



2017 Economic Outlook & Revenue Overview

Prepared for the Salt Lake County Council and Mayor

October 18, 2016

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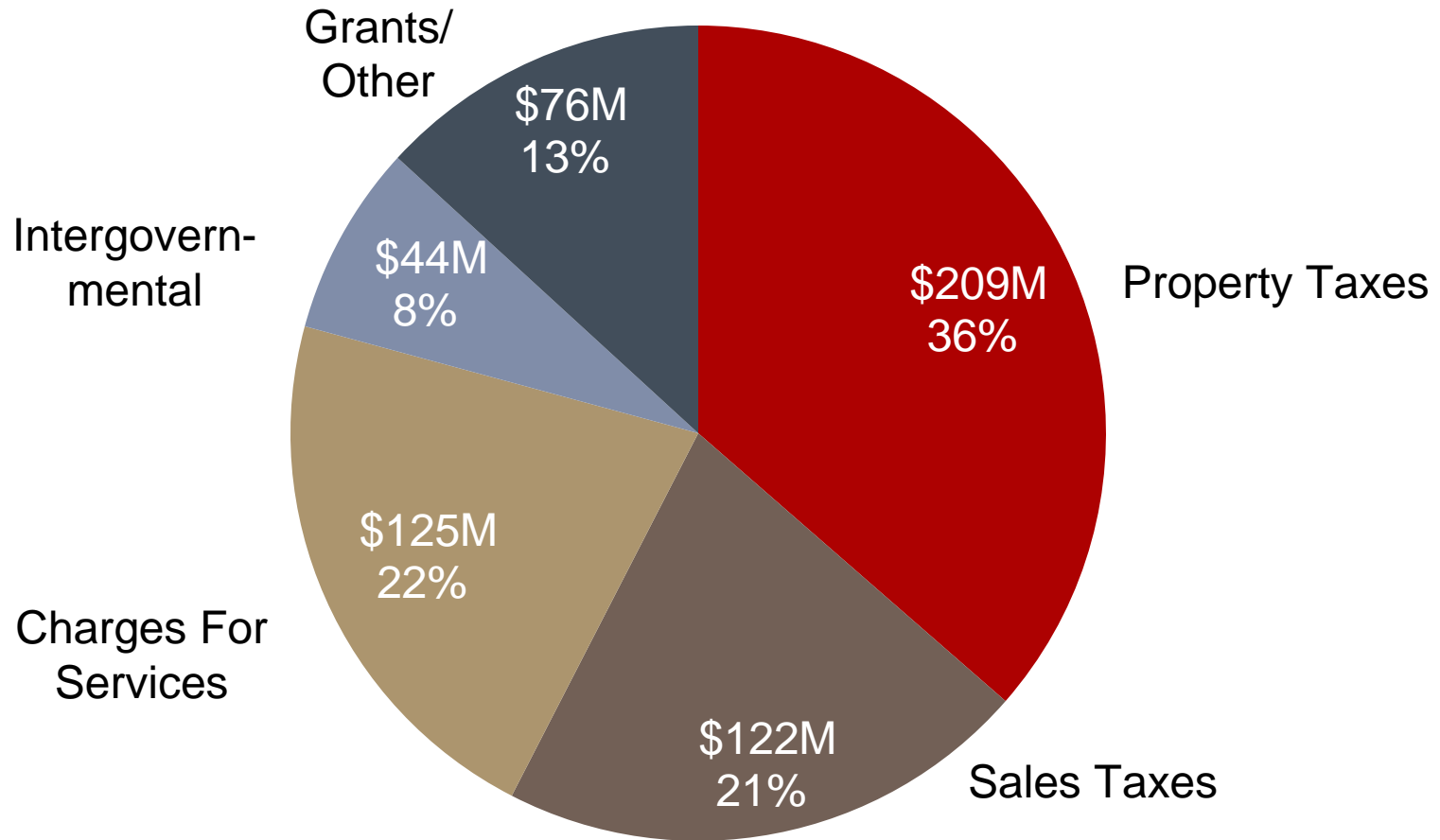
Agenda

- Overview
- Economic Indicators
- Property Tax Projection
- Sales Tax Projection
- Other Revenues



