August 2010 Volume 45

THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Federal Financial Reform- Not The Answer

The recently adopted Dodd Frank "Wall Street Reform" Act will impact literally every business, every worker, every consumer in America. If you turn off the election-year spin of the politicians, you will quickly realize this bill represents more government, more regulation, higher costs and unfortunately, thanks to a highly political process, very little to do with what caused the recent financial meltdown.

Howard Headlee
President of the Utah Bankers Association

When I was a younger man I used to look at some laws and ask, how could something this stupid possibly happen. Now I know. I will make this prediction right now: The seeds of the next economic crisis are planted deep inside this new law.

Despite the fact that literally every credible expert admits that FDIC insured banks and insured credit unions had little or nothing to do with the exotic mortgages and risky securities that were at the root of the problem, this bill will result in over 250 new regulations aimed squarely at local banks and credit unions, the very institutions we need to play a critical role in restoring our economic vitality.

Let's face it. The people who bought and sold interest-only, pick your payment, negative amortization, no income no job no assets (NINJA), mortgage loans for the most part knew what they were doing. Banks and credit unions didn't make these loans and most reasonable people knew these exotic mortgages were foolish. The fact is the markets have already adjusted with or without Dodd-Frank. These loans are no longer available.

But once the legislative train got moving in D.C., activists realized this bill was going to pass and literally every bad idea that taxpayer advocates have fought for the past 20 years was attached to it. In the face of 250 or more new regulations on institutions that were not contributors to the crisis, traditional banks and credit unions and their customers will now face higher costs and see fewer innovative products. The higher costs will either be passed on or will eat into capital, which will lower the amount of credit available to our local economies. Bankers will have to figure out how to attract fresh capital (for more lending) in the face of higher risk, more regulations and lower profits.

But perhaps the worst, most perverse consequence of this tragic bill is the potential disappearance of hundreds of smaller banks and credit unions due to the disproportionate impact of these expensive new regulations on institutions that have fewer resources to throw at this new regulatory nightmare. So despite all the rhetoric being spewed from the halls of Congress about the evils of huge financial institutions that are "too big to fail" and "too big to regulate," the result of Congress' action will likely be fewer, larger institutions.

So now we wait for the regulators and bureaucrats to write more than 250 new regulations. Aside from the inevitable increase in costs, this process promotes paralysis at the very time it appeared we were beginning to move forward. Banks don't know how much capital they will be required to keep, what kind of ratios they will be allowed to maintain. The new bill even dictates that some of the capital we now have – trust preferred securities - doesn't even count as Tier 1 capital any more. What does that have to do with the recent meltdown?

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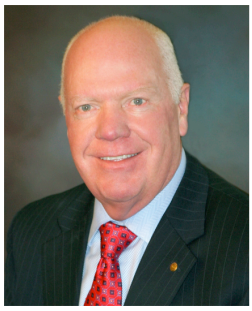
Does all this uncertainty motivate businesses to invest, expand and hire new workers? Not likely. In effect, these politicians (especially the retiring Dodd) were more concerned about their political legacies than putting Americans back to work and getting the economy moving in the right direction. They could have easily identified and surgically addressed the root of the crisis, but in order to do that they would have to admit their own culpability in promoting the irresponsible and irrational lending activities of Fannie Mae and Freddie Mac that flowed from their flawed public policy to put every American, regardless of their credit-worthiness, into a home.

In retrospect, before any more damage is done we should be more specific when we talk about the American Dream. The simple term "Homeownership" is obviously not clear enough. Perhaps some Americans need more specificity such as working hard and saving a down payment so that you can qualify for a mortgage that you can actually afford, whether or not your home doubles in value in five years. (Maybe we should just stick with: Life, Liberty and the Pursuit of Happiness?)

Nonetheless you can rest assured that the Dodd-Frank bill will simply make the American Dream, no matter how you define it, more difficult for everyone to realize. Is that really what we elect members of Congress to do?

Howard Headlee is the President of the Utah Bankers Association.

My Corner: Counties Should Not Try To Be Cities



Association President Howard Stephenson

Thousands of residents in unincorporated Salt Lake County are rightly frustrated with the police fee Mayor Peter Corroon and the Salt Lake County Council foisted on them. In their view, this "Corroon tax" is just another bill they have to pay, even though they aren't getting any new services.

As past editions of The Utah Taxpayer have outlined, there is a serious question about whether this fee is even legal. However, the Corroon tax is really just a symptom of a much larger problem. Unlike almost every other county in Utah, Salt Lake County has chosen to provide municipal services to residents in the unincorporated county.

