

# 2020 Economic Outlook & Revenue Overview

Prepared for the Salt Lake County Council and Mayor

October 1, 2019

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# Agenda

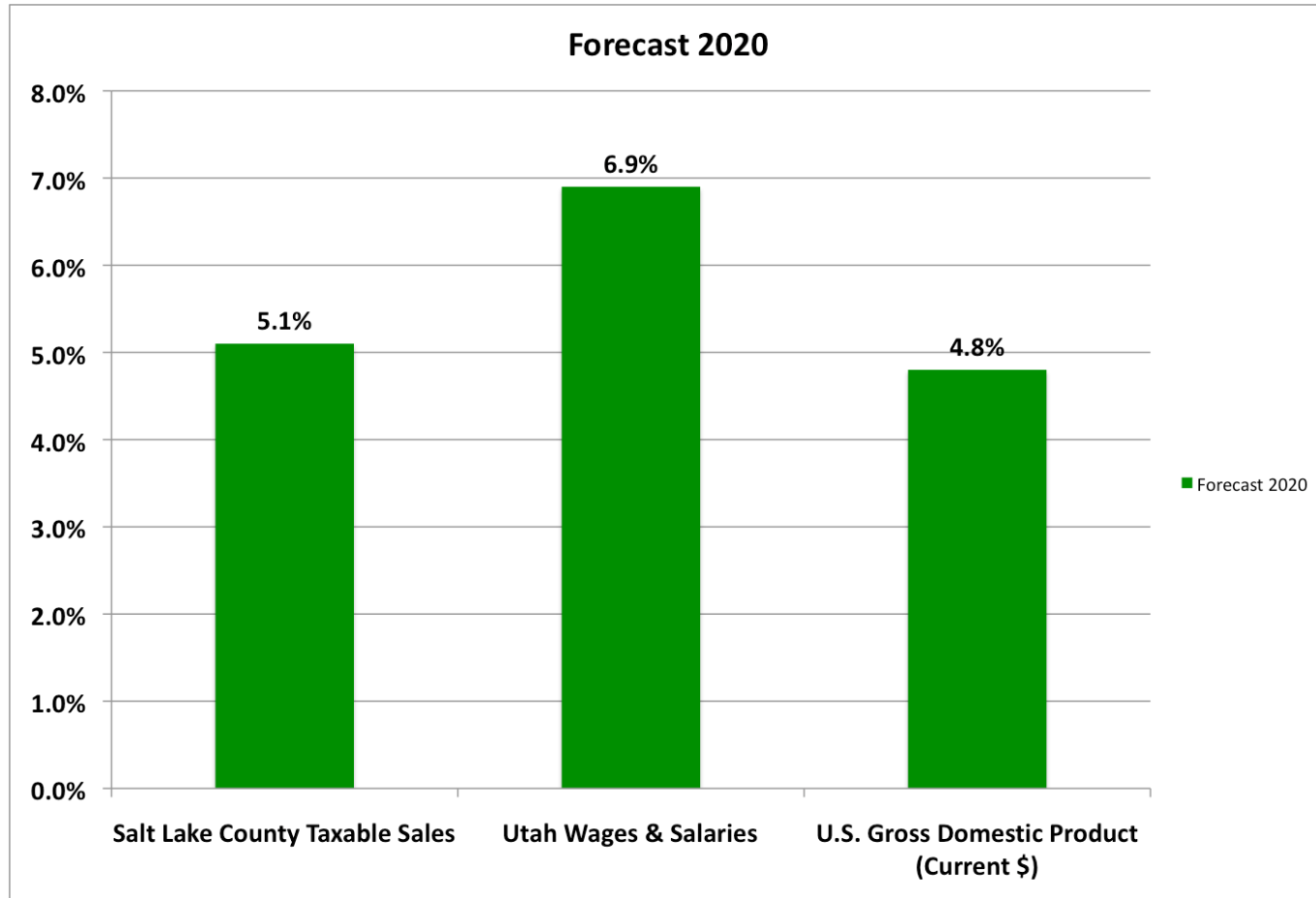
- Economic Indicators
- Property Tax Projection
- Sales Tax Projection
- Other Revenues
- Summary

