

Potential Property Tax Increase Frequently Asked Questions



City of Holladay
as of 7/14/2021

Q: Property values are very strong in Utah – particularly, in Holladay right now. Does the City of Holladay receive more property tax dollars as property values increase?

A: No, the City of Holladay does not receive more property tax dollars when property values increase. The City essentially receives the same, flat dollar amount of property taxes each year. When property value increase, the certified property tax rate for the City decreases to keep the total amount it receives the same year over year.

Q: Is the Granite School District also raising my property taxes in 2021?

“No, but your tax notice may give the impression that taxes are being raised. When voters approved the Granite Bond in 2017 the school district promised to shift the debt levy to the capital levy when bond payments began to decrease. This allows the district to continue funding school building renovation and rebuild projects by maintaining tax revenue. The board is now fulfilling that promise, which requires the aforementioned shift in the levies. Your tax notice may give the impression of an increase, but your tax rate as charged by Granite School District will stay the same. Other factors (especially home value) may affect your overall property tax payment, but as for your tax rate to Granite, there is no net tax increase to you.”(Per the Granite School District website, [https://www.graniteschools.org/bulletin/august-board-meeting-tax-hearing/.](https://www.graniteschools.org/bulletin/august-board-meeting-tax-hearing/))

Q: How much of my total property taxes does Holladay receive?

A: Holladay receives about 10% of the total property taxes you pay. When incorporated in 1999, Holladay received 18% of the total property tax, but that diminished over time as other taxing entities raised their tax rates and the City of Holladay had no property tax increase for 21 years.

Q: I read that the City has identified \$75 million dollars of unfunded project needs. How did things get this bad?

A: There are many reasons why our streets, sidewalks and storm drains are in poor shape, such as:

- Inherited roads ‘as is’ - Holladay inherited roads and other basic infrastructure ‘as-is’ from Salt Lake County when the City incorporated in 1999. The City has also annexed several neighborhoods over the years, and the infrastructure in those areas were in a similar state.
- Frugal budgeting - since incorporation over 20 years ago, City leaders have opted not to raise property taxes, so funds for repairs and rebuilding have been scarce.
- Events beyond City’s control, like the closure of the Cottonwood Mall and the start of Great Recession, both in 2008, dealt the City a double financial whammy that significantly reduced revenues.

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- Fast-growing costs and 21 years of inflation, combined with regularly increasing costs for things like contracted police and fire services, make it impossible for Holladay to pay for needed repairs and improvements while still maintaining current levels of service.

Q: Are tax breaks available for seniors?

A: Yes, the Salt Lake County Treasurer's office does provide tax relief for qualifying individuals, including seniors, those experiencing financial hardship, and for active service in the military. You can find more information at <https://slco.org/treasurer/tax-relief-applications/>.

Q: What is the preliminary proposed property tax increase? Does it include bonding?

A: The preliminary proposal is a 5% increase to annual, total property tax bill, which equals 50% increase to Holladay property tax levy or \$20/month for home with a market value of \$750,000. Holladay currently receives about 10% of the total property tax, and under the preliminary proposal, Holladay would receive about 15% of total property tax you pay.

The proposal also anticipates a \$8 million bond for roadway improvements. The City's financial sustainability model indicates that an upfront investment in road maintenance produces a marked increase in pavement condition index (PCI), eliminates at-risk roads from approaching failure, and decreases road maintenance cost over time.

Q: Why does the City need a property tax increase?

A: City has functioned well for past 21 years, but flat revenues and increasing costs over time mean Holladay lacks budget to replace roads, storm drains, and other aging infrastructure elements that can no longer be sustained with simple repairs. As Holladay assesses these costs, revenues aren't enough to pay for needed improvements while also ensuring the City continues to serve residents well and meet ongoing obligations. Nearly half 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.

One of the most critical reasons that Holladay needs a tax increase is to address \$40.5 million dollars of roads, bridges, and sidewalk work. About 17% of the City's roadways are in very poor condition and at-risk for failing. By 2023, at least 2% of the City's roads will fail. When these roads fail, the cost of repair quadruples in price. By 2028, 15% of the roads will fail, which is equivalent to 36 lane miles. In 2028 dollars, the cost to reconstruct 36 lane miles is estimated at \$27.7 million. With funding from the new property tax, the City would be able to proactively overlay the same roads before they reach failure at a cost of \$6.8 million. As part of this preliminary proposal, Holladay would issue a roadway bond to accomplish this critical work as soon as possible. The unmet needs not funded today won't go away; just get worse and cost more to repair when they fail.

Q: What are the specific projects that will be funded with the new revenue?

A: More details on how the potential new property tax revenue will be spent can be found in the Recommended Fiscal Year 2021-2022 Budget. This budget includes the City's first Capital Improvement Program (CIP) for the next 5 years. 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 CIP is directly correlated with the financial forecasting model developed as part of the Holladay@20 Preparing for Tomorrow process and the subsequent evaluation of a need for a property tax increase. Specific projects were 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; 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.

Q: How does the proposal compare to the Citizen Advisory Group recommendation?

A: The 8-member Citizen Advisory Group was created by the Holladay City Council to help with identification of a long-term, financial sustainability plan to meet maintenance and capital project needs and address other financial challenges facing the City – a process known as Holladay@20 Preparing for Tomorrow.

The Group's 18-month process ultimately resulted in their recommendation for a financial sustainability plan called "Biggest Impact" that included a (1) monthly storm water utility fee; (2) a property tax increase with an estimated impact of 9% to the annual, total property tax bill; and (3) bonding for roadway maintenance program. This recommendation provided a variety of benefits including:

- Closing the budget gap by fully funding public safety and public works contracts.
- Immediately improving the condition of roads.
- Repairing the storm water system.
- Implementing the City's first-ever Capital Improvement Plan (CIP) to address a host of deferred, unmet maintenance projects.
- Increasing the overall condition of roads and preventing at-risk roads from failing, and lowering future road maintenance costs.

The Council's preliminary proposal provides same outcomes as the Group recommendation at a lower property tax rate increase, with an estimated impact of 5% to the annual, total property tax bill. The Council was able to lower the proposed increase amount due to an Increase in online sales tax collection over the past year, the addition of new roadway funding from House Bill 244 in the 2021 Legislative Session, and use of more fund balance from General Fund and Capital Fund.