

HOLLADAY
@20

PREPARING FOR
TOMORROW

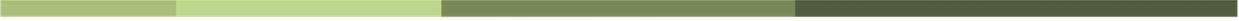
CITIZEN
ADVISORY
GROUP

RECOMMENDATION REPORT

Presented to the
Holladay City Council
on May 14, 2020

City of Holladay
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Holladay, Utah 84117

WWW.HOLLADAY20.COM



ACKNOWLEDGMENTS

Holladay@20 Preparing for Tomorrow

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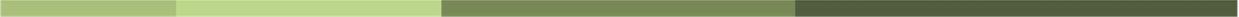


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Executive Summary

In November 2019, the City of Holladay celebrated the 20th anniversary of its official municipal incorporation. To prepare for the next two decades, the Holladay City Council determined that a proactive strategy was required to ensure the continuation of City services, address infrastructure issues, and safeguard the health, well-being and quality of life for Holladay residents. The Holladay@20: Preparing for Tomorrow (H@20) was created for this purpose. The effort kicked off in October 2018, continued throughout 2019 and is scheduled to wrap up in spring 2020. The community-centered process, designed to identify needs, determine priorities, evaluate trade-offs, and decide the best way forward for Holladay, was principally led by a Citizen Advisory Group (Group). The Group was formed by the Holladay City Council in early 2019 to help achieve the goals of the H@20 process.

The “Citizen Advisory Group Recommendation Report” summarizes the fulfillment of the Group’s charge to provide a recommendation on a long-term, sustainable revenue plan and guidance on a public education and engagement process. The Group was led by a citizen-chair and vice chair with 6 additional citizen volunteers of Holladay serving as members. Their work was augmented by the participation of City Council liaisons with project management, research, analysis, and modeling support provided by City staff and consultants. The Group’s journey was anchored in monthly meetings and centered on understanding information collected from public engagement, budget documents, plans, infrastructure needs, cost estimates, studies, and other resources. Using much of this information as data inputs, a sustainability model was built to provide projections on budget shortfalls, understand potential financial options, and ultimately, determine the best financial sustainability plan to meet Holladay’s needs. The Group considered three options produced by the model, known as “Treading Water”, “Slightly Better” and “Biggest Impact”, that captures the overarching combinations of choices available to the City.

The Group’s ultimate recommendation is “Biggest Impact”. This option enables the City to begin to close the budget gap by fully funding service contracts for police, fire and public works, immediately improving the condition of roads, repairing the storm water system, implementing the City’s first-ever Capital Improvement Plan (CIP), and addressing a host of deferred, unmet maintenance projects. To accomplish these tasks, the Group proposes the implementation of a monthly storm water utility fee of \$6.50 per residential household and a property tax increase with an estimated impact of \$26.00 per month for median-value home of \$500,000.

The Group acknowledges the Holladay City Council will ultimately make the policy decisions for the next steps of the H@20 process. This includes consideration of impacts from the COVID-19 pandemic. While the Group fully recognizes sensitivities resulting from current conditions, it is their recommendation that the H@20 process timeline continues as planned. It is their opinion that delaying action will only worsen the City’s existing financial challenges, compound the poor condition of infrastructure, and constrain the City’s ability to continue to provide the current level of essential services of police, fire and public works to protect and promote public health.

Key Challenges Facing the City

The H@20 process focused on numerous challenges facing the City of Holladay, including, but not limited, to the following:

High maintenance costs outpace flat revenues over time

While the City has generally functioned well for the last 20 years, flat revenues and increasing costs over time mean Holladay lacks funds to replace roads, storm drains, and other aging infrastructure elements that can no longer be repaired. The City has identified at least \$75 million worth of unfunded infrastructure needs that will remain unaddressed without additional revenue. These projects are necessities not a list of options.

Public safety needs constrain overall budget

Nearly half (48%) of Holladay's total revenue is dedicated to public safety funding for police (31%) and fire (17%), and the cost of these contracted services is increasing. At the same time, the City has at least \$75 million worth of unmet infrastructure needs. As Holladay assesses these costs, it's clear that revenues aren't enough to pay for needed improvements, while also ensuring the City continues to serve residents well and meet ongoing obligations. Without additional revenue the current service levels of fire and police are at risk.

Unmet community needs

With the need to focus on basic services, the City's budget does not reflect the total community need, including repair and reconstruction of public infrastructure. Without additional funding, Holladay's infrastructure needs will continue to grow in number and urgency while the cost of repair is projected to increase dramatically the longer projects remain unaddressed.

City's share of property tax

Holladay receives about 10% of the total annual property taxes for a parcel in the City. To address current needs, the City's portion of property tax revenue may need to increase significantly. When incorporated in 1999, the City's share of property tax was approximately 18%, but this has diminished over time as other taxing entities have raised their tax rates while Holladay's rate has stayed the same.

No property tax raises in 20 years

Since incorporation in 1999, Holladay has prided itself on staying within budget parameters set 20 years ago. The City has not raised property tax rates once in the past two decades, even though other taxing entities have continued to collect a larger share of the total tax bill.

Comparatively lower tax rates

Holladay has significantly lower property tax and sales rates compared to neighboring cities. The average resident in Holladay, living in a median-value home of \$500,000, pays about \$340 in annual property taxes to the City (roughly 10% of the total property tax amount). Residents in several neighboring cities with the same home value pay more than twice this amount in annual property taxes to their city government.

