



ZIONS PUBLIC FINANCE, INC.



STATE OF UTAH
DRAFT POINT OF THE MOUNTAIN
DEVELOPMENT COMMISSION
PHASE THREE: TRANSPORTATION FUNDING

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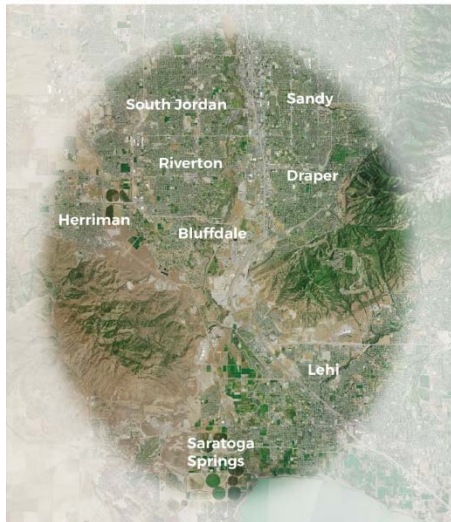
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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Point of the Mountain | More than the Prison Site



The Point of the Mountain (POM) study area,¹ which extends from Sandy to Lehi, is the focus of a series of studies to maximize the area's potential for sustainable economic growth while maintaining a high quality of life. This project is being led by the Point of the Mountain Development Commission (POM Commission) established by the State Legislature during the 2016 General Session. The POM Commission's goal is to "formulate a strategy to maximize the opportunity provided by the development of the state-owned land that is the current site of the state prison and to incorporate that strategy into a wider vision for the entire Point of the Mountain area."²

Envision Utah was chosen by the POMC to lead the POM visioning process. The first phase of this project included stakeholder input and public outreach to "identify existing assets, challenges and opportunities in the POM study area." Phase Two centers on "scenario development and additional public and stakeholder outreach in order to determine which scenario best fits the region." Included in the Phase Two visioning are 22 transportation infrastructure projects scheduled to be constructed through 2050 most of which are currently contained in Wasatch Front Regional Council and Mountain-land Association of Governments draft regional transportation plans (RTPs).

For Phase Three, Envision Utah contracted with Zions Public Finance to identify potential funding options for accelerating \$2.5 billion of the three billion in transportation projects already included in the draft RTPs. The majority of the \$2.5 billion cost is related to the construction of the Mountain View Corridor and extending TRAX through the Draper prison site into Utah County.

Components of the POM Phase Three report include:

- Available tools for financing POM transportation projects;
- Entities that could participate in the funding of Phase Two POM transportation projects;
- Options composed of various funding components for financing POM Phase Two transportation projects: and
- Advantages and disadvantages of the tools, entities and options.

While actual financing plans include precise timing, specific structuring, and amounts that would stem from further analysis and discussion, this report considers options and basic capacities and is not intended to be a comprehensive financing solution.

¹ As shown in Figure E1.

² State of Utah Point of the Mountain Development Commission, pointofthemountainfuture.org/commission

AVAILABLE TOOLS

Tools available to fund POM Phase Two transportation projects consist of both existing and new revenue streams as well as traditional and non-traditional funding mechanisms.

Existing potential revenue streams to fund transportation projects are shown below in Table ES1.

TABLE ES1: POTENTIAL EXISTING REVENUE STREAMS FOR PHASE TWO TRANSPORTATION PROJECTS

Existing Revenue Stream	Existing Revenue Stream	Existing Revenue Stream
Property Taxes	Sales and Use Taxes	Gas Taxes
Class B&C Road Funds	Municipal Energy Sales and Use Tax	Motor Vehicle Registration Fees
Vehicle Uniform Fee-in-Lieu of Property Tax	Local Government's Appropriations from General Fund	

Potential new revenue streams, shown in Tables ES2 and ES3, vary in practicality, revenue generating potential, and political viability.

A summary of projected tax increment in the Transportation Reinvestment Zones (TRZs) and the Point of the Mountain Land Authority (POMLA)² is shown in Table ES2. It is important to note that the Light Rail TRZ includes the POMLA. As such, revenues can be included from one of the following two options:

- (i) Mountain View Corridor TRZ and Light Rail TRZ; or
- (ii) Mountain View Corridor TRZ and POMLA

TABLE ES2: TAX INCREMENT REVENUE PROJECTIONS

Revenue Stream	Projected Revenue	Assumptions
TRZ Tax Increment		Over a 30-year period
Mountain View Corridor TRZ	\$2.45B	
Light Rail TRZ	\$1.86B	
POMLA Tax Increment	\$812.3M	Over a 30-year period ³

² The POMLA includes the current 700-acre prison site.

³ See Exhibit 6 in Appendix I for detailed projections.

Table ES3 lists the remaining potential new revenue streams and projected revenue.⁴

TABLE ES3: POTENTIAL NEW REVENUE STREAMS

Revenue Stream Increase	Projected New Revenue	Assumptions
Property Tax		
Statewide	\$179.5M new State GO bonds \$15.6M/year	State imposes property tax of \$10 per \$300,000 home value
Salt Lake County (SLCo)	\$361.6M new GO Bond \$25.4M/year	County imposes property tax of \$50 per \$355,000 home value
Utah County	\$138.1M new GO Bond \$9.9M/year	County imposes property tax of \$50 per \$340,000 home value
Transportation Local District	\$86.1M new GO Bond \$6.6M/year	District imposes property tax of \$50 per \$402,000 home value
Statewide Sales Tax		
Sales Tax Increase to UDOT	\$276.6M new State GO bonds \$23.2M/year	For every 0.25% increase Current 21% UDOT allocation
Sales Tax Increase to UDOT	\$1.32B new State Go bonds \$110.5M/year	Full 0.25% increase
County Option Sales Tax		
	\$91M/year	For every 0.25% Salt Lake and Utah Counties
Local Transportation Sales Tax		
2219 Tax Increase to UTA	\$514M new UTA STRB \$36.4M/year	Increase from 0.25% to 0.50% SLCo and Utah Counties 40% to UTA
2219 Tax Increase to UTA	\$1.29B new UTA STRB \$91M/year	Increase from 0.25% to 0.50% SLCo and Utah Counties 100% to UTA
2220 Tax Increase to UTA	\$993M new UTA STRB \$70.3M/year	New 0.20% tax levied in SLCo and Utah Counties 100% to UTA
Eliminating Sales Tax Exemptions		
Sale of Fossil Fuels	\$44.1M/year	Source: Utah State Tax Commission
Vehicle Trade-Ins	\$69.6M/year	Source: Utah State Tax Commission
Gasoline Tax		
	\$69M/year	\$0.05 increase/gallon
Special Assessments		
	\$243.9M to \$609.8M SAA Bond	\$8 to \$20/sq. ft. land value in POMLA
Tolls		
	NA	Projected toll revenue outside of project scope
UTA Rider Fare		
	\$0	An increase in the fare would result in decreased ridership
Income Tax		
	\$403M/year	0.5% increase
	\$806M/year	1% increase

⁴ It is important to note that the cost of providing infrastructure and ongoing municipal-type services will be offset by the revenues generated by the prison site. Additional revenues generated from the prison site could include land sales, etc. These revenues have not been measured as part of this study but can provide a significant benefit to the State and local area. Additionally, the actual cost of providing municipal-type services to the prison site has not been analyzed as part of this study.

Revenue Stream Increase	Projected New Revenue	Assumptions
Cigarette, Tobacco and Beer Tax		
Cigarette Tax	\$25M/year	\$0.50 increase per pack
e-Cigarette Tax	\$2.5M – \$4.2M	Impose 100% tax
Tobacco Tax	\$4M/year	Increase to 108% tax/mfr. sale price
Beer Tax	\$2M/year	\$3.20 increase per 31G barrel
Governor's State Sales Tax Initiative		
Increase to State	\$102.2M/year	20% broader tax base 4.05% tax rate
Increase to UTA	\$7.1M/year \$3.4M/year	20% broader base, 17% lower rate 20% broader base, current tax rate
Increase to SLCo	\$4.8M/year \$35.9M/year	20% broader base, 17% lower rate 20% broader base, current tax rate
Increase to Utah County	\$1.7M/year \$12.7M/year	20% broader base, 17% lower rate 20% broader base, current tax rate
Vehicle Miles Traveled (VMT)		
	\$157.5M/year	\$0.005/mile state-wide
	\$535.5M/year	\$0.017/mile state-wide
	\$700,000/year	\$0.017/mile on electric cars only state-wide
Motor Vehicle Registration Fee		
	\$13.5M/year \$20M/year	\$5/vehicle increase state-wide \$15/vehicle increase in SLCo and Utah Counties
Transient Room Taxes (TRT)	\$30M - \$50M	Rate increase to 2% - 4% state-wide
Restaurant Taxes	\$61.6M/year	Increase rate to 2% SLCo and Utah Counties
Land Sales/Leasing	NA	Depends on use, location, density, etc.
Real Estate Transfer Tax		
	\$27.6M/year \$15.2M/year	0.2% of sale price state-wide 0.2% of sale price SLCo and Utah Counties
Corridor Preservation Fee	\$12.7M/year	\$20 Fee SLCo and Utah County

The State of Utah has generally used traditional funding mechanisms to capitalize revenue streams for the construction of transportation projects. Additionally, there are a few new, non-traditional funding mechanisms that could be used for financing transportation projects. Table ES4 includes the potential traditional and non-traditional funding mechanisms.

TABLE ES4: TRADITIONAL AND NON-TRADITIONAL FUNDING MECHANISMS

Traditional Funding Mechanisms	Non-Traditional Funding Mechanisms
General Obligation Bonds	Public Private Partnerships (P3s)
Sales Tax Revenue Bonds	Transportation Reinvestment Zones (TRZs)
Class B&C Road Revenue Bonds	TIFIA Bonds
Tax Increment Bonds	Private Activity Bonds (A type of P3 Project)
Special Assessment Bonds	Combining Tax Increment Bonds with Special Assessment Area

ISSUING ENTITIES

Issuing entities as shown in table ES5 include governmental entities that could contribute to the financing of POM Phase Two transportation projects through either revenues or the issuance of debt. It is important to keep in mind that the capacity of the issuer to issue bonds under the State's debt limits, does not give the issuer the ability make debt service payments on new debt. New revenue streams would need to be developed before issuing new debt.

TABLE ES5: ISSUING ENTITIES

Issuing Entity	Potential Contribution
State of Utah	Construction Contractor
	Issue Bonds
	Provider of Pay-Go Appropriations
	Counterparty to a P3 Provider
	Applicant for Federal Grants
	Applicant for Private Activity Bond Allocation
	Applicant for TIFIA Funding
	Create New Revenue Streams – Impose/Raise New Taxes/Fees
	Co-Creator of New Transportation Reinvestment Zones
	Authorize New UTA Bonds
Utah Transit Authority (UTA)	Issue Sales Tax Bonds
	Counterparty to a P3 Provider
Salt Lake and Utah Counties	Issue Bonds
	Tax Increment
Cities Located in the POM Study Area	Issue Bonds
	General Fund Contribution
	Tax Increment
Point of the Mountain Land Authority	Issue Bonds
	Tax Increment
	Buy/Sell Land
	Borrow Money/Accept Financial or other Assistance
New Transportation District	Levy Property Tax
	Impose Impact Fees
Private Sector (P3)	Cash contribution as a Joint-Venture Development Partner
	Purchaser/Lessee of POMLA Lands
	Create New LLC to Finance Project

COMBINED COMPONENTS FOR FUNDING OPTIONS

The available tools and issuing entities included in this report may be combined in a variety of viable options to arrive at the desired funding level for POM study area transportation projects. When selecting funding components, it is important to retain the ability to issue other forms of debt, including commercial paper or bond anticipation notes, which can provide significant timing and funding flexibility. The following three options are illustrated in the body of the report as examples of combining various components to meet the goal of accelerating approximately \$2.5 billion in POM study area transportation projects.

- Traditional Funding Mechanisms;
- Non-Traditional Funding Mechanisms; and
- Hybrid Options.

The Hybrid Option, which utilizes a combination of traditional and non-traditional funding mechanisms, pulling from existing and new revenue streams is recommended as the most viable option. The six components of this option are as follows:

- Utilizing a P3 Model for the Mountain View Corridor;
- State of Utah General Obligation Bonds;
- Utah Transit Authority Sales Tax Revenue Bonds;
- Tax Increment Bonds from Transportation Reinvestment Zones;
- Tax Increment Bonds from the Point of the Mountain Land Authority; and
- Federal Grant Money.

The advantages and disadvantages of financing Phase Two transportation projects with the components listed in the Hybrid Option are included in Table ES6.

TABLE ES6: ADVANTAGES AND DISADVANTAGES FOR HYBRID FUNDING MECHANISMS

Advantages Option Three: Hybrid Funding Mechanisms	Disadvantages Option Three: Hybrid Funding Mechanisms
Potential to accelerate Phase Two transportation projects.	P3 funding is not well understood and requires significant time and expertise.
P3 Agreement for MVC does not count as debt for the State.	Tolling roads would be politically unpopular.
Possibility of an up-front payment from P3 concessionaire for tolling an existing system.	Political will is required to raise taxes or fees.
Potential capture of design and operating efficiencies by using P3s.	Tax increases place additional financial burdens on citizens.
State and County bond ratings would not be jeopardized.	State bonding capacity may not be available for unforeseen projects.
Sufficient capacity under debt limits and bond covenants.	Tax increment revenues would be dependent on growth.
Bonds issued by the State are issued at low rates.	Other taxing entities may oppose capture of tax increment.
Costs of financing would be generally predictable.	Tax increment redirected to infrastructure would not be available to provide other services required by growth.
Infinite variety of revenue mixes available.	May need to change Special Assessment law.
Federal grants do not need to be repaid.	Assessing State property may put it at risk of foreclosure.
	Some revenue options are mutually exclusive.
	Federal grants may impose some higher construction costs and a hassle factor.

As most of the transportation projects included in Phase Two are the responsibility of the State (through UDOT) or UTA, the majority of the financing burden will likely fall on these two entities. The seven cities in the POM study area have little capacity or desire to share in the funding of these projects in any significant manner. County capacity and ability to assist with funding will likely depend on voter approval.

The capture of tax increment within newly-authorized transportation reinvestment zones and especially within the POMLA can provide a very meaningful revenue stream to support these projects.

Accelerating the funding of the Phase Two transportation-related projects will require political will to create the required revenue streams and sacrifice on the part of those paying new taxes, fees or tolls.

DRAFT



INTRODUCTION

INTRODUCTION

Phase Three of the Point of the Mountain (POM) Commission Study is focused on (1) identifying the tools that could be used to finance transportation projects identified in Phase Two of the POM Commission Study⁵; and (2) explaining how these tools can be used with an emphasis on accelerating the transportation projects with the highest priorities (i.e., construction of the Mountain View Corridor and light rail extensions).

The Point of the Mountain vision, Phase Two includes several transportation projects⁶ to be moved forward in partnership with transportation planning agencies. Most of these projects are included in the Wasatch Front Regional Council and Mountainland Association of Governments draft Regional Transportation Plans (RTPs). Setting aside regional projects, such as double tracking FrontRunner from Brigham City to Payson, and local street networks, there are approximately \$3.8 billion in transportation infrastructure needs in the Point of the Mountain area from now until 2050. Of those needs, approximately three billion dollars are currently planned for in the draft RTPs, with anticipated funding allocated to them over the next 30+ years. The bulk of the remaining \$800 million is likely to be needed towards the end of the planning horizon, and other alternatives may be identified in the meantime.

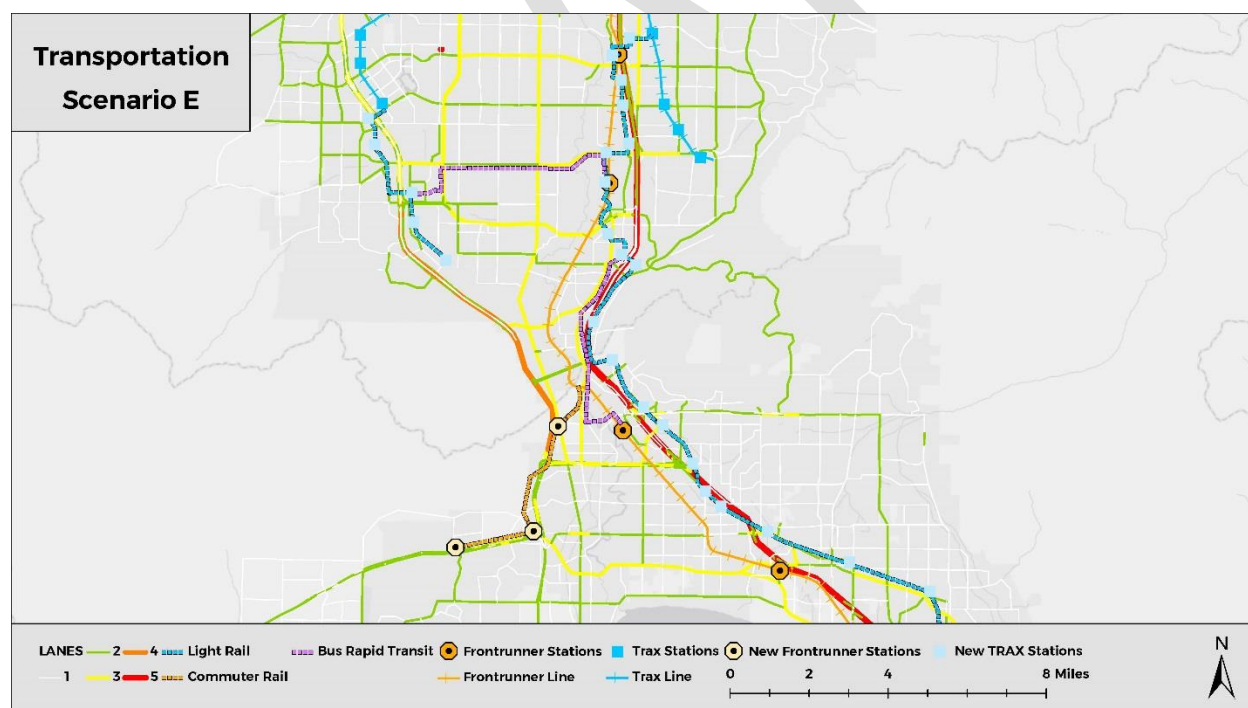


FIGURE 1 POM PHASE TWO TRANSPORTATION PROJECTS.

Of the three billion dollars in transportation infrastructure costs currently included in the draft RTPs, approximately \$2.5 billion has been planned for a later than ideal date. The majority of the \$2.5 billion cost

⁵ A map of the POM study area and a list of transportation projects are included in Exhibit 1A, Appendix A.

⁶ Shown in FIGURE 1.

is related to the construction of the Mountain View Corridor and extending TRAX through the Draper prison site into Utah County. For Phase Three, Envision Utah contracted with Zions Public Finance to identify potential funding options for accelerating \$2.5 billion of the three billion in transportation projects already included in the draft RTPs. Accelerating these projects will stimulate economic growth and development of vibrant urban centers.

In previous phases, it was determined the provision of basic infrastructure in the POM study area including water, sewer, storm drain, etc., will be financed in the normal course of business by those entities that provide these services. Based on interviews with water and sewer officials during the Phase Two portion of the study, assuming the total projected population at build out within the study area doesn't increase above current projections, the entities providing these services are prepared to fund and provide the required infrastructure.

Preparation of this report included examining relevant sections of the Utah Code, studying new legislation, reviewing the Governor's proposed 2020 budget, researching new funding mechanisms not widely used in Utah, meetings with officials from all seven cities in the POM study area, Salt Lake County (SLCo), Utah Department of Transportation (UDOT), Utah Transit Authority (UTA), and the State of Utah (the State), and detailed calculations.

Components of the POM Phase Three study include:

- **Tools used to finance transportation projects.**
Existing and new revenues streams as well as financing mechanisms.
- **Entities that could participate in the funding of Phase Two Transportation Projects.**
Entities with existing revenue streams, the ability to create new revenue streams, and/or the ability to issue new debt.
- **Three options made up of various funding components for financing Phase Two Transportation Projects.**
 - (i) Components that utilize traditional funding mechanisms and a mix of existing and new revenue streams appropriate for those mechanisms;
 - (ii) Components that utilize new funding mechanisms as well as a mix of existing, new, and somewhat revolutionary revenue streams; and
 - (iii) Components that draw from Option One and option two to create a new hybrid option – a mix of the traditional and the new.
- **Advantages and Disadvantages**
Advantages, disadvantages, and limitations of each revenue stream, funding mechanisms, entity and group of options.

Funding transportation infrastructure in Utah is becoming increasingly difficult, as sales taxes and other state and federal funding sources continue to be insufficient to fully provide for burgeoning capital improvement needs and critical infrastructure gaps. Bond financing allows governmental entities to accelerate project delivery. Care should be taken when zeroing in on a specific financing plan to retain the ability

to issue other forms of debt, including commercial paper or bond anticipation notes, which can provide significant timing and funding flexibility.

Given the increasing number of alternative funding sources and financing opportunities available for transportation projects including tolls, new federal grants, transportation reinvestment zones, Transportation Infrastructure Finance and Innovation Act (TIFIA) loans, and public-private partnerships, governmental agencies should consider how they might best leverage various revenues under each of these mechanisms.

Revenues from the prison site will include the typical general fund revenue sources of property taxes, sales taxes, municipal energy (franchise) tax revenues and Class B/C Funds. These general fund revenue sources have been carefully analyzed and described in this study. It is important to recognize that revenues generated by the prison site will be partially offset by the cost of providing infrastructure and ongoing municipal-type services to the area. Additional revenues generated from the prison site could include land sales, ground lease revenues, corporate income taxes and impact fees.⁷ These revenues have not been measured as part of this study but can provide a significant benefit to the State and local area.⁸ Additionally, the actual cost of providing municipal-type services to the prison site has not been analyzed as part of this study.

As with the prison site, significant revenues are forecasted throughout the POM study area. However, a portion of these revenues is necessary to support local infrastructure and operating expenses associated with the expanded development. Therefore, assumptions used in this study accept that only a portion of the incremental revenues generated will be available for funding the Phase Two infrastructure projects.

Actual financing plans including precise timing, specific structuring, and amounts would arise from further analysis and discussion. This report considers options and basic capacities but is not intended to be a comprehensive financing solution.

⁷ Revenues from impact fees can be used to offset the capital costs of infrastructure associated with new development, but they cannot be used for operating and maintenance expenses. Further, these fees cannot be estimated without an impact fee study. Impact fees vary widely by city or local district, depending on existing service levels, proposed service levels, excess capacity and how the specific facilities are funded. It would need to be determined if impact fees are collected by the Point of the Mountain Land Authority (POMLA) itself or the entity issuing building permits or providing municipal services for the POMLA.

⁸ No appraisal has been done to ascertain property values and potential land sales, which will vary widely in different locations on the prison site. Property values are related to a wide variety of factors including land use development type, parcel size, access, visibility, slope, soil conditions, etc.

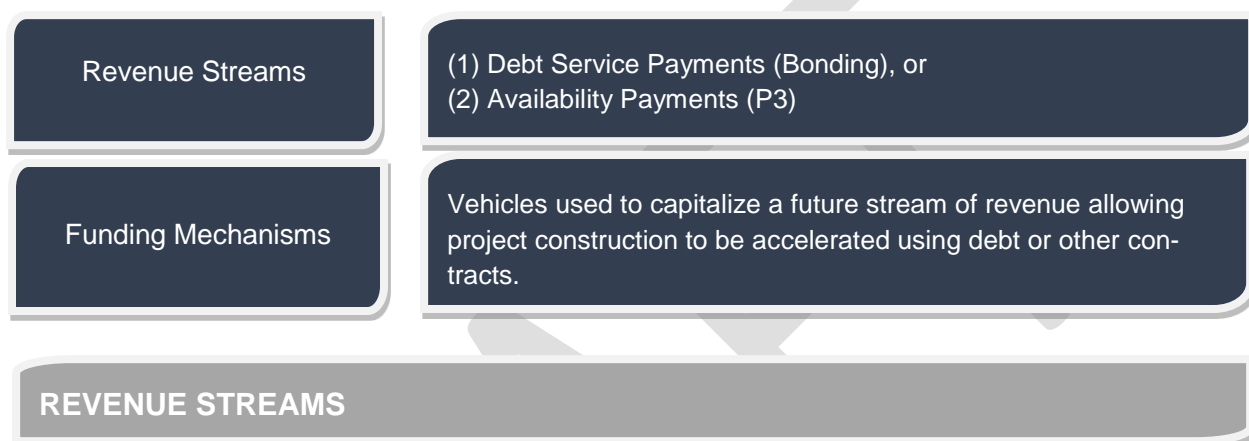


SECTION 1

AVAILABLE TOOLS FOR FUNDING POINT OF THE MOUNTAIN TRANSPORTATION PROJECTS

SECTION 1: AVAILABLE TOOLS FOR FUNDING POINT OF THE MOUNTAIN TRANSPORTATION PROJECTS

Tools available to fund Point of the Mountain Phase Two transportation projects consist of both revenue streams and funding mechanisms.



EXISTING REVENUE STREAMS

Existing revenue streams used in Utah to finance the types of transportation and trail projects identified in the POM Phase Two report include property taxes, various sales taxes, gas taxes, class B&C road funds, municipal energy/franchise taxes, motor vehicle registration fees, motor vehicle fee-in-lieu of taxes, and local government appropriations from general funds. Each of the existing revenue streams, including their advantages and disadvantages for funding Phase Two transportation projects are discussed in this section.

PROPERTY TAXES

The Property Tax Act provides that all taxable property is required to be assessed and taxed at a uniform and equal rate based on its “fair market value” as of January 1 of each year, unless otherwise provided by law. Pursuant to an exemption for residential property provided for under the Property Tax Act and Article XIII of the State Constitution, the “fair market value” of residential property is reduced by 45 percent.⁹

The Property Tax Act provides that the Utah State Tax Commission (State Tax Commission) shall assess certain types of property referred to as “centrally assessed property.” “Locally assessed property”¹⁰ is required to be assessed by the county assessor. Each county assessor must update property values annually

⁹ The residential exemption is limited to one acre of land per residential unit and to one primary residence per household, except that an owner of multiple residential properties may exempt his or her primary residence and each residential property that is the primary residence of a tenant.

¹⁰ All other taxable property with the exception of personal property.

based upon a systematic review of current market data and complete a detailed review of property characteristics for each parcel of property at least once every five years.

The governing body of each taxing entity must adopt a proposed tax rate or, if the tax rate is not more than the certified tax rate, a final tax rate before June 22 of each year. The governing body of the taxing entity must, no later than 14 days after receiving the certified tax rate from the county auditor, adopt a proposed tax rate or, if the tax rate is not more than the certified tax rate, a final tax rate. County auditors must forward to the State Tax Commission a statement prepared by the legislative body of each taxing entity showing the amount and purpose of each levy. Upon determination by the State Tax Commission that the tax levies comply with applicable law and do not exceed maximum permitted rates, the State Tax Commission notifies county auditors to implement the levies.

There are limits imposed by the State on the property tax of local governments in Utah. There are often different limits on different funds. For example, in Salt Lake County, the property tax limit for the County's General Fund is 0.0032 of each dollar of taxable value¹¹ and the limit for the Library Fund is 0.001.

Each entity that proposes a property tax increase¹² may do so by resolution only after holding a properly noticed public hearing. Generally, the certified tax rate is the rate necessary to generate the same property tax revenue that the taxing entity budgeted for the prior year, with certain exclusions. For purposes of calculating the certified tax rate, county auditors are to use the taxable value of property on the assessment rolls, exclusive of new growth.¹³ Among other requirements, on or before July 22 of the year in which a property tax increase is proposed, the county auditor must mail to all property owners a notice of the public hearing. In most cases, the taxing entity must advertise the notice of public hearing by publication in a newspaper. Such notices must state, among other things, include the value of the property, the time and place of the public hearing, and the tax impact of the proposed increase.

State Property Taxes (Ad Valorem Tax Levy)

Though authorized to do so under Part nine of the Property Tax Act, the State does not presently levy ad valorem property taxes and has not done so since 1974. However, if the State does not have sufficient funds available to pay principal and interest on its general obligation bonds (GO bonds) from sources other than ad valorem taxes, the ad valorem property taxes would no longer be abated, and the State Tax Commission would be required to collect ad valorem property taxes on all taxable property in the State to cover the shortfall.

¹¹ Comparative property tax rates for all local entities within the POM study area, are included in Exhibit 1C in Appendix C.

¹² A rate that exceeds the "certified tax rate."

¹³ New growth is any increase in taxable value of the taxing entity from the previous calendar year to the current year less the amount of increase to locally assessed real property taxable values resulting from factoring, reappraisal, other adjustments, or changes in the method of apportioning taxable value.

To the extent not abated, the statewide ad valorem property tax must be assessed within the time frame required by law. The State Tax Commission must assess all centrally assessed property by May 1 of each year. County assessors must assess all other taxable property¹⁴ before May 22 of each year. The State Tax Commission apportions the value of centrally assessed property to various taxing entities within each county and reports such values to county auditors before June 8.

Local Government Property Taxes

Salt Lake and Utah Counties and all seven cities within the POM study area impose property taxes.

Advantages and Disadvantages

TABLE 1 lists the advantages and disadvantages of financing POM Phase Two transportation projects with property tax revenue.

TABLE 1 PROPERTY TAX AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Property Tax	Disadvantages Property Tax
State law does not restrict use.	Local taxing entities may tie use of funds to fund projects for which tax was imposed.
Less volatile compared to sales tax revenue.	May not be politically feasible.
Historically stable growth rates.	
Stable and predictable revenue stream.	

SALES AND USE TAXES

The statewide sales tax is one of Utah's major revenue sources. In 1975, sales tax became the largest revenue generator for the State, but in 2006 was replaced by the income tax as the State's largest revenue source.

In general, state sales and use taxes are imposed based on retail sales or use of tangible personal property, admissions, meals, utility services, general services on tangible personal property, hotel and motel accommodations, and certain other items. Use tax also applies to goods shipped to the State for use, storage, or other consumption, goods purchased outside of the State for use, storage, or other consumption in the State, and services subject to tax but performed outside the State for use, storage, or other consumption in the State. The State sales and use tax ("sales tax") rate on unprepared food items is 1.75 percent, residential fuels rate is 2.0 percent and the general sales tax rate is now 4.85 percent.

All sales and use taxes imposed by state and local entities in Utah are collected by the State Tax Commission. The State requires the largest sales taxpayers¹⁵ to pay monthly. All others remit the sales tax collected on a quarterly or annual basis. Monthly sales taxpayers receive a 1.3 percent discount on state and

¹⁴ Locally assessed property.

¹⁵ Annual liabilities of more than \$50,000.

local sales taxes collected. This requirement has served to reduce the volatility of the State's cash flows, with over 90 percent of sales and use taxes now remitted monthly.¹⁶

For FY 2018, the State collected approximately \$2,662.3 million in statewide sales taxes; \$585 million of which was earmarked for various purposes¹⁷.

The amount collected in FY 2018 represented an 11.9 percent increase over FY 2017.

FY 2018 Statewide Sales Taxes

\$2,662.3 million Collected
(11.9% increase over FY 2017)

Source: State Tax Commission

Local Sales and Use Taxes

Any city, county or town may levy a local option sales tax of one percent on the purchase price of the same transactions for which the statewide sales tax rate of 4.85 percent is charged.¹⁸

The local sales and use tax was established in 1959. Historically, the rate associated with the local option portion of the tax changed over the years as follows:

TABLE 2 CHANGE IN LOCAL SALES AND USE TAX

July 1, 1959 – June 30, 1975	½ of one percent
July 1, 1975 – June 30, 1983	¾ of one percent
July 1, 1983 – June 30, 1986	7/8 of one percent
July 1, 1986 – December 31, 1989	29/32 of one percent
January 1, 1990 – present	One percent

Currently, all counties, cities and towns in Utah have adopted ordinances to impose the maximum one percent option of the local sales and use tax.¹⁹ However, counties can only collect the local sales and use taxes within the unincorporated area in the county boundaries.

County Option Sales and Use Taxes

All counties in Utah have adopted ordinances to impose a 0.25 percent County Option Sales and Use Tax. This tax applies on the purchase price of the same transactions for which the statewide sales and local sales taxes described above applies. In FY 2017, this tax produced \$57.5 million for Salt Lake County and \$24.4 million for Utah County. These figures represented a 4.8 percent increase over FY 2016 for Salt Lake County and a 6.9 percent increase over the same period for Utah County.²⁰ The county option sales tax may be used for any purpose that the county desires.

¹⁶ For a table showing total statewide sales taxes collected over the last 10 years, please see Exhibit 2C in Appendix C.

¹⁷ Including highways, water, wastewater and other projects.

¹⁸ Utah Code §59-12-203,

¹⁹ The FY 2017 revenues associated with the Local Sales and Use tax for each entity within the POM study area may be found in Exhibit 3C in Appendix C.

²⁰ Source: State Tax Commission.

County option sales and use taxes are collected by the State Tax Commission and distributed on a monthly basis to each county. The distributions are based on a formula that, in general, provides²¹:

- (i) 50 percent of each dollar of sales and use taxes collected will be distributed to the county in which the tax was collected; and
- (ii) 50 percent of each dollar of sales and use taxes collected shall be distributed proportionately among all counties imposing the tax, based on the total population of each county.

Mass Transit Sales Taxes

Counties, cities and towns may levy a sales and use tax of up to 0.30 percent to fund a public transportation system.²² However, the maximum rate for the Mass Transit Tax is 0.25 percent for any county, city, or town in which the Mass Transit Fixed Guideway Tax (defined below) is also levied. Salt Lake County currently levies the 0.30 percent rate and Utah County levies the 0.25 percent rate under this tax and generated \$155.5 million and \$18.8 million in FY 2017 respectively.²³

Mass Transit Fixed Guideway Taxes

Counties that do not levy, and do not contain any municipalities that levy the Additional Mass Transit Tax (defined below), may, upon approval of the voters of the county at an election, levy a sales and use tax of up to 0.30 percent of taxable sales for fixed guideway, public transit, and highway projects within the county.²⁴ Utah County is the only county in the State that has levied the Mass Transit Fixed Guideway Tax. In FY 2017, the Mass Transit Fixed Guideway Tax generated \$20.8 million of which approximately 92 percent was dedicated to UTA. These revenues represent a 7.8 percent increase over FY 2016.²⁵

Additional Mass Transit Taxes.

Any county, city or town may, upon approval of the voters of such entity at an election, levy an additional sales tax to fund a system for public transit or a project or service related to an airport facility of up to 0.25 percent on all taxable sales within its boundaries.²⁶ Within the POM study area, only Salt Lake County currently levies this tax which generated \$59.4 million in FY 2017, a 6.7 percent increase from FY 2016.²⁷

²¹ Source: County Option Sales and Use Tax Act, Title 59, Chapter 12, Part 11, Utah Code, the "County Option Sales and Use Tax Act."

²² Section 2213 of the Sales and Use Tax Act.

²³ See Exhibit 4C in Appendix C.

²⁴ Section 2216 of the Sales and Use Tax Act.

²⁵ Source: State Tax Commission.

²⁶ Section 2214 of the Sales and Use Tax Act. Less 20% of such taxes in the case of counties of the first class (i.e., Salt Lake County), which is allocated to fund highway and other improvements.

²⁷ Source: State Tax Commission.

County Option Transportation Taxes.

Additionally, counties may, upon approval of the voters of the county at an election, levy a sales and use tax of up to 0.25 percent of taxable sales for corridor preservation, congestion mitigation, or to expand capacity for regionally significant transportation facilities.²⁸

Within the POM study area, Salt Lake County has levied a County Option Transportation Tax, but Utah County has not. In FY 2017 this tax generated \$55.7 million for Salt Lake County, of which \$10.4 million (or 0.1875%) was dedicated to UTA.²⁹ Pursuant to the Sales Tax Act, county ordinance, and an interlocal agreement among UDOT, UTA, and Salt Lake County, 0.0625 percent of Salt Lake County's County Option Transportation Tax is dedicated to Salt Lake County highway projects and is not available to UTA.

Utah Transit Authority Sales Tax Revenues

Sales and use taxes received by UTA and pledged under its bond indentures consist of revenues received from the following sales taxes:

TABLE 3 UTA PLEDGED SALES AND USE TAXES

0.30% Mass Transit Sales Tax	Salt Lake County
	Box Elder County ³⁰
	Tooele County ³¹
0.25% Mass Transit Sales Tax	Davis County
	Utah County
	Weber County
	Juab County ³²
0.25% Additional Mass Transit Sales Tax	Weber County
	Davis County
	Salt Lake County ³³
	Box Elder County ³⁴
0.276% Additional Mass Transit Fixed Guideway Tax	Utah County
0.1875% County Option Transportation Tax	Salt Lake County
0.05% Supplemental State Sales and Use Tax	Weber County
	Davis County

²⁸ Section 2217 of the Sales and Use Tax Act; less 25% of such taxes in the case of counties of the first or second class, which is allocated to highway projects.

²⁹ Source: State Tax Commission.

³⁰ Participating cities include Brigham City, Willard City and Perry City.

³¹ Participating cities include Tooele, Grantsville and unincorporated areas of Erda, Lakepoint, Lincoln and Stansbury Park.

³² Participating city includes Santaquin City which is in Utah and Juab Counties

³³ Less 20 percent of such taxes which are allocated to fund highway and other improvements.

³⁴ Participating cities include Brigham City, Willard City and Perry City.

Supplemental State Sales and Use Tax

Pursuant to Section 2003 of the Sales Tax Act, the State levies a sales and use tax of up to 0.30 percent of taxable sales (“Supplemental State Sales and Use Tax”) within any city, town or unincorporated area within a county of the first or second class in UTA’s Service Area that does not levy either the maximum 0.30 percent Mass Transit Tax or the maximum 0.30 percent Mass Transit Fixed Guideway Tax. The Supplemental State Sales and Use Tax rate to be levied by the State within such counties equals the difference between 0.30 percent and the Mass Transit Tax

Supplemental State Sales and Use Tax

Weber County – 0.05%
Davis County – 0.05%

rate or Mass Transit Fixed Guideway Tax rate, as applicable, that is levied in such areas. Currently, the State is levying a 0.05 percent Supplemental State Sales and Use Tax in Weber and Davis Counties. Each of the other municipalities and unincorporated areas

within counties of the first and second class in the UTA Service Area³⁵ levies the maximum Mass Transit Tax and/or Mass Transit Fixed Guideway Tax.

2219 Proposition 1 Taxes.

In 2015, the Legislature passed legislation allowing counties to place an additional local option sales tax for transportation purposes on their ballots in November 2015. For counties in which the Proposition 1 Tax was approved and which are served by UTA, revenue is allocated among the counties, cities, and UTA to address transportation needs. Voters approved the Proposition 1 Tax in Davis, Weber, and Tooele Counties as well as additional areas outside the UTA Service Area. UTA will use funds generated by such tax to improve its transit services in those specific counties. Sales tax revenues collected from the Proposition 1 Tax are not pledged as collateral for UTA’s outstanding bonds. However, none of the entities of POM study area are levying the Proposition 1 Tax.

Proposition 1 Tax Approved

Davis County
Weber County
Tooele County
*Additional Areas Outside
UTA Service Area*

SB 136 – Revived 2219 Taxes.

With the failure of voters in Salt Lake and Utah Counties to approve Proposition 1 taxes, the Utah Legislature, in the 2018 General Session passed Senate Bill 136 as a transportation reform bill. Among other things, the bill expanded and clarified the authority of counties to implement a local sales tax option of 0.25 percent for public transit after May 8, 2018. The Salt Lake County Council imposed this tax on June 19, 2018 and the Utah County Commission imposed this tax on December 18, 2018. This new levy is projected to produce approximately \$26.19 million for Salt Lake County in 2019 and \$69 million annually thereafter. The new levy is projected to produce \$8 million for Utah County in 2019 and \$22 million

³⁵ Salt Lake and Utah Counties.

annually thereafter. Forty percent of those revenues will flow to UTA, another 40 percent will flow to the cities within the respective counties, and 20 percent can be kept by the counties.

59-12-2220 Sales Tax

In 2018, Senate Bill 136 also provided for a new 0.20 percent sales tax that may be imposed beginning July 1, 2019 by any county that had already imposed every other county option sales tax allowed under Utah Code Section 59-12. Both Salt Lake and Utah counties are now eligible to impose this tax in the future. If imposed, the projected annual revenue would be approximately \$ 52.4 million and \$17.9 million for those two counties respectively. The funds must be spent for public transit purposes. This new tax must be imposed before June 30, 2023.

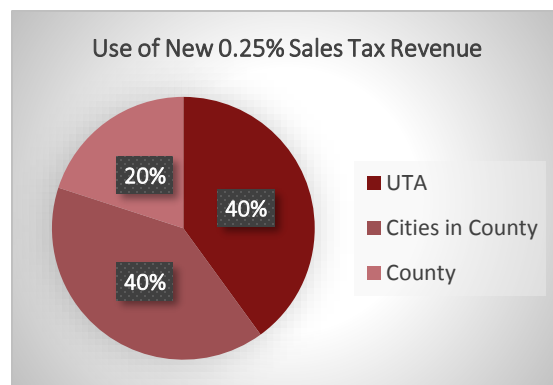


FIGURE 2 USE OF NEW 0.25% SALES TAX REVENUE

Interlocal Agreements

UTA has entered into Interlocal Cooperation Agreements (“Interlocal Agreements”) with Salt Lake County and Utah County, each of which extends to at least 2045. The Interlocal Agreements require participating counties to allocate the Sales and Use Taxes levied by participating entities to UTA. The Interlocal Agreements authorize the State Tax Commission to remit the participating counties’ respective sales and use tax revenues directly to UTA. UTA is required to use the amounts allocated by the participating counties on system projects designated under the respective Interlocal Agreements.

Tax Collection

UTA’s portion of the above-described transit sales taxes is remitted to UTA by the State Tax Commission on behalf of the participating counties and cities or, with respect to certain participating counties and cities that have not entered into Interlocal Agreements,³⁶ by the participating counties and cities themselves.

TABLE 4 shows the combined sales tax rates of each of the participating counties and cities with respect to the portion of their transit sales taxes that is pledged under the UTA Indentures³⁷:

³⁶ As previously defined above.

³⁷ For a 10-year history of sales tax collected by county within UTA’s Service Area see Exhibit 5C in Appendix C.

TABLE 4 COMBINED SALES AND USE TAX RATES PLEDGED TO UTA

Participating County/City	Total Transit Sales Tax Rate
Participating Cities in Box Elder County ³⁸	0.55%
Davis County ^{39 40}	0.55%
Participating City in Juab County ⁴¹	0.25%
Salt Lake County ⁴²	0.6875%
Participating Cities in Tooele County ^{43 44}	0.30%
Utah County ⁴⁵	0.526%
Weber County ⁴⁶	0.55%

Advantages and Disadvantages

Sales, income and local property taxes make up the “three-legged stool” of Utah tax revenues. Each has comparative strengths that help counterbalance the weaknesses of the others. For example, the cyclical nature of the sales tax can be offset by the stability of the property tax; and the regressivity in the sales tax can be offset through progressivity in the income tax.

TABLE 5 outlines the advantages and disadvantages of sales and use taxes as a revenue source to finance POM Phase Two transportation projects.

³⁸ Consists of the Mass Transit Tax (0.30%) and Additional Mass Transit Tax (0.25%).

³⁹ Consists of the Mass Transit Tax (0.25%), the Supplemental State Sales and Use Tax (0.05%) and the Additional Mass Transit Tax (0.25%).

⁴⁰ Does not include revenues from the 0.1% sales tax received by Davis, Toole and Weber Counties pursuant to Utah Code § 59–12–2218 (the “Proposition 1 Tax”) as such revenues do not constitute Pledged Revenues. See “Proposition 1 Tax” below.

⁴¹ Consists of the Mass Transit Tax (0.25%).

⁴² Consists of the Mass Transit Tax (0.30%), the Additional Mass Transit Tax (0.20%) (representing 80% of 0.25%; the other 20% is allocated to highway and other improvements) and the County Option Transportation Tax (0.1875%) (representing 0.25%, less 0.0625%, which is dedicated to highway projects pursuant to county ordinance).

⁴³ Does not include revenues from the 0.1% sales tax received by Davis, Tooele and Weber Counties pursuant to Utah Code § 59–12–2218 (the “Proposition 1 Tax”) as such revenues do not constitute Pledged Revenues. See “Proposition 1 Tax” below.

⁴⁴ Consists of the Mass Transit Tax (0.30%).

⁴⁵ Consists of the Mass Transit Tax (0.25%) and the Mass Transit Fixed Guideway Tax (0.276% (92% of 0.30%)).

⁴⁶ Does not include revenues from the 0.1% sales tax received by Davis, Tooele and Weber Counties pursuant to Utah Code § 59–12–2218 (the “Proposition 1 Tax”) as such revenues do not constitute Pledged Revenues. See “Proposition 1 Tax” below. Consists of the Mass Transit Tax (0.25%), the Supplemental State Sales and Use Tax (0.05%) and the Additional Mass Transit Tax (0.25%).

TABLE 5 SALES AND USE TAXES AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages ⁴⁷ Sales & Use Taxes	Disadvantages Sales & Use Taxes
Fairly steady revenue source.	More economically sensitive compared to property taxes.
Long history of sales tax collection by taxing entities in POM study area make projections easier and more reliable. ⁴⁸	Sales tax is regressive. ⁴⁹
It is paid in small portions, making it financially manageable for taxpayers. ⁵⁰	Only provides a new revenue stream if tax rate is increased or sales increase.
Sales tax revenues increase immediately once the sales tax rate is imposed. ⁵¹	Limit on sales tax rates (Utah State Legislature).
Sales tax is collected by businesses, reducing the regulatory burden on taxpayers and easing the administration of the tax. ⁵²	Sales tax is not transparent. ⁵³
Payment is straightforward and easy to understand.	Large purchases, often a substantial component of the sales tax, are subject to economic cycles. ⁵⁴
Tax is considered fair as everyone pays the same amount on the same transaction.	No tax deduction as with property taxes.
Consumers can control amount of sales tax paid by controlling their spending to a certain degree.	
To some extent, the sales tax reflects an individual's ability to pay the tax. ⁵⁵	
Sales tax revenues generated by residents and visitors and commuters who benefit from the services and infrastructure provided by that jurisdiction. ⁵⁶	

⁴⁷ Some of the advantages provided by the Utah Foundation; Utah Tax Policy; Part 3; June 2018.

⁴⁸ The bond market and the rating agencies like this.

⁴⁹ Low-income individuals spend more of their income on consumption and less on sales-tax-free saving when compared to higher income individuals. This regressivity is even worse when the predominant consumption taxed pertains to goods, since lower-income households spend a larger share of their income on goods than services when compared to higher-income households.

⁵⁰ Compared to lump sum payments in the thousands of dollars taxpayers can face if their property taxes are not collected by their mortgage holder or if they miscalculate their income tax withholdings.

⁵¹ No ramp-up waiting for revenues to materialize.

⁵² There are more than 63,000 businesses in Utah, and not all of them collect sales tax. Compare that to the 1.2 million individuals who file annual income tax returns.

⁵³ Because it is collected in small portions daily, few individuals understand how much they pay in sales taxes overall.

⁵⁴ As a result, sales tax revenues will often fall or stagnate during economic downturns.

⁵⁵ Their level of consumption provides a reasonable index of economic ability to carry the cost of government services.

⁵⁶ This can be particularly beneficial for jurisdictions with significant tourism.

UTAH DEPARTMENT OF TRANSPORTATION (UDOT) GAS TAXES

The State imposes a Motor Fuel Tax on each gallon of gasoline sold at the pump. From January 1, 2016 through December 2018, the tax was \$0.294 per gallon. In FY 2017, this tax generated \$353.4 million.⁵⁷ These taxes are directed to the Transportation Fund and must be used exclusively for highway purposes.⁵⁸

Gas Tax Revenues FY 2017

\$353.4 million
Directed to the Transportation Fund
for Highway purposes

Beginning January 1, 2019, this tax will increase to \$0.30 per gallon which should generate approximately \$366.1 million. Going forward, the tax will be indexed to the average rack price at the pump based on an annual calculation of the three-year average rack price based on a June 30 year end.

The current allocation formula requires that 30 percent of the motor fuel taxes collected be distributed to counties and cities through the Class B & C Road Fund program. The remaining 70 percent is retained by UDOT to address statewide transportation needs.

Utah first implemented an excise tax on motor fuel (gasoline) in 1923, at a rate of 2.5 cents per gallon. Eighteen years later, in 1941 Utah implemented an excise tax on special fuels, like diesel. Revenues generated from these taxes funded a variety of projects, including the state's transportation infrastructure.

In real dollars, these gas revenues were going down as transportation needs were going up, in part because of more fuel efficient and electric vehicles. In 2015, the Legislature passed HB 362, changing the motor and special fuel taxes from an excise tax to a modified sales tax. As a result, the rate of the new modified sales tax became 12 percent of the statewide average wholesale pretax price of a gallon of regular unleaded motor fuel during the previous three fiscal years.

This allowed the per gallon tax to rise and fall with the price of fuel, whereas an excise tax is a flat rate per gallon, regardless of the price. In this manner, the new taxes provided an annual adjustment as the statewide average wholesale price of fuel fluctuated within the floor (\$2.45) and ceiling (\$3.33) prices, which could not be easily accomplished with an excise tax.

In the 2017 General Session, the Utah Legislature again modified this tax to allow the indexing component to commence sooner.⁵⁹ The 2017 legislation lowered the minimum average rack price for indexing purposes to \$1.78, allowing the total tax to climb to 16.5 percent of the price. The gas tax is still capped at \$0.40.

⁵⁷ Source: UDOT.

⁵⁸ Utah Code §72-2-102.

⁵⁹ Motor fuel prices had dropped since the 2015 legislation and the growth from indexing this tax was not materializing.

**\$7 billion projected shortfall
to meet projected transportation needs**

Additional revenue generated from this 'new' modified sales tax through 2023 is estimated below and is divided evenly between the Transportation Fund and the new Transit Transportation Investment Fund (TTIF). Although this represents a significant step toward funding trans-

portation, according to the state's estimates, the tax still falls \$7 billion short in meeting the state's projected transportation needs.

TABLE 6 ESTIMATED ADDITIONAL GAS TAX REVENUES FROM LOWERED MINIMUM AVERAGE RACK PRICE

Estimated Additional Gas Tax Revenues from Lowered Minimum Average Rack Price					
Fund	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Transportation	\$5.3M	\$9.4M	\$13.8M	\$18.5M	\$23.8M
TTIF	\$5.3M	\$9.4M	\$13.8M	\$18.5M	\$23.8M

CLASS B AND CLASS C ROAD FUNDS

FY 2018 Road Funds Distributed

\$28.04 per capita
\$694.28 per weighted road mile
\$169.5 million Total Distributed

Class B (County) and C (City) Road Funds are derived from highway user taxes and fees paid to the State of Utah. Of the fees collected by the State, approximately 30 percent are distributed to counties and cities to maintain, improve and construct eligible roadways within the State of Utah. Additionally, funds can be used to acquire road related equipment and facilities.⁶⁰

The formula for distributing Class B and C Road Funds is 50 percent population and 50 percent weighted road miles. The road miles are weighted at five for a paved road and two for a gravel or dirt road. Funds are distributed bi-monthly (every two months).

Local authorities may issue bonds against Class B & C fund revenues up to a 10-year period. Use of these funds on State Highways requires approval from the UDOT Region Director or Engineer.

A new law modifies the variable-rate gas tax formula enacted by Utah lawmakers in 2015 to allow for somewhat more robust revenue growth. The new formula is expected to result in a roughly 0.6-cent-per-gallon tax increase in 2019 and a 1.2-cent increase in 2020.

Advantages and Disadvantages

TABLE 7 outlines the advantages and disadvantages of Class B and C road funds as a revenue source to fund POM Phase Two transportation projects.

⁶⁰ Utah Administrative Rule R926-3 Class B and C Road Funds and Utah Code 72-2-107 to 110 and 72-3-103 to 104.

TABLE 7 CLASS B AND C ROAD FUNDS AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Class B and C Road Funds	Disadvantages Class B and C Road Funds
Additional revenue source to maintain roadways.	Historically revenues insufficient to fully fund roadway maintenance.
Can be used to match federal funds.	Ten-year limit on how long funds can be pledged for bonded debt on new road construction.
Can be used to acquire road related equipment and facilities.	Use of funds restricted to eligible road related projects.
Historically reliable revenue source.	Increase in electric vehicle use may negatively impact future revenues.

