	\$405,600	\$223,080	\$266
OREM	0.000925	\$468,000	\$257,400	\$238

Property Tax Annual Dollar Amount by City 2022

Based on the Tax Rate & Median Home Value for Each City



Should the city save up and pay cash for large projects or issue debt?

Intergenerational Equity:
Taxpayers should get what
they pay for, and pay for
what they get.

By the time the city saved
up enough money to pay
cash for a rec center, those
that saved for it wouldn't be
able to benefit from it.



Doesn't new development generate additional property tax revenue?

Yes, new development does lead to additional tax revenue, but it also leads to additional expenses because there are now more residents and businesses to serve and infrastructure to maintain.



What services does property tax pay for?

- In Spanish Fork, property tax revenue is collected into the city's general fund. The general fund revenues help pay for services such as police, fire & EMS, library, parks, recreation, special events, and many more.
- Utility services such as power and water derive their revenues from user fees and do not receive property tax revenue.



How much of the City's general fund revenue comes from property taxes?

Division	FY23 Budgeted Expenditures
Police	\$7,911,589
Fire	\$1,749,431
Ambulance (loss only)	\$1,992,119
Parks	\$3,316,603

	FY23 Budgeted Property Tax
With Certified Rate of .000879	\$3,794,313

In fiscal year 2022, property taxes generated 3.7 million dollars which was 9.34% of general fund revenue.

The other 90% of general fund revenue is comprised of sales tax, grants, and charges for services.



Funding the Bond Payments



Funding the Annual Bond Payments

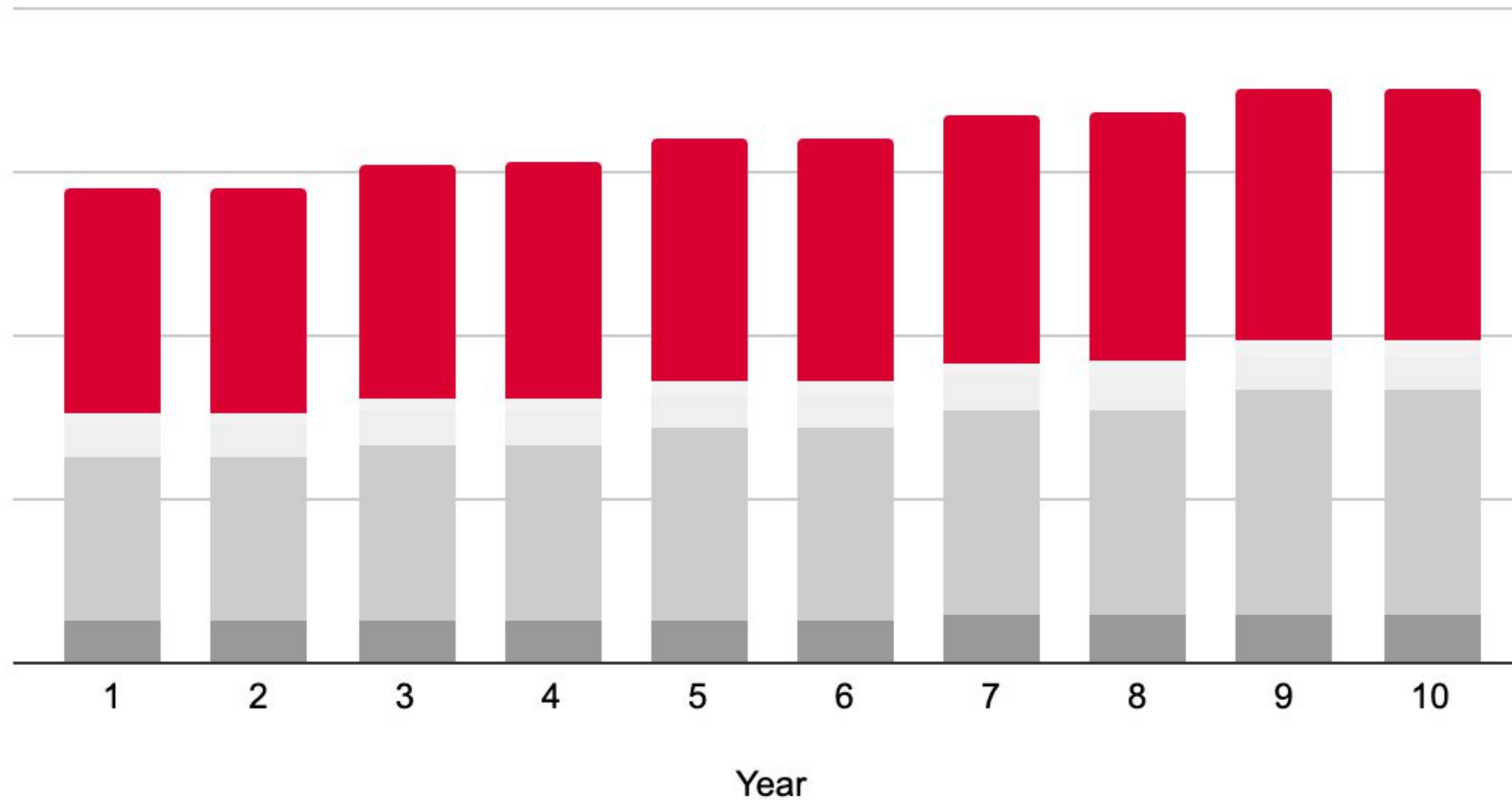
Funding Sources	% Funded by
RAP Tax	40.00%
Property Tax	40.00%
Sales Tax	10.00%
Impact Fees	5.00%
Other Sources	5.00%
Totals	100.00%



