

**Minutes of the Interlaken Town Council Work Session**  
**Wednesday, 17 May 2017, 6:30 PM – 8:00 PM**  
**347 Luzern Rd., Midway, UT**

**1. Call to Order.**

Mayor Simpkins called the meeting to order at 6:41pm.

**2. Roll Call – Members Present:**

Lisa Simpkins, Mayor  
Sue O’Nan, Council Member  
Chuck O’Nan, Council Member  
Greg Harrigan, Council Member  
Scott Neuner, Council Member  
Bart Smith, Town Clerk, present

**3. Approval of Agenda or Changes.**

**Motion:** Council Member Sue O’Nan moved to approve the agenda.

**Second:** Council Member Greg Harrigan seconded the motion.

**Discussion:** no discussion

**Vote:** The motion was approved with the Council Members unanimously voting Aye.

**4. Approval of 05/08/17 Regular Meeting Minutes.**

**Motion:** Council Member Sue O’Nan moved to approve the 5/08/17 meeting minutes.

**Second:** Council Member Greg Harrigan seconded the motion.

**Discussion:** no discussion

**Vote:** The motion was approved with the Council Members unanimously voting Aye.

**5. Interlaken Taxation Policy and Budget Discussion.**

Clerk Smith presented information regarding Interlaken’s assessment strategy and the implementation of a Wasatch County property tax for funding our roads. Here are the main points.

We are most likely in conflict with Utah state law, which prohibits municipalities from charging a usage fee for public roads.

Municipalities generate revenue for road maintenance, repair, and capital improvements by levying a tax through the local tax authority, in our case Wasatch County. Interlaken is in tax district 28.

Another option, brought up by Mayor Simpkins, is creating a road fee, charged equally to all property owners. This requires a vote.

A road tax, levied through Wasatch County, is based on the taxable value of the property: 100% of the market value for secondary homes and 55% of the market value for primary homes.

David Swan, from the Utah State Tax Commission met with Smith and Simpkins and led them through the process for initiating the road tax. The first deadline, June 22<sup>nd</sup>, requires the town to agree to the amount of revenue they want to generate. The process is straightforward and could be accomplished in time. Two public hearings are required, and are typically held in August. The Interlaken road tax would appear as a separate line item on the Wasatch tax bill, sent out in November.

Here are Smith’s notes from the meeting with Mr. Swan:

### **Past Year Assessment Strategy (FY2016, FY2017)**

- 184 lot owners are each charged an annual “assessment” for each lot in Interlaken.
- In FY2017 the assessment was \$1200: \$756 designated for the water system, \$444 designated for the road system.
- Total FY2017 assessment was  $184 \times \$1200 = \$220,800$ . An additional \$444 was collected from Zenger for his road usage.

### **Legal Standing**

According to our town lawyer (Tim Bywater) the policy of assessing a “use” fee for our roads is not in compliance with Utah State law. Since the roads are public, we can’t charge a usage fee as a municipality. The IMWC, as an HOA, could do this.

### **Remedies and Compliance**

To comply with Utah law, Interlaken would need to shift any road revenue from direct assessments to a tax collected by Wasatch County. This tax would appear on the regular Wasatch County tax bill, in November, as a separate line item.

### **Truth in Taxation Process**

The Utah State Tax Commission has an online system to assist a municipality in calculating the tax rate to meet their desired revenue number, as well as advertise the 2 required tax hearings, and to connect to the local tax authority to levy the tax (Wasatch County). They make it pretty easy.

1. Decide upon the total amount of revenue to be generated from the tax.
2. Calculate the “tax rate.” The tax rate is basically the desired revenue divided by the total real property in the tax area (Interlaken is tax area 28).
3. For example, for FY2017, the total assessed real property in tax area 28 is \$38,872,229.
4. If Interlaken chooses to generate, say \$40,000, the tax rate would be:

$$\frac{\$40,000}{\$38,872,229} = 0.001029$$

The tax rate is also influenced by other factors, such as the collection rate and centrally assessed property (utility property), but this number would be very close.

