



## Cost of City Governments – Fiscal Year 2019

*Prepared by the Utah Taxpayers Association in cooperation with Strata Policy*

The Utah Taxpayers Association's 2020 *Cost of City Governments* report, based on FY 2019 data, shows the relationship between city government revenue and citizen income in Utah's 50 largest cities. This data provides a snapshot of on average **how much of each thousand dollars earned by a citizen is consumed by the city government** in Utah.

This report systematically compares how well elected officials in Utah's cities control public spending and illustrates the relationship between government as a service provider and citizens as consumers. If government were a business, citizens would be consumers purchasing services with tax dollars and fee payments. Because government is not a private business, citizens are compelled to pay, and the cost of government may not be reflective of the true value of the services provided.

The Utah Taxpayers Association regularly reviews the budgets and tax rates of Utah's cities, counties and school districts. To provide a more standardized means of comparing how well elected officials control public spending, the Taxpayers Association, in cooperation with Strata Policy, has created this report. An explanation of our methodology is at the end of this report.



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### Highest Cost vs. Lowest Cost City Governments

On average, Utah city governments (including spending for public safety special districts) take \$23.66 of each \$1,000 earned by residents in the city, representing 2.3% of taxpayer income. Utah cities also collect an average of \$643 in revenue from taxes and fees per city resident. This represents an increase of \$8 from the prior year.

The city in Utah with the highest cost of government is South Salt Lake, which takes \$54.80 of each \$1,000 earned in the city (or 5.5%). South Salt Lake collects the second highest amount of revenue per \$1,000 of citizen income with \$44.63. South Salt Lake does rank highest at revenue from taxes and fees per capita, collecting \$1,549 annually. Salt Lake City receives \$1,206 in revenue per person, ranking second highest in the state in that metric.

American Fork ranks third highest, taking \$947.62 from each resident in the city. This is the a very significant jump from FY 2018, in which they took \$928 in taxes and fees from residents.

The lowest cost city out of Utah's 50 largest cities is Clinton, which takes \$392.20 per capita. Syracuse ranks next lowest, collecting \$416 per resident in the city.

In interpreting the cost of government in Utah's various cities, readers should keep in mind that each city provides a different mix of services and service levels. For example, some cities subsidize community recreation centers or arts programs, while others prioritize a more limited scope of essential services. In addition, some cities in the state receive public safety services through a special district that directly levies property taxes. Tax collections from public safety districts, such as fire or police, are included in our calculations.

**Revenue Per Capita vs. Revenue per \$1,000 of Citizen Income**

This report uses two different metrics in determining the burden of city government on taxpayers.

The first metric, revenue from taxes and fees per capita, shows how much revenue the city collects in taxes and fees per resident in the city. This figure is useful in comparing different

cities and indicates the level of fiscal restraint exercised by elected officials in various cities.

The second metric, revenue from taxes and fees per \$1,000 of citizen income, shows the individualized burden on taxpayers by controlling for income. This figure indicates how much a taxpayer’s consumption ability is impacted by the city government and illustrates the personal impact of government spending on individuals. Controlling for income does not justify higher government spending in cities with higher-income residents. Instead, it can be used to compare government spending in cities with similar resident income

City Government Revenue from Taxes and Fees per \$1,000 of Citizen Income	
<u>Best 5</u>	
Holladay	\$10.24
Cottonwood Heights	\$11.91
Highland	\$12.69
Bountiful	\$13.50
Syracuse	\$13.95
<u>Worst 5</u>	
South Salt Lake City	\$54.80
Salt Lake City	\$44.63
American Fork	\$38.60
Logan	\$34.58
Hurricane	\$33.29

City Government Revenue from Taxes and Fees Per Capita	
<u>Best 5</u>	
Clinton	\$392.20
Syracuse	\$416.28
Roy	\$421.84
Taylorville	\$424.33
Kaysville	\$432.87
<u>Worst 5</u>	
Salt Lake City	\$1549.03
South Salt Lake	\$1206.77
American Fork	\$947.62
Murray	\$932.28
St. George	\$854.71

demographics.

If a city ranks high on either metric, it is indicative of over-spending within that city government and highlights the need for budget prioritization.

**Government Services vs. Private Services**

Cities provide citizens with essential public services such as police, fire, public works, and courts. Most cities also provide a variety of non-essential services such as dog parks, community celebrations and swimming pools. Many of the services city governments provide can be provided by the private market, and in many cases the private market can provide that service more efficiently and at a lower cost.

For example, some cities manage trash collection via a city-owned and operated trash collection system, while other cities contract with private providers to handle this service.

In the case of many services, the city government shouldn’t be involved at all. For example, if there is a true market demand for a swimming pool, a private company will enter the market and citizens who want a swimming pool can pay for their use of the swimming pool without requiring the use of public funds.

Taxpayer dollars shouldn’t be used to subsidize projects that only benefit a small group of city residents and that could be provided through the private market.



## Commercial Property vs. Primary Residences

A major source of city revenue comes from property taxes. The revenue a city collects from property taxes depends in part on the property's assessed value. Some cities are commercial centers where property values are high and business properties are taxed at the full 100% rate. Other cities consist primarily of homes, where taxpayers receive a 45% exemption on their primary residence. If a large portion of a city's property tax base is high value commercial property, the city's revenue collected per capita and revenue collected per \$1,000 of citizen income will both be higher. However, the burden on most individual taxpayers may not be as high as the figure suggests. Likewise, in bedroom communities the cost of government may be relatively lower, but give a more accurate picture of the true burden to taxpayers.

## Methodology and Data

In order to determine the cost of government for Utah's 50 largest cities, 2019 population estimates and per capita income data was collected from the US Census Bureau. Government revenue and line item data was gathered from FY 2019 audited city financial reports from the Utah State Auditor's Office.

The **City Government Revenue from Taxes and Fees** includes all city government revenue *minus* certain intergovernmental line items such as grants, sale of assets, rents, interest earnings, contributions, and intergovernmental transfers. This reflects how much city revenue is obtained through taxes and fees paid directly by citizens, and avoids double counting across levels of government.

The **City Government Revenue from Taxes and Fees Per Capita** shows City Government Revenue from Taxes and Fees divided by the city population, giving a rough estimation of how much revenue the city extracts per citizen.

The **City Government Revenues from Taxes and Fees per \$1,000 of Citizen Income** is calculated by dividing the discounted revenue totals for each city by total per capita income in the city, and is expressed in thousands of dollars. This figure shows how much of each thousand dollars earned by citizens in a city is consumed by the city government.

Both numbers are useful in understanding how well elected officials control public spending. However, as stated earlier, each city provides a different mix of services, and this variation in services should be kept in mind when interpreting and comparing the cost of government in Utah's 50 largest cities.

### Sources:

**Per Capita Income Data:** US Census Bureau, 5-year estimates from Data.Census.Gov.

**Government Revenue Data:** Utah State Auditor's Office, audited city financial reports

*All calculations by the Utah Taxpayers Association*

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