Funding the Annual Bond Payments

Funding Source Allocation

■ Property Tax ■ Other Sources ■ Impact Fee ■ RAP Tax ■ Sales Tax





Sales



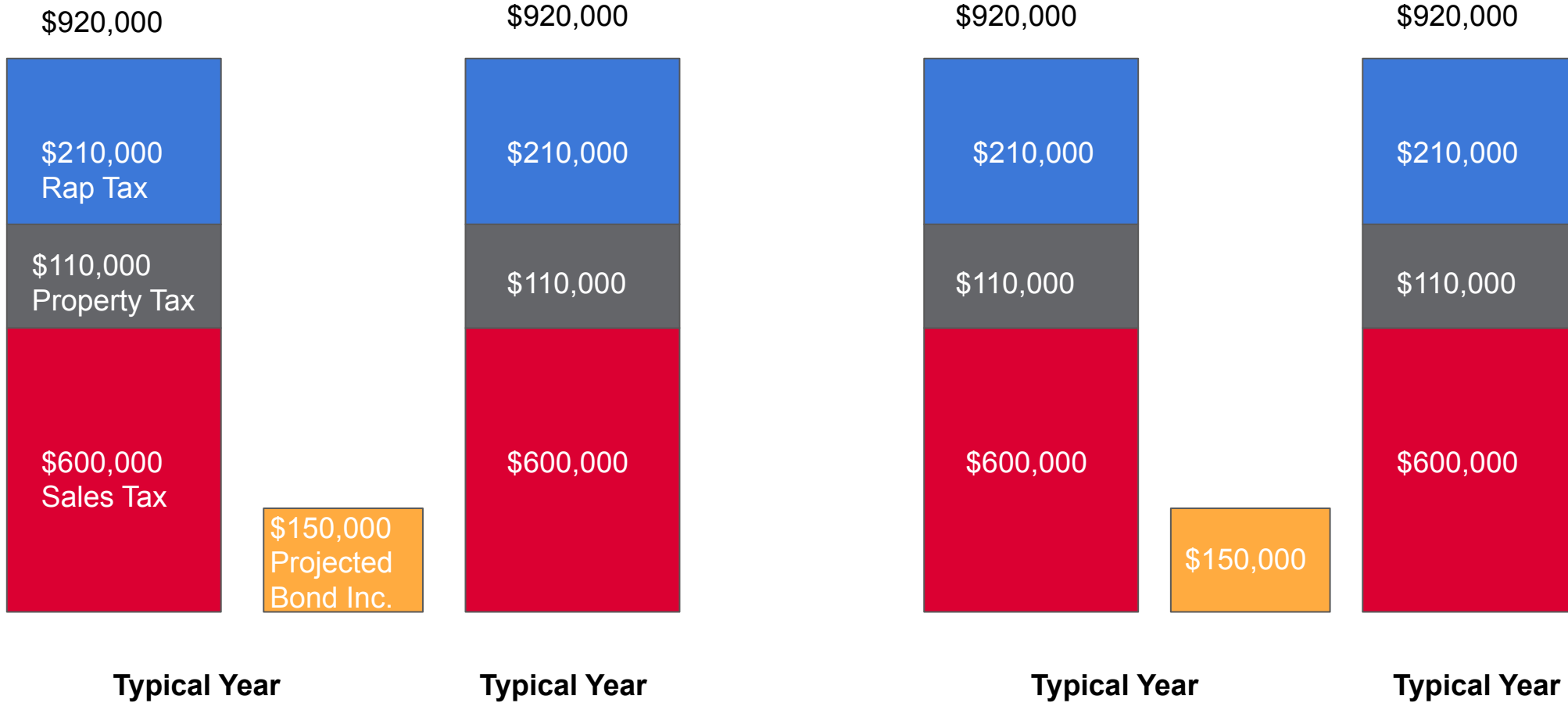
Property



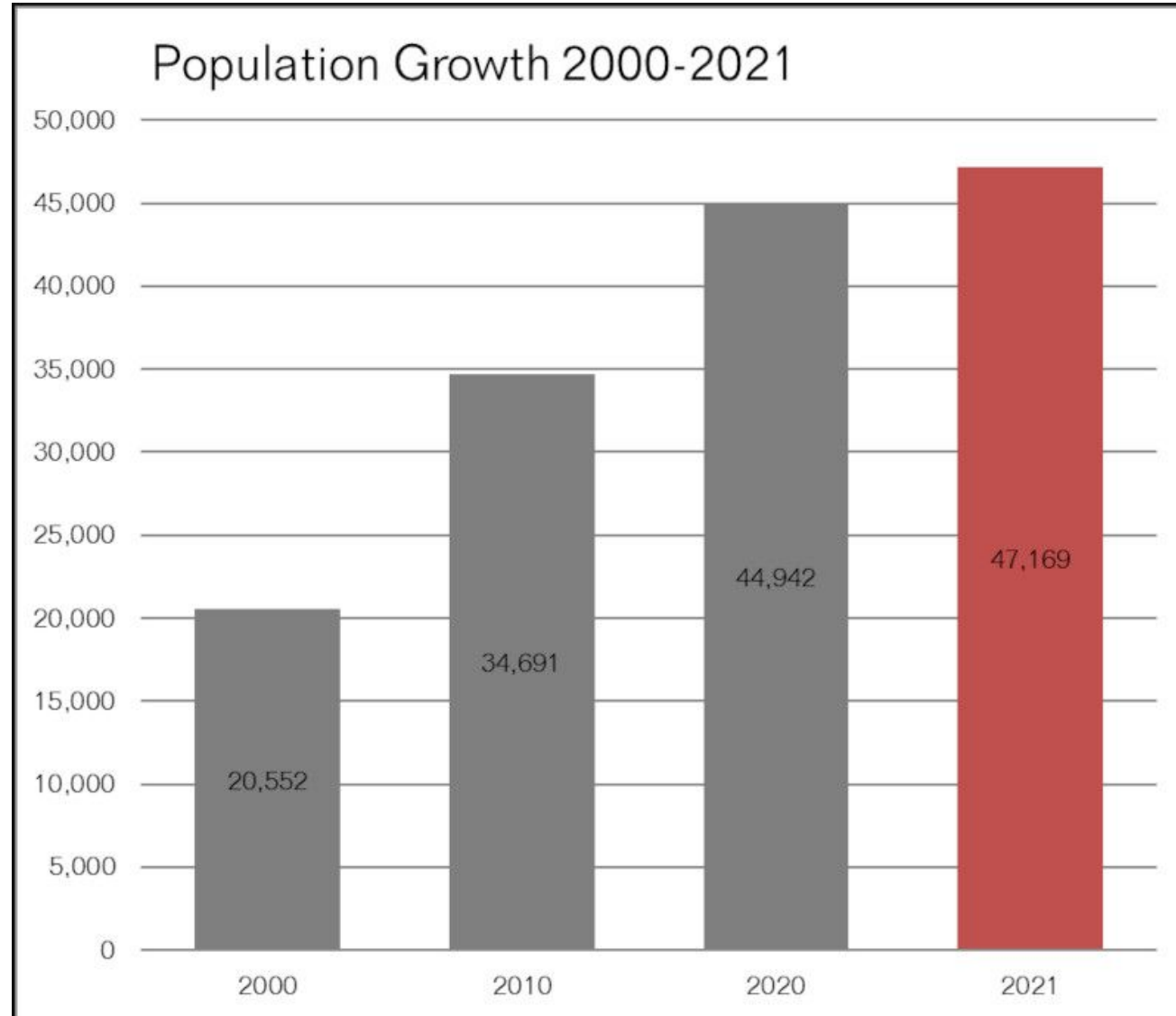
RAP



Bond Payment



Spanish Fork City Population Growth



Questions We Have Received



What would be included in the rec center?

- Senior Center with all their needed amenities
- Indoor & outdoor pools with various play apparatus and lazy river and water slides
- Indoor competition pool with spectator seating
- Sun deck with shade structures
- Indoor track
- Fitness/aerobic/cross training areas
- Weight training
- 2 full-size basketball courts - 1 multi-purpose gym
- Racquetball courts
- Day care



Several question about the RAP Tax (Recreation, Arts, & Parks)

- Voter approved (66.3%) tax passed in November of 2018.
- The RAP tax has an sunset date in 2028 if not re-approved again by voters.
- RAP Program Committee



RAP Tax (Recreation, Arts, & Parks)

- Growing Revenue
 - FY 2020 \$742k,
 - FY 2021 \$968k,
 - FY 2022 \$1,164,000
- Has been used to:
 - Fund arts programming and arts purchases
 - Construct Adventure Heights
