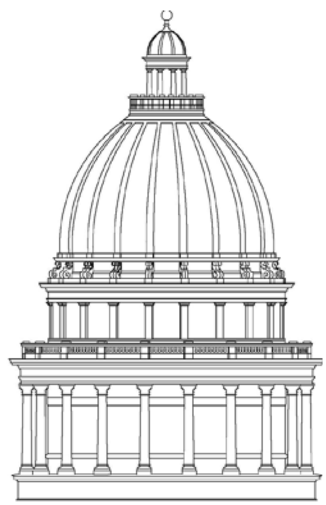
REPORT TO THE

UTAH LEGISLATURE

Number 2010-03



A Performance Audit Of Counties' Municipal Services

January 2010

Office of the
LEGISLATIVE AUDITOR GENERAL
State of Utah

STATE OF UTAH
Office of the Legislative Auditor General

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January 19, 2010

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report, **A Performance Audit Of Counties' Municipal Services** (Report #2009-03). A digest is found on the blue pages located at the front of the report. The objectives and scope of the audit are explained in the Introduction.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

John M. Schaff

John M. Schaff, CIA
Auditor General

JMS/lm

Digest of
A Performance Audit Of
Counties' Municipal Services

Chapter 1: Introduction

Municipal services funds (MSFs) are statutorily created tools intended to account for county services and funding. The goal is to align services with funding so the benefit goes to the person paying for it. In Utah, counties are statutorily permitted to "provide municipal-type services to areas of the county outside the limits of cities and towns without providing the same services to cities or towns." The statute also provides details as to what counties can provide and what funding may be used to pay for those services. There have been some concerns with how counties are paying for the services they offer to residents in unincorporated areas.

Services provided differ among counties and can include, but are not limited to, fire protection, waste and garbage collection, planning and zoning, street lighting, and police protection. To account for these services, statute requires counties to separately budget and strictly account for the costs of providing municipal-type services and functions. In order to accomplish this strict accounting, counties must be able to determine where the monies come from, as well as where they are spending it.

Chapter II: Municipal Services Funds Can Be Accounted For More Accurately

Dedicated Revenue Sources Are the Best MSF Funding Alternative. Counties that cannot identify their MSF funding sources cannot demonstrate that their funding is appropriate. All counties with MSFs should have clear accounting of those MSF funding sources and uses. Counties that charge a dedicated MSF property tax are better able to demonstrate that fees and services are appropriately matched for county residents. ***Utah Code*** 17-34-1(2)(b) allows counties to fund municipal-type services by "levying a tax on taxable property in the county outside the limits of cities and towns; or charging a service charge or fee to persons benefitting from the municipal-type services." Counties surveyed have interpreted the allowed sources of funding differently and so each uses a variation of funding types.

Periodic Service and Cost Reviews Should Be Performed. Counties that chose or are required to have an MSF should perform a service cost review, and in doing so identify how much of the cost can be attributed to unincorporated county residents versus incorporated city residents. Four of the ten counties selected for in-depth review have chosen to have an MSF. In addition, a fifth county, Utah, uses special service districts to provide their services. Of these five counties, four report they have done at least one analysis of the services they offer their residents. One of these four counties, Washington, has not conducted an analysis for at least 10 years. The remaining county, Box Elder, has made no attempt to determine these cost proportions. This is especially concerning as Box Elder also does not have an appropriate funding source.

PILT Money Appears to Be Appropriately Used. There are neither federal nor state restrictions on how counties can expend their federal PILT money. Under federal law, local governments (usually counties) receive PILT funds for federally owned land within a county as recognition of the inability to tax the property value of the federally owned land. The counties sampled used these funds for either MSFs or roads projects.

In addition to looking at municipal-type services, we also looked at the need for unincorporated area specific taxing entities. We could not identify any benefit of this change over the existing systems.

Chapter III: Rural Counties' Provision of Municipal Services Appears to Be Appropriate

Rural County Municipal Services Are Provided From the General Fund. Because there are no statutory restrictions on the provision of municipal services by fourth-class through sixth-class counties, rural counties are not in violation of ***Utah Code*** 7-36-9(2)(a) which requires an MSF of first-class through third-class counties. Most fourth-class through sixth-class counties sampled pay for municipal services to their counties from their general funds. Many rural counties sampled provide services to all residents of the county, whether they live in the incorporated areas or not. While it appears incorporated residents may pay a disproportionate share of public safety services, changing the smaller counties' systems is not necessary for some and appears to be prohibitively complicated and potentially expensive for others.