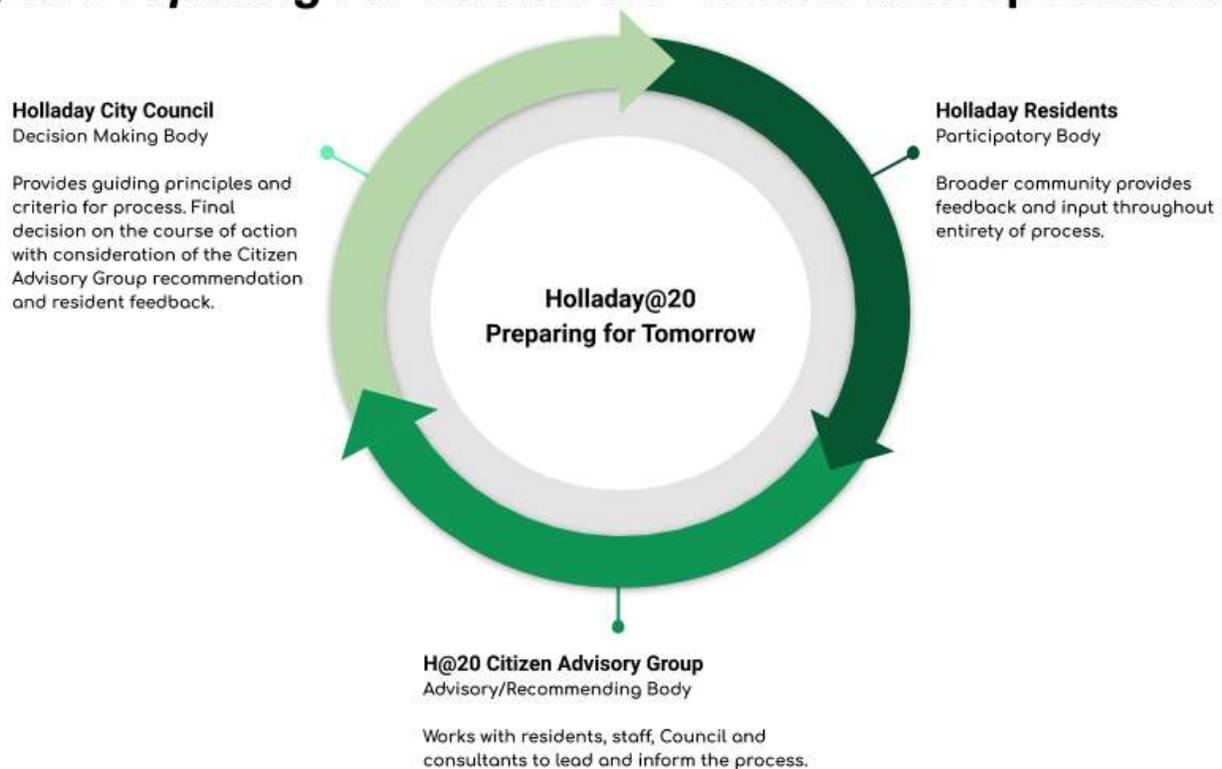
Young city with old bones, rich history

Holladay is a young, vibrant city with old, fragile bones. Although Holladay incorporated as a city only 20 years ago, it is one of the oldest pioneer settlements in the Salt Lake Valley. This rich history comes with infrastructure that was built 30, 50, and even 100 years ago, much of which now has maintenance needs beyond simple repair.

Citizen Advisory Group

The Citizen Advisory Group (Group) was created by the Holladay City Council in 2019 to assist and advise the Council on the H@20 process. The Group was specifically charged with providing their recommendation on a long-term, sustainable revenue plan, as well as guidance on a public education and engagement process. While the Group provides an important role, the City Council retains all decision-making, tax-setting and bonding authority.

H@20: Preparing for Tomorrow - Roles & Responsibilities



Group Members and Leadership

The City of Holladay solicited the community-at-large for volunteers to serve on the Citizen Advisory Group. Notices appeared in the City’s monthly newsletter and weekly email to residents, as well as on Holladay’s website and social media accounts. The City received applications from twelve interested residents. The City Manager and Assistant to the City Manager conducted introductory meetings with each applicant in December 2018.

The City staff reported to the City Council on the Group recruitment efforts on January 17, 2019. To enable the group to work efficiently, City staff recommended a maximum of 8 residents for service on the Group. The residents listed in the table below were selected. The members possess a variety of relevant backgrounds and tenures of residency in the City while providing representation for all five City Council Districts.

Citizen Advisory Group – Citizen Members

Name	District	Years of Residence		Background Summary
			in Holladay	
John Ashton	1		16	Attorney, U of U Alumni Association President & Board of Trustees, Rotary Foundation Board
Kim Blair	2		37	Engineer, Utility Industry Leadership, Capital Programs
Ashlee Yoder (Mar-Aug 2019)	2		40	SLCo Planner, Sustainability, Human Resources, Transportation/UTA
Brett Graham (Jan-Apr 2020)	2		17	Strategist, Analytics, Executive Leadership, Health Insurance Industry, Former Holladay Council Member
Alan Eastman	3		16	School Board President, Scientist, Arts Proponent, Musician
Julie (Yujie) McCracken	4		5	Chinese Community Services, Computer Information Services, Insurance Agent
John Norton	4		18	Engineer, Computer Science, Mathematics, Web Development, Trustee Mt Olympus Improvement District & Central Valley Water Reclamation Facility
Larry Hoffmann	5		18	Specialty Chemical Industry Executive, International Business, Capital Budgeting, Sales, Marketing, Upper Management, CERT Certified Block Captain
Jim Wilson	5		2	Engineer, Executive Leadership, Lean Management / Efficiency, Bank Lending, FEMA Certified Incident Command

The Chair and Vice Chair were chosen from the resident-members of the Group. The Group selected John Ashton as Chair and John Norton as Vice Chair. The Chair and Vice Chair alternated leading Group meetings, reviewed the Group’s preliminary agenda and materials with City staff, and served as liaisons to the Holladay City Council. The terms of service for Group leadership positions runs concurrent with the length of time required to complete the H@20 process. The Group also developed Citizen Advisory Group Procedures to provide guidance to membership in their participation and expectations on how the Group work would proceed.

Group Process

The Group’s process centered on monthly meetings. Work began with studying the existing City budget revenues, expenditures and constraints; followed by gaining an understanding of known, unmet project needs; surveying community priorities and preferences; considering various funding tools; and building potential solutions based on these findings. Community education and engagement efforts were central to the Group’s work, providing essential insight. These details are provided in the following section.

Summary of Group Meetings

Date	Main Agenda Topic
March 13, 2019	Kickoff
April 10, 2019	City Budget and Financial Considerations
May 8, 2019	Draft Capital Improvement Plan- Identified Unmet Needs
June 12, 2019	1 st Citizen Survey Results on Priorities
July	<i>No Meeting</i>
August 14, 2019	Messaging – How to Talk People about the Issues
September 25, 2019	Funding Tools Available to the City
October 9, 2019	Financial Sustainability Model
November 13, 2019	Trade-offs
December	<i>No Meeting</i>
January 8, 2020	2 nd Survey Results on Trade-offs, Funding Tools, & Messaging
February 12, 2020	Roadway Maintenance and Preliminary Scenario Options
February 19, 2020	Continue Review Preliminary Scenario Options
February 26, 2020	Subgroup Refinement of Preliminary Scenario Options
March 5, 2020	Subgroup Refinement of Potential Group Recommendation
March 11, 2020	Pre-finalization of Scenario Options and Group Recommendation
April 9, 2020	Finalization of Group Recommendation Report



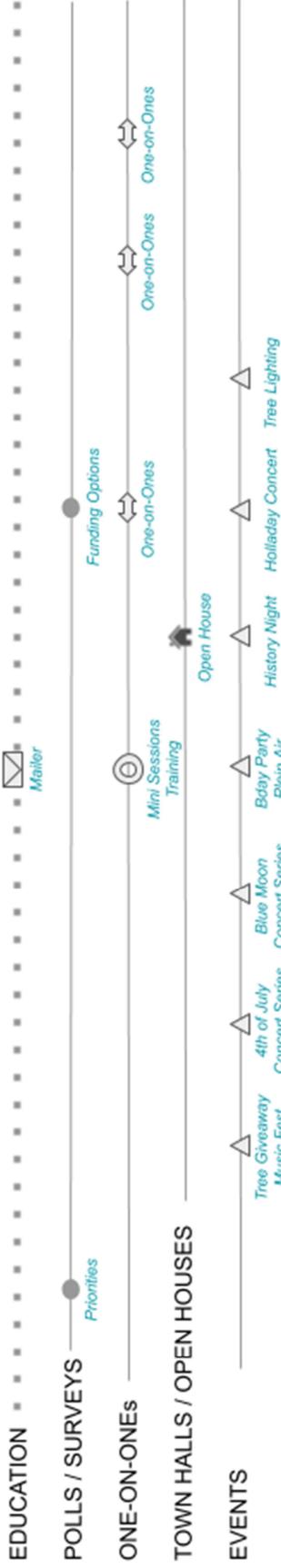
Process Timeline



GROUP MEETINGS



COMMUNITY ENGAGEMENT



Community Education and Engagement

The objective of the H@20 Community Engagement Plan is to proactively connect with residents through public information and participatory citizen engagement opportunities using a variety of tools and resources throughout the approximate 18-24 month process.