MUNICIPAL ENERGY SALES AND USE TAX

A municipality and a military installation development authority (MIDA) may levy a Municipal Energy Sales and Use Tax on the sale or use of taxable energy⁶¹ sold or used within the municipality or the project area adopted by the MIDA.⁶² The tax adopted by ordinance can be up to six percent of the delivered value of taxable energy. This tax is in addition to any other sales or use tax imposed by the municipality or authority.

Revenues generated by this tax are not restricted and can be used for any purpose the taxing authority deems appropriate. Taxing authorities may issue bonds against the Municipal Energy Sales and Use Tax revenues.

In most instances the taxes are collected from users by the energy supplier and remitted to the taxing authority monthly. Smaller suppliers and users⁶³ are required to remit tax obligations to the State Tax Commission.

Estimated Annual Revenues by Development Type

- ✓ Single Family Residential: \$119.70
- ✓ Multi-family residential: \$83.80
- ✓ Commercial (per 1,000 sq. ft.): \$81.00

Advantages and Disadvantages

TABLE 8 outlines the advantages and disadvantages of Municipal Energy Sales and Use Tax as a revenue source to fund POM Phase Two transportation projects.

⁶¹ Natural gas and electricity.

⁶² Utah Code 10-1-301 to 10-1-310.

⁶³ Whose supplier does not collect the municipal energy sales tax.

TABLE 8 MUNICIPAL ENERGY SALES AND USE TAX AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Municipal Energy Sales and Use Tax	Disadvantages Municipal Energy Sales and Use Tax
Offsets impact energy service providers have on public rights-of-way.	Revenues fluctuate with weather patterns.
Taxing entities not restricted in how proceeds are spent.	Future revenues may be negatively impacted by solar power conversions and advancements in energy efficient technologies.
Revenues can be pledged as security for debt funding.	Fiscal impact to energy users.
Revenues increase as cost of energy increases.	Revenues decrease as cost of energy decreases.

MOTOR VEHICLE REGISTRATION FEES

Article 13, Section 5 of the Utah State Constitution allows the State to levy a fee, tax, or other charge “related to the operation of motor vehicles on public highways.” The funds can be used for construction, maintenance, and repair of State and local roads, including property acquisition or any debt obligation created to fund those uses.

The vehicle registration fee is charged based on the type and weight of the vehicle being registered. Large vehicles are charged more because they do more damage to roadways. In 2017, Utah registered more than 2.5 million vehicles.

Vehicle Registration Fees Allocation
 63% Transportation Investment Fund
 33% General Transportation Fund
 <5 % Other

In 2017, motor vehicle registration fees generated \$44.3 million for the Transportation Fund and another \$82.9 million for the Transportation Investment Fund.⁶⁴

Advantages and Disadvantages

TABLE 9 outlines the advantages and disadvantages of vehicle registration fees as a revenue source to finance POM Phase Two transportation projects.

⁶⁴ See Exhibit 6C in Appendix C for a list of the current vehicle registration fees.

TABLE 9 MOTOR VEHICLE REGISTRATION AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Vehicle Registration Fees	Disadvantages Vehicle Registration Fees
Stable and predictable revenue stream.	Revenues are earmarked for specific accounts which will limit the funds available for projects.
Funding is targeted to vehicles of different sizes which directly relates to road usage and impact.	State can use the funds for non-POM priorities in the region such as general road maintenance.
Funds will be raised for accounts designed to mitigate the damaging effects of driving.	

VEHICLE UNIFORM FEE-IN-LIEU OF PROPERTY TAX

Under Title 59, Chapter 2 of Utah Code,⁶⁵ an annual, statewide uniform fee⁶⁶ is levied on tangible personal property required to be registered with the State in lieu of an ad valorem property tax. There are two types of Uniform Fees:

- (i) age-based Uniform Fees for vehicles that weigh less than 12,000 pounds; and
- (ii) value-based Uniform Fees for vehicles weighing 12,000 pounds or more.

For most motor vehicles weighing 12,000 pounds or less, the State charges the following age-based uniform fees at initial registration and each subsequent registration.⁶⁷

Excepted from the uniform fees schedule are certain recreational vehicles (such as campers, snowmobiles and personal watercraft) which are subject to specific age-based Uniform Fees depending on the size and type of vehicle. These fees range from \$10 for certain vehicles of a specific age to \$700 for certain vehicles of a specific age.

Age of Vehicle Uniform Fees

< 3 years	\$150
< 3 years—< 6 years	\$110
< 6 years—< 9 years	\$ 80
< 9 years—< 12 years	\$ 50
12+ years	\$ 10

For most motor vehicles weighing 12,000 pounds or more, the State charges 1.5 percent of the fair market value of the property, except for motor homes which are charged 1.0 percent of fair market value. The 1.5 percent levy is also imposed on commercial trailers weighing more than 750 lbs., vessels 31 feet or more in length, and any other vehicle not specifically included under the age-based Uniform Fee or otherwise under Utah Code.

Uniform Fee revenues are collected by the State for each county and distributed by the county to each taxing entity in which the property is located. Revenues are allocated in the same proportion as revenue collected from Ad Valorem Real Property Tax distributed within each taxing entity.

⁶⁵ "Property Tax Act."

⁶⁶ "Uniform Fee" or "Fee-in-Lieu."

⁶⁷ Utah Code § 59-2-405.1.

*Uniform Fee Revenue Available to
Secure Debt or Debt Service*

Salt Lake County: \$8.3 million
Utah County: \$1.7 million

In 2016, Salt Lake County had approximately \$8.3 million in Uniform Fees available for its debt service pledge on the Exercise Tax Road Revenue Refunding Bonds, Series 2017. That security includes a 150 percent pledged coverage of revenue to debt service. In addition to the Uniform Fees, the 2017 Bonds are backed by a subordinate pledge of Preservation Fees paid to Salt Lake County from the Utah Highway Fund. The 2016 Preservation Fees pledged to debt service totaled \$4.5 million. Together the pledged revenue for the 2017 Bonds provide 428 percent coverage on the debt service. Preservation fees alone are just enough to cover the 150 percent additional bonds test. Even though it would put tight constraints on the debt service pledge, Salt Lake County could secure transportation bonds against the full \$8 million receipt of Uniform Fees.

Utah County does not currently have debt secured by a pledge of Fee-in-Lieu. Utah County received \$1.7 million in 2017 Uniform fees which could be used to secure debt or contribute to pay-go financing. Both counties are currently using these funds to support county road maintenance and other functions.

Advantages and Disadvantages

TABLE 10 outlines the advantages and disadvantages of Vehicle Uniform Fee-In-Lieu of Property Tax as a revenue source to finance POM Phase Two transportation projects.

TABLE 10 UNIFORM FEE-IN-LIEU OF PROPERTY TAX AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Uniform Fee-in-Lieu of Property Tax	Disadvantages Uniform Fee-in-Lieu of Property Tax
Stable and predictable revenue stream.	Funds are directed to the counties not the state.
Would require a larger percentage increase in the tax to generate significant revenue.	Less fuel efficient and less emissions friendly.
	Older vehicles are taxed less.

LOCAL GOVERNMENT'S APPROPRIATIONS FROM GENERAL FUND

Local governments have the prerogative to appropriate funds for projects on a pay-as-you-go basis or to save up funds to pay for a project in its entirety at some future date. All funds in excess of five percent of the current year estimated revenues are available for appropriation. Funds appropriated by a local government for capital project anticipated at some future point are usually accumulated in a Capital Projects Fund set up for that purpose. In this manner the local government doesn't violate statutory limitations on excess reserves in the general fund, which for a city in Utah is no more than 25 percent of its general fund revenues. The largest counties in Utah are limited to the greater of either 20 percent of annual revenue or the estimated total property tax revenues for the year. Smaller counties are permitted the greater of 50 percent of their annual revenue or total property tax revenues. Local districts are limited to the greater of either 100 percent of current year property tax revenue or 25 percent or 50 percent depending on the size of the local district budget. Limitations are found in the Fiscal Procedures Act for each local government type.

All governmental entities within the POM study area enjoy reserves in excess of five percent of budgeted revenues that could be appropriated for projects stemming from Phase Two. Some have more than others. For instance, Draper maintains nearly 25 percent of revenues in its reserves, suggesting the City has approximately \$6 million that could be appropriated. Sandy City by contrast maintains close to 12 percent of revenues in reserves. The relative size of the governmental entity impacts the absolute dollars available. Although Sandy chooses to keep less in reserves than does Draper, the City still has approximately \$4 million in excess of the requisite minimum that could be used for projects. Smaller governmental entities such as Bluffdale could only contribute about \$1 million. The largest entities in the POM study area, Salt Lake and Utah Counties, each have the ability to contribute more from reserves, \$55 million and \$17 million, respectively.

In order to monetize a future stream of appropriations, governmental entities can sell lease revenue bonds secured by annually appropriated lease payments, not from reserves, but from the annual budget of the entity. The financed improvements also secure the financing. By monetizing the future cashflow stream, the government can generate more funds at one time and do a larger project or more projects.

Advantages and Disadvantages

TABLE 11 outlines the advantages and disadvantages of local appropriations from the general fund as a revenue source to finance Phase Two transportation projects.

TABLE 11 LOCAL APPROPRIATIONS – LOCAL GENERAL FUND AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Local Appropriations – General Fund	Disadvantages Local Appropriations – General Fund
Cash contributions on a pay-as-you-go basis are conducive for projects that can be done “one mile at a time,” such as transportation projects.	No governmental entity in the POM study area has adequate funds to significantly contribute to the projects in a way that would enable completion in a timely manner.
	Negatively reflect upon the financial management and credit ratings of each of the governmental entities.
	Multiple years of deficit spending creates a credit concern and maintaining reserve levels at the minimum 5% allowed by law would not qualify an entity for the best credit ratings available.
	Lease revenue bonds can increase the average cost of financing by as much as .50%, or for example increase the average interest rates from 3.0% to 3.5%. ⁶⁸
	Financed improvements contemplated under Phase Two are not good security under this type of financing. ⁶⁹

⁶⁸ On a \$100 million project paid over a 20-year period that equates to about \$6.3 million in additional interest expense.

⁶⁹ Roads, rail, and trails are not practical for bond holders to repossess in the event of a default and some investors may choose to not invest given the difficulty and impracticality of repossessing this type of security.

NEW REVENUE STREAMS

In addition to the existing revenue streams previously discussed, there are several potentially new revenues to fund transportation and trail projects. Some revenue streams are more practical than others. Some revenue streams have the potential to generate more revenue than others, and some may be politically challenging. Each of the potential revenue streams, including their advantages and disadvantages are discussed in this section.

TAX INCREMENT

Through the creation of a tax increment area, a city or county can split tax revenue generated within the designated project area into two components:

- (i) Base Revenues – The amount available before the tax increment area is established. Base revenues are shared among a mix of local governments that have the power to assess taxes such as schools, cities, counties, and special districts; and
- (ii) Incremental Revenues – These are tax revenues in excess of the base revenues that are generated by new growth in the project area. If a project area is created, the incremental tax revenues can flow to the Community Reinvestment Agency (Agency) for a period of time to encourage new development to take place.

Some states, including Utah, allow incremental local sales tax revenues, as well as property taxes, to flow to the Agency for a period of time.

By giving exclusive use of incremental revenues to the Agency, the creation of a successful tax increment area generates a new revenue stream that can be used to pay for projects, provide incentives to developers, or collateralize tax increment bonds.

The most common uses of tax increment have been for infrastructure such as roads, utilities, CGS, telecommunications, electrical upgrades and burying power lines, and parking structures. Tax increment has also been used for demolition, tenant improvements, land acquisitions, environmental cleanup, trails, lighting, signage, playgrounds, incentives to developers, economic development activities, housing, etc.

Community Reinvestment Areas

In Utah, tax increment areas have been known by a wide variety of names over time – RDAs, URAs, EDAs, CDAs, and now as CRAs or Community Reinvestment Areas. As of 2016, the Legislature combined all types of project areas—urban renewal, economic development, and community development into a new single “Community Reinvestment Project Area” (CRA). Existing project areas will be allowed to continue, but all new project areas will be known as CRAs.

The CRA Budget may either be approved by a Taxing Entity Committee (TEC) or through Interlocal Agreement with taxing entities, except where the Agency chooses to have a blight study to determine the existence of blight and to utilize limited eminent domain powers, which requires the approval of a TEC of both blight and the budget.

If there is a finding of blight, 20 percent of the tax increment must be set aside for affordable housing. For all other projects, 10 percent of the tax increment is required to be set aside for affordable housing, if the annual increment is over \$100,000. Noticing and hearing requirements remain unchanged with the CRA designation.

Currently, 49 states allow city and/or county governments to establish TIF project areas. Only Delaware does not permit county or municipal governments to use tax increment financing. The growth in the use of tax increment capturing entities in Utah has been astounding as shown in figure three.

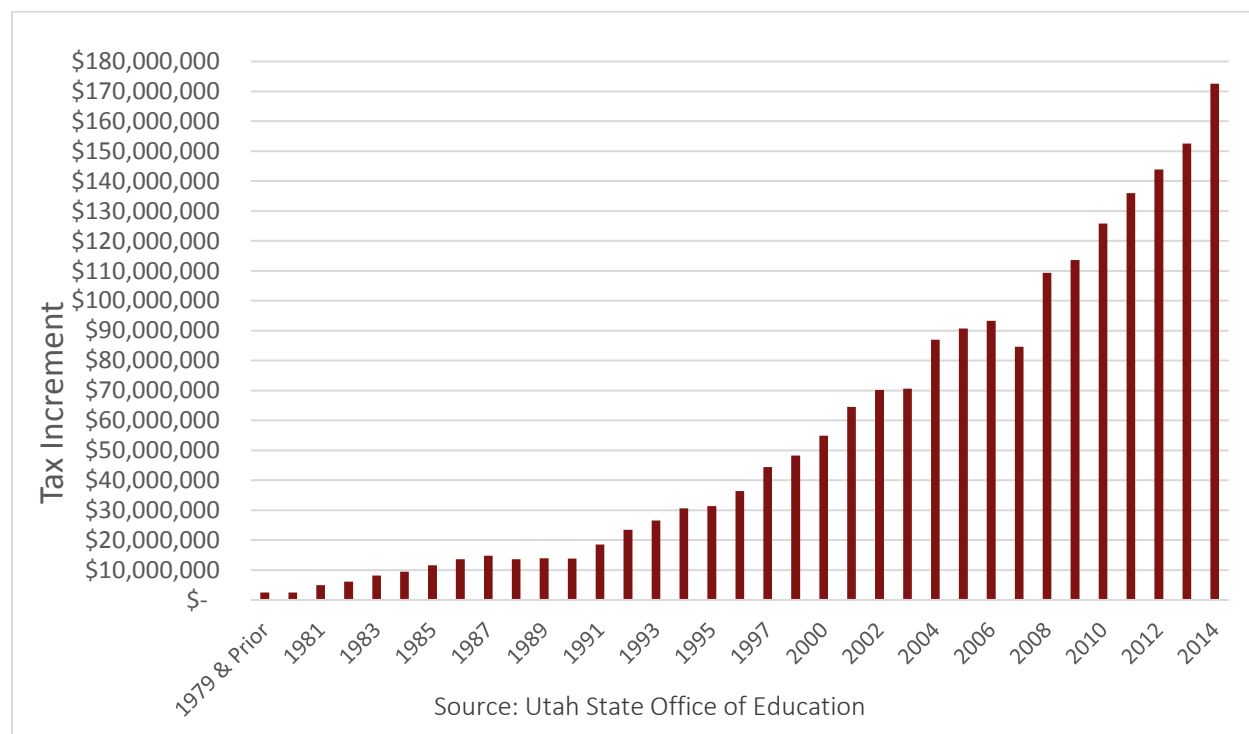


FIGURE 3 GROWTH IN TAX INCREMENT IN UTAH

After the tax increment collection period has expired, the tax increment dollars that previously flowed to the CRA will flow to the taxing entities that levy the property taxes within the project area. In most cases, taxing entities receive more property tax revenues annually following expiration of the tax increment collection period than before, as property values are likely to have increased significantly through the redevelopment process.

Tax increment that could flow to each of the governmental entities within the POM study area has been projected.⁷⁰ A summary of the projected increment is found below.

⁷⁰ See Exhibit 1D in Appendix D.

Increased City General Fund Revenues

Increased sales tax revenues for the cities within the POM study area total \$1.16 billion through 2050 at an average annual amount of \$38.7 million.⁷¹ Annual revenues are much lower in early years, as development begins, and increase over time as more development takes place. Each city within the POM study area has indicated that it intends to use the increased sales tax revenue to fund the City's own infrastructure and services that will be required by the projected growth.

Property tax increment for the cities within the POM study area total \$715 million through 2050 at an average annual amount of \$23.8 million.⁷² Again, these revenues vary significantly as development takes place over time and revenues increase. Each city within the POM study area has indicated that it intends to use the incremental property tax revenue to fund the City's own infrastructure and services that will be required by the projected growth.

Incremental Class C road funds for the cities within the POM study area total \$309 million through 2050 at an average annual amount of \$10.3 million.⁶⁸ Each city within the POM study area has indicated that it intends to use the incremental Class C road revenues to build and maintain their own roads.

Incremental municipal energy taxes for the cities within the POM study area total \$417 million through 2050 at an average annual amount of \$13.9 million.⁶⁸ Each city within the POM study area has indicated that it intends to use the incremental municipal energy revenues to support city services.

TABLE 12: PROJECTED CITY TAX INCREMENT REVENUE THROUGH 2050 (30 YEARS)

City	Sales Tax	Property Tax Increment after RDA Reductions	Class C Road Funds	Municipal Energy Tax
Bluffdale	\$93,239,483	\$52,268,365	\$26,421,682	\$32,864,574
Draper	72,920,805	117,463,001	24,029,136	27,664,561
Draper – Prison Site	71,917,177		18,930,726	25,602,303
Herriman	188,303,133	22,975,098	58,275,234	68,373,813
Lehi	246,030,195	193,703,742	63,402,513	90,135,321
Riverton	90,911,229		27,348,204	33,748,742
Sandy	161,894,055	99,855,044	32,169,124	61,810,745
South Jordan	235,108,759	228,817,395	58,736,384	77,093,270
Total	\$1,160,324,836	\$715,082,647	\$309,313,003	\$417,293,330
Average (30 years)	\$38,677,495	\$23,836,088	\$10,310,433	\$13,909,778

Point of the Mountain Land Authority Increment

Sales tax increment for the Point of the Mountain State Land Authority totals \$71.9 million through 2050 at an average annual amount of \$2.4 million.

⁷¹ Source: RCLCO: Zions Public Finance.

⁷² See the Exhibit 2G in Appendix G for the City portion of this report for a listing of the GO limit per entity less existing GO debt.

Property tax increment for the Point of the Mountain State Land Authority totals \$ 84.7 million through 2050 at an average annual amount of \$2.8 million.

Incremental road funds for the Point of the Mountain Land Authority (POMLA) totals \$18.9 million through 2050 at an average annual amount of \$631,000.

Incremental municipal energy taxes for the POMLA totals \$25.6 million through 2050 at an average annual amount of \$853,000.

TABLE 13: PROJECTED POMLA TAX INCREMENT REVENUE THROUGH 2050 (30 YEARS)

Description	Sales Tax	Property Tax	Class C Road Funds	Municipal Energy Tax
Total	\$71,917,177	\$84,683,026	\$18,930,726	\$25,602,303
Average Annual	\$2,397,239	\$2,822,768	\$631,024	\$853,410

Advantages and Disadvantages

TABLE 14 outlines the advantages and disadvantages of Tax Increment as a revenue source to fund POM Phase Two transportation projects.

TABLE 14: TAX INCREMENT AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Tax Increment	Disadvantages Tax Increment
Growth creates a new revenue stream	Siphons revenues needed to provide existing government services
Increment revenue is flexible and can be used for a number of purposes	Affordable housing requirements for CRAs
Can trigger new development in the target area	Process can be political

PROPERTY TAX INCREASE

In Utah, property taxes can be increased by local governments in one of two ways:

- (i) A simple majority of voters can approve a general obligation bond election that raises the levy; or
- (ii) A governmental entity's governing body may use the "truth-in-taxation" process.

The third option for a property tax increase would be for the State Legislature to approve a statewide tax levy.

General Obligation Bond Election

Special elections are allowed for a GO bond issue. The special election must be held on the first Tuesday after the first Monday in November. Any local government that seeks the right to raise property taxes to support new GO bonds must pass a resolution calling for an election at a minimum of seventy-five (75) days before the election. The resolution must be sent to the county clerk and the Lieutenant Governor of

Utah along with the language to be placed on the ballot question. Certain notices, public hearings, and arguments for and against the proposition are required before the election.

The ballot must be formatted with a ballot title for the bond proposition that includes the name of the government entity issuing the bonds and the word "bond" or an identification of the type of bonds. The ballot question must include the maximum principal amount of the bonds, the maximum number of years from when the bonds are issued to the date of maturity, the general purpose for which the bonds are to be issued, and the increase of property taxes imposed upon the average value of a residence. On an official ballot, this disclaimer must be stated:

"PROPERTY TAX COST OF BONDS:

If the bonds are issued as planned, [if applicable: without regard to the taxes currently levied for outstanding bonds that will reduce over time,] an annual property tax to pay debt service on the bonds will be required over a period of ____ years in the estimated amount of \$____ (insert the average value of a residence in the taxing entity rounded to the nearest thousand dollars) on a residence and in the estimated amount of \$____ on a business property having the same value.

[If applicable] If there are other outstanding bonds, an otherwise scheduled tax decrease may not occur if these bonds are issued.

The foregoing information is only an estimate and is not a limit on the amount of taxes that the governing body may be required to levy in order to pay debt service on the bonds. The governing body is obligated to levy taxes to the extent provided by law in order to pay the bonds."

The ballot language must end in "For the issuance of bonds" and "Against the issuance of bonds," with appropriate check boxes for the voter to indicate their choice.

If the election is successful, the governmental entity has the right to raise the property tax levy to whatever it needs to be to repay the debt issued under the authorization. There is no limit on the levy. There is, however, a limit on the amount of GO debt a governmental entity may have outstanding at any one time. For a city, this is four percent of the fair market value. For a county, it is two percent of the fair market value. For a local transportation district, the limit is five percent of the fair market value.⁷³

With voter approval, the maximum amount the local governments within the POM study area can legally issue is \$2.7 billion of new GO bonds.⁷⁴

The ability to raise these revenues using a GO Bond election is dependent on the support of the electorate. Based on our experience, if the voter agrees there is a need that should be addressed, in general, a bond election with a tax impact under \$25 on the average homeowner is very likely to pass and an election with an impact between \$25 and \$50 usually passes. Even with voters agreeing there is a need, an election with a tax impact of \$50-\$100 is difficult to pass and an election with a tax impact over \$100 is very difficult to pass.

⁷³ See the City section of this report for a listing of the GO limit per entity less existing GO debt.

⁷⁴ See Exhibit 2H in Appendix H.

Truth-In-Taxation

Truth in Taxation is a process established by the Utah Legislature where city and county governments and school districts are required to hold a public hearing whenever a local government proposes to raise property tax revenues beyond what it collected the previous year, plus the extra generated by any new growth. After the public hearing, the governing body can then vote to increase the property tax levy as long as it stays within the limits set by State law.

Utah Law requires that property tax rates automatically adjust down or up when property values increase or decrease, so the amount of money the entity receives is the same from year to year. The laws are designed to hold property owner's tax burden at a constant level unless the taxing entity's legislative body votes to increase the tax through a process of notification and public hearing. Over time, this erodes the government's ability to deliver services because of the effects of inflation on wages, supplies, and services.

After following the proper steps outlined in the truth-in-taxation process, local governments within the POM study area can raise the following new property taxes within their respective state-imposed limits on their levies.⁷⁴

The ability to raise these levies through the truth-in-taxation process is dependent on the political will of the governing body. Elected officials are usually reluctant to raise taxes. Some have described the truth-in-taxation process as politically painful.

State Property Tax

As discussed elsewhere in this report, the State Legislature, with a simple majority vote of the House and Senate, have the authority to levy a statewide property tax. The State has not imposed such a levy since 1974. If, however, the State determined to levy a statewide property tax, for every \$10 so imposed on the average home in Utah (with an assumed value of \$300,000), the state would raise approximately \$15.6 million per year could support \$179.5 million in State GO bonds.⁷⁵ If imposed, these property taxes could be directed to UDOT or to UTA to pay for projects or to make debt service payments on bonds.

The Legislature may find it politically difficult to impose a statewide property tax to build transportation projects only in the POM study area.

Advantages and Disadvantages

TABLE 15 lists the advantages and disadvantages of financing POM Phase Two transportation projects with increased revenue from property tax rate increases or a new statewide property tax.

⁷⁵ See Exhibit 2D in Appendix D.

TABLE 15 NEW STATEWIDE PROPERTY TAX AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Property Tax Increase	Disadvantages Property Tax Increase
State law does not restrict use.	Local taxing entities may tie use of funds to fund projects for which tax was imposed.
Less volatile compared to sales tax revenue.	Could be politically difficult.
Historically stable growth rates.	Elected officials are generally reluctant to raise taxes.
Stable and predictable revenue stream.	

SALES TAX INCREASE

Sales tax is a primary state government revenue and has become the primary revenue source to pay for the State's operations. If UTA raises sales tax revenues too much, State government officials, including the Governor, may feel that UTA is competing for these dollars. City and county officials also enjoy using sales tax revenues. UTA risks losing the support of government officials if UTA is perceived as creating too heavy of a burden and competition on sales tax revenues.

Over time, the sales tax has become an increasingly large tax burden on citizens and is reaching its limit and threshold, especially when compared to other states. Because sales tax is generated from sales transactions, businesses that sell products in the six UTA counties will have to charge a higher sales tax compared to neighboring non-UTA counties. This may alienate support from local businesses that otherwise would be supportive of UTA's expansion plans. For example, if a customer in Salt Lake wants to purchase an automobile, they may be encouraged to purchase it in Wasatch or Summit County where there is no UTA sales tax. This is especially true for large consumer durables with high sales taxes.

Statewide Sales Tax

UDOT currently receives a total of approximately 21 percent of the statewide sales tax now levied at 4.85 percent. For every 0.25 percent increase in the statewide sales tax, approximately \$110.5 million in new revenue would be generated for the State. If the State continued to direct 21 percent of all statewide sales tax revenue to UDOT, approximately \$23.2 million in new annual revenue would be generated by which UDOT could dedicate to the funding of the Phase Two projects. Alternatively, the State could direct the full increase to UDOT for funding Phase Two projects. An additional \$23.2 million could support approximately \$276.6 million in new State GO bonds. The full \$110.5 million would support approximately \$1.32 billion in new State GO bonds.

Local Transportation Sales Taxes

All but one of the locally authorized transportation sales taxes outlined earlier have been levied at their maximum limit under State statute. These taxes include the Salt Lake and Utah County sales taxes authorized under Title 59-12 of the Utah Code - 2213, 2214, 2215, 2216, 2217, 2218, and the new 2219 sales taxes. Each of these taxes has a different formula dictating the distribution of the tax receipts.

If the Utah State Legislature (State Legislature) authorized an increase in any of these taxes, there would be a resulting increase in revenues available for transportation and transit projects. For example, a doubling of the 2219 sales tax from 0.25 percent to 0.50 percent, would raise approximately another \$91 million annually from Salt Lake and Utah counties combined, 40 percent of which, or \$36.4 million, would be sent to UTA. That amount could support approximately \$514 million in new UTA sales tax revenue bonds.

Alternatively, the State Legislature could authorize a doubling of the 2219 tax with all new revenue allocated UTA. The full \$91 million annually could support approximately \$1.29 billion in new UTA sales tax revenue bonds.

The potential combinations of these tax increases and the magnitudes of the increases are limitless, but every 0.25 percent increase in these taxes would generate approximately \$91 million per year.

New 2220 Sales Tax

The newly authorized 0.20 percent 2220 sales tax authorized by SB 136 has not yet been levied by Salt Lake or Utah counties. If imposed, the projected annual revenue would be approximately \$ 52.37 million from Salt Lake County and \$17.9 million from Utah County. The funds must be spent for public transit purposes. Combined, this potential \$70.3 million in new annual revenue could support approximately \$993 million in new UTA sales tax revenue bonds.

County Option Sales Tax

Like the county-imposed transportation sales taxes, the county option sales tax in both Salt Lake and Utah Counties is currently levied at its maximum rate allowed under state law. Because the tax uses the same sale tax base discussed above under local transportation sales taxes, every 0.25 percent increase in the county option sales tax would produce approximately \$91 million per year between the two counties.

Sales Tax Exemptions

Taxes have distortionary effects. The hallmark of a good tax is that it distorts the economy less. Retail sales taxes are taxes on final products retailed to consumers. Taxing final products not used in production of other goods is one way to achieve minimal economic distortion. Taxing goods during production stages creates a cascading effect where the same input is taxed at multiple stages in production process. To prevent cascading taxes, retail sales taxes exempt input goods. Exempting all input goods can be difficult for a government to do in practice.

The State Tax Commission and Office of the Legislative Fiscal Analyst prepared a joint report titled “Sales and Use Tax Exemptions: State Revenue Impacts”. This report analyzed each of the sales tax exemptions listed in Utah Code Section 59-12-104. Two of those exemptions stand out for their potential to add revenue for Point of the Mountain projects.

1. Sales of natural gas, electricity, heat, coal, fuel oil, or other fossil fuels for industrial use are exempt from sales and use taxes under Utah law. These products likely qualified for exemption as business inputs. However, the state grapples with the harmful environmental effects of these products. Reducing their harm while generating revenue for the general fund could be a useful solution to that problem. Those funds could be used to support emissions reducing projects like

public transit. The Tax Commission/Legislative Fiscal Analyst report identified \$44.1 million in missed revenue from this exemption.

- Vehicle trade-ins and other trades as part payment for a purchase are also exempt under state law. If a vehicle is sold separately and that money is put towards a new car that sale is taxed. Vehicle trade-ins might be considered a business input for dealerships. However, trade-ins operate from a tax advantaged position over peer to peer sales. By eliminating this deduction, the State could generate an additional \$69.6 million annually.

The first exemption listed under Utah Code Section 59-12 is “sales of aviation fuel, motor fuel, and special fuel subject to a Utah excise tax under Chapter 13, Motor and Special Fuel Tax Act”. This exemption serves to avoid double taxation. However, other excise taxes like cigarette and beer taxes apply to products that are not exempt from sales taxes. In 2017, Utahans consumed 1.27 billion gallons of gas subject to the excise tax but exempt from the sales tax. Eliminating this tax exemption would generate \$205.5 million annually. By 2020, that consumption could increase to 1.38 billion gallons.

If the State wanted a more targeted revenue source they could keep the fuel tax exemption and replace it with a special fuel tax. Under Article XIII Section 4 of the Utah State Constitution, the State is allowed to create taxes it deems necessary that may also include exemptions, deductions, and offsets. It is under this authorization that the state created sales and excise taxes. The motor fuel tax rate as defined in Utah Code is 16.5 percent of the statewide average rack price of a gallon of motor fuel. The State could keep the aviation, motor fuel, and special fuel exemption but subject fuel to a new fuel sales tax of \$0.05/gallon. Doing so could generate \$69.2 million annually.

Advantages and Disadvantages

TABLE 16 lists the advantages and disadvantages of financing POM Phase Two transportation projects with increased revenue from sales tax rate increases or a new statewide sales tax.

TABLE 16: NEW STATEWIDE SALES TAX AS A FUNDING SOURCE FOR THE PHASE TWO TRANSPORTATION PROJECTS

Advantages Sales Tax Increase	Disadvantages Sales Tax Increase
Simple and transparent.	Regressive.
Immediate impact on tax collections.	Fluctuates with the economy.

GASOLINE TAX INCREASE

Gas Tax Increased Revenues



\$0.05 increase per gallon
additional \$69 million in
revenues

If the tax rate on gasoline were increased by an additional five cents per gallon, the motor fuel tax would generate \$427.1 million or an additional \$69 million in 2019. This

assumes that demand remains constant with the higher fuel price and does not include any provision for natural growth.⁷⁶

Advantages and Disadvantages

TABLE 17 lists the advantages and disadvantages of financing POM Phase Two transportation projects with increased revenue from gasoline tax.

TABLE 17: GASOLINE TAX AS A FUNDING SOURCE FOR THE PHASE TWO TRANSPORTATION PROJECTS

Advantages Gasoline Tax Increase	Disadvantages Gasoline Tax Increase
Gasoline tax usage provides a broad base and has proven able to generate revenue.	The shift to more fuel efficient or electric vehicles has and will continue to decrease growth in gas tax revenues.
Gasoline prices are relatively inelastic; tax increases should generate predictable revenue streams.	The gas tax has an increasingly indirect relationship to road usage because of the move to fuel efficient and electric vehicles.

SPECIAL ASSESSMENTS

Utah Code Section 11-42 allows any city, county, local district, or special service district to form a special assessment area (SAA) and levy special assessments on property not owned by a governmental entity. This creates a new stream of revenues that didn't exist before – new special property assessments.

Governmental entities must provide property owners to be assessed the following information to start the process of creating a special assessment area:

- A detailed description of the nature of the proposed improvements;
- Their location (maps);
- The estimated costs of the improvements (from a project engineer);
- The proposed method of dividing up the assessments among properties;
- The method of billing (by separate direct billing or with property taxes);
- The estimated assessment per property;
- Whether a reserve fund will be created and how funded and replenished;
- The method by which the number of protests will be calculated;
- The date, method and location for receiving protests (boldface type about the need to protest if opposed);
- The date, time and place for the Public Hearing.

SAA's may not be created if 40 percent or more of those liable for the assessment payment protest its creation. Despite this legal threshold, most local government governing bodies tend to find it politically difficult to create an SAA even if 10 to 20 percent of property owners oppose the creation.

⁷⁶ See Exhibit 3D in Appendix D.

Once an area is formed, the creating entity can then levy a special assessment, on parity with a tax lien, to pay for the identified improvements. Assessments are usually collected annually. The special assessment can be pledged to retire bonds or simply used to pay for improvements on a pay-as-you go basis. SAA revenue must be spent to pay for the improvements for which the area was created.

An assessment lien is a very formidable lien. It jumps ahead of all mortgages and materialman's liens and is essentially on a parity with a property tax. However, unlike unpaid property taxes, a defaulted assessment lien may be foreclosed quickly similar to an unpaid mortgage.

The underlying rationale of an SAA is that only those property owners who benefit from the public improvements will be assessed for the associated costs as opposed to other financing structures in which all entity residents pay, either through property taxes or increased service fees.

There is an administrative burden for the creating entity, although state law permits an additional amount to be included in each assessment to pay for the administrative costs. Administration of the SAA (billing, collecting, accounting, etc.) may be outsourced to an SAA administrator.

Advantages and Disadvantages

TABLE 18 lists the advantages and disadvantages of financing POM Phase Two transportation projects with increased revenue from special assessments.

TABLE 18 SPECIAL ASSESSMENTS AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Special Assessments	Disadvantages Special Assessments
Only those property owners who benefit from the public improvements will be assessed for the associated costs.	Administrative burden but can recoup administrative costs.
Limited risk to the creating entity.	Vigorous notice process that allows protests from those to be assessed.
Assessment lien on parity with property tax.	Following economic downturns, litigation has followed several of these financing vehicles.
Creating entity controls construction/quality of work.	

TOLLS

In Utah, tolls have been viewed as a potential way to build a project that might not otherwise be feasible to build. This analysis sometimes has been coupled with potential P3 agreements with outside vendors who could build and then operate a toll road, using ongoing (and typically escalating) tolls to repay their investment in the original construction. As a result, some of the benefits and drawbacks of tolling are also covered in the discussion of P3 section of this report. Tolls have not yet been used on a state-level in Utah for the funding of any roads or highways.

Prior to SB 71, which was passed in the 2018 general legislative session, tolls could only be assessed on new roads or on increased lane capacity of existing roads. This was principally because those roads had already been paid for, and state officials didn't like the idea of essentially taxing people to pay for a road that had already been built and funded. This new legislation allows for tolls to be collected from existing roads, if approved by the State Transportation Commission, and looks at tolls as part of a transportation system funding source, and less as a specific fee to pay for a specific road (particularly one that is already built).

The State has used the Express Pass system for HOV lanes on I-15 since fall of 2010, which permits congestion pricing for single-occupancy vehicles who wish to drive in the express lane. This is similar but not identical to a toll, as cars can opt to drive for free in the more-crowded lanes to the right. The State Legislature has approved a maximum fee per segment of four dollars, but UDOT has only implemented a two-dollar maximum. There is an elasticity of demand that limits the ability to generate revenues. Much like transit rider fare increases, increases in tolls past an optimal level can actually lead to lower overall revenues. UDOT reports that the Express Pass system is, at best, a break-even program designed to improve traffic flow rather than finance new roads.

Examples of successful toll road endeavors from elsewhere in the United States usually benefit from larger populations than those found in Utah, coupled with a lack of other viable transportation options. There are several examples of unsuccessful tolling projects as well, including the South Bay Expressway in San Diego that went bankrupt in less than three years of operation, and the 157-mile Indiana East-West toll road that needed 11 million toll-paying trucks each year to break-even but realized only half that traffic.

Advantages and Disadvantages

TABLE 19 lists the advantages and disadvantages of financing POM Phase Two transportation projects with increased revenue from tolls.

TABLE 19: TOLLS AS A FUNDING SOURCE FOR THE PHASE TWO TRANSPORTATION PROJECTS

Advantages Tolls	Disadvantages Tolls
Links usage to payment.	Little historical data from Utah leaves revenue generating capacity uncertain.
	Politically unpopular.
	Mixed success for tolling roads in other parts of the country.

UTA RIDER FARE INCREASE

Current rider fares in the Utah Transit Authority service area generate only enough revenue to pay for just under 20 percent of the cost of operating the system (called "farebox recovery"). This means that, relative to the overall UTA budget, rider fares are actually a small component of paying for transit service, and don't generate any excess revenues to contribute towards debt service for already-issued UTA bonds.

UTA uses a pricing model that measures the elasticity of demand for bus and transit service, setting rates at a level that optimizes both ridership and revenues. UTA has for years acknowledged that steep fare increases would lead to commensurate drops in ridership. Such fare increases could result in lower overall farebox revenues, thus completely defeating the purpose of the fare increase. On the other hand, free transit rides offered on days with extremely poor air quality, or on days like “Free Transit Friday,” always result in higher ridership (with obviously lower revenues).

UTA received a federal grant associated with the new Utah Valley Express (UVX) bus rapid transit service in the Provo/Orem area that will make the service free for at least the next three years. In addition, the Authority has a “Free Fare Zone” through the downtown Salt Lake City area and has entered into broad agreements with businesses and universities like Brigham Young University that allow significantly discounted or free ridership access for employees, students and their families. If anything, the pricing model for transit in Utah has recently been moving toward less expensive service to promote higher ridership, as opposed to looking at fare increases that might bring in additional revenue but would likely decrease the number of users. Rider fare increases are not capable of generating additional revenues to fund Phase II projects.

Advantages and Disadvantages

TABLE 20 lists the advantages and disadvantages of financing POM Phase Two transportation projects with increased revenue from tolls.

TABLE 20: UTA RIDER FARE INCREASE AS A FUNDING SOURCE FOR THE PHASE TWO TRANSPORTATION PROJECTS

Advantages UTA Rider Fare Increase	Disadvantages UTA Rider Fare Increase
Links usage to payment.	Will reduce demand for service pushing people to use vehicles.
	Limited and potentially no ability to raise additional revenue.

INCOME TAX INCREASE

Current individual and corporate income tax rates are 4.95 percent. Certain credits and offsetting deductions are available for individuals and phase out with higher income earnings. Corporate income taxes are paid on apportioned net income with a minimum of \$100 per corporation.

Income taxes paid by individuals has grown from \$3.37 billion in 2016 to \$3.6 billion in 2017, and \$4 billion in 2018, an average of approximately nine percent annually.⁷⁷ In contrast, during the middle of the Great Recession the individual income tax decreased approximately 10 percent annually between 2008 and 2010.⁷⁸

⁷⁷ Governor’s Office of Management and Budget.

⁷⁸ State Tax Commission 2017 Annual Report.

The corporate income tax is much more volatile and less predictable given certain economies. From 2008 to 2009, for instance, the corporate income tax collections dropped by 57 percent according to the Governor's Office of Planning and Budget, as would be expected in a recession. However, from 2016 to 2017 the corporate income tax also dropped by about three percent even with a robust economy.

A half percent increase in the individual income tax rate from 4.95 percent to 5.45 percent, assuming that income levels, the number of taxpayers, and distribution of income remain similar to 2018, would generate an estimated \$403 million per year. A full one percent increase from 4.95 percent to 5.95 percent would generate \$806 million.

The Governor's Office of Planning and Budget projects personal income tax will increase to approximately \$4.5 billion by 2020 or about six percent annually over the next two years. Corporate income tax is estimated to grow by a similar rate, or about 5.5 percent, over the same time period.

Advantages and Disadvantages

The following table lists the advantages and disadvantages of financing POM Phase Two transportation projects with increased revenue from income taxes.

TABLE 21 INCOME TAX INCREASE AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Income Tax Increase	Disadvantages Income Tax Increase
Broad base over which a slight increase in taxes could be implemented to collect a significant source of revenue.	Utah Constitution stipulates that individual and corporate income taxes, and franchise taxes be used for K-12 and higher education only. Redirecting the income tax or a portion of it would necessitate a Constitutional amendment.
The nexus between potentially higher incomes in the "silicon slopes" area and the need for infrastructure to service this area. ⁷⁹	Deterrent to new business coming to Utah. Careful attention should be paid to the competitive income tax landscape and tax levels in Utah compared with other states.

CIGARETTE, TOBACCO AND BEER TAX INCREASES

The tax per pack in Utah is currently \$1.70 per pack of 20 cigarettes.⁸⁰ Each pack of cigarettes must be stamped before it can be legally sold. There is no consumer cigarette tax paid at the time of purchase. Consumers can only buy cigarettes from licensed retailers who have paid tax when buying cigarette stamps. Tobacco products are taxed at 86 percent of the manufacturer's sales price. Tobacco product distributors remit tobacco taxes quarterly.

Cigarette taxes of \$7.9 million are set aside annually in a special General Fund Cigarette Tax Restricted Account. Those funds are distributed to the Department of Health for anti-tobacco programs and

⁷⁹ Although restricting an increase in the individual income tax to those employed within the study area might be more politically feasible, it would limit the revenue generated, and would probably not be legal since it targets specific individuals.

⁸⁰ Utah Code § 59-14-204.

advertisements in addition to the University of Utah for cancer research and medical education. All other cigarette and tobacco revenues are general fund revenues.⁸¹

In 2016, cigarette and tobacco taxes produced \$95.8 million and \$21.7 million, respectively. While cigarette sales have been declining nationwide, creating future revenue uncertainty, increasing the tax per pack by \$0.50 or \$1 could generate additional annual revenues of \$25 million or \$45 million, respectively.⁸² A similar percentage increase in the tobacco tax rate, from 86 percent to either 108 percent or 129 percent, could generate between \$4 million and \$9 million in annual revenue.⁸³

Projects contained in this report are designed to increase transportation efficiency and mitigate transportation effects on air quality. Transportation and cigarette taxes can go hand in hand in helping to reduce lung related illnesses common in low air quality locales like Salt Lake and Utah counties. Chronic lower respiratory disease is the third leading cause of death in the United States. While smoking is the primary cause of respiratory diseases, air pollution can play a substantial role in both causing respiratory diseases and worsening symptoms. Taxing cigarettes to promote emission reducing transportation projects can provide a cogent effort to combat respiratory diseases.

E-Cigarettes

E-cigarettes are a fairly new product. Data on consumption levels and patterns conflict when they are even available. The Utah Department of Health reported that adults age 25-34 consume e-cigarettes at a higher rate than any other age group of adults. E-cigarette products are not subject to Utah tobacco taxes unless they contain tobacco, in which case they are taxed as tobacco products. Only eight states and the District of Columbia tax e-cigarettes. Taxes on e-cigarettes fall into two categories: (1) taxes per milliliter of liquid or consumable material, or (2) on a percentage of a specified cost. Per milliliter taxes are well designed for disposable e-cigarettes but less so for refillable devices. A recent study done for the Utah Department of Health predicted that a 100 percent tax on e-cigarette gross sales would produce between \$2.5 million and \$4.2 million. Health advocates caution that e-cigarette taxes should carefully consider how the increased price of e-cigarettes could push users to switch to traditional combustible cigarettes or other tobacco products. However, many of those who use e-cigarettes are younger and are more price sensitive and could be priced out of consuming e-cigarettes.

Beer Tax

Utah Code Section 59-15-101 imposes a tax of \$12.80 per 31-gallon barrel of beer. A proportionate rate is charged for quantities other than a 31-gallon barrel. Brewers, wholesalers, and distributors report and pay taxes monthly to the State Tax Commission. Taxes generated by the beer tax are allocated to either the general fund or the Alcoholic Beverage Enforcement and Treatment Restricted Account. The Restricted Account receives the greater of either \$4.3 million or 40 percent of the fiscal year two years preceding the current fiscal year less \$30,000. Money in the Restricted Account can only be used for alcohol

⁸¹ Utah Code § 59-14-206.

⁸² Based on 2016 data. Assumes an average elasticity of demand of -0.344 which is the average elasticity of demand between 2010 and 2011 when the tax per pack increased from \$0.695 to \$1.70.

⁸³ Based on 2016 data. Assumes an average elasticity of demand of 0.809 which is the average elasticity of demand between 1986–1987 when the tax increased from \$0.25 to \$0.35 and 2010–2011 when the tax increased from \$0.35 to \$0.86.

treatment programs, enforcement of Alcoholic Beverage Control Act, and incarceration of individuals convicted under the act. Revenue in excess of the amount deposited in the restricted account is deposited into the general fund.⁸⁴

Beer Tax Rate Increase: 25% - 50%

Additional Projected Annual Revenue: \$3 – \$5 million

Additional Transportation Funds: \$1.8 – \$3 million

In 2017, more than 35 million gallons of beer were taxed in the State of Utah bringing in revenues of \$14.5 million. An increase in the beer tax of 25 percent⁸⁵ to 50 percent⁸⁶ could bring in potential revenues of approximately \$3 million to \$5

million annually⁸⁷. Sixty percent of those funds would be general fund revenues. This money could be used to increase the availability of transit such as light-rail to reduce DUI. Additional restricted account revenues could be used to cover increased enforcement costs in the POM study area.

Advantages and Disadvantages

The following table lists the advantages and disadvantages of financing POM Phase Two transportation projects with increased revenue cigarette, tobacco and beer taxes.

TABLE 22 CIGARETTE, TOBACCO, AND BEER TAXES INCREASE AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Cigarette, Tobacco, and Beer Taxes Increase	Disadvantages Cigarette, Tobacco, and Beer Taxes Increase
Tax may be an easier political target because of low smoking and alcohol use rates.	Not a direct relationship to transportation which may make it politically difficult.
	Excise taxes are regressive.
	Cigarette and tobacco use are declining.

SALES TAX EXEMPTIONS

Taxes have distortionary effects. The hallmark of a good tax is that it distorts the economy less. Retail sales taxes are taxes on final products retailed to consumers. Taxing final products not used in production of other goods is one way to achieve minimal economic distortion. Taxing goods during production stages creates a cascading effect where the same input is taxed at multiple stages in production process. To prevent cascading taxes, retail sales taxes exempts input goods. Exempting all input goods can be difficult for a government to do in practice.

The State Tax Commission and Office of the Legislative Fiscal Analyst prepared a joint report titled “Sales and Use Tax Exemptions: State Revenue Impacts”. This report analyzed each of the sales tax exemptions

⁸⁴ Utah Code § 59-15-109(1)(b).

⁸⁵ Additional \$3.20 tax per barrel.

⁸⁶ Additional \$6.40 tax per barrel.

⁸⁷ Assumes an elasticity of demand of -0.634 which is the average elasticity of demand between 2002–2003 when the tax per barrel increased from \$11.80 to \$11.89 and 2003–2004 when the tax per barrel increased from \$11.89 to \$12.80.

listed in Utah Code Section 59-12-104. Two of those exemptions stand out for their potential to add revenue for POM projects.

Sales of natural gas, electricity, heat, coal, fuel oil, or other fossil fuels for industrial use are exempt from sales and use taxes under Utah law.

These products likely qualified for exemption as business inputs. However, the State grapples with the harmful effects of these products. Reducing their harm while generating revenue for the general fund could be a useful solution to that problem. Those funds could be used to support emissions reducing projects like public transit. The Tax Commission/Legislative Fiscal Analyst report identified \$44.1 million in missed revenue from this exemption.

Vehicle trade-ins and other trades as part payment for a purchase are exempt under state law.

If a vehicle is sold separately and that money is put towards a new car that sale is taxed. Vehicle trade-ins might be considered a business input for dealerships. However, trade-ins operate from a tax advantaged position over peer to peer sales. By eliminating this deduction, the State could generate an additional \$69.6 million annually.⁸⁸

The first exemption listed under Utah Code Section 59-12 is “sales of aviation fuel, motor fuel, and special fuel subject to a Utah excise tax under Chapter 13, Motor and Special Fuel Tax Act.” This exemption serves to avoid double taxation. However, other excise taxes like cigarette and beer taxes apply to products that are not exempt from sales taxes. In 2017, Utahans consumed 1.27 billion gallons of gas subject to the excise tax but exempt from the sales tax. Eliminating this tax exemption would generate \$205.5 million annually. By 2020, that consumption could increase to 1.38 billion gallons.

If the State wanted a more targeted revenue source, the fuel tax exemption could be replaced with a special fuel tax. Under Article XIII Section 4 of the Utah State Constitution, the State is allowed to create taxes it deems necessary that may also include exemptions, deductions, and offsets. It is under this authorization the State created sales and excise taxes. The motor fuel tax rate as defined in Utah Code is 16.5 percent of the statewide average rack price of a gallon of motor fuel. The State could keep the aviation, motor fuel, and special fuel exemption but subject fuel to a new fuel sales tax of \$0.05/gallon. Doing so could generate \$69.2 million annually.

GOVERNOR'S SALES TAX INITIATIVE

In his 2020 Budget Recommendations, Governor Herbert describes three problems with Utah's existing sales tax structure. To quote from his publications, the problems include:

1. Narrowing Sales Tax Base

The sales tax base is narrowing due to changing economic structures and tax policy decisions. This is unfair as a narrowing portion of the economy increasingly bears the burden of paying general state and local government costs.

⁸⁸ Source: Tax Commission & Office of the Legislative Fiscal Analyst, <https://tax.utah.gov/esu/misc/exemptionstudy-2017-11.pdf>.

2. Funding Gap

The narrowing sales tax base has resulted in a funding gap that, if not addressed, could have dramatic negative effects on the State's ability to fund core services needed for a vibrant economy and high quality of life.

3. Regressive Tax

The sales tax in Utah is a regressive tax, meaning that middle- and low- income households pay a higher percentage of their income in state and local taxes.

As previously discussed, the local sales and use tax is the primary revenue source for the State's General Fund and therefore, the primary driver for UDOT's transportation projects. Various sales tax rates are also the main source of UTA's revenues.

As the Governor notes,

"When the sales tax was first imposed in 1933, the economy was largely goods based. The economy has become increasingly more service based. Some services such as hotel accommodations, dry cleaning, car repairs, and restaurant services are taxed, while other services remain excluded from the sales tax base. Additionally, the digitization of goods has eliminated or reduced some segments of the economy (like compact discs and books that are now available to download as part of a digital subscription or even offered for free). Policy decisions have also reduced the sales tax base through more than 90 sales tax exemptions and reduced tax rates on specific items."

The Governor is proposing to broaden the sales tax base by taxing more services and eliminating some exemptions. His goal is to broaden the base by approximately 20 percent while lowering the rate over time with a targeted rate below 3.9 percent of sales.

