PARK CITY
1884

February 2014

A 10-Year Projection of
Park City's Financial Condition

Financial Impact Assessment Report

Prepared For :
Park City Mayor and City Council

Prepared By :
Budget, Debt, & Grants Department

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General Fund Revenue Type	FY 2011	FY 2012	FY 2013	FY 2014 Budget	FY 2014 Projected	% =/-
Sales Tax	$ 8,988,804	$ 9,568,666	$ 9,749,200	$ 9,510,352	$ 9,385,926	-1%
Property Taxes	8,647,083	9,964,464	10,023,934	9,789,000	10,257,420	5%
Franchise Tax	2,906,981	2,816,071	3,037,408	3,136,000	3,144,994	0%
Planning Building & Engineering Fees	824,537	791,384	1,019,748	1,142,000	1,670,179	46%
Recreation	1,226,661	1,430,096	1,695,154	1,797,000	1,805,000	0%
Ice Revenue	583,221	687,932	661,737	896,000	720,000	-20%
Licenses	227,704	344,597	391,550	314,000	667,026	112%
Intergovernmental	136,693	147,298	330,408	122,000	115,197	-6%
Court Fees	94,798	79,857	75,927	101,000	78,470	-22%
Fees/Other	468,231	465,090	489,981	473,000	493,785	4%
Interfund Transfers	1,520,444	1,471,500	1,415,722	1,450,841	1,450,841	0%
Total	**$ 25,625,158**	**$ 27,766,954**	**$ 28,890,769**	**$ 28,731,193**	**$ 29,788,838**	**3.7%**

Figure ES-1: Park City General Fund Revenues by Type

The following narrative and analysis details the most recent projections of both the short and long-range financial outlook for Park City Municipal Corporation. The analysis is intended to inform decision makers in the upcoming budget process by illustrating the potential impacts of current financial decisions on the financial health of the City in both the near and distant future. The details of projections, assumptions, methodologies, etc., are contained in the body of the report and appendices. This summary reviews key findings and the most pertinent details for budget decisions.

Current Economic Conditions

While the effects of the most recent recession have had a significant impact on Park City, the recovery in the local economy seems to be outpacing the rather slow and somewhat frustrating recovery experienced on the national level. This relatively quick recovery and the addition of new large lodging developments paired with the budget cuts instituted in FY 2009 and FY 2010, will likely result in an operating budget surplus during FY 2014, as it did in FY 2011, 2012 and 2013.

The nation's economy shows many signs of a slow continued recovery. The Index of Leading Economic Indicators, produced by the Conference Board, has been increasing steadily over the last three years. December's findings continued to show positive trends projected for the next 3 to 6 months. Current indicators, such as Gross Domestic Product, Consumer Confidence Index, and the stock market have shown positive trends over the last several years. GDP has shown consistent growth since quarter 2 of 2009.

The DestiMetrics Program (formerly MTRiP) is reporting positive data trends in the Travel Price Index, enplanement data, and occupancy. Occupancy rates are up an average 9% over last year levels. Average daily rates (ADR) are up an average 5% over last year and revenue per available room (REVPAR) is up 15% as well.

In addition, the amount visitors are spending outside of lodging has been increasing as well. The average visitor spent 7% more in FY 2011 than in FY 2010 and 8.5% more in FY 2012 than in FY 2011. All this adds up to strong sales tax in Park City, which, coupled with improving recovery in building activity and continued strength from property tax, leads to positive revenue news for the City in FY 2015 and FY 2016.

Short Range Surplus

Stable revenue projections for the current fiscal year along with a moderately increased budget mean surpluses are expected over the next several years. With the additional property tax revenue (realized from the FY 2012 miscoded Flagstaff annex) in FY 2014 revenues are expected to be sufficient to cover operating costs, debt service payments, and allow for more than $2.7 million transfer to the Capital Fund. It is expected that revenues in FY 2015 will come in at similar levels.

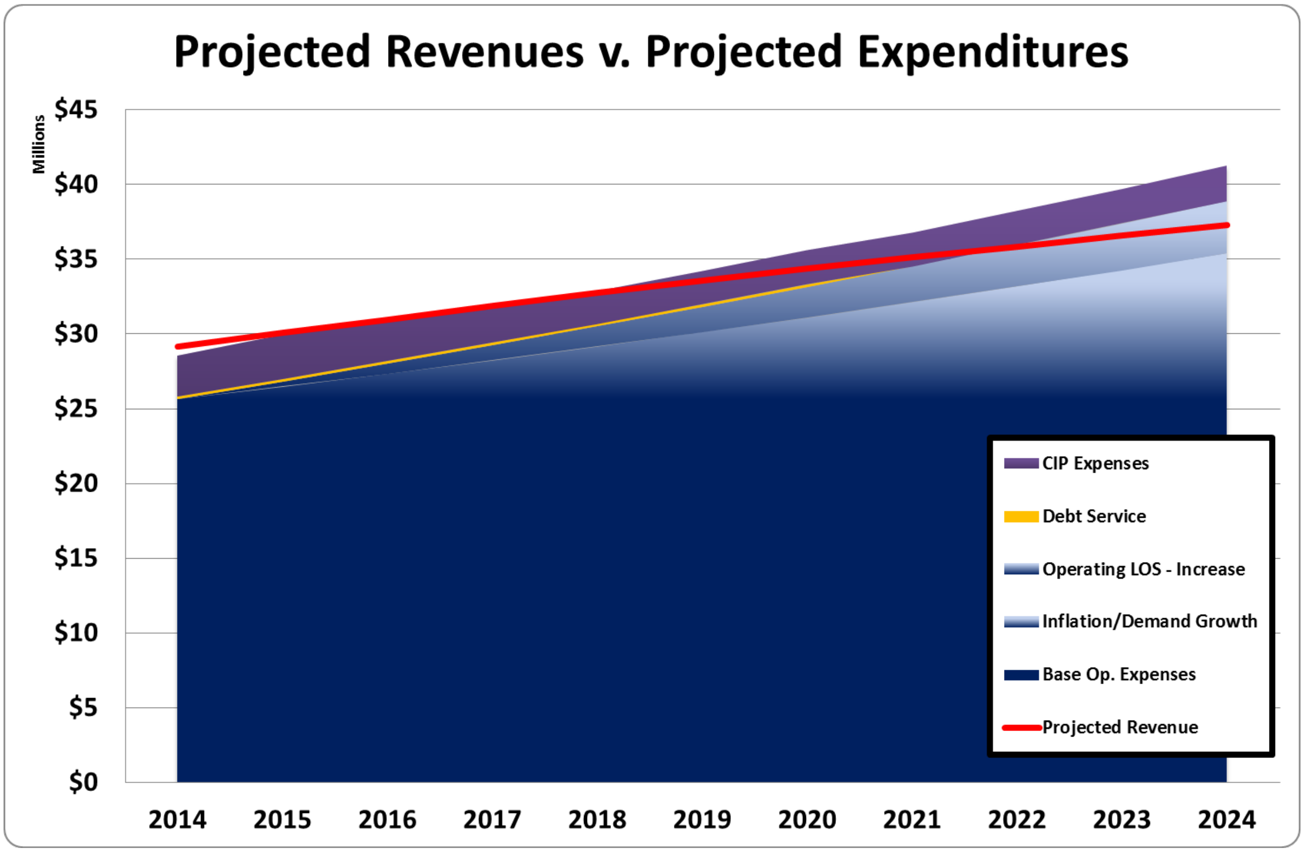
In FY 2013, it was discovered that a portion of distributed sales tax revenue were incorrectly collected in the County and distributed to the City. The issue was corrected going forward and three months of miss collected taxes were distributed back to the County, as specified in State Code. It is anticipated that this will result in a reduction of annual sales tax of approximately $600,000, with about a $400,000 reduction to the General/Capital Funds. Despite this reduction, sales tax continues to show positive growth, indicating a strong local economy.

Property tax continues to show positive growth trends. In fact, due to a correction in incorrectly coded property, Park City received over 1 billion dollars in new taxable value in tax year 2012. This new growth correction will continue to bring in approximately $1.2 million annually.

While these surpluses continue to paint a positive picture for Park City, particularly given the deficits the City has faced during the budgets of 2009 and 2010, it should not be relied upon in perpetuity. Staff continues to recommend that surpluses be used primarily for one-time allocations, such as the replenishment of fund balance or capital improvement projects.