General Fund & Related Funds 2017 Projected Revenues

\$575M Total





2017 Property Tax Revenue

- Projected new growth for 2017
 - Reviewed permit authorized construction trends for residential and non-residential properties
 - Consulted with the District Attorney's Office about centrally-assessed property values
 - Incorporated new legislation in the calculations
 - Projection vetted with Revenue Committee



2017 Sales Tax Revenue

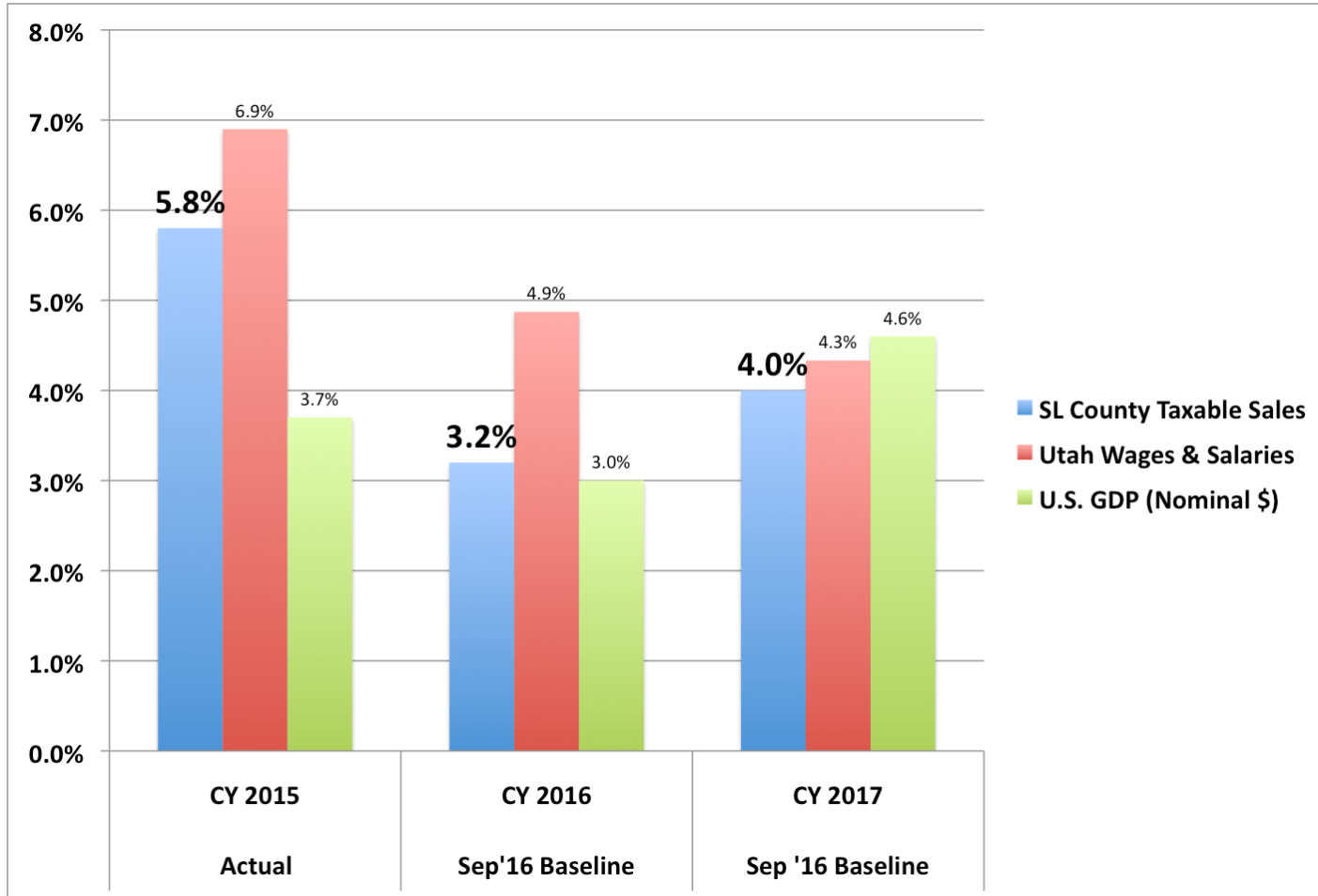
- Projected new growth for 2017 based on local and national economic indicators, including
 - Wage and employment growth
 - Consumer Confidence
 - Vehicle sales and other leading indicators
- Projections vetted with Revenue Committee