Rather than targeting a revenue neutral shift, the Governor is proposing a tax decrease of \$200 million per year with these changes.⁸⁹

Instead of a tax decrease of \$200 million and 3.9 percent sales tax, using a 20 percent broader base, the State could decrease the sales tax rate by only 17 percent to 4.05 percent and deliver additional new state tax revenues of \$102 million which could be used for transportation purposes on an annual basis.

The State's broader base definition would also impact sales taxes at other levels of government. UTA, Salt Lake, and Utah County would all have to decide whether they would capture more revenue through the broadened base or whether they should lower their rate to maintain revenue neutrality. Assuming they also lower their rates by 17 percent, Utah County could add \$1.7 million, Salt Lake County could add \$4.8 million, and UTA could add \$7.1 million in new revenues in 2020 from their

⁸⁹ A 20% expansion of the taxable base accompanied by more than a 20% reduction in the rate.

various option sales taxes. More dramatically, the three sub-governments could decide to maintain their current rates and generate \$12.7 million, \$35.9 million, and \$53.4 million annually, respectively.

Advantages and Disadvantages

The following table lists the advantages and disadvantages of financing POM Phase Two transportation projects by broadening the sales tax base.

TABLE 23: GOVERNOR'S SALES TAX INITIATIVE AS A FUNDING SOURCE OF THE PHASE TWO TRANSPORTATION PROJECTS

Advantages Governor's Sales Tax Initiative	Disadvantages Governor's Sales Tax Initiative
Broader base creates greater revenue diversity.	Will likely be politically unpopular to extend sales taxes to services.
Reduces preferential tax treatment for services.	Some services lend themselves to cash payments which are difficult to track and assess.
Raises revenues without raising the legal tax rate across multiple jurisdictions.	Uncertain revenues that depend on which services are included in the base broadening.

VEHICLE MILES TRAVELED

In his 2020 Budget Recommendations, Governor Herbert recommends studying the transition from sales taxes to user fees to fund transportation infrastructure. Examples include an increased emphasis on different types of direct road user charges, such as HOV fee lanes and charges based on the number of miles traveled or congestion at time of travel, taxes on motor and special fuel, and registration fees – particularly for those not paying for use through fuel taxes.

The State of Oregon has been implementing a vehicle-miles-traveled fee trying to charge those who use the roads in a more direct manner. OReGo is an opt-in program with 1,300 users. Users install GPS based or similar devices in their cars. The device tracks how many miles they drive and then charges 1.7 cents per mile. Users keep track of their fuel taxes paid at the pump and receive credits on their OReGo bills for those taxes. In 2017 the Oregon Legislature considered a bill to make participation in the program mandatory. The bill was never voted on in committee.

Vehicle Miles Traveled (VMT) programs still have operational issues that need to be worked out. Methods of implementation have been proposed, each with its own strengths and weaknesses. Vehicle plug-ins provide accurate mileage readings and allow for easy information gathering. Gathering information of this nature causes significant privacy concerns for some. Odometer readings at registration are another method of tracking vehicle miles traveled that raises fewer privacy concerns. Odometer readings would likely require an annual payment of taxes which may increase the visibility of the tax. Tax visibility is an important factor to consider in tax implementation. The simplicity and somewhat opaque nature of the gas tax are keys to its long-standing success as a revenue tool. Odometer readings will be difficult and costly for the State to administer. Other methods include tolling heavily traveled areas and mileage inputs during gas station fill-ups.

VMT programs could prove to be a robust revenue source. Utahans drove 31.5 billion miles in 2017. Residents of Salt Lake and Utah Counties collectively drove 9.8 and 4.8 billion of those miles. By imposing a 0.5 cent tax per mile on each vehicle, the State could generate \$157.5 million annually. Imposing the same 1.7 cent per mile tax that Oregon imposes could replace the gas tax completely in the State and generate an additional \$535.5 million in tax revenue. While creating new revenue, the VMT charge would ensure that those who benefit from using roads are the ones paying for them.

A VMT could also serve as a bridge financing method. Rather than replacing the gas tax altogether, VMT could be utilized in conjunction with the gas tax. The State could levy a VMT tax of 1.7 cents per mile only on electric cars. That would only generate \$700,000 next year, but as electric vehicles become more common that amount would increase and offset the lost gas tax revenue from electric cars. A smaller one cent per mile VMT levied on all hybrid vehicles in the State could generate \$4.4 million annually.

As a comparison, the average Utah driver drives 11,426 miles annually. A one cent VMT charge would cost the average driver in Salt Lake County \$99.59 per year, the average Utah County driver \$107.76 per year, and the average driver statewide \$114.26 per year.⁹⁰

Advantages and Disadvantages

The following table lists the advantages and disadvantages of financing POM Phase Two transportation projects from a VMT program.

TABLE 24: VEHICLE-MILES TRAVELED AS A FUNDING SOURCE FOR THE PHASE TWO TRANSPORTATION PROJECTS

Advantages Vehicle-Miles Traveled	Disadvantages Vehicle-Miles Traveled
Capable and stable revenue source.	Potential privacy concerns.
Links usage to payment.	Some methods of tracking mileage count out of state miles.
Resilient to vehicle innovations.	May increase administrative costs.
Flexible implementation strategies could slowly integrate the tax.	Replaces a largely invisible gas tax with a highly visible tax.

MOTOR VEHICLE REGISTRATION FEE INCREASE

Modest increases in the vehicle registration fee statewide could generate significant revenue. For example, a five-dollar fee increase statewide could generate over \$13.5 million annually in additional revenues. Combined, Salt Lake and Utah Counties could generate more than \$20 million annually by implementing a \$15 increase.⁹¹

⁹⁰ Source: UDOT.

⁹¹ Source: State Tax Commission, <https://tax.utah.gov/econstats/other-taxes>.

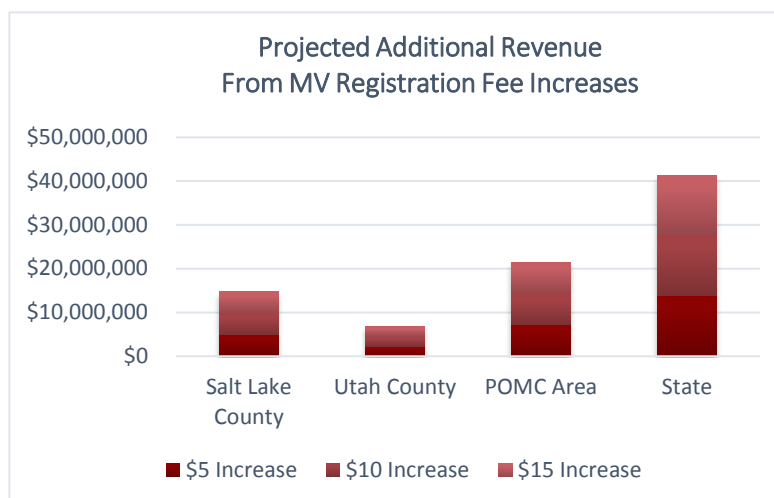


FIGURE 4 PROJECTED ADDITIONAL REVENUE FROM MV REGISTRATION FEE INCREASES

TRANSIENT ROOM TAX

The State charges a transient room tax of .32 percent on all rental charges for rooms in a motel/hotel, motor court, inn, campground, or similar public accommodation for fewer than 30 consecutive days.

Counties may charge a transient room tax of up to 4.25 percent, which is applied to the rental charge rooms in a motel/hotel, motor court, inn, campground, or similar public accommodations.⁹²

Salt Lake County imposes this tax and for the time period ended June 30, 2017 collected \$18.3 million, up 10 percent from the prior year.

Utah County similarly imposes this tax and during the same period collected \$3.3 million, up 11 percent from the prior year.

A city or town may also impose a municipal transient room tax of up to one percent of the rent charged for rooms in a motel/hotel, motor court, inn, or similar public accommodation for fewer than 30 days. An additional transient room tax of 0.50 percent may be imposed under certain circumstances to repay bonded or other indebtedness.

Each of the cities in the POM study area except for Herriman and Riverton charge the one percent municipal transient room tax.

⁹² Utah Code §59-12-301.

TABLE 25 shows transient room tax revenue collected as of June 30, 2017. Bluffdale imposed the tax in the summer of 2018, to be effective October 1, 2018.

The amount of revenues derived from this tax within the POM study are not as significant as other taxes derived from this area but expanding the collection area statewide increases collections to about \$70 million annually. The vast majority, or 85 percent, of the Transient Room Tax (TRT) revenue statewide comes from the County portion of 4.25 percent.

TABLE 25 TRANSIENT ROOM TAX REVENUE COLLECTED (2017)

City	Approximate Collection	% Change from Prior Year
Bluffdale:	\$0	—
Draper:	\$91,000	20.8%
Herriman:	N/A	—
Lehi:	\$173,000	19.3%
Riverton:	N/A	—
Sandy:	\$459,000	5.5%
South Jordan:	\$65,000	-1.8%

TRT Rate Increase → Projected Revenue Increase

Current Rate: 1%
Rate Increase: 2% - 4%
Additional Revenue: \$30 - \$50 million

To see any significant increase in revenue to allocate to Phase Two projects would suggest an increase of somewhere between two percent and four percent, which would gener-

ate about \$30 to \$50 million annually.⁹³ As with any increase in tourism-based taxes, further study would help identify the negative implications of such an increase.

Advantages and Disadvantages

TABLE 26 lists the advantages and disadvantages of financing POM Phase Two transportation projects with increased revenue from transient room taxes.

TABLE 26: TRANSIENT ROOM TAX INCREASES AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Transient Room Tax Increase	Disadvantages Transient Room Tax Increase
Charging out of state visitors to offset cost of infrastructure.	Subject to economic cycles/volatile source of revenue for bonding. ⁹⁴

RESTAURANT TAXES

The restaurant tax is part of the Tourism, Recreation, Cultural, Airport and Convention facilities tax or TRCC tax collected under the umbrella of “tourism.” Utah law allows counties to impose a tax of up to

⁹³ Statewide revenues.

⁹⁴ From 2008 to 2009, the total collections of Salt Lake County transient room tax dropped about 15%, but it has rebounded dramatically since then, growing in almost every year since and by as much as 13.5% from 2016 to 2017. Based upon recent experience, the transient room tax for most of the cities in the study area has seen dramatic increases as well, but it is not a popular source of security for bonds offered publicly.

one percent on all the sales of prepared food and beverage sold by a restaurant for immediate consumption.

The current tax on a \$20 meal is \$0.20. Doubling the restaurant tax to two percent would cost the individual purchasing the \$20 meal \$0.40 and generate for the two counties included in the POM study area an additional \$7.7 million in Salt Lake County and \$23.1 million in Utah County assuming dining habits remained the same. Increased restaurant frequency due to increasing out of state business and pleasure travel would generate even more.

TABLE 27: RESTAURANT TAX REVENUE IN SALT LAKE AND UTAH COUNTIES

Description	Salt Lake County	Utah County	Total
Current Tax Rate	1%	1%	
FY 2017 Restaurant Tax Revenue	\$23.1M	\$7.7M	\$30.8M
Increased Tax Rate	2%	2%	
Projected Restaurant Tax Revenue	\$46.2	\$15.4 million	\$61.6 million

Advantages and Disadvantages

TABLE 28 lists the advantages and disadvantages of financing POM Phase Two transportation projects with increased revenue from restaurant taxes.

TABLE 28: RESTAURANT TAX INCREASES AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Restaurant Tax Increase	Disadvantages Restaurant Tax Increase
Out of state travelers subsidize infrastructure costs in addition to local residents.	Small tax is less transparent despite being on each receipt.
Expanding the Utah business community to include a broader array of national and international businesses will likely increase the number of travelers visiting Utah for both business and pleasure.	No offsetting tax benefit such as exists with property tax payments.
The impact per meal of doubling the tax rate is nominal.	

LAND SALES/LEASING

Comparable data suggests that land values for property in the POMLA could extend from roughly \$6.00 to beyond \$20.00 per square foot, dependent upon use, specific location, allowable density, proximity to other development, etc. Key parcels with prime visibility and exposure, access to transit, and desirable topography may see interest at the upper end of the noted range. On a bulk, wholesale transaction basis, a blended range would likely be at the mid-to-lower end of the range, considering the lack of overall

buyers and their perceived holding costs. Disposition of smaller parcels⁹⁵ would likely generate values at the mid to upper end of the price per square foot range.

Advantages and Disadvantages

The following table lists the advantages and disadvantages of financing POM Phase Two transportation projects with increased revenue from land sales.

TABLE 29: LAND SALE AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Land Sale Increase	Disadvantages Land Sale Increase
Considerable sum of money to be used for infrastructure costs.	Uncertainty regarding if or when land will sell in smaller, more valuable portions.
Elimination of long-term development risk.	Possible foregone profits from the State developing land.
Not acting as land developer.	

Leasing

An alternative to disposing of the roughly 700 acres is leasing. A land lease scenario would allow the owner to receive annual (or monthly) income for an extended period of time. Land leases can be unsubordinated, thereby resulting in relatively limited risk. Land lease returns are largely driven by the credit strength of the tenant, the deemed future desirability of the property, the level of subordination, and the characteristics of the neighborhood. Land lease rates of return would likely range from seven to 10 percent, based on the factors listed above for site desirability.

Land leases would be more feasible for commercial development compared to residential property. Typically, land leases for office developments can extend beyond 50 years, and include long, initial periods followed by several option periods at five or ten-year increments. Rental rates often adjust based on the Consumer Price Index, or are at set amounts either annually, or at the start of option periods. Typically, all expenses of the property are covered by the lessee/occupant.

Advantages and Disadvantages

The following table lists the advantages and disadvantages of financing POM Phase Two transportation projects with increased revenue from leasing.

⁹⁵ In comparison to the composite 700-acre site.

TABLE 30: LAND LEASING AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Leasing	Disadvantages Leasing
Increased revenue source over time. ⁹⁶	Risk – exposure to the land long-term.
Reward largely dependent on use, market conditions and percentage ownership.	Increased administrative/management responsibilities.
	Reward largely dependent on use, market conditions and percentage ownership.

Joint Venture Consideration

Another consideration to disposing or leasing the POMLA land is joint venture agreements. The State, as owner of the land, could enter into agreements with developers with the land being contributed as equity. This is a model that UTA currently employs in several cities, resulting in UTA becoming an equity partner without contributing hard funds upfront. The land is initially appraised, with its portion of the total overall project deemed as an equity position. Proceeds from operations and profit from disposition are then distributed accordingly. In this scenario, the State could capture the projected growth anticipated for the area, while remaining involved in the direction of specific developments.

REAL ESTATE TRANSFER TAX

Utah does not currently have a Real Estate Transfer Tax. According to the National Conference of State Legislatures, these taxes are imposed by states, counties and municipalities on the transfer of the title of real property within the jurisdiction. Real estate transfer taxes are also called real estate conveyance taxes or mortgage transfer taxes in other states. Approximately 40 of the 50 U.S. states charge this tax including Arizona, Nevada, and Colorado. Idaho and Wyoming do not.

The payer of the tax is not strictly defined from state to state. All that is required is that a payment must be made to the governments involved when real estate changes hands, which is why transfer taxes usually become a negotiating point during closing. In strong markets, the buyer pays the tax, because the seller can choose between multiple buyers until they find one who will pay. In a less robust real estate market, the seller ends up paying the tax because of limited offers and must take what they can get. The tax can be split evenly between the buyer and seller as dictated by law and can be progressive or regressive depending on how it is implemented. For instance, in Colorado, the tax is \$0.01 per \$100 of home value. The expensive properties pay more. Arizona charges a flat fee of two dollars per deed or contract so regardless of home price or value, the tax is the same.

According to the Utah Association of Realtors, Utah experienced a 0.7 percent increase in home sales from 2016 to 2017 for a total of 51,548. The median sales price during that same period was \$267,742.

⁹⁶ Based upon rough estimates, the value of the property could likely be recouped in a 10-15-year period with more than 30 years of additional benefit.

A flat tax like in Arizona would not generate much in the way of new income to help offset infrastructure costs. At two dollars per transaction, that would generate just over \$102,000 per year assuming home sales remained at consistent levels in the future.

Implementing a value-based, progressive tax would generate more revenue when higher priced properties exchanged hands. If Utah implemented a transfer tax of 0.2 percent of the value of the property and the median home price in Utah were \$267,742 as stated above, the tax would generate about \$535 per transaction or about \$27.6 million of revenue annually, which make this a significant potential source of revenue.

The tax can be implemented at a county or city level as well. If implemented only in Salt Lake and Utah Counties, the revenue generated would be considerably less. In a flat tax example, using \$2.00 per transaction, about \$54,000 would be generated. In the value-based scenario, using the same 0.2 percent and an average value of \$282,500 for Salt Lake and Utah Counties and the 2017 total transactions as reported by the Utah Association of Realtors, the generated revenue would be approximately \$15.2 million.

Advantages and Disadvantages

The following table lists the advantages and disadvantages of financing POM Phase Two transportation projects with increased revenue the real estate transfer tax.

TABLE 31: REAL ESTATE TRANSFER TAX AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Real Estate Transfer Tax Increase	Disadvantages Real Estate Transfer Tax Increase
Increased revenue.	Increase home prices in an environment where Utahans are already trying to improve housing affordability.
	Tax would fluctuate with the housing market.
	Could stifle economic growth as housing becomes more expensive for potential employees relocating to Utah.
	If multi-jurisdictional transfer taxes are allowed, this type of tax would create segregation and discrimination based upon income levels. ⁹⁷

CORRIDOR PRESERVATION FEE

County legislative bodies may impose a local option highway construction and transportation corridor preservation fee of up to \$10 on each motor vehicle registration within the County.⁹⁸ Additionally, counties of the first and second class can impose a local option Sales and use tax of up to 0.25 percent on the

⁹⁷ Only the rich who could afford housing in certain counties or cities would live in certain areas because housing affordability would vary from one jurisdiction to another.

⁹⁸ Utah Code § 41-1a-1222.

transactions within the county, including the cities and towns in the county.⁹⁹ Twenty-five percent of the taxes imposed under Utah Code Section 59-12-2217 and 20 percent of the taxes imposed under Utah Code Section 59-12-2218 are to be transferred to the Transportation Corridor Preservation Fund.

These funds may be used to acquire real property or any interest in real property for state, county, and municipal highway or public transit corridors of significance. A council of governments is established to annually create a priority list of highway and public transit corridor preservation projects within each county that imposes the corridor preservation fees. The list is then submitted to the county legislative body for approval.

Estimated annual revenues generated in 2017 from the \$10 corridor preservation fee imposed under Utah Code 41-1a-1222 in Salt Lake and Utah Counties were \$8.8 million and \$3.8 million, respectively. If the corridor preservation fee in Salt Lake and Utah Counties was doubled the total revenue collected would be \$25.3 million.

TABLE 32: EXISTING ROAD RELATED TAXES IN SALT LAKE AND UTAH COUNTIES

Existing Salt Lake County Road Related Taxes ¹⁰⁰	Existing Utah County Road Related Taxes ¹⁰¹
County Option Highway and Public Transit A3	Fixed Guideway
Mass Transit County	County of the Second-Class Highway Projects
Mass Transit Additional	Mass Transit

Advantages and Disadvantages

TABLE 33: CORRIDOR PRESERVATION FEE AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Corridor Preservation Fee Increase	Disadvantages Corridor Preservation Fee Increase
Consistent, predictable revenue stream.	Relatively small revenue source.
Easy to collect.	

FEDERAL GRANTS

Surface Transportation Program

The Fixing America's Surface Transportation Act (FAST), enacted on December 4, 2015, converted the long-standing Surface Transportation Program (STP) into the Surface Transportation Block Grant Program (STBG), acknowledging that this program has the most flexible eligibilities among all federal-aid highway programs and aligning the program's name with how the Federal Highway Administration (FHWA) has historically administered it. The STBG promotes flexibility in State and local transportation decisions and provides flexible funding to best address State and local transportation needs.

STP is not in itself a grant program. Rather, STP administers a group of grant programs including those mentioned later in this section.

⁹⁹ Utah Code § 59-12-2217 and § 59-12-2218.

¹⁰⁰ Source: State Tax Commission Monthly Distribution Report.

¹⁰¹ Source: State Tax Commission Monthly Distribution Report.

The estimated annual STBG funding under the FAST Act is as follows:

■ FY 2016	\$11.162 billion
■ FY 2017	\$11.424 billion
■ FY 2018	\$11.667 billion
■ FY 2019	\$11.876 billion
■ FY 2020	\$12.136 billion

The FAST Act distributes formula funds annually based on the amounts of formula funds each State received under the Moving Ahead for Progress in the 21st Century (MAP-21) Act.

These funds may be used (as capital funding) for public transportation capital improvements, car and vanpool projects, fringe and corridor parking facilities, bicycle and pedestrian facilities, and intercity or intracity bus terminals and bus facilities. As funding for planning, these funds can be used for surface transportation planning activities, wetland mitigation, transit research and development, and environmental analysis. Other eligible projects under STP include transit safety improvements and most transportation control measures.

STBG funds are contract authority. STBG obligations are reimbursed from the Highway Account of the Highway Trust Fund and are available for obligation for a period of three years after the last day of the fiscal year for which the funds are authorized. Thus, funds are available for obligation for up to four years.

STBG funds are subject to the annual obligation limitation imposed on the federal-aid highway program.

The federal share is generally 80 percent. The federal share for projects on the Interstate System is 90 percent unless the project adds lanes that are not high-occupancy-vehicle or auxiliary lanes. For projects that add single occupancy vehicle capacity, that portion of the project will revert to the 80 percent level. An upward sliding scale adjustment is available to States having public lands.¹⁰² States may use a lower federal share on federal-aid projects as provided in Title 23 U.S.C. Section 120.

Projects must be identified in the Statewide Transportation Improvement Program (STIP)/Transportation Improvement Program (TIP) and be consistent with the Long-Range Statewide Transportation Plan and the Metropolitan Transportation Plan(s). When obligating sub-allocated funding (discussed below), the State must coordinate with relevant metropolitan planning organizations (MPO) or rural planning organizations. Programming and expenditure of funds for projects shall be consistent with Title 23 U.S.C. Sections 134 and 135.

STBG projects for eligible planning purposes must be reflected in the statewide SPR work program or Metropolitan Unified Planning Work Program. Further, these projects must be in the STIP/TIP unless the State DOT or MPO agree that they may be excluded.

¹⁰² <https://www.fhwa.dot.gov/legisregs/directives/notices/n4540-12.cfm>.

Better Utilizing Investments to Leverage Development (BUILD)

The Consolidated Appropriations Act of 2018 made available \$1.5 billion in discretionary grant funding through the Better Utilizing Investments to Leverage Development (BUILD) Transportation Discretionary Grants program, through September 30, 2020. In April 2018, the U.S. Department of Transportation (DOT) published a Notice of Funding Opportunity (NOFO) to apply for the new grants.

For this round of BUILD Transportation grants, the maximum grant award is \$25 million, and no more than \$150 million can be awarded to a single State, as specified in the FY 2018 Appropriations Act. At least 30 percent of funds must be awarded to projects located in rural areas.

BUILD Transportation grants replaced the pre-existing Transportation Investment Generating Economic Recovery (TIGER) grant program. Since 2009, Congress dedicated more than \$4.1 billion for six rounds to fund projects through TIGER grants. Utah was awarded \$15 million in TIGER grants in 2017 for the Baker Canyon and Dog Valley Climbing Lanes project in Millard County.¹⁰³

The FY 2018 BUILD Transportation grants are for investments in surface transportation infrastructure and are to be awarded on a competitive basis for projects that will have a significant local or regional impact. BUILD funding can support roads, bridges, transit, rail, ports or intermodal transportation.

Projects for BUILD are evaluated based on merit criteria that include safety, economic competitiveness, quality of life, environmental protection, state of good repair, innovation, partnership, and additional non-federal revenue for future transportation infrastructure investments.

DOT intends to award a greater share of BUILD Transportation grant funding to projects located in rural areas that align well with the selection criteria than to such projects in urban areas. The notice highlights rural needs in several of the evaluation criteria, including support for rural broadband deployment where it is part of an eligible transportation project.

The deadline to apply for the FY 2018 BUILD Transportation Discretionary Grants program was July 19, 2018. Presumably, the application deadline for FY 2019 projects will be in July 2019.¹⁰⁴

FTA Capital Investment Grants

The Federal Transit Administration (FTA) is still awarding Capital Investment Grant funds for transit projects. In November 2018, it announced the award of \$281 million in funding for five mass transit projects in Arizona, California, Minnesota, and Texas. In fiscal year 2018, Congress set aside \$2.62 billion for these types of transit grants; however, as of the end of November, the FTA had not yet awarded \$760 million of those funds.

The Capital Investment Grant (CIG) program is a discretionary grant program that funds transit capital investments, including heavy rail, commuter rail, light rail, streetcars, and bus rapid transit. Federal transit law requires transit agencies seeking CIG funding to complete a series of steps over several years. For

¹⁰³ See Exhibit 4D in Appendix D for the list of all 2017 TIGER grants.

¹⁰⁴ More information regarding the BUILD grant program may be found at <https://www.transportation.gov/BUILDgrants>.

New Starts and Core Capacity projects, the law requires completion of two phases in advance of receipt of a construction grant agreement – Project Development and Engineering. For Small Starts projects, the law requires completion of one phase in advance of receipt of a construction grant agreement – Project Development. The law also requires projects to be rated by FTA at various points in the process according to statutory criteria evaluating project justification and local financial commitment.

The FAST Act authorizes the Capital Investment Grant Program. It specifies that eligible applicants for the CIG program are State or local governmental authorities. FAST builds upon the changes to the Capital Investment Grant (CIG) program instituted by the Moving Ahead for Progress in the 21st Century Act (MAP-21) that was enacted on July 6, 2012 and took effect on October 1, 2012. The laws outline a multi-year, multi-step process that proposed transit construction projects must go through to be eligible for and receive discretionary CIG program funding from the Federal Transit Administration (FTA). They establish three categories of eligible projects under the CIG program, which are known as New Starts, Small Starts, and Core Capacity projects. Each type of project has a unique set of requirements, although many similarities exist among them.¹⁰⁵

The largest of the new FTA grants awarded was in the amount of \$100 million and will be used to construct the \$3.7 billion Section 3 extension of the Los Angeles Westside Purple transit line. Another grant in the amount of \$80 million was awarded for the San Diego Mid-Coast Corridor Light Rail project between San Diego and the University City area. This same project was approved to receive up to \$1.04 billion in grants over 10 years starting in 2017 covering nearly half of the project's \$2.17 billion cost.

In Arizona, the Tempe Streetcar project received a \$25 million grant bringing the total from FTA to \$75 million to help pay for the \$201.9 million project extending the streetcar an additional three miles to connect it with the light rail line between Tempe and Arizona State University and the Phoenix airport.

A \$74 million grant was made to Minnesota to cover half the cost of a \$150 million Orange Line Bus Rapid Transit project running for 17 miles that will connect employment centers in downtown Minneapolis and Southtown Shopping Center.

Infrastructure for Rebuilding America (INFRA) Grants

The INFRA grant program is another product of the FAST Act. INFRA provides grants to nationally and regionally significant freight and highway projects, specifically projects that add capacity to the Interstate System and provide regional economic benefits. A project that can demonstrate benefits to the movement of both people and freight will fit comfortably under this program.

An INFRA grant may not exceed 60 percent of the total eligible project costs. INFRA grants can be combined with an additional 20 percent of other federal assistance, bringing total federal participation in the project to a maximum of 80 percent. Ninety percent of INFRA grants are reserved for projects over \$100

¹⁰⁵ The process to receive grant money through the CIG funds is rigorous and may be found at https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/FAST_Updated_Interim_Policy_Guidance_June%20_2016.pdf.

million and the grant must be at least \$25 million. INFRA grants totaled \$1.5 billion in 2017 and 2018 and will reach \$4.5 billion over five years.

INFRA funds may be used for a variety of activities including development phase activities such as the feasibility analysis, environmental review, and engineering design. Funds may also be utilized for real property acquisition, environmental mitigation, and construction contingencies.

Utah has already received a \$25 million grant under INFRA for the Northwest Quadrant Freight Mobility Project. The project widens 5600 West to five lanes with 10-foot shoulders between I-80 and SR-201 and constructs a grade-separated crossing over three mainline tracks and adds a new interchange on the short-line Salt Lake Garfield and Western Railway (SLGW).

INFRA grants are funding a direct connection between I-80 and I-99 in Centre County, Pennsylvania replacing the current indirect connection along SR-26. This project will construct a diamond interchange to maintain the existing local connection from SR-26 to I80 and replacing two bridges along the main-line of I-80. Other sections in the project include the Jacksonville Road Betterment-a reconstruction and widening of SR-26, and the I-80 High-Speed Interchange. This project has several similarities to the proposed Mountain View Corridor I-15 connection which will connect major arterial roadways.

I-25 in El Paso County, Colorado received a \$65 million INFRA grant to widen an 18-mile segment between Denver and Colorado Springs. The project meets INFRA goals by increasing system reliability, reducing traffic congestion and travel times, and included wider shoulders to improve safety and incident management. This project connects the two major metro areas in Colorado in much the same way that I-15 connects Utah's two largest metro areas.¹⁰⁶

INFRA grants can provide the bulk of project funding for large projects, but they are subject to congressional approval. Under the INFRA program, the US Department of Transportation provides the House Transportation and Infrastructure Committee, the Senate Environment and Public Works Committee, and the Senate Commerce, Science and Transportation Committee a list of grant awardees at least 60 days before a grant is awarded to a project. During this 60-day period, Congress may pass a joint resolution of disapproval if a project is found objectionable.¹⁰⁷

Advantages and Disadvantages

The following table lists the advantages and disadvantages of funding Phase Two transportation projects with federal grants.

¹⁰⁶ Other INFRA grants may be found here: <https://transportation.house.gov/uploadedfiles/infrashuster.pdf>.

¹⁰⁷ For more information on INFRA grants visit: <https://www.transportation.gov/buildamerica/infragrants>.

TABLE 34: FEDERAL GRANTS AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Federal Grants	Disadvantages Federal Grants
Grants do not need to be repaid.	Qualifying is difficult, time-consuming, and must align with specific, qualifying project.
Federal grants are available to any type of project.	Grants are short term.
There is no limit to the number of grants for which you can apply.	Cannot deviate from original plan or risk repayment.
	Some grants face multiple levels of approval.
	Project cost may increase due to certain federal requirements, such as: Davis Bacon wages, NEPA requirements, Civil Rights requirements in employment and hiring, Uniform Relocation, Buy America provisions for certain construction materials, Titles 23 and 49, etc.

FUNDING MECHANISMS

TRADITIONAL FUNDING MECHANISMS

There are only a few existing funding mechanisms that have been used in the State of Utah to capitalize revenue streams for the construction of transportation and trail projects. These funding mechanisms include general obligation bonds, sales tax revenue bonds, road revenue bonds, tax increment bonds, and special assessment bonds.

GENERAL OBLIGATION BONDS

General Obligation Bonds (GO bonds) are municipal bonds in which the issuing government pledges its full faith and credit or taxing power to secure the bonds with no specific project identified as the source of funds. In other words, the municipal issuer can make interest and principal payments using any source of revenue available to them, such as tax revenues, fees, or the issuance of new securities. This means that if the municipality encounters fiscal difficulty, it can raise taxes to offset the shortfall. GO bonds are therefore seen as being relatively safe, and defaults are rare because the issuing government is legally required to make repayments unconditionally. In 2017, state and local governments issued \$165.2 billion in new GO bond debt.

The State of Utah

The State is limited in the amount of general obligation bonds it may issue by both statute and state constitution. Section 1 of the State Constitution limits the total general obligation indebtedness of the State to an amount equal to 1.5 percent of the fair market value of total taxable property of the State, as shown by the last assessment for State purposes before incurring such debt.¹⁰⁸ The statutory debt limit for the State is found in Title 63J, Chapter 3, of the Utah Code.¹⁰⁹ Under the State Appropriations and Tax Limitation Act, the outstanding GO debt of the State at any time may not exceed 45 percent of the maximum allowable State budget appropriations limit as provided in and subject to the exemption set forth in that act.¹¹⁰ Currently, the statutory debt limit is approximately \$1.6 billion.

On occasion, the Legislature has amended the State Appropriations and Tax Limitation Act to provide an exemption for certain general obligation highway bonds and bond anticipation notes from the limitations imposed¹¹¹. Utah Code Section 63B–27–102 also contains a statutory limit upon the issuance of new highway bonds¹¹². New highway bonds can be issued up to an amount that, together with total current

¹⁰⁸ Referred to as the “Constitutional Debt Limit.”

¹⁰⁹ State Appropriations and Tax Limitation Act.

¹¹⁰ Referred to as the “Statutory Appropriations General Obligation Debt Limit.”

¹¹¹ Of the State’s current approximate \$2.3 billion of outstanding general obligation bonds, approximately \$1.9 billion is exempt from the State Appropriations and Tax Limitation Act.

¹¹² Which limit applies only to a total of \$1.047 billion of authorized general obligation highway bonds.

outstanding general obligation bonds¹¹³, will not exceed 50 percent of the Constitutional Debt Limit incurring capacity of the State.¹¹⁴

Counties

The general obligation indebtedness of all Utah Counties is limited by State law to two percent of the fair market value of taxable property in the County.¹¹⁵ For debt incurring capacity only, the value of all motor vehicles and state-assessed commercial vehicles are included as a part of the fair market value of the taxable property in the County.¹¹⁶ Similar to the State of Utah, net unamortized premium on GO bonds is included as outstanding debt when calculating the GO debt limit.

Cities

The amount of general obligation indebtedness of each city in Utah is limited by State law to four to eight percent of the fair market value of taxable property in the City¹¹⁷; as computed using the last equalized assessment rolls for the State or County purposes prior to incurring the general obligation debt.

Advantages and Disadvantages

The following table lists the advantages and disadvantages of funding Phase Two transportation projects with GO bonds.

¹¹³ Including, for this purpose, other long-term contract liabilities of the State.

¹¹⁴ Referred to as "Statutory 2017 General Obligation Highway Limitation Debt Limit."

¹¹⁵ Based on the last equalized property tax assessment roll.

¹¹⁶ The value of all motor vehicles and state-assessed commercial vehicles is determined by dividing the uniform fee revenue by 1.5%.

¹¹⁷ *Based on the last equalized property tax assessment roll.* Four percent for general purposes and an additional four percent for sewer, water, and electric purposes.

TABLE 35: GENERAL OBLIGATION BONDS AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages General Obligation Bonds	Disadvantages General Obligation Bonds
GO bonds carry the lowest interest rates of all the funding mechanisms. ¹¹⁸	Property tax levied to support a GO bond can only be levied to pay debt service and only for so long as the bonds are outstanding.
Lowest costs of issuance compared to other funding vehicles. ¹¹⁹	Once a bond has matured, a tax levy to support it is no longer valid and must be eliminated or “sun-setted.” This is not true for the sales tax. It does not currently have a sunset provision.
	Voter approval is required before GO bonds may be issued by all local governments in Utah. ¹²⁰ State GO bonds issued when authorized by a simple majority of the State Legislature.
	Cost, timing requirements, and political uncertainty associated with a GO bond election channel many local governments into the use of other financing vehicles.

SALES TAX REVENUE BONDS

Sales tax revenue bonds (STRBs) are included in the general “municipal revenue bond” category. STRBs are collateralized by a specific stream of sales tax revenues identified in the bond indenture and, in a worse-case scenario, the bond purchaser has claim only on the specific revenues identified therein. STRBs are not general obligations of the issuer but, rather, limited obligations.

The State has not given itself the ability to issue sales tax revenue bonds. In years past, the Attorney General’s office, working with local bond attorneys concluded there would need to be a change in the State’s Constitution for this tool to be available to the State.

In January 1998 the State gave cities and counties the authority to issue STRBs, opening new financing opportunities for these entities. Unlike utility revenue bonds or municipal building authority lease revenue bonds, STRBs can finance any kind of capital improvement, making them incredibly flexible. Additionally, the cost of issuance for STRBs is very low¹²¹. Because most local STRBs are issued with strong coverage and conservative additional bonds tests, they also tend to enjoy strong bond ratings from the national rating agencies¹²². The STRB rating is generally one rating lower than the underlying or GO bond

¹¹⁸ Due to the strength of the security (full faith, credit, and taxing power).

¹¹⁹ Due to the simple legal documentation and ease in selling such bonds into the market. The State’s 2018 15-year General Obligation Bonds sold at a True Interest Cost of 2.54% which was an average of about 3 basis point under the Municipal Market Data AAA General Obligation Bond Index.

¹²⁰ Source: State Constitution.

¹²¹ The only type of debt with a lower cost of issuance compared to STRBs are GO bonds.

¹²² In some unusual cases in Utah, a local entity’s STRB rating is actually higher than its GO rating.

rating of the issuer. The cost of this lower rating differential in today's municipal bond market is approximately 0.15 percent to 0.30 percent.

Like all other revenue bonds, the State places no limitation on the amount of STRBs local entities can issue in Utah. Rather, the bond market will impose the limit based on the bond purchaser's assessment of the issuer's ability to repay the debt. If the purchaser determines there will be sufficient revenue based on revenue history and projections to make the debt service payment, the bonds may be issued.

When a local government issues a STRB, State statutes require no more than 80 percent of the sales taxes pledged to be used for annual debt payments. In other words, the pledged sales taxes must be at least 125 percent of the maximum annual debt service on the bonds.¹²³ This requirement does not apply to UTA bonds.

Under the Local Government Bonding Act, Title 11, Chapter 14, the *State Legislature has also agreed that it will not alter, impair or limit the pledged taxes in a manner that jeopardizes the repayment of the debt or the bond covenants*. It should be noted that this provision has not been interpreted by a court of law. Therefore, the extent that such provision would be upheld under constitutional or other legal challenge or protect the current rates and collection of all pledged sales taxes cannot be predicted.

Generally, STRBs mature in 10 to 20 years and are issued in \$5,000 denominations. Salt Lake County last issued STRBs in February 2017 at a true interest cost of 3.57 percent for a 20-year maturity.

Every city and county within the POM study area, as well as the UTA, has outstanding Sales tax revenue bonds.¹²⁴

CLASS B&C ROAD REVENUE BONDS

Class B and C road revenue bonds are collateralized by Class B (for counties) or Class C (for cities) road revenues¹²⁵ and are identified as such in the bond indenture. A road revenue bond is not a general obligation of the issuer. In a worse-case scenario, the bond purchaser has claim only on the specific road revenues pledged under the indenture. Road revenue bonds are not general obligations of the issuer but, rather, special limited obligations.

Under the Utah Code, Class B or C road revenue bonds can only be issued to finance local road projects.

Like all other revenue bonds, the State places no limitation on the amount of road revenue bonds that a local entity can issue. Instead, the bond market will impose the limit based on the bond purchaser's assessment of the issuer's ability to repay the debt. If, based on revenue history and projections, the purchaser determines that there will be sufficient revenue to make the debt service payment, the bonds may be issued.

¹²³ Utah Transit Authority has issued *subordinated* STRBs with a coverage covenant of 1.2 times debt service.

¹²⁴ For additional detail concerning these outstanding bonds, please see Exhibit 1E Appendix E.

¹²⁵ See the above Revenue section dealing with B&C Road Revenues for the definition.

Road revenue bonds cannot have an amortization period longer than 10 years¹²⁶ and are usually issued in \$5,000 units. Road revenue bonds tend to be smaller bond issues because the revenue streams supporting them are relatively small.

When a local government issues a road revenue bond, State statutes require that no more than 80 percent of the road revenues are pledged to be used for annual debt payments. In other words, the pledged road revenues must be at least 125 percent of the maximum annual debt service on the bonds.

Under the Local Government Bonding Act, Title 11, Chapter 14, the State Legislature has agreed that it will not alter, impair or limit the pledged taxes in a manner that jeopardizes the repayment of the debt or the bond covenants. This “non-impairment” language also applies to Road Revenue Bonds. It should again be noted that this provision has not been interpreted by a court of law and, therefore, the extent that such provision would be upheld under constitutional or other legal challenge or protect the current rates and collection of all pledged sales taxes cannot be predicted.

Class B&C road bond issues tend to be small, they are often sold to a limited buyer base and are therefore usually placed with one purchaser buying the entire issue. As such, these types of bonds are called direct purchase bonds. With fewer buyers competing for the bonds, the interest rate tends to be higher (perhaps as much as 25-50 basis points higher than STRBs.) However, because they are often sold into a limited market, the costs of issuance tend to be smaller since there is often no need for an official statement or an underwriter.

None of the local governments within the POM study area have outstanding road revenue bonds. The City of Herriman has pledged its Class C road revenues as collateral for a \$10.9 million Tax Increment Bonds it issued in through its RDA in 2016. As previously discussed, most cities use their Class C road funds for road maintenance as opposed to new construction.

Advantages and Disadvantages

The following table lists the advantages and disadvantages of funding Phase Two transportation projects with Class B&C road revenue bonds.

TABLE 36: CLASS B&C ROAD REVENUE BONDS AS A FUNDING SOURCE FOR THE PHASE TWO TRANSPORTATION PROJECTS

Advantages Class B&C Road Revenue Bonds	Disadvantages Class B&C Road Revenue Bonds
No limitation on how much a local government can issue.	Shorter amortization. (10 yrs. or less)
Cost of issuance is generally smaller as bonds are typically sold to one purchaser.	Limited buyer base, resulting in higher interest rates.
	Small par size.

¹²⁶ The State imposes a 10-year limit on the length of the debt that can be collateralized with Class B or C road funds.

TAX INCREMENT BONDS

Tax increment Bonds were developed in California in 1952 as an innovative way of raising local matching funds for federal grants. They became increasingly popular in the 1980s and 1990s, when there were declines in subsidies for local economic development from federal grants, state grants, and federal tax subsidies (especially industrial development bonds).

Tax Increment Bonds are collateralized by the incremental growth in property taxes within a given project area. They capture the future tax benefits of real estate improvements to pay the present cost of those improvements. It is a financing strategy designed to make improvements to a targeted project area or district without drawing on general fund revenue or creating a new tax.

Ratings on tax increment bonds are tied to the performance of the area or district, not to the creating government's general fund. As a result, the ratings differ from those of the creating entity's general obligation rating. The rating of tax increment bonds hinges on local economics, trends, and taxpayer diversity, with taxpayer diversity being the most highly correlated statistic.

Rating agencies evaluate whether the tax increment revenues could survive the loss of one or more top taxpaying property owners, how debt service could be managed in the case of broad-based decline of assessed value, real estate trends and historical assessed values in the designated area, and the types of properties located or being developed in the tax increment area. The assessed value of hotels is the most volatile, followed by warehouses, commercial, condos, and last residential.

Many issuers opt to offer tax increment bonds on a non-rated basis. It is virtually impossible to secure a rating for or sell a tax increment bond before the increment is actually flowing, unless there is recourse to the local government's credit or some other enhancement.

Typically, tax increment bonds carry longer terms (anywhere from 10 to 30 years) and are purchased at a fixed rate using larger denominations of \$100,000. There is usually no recourse to either the issuer or the developers who may benefit from the bonds. Pledged revenues vary, but a typical pledge is a senior security interest in the tax increment revenues as well as any debt service reserve funds. The bonds are often offered via a limited public offering and most often sold to institutional buyers (primarily mutual funds and occasionally property/casualty insurers) using a limited offering memorandum.

It is typical to see interest capitalized for at least two to three years to allow increment to begin flowing before debt service payments are required from that increment. Unspent proceeds, capitalized interest and reserve funds are held by a Trustee. Debt service coverage covenants vary based on type of tax increment revenue and other security features associated with the bonds, but minimum coverage requirements are almost always at least 1.25 times annual debt service.

Within the POM study area, Draper, Herriman, and South Jordan have all recently issued Tax Increment Bonds. Draper issued \$5.6 million in 2015 at a rate of about 2.02 percent for a 10-year amortization. Herriman issued \$10.96 million in 2016 at a rate ranging from 0.95 percent to 3.85 percent for a 16-year

amortization. South Jordan issued \$13.04 million in 2015 at rates ranging from 3.0 percent to 5.0 percent for a 17-year transaction.

Advantages and Disadvantages

The following table lists the advantages and disadvantages of funding Phase Two transportation projects with tax increment bonds.

TABLE 37: TAX INCREMENT BONDS AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Tax Increment Bonds	Disadvantages Tax Increment Bonds
Create a new revenue stream that can fund capital improvements and economic development.	Tend to carry higher interest and costs of issuance.
Creating entity does not have to bear financial burden alone but can share it with other taxing entities within a project area.	Often require the cooperation and agreement of multiple taxing entities to generate sufficient incremental revenues to finance the desired infrastructure.
Tax increment revenues can be used to pay for administrative expenses.	Bonds can't be sold unless the tax increment is already flowing or is imminent and nearly certain to flow or is enhanced by a government's credit or other mechanism.
Financial and legal liability is limited by having a redevelopment agency. ¹²⁷	Typically take longer from start to finish than other financing types. ¹²⁸
Creating entity may gift tax revenues or property to provide incentives for development.	Critics of Tax Increment Bonds sometimes assert that tax increment is just a reallocation of tax revenues by which some municipalities win, and others lose. ¹²⁹
Creating entity may be able to encourage or accelerate the timeframe of desired development types through offering tax increment incentives to the developer.	
Mortgage on the property can also be given as bond security under Utah law in addition to incremental revenue.	

SPECIAL ASSESSMENT BONDS

Special Assessment Areas (SAAs), formerly known as Special Improvement Districts (SIDs), are a financing mechanism that allows governmental entities to designate a specific area for the purpose of financing the

¹²⁷ An RDA is a separate political subdivision which can enter into agreements with developers and issue the bonds.

¹²⁸ It is difficult to estimate the time required for the "political" side of the process, which often requires significant information sharing between local government and developers, including a public hearing for approval of the Project Area Plan and Budget. Setting aside the political requirements, the bond issuance process usually takes three to five months.

¹²⁹ Critics of Tax Increment Bonds sometimes assert that some or all the increment is not attributable to the creation of the tax increment area and that the new property value growth would have occurred anyway.

costs of improvements, operation and maintenance, or economic promotion activities that benefit property within the area. Entities can then levy a special assessment, on parity with a tax lien, to pay for those improvements or ongoing maintenance. The special assessment can be pledged to retire bonds, known as Special Assessment Bonds, if issued to finance construction of a project.¹³⁰

The underlying rationale of an SAA is that only those property owners who benefit from the public improvements and ongoing maintenance of the properties will be assessed for the associated costs as opposed to other financing structures in which all entity residents pay, either through property taxes or increased service fees.

While not subject to a bond election as is required for the issuance of General Obligation bonds, SAAs may not be created if 40 percent or more of those liable for the assessment protest its creation. Despite this legal threshold, most local government governing bodies tend to find it difficult to create an SAA if 10 to 20 percent of property owners oppose the SAA.

Once created, an SAA's ability to levy an assessment has similar collection priority/legal standing as a property tax assessment. However, since it is not a property tax, any financing secured by that levy would likely be done at higher interest rates compared to general obligation, sales tax revenue or road revenue bonds. Interest rates will depend on many factors including the ratio of the market value to the assessment bond amount, the diversity of property ownership and the perceived willingness and ability of property owners to make the assessment payments as they come due. Under Utah law, the value to lien ratio must be at least 3:1 before an SAA may be created. Value is based on "as is" condition, but the cost of the proposed improvements may be added to the appraisal.

Even with the best of special assessment credit structure, if bonds are issued, they are likely to be non-rated and therefore would be issued at rates quite a bit higher than similar but rated general obligation bonds. All improvements financed via an SAA must be owned by the creating entity and the repayment period cannot exceed 20 years.

Whenever SAAs are created, entities must select a method of assessment¹³¹ which is reasonable, fair and equitable to all property owners within the SAA. State law does not allow property owned by local government entities such as cities or school districts to be assessed.

Many assessment areas are created with the urging and consent of the property owners, often developers, who desire the improvements. Property owners may pre-pay their assessment prior to bond issuance or anytime thereafter as the bond documents dictate. The creating entity can issue interim warrants during the construction phase of any projects allowing the assessment to be set after all construction costs are known.

¹³⁰ Utah Code §11-42 outlines the requirements of special assessment areas.

¹³¹ Examples include: per lot, per unit (ERU), per acre, by front-footage, etc.

Immediately following the Great Recession, buyers of special assessment bonds were very scarce to non-existent. Since 2012, a market has developed again for these credits; however, they tend to be the high yield funds within certain bond shops. The market is seeing rates in the five percent to six percent range when the bonds are not enhanced by a guarantor.

Advantages and Disadvantages

The following table lists the advantages and disadvantages of funding Phase Two transportation projects with SAA bonds.

TABLE 38: SAA BONDS AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages SAA Bonds	Disadvantages SAA Bonds
Usually tax-exempt.	Interest cost is generally higher than a GO or Sale Tax Revenue Bonds.
Only benefited property owners pay for the improvements or ongoing maintenance. ¹³²	Heavier costs of issuance.
No requirement to hold a bond election.	Vigorous notice process that allows protests from those to be assessed.
Limited risk to the creating entity. ¹³³	Following economic downturns, litigation has followed several of these financing vehicles.
Assessment lien on parity with property tax. ¹³⁴	Creating entity controls construction/quality of work.
State law permits additional fee to cover administrative costs.	Increased administrative burden for the creating entity. ¹³⁵

¹³² Governmentally owned property may not be assessed using this vehicle. The improvements are dedicated to and therefore owned by the creating governmental entity.

¹³³ Collateral is limited to the value of the property being assessed plus any reserve funds. Usually, there is no general tax or revenue pledge.

¹³⁴ A defaulted assessment lien may be foreclosed quickly.

¹³⁵ Administration of the SAA (billing, collecting, accounting, etc.) may be outsourced to an SAA administrator.

NON-TRADITIONAL FUNDING MECHANISMS

There are a few new, non-traditional funding mechanisms that could be employed for these projects. Non-traditional funding mechanisms include Public Private Partnerships (P3s), Transportation Reinvestment Zones,¹³⁶ TIFIA bonds,¹³⁷ and the combination of tax increment bonding with special assessment bonding.

PUBLIC PRIVATE PARTNERSHIPS (P3S)

As the federal and state governments continue to grapple with scarce resources in the face of dramatic infrastructure needs, public-private partnerships (P3s) have been increasing as a delivery method.

Figure 9: PPP projects by sector

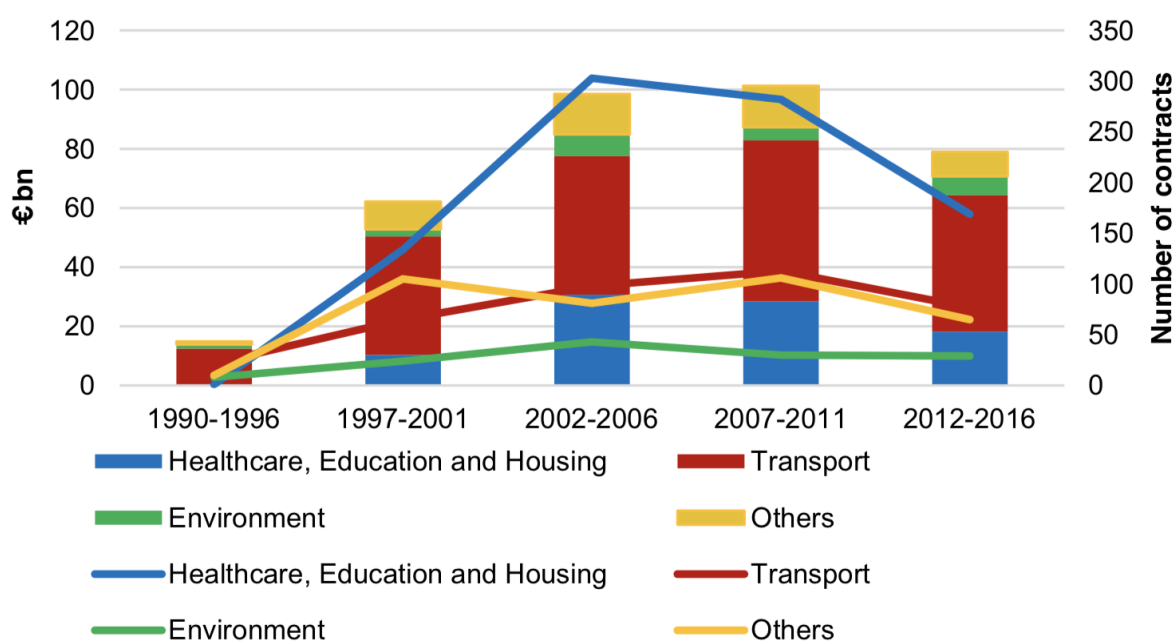


Figure 5: Increase in P3s by Sector

There is no standard definition that encompasses all aspects of a P3 project. One of the more general definitions is that a P3 is a contractual arrangement between a public agency (federal, state or local) and a private sector entity (often referred to as the “concessionaire”). Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a project for the use of the general public. In addition to the sharing of resources, each party shares in the risks and potential rewards in the delivery of the project.

