

Millcreek City Council

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Municipal Energy Sales & Use Tax and Property Tax Increase FAQs

Why are additional funds needed this year?

“Help wanted” signs are everywhere in this labor short economy, and this is especially true in law enforcement, which is seeing fewer qualified applicants. To maintain the level of police service we have enjoyed, we must keep pace with rising police wages or lose our qualified officers to other departments paying more. To accomplish this, Millcreek is facing an increase to our Unified Police Department (UPD) contract of \$2.5 million.

What options did the City Council explore to pay for this increase?

Based on comments received from residents, the City Council determined to implement a three-pronged approach:

- The council has implemented a small tax increase of around 4.61%. This increase will amount to an additional charge of \$26.37 on the average value of Millcreek a residence (\$653,000).
- The council has approved a \$500,000 transfer from fund balance (rainy day fund). Transfers from fund balance are not sustainable and these funds may not be available in future years.
- The council has additionally implemented a 6% Municipal Energy Sales & Use Tax (commonly known as a franchise fee) which would begin in January 2023. (The 6% is an amount specified in state law and cannot be increased without a change in state law).

What is a Municipal Energy Sales & Use tax?

Utah allows a municipality to adopt a tax on gas, electricity, and telecommunications services. Until recently, Millcreek was the only city in Salt Lake County that did not have an ordinance in place to collect this 6% fee. Why do they all the cities in Salt Lake County have this utility fee? Good, stable tax policy calls for broadening the tax base to keep rates as low as possible and to spread out the sources of government revenue to not hit anyone too hard. Unlike property taxes, this utility fee is paid by everyone, including non-profit entities as well as residential and commercial properties. This franchise fee will apply to churches, schools, credit unions, and other non-profits who are exempt from paying property taxes but who still receive and benefit from police and other services.

Will the Municipal Energy Sales & Use tax be imposed on all utilities (i.e. gas, electricity, phone, internet, water)?

The short answer is “yes.” According to [State Statute 10-1-305 \(Municipal energy sales and use tax ordinance provisions\)](#):

“Each municipal energy sales and use tax ordinance under Subsection 10-1-304(1) shall include:

- (1) A provision imposing a tax on **every sale or use of taxable energy made** within a municipality at a rate determined by the municipality that is up to 6% of the delivered value of the taxable energy;”

On September 26, 2022, the Millcreek City Council adopted an ordinance to collect a 6% Municipal Energy Sales & Use tax.

What other cities charge a 6% Municipal Energy Sales & Use tax?

Below is a list of all the cities in Salt Lake County that collect a 6% fee:

Draper	6.000%
Sandy	6.000%
Holladay	6.000%
South Jordan	6.000%
West Jordan	6.000%
Bluffdale	6.000%
Murray	6.000%
Taylorsville	6.000%
Alta	6.000%
Midvale	6.000%
Cottonwood Heights	6.000%
South Salt Lake	6.000%
Riverton	6.000%
West Valley City	6.000%
Herriman	6.000%
Salt Lake City	6.000%

What do my property taxes pay for?

In Millcreek, the full amount listed on the “Millcreek City” line on your Property Tax Notice goes to pay for the Unified Police Department contract that provides policing services to the city. All other services are paid for with sales taxes distributed by the state or fees paid by applicants for business licenses, building permits, etc. along with Millcreek’s portion of state fuel taxes.

Does Millcreek receive the entire amount listed on my Property Tax Notice?

Millcreek only receives the amount shown as “Millcreek City” under the list of Service Providers, not the entire amount residents pay. The entire amount on this line item pays for our Unified Police Department contract. The tax notice also includes amounts for other entities. The largest amount paid by Millcreek residents goes to the Granite School District and the State Basic School Levy and Salt Lake County with lesser amounts going to libraries and others. For an average home value of \$653,000, taxes to Millcreek would increase from \$498.86 to \$521.84, an increase of \$22.99.

Is there relief for residents on fixed incomes?

Eligible elderly residents on fixed incomes may be able to take advantage of the Circuit Breaker tax relief program to reduce taxes on their primary residence. Those eligible may obtain:

- A reduction or abatement of property taxes on a principal residence equivalent to a 20% reduction in fair market value of your property.
- A credit of up to \$1,110 against taxes due on a primary residence.

For additional Circuit Breaker Tax Abatement information, please visit the Salt Lake County Treasurer’s website: [Circuit Breaker Tax Abatement - Treasurer | SLCo.](#)

Can’t we make do with fewer UPD officers to save on costs?