 - Replaced 2 playgrounds at various city parks
 - Construct a fitness center at Legacy Farms Park
- Funds are still available to be used to:
 - Do these same things each year
 - Purchase land for future parks or park enhancements



Why not build just an outdoor pool?

Based on Architect Estimates:

To rebuild what we had:
~\$13 to \$15M

To build something better than what we had:
~\$25 to \$27M

What about a phased approach to the proposed project:
Add \$10 to \$12M to today's costs



Why build the recreation/aquatic center now?

- We don't have a swimming pool
 - 2022 was the first year the city didn't operate a swimming pool in decades.
 - To design, bid and build this, still won't have a pool until 2025
- This continues to be a community-priority based on recent city-wide surveys
- Construction costs continue to rise



Would Salem want to join in on the costs and build it closer to the city lines?

- No. A city that pays to have a facility, generally wants that facility in their city. (i.e. Spanish Fork / Springville Airport)
- Salem or Mapleton residents can use the facility. Their City may choose to enter into some kind of agreement to offset any non-resident fee. This would go toward daily and annual operating costs



Will the rec center pay for itself? If not, why would we build one?

- We don't know if the rec center will or won't pay for itself. However, we will design the operations and expense to a break-even model.
- Provo continues to operate their recreation center in the positive
- Have spent ~\$150,000 each year to operate the swimming pool
- Have spent ~\$225,000 to operate current Senior Center



Let the private sector build this, not government.
Will this cause any businesses to close?

- Our conversations with local businesses lead us to believe that they will benefit from the public recreation center
- We heard similar comments in 2015 and nothing has materialized



Why isn't this on the ballot?

- The ballot question in 2015 was about the funding source, which was 100% on property taxes
 - The City now has other sources of funding that it didn't have in 2015.
 - The bond wouldn't be guaranteed by property taxes as the collateral for the loan.
 - Either sales tax or the physical building would be the collateral.



Truth in Taxation Hearing

Aug. 2, 2022

