



STAFF REPORT

To: Summit County Council
From: Matt Leavitt, Finance Director
Caroline Rodriguez, Director of Transportation Planning
Derrick Radke, Director of Public Works
Janna Young, Deputy County Manager
Date of Meeting: May 30, 2018
Type of Item: Second Discussion: Local Option Sales Taxes for
Transportation as Modified and Authorized by S.B. 136
Process: Work Session

On March 22, 2018, the Governor signed into law S.B. 136, Transportation Governance Amendments, making modifications to local option sales taxes for transportation and authorizing a new sales tax for transit. Staff first discussed these tax options with the County Council at the May 9, 2018 Council meeting. Council members requested additional information from staff to be presented and discussed at the May 30th Council meeting.

Requested Council Action

1. Respond to additional information and staff-provided scenarios/actions
2. Provide direction to staff

Background

During the 2017 general legislative session, the State Legislature adopted legislation establishing a Transportation Governance and Funding Task Force to look at overhauling the state's transportation system by addressing key issues in both transit and transportation governance (UTA and UDOT), funding, land-use, planning and transit development projects.

The Task Force, made up of legislators, local elected officials, policy experts and other stakeholders, met often during the 2017 interim session, studying various governance models and funding options to address the transportation and transit needs of the state, which is expected to see a doubling in population over the next 50 years.

At the end of the interim session and the beginning of the 2018 general session, the Task Force made several recommendations to the standing Transportation Committees, resulting in proposed legislation introduced by Senator Harper and Representative Schultz (co-chairs of the Task Force) on February 1, 2018: S.B. 136, Transportation Governance Amendments.

S.B. 136, Transportation Governance Amendments

On the governance side, this bill reforms the way UTA is governed, as well as changes the name of the organization. It also creates a new Deputy Director position in UDOT.

On the funding side, the bill authorizes new value-capture programs and increases the registration fees for hybrid and electric vehicles to pay for electric vehicle infrastructure. It also requires UDOT to establish a road usage demonstration project to study alternative ways to the gas tax to fund road maintenance and other transportation infrastructure.

Additionally, the bill also makes several modifications to the 3rd and 4th Quarter local option sales taxes for transportation and authorizes a new, "5th Quarter" 0.20% local option tax for transit.

Details of the Local Option Sales Taxes Modifications

Currently, counties have the option of imposing the following local option sales taxes for transit or transportation:

- 1st Quarter: Mass Transit Tax
- 2nd Quarter: Additional Mass Transit Tax
- 3rd Quarter: County Option Transportation Tax
- 4th Quarter: Transportation Infrastructure Tax

Prior to S.B. 136, voter referendum was the only method for imposing these taxes. As an incentive to encourage counties to impose all four quarters of these taxes, S.B. 136 allows a county legislative body to impose the 3rd and 4th Quarter taxes without voter approval (referendum is still a requirement for the 1st and 2nd Quarters).

4th Quarter Scenario 1:

If the County imposes the 4th Quarter tax before July 1, 2018, the County gets to keep 100% of all revenues generated after enactment until June 30, 2019. Starting July 1, 2019, the taxes are distributed in the following way: 0.10% to cities, including unincorporated areas of the County (after the usual statewide distribution of 50% by population and 50% by point of sale), 0.10% to the transit district, and 0.05% to counties. Monies generated/collected from this tax must be used to either pay off debt or for regionally significant transportation facilities.

4th Quarter Scenario 2:

If the County chooses not to impose the 4th Quarter tax by June 30, 2020, then cities located within 1st, 2nd, and 3rd class counties (this includes Park City) that have or are intending to have transit service have the option to impose the full

quarter with 0.125% going to the city and 0.125% to the transit district¹ for transit operations (nothing directly to the County).

4th Quarter Scenario 3:

If a city imposes the 4th Quarter and a county subsequently imposes the 4th Quarter, the city-imposed distribution of 0.125%/0.125% applies in the imposing city, while the regular distribution of 0.10%/0.10%/0.05% applies to the remainder of the county.

5th Quarter

Beginning July 1, 2019, counties have the option of imposing a *new* “5th Quarter” tax of 0.20% for transit capital expenses and service delivery. This tax is 100% point of sale and goes exclusively to the county. It also does ***not*** require voter approval.

