MEMORANDUM

Date: May 18, 2026
To: Mayor Kevin Smith and City Council
From: Thomas Jorgensen, P.E., Public Works Dir/City Engineer
Re: Transportation Utility Fee Work Meeting (TUF)

Purpose of This Discussion

The purpose of this work meeting is not to adopt a Transportation Utility Fee. The purpose is to help the Council understand the basic tool, the new Utah statutory framework, and the Ivins-specific transportation funding questions that would need to be answered before any future decision.

A TUF treats the transportation system somewhat like a public utility. Because road use is not metered like water use, a TUF is usually based on estimated transportation demand, such as trip generation by land use, vehicle types, traffic counts, and other local or standard engineering data.

What Is a Transportation Utility Fee?

A Transportation Utility Fee is an ongoing charge used to help pay for eligible transportation facilities. It is different from a property tax because it is not based on property value. It is also different from a transportation impact fee because impact fees are one-time charges on new development for growth-related capacity, while a TUF is generally used for ongoing transportation needs such as maintenance, repair, preservation, operation, upgrading, or replacement.

In practical terms, a TUF study asks three basic questions:

1. What transportation needs are the City trying to fund?
2. What existing revenue is already available for that need?
3. If there is a remaining gap, how can that gap be allocated to users in a reasonable and legally defensible way?

Utah Legal and Legislative Framework

Utah H.B. 425, Local Government Fees Amendments, created a more specific statutory framework for municipal Transportation Utility Fees. The following summary is intentionally high-level and any final fees will be reviewed with the our Ivins City Attorney before any ordinance or rate structure is considered.

- A city must first conduct and post a study estimating the transportation need, identifying existing funding sources, explaining why existing sources are inadequate, and showing the reasonable relationship between the fee and the services, benefits, or need created by those who pay it.
- The fee calculation must use methodologies based on trip generation, vehicle types, and traffic counts, including local data or standard civil engineering manuals.

Trip generation means the estimated number of vehicle trips a property or a land use creates. Walmart has a very high trip generation while a home is around 10 trips per day.

- The fee may not be based on property ownership or fair market value. Property size may be considered only if used objectively to determine trip generation, vehicle types, or traffic counts.
- User classifications must include, at a minimum, residential users, commercial users, and other users when different rates are justified by a reasonable basis.
- The City must provide public notice, hold a public hearing, adopt the fee by ordinance, establish an appeal process, keep TUF revenue in a separate transportation fund, and conduct an annual review.
- TUF revenue may not be used to supplant existing general fund appropriations budgeted for transportation facilities as of the effective date of the fee.
- A TUF ordinance expires after 10 years unless renewed by a subsequent ordinance and is subject to local referendum procedures.

How a TUF Is Generally Calculated

Although each study can be structured differently, the general process is usually straightforward:

1. Identify eligible transportation costs, such as street maintenance, pavement preservation, safety improvements, sidewalks, signs, roundabouts, lighting, active transportation facilities, or other eligible facilities.
2. Subtract existing transportation revenue or budgeted funding that can already be used for those costs.
3. Identify the unfunded transportation need, if any.
4. Group users into reasonable classifications, such as residential, commercial, public/institutional, and other categories.
5. Estimate each group's transportation demand using local data, traffic counts, vehicle types, trip generation, or standard engineering manuals. For Ivins City we'll likely be using standard engineering manuals due to the fact that we lack a lot of actual traffic counts.
6. Calculate monthly or annual rates, then test whether the result is understandable, fair enough to administer, and legally defensible.

Ivins-Specific General Context

The Transportation Master Plan update provides a useful local framework for this discussion. Ivins is continuing to grow, and the City's transportation system must serve both existing residents and future conditions. The TMP presentation shows continued population and household growth through future planning years, along with a capital improvement program that includes road widening, intersection improvements, pedestrian crossings, safety projects, gap fills, and streetscape improvements.