Long Range Outlook

Although the correction in property tax new growth figures significantly delays the timeline, as has been illustrated in all prior FIAR's, long-term projections continue to show deficits in future years. As shown in last year's FIAR, deficits continue to be projected starting in FY 2018 and continue in perpetuity. While FY 2018 is somewhat distant in terms of revenue and expenditure forecasting, it is important to continue to discuss the underlying cause of the projected deficits.



There are two key underlying factors for these deficits. The first is discretionary growth in operating expenses (referred to as "operating level of service increase" in the projections). This is an anticipated increase in expenditures related to enhanced levels of service which future Councils are likely to consider. It is based on the prior experience of the City as reported in the 2010 SLAC analysis. It is certainly arguable whether Council will continue to direct staff to enhance levels of service at the pace of the last 10 years.

However, it is almost indisputable that over any span of 10 years, Council will direct staff to enhance services to some degree, which will lead to increased overall expense. These increases are increasingly likely in the face of the anticipated capital infrastructure planned in the next five to ten years. The projections show that *any* amount of new expense for enhanced services will magnify deficits over the long run.

The second underlying factor which is the systemic driving force behind the dim long-range projections and will be the most difficult to overcome is Truth in Taxation.

Truth in Taxation is the legislative requirement that the City's property tax general levy be adjusted down to collect the same dollars from existing property and improvements as the prior year. It is true that the City collects new dollars from new growth, but as the City approaches build-out and settles into a less aggressive rate of redevelopment, it is unlikely that the growth in this revenue stream will overcome the inflation hurdle. Thus Truth in Taxation effectively strips the inflationary component from this critical revenue. Property tax revenue accounts for 34 percent of General Fund revenue. The end result is a diminishing of cities' purchasing power over time, and eventually, deficits.

Recommendations

The Budget Department recommends the following solutions for the two identified factors causing long-term deficits.

First, every level of service enhancement should be accompanied by an offset. An offset can be either a revenue offset (ie: new revenue source, increased tax or fee, etc.) or an expenditure offset (ie: reduced budget due to efficiencies gained, cut to another service in the budget, etc.).

Second, the Budget Department continues to recommend that Council continue to evaluate the current revenue and taxation policy and adjust it as necessary to establish a sustainable approach to the long-term financing of City services.

The Budget Department produced a revenue mix analysis in 2010 which outlined some possible steps which might be considered in order to stabilize revenue volatility and ensure the ongoing delivery of current levels of service. One suggested recommendation included the institution of regular, small property tax increases to keep this revenue source up with inflation. While increases would not be necessary in the near future, it is important to continue to understand and make the public aware of the underlying revenue problems.

In past revenue shortfall years the property tax proposal was not accepted by Council, and staff was directed to explore more thoroughly the expenditure side of the budget in an effort to address both long-term and short-term deficits. This prompted the City to initiate the Budgeting for Outcomes (BFO) process which has been carried out over the last 2 years and continue to be the central theme for the current budget cycle. BFO will provide Council with an opportunity to cut ongoing expenses and/or reaffirm current levels of service.

Regardless of the decisions that Council makes via BFO, the root problem remains in place. There are inflationary pressures on *all* of the expenses in Park City's budget over time, and one-third of Park City's General Fund revenue does not increase with inflation. The principle of time-value of money is working against Park City (and all Utah cities, for that matter) and short of cutting service levels perpetually, there is no way to overcome projected deficits focusing solely on the expenditure side of the equation. Eventually, Council must consider taking action on the revenue side of the operating budget.

As we start the first year of the two-year budget cycle, staff is anticipating a full and robust BFO process. The department will continue to find ways to focus on the ongoing maintenance and operating costs associated with large capital projects in current and future years.

In 2001 the City formed a Service Level Assessment Committee (SLAC) in order to determine future expenses and revenues. The report showed an operating deficit in future years. At the time Council took action to minimize this projected deficit by reducing $600,000 in expenditures. Fortunately, revenues came in higher than projected.

In fiscal year 2007, the Budget Department conducted meetings with liaisons from City Council regarding budget issues. One of the requests from the Council liaisons to the Budget Department staff was to revisit the idea of forecasting revenues and operating, capital, and debt service expenses for the General Fund. This is the eighth year that the Budget Department has prepared and presented these projections as the Financial Impact Assessment Report (FIAR).

Purpose

Staff has put together a group of decision tools to assist Council with the budget process. These decision tools help to provide information about various aspects of the City when policy direction is being established. It is anticipated that the FIAR will be a reference for Council to estimate the impacts of additional operating and capital spending as well as policy decisions in future years.

The primary output of this analysis is a 10-year projection of surpluses or deficits of General Fund revenues. Council can use these projections to plan for future expenses. Projected one-time surpluses could be used to fund one-time capital or one-time projects, while projected deficits would require budget cuts or changes in taxes or fees.

There is a level of uncertainty when dealing with projections of any kind. The accuracy of a forecast will most likely decrease the further out it is from the base year of the analysis. Therefore, general trends in the projections are a more valuable output of this analysis rather than specific data in future years.

Major Findings

Figure B-1 shows projected surpluses and deficits over the next ten years. As found in fig. B-1, the current forecast shows surplus revenue until FY 2018. The current projection includes significant new property tax growth related to the Flagstaff annex coding error which was corrected in FY 2012.

Ten-year Financial Impact Forecast

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	$29,176	$30,078	$30,972	$31,876	$32,753	$33,580	$34,372	$35,127	$35,861	$36,585	$37,313
Expense	$28,548	$29,949	$30,834	$31,711	$32,876	$34,180	$35,568	$36,760	$38,223	$39,675	$41,218
Rev - Exp	$628	$129	$138	$165	-$123	-$600	-$1,196	-$1,633	-$2,362	-$3,090	-$3,905

In Thousands (x1,000)

Aggregate Surplus/(Shortfall) Over Ten-Years (2015 to 2024)	-$12,478,163

Figure B-1: Projections of Surplus/Deficit (in thousands)

REVENUES

The following revenues were used in the General Fund projections: Property Tax, Sales Tax, Franchise Tax, Planning, Building, & Engineering Fees, Recreation Fees, Ice Facility Fees, Licenses, Intergovernmental (or Grants), Court Fees, Miscellaneous/Other Revenue, and Interfund Transfers. These revenues were projected using various methods of trend forecasting with the exception of Interfund Transfers. These methods are outlined in the Appendix under the revenue section. All projections are based on current local economic conditions with the assumption that there will be no significant changes to current tax legislation. Figure AM-1 displays various revenue sources for future years in the General Fund.

Property Taxes

Park City collects property tax based on numerous factors such as the prior year collections, a collection rate, debt service needs, total taxable assessed value, and a new growth component. Each year a mil levy is set by dividing the "budgeted" property tax (that is the amount the City should have collected the prior year, and it is determined by the State) by the base assessed value (AV) for properties and improvements that existed the prior year. The mil levy is then applied to any new growth value, which is what generates any growth in property tax.

To project these amounts, the Budget Department estimated base AV growth using an exponential trend (0.68 R-squared value). The projected base AV is used to calculate an estimated mil levy in future years. This mil levy is then applied