If a county chooses not to impose the 5th Quarter tax, it expires (i.e. “use it or lose it”) by June 30, 2023.

To date, Summit County has imposed the 2nd and 3rd Quarter taxes.

Note: Under S.B. 136, 25% of the 3rd Quarter is no longer required to be spent on corridor preservation, but corridor preservation is still an eligible expense.

Estimated Revenue Generated by the 4th and 5th Quarter Taxes

As stated earlier in this report, if the County imposes the 4th Quarter tax by June 30, 2018, the County keeps 100% of the revenues generated until June 30, 2019. This is approximately **\$3.6 million** (based on council enactment of resolution imposing the tax July 1, 2018 and receiving revenues October 2018 – June 2019).

Starting July 1, 2019, the distribution of the 4th Quarter monies would be:

Location	A1	A2	A3	Total
Summit County		0.10%	0.15%	0.25%
Coalville		0.10%	0.15%	0.25%
Francis		0.10%	0.15%	0.25%
Henefer		0.10%	0.15%	0.25%
Kamas		0.10%	0.15%	0.25%
Oakley		0.10%	0.15%	0.25%
Park City	0.10%	0.10%	0.05%	0.25%
Snyderville Basin Transit Dist	0.10%	0.10%	0.05%	0.25%

¹ While Park City does not technically have or operate a transit district, they qualify as an “Eligible Political Subdivision” under 59-12-2219(1)(c) of the Utah State code. It does not matter how the transit system is accounted for – whether it is an enterprise fund or formal district – Park City would receive the first 0.10% as any other transit district.

- A1** - Distributed to transit district or eligible political subdivision.
- A2** - Distributed to county, city, or town based on 50/50 split.
- A3** - Distributed to county.

To assist county governments in their analysis of the enabled taxing mechanisms, the Wasatch Front Regional Council has developed the following revenue estimates for the 4th Quarter tax. Please note, as you will see in the list of assumptions on the next page, these figures are dependent on every county in the state imposing the 4th Quarter tax. These calculations are very preliminary and could actually be extremely different than what is estimated, especially if the larger counties do not implement the tax.

4TH QUARTER REVENUE ESTIMATES (Wasatch Front Regional Council)

	(0.10%) * All Cities & Unincorporated County Areas	(0.05%) Counties	(0.10%) Transit District	(0.10%) County Transportation	Total
Summit County Unincorporated Area	\$265,972				\$265,972
Coalville	\$22,368				\$22,368
Francis	\$13,489				\$13,489
Henefer	\$8,918				\$8,918
Kamas	\$35,643				\$35,643
Oakley	\$18,170				\$18,170
Park City	\$825,635		\$1,627,497		\$2,453,132
Snyderville Basin TD				\$190,516	\$190,516
Grand Total					\$3,603,306

* To cities or unincorporated county areas based on 50% population and 50% point of sale (POS).

Note: While Park City does not technically have or operate a transit district, they qualify as an "Eligible Political Subdivision" under 59-12-2219(1)(c) of the Utah State code. It does not matter how the transit system is accounted for – whether it is an enterprise fund or formal district – Park City would receive the first 0.10% as any other transit district.

5TH QUARTER ESTIMATES (Staff)

Calendar Year	County-wide	Inflation Factor	Estimated '19 Sales	Transit Tax (0.20%)
2016:				
Non-food Taxable Sales	\$1,728,519,726	0.017	\$1,757,904,561	\$3,515,000
NOTE: This tax is 100% point of sale and 100% is remitted back to the County; not subject to any distribution formula.				

Assumptions:

- 1) Sales tax estimates are based on Utah Tax Commission CY2016 taxable sales, excluding food.
- 2) CY2016 sales are inflated to CY2019 using an average CPI from 2008-2017 of 1.70%.
City level sales were estimated using the percentage of sales by city from CY2014.
(CY2016 sales data do not report all cities)
- 3) **The analysis assumes all counties in the State implement the "4th Quarter" local option sales tax for transportation.**
- 4) The 4th Quarter option expires if not used by June 30, 2022 only for the counties fully in the UTA district (i.e. Weber, Davis, Salt Lake, Utah) and to the city imposition option.

