



STAFF REPORT

TO: Summit County Council
FROM: Matt Leavitt – Summit County Financial Officer
DATE: October 15, 2020
SUBJECT: Discussion on revenues and fund balances.

BACKGROUND:

On October 14th the County Manager presented a 2021 operating budget recommendation of \$57.2 million. The recommendation is based on estimated revenues for the upcoming year without use of fund balances. Introducing the Manager's recommended 2021 budget initiates more detailed discussions with the Council that will take place through the balance of the year. This staff report will cover the estimated revenues as well as provide information in preparation for a discussion on the use of fund balances.

COUNCIL REQUIRED ACTION:

No Council action is required at this time.

SUMMARY INFORMATION:

Taxes:

Summit County revenues from taxes for programs and services are derived from property taxes and sales taxes. Property tax revenues are the most stable revenue source and are least susceptible to changes in the local economic environment and thereby allow the County to continue to provide necessary services for the health, safety, and welfare of the community. For operating funds (general, municipal services, assessing & collecting funds) revenues from property taxes constitute 43.8% of estimated revenues.

Sales taxes within the operating funds are received from the county option and the local sales taxes. The county option sales tax is imposed county-wide at the rate of 0.25% on taxable goods and benefits the general fund. For the County the local sales tax is imposed in the unincorporated areas of the County at the rate of 1.0% and benefits the municipal services fund. Both of these sales taxes are subject to a State-wide distribution formula of 50% point of sale and 50% population base. Historically the County has received \$3.4 - \$3.8 million per year from the county option and \$6.8 - \$7.4 million (collectively \$10.2 – \$11.2 million).

Recommended 2021 budgeted operating revenues for property taxes are \$25.1 million (7.6% increase) and \$10.5 million (1.4% decrease) for sales taxes.

Licenses & Permits:

Revenues received from licenses & permits are 3.9% (\$2.2 million) for operating budgets.

Approximately 64.9% of these revenues are received from building permits. Revenues from business licenses (\$425 thousand) and engineering permits (\$330 thousand) represent another 33.8% of licenses & permits revenues. The County Engineer has been undergoing a rate study and anticipates a rate increase for engineering permits which would generate an additional estimated \$155 thousand.

Building permit revenues have slowed during 2020 and the recommended 2021 budget reflects a \$680 thousand *decrease* (31.9%) in building permit revenues from the actual received in 2019, but a \$122 thousand increase over the 2020 amended budget. The increase in building permit revenue over the 2020 amended budget is due to continued construction projects regardless of the recent pandemic.

Intergovernmental:

Intergovernmental revenues are received from other governmental units such as Federal and State agencies. They are received in the form of grants, shared revenues, or payments in lieu of taxes. The recommended 2021 budget includes \$3.7 million (\$471 thousand or 14.5% increase) in public health related grants. Public health grants are 36.7% of intergovernmental revenues.

Payments in lieu of taxes (PILT) are revenues received for consideration of tax-exempt property owned by the Federal Government. For 2020 the County had 523.2 thousand acres of PILT entitled land. PILT revenues are used to continue to provide essential services such as road maintenance, law enforcement, emergency medical services among others. PILT revenues are estimated to be \$1.4 million, or 14.3% of intergovernmental revenues.

Class B road funds are received from taxes imposed on the sale of gas and diesel fuels. Revenues within the State are received and distributed by Utah Department of Transportation (UDOT) by a formula of 50% population and 50% weighted lane miles. For State fiscal year 2021 Summit County reported a total actual 339.2 miles and 1,497.4 weighted lane miles. Estimated revenues from Class B road funds are \$1.8 million, or 17.8% of intergovernmental revenues.

Combined intergovernmental revenues in the 2021 recommended budget are \$10.1 million, an increase of \$778 thousand (8.3%).

Fees:

Fees are charges that benefit the recipient of those services provided by the County. 29.1% of revenues received from fees are from emergency medical services (\$1.8 million). The County contracts with Park City Fire Special Service District (PCFSSD) to administer ambulance services within the County. Revenues from the ambulance services is estimated to be down 15.9% (\$350 thousand) for 2021 following a similar trend that occurred during the 2008 recession.

The curbside collection fee (waste disposal) is currently budgeted at the same level as the 2020 amended levels. It is anticipated that the Council will address the current rate (\$40 per year) and the appropriateness of the fee in upcoming Council meetings. As was presented at the October 14th Council meeting the County will be issuing a request for proposals (RFP) for curbside collection in 2021. In the 2021 recommended budget the curbside collection fee covers approximately 32.5% of the cost of the program. The balance of the service is covered by tax revenues.

Plan check fees are 13.7% of budgeted fee revenues for 2021. Plan check fees (\$875 thousand) are increased \$203 thousand over the 2020 amended amounts echoing the optimism in building permit fees, but still less than the 2019 actual amounts (\$1.2 million) received by the County. Again, the optimism is based on the continued construction activity in 2020 despite the pandemic.

Lastly regarding fees, recorder fees are increased \$290 thousand (59.1%) in the 2021 recommended budget. This is due to the volume of documents received by the Recorder's Office in addition to a new fee structure established during the 2019 Utah State Legislative session. For Summit County the new fee structure covers the cost of the Office.