Doug Macdonald / Yoram Bauman / Bob Springmeyer

# **ECONOMIC OVERVIEW**



# 2020 Taxable Sales 5%



October 2019

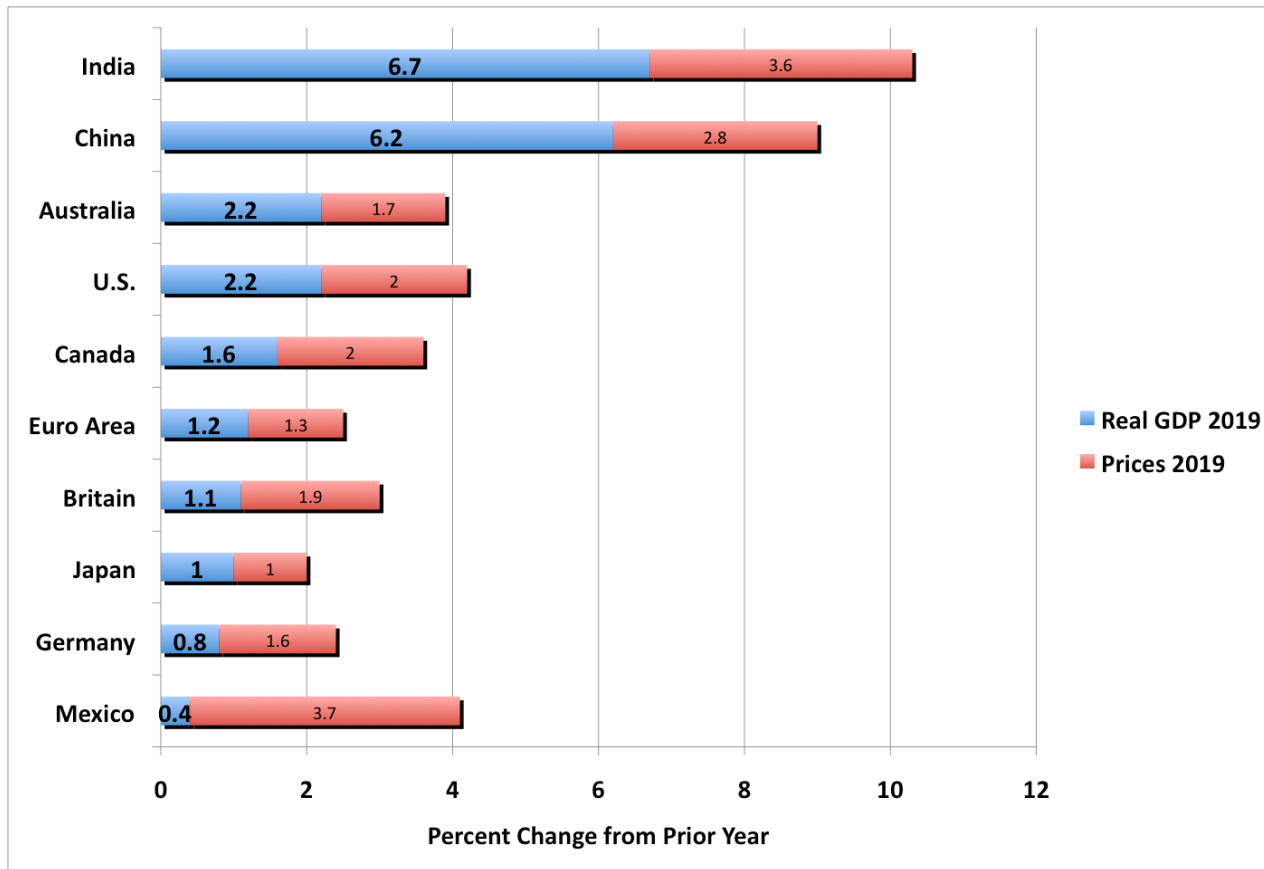


# The World





# World Real Growth Slows to 2.4% in 2019



Source: The Economist, August 31, 2019

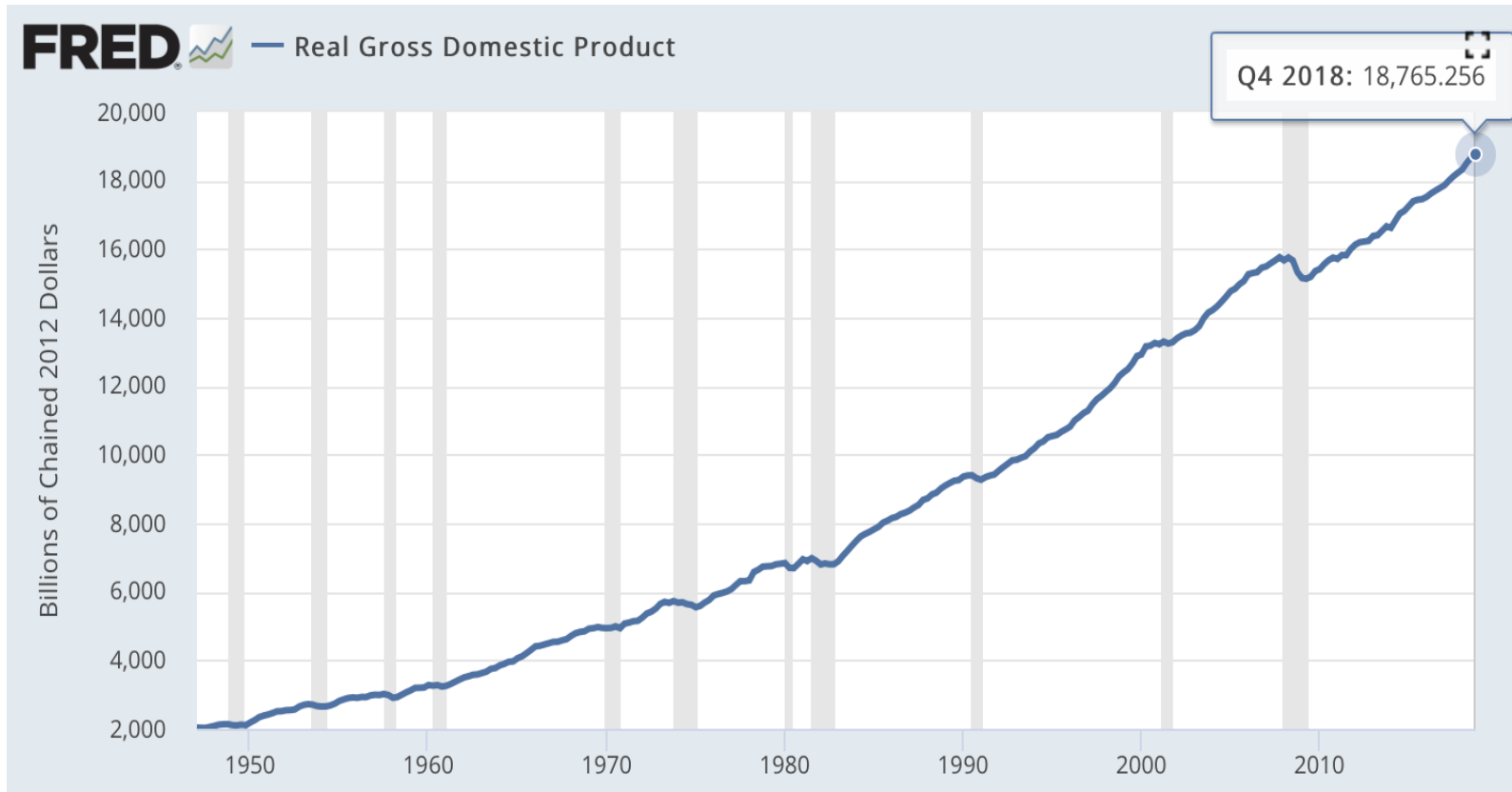


# The Nation





# U.S. GDP up 2.9% in 2018



Source: Federal Reserve Bank of St. Louis



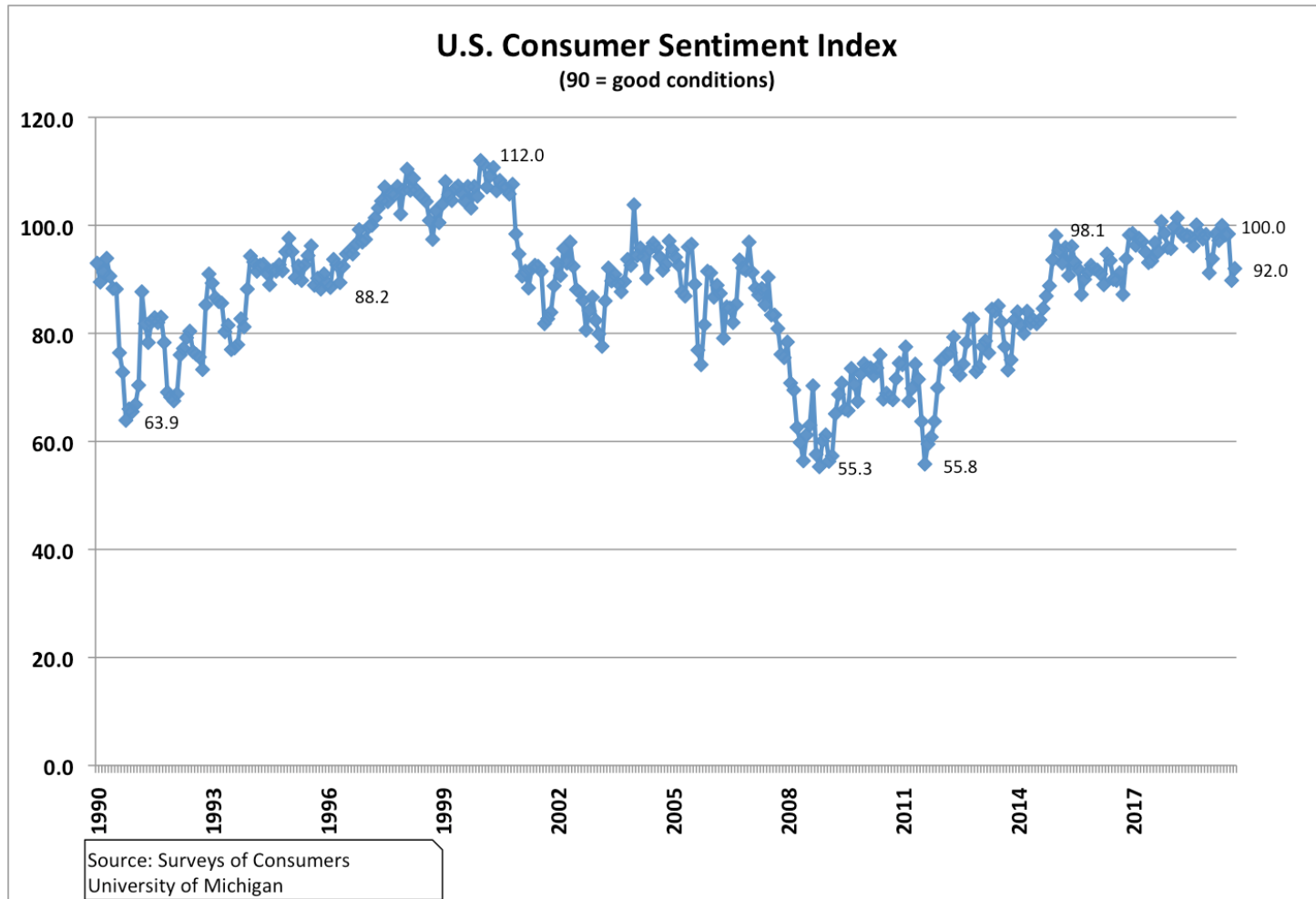


# 2019 U.S. Growth slows to 2.3%

- The U.S. leads Euro Area and other Americas, still below China and India -- principal drivers of growth are Consumer Durables (5%), Consumer Nondurables (4%), Intellectual Property & Software (8%)
- Consumer spending (70% of GDP, growing 2.7%) a bit softer this year, propelled by solid job, income and wealth growth, and relatively low and stabilizing interest rates
- Real capital spending on structures and equipment accelerated 7% in 2018, will slow to 2% in 2019: Transportation Equipment (Aircraft down 22% due to Boeing), Intellectual Property Products (8%), Information Processing Equipment (5%)



## Following Recent Tariff and Interest Rate Problems, Consumer Confidence Slipped in August





# What Could Go Wrong?





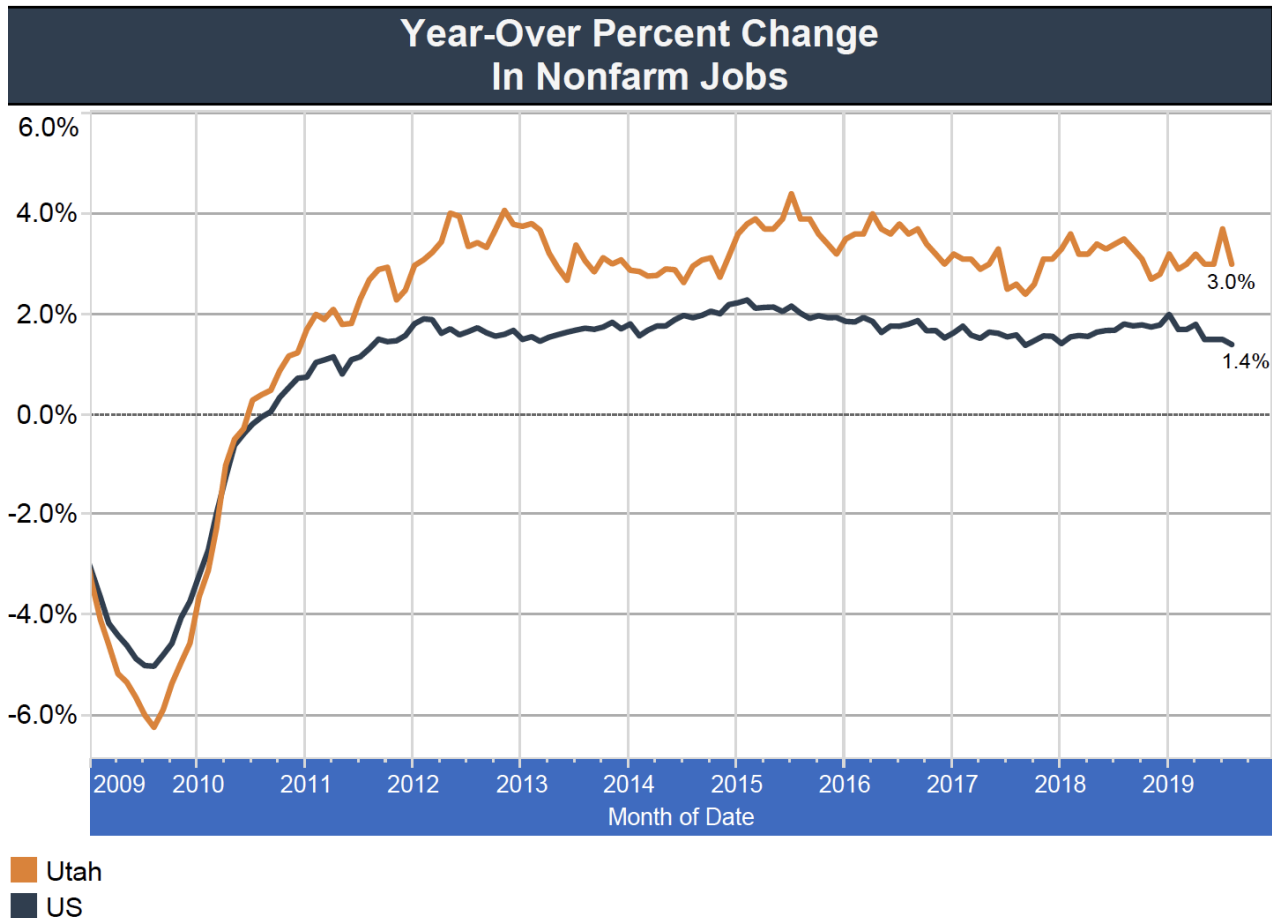
## What Could Go Wrong?

- Fed Narrows the Money Supply Evidenced by Inverted Yield Curve (long-term rates below short-term )
- Trade Wars
- Excessive Corporate and Public Debt, 2018 Corporate Profits Recently Downsized
- Middle East – Recent Drone Attack and Daily Skirmishes in Palestine Heating Up



”Utah’s stellar economic performance continues.  
Job growth remains strong while unemployment is low.”

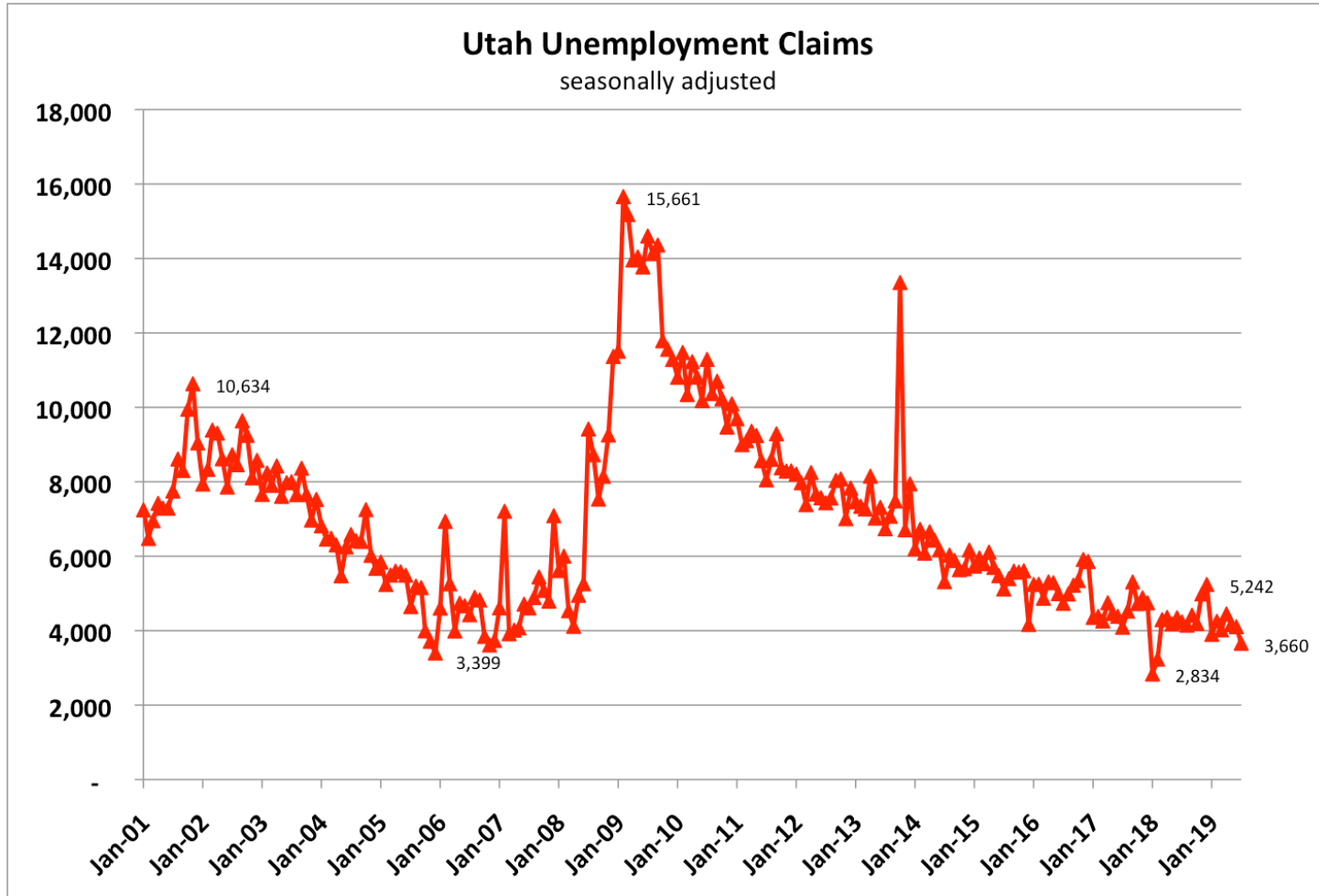
Mark Knold, Senior Economist, Dept. of Workforce Services





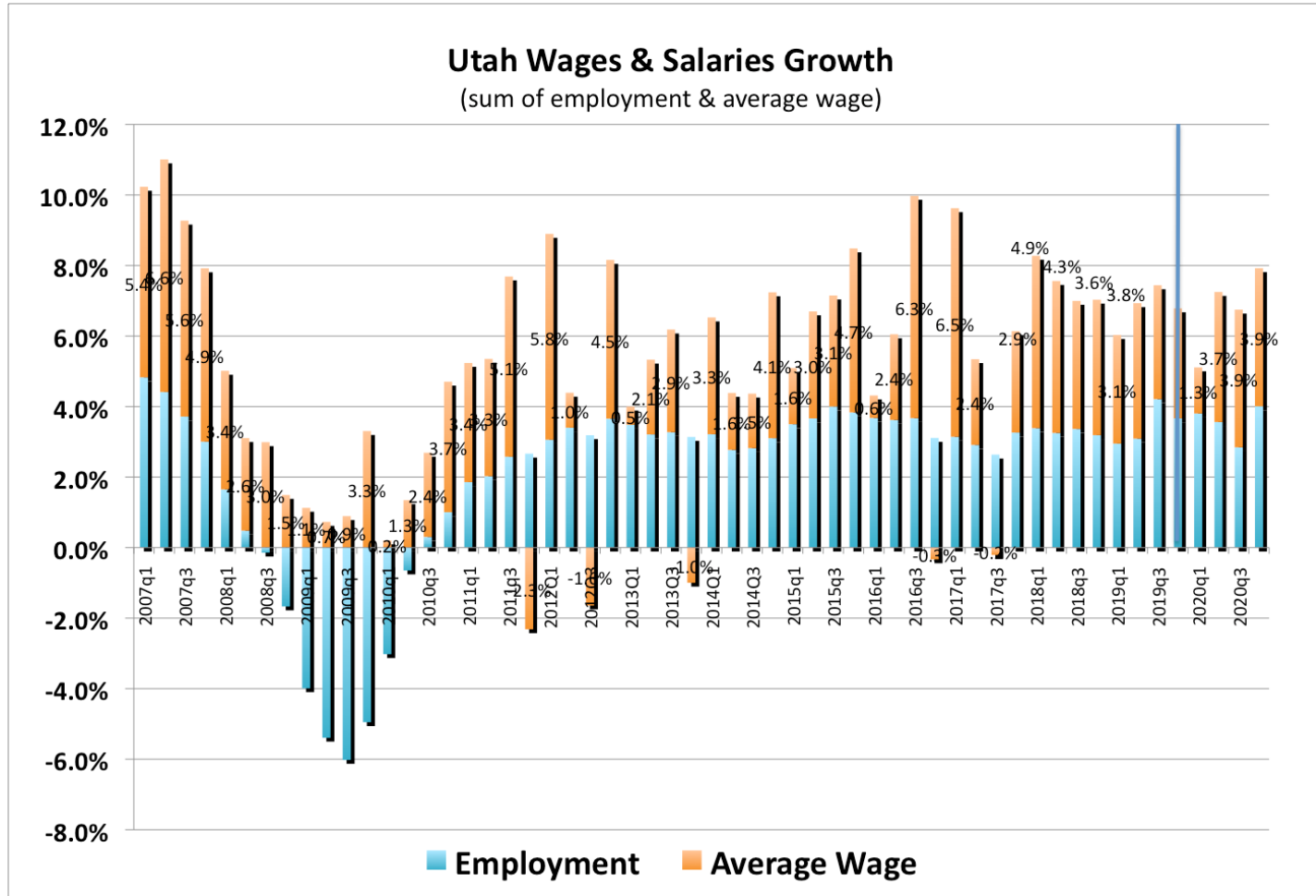
# Unemployment Claims Down to 2006-08 Level

(6 Month Leading Indicator for Job Growth)