Projects that Can Be Funded with these Taxes

Purely for illustrative purposes, staff has assembled the following program of projects that demonstrate the types of projects that could be funded, implemented, or implemented more quickly with the additional revenue generated by the additional taxing options.

Council has previously seen these figures at the May 9, 2018 Council meeting, however, the table depicting "Short Range Transit Expenditures" has been updated to reflect the cost of potential services at both 20-30 minute and 15 minute headways.

4th Quarter Sales Tax – Short-Range Expenditures						
Type	Project	Year 1	Year 2	Year 3	Year 4	Year 5
Transit	Extend Electric Express (10 White Bus) to Ecker Park and Ride (assumes year-round, mainting headways and days/hours of service and inflation)	\$800,000	\$816,000	\$832,320	\$848,966	\$865,946
Transit	SR-224 Bus Rapid Transit (BRT)	\$250,000	\$1,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Road	Silver Creek to Bitner Connection	\$1,500,000	\$0	\$0	\$0	\$0
Road	Chalk Creek Widening	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
	TOTALS	\$3,050,000	\$2,316,000	\$3,332,320	\$3,348,966	3,365,946
<i>SR-224 Bus Rapid Transit (BRT) estimated costs: Capital \$10M per mile/Operating \$100 per revenue hour</i>						

5th Quarter Sales Tax – Short-Range Transit Expenditures – Year 1 Operations			
Description	Service Area	Year 1 Ops. Cost (20-30 min. frequency)	Year 1 Ops. Cost (15 min. frequency)
Upgraded Black: Kamas Service	Add weekend service to current Kamas Commuter route	\$150,000	\$150,000
Redesigned Pink: Jeremy Ranch	Serving Jeremy Ranch with Silver Spur/Saddle Back loop; Jeremy Ranch PnR; Jeremy Ranch deviation zone ; Kilby Rd.; Ecker PnR; KJTC	\$475,000	\$938,800
New: Summit Park/Timberline	Summit Park/Aspen Dr. loop; Timberline at Kilby Rd.; Pinebrook loop; Ecker PnR; KJTC	\$975,000	\$1,920,000
New: Pinebrook to Canyons Village	KJTC; Bear Cub Dr. to Bobsled Blvd.; Silver Springs loop; Silver Springs deviation zone ; Canyons Transit Hub	\$600,000	\$1,180,000
New: Canyons Village Circulator	Canyons Village Circulator and deviation zone .	\$420,000	\$420,000
Brown Route	Maintain <u>current alignment</u> until Silver Creek Village is constructed	\$0	\$0
New: Brown Demand Response	On-demand service from Lower Silver Creek; Silver Summit to either KJTC or PC Hospital	\$100,000	\$100,000
Totals		\$2,720,000	\$4,708,800

Status of Transportation Local Option Sales Taxes in Other Utah Counties

As of May 24, 2018, 12 Utah counties have implemented the 4th Quarter option. Box Elder, Salt Lake, Tooele, and Washington counties are each considering the option, with decision points in place (see comments in chart below).

County	4th Quarter	5th Quarter	Comments
Beaver			
Box Elder	Not yet		Visiting with cities, but no resolution required. Action is not imminent (earliest would be Dec/Jan)
Cache	Yes		
Carbon	Yes		
Daggett			
Davis	Yes		
Duchesne	Yes		
Emery	Yes		
Garfield			
Grand	Yes		
Iron			
Juab			
Kane			
Millard	Yes		

County	4 th Quarter	5 th Quarter	Comments
Morgan			
Piute			
Rich	Yes		
Salt Lake	Not yet		Passed ordinance saying will impose 4 th Q if cities representing 67% of county's population pass resolutions in support of the tax
San Juan	Yes		
Sanpete	Yes		
Sevier	Yes		
Summit			
Tooele	Yes		
Uintah			
Utah			
Wasatch			
Washington	Not yet		Following SLCo process; want city resolutions in support in order to impose 4 th Quarter.
Wayne			
Weber	Yes		

Current Sales Tax Rates in Utah Counties

At the May 9, 2018 Council meeting, Council members requested information on the current sales tax rates for all 29 counties in Utah. Staff has provided this information in the attached Exhibit A.