Goals

- Empower citizens.
- Provide an easy-to-use engagement platform.
- Develop a comprehensive communications strategy that brings the message to residents.
- Provide residents with information to understand constraints.
- Quantify resident input.

What We Need to Know from Residents

- Priorities.
- Concerns.
- Preferred funding mechanisms.
- Acceptable trade-offs.

Measurement of Plan Success

- Have we engaged enough people?
- Did we receive diverse participation?
- Was input informed?
- Do we have quantifiable input to support an ultimate decision path?

Connecting Theme with the 20th Anniversary

The City engaged with Wilkinson Ferrari & Co. to develop the H@20 connecting theme and logos. Below is text from a memo outlining the firm's professional advice:

"WF&Co. is pleased to provide the following thoughts on two Holladay initiatives – celebrating the City's 20th anniversary and planning for needed capital improvements – and how they relate to and complement each other.

Holladay has a great opportunity to set a positive post-Holladay Quarter tone by celebrating the City's past success and engaging the community in planning for the next 20 years and beyond. Here's how:

- *Connecting these processes through strong messaging and cross-pollination of the efforts demonstrates that the City is being thoughtful about recognizing its rich history and tapping into those feelings of community to map out a plan for ensuring the City's continued success.*
- *We envision connections between the community committees to share information and ideas and become ambassadors for the two efforts and Holladay in general.*

- *Connecting tissue could include presentations to each group about the others' efforts, conducting CIP public engagement activities in concert with anniversary events, and mining Holladay's history for information that could be of use for CIP planning."*

Connecting Theme - Holladay@20: Celebrating Two Decades. Preparing For Tomorrow.

20th Anniversary Celebration

**Holladay@20:
Celebrating Two Decades**

Purpose Identify, plan for and implement activities to commemorate the 1999 creation of Holladay City.

Approach

- Organize citizens committee.
- Educate committee about H@20 effort
- Identify celebration opportunities.
- Engage public to share stories and participate in activities.
- Conduct CIP outreach/research at celebration events.
- Cross-promote anniversary and CIP info

Capital Improvement Needs

**Holladay@20:
Preparing For Tomorrow**

Purpose Identify and prioritize the City's capital improvement needs; identify sustainable revenue sources; educate about needs and solutions.

Approach

- Organize citizens committee.
- Educate committee about H@20 effort
- Educate committee about CIP needs and revenue options.
- Educate and seek feedback from residents.
- Cross-promote anniversary and CIP info and activities.

H@20 Logos



Cross-Promotion at 20th Anniversary Community Events

Holladay@20: Preparing for Tomorrow was promoted in conjunction with the Celebrating Two Decades events that commemorated the City's 20th Anniversary. The following is a list of 2019 events that included branding for H@20: Preparing for Tomorrow:

- May 22, Knudsen Park Ribbon Cutting - banner, program
- June 1, Tree Giveaway - banner, flyers, promo cards
- July 4, Celebration - banner, promo cards on Frisbees
- August 24, Blue Moon - banner, promo cards
- September 20, Anniversary Event – banner, promo cards

Project Website – www.holladay20.com

A project website was launched for the H@20 process in March 2019. The website includes an overview of the timeline process and a description of the roles of the City Council, residents, and the Citizen Advisory Group. The Group membership, agendas, meeting summaries, and other relevant information related to their work are also available on the site. Survey results, data, and other documents are posted as available. Residents may sign-up for an email distribution list to receive notices and information directly. Residents may also send comments and questions using a form on the page throughout the process. When surveys, events, or other opportunities for comment are available, these details are promoted at the top of the website.

Education

At least one public message was issued monthly over the past 12 months to provide the community with an update on the H@20 process and to promote education and engagement opportunities. Education pieces were primarily distributed via the City newsletter in the Holladay Journal, website, email blast and social media. Banners were also placed at strategic locations to promote events and community engagement opportunities, such as the open house and survey participation. The Group also produced a hard-copy brochure and property tax fact sheet that are readily available at the main reception desk and planning department counter at Holladay City Hall, and on the City website. These materials were also distributed at the Open House, small group presentations, and a select number of community events. The Group sent a mailer to every Holladay household that included key facts and an invitation to learn more at an Open House on October 14, 2019.

Surveys

The City contracted with Y2 Analytics to prepare, issue, and analyze three resident surveys as part of the H@20 process. Each survey includes both quantitative and qualitative participation groups. The quantitative group draws from the City of Holladay's 2017 Community Survey participants that elected to be part of an ongoing survey panel. Although elective, the panel provides broad representation of residents from various cohorts in terms of age, length of residence, and gender. The qualitative group includes any resident that wishes to take the survey. Promotion of the surveys occurred via the City newsletter, email distribution list, social media accounts, banners, and other methods.

Survey 1 – Community Priorities

Survey 1 was issued to gain an understanding of the community's view on capital infrastructure, quality of life, and city services. The survey was fielded from May 4-11, 2019 for the quantitative phase with 839 survey respondents and a margin of error of 3.4%. The qualitative phase was open from May 13-24, 2019 with no participation. Below are the headline results:

- Holladay residents as a whole are largely satisfied with their quality of life in the city, city services, and city management. High-level measures gauging the health of the city are mostly consistent with the sentiments from our 2017 survey.
- A majority of Holladay residents are pleased with their neighborhoods' walkability, access to parks and public lands, connection to the rest of the city, look, and mix of businesses and housing.
- Roads are the hot topic among city residents today. There is significant discontent with neighborhood sidewalks and roads—more than half say they are in average or poor condition. A majority of residents also feel there's a need for improvement in the main roads around the city. There is a prevailing sentiment that these infrastructure elements are not well maintained.
- When it comes to priorities for capital improvements in the city, residents gravitate toward projects focused on road maintenance and trail system development. Potential projects that fell lower on residents' collective priorities list were a pump track, additional sidewalks in commercial centers, a skate park, and maintenance to City Hall.
- Residents' budgetary choices match their project prioritization well. Surface maintenance on city streets and roads receives the highest dollar amount allocation on average while City Hall maintenance and upgrades receives the lowest average allocation.

Survey 2 –Funding Preferences, Trade-offs, and Message Testing

Survey 2 was issued to gain an understanding of the community's view on different funding tools (property taxes, fees, and bonding), trade-offs of different funding options, and messaging. The survey was fielded from November 12-19, 2019 for the quantitative phase with 683 survey respondents and a margin of error of 3.7%. The qualitative phase was open from November 20-30, 2019 with 68 residents participating in the survey; although, only 45 of them completed the full survey. The top five findings included:

- A majority of Holladay residents express positive sentiments about the city generally, but recognize needs in the community. 73% of residents agree that Holladay has a great deal of aging infrastructure that needs to be repaired or replaced.
- More than half of residents initially support a tax increase or fee assessment to generate additional revenue for the City's unmet infrastructure needs. Many residents express concerns or desires for more information, however.
- Additional information about the needs of the City and current budgetary constraints increases final support for some type of revenue increase by 7-12 percentage points. Overall, these messages move 30% of residents to a more supportive position.
- Residents overwhelmingly prefer the combination of fees and project-specific bonds over other ways of increasing city revenue. They find a property tax increase by council vote to be the least appealing single option.
- When presented with the trade-off, residents strongly prefer an incremental fee increase to address needs over time (71%) rather than a larger increase all at once.