A P3 is not privatization. The public sector retains ownership and ultimate control of the public asset.

¹³⁶ A new vehicle for tax increment bonds.

¹³⁷ A type of revenue bond.

A P3 creates a cooperative venture between the public sector and private companies that may transfer the risks of designing, building, financing, operating, and maintaining infrastructure from a government entity to a group of private partners. If properly structured and well controlled, P3s can benefit both the public authority and the private party.

Many organizations have used P3 agreements successfully to develop capital assets. However, P3 agreements are very complex and contain varying degrees of risk. Some organizations have pursued projects that have been controversial and detrimental to the fiscal health of the government sector.

P3 agreements can leave the public entity exposed to fiscal and/or political fallout if proper due diligence is not completed, if the private partner fails to perform, or if expected project outcomes do not happen. Careful planning and analysis is necessary with every P3 project.

The allocation of risks is essential to the success of a P3. The main types of risk can be grouped into the following five categories:

Construction Risk

Events related to the construction and completion of the P3 assets, such as delayed completion, non-compliance with specified standards, significant additional costs, technical deficiency and external negative effects (including environmental risk) which trigger compensation payments to third parties.

Availability Risk

Covers situations where, during the operational phase of a P3, an underperformance linked to the condition of the P3 assets results in services being partially or wholly unavailable, or where these services fail to meet the quality standards specified in the P3 contract. All or a portion of the P3 asset becomes “unavailable for use as intended.

Demand Risk

Relates to the variability of demand (higher or lower than expected when the P3 contract was signed), irrespective of the performance of the P3 company. Such a change in demand could be due to factors such as the business cycle, new market trends, a change in final users’ preferences or technological obsolescence. It is part of the usual economic risk borne by private businesses in a market economy.

Political Risk

The chance that political instability may upend the P3 procurement process or disrupt investors’ and lenders’ returns on a P3 project. Policy changes as the result of fluctuating public sentiment have made P3s more susceptible to procurement cancellations and project implementation issues.

Financial Risk

There are uncertainties in the costs and revenues associated with the project not related to market circumstances, but instead related to an intrinsic lack of certainty.

Thirty-five states have now passed legislation that incorporates P3 into the public procurement toolbox. State P3 legislation varies greatly and states do not approach P3 procurement in a standardized manner, ranging from authorization for specific projects to a broad endorsement for state and local governmental entities to pursue the P3 model.

In 2015, the Government Finance Officers Association (GFOA) published an advisory regarding the use of P3s. In it, they say:

“Organizations.... must understand what is at stake and make informed, strategic decisions on whether or not to pursue P3 opportunities. Finance officers should be involved throughout the process of a public entity’s consideration of potential P3 opportunities. Not fully understanding the overall financial implications, including what the public entity may forfeit, can result in P3 agreements that may not serve the public interest or be detrimental to the long-term financial health of the organization.

Before deciding to pursue or enter into a P3 agreement, the public entity should carefully analyze the potential P3 agreement, including all financial impacts.”

The GFOA also published a list of key considerations to help a governmental entity decide whether to pursue a P3 opportunity.¹³⁸

How they work

After obtaining P3 expertise to sit on your side of the table and developing detailed project requirements, the first step in the P3 process is to issue a Request for Proposals inviting the private sector to bid on the project. RFPs for P3s are framed in terms of a project’s performance requirements, not requests for the least cost to construct a predetermined set of plans. This encourages the private sector to bring its best innovation in design and construction to meet the owner’s needs. The government’s objective is an on-time project that meets certain minimum design specifications and minimizes the long-term costs of ownership.

Public-Private Partnerships should not be deemed as a financing solution, the cost of which is compared with the cost of government bonding. Governmental bonding will almost always be much cheaper than the private sector financing involved in a P3 project. In today’s market, the State of Utah can issue 20-

¹³⁸ Exhibit 1F Appendix F.

year GO bonds at a True Interest Cost of about 2.80 percent. The private sector's financing will start at the prime rate of 5.25 percent plus 1 percent to 2 percent, depending on the borrower, plus the required profit margin that the bidder will include in his/her proposal. At best, the P3 provider will be in the 10 percent to 12 percent range. This is an immediate disadvantage for a P3 model to overcome.

P3 projects that qualify for a private activity bond structure¹³⁹ may obtain tax-exempt status. If this occurs, the lenders of the private sector's debt may not be taxed by the federal or state government on interest payments they receive from the concessionaire. This in turn should reduce the government's payments under the negotiated Concession Agreement. In some cases, the tax-exempt rate can be in the 5 percent to 6 percent range.

The benefits of P3s include potential design innovation, efficiencies in project performance, transfer of risk, optimization of resources and capabilities, as well as the timely delivery, operations and long-term maintenance of public infrastructure.

The theory behind a P3 is that looking holistically over the life of the P3 agreement, the private sector can design a more cost-effective project via innovation (while still meeting the minimum requirements), build it cheaper and faster than the public sector, then, in part because of the innovative and cost-effective design and construction, end up with lower maintenance costs over the life of the asset. The claim is that these efficiencies and lower maintenance costs can overcome the financing disadvantage over time, and that the major benefit of the P3 model is that with private capital comes discipline and oversight not feasible at the public-sector level.

¹³⁹ See Private Activity Bonds section.

How Performance-Based Infrastructure Can Reduce Total Project Costs

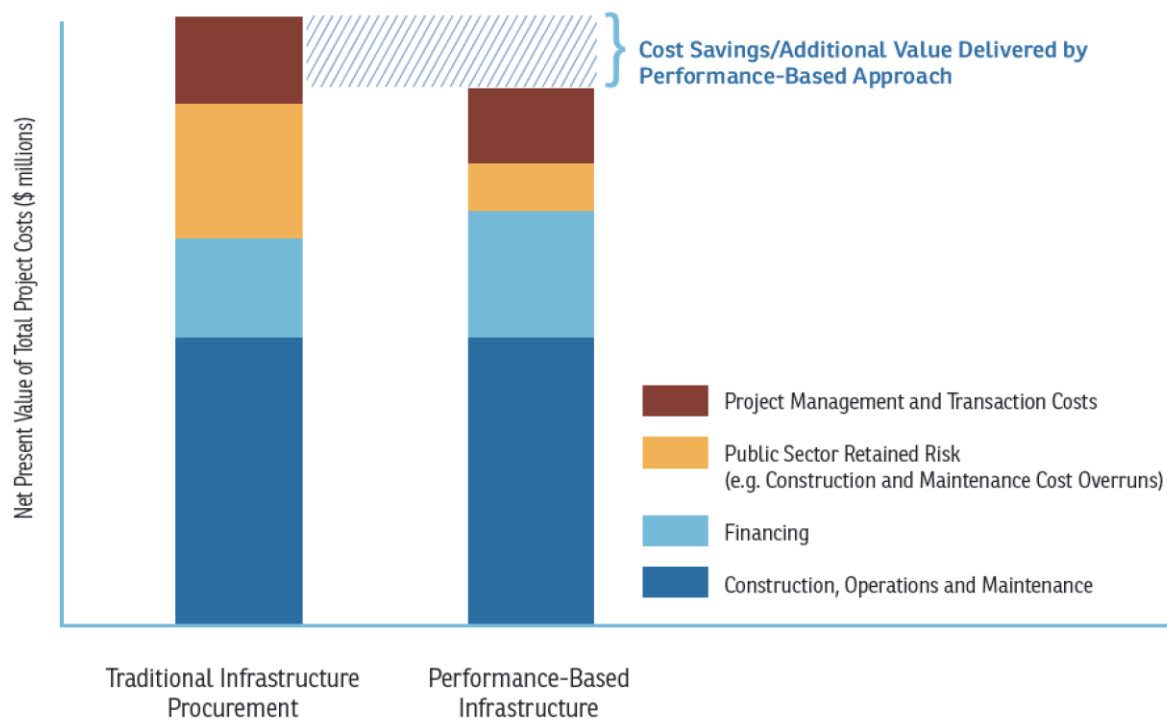


Figure 6:P3 Efficiencies, source: West Coast Infrastructure Exchange (www.westcoastx.org)

The real challenge of the governmental entity is to determine whether this is true for a specific project or set of projects.

Payment Mechanisms in P3s

There are two primary forms of payment mechanisms that allocate risk to the entity best able to manage it:

- (1) Availability payment; and
- (2) Revenue-based payment¹⁴⁰

Under the availability payment mechanism, the governmental entity makes construction milestone payments and monthly payments to the private sector concessionaire in exchange for making the infrastructure asset available for use, regardless of whether the infrastructure asset is actually used by the government entity.

¹⁴⁰ Also known as demand-based or volume-based payment.

To receive these payments, the concessionaire must ensure that the asset meets certain performance and design standards and is “available” for use by the public. Using an availability payment mechanism may decrease the cost of the financing for a highly-rated entity like the State of Utah.¹⁴¹

A revenue-based payment mechanism is when the demand risk resides with the private sector and the concessionaire is expected to recoup its development, financing, construction and maintenance costs from the user fees that are charged to the public for use of the asset. By collecting revenues directly from those that use the infrastructure, the concessionaire can repay the lenders, pay to operate and maintain the asset and deliver a profit to its investors. Toll roads commonly use a revenue-based mechanism that allows the concessionaire to control the amount of the toll within certain limits.

Revenue-based P3s are typically used when there is, or will be, a sufficient revenue stream from user charges—and where, preferably, a user-pay culture already exists. The government may receive an up-front payment in exchange for allowing the private entity to operate and collect the project revenues over the contract term.

The selection of the payment mechanism may determine whether the P3 will be considered a “debt obligation” of the governmental entity. Using the availability payment mechanism puts the government clearly at risk for ensuring that revenues will be available to make the payments under the agreement. Therefore, rating agencies may look at the required payments under the agreement like they do any other debt of the entity.

According to an April 2018 publication from Moody’s:

“Depending on structure, availability-payment Public-Private Partnerships (P3s) may be viewed as “debtlike” obligations if there are clear, contractual obligations of the local government to make scheduled payments for a project or facility made available to the sponsoring government for use. Under those conditions, we will include the P3 liability in the local government’s direct debt measures. References elsewhere in this methodology to debt measures and ratios should be read to include those P3 liabilities we identify as debt-like.”

Further, Moody’s explains that:

“Depending on the structure and performance of the project over time, we may view the availability-payment commitments as “self-supporting” and deduct them from some debt measures.”

If one of the reasons to engage in a P3 project is to keep the debt off the books of the governmental entity, then a revenue-based payment mechanism may be preferable. Great care must be taken in structuring an availability payments mechanism.

¹⁴¹ When a highly-rated government retains the demand risk, this reduces the risk premium in the private cost of capital needed to finance the project.

Many State government officials in Utah are keenly aware of the State's debt ratios and track them constantly. While use of a P3 mechanism versus state bonding may avoid consuming the State's statutory debt capacity, the use of an availability payments mechanism in a P3 may still increase the State's debt ratios and therefore could affect its bond ratings.

The revenue-based payment mechanism best fits P3 projects that have a concrete ability to produce user fees, particularly those projects in which demand for the asset is quite certain. Toll road projects that aim to alleviate congestion, for example, are those P3s that have verified ample demand. This guaranteed demand inspires confidence from investors and lenders in a revenue-based project. Investors are most bullish about greenfield P3s where they see less political risk. When private investors take control of existing roads and other public assets, it's often a tougher sell to the public.

In recent years, more P3s are getting done using the availability payment model. Some of the first P3 projects in the U.S. used a revenue-based payment method and suffered from toll revenue shortfalls. Based on their experience with the early projects that were revenue-based, P3 providers and lenders have become more cautious in proceeding with user-fee based P3s.

The Concession Agreement

In a P3, the roles and responsibilities of both the private-sector and government participants are typically specified in a contract, frequently referred to as a concession agreement. Under the concession agreement, the private entity is contractually obligated to deliver a service, typically to design, build, finance, operate, and maintain an asset for a specified fixed period, defined as the length of the concession. Concession periods of 30 to 40 years are common, but some are longer.

Pursuing a P3 project is a highly complex, specialized area requiring knowledge and experience to understand structures, objectives and market practices, and a clear capacity to conceptualize and negotiate the most valuable solution for each need, and to select the right partners. Public entities usually don't possess the requisite knowledge. The private sector P3 providers often do, putting the government at a disadvantage when negotiating the concession agreement. Hiring specialized private sector expertise in managing public private partnerships facilitates success; however, the cost of this expertise also adds to the overall cost of this mechanism.

Advantages and Disadvantages

The following table lists the advantages and disadvantages of funding Phase Two transportation projects with Public Private Partnerships.

TABLE 39: PUBLIC PRIVATE PARTNERSHIPS AS A FUNDING SOURCES FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Private Public Partnerships	Disadvantages Private Public Partnerships
Does not affect the State's debt limit.	Very complex and not well understood.
May take debt off the government's balance sheet.	Requires specialized expertise at each step.
No requirement to hold a bond election.	Financing costs are almost always higher than that of the public sector.
May be able to transfer risks of constructing, operating and maintaining the asset to the private sector.	May affect the State's debt ratios (especially if availability payment is used).
May produce efficiencies in design, construction, operations, and maintenance.	May require tolling, which is politically unpopular.
	Costlier if efficiencies do not materialize.

TRANSPORTATION REINVESTMENT ZONE (TRZ)

Utah State Senate Bill 136 was adopted in 2018. Amongst numerous other transportation-related directives, the bill provided for transportation reinvestment zones. According to the bill, the definition of a transportation reinvestment zone is as follows:

“Transportation Reinvestment Zone” means an area created by two or more public agencies by interlocal agreement to capture increased property or sales tax revenue generated by a transportation infrastructure project. Utah Code §11-13-103(22)

Any two or more public agencies may enter into an agreement to create a transportation reinvestment zone. One of these entities must have land use authority over the TRZ area. The agreement between the two or more public entities must include the following, as specified in the Utah Code Section 11-13-227(2):

- Define the transportation need and proposed improvement;
- Define the boundaries of the zone;
- Establish terms for sharing sales tax revenue among the members of the agreement;
- Establish a base year to calculate the increase of property tax revenue within the zone;
- Establish terms for sharing any increase in property tax revenue within the zone; and
- Hold a public hearing regarding the details of the TRZ.

Define the Transportation Need and Proposed Improvement

To create a transportation reinvestment zone, the affected agencies must “define the transportation need and the proposed improvement.”¹⁴² While a TRZ must identify transportation needs and proposed improvements, the law is vague regarding the use of tax increment funds. While transportation is the

¹⁴² Utah Code §11-13-227(2)(a).

primary purpose, the law does not specifically preclude complementary uses of funds, such as beautification of transportation improvements, parking structures, or even water and sewer improvements that are related to the transportation improvements. However, transportation infrastructure must be the primary purpose of the zone as the law clearly states that the purpose of such a zone is to “capture increased property or sales tax revenue generated by a transportation infrastructure project as defined in Utah Code Section 11-13-227.” But, the closest that Utah Code Section 11-13-227 comes to defining a transportation infrastructure project is to state “that two or more public entities, at least one of which has land use authority over the proposed transportation reinvestment zone area, shall: (a) define the transportation infrastructure need and proposed investment.”

It would be difficult for a community to specifically identify the amount of property or sales tax revenue generated by a specific infrastructure project. Therefore, in practice, the transportation infrastructure project should be significant enough that it can be reasonably argued that it was the reason for at least some portion of the increased property or sales tax revenues. The actual amount of increment to be shared will be negotiated between the public entities on a case-by-case basis, considering the perceived public benefit from the transportation infrastructure improvements.

Define the Boundaries of the Zone

The law provides no limitations, or guidance, on the size of a zone for the purpose of collecting tax increment. General practice with other tax increment areas would suggest that the zone be drawn to include properties impacted by the improvements (primarily transportation improvements in a TRZ), and where impacts would be seen in increased property or sales tax revenues within the foreseeable future.

Establish Terms of the Agreement – Revenue Sharing

The law clearly allows for the sharing of both sales tax and property tax revenue among the members of the agreement. Sales tax revenues would be based on sales tax revenue generated within the boundary of the TRZ. The law does not specify that sales tax revenues need to be incremental,¹⁴³ as it states that the parties to the agreement must establish terms for sharing sales tax revenue among the members of the agreement.¹⁴⁴ In comparison, the guidelines for sharing property tax state that the parties must “establish terms for sharing any increase in property tax revenue within the zone.”¹⁴⁵

In order to identify incremental revenues, a “base year” needs to be established. The general practice for establishing a base year for community reinvestment areas is to use “the year during which the assessment roll is last equalized.”¹⁴⁶ Assessment rolls are equalized in Utah as of November 1 of each year. Therefore, following this generally-accepted practice, if a TRZ were to be created on October 31, 2018, it might use taxable value as of January 1, 2017 as its base year. If it were created November 1, 2018, then it might use taxable value as of January 1, 2018 as its base year. However, base year taxable value can also be negotiated as part of a CRA, and the law regarding TRZs also allows for this flexibility.

¹⁴³ Over and above current sales tax revenues generated in the area.

¹⁴⁴ Utah Code §11-13-227(2)(c).

¹⁴⁵ Utah Code §11-13-227(2)(e).

¹⁴⁶ Utah Code §17C-1-102 (9).

No definition of base year is given for a TRZ. Therefore, any base year can be negotiated which is acceptable to the parties in the agreement. Based on the vagueness of the law in this regard, a different base year could even be established for each party to the agreement. In practice, the likelihood is that base years will be established similar to those established for CRAs, but there are no limitations on what base year may be established for a TRZ.

The law also does not specify that a budget needs to be created, only that terms need to be established for sharing revenue within the zone. However, in our experience, it would be difficult to gain the support of taxing entities, or other public agencies, without a budget. A budget allows participants to see the total amount of increment anticipated to be generated, the timeframe for which increment is to be collected, the necessary percentage of property tax increment or sales tax revenue contributions in order to meet the transportation and other related infrastructure costs.

The requirements for a TRZ clearly eliminate the need for a project area plan, which is a central part of the creation of a CRA.

A comparison of the requirements for creating a TRZ and a CRA are included in TABLE 40 below. As noted previously, the overall similarities between CRAs and TRZs are significant, but as the table below demonstrates, the TRZ process is much simpler and streamlined, eliminating the need to involve a Redevelopment Agency.¹⁴⁷

TABLE 40: COMPARISON OF TRZ AND CRA CREATION PROCESS

DESCRIPTION	TRZ	CRA
Redevelopment Agency involvement required	No	Yes
Resolution required by Agency to study a project area	No	Yes
Requires at least two public entities to participate ¹⁴⁸	Yes	No
Eminent domain ¹⁴⁹	No	Possibly
Establish a base year from which to calculate increment	Yes	Yes
Requires project area plan and budget	No	Yes
Public hearing required	Yes	Yes
Mailing to all property owners in area or zone required	No	Yes

A TRZ must be centered around transportation infrastructure needs as the agreement between the parties must define the transportation need and proposed investment.¹⁵⁰ However, the type of transportation needs is not defined in the law. There could be a wide range of uses, all with a transportation purpose. These uses may include but are not limited to roads, multi-modal transportation improvements, airports, street widenings, street landscaping, pedestrian access and walkways, transit-oriented development, transit, expanded bus routes, parking garages, etc.

¹⁴⁷ Also known as Urban Renewal Agencies and Community Reinvestment Agencies.

¹⁴⁸ Can form with one entity.

¹⁴⁹ With blight study.

¹⁵⁰ Utah Code §11-13-227(2)(a).

A TRZ is governed by the interlocal agreement(s) between the public entities. While an interlocal entity can be formed, one is not required. However, at least one of the public entities must have land use authority over the transportation reinvestment area for the TRZ to be formed.¹⁵¹ While a local redevelopment (urban renewal) agency is not involved, nothing in the law precludes the Agency from administering the TRZ, if such an agreement is made.

An annual report is required for each TRZ. This report must include the following:

- Statement of the increased tax revenues;
- Statement of the increased tax expenditures made in accordance with the agreement.

This report must be “published” and submitted to the State Auditor. This process is greatly simplified when compared to a CRA which has extensive requirements including prior year values, current assessed values, percentage change in marginal value, comparisons of funds received each year with funds forecasted each year, historical receipt of funds, description of benefits to each taxing entity, amounts paid to taxing entities, description of improvements made in the project area, developed and undeveloped acreage within each project area, percentage of residential development, housing units authorized (if applicable), details regarding project area funds collection period, years and amount remaining in the collection period, administrative costs, estimate of funds to be received in current calendar year, map of project area, etc.

If any surplus funds remain in a TRZ, these funds may be used as agreed upon by the parties to the agreement.¹⁵²

There are only a few redevelopment areas in Utah that span multiple jurisdictions. While such are allowed by law, governance can be tricky. For example, in a CRA spanning two cities, each city would have its own redevelopment agency. Who then governs the project area? Joint RDA board meetings can be held, each agency board can meet separately, or there can be a memorandum of understanding (MOU) designating one of the RDA boards as the lead agency. Experience dictates that concerns often arise when more tax increment is generated in one jurisdiction of the project area than in another. There are often concerns about equity in spending funds in the same jurisdiction from which they come. Each redevelopment agency involved must submit its annual report detailing the increment generated and how funds were spent, further exacerbating this concern.

The TRZ overcomes many of these problems. First, with a TRZ, there is no requirement for RDA involvement, and therefore no need for RDA meetings. The TRZ is simply governed by an interlocal agreement signed by the parties. TRZs have proven effective in other states where roadway projects cross multiple jurisdictions. With a TRZ there is no requirement to measure where increment is generated and where funds are spent. The purpose is simply to achieve an overall project. And, only one report is filed for the TRZ – not for each entity participating.

¹⁵¹ Utah Code § 11-13-227(2).

¹⁵² Utah Code § 11-13-227(5).

The multiple jurisdictional angle of TRZs may be beneficial in Utah for the POM study area which encompasses multiple cities and/or counties and will require significant transportation improvements in order to realize full economic activity. A TRZ, in comparison to a CRA, will allow for ease in creating and operating project areas that span multiple jurisdictional boundaries. Otherwise, CRA areas would likely remain confined to municipal boundaries.

Another advantage to TRZs is the ability to obtain the commitment of transportation agencies, such as UDOT or UTA, for specific planning projects. Interlocal agreements between the public entity with the land-use authority and a transportation agency will identify the specific projects associated with the TRZ. This will add another level of certainty to City/County planning efforts and will give these public entities some additional leverage in prioritizing needed transportation projects.

Per Utah law, ten percent of increment gained from CRAs that are formed through an interlocal agreement is required to be set aside by the agency for affordable housing, if more than \$100,000 of increment is distributed to the Agency in a given year.¹⁵³ Senate Bill 136 does not require a housing allotment for TRZ projects. While the bill sponsors have indicated that this difference with CRAs was not an intended part of the law, it is nonetheless a notable consideration. The participating agencies in a TRZ would have more financial flexibility for increment spending, as compared to a CRA, without the affordable housing requirement.

There are two areas where further research would be beneficial in understanding the implementation of TRZs.

Cost-Benefit Analyses

Utah Code Section 10-8-2 provides requirements and limitations as to how a municipal legislative body may appropriate money. Appropriations may be done for corporate purposes only which are considered to provide for the “safety, health, prosperity, moral well-being, peace, order, comfort, or convenience of the inhabitants of the municipality.”¹⁵⁴ However, a study must be performed and a public hearing must be held in order to identify the benefits the municipality will receive for the money or resources appropriated, the net value received, the necessity of the appropriations, etc. The specific requirements for the study are found in Utah Code Section 10-8-2(3)(e). This can be a time-consuming process as the study may take several weeks, at best, to complete, with a 14-day notice period required for the public hearing during which time the study is available for review by the public.

However, actions taken under title 17C (which deals with the creation of CRAs), are not subject to land use regulation as defined under Chapter 10. This means that the creation of a CRA does not require that a cost-benefit analysis be performed. Further research should be conducted to determine if a cost-benefit analysis needs to be performed for a TRZ, which does not have the protections of Title 17C regarding land use law.

¹⁵³ For CRAs created subject to a taxing entity committee, an agency shall require at least 20% of the agency’s annual tax increment for housing is more than \$100,000 of revenue is distributed to the Agency in a given year. Utah Code § 11-13-227(5).

¹⁵⁴ Utah Code § 10-8-2(3).

Incremental Personal Property Valuation

There is a difference in how personal property is added to the taxable value of a taxing entity, depending on whether the property is located within or outside of the boundaries of a CRA. For projects with large amounts of personal property, it is advantageous, from a tax standpoint, to be part of a CRA. It is unclear whether TRZs would receive this favorable treatment under the law.

For Personal Property Tax Revenues in a *Non-CRA* Area, the prior year's personal property value is used to set a portion of the "base year taxable value." If personal property is then valued, under the current year, higher than the prior year, then the taxing entity gets the additional revenue for a one-year period. For example, if the value used to set the tax rate was \$1 million and the tax rate was 0.0035, then the property should generate \$3,500 in revenue. However, if the actual value increased to \$1.5 million when the taxpayer reported the personal property, then the tax revenues would be \$5,250 ($\$1,500,000 \times 0.0035$). In this case, the entity gets to keep the extra \$1,750; however, the budget used to set the tax rate the following year will just be \$3,500. This means the tax rate will go down ($\$3,500 / \$1,500,000 = 0.002333$). If the additional value had counted as new growth, before HB25 in 2016, then the tax rate calculation would have been $\$5,250 / \1.5 million , or 0.0035.

On the other hand, personal property *in a CRA* is counted as incremental taxable value each year. It does not affect a lowering of the tax rate, as in a non-CRA area. When the collection of tax increment in a project area expires, the personal property is counted as new growth to the taxing entities for the first year out of the project.

According to sponsors of the bill, the fundamentals of TRZs were based on similar law in Texas. Various Texas officials and studies indicate TRZs have become a fairly popular economic development tool in the past ten years. Numerous revisions have been made to the original bill¹⁵⁵, with each ultimately providing for additional flexibility and application. Several large-scale projects have been completed spanning multiple jurisdictional boundaries, thereby allowing for massive transportation improvements across large areas. The goals of the various transportation projects have largely been to mitigate traffic and expedite area development, with some having costs in excess of \$1 billion. Projected revenue increases from property taxes have been forecast at well beyond \$100 million for specific projects.

The same funding mechanisms used by the public entities involved in the agreement would be available for TRZs. For example, a City could issue GO bonds, sales tax bonds, municipal building authority bonds and Class B/C road bonds. An assessment area could be overlaid on the zone and special assessment bonds could be issued. The major difference between issuing bonds for a TRZ, as compared to a CRA, is regarding which entity carries the debt obligation on its books. In a CRA, the debt obligation is carried on the books of the redevelopment agency, and Utah laws provide express permission for redevelopment agencies to issue debt. This keeps the debt off the books of the City, or county and clears them of this additional debt. With a TRZ, there is no other entity, other than those participating in the Agreement, that

¹⁵⁵ Enacted in 2007.

can issue the debt. Therefore, the debt would need to be carried by either the city, county, or one of the other public entities participating in the Agreement.

TRZs, similar to CRAs, appear to have broad applicability to POM study area. The POM study area is a multi-jurisdictional area with significant needs for transportation infrastructure. As major and minor corridors will expand across numerous municipalities, the TRZ format will likely lead to easier application than the CRA program.

Multiple other areas exist in Utah that would likely have appeal for a TRZ. Needed transportation investments that span multiple jurisdictions (BRT lines, highways, etc.) would have applicability to a TRZ, and are found within urban and rural areas of Utah. Land that is owned by UTA appears to also have appeal for a TRZ, as the entity could be active in planning and fulfillment.

Due to the vagueness of the bill (reportedly a purposeful attempt to provide for flexibility and creativity), several questions remain unanswered. Some will likely require additional legislative clarity prior to successful implementation of TRZs. Notable, remaining questions include the following:

- How are TRZs to be monitored and reported?
- What specifically can funds be used for?
- How can increment be spent?
- Is a cost-benefit analysis required in a TRZ?
- How will property tax increment be calculated in a TRZ as compared to a CRA?
- Can projects already in place now qualify to be part of a TRZ?
- What is the role of already-existing community reinvestment agencies in a TRZ?

Information considering unanswered questions regarding TRZs, is highlighted below:

Governance

There may be concern about the role of community reinvestment agencies in overseeing TRZs. Since these agencies technically don't need to be involved with TRZs, there may be some apprehension among RDA officials about maintaining a unified planning approach for communities and consistency in dealing with the various taxing entities.

State and Local Match for Funds

Pledged TRZ revenues may be able to serve as all or a portion of a local match for federal funds or state-funded projects, including the statutorily-required 40 percent minimum for state funding of transit capital projects under the Transit Transportation Investment Fund created by SB136. However, TRZ increment will be received over time, increasing annually as development takes place. Therefore, there are timing issues with when funds may be needed and when they become available. If TRZ funds are used as a local match, there will still need to be some funding mechanism put in place, such as bonds, for monies to be available upfront for construction.

Eligible Projects

There are no guidelines regarding what projects can be included in a TRZ. The law is expressly vague in this regard. Some expressed concern over this vagueness and that the lack of directness and clarity may result in hesitation to use the tool. However, some entities may like the potential to have a wide breadth of projects included in a TRZ, although transportation infrastructure is clearly the basis for the creation of the zone.

Funding

There is an open question whether TRZ funds could be used as part of a statutorily-required 40 percent match minimum for state funding of transit capital projects under the Transit Transportation Investment Fund created by SB136. While tax increment will be helpful, it still may not satisfy the need, up front, for funding to offset construction costs.

Advantages and Disadvantages

The following table lists the advantages and disadvantages of funding Phase Two transportation projects with Transportation Reinvestment Zones:

Table 41: TRANSPORTATION REINVESTMENT ZONES AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS.

Advantages Transportation Reinvestment Zones	Disadvantages Transportation Reinvestment Zones
Creates a new revenue stream.	Revenue directed to transportation projects now will not be available to provide other services.
Relatively easy to create.	Requires cooperation between at least two entities.
Projected to produce substantial revenue stream over time.	Must find a nexus with transportation projects to justify use of the increment.
No affordable housing requirement.	Other taxing entities may oppose their use.
	State law is vague in some areas.

TIFIA BONDS

The Transportation Infrastructure Finance and Innovation Act is a U.S. Federal Government program run through the United States Department of Transportation to provides credit assistance for qualified regional and national surface transportation projects in the United States. Projects include highways, city passenger railways, some freight rail, intermodal freight transfer facilities, and some port terminal projects. The program was reauthorized in the FAST Act, a bill passed by Congress.

TIFIA is run by the U.S. Department of Transportation's (DOT) Office of Innovative Program Delivery. The program provides loans, loan guarantees, and lines of credit to qualified public or private borrowers, including state governments, private firms, special authorities, local governments, transportation

improvement districts, or a consortium these entities, such as public-private partnerships. Essentially, the Federal Government agrees to purchase the issuer's revenue bonds.

The program offers:

- A 35-year fixed rate loan for up to 33 percent of the cost of the project;
- Fixed interest rates at somewhat attractive rates;
- Deferral payment options of up to five years after completion of the project; and
- Ongoing debt service.

The strategic goal behind the creation of TIFIA was to leverage limited federal resources and stimulate capital market investment in transportation infrastructure by providing credit assistance in the form of direct loans, loan guarantees, and standby lines of credit (rather than grants) to projects of national or regional significance.

The key objectives of the program are to:

- ✓ Facilitate projects with significant public benefits;
- ✓ Encourage new revenue streams and private participation;
- ✓ Limit federal exposure by relying on market discipline;
- ✓ Fill capital market gaps for secondary/subordinate capital; and
- ✓ Be a flexible "patient" investor willing to take on investor concerns about investment horizon, liquidity, predictability and risk

The major requirements to participate in the TIFIA program are as follows:

- Minimum project size:
 - ✓ \$10 million for transit-oriented development, local and rural projects
 - ✓ \$15 million for intelligent transportation system projects
 - ✓ \$50 million for all other eligible surface transportation projects
- Credit assistance limited to 33 percent of reasonably anticipated eligible project costs (unless the sponsor provides a compelling justification for up to 49 percent).
- The issuer must first issue senior debt using the same collateral.
- The senior debt and the TIFIA loan must receive investment grade ratings from at least two nationally recognized credit rating agencies. (Only one rating is required if less than \$75 million is borrowed).
- The project must have a dedicated revenue source pledged to secure both the TIFIA and senior debt financing.

- The issuer must comply with typical requirements for federal money including, but not limited to: Davis Bacon wages, NEPA requirements, Civil Rights requirements in employment and hiring, Uniform Relocation, Buy America provisions for certain construction materials, Titles 23 and 49, etc.
- Applicants must submit detailed letters of interest when a project is able to provide sufficient information to satisfy statutory eligibility requirements, such as creditworthiness and readiness to proceed; after invitation from the TIFIA Joint Program Office, a formal application is required.

Project sponsors must reimburse DOT for the costs of outside advisors who advise TIFIA on the transaction. This transaction fee generally ranges between \$400,000 and \$700,000; however, the fee may vary significantly depending on the complexity of the project.

Borrowers must also pay an annual Loan Servicing Fee, due by November 15 each year, of approximately \$13,000. The Department of Transportation may also charge a monitoring fee as defined in the credit agreement although, to date, this fee has not been charged.

Advantages and Disadvantages

The following table lists the advantages and disadvantages of funding Phase Two transportation projects with Transportation Infrastructure Finance and Innovation Act:

Advantages TIFIA	Disadvantages TIFIA
Amortization period up to 35 years.	Will only finance up to 33% of a project.
Reasonably attractive fixed interest rates.	Issuer must first issue senior debt using the same collateral.
May be able to defer first payment up to five years after project completion.	Senior debt must carry two investment grade ratings.
	Program is very difficult to use with unpredictable outcomes and timing.
	Will impose federal requirements such as Davis-Bacon wages and Buy America provisions.

PRIVATE ACTIVITY BONDS (A TYPE OF P3 PROJECT)

Section 11143 of Title XI of SAFETEA-LU amended Section 142 of the Internal Revenue Code added highway and freight transfer facilities to the types of privately developed and operated projects for which private activity bonds (PABs) may be issued. This change allows private activity on these types of projects, while maintaining the tax-exempt status of the bonds. No substantive changes have been made to the PAB program by MAP-21 or any other legislation.

The law limits the total amount of such bonds to \$15 billion and directs the Secretary of Transportation to allocate this amount among qualified facilities. The \$15 billion in exempt facility bonds is not subject to the State volume caps.

Passage of the PAB legislation reflects the Federal Government's desire to increase private sector investment in U.S. transportation infrastructure. Providing private developers and operators with access to tax-exempt interest rates lowers the cost of capital significantly, enhancing investment prospects. Increasing the involvement of private investors in highway and freight projects generates new sources of money, ideas, and efficiency.

As of August 1, 2018, approximately \$8.98 billion in PABs had been issued for 23 projects.¹⁵⁶ PAB allocations approved by U.S. DOT total approximately \$1.9 billion.¹⁵⁷

For our purposes, among other qualifying purposes under the PAB program is any surface transportation project which receives federal assistance under Title 23, United States Code.¹⁵⁸ The federal legislation requires that at least 95 percent of the net proceeds of bond issues be expended for qualified highways or surface freight transfer facilities within a five-year period from the date of issue. If this does not occur, the issuer must use all unspent proceeds to redeem bonds of the issue within 90 days after the conclusion of the five-year period. Alternatively, the issuer may request an extension of the five-year period if it can establish that the failure to expend the funds was due to circumstances beyond its control.

Private Activity Bonds and TIFIA

Any surface transportation project which receives Title 23 assistance is qualified to benefit from PABs. Because projects that receive TIFIA credit assistance are Title 23 projects, this means that TIFIA projects are also eligible to receive this tax-exempt bonding authority. This provision therefore extends eligibility to TIFIA-assisted public transportation, intercity bus or rail facilities and vehicles, including vehicles and facilities owned by Amtrak, public freight rail facilities or private facilities providing public benefit for highway users, and intermodal freight transfer facilities. Together TIFIA and PABs can provide substantial incentives for private equity investment in highway and freight projects.

The United States Department of Transportation is accepting applications from entities interested in receiving authority to use a portion of the \$15 billion in exempt facility. While U.S. DOT has not specified a fixed format for bond applications, it has identified several pieces of information that would be helpful in facilitating its consideration of applications. These include:

- The amount of the allocation requested;
- The proposed date of bond issuance;¹⁵⁹

¹⁵⁶ A list of the projects is included in Exhibit 2F, Appendix F.

¹⁵⁷ A list of the four projects approved by the U.S. DOT is included in Exhibit 3F, Appendix F.

¹⁵⁸ In effect on August 10, 2005, the date of the enactment of section 142(m).

¹⁵⁹ The approximate date when it is anticipated that the tax-exempt bonds would be issued should authority to do so be allocated by the U.S. Department of Transportation.

- The date of the inducement resolution passes by the bond issuer;¹⁶⁰
- A draft bond counsel opinion letter;¹⁶¹
- Information regarding the financing/development team;¹⁶²
- Information regarding the borrower;¹⁶³
- A description of the project;¹⁶⁴
- The project schedule;¹⁶⁵
- A description of the financial structure;¹⁶⁶
- A description of Title 23/49 funding received by the project;¹⁶⁷
- Description of the readiness of the project;¹⁶⁸
- Signatures;¹⁶⁹
- Declarations.¹⁷⁰

COMBINING TAX INCREMENT BONDS WITH SPECIAL ASSESSMENTS

As discussed under the heading “Tax Increment Bonds,” it is virtually impossible to secure a rating for or sell a tax increment bond before the increment is actually flowing - unless there is recourse to the local government’s credit or some other enhancement. One way to enhance tax increment bonds is to overlay

¹⁶⁰ A copy of a resolution adopted in accordance with state or local law authorizing the issuance of a specific issue of obligations. The resolution may state that issuance of obligations is contingent upon receipt of an allocation from the Secretary of Transportation of a portion of the \$15 billion national limitation.

¹⁶¹ Form of bond counsel opinion or date by which a draft letter will be submitted.

¹⁶² The names of the issuer of the bonds, the borrower, and any other key participants in the financing, with complete contact information, including federal taxpayer identification numbers.

¹⁶³ For each borrower, the official business name, ownership and legal structure (corporation, partnership, or sole proprietorship), federal taxpayer identification number, and prior experience as it relates to carrying out projects like that proposed. The term “borrower” includes any borrower of the bond proceeds or any other entity responsible for re-paying the bonds.

¹⁶⁴ Description of the project as a whole and the proposed organizational and legal structure of the project (ownership, franchise or lease arrangements, etc.). Describe the portion of the project and all capital assets to be funded with the proceeds of the exempt facility bonds. If the application is for an international bridge or tunnel under section 142(m)(1)(B), the project description should include a representation that the international entity that has responsibility for the project is authorized under federal or state law.

¹⁶⁵ A timeline showing the estimated start and completion dates for each major phase or milestone of project development. Indicate the current status of milestones on this timeline, including all necessary permits and environmental approvals.

¹⁶⁶ A statement of anticipated sources and uses of funds for the project, including separate line items, as applicable, for proceeds of exempt facility bonds or other borrowing, federal grants, state and local grants, other credit assistance, and private investment. Provide a projected drawdown schedule for the use of funds, project revenue and expenses, and sources of security and repayment for the bonds.

¹⁶⁷ The date (or anticipated date) of receipt and types and amount of financial assistance.

¹⁶⁸ Description of the financing/development team's capacity to undertake this project. Discuss readiness to begin the project. List all major permits and approvals necessary for construction of the project and the date, or projected date, of the receipt of such permits or approvals. Include information on engineering work, and procurement of construction.

¹⁶⁹ Applications should be signed by a duly authorized representative of the proposed issuer and a duly authorized representative of each proposed borrower. Applications may be submitted by the proposed issuer or the proposed borrower.

¹⁷⁰ Each application, including any supporting reports or other document, should include the following declaration signed by an individual who has personal knowledge of the relevant facts and circumstances: “Under penalties of perjury, I declare that I have examined this document and, to the best of my knowledge and belief, the document contains all the relevant facts relating to the document, and such facts are true, correct, and complete.”

the tax increment area with a special assessment area. While still new, this tool is becoming more common because of some obstacles it can overcome.

There is often a lag between the time a tax increment area is created and the time increment from new growth starts to flow.¹⁷¹ Because the only collateral for a tax increment bond is usually the incremental property taxes generated from new improvements, purchasers will not buy such bonds until there is a history of sufficient increment for the area or strong evidence that the increment will soon materialize.

Instead of waiting a few years for sufficient increment to develop, the creating entity can create a special assessment area, the boundaries of which are coterminous with the boundaries of the tax increment area. The creating entity can then issue tax increment bonds secured by both the anticipated tax increment as well as by the special assessments. Alternatively, they can issue Special Assessment Bonds with tax increment as additional collateral. In the early years of the life of the bonds, the payment may come from the levy of the special assessment. Later, as increment begins to flow, the special assessments are abated to the extent that the increment is available for debt service. If development occurs as planned, the special assessment can be completely abated in favor of the tax increment.

As discussed in the “Special Assessment Bonds” section of this report, a special assessment is a very strong lien under Utah law. If the assessed property has sufficient value (at least three times the assessment), this tool allows tax increment bonds to be issued earlier than without the SAA.

This combination works best if developers own most of the property within the increment/assessment areas and if those same developers are benefitting in some way from the increment to be produced.

Advantages and Disadvantages

The following table lists the advantages and disadvantages of funding Phase Two transportation projects with Tax Increment/SAA bonds.

¹⁷¹ It takes time to develop new residential and commercial structures.

TABLE 42: TAX INCREMENT/SAA BONDS AS A FUNDING SOURCE FOR PHASE TWO TRANSPORTATION PROJECTS

Advantages Tax Increment/SAA Bonds	Disadvantages Tax Increment/SAA Bonds
Limit the risk to the creating entity that increment does not flow as planned.	Higher legal costs. ¹⁷²
Only the owners of the property benefitted by improvements make the assessment payments.	Generally, carry higher rates than other types of bonds.
Interest can be capitalized during the early periods to reduce the risk of insufficient increment.	Require the cooperation and understanding of the property owners being assessed. ¹⁷³
Can hire an outside SAA Administrator. ¹⁷⁴	Need to demonstrate a correlation between the benefit received by the property owner and the special assessment.
	Increased administrative burden for the issuing entity.
	Value in the property to be assessed is usually established by an independent appraisal which adds to the time and cost.
	Owners of assessed property risk immediate foreclosure if they fail to pay the special assessment.
	The combination of these tools typically takes longer from start to finish than other financing types.

¹⁷² Approximately 1.5 to 2 times the typical tax increment bond legal costs

¹⁷³ Protests of 40% from property owners can prevent the creation of an assessment area. Generally, 10% to 20% of owner's protest, the creating entity is less likely to form the assessment area for political reasons.

¹⁷⁴ State law permits an additional amount to be included in each assessment to either pay the City's increased administrative costs or permit the City to hire an outside SAA administrator.



SECTION 2

FUNDING AND ISSUING ENTITIES

SECTION 2: FUNDING AND ISSUING ENTITIES

The following governmental entities could play a part in financing the POM Phase Two projects, whether through the contribution of revenues or through the issuance of debt. The limitation on each entity as well as the pros and cons of their involvement will be discussed in this section. Information specific to cities within the POM study area can be found in APPENDIX 2—Exhibit 2G: City Issuers of the POM study area.

STATE OF UTAH

The State can play several roles in bringing the Phase Two projects into existence. Indeed, the State must be the key player in the process. Here are the various roles the State can play:

CONTRACTOR

As with all state roads, the State, through UDOT acts as the contractor selecting and managing all design engineers and construction companies. In accordance with SB 136¹⁷⁵ the State will also now play a more active role in approving and managing transit projects through UTA. While UDOT and UTA have generally coordinated their transportation systems, such coordination, design, planning and execution will now be enhanced.

It is important to note that under agreement with federal transportation officials, the State cannot add two more lanes to the Mountain View Corridor until light rail is extended to at least 10200 South.

Based on conversations with UDOT officials, any attempt to redirect currently programmed revenues for projects that have been prioritized through the Transportation Commission's regular prioritization process will not be well met. Any such reprioritization would need to also be reflected in the State's long-range plans and approved by federal officials under air quality regulations. Amending that plan takes at least three to four months. In 1997, the State Legislature presented a list of new road projects accompanied by a new revenue stream. By 2003, there was enough backlash that legislative leadership created a taskforce which recommended such action not be repeated in the future. UDOT indicated their existing revenue streams are committed through 2024.

PROVIDER OF PAY-GO APPROPRIATIONS

UDOT pays for a large share of its capital program with cash that is appropriated annually for that purpose in the State's budget. In FY 2018, UDOT spent approximately \$490 million in cash for new transportation projects.¹⁷⁶

ISSUER OF GENERAL OBLIGATION BONDS

The State has also bonded for various transportation projects from time to time by issuing general obligation bonds. There are various limits imposed on the amount of GO bonds the State may have outstanding at any time. They are as follows:

¹⁷⁵ From the 2018 general legislative session.

¹⁷⁶ Source: UDOT.

Constitutional Debt Limit

Article XIV, Section 1 of the State Constitution limits the total general obligation indebtedness of the State to an amount equal to 1.5 percent of the fair market value of the total taxable property of the State, as shown by the last assessment for State purposes before incurring such debt.¹⁷⁷ The application of the constitutional debt limit and the additional debt incurring capacity of the State under the State Constitution are currently estimated to be \$3,177,114,995. It is estimated this limit will climb to approximately \$3.75 billion after the fair market values from 2018 are finalized.

TABLE 43: CONSTITUTIONAL GENERAL OBLIGATION DEBT LIMIT OF THE STATE OF UTAH

Description	Amount
Constitutional Debt Limit (1.5%)	\$ 5,658,902,953
Less: Currently Outstanding General Obligation Debt (net) ¹⁷⁸	(2,384,691,756)
Less: Long-Term Contract Liabilities	(97,096,202)
Estimated Additional Constitutional Debt Limit Incurring Capacity (State)	\$ 3,177,114,995

Statutory Appropriations General Obligation Debt Limit

The State Appropriations and Tax Limitation Act¹⁷⁹ limits the maximum general obligation borrowing ability of the State to an amount that may not exceed 45 percent of the maximum allowable State budget appropriations limit as provided in and subject to the exemption set forth in that act.¹⁸⁰ The State Appropriations and Tax Limitation Act also limits State government appropriations based upon a formula that reflects changes in population and inflation.

On occasion, the Legislature has amended the State Appropriations and Tax Limitation Act to provide an exemption for certain general obligation highway bonds from the limitations imposed by the State Appropriations and Tax Limitation Act. The State currently has approximately \$2.4 billion outstanding general obligation bonds. Of this amount, \$2.0 billion¹⁸¹ is exempt from the State Appropriations and Tax Limitation Act.

Using the budget appropriations for FY 2019, the Statutory Appropriations General Obligation Debt Limit under the State Appropriations and Tax Limitation Act and additional general obligation debt incurring capacity of the State under that act are currently \$1,753,870,500 and \$1,455,585,379 respectively.

TABLE 44: CONSTITUTIONAL STATUTORY APPROPRIATIONS GENERAL OBLIGATION DEBT LIMIT OF THE STATE OF UTAH

Description	Amount
Statutory Appropriations General Obligation Debt Limit	\$1,753,870,500
Less: Statutorily Applicable General Obligation Debt (net)	(201,188,919)
Less: Long-Term Contract Liabilities	(97,096,202)
Remaining Statutory Appropriations General Obligation Debt Limit Capacity	\$1,455,585,379

¹⁷⁷ Referred to as the "Constitutional Debt Limit."

¹⁷⁸ Includes premium.

¹⁷⁹ Utah Code § 63J, Chapter 3.

¹⁸⁰ The "Statutory Appropriations General Obligation Debt Limit."

¹⁸¹ Including \$129 million in bonds the State intends to issue in January 2019.

Statutory Debt Limit on Issuance of Certain General Obligation Highway Bonds

The General Obligation Bond Authorization Acts contain a statutory limit upon the issuance of certain highway bonds.¹⁸² Such highway bonds can be issued up to an amount that, together with total current outstanding general obligation bonds,¹⁸³ will not exceed 50 percent of the constitutional debt limit incurring capacity of the State. Currently, under this limitation, the State can issue another \$347.6 million of general obligation bonds for highways under the 2017 authorization after the January 2019 issue has been closed.

TABLE 45: CONSTITUTIONAL STATUTORY GENERAL HIGHWAY DEBT LIMIT OF THE STATE OF UTAH

Description	Amount
50% of Constitutional Debt Limit	\$ 2,829,451,476
Less: Currently Outstanding General Obligation Debt (net)	(2,233,597,949)
Less: Long-Term Contract Liabilities	(97,096,202)
Less: 2019 Bonds (including premium)	(151,093,807)
Remaining Statutory 2017 General Highway Limitation Debt Limit Capacity	\$ 347,663,518

Maintaining the State's Triple-A Bond Ratings

Utah is currently one of only 10 states with a triple-A bond rating from all three major rating agencies.¹⁸⁴ Across the board triple-A bond ratings reflect the State's strong fiscal management, vibrant economy, and low debt levels. Strong bond ratings allow the State to borrow money at lower interest rates and reflect the best practices employed by the State in revenue forecasts, budget controls, and debt issuance. A downgrade from the triple-A ratings would signal a weakening in at least one of these areas. State officials have indicated they want to avoid a rating downgrade.

As a benchmark for knowing how much debt is too much, the State Treasurer has asked the Legislature and Executive branch to focus on two key debt ratios as calculated by the rating agencies: (1) debt per capita; and (2) debt to personal income. Based on a peer group comprised of other triple-A rated states, the desired debt per capita ratio is approximately \$750 to \$800 and the desired debt to personal income ratio is approximately 1.75 percent. After the issuance of its January 2019 GO bonds, the State of Utah will be just below those target ratios with a debt per capita ratio of \$720 and a debt to personal income ratio of 1.51 percent.

For purposes of this study, the State's debt per capita ratio is \$1,326 and the debt to personal income ratio is 3.83 percent, equaling the highest levels in recent years. These high ratios occurred in 2013 as the State completed the issuance of over three billion dollars for such projects as the I-15 CORE project through Utah County and portions of the Mountain View Corridor.

Based on comments found in the State's rating agency reports in 2013, those ratios were "above-average" and in the "moderate" range. Fitch noted, "...debt levels are increasing, particularly with the heavy issuance in recent years of GO bonds for transportation purposes..."¹⁸⁵ The 2013 ratios pushed the limits

¹⁸² Which limit applies to a total of \$1.047 billion of general obligation highway bonds authorized in 2017.

¹⁸³ Including for this purpose other long-term contract liabilities of the State.

¹⁸⁴ Fitch Ratings, Moody's Investors Service, and S&P Global Rating.

¹⁸⁵ See Exhibit 3G in Appendix G.

while still maintaining the State's triple-A ratings. As such, the high ratios are another limiting factor in issuing new GO debt for the Phase Two projects.

Limit on the Term of Bonds

In the absence of any other requirements established by the Legislature, another limiting factor in the issuance of new GO debt is that State GO bonds must mature within 15 years of the date of issuance.¹⁸⁶ For purposes of this study, it is assumed that any new transportation related GO debt issued by the State has a final maturity of 15 years. It is also assumed that GO debt issued by the State for the Lake Powell Pipeline would come with legislative authorization for 20-year amortizations.

Competing Needs for GO Bonds

As is almost always the case, there are competing needs for the State's GO bonding capacity. In discussions with the State Treasurer and Chief Budget Officer, those competing projects include the Lake Powell Pipeline as well as existing and potential new GO debt authorizations for transportation.