Community Impacts of Sales Tax Increases

Staff analyzed the residential and visitor/tourist impact, in terms of dollars, of imposing the 4th Quarter tax.

County-wide as a whole, visitors pay about 50% of local taxes. If we estimate that the revenues generated in the first year of imposing the 4th Quarter tax to be about \$3.6 million, then visitors would pay about \$1.8 million of that total.

The remaining 50% of local taxes are paid by roughly 40,000 county residents, which by our best estimate translates to about \$45 per resident per year.

After July 1, 2019, once the revenues from the 4th Quarter tax are divided by the previously mentioned distribution formula (0.10%/0.10%/0.05%), the county might only get around \$36 per resident even though residents are still paying \$45 per person per year.

Staff also discussed these tax options with the Park City Chamber of Commerce, Visitor's Bureau to better understand the potential impacts on our market competitiveness and tourist economy. With the caveat that there was not time to

fully study the economic impacts of imposing the 4th and 5th Quarter taxes before the drafting of this staff report, the Chamber/Bureau indicated the biggest impact would be on group sales (i.e. conferences, trade shows, junkets, etc.) as those are the individuals comparing tax rates between destinations for the best deal. The average tourist going on vacation does not typically factor in sales tax rates when deciding between destinations to visit.

Included in the attached exhibit is a small market comparison of tax rates between Summit County and other mountain towns/ski destinations in Colorado, Wyoming and Utah.

Input from Local Mayors

Councilmember Kim Carson has reached out to the Mayors of all Summit County municipalities (Park City, Francis, Kamas, Oakley, Coalville, Henefer) to inform them of S.B. 136 and the actions the State Legislature is compelling counties to make. Councilmember Carson is also gauging of the interest or opposition from the municipalities in imposing these taxes. This will be an agenda item at the June 2018 Council of Governments (COG) meeting.

Additionally, County staff met with Park City Municipal Corporation (PCMC) staff and found out the 4th Quarter tax is not on the City Council's agenda, nor have any discussions taken place about it among the city's elected leaders. There is not a sense Park City would impose the 4th Quarter tax in July 2020 if the county does not act.

The City remains available to offer assistance as needed and has committed to partnering with the County on any transportation and transit projects. However, similarly to the concerns raised by Summit County Council members and staff, PCMC expressed concerns about the short timeframe in which to impose the tax with little time to explain it to the public and seek support for key projects. We also discussed our joint concerns about overall tax rates in the County and the initiatives of other taxing entities who are considering their own tax proposals.

Pros and Cons of Imposing these Taxes

Pros

- The County keeps 100% of the revenues generated from the 4th Quarter sales tax until June 30, 2019; and 100% of the revenues generated from the "5th Quarter".
 - Might make imposing the tax more palatable with the community because the taxes they pay stay 100% within the County and go to serving the taxpayers directly.

- Before considering the 2nd and 3rd Quarters, Summit County staff, jointly with Park City Municipal staff, identified over \$130 million in transportation and transit needs. Even after implementing the 2nd and 3rd Quarters in 2016 there are many transit and transportation infrastructure projects we would like to complete in the County but do not have monies to fund them; the 4th and 5th Quarter taxes provide the revenue we need to increase service levels beyond what is currently budgeted.
- With these two new sources of revenue, including the first year bonus we would get from the 4th Quarter, the County and all our municipalities would be able to do more with transportation and transportation facilities and use existing sources for other Council goals without further taking away from road maintenance and road projects.
- These additional taxes would help the Council further advance its strategic goals of multimodal transportation, congestion reduction, and environmental stewardship by providing critical revenues that can be used to enhance transit and active transportation options, and consequently, reduce greenhouse gas emissions within the County.
- After June 30, 2019 the municipalities within the County would receive a combined total of just over \$2.6 million from the imposition of the 4th Quarter tax. The *combined* B & C Road funding for Summit County municipalities for fiscal year 2017 was \$773 thousand.
- The County and Transit District would have complete discretion over what happens to the revenues (i.e. how the taxes are spent).
 - In future years if the 4th Quarter is not imposed, the State may come in and impose the taxes and decide how *they* spend the monies.
- Imposing the taxes now ensures we do not lose the option to impose them in the future.
 - Several provision specific sunsets are already built into the legislation, which may be made more constrictive in future years by the Legislature.
 - If the County does not act by June 30, 2020, Park City has the option of imposing the 4th Quarter tax but none of the monies would go to the county in this scenario.
- The legislation gives the County until June 30, 2023 to impose the 5th Quarter tax, providing time for us to develop a public information and collaboration campaign to build the case for the new tax.
- Implementation of additional transit funding mechanisms, including these taxes and the TIF and Reinvestment Zones created by S.B. 136, place