For maintenance funding, the presentation highlights that Ivins receives Class B & C road funds based on population and road miles. Ivins has roughly 60 miles of paved roads and a small share of the statewide B&C distribution. Those funds help, but they do not automatically answer the policy question of what pavement condition target the City wants to maintain over time.

The consultant's pavement management slides compare recent maintenance spending, near-term pavement plan spending, and additional proactive treatment plans. In general terms, the current street budget appears to cover the lower funding scenarios. To ensure maintaining a 7-year pavement preservation approach along with anticipated higher maintenance costs could create a funding gap. That is the type of gap a TUF analysis would evaluate. The analysis should not assume the City needs a TUF, it should test whether a real, legally supportable gap exists after accounting for existing funding.

This distinction is important because H.B. 425 prohibits using TUF revenue to supplant existing general fund appropriations for transportation facilities. In other words, a TUF should not simply replace money the City is already budgeting for streets. It would need to be tied to an additional or inadequately funded transportation need.

Simple Ivins-Based Example for Discussion Purposes Only

The following example is not a proposed Ivins City rate. It is only intended to help explain how a TUF analysis might work using Ivins-related assumptions and the types of information being reviewed in the Transportation Master Plan update.

Assume the Council wanted to evaluate an even more proactive pavement preservation program. The analysis would first compare the desired annual pavement preservation level against the City's existing street budget, B&C road funds, and other available transportation revenues. If the desired program is already funded, a TUF may not be necessary. If the desired program creates an unfunded gap, the study would identify that gap and determine whether a TUF is an appropriate tool to help close it.

For discussion purposes, Ivins has a mostly residential customer base, with a much smaller number of commercial and public or institutional users. A simplified analysis might ask: if the City needs a few hundred thousand dollars per year to move from our current 7-year cycle for maintenance to a more aggressive pavement preservation program, what would that mean per residential unit, per commercial user, and per public or institutional user?

Under that type of example, the residential share may translate into only a few dollars per month per home, depending on the funding target and the final allocation method. Commercial, public, and institutional users would not necessarily pay the same amount as a home because Utah law requires reasonable user classifications and a methodology tied to transportation use, benefit, or need. A larger traffic-generating use may therefore be assigned a higher fee than a typical residence.

The takeaway is that the policy question is not simply whether to charge another fee. The better question is whether Ivins wants to maintain streets at the current funding level or

move toward a more aggressive pavement preservation program, and if so, whether a TUF is a fair and legally defensible way to allocate some of that additional cost among transportation system users.

Key Policy Questions for Council

- What transportation need are we trying to solve?
- What level of pavement preservation or street maintenance does the Council want to fund?
- What existing revenues are available, and what restrictions apply to those revenues?
- Is there an actual unfunded gap after existing funding is considered?
- How should residential, commercial, public/institutional, and other users be classified?
- How should unusual users be handled, and what appeal process would be needed?
- Would a TUF be preferable to other options, such as general fund transfers, property tax, grants, bonding, project deferral, or a different level of service?
- What public education and outreach should occur before any fee is considered? What does that public education look like?

Conclusion

A TUF can be a useful tool when it is based on a clear transportation need, supported by a transparent study, restricted to eligible transportation purposes, and explained clearly to the public. It can help create a dedicated funding source for street maintenance and related transportation needs that might otherwise be deferred.

At the same time, a TUF can be controversial because the fee is based on estimated use rather than metered use. For that reason, the quality of the study, the simplicity of the rate structure, the public process, and legal review are critical. Staff is not recommending adoption of a TUF at this meeting. The immediate value of the consultant's presentation is educational and intended to help the Council decide whether further analysis should continue.

Support Materials

Utah H.B. 425, Local Government Fees Amendments
Utah Code references regarding transportation utility fees and eligible transportation facilities
Federal Highway Administration background information regarding Transportation Utility Fees
Larson v. Pleasant Grove City, 2023 UT 2