Agricultural Areas Are Being Taxed Appropriately. There has been some question as to whether agricultural, or greenbelt properties, are being taxed appropriately. Because of the restrictions on development on these properties, they require fewer municipal services, leading some to believe the tax rate in these areas should be lower. From our review, we found no reason for the tax rates to be changed, or for separate taxing entities to be established for these areas.

REPORT TO THE

UTAH LEGISLATURE

Report No. 2010-03

A Performance Audit Of Counties' Municipal Services

January 2010

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Chapter I
Introduction

Municipal services funds (MSFs) are statutorily created tools intended to account for county services and funding. The goal is to align services with funding so the benefit goes to the person paying for it. In Utah, counties are statutorily permitted to "provide municipal-type services to areas of the county outside the limits of cities and towns without providing the same services to cities or towns." The statute also details what counties can provide and what funding may be used to pay for those services. There have been some concerns with how counties are paying for the services they offer to residents in unincorporated areas.

Services provided differ among counties and can include, but are not limited to, fire protection, waste and garbage collection, planning and zoning, street lighting, and police protection. To identify and account for these expenditures, statute requires counties to separately budget and strictly account for the costs of providing municipal-type services and functions. In order to accomplish this strict accounting, counties must be able to determine where the monies come from, as well as where they are spending it.

All Counties Offer Some Municipal Type Services To Their Residents

First-class through third-class counties are required by ***Utah Code*** to maintain an MSF if they provide these municipal-type services to residents of unincorporated areas of their counties. An MSF is kept separate from the general fund, enabling counties to ensure that "the entire cost of the services or functions so furnished shall be defrayed from funds that the county has derived" from sources in the unincorporated areas. These counties are also allowed to set up special service districts (SSD) to provide these services, which Utah County has chosen to do.

Municipal services funds are intended to ensure that the costs of the services are either defrayed throughout the unincorporated county, or to those who receive the services.

Although only first-class through third-class counties are required to have an MSF, all counties offer some municipal-type services. The classes of counties are determined by population, with first-class being the largest (see Appendix A). Fourth-class through sixth-class counties, or rural counties, are not required to have specific funds separating the services funding; however, they continue to provide some municipal-type services to county residents. The rural counties generally pay for their services from their general funds.

In order to conduct this audit, we chose 10 counties for an in-depth review of their methods of offering municipal-type services. These counties are shown in Figure 1.1. Second-class through sixth-class counties were all chosen for the review. Salt Lake County is the only first-class county in Utah. Because it was the subject of extensive review in a previous audit, it was not included for this audit.

Figure 1.1 Ten of 29 Counties Were Sampled for In-Depth Review. Counties from almost all classes were chosen for the audit in order to demonstrate the spectrum of municipal-type services and how they are offered.

County	Class	MSF?
Box Elder	3	Yes
Carbon	4	Yes
Garfield	5	No
Grand	5	No
Iron	3	Yes
Rich	6	No
Sanpete	4	No
Sevier	4	No
Utah	2	No*
Washington	2	Yes

** Utah County uses special service districts to provide any services outside incorporated cities.*

It is important to ensure that the second or third-class counties with MSFs listed above, as well as any county that has chosen an MSF are appropriately funding their MSFs, and then providing the appropriate services to the unincorporated citizens. Although rural counties are not required to separate their funding from their general funds, ***Utah Code*** 17-34-1 obligates all counties to try to match their funding and services as much as possible without an MSF.

Municipal Services Funds Should Match Services with Funding

There has been some concern that counties and cities may be inappropriately subsidizing municipal-type services. The purpose of requiring counties to maintain an MSF is to ensure that residents in both the unincorporated county area and incorporated cities are paying for the services they receive. Requiring counties to maintain an MSF for the unincorporated areas of the county is intended to help counties match the services provided with that funding. ***Utah Code*** lists the services counties can provide. Eleven of Utah's 29 counties have MSFs. Figure 1.2 explains the services offered by counties with MSFs, as well as the frequency with which the services are offered.