Summit County in an extremely favorable position when competing for federal, discretionary transit dollars. The current presidential administration has directed U.S.D.O.T. to drastically increase the emphasis on both local and innovative funding shares/options when reviewing discretionary grant applications. Rural communities are also more favored. Unlike most others, Summit County can claim both attributes.

Cons

- These taxes would be imposed on the heels of an increase in property taxes and the 2016 ballot initiatives that voters passed imposing the 2nd and 3rd Quarter sales taxes for transportation infrastructure and transit in addition to the curbside collection fee for waste collection.
- Most likely, the Council will encounter pushback from Summit County residents/citizens and Mayors.
- If both the 4th and 5th Quarters were imposed in Summit County but ***not*** in the other counties, Summit County would have the second highest sales tax rate within the state (behind Weber County).
- A higher sales tax rate on top of the resort tax and TRT could have an impact on our tourism market competitiveness compared to other communities within the state, as well as resort areas across the country (see Exhibit A for a comparison of Summit County to other ski towns in the country).
- Imposing the 4th Quarter tax by June 30, 2018 leaves little time for a public engagement campaign, forcing the County to push through a tax increase without much public discourse or time to build support. This is not the approach the County would generally take to impose a tax increase.
- If Summit County imposes the 4th Quarter tax but Salt Lake and Utah counties do not; Council takes on a huge political risk with little return for the county.

Potential Actions to Consider

Regardless of the action the Council takes by June 30, 2018, staff strongly recommends the County continue to seriously consider imposing the 5th Quarter, 0.20% sales tax for transit capital and service delivery, not in the immediate future but before the June 30, 2023 sunset. We should work with Park City to develop a program around this tax, explaining to the public exactly how we intend to use the monies and on what services/routes/projects. Plan in the time required to educate the public and garner support for this tax prior to imposing it (can decide to put the tax to a vote by the citizens if desired).

Another option to consider during future discussions of this tax is imposing a portion of the 5th Quarter (i.e. not the entire 0.20% at once) to get the Bus Rapid Transit (BRT) project through the right-of-way phase and impose the rest of the percentage when it is time to implement the project.

Scenario #1:

Wait to see what Salt Lake and Utah counties decide to do. Based on the outcome, specifically regarding the 4th Quarter tax, bring this issue to Council once again for discussion and a decision. It does not benefit Summit County to impose the 4th Quarter tax if the most populated counties in the state do not impose it due to the distribution formula.

Scenario #2:

Impose the 4th Quarter tax by June 30, 2018 in order to take advantage of keeping 100% of the revenues within Summit County. Bank the monies until needed for BRT right-of-way or capital, or another large project (or to cover funding gaps in projects under construction in 2018 and 2019). Rescind the tax by July 1, 2019, or create a provision within the enacting ordinance that automatically rescinds the tax if Salt Lake County or Utah County do not impose the 4th Quarter tax.

Scenario #3:

Combination of Scenarios #1 and #2.

Scenario #4:

If Salt Lake and Utah counties impose the 4th Quarter, Summit County imposes the 4th Quarter by June 30, 2018 and maintains the tax after July 1, 2019.

Scenario #5:

Do not impose the 4th Quarter tax. Instead, wait to see what the State Legislature does in the 2019 general session and re-evaluate at that time, keeping this option available for the future with enough distance from the 2016 sales tax increases and when a game-changing project has been identified and funding is needed.

