

**Mayor Jenny Wilson**

# **2019 Proposed June Budget**

**June 4, 2019**

# Mayor Wilson June Budget Presentation

- Economic Overview
  - Doug Macdonald, Econowest Associates
  - Yoram Bauman, Stand Up Economist
  - Bob Springmeyer, Bonneville Research
- Revenue Update – Rod Kitchens
- Proposed Budget Adjustments – Darrin Casper

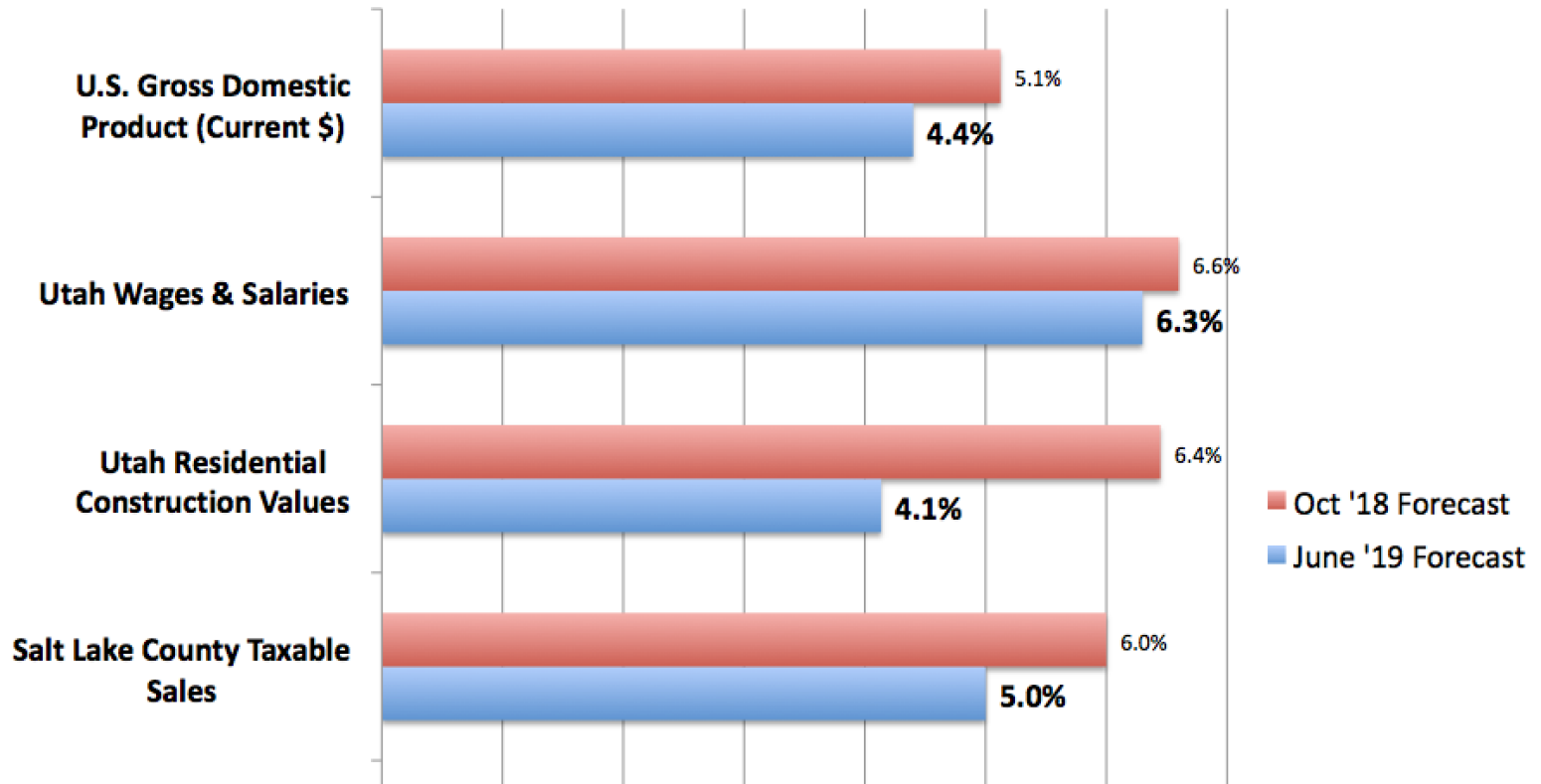
Doug MacDonald

# **ECONOMIC OVERVIEW**



# 2019 Taxable Sales Likely to Grow 5%

## Before 3% Reduction for SB2001

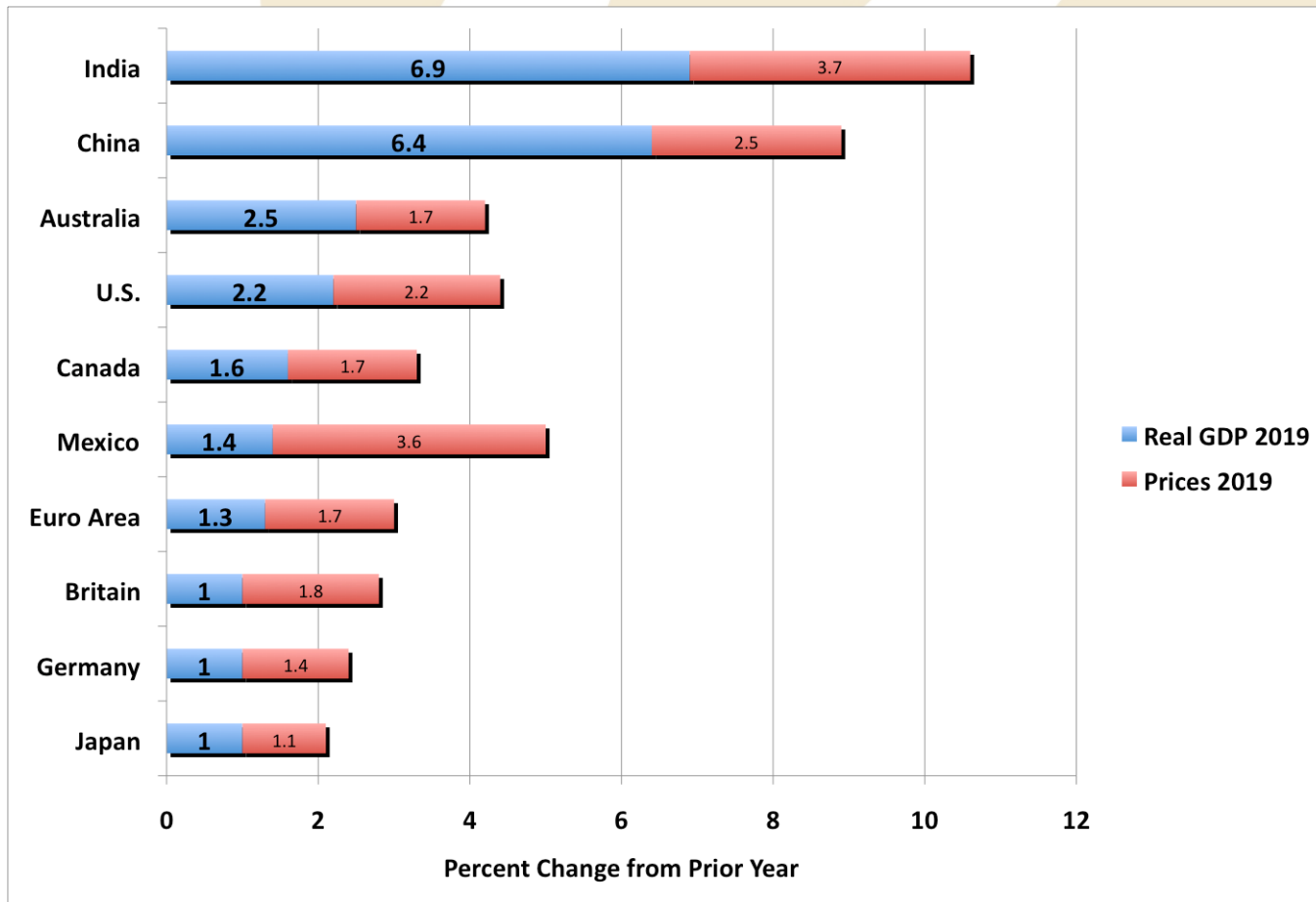


June 2019

# The World



# World Real Growth Slows to 2.6% in 2019

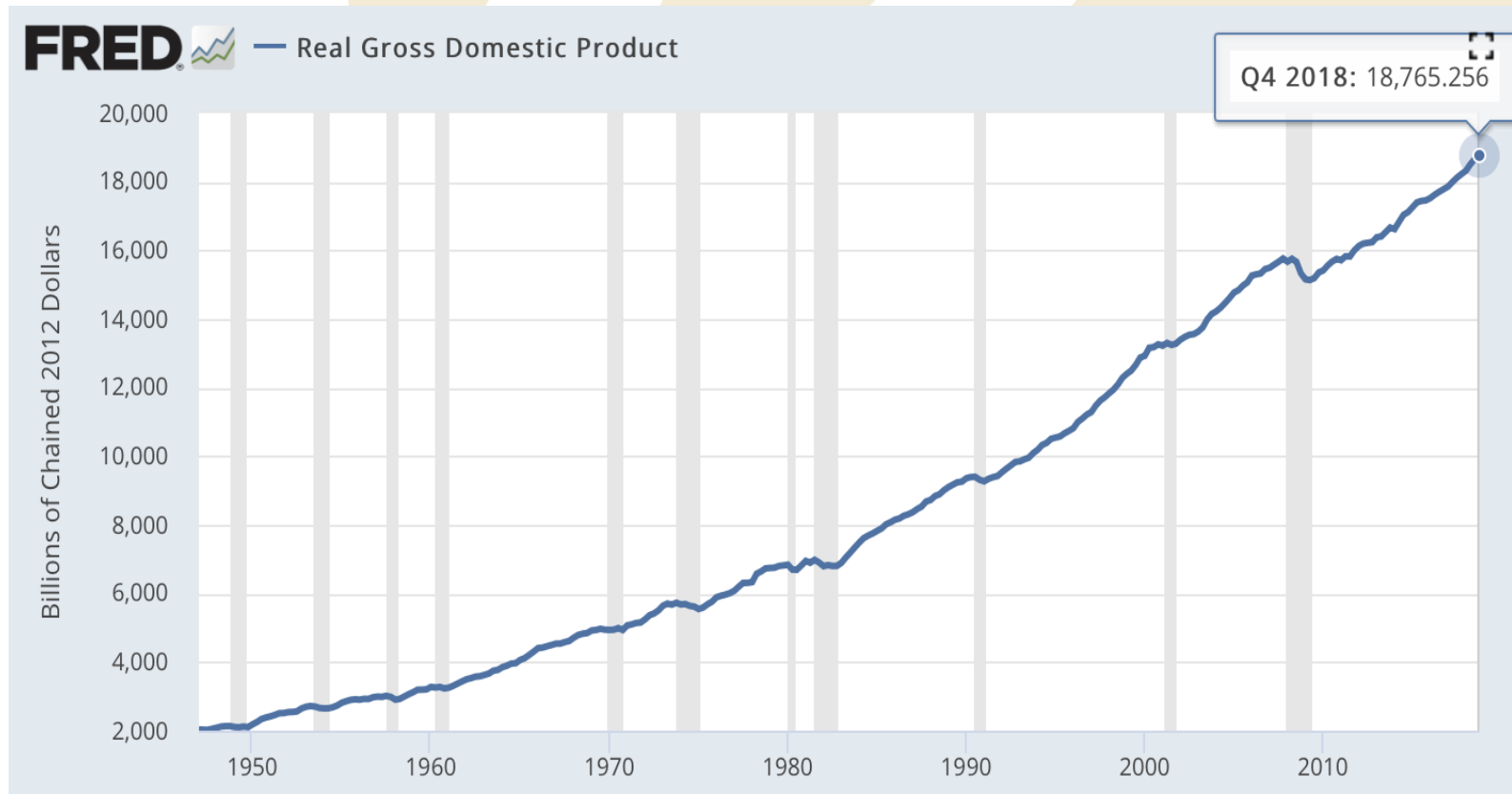


Source: The Economist, May 18, 2019

# The Nation



# U.S. GDP up 3% in 2018



Source: Federal Reserve Bank of St. Louis



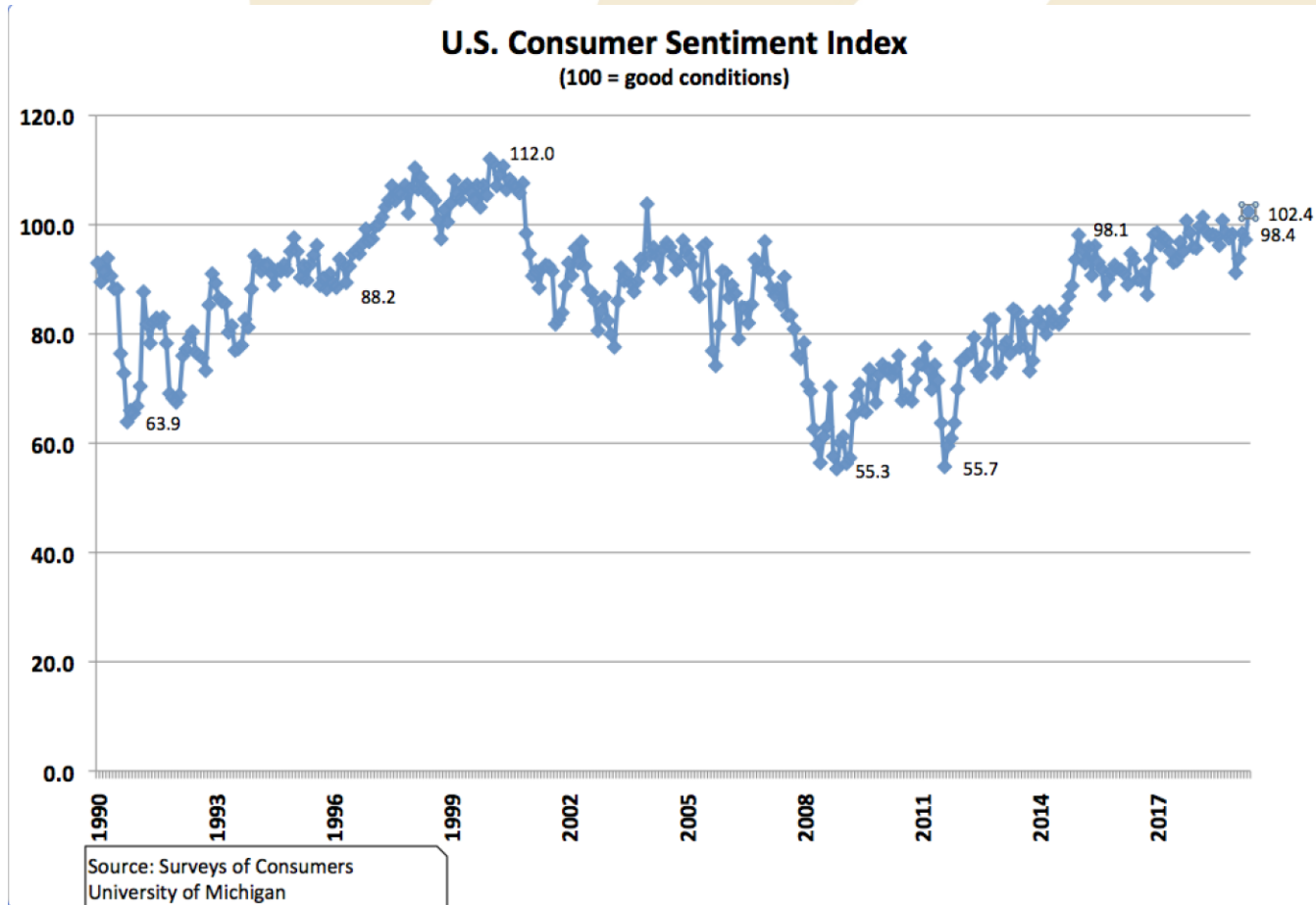
# 2019 U.S. Growth Slows to 2.7%

- The U.S. leads Euro Area and Americas, still below China and India—principle drivers of growth are Nonresidential Fixed Investment (3.6%, autos and aircraft) and Consumer Nondurables (2.9%)
- Prospects for consumer spending (70% of GDP, growing 2.5%) a bit softer this year, propelled by solid job, income and wealth growth, relatively low and stabilizing interest rates, and high home prices
- Real capital spending on structures and equipment accelerated 7% in 2018, will slow to 2% in 2019. Fast growing sectors in 2019: Transportation Equipment [7%, Aircraft (5%)], Intellectual Property Products (8%)