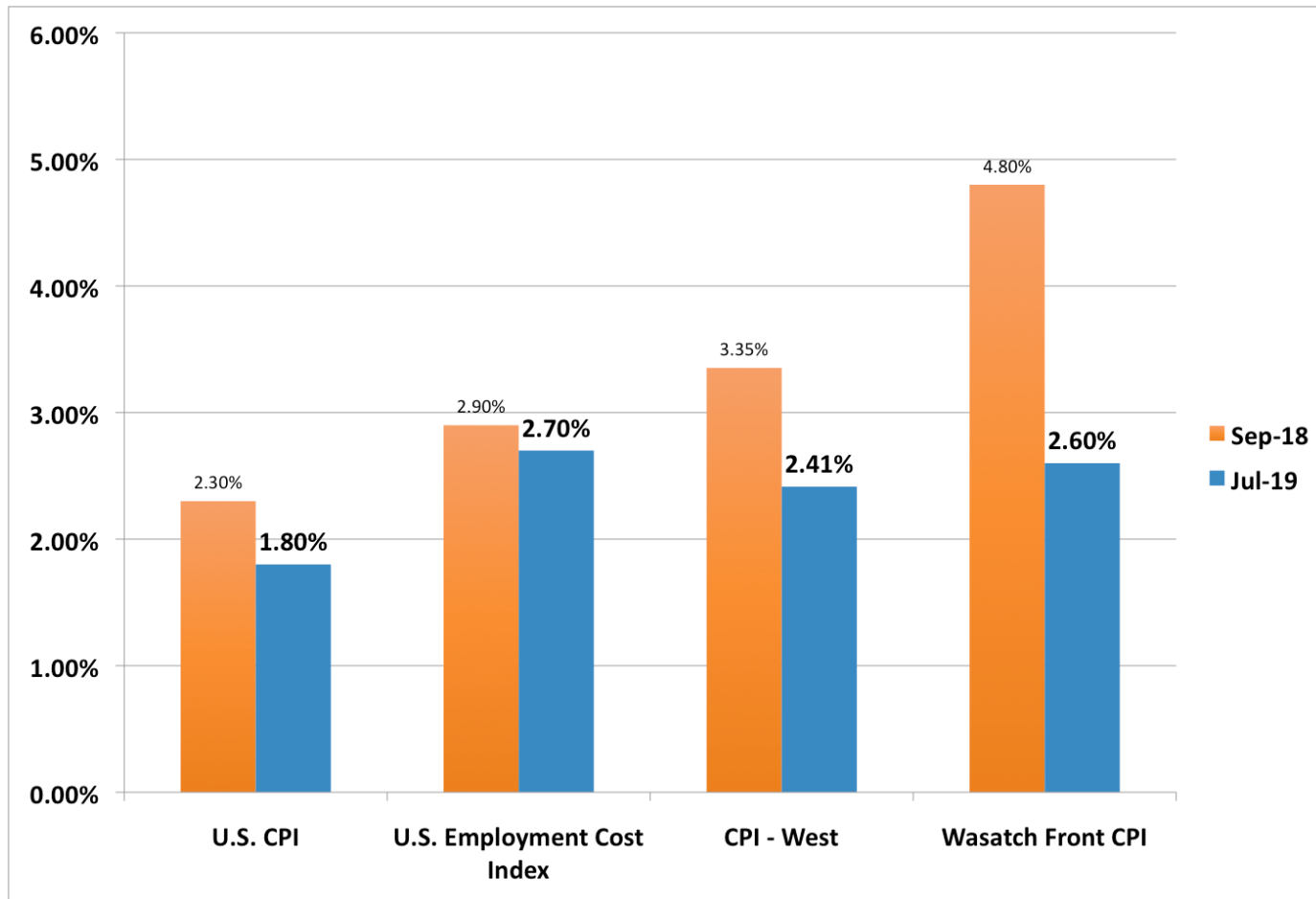


# If All Goes Well, Utah Wages Grow 6.9% in both 2019 and 2020





# Key Drivers of Utah Average Wages





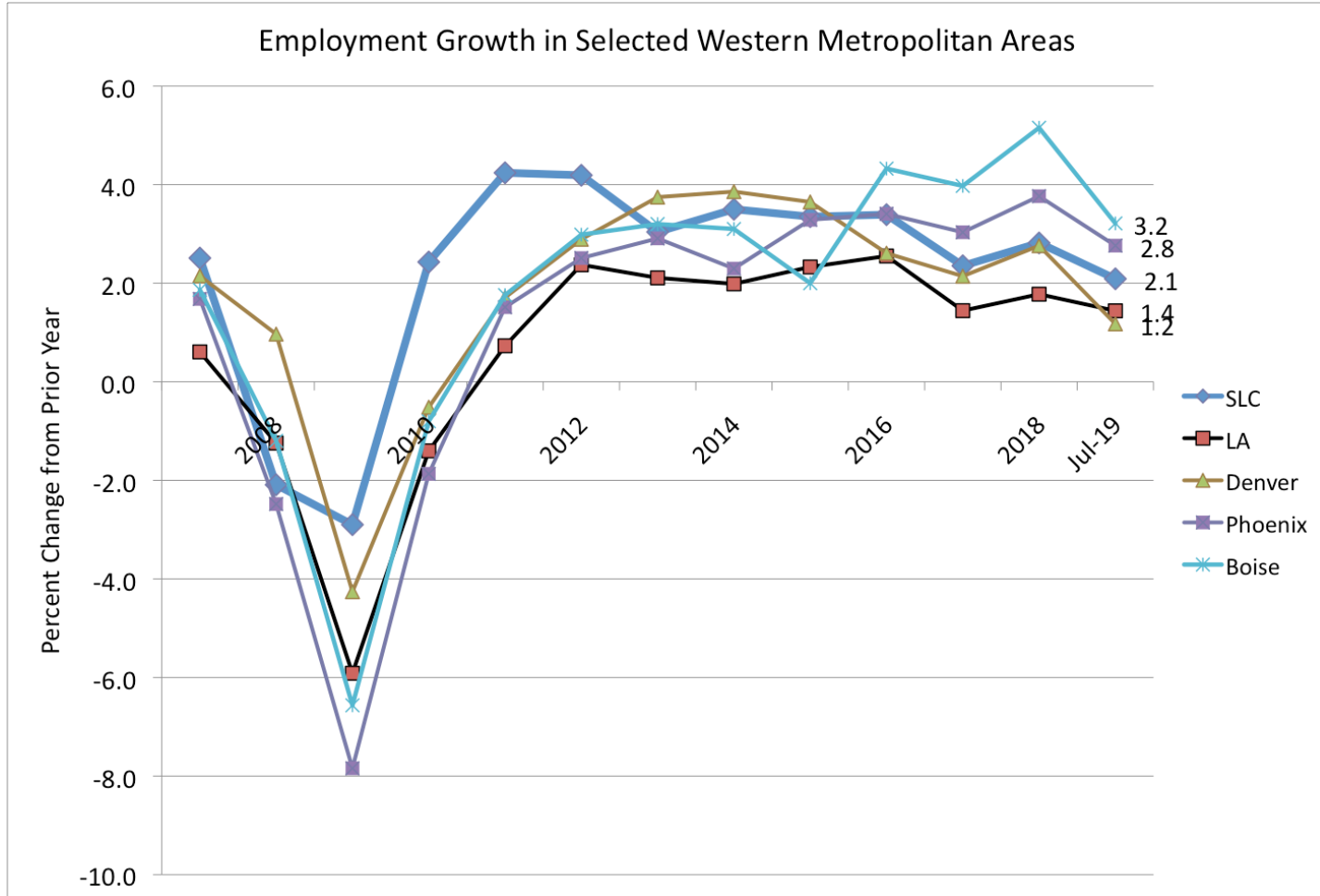


# The County Economy





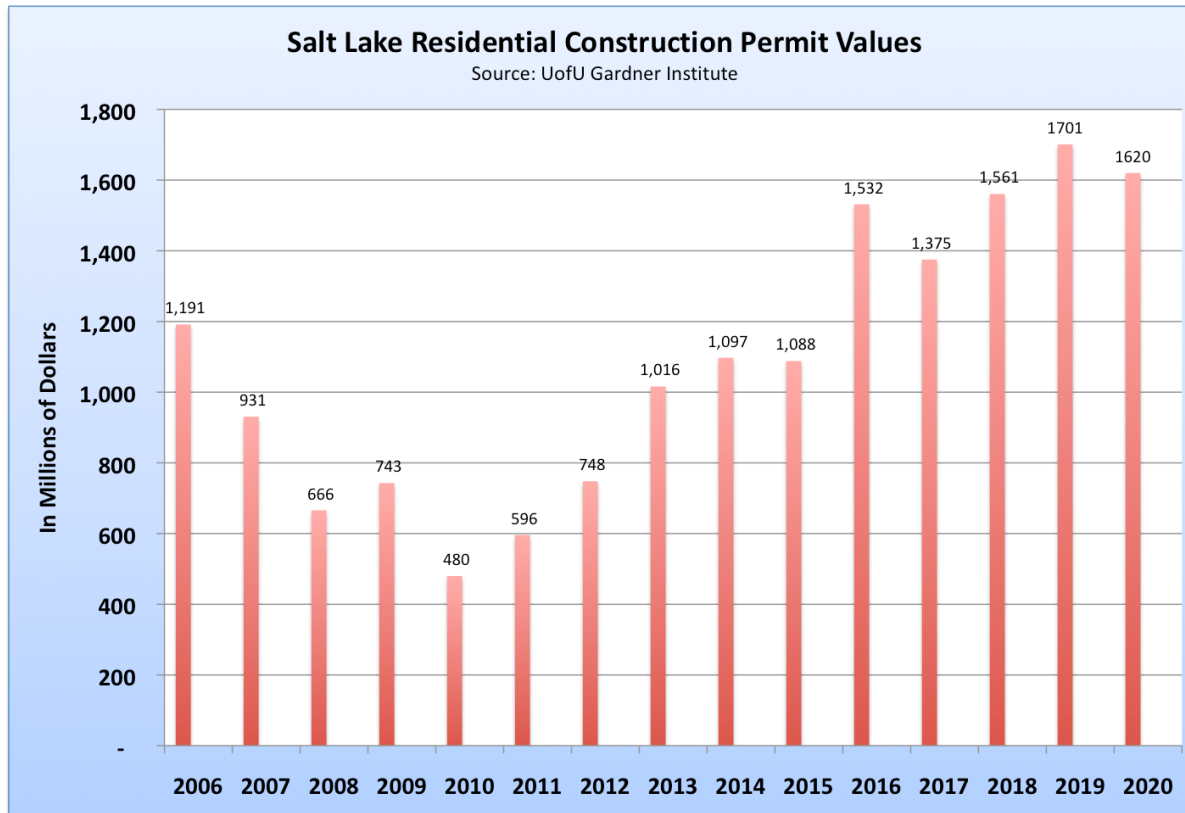
# Salt Lake Metro Job Growth Leads LA & Denver





# The County Economy

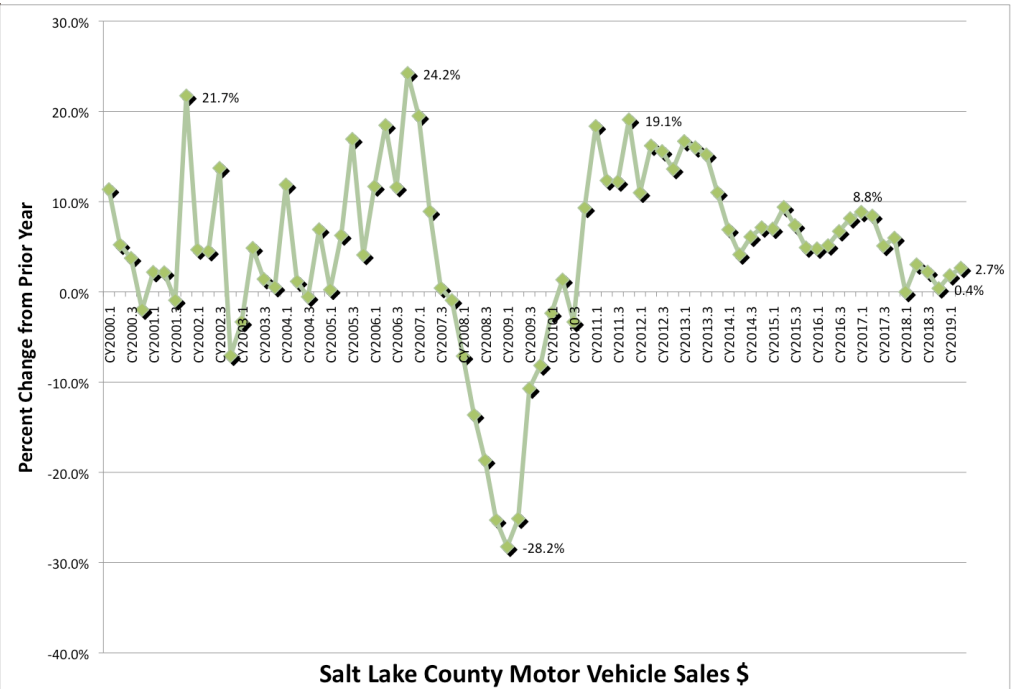
Salt Lake County New Residential Construction Rebounded 15% in 2018, Will Grow 8% in 2019





# Car & Truck Sales

Salt Lake County	\$Billion	% Chg.
2016	\$ 2.99	6.2%
2017	\$ 3.20	7.0%
2018	\$ 3.25	1.5%
2019 1 <sup>st</sup> half	\$ 1.64	2.3%