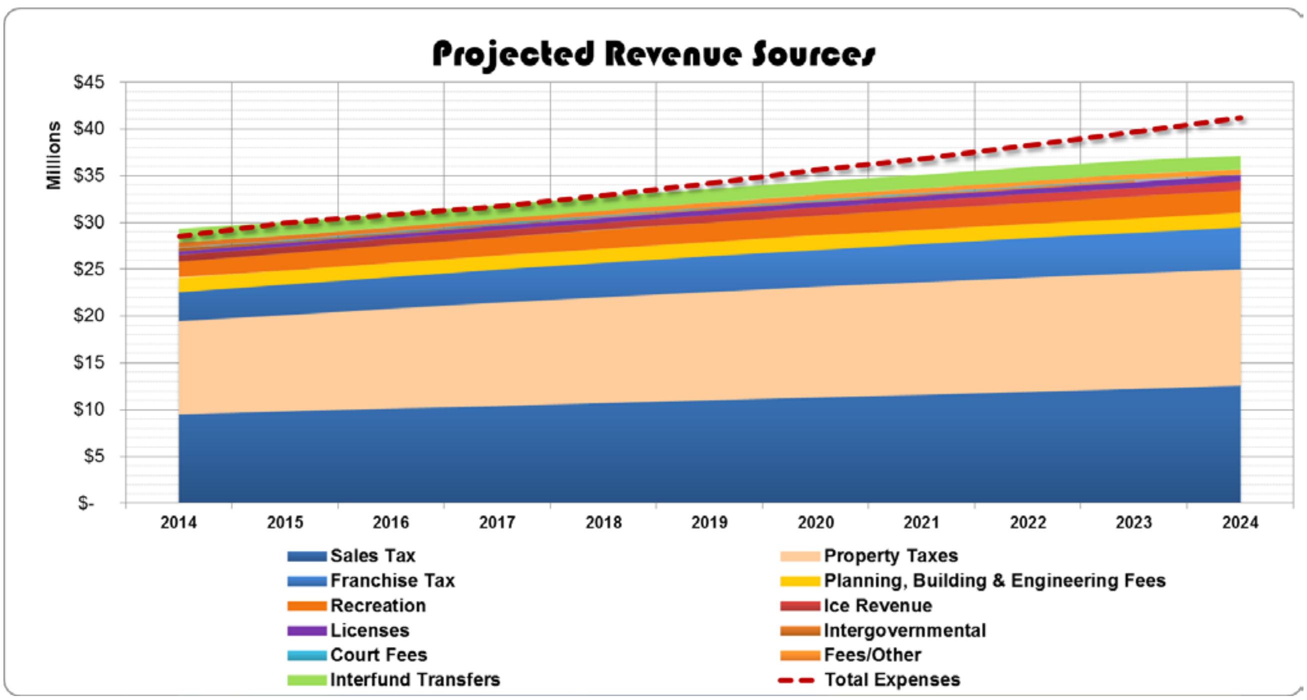


Figure AM-1: Projected Revenue Sources

to both the projected base AV and the projected new growth to generate the revenue estimates.

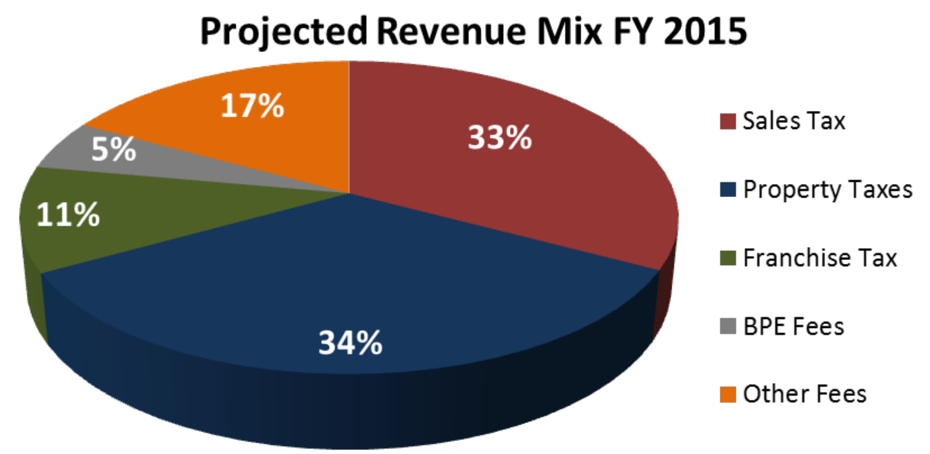


Figure AM-2: Projected Revenue Mix

In the process of updating the base AV projection in FY 2012 it was found that the methodology used was inadvertently including past year's new growth increment. This had the effect of double counting new growth totals, driving up expected future base AV and therefore prematurely driving down the future mil levy. These low future mil levies were then applied to projected new growth totals which resulted in a lower tax value for new growth than is now expected. The current base AV projection has been recalibrated to project base AV independent of past year's new growth.

In addition to the change in the base AV projections a second recalibration in FY 2012 was also necessary for new growth projections. In past FIAR's the Budget Department had projected new growth based on a logarithmic trend which would allow growth projections to settle into a natural rate of redevelopment over the next 10-15 years. While this methodology did properly reflect redevelopment rates of a city approaching build out, it was not correctly capturing the effects of inflation of future new growth values. Therefor the new growth projection has been recalibrated as an average percentage of projected AV and therefore appropriately reflects the correct proportion of future property base AV.

In addition to the general levy revenues, the City also collects minor amounts for delinquent taxes, interest on delinquent taxes, and fee-in-lieu (motor vehicle tax). Delinquent taxes are also erratic, and a logarithmic trend was used to project this based on the thinking stated above. Fee-in-lieu is fairly consistent and flat, so a simple average was used for projection.

Sales Tax

Property, sales, and franchise taxes make up nearly 80% of the total General Fund revenues. Sales tax has increased at a fairly steady rate for the past decade peaking in FY 2008 then dropping during the last recession in 2009 and 2010. Due to large resort developments coming online in the last several years, sales tax revenue has grown significantly with FY

2013 as the highest sales tax generating year to date.

Sales tax is widely considered a volatile revenue source and this holds especially true for Park City as roughly two-thirds of the year's sales tax come in the winter months. This means that the City's most significant revenue source is dependent upon a productive ski season and stable local and national economic conditions. The method forecasting future sales tax assumes that these factors will remain fairly predictable in future years. The forecasting method will also smooth out large fluctuations incorporating only sustained trends when predicting future sales tax. The larger collection years are assimilated into the future projections. The forecasting method also assumes that there will be no major legislative changes to affect sales tax collection for the City.

For short-term projections lodging bookings data (as reported by Mountain Travel Research) are used as an indicator to project visitor nights for the next 6-12 months. This data can be somewhat erratic and fluctuates rapidly, but it provides a more immediate picture colored by current economic conditions not captured by the long-term trend.

Franchise Tax

Franchise taxes account for about eleven percent of General Fund revenue. This revenue source has been fairly consistent each year and is typically charged as a percentage of sales from utility companies. The forecasts are made using a time-series linear trend analysis (0.97 R-squared). This trend is extremely reliable.

Building, Planning, & Engineering Fees

BPE Fees are typically the fourth largest revenue source in the General Fund. Projection of these fees are subject to the same issues and concerns outlined in the property tax projection narrative. They are tied to growth, which is geographically bound. Eventually these fees will settle into a certain level at the natural rate of redevelopment.

Therefore, in order to project these fees, a logarithmic trend is used. This does not provide a strong predictor in the short-term, and in the long-term it functions as little more than an average which increases ever more slightly from year to year. However, considering the volatile nature of the historical data coupled with the lack of a reliable leading indicator for purposes of econometric modeling, an average is about the best you can do. The logarithmic trend at least introduces some additional logic into the equation. While BPE have been down significantly in the last several years, fees were up slightly in FY 2013 and are expected to be up in FY 2014 reaching levels projected in last year's FIAR.

Recreation & Ice Fees

Recreation fees have grown steadily on a linear trend (R-squared .92). Some might argue that these fees are subject to the population growth parameters which bind new growth related revenues.

However, as the fee levels are reasonably fluid and adjust with demand, they function on more of a price inflation basis, similar to sales tax. Linear growth, then, is reasonable, as well as historically accurate. Recreation revenue had been down significantly during the construction of the MARC, however since its opening recreation revenues have experienced a steep rebound.

This year ice revenues have been projected using the 5-year Ice Revenue Model. This model is based on projected fee schedule adjustments and user growth projections by activity type. The model is driven by manager inputs for fee schedule and growth projections of individual activity types. It is anticipated that the Ice Revenue Model projections will more accurately reflect real changes in actual usage and fee structure over time. The Budget and Ice Facility departments are currently updating the Ice Revenue Model which will be used to set fees and revenue during the upcoming budget process.

Other Revenues

Licenses include the festival facilitation fee associated with business licenses and liquor licenses. Intergovernmental revenue includes state and federal grants, state monies for liquor and drug enforcement, Summit County Recreation, Arts, & Parks Tax grants, Restaurant Tax grants, etc. Most grants received by the City are related to capital or a City enterprise (such as water, golf, transit, etc.), however some apply to operations like the ice facility or police and end up in the General Fund. Reimbursed court fees refer to the portion of fines collected by the Summit County Justice Court which are distributed to Park City for police and/or prosecutorial expense. Any money due to traffic citation is included in this amount. Fees/Other contain various revenue types, interest earnings from funds invested in the state pool being the largest of these.

Each of these revenues are projected using some form of time-series analysis, generally linear. See the Appendix for details.

Interfund Transfers

Interfund transfers are currently based on a study that determines the amounts to be transferred to and from the General Fund. The study was updated by the Budget Department in cooperation with the Water, Transit and Golf Departments in FY 2013. The study apportions administrative costs to enterprise fund activities in a manner similar to an overhead calculation. Future increases and/or decreases to transfers will be determined once the current level of transfers fall outside the appropriate range as defined in the study and updated regularly.

This study does not project changes in these transfers despite the fact that changes are anticipated. Any adjustment to the level of the transfers would be set by policy, and therefore adjusting these levels would violate the underlying assumption that policy remains static.