# U.S. Economy Good Through 2019

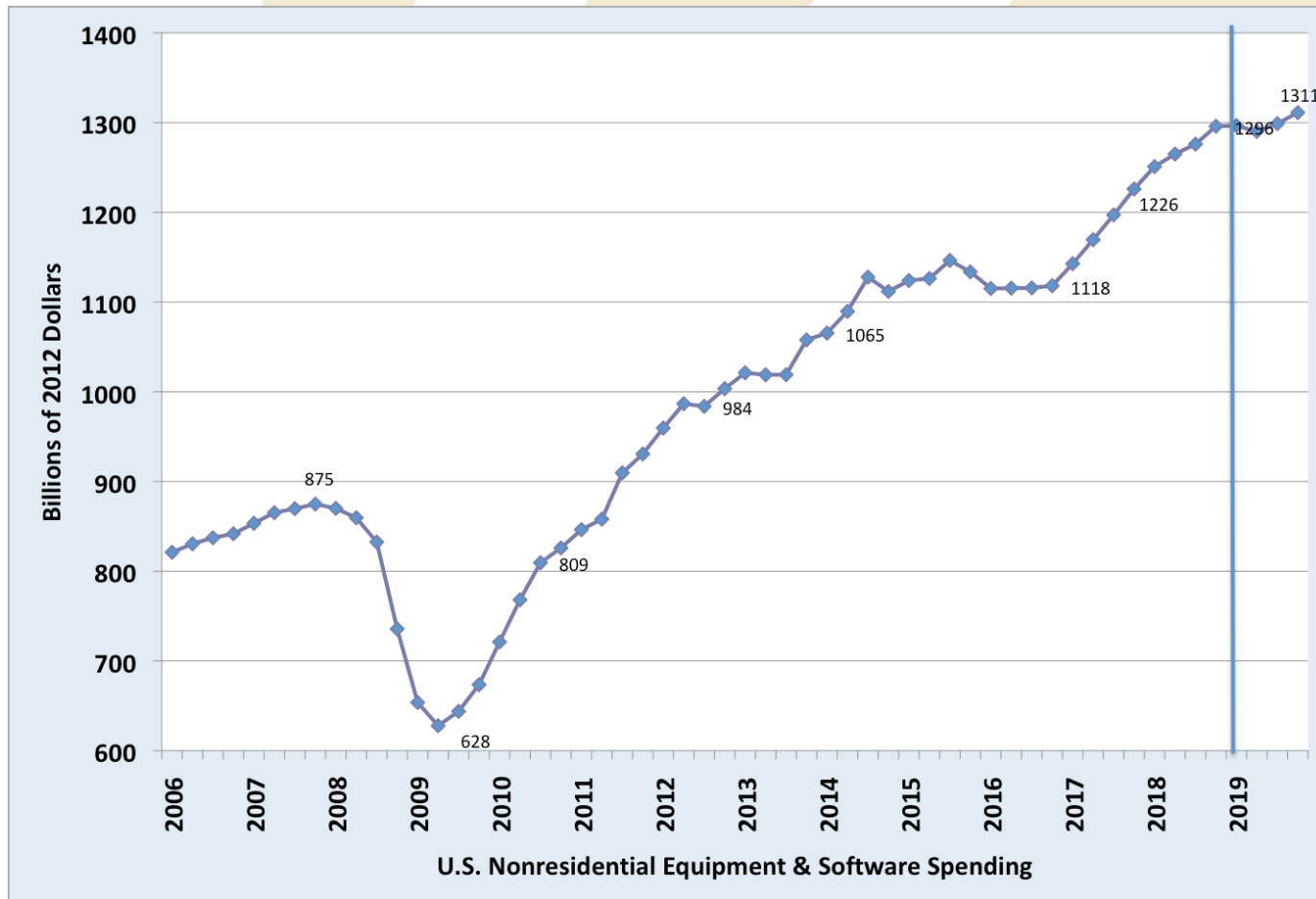


# Following a Slip in January, Consumer Confidence Jumped Back Up



# U.S. Business Equipment & Software

Grew 7.4% in 2018 and Slows to 2% in 2019



# Hey, What Could Go Wrong?

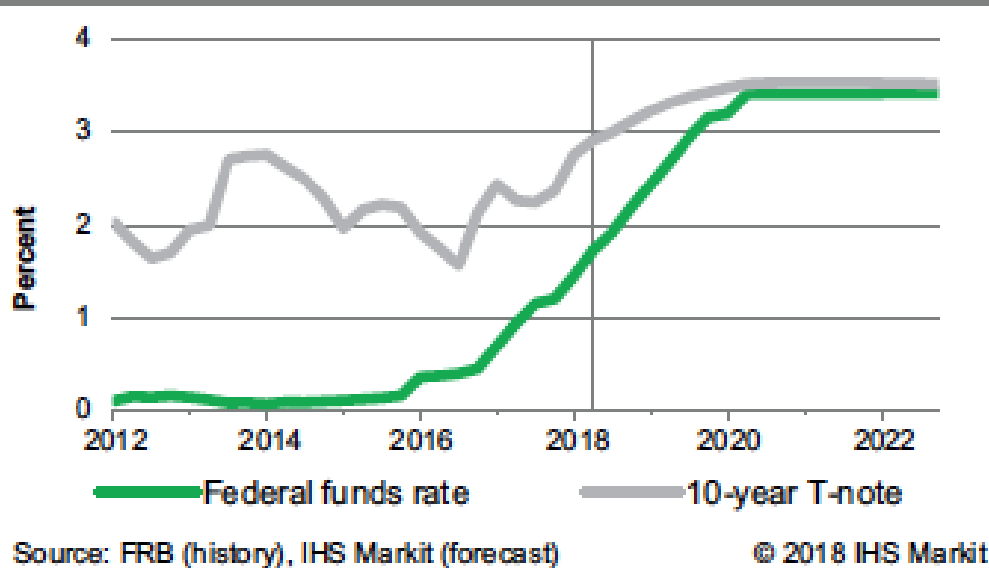


# What Could Go Wrong?

- Excessive Corporate Debt
- Sanctioning 5<sup>th</sup> Largest Oil Supplier
- Trade Wars
- Flattening Yield Curve (long-term rates below short-term )

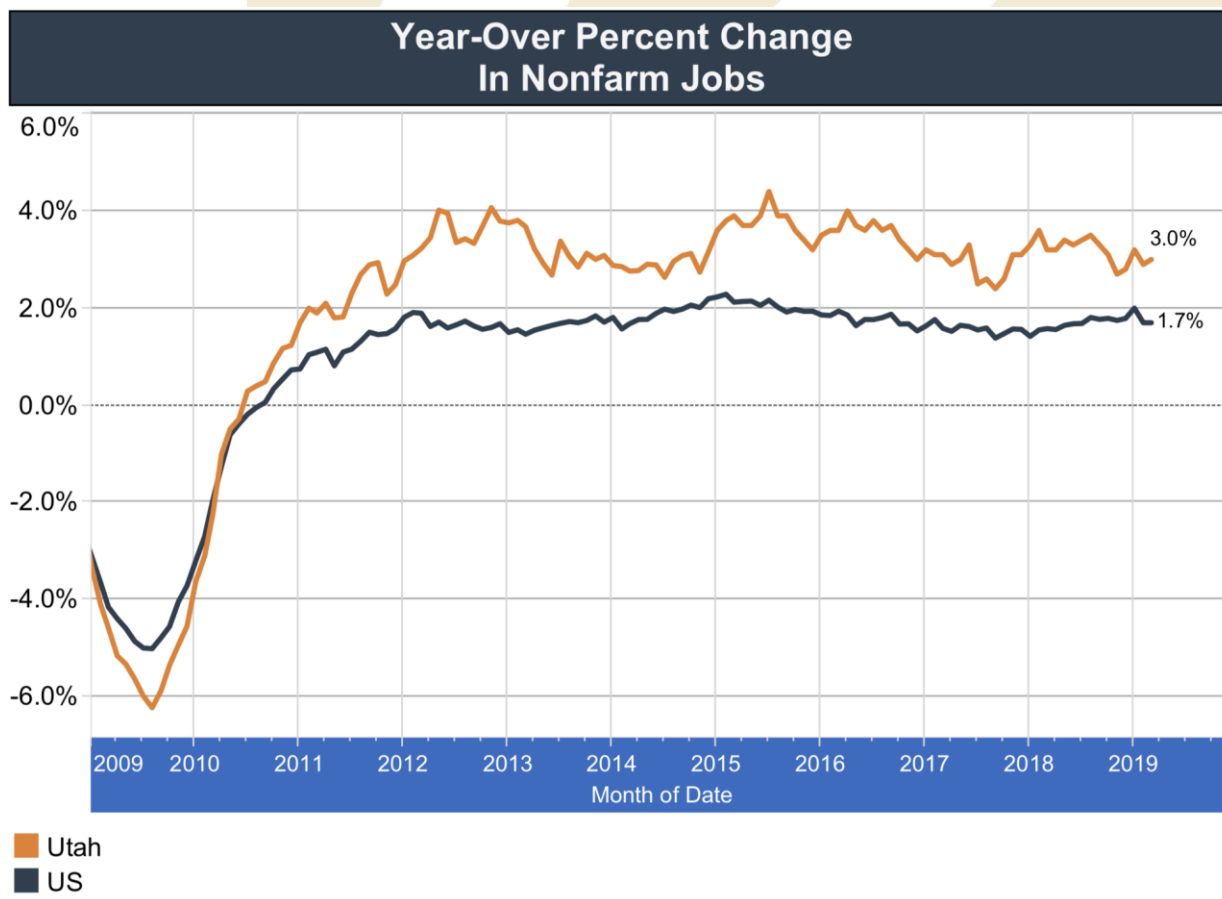
# What Could Go Wrong?

## Monetary policy tightens gradually



**"Utah has led the nation in its rate of job growth during the nearly 10 years since the Great Recession."**

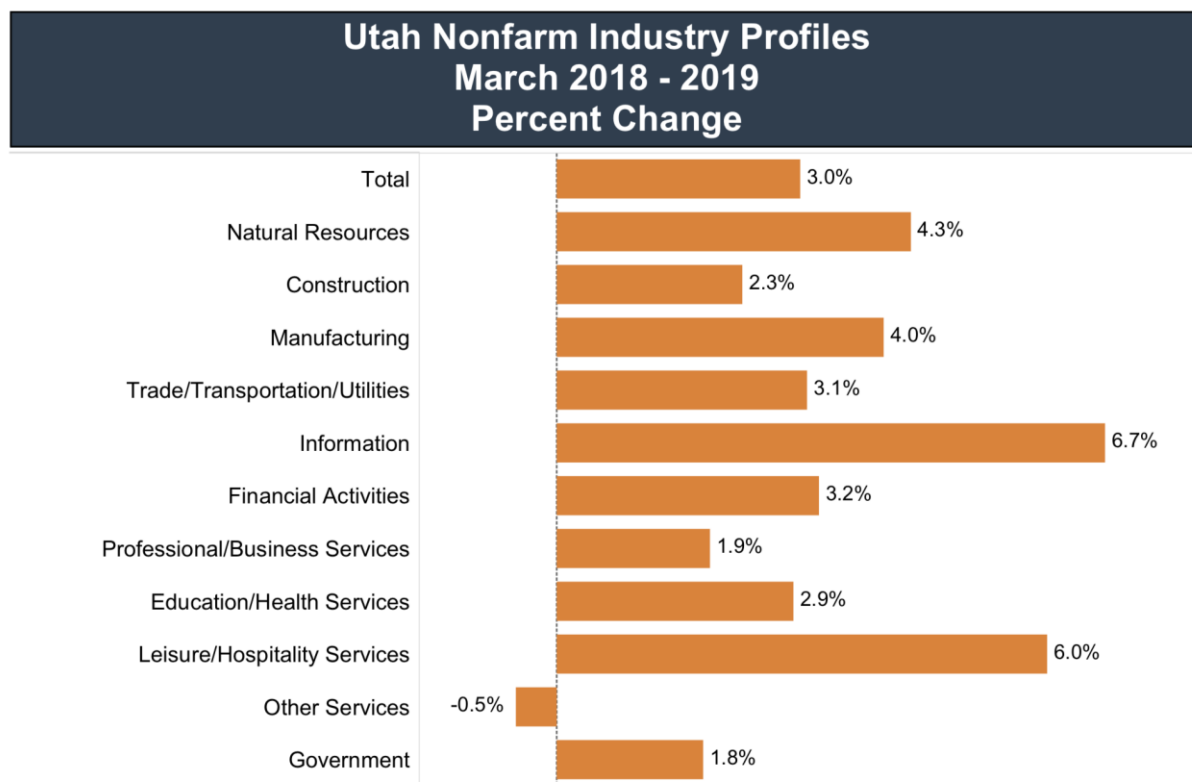
Mark Knold, Senior Economist, Dept. of Workforce Services





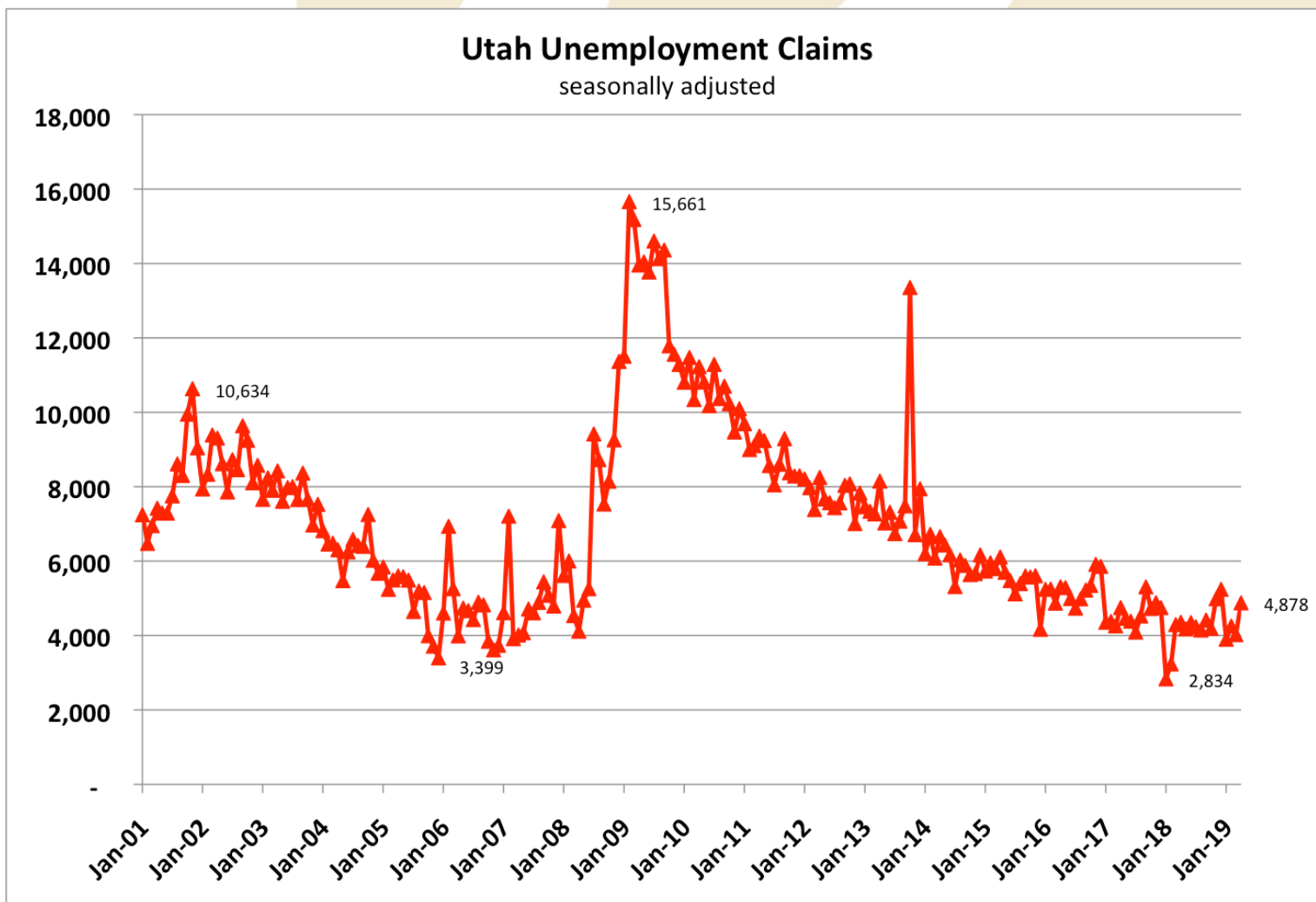
**"Utah's private sector employment grew 3.2% year-over with the addition of 40,600 positions."**