According to the 2006 Lake Powell Pipeline Act, the State is charged with building the pipeline and arranging for the financing. Details in the Act concerning how the project is to be financed are not robust. The Kane and Washington County Water Conservation Districts have assumed the State would issue its GO debt to fund the project and local districts would repay the State, over time, as need arises to use the water. The Governor has formed an Executive Water Finance Board charged with developing requirements to be met by any water district desiring the State's assistance in financing a large water project such as the Lake Powell Pipeline. That Board is also investigating the use of EPA's WIFIA loan program to fund up to 49 percent of the project.

The cost of the Lake Powell Pipeline may be much larger than the upper limit included in the FERC application. If that is the case, there will be less capacity under the State's debt ratio measurements. This could constrain State bonding for either the LPP or the Phase Two projects.

The State Board of Water Resources has filed an application with the Federal Energy Regulatory Commission (FERC) for the Federal Government's approval of the pipeline. The cost of the project as found in the FERC application ranges from \$1.3 billion to \$1.8 billion. For purposes of this study, it is assumed that the State will finance 51 percent of the higher amount, or \$981 million, in three GO bonds issued in equal amounts of \$306 million in 2022, 2024, and 2026. This project would compete with funding for the Phase Two projects for the State's GO debt.

Under the State's 2017 Highway Bond authorization bill, and after the issuance of its \$129.1 million GO bonds in January 2019, the State will have \$564,926,974 in unused authorization for highway projects. UDOT's current plan includes the issuance of \$300.8 million in January 2020 and the remainder of this authorization¹⁸⁷ in January 2021.

¹⁸⁶ Utah Code § 63B-1a-101.

¹⁸⁷ Approximately \$263.3 million.

From time to time, legislators and others have talked with UDOT about possible additional bonding for projects that are on UDOT's prioritization list. Any new authorization for highways would also compete with the Phase Two projects for State GO bonding capacity.

In the December 2018 special session, the Utah Legislature determined not to continue bonding for the new State prison, leaving \$350,015,161 in authorization that will go unused. The state intends to pay cash for the new prison going forward. Therefore, the prison will not compete with the Phase Two projects for GO bonding capacity.

Currently Outstanding State GO Bonds

The State has a total of approximately \$2,146 million in outstanding general obligation bonds from nine separate issues and intends to issue another \$129.1 million in January 2019. TABLE 46 shows additional detail on these outstanding bonds.¹⁸⁸

TABLE 46: OUTSTANDING GENERAL OBLIGATION DEBT OF THE STATE OF UTAH

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2019	Highways	\$129,175,000	1-Jul-33	\$129,175,000
2018	Prison/highways	343,155,000	1-Jul-32	322,865,000
2017	Refunding/highways	118,700,000	1-Jul-28	117,600,000
2017	Prison/highways	142,070,000	1-Jul-32	135,555,000
2015	Refunding	220,980,000	1-Jul-26	220,980,000
2013	Highways	226,175,000	1-Jul-22	58,375,000
2011A	Building/highways	609,920,000	1-Jul-21	131,970,000
2010C	Refunding	172,055,000	1-Jul-19	44,475,000
2010B	Highways (BABs)	621,980,000	1-Jul-25	621,980,000
2009D	Highways (BABs)	491,760,000	1-Jul-24	491,760,000
Total Principal Amount of Outstanding General Obligation Debt				\$2,274,735,000

The relatively quick amortization of the State's GO debt is a credit positive and allows for greater flexibility in structuring issuance of future debt. There will be \$251.3 million in principal retired in FY 2019 and approximately \$300 million will be retired each year from 2020 through 2025. Retired principal creates capacity for new debt.

¹⁸⁸ Source: State of Utah Preliminary Official Statement. Unamortized premium brings this total to \$2.384 billion.

Total Future Capacity

Taking into consideration the limiting factors¹⁸⁹ and competing projects, the State's additional GO debt incurring capacity to finance the Phase Two projects is shown in TABLE 47 below.

TABLE 47: FUTURE GENERAL OBLIGATION DEBT CAPACITY OF THE STATE OF UTAH

Year of Issuance	Proceeds Amount	Par Amount
2021	\$ 1,788,000,000	\$ 1,656,365,000
2022	201,000,000	186,200,000
2023	530,000,000	490,980,000
2024	254,000,000	235,300,000
2025	560,000,000	518,770,000
2026	315,000,000	291,810,000
Total	\$ 3,648,000,000	\$ 3,379,425,000

This capacity under six annual issues totals more than \$3.6 billion. Additional capacity is available each year beyond 2026.

The capacity to issue new bonds under the State's debt limits does not give the State the ability to make debt service payments on new debt. New revenues streams would need to be developed before issuing new GO bonds.

The State's GO bonds are backed by the full faith, credit and resources of the State. The State has covenanted with bondholders to levy a property tax, without limitation as to rate or amount, on all property in the State to repay the debt. The property tax is abated to the extent money is available from other sources to make payments on the bonds. In fact, the State has not levied a statewide property tax since 1974. This illustrates the point that collateral on a bond issue is not necessarily the source of repayment on the bonds.

Counterparty to a P3 Provider

The State, either on its own or through UDOT or UTA, would need to act as counterparty in any P3 agreement. The State should internally develop or hire outside expertise before engaging in a P3 of any kind. With that expertise in place, the State would direct the creation of minimum standards it requires for the project, develop the P3 RFP, hire the P3 concessionaire, negotiate the terms and responsibilities under the Concession Agreement, and then monitor compliance with the Agreement.

If an availability payment mechanism is used, the State will have to make the annual availability payments as outlined in the concession agreement. This means the State will need to create a new revenue stream as the source for the availability payment.

¹⁸⁹ As explained in the State of Utah GO Bonds section.

Applicant for Federal Grants

The State, either on its own or through UDOT or UTA, would need to be the applicant for any federal grants obtained for the Phase Two projects. Depending on the grant, the application process can be time-consuming and cumbersome.

Applicant for Private Activity Bond Allocation

The State, either on its own or through UDOT or UTA, would need to be the applicant for special private activity bond allocation. The State would make this application to obtain tax-exemption for the P3 concessionaire which, in turn, should lower the internal cost of capital for the P3 provider. Lowering the concessionaire's cost of capital should translate into lower tolls for a revenue-based mechanism, or a lower annual availability payment when using an availability payment mechanism.

As discussed under the heading "Private Activity Bonds (A Type of P3)" in this report, the application is made to the Secretary of Transportation and should address the list of information shown. This allocation is separate from the private activity bond allocation provided to each state annually under the Federal Tax Act of 1986. Once allocation is obtained, the State may also act as the conduit issuer of debt for the P3 concessionaire.

Applicant for TIFIA Funding

The State, either on its own or through UDOT, would need to be the applicant for any TIFIA funding.¹⁹⁰

Creator of New Revenue Streams

Through the legislative process, the State would need to create new revenue streams by:

- ✓ Raising existing taxes or fees;
- ✓ Implementing new taxes or fees;
- ✓ Eliminating sales tax exemptions; and/or
- ✓ Allowing government property to be assessed within the Point of the Mountain Land Authority.

In the "New Revenues" section of this report, 17 possible new revenue streams are identified to finance Phase Two projects. Almost all proposed new revenue streams would require the State to do at least one of the four items listed above. None of these actions will be easy or without opposition.

UDOT officials indicated that the TIFIA funding is extremely tedious and frustrating. They want to avoid any future interaction with this program.

¹⁹⁰ Please refer to the "TIFIA" section in this report.

Co-Creator of New Transportation Reinvestment Zones

Working with one or more cities or counties in the POM study area, the State can be one of the co-creators of one or more TRZ. The procedures outlined in Title 11-13-227 of the Utah Code must be followed by the creating entities. Through legislation, the State needs to clarify several areas concerning the function of TRZs as discussed in the “Transportation Reinvestment Zone” section of this report.

Authorize New UTA Bonds

State would need to authorize any new debt issued by UTA, including new sales tax revenue bonds.¹⁹¹

Maintain New State Transportation Infrastructure

The State will be responsible for operating and maintaining the Phase Two projects identified as state-owned assets. The costs of doing so are outside the scope of this study but should be kept in mind when developing new revenue streams. New revenues will be required to operate and maintain the new Phase Two infrastructure.

UTAH TRANSIT AUTHORITY (UTA)

The Utah Transit Authority runs daily bus, transit, and rail service throughout its service area, which covers six counties, including those most directly impacted by the Phase Two projects. Several years ago, UTA completed the Frontlines 2015 capital construction program, using sales tax-backed debt, coupled with sizable federal grants and matching funds.

UTA LIMITS

The limits on UTA’s ability to fund projects can be summarized by looking at its existing debt obligations to measure additional borrowing capacity, as well as at new sales taxes that are either currently in place (like Prop 1) or could be put in place by the State Legislature.¹⁹² There has been considerable discussion of UTA in the news this past year, resulting in legislative changes to UTA’s, governance structure and providing more state oversight, specifically on matters of debt issuance and bonding. Future legislative sessions may look at additional changes, including and up to absorbing UTA into the state as part of UDOT or as a separate state agency. This ongoing evolution impacts UTA’s viability as the funding conduit for Phase Two projects.

As of year-end 2018, UTA has approximately \$2.127 billion in existing debt, issued on both a senior and subordinate basis. While UTA has high credit ratings,¹⁹³ a well-recognized name in the bonds market, and the ability to legally take on more debt under its legal coverage requirements, the Authority needs existing funds not currently used for debt payments in order to maintain and operate its extensive transit system. Additionally, UTA sales taxes are collected throughout its six-county service area, bringing up questions of equitability if a large amount of general UTA debt is used for projects specific to one area, without providing for additional projects in other parts of the broader service area. UTA conducts an

¹⁹¹ In accordance with Title 17B-2a-808.1 of the Utah Code, through the State Bonding Commission.

¹⁹² Either directly or by delegating such authority to counties or to a popular vote in the impacted counties.

¹⁹³ (AA/Aa2/AAA from Fitch, Moody’s, and S&P on senior bonds).

equitability study every two years to examine, by participating counties and cities, the balance of funding contributed versus service received.

Since the completion of the Frontlines 2015 projects, UTA officials have told counties, stakeholders, and their internal planning group that any new projects must also be accompanied by corresponding new revenues. Between 2019 and 2029, UTA's annual total debt service grows from just over \$119 million to almost \$176 million. With just under \$257 million in sales taxes collected in 2017, it is clear UTA doesn't have revenue flexibility to dedicate funds toward Phase Two projects, even though it technically has the capacity to borrow additional funds. A basic analysis of UTA's debt shows that they could potentially issue a billion or more in new sales tax bonds under existing bond covenants and ratios. However, paying those new bonds back would be challenging, and would of necessity cut deeply into bus and rail service levels. The capacity to issue new bonds comes because UTA hasn't been issuing new, long term (30-year) debt since 2012. As a result, total debt service drops to approximately \$75 million (from a \$175 million peak) in 2040, and then to zero in 2042. UTA's legal debt coverage ratios are two times on senior bonds, and 1.2 times on subordinate bonds. Currently, senior coverage is approximately 2.42 times, and subordinate coverage is 1.54 times. While these ratios are much improved from 2008 and 2009 during the Great Recession, it is a mistake to assume that the presence of legal debt capacity means that UTA would be able to service and repay new debt while also maintaining and operating its existing transit system.

UTA incorporates estimated annual sales tax increases into its forward planning document. Currently, the long-term sales tax growth rate is estimated at five percent. In years where sales tax growth outstrips estimates,¹⁹⁴ UTA uses these additional revenues to help address maintenance and upkeep of its existing vehicle and train fleet.¹⁹⁵ UTA has a backlog of such needs and uses sales tax receipts above budgeted levels for such investments in their capital assets. As such, these incremental increases do not generate new ability to pay back debt, even though higher sales taxes in general mean higher debt coverage ratios and more legal borrowing capacity.

In 2015, Prop 1 appeared on ballots in 17 Utah counties. Ten counties passed the quarter percent sales tax increase that was specifically designed to help fund road and transportation projects. UTA receives 40 percent of those tax revenues in UTA Service Area counties that passed the tax. Although Salt Lake and Utah County voted against Prop 1, the State Legislature authorized a local option sales tax of 0.25 percent, which Salt Lake County and Utah County have both imposed. Forty percent of this new tax will go to UTA after July 1, 2019. The Prop 1 and new 2219 taxes¹⁹⁶ that UTA collects from Salt Lake, Weber, Davis, Tooele and Utah counties are not pledged towards any current UTA bonds, but each county has presented to UTA plans and ideas for what it would like to see funded from these increased sales taxes their counties are generating. Utah County already has an interlocal agreement in place that directs the 2219 revenues first toward operations and maintenance expenses for the Utah Valley Express, then to debt service on the bonds issued for the UVX, and then to reimburse the county for expenses already paid.

¹⁹⁴ 2018 growth is coming in closer to 7.5%.

¹⁹⁵ Known as "State of Good Repair".

¹⁹⁶ The newly authorized 0.25% tax.

The use of 2219 taxes as a new, ongoing revenue stream from Salt Lake County and Utah County would generate significant new borrowing capacity if it were to be dedicated to debt financing. UTA estimates that it will receive almost \$28 million from Salt Lake County in 2219 sales taxes on an annual basis. At five percent over 30 years, with a 1.25 times coverage, the additional revenues could finance almost \$350 million in new debt. With Salt Lake County essentially realizing three times the tax receipts as Utah County on a similar rate, Utah County could potentially generate taxes to service just under \$120 million in new bonds from this tax. Utah County already has an interlocal agreement in place to govern the use of those funds, and conversations with Salt Lake County are ongoing. Any pledge towards new bonded projects would first need to be addressed politically.

While UTA does have existing, legal borrowing capacity, and the ability to potentially issue a substantial amount of new bonds, it would not have the ability to do so while also maintaining and operating its transit system. While new 2219 sales taxes in Utah and Salt Lake Counties, or other additional revenues, could be dedicated towards Phase Two projects, there are political hurdles to doing so.

COUNTIES

As previously discussed, the Utah Constitution limits the amount of general obligation bonds a county can issue to two percent of market value. GO bonds require an election and majority support of voters who vote on the proposition.

When issuing sales tax bonds or class B revenue bonds, the statutes require no more than 80 percent of the excise taxes pledged to be used for annual debt payments. In other words, a required minimum coverage of 1.25 times annual debt service must exist upon issuance of the bonds.

State law also limits the sale of special assessment bonds if the property is more than 75 percent raw ground and the value of the land is not more than three times the bond amount. The term of the bonds would be limited to 10 years unless the useful life of the assets being financed is longer. In such cases the term can extend to as much as 20 years.

No laws limit tax increment financing. However, the involvement of other participating taxing entities and market forces naturally constrain the sale of these types of bonds.

Other limits include those outlined in bond documents such as the additional bonds test ("ABT") coverage requirement which stipulates that no additional bonds can be issued unless the security source covers combined old and new debt service by a specified ratio. This is typical of sales tax revenue, class B revenue, and tax increment revenue bonds.

SALT LAKE COUNTY

Salt Lake County currently has \$202.1 million (excluding any bond premium) in GO bonds outstanding. At \$2.652 billion, the county has significant legal capacity under its constitutional debt limit to participate in the funding of the Phase Two projects.

TABLE 48: FUTURE GO DEBT CAPACITY OF SALT LAKE COUNTY

Description	Salt Lake County
2017 "Fair Market Value for Debt Incurring Capacity" (includes valuation from Uniform Fees)	\$143,577,172,261
Debt Limit (2%)	2,871,543,445
Less: currently outstanding general obligation debt (includes bond premium)	(218,780,328)
Additional debt incurring capacity	\$ 2,652,763,117

Outstanding sales tax bonds total about \$137.9 million. TABLE 49 below outlines the sales tax bond limits.¹⁹⁷ As shown in TABLE 49 Salt Lake County could legally justify approximately \$16.2 million additional annual sales tax bond debt service before reaching its Additional Bonds Test (ABT) coverage ratio. This equates to approximately \$230.2 million more in legal sales tax bonding capacity assuming a 3.5 percent borrowing rate over 20 years.

TABLE 49: FUTURE SALES TAX DEBT CAPACITY OF SALT LAKE COUNTY

2019 Debt Service	
Series 2017B	\$ 1,378,363
Series 2017A	2,230,045
Series 2014	2,107,931
Series 2012A	5,518,375
Series 2011	136,123
Series 2010D	2,482,159
Series 2010A	167,963
Total 2019 Debt Service	\$14,020,958
2017 Revenues	\$60,470,489
ABT Coverage Ratio Required	2.00
Additional Bond Capacity	\$16,214,287

Salt Lake County has approximately \$57.6 million in outstanding transportation tax revenue bonds and another \$31.8 million in two outstanding excise tax road bonds. These three bond issues are collateralized by certain highway fund revenues received by the County pursuant to an Interlocal Cooperation Agreement with the State. These revenues include Uniform Motor Vehicle Fees collected in lieu of taxes, Vehicle Registration Fees collected as part of the Local Option Highway Construction and Corridor Preservation Fee, and certain transportation related sales taxes collected under Sections 59-12-2214 and 59-12-2217 of the Utah Code.

The County and State agree that on July 1 of each year, the State's Division of Finance shall transfer from the Highway Fund to the County an amount equal to two times (2.0x) the debt service requirement necessary to pay principal and interest on these Bonds.

Salt Lake County has no outstanding tax increment or special assessment bonds.

¹⁹⁷ Based on the County's FY 2017 audited financials and other sources compiled by Zions Public Finance.

Financial Limits.

Although legal analysis might suggest that Salt Lake County has a great deal of capacity under its GO, sales tax, transportation or excise tax tools, the financial ramifications of issuing such debt will negatively impact ratios often reviewed by creditors and limit the ability of the county to participate in a meaningful way. As of 2017, the county maintained Unassigned Fund Balance of approximately 18 percent of General Fund revenues compared with the legal limit of 20 percent suggesting little disposable cash with which to assisting with the funding of POM Phase Two transportation projects.

The tax impact of issuing GO bonds up to the available capacity would cost tax payers approximately \$165 per year for each \$100,000 of taxable value over a 20-year period. This equates to a \$325 property tax increase on the average home in Salt Lake County valued at \$355,000. This is a significant tax burden and likely not a politically feasible option.

Alternatively, if Salt Lake County placed a bond election in front of voters with a proposed \$50 annual tax increase on the average home and the election passed, the County could raise \$361.6 million for Phase Two projects.¹⁹⁸ The County would need to own the projects that it financed in this manner for the period that the bonds were outstanding. The County could enter into an operating agreement with the State or with UTA for the use of these assets during the financing period in exchange for the operation and maintenance of the assets.

Sales taxes make up a significant amount of General Fund operations as well. Although there is significant legal capacity, Salt Lake County indicated it cannot afford to give up any sales taxes without limiting the county's ability to deliver other vital county services to its citizens.

The fees constituting the pledged uniform fees and preservation fees for the County's transportation tax and excise tax road bonds are currently levied at the maximum amount permitted by State law. The distribution of the fees constituting the pledged excise taxes are directed by State law. The coverage covenant and additional bonds test on the outstanding excise tax bonds is 1.5 times annual debt service. Unless the State agrees to deposit more funds into the County's sinking fund every July 1, no additional bonds may be issued under these indentures.

In June 2018, Salt Lake County imposed the new 0.25 percent sales tax increase authorized under Utah Code Section 59-12-2219 (from SB 136).¹⁹⁹ Through June 30, 2019, the county will use these new revenues estimated at \$26.19 million for a variety of city and county road projects as determined by a specially formed committee. After July 1, 2019, the County will direct a full year of these revenues estimated at more than \$69 million annually as shown in FIGURE 7.

¹⁹⁸ See Exhibit 1 in Appendix G.

¹⁹⁹ Tax collection will begin January 1, 2019.

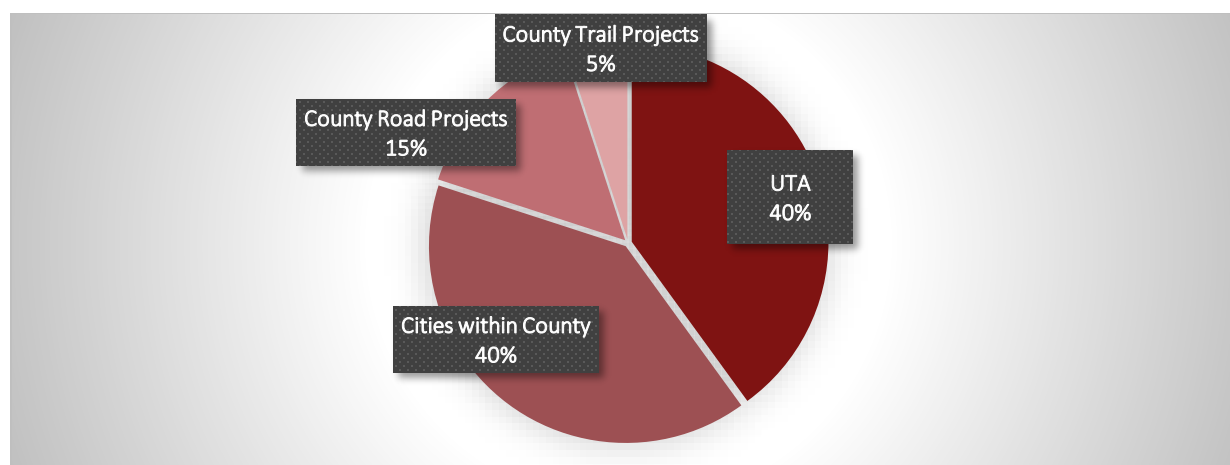


FIGURE 7: ESTIMATED REVENUES FROM NEW 0.25 PERCENT SALES TAX INCREASE AUTHORIZED BY SB136.

UTA indicates that it has already programed the use of its share of these new revenues.

Salt Lake County has met the requirements to be able to levy an additional 0.20 percent sales tax in accordance with Utah Code Section 59-12-2220 after July 1, 2019. If it does so in 2019, the new revenues will total approximately \$52.37 million and must be used “for capital expenses and service delivery expenses of a public transit district”. If implemented, the 2220 tax must be imposed by June 30, 2023. This would be new revenue to UTA.

Future Plans

In addition to the current financial limits discussed above, Salt Lake County has future borrowing plans that will use some of its additional bonding capacity. The county is in the process of issuing up to \$85 million in lease revenue bonds for libraries and library related facilities. The county also intends to issue the remaining \$46 million in GO authorization granted by voters in 2016 for additional parks and open space improvements. Certain council members are also discussing a new GO election for additional parks, trails, and open space.

Salt Lake County recognizes the value of projects within the POM study area and is very willing to discuss ways to help facilitate these projects, especially through regional coordination. Salt Lake County sees the following three projects as the most important:

- Extension of Porter Rockwell Boulevard through the existing prison site;
- Extension of light rail through the prison site; and
- Completion of the Mountain View Corridor.

The County is also interested in seeing the trail projects completed.

Salt Lake County is less enthusiastic about the formation of a CRA over the entire Point of the Mountain Land Authority area. While certain county officials prefer the plan that would direct the increment to public infrastructure rather than developer incentives, they still note that collecting increment from a mixed-use area robs other taxing entities of the money needed to provide services to that area. There also

appears to be a desire to see a new revenue stream that could be used to address multitude causes rather than strictly transportation.

Advantages/Disadvantages

TABLE 50 shows the advantages and disadvantages for Salt Lake County to participate in financing POM Phase Two transportation projects.

TABLE 50: PARTICIPATION OF SALT LAKE COUNTY IN THE FINANCING OF PHASE TWO TRANSPORTATION PROJECTS

Advantages Salt Lake County	Disadvantages Salt Lake County
\$2.652 billion in GO bond capacity GO and sales tax bonds are equally versatile for project use.	\$165/year/\$100,000 tax impact GO Election required.
\$221.5 million in sales tax bond capacity.	Existing sales tax revenue needed to operate the county.
\$52.37 million in potential new revenue from the 2220 sales tax.	Political will required to implement the 2220 sales tax.

UTAH COUNTY

Utah County currently does not have any outstanding GO bonds. At \$1.287 billion, the county has significant legal capacity under its constitutional debt limit to participate in the funding of the Phase Two projects. Utah County has not historically used GO bonds as a significant funding option for capital projects. While Salt Lake County has regularly and successfully asked voters for GO authorization for various projects, the last successful county-wide GO election in Utah County was held in 1993 to raise \$28 million for the construction of the then-new county jail. The fact that GO elections have not been held on a county-wide basis in over 25 years likely requires explanation from the County should a GO bond for the Phase Two projects be proposed.

Outstanding County Option Sales and Use Tax bonds total \$6.15 million. Most of these existing bonds are paid off by November 2020. As illustrated in the table below, following the payoff of the 2014 bonds, Utah County could legally justify about \$13.4 million in additional annual sales tax bond debt service before reaching its 2.0 times ABT coverage ratio. This equates to about \$190.7 million in legal sales tax bonding capacity, assuming a 3.5 percent borrowing rate over 20-year period.

Outstanding transportation sales tax bonds total \$124.515 million on the senior lien, with an additional \$62.03 million on a subordinate lien. Subordinate lien bonds were used for the construction of the Utah Valley Express (UVX), the bus rapid transit line connecting the Orem and Provo Front Runner stops while running through key destinations in Provo and Orem. These subordinate bonds are to be paid off by the Utah Transit Authority no later than December 31, 2028. As illustrated in the tables below, Utah County could legally justify about \$2.5 million more in annual senior transportation sales tax bond debt service before reaching its 1.5 times ABT coverage ratio. This equates to about \$35.8 million more in legal transportation sales tax bonding capacity assuming a 3.5 percent borrowing rate over a 20-year period.

TABLE 51: UTAH COUNTY SALES TAX AND TRANSPORTATION SALES TAX DEBT SERVICE

Sales Tax Bonds ²⁰⁰		Transportation Sales Tax Bonds ²⁰¹	
STRB Series 2010	\$495,871	TSTRB Series 2009B ²⁰²	\$9,691,673
STRB Series 2014 ²⁰³	—	TSTRB Series 2012	2,715,800
Total Debt Service	495,871	Total Debt Service	12,407,473
Revenues	27,815,838	Revenues	22,393,420
Coverage	56.1	Coverage	1.8
ABT	2	ABT	1.5
ABT Capacity	\$13,412,048	ABT Capacity	\$2,521,474
Sales Tax Bonding Capacity	\$190.7M	Transportation Sales Tax Bonding Capacity	\$35.8M

Outstanding County Excise Tax bonds total \$36.215 million. These bonds were issued to finance the Utah County Convention Center and a Museum at Thanksgiving Point. As illustrated, Utah County could legally justify about \$1.5 million in additional annual excise tax bond debt service before reaching its 2.0 times ABT coverage ratio. This equates to about \$21.9 million in legal excise tax bonding capacity assuming a 3.5 percent borrowing rate over a 20-year period.

Outstanding County Vehicle Registration Fee Revenue bonds total \$21.43 million. These bonds were issued to finance various transportation projects in the County. As illustrated, Utah County could legally justify about \$478 million in additional annual Vehicle Registration Fee bond debt service before reaching its 1.5 times ABT coverage ratio. This equates to about \$6.8 million in legal VRF bonding capacity assuming a 3.5 percent borrowing rate over a 20-year period.

TABLE 52: UTAH COUNTY EXCISE TAX AND VEHICLE REGISTRATION FEE REVENUE BONDS

Excise Tax Bonds		Vehicle Registration Fee Revenue Bonds	
ETRB Series 2010	\$3,191,805	VRF Series 2009B	\$2,164,409
ERRB Series 2013	280,875	Total Debt Service	2,164,409
Total Debt Service	3,472,680	Revenues	3,964,465
Revenues	10,025,076		
Coverage	2.9	Coverage	1.8
ABT	2	ABT	1.5
ABT Capacity	\$1,539,858	ABT Capacity	\$478,568
Excise Tax Bonding Capacity	\$21.9 M	VRF Bonding Capacity	\$6.8 M

FINANCIAL LIMITS

Although legal analysis might suggest Utah County has a great deal of capacity under its GO, sales tax, and transportation or excise tax tools, the financial ramifications of issuing such debt will negatively impact

²⁰⁰ Based on FY 2017 audited financials and other sources compiled by Zions Public Finance.

²⁰¹ Based on FY 2017 audited financials and other sources compiled by Zions Public Finance.

²⁰² Excludes direct payments on Build America Bonds.

²⁰³ For the purpose of this analysis, the 2014 Bonds are assumed to have been retired (final maturity occurs on November 1, 2020).

ratios often reviewed by creditors and limit the ability of the County to participate in a meaningful way. As of 2017, the County held an Unassigned Fund balance of approximately 19.5 percent of General Fund revenues compared with the legal limit of 20 percent, suggesting some disposable cash with which to do the projects. However, the County's recently approved final 2018 budget appropriates just over \$6.7 million of the total Unassigned Fund balance of \$16.557 million towards county operational expenses, leaving under \$10 million, or closer to 11.6 percent of operating revenues. The County would have a hard time drawing reserves below these levels without impacting credit ratings.

The tax impact of issuing GO bonds up to the available capacity would cost tax payers approximately \$249 per year for each \$100,000 of taxable value over a 20-year period. This equates to a \$466 property tax increase on the average home in Utah County valued at \$340,000. This is a significant tax burden and not likely a politically feasible option.

Alternatively, if Utah County placed a bond election in front of voters with a proposed \$50 annual tax increase on the average home and the election passed, the County could raise \$138,147,020 for Phase Two projects.²⁰⁴

Sales taxes are used primarily for general fund operations. Although there is significant legal debt issuing capacity, Utah County indicated it cannot afford to divert any sales tax revenue without limiting its own ability to deliver vital county services to its citizens.

In December 2018, Utah County imposed the new 0.25 percent sales tax increase authorized under Title 59-12-2219 of the Utah Code (from SB 136). Through June 30, 2019, the county will use these new revenues estimated at \$8 million, to pay for O&M expenses on the Utah Valley Express, debt service on the subordinate transportation sales tax revenue bonds issued to fund the bus rapid transit line, and reimbursement to the County for expenses already paid on the UVX. After July 1, 2019, the County will direct a full year of these revenues, estimated at more than \$22 million annually, in accordance with the following division as shown in FIGURE 8.

Like Salt Lake County, Utah County has met the requirements to levy an additional 0.20 percent sales tax after July 1, 2019.²⁰⁵ Assuming the County levies this new tax, revenues are projected at approximately \$17.5 million in 2019. Revenues must be used "for capital expenses and service delivery expenses of

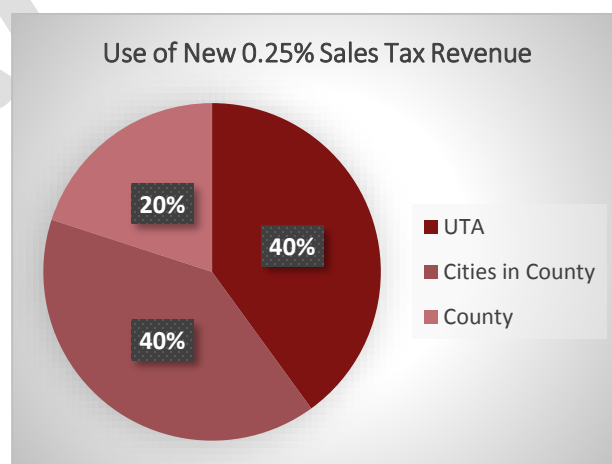


FIGURE 8: USE OF NEW 0.25% SALES TAX REVENUE

²⁰⁴ As indicated above for Salt Lake County, Utah County would need to own the projects that it financed in this manner for the period that the bonds were outstanding.

²⁰⁵ In accordance with Title 59-12-2220.

a public transit district.”²⁰⁶ If implemented, the 2220 tax must be imposed by June 30, 2023. These revenues would be new revenue to UTA.

FUTURE PLANS

In addition to the current financial limits discussed above, Utah County has some limited future borrowing plans that will use some of its additional bonding capacity. The County does not have any outstanding GO bonds and has no current intention to ask voters for GO bonding authorization.

The county values its role as a participant in the POM process and wants to help facilitate these projects, with an eye towards balancing use of tax dollars with interests throughout the County.

Utah County has been a supporter of the tax increment process but points out the reticence of the Alpine School District to contribute to things like a CRA over the entire Point of the Mountain Land Authority area. The County has been keenly tuned in to the balance of funding between transit and roads.

Advantages/Disadvantages

The following table outlines the advantages and disadvantages of Utah County as a funding source for Phase Two transportation projects.

TABLE 53: PARTICIPATION OF UTAH COUNTY IN THE FINANCING OF PHASE TWO TRANSPORTATION PROJECTS

Advantages Utah County	Disadvantages Utah County
\$1.287 billion in GO bond capacity GO and sales tax bonds are equally versatile for project use.	\$249/year/\$100,000 tax impact GO Election required.
\$251 million in sales tax bond capacity.	Existing sales tax revenue needed to operate the county.
\$17.5 million in potential new annual revenue from the 2220 sales tax.	Political will required to implement the 2220 sales tax.

POINT OF THE MOUNTAIN LAND AUTHORITY (POMLA)

In its 2018 general session, the Utah Legislature passed House Bill 372 creating the POMLA. According to Utah Code Section 11-59-201, the Authority is an independent, non-profit, separate governmental body whose purpose is to plan, manage, and implement the development of the approximately 700 acres of state-owned land currently used as a state prison in Draper. The POMLA has been given broad powers to accomplish its mission including, among other things:

- Authority to buy and sell land, to borrow money, contract with, or accept financial or other assistance from the Federal Government, a public entity, or other source;

²⁰⁶ Utah Code § 59-12-2220.

- Authority to issue bonds including industrial development-type bonds and special assessment bonds; and
- Authority to enter into interlocal agreements.

The POMLA will operate on a June 30 fiscal year end and has been specifically exempted from certain provisions of the Utah Code such as the State Money Management Act and the State Procurement Code - but is subject to other provisions of the Code including the Open Meetings Act and GRAMA laws.

Among other things, the POMLA is charged with pursuing development strategies designed to “accommodate and incorporate the planning, funding, and development of an enhanced and expanded future transit and transportation infrastructure” including the “acquisition of right-of-way and property” for transit and “a world class mass transit infrastructure” to service the POMLA area.

Given its broad powers, the POMLA could, over time, become a significant source of revenues that might be used to fund transportation and transit. These include the collection of property, sales, and franchise taxes as land develops, the proceeds from the sale or lease of land to the private sector, and impact fees imposed on new development. These revenues will probably not begin to flow until after the prison is vacated and inmates are sent to the new state prison currently under construction. Revenues may develop slowly at first but could increase quickly as land is developed.

The POMLA has the power to create a Community Reinvestment Agency²⁰⁷, and issue Tax Increment Bonds to finance a portion of the Phase Two projects. The power granted the POMLA to issue Special Assessment Bonds may also become useful since the tax increment is likely to flow slowly at first. It will be impossible to sell tax increment bonds immediately unless this tool is coupled with the creation of a special assessment area.

Currently, under Title 11, Chapter 42 of the Utah Code, an assessment area cannot assess property owned by a government entity. If this section of the Code were changed to allow government-owned property within the POMLA to be assessed, the authority could immediately issue Special Assessment Bonds to fund transportation infrastructure with the intent of repaying those bonds with tax increment as it flows. If the increment doesn’t materialize as quickly as projected, the state would need to either use proceeds from the sale or lease of land within the POMLA or appropriate other funds²⁰⁸ to make the assessment payments. If the Authority did not make its assessment payment, bond holders would have the right to foreclose the assessed land. To the extent tax increment materializes, no sale or lease proceeds or state appropriation would be necessary to service the debt.

Land within the POMLA could be sold to the private sector with the land still subject to the assessment lien²⁰⁹, or with a requirement that the lien be paid in full upon transfer.²¹⁰ It is common for an assessment

²⁰⁷ Boundaries of which are coterminous with those of the Land Authority.

²⁰⁸ Perhaps from the general fund.

²⁰⁹ Lower sales price.

²¹⁰ Higher sales price.

bond to have provisions that allow for early redemption, without penalty, if assessments are prepaid before maturity.

The incremental taxes that may be produced within the POMLA have been projected as part of this study.²¹¹ Through 2050 these incremental taxes total approximately \$812.3 million.

Projections have also been made for the amount of Special Assessment Bonds that could be issued based on the required a 3:1 value to lien ratio under state law. The value of the 700 acres of land within the POMLA boundary is estimated at \$8 to \$20 per square foot, which equates to a value of \$243.9 million to \$609.8 million. These values would support a Special Assessment Bond between \$81.3 million and \$203.2 million.

The proceeds from the sale or lease of this land to the private sector or potential impact fee revenues is outside the scope of this report. Impact fee revenues must be spent or encumbered within six years of collection, so the timing of infrastructure improvements is critical in the calculation of impact fees which can vary quite substantially over time.

Advantages and Disadvantages

The following table outlines the advantages and disadvantages of POMLA as a revenue source for funding Phase Two transportation projects.

TABLE 54: PARTICIPATION OF POMLA IN THE FINANCING OF PHASE TWO TRANSPORTATION PROJECTS

Advantages Point of the Mountain Land Authority	Disadvantages Point of the Mountain Land Authority
Broad power, including bonding authority.	No historic revenues.
\$ 154M to \$231M in tax increment bond capacity. ²¹²	Delay in flow of tax increment.
\$81M to \$203M in potential special assessment bond capacity.	No bonding history.
	Change in Utah law required to assess state owned land.
	Risk of foreclosure.

NEW TRANSPORTATION DISTRICT

A new Point of the Mountain Transportation District for roads could be created by Salt Lake and/or Utah County under Title 17 of the Utah Code. The process is initiated either by the counties themselves by resolution, or by petition from a group of citizens.²¹³

²¹¹ See Exhibit 1H in Appendix H.

²¹² See Exhibits 4I and 5I in Appendix I.

²¹³ A local district can also be created by resolution of the Board of another local district as long as the proposed district is being created to provide one or more components of the same service that the creating district is authorized to provide, but which it is not currently providing.

The resolution or petition to create a local district must contain a description of the proposed boundaries of the district, a map that shows those boundaries, a description of the services to be provided, the type of local district to be created, the anticipated method of paying the costs of providing the service(s), and the number of board members for the proposed district.

If the local district being created is a basic local district, the petition must also state whether the board members will be appointed or elected, and if one or more board members will be elected, the basis of the election, and, if applicable, how the election or appointment of board members will transition over time from one method to another.

GOVERNING BOARDS

Every local or special service district is governed by a board of trustees. Each Utah district board must have at least three members, but there is no limit on the number of trustees. The regular term for all board members is four years. There are no limits on the number of terms a person may serve.

Board members of local districts must be registered voters residing within the district. With a few exceptions, the Utah Code prohibits a trustee from also being an employee of the district. All trustees must take an oath of office and be covered by fidelity bond insurance.

FINANCES

For financial reporting, districts can utilize either a calendar year ending December 31 or a fiscal year ending June 30, as stated in the documents that created the district. All accounting records must be kept according to generally accepted accounting principles (GAAP), and funds, accounts, systems of accounts must also be kept in accordance with the State Auditor's Uniform Accounting Manual for Local Districts. All Utah districts must also comply with the Utah Money Management Act.

TAXES

Each local district may levy a property tax in accordance with the State's Property Tax Act.²¹⁴ Such property tax cannot exceed the certified rate unless one of the following applies:

- Majority of the board of trustees are elected officials;
- Property tax has been approved by majority of voters at an election; or
- Property tax has been approved by the legislative body of the majority of municipalities within the district or county within which the district is located.

If a district sets a proposed tax rate which exceeds the certified rate, it cannot adopt its final budget until the public hearing specified in Title 59-2-919 has been held. All districts are subject to limitations on property taxes imposed to pay for operations and maintenance. A new basic local district has a maximum property tax levy of 0.0008.

²¹⁴ Title 59-2 of the Utah Code.

The maximum allowed property tax levy of 0.0008 within the new district would produce approximately \$23,973,802 annually. If the new district were to issue GO bonds against property tax revenues, the maximum outstanding GO debt of the District would be approximately \$311,849,693.²¹⁵

IMPACT FEES

If a district desires to impose an impact fee, it must comply with Title 11-36 of the Utah Code and do the following:

- Prepare and pass a resolution calling for the impact fee;
- Conduct an impact fee study to determine the appropriate amount of such a fee;
- Provide public notice of the possible fee 14 days prior to the public hearing;
- Hold a public hearing to take comment regarding the proposed fee.

PRIVATE SECTOR (P3)

The private sector can play a role in the funding of the POM Phase Two projects in one of three ways:

- (i) As a P3 partner;
- (ii) As a joint-venture development partner; and
- (iii) As the purchaser or lessee of lands within the Point of the Mountain Land Authority.

P3 PROVIDERS

P3 partners or concessionaires could refer to any private company, investment firm, etc. that could forge a partnership with a public agency. Many of these firms are in businesses that already have their hand in large construction projects such as builders, engineers, or construction lenders. Sometimes these firms form teams and create new LLCs to finance a particular project. Here are a few examples:

Golden Link Concessionaire, LLC, was formed by a consortium of well-known California-based businesses to finance the Presidio Parkway in a P3.

TIAA-CREF, a Fortune 100 financial services and teacher retirement organization teamed with the Dallas Fire and Police Pension Fund to finance and operate the North Tarrant Expressway and LBJ Expressway projects in Texas.

The Australian investment bank Macquarie, one of the biggest global funders of infrastructure Projects, is working to build and maintain a new Goethals Bridge to replace the span that connects Elizabeth, N.J., and Staten Island.

Many years ago, the State of Virginia used Fluor and Transurban, an Australian company, to build and operate high-occupancy tolls lanes along the Beltway to and from Washington, D.C.

²¹⁵ See Exhibit 2H in Appendix H.

Blackstone Group, the giant private equity firm, recently announced the establishment of a \$40 billion fund to invest mainly in infrastructure projects, with Saudi Arabia's main sovereign wealth fund

In California, a public-private partnership was formed by subsidiaries of Peter Kiewit Sons, Compagnie Financiere et Industrielle des Autoroutes, a French toll road company, and Granite Construction to ease congestion on bumper-to-bumper State Route 91. The solution was a four-lane toll road installed in the middle of the highway, which was then leased to and operated to these P3 providers.

Other examples of experienced P3 partners include Brookhurst Development & Advisory Corp, Ferrovial Agroman, American Infrastructure, Edgemoor Infrastructure and Real Estate teaming with Clark Construction Group LLC, Project Finance Advisory, Ltd., Plenary, Cintra, Skanska Infrastructure, Johnson Controls, AECOM, CH2M Hill, and Granite Construction.

Joint-Venture Development Partners

Any number of local, regional or national developers may want to team with the state to develop the land where the state prison currently sits. In a joint venture, they may bring their own cash to the table to help pay for infrastructure required to develop the land. Developers may likely be interested in joint agreements with the state, as the state's ability to provide land removes a significant, upfront capital cost that may be a barrier to entry for some.

Purchasers or Lessees

As land is developed within the POMLA, the state may be able to apply sale proceeds from purchasers or lease payments from land leases as a source of repayment on bonds that have been issued to finance the Phase Two projects. From a purchase perspective, the land in the POMLA will likely be desirable, due not only to the notable location, but also from the perceived commitment to major infrastructure projects. Other, large, undeveloped areas in the Salt Lake Valley have not undergone the same planning efforts, nor are they intended for significant transit and transportation upgrades. From a land leasing perspective, lessees may see reduced risk due to the planning and visioning that has occurred. Consequently, demand from both purchasers and land lessees may be healthy in the POMLA.



SECTION 3

THREE VIABLE OPTIONS

SECTION 3: THREE VIABLE OPTIONS

Drawing on the information from Section One (Available Funding Tools) and Section Two (Funding and Issuing Entities) in this study, three viable funding options made up of various components were developed that may be used to finance transportation projects identified in the Point of the Mountain Commission Study: Phase Two. The funding options are as follows:

- Traditional Option;
- Non-Traditional Option; and
- Hybrid Option.

The Traditional Option utilizes only traditional funding mechanisms but may pull from both existing and new revenue streams. The Non-Traditional Option utilizes only new funding mechanisms but may also pull from existing and new revenue streams. The Hybrid Option, as its name suggests, uses a mixture of traditional and new funding mechanisms, drawing from both new and existing revenue streams.

The options and the derived components were selected with the goal of accelerating construction of the most important POM study area projects which include the Mountain View Corridor and the extension of light rail lines through the POM study area.

OPTION ONE: TRADITIONAL FUNDING MECHANISMS

Option One utilizes traditional funding mechanisms and may incorporate both existing and new revenue streams. The four components of Option One include:

1. State of Utah General Obligation Bonds.
2. General Obligation Bonds issued by both Salt Lake and Utah Counties.
3. Cash contributions from individual cities within the POM study area.
4. Utah Transit Authority Sales Tax Revenue Bonds.

Each of these components will require either tax increases, the implementation of new taxes, the capture of tax increment, and/or elimination of sales tax exemptions to produce the revenues required to finance Phase Two projects. There are many possible combinations of these new revenue streams. A few possible combinations are presented in the following discussion.

COMPONENT #1 – STATE OF UTAH GENERAL OBLIGATION BONDS

As discussed in the “State of Utah” section in this report, the State is limited by several constraints in the issuance of new general obligation bonds. These restraints include constitutional and statutory limits, limits required to maintain the State’s triple-A bond ratings, and limits from possible competing needs for the State’s GO bond capacity.

Taking these limits into consideration, the State’s additional GO bonding capacity available for Phase Two projects from 2021 to 2026 are approximately \$3.6 billion. This calculation has assumed six annual issuances of GO bonds for the Phase Two projects beginning in 2021 as outlined in TABLE 55 below.²¹⁶

TABLE 55: STATE OF UTAH’S ADDITIONAL GO BONDING CAPACITY

Year of Issuance	Proceeds Amount	Par Amount
2021	\$ 1,788,000,000	\$ 1,656,365,000
2022	201,000,000	186,200,000
2023	530,000,000	490,980,000
2024	254,000,000	235,300,000
2025	560,000,000	518,770,000
2026	315,000,000	291,810,000
Total	\$ 3,648,000,000	\$ 3,379,425,000

²¹⁶ Source: Zions Public Finance.

Additional capacity is also available after the sixth issue in 2026 if needed. Included in the calculation is the issuance of the remaining \$564 million of unissued highway bonds from the 2017 authorization, and an additional \$918 million in debt for the Lake Powell Pipeline divided in \$306 million equal issues in 2022, 2024, and 2026.

The additional bonding capacity calculation ignores the current legislatively-mandated debt limit for highway bonds which is 50 percent of the constitutional debt limit as that limitation applies only to the \$1 billion in highway bonds authorized in 2017. Using the six issues totaling \$3.6 billion, the maximum outstanding GO debt registers 67 percent of the constitutional debt limit at its highest point in 2021. The real constraint under this scenario comes from the maximum debt ratios that the State could incur while still maintaining its triple-A bond status – more specifically the debt per capita ratio. The debt is structured to never exceed \$1,326 per capita which was the State's ratio in 2013 - the highest level in recent years which came about after the issuance of approximately \$3 billion in GO bonds for the I-15 CORE project and Mountain View Corridor projects.

Having capacity to issue bonds under the State's debt limits does not mean the State will have the revenue to make debt service payments on the new debt. New revenue streams will need to be developed before issuing new GO bonds.

Assuming State GO bonds would only be used to fund the State road projects and possibly the trail projects found on the Phase Two list, the amount of bonding needed would be \$2.5 billion. The "County General Obligation Bonds" and the "Cash Contributions from Individual Cities" components²¹⁷ could also be used to pay for these road and trail projects. Annual principal and interest payments required to support the \$2.516 billion in general obligation debt described above have been calculated. The highest annual payment is estimated \$220.9 million in 2035.

The revenues to make these debt service payments could be generated from any of the new revenue streams identified under the "New Revenues" section of this report. For example, a focus on four or five of the new revenue streams could yield the following results:

²¹⁷ Described below.

TABLE 56: STATE OF UTAH REVENUE SOURCES AND REVENUE AMOUNTS

Revenue Source	Revenue Amount
Increase in motor fuel (gasoline) tax	\$69M annually for every \$0.05 increase
Elimination of sales tax exemption on vehicle trade-ins	\$69.6M annually
Increase vehicle registration fees in Salt Lake and Utah Counties	\$21.5M annually for every \$15 increase
Increase cigarette tax	\$26M annually for every \$0.50 increase

Total potential annual revenues from just these four options would total approximately \$179.5 million annually. The magnitude and variety of the mix of these revenue options are limitless.

A financial model has been developed allowing the selection of various potential revenue streams, the magnitude of the tax or fee increase, and the total resulting revenue stream by year.

COMPONENT #2 – SALT LAKE COUNTY AND UTAH COUNTY GENERAL OBLIGATION BONDS

As previously discussed in this report,²¹⁸ each county has substantial GO bonding capacity under the debt limits found in state law. A majority of voters in each county must approve the issuance of GO bonds. Voter approval gives the county the right to increase property taxes, creating a new revenue stream. Therefore, the real constraints on this component are what voters will approve at an election and the impact to the bond ratings of each county as a result of additional debt.

A GO bond election with a \$50 annual tax impact on the average home value in Salt Lake County would produce enough revenue to support \$361.6 million in Phase Two road and trail projects. A GO bond election with a \$50 annual tax impact on the average home value in Utah County would produce enough revenue to support \$138.1 million in Phase Two road and trail projects. If the citizens of these two counties see the need for these projects, a \$50 tax increase on the average homeowner may feasibly garner voter support.

TABLE 57: SALT LAKE AND UTAH COUNTIES REVENUE SOURCES AND REVENUE AMOUNTS

Revenue Source	Revenue Amount
GO bond election with \$50 tax impact on average home value in Salt Lake County	\$361.6M
GO bond election with \$50 tax impact on average home value in Utah County	\$138.1M

²¹⁸ Under the headings “Salt Lake County” and “Utah County.”

Both counties currently have very low debt ratios. It is not anticipated the potential new debt in these amounts will negatively affect the bond ratings of either county. Counties must own what they finance during the period that the bonds are outstanding, but this ownership problem can be overcome with various agreements between the counties and the State.

COMPONENT #3 – CASH CONTRIBUTIONS FROM INDIVIDUAL CITIES

None of the cities within POM study area could reasonably identify funding plans for any significant pieces of the Phase Two projects. Some cities identified smaller portions of the Phase Two projects, and many expressed interest in accelerating projects that would bring added benefits to their communities such as improved traffic flow or commercial development.

The following is a summary of projects in which each city might be interested in participating.²¹⁹ Revenues made available by the cities for Phase Two projects could be used to support the State or County GO bond payments, although the details would have to be evaluated by and agreed to by each city on an individual basis.

Bluffdale

Bluffdale has already commenced a portion of the trail along Porter Rockwell Blvd and plans to contribute \$850,000 in grant money, assuming the City can obtain the grant.

The 14600 South operational improvements and trestle widening project, estimated at around \$26 million is a priority for Bluffdale and likely a project in which the City would participate. Bluffdale estimates approximately half of the project costs, or \$13 million might be considered be their responsibility, but would like to discuss options such as going over rather than under the railroad tracks.

Sandy

With plans to develop the “downtown” area of Sandy City from the ReAl Soccer Stadium through 11400 South and particularly from City Hall to the Shops at South Town in an area known as the Cairns, Sandy would very much like to see the Blue Line light rail expansion through that area. The City is open to alignment discussions and what makes the most sense and has indicated a willingness to accommodate alignment in almost any way conceivable. Funding for the light rail project will be difficult as the City has approximately \$40 million of other projects queued up over the next few years.

Lehi

In Lehi, construction is underway for the Southern Utah Historic RR Trail. The City is currently funding approximately \$1.3 million in cost overruns from city funds and has obtained money from MAG to help pay for a portion of the costs.

Lehi indicates it is not able to participate at this time in other funding prospects. A majority of the Phase Two projects are regional in nature, and allow the public to pass through Lehi, not necessarily stay in Lehi. However, the City is willing to consider options such as corridor preservation by offering density bonuses to developers on certain projects because of the more direct benefit to the City. Such projects would

²¹⁹ Based on Zions Public Finance interviews with each city.

include the light rail extension into the Adobe site and a North/South Boulevard connecting Porter Rockwell Boulevard to 2100 North in Lehi.

Draper

Draper does not currently have the revenue to assist in financing Phase Two transportation improvements. If the City had sufficient revenue, they would discuss financing options. The City is also concerned about the impact to city services in this area with questions regarding the potential service provider for water, street maintenance, garbage collection, storm drainage, snow removal or other services if the Prison Site is owned by the State of Utah.