Eleven of Utah's 29 counties have MSFs. They offer varied types of services to county citizens.

Figure 1.2 Counties with MSFs Provide Various Services. *Utah Code* 17-36-3 allows counties to provide municipal services. Ten of the eleven counties with MSFs provide public safety, most in the form of a county sheriff.

Services	No.	Services	No.
Public Safety	10	General Government	3
Streets and Roads	8	Parks & Recreation	2
Fire Protection	7	Justice Courts	2
Planning & Zoning	7	Public Lands	2
Building Inspection	5	Health	1
Economic Development	4	Waste Collection	1
Animal Control	4		

Many of these services are also offered by more rural counties. These counties, the fourth-class through sixth-class counties, fund these services through their general funds.

The MSF statute allowing these services has evolved since it was first passed in 1971. Amendments in 1985 clarified how first-class through third-class counties are required to account for these funds separately and 1991 legislature further amended accounting requirements. Amendments in 2001 and 2005 further clarified services and funding sources for unincorporated areas.

The legislature adopted these statute amendments to tighten the fund-tracking requirements placed on counties. Counties must be able to determine that their MSF funding comes from the people who live in unincorporated county areas, or the people who benefited from the services. Determining whether counties are tracking the MSF appropriately is the main goal of this audit.

Scope and Objectives

The scope and objectives of this audit are divided into two areas. The first area concerns first-class through third-class counties. We will determine the source of MSF funding, the operations and services offered and the appropriateness of both. We also determined the use of payment in lieu of taxes (PILT) funds that are being used by the counties to help pay for services and to see if counties are using this money as is intended by the law. These issues will be addressed in Chapter II.

The second area concerns fourth-class through sixth-class counties and their provision of municipal-type services. We determined whether county general fund dollars are being used to support or provide municipal services. We also reviewed the appropriateness of taxation of agricultural areas, also know as greenbelt lands. These issues will be addressed in Chapter III.

Chapter II
Municipal Services Funds Can Be Accounted For More Accurately

Counties that cannot identify their municipal services fund (MSF) funding sources cannot demonstrate that their funding is appropriate. All counties with MSFs should have clear accounting of those MSF funding sources and uses. In order to ensure residents that those paying for county services are the ones who are actually receiving them, counties should periodically perform cost/services analyses to determine that the monies are being appropriately expended. In addition to looking at municipal-type services, we also looked at the need for unincorporated area specific taxing entities. We could not identify any benefit of this change over the existing systems. In addition, federal payment in lieu of taxes money (PILT) is directed toward unincorporated areas, and appears to be appropriately used by counties.

Dedicated Revenue Sources Are the Best MSF Funding Alternative

Utah Code allows counties to fund their MSFs through taxes or service charges. A dedicated MSF tax allows counties greater accounting clarity.

Counties that charge a dedicated MSF property tax are better able to demonstrate that fees and services are appropriately matched for county residents. ***Utah Code*** 17-34-1(2)(b) allows counties to fund municipal-type services by "levying a tax on taxable property in the county outside the limits of cities and towns; or charging a service charge or fee to persons benefitting from the municipal-type services." Figure 2.1 shows that the counties surveyed have interpreted the allowed sources of funding differently and so each uses a variation of funding types.

Figure 2.1 Counties Use Various Funding Sources for Their MSFs. Every county uses federal payments in lieu of taxes (PILT) as a funding source for municipal-type services.

County	Funding Sources For MSF
Box Elder	Transfers from the general fund, sales tax, PILT
Carbon	Dedicated MSF property tax, point-of-sales tax, PILT
Iron	Dedicated MSF property tax, PILT
Washington	Point-of-sales tax, PILT

Each of these counties uses PILT and some form of tax to fund their MSF. Box Elder is the only sampled county to transfer funds from their county general funds.

Counties can show that both a dedicated property tax and a point-of-sales tax are unincorporated county specific.

The dedicated MSF property tax is a tax levied only in the unincorporated areas of the county. The revenues from this tax go directly into the county's MSF. The point-of-sales tax is a sales tax that is charged only on goods and services in the unincorporated county. These revenues all go to the MSF.