Mark Knold, Senior Economist, Dept. of Workforce Services

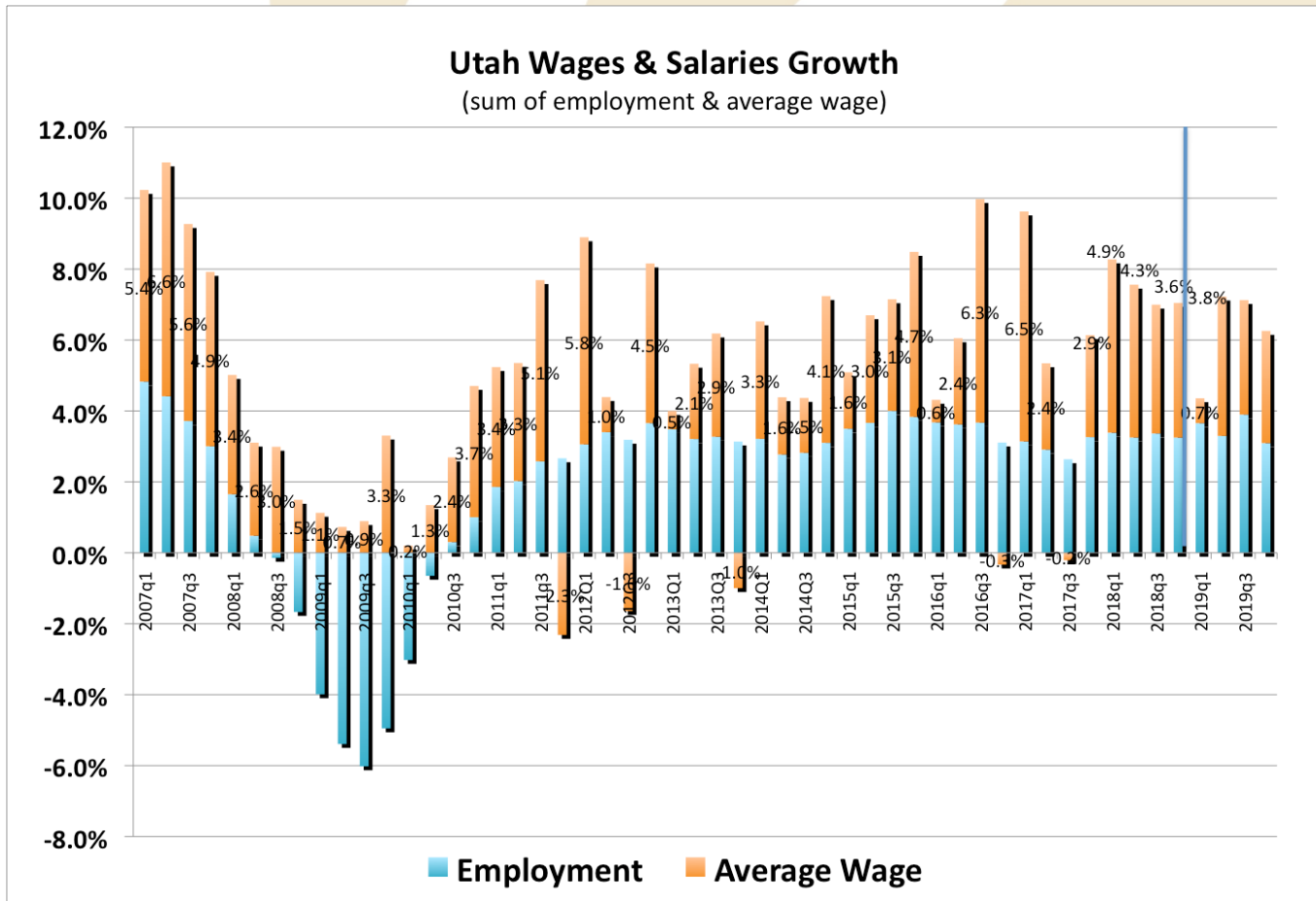


# Unemployment Claims Down to 2006-08 Level

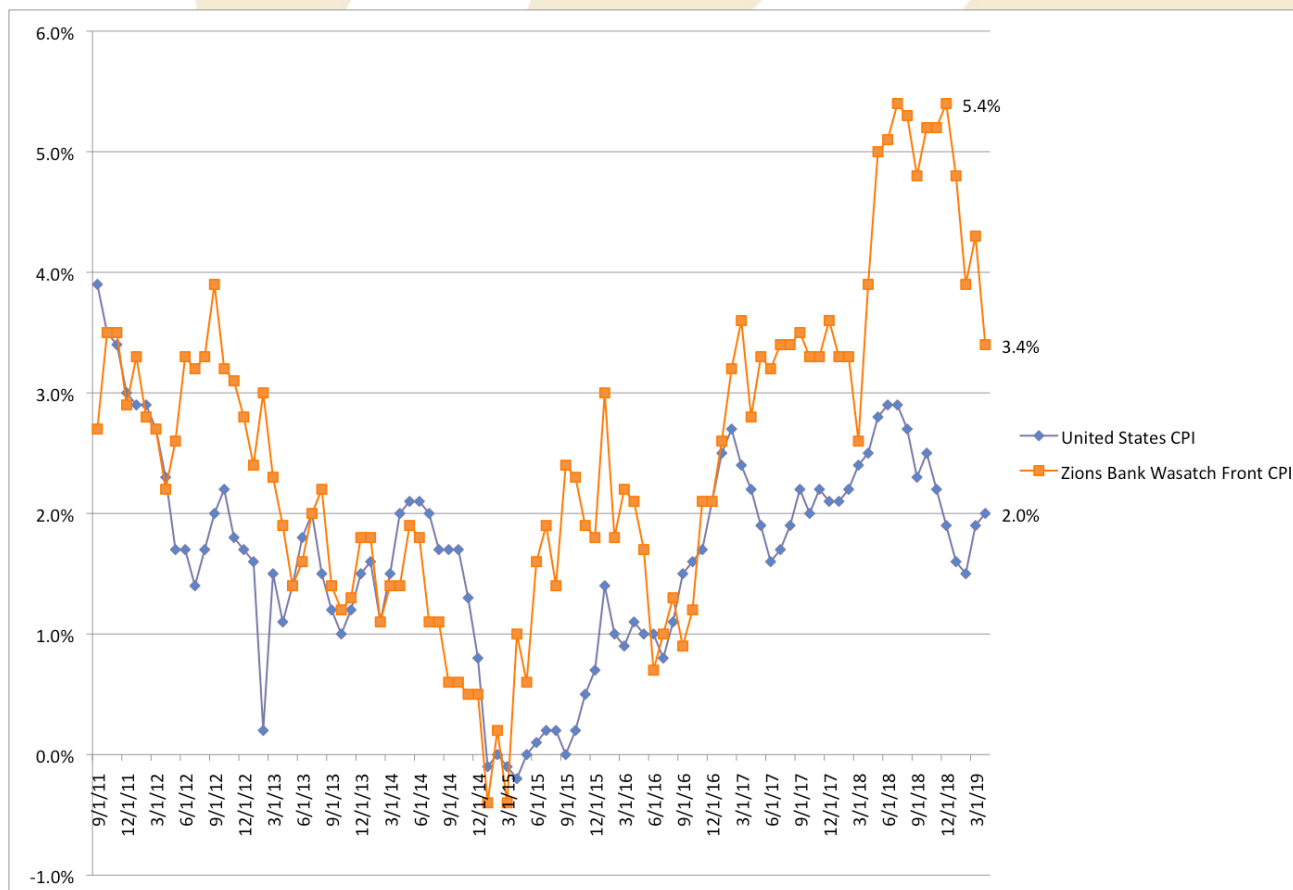
(6 Month Leading Indicator for Job Growth)



# Utah Wages Grew 7.6% in 2018 and Likely to Grow 6.3% in 2019



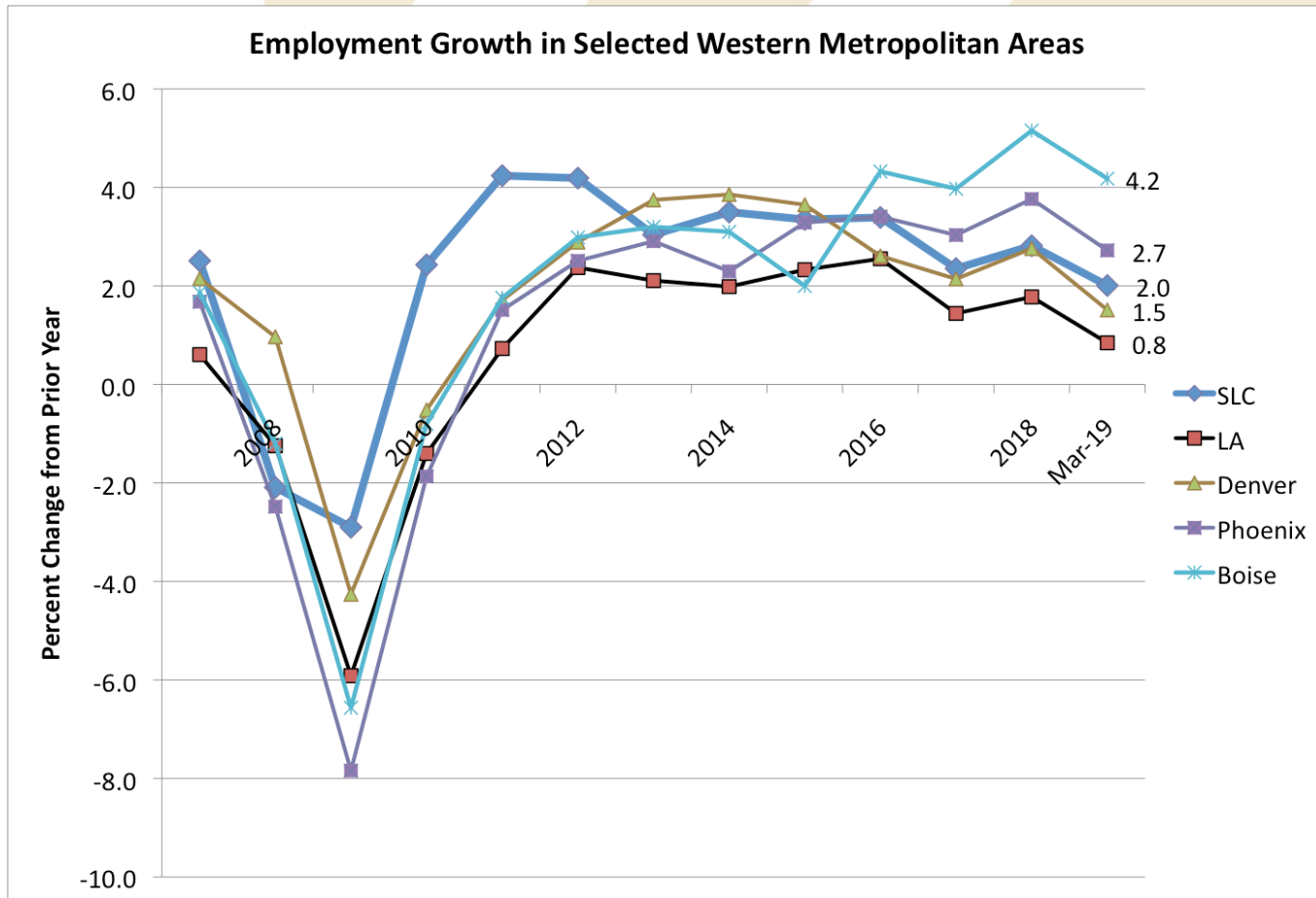
# Key Drivers of Utah Average Wages



# The County Economy

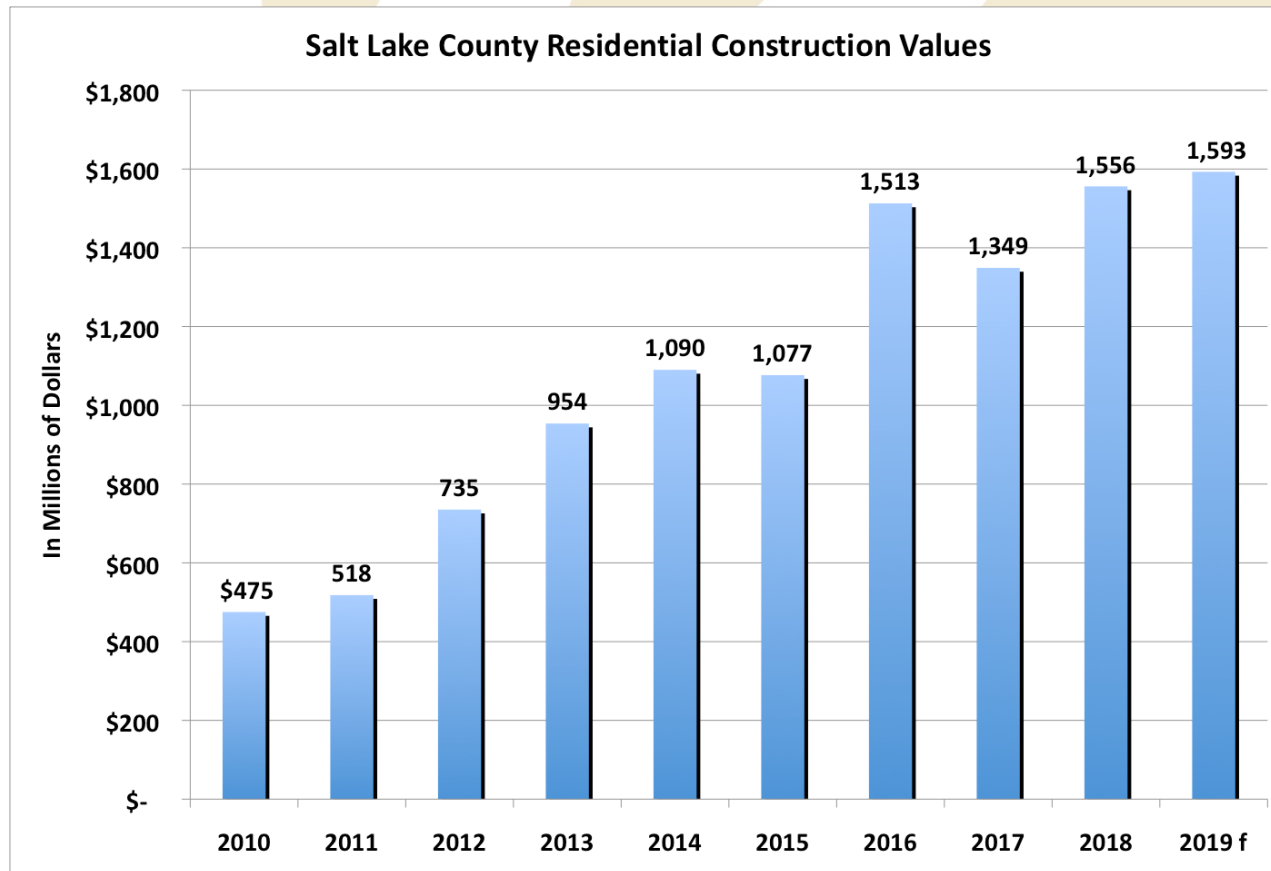


# Salt Lake Metro Job Growth Leads LA & Denver



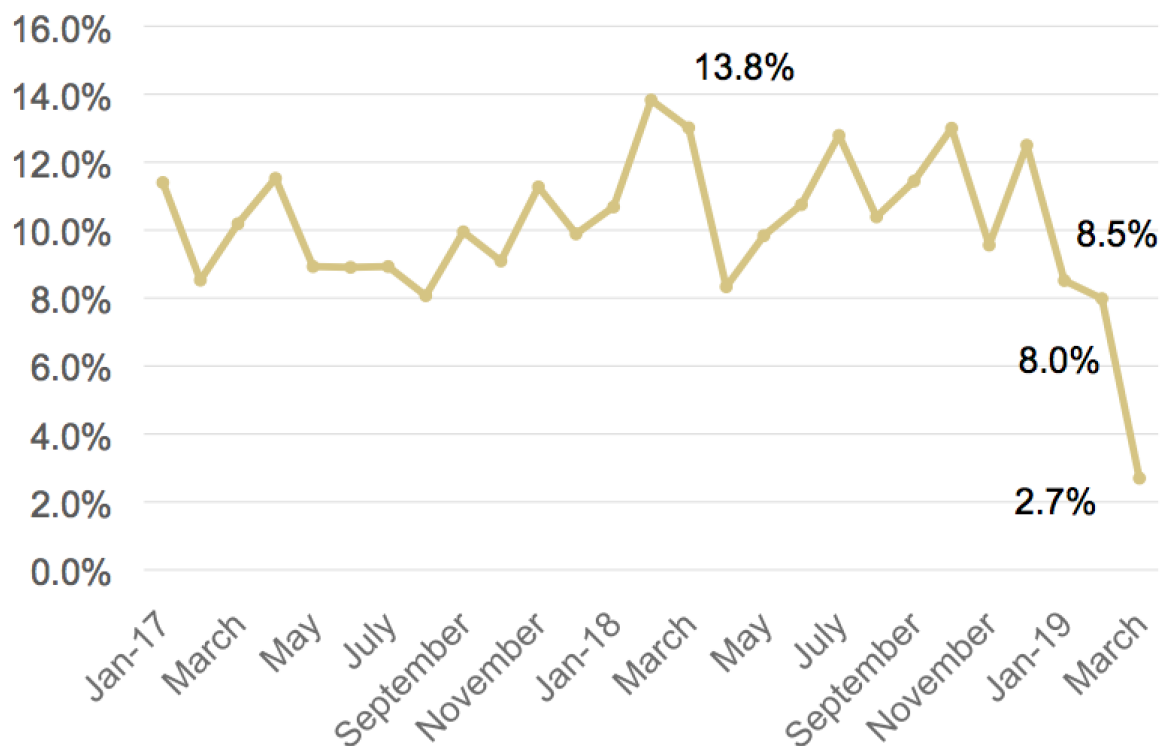
# The County Economy

Salt Lake County New Residential Construction  
Rebounded 15% in 2018, Growth 2% in 2019