Survey 3 – Feedback on Potential Course of Action

Survey 3 is anticipated for issuance to gain an understanding of the community's view of on the City Council's proposed course of action. Details and timing of the survey release are pending.

Open Houses and Town Halls

The H@20 Group hosted an open house on October 14, 2019. This event focused on providing general information to residents about the process, sharing findings and unmet infrastructure needs, and highlighting the City's budget and financial challenges. The Group also collected written comments and promoted participation in the upcoming Survey 1. Approximately 40 people attended the open house, which is a typical turnout for events of this nature in Holladay. The Group had a post-event debriefing of impressions and comments from the open house. A second open house and town halls hosted by the City Council members may occur at their discretion as the H@20 process continues.

Small Group Presentations

There are several established City committees, groups and organizations within the City of Holladay. An ad was placed in the City newsletter, website, email blast, and social media postings soliciting the opportunity for the H@20 Group to provide a presentation to small groups. The response was null, however, the Group proactively scheduled and met with 9 small groups and had 4 additional presentations pending at the time of this report.

Information and Data Sources

In addition to the feedback collected through community engagement efforts, this section describes other main points of information and sources of data considered as part of the H@20 process. Much of the data ultimately served as key inputs for the Financial Sustainability Model, which is described in the subsequent section.

City Incorporation

The area of the City of Holladay was first established in the late 1840s by early settlers of the Utah territory. It was officially incorporated as a municipality more than 150 years later, on November 30, 1999. There were two pushes for incorporation – one in the 1980s, followed by another in the 1990s. Important to note for today’s discussion of City revenues is that feasibility studies for both incorporation efforts assumed the continued vibrancy of the Cottonwood Mall, which closed in 2007.

Annexation Growth

At the time of incorporation, the City’s population was about 14,500. Today, the population has more than doubled to approximately 31,000. This growth is due to 4 annexations that occurred in the years 2002, 2005, and 2014.

Annexation Area	Holladay Population Estimate
<i>1999 Incorporation</i>	<i>14,561</i>
2002 Annexations (1) Sunnyside Avenue / Olympus Heights (2300 E-2700 E and Lincoln Ln to 4500 S) (2) North Holladay (Highland – 2300 E and 3900 S-4500 S)	20,170
2005 Annexation West Holladay (Murray Holladay Rd-Van Winkle Expressway and Highland Dr-1300E)	26,461
2014 Annexation Olympus Hills (I-215-2700 E and 3900 S-4430 S)	30,748

Population

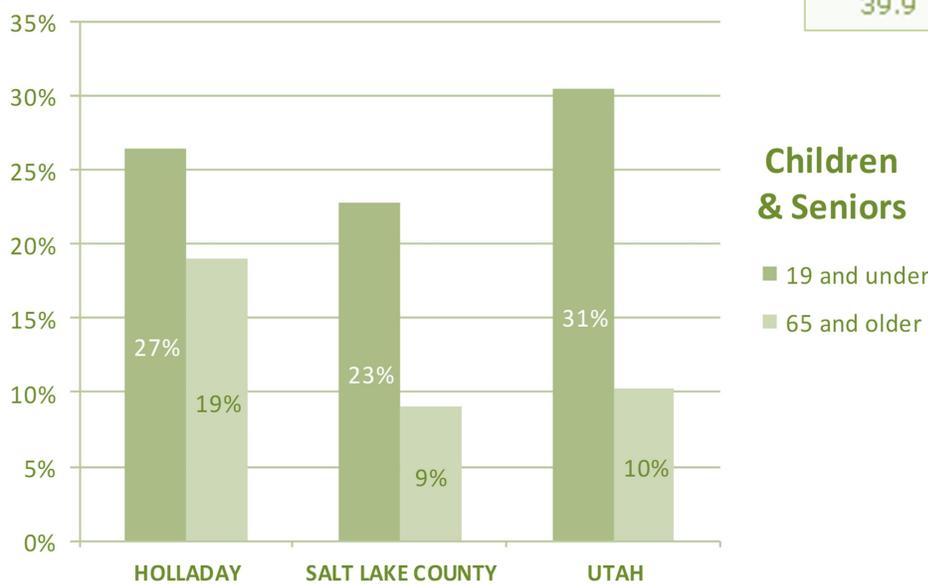
The City of Holladay has nearly twice the number of residents age 65 years and older compared to Salt Lake County and the State of Utah. Additionally, more than a quarter of Holladay residents are age 19 and under. The median age of Holladay residents is roughly 8-9 years older than the medians of Salt Lake County and the State of Utah.

Population by Age



Median Age		
Holladay	Salt Lake County	Utah
39.9	31.8	30.7

Children & Seniors

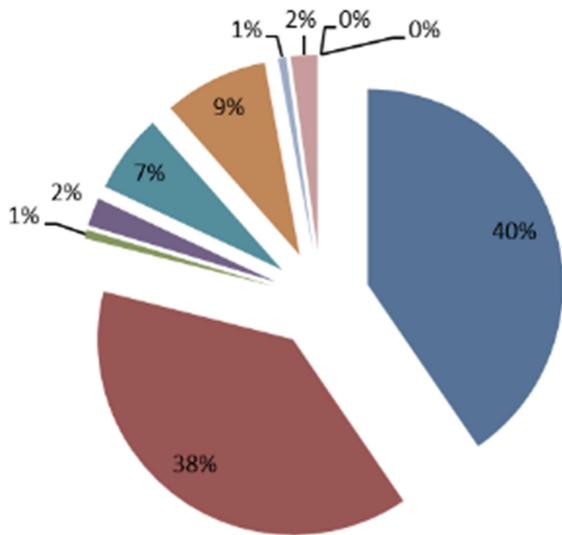


City Budget Information

The City of Holladay’s budget documents not only present historical trends but also underline the current revenue and expenditure challenges. Over the past 20 years, revenue from property tax has principally increased due to annexations, rather than true “organic” growth, and decreased as an overall percentage of City revenue. The City has not increased its property tax rate in 20 years for a variety of complex reasons, including but not limited to, a lack of political will to engage in the State of Utah’s Truth in Taxation (TNT) process. TNT was enacted in 1985 to provide more process transparency and support a more incremental pace of increasing property taxes. The reality is that TNT created a difficult political process and many cities, including Holladay, have not raised their taxes in several decades as a result. Sales tax revenue has remained generally flat, but categorically decreased due to inflation. However, Holladay has benefitted from recent changes to online sales tax collection. The City also implemented franchise taxes to increase revenue over the past 10 years to help balance the budget.