Box Elder County appears to be violating the Utah MSF Code by transferring general fund monies to their MSF.

Our greatest concern with any one county's taxing is Box Elder. The county's longstanding practices appear to violate statutory intent. The county told us that, in the end, they are simply trying to balance the budgets. If the MSF needs excess funds in the MSF budget, money is transferred from the county general fund. Using this method, there is no way for the county to track or demonstrate which citizens are paying for which services. It appears that using this mechanism, the county has not followed the statutory requirements that the taxes used be charged "outside the limits of cities and towns." Box Elder County needs to modify their MSF funding so they are able to show it comes only from unincorporated county areas.

These various methods of funding among counties lead to questions about whether the Legislature should consider modifying the statute to clarify which funding sources counties can use. Specifying which funding sources counties are allowed to use in their MSFs would enable counties to better track who is paying for what services.

Counties with dedicated MSF property taxes are able to more clearly determine that revenues for their MSF are derived from the people who live in the unincorporated areas of that county. Figure 2.2 shows how Carbon County, which has a dedicated MSF tax, funds and expends its MSF.

Figure 2.2 Carbon County Uses a Dedicated MSF Tax. The dedicated MSF tax allows the county to ensure that the MSF revenues both come from and go to those who live in unincorporated county areas.

Revenues			Expenditures		
Source	**Amount**	**%**	**Project**	**Amount**	**%**
Roads Funds	$4,609,319	58%	Roads	$3,412,941	45%
Dedicated Taxes	1,228,963	16	Sheriff	1,960,113	26
PILT	997,038	13	Emergency Services	928,362	12
Intergovernmental Grants	432,467	5	Fire Protection	365,842	5
Interest & Contributions	394,028	5	Animal Control	256,357	3
Service Charges	168,117	2	Building Inspection	216,143	3
Licenses & Permits	66,191	1	Miscellaneous[1]	208,835	3
City Contracts	12,896	0.2	Planning & Zoning	192,283	2
			Public Lands	77,726	1
Total	**$7,909,019**		**Total**	**$7,618,602**	

1. Miscellaneous includes liquor funds, drug court, predator control, and library funds.

Carbon County can demonstrate that MSF revenues come from people in the unincorporated parts of the county and that the purchased services then go to the same people. They can also show that MSF revenues exceeded expenditures in 2008 by $209,417. Performing additional service and cost analysis to identify where services are being offered can help counties ensure that services are going to unincorporated county areas. The services listed are all statutorily allowed.

Periodic service/cost analyses help counties ensure citizens are paying for the services they receive.

Periodic Service and Cost Reviews Should Be Performed

Counties that chose or are required to have an MSF should perform a service/cost review, and in doing so, identify how much of the cost can be attributed to unincorporated county residents versus incorporated city residents. Four of the ten counties selected for in-depth review have chosen to have an MSF. Three of them are second-and-third-class counties and so are required to have an MSF, while Carbon County (a fourth-class county), has chosen to have an MSF. In addition, a fifth county, Utah, uses special service districts to provide their services. Of these five counties, four have done at least one analysis of the services they offer their residents. One of these four counties, Washington, has not conducted an analysis for at least 10 years. The remaining county, Box Elder, has made no recent attempt to determine these cost proportions. This is especially concerning as Box Elder also does not have an appropriate funding source.

Box Elder County has not conducted a service/cost analysis, and Washington County has not conducted one in at least 10 years.

We recommend that all counties perform periodic service/cost analyses to determine the proportion of their services that go to unincorporated areas, and therefore how much of that service should be paid for by unincorporated area funds. Of the sampled counties, Iron performed one of the most recent service/cost analyses. Figure 2.3 shows the services they offer, the percentage of the cost attributed to unincorporated areas of the county, and the rationale behind this percentage.

Figure 2.3 Iron County Analyzes Where Service Costs Come From. The costs were analyzed for fiscal year 2008.