# Wasatch Front Home Prices

Median Percent Change from Prior Year



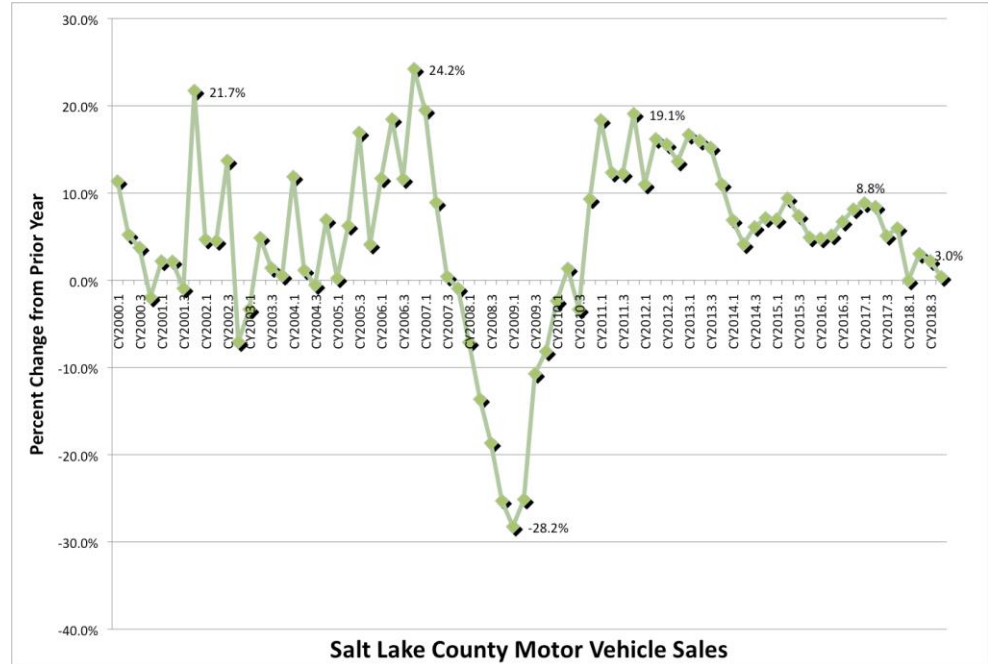
Source: Ivory-Boyer Construction Database



# Car & Truck Sales – Trending Down

## Salt Lake County

	\$Billion	% Chg.
2014	\$ 2.62	6.0%
2015	\$ 2.82	7.2%
2016	\$ 2.99	6.2%
2017	\$ 3.20	7.0%
2018	\$ 3.25	1.5%



Source: Tax Commission

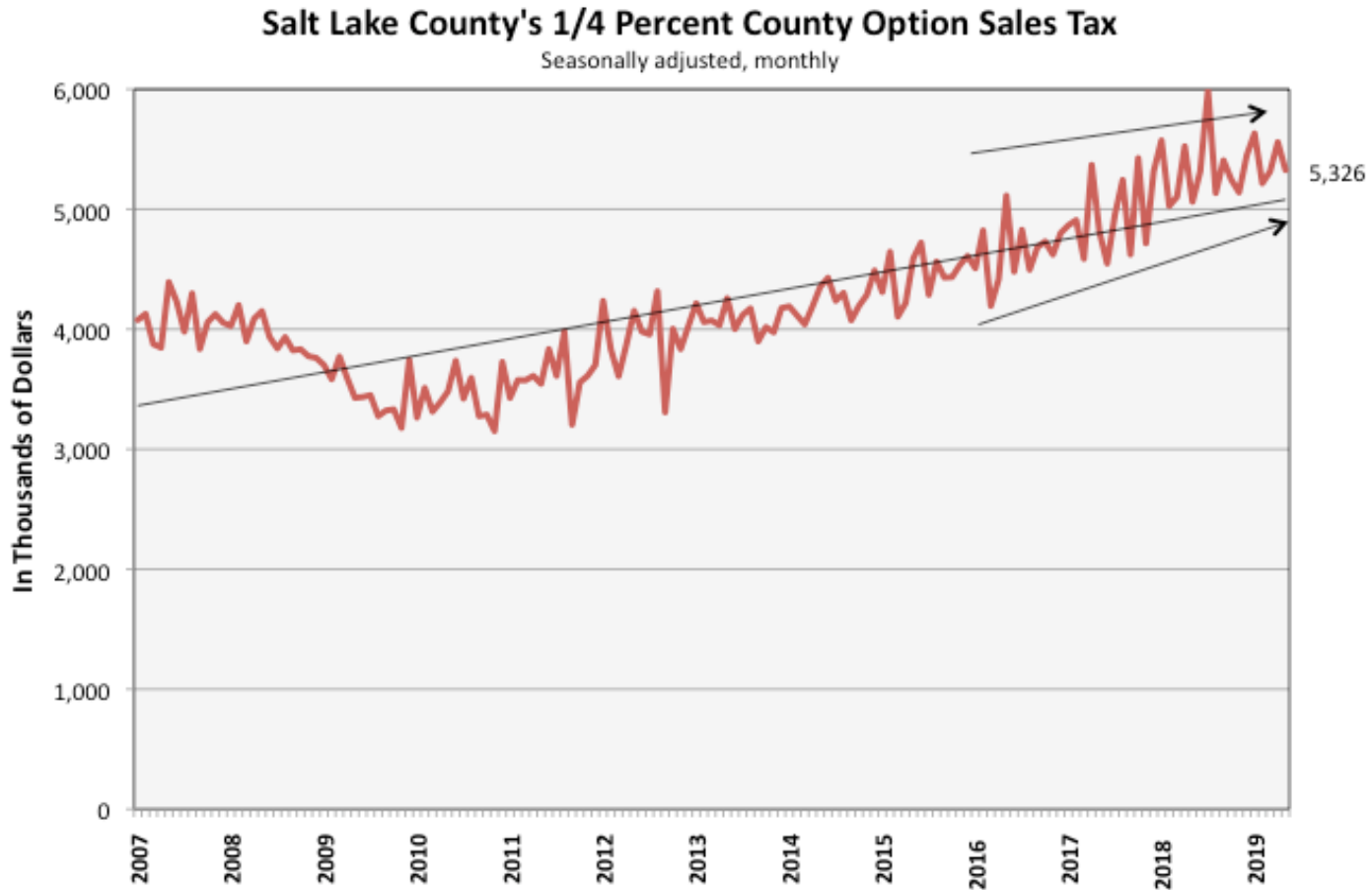
# Large Monthly Taxpayer Sales 1st Quarter 2019 – up 1.6%

Salt Lake County		% Change from prior year
Retail Trade	\$ 3.10 B	2.2%
Services	1.80	1.3%
Business Investment	.99	-5.4%
All Other	.32	24.0%
Total	\$ 6.21 B	1.6%



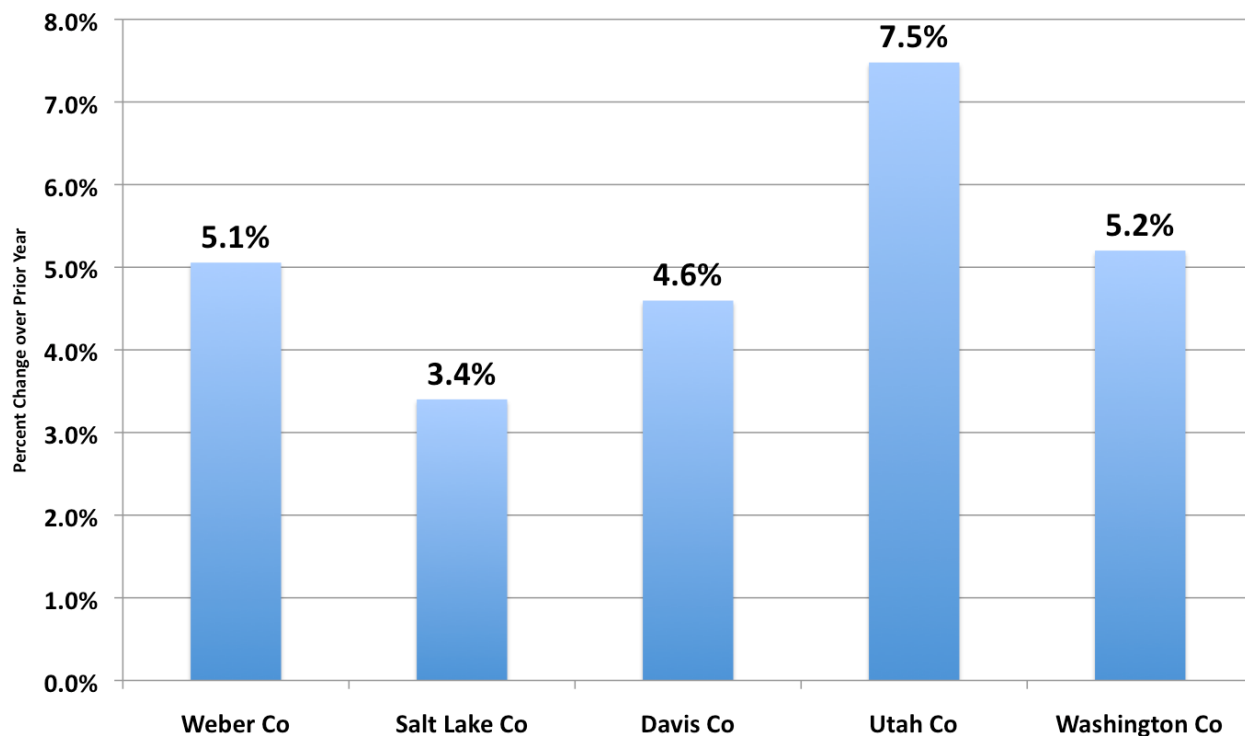
Source: Utah State Tax Commission

# Seasonally Adjusted Sales Tax Continues Upward Trend



## 2019 County Local Option Sales Tax

January - March Sales



Utah County  
Leads

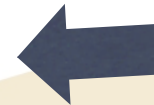
SL County  
Led Last  
Year,  
But Now  
Lags



# Key Drivers

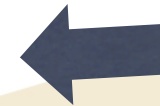
## June 2019 Sales Tax Forecast

Key Economic Drivers	2017 Actual	2018 Actual	2019 Forecast	
Real GDP (Gross Domestic Product \$B)	\$ 18,050.7 2.2%	\$ 18,573.1 2.9%	\$ 19,061.3 2.6%	
Consumer Price Index	2.1%	2.4%	2.2%	
<b>Nominal GDP (\$B)</b>	19,485 <b>4.2%</b>	20,494 <b>5.4%</b>	21,405 <b>4.4%</b>	<
Utah Employment	3.0%	3.3%	3.5%	
Utah Average Wages	2.9%	4.2%	2.7%	
<b>Utah Wages (Payroll)</b>	<b>5.9%</b>	<b>7.6%</b>	<b>6.3%</b>	<
Employment Cost Index	2.5%	2.9%	2.6%	
Utah Residential Construction Values	<b>14.4%</b>	<b>9.1%</b>	<b>4.1%</b>	<
U.S. Equipment & Software Purchases	<b>6.1%</b>	<b>7.4%</b>	<b>2.1%</b>	<
U.S. Consumer Sentiment Index	96.8	98.4	97.5	
<b>Salt Lake County Taxable Sales</b>	<b>6.6%</b>	<b>6.5%</b>	<b>5.0%</b>	<
<b>Salt Lake County 1/4% Sales Tax</b>	<b>6.9%</b>	<b>6.5%</b>	<b>3.4%</b>	
			(ytd 3 months)	
^ higher than October 2018 forecast < less than October 2018 forecast				



# June 2019 Sales Tax Forecast

Econowest Taxable Sales Forecast for 2019 (baseline)	5.0%
Less Manufacturing & Mining Exemption per SB 2001 (effective January 1, 2019)	- 5.0%
Plus New E- Commerce Taxes per SB 2001 and South Dakota vs. Wayfair	<u>+ 2.0%</u>
Net 2019 Sales Tax Forecast	2.0% =====