Police, fire and road service still need to be provided in unincorporated parts of the county, along with municipal services like planning, zoning, parks and recreation, garbage collection, etc. However, Salt Lake County ought to develop a plan divest itself of municipal services through annexation into an existing city, or incorporation as a city.

One of the problems of the County Council acting as a City Council for the unincorporated portions of the county is that most council members live in the municipalities, yet vote to impose taxes on citizens in the unincorporated parts of the county. Unfortunately, the politics of urging incorporation hurt taxpayers. This is taxation without representation at its worst. Because votes that increase taxes on residents in the unincorporated land don't hurt the other Council members in the next election, too many of them are willing to join with the spenders on the Council and raise taxes on residents that aren't their constituents.

While Utah's economy was humming along, Salt Lake County's sales tax revenue collected in the unincorporated county areas covered their ever-expanding municipal services. When the economy cooled, Salt Lake County claimed they needed another revenue source, so they could keep providing these municipal services.

Police service is clearly a sympathetic county function, so they created the police fee, thereby distracting the public from the real problem of the additional municipal services consuming the revenues that should pay for police, fire and roads.

Salt Lake County has made no secret that they want authority to impose a six percent tax on energy use, just like cities do. They cited that desire during the public hearing they held on the Corroon tax, and they supported a proposal during the last legislative session that would have given them that authority.

At the urging of your Taxpayers Association, the Legislature has consistently refused to grant counties that authority. First, the state has an economic interest in providing islands in every county where large energy consumers can build. A six percent tax on energy producers would prevent the state from attracting the kinds of basic industry that have long supported Utah's economy.

Second, not everyone wants all the amenities associated with living or doing business in a city. Some companies prefer to provide their own fire, security, hazardous material clean up, garbage collection and other services. Some residents are willing to pay less in taxes and fees, in exchange for hauling their own garbage to the dump, and not living in a residential area. Those companies and residents can and should enjoy that lifestyle in unincorporated portions of the county.

However, when a developer wants to create a new subdivision on unincorporated land, they should either annex into an existing city, or incorporate as a new city.

There is ample recent precedence for just that process. Just 15 years ago, two of Utah county's fastest growing communities, Eagle Mountain and Saratoga Springs, did not exist. A few residents lived there, but they did not want or receive the same level of municipal services available in neighboring cities like Lehi.

Before developers turned those deserts into cities, the Utah County Commission required Eagle Mountain and Saratoga Springs to incorporate. These new cities assumed the responsibility to levy the taxes and other fees necessary to provide those additional municipal services.

For decades the Salt Lake County has acted as its own city. In fact, if the 144,502 residents of unincorporated Salt Lake County were counted as residents of a single city, it would be Utah's second largest city.

Counties are not cities, nor should they pretend to be. Instead of looking for additional revenue sources to pay for municipal services, Salt Lake County should be encouraging unincorporated communities to annex or incorporate. That way they wouldn't need the Corroon Tax.

SLC To Add Property Tax Hike On Top Of Already Higher Taxes

Salt Lake Antiques has been a Utah small business for 30 years and in two weeks it is closing its doors for good. Spray painted across its front windows is the reason "Our property taxes are up $3770.00 this year."

Despite tough times, taxpayers went out on a limb for Salt Lake City in 2009 and approved the much needed $125 million public safety bond. In 2003 they even passed a $15.3 million recreation bond to fund a new sports complex. Residents are just beginning to receive the property tax notices that include those bond payments and they are experiencing the pressure of higher taxes.

But, instead of thanking taxpayers for the new public safety building and sports complex bonds, Salt Lake City is back asking for $2 million more.

On a recent segment of KSL's "Sunday Edition," Association Vice-President Royce Van Tassell explained, "People in Salt Lake City, in particular, are facing a perfect storm. Taxpayers stepped up and said we are willing to pay for the public safety bond and they are being slapped in the face by saying we want another $2 million tax increase just in Salt Lake City." This proposed tax hike comes at the same time that Salt Lake County and Salt Lake School District are looking to pass their own tax increases.

In this economic climate, increased property tax rates, coupled with new bond payments is the perfect storm for small business like Salt Lake Antiques. Elected officials should reject tax hikes and keep other businesses from experiencing the spray painted words of Salt Lake Antiques, "We give up."

Sandy City to Use Bond Expiration to Permanently Raise Property Taxes

Taxpayers in Sandy City are about to finish paying off the bonds for their new Sandy City Hall. Once these bonds are paid off, taxpayers should no longer be paying this levy in their property taxes. But, Sandy City wants to permanently raise property taxes and keep taxpayers paying this levy in order to fund other projects.