Service	% for Unincorporated	Reasoning
Human Resources	15.5%	The amount of calls/services for each area were researched and determined.
Information Services	14.3	The amount of calls/services for each area were researched and determined.
Attorney	15.2	The amount of calls/services for each area were researched and determined.
Engineer	70.2	The amount of calls/services for each area were researched and determined.
Sheriff	77.5	The dispatch calls were analyzed for each area.
Fire Suppression	100.0	All fire services covered by the county are in unincorporated areas.
Weed Control	20.0	The county does weed control for the entire county, including the cities.
Building Inspection	100.0	All building inspection is done in unincorporated areas.
Planning & Zoning	100.0	All planning and zoning is done in unincorporated areas.
Roads	12.5	These are only roads going to specific subdivisions, not general county roads.
Economic Development	100.0	All economic development is done for unincorporated areas.
Animal Control	100.0	All animal control is done for unincorporated areas.
Emergency Management	100.0	All emergency management is done for unincorporated areas.

Figure 2.3 means, for example, that 15.5 percent of the human resources services are used for the unincorporated county area. Because of this, the unincorporated county pays for 15.5 percent of the human resources budget. Although Iron County reports that they did such an analysis in 2008, the sheriff's office could not produce its supporting documentation for that analysis.

In order to ensure governmental transparency that identifies citizens are appropriately paying for the services they receive, counties need to periodically perform service/cost analyses.

The current system of taxing oversight is appropriately transparent.

After appropriate review, it was determined that the current system of taxing oversight is sufficiently transparent. We looked at the need for unincorporated area specific taxing entities. The question was whether county commissioners who do not live in unincorporated county areas should be setting tax rates for those unincorporated areas. We could not identify any inappropriate behaviour and, as a result, no benefit in establishing a separate taxing entity for these unincorporated areas.

PILT Money Appears to Be Appropriately Used

There are neither federal nor state restrictions on how counties can expend their federal PILT money. Under federal law, local governments (usually counties) receive PILT funds for federally owned land within a county as recognition of the inability to tax the property value of the federally owned land. The counties sampled used these funds for either MSFs or roads projects.

Of seven states contacted, none set restrictions on use of PILT funds.

We surveyed seven other states to determine how they use their PILT funds. As with Utah, none of them set any restrictions on counties' use of PILT funds. In Utah, three of the four counties we reviewed that maintain an MSF use all of their PILT money as MSF revenue. The fourth county, Iron, has shifted some of the PILT funds to their roads fund, which can be justified as a countywide expense. Figure 2.4 shows the amount of PILT money received by county, as well as where the money was dispersed in 2008.

Figure 2.4 The Counties Reviewed Received About $15.5 Million in PILT Funds in 2008. The majority of sampled counties use PILT funds as a revenue source for MSF or general funds.

County	PILT Amount	MSF	General Fund	Public Safety	Roads	Other
Iron	$2,779,480	74%			25%	1%
Box Elder	2,740,828	100				
Washington	2,557,168	100				
Utah*	1,494,468		32%	43%	9	17
Carbon**	997,038	100				
Class 4-6***	4,939,611		100			

**Utah County uses special service districts for their services. They combine roads and fire protection together into one category.*
***While Carbon is a fourth-class county, they chose to have an MSF.*
****There are five counties that we sampled in this category. Statute does not require these counties to have an MSF.*

Counties in the fourth-through-sixth classes put all their PILT money directly into the county general fund, where it is then used for whatever expenses may come up. Carbon County is the exception, as they have chosen to have an MSF. Many of the counties we surveyed currently use PILT funds to help pay for county roads not located within city limits. This appears to be a justified expenditure of PILT funds since these funds are generated from lands that are located in the unincorporated areas of the counties.

Much of Utah's PILT money goes to MSFs or roads projects.

In order for the state to place restrictions on the expenditure of PILT funds, the federal government requires that a state statute be passed, that then funnels the PILT money through the state before it is dispersed to the counties. According to federal documents, nationally Wisconsin is the only state that has passed a statute allowing the imposition of restrictions. Of the seven states we contacted, none of them place any sort of restriction on how their counties use PILT. Utah and its counties do not deviate from the nation's norm on the use of PILT funds.

Wisconsin is the only state with a statute allowing the imposition of PILT restrictions.

Recommendations

1. We recommend that all counties perform periodic service/cost analyses in order to determine that the services being received by citizens are the ones they are paying for.
2. We recommend the Legislature determine whether they want to modify the municipal services fund legislation to specify which funding sources are allowed.