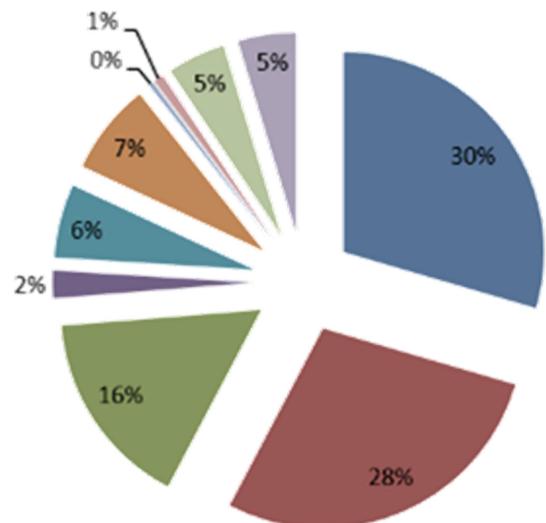
Revenue FY 2000-01

- Property Tax
- Franchise Taxes
- Licenses and Permits
- Other Fees
- Justice Court
- General Sales & Use Tax
- TRT and Motor Vehicle Fee
- Intergovernmental
- Other Revenue
- Contributions From Other Funds



Revenue FY 2018-19

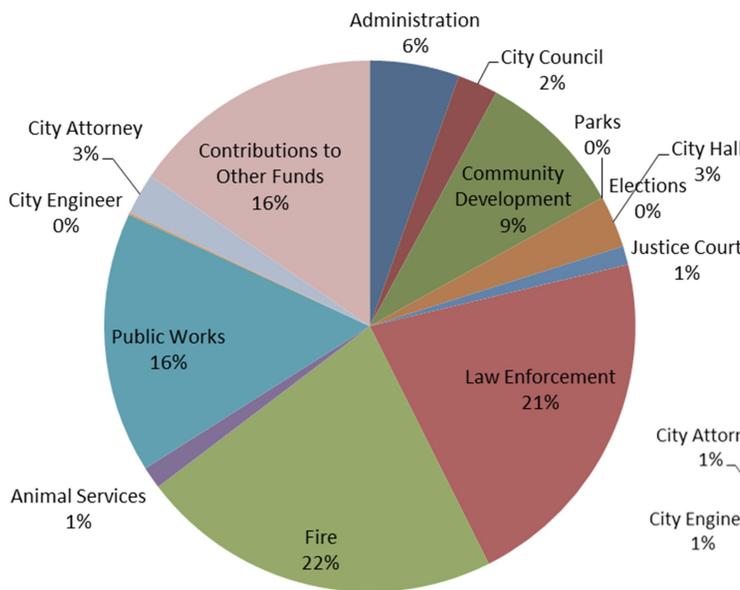
- Property Tax
- Franchise Taxes
- Licenses and Permits
- Other Fees
- Justice Court
- General Sales & Use Tax
- TRT and Motor Vehicle Fee
- Intergovernmental
- Other Revenue
- Contributions From Other Funds



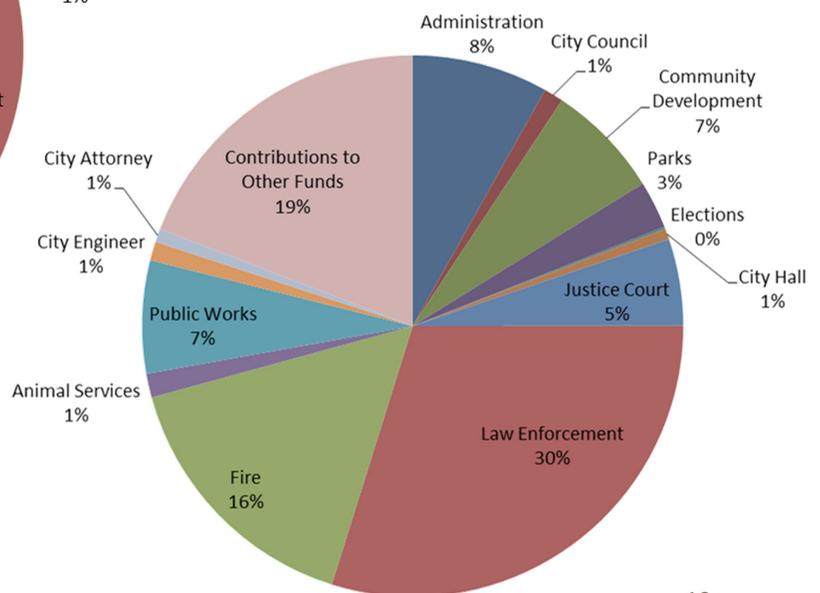
The City's largest budget expenditures include police, fire and public works. When the City incorporated in 1999, property tax revenue covered nearly all public safety contract costs, and public works expenditures were 16% of the budget. Today, public safety accounts for nearly half of City expenditures. As police and fire service costs have increased, the City's investment in maintenance of infrastructure and capital projects were decreased to balance the budget. As a result, just 7% of the City's budget is available for public works projects.

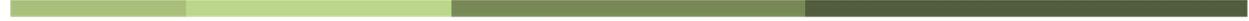
To monitor costs, City officials actively participate on governing boards for both the Unified Fire Authority and Unified Police Department, the multi-jurisdiction agencies from which Holladay contracts for public safety services. The City also recently conducted a cost analysis of its contract with Salt Lake County Public Works to ensure these services remain a good deal for Holladay. Public safety costs continue to rise due to the limited number of trained public safety officers, local market pressures, and retirement obligations. Additionally, the City's public works contract has increased because of changes in the unincorporated areas of Salt Lake County. Regular assessments show that Holladay's current arrangements for police, fire, and public works remain the most economical option for residents. Yet, Holladay revenue continues to be outpaced by the inflation of expenditures, and the budget gap continues to widen. If the current trends continue without new revenue sources, the City will be forced to reduce services to balance the budget.

Where the Money Goes FY 2000-01



Where the Money Goes FY 2018-19





Beyond monitoring the public safety and public works contract services, the City engages in other practices to promote fiscal efficiency and mitigate costs.

- **Limit number of City staff.** From its beginning, the City has operated on a skeleton staff; contractual relationships partly offset the number of full-time staff required. Plus, City staff positions are largely multifaceted, with individuals fulfilling multiple roles that are commonly separated in other communities. For instance, Holladay's City Planner is also the GIS Coordinator, and Holladay's City Recorder also serves as the Public Information Officer. A small but experienced and versatile number of full-time staff keeps the high cost of medical and retirement benefits down.
- **Maximize maintenance dollars.** To make the most of limited public works infrastructure funding, especially for road projects, the City looks for opportunities to partner with other agencies or individuals, clusters projects to keep contractor mobilization costs down, and phases improvements when necessary.
- **Contracts for professional services.** The City contracts for professional services, including legal, engineering, financial administration, and inspection services. These pay-as-needed services provide the City with access to a wide range of expertise in these fields without the full overhead of having full-time, high-cost professionals on the City payroll.
- **Share specialized positions with other communities.** The City shares two employees with other communities – emergency manager and sustainability planner – bearing only a few hours a week in cost while getting the benefit of these specialized positions.
- **Maintain a frugal approach in purchasing practices.** The City's purchasing ordinance requires multiple bids for most projects to ensure the most competitive value for residents. Staff also price shops for lower cost items to ensure the best deal. The City has also opted for less-expensive technology packages that get the job done without excessive overhead costs. The City's vehicle fleet is relatively aged, yet maintained regularly to meet the City's needs. Equipment is only replaced when beyond repair, obsolete, or the cost-benefit for a new purchase exceeds that of keeping the old.
- **Pursue outside funding and grants for capital projects.** The City of Holladay has secured about \$24.1 million in grants since 2011. This funding has enabled the City to construct City Park and Knudsen Park, repair major roadways, and provide new pedestrian and bicycle amenities, among other improvements. Without the infusion of these grants, the City would not be able to afford these projects. Additional grants have funded significant projects, such as updating the General Plan and other studies that guide the development of future infrastructure, etc. Most of the grant-funded projects only require a small percentage of money from the City. In many cases, City staff has secured multiple grant awards for a single project to offset any financial participation from the City.