Total fees for the 2021 operating budget are recommended \$155 thousand lower (1.8%) than the 2020 amended budget at \$6.3 million.

Fines:

Fines are revenues that have been exacted as a penalty either by the Justice Court or by the County. **At a recommended \$722 thousand, fines are 1.2% of County operating revenues.** The majority of these revenues (\$625 thousand, or 86.5% of fine revenues) are imposed through the Justice Court. Although the County received an increase in Justice Court revenues in 2019 (\$759 thousand), justice court revenues have been trending downwards and during the period of 2017-2018 revenues were below \$600 thousand.

Miscellaneous:

Miscellaneous revenues are uncategorized revenues that the County receives either through interest earnings, sale of assets, or rental properties. Typically, miscellaneous revenues are not regular or routine. The County does receive rental income (\$285 thousand) from the District Courts located at the County-owned justice complex. Through mutual agreement the County provides courtrooms for the District Court, court security, and office space and the State contractually reimburses the County for that expense through rental revenues.

Interest earnings are estimated to be lower in 2021 due to a significantly declining investment rate in the Public Treasurer's Investment Fund (PTIF). In February 2019 rates in the PTIF reached as high as 2.9% but have since fallen to September 2020 rates of 0.5% - **a decline of 82.8%**. As a result, the

recommended budgeted revenues for interest earnings is 50% of the 2020 amended budget levels (\$500 thousand).

Recommended budget amounts from miscellaneous revenues (\$918 thousand) is \$617 thousand lower than 2020 amended budget amounts.

Contributions:

Contributions are primarily revenues transferred from other funds to the operating funds. Contributions include transfers from the Transient Room Tax (TRT) fund to cover costs of running a County Fair and County-owned parks. The County typically transfers \$650-\$700 thousand for those programs and an additional \$100 thousand for a history program. The County also receives \$510 thousand from a phone surcharge for the E911 program related to the dispatch. Summit County is considered a primary public-safety answering point (PSAP) by the State of Utah and as such is the recipient of the surcharge on each land and cell line located within the County.

Revenues from contributions will continue to evolve during the last stages of the budget process. As part of reconciling each fund within operating budgets – the general, municipal services, and assessing & collecting funds, the need may arise for a contribution from fund balances in order to pass a balanced budget as required by State Code. **Currently the recommended 2021 budget includes \$1.2 million in contributions revenues.**

Fund Balances:

Summit County has established by Executive Order minimum and maximum fund balance levels for operating funds. The Utah State Code requires a minimum fund balance level only for the general fund of 5.0% (Utah State Code 17-36-16-(3)). Both **State and County requirements are percentages of estimated revenues.**

The "Uniform Accounting Manual for All Local Governments" published by the Office of the State Auditor allows the accumulation of fund balances within the general fund for the following purposes: "(a) to finance expenditures from the beginning of the period until general property taxes, sales taxes, and other revenues are collected, (b) to provide a reserve to meet emergency expenditures, and (c) to cover unanticipated deficits for future years." The County has extrapolated those uses to apply to the other operating funds. Other special revenue funds of the County may not have those same restrictions.

The following table shows *estimated* fund balance levels for the operating funds, the minimum and maximum percentages and amounts for those funds.

OPERATING FUNDS - FUND BALANCE LEVELS			
Criteria	General	Municipal Services	Assessing & Collecting
Minimum	5,146,783	6,208,302	737,041
Maximum	6,111,805	7,760,377	953,818
State Required	1,608,370		
2021 Estimated Beginning	5,351,935	10,289,096	974,638

Staff recommends an intelligent use of fund balances, more significantly with the municipal services fund, and further recommending that programs supported by the use of fund balances not be ongoing programs.

Revenue from Bonds:

The Debt Service Review Committee¹ has met and reviewed outstanding debt, debt that will be retiring at the end of 2020, current bond rates, and County needs. Municipal bond rates are very favorable for borrowing in order to advance County objectives. **It is the recommendation of the Debt Service Review Committee that the County commence the process for issuing bonds.**

The timing of the bond issuance will be somewhat limited to staffing resources and availability. **The amount of the bonds recommended is in the \$17-18 million range** and potential debt service schedules will be presented to the Council at the October 21st meeting. A list of considered projects funded by bonds include:

- a County facility on the Highway 40 corridor property to accommodate public safety expansion, general office space, public hearing space, and motor vehicle space;
- renovations and improvements to employee space to meet requirements, salt storage to meet EPA requirements, equipment storage space to help prolong the useful life of that equipment, and fuel and oil tank removal and installation to meet State mandates;
- and subsequent remodels and renovations for office and meeting space at the Richins Building, County Attorney and public defender offices at the justice complex.

It is expected that these construction projects occur over the 2021-2023 time frame. Council will be discussing capital improvement projects at the October 28th meeting.

¹ Debt Service Review Committee consists of Councilmembers Kim Carson, Glenn Wright, County Manager Tom Fisher, County Treasurer Corrie Forsling, County Auditor Michael Howard, Chief Financial Officer Matt Leavitt, and the County's financial advisor from Zions Bank Public Finance Brian Baker.