Two of Sandy's recreation centers – the Alta Canyon Recreation Center and the Old Sandy City Hall – need renovations that will cost about $9 million. Sandy City has set aside some funding for those renovations, but still doesn't have the full $9 million needed.

Taxpayers should be paying less in property taxes once the new Sandy City Hall bond is paid off, but Sandy City wants taxpayers to keep paying with no end in sight.

To make up the difference, Sandy City has proposed permanently increasing property taxes to pay for this one-time project. Taxpayers should be paying less in property taxes once the new Sandy City Hall bond is paid off, but Sandy City wants taxpayers to keep paying with no end in sight.

Insisting that taxpayers permanently raise their property taxes to pay for one-time projects is poor tax policy.

If renovating recreation centers is so important, Sandy City should hold a bond election and ask voters. If voters think renovating recreation centers is worth higher taxes, they'll vote for the bonds and grant the city permission to raise their taxes. Even more importantly, Sandy City would be held accountable, only being allowed to raise taxes for a designated period of time and for a designated project.

The expiration of a bond is no excuse for a tax hike.

New Sandy City Hall

Is Your Local Government Raising Taxes?

The Utah Taxpayers Association annually reviews the proposed budgets of Utah's local governments and school districts. Most cities and school districts are balancing their budgets without tax increases, however some are proposing a tax increase and have scheduled a Truth In Taxation (TnT) hearing.

Visit www.utahtaxpayers.org to view the continually updated list of hearing dates, times and proposed tax increases.

2010 Truth In Taxation Hearings

Entity	Truth In Taxation Hearing Date/Time	Average Home Value	Current Tax on Average Home	Proposed Tax On Average Home	Change	% Increase
Beaver School District						
Brianhead Town						
Cache Mosquito Abatement District	12-Aug, 7:00 PM	$193,000	$7.32	$9.02	$1.70	23.22%
Daggett School District	10-Aug, 6:00 PM	$150,000	$309.7	$353.67	$43.97	14.20%
Davis School District	17-Aug, 6:00 PM	$227,000	$900.29	$1,009.66	$109.37	12.15%
Helper	19-Aug, 6:00 PM					
Hyrum	5-Aug, 6:30 PM	$193,000	$163.05	$190.75	$27.70	16.99%
Midvale City	10-Aug, 7:00 PM	$254,000	$317.82	$381.10	$63.28	19.91%
Moab Mosquito Abatement District						
Neola Park						
Nibley	5-Aug, 7:00 PM	$193,000	$165.17	$176.95	$11.78	7.13%
North Davis Sewer District	12-Aug, 6:00 PM	$227,000	$100.13	$107.87	$7.74	7.73%
Pole Canyon Special Service District	12-Aug, 6:00 PM					
Rich County School District						
Salt Lake City	4-Aug, 6:00 PM	$254,000	$621.11	$645.69	$24.58	3.96%
Salt Lake City Judgment	4-Aug, 6:00 PM	$254,000		$9.22	$9.22	
Total Salt Lake City					$33.80	
Salt Lake City Library	4-Aug, 6:00 PM	$254,000	$107.01	$110.50	$3.49	3.26%
Salt Lake City Library Judgment	17-Aug, 6:00 PM	$254,000		$3.05	$3.05	
Total Salt Lake City Library					$6.54	
Salt Lake City School District	10-Aug, 7:00 PM	$254,000	$562.15	$592.89	$30.74	5.47%
SL City School District Judgment	10-Aug, 7:00 PM	$254,000		$4.47	$4.47	
Total SL City School District					$35.21	
Salt Lake County	17-Aug, 6:00 PM	$254,000	$318.24	$328.85	$10.61	3.33%
SL County Assessment/Collection	17-Aug, 6:00 PM	$254,000	$13.69	$14.39	$0.70	5.11%
Salt Lake County Judgment	17-Aug, 6:00 PM	$254,000		$0.98	$0.98	
Salt Lake County Library	17-Aug, 6:00 PM	$254,000	$79.07	$81.86	$2.79	3.53%
Total Salt Lake County					$15.08	
SL County Municipal Service Dist.	17-Aug, 6:00 PM	$254,000	$115.53	$128.52	$12.99	11.24%
Sandy City	3-Aug, 6:00 PM	$254,000	$183.15	$195.86	$12.71	6.94%
So Cache Mosquito Abatement						
So. SL Valley Mosquito District	9-Aug, 7:00 PM	$254,000	$3.49	$6.99	$3.50	100.29%
Sunset City	17-Aug, 7:00 PM	$227,000	$170.30	$260.93	$90.63	53.22%
Town of Alta	3-Aug, 6:00 PM	$254,000	$256.29	$282.96	$26.67	10.41%
Weber School District	31-Aug, 6:00 PM					
West Valley City Judgment	10-Aug, 6:00 PM	$254,000		$1.27	$1.27	

Over 250 Attend STOP UTOPIA Rally

Over 250 people joined the STOP UTOPIA rally and family BBQ to tell the Orem City Council "Enough is enough!" Elected officials, congressional candidates, community leaders and families gathered to demand an end to wasted tax dollars.