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Chapter III
Rural Counties' Provision of Municipal Services Appears to Be Appropriate

Utah's fourth-class through sixth-class counties, based on survey results, appear to be in compliance with the municipal services fund (MSF) code (***Utah Code*** 17-34) and associated portions of ***Utah Code.*** These counties, which are generally located in rural areas of Utah, are not required to maintain or track a separate MSF like the first-class through third-class counties, as discussed in Chapter II. Rural counties provide a variety of services to their residents that are paid for from the counties' general funds.

As discussed in a previous audit, unincorporated public safety services and funding has caused some concern. While it appears incorporated residents may pay a disproportionate share of public safety services, changing the smaller counties' systems is not necessary for some and appears to be prohibitively complicated and potentially expensive for others. In addition, counties should consider whether incorporated cities without a public safety provider should be required to contribute to the MSF.

A secondary issue is that of service delivery to non-developed areas of rural counties. Most agricultural or farmland county areas have greenbelt property tax status addressing inequities. The Farmland Assessment Act (Greenbelt law) was enacted by the Utah Legislature in 1969 to help reduce the tax burden of those citizens who have agricultural land in Utah. We found no reason to also lower the tax rates charged on these lands.

Rural County Municipal Services Are Provided From the General Fund

Most fourth-class through sixth-class counties pay for municipal services from their general funds.

Because there are no statutory restrictions on the provision of municipal services by fourth-class through sixth-class counties, rural counties are not in violation of ***Utah Code*** 7-36-9(2)(a) which requires an MSF of first-class through third-class counties. All fourth-class through sixth-class counties sampled, except Carbon, pay for municipal services to their counties with their general funds. Carbon County, as addressed in Chapter II, has an MSF, and so is not addressed in this chapter.

Many of the sampled rural counties provide services to all residents of the county, whether they live in the incorporated areas or not. Using this system, it appears possible in the use of general funds that residents who live in incorporated cities may subsidize unincorporated residents' public safety costs. Conversely, some incorporated cities may benefit from unincorporated specific funds such as PILT. The system may be too complicated to determine whether requiring a municipal services fund would save the residents money without service/cost analyses.

Rural Counties Provide a Variety of Services

Because tax bases are smaller in rural counties, many provide services to the entire county.

Rural counties frequently provide municipal-type services to the entire county. This is because the tax base of a rural county is smaller than that of a larger county, both for the county as a whole and for the majority of cities within the county. Supplying municipal-type services to the entire county spreads the costs among all citizens within the county.

Due to lower population densities, rural counties provide fewer services than larger counties simply because they do not have the tax base to pay for these services. Some of the services previously offered only by the counties are now also offered by cities within the county. Figure 3.1 shows the common services that rural counties provide to their citizens by location within the county.

Figure 3.1 Rural Counties Provide Many of the Services Offered to County Citizens. Rural counties are the main providers for many services in small towns, though some cities have opted to either provide their own services or augment the county-supplied services. In these cases, the possibility of service duplication may be an issue.

	Services Offered		
County	**Countywide[1]**	**Unincorporated County Only[2]**	**Duplicated by City & County[3]**
Garfield	Waste Disposal, Weed/Pest Control, Ambulance Service	Fire Protection, Roads, Planning & Zoning	Sheriff/Public Safety
Grand	Weed/Pest Control, Planning & Zoning, Airport, Ambulance Service	Roads	Sheriff/Public Safety
Rich	Sheriff/Public Safety, Weed Control, Ambulance Service	Roads, Planning & Zoning	
Sanpete	Weed/Pest Control	Fire Protection, Roads	Sheriff/Public Safety
Sevier	Weed/Pest Control, Ambulance Service	Fire Protection, Roads, Planning & Zoning	Sheriff/Public Safety

1. County is the only provider of services in both unincorporated county and incorporated cities
2. Services offered by the county only to unincorporated county residents. Cities may also offer these services within their boundaries.
3. Services offered by both the county and some cities

In rural counties, most services that are provided to all county residents, with few exceptions, are not duplicated by the cities. The main exception is the area of public safety where county sheriffs have historically been charged with addressing all county needs. However, some cities find it desirable to be autonomous and tax for and provide have their own police force. If this overlap of services is not adequately addressed it causes concern as to the equity of payment among county residents.