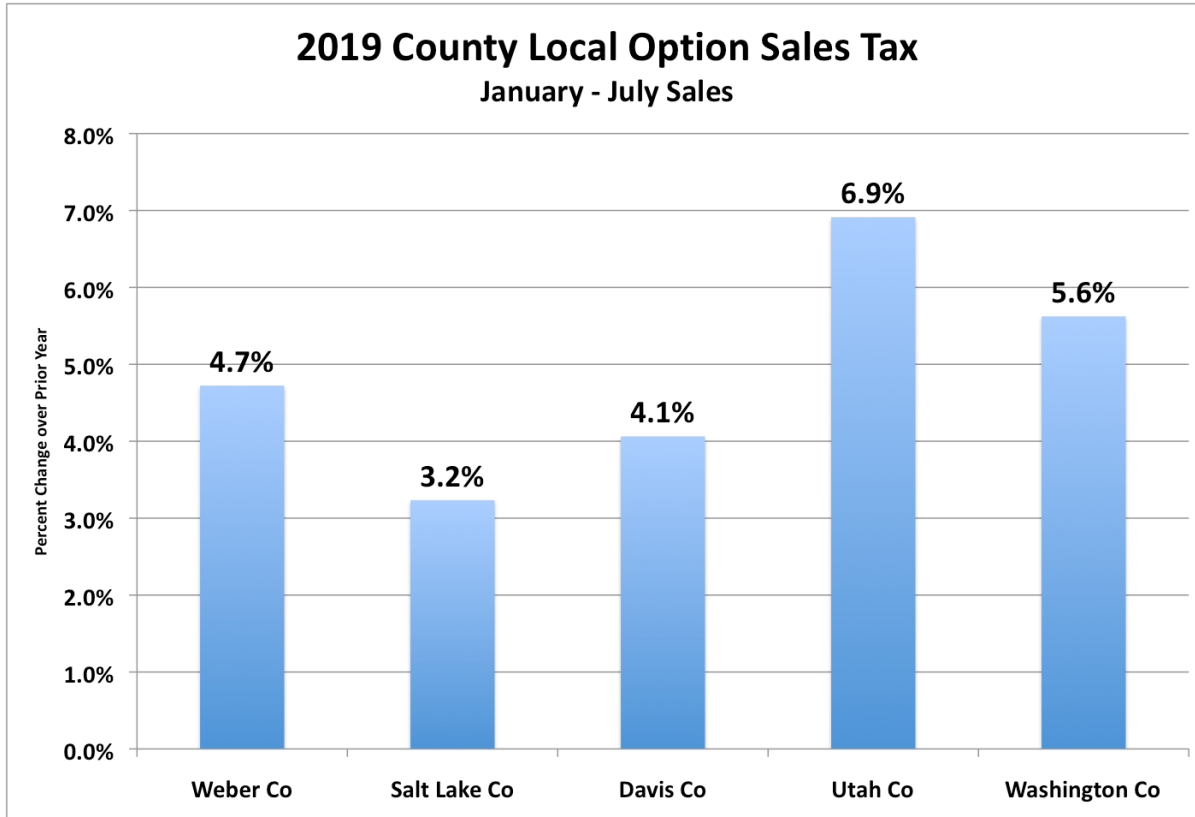
Source: Tax Commission



# Salt Lake County Taxable Sales 2nd Quarter 2019

	Sales in Million \$	% Change From Prior Year
Retail – Motor Vehicle	\$ 881	2.7 %
Retail – General Merchandise	625	1.2
Retail – Groceries	518	4.1
Retail – Building	456	1.8
Non-store Retailers (Internet)	164	14.7
Services – Restaurants	633	4.8
Business Investment - Mining	16	-78.3
Bus. Investment-Manufacturing	319	7.6
Non Classifiable (new Internet)	342	42.7
<b>Total</b>	<b>\$ 7,334</b>	<b>2.0 %</b>

Source: Utah State Tax Commission



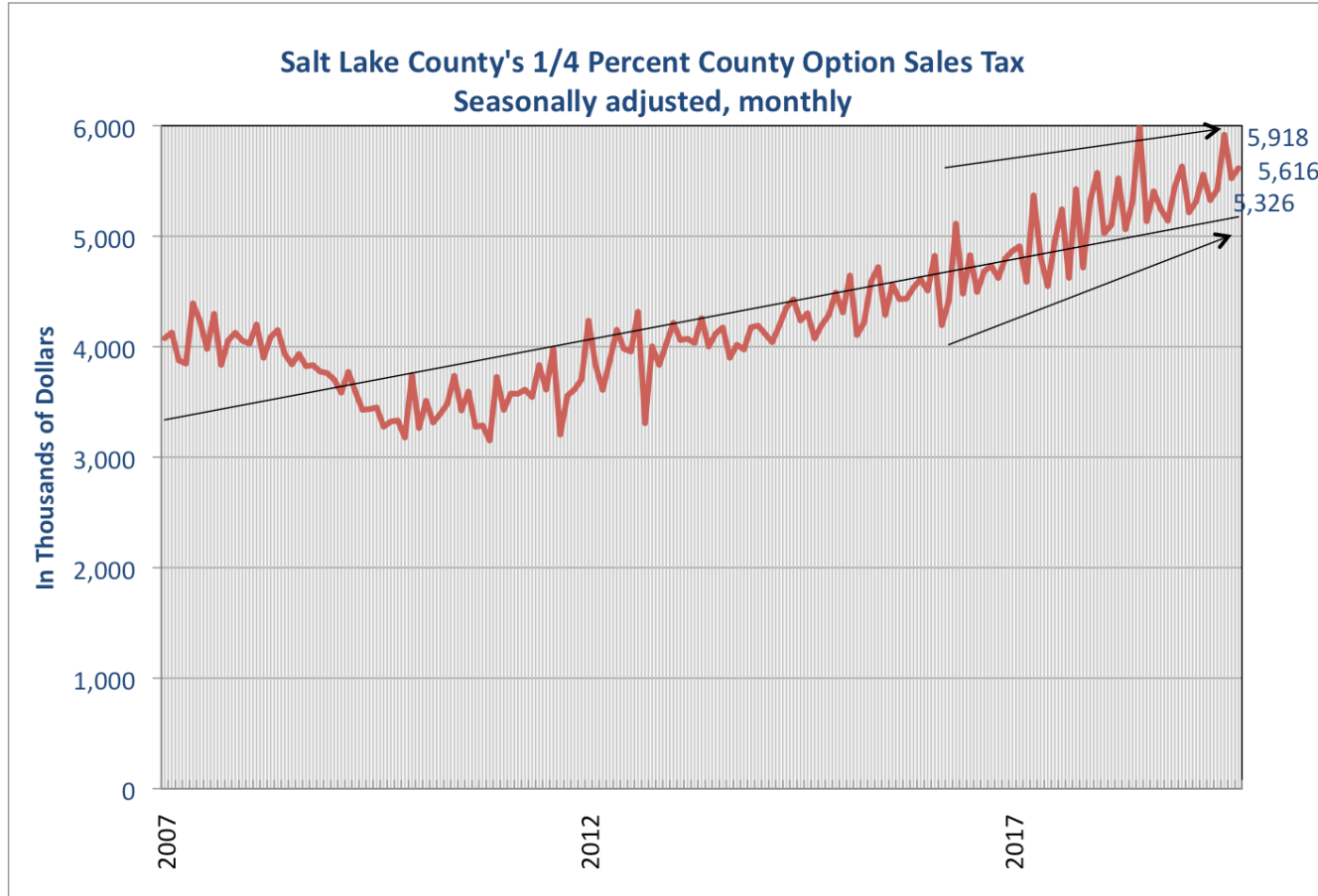
Utah County  
Leads

SL County  
Led Last  
Year  
But Now  
Lags





# Seasonally Adjusted Sales Tax Continues 8-year Upward Trend





# Key Drivers

<b>Key Economic Drivers</b>	<b>2018 Actual</b>	<b>2019 Estimate</b>	<b>2020 Forecast</b>
Real GDP (Gross Domestic Product \$B)	\$ 18,638.2 2.9%	\$ 19,069.8 2.3% <	\$ 19,476.3 2.1%
Consumer Price Index	2.4%	1.8% <	2.3%
<b>Nominal GDP (\$B)</b>	20,580 <b>5.9%</b>	21,463 <b>4.3%</b> <	22,495 <b>4.8%</b>
Utah Employment	3.3%	3.5%	3.6%
Utah Average Wages	4.2%	3.3% ^	3.2%
<b>Utah Wages (Payroll)</b>	<b>7.6%</b>	<b>6.9%</b> ^	<b>6.9%</b>
Employment Cost Index	2.9%	2.7% ^	3.2%
Utah Residential Construction Values	<b>9.1%</b>	<b>8.3%</b> ^	<b>-6.3%</b>
U.S. Equipment & Software Purchases	<b>6.8%</b>	<b>1.5%</b> <	<b>2.3%</b>
U.S. Consumer Sentiment Index	98.4	95.5 <	96.4
<b>Salt Lake County Taxable Sales</b>	<b>6.5%</b>	<b>3.5%</b> <	<b>5.6%</b>
<b>Salt Lake County 1/4% Sales Tax</b>	<b>6.5%</b>	<b>3.2%</b> (ytd 7 months)	<b>4.9%</b>

^ higher than June 2019 forecast  
< lower than June 2019 forecast





Rod Kitchens

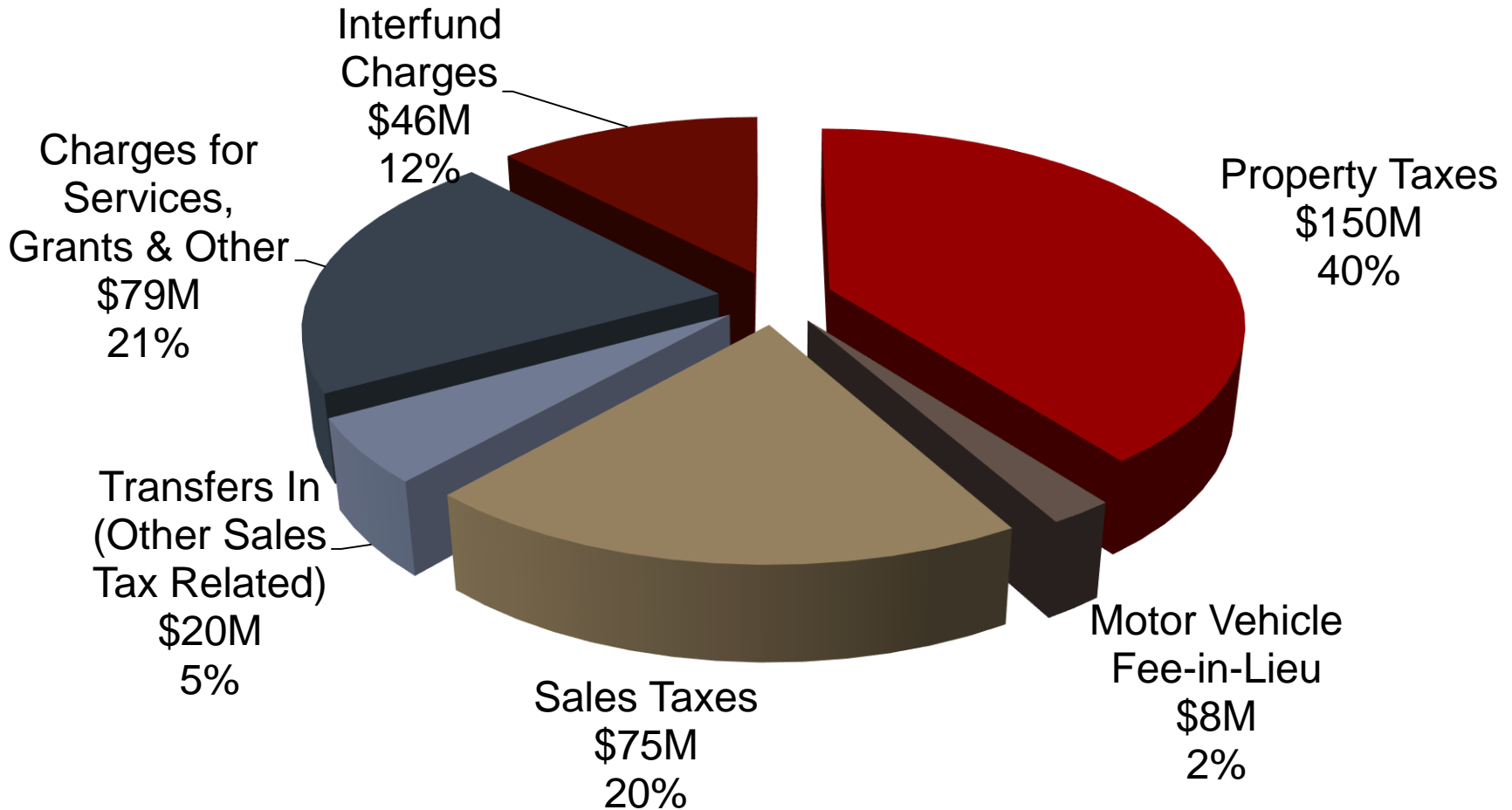
# REVENUE UPDATE



# 2019 Major Revenues

## General Fund

\$378M Total



# PROPERTY TAX REVENUES

# 2020 Property Tax Revenue

- Projected new growth for 2020
  - Reviewed permit authorized construction trends for residential and non-residential properties
  - Consulted with the District Attorney's Office about centrally-assessed property values
  - Projection vetted with Revenue Committee

# New Growth Projection

- Certified Tax Rate guarantees the same revenue as previous year, plus new growth
- New growth for rate setting based on change in value from:
  - New structures, additions, major remodels
  - Not reappraisal/market value appreciation
- Other Components of new growth:
  - CRA / RDA Offsets (Tax Increment Financing captures new growth in value and diverts it from taxing entities)
  - Centrally Assessed (assessed by the state—must exceed a benchmark to add new growth)
  - Project Area (areas no longer subject to CRA / RDA capture)



# New Growth In Taxable Value

2020 New Growth (\$M)	County-wide <sup>1</sup>	Tax Admin	Library
<b>2019 Projected BOE Adj Value + Inflation</b>	<b>\$115,556</b>	<b>\$122,144</b>	<b>\$81,594</b>
<b>Growth in Real Property Values</b> (net of reappraisal)	\$4,839	\$4,760	\$2,756
<b>- CRA / RDA Offsets</b>	<b>(1,200)</b>	<b>(300)</b>	<b>(800)</b>
<b>+ Centrally Assessed</b>	0	0	0
<b>+ Project Area</b>	306	132	306
<b>NET NEW GROWTH</b>	<b>\$3,945</b>	<b>\$4,592</b>	<b>\$2,262</b>
<b>% NEW GROWTH<sup>2</sup></b>	<b>3.4%</b>	<b>3.8%</b>	<b>2.8%</b>

*CRA / RDA Offsets %*

-25%

-6%

-29%

<sup>1</sup> Countywide includes all countywide funds except for Bond Debt Service and Tax Administration funds.