If, however, they were to be projected, it should be based on the relative growth of enterprise funds compared to the relative growth of the General Fund. This would require a full set of long-range projections for enterprise funds, which as of yet has not been attempted.

Short-Range Projections

The preceding describes methodology and assumptions for long-term projections. However, these projections have been modified in many cases in the short-term. Primarily, year-to-date information for the current year is incorporated into a model which uses five-year averages of year-to-date compared to year-end to project year-end totals for the current year. In the case of sales tax and property tax, variations of this methodology are used and the computer projection is overridden.

In FY 2014 and 2015, some subjective modification has been made to sales tax, property tax, BPE fees, and interest earnings. These modifications were made necessary due to the modest speed of the current economic recovery. In all cases, either a simple multiplier or smoothing factor was applied to ease the projection back to the long-term curve.

EXPENSES

Operating Expenses

In the fall of 2009, a committee of City staff reconvened to update the 2000 SLAC report. The committee agreed that the most valuable output from the original report was the distribution of the increment of operating expenses over a ten-year period into three categories describing the nature of the growth. Efforts were focused on reproducing this data for the ten-year period between 2000 and 2010. It was agreed that the results would tie into the City's long-term financial planning and therefore would be reported in this FIAR rather than as a separate report.

As part of the update process, the committee (consisting of Pace Erickson, Kim Leier, Phil Kirk, Jon Pistey, Thomas Eddington, Diane Foster, and budget staff) sought to rename and clarify the definition of the three categories used in the 2000 report. The following details the three categories into which operating expense growth was distributed for this SLAC update:

Inflation: Any growth in the cost to provide the same quantity and quality of existing service in 2000. This is basically price increases (e.g., road salt costs more now than it did then, even if we buy the same amount). Any decrease in program costs due to efficiencies gained, economies of scale, reorganizations, etc., would be accounted for here. Increased costs due to State or Federal mandates would also fit in this category.

Increased Demand: Any growth in expenditures due to providing more of the same service to more population, visitors, users, lane miles, etc. (e.g., we buy more salt because we have more lane miles than we had in 2000). A change in the sophistication of user or population demand which causes increased expense could also be accounted for here.

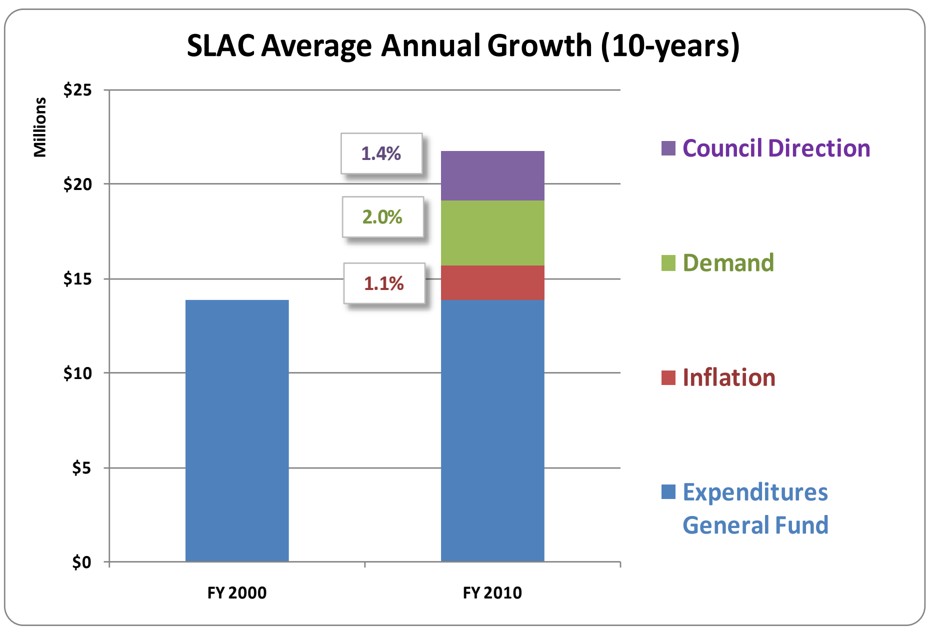


Figure AM-3: SLAC Results

Increased Service Level (Council Directed): Growth in expenses related to direction given by Council to increase/expand new services or the level at which existing services are provided. Also operating expenses resulting from capital projects which represent a greater level of service, such as the Ice Arena, would fit (e.g., we buy more salt because Council directed us to salt the roads more often).

The committee sent a survey to managers which showed the programs run by each department along with the cost for those programs. Managers were asked to divide up their 2010 budget among the programs their departments run today, calculate the incremental cost for their programs between 2000 and 2010, and divide each increment into the categories that best describes the impetus for the growth (or decline) that occurred.

The resultant rates of increase from the SLAC update, specific to General Fund activity, are as follows: Inflation – 1.1%; Demand – 2.0%; and Increased Service Level – 1.4%.

These percentages are applied to FY 2015 budgeted expenditures to project operating expense growth through 2024 in this FIAR update. More detailed results of the study are included in the appendix of the FIAR. In updating actuals for FY 2013 it was found that expenditures had grown at a rate which was consistent with the results of the SLAC study. Therefore the Budget Department continues to view the findings of the SLAC study as the most relevant for projecting future expenditures.

In addition, as part of the BFO process, the budget department has used the growth projections of the SLAC study as the baseline target growth rate when determining the annual operating budget.

Capital Expenses

Park City finances capital projects in three manners. First, many capital projects are financed using specific revenues which are collected with the sole intention of funding capital projects. These revenues are earmarked for capital projects and cannot be spent on operations. By and large, these revenues are received directly into the Capital Projects Fund and never impact the General Fund directly. Examples of such funding sources include impact fees, grants, special contributions and donations, sale of assets, class B & C road funds, RDA increment, interest earnings, additional resort sales tax, etc.

Capital projects are also financed with excess operating funds from the current year. This is the portion of General Fund revenues that remains after all operating expenses are paid. Essentially, this is the operating surplus that this report seeks to define. However, there is the portion of that surplus that is already dedicated to capital projects. Although these are non-earmarked funds, they are committed by Council to capital projects through the 5-year Capital Improvement Plan or the Asset Management Plan.

The final method for financing capital projects is debt, or more specifically, bond issuance financing. For these projects, the

Figure AM-4: Capital Expense Projections from General Fund Transfer

City issues bonds and uses the proceeds to pay for the project. The City then makes debt service payments over many years to retire the debt. The proceeds are received directly into capital projects funds and never impact the General Fund. The debt service is paid for using various funding sources depending on the type of debt and the financing strategy.

For purposes of long-range projections, the relevance of a capital project is determined by the type of funding. Type A projects are not relevant to long-range projections since their funding will not come from General Fund or operating revenues. Expenses for Type C projects will be accounted for through debt service expense, so actual project expenses are irrelevant to this study. Type B projects are relevant since they impact the General Fund surplus.

Figure AM-4 shows all of the Type B projects and their requirements of the General Fund by year, according to what is currently scheduled in the 5-year CIP. These figures serve as the basis for the capital expense portion of the long-range projection analysis. Projects that are intended to have ongoing funding, such as Asset Management and Equipment Replacement, were extrapolated out beyond the 5 years.

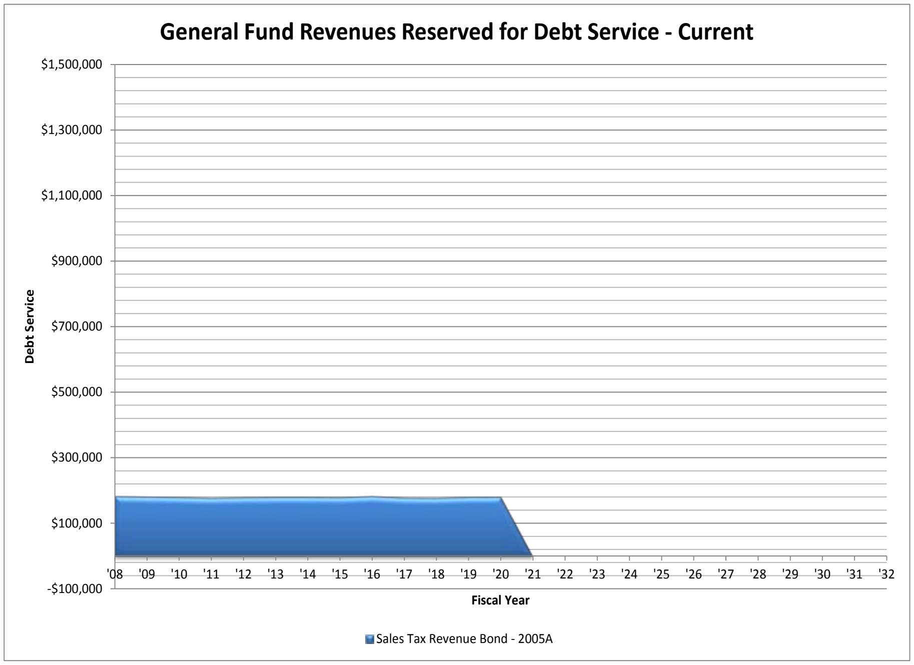
Debt Service

The City has five categories of debt: General Obligation (GO) Bonds, Sales Tax Revenue Bonds, Water Revenue Bonds,

