

## Facts regarding the Proposed Alpine City Property Tax Increase

Incomplete and misleading information is being widely circulated regarding Alpine's tax and budget situation. The information below is intended to help provide a more comprehensive understanding.

1. **Savings** – While "\$17 million" in savings sounds like a lot, it doesn't seem like as much when considering that it pertains to the infrastructure and services for almost 11,000 people in Alpine, and into the future.
  - a. In reality, 80% of it is restricted in its usage and allocated across 15 enterprise, impact fee and specific accounts.
  - b. Much of what might be considered an available amount has come from recent one-time federal grants during the pandemic, and is also limited in how, where and when it can be used according to federal regulations; and there are plans for all of that to help improve Alpine.
  - c. The City needs to have some funds on-hand to potentially qualify for a bond if and when needed.
  - d. It also seems prudent to retain some funds for situations with unforeseen needs, emergencies or in periods of slower economic activity.
  - e. The City tries to spend within and under its budget each year by working to limit and reduce expenses. The remaining funds can later contribute to needed capital improvement projects. Essentially all cities do this with their budgets—when they manage to spend under their budget. But all funds will be carefully expended for the public's benefit.
  - f. The eventual replacement of our water, pressurized irrigation, sewer and storm drain systems over time as their components fully depreciate and wear out will likely cost many tens of millions of dollars (a single road can easily cost a million dollars). By gradually saving up toward those future needs, there should not be a need for sudden large assessment fees in the future to restore critical infrastructure.
  - g. Some upgrades or additions are necessary to improve our water system to be better functioning and more resilient to drought impacts.
  - h. Some of these funds are already planned for large projects in the city in the next year, but the funds need to be in place before work begins.
  - i. Alpine has seen a significant increase in sales tax due to the Supreme Court's Wayfair ruling just over four years ago—but that change applies to every city in the country.
2. **Costs** – High rates of inflation are indeed what is causing the present need for higher revenue. Unfortunately, the City and its utilities, suppliers, contractors, materials and equipment, police officers, fire fighters and employees are also facing increased costs.
  - a. We have a major challenge with filling police officer openings in our public safety district. Public safety is a core responsibility for the city government.

- i. The police have been operating with nearly 25% of their necessary and recent force size being unstaffed. There is national shortage of police officers, which has driven higher salaries and pulled away some of our officers to other cities (such as Park City).
    - ii. Our police officers are not highly compensated--per the market or overall. The proposed increase should put them at roughly an average pay scale in Utah County.
    - iii. To give an idea of the challenge in filling positions, a recent hire is commuting here for about an hour each way.
    - iv. An officer commented that he called for backup recently, and it took 9 minutes for someone to reach him. That slow response due to reduced coverage will at some point result in negative consequences to our public safety.
  - b. Our fire department sends personnel out of state to fight wildfires for several weeks every summer to earn money for needed equipment.
    - i. By converting a part-time employee to full-time as part of this overall change, they will increase their ability to respond to emergencies and actually increase their revenues which will in turn lower their overall net costs to the city.
    - ii. The planned fire station renovation and improvements have been needed, expected and saved toward for at least 7 years.
  - c. One reason why public safety expense increases often result in large city property tax increases is because our public safety expenses are larger than Alpine's property tax revenues (which is not an uncommon situation for cities). Since property tax is the only revenue lever that a city can really control, that is what has to be increased to support public safety--and it increases disproportionately since public safety expenses are already larger than the property tax total.
  - d. Material costs have increased significantly. The Produce Price Index is up more than 19% over this time just last year.
  - e. Both our police and fire departments are shifting from a seniority-only system (as is typical) to a merit-based system as well. Those will be effective and responsible shifts to their people management programs.
3. **Inflation** – While the proposed increase of \$14.02 per month for the median home in Alpine is not something that should be taken lightly, it appears to be necessary.
- a. Excluding the total amount planned for public safety purposes, the proposed city tax increase is less than 11%.
  - b. Although Alpine grew last year by perhaps around 1%, the taxes from those new homes are relatively minor and generally cover their own associated costs to the city.
  - c. In Utah, cities do not receive more property tax when assessed home values increase because their certified tax rate is adjusted each year accordingly.

- i. Alpine City has increased taxes 3 times since at least as far back as 2005 (and earlier) for public safety funding—including a few years ago to cover the shortfall when Cedar Hills pulled out of the Public Safety District—but only once in that time to account for cost inflation to the City. That one time was in 2007, and for 17%.
- ii. Over the 15 years since 2007, inflation has increased by 44%, per the Minneapolis Federal Reserve. Therefore, in terms of the City's expenses and efficiency, the City's portion of this tax increase when adjusted for inflation actually equates to a tax reduction of about 26%.

#### 4. City Comparisons

- a. While Lindon has roughly the same population as Alpine, it has over twice the annual budget and expenses per resident. It is also purchasing 18 new vehicles this year.
- b. Cedar Hills' expenses are about \$1 million apart from Alpine.
  - i. Cedar Hills has roughly twice as many employees to run a city of the same population.
  - ii. It benefits from the sales taxes of their Walmart, McDonalds and more—while Alpine has a very small commercial retail base.
  - iii. Cedar Hills does not have a cemetery like Alpine, some 1,500 acres of open space as here, 172 years of history, or tens of miles of trails—such as some 25 miles in Lambert Park alone.
  - iv. Alpine is almost 3 times larger geographically--and those longer roads, trails and expansive open space and parks incur expenses to build and maintain. For example, Alpine has 69 miles of roads—276% as much as in Cedar Hills.
  - v. Perhaps most importantly, the average home in Alpine is worth far more than in Cedar Hills. In general, higher value cities are better maintained and run. Alpine residents have very high standards for the care, quality and management of their city.
- c. In addition to property tax, Highland City charges monthly fees of nearly \$34, including a road fee of \$18.50 and a safety fee of over \$15.
- d. Lehi City spends about 250% as much as Alpine per resident. This year, Lehi is increasing its budget size by \$69 million or 33%.
- e. A good comparison city in the county would be Mapleton, which also has limited retail sales due to its geographic position. Additionally, it has almost exactly our same population size. Mapleton's property tax rate is much higher than the proposed Alpine rate. Woodland Hills is another good comparison.
- f. Alpine does not qualify for most federal grants due to local income levels—and the County and other organizations view Alpine similarly. Therefore, while many other local cities receive grants, including this year, Alpine tends to receive very few.

- g. 90 cities and entities in Utah are raising property taxes this year. Alpine currently has the 49th highest rate among these entities before increasing, and would still have the 49th highest after the proposed increase.
- h. The proposed rate would still be lower than in Holladay, Millcreek, and even Murray with all of its car dealerships. Salt Lake City would be almost 250% as high. Alpine's tax rate would remain well lower than American Fork, Brigham City, Fruit Heights, Provo, Syracuse, Bluffdale, Clearfield, Ogden, Tooele, West Valley, Roy, Cottonwood Heights, and many other varied cities.
- i. The proposed rate would increase Alpine's proportion of the total property tax by about 2%, from under 14% to almost 16% of the total property tax.
- j. The new Alpine property tax rate would put Alpine right even with the total average for all cities in Utah County. It would be very close to the total Lehi and Pleasant Grove property tax rates—despite that those cities have large commercial retail bases.