Orem City is one of several UTOPIA cities considering bonding for another $60 million to fund UTOPIA. With over $500 million in bonds, negative net assets of $126 million and plans to lose another $20 million in operating expenses this year, UTOPIA insists it still needs more money from taxpayers.

The STOP UTOPIA rally was such an incredible success that it even caught the attention of UTOPIA's CEO and senior marketing officials. UTOPIA's CEO Todd Marriott attended the rally and brought his multi-million dollar, interactive technology demo trailer to attempt to convince attendees of UTOPIA's viability. But, rally attendees were unconvinced and instead peppered the CEO with questions about UTOPIA's lack of transparency and accountability.

Thank you to the hundreds of concerned citizens who joined the STOP UTOPIA rally. Look for more updates as your Taxpayers Association works to STOP UTOPIA.

For more information about how you can help STOP UTOPIA visit **www.stoputopia.org**

Should Taxpayers Support $300 Million Geneva RDA? Yes to $150 Million

Your Taxpayers Association frequently evaluates RDA proposals throughout Utah. The following letter was sent to Alpine School District and local elected officials. It outlines the Utah Taxpayers Association's analysis and recommendations regarding the Alpine School District's proposed redevelopment project for the former Geneva site. Your Taxpayers Association supports $150 million of the proposed RDA to remedy the negative value of the property, but the Association opposes the additional $150 million intended to subsidize retail development.

To: Superintendent Vernon Henshaw, Members of the Alpine School Board, Vineyard Mayor and Town Council, Senator Margaret Dayton, Senator Curt Bramble, Representative Keith Grover

The Utah Taxpayers Association has long worked with school districts in evaluating redevelopment proposals. Where a proposal will increase economic transactions in the greater community, we have advised school boards to approve them.

Recently we met with representatives from Anderson Development to discuss the proposed redevelopment of the former Geneva site. Their plan is one of the most ambitious we have encountered, and deserving of the most thoughtful analysis. Based on our review of their plan, we believe half of their proposed $300 million project deserves taxpayer participation. The other half of their proposal is unjustified.

Principles of Good RDAs

When evaluating a proposed redevelopment project, the Taxpayers Association asks two fundamental questions. First, does the land have negative value? That is, would a developer have to pay someone to transfer ownership in the property? If the answer to that question is, "Yes," then an RDA can be appropriate.

The Taxpayers Association's second question is this: if the RDA is not approved, will the transactions contemplated by the RDA take place in the greater community? If the answer to this question is, "No," an RDA can be appropriate.

Applying those principles to the Geneva proposal

The proposed RDA of the Geneva site has elements relating to both these questions. The former Geneva site is riddled with useless infrastructure, from deep concrete bunkers to tainted dirt. These relics of the steel plant have imposed negative value on the property.

Based on the projections Anderson Development has supplied, we estimate that $150 million worth of the improvements contemplated in this RDA are necessary to bring the site to a condition comparable to other greenfield sites. That much of the proposed RDA is appropriate.

Anderson Development is not content with that taxpayer investment. They are asking the Alpine School Board to participate in pumping another $150 million into the project. Unfortunately, the transactions contemplated by that investment will occur in the greater community, whether or not the Alpine School Board participates in that portion of the RDA.

Many people do not understand why the second $150 million in taxpayer subsidies will not increase the number of transactions in the greater community, so please permit us to briefly explain. Over the 40 year term of this proposed RDA, Anderson Development hopes to build office parks, retail space, and some housing.

Whether labeled as residential, office space, or storefront, all the development contemplated in the proposed Geneva RDA is retail. Tax subsidies do nothing to stimulate retail economic activity; instead, tax subsidies rearrange which city reaps the taxes associated with the retail activity.

If the Alpine School District agrees to give the second $150 million in property tax subsidies to Anderson Development, the Alpine School District will get nothing in return. Every transaction in the proposed Geneva RDA will occur somewhere in the greater community without that subsidy. The transactions may be in Lehi or Orem or Pleasant Grove, but they will occur.