South Jordan

South Jordan sees the benefit of increased transportation through its boundaries with the construction of the Mountain View Corridor or extension of the Red or Blue light rail lines. The City is supportive of any alignment and does not want to be perceived as favoring one alignment over another to the detriment of neighboring communities. The City indicated a circulator bus line connecting the existing Blue line to a new west-side line may be cheaper than routing light rail under I-15 and still give the same benefit.

South Jordan does not have any of the projects on their funding radar, and any request would put pressure on their nearly \$50 million of other capital needs consisting of a public safety facility, public works facility and Police and Fire training area.

Riverton

Riverton is not planning funding for any of the Phase Two projects as the majority of the projects involve State owned roads. However, the City would see some indirect benefit from mass transit projects such as the system to system inter-connect project or express lanes/reverse lanes on 12600 or 13400 South.

Herriman

Recent actions by the State Legislature created some concerns for Herriman City. The takeover of the Inland Port, cuts in court funding, limitations on business licenses, and impact fee restrictions are frustrations that curtail funding for local governments. To compound concerns, the State offers statewide incentives to businesses that create jobs (thus bringing in more people which require cities to supply services and construct additional infrastructure). Herriman is not alone in these concerns. For project funding, the City is not in a position to help finance Phase Two projects. Herriman would like more discussion regarding revenue sharing from the state level with local governments prior to exploring financing alternatives.

Projected Revenue from City Growth

The benefit estimated by the land use planning options in Phase Two provides substantial increased revenue. The cities believe all projected additional revenue would be needed to fund increased city services and would not be available to help pay for new capital projects. This study has not attempted to dispute these claims or evaluate the appropriate level of revenue sharing. TABLE 58 below outlines total revenue projected for each city due to growth spurred by land use plans modeled in POM Phase Two. The potential increased revenues might be available with the cooperation of the cities to help cover debt payments. Of course, these amounts would be collected over a 35-year horizon and typically ramp up over time with

growth in the area.²²⁰ As previously discussed, due to limiting factors on each of the cities' existing debt such as ABT or constitutional GO debt capacity, it is not anticipated the cities would be the issuer of debt, only that they may have some ability to share revenue for debt payments.

TABLE 58: TAX INCREMENT PROJECTIONS

City	Revenue (35 Years)	25% of Revenue	50% of Revenue
Bluffdale	\$268,864,543	\$67,216,136	\$134,432,272
Draper	\$328,173,953	\$82,043,488	\$164,086,976
Herriman	\$449,439,466	\$112,359,867	\$224,719,733
Lehi	\$859,456,123	\$214,864,031	\$429,728,062
Riverton	\$198,822,643	\$49,705,661	\$99,411,321
Sandy	\$490,262,518	\$122,565,629	\$245,131,259
South Jordan	\$892,029,777	\$223,007,444	\$446,014,889

COMPONENT #4 – UTAH TRANSIT AUTHORITY SALES TAX REVENUE BONDS

UTA has the capacity to issue more than \$1 billion in new sales tax revenue bonds while staying within its existing bond covenants and ratios.²²¹

Having capacity to issue bonds under the State's debt limits does not mean UTA will have the revenue required to make debt service payments on the new debt. New revenue streams will need to be developed before issuing new UTA bonds.

As previously discussed, the new 0.25 percent 2219 tax recently adopted by Salt Lake and Utah Counties will produce approximately \$36.8 million for UTA, but UTA has already programmed these funds for maintenance and operations.²²²

Assuming UTA sales tax revenue bonds would only be used to fund transit projects found on the Phase Two list, the amount of bonding needed would be \$1.28 billion. The annual principal and interest payments required to support \$1.28 billion in UTA sales tax revenue bonds is estimated at \$94.2 million per year.²²³

²²⁰ For complete details regarding the cash flow over time, see Exhibit 4 Appendix D.

²²¹ See "The Utah Transit Authority" section in this report for more detail.

²²² Under the heading "Sales and Use Taxes," existing sales taxes were outlined that currently support UTA.

²²³ See Exhibit 3H in Appendix H.

The revenues to make these debt service payments could be generated from any of the new revenue streams identified under the “New Revenues” section of this report. For example, a focus on four or five of the new revenue streams could yield the following results:

TABLE 59: POSSIBLE REVENUE SOURCES

Revenue Source	Revenue
Both Salt Lake and Utah Counties impose the new 2220 sales tax of 0.20 percent after July 1, 2019.	\$70.3M Annually
Additional increase in the sales tax rate in Salt Lake and Utah Counties.	\$91M Annually for every 0.25% increase
Broaden the sales tax base by 20 percent, ²²⁴ but only lower the rate by 17 percent.	\$102.2M Annually

Advantages and Disadvantages

In addition to the advantages and disadvantages regarding the revenues and mechanisms found throughout this study, TABLE 60 lists advantages and disadvantages specific to Option One:

TABLE 60: OPTION ONE ADVANTAGES AND DISADVANTAGES

Advantages Option One: Traditional Funding Mechanisms	Disadvantages Option One: Traditional Funding Mechanisms
Has the potential to accelerate Phase Two projects.	Political will is required to raise taxes or fees.
All funding mechanisms are well known and understood.	Political will is required for Salt Lake and Utah Counties to propose bond elections.
State and county bond ratings would not be jeopardized.	County GO bonds are dependent on voter approval.
There is adequate capacity under debt limits and bond covenants.	There are fixed costs associated with holding GO bond elections (win or lose).
The costs of financing would be predictable.	Tax increases place additional financial burdens on citizens.
Revenues would not be dependent on growth.	State bonding capacity may not be available for unforeseen projects.
Infinite variety of revenue mixes are available.	Some revenue options are mutually exclusive.
Bonds issued by these highly-rated entities are issued at relatively low rates.	

²²⁴ By eliminating sales tax exemptions.

OPTION TWO: NON-TRADITIONAL FUNDING MECHANISMS

Non-traditional funding mechanisms may pull from existing and new revenue streams. There are six components in Option Two as follows:

1. Utilizing a P3 Model for the Mountain View Corridor.
2. Utilizing a P3 Model for the Light Rail Extensions.
3. Tax Increment Bonds from Transportation Reinvestment Zones.
4. Tax Increment Bonds from the Point of the Mountain Land Authority.
5. General Obligation Bonds issued by a new Local Transportation District.
6. Federal Grant Money.

Some of these components will require either tax increases, implementation of new taxes, capture of tax increment, and/or elimination of sales tax exemptions to produce the revenues required to finance Phase Two transportation projects. There are many possible combinations of these new revenue streams. This report discusses a few of the possible combinations.

COMPONENT #1 – UTILIZING A P3 MODEL FOR MOUNTAIN VIEW CORRIDOR

A Public Private Partnership (P3) model using a revenue-based payment mechanism could be used to fund the \$1.3 billion cost to complete the Mountain View Corridor (MVC). As previously described in detail,²²⁵ using a revenue-based payment mechanism would shift the risk of financing, constructing, operating, and maintaining the MVC from the State to the private sector. The P3 concessionaire would only be willing to accept these risks if the MVC were tolled and if a thorough study found that those tolls created a positive cash flow as well as a profit for the P3 provider.

UDOT indicated that past studies have shown that tolling MVC would cashflow as a P3; however, public opinion was strongly opposed to the toll at the time. If a P3 model is utilized, it may be necessary to impose the toll on a bigger system that includes I-215 and MVC to blunt criticism of west-side bias. If so, the State should also expect to receive an up-front payment from the P3 concessionaire for the right to toll and operate an existing system.

²²⁵"Public Private Partnership (P3)" Section.

Since the State can borrow at low, tax-exempt rates and does not need a profit margin, P3s usually start at a disadvantage on the financing side of a P3 evaluation. However, by applying for a special private activity bond allocation from the Secretary of Transportation,²²⁶ the P3 provider can borrow at tax-exempt rates, lowering the interest component into the five percent to six percent range.

This kind of revenue-based P3 would not require any payment from the State nor would the debt be reflected on the State's books or be counted in the calculation of the State's debt ratios. The MVC would still be owned by the State and would revert to the care of the State once the term of the Concession Agreement was over.

P3s are highly-complex, labor-intensive, project-specific agreements that require specialized expertise to negotiate successfully.

COMPONENT #2 – UTILIZING A P3 MODEL FOR LIGHT RAIL EXTENSIONS

A Public Private Partnership (P3) model using an availability-based payment mechanism could be used to fund the \$1 billion cost to extend light rail through the prison site to Lehi. As previously described,²²⁷ using an availability-based payment mechanism would shift the risk of financing, constructing, operating, and maintaining the light rail extensions from UTA to the private sector. The P3 concessionaire would only be willing to accept these risks if UTA agreed to make "availability payments" to the P3 provider.

This type of P3 is very different from the one described in component #1 above. In this case, the rider fares from light rail will not pay for the construction of the system as ridership fares provide just under 20 percent of the cost to build and operate the current light rail systems and UTA has acknowledged that steep fare increases would lead to commensurate drops in ridership. As such, the P3 provider cannot rely on revenues produced by the project to pay for construction costs.

The availability payments required under this model would be considered UTA "debt" for accounting purposes and would be counted against the Authority's debt ratios. UTA would need a new revenue stream as the source of the availability payments.

As the amount of the availability payment is the subject of intense negotiation between the P3 provider and UTA, in addition, many of the components including the P3 concessionaire's credit and profit requirements are unknown, it is impossible to predict what the revenue requirement would be. Using a rough estimate of \$1 billion at six percent over 30 years, the availability payment may be in the range of \$72 million per year.²²⁸

The revenues to make these debt service payments could be generated from any of the new revenue streams identified under the "New Revenues" section of this report. For example, a focus on four or five of the new revenue streams could yield the following results:

²²⁶ Discussed in the "Private Activity Bonds" section.

²²⁷ Discussed in the "Public Private Partnership (P3)" section.

²²⁸ See Exhibit 11 in Appendix I.

TABLE 61: POSSIBLE REVENUE SOURCES

Revenue Source	Revenue Amount
Both Salt Lake and Utah Counties impose the new 2220 sales tax of 0.20 percent after July 1, 2019.	\$70.3M Annually
Additional increase in the sales tax rate in Salt Lake and Utah Counties.	\$91M Annually for every 0.25% increase
Broaden the sales tax base by 20 percent, ²²⁹ but only lower the rate by 17 percent.	\$102.2M Annually

Total potential annual revenues from one or a combination of these options could generate the funds to make the estimated availability payments. The magnitude and variety of the mix of these revenue options are limitless. A financial model has been developed allowing the selection of various potential revenue streams, the magnitude of the tax or fee increase, and the total resulting revenue stream by year.

COMPONENT #3 – TAX INCREMENT BONDS FROM TRANSPORTATION REINVESTMENT ZONES

Component three involves the State in conjunction with various cities within the POM study area, creating two Transportation Reinvestment Zones (TRZs):

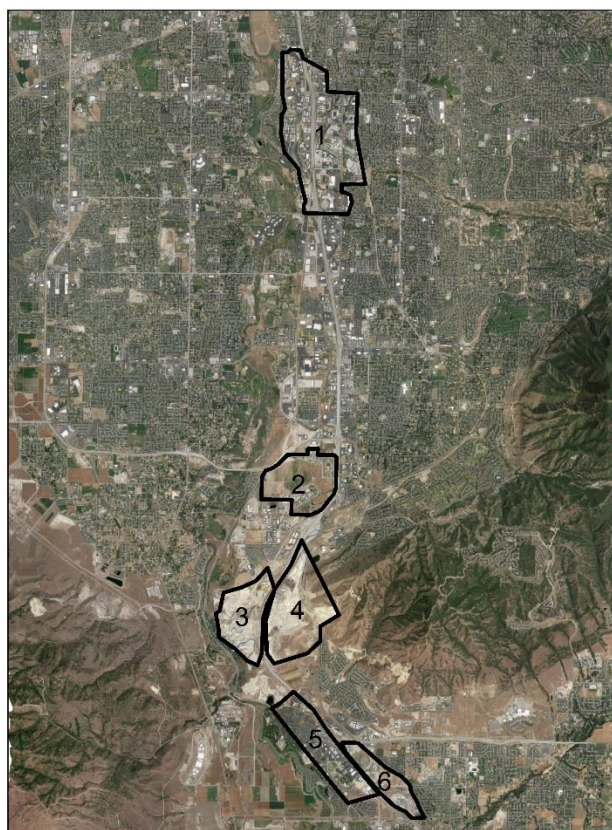
- (i) Light Rail TRZ; and
- (ii) Mountain View Corridor TRZ

The areas included in each TRZ is shown in Table 62 and illustrated in Figure 9 on the following page.

TABLE 62: TRANSPORTATION REINVESTMENT ZONE DESCRIPTIONS

Light Rail TRZ	Mountain View Corridor TRZ
Prison Site (POMLA)	Herriman
Bluffdale Gravel Pits	Riverton
Draper Gravel Pits	South Jordan West
Lehi Thanksgiving Point 1.0	
Lehi Thanksgiving Point 2.0	
Sandy Downtown	
South Jordan East	

²²⁹ By eliminating sales tax exemptions.



- 1 - Downtown Sandy
- 2 - Prison Site
- 3 - Gravel Pits - Bluffdale
- 4 - Gravel Pits - Draper
- 5 - Thanksgiving Point
- 6 - Thanksgiving Point 2.0

Figure 9:TRZ Map

TRZs are new tools created in the Utah Legislature's 2018 General Session by Senate Bill 136.²³⁰ Like Community Reinvestment Areas (CRAs), TRZs freeze property values in a base year and collect incremental increases in property taxes as development occurs. The amount of increment to be shared would be negotiated between the public entities. Unlike CRAs, no new agency, project area plan, affordable housing requirement, or budget are required to create a TRZ.

A TRZ must be centered around transportation infrastructure needs because the agreement between the parties must define the transportation need and proposed investment.

TABLE 63 shows the projected amount of increment to be derived from the Light Rail and Mountain View Corridor TRZs²³¹. This is significant new revenue against which bonds may be issued and Phase Two projects funded.

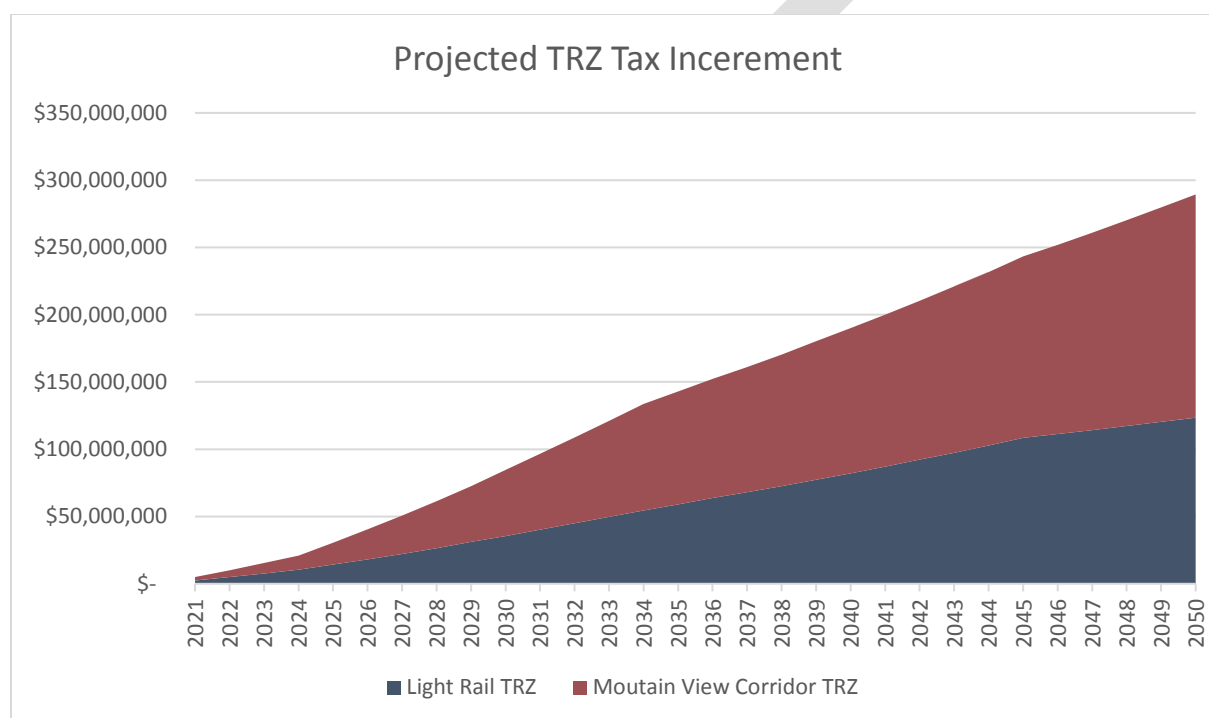
²³⁰ The process of creating these TRZs is outlined in detail in the section titled "Transportation Reinvestment Zones".

²³¹ Includes increment for all taxing entities in the TRZ (County, City, School District).

TABLE 63: TRZ INCREMENT PROJECTIONS²³²

Year	Light Rail TRZ Projected Increment	Mountain View Corridor TRZ Projected Increment
2021	\$2,459,392	\$2,490,018
2025	\$14,222,790	\$16,290,371
2030	\$35,481,796	\$49,263,544

Figure 10: Projected TRZ Tax Increment



Based on the projected increment, and assuming a 50 percent sharing arrangement, the projected increment from the two TRZs combined could support \$796.3 million in Tax Increment Bonds.²³³ Assuming a 75 percent sharing agreement with the cities, the combined increment could support \$1.194 billion in Tax Increment Bonds.²³⁴

As the bond market will require a coverage component, only 80 percent of the State's portion of available increment may be used for debt service. These bonds could finance a wide range transportation related projects including roads, multi-modal transportation improvements, street widenings, street landscaping, pedestrian access and walkways, transit-oriented development, transit, expanded bus routes, parking garages, etc. Financing with another mechanism such as GO bonds would not require the coverage component but could still be paid with this revenue stream.

²³² Source: RCLCO:ZPFI.

²³³ See Exhibit 2I in Appendix I.

²³⁴ See Exhibit 3I in Appendix I.

COMPONENT #4 – TAX INCREMENT BONDS FROM THE POINT OF THE MOUNTAIN LAND AUTHORITY

Similar to component three, the State, in conjunction with Draper City, would create a Transportation Reinvestment Zone or a CRA to capture both property and sales tax increment within the 700 acres comprising the Point of the Mountain Land Authority.

In 2021, it is projected that the Land Authority would produce approximately \$1.8 million in both property and sales tax increment. In the year 2025 revenues are projected to grow to approximately \$8.4 million. By 2030, projected revenues are approximately \$21.8 million²³⁵. This is significant new revenue against which bonds may be issued and Phase Two projects funded.

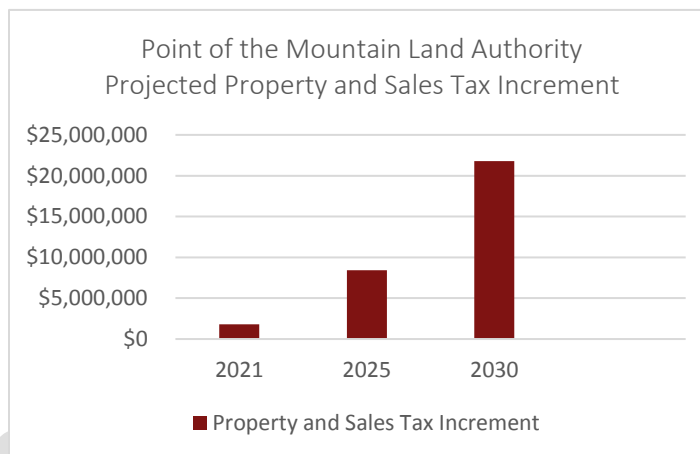


Figure 11: POMLA Projected Tax Increment

Based on the projected increment, and assuming a 50 percent sharing arrangement with Draper City, the projected increment could support approximately \$154.3 million in tax increment bonds²³⁶. Assuming a 75 percent sharing agreement with Draper, the combined increment could support approximately \$231.5 million in tax increment bonds.²³⁷

Again, only 80 percent of State's portion of the available increment may be used for debt service.

If both component three and component four are utilized, the Land Authority property tax increment would need to be removed from component three as the property tax portion of the increment flowing from the Point of the Mountain Land Authority is also included in the Light Rail TRZ. The Land Authority property tax increment totals \$1.3 million in 2021, \$7.5 million in 2025, and \$19.7 million in 2030. As reflected in the numbers, the Land Authority is projected to be the main anchor tax increment producer in the Light Rail TRZ.

There is often a lag between the time a tax increment project area is created, and the time increment from new growth begins to flow. The only collateral for a tax increment bond is usually the incremental taxes generated from new improvements. As such, purchasers will not buy such bonds until there is a history of adequate increment for the area or strong evidence the increment will soon materialize.

Rather than waiting a few years for adequate increment to develop, Draper City or the POMLA could create a special assessment area, the boundaries of which would be coterminous with the boundaries of the tax increment area. The creating entity can then issue tax increment bonds secured by both the

²³⁵ Source: RCLCO:ZPFI

²³⁶ See Exhibit 4I in Appendix I.

²³⁷ See Exhibit 5I in Appendix I.

anticipated tax increment as well as by the special assessments. Alternatively, it can issue special assessment bonds with tax increment as additional collateral. In the early years of the life of the bonds, the payment may come from the levy of the special assessment. Later, as increment begins to flow, the special assessments are abated to the extent the increment is available for debt service. If development occurs as planned, the special assessment can be completely abated in favor of the tax increment.

A change in Utah Code Section 11-42-408 would be required to allow state-owned property within the Land Authority to be assessed. As the only land owner within the Land Authority, the State could consent to the assessments and agree to a ramped-up assessment schedule aligning with the projected increment. If increment isn't available and the state is charged a special assessment, repayment could come from land sales, land leases, or general appropriations. If the State failed to make the assessment payment, bond holders could foreclose the land under current Utah law. There are still legal questions surrounding the potential use of this tool for government-owned property.

COMPONENT #5 – GENERAL OBLIGATION BONDS ISSUED BY A NEW LOCAL TRANSPORTATION DISTRICT

Component five includes a new Point of the Mountain Transportation District for roads created by Salt Lake and/or Utah County under Utah Code, Title 17. The new Transportation District would cover the entire POM study area and be an independent local district with the power to tax and issue debt. The stated purpose of the District would be to provide transportation infrastructure. The new District must have at least three board members who live within the district. Board members may be elected or appointed.

The new District would have a maximum property tax levy of 0.0008 and its general obligation debt could not exceed five percent of the fair market value of taxable property within the District.

The maximum allowed property tax levy of 0.0008 within the new district would produce approximately \$24.0 million annually. If the new district were to issue general obligation bonds against property tax revenues, the maximum outstanding GO debt of the District would be approximately \$311.8 million.²³⁸

Voters within the new District would have to approve both the property tax increase and any new GO bonding. A more feasible tax increase of \$50 would produce \$6.6 million annually. Assuming bonds are issued at a rate of 4.5 percent, these annual revenues would support \$86.1 million in bonding over a 20-year period to pay for transportation improvements.²³⁸

If the citizens living within this new District can see the need for these projects, a \$50 tax increase on the average homeowner is within the realm of reason in garnering voter support.

Both the creation of the new district as well as the property taxes and bonding authorization would be subject to the will of the people living within the new district.

COMPONENT #6 – OBTAINING FEDERAL GRANT MONEY

Federal grant money is available for transportation and transit projects through various programs. Some of the larger and better funded programs include the Federal Transit Administration's Capital Investment

²³⁸ See Exhibit 2H in Appendix H.

Grant program, the Infrastructure for Rebuilding America (INFRA) Grant program, and the Better Utilizing Investments to Leverage Development (BUILD) program.

UDOT and UTA have applied for and received federal grants in the past. However, because Utah's transportation infrastructure is generally in better condition than many other states, federal grant money often goes to areas where the need is greatest or most urgent.

Almost all federal money comes with some strings attached. Examples include "Buy America" and Davis-Bacon wage requirements. Both UDOT and UTA have commented on the heavy burden of tracking these requirements.

Despite these drawbacks, grant money does not need to be repaid and, therefore, should be pursued for Phase Two projects to the greatest extent possible. The "Federal Grants" section of this report includes more detail regarding available programs and funding.

ADVANTAGES AND DISADVANTAGES

In addition to the advantages and disadvantages of revenues and mechanisms found throughout this study, TABLE 64 includes advantages and disadvantages specific to option two.

TABLE 64: OPTION TWO ADVANTAGES AND DISADVANTAGES

Advantages Option Two: Non-Traditional Funding Mechanisms	Disadvantages Option Two: Non-Traditional Funding Mechanisms
Potential to accelerate Phase Two projects.	P3 funding is not well understood and requires significant time and expertise.
State and County bond ratings would not be jeopardized.	Tolling roads would be politically unpopular.
Doesn't use State GO bond capacity.	Costs of a P3 availability payment financing for light rail would be unpredictable.
P3 Agreement for MVC does not count as debt for the State.	Political will is required to raise taxes or fees.
Possible up-front payment from P3 concessionaire for tolling an existing system.	Tax increment revenues dependent on growth.
Potential capture of design and operating efficiencies by using P3s.	Other taxing entities may oppose capture of tax increment.
Infinite variety of revenue mixes available.	Tax increment redirected to infrastructure would not be available to provide other services required by growth.
Federal grants do not need to be repaid.	May need to change special assessment law.
	Assessing State property may put it at risk of foreclosure.
	Taxing and GO bonding by a new local district are dependent on voter approval.
	Fixed costs associated with holding GO bond elections (win or lose).

Advantages	Disadvantages
Option Two: Non-Traditional Funding Mechanisms	Option Two: Non-Traditional Funding Mechanisms
	Tax increases place additional financial burdens on citizens.
	Some revenue options are mutually exclusive.
	Federal grants may impose some higher construction costs and a hassle factor.

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HYBRID OPTIONS

The Hybrid Option or Option Three utilizes a combination of traditional and non-traditional funding mechanisms, pulling from existing and new revenue streams. The six components in Option Three are as follows:

1. Utilizing a P3 Model for the Mountain View Corridor.
2. State of Utah General Obligation Bonds.
3. Utah Transit Authority Sales Tax Revenue Bonds.
4. Tax Increment Bonds from Transportation Reinvestment Zones.
5. Tax Increment Bonds from the Point of the Mountain Land Authority.
6. Federal Grant Money.

Some of these components will require either tax increases, implementation of new taxes, capture of tax increment, and/or elimination of sales tax exemptions to produce the revenues required to finance the Phase Two projects. There are many possible combinations of these new revenue streams. A few of the possible combinations are presented in the following discussion.

COMPONENT #1 – UTILIZING A P3 MODEL FOR MOUNTAIN VIEW CORRIDOR

A Public Private Partnership (P3) model using a revenue-based payment mechanism could be used to fund the \$1.3 billion cost to complete the Mountain View Corridor (the MVC). As previously described,²³⁹ using a revenue-based payment mechanism would shift the risk of financing, constructing, operating, and maintaining the MVC from the State to the private sector. The P3 concessionaire would only be willing to accept these risks if the MVC were tolled and if a thorough study found that those tolls created a positive cash flow as well as a profit for the P3 provider.

UDOT indicated that past studies have shown that tolling MVC would cashflow as a P3; however, public opinion was strongly opposed to the toll at the time. If a P3 model is utilized, it may be necessary to impose the toll on a greater system, say I-215 and MVC, to blunt criticism of west-side bias. If so, the State

²³⁹ Discussed in the “Public Private Partnership (P3)” section.

should also expect to receive an up-front payment from the P3 concessionaire for the right to toll and operate an existing system.

As the State can borrow at low, tax-exempt rates and does not need a profit margin, P3s usually start at a disadvantage on the financing side of a P3 evaluation. However, by applying for a special private activity bond allocation from the Secretary of Transportation,²⁴⁰ the P3 provider can borrow at tax-exempt rates, lowering the interest component into the five percent to six percent range.

This kind of revenue-based P3 would not require any payment from the State nor would the debt be reflected on the State's books or be counted in the calculation of the State's debt ratios. The MVC would still be owned by the State and would revert to the care of the State once the term of the Concession Agreement was over.

P3s are highly-complex, labor-intensive, project-specific agreements that require specialized expertise to negotiate successfully.

COMPONENT #2 – STATE OF UTAH GENERAL OBLIGATION BONDS

The State is limited by several constraints in the issuance of new general obligation bonds. These constraints include constitutional and statutory limits, limits required to maintain the State's triple-A bond ratings, and limits from possible competing needs for the State's GO bond capacity.

Taking these limits into consideration, the State's additional GO bonding capacity available for Phase Two projects from 2021 to 2026 are approximately \$3.6 billion. This calculation has assumed six annual issuances of GO bonds for the Phase Two projects beginning in 2021.

TABLE 65: STATE OF UTAH ADDITIONAL BONDING CAPACITY

Year of Issuance	Proceeds Amount	Par Amount
2021	\$ 1,788,000,000	\$ 1,656,365,000
2022	201,000,000	186,200,000
2023	530,000,000	490,980,000
2024	254,000,000	235,300,000
2025	560,000,000	518,770,000
2026	315,000,000	291,810,000
Total	\$ 3,648,000,000	\$ 3,379,425,000

Additional capacity is also available after the sixth issue in 2026 if needed. Included in the calculation is the issuance of the remaining \$564 million of unissued highway bonds from the 2017 authorization, and an additional \$918 million in debt for the Lake Powell Pipeline divided in \$306 million equal issues in 2022, 2024, and 2026.

²⁴⁰ Discussed in the "Private Activity Bonds" section.

The additional bonding capacity calculation ignores the current legislatively-mandated debt limit for highway bonds which is 50 percent of the constitutional debt limit as that limitation applies only to the \$1 billion in highway bonds authorized in 2017. Using the six issues totaling \$3.6 billion, the maximum outstanding GO debt registers 67 percent of the constitutional debt limit at its highest point in 2021. The real constraint under this scenario comes from the maximum debt ratios the State could incur while still maintaining its triple-A bond status – more specifically the debt per capita ratio. The debt is structured to never exceed \$1,326 per capita which was the State’s ratio in 2013 - the highest level in recent years which came about after the issuance of approximately \$3 billion in GO bonds for the I-15 CORE project and Mountain View Corridor projects.

Having capacity to issue bonds under the State’s debt limits does not mean the State will have the revenue required to make debt service payments on the new debt. New revenue streams will need to be developed before issuing new GO bonds.

Assuming State GO bonds would only be used to fund the State road projects and possibly the trail projects found on the Phase Two list, the amount of bonding needed would be \$2.516 billion. The “County General Obligation Bonds” and the “Cash Contributions from Individual Cities” components (both described below) could be used to pay for these road and trail projects as well.

The highest annual payment required to support the \$2.516 billion in general obligation debt described above is estimated \$220.9 million in 2035.

The revenues to make these debt service payments could be generated from any of the new revenue streams identified under the “New Revenues” section of this report. For example, a focus on four or five of the new revenue streams could yield the following results:

TABLE 66: POSSIBLE REVENUE SOURCES

Revenue Source	Revenue Amount
Increase in motor fuel (gasoline) tax	\$69M annually for every \$0.05 increase
Elimination of sales tax exemption on vehicle trade-ins	\$69.6M annually
Increase vehicle registration fees in Salt Lake and Utah Counties	\$21.5M annually for every \$15 increase
Increase cigarette tax	\$26M annually for every \$0.50 increase

Total potential annual revenues from just these four options would total approximately \$179.5 million per year. The magnitude and variety of the mix of these revenue options are limitless. A financial model has been developed allowing the selection of various potential revenue streams, the magnitude of the tax or fee increase, and the total resulting revenue stream by year.

COMPONENT #3 – UTAH TRANSIT AUTHORITY SALES TAX REVENUE BONDS

UTA has the capacity to issue more than \$1 billion in new sales tax revenue bonds while staying within its existing bond covenants and ratios.²⁴¹

Having capacity to issue bonds under the State's debt limits does not mean UTA will have the revenue required to make debt service payments on the new debt. New revenue streams will need to be developed before issuing new UTA bonds.

The new 0.25 percent 2219 tax recently adopted by Salt Lake and Utah Counties will produce approximately \$36.8 million for UTA, but UTA has already programmed these funds for maintenance and operations.²⁴²

Assuming UTA sales tax revenue bonds would only be used to fund the transit projects found on the Phase Two list, the amount of bonding needed would be \$1.280 billion. The annual payment to support \$1.280 billion in UTA sales tax revenue bonds is estimated at \$94.2 million per year.

The revenues to make these debt service payments could be generated from any of the new revenue streams identified under the "New Revenues" section of this report. For example, a focus on four or five of the new revenue streams could yield the following results:

TABLE 67: POSSIBLE REVENUE SOURCES

Revenue Source	Revenue Amount
Both Salt Lake and Utah Counties impose the new 2220 sales tax of 0.20 percent after July 1, 2019.	\$70.3M Annually
Additional increase in the sales tax rate in Salt Lake and Utah Counties.	\$91M Annually for every 0.25% increase
Broaden the sales tax base by 20 percent, ²⁴³ but only lower the rate by 17 percent.	\$102.2M Annually

COMPONENT #4 – TAX INCREMENT BONDS FROM TRANSPORTATION REINVESTMENT ZONES

Component four involves the State in conjunction with various cities within the POM study area, creating two Transportation Reinvestment Zones (TRZs): (1) Light Rail TRZ and (2) Mountain View Corridor TRZ.

²⁴¹ See discussion under heading "The Utah Transit Authority" for more detail.

²⁴² See the "Sales and Use Taxes," for more detail.

²⁴³ By eliminating sales tax exemptions.

TABLE 68: TRANSPORTATION REINVESTMENT ZONE DESCRIPTIONS

Light Rail TRZ	Mountain View Corridor TRZ
Prison Site (Point of the Mountain Land Authority)	Herriman
Bluffdale Gravel Pits	Riverton
Draper Gravel Pits	South Jordan West
Lehi Thanksgiving Point 1.0	
Lehi Thanksgiving Point 2.0	
Sandy Downtown	
South Jordan East	

TRZs are new tools created in the Utah Legislature's 2018 General Session by Senate Bill 136. The process of creating these TRZs is outlined in detail in the section titled "Transportation Reinvestment Zones". Like Community Reinvestment Areas (CRAs), TRZs freeze property values in a base year and collect incremental increases in property taxes as development occurs. The amount of increment to be shared would be negotiated between the public entities. Unlike CRAs, no new agency, project area plan, affordable housing requirement, or budget are required to create a TRZ.

A TRZ must be centered around transportation infrastructure needs because the agreement between the parties must define the transportation need and proposed investment.

The projected amount of increment to be derived from these two areas as shown in TABLE 69 below. This is significant new revenue against which bonds may be issued and Phase Two projects funded.

TABLE 69: TRZ TAX INCREMENT PROJECTIONS

Year	Light Rail TRZ Projected Revenues	Mountain View Corridor TRZ Projected Revenues
2021	\$2,459,392	\$2,490,018
2025	\$14,222,790	\$16,290,371
2030	\$35,481,796	\$49,263,544

Based on the projected increment, and assuming a 50 percent sharing arrangement, the increment from the two TRZ zones combined could support \$796.3 million in tax increment bonds.

Assuming a 75 percent sharing agreement with the cities, the combined increment could support \$1.194 billion in tax increment bonds.

As the bond market will require a coverage component, only 80 percent of the State's portion of available increment may be used for debt service. These bonds could finance a wide range of transportation related projects including roads, multi-modal transportation improvements, street widenings, street landscaping, pedestrian access and walkways, transit-oriented development, transit, expanded bus routes, parking garages, etc. Financing with another mechanism such as GO bonds would not require the coverage component but could still be paid with this revenue stream.

COMPONENT #5 – TAX INCREMENT BONDS FROM THE POINT OF THE MOUNTAIN LAND AUTHORITY

The State, in conjunction with Draper City, would create a Transportation Reinvestment Zones or a CRA to capture both property and sales tax increment within the 700 acres comprising the Point of the Mountain Land Authority.

In 2021, it is projected that the Land Authority would produce \$1.8 million in both property and sales tax increment. In the year 2025 projected revenues to grow to \$8.4 million. By 2030, projected revenues grow to \$21.8 million. This is significant new revenue against which bonds may be issued and Phase Two projects funded.

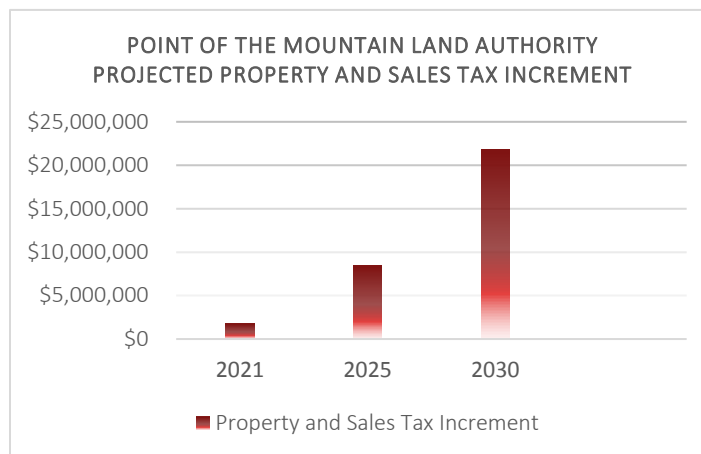


FIGURE 12: POMLA PROJECTED TAX INCREMENT

Based on the projected increment, and assuming a 50 percent sharing arrangement with Draper City, the projected increment could support approximately \$154.3 million in tax increment bonds. Assuming a 75 percent sharing agreement with Draper, the combined increment could support approximately \$231.4 million in tax increment bonds.

Only 80 percent of State's portion of the available increment may be used for debt service.

If both component three and component four are utilized, the Land Authority property tax increment would need to be removed from component three as the property tax portion of the increment flowing from the Point of the Mountain Land Authority is also included in the Light Rail TRZ. The Land Authority property tax increment totals \$1.3 million in 2021, \$7.5 million in 2025, and \$19.8 million in 2030. The numbers suggest that the Land Authority is projected to be the main anchor tax increment producer in the Light Rail TRZ.

There is often a lag between the time a tax increment project area is created, and the time increment from new growth begins to flow. The only collateral for a tax increment bond is usually the incremental taxes generated from new improvements. As such, purchasers will not buy such bonds until there is a history of adequate increment for the area or strong evidence the increment will soon materialize.

Rather than waiting a few years for adequate increment to develop, Draper City or the POMLA could create a special assessment area, the boundaries of which would be coterminous with the boundaries of the tax increment area. The creating entity can then issue tax increment bonds secured by both the anticipated tax increment as well as by the special assessments. Alternatively, it can issue special assessment bonds with tax increment as additional collateral. In the early years of the life of the bonds, the payment may come from the levy of the special assessment. Later, as increment begins to flow, the special assessments are abated to the extent the increment is available for debt service. If development occurs as planned, the special assessment can be completely abated in favor of the tax increment.

A change in Utah Code Section 11-42-408 would be required to allow state-owned property within the POMLA to be assessed. As the only land owner within the POMLA, the State could consent to the assessments and agree to a ramped-up assessment schedule aligning with the projected increment. If increment isn't available and the state is charged a special assessment, repayment could come from land sales, land leases, or general appropriations. If the State failed to make the assessment payment, bond holders could foreclose the land under current Utah law. There are still legal questions surrounding the potential use of this tool for government-owned property.

COMPONENT #6 – OBTAINING FEDERAL GRANT MONEY

Federal grant money is available for transportation and transit projects through various programs. Some of the larger and better funded programs include the Federal Transit Administration's Capital Investment Grant program, the Infrastructure for Rebuilding America (INFRA) Grant program, and the Better Utilizing Investments to Leverage Development (BUILD) program.

UDOT and UTA have applied for and received federal grants in the past. However, because Utah's transportation infrastructure is generally in better condition than many other states, federal grant money often goes to areas where the need is greatest or most urgent.

Almost all federal money comes with some strings attached. Examples include "Buy America" and Davis-Bacon wage requirements. Both UDOT and UTA have commented on the heavy burden of tracking these requirements.

Despite these drawbacks, grant money does not need to be repaid and, therefore, should be pursued for Phase Two projects to the greatest extent possible. The "Federal Grants" section of this report includes more detail regarding available programs and funding.

ADVANTAGES AND DISADVANTAGES

In addition to the advantages and disadvantages of revenues and mechanisms found throughout this study, TABLE 70 below includes advantages and disadvantages specific to option three.

TABLE 70: OPTION THREE ADVANTAGES AND DISADVANTAGES

Advantages Option Three: Hybrid Funding Mechanisms	Disadvantages Option Three: Hybrid Funding Mechanisms
Potential to accelerate Phase Two projects.	P3 funding is not well understood and requires significant time and expertise.
P3 Agreement for MVC does not count as debt for the State.	Tolling roads would be politically unpopular.
Possibility of an up-front payment from P3 concessionaire for tolling an existing system.	Political will is required to raise taxes or fees.
Potential capture of design and operating efficiencies by using P3s.	Tax increases place additional financial burdens on citizens.
State and County bond ratings would not be jeopardized.	State bonding capacity may not be available for unforeseen projects.
Sufficient capacity under debt limits and bond covenants.	Tax increment revenues would be dependent on growth.

Advantages Option Three: Hybrid Funding Mechanisms	Disadvantages Option Three: Hybrid Funding Mechanisms
Bonds issued by the State are issued at low rates.	Other taxing entities may oppose capture of tax increment.
Costs of financing would be generally predictable.	Tax increment redirected to infrastructure would not be available to provide other services required by growth.
Infinite variety of revenue mixes available.	May need to change Special Assessment law.
Federal grants do not need to be repaid.	Assessing State property may put it at risk of foreclosure.
	Some revenue options are mutually exclusive.
	Federal grants may impose some higher construction costs and a hassle factor.



CONCLUSION

CONCLUSION

The majority of transportation projects included in Phase Two are the responsibility of the State (through UDOT) or of UTA. As such, most of the financing burden will likely fall on these two entities. The seven cities in the study area have little capacity to share in the funding of these projects in any significant manner. County capacity and ability to help will likely depend on voter approval.

The capture of tax increment within newly-authorized transportation reinvestment zones and especially within the POMLA itself can provide a very meaningful revenue stream to support these projects.

Over 20 potential new revenue streams have been identified in this report that could be used to accelerate the funding of Phase Two transportation projects. While other potential revenue streams could be discussed, the report is limited to those most worthy of discussion. There are a finite number of financing mechanisms. However, the combination of the potential revenue streams coupled with those mechanisms creates an almost limitless number of potential combinations, especially considering those revenue streams can be employed in limitless variations of magnitude and combinations with other streams.

Three viable groups of options to finance transportation projects identified in Phase Two have been provided. The first selection utilizes traditional funding mechanisms and a mix of existing and new revenue streams appropriate for those mechanisms. The second option utilizes new funding mechanisms as well as a mix of existing and new, and in some cases untested, revenue streams. The third option draws from both group one and group two to create a new hybrid—a “best of” mix of the traditional and the new. Each has the potential to fund all Phase Two transportation projects.

As the potential revenue combinations are limitless, the three options use “examples of the revenue streams” that could be used to support specific types of projects, acknowledging that other revenue streams might also be used to support those same projects. For example, in Option One, four potential revenue sources are identified that could support new State GO bonds:

- Increase in motor fuel (gas) taxes;
- Elimination of sales tax exemption on vehicle trade-ins;
- Increase in vehicle registration fees in Salt Lake and Utah Counties; and
- Increase in the cigarette tax.

Interchangeable potential revenue streams or components as described herein for Option One could include:

- Increase in the 2219 sales tax;
- Increase in the tax of e-cigarettes;
- Adopting a real estate transfer tax; or
- Elimination of the sales tax exemption on natural gas, electricity, heat, coal, fuel oil, or other fossil fuels for industrial use that raises \$211.1 million per year.

All these alternative revenue options are detailed in the report. Guiding principles for lawmakers should include such concepts as:

- Tying payment with use;
- Using a broad tax base and lower rates;
- Establishing a connection between those who benefit from the service and those who pay for the service; and
- Utilizing the concept of generational equity.

Accelerating the funding of the Phase Two transportation-related projects will require political will to create the required revenue streams and sacrifice on the part of those paying new taxes, fees, or tolls.

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APPENDIX A

MAP POM STUDY AREA/LIST OF PHASE TWO PROJECTS

APPENDIX A: LIST OF PHASE TWO PROJECTS

Exhibit 1A: Map of POM Study Area



EXIBHIT 2A: LIST OF PHASE TWO PROJECTS.

Facility/Project	Preferred/Illustrative Scenario	IN WC2050 Vision?	Suggested Start Construction Year	Construction Duration	RTP Phase	Jurisdiction	Cost	Costs by Municipality
Porter Rockwell Blvd. to Bangerter (south end of prison site to 600 west interchange thru prison site)	7 lanes	Yes - 3 Lanes	2021	1 year	WFRC FC 1	State	\$25.8 million	Mostly Draper, up to 25% in Bluffdale depending on alignment. For est:\$ 6.45 million Bluffdale, \$19.35 Draper.
LRT Extension to Lehi through prison site	Included	Yes, alignment being studied	2022	3 years	WFRC FC 3	UTA	\$1 billion	\$69.43 million Sandy, \$120.75 million South Jordan, \$549.43 million Draper, \$260.37 million Lehi
New N/S Principal BLVD connecting Porter Rockwell to 2100 North in Lehi	4 lanes	Yes - In new draft WFRC RTP. Needs to be in 2050 MAG RTP.	2025	2 years	WFRC FC 2	State	\$132 million	\$48.18M Bluffdale, \$83.82M Lehi
Complete Mountain View Corridor (MVC)	8 lanes	Yes	Initial construction 2020-2025; full buildout 2029		WFRC FC 2/MAG FC 1	State	\$1.3 billion total cost	\$16.59 million Herriman, 11.4 million Bluffdale, 7.74 million Lehi, 23.21 million Saratoga Springs
New System to System Freeway Connection (MVC/I-15) near Salt Lake/Utah County line	8 lanes	No, needs to be in 2050 MAG RTP	2035	3 years	Not phased	State	\$523 million	Utah County/Lehi - \$523 million
N/S Trail Connection through Prison Site connecting to Porter Rockwell Trail	Included	Yes	2021	1 year	WFRC FC 2	Trail	N/A	N/A
BRT on N/S Principal BLVD from Porter Rockwell to 2100 N (Prison site to Lehi FrontRunner)	15/15 headway	Yes - to county line	2030	2 years	WFRC FC 0	UTA	\$251 million	\$67.8 million Draper, \$95.93 million Bluffdale, \$87.27 million Lehi
Widen Porter Rockwell from MVC to 14600 South (south end of prison site)	7 lanes	Yes	2025	1 year	WFRC FC 1	State	\$62.8 Million	\$54.52 million Bluffdale, \$8.28 million Herriman
2100 N freeway in Lehi (I-15 to Mountain View) (Only frontage roads exist now)	Included	No, but is included in current MAG RTP for Utah Co; needs to be in new 2050 RTP	2030	2 years	MAG FC Phase 1	State	\$105 million	Lehi - \$91.98 million, Saratoga - \$13.02 million (rough est, Saratoga all new construction)
Upgrade interchange at Bangerter & I-15 to system-to-system interchange		Yes	2033	2 years	WFRC FC 1	State	\$126 million	Draper - \$126 million
Widen Mountain View Corridor (MVC)	10 lanes (add 2 lanes between 2100 N and Bangerter)	No	2040	2 years	Portion in MAG FC Phase 1	State	\$50 million	\$2.87 million Riverton, \$38.54 million Herriman, \$2.56 million Bluffdale, \$3.9 million Lehi, \$2.13 million Saratoga Springs
Redwood widening	6 lanes (between 2100 N and Bangerter)	Being explored by MAG for draft vision	2030	2 years	FC 3	State	\$42 million	\$32.05 million Bluffdale - \$9.95 million Lehi
New Bluffdale interchange I-15 160th South at Gravel Pit	Included	Included	2035	2 years	WFRC FC 3	State	\$60 million	Draper - \$30 million, Bluffdale - \$30 million
New Lehi interchange I-15 at Traverse in Utah County	Included	No, but is included in current MAG RTP for Utah County; needs to be in new 2050	2025	2 years	MAG FC Phase 1	State	\$50 million (from 2015 RTP)	Lehi - \$50 million
13400 S express lanes between Bangerter and MVC	4 lanes	Probably - Operational Improvements?	2025	2 years	WFRC FC 1	State	\$16.5 million	Riverton - \$16.5 million
12600 S reversible lanes between Bangerter and MVC		Yes; widened from 5 to 7 lanes	2025	2 years	WFRC FC 1	State	\$21.3 million	Riverton - \$21.3 million
Southern Utah Historic RR Trail (Utah County Side, connecting Lehi Rail Trail to Point of the Mountain Trail)	Included	No, needs to be in 2050 MAG RTP	2020	1 year	Being built now acc/MAG	Trail	\$0.51 million	Lehi - \$0.51 million
Porter Rockwell Blvd Trail West of I-15 (14600 S to Redwood Road)	Included	Yes, multi-use trail	2025	1 year	WFRC FC 1	Trail	\$0.84 million	Bluffdale - \$0.84 million
E/W & N/S trails above & through prison site from I-15 to 14600 South	Included	Yes	2021	1 year	WFRC FC 3	Trail	\$0.90 million	Bluffdale - \$0.15 million, Draper - \$0.75 million
Red Line Bus Extension to 12600 S	15/15 headway	Yes--corridor preservation and core bus	2030 core bus	1 year	WFRC Phase 1 corridor preservation; phase 3 core	UTA	\$7.9M capital cost, \$0.63 million OM cost	\$2.68 million South Jordan, \$5.22 million Herriman
Red Line Bus Extension to 14400 S	15/15 headway	No	2030 core bus	1 year	WFRC Phase 1 corridor preservation; phase 3 core	UTA	\$8.4M capital cost, \$0.66 million OM cost	\$0.98 million South Jordan, \$3.6 million Herriman, \$1.68 million Riverton, \$2.17 million Bluffdale
Core bus Connecting Red Line Extension to Prison Site (12600 S)	15/15 headway	Yes	2030 core bus	1 year	New WFRC Phase 3 (core route)	UTA	\$13M capital, \$1M annual operating fee for	\$.63 million South Jordan, \$2.23 million Herriman, \$6.35 million Riverton, \$3.78 million Draper for core bus



APPENDIX B

REVENUE AND EXPENDITURES AT THE PRISON SITE AND
POM STUDY AREA

APPENDIX B: REVENUE AND EXPENDITURES AT THE PRISON SITE AND POINT OF THE MOUNTAIN STUDY AREA

POINT OF THE MOUNTAIN AUTHORITY (PRISON) SITE

While the actual cost of providing municipal-type services to the prison site has not been analyzed as part of this study, the following section describes some of the major factors involved with identifying net revenues for the prison site.

CAPITAL COSTS

Utah law allows for impact fees to be charged for *system* infrastructure for water, sewer, storm water, public safety, roads, parks and electric (if publicly-owned). Therefore, *system* infrastructure improvements could be paid for with impact fees. The timing of impact fee collection and the need for infrastructure improvements will likely not match, but through various funding options, *system* improvements that serve the Prison Site only, could be funded with impact fees. *System* improvements, in contrast to *project* improvements which are not eligible for impact fees based on Utah Code 11-36a, are generally interpreted to serve more than one development. For example, arterial and collector roads are considered *system* improvements and included in the calculation of roadway impact fees, while neighborhood streets are considered *project* improvements and are not eligible.

In theory, over time, the amount collected for impact fees should directly offset the *system* capital improvements on the prison site for water, sewer, storm water, public safety, roads and parks. Infrastructure not covered by impact fees, such as local roads, could be developer-funded. Other utilities, such as gas, electric and telecom will have their capital costs paid for directly by the private utility companies and will not be a burden on the public sector. However, rates for ratepayers may need to be increased to cover these capital costs.

OPERATING COSTS

Operating costs for water, sewer and storm water would likely be funded through monthly rates. However, other municipal-type services, such as public safety, roads (snowplowing, sweeping, etc.), parks maintenance, etc., would need to be funded by the typical general fund revenues generated in the area – property tax, sales tax, municipal energy tax and class B&C road funds. The cost of the municipal services is based on the level of service provided by the community, as well as economies of scale achieved in the community with new growth (i.e., fixed v. variable costs that occur with new growth). While the actual cost of municipal-type services for the Prison Site is not within the scope of this study, these costs will need to be subtracted from the revenues generated in the area before net revenues can be determined.