Rod Kitchens

# REVENUE UPDATE

# Revenue Update

## 2019 Proposed June Budget

- Sales Taxes
- Motor Vehicle Fee-in-Lieu of Taxes
- Recorder Fees
- Summary

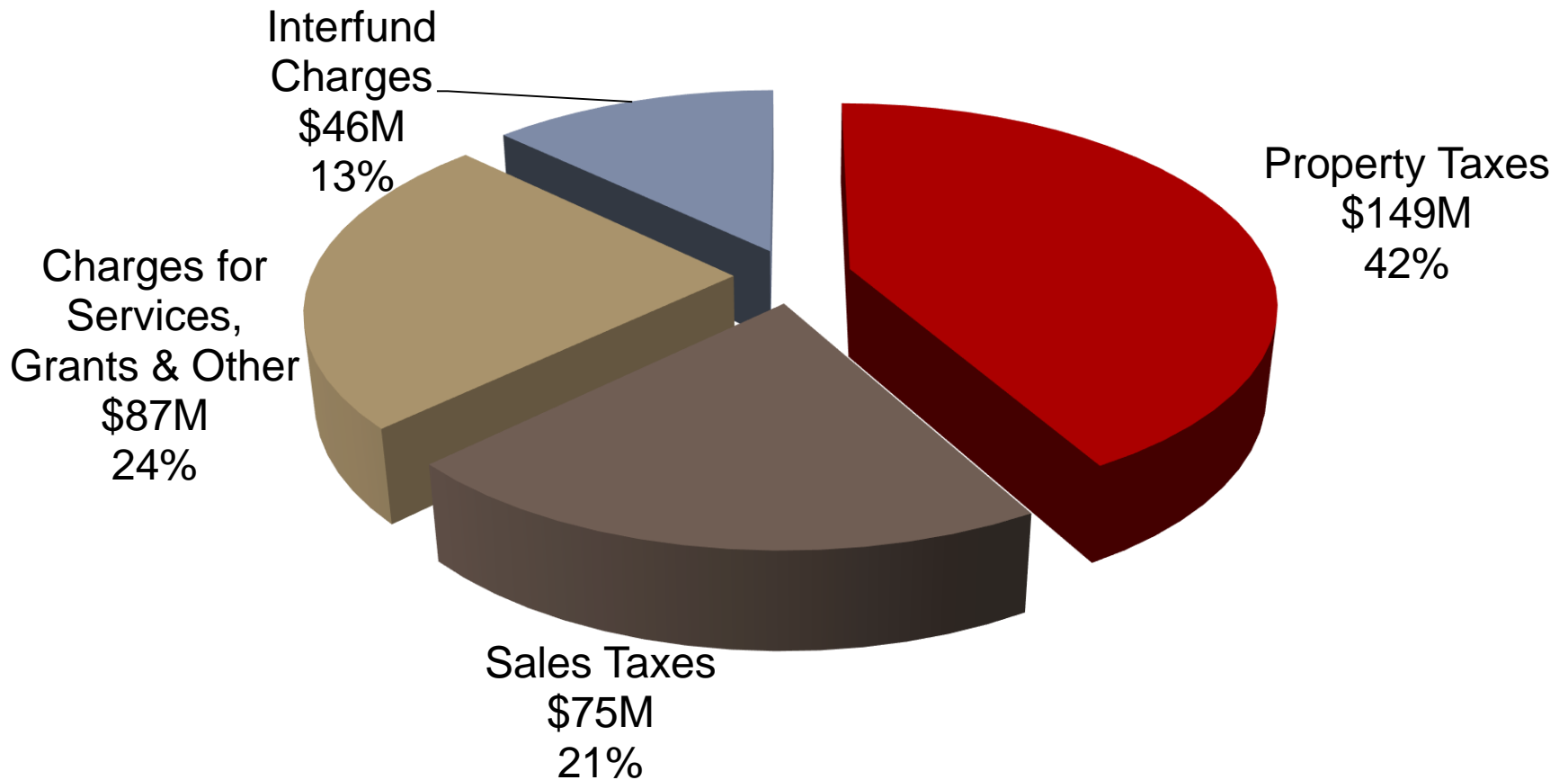




# 2019 Major Revenues

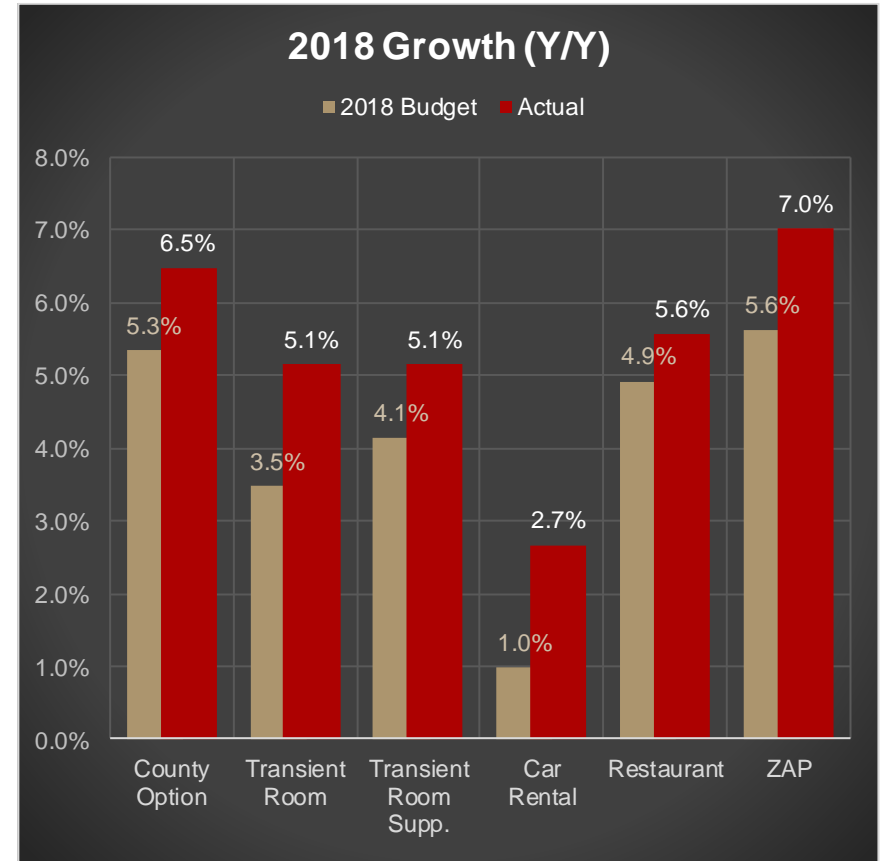
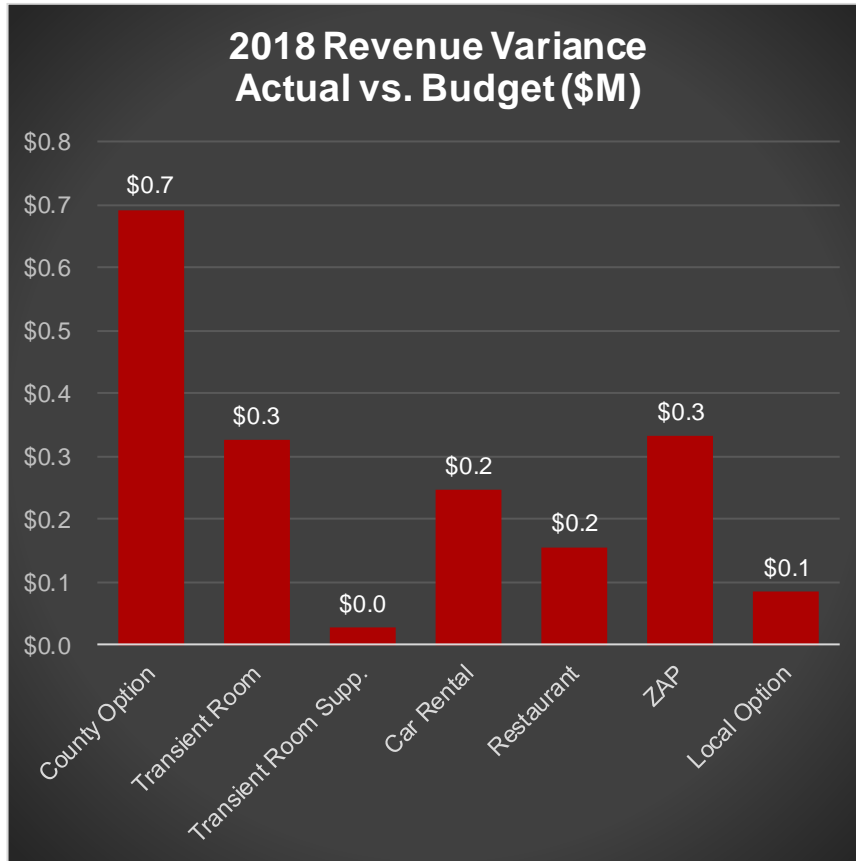
## General Fund

\$357M Total



# 2018 Sales Taxes

## Actual vs. Budget



## 2019 Sales Tax Revenue

- Projected new growth for 2019 based on local and national economic indicators, including
  - Wage and employment growth
  - Consumer Confidence
  - Vehicle sales and other leading indicators
- Information available from the Tax Commission on a two-month lag
  - Currently have actuals through March 2019
  - April information not available until June 21<sup>st</sup>
- Projections vetted with the Revenue Committee

# 2019 Sales Tax Revenue

## New Legislation

- SB2001 effective 1/1/2019
  - Exemptions for manufacturing, mining, medical labs
  - Intended to be offset by new tax collections on remote sellers
  - January-March data looks promising
- SB168 effective 10/1/2019
  - Marketplace Facilitators will be required to collect sales taxes
  - Thresholds (>\$100k sales and >200 transactions) will then apply to the marketplace rather than individual sellers



# June 2019 Sales Tax Projection

Sales Tax by Fund (\$M)		2019 June Adj Budget	2019 Budget	Change	
<b>General Fund</b>	County Option	67.0	67.0	-	-
	ZAP	7.8	7.7	0.1	0.8%
	<b>TOTAL</b>	<b>74.8</b>	<b>74.7</b>	<b>0.1</b>	<b>0.1%</b>
<b>Visitor Promo Fund</b>	Transient Room	<b>21.1</b>	<b>21.3</b>	<b>(0.2)</b>	<b>(0.9%)</b>
<b>TRCC Fund</b>	Transient Room Supp.	2.9	3.0	(0.05)	(1.7%)
	Car Rental	15.9	15.9	-	-
	Restaurant	26.6	26.4	0.2	0.8%
	<b>TOTAL</b>	<b>45.4</b>	<b>45.3</b>	<b>0.15</b>	<b>0.3%</b>
<b>ZAP Fund</b>	ZAP	<b>18.6</b>	<b>18.5</b>	<b>0.1</b>	<b>0.8%</b>
<b>Unincorp Muni Svcs</b>	Local Option	<b>5.7</b>	<b>5.9</b>	<b>(0.2)</b>	<b>(3.1%)</b>
<b>Transportation Fund</b>	Transportation*	<b>38.5</b>	<b>38.2</b>	<b>0.3</b>	<b>0.7%</b>
<b>TOTAL</b>		<b>204.1</b>	<b>203.9</b>	<b>0.2</b>	<b>0.1%</b>

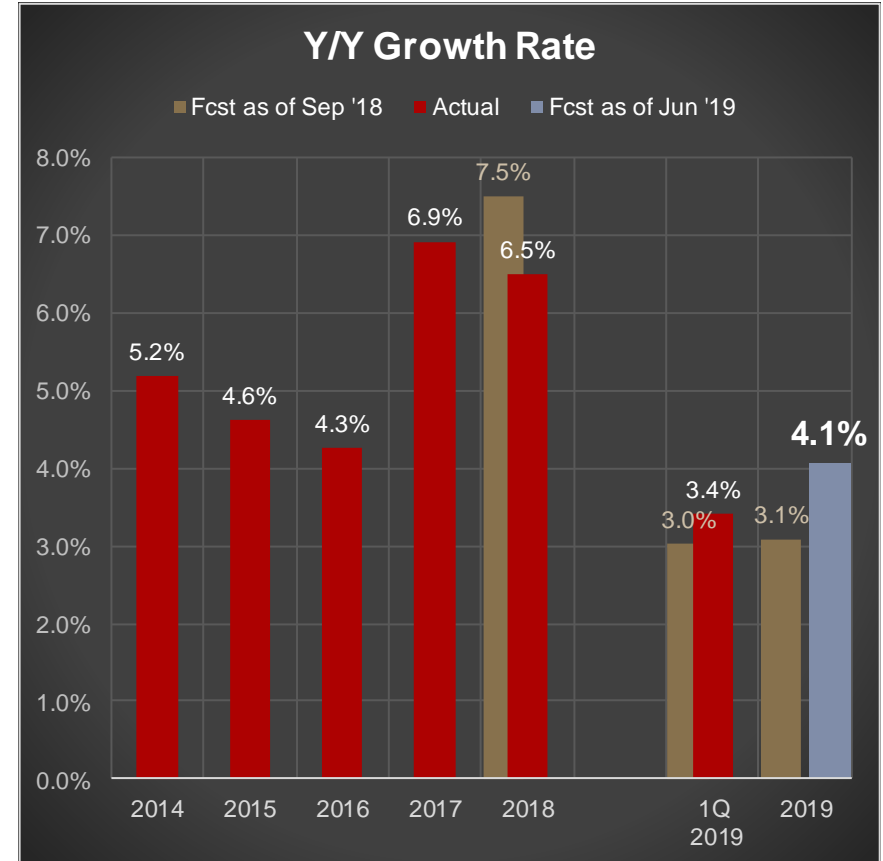
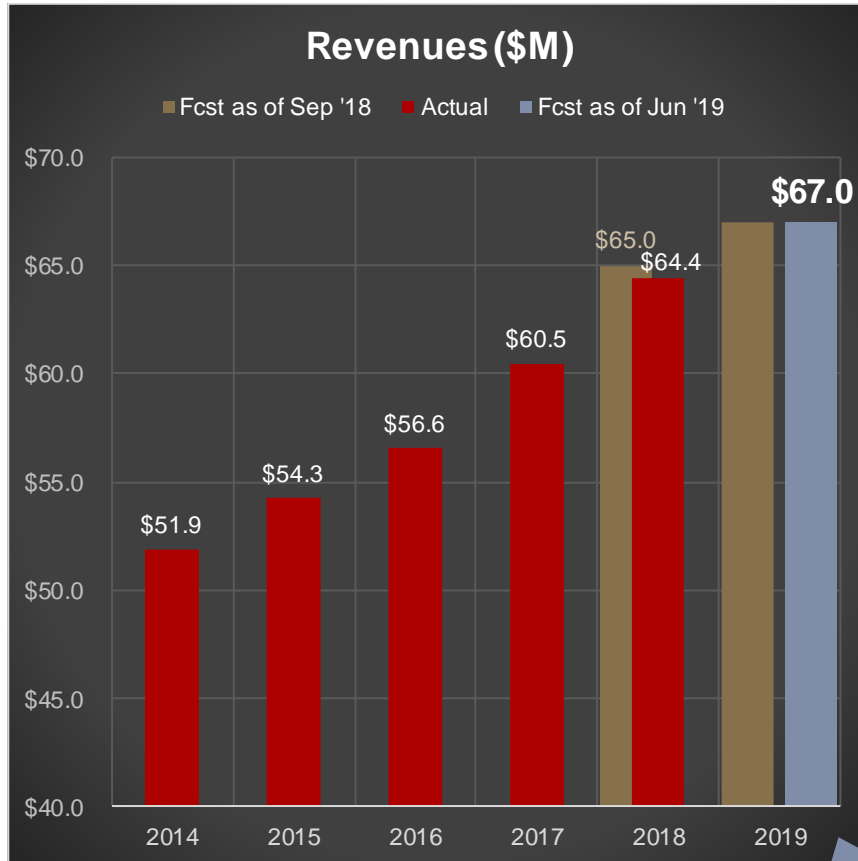


# June 2019 Sales Tax Projection

Sales Tax by Fund (\$M)		2019 June Adj Budget	2018 Actual	<i>Change</i>	
<b>General Fund</b>	County Option	67.0	64.4	2.6	4.1%
	ZAP	7.8	7.5	0.3	3.8%
	<b>TOTAL</b>	<b>74.8</b>	<b>71.9</b>	<b>2.9</b>	<b>4.0%</b>
<b>Visitor Promo Fund</b>	Transient Room	<b>21.1</b>	<b>20.4</b>	<b>0.7</b>	<b>3.3%</b>
<b>TRCC Fund</b>	Transient Room Supp.	2.9	2.8	0.1	2.6%
	Car Rental	15.9	14.9	1.0	6.4%
	Restaurant	26.6	25.2	1.4	5.7%
	<b>TOTAL</b>	<b>45.4</b>	<b>42.9</b>	<b>2.5</b>	<b>5.8%</b>
<b>ZAP Fund</b>	ZAP	<b>18.6</b>	<b>17.9</b>	<b>0.7</b>	<b>3.8%</b>
<b>Unincorp Muni Svcs</b>	Local Option	<b>5.7</b>	<b>5.6</b>	<b>0.1</b>	<b>1.0%</b>
<b>Transportation Fund</b>	Transportation	<b>38.5</b>	<b>16.9</b>	<b>21.6</b>	<b>127%</b>
<b>TOTAL</b>		<b>204.1</b>	<b>175.7</b>	<b>28.4</b>	<b>16.1%</b>

# County Option Sales Tax

(0.25% tax — to General Fund)

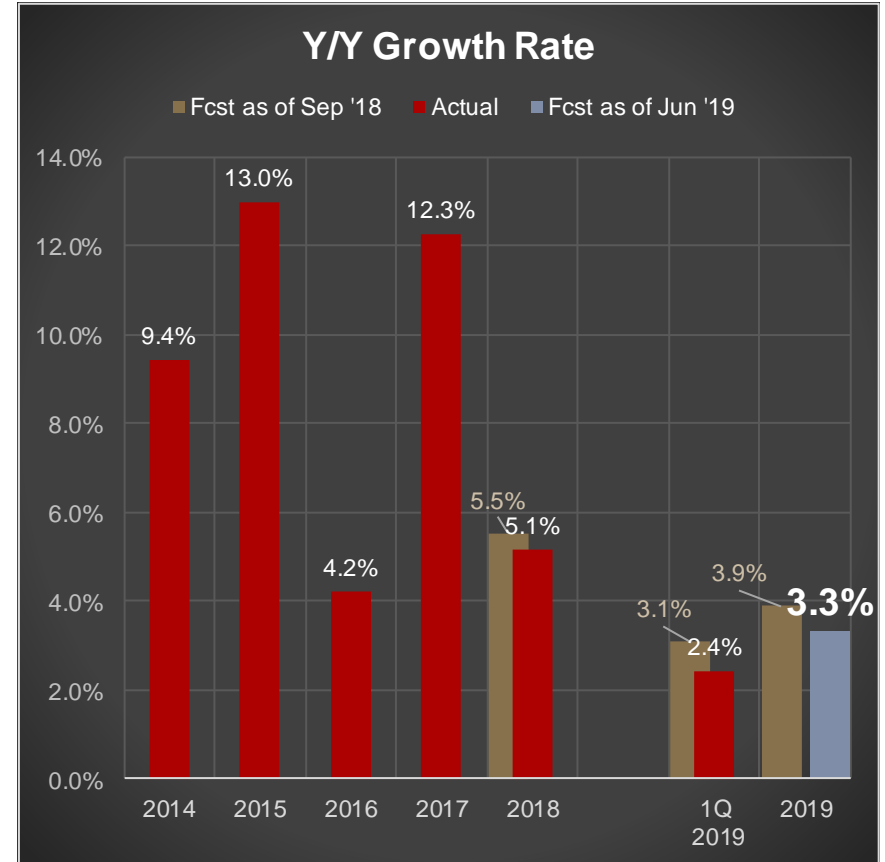
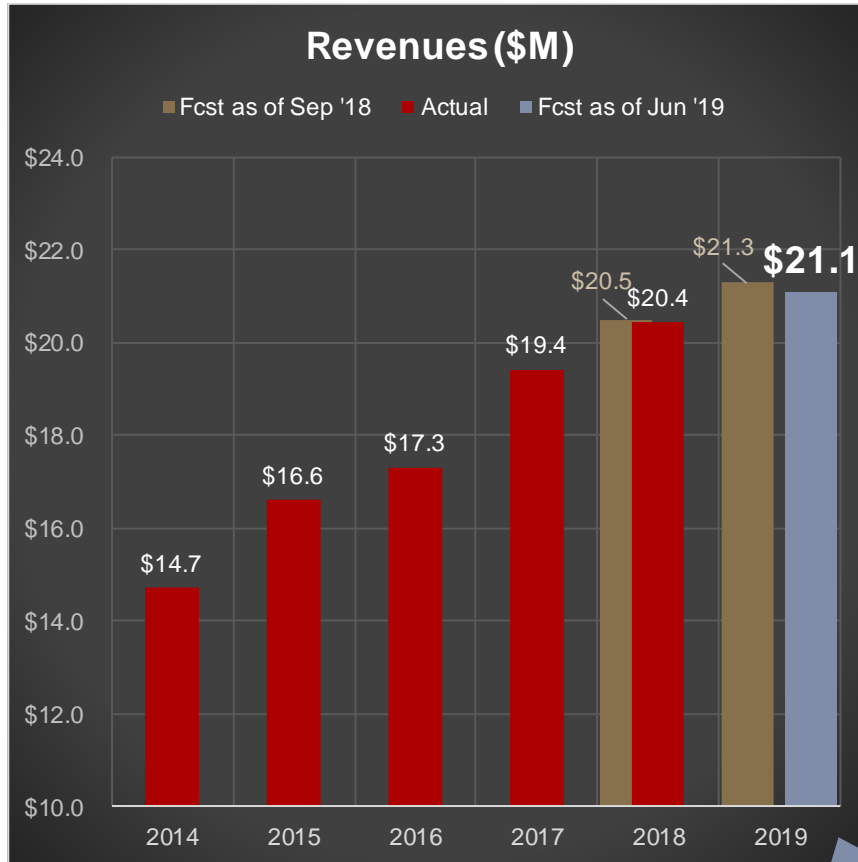