In Some Cases, Unincorporated Sheriff and Fire Services May Be Subsidized by Incorporated Residents

We found the majority of rural counties surveyed have sheriff services that cover the entire county, even though some cities maintain their own police forces. Residents of these cities may be subsidizing public safety for the rest of their counties. Figure 3.2 lists which cities within rural counties have their own police forces.

In some cases, city residents may be subsidizing public safety for the rest of the county.

Figure 3.2 Many Cities Within Rural Counties Have Police Forces. Some police forces appear to be as small as one officer. Populations in this figure are for 2008.

County	Cities with Police Force	County Population	City Population
Garfield	Escalante	4,463	763
Grand	Moab	9,193	5,121
Rich	None	2,063	N/A
Sanpete	Mount Pleasant	24,639	2,813
	Ephraim		5,284
	Gunnison		3,016
Sevier	Richfield	19,879	7,217
	Salina		2,414

The concern with a county having both a police force and a sheriff is that citizens who live in a city with its own police force may be paying for public safety benefits they do not fully receive. Incorporated residents pay first, for their own city police, and second, for the sheriff's office coverage of unincorporated county areas and incorporated cities without their own police.

Grand County Sheriff charges may result in double charging of residents of Moab.

Determining whether and how much incorporated cities with their own police forces are subsidizing unincorporated residents is a complicated question. One example of the complication of the overlap is Grand County and the Moab City police force. Figure 3.3 shows the breakdown of budgets and citizen payment amounts for the public safety entities of Grand County and Moab City.

Figure 3.3 It Is Difficult to Determine How Much Moab City Residents May Subsidize Other Residents of Grand County. Moab's population comprises more than half of Grand County's population, and so provides much of the funding for the county general fund in fiscal year 2008.

	Grand County	Moab City
Tax Revenues	$9,798,210	$3,741,102
Public Safety Budget	$1,353,551	$1,470,879
Population	9,193	5,121
Police Budget per Person	N/A	$287
Public Safety Budget per Person	$147	$434

While it appears that Moab City residents are subsidizing those who live outside Moab by $147 per resident, or about $753,000, this is misleading. The Grand County Sheriff reports that about 10 percent of their services take place in Moab. It is also important to note that $2,314,087, or 62 percent, of Moab City's budget comes from a state-allowed resort city tax. Many of the destinations that hotel-lodged tourists visit are in the county area, where the sheriff is the first responder for any public safety issues. This means that Moab City is getting the benefits of the tax, but it is unclear who is paying for the public safety issues caused by tourism. Further service/cost analysis, as discussed in Chapter II, would be needed to identify these specific costs.

62 percent of Moab City's budget is from a resort city tax.

Compounding these complexities is the PILT money received by counties. This money is intended for use in unincorporated county areas, and because it goes into county general funds, it may also be used for some incorporated cities public safety.

Further exacerbating the problem of determining equity of public safety payment is the issue of incorporated cities without police forces. This is especially true of those counties with MSFs. For example, in Iron County, two cities that do not have separate police forces also do not pay the MSF tax. Because of this the sheriff is their public safety first responder, but they are not paying as much for the services. These cities need to be taken into account in counties' service cost analyses.

Utah Code 17-34-3 says that if a county provides municipal-type services "to areas of the county outside the limits of incorporated cities or towns, the entire cost of the services or functions so furnished shall be defrayed from funds that the county has derived from" sources outside incorporated cities. This statute may need to be clarified in order to properly account for cities and towns without a public safety program.

As shown, it is difficult to determine which residents are paying for what services. This is a problem recognized by the counties surveyed, as some county employees noted. Cache County provides an interesting example of an attempt to ensure payments made by all residents are fair.

Cache County employs an innovative method that appropriately funds its sheriff patrol services.

Cache County reports that they determined the cost to cover one hour of their patrol services is $46. The county auditor determines how much of each city's or unincorporated area's county property taxes go to the sheriff. The auditor divides that amount by 46, and this determines how many base patrol hours each area gets. Thirteen entities within the county contract with the sheriff for additional hours, at $46 per hour. Logan, North Park, and Smithfield all have their own police forces, and so do not contract with the sheriff for any extra patrol hours. There are also three small towns that do not contract for any extra patrol hours. This is an interesting attempt by the county to ensure that all residents are paying for the services they are receiving.