5-Yr Capital Improvement Plan Listing

(From General Fund Revenue Transfer)

Proj	Project Title	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 20 - 24
CP0003	Old Town Stairs	$ -	50,000	0	0	0	0	0
CP0006	Pavement Management Impl.	$ 300,000	300,000	300,000	300,000	300,000	300,000	1,500,000
CP0008	Historical Incentive Grants	$ (47,136)	0	0	0	0	0	0
CP0017	ADA Implementation	$ 10,000	10,000	0	0	0	0	0
CP0020	City-Wide Signs Phase I	$ 20,000	0	0	0	0	0	0
CP0036	Traffic Calming	$ 50,000	50,000	50,000	50,000	50,000	50,000	250,000
CP0042	Gilmore Open Space Note	$ 100,000	0	0	0	0	0	0
CP0061	Economic Development	$ 50,000	50,000	50,000	50,000	50,000	50,000	250,000
CP0074	Equipment Replacement - Rolling Stock	$ 650,000	700,000	750,000	750,000	800,000	800,000	4,450,000
CP0075	Equipment Replacement - Computer	$ 255,000	255,000	255,000	255,000	255,000	255,000	1,275,000
CP0089	Public Art	$ -	0	50,000	50,000	50,000	50,000	250,000
CP0128	Quinn's Ice/Fields Phase II	$ 60,000	0	0	0	0	0	0
CP0142	Racquet Club Program Equipment Replacement	$ 30,000	30,000	30,000	30,000	30,000	30,000	150,000
CP0146	Asset Management/Replacement Program	$ 582,709	582,709	582,709	582,709	582,709	582,709	2,913,545
CP0191	Walkability Maintenance	$ 45,000	45,000	45,000	45,000	45,000	45,000	225,000
CP0229	Dredge Prospector Pond	$ -	0	0	150,000	0	0	0
CP0250	Irrigation Controller Replacement	$ 25,000	25,000	25,000	25,000	25,000	25,000	125,000
CP0264	Security Projects	$ 25,000	0	0	0	0	0	0
CP0266	Prospector Drain - Regulatory Project	$ 256,967	0	0	0	0	0	0
CP0267	Soils Repository	$ 43,033	0	400,000	0	0	0	0
CP0278	Royal Street	$ -	750,000	0	0	0	0	0
CP0286	Ironhorse Electronic Access Control	$ 25,000	0	0	0	0	0	0
CP0280	Aquatics Equipment Replacement	$ 15,000	15,000	15,000	15,000	15,000	15,000	75,000
CP0298	Historic Preservation	$ 10,000	0	0	0	0	0	0
CP0312	Fleet Management Software	$ 27,000	27,000	0	0	0	0	0
CP0319	Prospector Avenue	$ -	0	100,000	0	0	0	0
CP0324	Recreation Software	$ 85,000	0	0	0	0	0	0
CP0325	Network & Security Enhancements	$ 80,000	80,000	0	0	0	0	0
CP0326	Website Remodel	$ 37,000	0	0	0	0	0	0
	Total	**$2,734,573**	**2,969,709**	**2,652,709**	**2,302,709**	**2,202,709**	**2,202,709**	**11,463,545**



RDA Tax Increment Bonds, and Notes/Contracts Payable. GO debt is generally funded by increased property tax, thus having a net zero impact on the General Fund. Sales Tax bonds can be funded using varying strategies, but are generally retired using sales tax (or General Fund surplus, for purposes of this study). Water Revenue debt service is paid with enterprise fund revenues and does not impact the operating fund. RDA debt is paid with RDA property tax increment, which is earmarked revenue that does not impact the General Fund. Notes/Contracts Payable are often retired using operating revenues.

This study ignores all debt that has no impact or a net zero impact on the General Fund. This means that GO debt, Water debt, RDA debt, and Sales Tax debt funded by non-operating funds (such as impact fees) are excluded from the long-range projections. Figure AM-4 shows current debt service amounts that will be paid from General Fund revenues.

Debt service includes sales tax debt for 2005(A) sales tax bond. Debt service of the 2005(a) is show in fig. AM-5. In 2012 Park City votes approved a half cent sales tax increase known as the Additional Resort Communities Sales Tax. This tax revenue will be received directly into the capital improvement fund. Future sales tax revenue bonds will be issued against this additional revenue and will therefore not affect the General Fund.

APPENDIX
2014 FIAR

Ten-year Financial Impact Forecast

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	**$29,176**	**$30,078**	**$30,972**	**$31,876**	**$32,753**	**$33,580**	**$34,372**	**$35,127**	**$35,861**	**$36,585**	**$37,313**
Op. Expenses (Base)	$25,633	$25,633	$25,633	$25,633	$25,633	$25,633	$25,633	$25,633	$25,633	$25,633	$25,633
Inflationary Growth	$0	$836	$1,699	$2,592	$3,513	$4,466	$5,450	$6,466	$7,517	$8,602	$9,723
Operating LOS Growth	$0	$331	$666	$1,005	$1,349	$1,698	$2,051	$2,409	$2,771	$3,138	$3,510
CIP Expenses	$2,735	$2,970	$2,653	$2,303	$2,203	$2,203	$2,253	$2,253	$2,303	$2,303	$2,353
Debt Service	$181	$180	$183	$179	$178	$181	$182	$0	$0	$0	$0
Total Expenses	**$28,548**	**$29,949**	**$30,834**	**$31,711**	**$32,876**	**$34,180**	**$35,568**	**$36,760**	**$38,223**	**$39,675**	**$41,218**
Rev/Exp	**$628**	**$129**	**$138**	**$165**	**-$123**	**-$600**	**-$1,196**	**-$1,633**	**-$2,362**	**-$3,090**	**-$3,905**

**In Thousands (x1,000)*

Aggregate Surplus/(Shortfall) Over Ten-Years (2015 to 2024)	**-$12,478,163**

Revenue Projections

Budget Summary

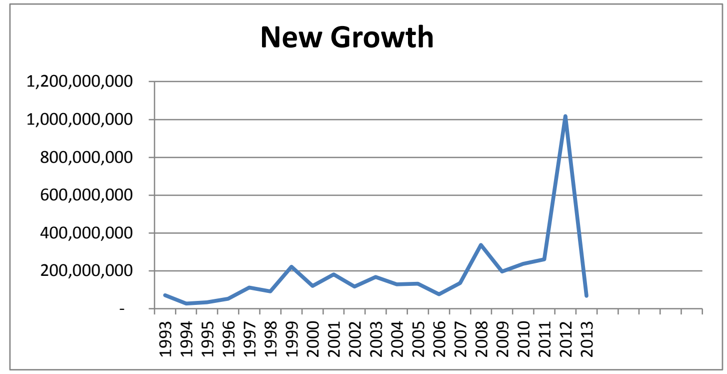
Description	Actual Revenue (15 Years)															Average Annual Change (15 Years)
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
General Fund Revenue (thousands)																
Sales Tax	5,483	5,656	6,215	6,844	6,253	6,560	7,847	8,530	8,588	9,205	8,091	8,474	8,989	9,569	9,749	4.5%
Property Taxes	4,592	4,955	5,517	6,091	5,834	6,153	7,244	6,731	6,756	7,141	6,937	7,741	8,647	9,964	10,024	6.0%
Franchise Tax	1,176	1,195	1,481	1,642	1,703	1,855	2,309	2,715	2,530	2,749	2,720	2,774	2,907	2,816	3,037	7.4%
Planning Building & Engineering Fees	1,110	1,692	1,274	910	1,136	1,122	2,047	2,159	2,611	3,098	1,496	562	825	791	1,020	7.7%
Recreation	-	-	-	-	-	990	1,067	1,225	1,241	1,287	1,368	1,227	850	1,430	1,695	8.9%
Ice Revenue	-	-	-	-	-	-	-	161	407	402	458	459	583	688	662	29.5%
Licenses	-	-	-	36	29	21	88	91	48	173	207	212	228	345	392	53.0%
Intergovernmental	-	-	-	83	7	174	45	179	54	158	84	119	137	147	330	245.4%
Court Fees	-	-	-	66	51	77	103	101	75	92	101	106	95	80	76	3.6%
Fees/Other	-	-	-	788	628	527	815	904	1,090	1,040	646	453	468	465	490	-1.3%
Interfund Transfers	-	-	-	-	-	-	-	1,450	1,618	2,350	1,450	1,450	1,520	1,472	1,416	2.3%
Total	**12,361**	**13,498**	**14,487**	**16,460**	**15,640**	**17,479**	**21,565**	**24,246**	**25,020**	**27,696**	**23,558**	**23,578**	**25,248**	**27,767**	**28,891**	**6.6%**