Not changing forecast



# Transient Room Tax

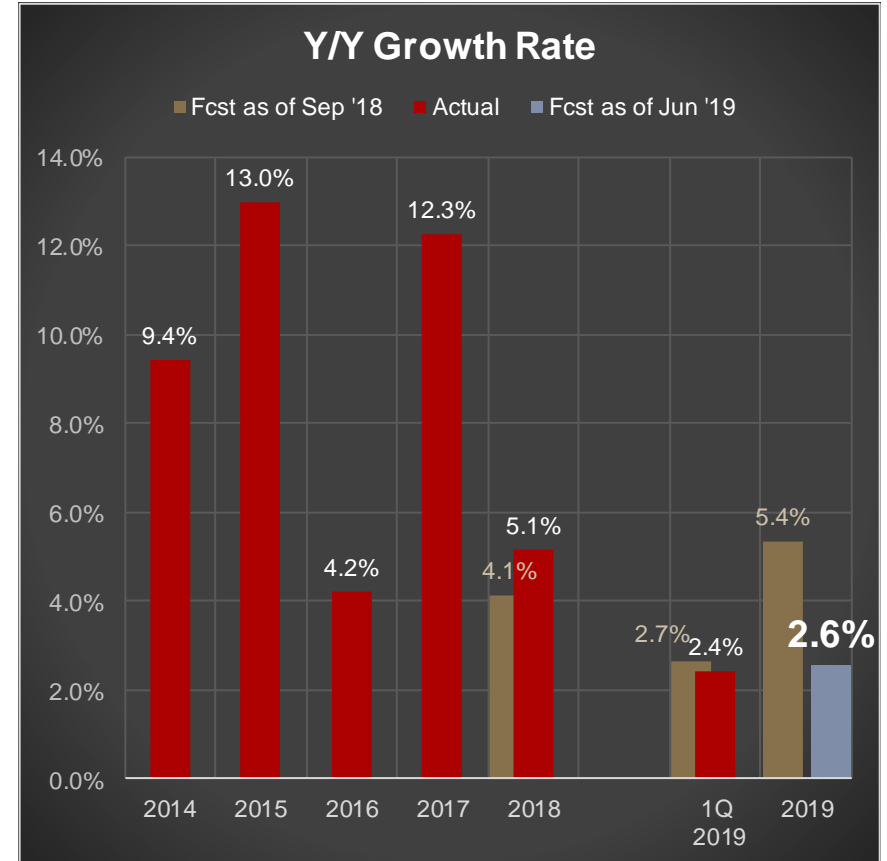
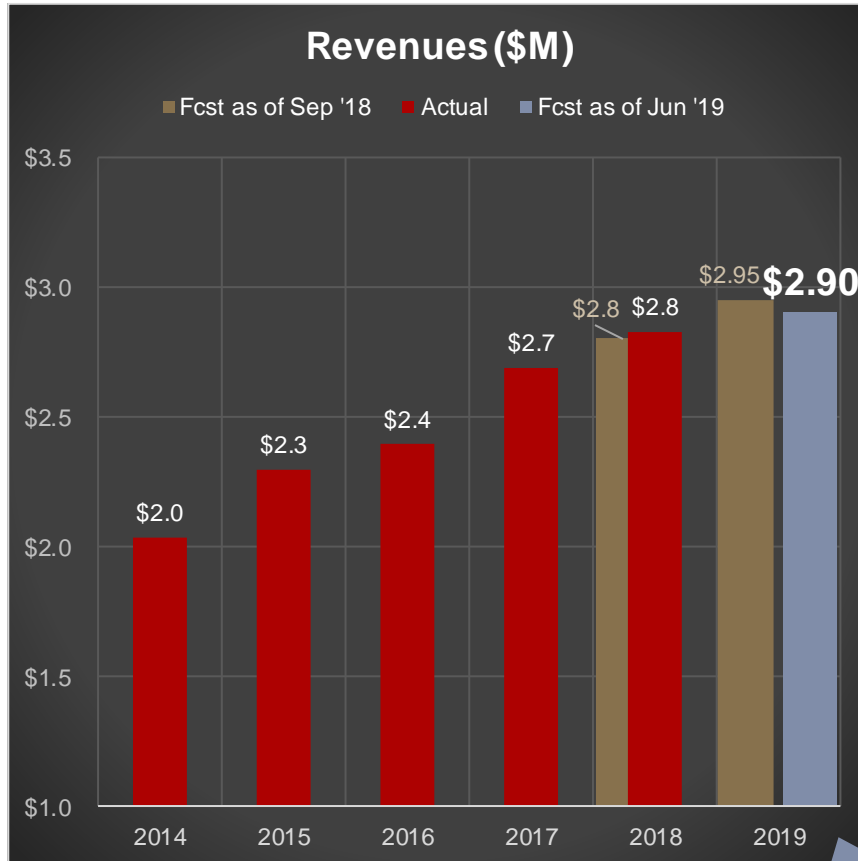
(4.25% tax to Visitor Promotion Fund)



Decreasing  
Forecast \$200k



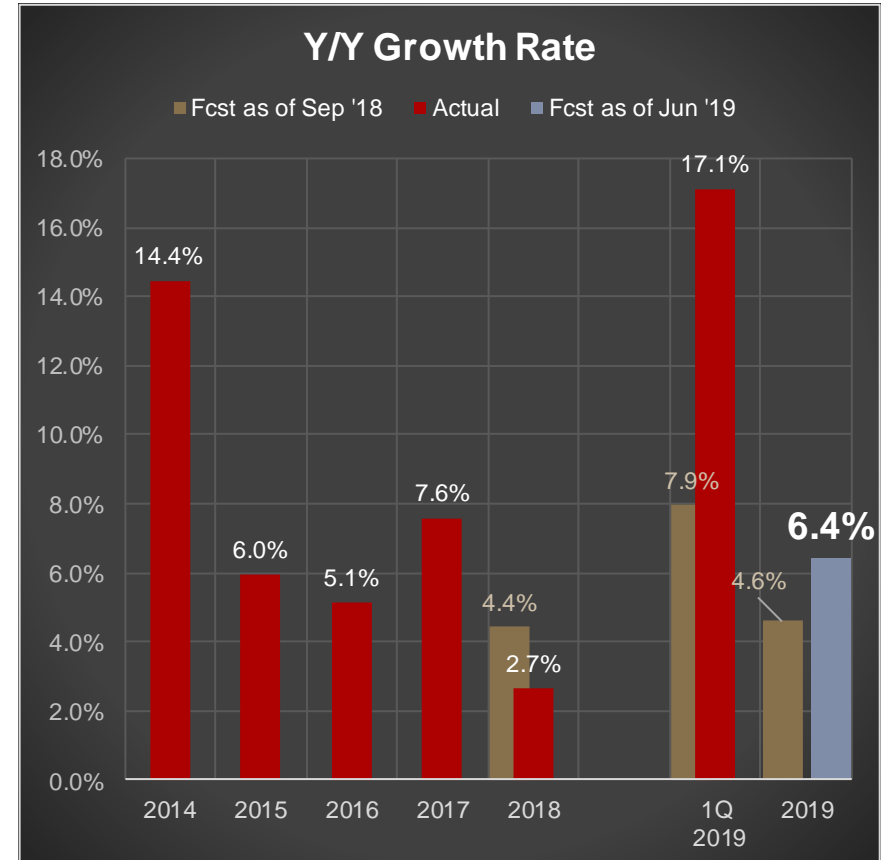
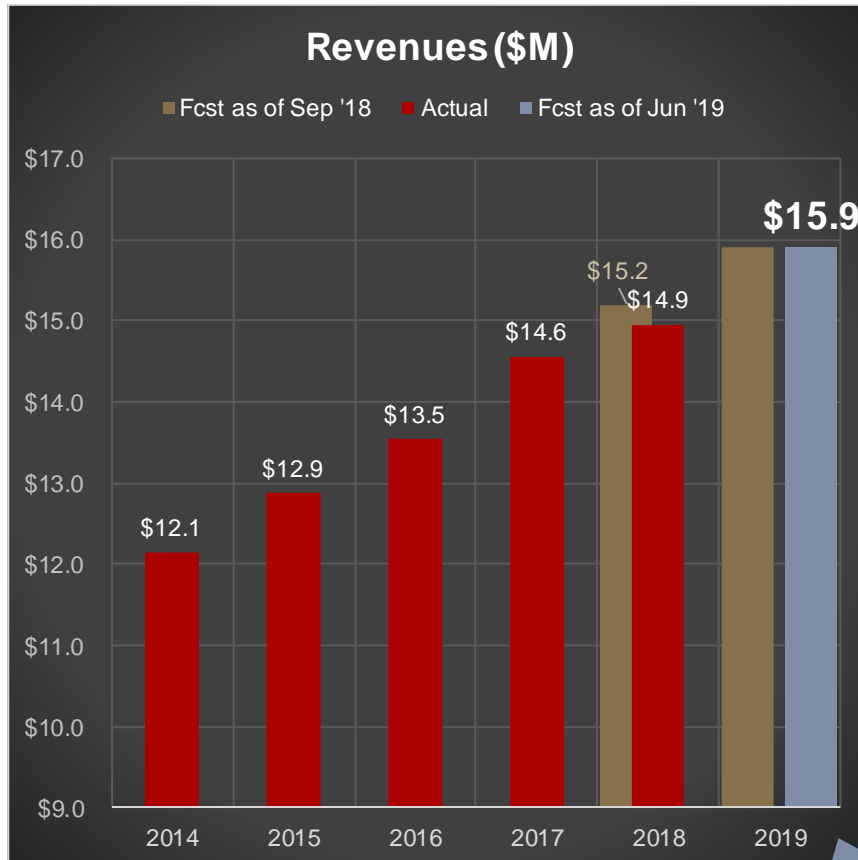
# Transient Room Tax - Supplemental (0.5% tax to TRCC Fund)



Decreasing  
Forecast \$50k

# Car Rental Tax

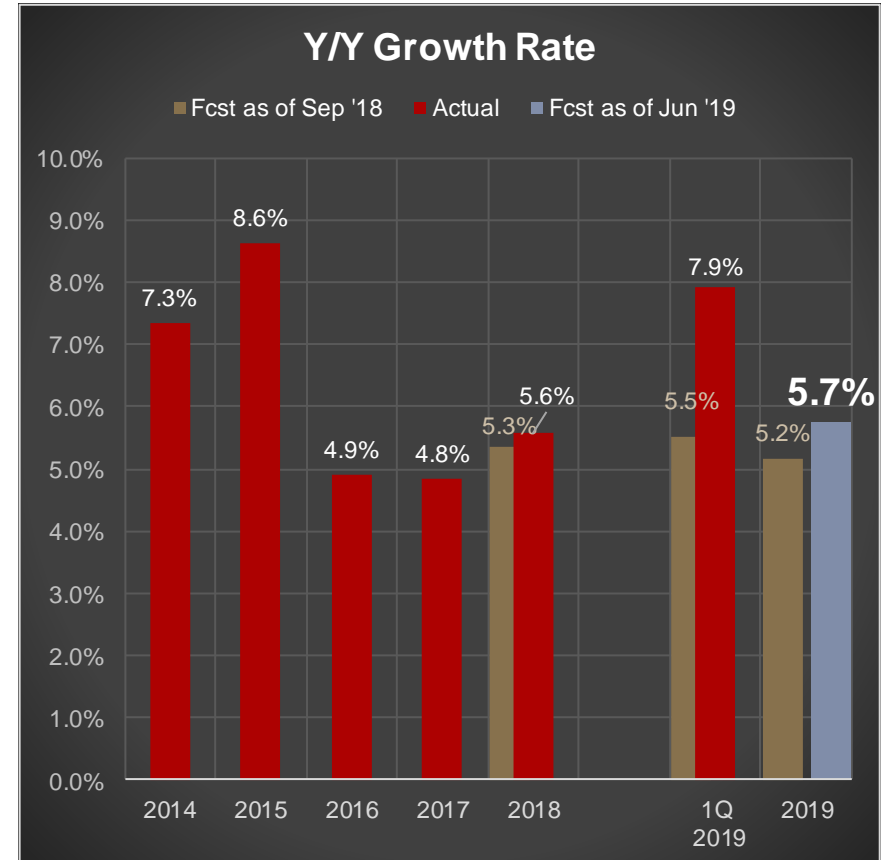
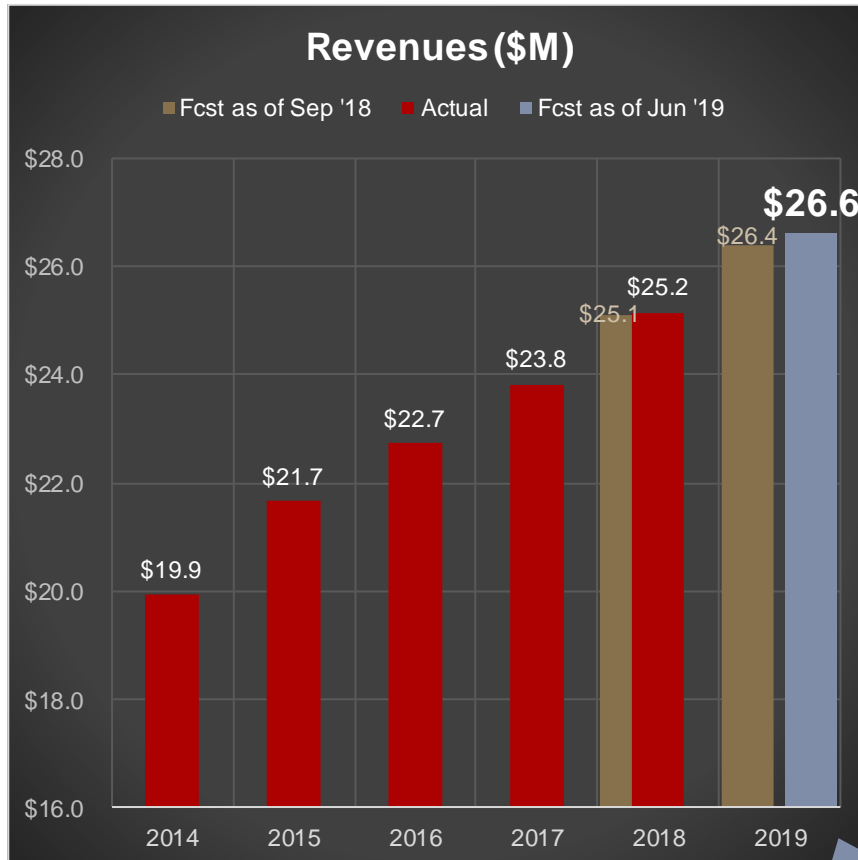
(3% & 4% tax to TRCC Fund)



Not changing  
Forecast

# Restaurant Tax

(1% tax to TRCC Fund)