Small county fire suppression is provided either through contracts with cities or through special service districts.

The other service area that may have some overlap of payment for some citizens is fire protection. It also appears that all fourth-class through sixth-class counties either have contracts with cities to cover fire suppression in unincorporated counties, or they have created fire suppression special service districts. Unincorporated residents of those counties contracting with the cities may be subsidized by incorporated residents.

While this may indeed be an overlapping of charges for some county residents, it appears to be minor. In addition, the costs of setting up an MSF to avoid these minor charges may be prohibitive, as would the creation of a county fire protection service.

Agricultural Areas Are Being Taxed Appropriately

There has been some question as to whether agricultural, or greenbelt properties, are being taxed appropriately. Because of the restrictions on development on these properties, they require fewer municipal services, leading some to believe the tax rate in these areas should be lower. From our review, we found no reason for the tax rates to be changed, or for separate taxing entities to be established for these areas.

Greenbelt land is valued lower for taxing purposes in order for farming to be economically feasible.

The Greenbelt Act allows qualifying agricultural properties to be assessed and taxed based upon their productive capability instead of the prevailing market value. Assessing agricultural operations at lowered greenbelt values allows continued farming operations to be economically feasible. Some of these lands are in close proximity to urban areas.

Because of the greatly reduced assessment value of greenbelt lands, the taxes paid for these lands are much lower. Figure 3.4 shows the greatly reduced rate of taxes paid on these lands.

Figure 3.4 Greenbelt Land and Property Tax Values Vary for Different Land Classifications. Land that qualifies for greenbelt status are assessed significantly fewer property taxes than those that do not qualify. These numbers apply to land in Davis County.

Land Class		
	Irrigated I	**Graze IV**
Acres	39.64	83.63
Market Value	$2,550,438	$3,532,950
Greenbelt Value	$33,425	$641
Mil Levy	0.012494	0.011345
Tax Based on Market Value	$31,865	$40,081
Greenbelt Tax	**$417**	**$7**

As shown in Figure 3.4, the actual property tax an owner pays on land that has been designated as greenbelt is far lower than the market value tax. It is important to note that greenbelt land valuation set by the state ranges from zero dollars to $860 per acre. This rate can be changed annually by the state.

Because of the low greenbelt tax revenues from these areas, counties have not considered lowering the tax rates.

Counties we surveyed stated that they have not re-visited the issue of greenbelt land valuation since it is something that is set by the state. They have also not considered lowering the tax rate charged on these lands since the land is already valued at such a reduced rate. From this review of the greenbelt law, we found no reason for the tax rates to be changed aside from the land valuation changes as described in the Farmland Assessment Act. We also see no reason for separate taxing entities to be established for these areas.

Recommendations

1. We recommend that the Legislature consider clarifying ***Utah Code*** 17-34-3 to address use of municipal services funds for public safety in incorporated cities and towns who do not provide their own services.

2. We recommend that counties address how incorporated cities without their own public safety programs should contribute to municipal services funds.

Appendix

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Appendix A

Counties By Class			
County	**Class***	**County**	**Class***
Beaver	Fifth	Piute	Sixth
Box Elder	Third	Rich	Sixth
Cache	Third	Salt Lake	First
Carbon	Fourth	San Juan	Fourth
Daggett	Sixth	Sanpete	Fourth
Davis	Second	Sevier	Fourth
Duchesne	Fourth	Summit	Third
Emery	Fifth	Tooele	Third
Garfield	Fifth	Uintah	Fourth
Grand	Fifth	Utah	Second
Iron	Third	Wasatch	Fourth
Juab	Fifth	Washington	Second
Kane	Fifth	Wayne	Sixth
Millard	Fourth	Weber	Second
Morgan	Fifth		

*First	700,000 or more	Fourth	12,000 - 31,000
Second	125,000 - 700,000	Fifth	4,500 – 12,000
Third	31,000 – 125,000	Sixth	less than 4,500