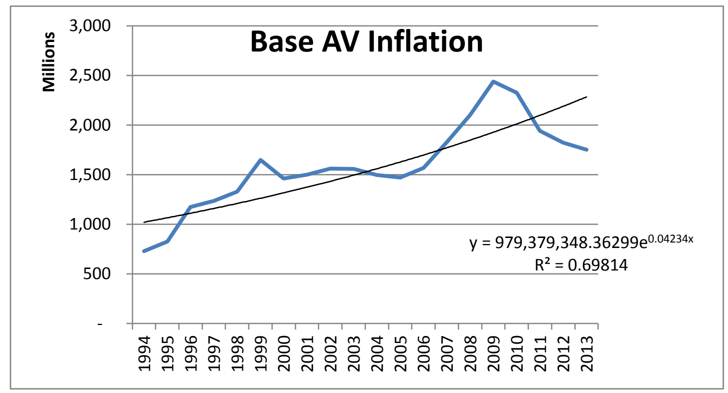
** Actual in red indicate outliers*

Description	Projected Revenue (10 Years)											Average Annual Change (10 Years)
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
General Fund Revenue (thousands)												
Sales Tax	9,548	9,848	10,148	10,449	10,749	11,049	11,349	11,650	11,950	12,250	12,550	2.8%
Property Taxes	9,930	10,285	10,639	10,978	11,288	11,556	11,779	11,967	12,132	12,287	12,446	2.3%
Franchise Tax	3,141	3,277	3,414	3,550	3,686	3,823	3,959	4,096	4,232	4,368	4,505	3.7%
Planning Building & Engineering Fees	1,540	1,542	1,544	1,546	1,548	1,550	1,552	1,554	1,556	1,558	1,559	0.1%
Recreation	1,731	1,806	1,872	1,937	2,002	2,068	2,133	2,199	2,264	2,330	2,395	3.3%
Ice Revenue	695	698	711	747	780	809	838	866	895	924	953	3.2%
Licenses	411	432	448	466	486	503	531	558	584	610	634	4.4%
Intergovernmental	143	143	143	143	143	143	143	143	143	143	143	0.0%
Court Fees	91	92	91	90	91	91	90	89	88	89	90	0.0%
Fees/Other	496	504	512	520	528	537	546	556	566	576	586	1.7%
Interfund Transfers	1,451	1,451	1,451	1,451	1,451	1,451	1,451	1,451	1,451	1,451	1,451	0.0%
Total	**29,176**	**30,078**	**30,972**	**31,876**	**32,753**	**33,580**	**34,372**	**35,127**	**35,861**	**36,585**	**37,313**	**2.5%**

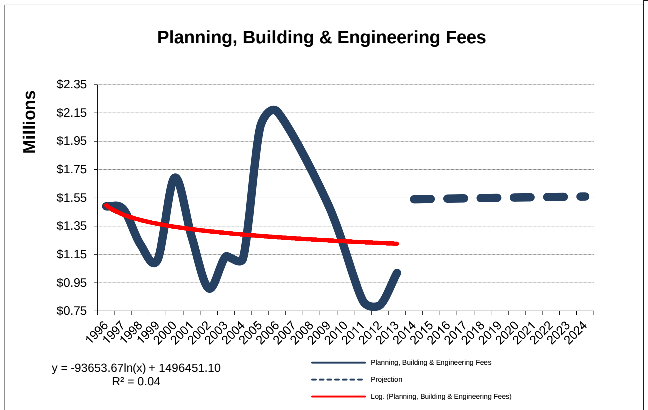
Property Tax Calculation

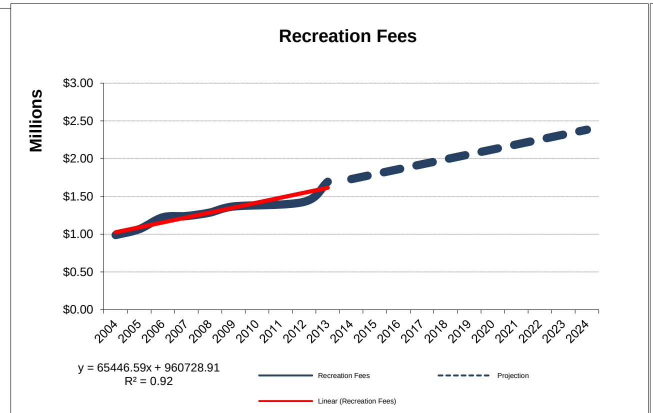
FY	Base AV	Base Rev	Gen Levy	Est New Growth AV	Est New Growth Rev	Total Projected Gen Levy
1993	702,394,843	2,727,282	0.003883	72,031,510	279,698	
1994	803,188,589	3,151,763	0.003924	27,154,818	106,556	
1995	942,273,048	3,381,510	0.003589	34,311,260	123,143	
1996	1,389,314,410	3,540,711	0.002549	52,732,915	134,416	
1997	1,517,035,803	3,497,089	0.002305	111,716,130	257,506	
1998	1,756,725,163	3,829,613	0.002180	91,454,078	199,370	
1999	2,304,102,616	3,987,868	0.001731	221,517,191	383,446	
2000	2,268,723,378	4,286,649	0.001889	120,684,324	227,973	
2001	2,467,799,060	4,631,374	0.001876	181,553,620	340,595	
2002	2,776,388,386	5,092,154	0.001834	117,639,223	215,750	
2003	2,899,770,031	5,356,096	0.001847	167,499,887	309,372	
2004	2,966,027,232	5,501,084	0.001855	128,503,658	238,374	
2005	3,049,757,096	5,718,586	0.001875	132,307,533	248,077	
2006	3,400,877,632	5,944,867	0.001748	76,444,065	133,624	
2007	4,067,660,253	6,070,152	0.001492	135,173,000	201,678	
2008	4,859,206,356	6,260,672	0.001288	337,192,925	434,304	
2009	6,136,616,502	6,670,656	0.001087	196,200,198	213,270	
2010	6,112,813,996	6,874,752	0.001125	237,981,804	267,730	
2011	5,365,907,122	7,131,534	0.001327	261,217,643	346,636	
2012	5,327,424,788	7,399,793	0.001389	1,017,211,007	1,412,906	
2013	6,229,284,469	8,627,559	0.001385	68,768,667	95,245	
2014	6,312,161,001	8,722,804	0.001382	180,502,065	249,437	8,972,240
2015	6,495,719,912	8,972,240	0.001381	251,078,161	346,803	9,319,043
2016	6,814,312,037	9,319,043	0.001368	253,378,732	346,513	9,665,556
2017	7,179,854,617	9,665,556	0.001346	246,480,178	331,813	9,997,369
2018	7,543,349,632	9,997,369	0.001325	229,196,341	303,759	10,301,128
2019	7,894,621,598	10,301,128	0.001305	200,238,965	261,278	10,562,405
2020	8,222,215,853	10,562,405	0.001285	168,348,118	216,263	10,778,668
2021	8,523,427,265	10,778,668	0.001265	143,900,425	181,976	10,960,644
2022	8,805,937,205	10,960,644	0.001245	128,056,769	159,391	11,120,034
2023	9,078,598,228	11,120,034	0.001225	122,084,306	149,536	11,269,571
2024	9,351,540,796	11,269,571	0.001205	127,364,345	153,487	11,423,058
2025	9,636,287,890	11,423,058	0.001185	132,872,741	157,510	11,580,568
2026	9,933,350,046	11,580,568	0.001166	138,619,371	161,606	11,742,174
2027	10,243,259,881	11,742,174	0.001146	144,614,537	165,776	11,907,951