5. Submit the tax rate to the State on or before June 22<sup>nd</sup>.
6. Schedule two public hearings, and submit the hearing date, time, and location to the County Auditor on or before July 22<sup>nd</sup>. The hearings are typically in August.
7. Post adds for the hearings -1 or 2 weeks before the hearing. This would not be necessary if the County includes the noticing with their notice.
8. After the public hearing, the Council adopts the property tax increase.

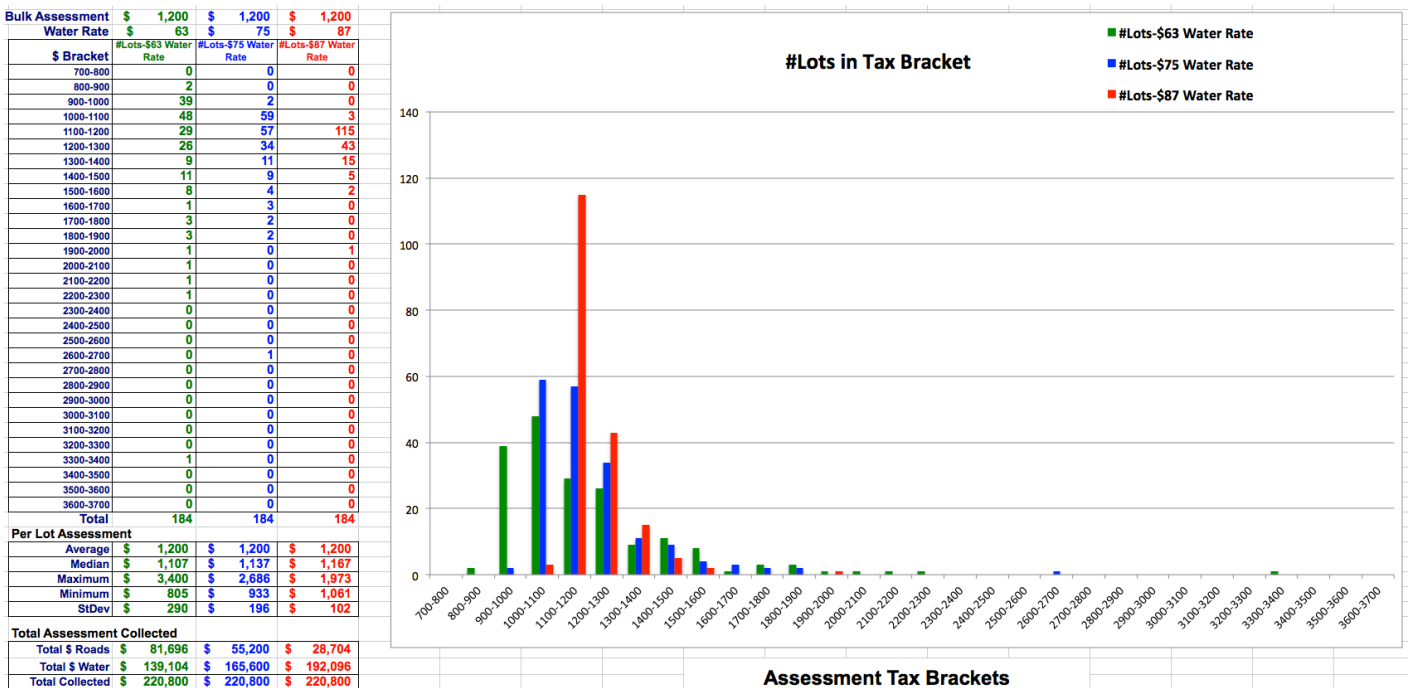
## How Much to Tax?

The state limits the tax rate to a maximum of 0.007; this is far greater than what Interlaken would likely levy. Primary residents of Interlaken would pay this rate times the Taxable value of their property, which is 55% of the property’s market value. Non-primary residents would pay this rate times the market value (same as taxable value).