POINT OF MOUNTAIN STUDY AREA

While significant revenues are forecasted throughout the POM study area, a portion of these revenues is necessary to support local infrastructure and operating expenses associated with the expanded development. Gas, electric and telecom infrastructure should be funded by the applicable private utility companies and paid for through rates. Therefore, no additional costs should be incurred by the public sector for gas, electric and telecom.

Enterprise funds, such as for water, sewer and storm water have the advantage of increasing rates (rather than taxes) to pay for capital and operating costs. As enterprise funds are self-sustaining, it is assumed that maintenance costs will be covered by rates. Impact fees for water, sewer and storm water are a good option for covering the one-time capital costs associated with new development. However, the timing of infrastructure improvements and impact fee collection will likely not match, and local governments are often obliged to issue bonds to pay for needed infrastructure, and then be repaid with impact fees over time.

Similar to the prison site General fund expenses discussed above, operating expenses for common general fund expenditures, such as parks, roads and public safety, will need to be covered through the increased revenues generated in the POM study area. Therefore, only a portion of tax increment has been used in this analysis and considered as a viable option for the funding of larger-scale infrastructure in the POM study area.



APPENDIX C

EXISTING REVENUE STREAM EXHIBITS

APPENDIX C – EXISTING REVENUE STREAM EXHIBITS

EXHIBIT 1C: AD VALOREM TAX RATES AND TAX REVENUES

Fiscal Year 2018 Ad Valorem Tax Rates and Tax Revenues						
General Operations				GO Debt Service		
Entity	Max Limit	Rate	Revenues	Max Limit	Rate	Revenues
Bluffdale	0.0070	0.001442	\$ 1,278,841	—	—	—
Draper	0.0070	0.001253	6,326,276	unlimited	0.000099	\$ 500,491
Herriman	0.0070	0.000307	697,913	—	—	—
Riverton	—	—	—	—	—	—
Sandy	0.0070	0.001086	8,675,289	—	—	—
South Jordan	0.0070	0.001880	10,766,828	—	—	—
Lehi	0.0070	0.001678	8,363,814	—	—	—
Sub-Totals Cities			\$ 36,108,961			\$ 500,491
Salt Lake County	0.0032	0.001457	\$ 144,768,627	unlimited	0.000292	\$ 29,000,000
Utah County	0.0032	0.000574	21,341,691	—	—	—
Sub-Total Counties			\$ 166,110,318			\$ 29,000,000
TOTAL			\$ 202,219,279			\$ 29,500,491

Fiscal Year 2018 Ad Valorem Tax Rates and Tax Revenues (cont'd)						
Tort Liability				Health		
Entity	Max Limit	Rate	Revenues	Max Limit	Rate	Revenues
Bluffdale	—	—	—	—	—	—
Draper	—	—	—	—	—	—
Herriman	—	—	—	—	—	—
Riverton	—	—	—	—	—	—
Sandy	0.000100	0.000058	\$ 463,321	—	—	—
South Jordan	—	—	—	—	—	—
Lehi	—	—	—	—	—	—
Sub-Totals Cities			\$ 463,321	—	—	—
Salt Lake County		0.000017	\$ 1,689,133	0.000400	0.000119	\$ 11,823,930
Utah County	—	—	—	—	—	—
Sub-Totals Counties			\$ 1,689,133			\$ 11,823,930
TOTAL			\$ 2,152,454			\$ 11,823,930

Fiscal Year 2018 Ad Valorem Tax Rates and Tax Revenues (cont'd)				
All other funds			Totals	
Entity	Rate	Revenues	Rate	Revenues
Bluffdale	—	—	0.001442	\$ 1,278,841.00
Draper	—	—	0.001352	6,826,767
Herriman	—	—	0.000307	697,913
Riverton	—	—	—	—
Sandy	—	—	0.001186	9,138,610
South Jordan	—	—	0.001880	10,766,828
Lehi	—	—	0.001678	8,363,814
Sub-Totals Cities	—	—	—	\$ 37,072,773
Salt Lake County	0.06710%	\$ 13,910,506	0.002025	201,192,196
Utah County	0.01580%	5,874,542	0.000732	27,216,233
Sub-Totals Counties		\$ 19,785,048		\$ 228,408,429
TOTAL		\$ 19,785,048		\$ 265,481,202

Source: State Tax Commission

EXHIBIT 2C: TEN YEAR SALES TAX HISTORY — STATE OF UTAH

State of Utah Sales and Use Tax Collections		
FY	Unrestricted Amounts* (Millions)	% Change from Prior Year
2018	\$2,076.9	11.9%
2017	\$1,856.8	4.4%
2016	\$1,778.5	3.7%
2015	\$1,715.0	3.5%
2014	\$1,656.8	2.5%
2013	\$1,616.0	2.1%
2012	\$1,582.5	-1.2%
2011	\$1,601.4	14.2%
2010	\$1,402.7	-9.4%
2009	\$1,547.5	-11.0%

*Net of earmarks

Source: State Tax Commission.

EXHIBIT 3C: LOCAL SALES AND USE TAX DISTRIBUTIONS FY 2017

Local Sales and Use Tax Distributions Fiscal Year 2017	
Description	Amounts
Bluffdale	\$ 1,569,517
Draper	11,417,575
Herriman	3,703,059
Riverton	6,246,267
Sandy	20,386,207
South Jordan	13,456,216
Lehi	10,703,123
Total Cities in POM Study Area	\$ 67,481,964
Salt Lake County	22,302,588
Utah County	1,532,791
Total Counties in POM Study Area	\$ 23,835,379

Source: State Tax Commission

EXHIBIT 4C: MASS TRANSIT SALES TAXES FY 2017

Mass Transit Sales Taxes Fiscal Year 2017	
Description	Amounts
Bluffdale	\$ -
Draper	-
Herriman	-
Riverton	-
Sandy	-
South Jordan	-
Lehi	16,568
Sub-Total Cities	\$ 16,568.00
Salt Lake County	155,455,870
Utah County	18,842,271
Sub-Total Counties	174,298,141
TOTAL	\$ 174,314,709.00

Source: State Tax Commission

EXHIBIT 5C: UTA HISTORICAL SALES AND USE TAX COLLECTIONS

UTA Historical Sales and Use Tax Collections						
Fiscal Year Ending December 31, 2017						
Fiscal Year	Salt Lake County		Utah County		All Counties	
	Amount	% Change	Amount	% Change	Amount	% Change
2017	\$163,407,565	6.7%	\$43,023,303	11.5%	\$206,430,868	7.6%
2016	153,201,907	4.3%	38,601,427	6.6%	191,803,334	4.8%
2015	146,866,479	5.5%	36,221,930	7.3%	183,088,409	5.9%
2014	139,199,088	4.9%	33,752,513	5.8%	172,951,601	5.0%
2013	132,741,112	2.8%	31,905,764	4.3%	164,646,876	3.1%
2012	129,169,357	7.6%	30,576,235	10.2%	159,745,592	8.1%
2011	120,094,110	6.9%	27,743,162	9.2%	147,837,272	7.3%
2010	112,379,366	0.3%	25,397,367	2.7%	137,776,733	0.7%
2009	112,076,511	-10.8%	24,725,132	-9.8%	136,801,643	-10.6%
2008	125,688,483	0.9%	27,401,909	-1.8%	153,090,392	4.4%

EXHIBIT 6C: MOTOR VEHICLE REGISTRATION FEES

Motor Vehicle Registration Fees		
Description	Registration Fee	Portion to Transportation Investment Fund
12,000 lbs. or less	\$44	\$30
Motorcycles	\$46	\$30
Semitrailers (<= 750 lbs.)	\$28.50	\$21
Semitrailers (> 750 lbs.)	\$31	\$21
Farm trucks ²⁴⁴	\$53 (+ \$9 per 2,000 lbs.) ²⁴⁵	\$23 (+ \$1 per 2,000 lbs.) ²⁴⁶
Nonfarm motor vehicles ²⁴⁷	\$69.50 (+ \$19 per 2,000 lbs.) ²⁴⁸	\$24.50 (+ \$2.50 per 2,000 lbs.) ²⁴⁹
Park Model RVs	\$69.50 (+ \$19 per 2,000 lbs.) ²⁵⁰	\$30
Vintage vehicles	\$45	\$30

Source: Utah Code § 41-1a-12

²⁴⁴ Over 12,000 pounds

²⁴⁵ Over 14,000 pounds

²⁴⁶ Over 14,000 pounds

²⁴⁷ Over 12,000 pounds

²⁴⁸ Over 14,000 pounds

²⁴⁹ Over 14,000 pounds

²⁵⁰ Over 14,000 pounds



APPENDIX D

NEW REVENUE STREAM EXHIBITS

APPENDIX D – NEW REVENUE STREAM EXHIBITS

EXHIBIT 1D: TAX INCREMENT IN POM STUDY AREA

Combined City Tax Increment Revenue (Bluffdale, Draper, Draper-Prison Site, Herriman, Lehi, Riverton, Sandy, South Jordan)				
Year	Sales Tax	Property Tax (after RDA Reductions)	Class C Road Funds	Municipal Energy Tax
2021	\$ 1,677,783	\$ 770,114	\$ 345,314	\$ 483,648
2022	2,728,288	1,565,900	662,503	893,686
2023	3,820,143	2,389,149	992,241	1,319,931
2024	4,954,580	3,235,849	1,334,905	1,762,869
2025	7,404,517	4,596,648	2,005,876	2,645,015
2026	9,950,470	5,992,653	2,701,429	3,561,705
2027	12,595,300	7,435,035	3,424,001	4,514,004
2028	15,341,942	8,917,082	4,174,498	5,502,971
2029	18,178,879	10,455,817	4,948,795	6,523,967
2030	21,100,923	12,204,986	5,745,598	7,574,846
2031	24,132,577	13,888,257	6,572,972	8,662,568
2032	27,277,057	15,618,797	7,431,142	9,793,406
2033	30,537,663	17,366,041	8,321,010	10,966,012
2034	33,917,782	19,173,857	9,243,500	12,181,606
2035	36,967,714	21,149,127	10,019,212	13,272,992
2036	39,191,666	23,126,186	10,708,746	14,226,187
2037	42,006,477	25,124,486	11,425,527	15,237,241
2038	44,976,048	27,159,100	12,167,002	16,283,200
2039	48,047,599	29,279,252	12,933,566	17,370,961
2040	51,224,022	31,438,892	13,725,925	18,495,719
2041	54,508,283	33,663,321	14,544,805	19,658,519
2042	57,903,424	35,954,483	15,390,950	20,860,433
2043	61,412,568	38,314,379	16,265,123	22,102,560
2044	65,038,917	40,745,073	17,168,107	23,386,028
2045	67,540,594	42,603,975	17,805,365	24,278,873
2046	70,116,323	44,518,645	18,461,246	25,198,077
2047	72,768,065	46,490,755	19,136,241	26,144,338
2048	75,497,830	48,522,028	19,830,850	27,118,370
2049	78,307,679	50,614,240	20,545,590	28,120,905
2050	81,199,722	52,768,519	21,280,965	29,152,695
Total	\$ 1,160,324,836	\$ 715,082,647	\$ 309,313,003	\$ 417,293,330
Average	\$ 38,677,495	\$ 23,836,088	\$ 10,310,433	\$ 13,909,778

**Point of the Mountain Land Authority
Tax Increment Revenue**

(Prison Site)

Year	Sales Tax	Property Tax	Class C Road Funds	Municipal Energy Tax
2021	\$ 511,714	\$ 144,904	\$ 18,417	\$ 45,556
2022	575,716	294,156	34,655	67,638
2023	642,073	447,885	51,536	90,586
2024	710,855	606,225	69,078	114,424
2025	914,155	860,527	127,959	191,199
2026	1,125,303	1,122,458	187,444	270,963
2027	1,344,531	1,392,247	249,257	353,842
2028	1,572,078	1,682,118	313,570	439,927
2029	1,800,923	1,973,181	377,650	526,451
2030	2,027,176	2,261,384	440,654	611,882
2031	2,261,759	2,558,233	506,739	700,523
2032	2,504,913	2,863,987	575,292	792,464
2033	2,756,890	3,178,914	646,383	887,803
2034	3,017,943	3,503,288	720,089	986,638
2035	3,260,781	3,814,948	787,981	1,078,215
2036	2,763,840	3,865,238	799,730	1,069,373
2037	2,762,407	3,865,238	815,346	1,087,698
2038	2,817,656	3,865,238	831,653	1,109,452
2039	2,874,009	3,865,238	848,286	1,131,641
2040	2,931,489	3,865,238	865,252	1,154,274
2041	2,990,119	3,865,238	882,557	1,177,359
2042	3,049,921	3,865,238	900,208	1,200,906
2043	3,110,919	3,865,238	918,212	1,224,925
2044	3,173,138	3,865,238	936,577	1,249,423
2045	3,236,601	3,865,238	955,308	1,274,411
2046	3,301,333	3,865,238	974,414	1,299,900
2047	3,367,359	3,865,238	993,903	1,325,898
2048	3,434,706	3,865,238	1,013,781	1,352,416
2049	3,503,401	3,865,238	1,034,056	1,379,464
2050	3,573,469	3,865,238	1,054,737	1,407,053
Total	\$ 71,917,177	\$ 84,683,026	\$ 18,930,726	\$ 25,602,303
Average	\$ 2,397,239	\$ 2,822,768	\$ 631,024	\$ 853,410

EXHIBIT 2D: STATE-WIDE GO BOND TAX IMPACT

State GO Bonds

Tax Impact

2018 Tax Rate Value by County

County	2018 Tax Rate Value ¹
Beaver	\$ 1,299,607,202
Box Elder	4,201,955,789
Cache	7,184,954,033
Carbon	1,626,962,514
Daggett	288,912,951
Davis	22,125,427,211
Duchesne	2,420,720,524
Emery	2,036,072,676
Garfield	618,193,219
Grand	1,821,735,159
Iron	3,914,687,186
Juab	1,021,552,797
Kane	1,269,171,198
Millard	2,553,208,418
Morgan	1,100,031,239
Piute	116,882,247
Rich	931,708,505
Salt Lake	99,360,760,004
San Juan	777,637,803
Sanpete	1,260,399,387
Sevier	1,391,492,481
Summit	17,855,750,992
Tooele	3,964,654,777
Uintah	4,420,126,504
Utah	37,180,646,283
Wasatch	5,611,774,866
Washington	15,290,418,970
Wayne	334,670,628
Weber	15,201,611,298
Total	\$ 257,181,726,861

Assumptions

GO Rating	AAA/Aaa/AAA
Bond Term (yrs)	15
Bond Interest Rate	3.50%
Market Value of Primary Home	\$300,000
Primary Home Exemption	0.45
Taxable Value of Primary Home	\$165,000
Target Tax Impact on \$300k Primary Home	\$10

Calculation

	All Counties
2018 Tax Rate Value for All Counties Combined	\$257,181,726,861
Levy for Target Tax Impact	0.000061
Annual Debt Service Produced by Levy	\$15,586,771
Bond Amount Supported by Levy	\$179,519,250
Annual Tax Impact	
on \$300k Market Value Primary	\$10.00
on \$300k Market Value Business or Other	\$18.18
on \$100,000 Market Value of Primary	\$3.33
on \$100,000 Market Value Business or Other	\$6.06

¹Source: Utah State Tax Commission

EXHIBIT 3D: PROJECTED REVENUE – \$0.05 INCREASE IN GAS TAX²⁵¹

Gasoline Tax Projected Revenue		
Year	Taxable Gallons of Gas	Growth Rate
2011	1,067,908,675	
2012	1,078,192,107	101.0%
2013	1,094,293,014	101.5%
2014	1,109,760,137	101.4%
2015	1,169,478,904	105.4%
2016	1,224,922,194	104.7%
2017	1,268,670,586	103.6%
Average Growth Rate		102.9%
2020 (Est)	1,383,373,975	
Tax Increase per Gallon	\$0.05	
Projected Revenue Increase	\$69,168,698.73	

EXHIBIT 4D: TIGER GRANTS 2017

2017 TIGER Grants			
PROJECT NAME	STATE	TIGER GRANT AWARD	URBAN/RURAL
Nelson Island Accessibility & Transportation Infrastructure Enhancement (NATIVE)	Alaska	\$10,176,835	Rural
Southeast Automotive Gateway	Alabama	\$12,700,000	Urban
Securing Multimodal Freight Corridors in the Ozarks	Arkansas	\$8,527,893	Urban/Rural
SR 189 Flyovers: Grade Separating Trucks from Town	Arizona	\$25,000,000	Rural
Route 132 Gateway Express Phase 1	California	\$9,000,000	Urban
Ute Mountain Ute Tribe Passing Lane Project	Colorado	\$2,000,000	Rural
Georgetown East Gateway	Delaware	\$7,000,000	Rural
Immokalee Complete Streets	Florida	\$13,132,691	Rural
Summerhill Bus Rapid Transit	Georgia	\$12,629,760	Urban
City of Burlington Downtown/Riverfront Revitalization	Iowa	\$17,000,000	Rural
Repair of the Jaype to Lewiston Rail Line	Idaho	\$3,240,960	Rural
Interstate 57	Illinois	\$7,600,000	Rural
Wabash River Rail Bridge Infrastructure	Illinois/Indiana	\$10,000,000	Rural
Frankfort Secons Street Corridor	Kentucky	\$7,990,000	Rural

²⁵¹ Source: <https://tax.utah.gov/econstats/other-taxes>, State Tax Commission.

2017 TIGER Grants (cont'd)			
PROJECT NAME	STATE	TIGER GRANT AWARD	URBAN/RURAL
Reconstruction of the Chalmette Slip	Louisiana	\$13,000,000	Urban
Mid-Atlantic Multi-Modal Transportation Hub	Maryland	\$20,000,000	Urban
Penquis Region Rural Bridges	Maine	\$10,836,220	Rural
North Holly Road	Michigan	\$3,000,000	Rural
Hightower Road Corridor	Mississippi	\$7,000,000	Rural
MT Highway 64 -Rural Commuter Corridor	Montana	\$10,292,000	Rural
Blue Ridge Road Grade Separation and Intersection Improvements	North Carolina	\$19,900,000	Urban
Jack Rabbit Road Reconstruction	North Dakota	\$6,000,000	Rural
Lincoln South Beltway	Nebraska	\$25,000,000	Rural
I-89 Lebanon, NH, Hartford, VT, Bridge Reconstruction and Widening	New Hampshire Vermont	\$10,000,000	Rural
Route 3, Ramp A and Bridge over Rail Lines	New Jersey	\$18,260,000	Rural
Southwest Chief Route Stabilization	New Mexico Colorado/Kansas	\$16,000,000	Rural
Carson City Gateway: South Street Complete Streets	Nevada	\$7,570,202	Urban
Ogdensburg-Prescott International Bridge	New York	\$2,000,000	Rural
Downtown Akron Promenade	Ohio	\$8,000,743	Urban
The High Plains Strategic Freight Rail Capacity	Oklahoma	\$9,901,793	Rural
Mill City Downtown Restoration and Revitalization	Oregon	\$8,082,574	Rural
Bridging the Trail Gap: Enhancing Regional Connections	Pennsylvania	\$12,000,000	Rural
Route 37 Corridor Safety Sweep	Rhode Island	\$20,000,000	Urban
US 78 Phase 2 Bridge Improvements	South Carolina	\$13,250,000	Rural
BIA Highway 10 Reconstruction	South Dakota	\$21,000,000	Rural
Houston Roadway Flood Warning System	Texas	\$9,370,000	Urban
Baker Canyon and Dog Valley Climbing Lanes	Utah	\$15,000,000	Rural
Northstar Boulevard (U.S. Route 50 to Shreveport Drive)	Virginia	\$25,000,000	Rural
Bridging the Valley: Barker Road Grade Separation	Washington	\$9,020,149	Rural
Chippewa Valley Regional Transit Transfer	Wisconsin	\$5,000,000	Urban
Beartooth Highway Reconstruction Project	Wyoming	\$16,600,000	Rural



APPENDIX E

TRADITIONAL FINANCING MECHANISMS

APPENDIX E – TRADITIONAL FINANCING MECHANISMS

EXHIBIT 1E: OUTSTANDING SALES TAX REVENUE BONDS BY ENTITY

Outstanding Sales Tax Revenue Bonds					
Security	Series	Original Par	Outstanding Par	Final Maturity	Purpose
Bluffdale					
Sales Tax Revenue Bonds	2015	\$1,022,000	\$780,000	8/1/2023	Refunding
Draper					
Sales Tax Revenue Bonds	2014	\$3,890,000	\$2,935,000	11/15/2025	Refunding
Sales Tax Revenue Bonds	2012C	\$12,530,000	\$10,485,000	5/1/2032	Highway
Sales Tax Revenue Bonds	2012B	\$7,115,000	\$4,230,000	5/1/2024	Refunding
Herriman					
Sales and Franchise Tax Rev Bonds	2015B	\$6,045,000	\$6,015,000	8/1/2033	Refunding
Sales and Franchise Tax Rev Bonds	2015A	\$21,845,000	\$20,325,000	8/1/2035	City hall/HTC
Lehi					
Sales Tax Revenue Bonds	2018	\$5,000,000	\$5,000,000	6/1/2038	Fire Station
Sales Tax Revenue Bonds	2014	\$7,210,000	\$4,520,000	6/1/2024	Refunding
Riverton					
Franchise and Sales Tax Revenue Bonds	2016	\$10,180,000	\$9,990,000	6/1/2031	Refunding
Franchise and Sales Tax Revenue Bonds	2013	\$18,500,000	\$18,450,000	12/1/2040	Parks/City Hall/Law
Franchise and Sales Tax Revenue Bonds	2012	\$2,268,000	\$1,899,000	12/1/2024	Refunding
Franchise and Sales Tax Revenue Bonds	2010	\$3,665,000	\$1,600,000	12/1/2021	Refunding
Sandy					
Sales Tax Revenue Bonds	2015	\$41,545,000	\$40,645,000	3/1/2042	Hale Center Theater
Sales Tax Revenue Bonds	2013C	\$10,816,000	\$8,223,000	6/15/2029	Mt Jordan Theater/Ref.
Sales Tax Revenue Bonds	2013B	\$6,385,000	\$2,556,000	12/15/2020	Land Acquisition
Sales Tax Revenue Bonds	2013	\$6,780,000	\$1,385,000	6/15/2019	Refunding
Sales Tax Revenue Bonds	2012	\$3,920,000	\$3,140,000	3/15/2024	Refunding
Sales Tax Revenue Bonds	2010	\$7,070,000	\$1,565,000	9/15/2022	Refunding
Sales Tax Revenue Bonds (BABs)	2009	\$7,140,000	\$4,445,000	9/15/2029	Storm Drain
South Jordan					
Sales Tax Revenue Bonds	2017	\$21,155,000	\$20,880,000	8/15/2039	Structures/Refunding
RDA Sub. Sales and Tax Increment Bonds	2015	\$13,035,000	\$12,430,000	4/1/2032	TOD Parking Structure
Sales Tax Revenue Bonds	2008	\$8,115,000	\$3,965,000	8/15/2023	Road Repair
Utah County					
Sales Tax Revenue Bonds	2014	\$6,755,000	\$2,715,000	11/1/2020	
Sub. Transportation Sales Tax Revenue Bonds	2016	\$65,000,000	\$62,030,000	11/1/2029	
Transportation Sales Tax Revenue Bonds	2012	\$51,675,000	\$44,900,000	12/1/2039	
Sales Tax Revenue Bonds	2010	\$4,490,000	\$3,435,000	2/1/2027	
Transportation Sales Tax Revenue Bonds	2009B	85490000	\$79,615,000	12/1/2034	

Outstanding Sales Tax Revenue Bonds cont'd

Salt Lake County Outstanding Sales Tax Revenue Bonded Indebtedness

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Outstanding Principal
2017B	Buildings/land	\$ 38,520,000	January 31, 2033	\$ 38,520,000
2017A	Buildings/land	13,550,000	January 31, 2020	11,575,000
2014	Buildings/land	30,000,000	January 31, 2031	26,970,000
2012A	Refunding	43,725,000	January 31, 2021	32,395,000
2011	Solar energy/QECB	1,917,804	January 31, 2024	1,216,000
2010D	Building (BABs)	33,020,000	November 1, 2035	26,905,000
2010A	Refund/storm drain	8,855,000	February 1, 2020	325,000
Total principal amount of outstanding debt				<u>\$ 137,906,000</u>

Utah Transit Authority Outstanding Sales Tax Revenue Bonded Indebtedness

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Outstanding Principal
Senior Debt:				
2018	System projects	\$ 83,765,000	December 15, 2036	\$ 83,765,000
2015A	Refunding	668,655,000	June 15, 2038	668,655,000
2009B	System projects/BABs	261,450,000	June 15, 2039	261,450,000
2008A	System projects	700,000,000	June 15, 2023	54,295,000
2006C	Refunding	134,650,000	June 15, 2032	107,760,000
2005A	Refunding	20,630,000	June 15, 2022	7,085,000
Subtotal				<u>\$ 1,183,010,000</u>
Subordinate Debt:				
2018	Refunding	115,540,000	December 15, 2041	113,895,000
2016	Refunding	145,691,498	December 15, 2032	145,691,498
2015A	Refunding	192,005,000	June 15, 2037	192,005,000
2012	System projects/refund	295,520,000	June 15, 2042	171,600,000
2010	System projects/BABs	200,000,000	June 15, 2040	200,000,000
2007A	Commuter rail/refund	261,124,109	June 15, 2035	121,455,000
Subtotal				<u>944,646,498</u>
Total all debt				<u>\$ 2,127,656,498</u>



APPENDIX F

NON-TRADITIONAL FINANCING MECHANISMS

APPENDIX F – NON-TRADITIONAL FINANCING MECHANISMS

EXHIBIT 1F: GFOA ADVISORY – P3



GFOA ADVISORY Public-Private Partnerships (P3)

GFOA Advisories identify specific policies and procedures necessary to minimize a government's exposure to potential loss in connection with its financial management activities. It is not to be interpreted as GFOA sanctioning the underlying activity that gives rise to the exposure.

Before deciding to pursue or enter into a P3 agreement, the public entity should carefully analyze the potential P3 agreement, including all financial impacts. The list of key considerations below has been developed to help the public entity decide whether or not to pursue a P3 opportunity. ¹

1. Legal Authority of P3. Does the public entity have the legal and regulatory capacity, including approval from any applicable oversight body, to enter into processes that result in a P3 agreement? Also, does the public entity's contracting/procurement policies or requirements provide for how to handle the proposed P3?
2. Justification for the Project. Does the project address a public priority and is the P3 project consistent with the overall strategic, master plans and financial policies of the organization?
3. Competition. Will the potential P3 opportunity be open to competition? What is the expectation for competition in determining the best private partner? Otherwise, is there justification to support a non-competitive process? Also, has the financial, risk and legal analysis of the project been compared to a public-sector alternative?
4. Expected Project Revenue. If the P3 opportunity involves an upfront payment by the private partner in exchange for operation of a public asset, has the public entity evaluated and prioritized how to use project proceeds?
5. Independent Analysis. Has the public entity or an independent third party analyzed the P3 opportunity to verify revenue projections, demand and other assumptions used in the P3 evaluation?
6. Method for Performance Monitoring. Is there a proper management structure in place and within the proposed agreement in the event that anticipated/expected results are not achieved? How will performance be monitored against expected results and who will have this responsibility? Will there be

check-in milestones, executive reporting and service-level targets in place to monitor and report performance of the project?

7. Flexibility During the P3 Term. Does the expected term of the P3 agreement limit the public entity's flexibility in responding to changing demographics or other circumstances? Does the P3 agreement limit the public entity's flexibility to make certain decisions about service provision in the future? Does the public entity have the ability to renegotiate the agreement?
8. Project Risks. Are project risks and risk transfer elements clearly articulated and understood by all key stakeholders? Is the public entity responsible for any costs should the private entity not perform?
9. Transaction Costs. Does the project proposal contain a comprehensive and realistic statement of transaction costs? Do expected transaction costs limit project benefits? Often, for smaller organizations and smaller projects, the time and costs associated with negotiating and finalizing a P3 agreement can limit the potential benefits from the project.
10. Bond Rating Impact. What are the potential positive or negative bond rating impacts on the public entity? Are municipal payments treated as operational expenses or debt service in a flow of funds?
11. Public Participation and Disclosure. Have appropriate public outreach mechanisms (such as community meetings, informational newsletters, and other communications or actions as may be required by law) been met to provide transparency and feedback?
12. Availability of Assistance. Do external resources such as professional associations, state agencies or non-profit organizations exist to support and assist the public entity with the consideration, process and/or drafting of the agreement? P3 agreements are typically complex and will require access to specialized financial, legal or technical skill sets. Many smaller governments may also lack the resources necessary to ensure adequate, independent analysis and due diligence when evaluating potential opportunities.

Committee:

Economic Development and Capital Planning (CEDCP)

Notes:

¹ Note: this list is not intended to serve as a comprehensive analysis of all P3 terms and features, but as a listing of common risks and areas of focus.

Approved by GFOA's Executive Board:

January 2015



EXHIBIT 2F: PRIVATE ACTIVITY BOND PROJECTS

Private Activity Bond Projects		
State	Project	Amount
VA	Capital Beltway HOT Lanes	\$ 589,000,000
TX	North Tarrant Expressway	400,000,000
TX	IH 635 (LBJ Freeway)	615,000,000
CO	Denver RTD Eagle Project	397,835,000
IL	CenterPoint Intermodal Center, Joliet	150,000,000
IL	CenterPoint Intermodal Center, Joliet	75,000,000
VA	Downtown Tunnel/Midtown Tunnel, Norfolk	675,004,000
VA	I-95 HOV/HOT Project	252,648,000
IN	East End Crossing, Ohio River Bridges	676,805,000
TX	North Tarrant Expressway 3A and 3B	274,030,000
NY	Goethals Bridge	460,915,000
CO	U.S.36 Managed Lanes/BRT Phase 2	20,360,000
IN	I-69 Section 5	243,845,000
PA	Rapid Bridge Replacement Program	721,485,000
OH	Portsmouth Bypass	227,355,000
NC	I-77 Managed Lanes	100,000,000
IL	CenterPoint Intermodal Center, Joliet	100,000,000
TX	SH-288	272,635,000
IL	CenterPoint Intermodal Center, Joliet	130,000,000
MD	Purple Line	313,035,000
VA	I-395 Express Lanes	232,995,000
VA	Transform 66	737,000,000
FL	AAF-Brightline Phase 1	600,000,000
CO	Central 70	114,660,000
MI	I-75 Modernization Segment 3	610,300,000
Subtotal:		\$8,989,907,000

Bond Allocations		
State	Project	Amount
AK	Knik Arm Crossing	\$ 600,000,000
IL	CenterPoint Intermodal Center, Joliet	150,000,000
FL	AAF-Brightline Phase 2	1,150,000,000
MI	I-75 Modernization	725,000,000
	Segment 3	
Subtotal		\$2,625,000,000

EXHIBIT 3F: PRIVATE ACTIVITY BOND ALLOCATIONS APPROVED BY US DOT

Private Activity Bond Allocations Approved by US DOT		
State	Project	Amount
AK	Knik Arm Crossing	\$ 600,000,000
IL	CenterPoint Intermodal Center, Joliet	150,000,000
FL	AAF-Brightline Phase 2	1,150,000,000
Subtotal		\$1,900,000,000



APPENDIX G

FUNDING AND ISSUING ENTITIES EXHIBITS

APPENDIX G – FUNDING AND ISSUING ENTITIES EXHIBITS

EXHIBIT 1G: SALT LAKE AND UTAH COUNTY GO BOND TAX IMPACT

Salt Lake and Utah County GO Bonds

Tax Impact

Assumptions

	Salt Lake County	Utah County
GO Rating	AAA/Aaa/AAA	Aa1
Bond Term (yrs)	20	20
Bond Interest Rate	3.50%	3.75%
Median Home Value ¹	\$355,000	\$340,000
Primary Home Exemption	45%	45%
Median Market Value of Primary Home	\$195,250	\$187,000
Target Annual Tax Impact on Primary Home	\$50	\$50

Calculation

	Salt Lake County	Utah County
2018 Final Valuation Tax Rate ²	\$99,360,760,004	\$37,180,646,283
Levy for Target Tax Impact	0.000256	0.000267
Annual Debt Service Produced by Levy	\$25,444,497	\$9,941,349
Bond Amount Supported by Levy	\$361,627,450	\$138,147,020
Annual Tax Impact		
On Median Market Primary Home	\$50.00	\$50.00
Per \$100,000 Median Market Primary Home	\$14.08	\$14.71
Per \$100,000 Market Value Business/Other	\$25.61	\$26.74

Debt Ratios

Assumptions

	Salt Lake County	Utah County
Est. 2017 Population ³	1,135,649	606,425
Est. 2018 Taxable Value ²	\$109,700,853,636	\$42,635,223,086
Est. 2018 Fair Market /Market Value ²	\$158,619,681,194	\$64,330,139,568
Additional Bonds Supported by Levy	\$361,627,450	\$138,147,020

Ratios

	Current Ratio as of Dec. 2018	Ratios on Additional Debt	Total Current and Additional
Salt Lake County			
Debt per Capita	\$178	\$318	\$496
Debt to Taxable Value	0.18%	0.33%	0.51%
Debt to Fair Market/Market Value	0.13%	0.23%	0.36%
Utah County			
Debt per Capita	N/A	\$228	\$228
Debt to Taxable Value	N/A	0.32%	0.32%
Debt to Fair Market/Market Value	N/A	0.21%	0.21%

¹Salt Lake Tribune

²Utah State Tax Commission Certified Tax Rates

³2017 Census Bureau estimate

EXHIBIT 2G: CITY ISSUERS OF THE POM STUDY AREA

CITIES

The Utah Constitution limits the amount of general obligation bonds a city can issue for projects contemplated in Phase Two of the POM study to four percent of market value. GO bonds require an election and the support of a simple majority of voters who vote on the proposition.

When issuing sales tax bonds or class C revenue bonds, the statutes require no more than 80 percent of the excise taxes pledged to be used for annual debt payments. In other words, a required minimum coverage of 1.25 times must exist upon issuance of the bonds.

State law also limits the sale of Special Assessment bonds if the property is more than 75 percent raw ground and the value of the land is not more than three times the bond amount. The term of the bonds would be limited to 10 years unless the useful life is longer and in such cases the term can extend to as much as 20 years.

No laws limit tax increment financing. However, the involvement of other participating taxing entities and market forces naturally constrain the sale of these types of bonds.

Other limits include those outlined in bond documents such as the Additional Bonds Test or ABT coverage requirement which stipulates that no additional bonds can be issued unless the security source covers combined old and new debt service by a specified ratio. This is typical of sales tax revenue, class C revenue, and tax increment revenue bonds.

SANDY CITY, 1ST CLASS CITY

Sandy City currently has no GO bonds outstanding. At \$571 million, the City has significant legal capacity to participate in the funding of these projects.²⁵²

TABLE 71: SANDY CITY GO DEBT CAPACITY

Sandy City	Amount
2018 Estimated Market Value	\$14,249,371,058
4% of Market Value	571,622,136
Less: GO Debt	—
Debt Limit	\$571,622,136

Outstanding sales tax bonds total approximately \$62 million. Sandy could legally justify about \$2.9 million more in sales tax bond debt service before meeting its ABT coverage ratio.²⁵³ This equates to about \$39 million more in legal sales tax bonding capacity assuming a four percent borrowing rate over 20 years.

Sandy City's redevelopment agency has issued bonds secured by transient room taxes currently outstanding in a combined amount of just under \$25 million. Additional capacity on a parity level suggests the City

²⁵² Based upon Sandy City's FY 2017 audited financials and other sources compiled by Zions Public Finance.

²⁵³ Based upon Sandy City's FY 2017 audited financials and other sources compiled by Zions Public Finance.

could justify about \$2.0 million more in transient room tax debt service before meeting its ABT coverage ratio or roughly \$28 million at four percent at a 20-year amortization.

Sandy City has no outstanding Special Assessment Bonds.

TABLE 72: SANDY CITY DEBT COVERAGE

Sandy Sales Tax Bonds		Sandy TRT Bonds	
2019 Debt Service		2019 Debt Service	
Series 2009	\$588,000	Series 2007A	\$ 541,293
Series 2010	335,100	Series 2007B (Subordinate)	2,091,794
Series 2012	371,950		
Series 2013	1,410,761		
Series 2013B	892,219		
Series 2013C	981,417		
Series 2015	2,855,513		
Total 2019 Debt Service	\$7,435,012	Total 2019 Debt Service	\$2,633,087
Revenues	\$20,642,039	Revenues	\$9,429,897
Coverage	2.8	Coverage	3.58
ABT	2.0	ABT/Sub ABT	2.00 / 1.5
ABT Capacity	\$2,886,007	ABT Capacity	\$2,081,861.5
Additional STB Capacity	\$39 M	Add. TRT Bonding Capacity	\$28M

Financial Limits

While legal analysis suggests Sandy has capacity under its GO, sales tax or transient room tax tools, the financial ramifications will negatively impact ratios often reviewed by creditors and limit the ability of the City to participate in a meaningful way. As of 2017, the City maintained an Unassigned Fund balance of 11 percent of General fund revenues compared with the legal limit of 25 percent, suggesting no disposable cash with which to do the projects. The tax impact of issuing GO bonds up to the available capacity would cost tax payers approximately \$250 annually for each \$100,000 of taxable value over a 20-year period. This is a significant tax burden and not likely a politically feasible option.

Sales taxes make up a significant amount of general fund operations as well. Although there appears to be some legal capacity, Sandy has indicated they cannot afford to allocate more sales tax revenue to debt service as the City is living on the revenues it currently receives and anticipates doing so in the future. In fact, each sales tax backed transaction generally has another source of revenue affixed for repayment. For example, the most recent sales tax revenue bonds issued in 2015 are paid for by Theater lease payments rather than city-wide sales taxes.

Future Plans

In addition to the current financial limits discussed above, Sandy has future borrowing plans that will use the additional bonding capacity. The city has identified approximately \$40 million of capital needs over the near term including the construction of a new public works campus, fire station, Parks and Recreation building, and Alta Canyon recreation center. Much of this will have to be paid for with GO, Lease revenue or sales tax revenue bonds given the strain on existing revenues.

The city recognizes the value of certain transportation projects within their area, in particular the light rail spur, and is very willing to discuss ways to help facilitate these projects. However, the City does not have capacity to redirect funds toward the Phase Two projects until and if higher priority projects get funded.

Advantages/Disadvantages

The following table shows the advantages and disadvantages for the City of Sandy to participate in financing POM Phase Two transportation projects.

TABLE 73: PARTICIPATION OF SANDY IN THE FINANCING PHASE TWO TRANSPORTATION PROJECTS

Advantages Sandy City	Disadvantages Sandy City
\$571M in GO bond capacity.	\$250/year/\$100,000 tax impact.
\$57M in sales tax bond capacity.	GO election required.
GO and sales tax bonds are equally versatile for project use.	Sales tax revenue used to operate the City.

DRAPER CITY, 3RD CLASS CITY

Draper City currently has \$3.26 million GO bonds outstanding. At \$365 million, the City has significant legal capacity to participate in the funding of these projects.²⁵⁴

TABLE 74: DRAPER CITY GO DEBT CAPACITY

Draper City	Amount
2018 Estimated Market Value	\$9,183,574,341
4% of Market Value	368,462,059
Less: GO Debt	3,260,000
Debt Limit	\$365,202,059

Outstanding sales tax bonds total about \$17.65 million. Draper could legally justify about \$3.6 million more in sales tax bond debt service before meeting its ABT coverage ratio. This equates to about \$49 million more in legal sales tax bonding capacity assuming a four percent borrowing rate over a 20-year period.²⁵⁵

Draper has no outstanding Class C Road Revenue Bonds; however, they use all Class C revenues for maintenance and don't cover their entire costs.

Draper City's redevelopment agency has issued bonds secured by specific project area incremental revenue currently outstanding in an amount of just under \$4 million. These incremental revenues are not available for other projects unless a new project area is created, and the allocation is agreed to by the participating taxing entities.

²⁵⁴ Based on the Draper City's FY 2017 audited financials and other sources compiled by Zions Public Finance.

²⁵⁵ Based on the Draper City's FY 2017 audited financials and other sources compiled by Zions Public Finance.

Draper City has no outstanding Special Assessment Bonds.

TABLE 75: DRAPER CITY DEBT COVERAGE

Draper Sales Tax Bonds		Draper Tax Increment Bonds	
2019 Debt Service		2019 Debt Service	
Series 2014	\$415,363	Series 2013 (TIB/Sub ST)	\$617,727
Series 2012B	809,200	Series 2014 (ST)	2,091,794
Series 2012C	1,042,900		
Total 2019 Debt Service	\$2,267,463	Total 2019 Debt Service	\$1,033,090
Revenues	\$11,774,335	Revenues	\$1,424,751
Coverage	5.19	Coverage	1.38
ABT	2.0		
ABT Capacity	\$3,619,705		
Additional STB Capacity	\$49M		

Financial Limits

Although legal analysis might suggest Draper has capacity under its GO, sales tax or perhaps tax increment tools, the financial ramifications will negatively impact ratios often reviewed by creditors and limit the ability of the City to participate in a meaningful way. As of 2018, the City maintained an Unassigned Fund balance of 23 percent of General Fund revenues compared with the legal limit of 25 percent, suggesting some disposable cash with which to do the projects, but so doing comes at the expense of the City's financial position. The tax impact of issuing GO bonds up to the available capacity would cost tax payers approximately \$238 per year for each \$100,000 of taxable value over a 20-year period. This is a significant tax burden and not likely a politically feasible option.

Sales taxes make up a significant amount of general fund operations as well. Although there appears to be some legal capacity, Draper has indicated that they cannot afford to allocate more of its sales tax revenue to debt service because it is living on the revenues it currently receives and anticipates doing so in the future.

Future Plans

Draper has no borrowing plans in the next five years that would encumber the additional GO, sales tax, Class C, or other bond capacity. Should the City receive the benefit of additional POMLA revenues, they could be willing to discuss shouldering some of the financing costs.

Advantages/Disadvantages

TABLE 76 shows the advantages and disadvantages for the City of Draper to participate in financing POM Phase Two transportation projects.

TABLE 76: PARTICIPATION OF DRAPER IN THE FINANCING PHASE TWO TRANSPORTATION PROJECTS

Advantages Draper City	Disadvantages Draper City
\$365M in GO bond capacity.	\$238/year/\$100,000 tax impact.
\$72M in sales tax bond capacity.	GO election required.
GO and sales tax bonds are equally versatile for project use.	Sales tax revenue used to operate the City Class C revenue completely used Tax increment area revenue dedicated to specific area and obligations in those areas, bonds or otherwise.

LEHI CITY, 3RD CLASS CITY

Lehi City has no GO bonds outstanding. At nearly \$340 million, the City has significant legal capacity to participate in the funding of these projects.²⁵⁶

TABLE 77: LEHI CITY GO DEBT CAPACITY

Lehi City	Amount
2018 Estimated Market Value	\$8,436,959,054
4% of Market Value	339,229,955
Less: GO Debt	—
Debt Limit	\$ 339,229,955

Outstanding sales tax bonds total about \$9.52 million. Lehi could legally justify about \$6.1 million more in Sales tax bond debt service before meeting its ABT coverage ratio. This equates to approximately \$83 million additional legal sales tax bonding capacity, assuming a four percent borrowing rate over a 20- year period.

Lehi City's redevelopment agency has not issued bonds secured by specific project area incremental revenue. However, incremental revenues from each of the project areas generally support developer incentive agreements and are not available for other projects.

TABLE 78: LEHI DEBT COVERAGE

Lehi Sales Tax Bonds	
2019 Debt Service	
Series 2018	\$813,960
Series 2014	388,313
Total 2019 Debt Service	\$1,202,273
Revenues	\$11,034,838
Coverage	9.2
ABT	1.5
ABT Capacity	\$6,154,286
Additional STB Capacity	\$83M

²⁵⁶ Based on the Lehi City's FY 2017 audited financials and other sources compiled by Zions Public Finance.

Lehi City has no outstanding special assessment bonds, nor do they have outstanding Class C Road Revenue Bonds. Class C revenues are used for maintenance and replacement of existing roads and cover only half of the annual road needs.

Financial Limits

Although legal analysis might suggest Lehi has capacity under its GO, sales tax or perhaps tax increment tools, the financial ramifications will negatively impact ratios often reviewed by creditors and limit the ability of the City to participate in a meaningful way. As of 2017, the City maintained Fund Balance of 15 percent of General Fund revenues compared with the legal limit of 25 percent suggests little disposable cash with which to do the projects. Fiscal year 2018 is expected to be slightly better but using cash reserves comes at the expense of the City's financial position. The tax impact of issuing GO bonds up to the available capacity would cost tax payers approximately \$231 per year for each \$100,000 of taxable value over a 20-year period. This is a significant tax burden and not likely a politically feasible option.

Future Plans

Sales taxes make up a significant portion of general fund operations and is targeted for future projects. Lehi has \$50 million of identified park improvements to facilitate a rapidly growing recreation program. They also anticipate having to bond for approximately \$10 million for fire stations and another \$30 million for city hall and court improvements. Sales tax revenue bonds is likely the financing tool of choice, but lease revenue bonds could also be used. Because of the significant immediate needs, Lehi is not able to help fund projects from the Phase Two list but welcomes the chance to identify other ways the City can help. The City is currently funding the RR Trail identified in the Phase Two project list. The City could also assist with corridor preservation by allowing density bonuses to land developers in exchange for land needed for projects.

Advantages and Disadvantages

TABLE 79 shows the advantages and disadvantages for the City of Lehi to participate in financing POM Phase Two transportation projects.

TABLE 79: PARTICIPATION OF LEHI CITY IN THE FINANCING OF PHASE TWO TRANSPORTATION PROJECTS

Advantages City of Lehi	Disadvantages City of Lehi
\$340M in GO bond capacity.	\$231/year/\$100,000 tax impact.
\$83M in sales tax bond capacity.	GO election required.
GO and sales tax bonds are equally versatile for project use.	Sales tax revenue used to operate the City and planned capital projects.
	Class C revenue completely used for operations.
	Tax increment area revenue dedicated to specific area and obligations in those areas.

CITY OF SOUTH JORDAN, 2ND CLASS CITY

South Jordan City is a city of the 2nd class and has no GO bonds outstanding. At \$430 million, the City has significant legal capacity to participate in the funding of these projects.

TABLE 80: SOUTH JORDAN GO DEBT CAPACITY

City of South Jordan	Amount
2018 Estimated Market Value	\$10,719,813,921
4% of Market Value	430,765,901
Less: GO Debt	—
Debt Limit	\$ 430,765,901

Outstanding sales tax bonds total about \$24.85 million.²⁵⁷

South Jordan could legally justify about \$4.6 million more in sales tax bond debt service before meeting its ABT coverage ratio. This equates to about \$63 million more in legal sales tax bonding capacity assuming a four percent borrowing rate over 20 years.

The City has no outstanding Class C Road Revenue Bonds and use all Class C revenues for maintenance. The City has insufficient revenue from Class C Road and Revenue Bonds to cover the current maintenance schedule.

TABLE 81: SOUTH JORDAN DEBT COVERAGE

South Jordan Sales Tax Bonds		South Jordan Sales Tax & Tax Increment Bonds	
2019 Debt Service		2019 Debt Service	
Series 2008	\$763,713	Series 2015	\$2,408,399
Series 2017	1,588,950		
Total 2019 Debt Service	\$2,352,663	Total 2019 Debt Service	\$2,408,399
Revenues	13,958,648	Revenues	14,130,196
Coverage	5.93	Coverage	5.87
ABT	2.0	ABT	1.25
ABT Capacity	\$4,636,662		
Additional STB Capacity	\$63M		

South Jordan's redevelopment agency has issued bonds secured by specific project area incremental revenue and subordinated sales tax pledge currently outstanding in an amount of just under \$14.6 million. These incremental revenues are not available for other projects unless a new project area is created, and the allocation is agreed to by the participating taxing entities. The subordinated sales tax pledge could be used if the ABT coverage was met.

South Jordan has \$29 million of Special Assessment Bonds outstanding and secured by the assessment revenue and the City's General Fund. While most assessment bonds don't impact the City's General Fund,

²⁵⁷ Based on the City of South Jordan's FY 2017 audited financials and other sources compiled by Zions Public Finance.

this particular issue does require City funds to replenish the draws on a debt service reserve fund, if needed.

The City also has \$3.9 million of lease revenue bonds outstanding for construction of a recreation center paid for out of General Fund revenues.

Financial Limits

Although the analysis above might suggest South Jordan has capacity under its GO, sales tax or perhaps tax increment tools, the financial ramifications will negatively impact ratios often reviewed by creditors and limit the ability of the City to participate in a meaningful way. As of 2017, the City maintained Unassigned Fund balance of 22 percent of General Fund revenues compared with the legal limit of 25 percent suggesting some disposable cash with which to do the projects. However, doing so comes at the expense of the City's financial position. The tax impact of issuing GO bonds up to the available capacity would cost tax payers approximately \$245 per year for each \$100,000 of taxable value over a 20-year period. This is a significant tax burden and not likely a politically feasible option.

As with other cities, sales taxes make up a significant amount of general fund operations. Although there is some legal capacity under their ABT, South Jordan plans to use a portion of this capacity for its own capital needs.

Future Plans

The City has indicated it has plans over the next five years to encumber the additional GO or sales tax revenues for public safety buildings, public works yard, and potentially a police and fire training facility in the western part of the City. Although the City hasn't specified the amounts needed and financing tool, the City has confirmed that expenses will exceed current revenues and require the issuance of bonds.

Advantages/Disadvantages

TABLE 82 shows the advantages and disadvantages for the City of South Jordan to participate in financing POM Phase Two transportation projects.

TABLE 82: PARTICIPATION OF SOUTH JORDAN IN THE FINANCING OF PHASE TWO TRANSPORTATION PROJECTS

Advantages South Jordan City	Disadvantages South Jordan City
\$430M in GO bond capacity.	\$245/year/\$100,000 tax impact.
\$63M in sales tax bond capacity.	GO election required.
GO and sales tax bonds are equally versatile for project use.	Sales tax revenue used to operate the City. Tax increment area revenue dedicated to specific area and obligations in those areas, bonds or otherwise.
Class C pledge is available.	Class C revenue completely used.

CITY OF BLUFFDALE. 4TH CLASS CITY

The City of Bluffdale has no GO bonds outstanding, but approximately \$6.5 million of lease revenue bonds outstanding, directly impacting the City's General Fund. The City has nearly \$79 of legal debt capacity to participate in the funding of these projects.

TABLE 83: CITY OF BLUFFDALE GO DEBT CAPACITY

City of Bluffdale	Amount
2018 Estimated Market Value	\$1,964,400,901
4% of Market Value	78,955,645
Less: GO Debt	—
Debt Limit	\$78,955,645

Outstanding sales tax bonds total about \$780,000. TABLE 84 shows the ABT capacity based upon the City's FY 2017 audited financials and other sources compiled by Zions Public Finance. Bluffdale could legally justify approximately \$1.4 million additional sales tax bond debt service before meeting its ABT coverage ratio. This equates to almost \$19.7 million more in legal sales tax bonding capacity assuming a four percent borrowing rate over 20 years.

Bluffdale's redevelopment agency has not issued bonds secured by specific project area incremental revenue.

TABLE 84: BLUFFDALE DEBT COVERAGE

Bluffdale Sales Tax Bonds	
2019 Debt Service	
Series 2015	\$136,811
Total 2019 Debt Service	\$136,811
Revenues	\$1,986,470
Coverage	14.52
ABT	1.25
ABT Capacity	\$1,452,365
Additional STB Capacity	\$19.7M

The city has no outstanding Special Assessment Bonds that impact the General Fund, nor do they have outstanding Class C Road Revenue Bonds. Class C revenues must be supplemented by other General Fund revenues to maintain existing roads.

Financial Limits

Although Bluffdale has legal capacity under its GO, sales tax, and Class C tools, the financial ramifications

will negatively impact ratios often reviewed by creditors and limit the ability of the City to participate in a meaningful way. As of 2017, the City maintained Unassigned Fund Balance of 14 percent of General Fund revenues compared with the legal limit of 25 percent suggesting little disposable cash with which to do the projects. The tax impact of issuing GO bonds up to the available capacity would cost tax payers approximately \$163 per year for each \$100,000 of taxable value over a 20-year period. This is a significant tax burden and not likely a politically feasible option.