Capital Improvement Program (CIP) of Unmet Needs

A capital improvement program (CIP) is a 5-10 year plan that identifies infrastructure projects and equipment purchases and provides a schedule for implementation. Given the limited resources historically available, the City of Holladay has not had a formal CIP. The City’s first CIP will result from the H@20 process. To prepare, staff members surveyed the City’s assets, their condition, and estimated costs for repair or replacement. The list of needs totals \$75 million, and continues to grow. This list of projects was compiled with input from many sources, including Holladay’s General Plan and its recommended networks of roads, bicycle routes, sidewalks, pedestrian paths, parks, trails, and open space. Other inputs include the City’s Storm Drain Master Plan, maintenance logs, inspection reports, requirements of state and federal laws, emergencies and failures, and requests from residents and businesses.

Holladay’s Unfunded Needs <i>Estimated one-time & ongoing expenses over next decade</i>	July 2020-Jun 2030	% of Total
Roads, Bridges, and Sidewalks	\$40.5 M	54.00%
Storm Drain and Canals	\$18.0 M	24.00%
Public Works	\$ 4.2 M	5.60%
Parks and Trails	\$ 2.5 M	3.33%
Arts and Culture	\$ 1.0 M	1.33%
City Property Maintenance and Improvements	\$ 1.0 M	1.33%
Information Technology	\$ 0.3 M	0.40%
City Services, Public Safety and Implementation	\$ 7.5 M	10.00%
TOTALS	\$75 Million	100%

Road Maintenance Program

About 83% or 240 lane miles (19 million square feet) of the roads in Holladay are owned and maintained by the City of Holladay. Most other roads (16%) are privately maintained lanes; 1% is owned by the Utah Department of Transportation. The City monitors the condition of its roadways using a pavement condition index (PCI) survey. This standardized methodology assigns a numerical rating to the pavement condition based on the type and severity of distresses observed on the pavement surface. The PCI index ranges between 0 and 100, where 0 is the worst possible condition and 100 is the best possible condition.

Based on the PCI survey of Holladay’s road network completed by Salt Lake County in 2017, the City’s current average weighted PCI is 67. The PCI, combined with other considerations and data, helps the City prioritize needs and optimize resources by determining what level and type of maintenance is appropriate. The cost of maintenance applications vary from minor treatments beginning at a cost of

about \$1 a square foot (SF) for crack sealing up to \$72 SF for reconstruction. Traffic loads, UV light, freeze/thaw cycles, and other forces break down asphalt and concrete. The life expectancy for a properly constructed roadway is 30 years. Sustainable pavement preservation programs can double the life expectancy of a road, resulting in significant savings.

The City Engineer prepared a *Do Nothing Scenario* model to project pavement conditions out to 2028. The assumption started with the City’s current pavement preservation budget of \$800,000 in 2021, increased annually at a rate of 3.0%. By 2023, at least 2% of the City’s roads will fail. When these roads fail, the cost of repair quadruples in price. Money will have to be diverted away from inexpensive preservation treatments to costly road reconstruction. By 2028, 15% of the roads will fail. This is equivalent to 36 lane miles. In 2028 dollars, the cost to reconstruct 36 lane miles is estimated at \$27.7 million. The estimated cost to overlay the same roads before they reach failure is \$6.8 million (2028 dollars). Not funding overlay projects will propel the City over a fiscal cliff that will be extremely painful to climb out of. Funding a sustainable pavement preservation program is fiscally prudent and sound planning.

Pavement Condition Index Rating Details and Recommended Treatments with Costs

PCI Rating	Condition Description	No. of Holladay Roads	% of Holladay Roads	Recommended Treatment	2020 Dollars Treatment Cost per Square Foot
86-100	Good	108	21%	crack seal	\$1.05
71-85	Satisfactory	122	24%	slurry seal	\$2.19
56-70	Fair	101	19%	chip seal	\$2.19
41-55	Poor	97	19%	thin overlay	\$17.71
26-40	Very Poor	86	17%		
11-25	Serious	0	0%	thick overlay or reconstruction	up to \$71.75
0-10	Failed	0	0%		

Storm Water Fee Study

The City commissioned Lewis Young Robertson & Burningham, Inc. (LYRB) to evaluate the creation of a storm water utility fee. The City does not assess a storm water utility fee, even though most cities in the State of Utah have a fee. The primary objectives of the study were to provide a comprehensive review of the operational and capital needs related to the storm drain system and establish an equitable, sustainable and transparent way to maintain the system. The storm water utility fee analysis is divided into three phases: a Customer Analysis (the evaluation of potential storm water drainage demand units); a Cost of Service Analysis (balancing revenue sufficiency with future operating and maintenance/capital needs); and, a Rate Design Analysis (the evaluation of how to structure rates to ensure the collection of necessary revenues). A utility rate model was developed that forecasts demand growth, revenues, expenses, and other assumptions through 2030.

The recommendation of the utility fee analysis is for the City to establish a storm water utility fee of \$6.50 per month per residential household, with a proposed 7% annual increase through 2025 to achieve the City's objectives. Revenue would flow to a restricted program fund to underwrite a \$5 million bond to fund proposed capital improvement needs. The proposed rate structure allows the City to provide adequate debt service coverage, while maintaining necessary fund balances. These recommendations are intended to recover the costs necessary to maintain a viable utility, while balancing economic and affordability concerns.

Financial Sustainability Model

The City of Holladay engaged LYRB to analyze financial data and project information and to develop a sustainable financial plan using a dynamic forecasting model. The process began with gathering and reviewing planning information, growth projections, historic demands, future capital needs, and financial information. This information was populated into the model. Utilizing historic financial information and budgets, LYRB projected annual operational expenditures for a 10-year planning horizon. Expenditures included annual replacement costs, new capital needs, and debt service costs. The anticipated effects of inflation were also factored into the calculations. LYRB also developed revenue projections for a 10-year period using existing revenue sources consistent with historic trends. LYRB forecasted expenditures and available revenues as a baseline scenario to determine any deficiencies and to establish base service measurements.

The financial sustainability model served as a functional cash flow model for the H@20 process to review alternative scenarios. Adjustments can be made to the timing of capital projects, potential increases to revenue sources (such as a property tax rate) or the amounts of new funding sources (like a storm water utility fee and bonding or borrowing money for specific projects.) It is important to note that future bonding scenarios were based on general assumptions. It is anticipated that, as the City approaches the actual construction year of projects, more detailed bonding scenarios will need to be developed.

Description of Options

Based on preliminary review of findings from the financial sustainability model, LYRB worked with the H@20 Group to develop and consider three main options for a long-term, sustainable revenue plan. The Group concurred that all options would include a storm water utility fee of \$6.50 per month per residential household, with a proposed 7% annual increase through 2025 to achieve the City's objectives. Revenue would flow to a restricted program fund to underwrite a \$5 million bond to fund proposed capital improvement needs. The major differences between the options rest on the level of investment in the roadways, unmet maintenance needs, and capital projects.