<sup>2</sup> Growth %'s are rounded.



# Property Tax Revenue Projection

## Countywide Tax Funds

Fund (\$M)	2020 Budget	2019 Budget	<i>New Growth</i>	
General	155.0	149.9	5.10	3.4%
Flood Control	5.6	5.4	0.18	3.4%
Health	12.6	12.2	0.42	3.4%
Governmental Immunity	1.8	1.7	0.06	3.4%
Capital Improvements	6.3	6.1	0.21	3.4%
Planetarium	3.0	2.9	0.10	3.4%
<b>Total Countywide Tax Funds</b>	<b>184.2</b>	<b>178.1</b>	<b>6.06</b>	<b>3.4%</b>
Bond Debt Service	27.4	27.4	(0.00)	(0.0%)



# Property Tax Revenue Projections

## Other Funds

Fund (\$M)	2020 Budget	2019 Budget	<i>New Growth</i>	
Library	41.2	40.1	1.12	2.8%
Tax Administration	25.2	24.3	0.92	3.8%
Gov Immunity Unincorp	0.2	0.3	(0.02)	(7.1%)
<b>Total Other Funds</b>	<b>66.6</b>	<b>64.6</b>	<b>2.03</b>	<b>3.1%</b>



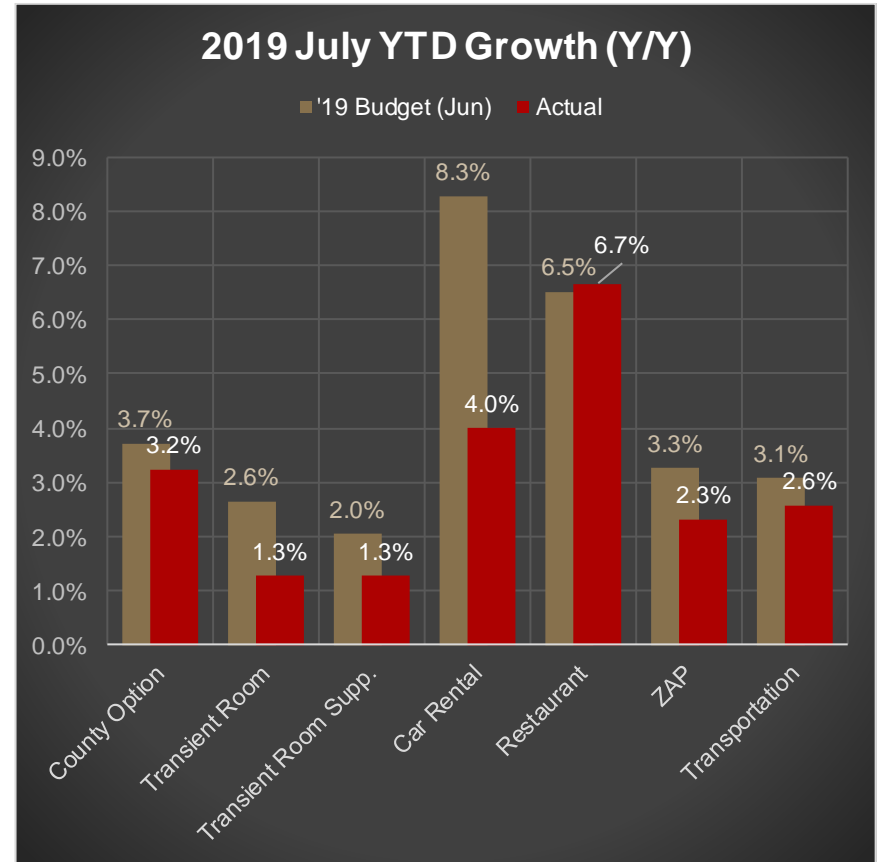
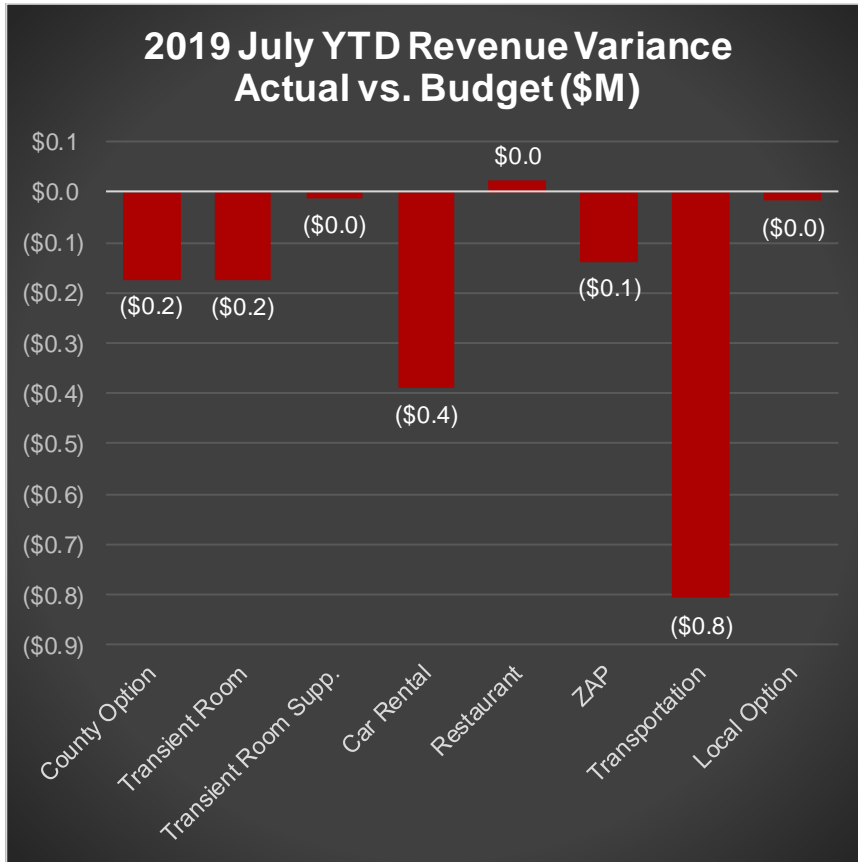
Rod Kitchens

# **SALES TAX PROJECTIONS**



# 2019 Sales Taxes

## July YTD Results



\* Taxes attributable to July 2019 sales were distributed September 23, 2019, on the customary two month lag.



# 2019 Sales Taxes – New Projection

Sales Tax by Fund (\$M)		2019 Sept. Forecast	2019 June Adj Budget	<i>Change</i>	
<b>General Fund</b>	County Option	66.9	67.0	(0.2)	(0.2%)
	ZAP	7.8	7.8	(0.0)	(0.4%)
	<b>TOTAL</b>	<b>74.6</b>	<b>74.8</b>	<b>(0.2)</b>	<b>(0.2%)</b>
<b>Visitor Promo Fund</b>	Transient Room	<b>20.7</b>	<b>21.1</b>	<b>(0.4)</b>	<b>(1.9%)</b>
<b>TRCC Fund</b>	Transient Room Supp.	2.9	2.9	(0.0)	(1.4%)
	Car Rental	15.4	15.9	(0.5)	(3.1%)
	Restaurant	26.6	26.6	-	-
	<b>TOTAL</b>	<b>44.9</b>	<b>45.4</b>	<b>(0.5)</b>	<b>(1.2%)</b>
<b>ZAP Fund</b>	ZAP	<b>18.5</b>	<b>18.6</b>	<b>(0.1)</b>	<b>(0.4%)</b>
<b>Unincorp Muni Svcs</b>	Local Option	<b>5.2</b>	<b>5.7</b>	<b>(0.5)</b>	<b>(8.8%)</b>
<b>Transportation Fund</b>	Transportation	<b>37.7</b>	<b>38.5</b>	<b>(0.8)</b>	<b>(2.1%)</b>
<b>TOTAL</b>		<b>201.6</b>	<b>204.1</b>	<b>(2.5)</b>	<b>(1.2%)</b>



# 2020 Sales Tax Revenue

- Projected based on local and national economic indicators, including
  - Wage and employment growth
  - Consumer Confidence
  - Vehicle sales and other leading indicators
- Incorporated new legislation in the calculations
  - Internet/remote sales
  - Exemption for manufacturing and mining nondurable purchases, etc.
- Information available from the Tax Commission on a two-month lag
  - Currently have actuals through July 2019
  - August information available the week of October 22<sup>nd</sup>
- Local Option Sales Tax
  - Salt Lake County portion now based on one year of actual data without Millcreek City or Metro Townships
  - Included reduction for the Brighton incorporation, effective January 2020
- Projections vetted with the Revenue Committee



# 2020 Sales Tax Projection

Compared to 2019 Budget

Sales Tax by Fund (\$M)		2020 Forecast	2019 June Adj Budget	Change	
General Fund	County Option	69.7	67.0	2.7	4.0%
	ZAP	8.0	7.8	0.2	3.0%
	<b>TOTAL</b>	<b>77.7</b>	<b>74.8</b>	<b>2.9</b>	<b>3.9%</b>
Visitor Promo Fund	Transient Room	21.3	21.1	0.2	0.9%
TRCC Fund	Transient Room Supp.	3.0	2.9	0.1	1.7%
	Car Rental	15.9	15.9	-	-
	Restaurant	28.2	26.6	1.6	6.0%
	<b>TOTAL</b>	<b>47.1</b>	<b>45.4</b>	<b>1.7</b>	<b>3.6%</b>
ZAP Fund	ZAP	19.2	18.6	0.6	3.0%
Unincorp Muni Svcs	Local Option	4.9	5.7	(0.8)	(14%)
Transportation Fund	Transportation	13.6	38.5	(24.9)	(65%)
<b>TOTAL</b>		<b>183.8</b>	<b>204.1</b>	<b>(20.4)</b>	<b>(10%)</b>



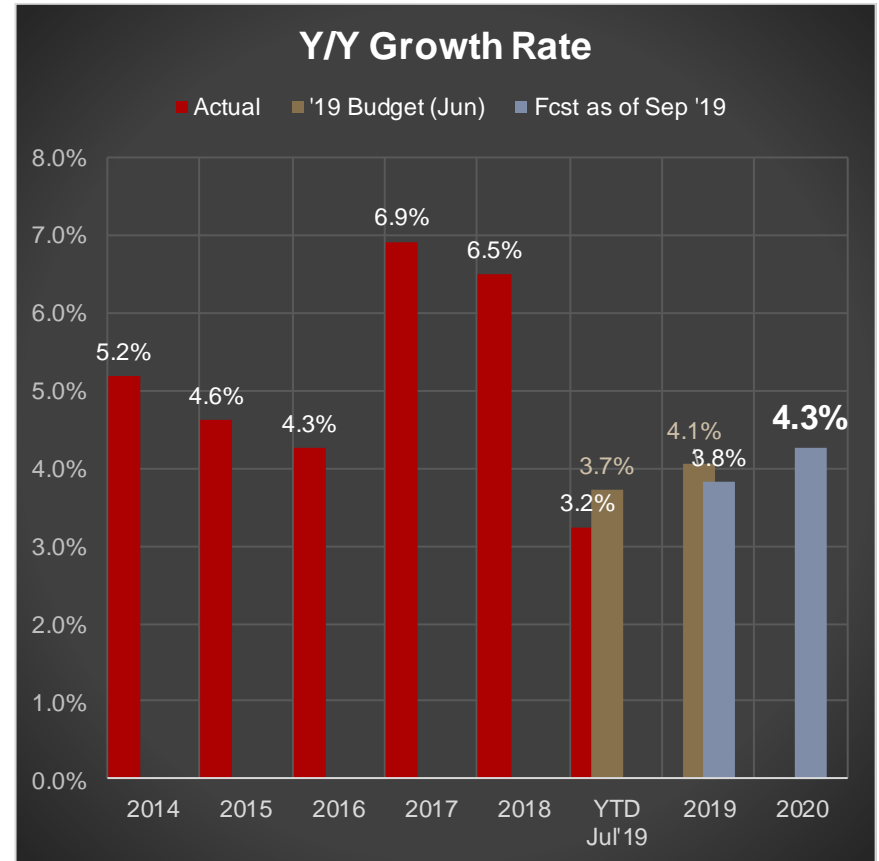
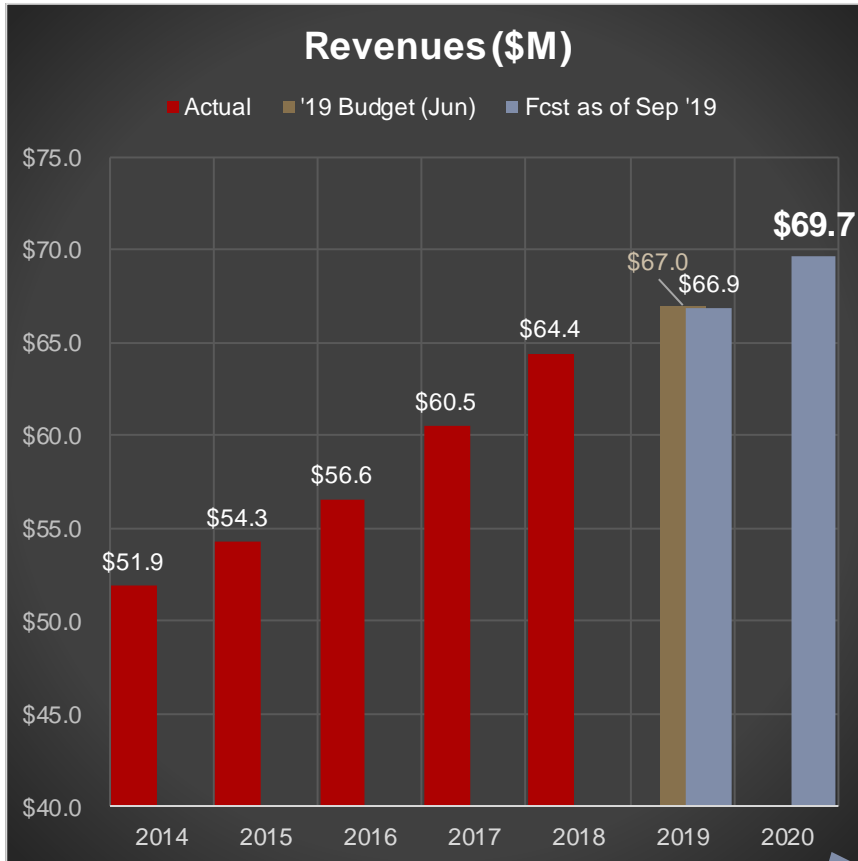
# 2020 Sales Tax Projection

