

STAFF REPORT

TO: Summit County Council
FROM: Matt Leavitt – Summit County Financial Officer
DATE: March 24, 2021
SUBJECT: 2021 First Quarter financial discussion



BACKGROUND:

The following information is being provided to the County Council as a mid-year update on revenues and expenditures. Since there are few expenditures during the first quarter making budget to actual discussions a moot point, this staff report will focus primarily on revenues, specifically sales tax revenues, and resources being reported in the County's first fiscal quarter.

COUNCIL REQUIRED ACTION:

No formal action is required.

SUMMARY INFORMATION:

Appended to the staff report is a table of sales tax revenues received by Summit County. Importantly to note is the **Local Option** and the **County Option** which apply to the day-to-day operations of the County. The county option is reported within the general fund while the local option is reported within the municipal services fund.

In addition, sales tax revenues support Council initiatives in the areas of supporting tourism and economic development (**Transient Room Tax**), cultural and recreation facilities (**Restaurant Tax**), recreation program and art (**RAP Tax**), as well as transportation and transit programs and services. The County has implemented and imposed five different sales taxes to support either transportation or transit programs.

It should be noted that the sales tax revenues received by the County going into the month of March 2020 were reflective of an exceptional period for sales tax revenues. Pre-pandemic sales tax revenues were increasing year over year allowing the County to grow and expand services. Summit County voters approved the County's direction by approving both the Additional Mass Transit (**2nd Quarter**) and County Option for Transportation (**3rd Quarter**) sales taxes in 2016. In 2018 the Council opted to also impose the County Option for Transportation Infrastructure (**4th Quarter**) and County Option for Transit (**5th Quarter**) to address County needs for the development, construction and maintenance of transportation infrastructure or transit systems.

Each of the sales taxes mentioned are reported on the addendum other than the **4th Quarter** sales tax.

The **Local Sales** tax is a 1.0% tax imposed on taxable goods and services. It is imposed in the unincorporated areas of the County and are therefore used in the municipal services fund. The other incorporated areas of the County impose a similar sales tax and are directly received by those local agencies. Despite anticipating a negative impact up to 25% decrease in revenues due to the pandemic at year-end the County received 6.6% *increase* in revenues. This was primarily due to a shift in purchases in different industries. For example, hospitality and accommodations may have decreased significantly (more on that in the Transient Room and Restaurant taxes), but other industries increased. Interesting to note is the local sales tax revenues received by the local agencies within the County:

LOCAL SALES TAX (1.0%):

	Coalville	Francis	Henefer	Kamas	Oakley	Park City	Summit County	Total
July 2019-March 2020 (pre-COVID shutdown):	256,757	172,965	105,303	530,711	203,932	5,020,986	6,372,049	12,662,703
July 2020-March 2021 (since onset of pandemic):	257,087	194,767	110,033	578,788	212,621	4,371,924	6,204,141	11,929,362
Percent change:	0.1%	12.6%	4.5%	9.1%	4.3%	-12.9%	-2.6%	-5.8%

This table shows the impact of the **9-month** period (to date) of the pandemic. Pre-pandemic County-wide local sales tax revenues were more than \$12.6 million. During the **9-month** period of the pandemic local sales tax revenues County-wide decreased 5.8%, or \$733 thousand. More specifically the table demonstrates that many east-side agencies *increased* sales tax revenues while Park City *decreased* sales tax revenues 12.9%.

Summit County programs impacted by the decrease in sales tax revenues are primarily public works and public safety. In April 2020 the Council opted to amend the budget in order to address shortfalls in anticipated revenues by \$980 thousand. Actual amounts received were closer to a \$167 thousand decrease.

The **County Option** sales tax is a 0.25% sales tax imposed county-wide. Both the Local and the County Option sales taxes are subject to a State-wide distribution formula. 50% is distributed upon point of sale and 50% is distributed by proportionate share of State-wide population. Because the County Option sales tax is imposed county-wide it is used to support general fund functions such as a portion of elected offices and all of the corrections and library programs among others.

In the anticipation of the local economic impacts of the pandemic, the amended general fund budget was reduced \$700 thousand (18.4%). As indicated on the addendum to the staff report the County Option sales tax revenues actually increased for calendar-year 2020 by 3.2% (\$124 thousand).

