



STAFF REPORT

TO: Summit County Council
FROM: Matt Leavitt – Summit County Financial Officer
DATE: March 23, 2022
SUBJECT: 2022 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 the County’s anticipated uses of American Rescue Plan Act (ARPA) funds.

COUNCIL REQUIRED ACTION:

No formal action is required.

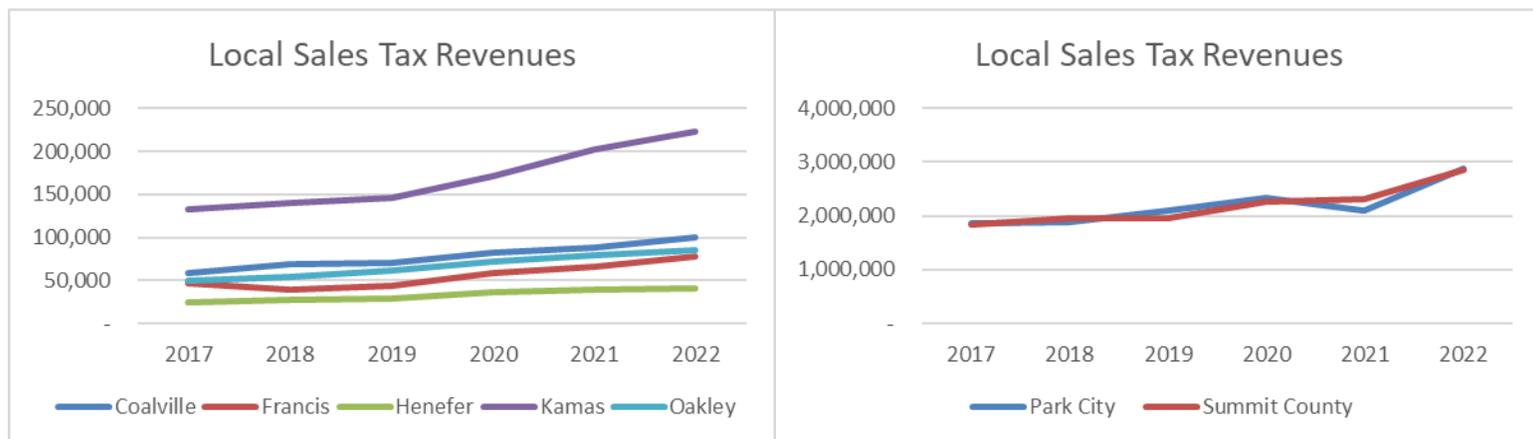
SUMMARY INFORMATION:

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. Beginning with voter approval in 2016 and Council adoption, the County has implemented and imposed five different sales taxes to support either transportation or transit programs. The County has an interlocal agreement with High Valley Transit Service District to provide transit services, but the revenues are received and must be recorded by the County.

It should be noted that the sales tax revenues received by the County going into the month of March 2021 were reflective of an exceptional period for sales tax revenues. Pre-pandemic (pandemic emergency declared late-March 2020) 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.

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. Local sales tax revenues received by the municipalities within the County:



The graphs show the local sales tax revenues received by the municipalities and the unincorporated areas of the County. The amounts show pre-pandemic and current-year actuals. As displayed on the graph at the right, Park City was most hard hit, revenues decreased by 10.2% in 2020-2021, by the effects of the pandemic and related economic impacts. Kamas City seems to have seen a significant increase in local sales tax revenues between 2019-2022 when revenues increased at a yearly rate of 13.5%. Year to date, the County an increase of revenues 23.9% in local sales tax revenues between 2021 and 2022.

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.

Comparing the 2022 first quarter revenues to the same period 2021 revenues increased significantly with the Local increasing 23.8% while the County Option increased 27.6%.

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 and not available for general County operations. 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 2021 the Restaurant tax revenues benefited programs such as the Historical Park City Alliance, National Ability Center, USA Nordic Sport Inc, Park City Area Lodging Association, Sundance Institute, United States Ski & Snowboard, among others. Total amount of grants awarded by the County from the Restaurant tax in 2021 was \$2.4 million.

For the first fiscal quarter of 2022 unaccrued revenues for the Transient Room and Restaurant Tax were \$6.2 million and \$1.0 million, up 81.6% and 43.1% respectively compared to the first quarter of 2021.

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. The table reflects unaccrued revenues for the first fiscal quarter of each 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 |
| 2018 | 620,317 | 1,424,099 | 1,424,268 | - | - | - | - |
| 2019 | 615,446 | 1,526,893 | 1,527,033 | - | - | 1,507,490 | - |
| 2020 | 715,924 | 1,747,820 | 1,747,833 | 237,166 | 204,729 | 425,322 | 1,400,822 |
| 2021 | 671,522 | 1,622,720 | 1,623,003 | 222,579 | 205,962 | 409,642 | 1,302,697 |
| 2022 | 866,882 | 2,174,636 | 2,175,074 | 288,923 | 260,792 | 537,480 | 1,754,863 |

OTHER FINANCIAL HIGHLIGHTS:

The 117th Congress (2021-2022) adopted the American Rescue Plan Act (ARPA) OF 2021. The intent of the Act was to speed up the Country’s recovery from the economic and health effects of the COVID-19 pandemic and the ongoing recession. Summit County was the direct recipient of a total of \$8.1 million in ARPA funds. The County is also receiving additional funds indirectly through other ARPA related grants.

The County’s programmed use of directly issued ARPA related grants are shown on the following table. It is the Manager and staff’s recommendation that these funds be used in conjunction with other

programs in order to leverage funds for best return on overall investment. Staff is actively pursuing additional grants and partners to maximize the County’s ARPA funds. The County’s ARPA grant funds must be committed by June 2024.

| ARPA Local Assistance Grants | County ARPA Dollars |
|---|---------------------|
| Mountain Regional Water Projects | \$150,000 |
| Oakley Well | 100,000 |
| Woodside Affordable Housing | 50,000 |
| Bookmobile/Book Lockers | 50,000 |
| Lower Silver Creek Complex | 2,500,000 |
| Habitat for Humanity Affordable Housing | 100,000 |
| Parkside Affordable Housing | 150,000 |
| Senior Vans | 20,000 |
| Weber River and Resiliency Funding | 1,500,000 |
| Woodland Well | 50,000 |
| Transfer Station (solid waste) | 2,500,000 |
| 2022 Utah Matching Grant Program | 500,000 |
| Administrative Costs | 50,000 |
| Regional Planning | 453,763 |
| Total grant programming: | \$8,173,763 |

As examples of leveraging resources, the County has already entered into agreements with the State of Utah to commit \$20 thousand for Senior Vans for a total acquisition of \$197 thousand¹ as well as \$1.5 million in Weber River and Resiliency Funding to receive an additional \$1 million². Staff continually monitors the availability of resources, either grant-funded or through other partnerships, for the best use of the direct ARPA funds made available to the County.

Please address comments or questions to:

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¹ \$66 thousand for ADA van, \$62.2 thousand for van, and \$69.4 thousand for food truck = \$197,653 total cost

² Total estimate project costs of \$3.0 million with an additional \$500 thousand coming from other County resources.