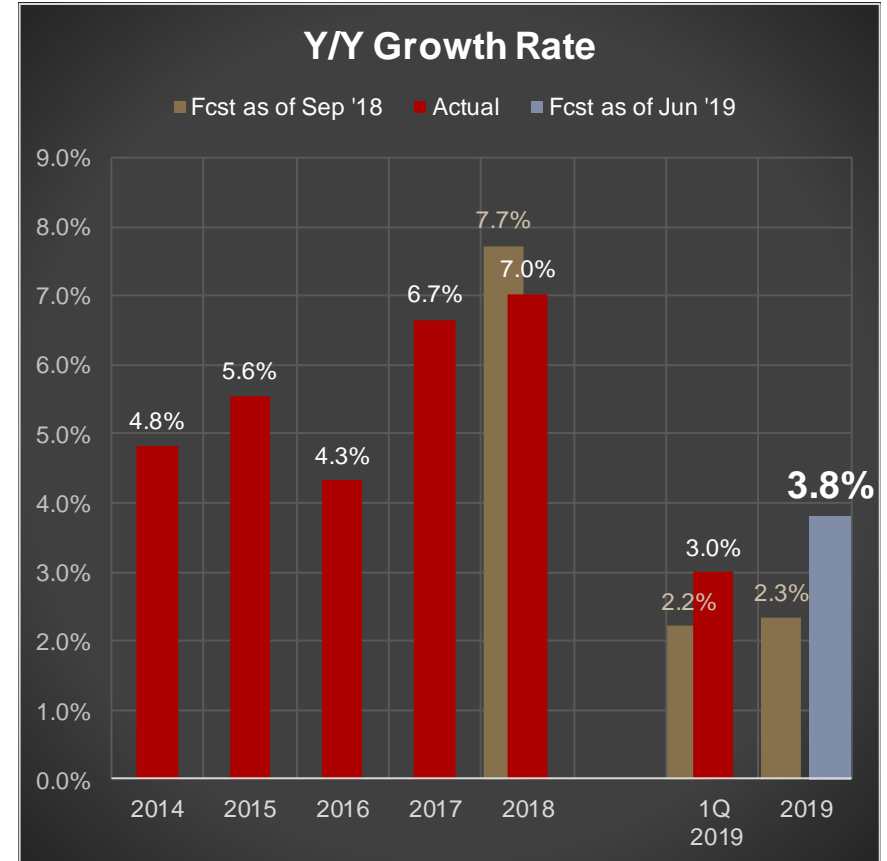
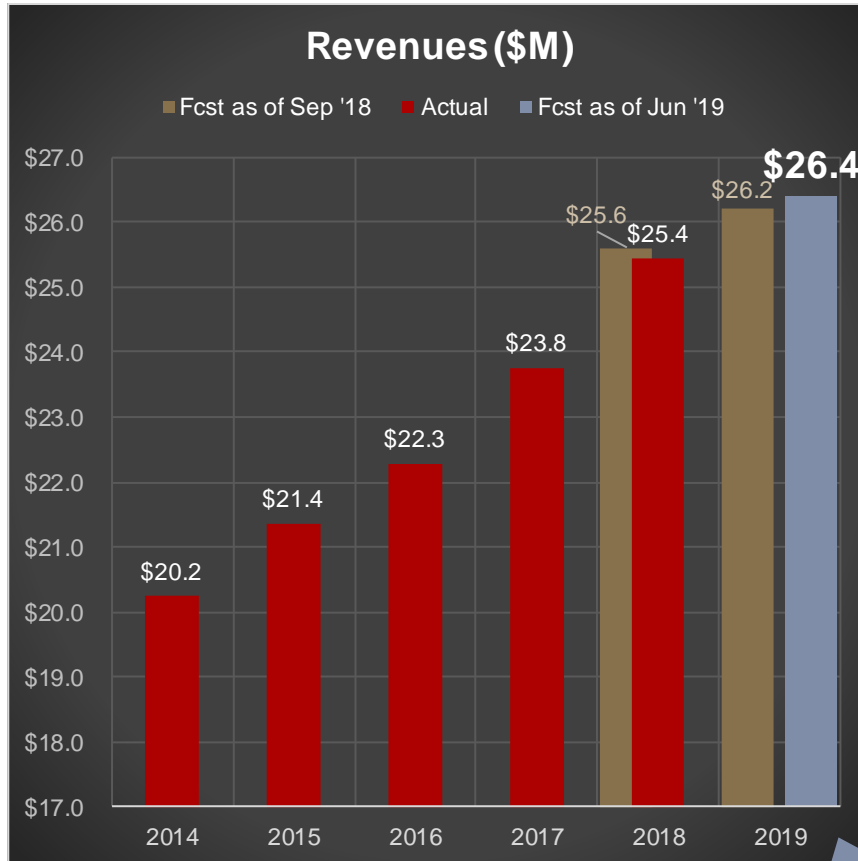


Increasing  
Forecast \$200k



# Zoo, Arts, & Parks Tax

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



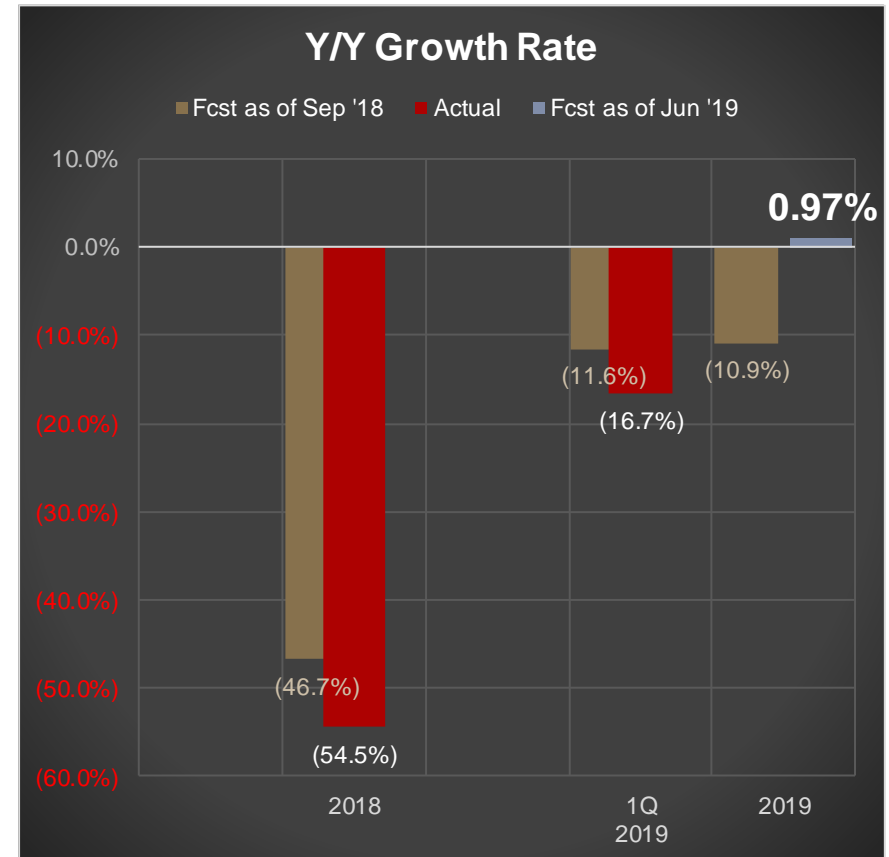
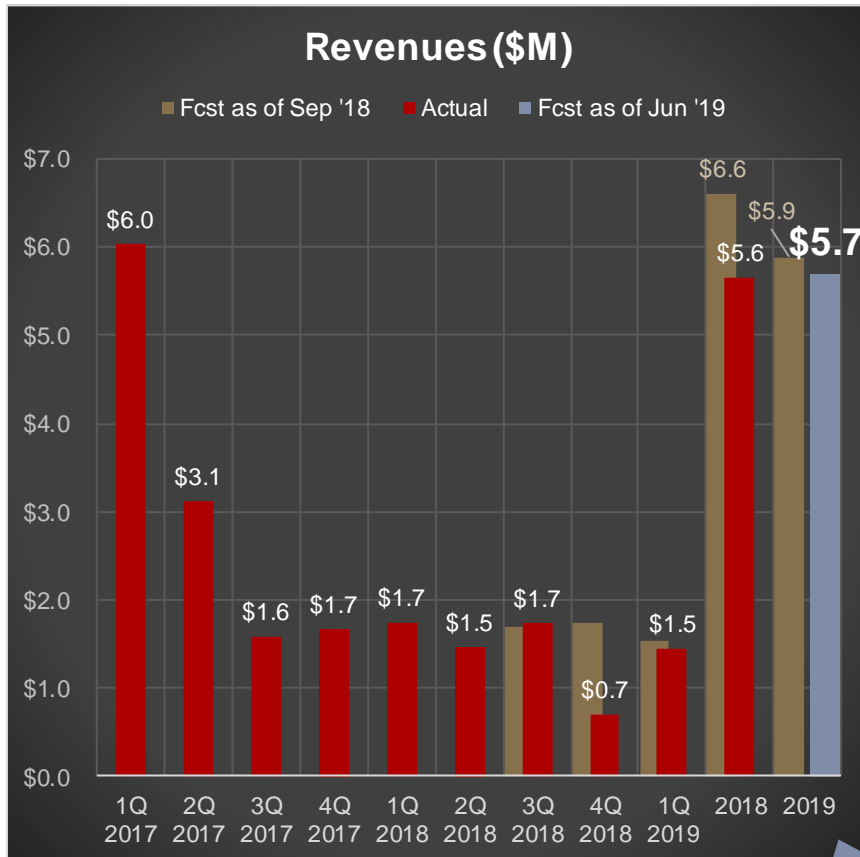
Increasing  
Forecast \$200k

\* Approximately 70.5% to ZAP fund and 29.5% to General Fund for Recreation



# Local Option Sales Tax

(1% tax to Unincorporated Municipal Services Fund)

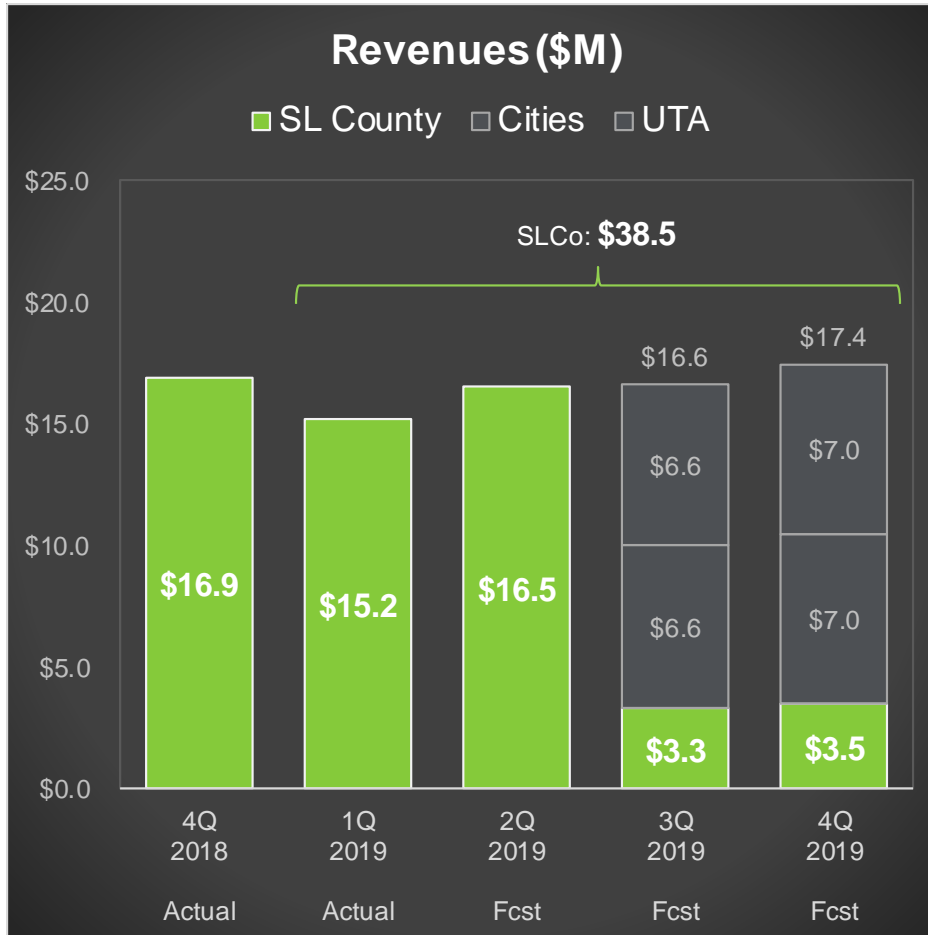


Decreasing  
Forecast \$180k

\* Figures for the first half of 2017 include some Millcreek taxes that are excluded in later quarters due to their incorporation.

# Transportation Sales Tax

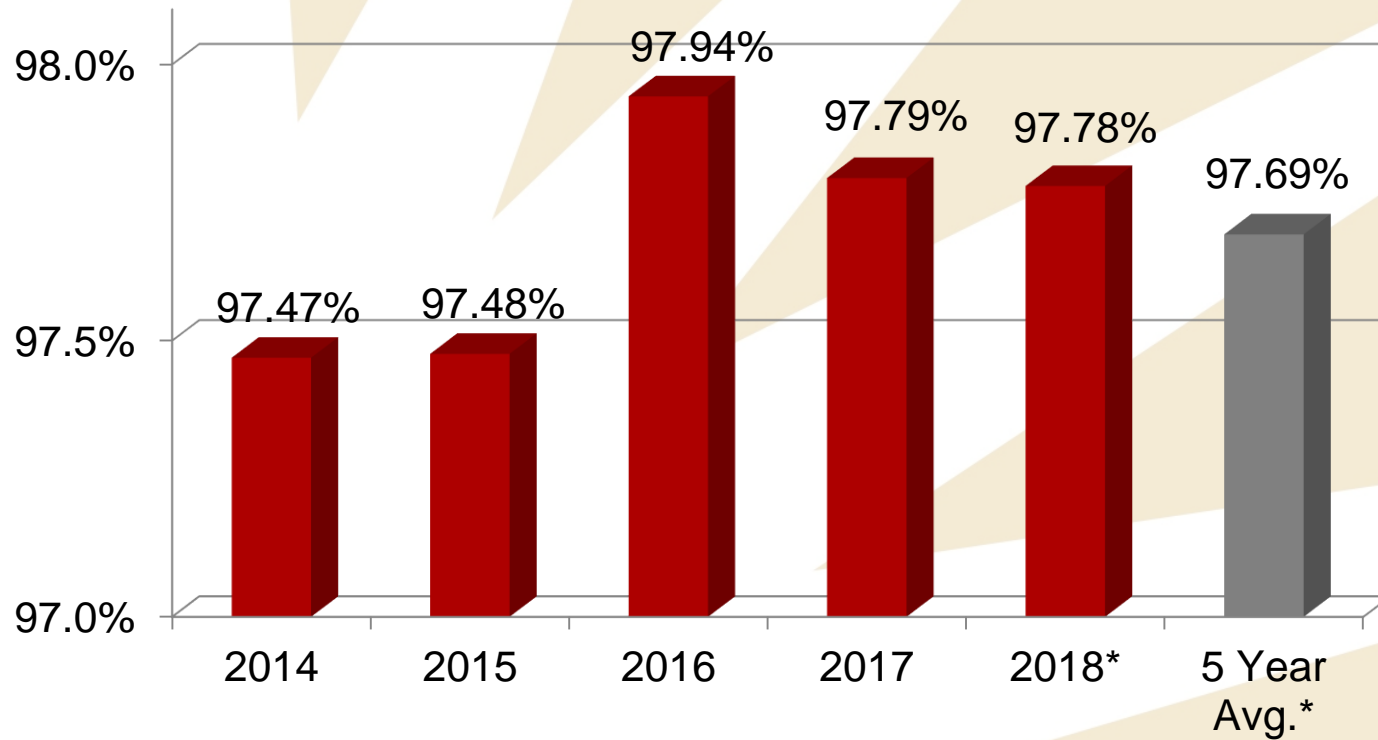
(0.25% tax to Transportation Fund)



- 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 receives 100%.
- After June 2019, all future tax revenue will be split, with 20% to SLCo, 40% to Cities, and 40% to UTA.
- Salt Lake County revenues and associated expenses are recorded in *Fund 130—Transportation*, in *Department 1038—Transportation Choices*. The pass-through revenues and expenses (UTA and cities) are recorded in department 1032 of fund 130.
- Similar base as other transportation sales taxes that are pass-through to the county (59-12-2213, 59-12-2214, 59-12-2217).
- Assumed growth rate similar to ZAP for 2019 (approximately 3%).
- For the 2019 June Adjusted Budget, the current budget of \$38.235M is being increased \$265k to \$38.5M.