Compared to New 2019 Projection

Sales Tax by Fund (\$M)		2020 Forecast	2019 Sept. Forecast	Change	
General Fund	County Option	69.7	66.9	2.9	4.3%
	ZAP	8.0	7.8	0.3	3.4%
	<b>TOTAL</b>	<b>77.7</b>	<b>74.6</b>	<b>3.1</b>	<b>4.2%</b>
Visitor Promo Fund	Transient Room	21.3	20.7	0.6	2.9%
TRCC Fund	Transient Room Supp.	3.0	2.9	0.09	3.1%
	Car Rental	15.9	15.4	0.5	3.2%
	Restaurant	28.2	26.6	1.6	6.0%
	<b>TOTAL</b>	<b>47.1</b>	<b>44.9</b>	<b>2.19</b>	<b>4.9%</b>
ZAP Fund	ZAP	19.2	18.5	0.6	3.4%
Unincorp Muni Svcs	Local Option	4.9	5.2	(0.3)	(5.8%)
Transportation Fund	Transportation*	13.6	37.7	(24.1)	(64%)
<b>TOTAL</b>		<b>183.8</b>	<b>201.6</b>	<b>(17.9)</b>	<b>(8.9%)</b>

# County Option Sales Tax

(0.25% tax — to General Fund)

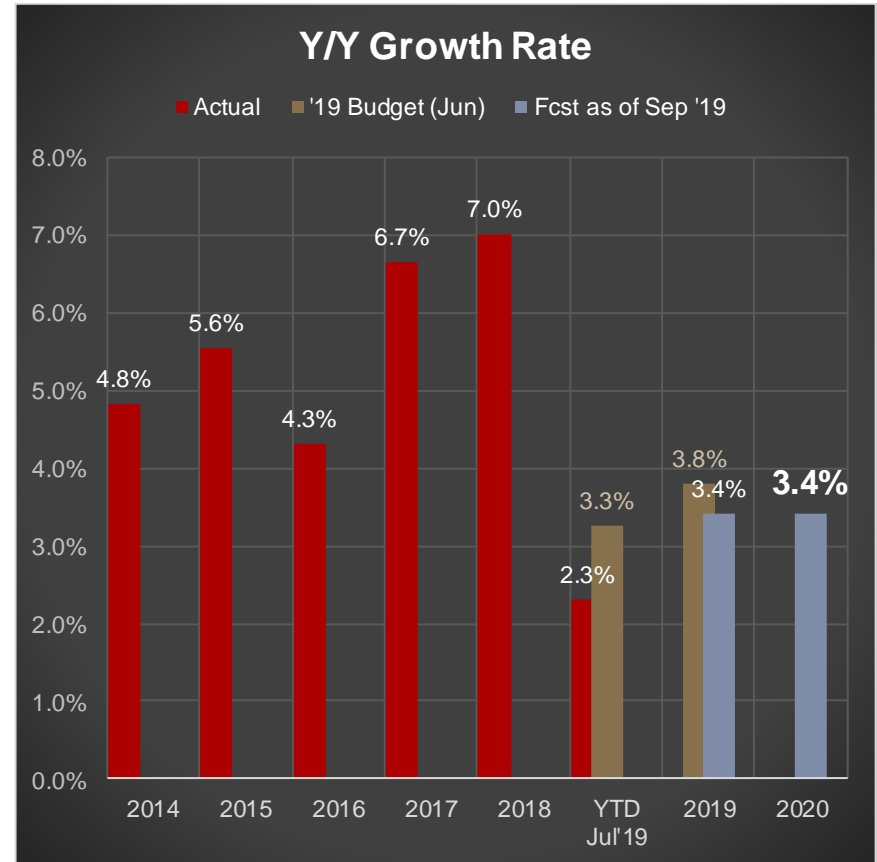
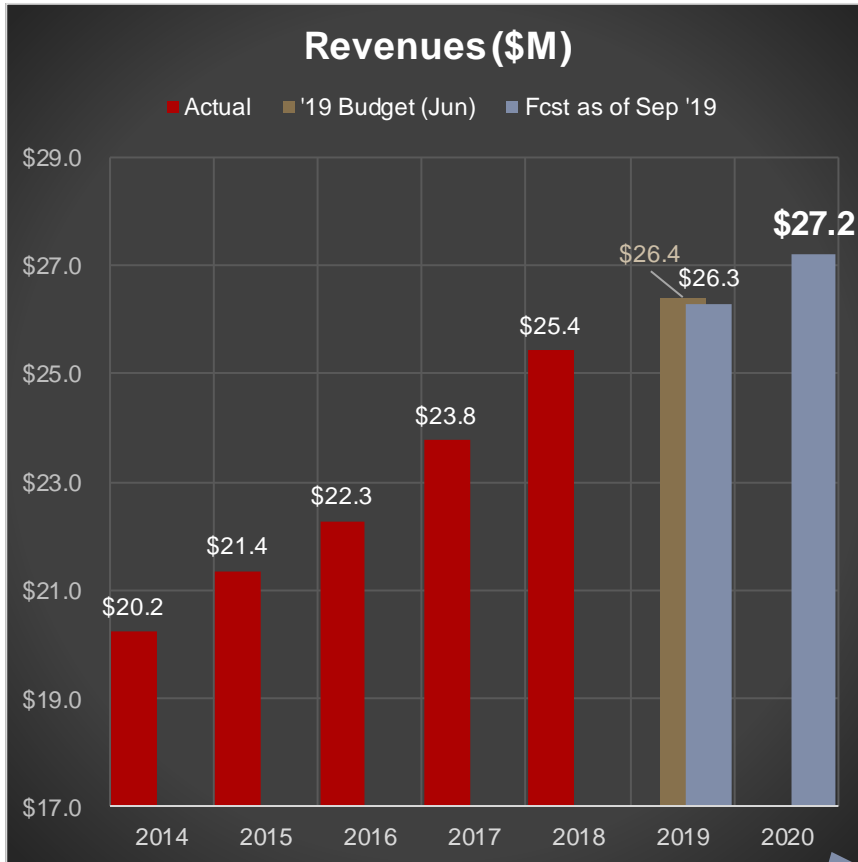


+2.9M vs. '19 Projection  
+2.7M vs. '19 Budget



# Zoo, Arts, & Parks Tax

(0.1% tax to ZAP Fund and General Fund\*)



+0.9M vs. '19 Projection  
+0.8M vs. '19 Budget

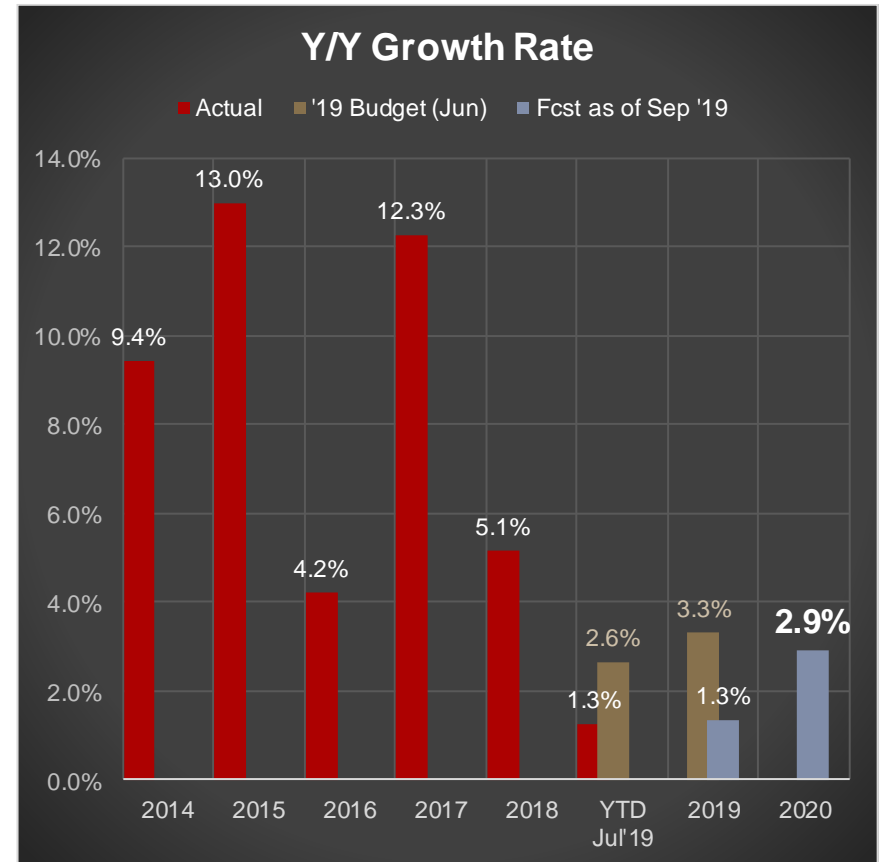
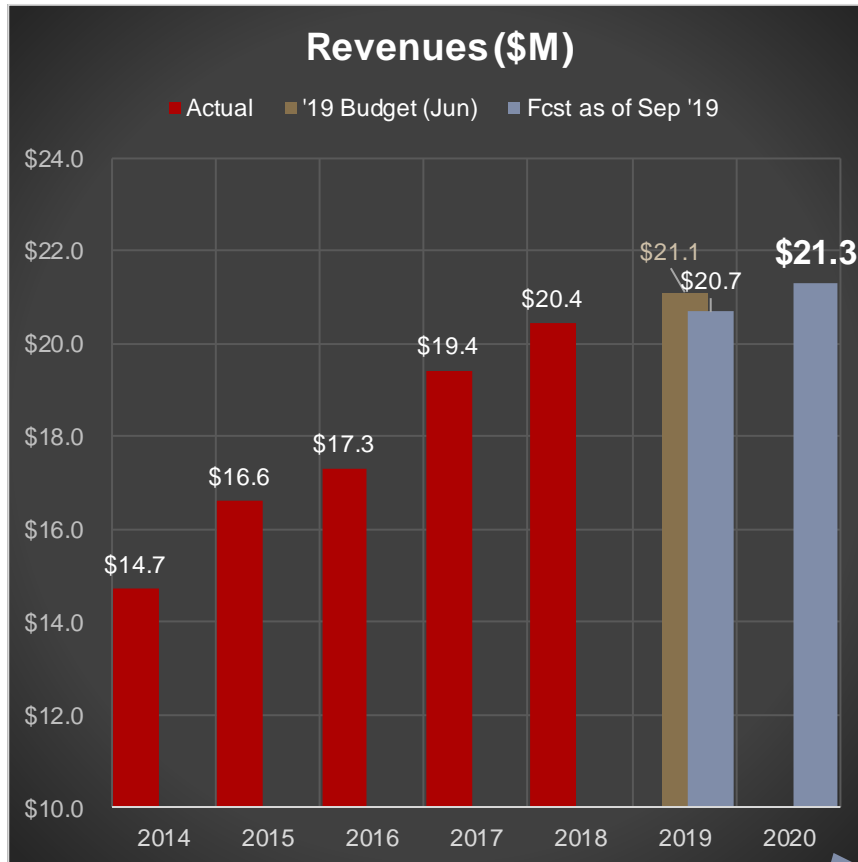
\* Approximately 70.45% to ZAP Fund and 29.55% to General Fund for Recreation