There are two contributing factors that determine the tax rate for Interlaken: total desired Revenue and the Base Water Rate, which determines the revenue share allocated for the water system. The current water rate, \$63 per month (per lot) generates  $12 \times \$63 \times 184(\text{lots}) = \$139,104$ . Last year’s assessment of \$1200 per lot allocates the remaining \$444 per lot to roads, or in total  $\$444 \times 184(\text{lots}) = \$81,696$ . If, for example, we continued this allocation for FY2018, each lot would be charged \$756 for the water system ( $12 \times \$63$ ) by the town directly, and the remaining \$81,696 would be collected through property tax. Some owners would see a dramatic increase in their annual assessment, from \$1,200 to \$3,400. Others would see a decrease, to \$805.

## Council Discussion

There was a great deal of discussion surround the tax rate, as influenced by the water rate. Another approach would be to raise the water rate to \$87 per month, which would enable the town to apply for State SRF grants. The \$87 is the MAGI number calculated by Epic Engr – the minimum the town must charge for water to qualify for SRF grants. In this scenario, since less money would be collected through a property tax, the tax rate goes down significantly. The largest total assessment levied for a lot owner in this model would be \$1,973 and the minimum would be \$1,061. The spread is narrowed, but the actual road revenue collected in this model is reduced significantly from \$81,696 to \$28,704. This raised the question of whether the Town could collect revenue from water fees and spend it on the road system. The ULCT guidebook addresses this issue, and states that this revenue, collected as a water utility fee, can only be used to cover a portion of the General fund administrative expenses that relate to the utility itself (p.92, para. 4) – *“These appropriations are legal if you can make a reasonable justification of the amount to be appropriated and what the money is to be used for.”*



It was decided to research the issue of using water utility fees to fund road improvements further and to meet again on Monday, May 22<sup>nd</sup>, 6:30pm, at 347 Luzern, to find closure on this issue. At the same meeting, the council will approve an amended tentative budget, which can be distributed to the town for review. A budget hearing will be scheduled for June 17<sup>th</sup> at 4pm. If necessary, a hearing will be held at this same time to approve a change in the water rates.

**6. Interlaken Water Rate Ordinance Discussion.**

This topic was covered in agenda item 5.

**7. Other Business.**

The council discussed the road right of way cutout at 316 Jungfrau (Tokarz). It was decided that Smith should write Tokarz a letter thanking him for recognizing that he can't park in the area he excavated and telling him that the town is identifying areas that don't allow parking and will be posting signage.

Chuck O'Nan brought up issues regarding damage to the shoulders and/or asphalt caused by construction at the following sites: Connor (322 Jungfrau), Swapp (265 Interlaken), and Branca/Duer (263 Interlaken). It was decided that each lot owner would be required to pay for these repairs. If asphalt is to be repaired (Connor and Swapp), the charge would be \$100 mobilization fee plus \$7 per square foot. Additional gravel and fill work (Branca/Duer) would have to be assessed. Simpkins suggested we revisit the road damage impact fee – use a flat rate and then base additional amounts on how much of the road is used (mileage).

Hawkins (255 St. Moritz) – it was mentioned that if a guardrail is installed above the wall of the Hawkins house, it should not be a solid concrete wall, but rather a post and wire guardrail as previously researched. The solid concrete wall would interfere with snow removal.

**8. Council Comments.**

Simpkins mentioned the need to better track legal fees so we can stay within budget. Sue O'Nan will start sending the complete itemized bills to Kristine so that we can break down our legal fees into different categories (council consults, planning commission consults, right of way issues, etc.)

**9. Adjournment.**

Council Member Neuner moved to adjourn the meeting. Mayor Simpkins seconded the motion. The motion passed unanimously. The meeting was adjourned at 7:57 PM.

The next Town Council meeting will be held on Monday, May 22<sup>th</sup>, 6:30pm, at 347 Luzern.