# PROPERTY TAX REVENUES

# Collection Rates Countywide

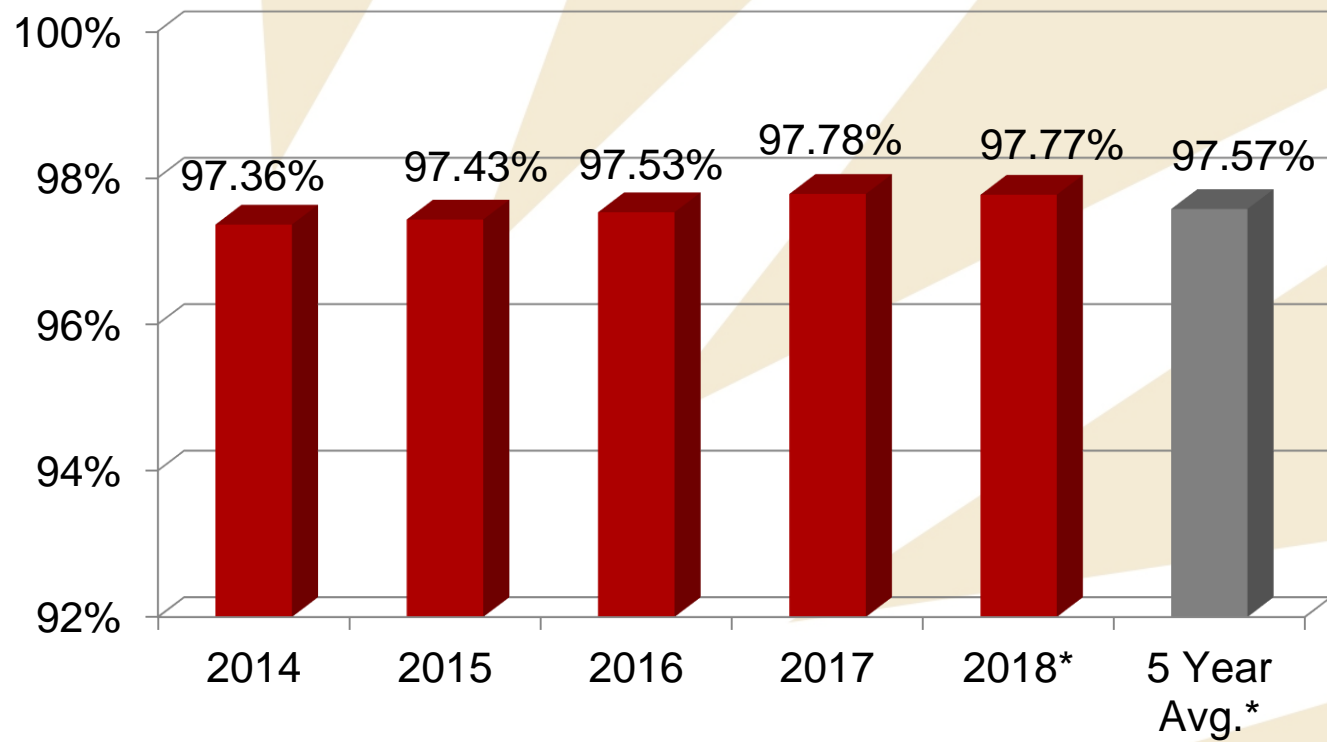


\* Still Preliminary as of 6/4/2019



# Collection Rates

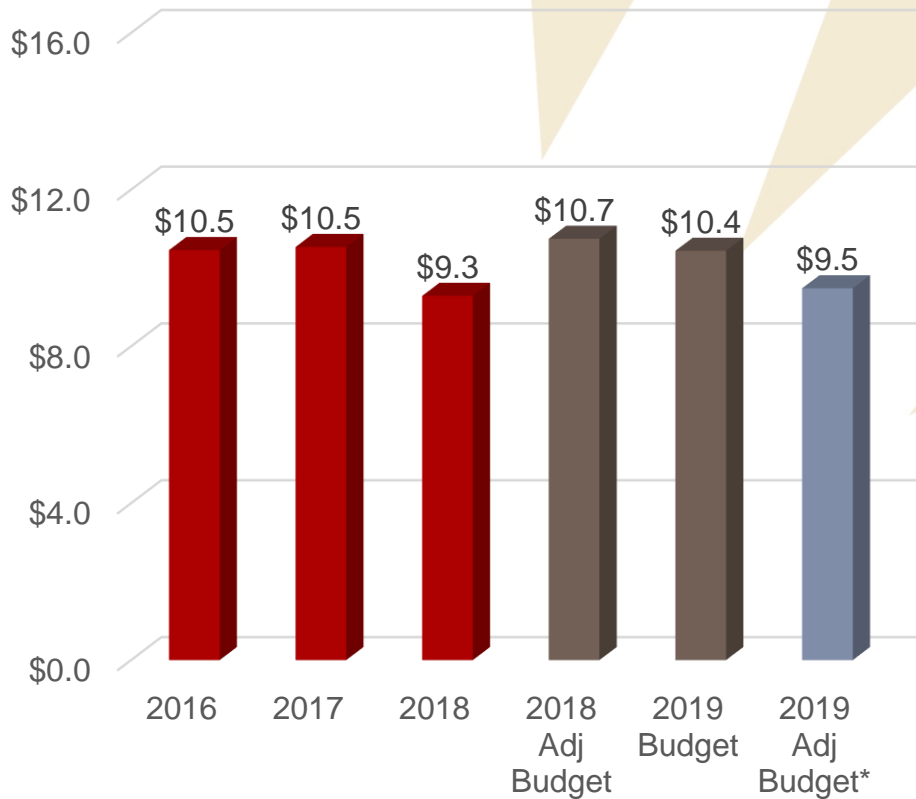
## Library



\* Still Preliminary as of 6/4/2019

# MOTOR VEHICLE FEE-IN-LIEU

# Motor Vehicle Fee-In-Lieu Countywide Funds



- Age-based fees allocated within tax districts based on the taxing entities' proportionate share of property tax
- Salt Lake County's allocation declined in 2018
- Expected to be similar in 2019
- Calculation depends on property tax, so 2019 budget adjustment will be finalized next week

# Motor Vehicle Fees

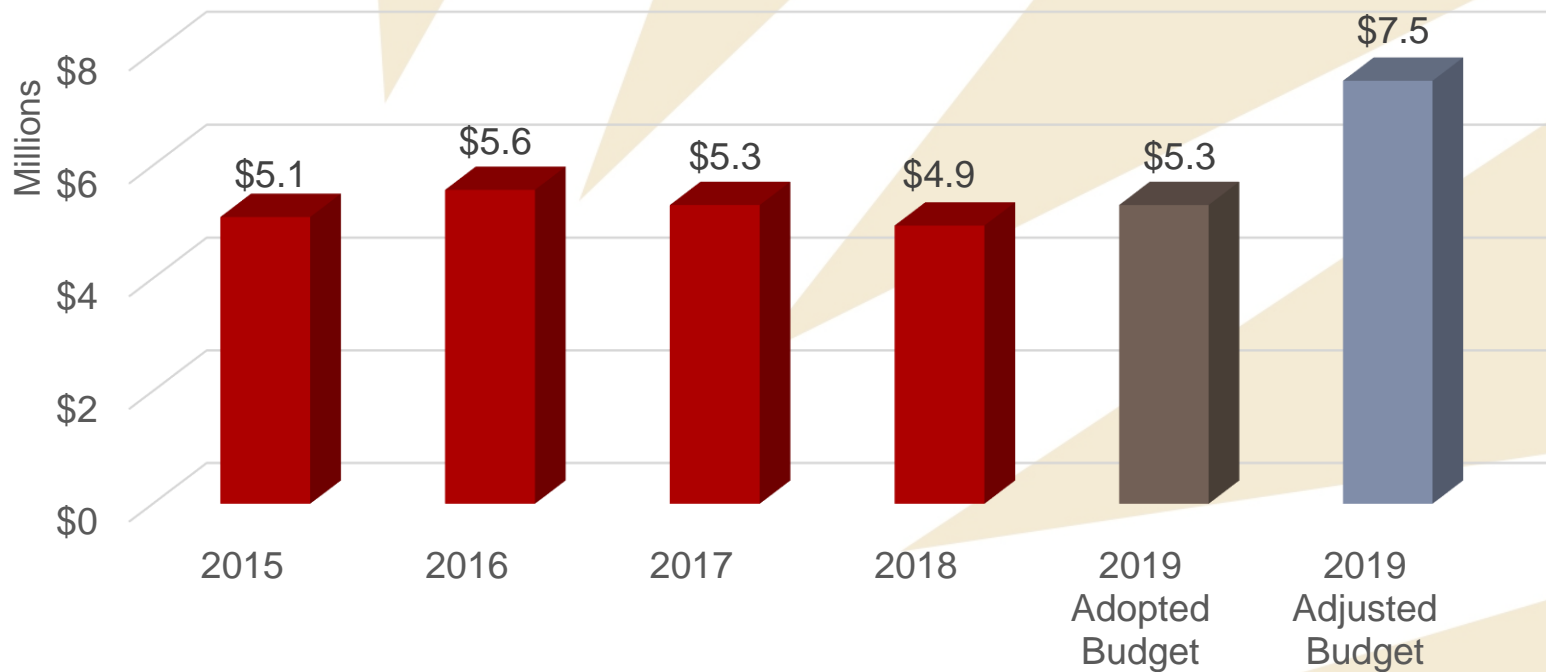
Adjustment will use new factor and will depend on property tax certified rates, including the shift from SB77.

	Budgeted Tax Revenue	With SB77 Adj.	New Factor	Possible MVFee*	Budgeted MVFee	Possible Adjustment*
GENERAL FUND	149,249,000	151,998,943	5.26%	7,995,144	8,805,500	<b>(810,000)</b>
GOVERNMENTAL IMMUNITY FUND	1,735,000	1,768,111	5.26%	93,003	102,000	<b>(9,000)</b>
CAPITAL IMPROVEMENTS FUND	6,023,000	6,134,531	5.26%	322,676	355,000	<b>(32,000)</b>
HEALTH FUND	12,149,000	12,375,548	5.26%	650,954	717,000	<b>(66,000)</b>
PLANETARIUM FUND	2,858,000	2,927,708	5.26%	153,997	169,000	<b>(15,000)</b>
FLOOD CONTROL FUND	<u>4,910,000</u>	<u>5,011,075</u>	5.26%	<u>263,583</u>	<u>289,500</u>	<b><u>(26,000)</u></b>
<b>Subtotal</b>	<b>176,924,000</b>	<b>180,215,917</b>		<b>9,479,357</b>	<b>10,438,000</b>	<b>(958,000)</b>
TAX ADMINISTRATION	24,118,000	24,250,111	5.16%	1,251,306	1,302,000	<b>(51,000)</b>
LIBRARY FUND	40,261,000	40,624,900	5.76%	2,339,994	2,536,000	<b>(196,000)</b>
BOND DEBT SERVICE FUND	28,000,000	28,000,000	5.10%	1,428,000	1,600,000	<b>(172,000)</b>

# RECORDER FEE REVENUES

# Recorder Revenue

Due to the passage of HB247, the fees charged by the Recorders Office were increased effective May 14, 2019.



\* This increase changed general recording fees from \$10 for the first page, \$2 for each additional pages to \$40 per recording (1st page + up to 10 pages of descriptions). It also increases plat fees from \$30 per sheet and \$1 per lot or unit to \$50 per sheet and \$2 per lot or unit.

Increased 2019  
Forecast \$2.2M

# Revenue Summary

- Property tax revenue and rates not final until next week
- Second half of 2018 sales taxes stronger than budget, but slightly below the September projection
- Only small adjustments to the 2019 sales tax projection
- Motor Vehicle fees trending down
- Recorder revenues increasing due to new legislation
- Uncertainties around the impact of 2018 legislation

# June Budget 2019

Mayor Jenny Wilson

Presented by Darrin Casper



# Mayor's 2019 June Budget

- June budget re-opening
  - Technical adjustments
  - Grant/capital project true-ups
  - Setting property tax rates
- June Goal – Maintain ending fund balances at adopted levels or higher
- Presentation to cover
  - FTE issues
  - New requests
  - Analysis/structural balance/big picture
  - Budget adjustments with policy implications



## Note Regarding Property Taxes

- Tax rates are not final at this stage, but are likely to be final by June 10th
- The proposed budget could be altered by changes in the tax rates
- The Mayor is proposing the certified tax rates with no tax increase

# 2019 June Budget

## Mayor's Office

(\$000's)

Description	County Funding
<p>Mayor's Reorganization</p> <ul style="list-style-type: none"><li>• Net neutral adjustment in terms of FTEs and dollars.</li><li>• Shifting positions and budget between departments (Mayor's Admin, Mayor's Finance, Office of Regional Development, Emergency Services).</li></ul>	\$0

# 2019 June Budget

## Mayor's Office

(\$000's)

Department	Description	County Funding
TRCC	<b>Trails Projects and Related Infrastructure</b> <ul style="list-style-type: none"> <li>Utah &amp; Salt Lake Canal Trail \$250k <ul style="list-style-type: none"> <li>Fund Source, Grants and Contributions</li> </ul> </li> <li>Parleys Trail (Pratt) – 900 West to JRT - \$3,810k <ul style="list-style-type: none"> <li>Fund Source, Grants and Contributions</li> </ul> </li> <li>Request has been made by Ballet West for \$75k, but has not yet been vetted by the advisory board.</li> </ul>	\$0 [\$75k TBD]

# 2019 June Budget

## County Clerk

(\$000's)

Department	Description	Revenue	Expense	County Funding
Election Clerk	Election Contracts	\$1,879	\$1,744	(\$135)
	OPEX Ballot Opener		\$38	\$38

# 2019 June Budget

## Sheriff

(\$000's)

Description	FTE	Revenue	Expense	County Funding
County Jail Bed Contracting/Oxbow was funded by the State for July '19 - June '20		\$977		(\$977)
U.S. Marshals Service revenue increase to align w/current population/housing estimates		\$700		(\$700)
Jail Assessment grant was not funded for state fiscal year 2020. Expense and corresponding revenue will be reduced	-11	(\$320)	(\$320)	\$0
Elimination of services provided to the County Landfill	-4	(\$290)	(\$290)	\$0
UPD contract update for new fiscal year and change from credit for Sheriff salary to direct bill		\$100	\$121	\$21
<b>Total</b>	<b>-15</b>	<b>\$1,456</b>	<b>(\$489)</b>	<b>(\$1,656)</b>

# 2019 June Budget

## Transportation Fund

(\$000's)

Department	Description	Revenue	Expense	County Funding
1031–Regional Transportation Projects	Move charge for 2 FTE to 1038		(\$251)	(\$251)
1038–Regional Transportation Choices	Budget Active Transportation and move 2 FTE from 1031		\$1,700	\$1,700

### Active Transportation

- Funded with Motor Vehicle Fees in the Transportation Fund in previous years
- Not originally budgeted for 2019, pending funding decisions
- Budgeted in June to be funded by the new transportation sales tax (59-12-2219) in Dept 1038–Regional Transportation Choices

# 2019 June Budget Capital Project Highlights

- Government Center exterior door security: \$280k
  - Budget System (BRASS) Replacement: \$340k
  - Household Hazardous Waste Building Project: \$4.2M
  - Park Bond Projects: \$2.4M
  - Library Bond Projects: \$3.6M
- } Technical True-ups



# Household Hazardous Waste (HHW) Facility

- Total project cost: ~\$4.8M
  - 2019 cost: \$4.2M
- Funding:
  - \$2.4M Health Fund HHW assigned fund balance
  - \$1.8M Remaining bond proceeds and NMTC under-expend from Downtown Clinic project
- True-up costs in 2020 and fund remaining project cost from 2020 HHW net operating revenue

# Library Bond Projects True-Up

- True-up budgeted expense and revenue in the Library MBA Bond Projects Fund (485) to current estimates
- Reimburse the Library Fund (360) for \$2M of prior year project expenditures on these projects
  - \$1M for Kearns held in the project fund, NMTC requirement until project completion, will then reimburse Library Fund
- Move budget for Holladay Library project from the Library Fund to the project fund

# 2019 June Budget

## FTE Changes

Fund	Elected Official/Organization	June FTE Δ's
General Fund	Sheriff - County Jail	(12.0)
	Sheriff - Court Services & Security	(4.0)
	Criminal Justice (transfer from Jail)	1.0
Grant Fund	Aging & Adult Services (new grant)	1.0
Health Fund	Health	(4.5)
<b>Total</b>		<b>(18.5)</b>

# Fund Balance Transfers

Description	Amount
From General Fund 110:	
Reduce Transfer to Grant Fund 120 (\$1,218,000)	
To Tax Admin Fund 340 to meet minimum reserve \$360,000	(\$858,000)
From Health Fund 370:	
To Public Health Center Fund 479:	\$2,374,601
From Library 2019 MBA Bond Projects Fund 485:	
To Library Fund 360:	\$2,141,976

## Tax Rate Shift

- Approximately \$330k of property tax revenue will need to be shifted to the Flood Control Fund from the General Fund to meet the 5% minimum reserve policy
- The exact amount cannot be determined until the certified tax rates are available

# 2019 Beginning Fund Balance

## General Fund

(\$000's)

### 2018 Projection (done Sep '18) 58,800

Property Tax	(1,740)
Motor Vehicle Fee In Lieu of Taxes	(925)
Sales Taxes	(696)
Other revenue	(182)
<b>Total Revenue Variance</b>	<b>(3,543)</b>

Employee Compensation	234
Jail - Operations underexpend	939
Indigent / In-Custody	241
Mayor Managed Capital Projects	133
ESR Fund transfer converted to loan	181
Other Operations and balance sheet adjustm.	1,428

### Total Expenditure Variance 3,156

### Total Revenue & Expense Variance (387)

### Timing of Fund Balance Unrestrictions (541)

### 2018 Actual 57,872

<i>Beginning Fund Balance Jan 2018</i>	<i>60,258</i>
<i>Actual Ending Balance vs. Beginning Balance</i>	<i>(2,386)</i>

# 2019 Ending Fund Balances

\$M	Original Adopted Budget		June Adjusted Budget*		Change	
	Budget	Projection	Budget	Projection	<i>Budget</i>	<i>Projection</i>
General	37.8	55.5	39.7	55.0	1.9	(0.5)
Flood Control	1.7	4.6	0.5	3.0	(1.2)	(1.6)
Health	2.5	3.7	3.0	4.3	0.5	0.6
Planetarium	0.6	0.9	1.0	1.2	0.4	0.3
Tax Admin	1.7	3.6	1.6	3.4	(0.1)	(0.2)
Library	7.4	11.6	9.9	10.1	2.5	(1.5)
TRCC	2.6	3.6	2.9	5.2	0.3	1.6

## Other Matters

- OPEB
  - OPEB rates increased 10% to operating organizations with FTEs to (1) stay ahead of inflation, and (2) increase the contribution to the irrevocable trust as recommended by the Board of Trustees
- Finance
  - AAA renewed by all 3 rating agencies
  - AA+ issued for the Municipal Building Authority debt
  - TRANS: \$70M in July
  - Expected issuance of second tranche of GO Parks debt – approximately \$45M in late fall
- We recommend ratifying all previously approved interim budget adjustments for formal adoption



# Summary

- Funds are budgeted or projected to end at or above minimum reserves as required by policy
- The General Fund remains strong
- Economy continues to grow, but on the other hand...
- Finances of Salt Lake County remain in excellent condition



# 2019 June Budget Information

- The back up documentation has been sent to the Council office
- My staff is available to answer any questions
- We look forward to providing more information regarding the proposals next week
- This presentation is available online: [www.SLCo.org](http://www.SLCo.org)