

Fruit Heights City

**Transportation Funding
(Utility Fee vs. Property Tax)**

June 1, 2015

Frequently Asked Questions:

Q: What is the difference between a fee and a tax?

A: A fee is charged to compensate the City for expenses necessary in order to provide a specific service, and is directly related to the benefit received (e.g. the City provides water and charges a monthly utility fee for the service).
A tax is a forced contribution by the public at large to meet general public needs.

Q: How will a transportation utility fee be used for streets?

A: The fees charged would be put into an Enterprise Fund. This is a restricted fund that will only allow for expenses that are transportation-related. While the major emphasis would be on street maintenance (patching, overlays, chip seal, crack seal, etc.), funds could also be used on other street and transportation-related projects (e.g. street reconstruction, parking lots, curb & gutter, sidewalk, trails, etc.).

Q: How will a property tax increase be used for streets?

A: All property taxes generated are put into the City's "General Fund." This fund allows the City more flexibility in expenditures. Currently the City uses this fund for employee salaries, vehicles & equipment, park expenses, etc. Over the past 10 years, the City has spent an average of \$11,000 each year from the General Fund on street maintenance-type work. In order for the property tax increase to go towards street maintenance, the City Council will need to budget each year the amount to be spent and specifically allocate it to street maintenance.

Q: What is the Capital Projects Fund?

A: The Capital Projects Fund pays for Capital Projects. Some examples of Capital Projects that the City has built over the past several years are: Nicholls Road Reconstruction, Mountain Road Reconstruction, waterline bores under US-89 at Green Road and Nicholls Road, storm drain down Green Road, waterline replacement in Eastoaks and Mountain Road, storm drain on 1350 East, etc. While the water and storm drain enterprise funds can be used for these projects as well, when there is insufficient funding in those funds, the Capital Projects fund can be used. The funding for the Capital Projects Fund comes from the General Fund. As part of the budget process each year, the City Council budgets how much to put into the Capital Projects fund. This amount depends on how much is in the General Fund.

Q: Is there an advantage to funding streets with a utility fee or with a property tax increase?

A: That depends on your philosophy of how you would like to see the City use your money.
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Utility Fee:

- The Fee is based on estimated street usage calculations (i.e. how many end trips per day) as found in the Land Use ITE Trip Generation Manual, 9th Edition.
- All single family homes pay the same amount and are considered 1.0 Equivalent Residential Unit (ERU). All other entities (i.e. commercial entities, multi-family residential, mobile homes, churches, etc.) are charged based on their land use as found in the ITE Trip Generation Manual and their associated ERU.
- The amount paid in utility fees is not tax deductible.
- Paid with monthly utility bill.
- The money collected from the utility fee can only be used for transportation-related projects. This approach guarantees that the money collected is used specifically on transportation-related projects.

Property tax increase:

- The amount of the increase will vary, based on the value of your home. Those with higher home values will pay more, while those with lower home values will pay less. The current average home value in Fruit Heights is \$340,000.
- Paid once a year.
- The amount paid in property tax can be tax deductible.
- Funding through property tax will require the City Council to budget the amount needed each year out of the General Fund, and will require a commitment from the City Council to fund the needed amount every year. There is no way of guaranteeing or holding a future City Council to the commitment of funding the needed amount each year.
- In order to continue to sustain the amount needed, regular Truth in Taxation hearings will need to be held and the property tax rates increased (every 1 to 2 years).

Q: How will the City decide what streets to address?

A: Each year the City will evaluate the projects that they feel will provide the most benefit for the most people. The goal is to increase the average Remaining Service Life (RSL) as much as possible with the funds available. Sometimes this would mean putting a chip seal on a street that is only a couple of years old. Sometimes this would mean allowing a street in poor condition to remain in poor condition while addressing other streets in better condition in order to keep them in good condition with fewer dollars. Also, streets that are more heavily traveled will have a higher priority. Another factor is the timing of other underground capital projects that will need to be done before street treatments will be applied.
