

## **Why We Levied an Energy Tax**

By the City Council

The city council voted unanimously (with one member absent) to levy a 6% tax on electricity and natural gas for the next ten years to ensure that Holladay can maintain our 93 miles of roads. Although not required to, the council held individual district meetings and a public hearing to receive input from the public.

### **Why we need the money**

Rising oil costs have reduced our road budget's ability to keep pace with needed repairs. The City Manager and Engineers estimate that \$25 million would be needed to bring the roads up to snuff. Waiting five or ten years would triple or quadruple that amount. The council chose not to simply defer on this looming problem, but rather nip it in the bud before it got out of control. (West Jordan is facing this and is considering a 28 %rise in property tax, a phone tax, and a 6% energy tax)

### **No Feasible Alternative**

We listened to several comments about 'tightening our belt' before raising taxes. It is simply not possible to solve a \$25 million problem by tightening a \$9 million belt. The City already runs a lean budget, which is available for inspection on the website or at City Hall.

Others suggested that raising property taxes (which are deductible), would be preferable. That would be about a 40% raise in property tax. That would be a significant burden for most everyone, especially for those on fixed income. Because the energy tax is broad based (even tax-exempt schools, churches and the city pay into it), the average impact will be around \$20 per month. The council found that preferable to raising property taxes by hundreds or thousands of dollars per property owner. (As an aside, did you know that Holladay's property taxes are significantly—more than a third—lower than the County or neighboring Cottonwood Heights?)

Some thought that taxing gasoline or raising fees should be considered. State Law does not allow cities either of those options.

### **Cushioning the Blow**

To alleviate the burden placed on fixed and low-income households, the council is also enacting an energy assistance program for those who meet certain criteria.

The tax proceeds will be used to pay for a \$12 million net value bond with a ten-year term to be used only for roads (maintenance, curb, gutter, storm drain) which will get us ahead of the curve on addressing the problem. It won't be used to create new roads or widen roads, just to maintain what we have. As the receipts increase, excess growth funds will be used for road maintenance. The energy tax will be removed 180 days after the bond is retired in ten years.

In summary, the Council felt that it was in everyone's best interest to solve this vexing problem now using the minimum amount of taxation necessary to solve the problem and then sunset the tax. If you have more questions about this tax or any other issues, please contact your City Council representative.