Treading Water

The Treading Water option captures the amount of funding required to maintain current levels of service for public safety and public works, including the escalating costs for these contracts. This option does not include new money for road maintenance, other unmet maintenance needs or capital projects. No investment in capital projects will result in a steady decline of the state of infrastructure with costs for repair and replacement increasing over time. The road maintenance program would not see an increase in budget funds; thus, the roadway PCI drops alarmingly over a 10-year period. The number of failing roads requiring thick overlays or complete reconstruction increases drastically, and the City's ability to catch up with its failing roads becomes a dire situation.

Slightly Better

In addition to maintaining the current levels of service for public safety and public works, the Slightly Better option includes doubling the annual budget for the road maintenance program in a pay-as-you-go approach and provides new revenue to fund other unmet maintenance needs and capital projects. With a more robust road maintenance budget, the average PCI holds steady or slightly increases and at-risk roads are prevented from failing.

Biggest Impact

As well as maintaining the current levels of service for public safety and public works, the Biggest Impact option includes issuing a road maintenance bond, increasing annual funds for the road maintenance program in the year following the bond, and establishing revenue to fund other unmet maintenance needs and capital projects. The large investment upfront in road maintenance produces a marked increase in PCI and eliminates at-risk roads from approaching failure. This scenario comes at an initial high cost to cover debt service on the road maintenance bond, but over time, produces a more cost-effective road maintenance program going forward.

Financial Sustainability Plan Options

Options	Proposed Increase in Property Tax Revenue				
	2021	2022	2023	2024	2025
1. Treading Water <ul style="list-style-type: none"> Annual 6% "Cost of Business" increase Keeps existing City services as-is No funding for unmet maintenance needs and capital projects Infrastructure at-risk Cost of unmet needs escalates No additional funding for roads Decrease in road PCI At-risk roads start failing Cost for road repair accelerates 	26.00%	6.00%	6.00%	6.00%	6.00%
2. Slightly Better <ul style="list-style-type: none"> Intermediate property tax increase Annual 6% "Cost of Business" increase Keeps existing City services as-is Funding for unmet maintenance needs and capital projects Adds more funding for roads Modest improvement to road PCI Keeps at-risk roads from failing 	74.00%	6.00%	6.00%	6.00%	6.00%
3. Biggest Impact <ul style="list-style-type: none"> Upfront property tax increase Annual 2% general inflation increase Keeps existing City services as-is Funding for unmet maintenance needs and capital projects Upfront road bonding produces immediate results Marked increase in road PCI Keeps at-risk roads from failing Lowers future road maintenance costs 	92.00%	2.00%	2.00%	2.00%	2.00%

This chart reflects the needed revenue increase. Actual tax increase may differ.

All three options would include a \$6.50 monthly storm water fee in addition to the proposed tax revenue.

"Cost of Business" reflects the historic rate of inflation specific to Holladay and its City services. A 2% inflation rate is a minimal increase reflective of general, national markets, not specific to local government or Utah.

Evaluation of Options

The H@20 Group’s evaluation of the three options – Treading Water, Slightly Better, and Biggest Impact – primarily rested on the impacts and benefits provided to the residents of the City of Holladay. Group members were mindful of the preferences and priorities of residents, as shared in surveys, the public open house, and other engagement opportunities. Frequently mentioned sentiments included:

- Need to maintain the level of City services and quality of life enjoyed in Holladay today.
- Need for improvement to the roads and other infrastructure elements.
- Preference for a combination of fees and project-specific bonds.
- Preference for an incremental fee increase rather than a larger increase all at once.
- Consideration of fixed-income and low-income residents, and the household impact.
- Consideration of the short- and long-term project benefits provided to residents.

Treading Water

The Treading Water option maintains the level of City services in Holladay. It proposes the lowest increase in property tax revenue, aligning most closely with many residents’ preference for an incremental increase over time. For a home value of \$500,000, the combined impact of a potential property tax increase and storm utility fee is about \$13.90 a month. The potential property tax increase equates to roughly a 2.5% increase to the total property tax bill. While this option includes fees and bonds to improve storm water facilities, it does not address the degrading condition of roads and other infrastructure. The appeal of this option in terms of low financial impact on households is offset by its lack of meaningful short- and long-term project benefits to residents.