The combination of property and sales tax almost cover police and fire expenses, but not quite. City leaders would be very concerned if revenues were required to help fund Phase Two projects given the need for sales and property tax revenue to cover the basic operations of the City.

Future Plans

The City has identified about \$11 million of improvement costs for a new public works facility and parks. They plan to use lease revenue bonds for the public works building and most likely sales tax bonds for the parks over the next five years.

Bluffdale acknowledges the need to widen the railroad trestle at 14600 South and has already started on trail improvements along Porter Rockwell Blvd towards Herriman, although it is far from complete. The City is willing to look at ways to help facilitate Phase Two projects, but do not have the revenue stream to make a financially significant contribution at this time.

Advantages/Disadvantages

TABLE 85 shows the advantages and disadvantages for the City of Bluffdale to participate in financing POM Phase Two transportation projects.

TABLE 85: PARTICIPATION OF BLUFFDALE IN THE FINANCING OF PHASE TWO TRANSPORTATION PROJECTS

Advantages City of Bluffdale	Disadvantages City of Bluffdale
\$79M in GO bond capacity.	\$163 tax impact per year per \$100,000 of taxable value.
\$19.7M in sales tax bond capacity.	GO election required.
GO and sales tax bonds are equally versatile for project use.	Sales tax revenue used to operate the City and planned capital projects.
	Small financing base.
	Class C revenue completely used for operations.

CITY OF RIVERTON, 3RD CLASS CITY

Riverton City has no GO bonds outstanding. At \$200 million, the City has significant legal capacity to participate in the funding of Phase Two projects.

TABLE 86: CITY OF RIVERTON GO DEBT CAPACITY

City of Riverton	Amount
2018 Estimated Market Value	\$5,000,686,960
4% of Market Value	200,027,478
Less: GO Debt	—
Debt Limit	\$ 200,027,478

TABLE 87: RIVERTON DEBT COVERAGE

Riverton Sales Tax Bonds	
2019 Debt Service	
FSTRB 2010	\$425,906
FSTRB 2012	\$295,292
FSTRB 2013	\$1,021,400
FSTRB 2016	\$637,350
Total 2019 Debt Service	\$2,379,948
Revenues	\$8,892,656
Coverage	3.74
ABT	2.0
ABT Capacity	\$2,066,380
Additional STB Capacity	\$28M

TABLE 87 shows the limits based on the City's FY 2017 audited financials and other sources compiled by Zions Public Finance. Riverton can legally justify approximately \$2 million additional sales tax bond debt service before meeting its ABT coverage ratio. This equates to nearly \$28 million more in legal sales tax bonding capacity assuming a four percent borrowing rate over 20 years. Outstanding sales tax bonds total approximately \$32 million.

Riverton has no outstanding Class C Road Revenue Bonds. They use all Class C revenues for road maintenance. The City

defers road maintenance projects as long as possible due to restricted funds.

Riverton City's redevelopment agency has not issued bonds secured by specific project area incremental revenue.

Riverton has no outstanding Special Assessment Bonds.

Financial Limits

Although legal analysis might suggest Riverton has capacity under its GO, sales tax or Class C tools, the financial ramifications will negatively impact ratios often reviewed by creditors and limit the City's ability to participate in a meaningful way. As of 2018, the City maintained an Unassigned Fund balance of 18 percent of General Fund revenues compared with the legal limit of 25 percent suggesting some disposable cash with which to finance Phase Two projects. However, this contribution would come at the expense of the City's financial position. The tax impact of issuing GO bonds up to the available capacity would cost tax payers approximately \$263 per year for each \$100,000 of taxable value over a 20-year period. This is a significant tax burden and not likely a politically feasible option.

Sales tax revenue also funds a significant amount of General Fund operations. While there appears to be some legal capacity for additional sales tax bonding, (\$28 million) the City does not have excess cashflow to afford the new payments.

Future Plans

Riverton has no plans for bonding in the next five years. The City is willing to look at ways to contribute to projects that will alleviate pressure on Riverton roads. For example, the City would consider contributing to the construction of express or reversible lanes on 13400 South and accelerating the Mountain View Corridor.

TABLE 88 shows the advantages and disadvantages for the City of Riverton to participate in financing POM Phase Two transportation projects.

TABLE 88: PARTICIPATION OF RIVERTON CITY IN THE FINANCING OF PHASE TWO TRANSPORTATION PROJECTS

Advantages City of Riverton	Disadvantages City of Riverton
\$200M in GO bond capacity.	\$263/year/\$100,000 tax impact.
\$28M in sales tax bond capacity.	GO election required.
GO and sales tax bonds are equally versatile for project use.	Sales tax revenue used to operate the City.
Class C pledge is available.	Class C revenue completely used
Expected increase of sales tax revenue due to CenterCal development.	CenterCal development exacerbates an already bad transportation problem.

CITY OF HERRIMAN, 3RD CLASS CITY

The City of Herriman has been incorporated for approximately 20 years, growing from approximately 1,000 residents to over 30,000 residents during that short time period. Herriman has no GO bonds outstanding. At \$174 million, the City has significant legal capacity to participate in the funding of these projects with GO bonds.

TABLE 89: CITY OF HERRIMAN GO DEBT CAPACITY

City of Herriman	Amount
2018 Estimated Market Value	\$4,356,827,616
4% of Market Value	174,407,765
Less: GO Debt	—
Debt Limit	\$ 174,407,765

Outstanding sales tax bonds total about \$26 million. TABLE 90 outlines the limits based upon the City's FY 2017 audited financials and other sources compiled by Zions Public Finance. Herriman could legally justify approximately \$762,000 additional sales tax bond debt service before meeting its ABT coverage ratio. This equates to approximately \$10 million more in legal sales tax bonding capacity assuming a four percent borrowing rate over a 20-year period.

Herriman has no outstanding Class C Road Revenue Bonds, but its tax increment financing is secured in part by Class C revenues for a period of 10 years from the time of issuance. Although the City is using Class C revenues as security, incremental revenues from the Towne Center project area are being used as the repayment source. All Class C revenues are used for a portion of the City-wide maintenance of roads.

Herriman City's redevelopment agency has issued \$10.96 million in bonds secured by specific project area incremental revenue and Class C revenues.

Herriman also has outstanding Special Assessment Bonds, which are enhanced by a commitment of the City to replenish the Reserve Fund associated with the bonds.

TABLE 90: HERRIMAN DEBT COVERAGE

Herriman Sales Tax Bonds		Herriman Tax Increment/Class C Bonds	
2019 Debt Service		2019 Debt Service	
SFTR Series 2015A	\$1,560,378	Series 2016	\$ 854,025
SFTR Series 2015B	270,875		
SFTR Series 2018	270,963		
Total Debt Service	\$2,102,215		
Total 2019 Debt Service	\$2,352,663	Total 2019 Debt Service	\$ 854,025
Revenues	\$5,730,352	Revenues	\$1,174,616
Coverage	2.73	Coverage	1.38
ABT	2.0		
ABT Capacity	\$762,961		
Additional STB Capacity	\$10M		

Financial Limits

Although legal analysis suggests Herriman has GO capacity, and very limited capacity under its sales tax or Class C tools, the financial ramifications of over extending will negatively impact ratios often reviewed by creditors and limit the ability of the City to participate in financing a portion of the Phase Two transportation projects in a meaningful way. As of 2017, the City maintained Unassigned Fund balance of 25 percent of General Fund revenues compared with the legal limit of 25 percent suggesting some disposable cash with which to assist with Phase Two projects. However, using fund balance comes at the expense of the City's financial position. The tax impact of issuing GO bonds up to the available capacity would cost tax payers approximately \$268 per year for each \$100,000 of taxable value over a 20-year period. This is a significant tax burden and not likely a politically feasible option.

Sales tax revenues fund a significant portion of general fund operations as well and there is no significant excess capacity at the present time to use that security source.

Future Plans

Over the next five years, Herriman plans to construct a \$12 million public safety facility and a \$22 million public works facility. These projects are in addition to \$40 million of roads and \$15 million in park improvements beyond the five-year horizon. Although Herriman is excited about the benefits of Mountain View Corridor completion and improvements in traffic flow, the City is not in a financial position to help with funding. Incentives for businesses that cost cities more money, in addition to limits placed on business licenses, impact fees and affordable housing mandates limit funding available for other projects. The City is willing to come to the table to discuss possible participation in constructing express or reversible lanes on 13400 and 12600 South or acceleration of the Mountain View Corridor. The City is also interested in a red line extension in the form of rail or BRT.

TABLE 91 shows the advantages and disadvantages for the City of Herriman to participate in financing POM Phase Two transportation projects.

TABLE 91: PARTICIPATION OF CITY OF HERRIMAN IN THE FINANCING OF PHASE TWO TRANSPORTATION PROJECTS

Advantages City of Herriman	Disadvantages City of Herriman
\$174M in GO bond capacity.	\$268/year/\$100,000 tax impact
\$10M in sales tax bond capacity.	GO election required
GO sales and tax bonds are equally versatile for project use.	Sales tax revenue used to operate the City and close to ABT.
Expected increase of sales tax due to growth and development.	Class C revenue pledged and completely used.
	Olympia development compounds transportation problems in Herriman.

Exhibit 3G: Selection from 2013 S&P Rating Report



RatingsDirect®

The state's debt as of June 30, 2012 stood at \$3.49 billion of GO bonds and \$298.5 million of lease revenue bonds outstanding. This translates to debt per capita of \$1,326, or 3.3% of state GDP and 3.83% of total personal income, which we consider to be moderate. By the end of fiscal 2013, the state estimates that GO debt outstanding will have fallen to \$3.23 billion. The state is subject to a constitutional debt limit of up to 1.5% of taxable property value in the state and currently has capacity to issue up to \$825 million. However, the state anticipates only issuing up to about \$107 million during the next two years.



APPENDIX H

OPTION ONE EXHIBITS

APPENDIX H – OPTION ONE EXHIBITS

EXHIBIT 1H: TAX INCREMENT PROJECTIONS FOR TRZ AND PRISON SITE

Tax Increment Projections for Transportation Reinvestment Zone AND Prison Site									
	Total Through 2050	2021	2022	2023	2024	2025	2026	2027	2028
PROPERTY TAX INCREMENT									
INCLUDES ALL TAXING ENTITIES									
(County, City, School District)									
Light Rail TRZ									
Prison Site	\$740,455,771	\$1,267,021	\$2,572,053	\$3,916,236	\$5,300,744	\$7,524,321	\$9,814,605	\$12,173,598	\$14,708,187
Bluffdale Gravel Pits	209,274,167	-	-	-	-	-	-	-	-
Draper Gravel Pits	184,424,625	-	-	-	-	-	-	-	-
Lehi - Thanksgiving Pt 1.0	192,317,642	363,268	737,434	1,143,157	1,540,110	1,948,971	2,370,098	2,803,859	3,250,632
Lehi - Thanksgiving Pt 2.0	173,477,715	328,168	666,180	1,014,333	1,372,931	1,742,287	2,122,723	2,514,572	2,918,177
Sandy DT	158,853,941	361,740	734,332	1,171,179	1,585,226	2,011,694	2,450,957	2,903,398	3,369,411
South Jordan East	201,371,006	139,196	282,568	430,241	612,488	995,517	1,390,037	1,864,828	2,299,319
TOTAL	\$1,860,174,866	\$2,459,392	\$4,992,567	\$7,675,146	\$10,411,499	\$14,222,790	\$18,148,420	\$22,260,254	\$26,545,728
Average	\$265,739,267								
Mountain View Corridor TRZ									
Herriman	\$796,432,802	\$840,474	\$1,706,161	\$2,597,820	\$3,516,228	\$5,531,943	\$7,608,129	\$9,746,600	\$11,949,226
Riverton	381,863,656	553,667	1,123,943	1,711,328	2,316,335	3,454,557	4,626,925	5,834,465	7,078,231
South Jordan West	1,268,913,413	1,095,878	2,239,810	3,410,359	4,616,025	7,303,872	10,072,354	12,923,891	15,860,974
TOTAL	\$2,447,209,872	\$2,490,018	\$5,069,915	\$7,719,507	\$10,448,588	\$16,290,371	\$22,307,408	\$28,504,956	\$34,888,430
Average	\$815,736,624								
PRISON SITE PROPERTY AND SALES TAX INCREMENT									
Property Taxes	\$740,455,771	\$1,267,021	\$2,572,053	\$3,916,236	\$5,300,744	\$7,524,321	\$9,814,605	\$12,173,598	\$14,708,187
Sales Tax	71,917,177	511,714	575,716	642,073	710,855	914,155	1,125,303	1,344,531	1,572,078
TOTAL	\$812,372,948	\$1,778,735	\$3,147,769	\$4,558,309	\$6,011,599	\$8,438,476	\$10,939,908	\$13,518,129	\$16,280,266
Average	\$24,681,859								

	2029	2030	2031	2032	2033	2034	2035	2036	2037
PROPERTY TAX INCREMENT									
INCLUDES ALL TAXING ENTITIES									
(County, City, School District)									
Light Rail TRZ									
Prison Site	\$17,253,205	\$19,773,206	\$22,368,807	\$25,042,275	\$27,795,948	\$30,632,231	\$33,357,334	\$33,797,067	\$33,797,067
Bluffdale Gravel Pits	-	-	-	-	-	-	-	1,585,387	3,218,335
Draper Gravel Pits	-	-	-	-	-	-	-	1,496,544	3,037,984
Lehi - Thanksgiving Pt 1.0	3,907,438	4,394,920	4,802,328	5,221,959	5,654,178	6,099,364	6,556,101	6,990,381	7,358,566
Lehi - Thanksgiving Pt 2.0	3,333,890	3,762,074	4,100,914	4,449,920	4,809,395	5,179,655	5,561,022	5,953,831	6,358,424
Sandy DT	3,849,406	4,343,800	4,816,568	5,303,518	5,805,078	6,321,684	6,853,788	6,963,208	6,963,208
South Jordan East	2,746,845	3,207,797	4,105,226	5,053,482	5,663,658	6,292,139	6,651,788	7,022,227	7,403,778
TOTAL	\$31,090,783	\$35,481,796	\$40,193,843	\$45,071,155	\$49,728,258	\$54,525,074	\$58,980,035	\$63,808,644	\$68,137,362
Average									
Mountain View Corridor TRZ									
Herriman	\$14,217,930	\$16,554,696	\$18,961,565	\$21,440,639	\$23,994,086	\$26,624,137	\$28,811,207	\$30,416,147	\$31,873,470
Riverton	8,359,309	9,678,820	11,037,917	12,437,786	13,879,652	15,364,773	15,663,630	15,971,452	16,288,509
South Jordan West	18,886,169	23,030,028	26,389,398	29,849,548	33,413,504	37,084,378	39,589,395	42,169,563	44,827,136
TOTAL	\$41,463,409	\$49,263,544	\$56,388,879	\$63,727,974	\$71,287,242	\$79,073,287	\$84,064,232	\$88,557,162	\$92,989,116
Average									
PRISON SITE PROPERTY AND SALES TAX INCREMENT									
Property Taxes	\$17,253,205	\$19,773,206	\$22,368,807	\$25,042,275	\$27,795,948	\$30,632,231	\$33,357,334	\$33,797,067	\$33,797,067
Sales Tax	1,800,923	2,027,176	2,261,759	2,504,913	2,756,890	3,017,943	3,260,781	2,763,840	2,762,407
TOTAL	\$19,054,128	\$21,800,382	\$24,630,565	\$27,547,189	\$30,552,838	\$33,650,175	\$36,618,115	\$36,560,907	\$36,559,474
Average									

	2038	2039	2040	2041	2042	2043	2044	2045
PROPERTY TAX INCREMENT								
INCLUDES ALL TAXING ENTITIES								
(County, City, School District)								
Light Rail TRZ								
Prison Site	\$33,797,067	\$33,797,067	\$33,797,067	\$33,797,067	\$33,797,067	\$33,797,067	\$33,797,067	\$33,797,067
Bluffdale Gravel Pits	4,969,787	6,702,183	8,486,549	10,324,447	12,295,722	14,245,548	16,253,869	18,330,552
Draper Gravel Pits	4,625,668	6,260,982	7,945,356	9,680,261	11,467,212	13,307,773	15,203,550	17,156,201
Lehi - Thanksgiving Pt 1.0	7,737,797	8,128,404	8,530,730	8,945,126	9,371,953	9,811,585	10,264,407	10,730,813
Lehi - Thanksgiving Pt 2.0	6,775,154	7,204,387	7,646,496	8,101,869	8,570,903	9,054,008	9,551,606	10,064,132
Sandy DT	6,963,208	6,963,208	6,963,208	7,215,612	7,215,612	7,215,612	7,215,612	7,215,612
South Jordan East	7,796,776	8,201,564	8,618,496	9,047,935	9,490,258	9,945,850	10,415,111	11,284,740
TOTAL	\$72,665,457	\$77,257,794	\$81,987,902	\$87,112,317	\$92,208,728	\$97,377,444	\$102,701,222	\$108,579,117
Average								
Mountain View Corridor TRZ								
Herriman	\$33,374,513	\$35,769,834	\$37,401,018	\$39,081,138	\$40,811,661	\$42,594,100	\$44,430,012	\$44,430,012
Riverton	16,615,078	16,951,444	17,297,901	17,654,751	18,022,307	18,400,890	18,790,830	18,791,019
South Jordan West	47,564,437	50,383,856	53,287,858	56,278,980	59,359,835	62,533,116	65,801,596	71,513,554
TOTAL	\$97,554,028	\$103,105,134	\$107,986,777	\$113,014,869	\$118,193,803	\$123,528,106	\$129,022,438	\$134,734,585
Average								
PRISON SITE PROPERTY AND								
SALES TAX INCREMENT								
Property Taxes	\$33,797,067	\$33,797,067	\$33,797,067	\$33,797,067	\$33,797,067	\$33,797,067	\$33,797,067	\$33,797,067
Sales Tax	2,817,656	2,874,009	2,931,489	2,990,119	3,049,921	3,110,919	3,173,138	3,236,601
TOTAL	\$36,614,722	\$36,671,075	\$36,728,556	\$36,787,185	\$36,846,988	\$36,907,986	\$36,970,205	\$37,033,667
Average								

EXHIBIT 2H: LOCAL TRANSPORTATION DISTRICT GENERAL OBLIGATION BOND TAX IMPACT

Local Transportation District General Obligation Bond Tax Impact**Bond Assumptions**

Bond Interest Rate: 4.50%

Bond Term (years): 20

Median Home Values

Primary Homeowners' Exemption: 45%

City Data

City	Estimated FMV for Debt Incurring Capacity	5% of City Fair Market Value	2017 Median Home Value ¹	Taxable Value of Median Primary Home
Sandy	14,290,553,408	\$ 714,527,670	\$429,000	\$235,950
South Jordan	10,769,147,522	538,457,376	\$470,000	\$258,500
Draper	9,211,551,483	460,577,574	\$482,250	\$265,238
Herriman	4,360,194,133	218,009,707	\$361,957	\$199,076
Lehi	8,480,748,863	424,037,443	\$345,500	\$190,025
Riverton	5,000,686,960	250,034,348	\$365,786	\$201,182
Bluffdale	1,973,891,134	98,694,557	\$365,786	\$201,182
Total	\$ 54,086,773,503	\$ 2,704,338,675		

Bond up to Maximum Allowable Property Tax Levy: 0.0008

City	2018 Tax Rate Value ²	Annual Debt Service	Bonds	Annual Tax Increase on Primary Home	Annual Tax Increase per \$100k Primary Home Value
Sandy	\$ 7,988,295,625	\$ 6,390,637	\$ 83,128,993	\$189	\$44
South Jordan	5,726,061,592	4,580,849	59,587,396	\$207	\$44
Draper	5,048,903,054	4,039,122	52,540,648	\$212	\$44
Herriman	2,273,333,372	1,818,667	23,657,101	\$159	\$44
Lehi	4,984,394,273	3,987,515	51,869,347	\$152	\$44
Riverton	3,059,412,264	2,447,530	31,837,312	\$161	\$44
Bluffdale	886,852,367	709,482	9,228,895	\$161	\$44
Total	\$ 29,967,252,547	\$ 23,973,802	\$ 311,849,693		

Bond for a Desired Tax Increase on a Primary Home of : \$50

City	Levy for Target Tax Impact	Annual Debt Service	Bonds	Annual Tax Increase on Primary Home	Annual Tax Increase per \$100k Primary Home Value
Sandy	0.000212	\$ 1,692,794	\$ 22,019,759	\$50.00	\$11.66
South Jordan	0.000193	1,107,555	14,407,011	\$50.00	\$10.64
Draper	0.000189	951,770	12,380,566	\$50.00	\$10.37
Herriman	0.000251	570,970	7,427,144	\$50.00	\$13.81
Lehi	0.000263	1,311,510	17,060,041	\$50.00	\$14.47
Riverton	0.000249	760,358	9,890,691	\$50.00	\$13.67
Bluffdale	0.000249	220,410	2,867,081	\$50.00	\$13.67
Total		\$ 6,615,369	\$ 86,052,293		

¹Source: Salt Lake Tribune²Source: Utah State Tax Commission

EXHIBIT 3H: UTA TRANSIT AUTHORITY SALES TAX REVENUE INCREASE

UTA Sales Tax

Sales Tax Revenue Bond Assumptions

Rate	4%
Term (Years)	20
Par Amount	\$ 1,280,300,000
Annual Debt Service	\$94,206,715

Required Tax Increase to Support Annual Debt Service

All UTA Counties	0.2278%
Just Salt Lake and Utah Counties	0.2949%

All Counties

	2017 Sales Tax Contribution by County ¹	2017 Sales Tax Rate ¹	Derived Taxable Sales	Additional Contribution Required	Total Contribution by County	New Sales Tax Rate
Salt Lake County	\$ 163,407,564	0.6875%	\$ 23,768,372,945	\$ 54,146,882	\$ 217,554,446	0.9153%
Utah County	43,023,303	0.5260%	8,179,335,171	18,633,395	61,656,698	0.7538%
Davis County	30,633,547	0.6500%	4,712,853,385	10,736,381	41,369,928	0.8778%
Weber County	24,446,129	0.6500%	3,760,942,923	8,567,828	33,013,957	0.8778%
Box Elder County	1,957,740	0.5500%	355,952,727	810,898	2,768,638	0.7778%
Tooele County	2,302,492	0.4000%	575,623,000	1,311,330	3,613,822	0.6278%
Total	\$ 265,770,775		\$ 41,353,080,152	\$ 94,206,715	\$ 359,977,490	

Salt Lake and Utah County

	2017 Sales Tax Contribution by County ¹	2017 Sales Tax Rate ¹	Derived Taxable Sales	Additional Contribution Required	Total Contribution by County	New Sales Tax Rate
Salt Lake County	\$ 163,407,564	0.6875%	\$ 23,768,372,945	\$ 70,087,667	\$ 233,495,231	0.9824%
Utah County	43,023,303	0.5260%	8,179,335,171	24,119,048	67,142,351	0.8209%
Total	\$ 206,430,867		\$ 31,947,708,117	\$ 94,206,715	\$ 300,637,582	

¹Source: UTA 2017 CAFR



APPENDIX I

OPTION TWO EXHIBITS

APPENDIX I – OPTION TWO EXHIBITS

EXHIBIT 11: UTAH TRANSIT AUTHORITY SALES TAX REVENUE INCREASE TO SUPPORT PRIVATE ACTIVITY BONDS

UTA Sales Tax

Private Activity Bond Assumptions

Rate	6%
Term (Years)	30
Par Amount	\$ 1,000,000,000
Annual Debt Service	\$72,648,911

Required Tax Increase to Support Annual Debt Service

All UTA Counties	0.1757%
Just Salt Lake and Utah Counties	0.2274%

All Counties

	2017 Sales Tax Contribution by County ¹	2017 Sales Tax Rate ¹	Derived Taxable Sales	Additional Contribution Required	Total Contribution by County	New Sales Tax Rate
Salt Lake County	\$ 163,407,564	0.6875%	\$ 23,768,372,945	\$ 41,756,174	\$ 205,163,738	0.8632%
Utah County	43,023,303	0.5260%	8,179,335,171	14,369,420	57,392,723	0.7017%
Davis County	30,633,547	0.6500%	4,712,853,385	8,279,520	38,913,067	0.8257%
Weber County	24,446,129	0.6500%	3,760,942,923	6,607,208	31,053,337	0.8257%
Box Elder County	1,957,740	0.5500%	355,952,727	625,336	2,583,076	0.7257%
Tooele County	2,302,492	0.4000%	575,623,000	1,011,252	3,313,744	0.5757%
Total	\$ 265,770,775		\$ 41,353,080,152	\$ 72,648,911	\$ 338,419,686	

Salt Lake and Utah County

	2017 Sales Tax Contribution by County ¹	2017 Sales Tax Rate ¹	Derived Taxable Sales	Additional Contribution Required	Total Contribution by County	New Sales Tax Rate
Salt Lake County	\$ 163,407,564	0.6875%	\$ 23,768,372,945	\$ 54,049,148	\$ 217,456,712	0.9149%
Utah County	43,023,303	0.5260%	8,179,335,171	18,599,763	61,623,066	0.7534%
Total	\$ 206,430,867		\$ 31,947,708,117	\$ 72,648,911	\$ 279,079,778	

¹Source: UTA 2017 CAFR

EXHIBIT 2I: TRZ TAX INCREMENT BONDS (50% OF INCREMENT)

MVC and Light Rail Transportation Reinvestment Zone Tax Increment Bonds 50% of Increment

TRZ Increment Through 2050¹

Year	Mountain View Corridor TRZ Increment	Light Rail TRZ Increment	Total TRZ Increment	80% of TRZ Increment	50% of Available Increment
2021	2,490,018	2,459,392	4,949,411	3,959,528	1,979,764
2022	5,069,915	4,992,567	10,062,482	8,049,985	4,024,993
2023	7,719,507	7,675,146	15,394,653	12,315,722	6,157,861
2024	10,448,588	10,411,499	20,860,086	16,688,069	8,344,035
2025	16,290,371	14,222,790	30,513,161	24,410,529	12,205,264
2026	22,307,408	18,148,420	40,455,827	32,364,662	16,182,331
2027	28,504,956	22,260,254	50,765,210	40,612,168	20,306,084
2028	34,888,430	26,545,728	61,434,158	49,147,326	24,573,663
2029	41,463,409	31,090,783	72,554,192	58,043,354	29,021,677
2030	49,263,544	35,481,796	84,745,341	67,796,273	33,898,136
2031	56,388,879	40,193,843	96,582,722	77,266,178	38,633,089
2032	63,727,974	45,071,155	108,799,129	87,039,303	43,519,651
2033	71,287,242	49,728,258	121,015,499	96,812,400	48,406,200
2034	79,073,287	54,525,074	133,598,361	106,878,689	53,439,345
2035	84,064,232	58,980,035	143,044,267	114,435,413	57,217,707
2036	88,557,162	63,808,644	152,365,806	121,892,644	60,946,322
2037	92,989,116	68,137,362	161,126,477	128,901,182	64,450,591
2038	97,554,028	72,665,457	170,219,485	136,175,588	68,087,794
2039	103,105,134	77,257,794	180,362,928	144,290,342	72,145,171
2040	107,986,777	81,987,902	189,974,678	151,979,743	75,989,871
2041	113,014,869	87,112,317	200,127,186	160,101,749	80,050,874
2042	118,193,803	92,208,728	210,402,531	168,322,025	84,161,013
2043	123,528,106	97,377,444	220,905,550	176,724,440	88,362,220
2044	129,022,438	102,701,222	231,723,660	185,378,928	92,689,464
2045	134,734,585	108,579,117	243,313,702	194,650,962	97,325,481
2046	140,618,097	111,375,165	251,993,262	201,594,610	100,797,305
2047	146,678,114	114,255,095	260,933,209	208,746,567	104,373,284
2048	152,919,932	117,221,423	270,141,355	216,113,084	108,056,542
2049	159,349,004	120,276,741	279,625,744	223,700,596	111,850,298
2050	165,970,948	123,423,718	289,394,666	231,515,733	115,757,866
Total	\$ 2,447,209,872	\$ 1,860,174,866	\$ 4,307,384,738	\$ 3,445,907,791	\$ 1,722,953,895

¹Source: RCLCO:ZPFI

MVC and Light Rail Transportation Reinvestment Zone Tax Increment Bonds (cont'd)

50% of Increment

Tax Increment Bonds (50% of Increment)

Series	Term (Years)	Par Amount
2021	10	\$ 133,990,000
2031	15	662,325,000
Total		\$ 796,315,000

Issue 1:

MVC and Light Rail Transportation Reinvestment Zones

\$133,990,000 Tax Increment Bonds

Series 2021 (10 Year)

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P&I	Capitalized Interest	Net New D/S
6/1/2021	-	-	-	-	-	-
6/1/2022	-	-	8,039,400	8,039,400	(8,039,400)	-
6/1/2023	-	-	8,039,400	8,039,400	(8,039,400)	-
6/1/2024	300,000	6.00%	8,039,400	8,339,400	-	8,339,400
6/1/2025	4,180,000	6.00%	8,021,400	12,201,400	-	12,201,400
6/1/2026	8,410,000	6.00%	7,770,600	16,180,600	-	16,180,600
6/1/2027	13,035,000	6.00%	7,266,000	20,301,000	-	20,301,000
6/1/2028	18,085,000	6.00%	6,483,900	24,568,900	-	24,568,900
6/1/2029	23,620,000	6.00%	5,398,800	29,018,800	-	29,018,800
6/1/2030	29,915,000	6.00%	3,981,600	33,896,600	-	33,896,600
6/1/2031	36,445,000	6.00%	2,186,700	38,631,700	-	38,631,700
Total	133,990,000	-	65,227,200	199,217,200	(16,078,800)	183,138,400

Issue 2:

Point of the Mountain Land Authority

\$662,325,000 Tax Increment Bonds

Series 2031 (15 Year)

Date	Principal	Coupon	Interest	Total P&I	Net New D/S
6/1/2031	-	-	-	-	-
6/1/2032	3,780,000	6.00%	39,739,500	43,519,500	43,519,500
6/1/2033	8,890,000	6.00%	39,512,700	48,402,700	48,402,700
6/1/2034	14,460,000	6.00%	38,979,300	53,439,300	53,439,300
6/1/2035	19,105,000	6.00%	38,111,700	57,216,700	57,216,700
6/1/2036	23,980,000	6.00%	36,965,400	60,945,400	60,945,400
6/1/2037	28,920,000	6.00%	35,526,600	64,446,600	64,446,600
6/1/2038	34,295,000	6.00%	33,791,400	68,086,400	68,086,400
6/1/2039	40,410,000	6.00%	31,733,700	72,143,700	72,143,700
6/1/2040	46,680,000	6.00%	29,309,100	75,989,100	75,989,100
6/1/2041	53,540,000	6.00%	26,508,300	80,048,300	80,048,300
6/1/2042	60,865,000	6.00%	23,295,900	84,160,900	84,160,900
6/1/2043	68,715,000	6.00%	19,644,000	88,359,000	88,359,000
6/1/2044	77,165,000	6.00%	15,521,100	92,686,100	92,686,100
6/1/2045	86,430,000	6.00%	10,891,200	97,321,200	97,321,200
6/1/2046	95,090,000	6.00%	5,705,400	100,795,400	100,795,400
Total	662,325,000	-	425,235,300	1,087,560,300	1,087,560,300

EXHIBIT 3I: TRZ TAX INCREMENT BONDS (75% OF INCREMENT)

MVC and Light Rail Transportation Reinvestment Zone Tax Increment Bonds 75% of Increment

TRZ Increment Through 2050¹

Year	Mountain View Corridor TRZ Increment	Light Rail TRZ Increment	Total TRZ Increment	80% of TRZ Increment	75% of Available Increment
2021	2,490,018	2,459,392	4,949,411	3,959,528	2,969,646
2022	5,069,915	4,992,567	10,062,482	8,049,985	6,037,489
2023	7,719,507	7,675,146	15,394,653	12,315,722	9,236,792
2024	10,448,588	10,411,499	20,860,086	16,688,069	12,516,052
2025	16,290,371	14,222,790	30,513,161	24,410,529	18,307,896
2026	22,307,408	18,148,420	40,455,827	32,364,662	24,273,496
2027	28,504,956	22,260,254	50,765,210	40,612,168	30,459,126
2028	34,888,430	26,545,728	61,434,158	49,147,326	36,860,495
2029	41,463,409	31,090,783	72,554,192	58,043,354	43,532,515
2030	49,263,544	35,481,796	84,745,341	67,796,273	50,847,204
2031	56,388,879	40,193,843	96,582,722	77,266,178	57,949,633
2032	63,727,974	45,071,155	108,799,129	87,039,303	65,279,477
2033	71,287,242	49,728,258	121,015,499	96,812,400	72,609,300
2034	79,073,287	54,525,074	133,598,361	106,878,689	80,159,017
2035	84,064,232	58,980,035	143,044,267	114,435,413	85,826,560
2036	88,557,162	63,808,644	152,365,806	121,892,644	91,419,483
2037	92,989,116	68,137,362	161,126,477	128,901,182	96,675,886
2038	97,554,028	72,665,457	170,219,485	136,175,588	102,131,691
2039	103,105,134	77,257,794	180,362,928	144,290,342	108,217,757
2040	107,986,777	81,987,902	189,974,678	151,979,743	113,984,807
2041	113,014,869	87,112,317	200,127,186	160,101,749	120,076,311
2042	118,193,803	92,208,728	210,402,531	168,322,025	126,241,519
2043	123,528,106	97,377,444	220,905,550	176,724,440	132,543,330
2044	129,022,438	102,701,222	231,723,660	185,378,928	139,034,196
2045	134,734,585	108,579,117	243,313,702	194,650,962	145,988,221
2046	140,618,097	111,375,165	251,993,262	201,594,610	151,195,957
2047	146,678,114	114,255,095	260,933,209	208,746,567	156,559,926
2048	152,919,932	117,221,423	270,141,355	216,113,084	162,084,813
2049	159,349,004	120,276,741	279,625,744	223,700,596	167,775,447
2050	165,970,948	123,423,718	289,394,666	231,515,733	173,636,800
Total	\$ 2,447,209,872	\$ 1,860,174,866	\$ 4,307,384,738	\$ 3,445,907,791	\$ 2,584,430,843

¹Source: RCLCO:ZPFI

MVC and Light Rail Transportation Reinvestment Zone Tax Increment Bonds (cont'd)

75% of Increment

Tax Increment Bonds (75% of Increment)

Series	Term (Years)	Par Amount
2021	10	\$ 200,995,000
2031	15	993,490,000
Total		\$ 1,194,485,000

Issue 1:

MVC and Light Rail Transportation Reinvestment Zones

\$200,995,000 Tax Increment Bonds

Series 2021 (10 Year)

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P&I	Capitalized Interest	Net New D/S
6/1/2021	-	-	-	-	-	-
6/1/2022	-	-	12,059,700	12,059,700	(12,059,700)	-
6/1/2023	-	-	12,059,700	12,059,700	(12,059,700)	-
6/1/2024	455,000	6.00%	12,059,700	12,514,700	-	12,514,700
6/1/2025	6,275,000	6.00%	12,032,400	18,307,400	-	18,307,400
6/1/2026	12,615,000	6.00%	11,655,900	24,270,900	-	24,270,900
6/1/2027	19,555,000	6.00%	10,899,000	30,454,000	-	30,454,000
6/1/2028	27,130,000	6.00%	9,725,700	36,855,700	-	36,855,700
6/1/2029	35,430,000	6.00%	8,097,900	43,527,900	-	43,527,900
6/1/2030	44,870,000	6.00%	5,972,100	50,842,100	-	50,842,100
6/1/2031	54,665,000	6.00%	3,279,900	57,944,900	-	57,944,900
Total	200,995,000	-	97,842,000	298,837,000	(24,119,400)	274,717,600

Issue 2:

Point of the Mountain Land Authority

\$993,490,000 Tax Increment Bonds

Series 2031 (15 Year)

Date	Principal	Coupon	Interest	Total P&I	Net New D/S
6/1/2031	-	-	-	-	-
6/1/2032	5,670,000	6.00%	59,609,400	65,279,400	65,279,400
6/1/2033	13,335,000	6.00%	59,269,200	72,604,200	72,604,200
6/1/2034	21,685,000	6.00%	58,469,100	80,154,100	80,154,100
6/1/2035	28,655,000	6.00%	57,168,000	85,823,000	85,823,000
6/1/2036	35,970,000	6.00%	55,448,700	91,418,700	91,418,700
6/1/2037	43,385,000	6.00%	53,290,500	96,675,500	96,675,500
6/1/2038	51,440,000	6.00%	50,687,400	102,127,400	102,127,400
6/1/2039	60,615,000	6.00%	47,601,000	108,216,000	108,216,000
6/1/2040	70,020,000	6.00%	43,964,100	113,984,100	113,984,100
6/1/2041	80,310,000	6.00%	39,762,900	120,072,900	120,072,900
6/1/2042	91,295,000	6.00%	34,944,300	126,239,300	126,239,300
6/1/2043	103,075,000	6.00%	29,466,600	132,541,600	132,541,600
6/1/2044	115,750,000	6.00%	23,282,100	139,032,100	139,032,100
6/1/2045	129,650,000	6.00%	16,337,100	145,987,100	145,987,100
6/1/2046	142,635,000	6.00%	8,558,100	151,193,100	151,193,100
Total	993,490,000	-	637,858,500	1,631,348,500	1,631,348,500

EXHIBIT 4I: POINT OF THE MOUNTAIN LAND AUTHORITY TAX INCREMENT BONDS (50% OF INCREMENT)

Point of the Mountain Land Authority Tax Increment Bonds

50% of Increment

Prison Site Increment Through 2050¹

Year	Prison Site Increment	80% of Increment	50% of Available Increment	Less 10% for Affordable Housing ²	Remaining Available for Debt Service
2021	\$ 1,778,735	\$ 1,422,988	\$ 711,494	\$ (71,149)	\$ 640,345
2022	3,147,769	2,518,215	1,259,107	(125,911)	1,133,197
2023	4,558,309	3,646,647	1,823,324	(182,332)	1,640,991
2024	6,011,599	4,809,279	2,404,640	(240,464)	2,164,176
2025	8,438,476	6,750,781	3,375,390	(337,539)	3,037,851
2026	10,939,908	8,751,926	4,375,963	(437,596)	3,938,367
2027	13,518,129	10,814,503	5,407,251	(540,725)	4,866,526
2028	16,280,266	13,024,213	6,512,106	(651,211)	5,860,896
2029	19,054,128	15,243,303	7,621,651	(762,165)	6,859,486
2030	21,800,382	17,440,305	8,720,153	(872,015)	7,848,137
2031	24,630,565	19,704,452	9,852,226	(985,223)	8,867,003
2032	27,547,189	22,037,751	11,018,876	(1,101,888)	9,916,988
2033	30,552,838	24,442,271	12,221,135	(1,222,114)	10,999,022
2034	33,650,175	26,920,140	13,460,070	(1,346,007)	12,114,063
2035	36,618,115	29,294,492	14,647,246	(1,464,725)	13,182,521
2036	36,560,907	29,248,726	14,624,363	(1,462,436)	13,161,927
2037	36,559,474	29,247,579	14,623,790	(1,462,379)	13,161,411
2038	36,614,722	29,291,778	14,645,889	(1,464,589)	13,181,300
2039	36,671,075	29,336,860	14,668,430	(1,466,843)	13,201,587
2040	36,728,556	29,382,844	14,691,422	(1,469,142)	13,222,280
2041	36,787,185	29,429,748	14,714,874	(1,471,487)	13,243,387
2042	36,846,988	29,477,590	14,738,795	(1,473,880)	13,264,916
2043	36,907,986	29,526,389	14,763,194	(1,476,319)	13,286,875
2044	36,970,205	29,576,164	14,788,082	(1,478,808)	13,309,274
2045	37,033,667	29,626,934	14,813,467	(1,481,347)	13,332,120
2046	37,098,399	29,678,719	14,839,360	(1,483,936)	13,355,424
2047	37,164,426	29,731,541	14,865,770	(1,486,577)	13,379,193.35
2048	37,231,773	29,785,419	14,892,709	(1,489,271)	13,403,438.33
2049	37,300,467	29,840,374	14,920,187	(1,492,019)	13,428,168.22
2050	37,370,535	29,896,428	14,948,214	(1,494,821)	13,453,392.71
Total	\$ 812,372,948	\$ 649,898,358	\$ 324,949,179	\$ (32,494,918)	\$ 292,454,261

¹Source: RCLCO:ZPFI²For a CRA 10% of available increment is withheld for affordable housing

Point of the Mountain Land Authority Tax Increment Bonds (cont'd)

50% of Increment

Tax Increment Bonds (50% of Increment)

Series	Term (Years)	Par Amount
2021	10	\$ 31,895,000
2031	15	122,415,000
Total		\$ 154,310,000

Issue 1:

Point of the Mountain Land Authority

\$31,895,000 Tax Increment Bonds

Series 2021 (10 Year)

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P&I	Capitalized Interest	Net New D/S
6/1/2021	-	-	-	-	-	-
6/1/2022	-	-	1,913,700	1,913,700	(1,913,700)	-
6/1/2023	-	-	1,913,700	1,913,700	(1,913,700)	-
6/1/2024	250,000	6.00%	1,913,700	2,163,700	-	2,163,700
6/1/2025	1,135,000	6.00%	1,898,700	3,033,700	-	3,033,700
6/1/2026	2,105,000	6.00%	1,830,600	3,935,600	-	3,935,600
6/1/2027	3,160,000	6.00%	1,704,300	4,864,300	-	4,864,300
6/1/2028	4,345,000	6.00%	1,514,700	5,859,700	-	5,859,700
6/1/2029	5,605,000	6.00%	1,254,000	6,859,000	-	6,859,000
6/1/2030	6,930,000	6.00%	917,700	7,847,700	-	7,847,700
6/1/2031	8,365,000	6.00%	501,900	8,866,900	-	8,866,900
Total	31,895,000	-	15,363,000	47,258,000	(3,827,400)	43,430,600

Issue 2:

Point of the Mountain Land Authority

\$122,415,000 Tax Increment Bonds

Series 2031 (15 Year)

Date	Principal	Coupon	Interest	Total P&I	Net New D/S
6/1/2031	-	-	-	-	-
6/1/2032	2,570,000	6.00%	7,344,900	9,914,900	9,914,900
6/1/2033	3,805,000	6.00%	7,190,700	10,995,700	10,995,700
6/1/2034	5,150,000	6.00%	6,962,400	12,112,400	12,112,400
6/1/2035	6,525,000	6.00%	6,653,400	13,178,400	13,178,400
6/1/2036	6,900,000	6.00%	6,261,900	13,161,900	13,161,900
6/1/2037	7,310,000	6.00%	5,847,900	13,157,900	13,157,900
6/1/2038	7,770,000	6.00%	5,409,300	13,179,300	13,179,300
6/1/2039	8,255,000	6.00%	4,943,100	13,198,100	13,198,100
6/1/2040	8,770,000	6.00%	4,447,800	13,217,800	13,217,800
6/1/2041	9,320,000	6.00%	3,921,600	13,241,600	13,241,600
6/1/2042	9,900,000	6.00%	3,362,400	13,262,400	13,262,400
6/1/2043	10,515,000	6.00%	2,768,400	13,283,400	13,283,400
6/1/2044	11,170,000	6.00%	2,137,500	13,307,500	13,307,500
6/1/2045	11,860,000	6.00%	1,467,300	13,327,300	13,327,300
6/1/2046	12,595,000	6.00%	755,700	13,350,700	13,350,700
Total	122,415,000	-	69,474,300	191,889,300	191,889,300

EXHIBIT 5I: POINT OF THE MOUNTAIN LAND AUTHORITY TAX INCREMENT BONDS (75% OF INCREMENT)

Point of the Mountain Land Authority Tax Increment Bonds 75% of Increment

Prison Site Increment Through 2050¹

Year	Prison Site Increment	80% of Increment	75% of Available Increment	Less 10% for Affordable Housing ²	Remaining Available for Debt Service
2021	\$ 1,778,735	\$ 1,422,988	\$ 1,067,241	\$ (106,724)	\$ 960,517
2022	3,147,769	2,518,215	1,888,661	(188,866)	1,699,795
2023	4,558,309	3,646,647	2,734,985	(273,499)	2,461,487
2024	6,011,599	4,809,279	3,606,959	(360,696)	3,246,263
2025	8,438,476	6,750,781	5,063,086	(506,309)	4,556,777
2026	10,939,908	8,751,926	6,563,945	(656,394)	5,907,550
2027	13,518,129	10,814,503	8,110,877	(811,088)	7,299,789
2028	16,280,266	13,024,213	9,768,159	(976,816)	8,791,343
2029	19,054,128	15,243,303	11,432,477	(1,143,248)	10,289,229
2030	21,800,382	17,440,305	13,080,229	(1,308,023)	11,772,206
2031	24,630,565	19,704,452	14,778,339	(1,477,834)	13,300,505
2032	27,547,189	22,037,751	16,528,313	(1,652,831)	14,875,482
2033	30,552,838	24,442,271	18,331,703	(1,833,170)	16,498,533
2034	33,650,175	26,920,140	20,190,105	(2,019,010)	18,171,094
2035	36,618,115	29,294,492	21,970,869	(2,197,087)	19,773,782
2036	36,560,907	29,248,726	21,936,544	(2,193,654)	19,742,890
2037	36,559,474	29,247,579	21,935,684	(2,193,568)	19,742,116
2038	36,614,722	29,291,778	21,968,833	(2,196,883)	19,771,950
2039	36,671,075	29,336,860	22,002,645	(2,200,265)	19,802,381
2040	36,728,556	29,382,844	22,037,133	(2,203,713)	19,833,420
2041	36,787,185	29,429,748	22,072,311	(2,207,231)	19,865,080
2042	36,846,988	29,477,590	22,108,193	(2,210,819)	19,897,373
2043	36,907,986	29,526,389	22,144,792	(2,214,479)	19,930,313
2044	36,970,205	29,576,164	22,182,123	(2,218,212)	19,963,910
2045	37,033,667	29,626,934	22,220,200	(2,222,020)	19,998,180
2046	37,098,399	29,678,719	22,259,040	(2,225,904)	20,033,136
2047	37,164,426	29,731,541	22,298,656	(2,229,866)	20,068,790.02
2048	37,231,773	29,785,419	22,339,064	(2,233,906)	20,105,157.50
2049	37,300,467	29,840,374	22,380,280	(2,238,028)	20,142,252.33
2050	37,370,535	29,896,428	22,422,321	(2,242,232)	20,180,089.06
Total	\$ 812,372,948	\$ 649,898,358	\$ 487,423,769	\$ (48,742,377)	\$ 438,681,392

¹Source: RCLCO:ZPFI²For a CRA 10% of available increment is withheld for affordable housing

Point of the Mountain Land Authority Tax Increment Bonds (cont'd)

75% of Increment

Tax Increment Bonds (75% of Increment)

Series	Term (Years)	Par Amount
2021	10	\$ 47,840,000
2031	15	183,640,000
Total		\$ 231,480,000

Issue 1:

Point of the Mountain Land Authority

\$47,840,000 Tax Increment Bonds

Series 2021 (10 Year)

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P&I	Capitalized Interest	Net New D/S
6/1/2021	-	-	-	-	-	-
6/1/2022	-	-	2,870,400	2,870,400	(2,870,400)	-
6/1/2023	-	-	2,870,400	2,870,400	(2,870,400)	-
6/1/2024	375,000	6.00%	2,870,400	3,245,400	-	3,245,400
6/1/2025	1,705,000	6.00%	2,847,900	4,552,900	-	4,552,900
6/1/2026	3,160,000	6.00%	2,745,600	5,905,600	-	5,905,600
6/1/2027	4,740,000	6.00%	2,556,000	7,296,000	-	7,296,000
6/1/2028	6,515,000	6.00%	2,271,600	8,786,600	-	8,786,600
6/1/2029	8,405,000	6.00%	1,880,700	10,285,700	-	10,285,700
6/1/2030	10,395,000	6.00%	1,376,400	11,771,400	-	11,771,400
6/1/2031	12,545,000	6.00%	752,700	13,297,700	-	13,297,700
Total	47,840,000	-	23,042,100	70,882,100	(5,740,800)	65,141,300

Issue 2:

Point of the Mountain Land Authority

\$183,640,000 Tax Increment Bonds

Series 2031 (15 Year)

Date	Principal	Coupon	Interest	Total P&I	Net New D/S
6/1/2031	-	-	-	-	-
6/1/2032	3,855,000	6.00%	11,018,400	14,873,400	14,873,400
6/1/2033	5,710,000	6.00%	10,787,100	16,497,100	16,497,100
6/1/2034	7,725,000	6.00%	10,444,500	18,169,500	18,169,500
6/1/2035	9,790,000	6.00%	9,981,000	19,771,000	19,771,000
6/1/2036	10,345,000	6.00%	9,393,600	19,738,600	19,738,600
6/1/2037	10,965,000	6.00%	8,772,900	19,737,900	19,737,900
6/1/2038	11,655,000	6.00%	8,115,000	19,770,000	19,770,000
6/1/2039	12,385,000	6.00%	7,415,700	19,800,700	19,800,700
6/1/2040	13,160,000	6.00%	6,672,600	19,832,600	19,832,600
6/1/2041	13,980,000	6.00%	5,883,000	19,863,000	19,863,000
6/1/2042	14,850,000	6.00%	5,044,200	19,894,200	19,894,200
6/1/2043	15,775,000	6.00%	4,153,200	19,928,200	19,928,200
6/1/2044	16,755,000	6.00%	3,206,700	19,961,700	19,961,700
6/1/2045	17,795,000	6.00%	2,201,400	19,996,400	19,996,400
6/1/2046	18,895,000	6.00%	1,133,700	20,028,700	20,028,700
Total	183,640,000	-	104,223,000	287,863,000	287,863,000

EXHIBIT 6I: TRZ AND POMLA TAX INCREMENT PROJECTIONS

Transportation Reinvestment Zones and Point of the Mountain Land Authority Tax Increment INCLUDES ALL TAXING ENTITIES (County, City, School District)				
Year	Light Rail TRZ (Property Tax)	Mountain View Corridor TRZ (Property Tax)	POMLA (Prison Site) (Prop. and Sales Tax)	
2021	\$ 2,459,392	\$ 2,490,018	\$ 1,778,735	
2022	4,992,567	5,069,915	3,147,769	
2023	7,675,146	7,719,507	4,558,309	
2024	10,411,499	10,448,588	6,011,599	
2025	14,222,790	16,290,371	8,438,476	
2026	18,148,420	22,307,408	10,939,908	
2027	22,260,254	28,504,956	13,518,129	
2028	26,545,728	34,888,430	16,280,266	
2029	31,090,783	41,463,409	19,054,128	
2030	35,481,796	49,263,544	21,800,382	
2031	40,193,843	56,388,879	24,630,565	
2032	45,071,155	63,727,974	27,547,189	
2033	49,728,258	71,287,242	30,552,838	
2034	54,525,074	79,073,287	33,650,175	
2035	58,980,035	84,064,232	36,618,115	
2036	63,808,644	88,557,162	36,560,907	
2037	68,137,362	92,989,116	36,559,474	
2038	72,665,457	97,554,028	36,614,722	
2039	77,257,794	103,105,134	36,671,075	
2040	81,987,902	107,986,777	36,728,556	
2041	87,112,317	113,014,869	36,787,185	
2042	92,208,728	118,193,803	36,846,988	
2043	97,377,444	123,528,106	36,907,986	
2044	102,701,222	129,022,438	36,970,205	
2045	108,579,117	134,734,585	37,033,667	
2046	111,375,165	140,618,097	37,098,399	
2047	114,255,095	146,678,114	37,164,426	
2048	117,221,423	152,919,932	37,231,773	
2049	120,276,741	159,349,004	37,300,467	
2050	123,423,718	165,970,948	37,370,535	
Total	\$ 1,860,174,866	\$ 2,447,209,872	\$ 812,372,948	
Average	\$ 62,005,829	\$ 81,573,662	\$ 27,079,098	