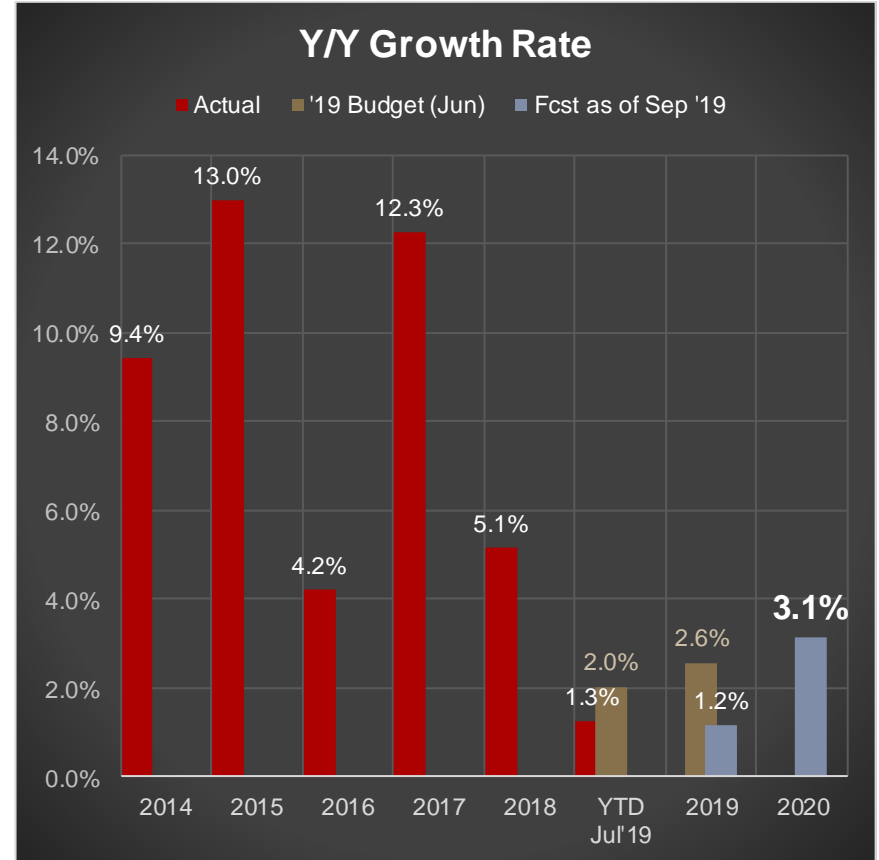
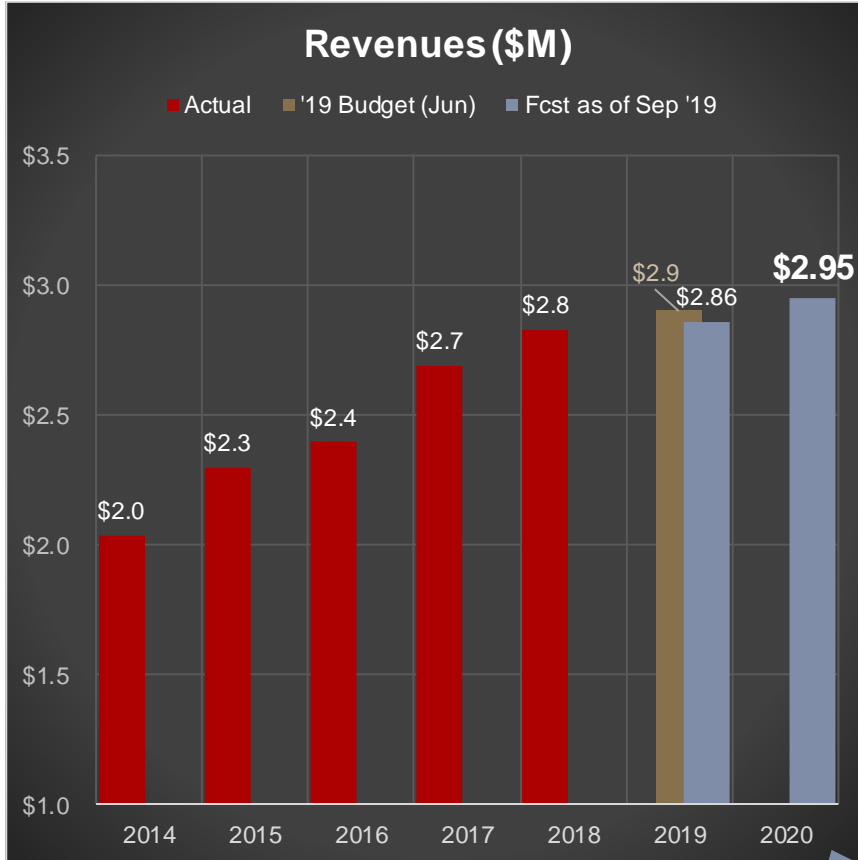
# Transient Room Tax

(4.25% tax to Visitor Promotion Fund)



+0.6M vs. '19 Projection  
+0.2M vs. '19 Budget

# Transient Room Tax - Supplemental (0.5% tax to TRCC Fund)

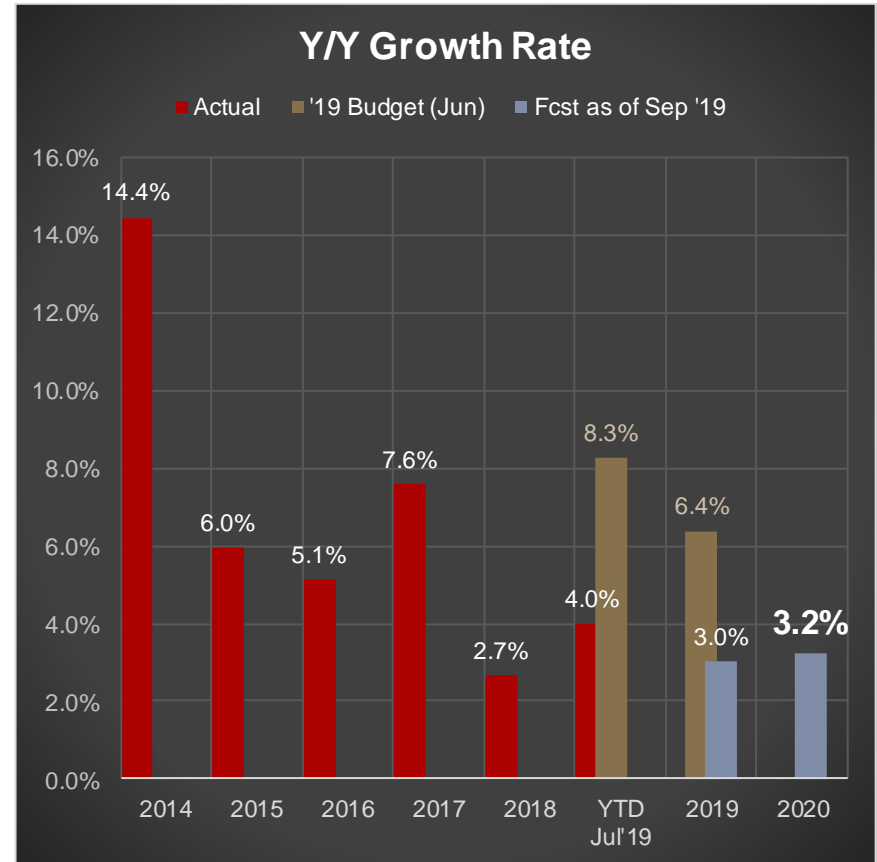
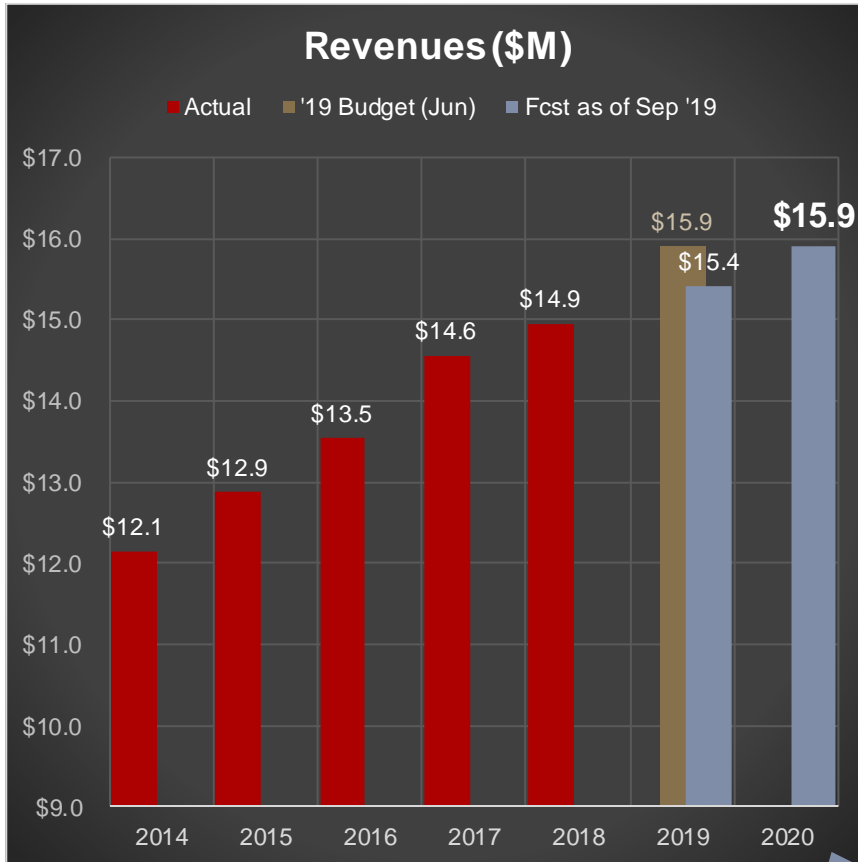


+90k vs. '19 Projection  
+50k vs. '19 Budget



# Car Rental Tax

(3% & 4% tax to TRCC Fund)

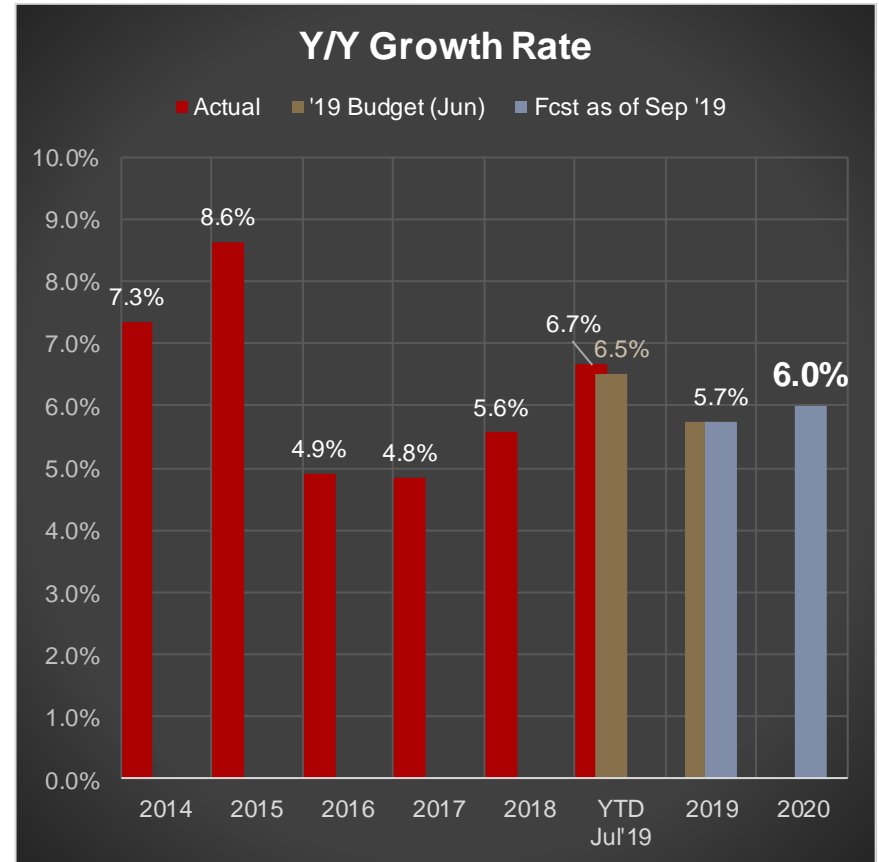
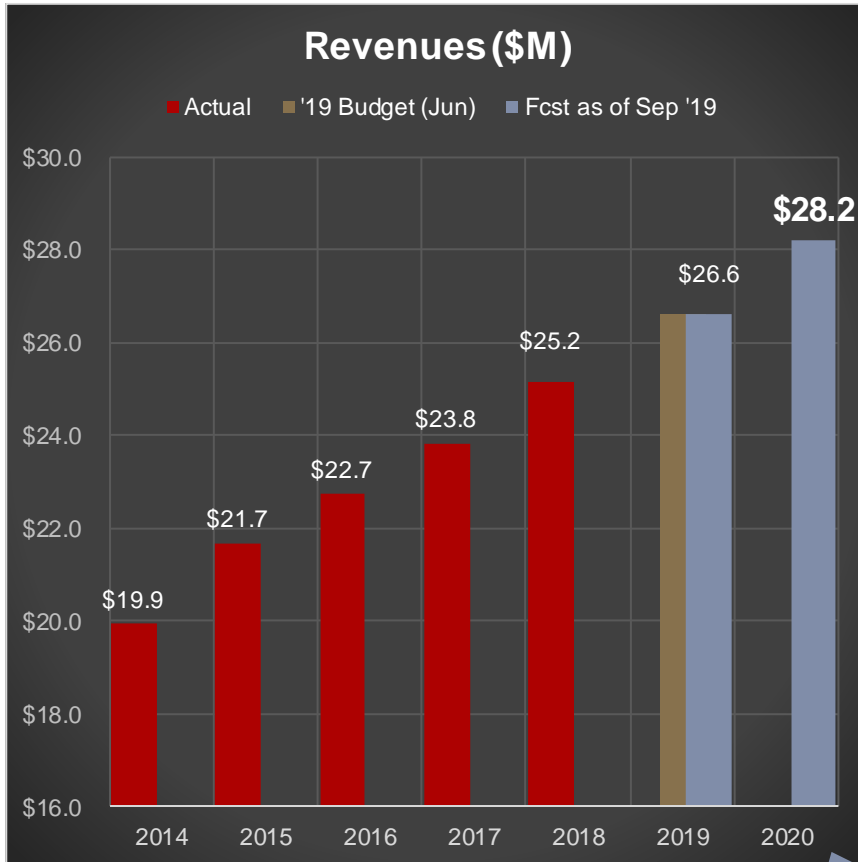


+0.5M vs. '19 Projection  
Flat vs. '19 Budget



# Restaurant Tax

(1% tax to TRCC Fund)