EXHIBIT A: Sales and TRT Tax Rates in Utah Counties

County	Combined Rate	Combined TRT Rate	Total Room Rate	Rank Combined	Rank TRT	Estimated Population	2017 County Option Rev	Population Rank	Revenue Rank
1 Beaver County	5.95%	4.57%	10.52%	22	17	6,463	\$ 280,499	24	25
2 Box Elder County	5.95%	4.57%	10.52%	22	17	53,139	2,245,504	8	10
3 Cache County	6.30%	4.57%	10.87%	10	9	122,753	5,304,876	6	6
4 Carbon County	6.20%	4.57%	10.77%	11	10	20,399	967,251	15	16
5 Daggett County	6.95%	4.57%	11.52%	2	3	1,095	74,386	29	29
6 Davis County	6.75%	4.57%	11.32%	6	6	342,281	15,091,183	3	3
7 Duchesne County	6.20%	3.32%	9.52%	11	25	20,337	1,087,396	16	13
8 Emery County	6.20%	4.57%	10.77%	11	10	10,216	410,532	21	23
9 Garfield County	6.95%	4.57%	11.52%	2	3	4,986	311,980	25	24
10 Grand County	6.70%	4.57%	11.27%	8	8	9,579	754,071	22	17
11 Iron County	5.95%	4.57%	10.52%	22	17	49,937	2,251,509	9	9
12 Juab County	5.95%	3.32%	9.27%	22	28	11,010	412,526	20	22
13 Kane County	6.95%	4.57%	11.52%	2	3	7,334	445,016	23	20
14 Millard County	6.20%	3.32%	9.52%	11	25	12,694	546,158	18	19
15 Morgan County	5.95%	4.57%	10.52%	22	17	11,437	425,720	19	21
16 Piute County	5.95%	3.32%	9.27%	22	28	1,466	74,417	28	28
17 Rich County	6.20%	3.32%	9.52%	11	25	2,319	114,743	27	27
18 Salt Lake County	6.85%	5.07%	11.92%	5	1	1,124,134	60,470,489	1	1
19 San Juan County	6.20%	4.57%	10.77%	11	10	16,895	599,885	17	18
20 Sanpete County	6.20%	4.57%	10.77%	11	10	29,409	1,054,343	13	14
21 Sevier County	6.20%	4.57%	10.77%	11	10	21,267	1,000,164	14	15
22 Summit County	6.55%	3.32%	9.87%	9	24	40,307	3,432,378	10	7
23 Tooele County	6.20%	3.82%	10.02%	11	23	64,833	2,522,544	7	8
24 Uintah County	6.05%	4.57%	10.62%	20	15	36,373	2,021,229	11	11
25 Utah County	6.75%	4.57%	11.32%	6	6	592,299	26,181,125	2	2
26 Wasatch County	5.95%	4.57%	10.52%	22	17	30,528	1,470,188	12	12
27 Washington County	6.05%	4.57%	10.62%	20	15	160,245	8,340,446	5	5
28 Wayne County	5.95%	4.57%	10.52%	22	17	2,702	134,372	26	26
29 Weber County	7.10%	4.57%	11.67%	1	2	247,560	11,433,890	4	4

\$ 149,458,824

Counties that have implemented the Transportation Infrastructure sales tax

	Combined Rate	Combined TRT Rate	Total TRT Rate	Estimated Population
Summit County	6.55%	3.32%	9.87%	24,600
Coalville	6.55%	3.32%	9.87%	1,457
Francis	6.55%	3.32%	9.87%	1,347
Henefer	6.55%	3.32%	9.87%	871
Kamas	6.55%	3.32%	9.87%	2,109
Oakley	6.55%	3.32%	9.87%	1,624
Park City	8.45%	4.32%	12.77%	8,299
Snyderville Basin Tr Dist	6.85%	3.32%	10.17%	

OTHER SKI RESORT COMMUNITIES:	Combined Rate	TRT Rate	Total TRT Rate
Vail, CO	8.40%	4.00%	12.40%
Aspen, CO	9.30%	2.00%	11.30%
Grand Targhee, WY	8.00%	2.00%	10.00%
Breckenridge, CO	8.88%	3.40%	12.28%
Alta, UT	8.35%	5.07%	13.42%
Snowbasin (Huntsville), UT	7.10%	4.57%	11.67%
Brian Head, UT	7.95%	5.57%	13.52%