One of the main concerns the City Council hears from residents is regarding speeding and other traffic problems. They also get requests for additional enforcement to handle all sorts of crimes, including residential and vehicle burglaries and removing illegal drugs from our streets. Residents often ask for additional police presence to deter crime throughout the city, and the UPD must balance requests against resources on an ongoing basis.

While crime has been dropping overall in Millcreek in the past few years, historically robbery and property crimes rise during recessions. Now is not the time to decrease police services. Most of the feedback city leaders are receiving from residents is that they would like to see more officers patrolling our streets, not fewer.

While we have 60 officers working in Millcreek, they are not all on the job at the same time. Officers are scheduled to be on duty during times of greatest need based on calls for service. Scheduling must be done to accommodate mandatory in-service training, specialized training, military leave, sick leave, and secondary assignments. Additionally, officers are not divided up by council district but rather by population and areas of need across the city.

How many officers are currently in the UPD Millcreek Precinct?

The Millcreek Precinct currently has 61 full-time employees, including one chief, one executive officer, eight sergeants of which five are patrol sergeants (two are paid for by Holladay City and share patrol supervision to capture economies of scale), 47 officers, one mental health officer working on a UPD-wide team, one victim advocate and two secretaries/office specialists. There are currently three open allocations.

Respected national guidelines recommend a minimum of one officer per thousand residents. Millcreek has 63,000 residents, and UPD requires all the communities they serve to be close to that ratio.

Increasing the police budget by \$2.5 million seems too expensive. Should Millcreek leave the UPD?

Being a part of the UPD brings with it many economies of scale including access to specialized units such as SWAT, victim advocacy, and more trained officers to address the needs of a community the size of Millcreek. In addition, we achieve economies of scale by sharing human resources, specialized legal counsel, finance, benefits, records, evidence, forensics and investigations (detectives). Over the five years since incorporation, we have heard from many residents requesting that we remain with the UPD, and they are pleased with the service they provide. A stand-alone police department would encounter the same difficulties with hiring and retaining qualified officers along with having the same basic costs that continue to increase such as vehicles, maintenance, gas, etc. Cities that recently left UPD are seeing similar—or even higher—increases.

What are other cities doing—are they having the same problem?

All cities are facing this problem of rising costs, especially in law enforcement. Nine other cities in Salt Lake County, and various other entities, adopted tax increases this year. Of the cities in Salt Lake County that approved property tax increases for next year, Millcreek approved one of the lowest rates while some cities adopted much larger increases, such as South Salt Lake's 109% increase.

Cities in Salt Lake County	Current Property Tax Rate	Certified Tax Rate (No Increase)	Proposed Property Tax Rate	% Increase	UFA Property Tax Rate	Law or Safety Enforcement Tax	Other Fire Service Area Tax	Total of Property Related Taxes	Telecommunications Tax	Energy Sales & Use Tax (electric & gas)
Draper	0.001141	0.000927	0.000927	0.00%				0.000927	3.50%	6.000%
Sandy	0.001174	0.000942	0.000942	0.00%				0.000942	3.50%	6.000%
Holladay	0.001605	0.001330	0.001330	0.00%				0.001330	3.50%	6.000%
South Jordan	0.001628	0.001263	0.001440	14.01%				0.001440	3.50%	6.000%
Cottonwood Heights	0.001740	0.001442	0.001442	0.00%				0.001442		6.000%
West Jordan	0.001788	0.001398	0.001476	5.58%				0.001476	3.50%	6.000%
Bluffdale	0.001519	0.001161	0.001519	30.84%				0.001519	3.50%	6.000%
Murray	0.002026	0.001659	0.001855	11.81%				0.001855	3.50%	6.000%
SLVLESA	0.001733	0.001733	0.001984	14.48%				0.001984		
Alta	0.000760	0.000682	0.000682	0.00%	0.001322			0.002004	3.50%	6.000%
Taylorsville	0.000825	0.000673	0.000741	10.10%	0.001322			0.002063	3.50%	6.000%
Midvale	0.000987	0.000811	0.000870	7.27%	0.001322			0.002192	3.50%	6.000%
Riverton	0.000000	0.000000	0.000000	0.00%		0.001177	0.001267	0.002444	3.50%	6.000%
South Salt Lake	0.001536	0.001224	0.002565	109.56%				0.002565	3.50%	6.000%
Millcreek	0.001699	0.001389	0.001453	4.61%	0.001322			0.002775		6.000%
West Valley City	0.002995	0.002525	0.002800	10.89%				0.002800	3.50%	6.000%
Herriman	0.000194	0.000194	0.000194	0.00%		0.001320	0.001320	0.002834	3.50%	6.000%
Salt Lake City	0.003424	0.002876	0.003158	9.81%				0.003158	3.50%	6.000%
Brighton	0.000000	0.000000	0.000000	0.00%	0.001322	0.001984		0.003306		
Copperton Township	0.000051	0.000048	0.000048	0.00%	0.001322	0.001984		0.003354		
Emigration Canyon Township	0.000051	0.000048	0.000048	0.00%	0.001322	0.001984		0.003354		
Magna Township	0.000051	0.000048	0.000048	0.00%	0.001322	0.001984		0.003354		
White City Township	0.000051	0.000048	0.000048	0.00%	0.001322	0.001984		0.003354		
Kearns Township	0.000051	0.000048	0.000048	0.00%	0.001322	0.001984		0.003354		