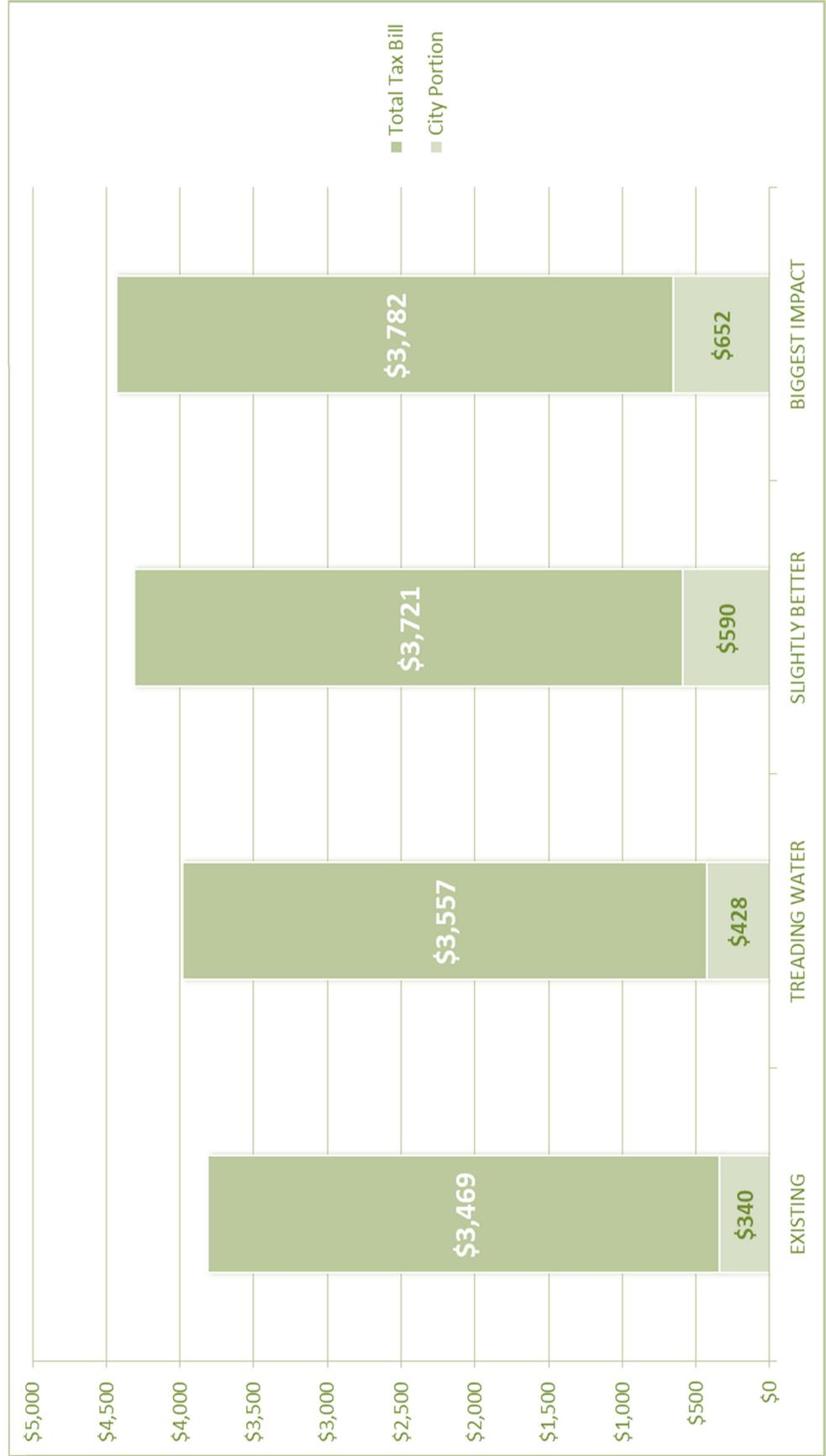
Slightly Better

The Slightly Better option maintains the level of City services and quality of life in Holladay. It proposes a more substantial increase in property tax revenue. For a home value of \$500,000, the combined impact of a potential property tax increase and storm utility fee is about \$27.40 a month. The potential property tax increase equates to roughly a 7.2% increase to the total property tax bill. This option includes fees and bonds to improve storm utility facilities. It also includes funding to address the degrading condition of roads and other infrastructure. This option has short- and long-term benefits to residents; noticeable improvements would accumulate over time, funded on a “pay-as-you-go”-model.

Biggest Impact

The Biggest Impact option improves the level of City services and quality of life in Holladay. It proposes a more-concentrated increase in property tax revenue. For a home value of \$500,000, the combined impact of a potential property tax increase and storm utility fee is about \$32.50 a month. The potential property tax increase equates to roughly a 9% increase to the total property tax bill. This option includes fees and bonds to improve storm utility facilities. It also includes funding to address the degrading condition of roads and other infrastructure. It provides immediate results due to an upfront road maintenance bond that lowers maintenance costs over time, providing the best short- and long-term project benefits to residents.

Comparison of existing property taxes and changes considered in each option (total and city portion)
for average home market value of \$500,000



Treading Water

Home Value	GF Monthly Tax Impact	Storm Monthly Impact	Combined Monthly Increase	Annual Impact	Total Tax Bill (All Taxing Entities)	Revised City Portion of Tax Bill	% of Total	Increase in Total Property Tax Bill
\$250,000	\$3.70	\$6.50	\$10.20	\$122.40	\$1,779	\$214	12.04%	2.5%
\$500,000	\$7.40	\$6.50	\$13.90	\$166.80	\$3,557	\$428	12.04%	2.5%
\$750,000	\$11.00	\$6.50	\$17.50	\$210.00	\$5,336	\$641	12.02%	2.5%
\$1,000,000	\$14.70	\$6.50	\$21.20	\$254.40	\$7,115	\$856	12.03%	2.5%
\$1,250,000	\$18.40	\$6.50	\$24.90	\$298.80	\$8,894	\$1,070	12.03%	2.5%
\$1,500,000	\$22.10	\$6.50	\$28.60	\$343.20	\$10,672	\$1,284	12.03%	2.5%

Slightly Better

Home Value	GF Monthly Tax Impact	Storm Monthly Impact	Combined Monthly Increase	Annual Impact	Total Tax Bill (All Taxing Entities)	Revised City Portion of Tax Bill	% of Total	Increase in Total Property Tax Bill
\$250,000	\$10.50	\$6.50	\$17.00	\$204.00	\$1,860	\$296	15.90%	7.2%
\$500,000	\$20.90	\$6.50	\$27.40	\$328.80	\$3,721	\$590	15.87%	7.2%
\$750,000	\$31.40	\$6.50	\$37.90	\$454.80	\$5,581	\$886	15.88%	7.2%
\$1,000,000	\$41.90	\$6.50	\$48.40	\$580.80	\$7,441	\$1,182	15.89%	7.2%
\$1,250,000	\$52.40	\$6.50	\$58.90	\$706.80	\$9,301	\$1,478	15.89%	7.2%
\$1,500,000	\$62.80	\$6.50	\$69.30	\$831.60	\$11,161	\$1,772	15.88%	7.2%

Biggest Impact

Home Value	GF Monthly Tax Impact	Storm Monthly Impact	Combined Monthly Increase	Annual Impact	Total Tax Bill (All Taxing Entities)	Revised City Portion of Tax Bill	% of Total	Increase in Total Property Tax Bill
\$250,000	\$13.00	\$6.50	\$19.50	\$234.00	\$1,891	\$326	17.23%	9.0%
\$500,000	\$26.00	\$6.50	\$32.50	\$390.00	\$3,782	\$652	17.23%	9.0%
\$750,000	\$39.10	\$6.50	\$45.60	\$547.20	\$5,672	\$979	17.25%	9.0%
\$1,000,000	\$52.10	\$6.50	\$58.60	\$703.20	\$7,563	\$1,304	17.25%	9.0%
\$1,250,000	\$65.10	\$6.50	\$71.60	\$859.20	\$9,454	\$1,630	17.24%	9.0%
\$1,500,000	\$78.10	\$6.50	\$84.60	\$1,015.20	\$11,345	\$1,956	17.24%	9.0%

Conclusion – Group Recommendation

Preferred Option: *Biggest Impact*

Considering the resident feedback received to date, the available financial and unmet project data, and outcomes of the model proforma, the H@20 Group's preferred sustainability plan option is Biggest Impact. Members agreed that this option strikes a balance between resident preferences, the pressing revenue challenges at hand, and the growing list of unmet infrastructure needs. The Group acknowledges that this option has the greatest impact on households, but the even greater consequences are waiting on the horizon if bold action is not taken. Without a robust change in direction in how the City has historically done business, the price of not acting now will result in failing roads, crumbling infrastructure and most certainly a reduction in the level and quality of City services.

With the addition of the new revenue included in the Biggest Impact option, residents can expect the current levels of public safety, public works and other City services maintained. Residents can also anticipate that the storm water utility fee and subsequent enterprise fund bonding will be spent on improving the storm water system. Through the road maintenance bond and additional funding, residents will immediately benefit from improved roadway conditions. Once roads are improved, residents will see the cost of maintenance decrease. Residents will continue to see the transparency in use of funds through the City's annual budgeting process, including the formal adoption of the City's first CIP and annual review of the financial sustainability plan.

Implementing the Biggest Impact sustainability plan will require a formidable commitment from current and future City leadership. The Group members emphasize the importance of the City having the appropriate staff and other resources in place to manage the new storm water, road, and other capital infrastructure improvements to be funded under this plan. The Group also acknowledges that this plan rests heavily on the Truth in Taxation process to not only proceed with the initial increase in property tax revenue, but also subsequent years' inflationary increases. Members strongly advocate that the City Council keep to the course to prevent the City from falling into an even worse situation 20 years from now. Lastly, the H@20 Group encourages the City Council to review the sustainability plan and update the model annually to confirm the City is on track with revenue and expenditures.

As the Group hands its recommendation to the City Council, the importance of messaging cannot be overstated. The issues covered in this recommendation report are complicated and dynamic in nature. Residents need to understand the gravity of the challenges facing the City. The City needs to provide a project package to residents to clearly communicate what they will receive in support of these changes. The Group recommends continuing to provide opportunities to residents for education and engagement as the Council proceeds in their decision making process.