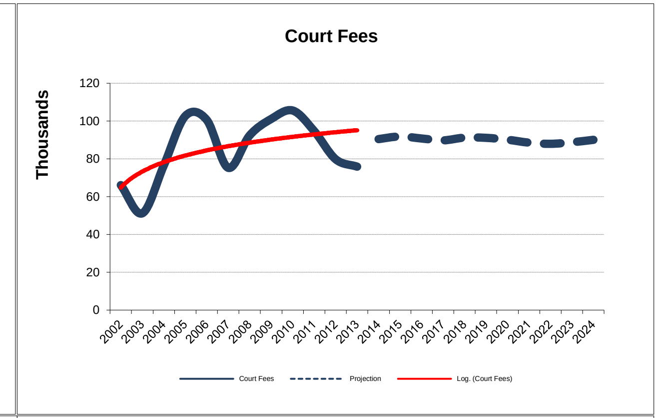


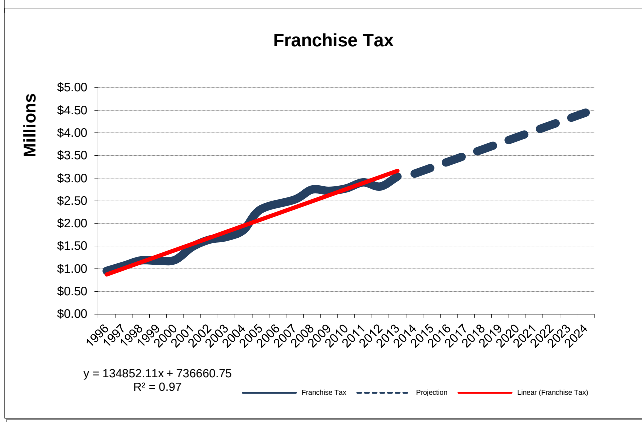


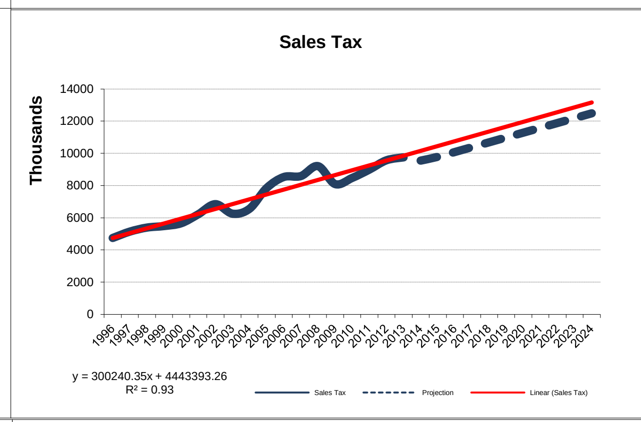
Time-Series Trend Projections

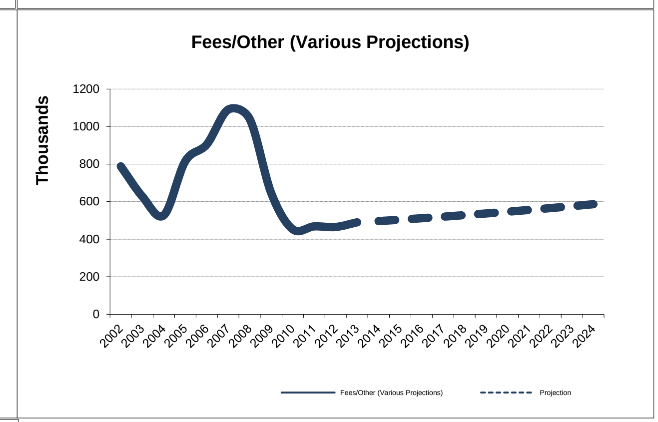


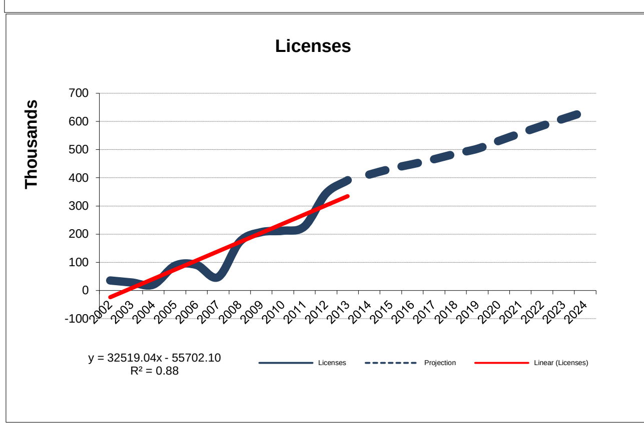


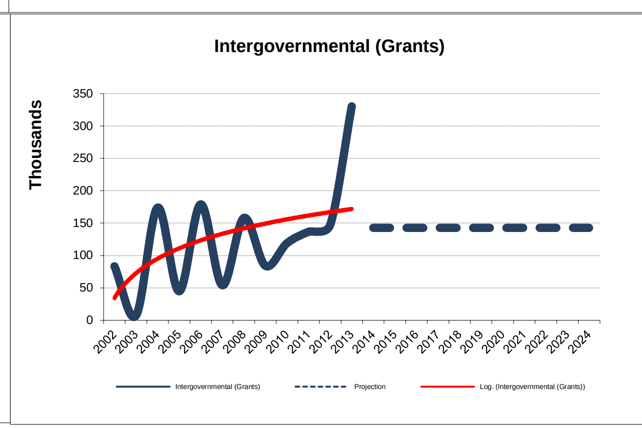












Expense Projections

Base Expenses

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Personnel	$17,658,973	$17,658,973	$17,658,973	$17,658,973	$17,658,973	$17,658,973	$17,658,973	$17,658,973	$17,658,973	$17,658,973	$17,658,973
Materials, Supplies, & Services	$6,284,890	$6,284,890	$6,284,890	$6,284,890	$6,284,890	$6,284,890	$6,284,890	$6,284,890	$6,284,890	$6,284,890	$6,284,890
Capital Outlay	$370,964	$370,964	$370,964	$370,964	$370,964	$370,964	$370,964	$370,964	$370,964	$370,964	$370,964
Interfund Transfer & Contingency	$1,317,741	$1,317,741	$1,317,741	$1,317,741	$1,317,741	$1,317,741	$1,317,741	$1,317,741	$1,317,741	$1,317,741	$1,317,741
Other											
Total:	$25,632,568	$25,632,568	$25,632,568	$25,632,568	$25,632,568	$25,632,568	$25,632,568	$25,632,568	$25,632,568	$25,632,568	$25,632,568

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CIP Expenses	$2,734,573	$2,969,709	$2,652,709	$2,302,709	$2,202,709	$2,202,709	$2,252,709	$2,252,709	$2,302,709	$2,302,709	$2,352,709
Debt Service	$181,247	$180,247	$183,497	$179,097	$178,297	$180,897	$181,697	$0	$0	$0	$0

Inflation/Demand Expense Growth

3.32%	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Personnel	$0	$585,556	$604,973	$625,033	$645,759	$667,171	$689,294	$712,151	$735,765	$760,162	$785,369
Materials, Supplies, & Services	$0	$208,401	$215,312	$222,451	$229,828	$237,449	$245,322	$253,457	$261,861	$270,544	$279,515
Capital Outlay	$0	$12,301	$12,709	$13,130	$13,566	$14,015	$14,480	$14,960	$15,456	$15,969	$16,498
Interfund Transfer & Contingency	$0	$29,610	$30,592	$31,606	$32,654	$33,737	$34,856	$36,011	$37,206	$38,439	$39,714
Other											
Total:	$0	$835,868	$1,699,453	$2,591,674	$3,513,480	$4,465,852	$5,449,805	$6,466,384	$7,516,672	$8,601,786	$9,722,882

Expanded Level of Service Expense Growth

1.31%	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Personnel	$0	$231,724	$234,765	$237,846	$240,967	$244,129	$247,332	$250,578	$253,866	$257,197	$260,572
Materials, Supplies, & Services	$0	$82,472	$83,554	$84,650	$85,761	$86,886	$88,026	$89,182	$90,352	$91,537	$92,739
Capital Outlay	$0	$4,868	$4,932	$4,996	$5,062	$5,128	$5,196	$5,264	$5,333	$5,403	$5,474
Interfund Transfer & Contingency	$0	$11,718	$11,871	$12,027	$12,185	$12,345	$12,507	$12,671	$12,837	$13,006	$13,176
Other											
Total:	$0	$330,782	$665,904	$1,005,423	$1,349,398	$1,697,887	$2,050,948	$2,408,643	$2,771,031	$3,138,175	$3,510,136

