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## M E M O R A N D U M

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**DATE:** October 11, 2002  
**TO:** City Council Members  
**FROM:** Russell Weeks  
**RE:** Briefing: Salt Lake City Issues for 2003 Utah Legislature Session  
**CC:** Cindy Gust-Jenson, Steven Allred, Gary Mumford

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Each year the Salt Lake City Council meets with members of the Utah Legislature representing Salt Lake City before the legislative session. Generally, the meeting is an informal breakfast in which Council Members and legislators discuss issues pertaining to the City and issues that may arise during the session.

It is Council staff's understanding that the City Council may wish to hold the meeting this year with legislators shortly after the November general election. The general election will be the first held under the 2001 reapportionment of districts based on the 2000 Census.

### **OVERVIEW**

The State's Fiscal Year 2003-2004 budget probably will be the largest issue facing the Legislature in the next session. According to budget guidelines published by the Governor's Office of Planning and Budget, budget requests from state agencies "should include mandatory items only." The guidelines go on to say, "In order to fund mandatory items, additional cuts may be required. ... Although GOPB will give priority to mandatory items, it is likely that not all mandatory items can be funded within available revenue." Those warnings come despite the Office of Planning and Budget's prediction that "the economy is showing signs of a slow, modest recovery."

Given the guidelines, and the State's decision to cut its 2002-2003 budget twice earlier this year, the Legislature may look – out of necessity – for revenue from sources it previously may have ignored when the economy generated surpluses.

On the other hand, the Utah League of Cities & Towns Legislative Policy Committee has made the protection – and potential increase – of municipal revenue sources its main policy goal for the 2003 legislative session.

### **ISSUES SPECIFIC TO SALT LAKE CITY**

The following is a list of issues specific to Salt Lake City that City Council staff has collected during discussions this year. In most cases the issues have been discussed among the City Council Members but have not, perhaps, risen to discussions with legislators about sponsoring bills to initiate resolution of the issues. Staff has included them for Council Members to review and consider whether to raise the issues with legislators. It should be noted that the

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Administration probably has other issues that may warrant City Council consideration and would raise them at a City Council briefing when it is scheduled.

### **ECONOMIC DEVELOPMENT**

It appears likely that the Department of Alcohol Beverage Control will submit legislation pertaining to the sale of alcoholic beverages in the next legislative session. In two meetings attended by Council staff a representative of the Utah Hospitality Association said the association is working with the State agency to address a statewide shortage of liquor licenses for the state's population. The shortage has reached a point where it has become an economic development issue, the representative said in August. Specifics of any proposed bill are scant at this point.

In July, Utah Arts Council Director Bonnie Stephens told downtown merchants that a grouping of State agencies – the Arts Council, the Historical Society and the State Archives – had decided against locating in the Rio Grande Railroad station in favor of locating on Main Street. Ms. Stephens said a foundation established to help the three agencies locate together was considering “four or five” Main Street locations and may formulate a recommendation within the next six months. Given the State's budget guidelines it is uncertain whether funds might be allocated in the next legislative session to the agencies to locate on Main Street.

There has been some discussion about mechanisms for revenue sources for the Redevelopment Agency Central Business District Project Area to continue development downtown after the project area expires in 2008.

### **OTHER ISSUES**

In City Council discussions involving amendments to the City's traffic code the City Council considered seeking legislation to extend protections pedestrians have in crosswalks to include pedestrians standing at curbs who are about to enter crosswalks.

Earlier this fall the City Council declined to adopt a resolution to support passage of Amendment No. 6 to the Utah Constitution. The proposed amendment would allow a property tax exemption to a private party involved in a sale-leaseback transaction with a government entity. In practice the net effect of the amendment would be to allow local governments and agencies to sell tax-exempt assets to private businesses, lease back the assets from the businesses, and pocket cash from the sale of the assets. Theoretically, money from the asset sale would be used to build or buy more assets. The advantage to private business would be that the purchaser of the assets could depreciate the purchased asset on its corporate tax returns. If voters approve the amendment in the November 5 general election, the City Council may have to consider whether it would support legislation to enable local governments to carry out the practice.

Utah State Code contains provisions to divert 1/64<sup>th</sup> percent of City sales tax collections into a restricted account to pay maintenance and operating costs of a light rail line from the Salt Lake City International Airport to the University of Utah. The referendum that approved increasing sales tax collections by 1/4<sup>th</sup> percent to pay for mass transit development eliminated the need for the diversion, but revenue still is going into the restricted account. City Council Members may wish to advocate at least protecting the restricted account until the City can address associated issues.

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### ISSUES PERTAINING TO THE UTAH LEAGUE OF CITIES & TOWNS

As mentioned previously in the memorandum, the Utah League of Cities & Town's Legislative Policy Committee has made state tax policies affecting municipalities as its No. 1 issue when the Legislature convenes in 2003.

According to League analysts, municipal budgets statewide are reflecting strains caused by a downturn in the national economy. Revenue, especially sales tax revenue, is "at best, flat" for many communities, according to the analysts. Even so, municipalities' need for revenue to fund capital projects is increasing. One probability in a down economy is that cities may defer capital projects to pay for delivery of basic services.

The Policy Committee's stated long-term goal is to protect municipal revenue sources. Short-term, the Committee plans to focus on five issues:

- Revising language in truth-in-taxation advertising.
- Revising Utah Code 59-2-924 titled *Report of valuation of property to county auditor and commission – Transmittal by auditor to governing bodies – Certified tax rate – adoption of tentative budget*. The revision involves changing the word "collected" to "budgeted" in two sections of the law. Substituting "budgeted" for "collected" would end erosion of property tax revenue based on annual property tax collections, according to the League. The current law does not recognize that annual property tax collections often are less than what municipalities budget for property tax revenue, according to the League.
- Opposing Governor Michael Leavitt's plan to divert 1/16<sup>th</sup> percent of gasoline tax revenue from municipal road funds to the State's general fund.
- Conditionally supporting an increase in the State tax on gasoline.
- Opposing Governor Leavitt's plan to divert 1/16<sup>th</sup> percent of sales tax revenue from municipal water projects to the State's general fund.

In September, League members approved five resolutions, three involving municipal taxes. (Please see attachments.) The three resolutions involve:

1. Proposing and supporting an increase in the state motor fuel tax of which 25 percent would be appropriated to the Class B&C Road Fund.
2. Encouraging the Legislature to amend Utah Code 59-2-924 to delete the word "collected" and insert the word "budgeted."
3. Increasing the State beer tax by \$2 million annually and appropriating not less than 40 percent of the beer tax to municipal governments for enforcement of alcohol related offenses.

The other two resolutions advocate:

1. Imposing a severance tax on the extraction of sand, gravel, and rock aggregate and returning the tax to municipalities to mitigate the effects of gravel pits.
2. Appointing a committee to study the use of reclaimed wastewater and water rights accompanying that use.

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