The Lessons of the Cottonwood Mall

The plight of the Cottonwood Mall illustrates the folly of retail RDA/CDA projects like the second half of the Geneva RDA. Almost two years ago, the Granite School Board approved an RDA to subsidize the redevelopment of the Cottonwood Mall. Like the second half of the Geneva RDA, the proposed Cottonwood Mall design included a mixture of retail, office space and residential units. The total subsidy from all the taxing entities totaled nearly $100 million over 20 years.

Despite those subsidies, the Cottonwood Mall project lies fallow. Those subsidies did not and could not change the amount of consumer spending. The reason for its failure is simple. Tax subsidies for retail development are nothing but corporate welfare. While they may skew the location of the activity, they spur no new economic activity.

In summary, the Taxpayers Association believes the Alpine School Board should separate the proposed Geneva RDA into two $150 million pieces. The piece that eliminates the site's negative value is entirely appropriate, and we support the Alpine School Board's participation in it. The second piece, which subsidizes economic activity that would happen without the subsidy, is entirely inappropriate, and we encourage the School Board to reject it.

We appreciate the open and transparent process the Alpine School Board has used in evaluating this proposal. Providing a forum for all interested parties to express their comments and concerns about this important decision is the right way to conduct the people's business.

Sincerely,

Howard Stephenson
President

M. Royce Van Tassell
Vice President

UTOPIA Should Follow iProvo: Sell To The Highest Bidder

The privatization of the iProvo network has shown that privatizing a municipally-owned and operated network is the best option for UTOPIA. Here's why.

The debate over what to do with UTOPIA and $503 million obligation taxpayers have shouldered has so far fixated on two poles: either UTOPIA cities should increase taxpayer obligations by approving a new bond, or not.

If City Councils don't approve the new bond, taxpayers will still be on the hook for half a billion dollars over the next 30-plus years. That is not an appealing option, so it's hardly surprising that many City Councils are seriously considering approving a third round of bonding for UTOPIA.

A better option exists, and has frankly been pioneered right in our backyard. It's time for UTOPIA and it's member cities to follow Provo's example, hang out a "For Sale" sign, and let the highest bidder walk away with the network.

The privatization of the iProvo network has proceeded in fits and starts, and is by no means complete. Nonetheless, there is no doubt that Provo taxpayers are better off because of it. Under the deal's terms, Provo still carries the $39 million in bonds originally sold to build the network, but the new owners, Veracity Networks, is repaying the bonds.

Unfortunately, Veracity has struggled to generate the operating revenue necessary for them to add new customers and repay the bonds. When Veracity has not had sufficient operating revenue to maintain operations and repay the bonds, they have dipped into their investors' capital to make these payments.

Last year Veracity asked Provo to further ease the short-term burden by temporarily paying a portion of the monthly bond payment; Veracity will repay Provo for this portion, plus interest, at the end of the bond's term. If Veracity at some point is unable to maintain these payments, ownership of the network could revert to Provo.

Provo rightly wants to avoid that eventuality, but even if it did happen, privatizing iProvo has benefitted taxpayers. All the money Veracity has paid is money Provo taxpayers didn't have to pay.

The magnitudes for UTOPIA and iProvo are different, but the same compelling logic should guide my colleagues on UTOPIA's City Councils. iProvo spent about $39 million (exclusive of interest), and got about 10,000 subscribers. UTOPIA has spent more than four times as much, yet still has only 10,000 subscribers to show. Probably that means UTOPIA can't be sold at par. But again, any amount City Councils can get reduces the amount taxpayers will have to pay.

Importantly, UTOPIA's performance to date gives little reason to believe that additional funding will change their trajectory. UTOPIA's City Councils have already risked $503 million, money that likely can't be salvaged with additional spending.

Selling UTOPIA to a private provider won't make everyone happy. Certainly incumbent providers wouldn't be thrilled at the prospect of a robust private company competing against them. From a taxpayer perspective, and from the perspective of the City Councils, though, making incumbent providers happy simply shouldn't be the highest priority.

Some City Councils may believe that the best option is to approve the current round of bonding, and then explore what sale offers are available. That would be a mistake. Increasing UTOPIA's debt by $60 million will discourage potential buyers. A private buyer would not want to pay more for UTOPIA until the new debt is translated into greater value. And that means waiting for UTOPIA to spend that money building out the network.

In the mean time, however, taxpayers in all the UTOPIA cities will be paying full freight to UTOPIA's bond holders, instead of having a private provider shoulder some of that load.

My friends and colleagues on UTOPIA's City Councils have a hard choice to make. If Provo's experience is any indication, though, they should follow the same path, and find a willing buyer.

Steve Turley has been a member of the Provo City Council since 2004. This article was originally published in the Deseret News on July 27, 2010.