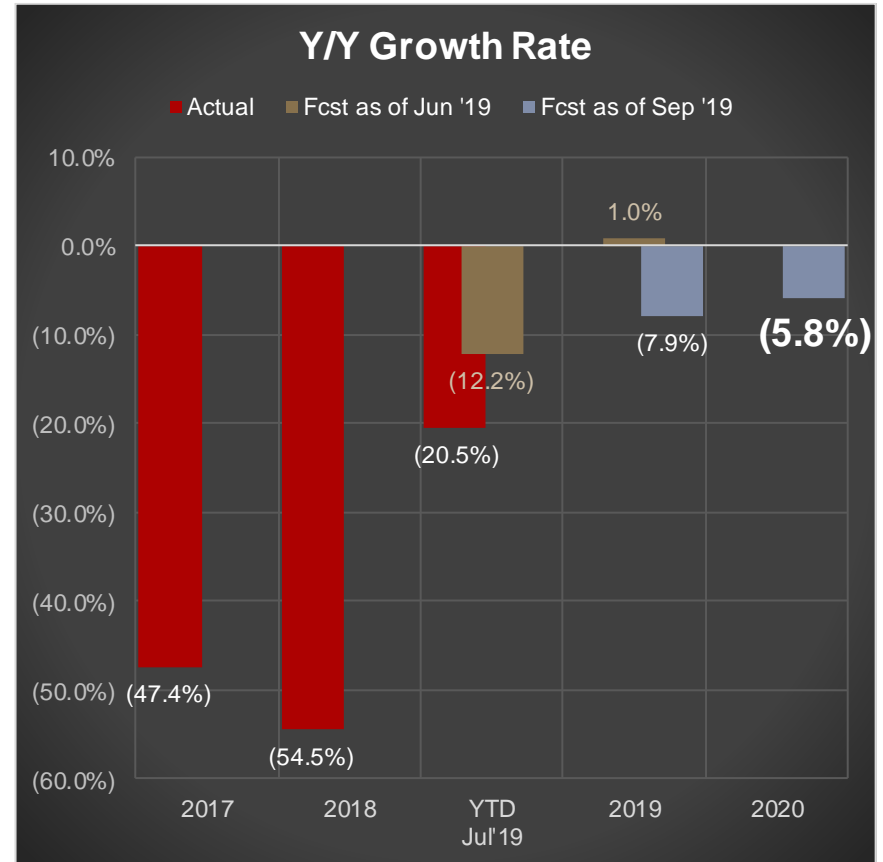
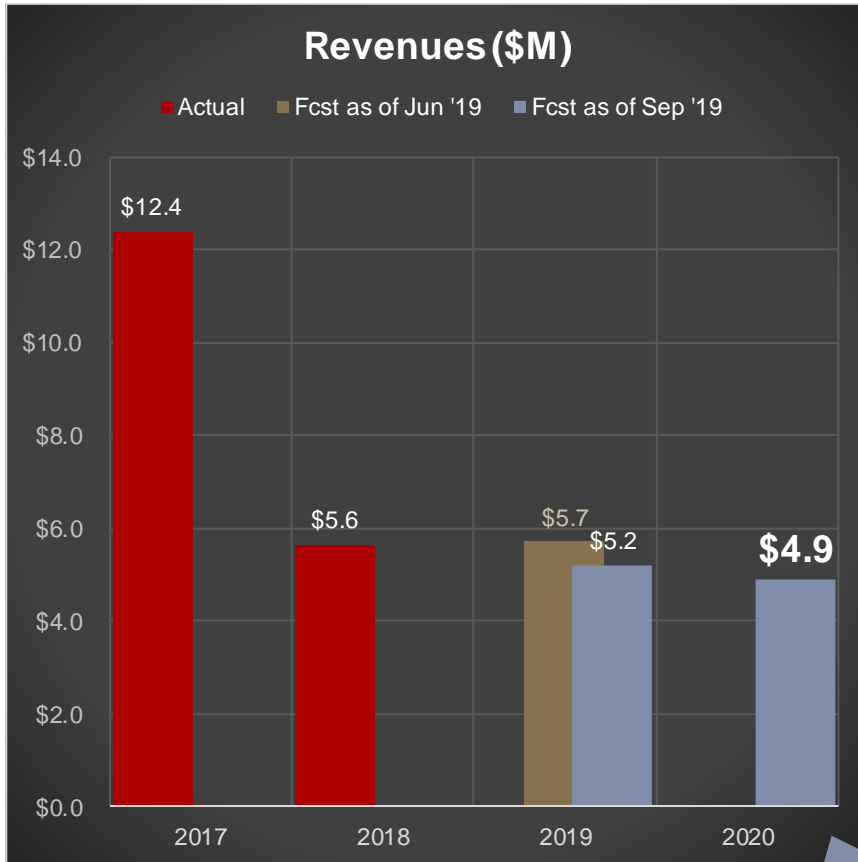


+1.6M vs. '19 Projection and '19 Budget



# Local Option Sales Tax

(1% tax to Unincorporated Municipal Services Fund)



-0.3M vs. '19 Projection  
-0.8M vs. '19 Budget

\* The 2020 Salt Lake County (unincorporated) Local Option sales tax projection excludes the estimated Brighton taxes due to incorporation effective 1/1/2020. Millcreek and Metro Townships were no longer included beginning April 2017 and July 2017, respectively.

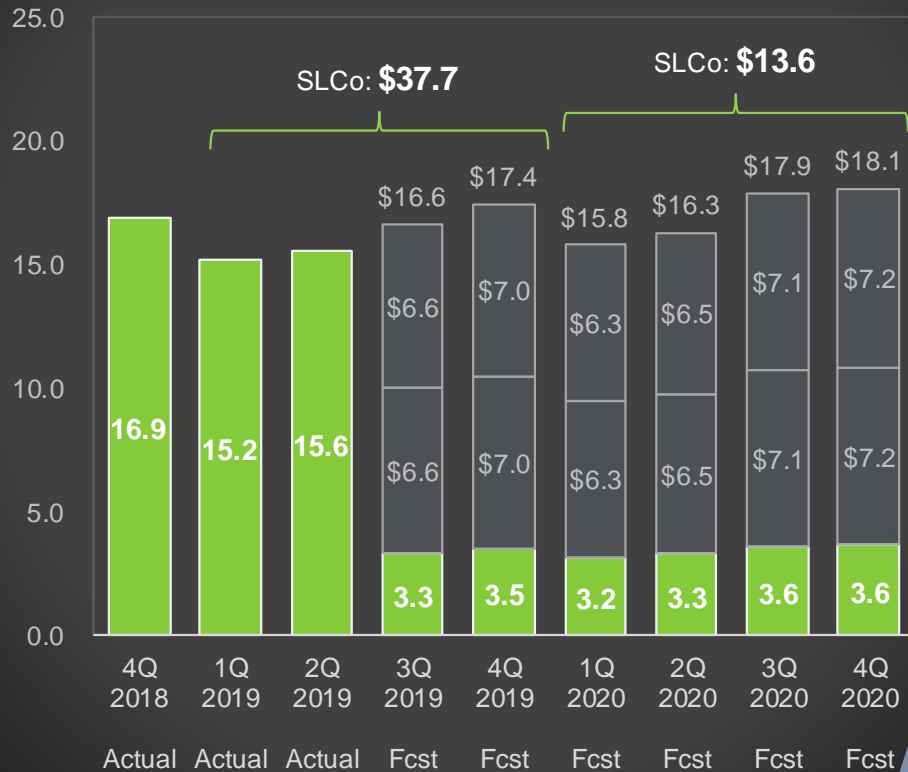


# Transportation Sales Tax

(0.25% tax – 0.05% to SLCo Transportation Fund)

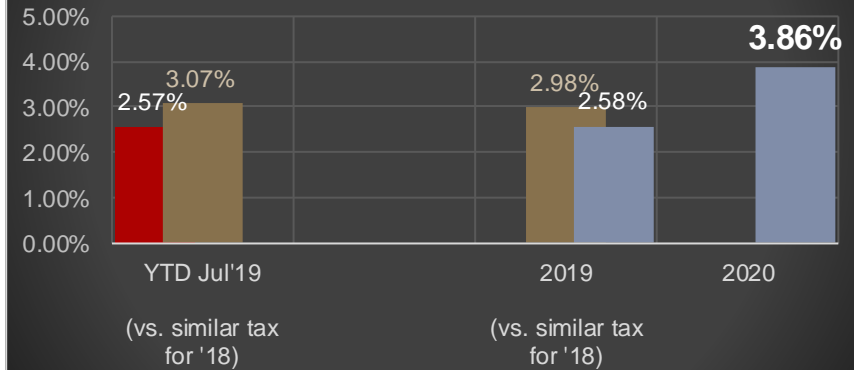
## Revenues (\$M)

■ SL County ■ Cities ■ UTA



## Y/Y Growth Rate

■ Actual ■ Fcst as of Jun '19 ■ Fcst as of Sep '19



- New 1/4% sales tax began Oct 2018 (Utah code 59-12-2219, County Option Highway and Public Transit) for transportation related projects.
- From inception through June 2019, Salt Lake County received 100%.
- After June 2019, all future tax revenue will be split, with 20% to SLCo, 40% to Cities, and 40% to UTA.
- Similar base as other transportation sales taxes that are pass-through to the county (59-12-2213, 59-12-2214, 59-12-2217).

+2.3M vs. '19 Projection (total tax, incl. UTA and cities)  
-24.9M vs. '19 Budget (SLCo portion)



# Motor Vehicle Fee-In-Lieu

<b>Fund (\$M)</b>	<b>2020 Budget</b>	<b>2019 Budget</b>	<b>Change</b>	
<b>General</b>	7.59	7.94	(0.35)	(4.4%)
<b>Flood Control</b>	0.27	0.29	(0.01)	(4.4%)
<b>Health</b>	0.62	0.65	(0.03)	(4.4%)
<b>Governmental Immunity</b>	0.09	0.09	(0.00)	(4.4%)
<b>Tax Administration</b>	1.21	1.26	(0.05)	(4.2%)
<b>Capital Improvements</b>	0.31	0.32	(0.01)	(4.4%)
<b>Clark Planetarium</b>	0.15	0.15	(0.01)	(4.4%)
<b>Library</b>	2.23	2.33	(0.10)	(4.3%)
<b>Bond Debt Service</b>	1.29	1.40	(0.11)	(7.8%)
<b>TOTAL</b>	<b>13.75</b>	<b>14.43</b>	<b>(0.68)</b>	<b>(4.7%)</b>



# 2020 New Growth Summary

All Funds (Except Debt Service)

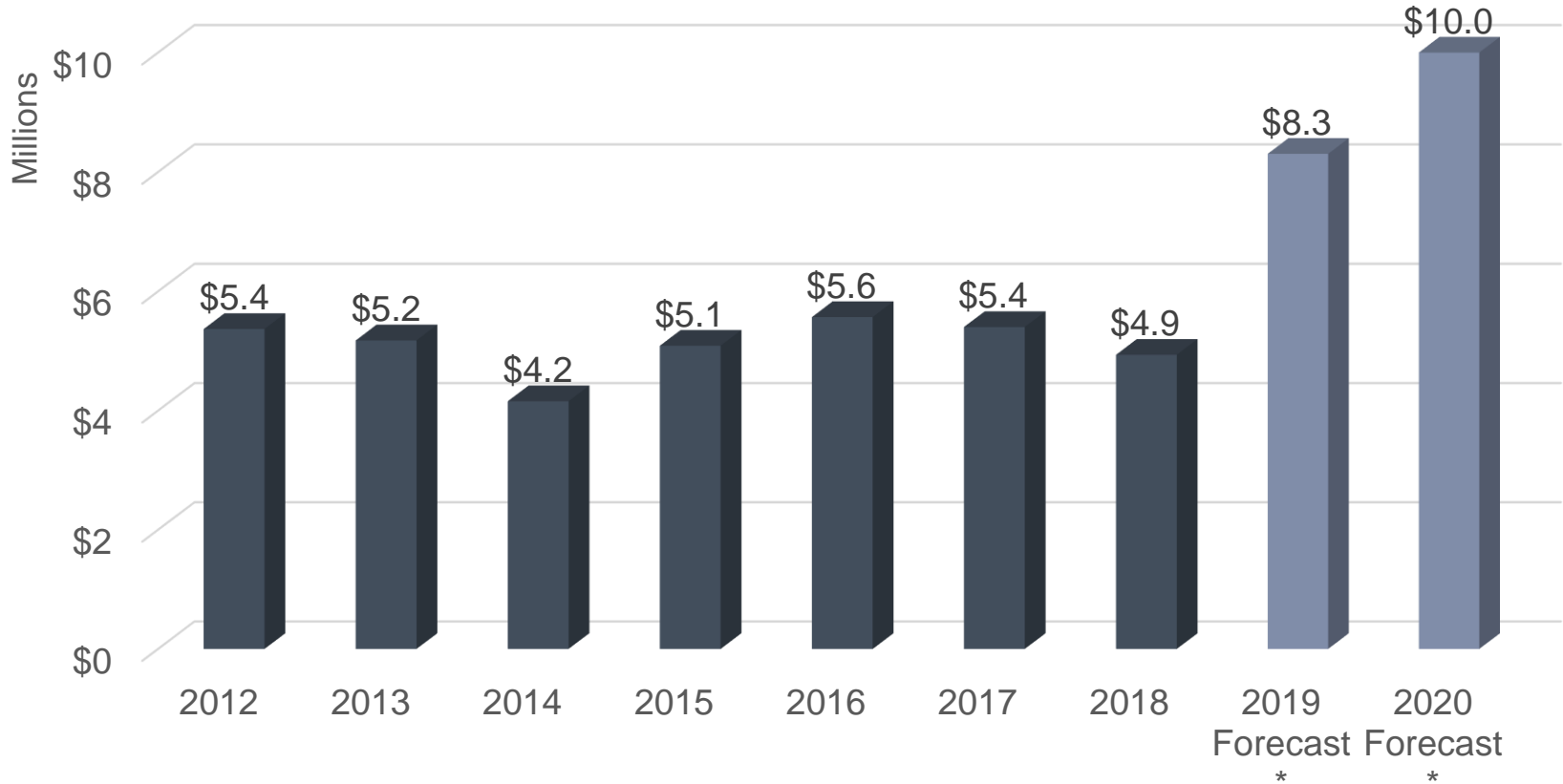
Fund (\$M)	Property Tax	Sales Tax	Motor Veh Fee In Lieu	Total New Growth
General	5.1	2.9	(0.35)	7.7
Flood Control	0.2		(0.01)	0.2
Health	0.4		(0.03)	0.4
Planetarium	0.1		(0.01)	0.1
Capital Improvements	0.2		(0.01)	0.2
Tax Administration	0.9		(0.05)	0.9
<b>Subtotal</b>	<b>6.9</b>	<b>2.9</b>	<b>(0.46)</b>	<b>9.4</b>
TRCC		1.7		1.7
Visitor Promotion		0.2		0.2
ZAP		0.6		0.6
Governmental Immunity	0.06		(0.004)	0.1
Gov Immunity Unincorp	(0.02)		-	(0.0)
Municipal Services*		(0.8)		(0.8)
Library	1.1		(0.10)	1.0
<b>Total</b>	<b>8.1</b>	<b>4.6</b>	<b>(0.57)</b>	<b>12.1</b>



# RECORDER FEE REVENUES



# Recorder Revenue



Forecasts for 2019 and 2020 reflect a change in statutory fees enacted by HB 247 (2019)

# Revenue Summary

- New construction driving property tax new growth rate
- YTD sales tax growth not as strong as projected in June
- Impact of new legislation on Q4 2019 and 2020 sales taxes is uncertain
- Recorder fee revenue significantly higher from legislation beginning May 14, 2019
- Economy is strong but some uncertainties could be a risk to revenues