Both the Local and County Option sales tax revenues were buoyed by first quarter of 2020 (pre-pandemic). **Comparing the 2021 first quarter revenues to the same period 2020 revenues were relatively stable with the Local being 1.9% higher while the County Option is down 2.2%.**

Industry-specific sales tax revenues are the **Transient Room** and **Restaurant** sales taxes. The Transient Room tax is imposed county-wide at a rate of 3.0% on short-term nightly rentals. The Restaurant tax is

1.0% imposed on foods prepared and sold at a restaurant. Both taxes are limited in uses. The County currently has a contractual agreement to distribute 70% of Transient Room tax revenues to the Park City/Summit County Chamber Bureau for promotional uses. The remaining 30% is retained by the County to be used at the Council's discretion.

Restaurant sales tax revenues are restricted for the use of promoting tourism or for the development, operation or maintenance a convention/cultural/recreation/tourist facilities. The County distributes 90% of annual Restaurant sales tax revenues based on the recommendations of the Restaurant Tax Committee. During 2020 the Restaurant tax revenues benefited programs such as the National Ability Center, Park City Film Council, Alf Engen Ski Museum, and Snyderville Basin Recreation Special Service District, among others. Total amount of grants awarded by the County from the Restaurant tax in 2020 was \$2.7 million.

Information provided during the March 24, 2021 Council meeting by Jeffrey B. Jones, AICP and Economic Development Director for Summit County showed a decrease in jobs in the accommodation and food services in Summit County of 26.6% (2,159 jobs). At the same time the County's revenues that are specifically related to those industries decreased 12.3% (\$1.7 million combined). Amended 2020 budgeted revenue estimates were closely tied to the decrease in job estimates and actual amounts received were better than anticipated.

For the first fiscal quarter of 2021 unaccrued revenues for the Transient Room and Restaurant Tax were \$3.4 million and \$733 thousand, down 19.9% and 26.7% respectively compared to the first quarter of 2020.

Transportation and Transit specific taxes have increased substantially since 2016. During 2002 voters within the Kimball Junction Special Service District approved a sales tax of what ultimately was 0.30%. This was the **Mass Transit** tax that only applied to sales occurring only within the District.

During 2016 the Council opted to place two sales tax initiatives on the general election ballot. The **Additional Mass Transit** and the **County Option for Transportation** sales taxes were approved by voters 69% and 77% respectively. In 2018 the State Legislature allowed county legislative bodies to impose a **County Option for Transportation Infrastructure** and **County Option for Transit** sales taxes.

These taxes are colloquially called the 1st through 5th Quarters. The table below shows the revenues received for each of the 5 Quarters. 2021 reflects unaccrued revenues for the first fiscal quarter of the year.

Year	Original Mass Transit	Additional Mass Transit	County Option Transportation	Additional Transit: District	Additional Transit: Local	Additional Transit: County	County Public Transit
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr			5th Qtr
2017	2,077,060	1,994,404	1,994,462	-	-	-	-
2018	2,158,693	4,735,546	4,735,543	-	-	284,468	-
2019	2,218,539	5,081,396	5,081,503	222,663	216,437	4,024,878	1,083,184
2020	2,255,479	5,073,894	5,074,919	750,241	710,445	1,305,379	4,045,963
2021	671,522	1,622,720	1,623,003	222,579	205,962	409,642	1,296,898

OTHER FINANCIAL HIGHLIGHTS:

During the first quarter 2021 the County issued \$18.4 million in sales tax revenue bonds. These bonds were issued with a \$1.1 million reoffering premium providing the County a total of \$19.5 million in bond funds. Public Works has issued RFP’s to begin work on replacing the oil and fuel tanks as well as other improvements at the Public Works Complex.

The County continues to address testing and vaccinations related to the COVID-19 pandemic. Progressing into the mass vaccination phase the County carried approximately \$770 thousand of CARES Act funds for the efforts. On March 11, 2021 President Biden signed into law the “American Rescue Act of 2021” which will provide approximately \$8.17 million of Federal funds to Summit County. These funds will be distributed in two separate tranches a year apart, the first tranche anticipated in May. Additional funds will be available through different programs and the County will work with NACo and UAC partners to apply for those additional funds where applicable.

Regarding the use of “American Rescue Act” funds staff is awaiting direction from U.S. Treasury department. Currently it is anticipated that the funds must be used before December 31, 2024 and there will be fewer restrictions on use than the CARES Act funds. Eligible uses of these funds include:

- Revenue replacement to the extent of the reduction in revenue due to COVID-19 pandemic;
- COVID-19 expenditures or negative economic impacts of COVID-19, including assistance to small businesses, households, and hard-hit industries, and economic recovery;
- Premium pay for essential workers;
- Investments in water, sewer, and broadband infrastructure.

Each jurisdiction’s executive will have to “certify” that the funds will be used for eligible purposes.

Please address comments or questions to:

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