Expense Projections

Interfund Transfers:

Expenses:	**Growth…**										
Object Code	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
9121-Fleet Charge Inflation/Demand	$301,030	$9,982	$10,313	$10,655	$11,008	$11,373	$11,750	$12,140	$12,542	$12,958	$13,388
9122-Fleet Maint Charge Inflation/Demand	$591,934	$19,628	$20,279	$20,951	$21,646	$22,364	$23,105	$23,871	$24,663	$25,481	$26,326
9121-Fleet Charge Council Directed	$301,030	$3,950	$4,002	$4,055	$4,108	$4,162	$4,216	$4,272	$4,328	$4,384	$4,442
9122-Fleet Maint Charge Council Directed	$591,934	$7,767	$7,869	$7,973	$8,077	$8,183	$8,291	$8,399	$8,510	$8,621	$8,734
9165-Insurance Fund Charge	$178,777	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
9255-Golf Tournament Youth/Employee	$25,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Contingency	$221,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total - Inflation/Demand	$1,317,741	$29,610	$30,592	$31,606	$32,654	$33,737	$34,856	$36,011	$37,206	$38,439	$39,714
Total - Council Directed	$1,317,741	$11,718	$11,871	$12,027	$12,185	$12,345	$12,507	$12,671	$12,837	$13,006	$13,176

Assumptions: ***See SLAC Study***

Last fall, a committee of City staff reconvened to update the 2000 SLAC report. The committee agreed that the most valuable output from the original report was the distribution of the increment of operating expenses over a ten-year period into three categories describing the nature of the growth. Efforts were focused on reproducing this data for the ten-year period between 2000 and 2010. It was agreed that the results would tie into the City's long-term financial planning to project expenditure growth.

Inflation: Any growth in the cost to provide the same quantity and quality of existing service in 2000. This is basically price increases (e.g., road salt costs more now than it did then, even if we buy the same amount). Any decrease in program costs due to efficiencies gained, economies of scale, reorganizations, etc., would be accounted for here. Increased costs due to State or Federal mandates would also fit in this category.

Increased Demand: Any growth in expenditures due to providing more of the same service to more population, visitors, users, lane miles, etc. (e.g., we buy more salt because we have more lane miles than we had in 2000). A change in the sophistication of user or population demand which causes increased expense could also be accounted for here.

Expanded Level of Service: Growth in expenses related to direction given to increase/expand new services or the level at which existing services are provided. Also operating expenses resulting from capital projects which represent a greater level of service, .

Interfund Transfers: It was determined that the fleet charges (fuel and maintenance) to the General Fund are subject to market forces and will be affected by inflation and increased discretionary spending. Therefore the fleet charge projections were calculated using the aforementioned growth rates. All other interfund transfers as well as contingency are set by policy and were assumed to remain the same. Interfund transfers to debt service and capital funds were excluded as the CIP and debt service projections effectively capture this expense.

Long-Term Debt Service (Dedicated GF Surplus)

	Type	Series	
	Contract Payable	Sales Tax Revenue Bond	Grand Total
Data	Gillmore	2005A	
'08	$ 100,000	$ 183,684	$ 183,684.00
'09	$ 100,000	$ 181,859	$ 181,859.00
'10	$ 100,000	$ 180,547	$ 180,546.50
'11	$ 100,000	$ 178,247	$ 178,246.50
'12	$ 100,000	$ 180,072	$ 180,071.50
'13	$ 100,000	$ 180,847	$ 180,846.50
'14	$ 100,000	$ 181,247	$ 181,246.50
'15	$ 100,000	$ 180,247	$ 180,246.50
'16	$ 100,000	$ 183,497	$ 183,496.50
'17		$ 179,097	$ 179,096.50
'18		$ 178,297	$ 178,296.50
'19		$ 180,897	$ 180,896.50
'20		$ 181,697	$ 181,696.50
'21			$ -
'22			$ -
'23			$ -
'24			$ -
'25			$ -
'26			$ -
'27			$ -
'28			$ -
'29			$ -
'30			$ -
'31			$ -
'32			$ -

SLAC Study FY 2010

DEPT NAME	2000 COST	2010 BUDGET	INCREMENT	INFLATION	DEMAND	COUNCIL	ANNUAL %
BUDGET, DEBT, AND GRANTS	$317,097	$245,224	-$71,873	-$136,050	$19,933	$44,244	-2.54%
BUILDING DEPARTMENT	$909,284	$1,739,144	$829,860	$410,080	$302,260	$117,520	6.70%
BUILDING MAINTENANCE	$694,689	$1,073,369	$378,680	$107,002	$100,670	$171,008	4.45%
CITY COUNCIL	$131,345	$217,984	$86,639	$50,803	$21,660	$14,177	5.20%
CITY MANAGER	$234,328	$598,312	$363,984	$151,977	$95,307	$116,700	9.83%
CITY RECREATION	$1,368,182	$1,508,534	$140,352	-$240,013	$176,092	$204,273	0.98%
COMMUNICATION	$401,064	$719,026	$317,962	$63,592	$222,573	$31,796	6.01%
COMMUNITY & ENVIRONMENT	$90,360	$457,994	$367,634	$20,234	$174,340	$173,060	17.62%
DRUG EDUCATION	$21,187	$5,999	-$15,188	-$3,184	-$12,004	$0	-11.85%
ECONOMY	$309,971	$450,684	$140,713	-$36,745	-$33,360	$210,817	3.81%
ENGINEERING	$269,826	$370,233	$100,407	$52,515	$35,652	$12,240	3.21%
FIELDS	$0	$193,179	$193,179	-$9,687	-$9,687	$212,553	0.00%
FINANCE	$426,546	$797,094	$370,548	$193,444	$86,004	$0	6.45%
FLEET SERVICES	$855,608	$2,335,909	$1,480,301	$573,380	$159,748	$747,173	10.57%
GOLF MAINTENANCE	$566,573	$675,339	$108,766	$63,608	$54,158	-$9,000	1.77%
GOLF PRO SHOP	$540,703	$597,008	$56,305	$36,136	$20,170	$0	1.00%
HUMAN RESOURCES	$449,179	$602,813	$153,634	$17,769	$35,920	$99,945	2.99%
ICE FACILITY	$0	$820,584	$820,584	$84,528	$84,528	$651,528	0.00%
LEADERSHIP	$14,814	$115,617	$100,803	$15,000	$43,000	$42,803	22.81%
LEGAL	$456,140	$808,107	$351,967	$42,914	$221,329	$87,724	5.89%
LIBRARY	$503,598	$845,171	$341,573	$157,770	$169,519	$14,284	5.31%
PARKS AND CEMETERY	$1,063,192	$1,372,435	$309,243	$76,873	$90,666	$141,704	2.59%
PLANNING	$802,678	$945,294	$142,616	$37,591	$221,096	-$116,070	1.65%
POLICE	$2,158,186	$3,520,444	$1,362,258	$297,903	$753,045	$311,310	5.01%
PUBLIC WORKS ADMIN	$191,691	$288,520	$96,829	-$12,065	$35,174	$73,720	4.17%
STATE LIQUOR ENFORCE	$43,530	$66,785	$23,255	$5,395	$7,721	$10,139	4.37%
STREET LIGHTS/SIGNS	$154,800	$184,000	$29,200	$13,651	$8,146	$7,403	1.74%
STREET MAINTENANCE	$1,452,748	$1,845,168	$392,420	$94,600	$210,560	$87,260	2.42%
SWEDE ALLEY	$33,063	$80,450	$47,387	$11,847	$0	$35,540	9.30%
IT	$811,508	$1,159,710	$348,202	$32,321	$294,066	$21,815	3.63%
TENNIS	$341,557	$634,855	$293,298	$157,602	$122,170	$13,527	6.39%
TRANSPORTATION OPERATION	$2,902,837	$6,865,919	$3,963,082	$1,260,620	$761,323	$1,941,140	8.99%
WATER BILLING	$0	$120,379	$120,379	$60,190	$40,026	$20,163	0.00%
WATER OPERATIONS	$2,025,540	$3,889,498	$1,863,958	$307,099	$1,507,035	$49,824	6.74%
All Funds	**$20,723,708**	**$36,241,881**	**$15,518,173**	**$4,140,584**	**$6,018,839**	**$5,540,318**	
General Fund	**$13,832,447**	**$21,564,650**	**$7,732,203**	**$1,849,238**	**$3,486,067**	**$2,578,466**	