Above is a chart of cities and townships throughout Salt Lake County that shows the current property tax rate, the certified tax rate based on the appreciation of property values if there were to be no tax increase, the tax rate each city or township has proposed for next year, additional rates for fire, police services, and franchise fees if tax and ratepayers in those jurisdictions are paying for them.

Is Utah the only state facing challenges in funding police?

No, this is a county, state, and national problem. Below are some links to articles discussing this funding challenge from across the country:

- [City, police union agree on pay hikes; Hamilton may seek higher income taxes to pay for it](#)

- [Raleigh proposal raises taxes, increases pay for police, firefighters](#)
- [Myrtle Beach tax increase would pay make firefighters and police highest starting pay in SC](#)
- [Pay raises for Alexandria City Police could mean tax hike for homeowners](#)
- [\[Greensboro\] City Council Considering Raises For Police And Fire](#)
- [\[Statesboro\] City eyes tax increase to raise police pay](#)
- [Knoxville mayor proposes tax and pay increase to combat city and police staffing shortages](#)
- [Picayune city leaders considering tax increase to replace deteriorating police department](#)

Instead of pursuing new construction such as Millcreek Common and City Hall, couldn't we use that money to pay the UPD salaries?

Millcreek Common and City Hall are being financed by municipal bonds which are earmarked for those purposes. These funds cannot be utilized for other projects or salaries. Bond payments for Millcreek Common will be paid with the tax increment collected by the new developments in the city center area, not Millcreek taxpayers generally. Tax increment is the additional property tax revenue generated by new development above and beyond what used to be paid for that same property. For example, a six-story mixed-use building pays a lot more in property taxes than the empty parking lot it was built upon. This difference between what the site used to pay and what it now pays after redevelopment is called "increment" and is what pays those bonds. Learn more [HERE](#). The bond payments for City Hall will be paid from Millcreek's general fund over 30 years (like a mortgage) but will be paid in lieu of the rent currently being paid for both our "strip mall" City Hall and our substandard police precinct headquarters on 3900 South.

The value of my property has risen, doesn't that bring more revenue to the city?

The calculation of tax rates is a complicated issue and [this video](#) may help residents understand how it works. However, the bottom line is that although the value of your property may go up, the city can only collect the same amount of property tax as it did the year before — unless there is a formal hearing to raise the tax rate. If your property value is rising faster than the average home value in the city, you may see your property taxes going up a bit (someone else's will go down), but the city does not receive any more revenue because of appreciation. Appreciation generally makes the tax rate (the multiplier which time valuation equals your tax) go down so that the same amount is collected by the city. Here's an illustration:

A taxing entity charges a .0100000 (1%) tax rate. A home valued at \$400,000 pays \$4,000. Another home valued at \$150,000, pays \$1,500. Combined, the taxing entity has raised a total of \$5,500 from these two homes.

The next year, the first home's value increases to \$500,000 and the second home is now valued at \$160,000. To generate the same \$5,500 it collected the previous year, the taxing entity's rate must be reduced to .0083333 (calculated by dividing 5,500 by the combined new value of the two houses, i.e., 660,000). While both homes have increased in value, the law redistributes who pays what. The first home's property tax is increased to \$4,167 (\$500,000 multiplied by .0083333), while the second home's property tax is decreased to \$1,333 (\$160,000 times .0083333). In spite of these individual fluctuations, the taxing entity still receives only \$5,500. There has been no tax increase; it's just a redistribution of who is paying.

Applying these principles to thousands of homes across our city, with more than a dozen entities collecting taxes, you can see why your individual property taxes change from year to year, sometimes dramatically, even if the city has not raised taxes.

The tax rate the City charged last year was 0.001699. With current property values, and had there been no issue regarding police wages, the tax rate would have decreased to 0.001389. To help pay for the increase in police wages, the City approved a tax rate of 0.001453, which will allow the City to raise 4.61% more in property tax revenue than it did last year.