Economic Indicators



Taxable Sales Improve As We Move Into 2017



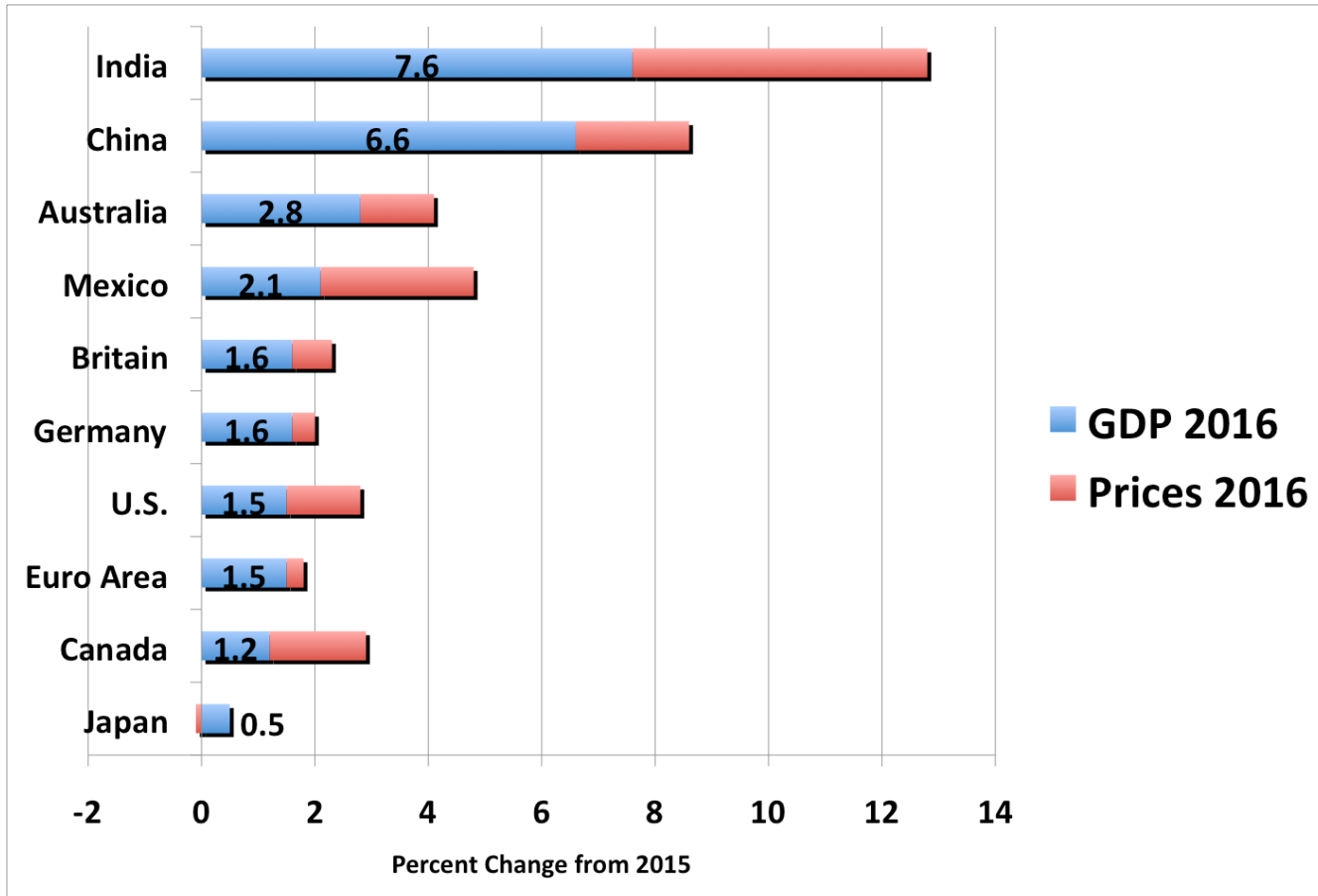


The World





U.S. Growth in the Center of its Trading Partners





The Nation



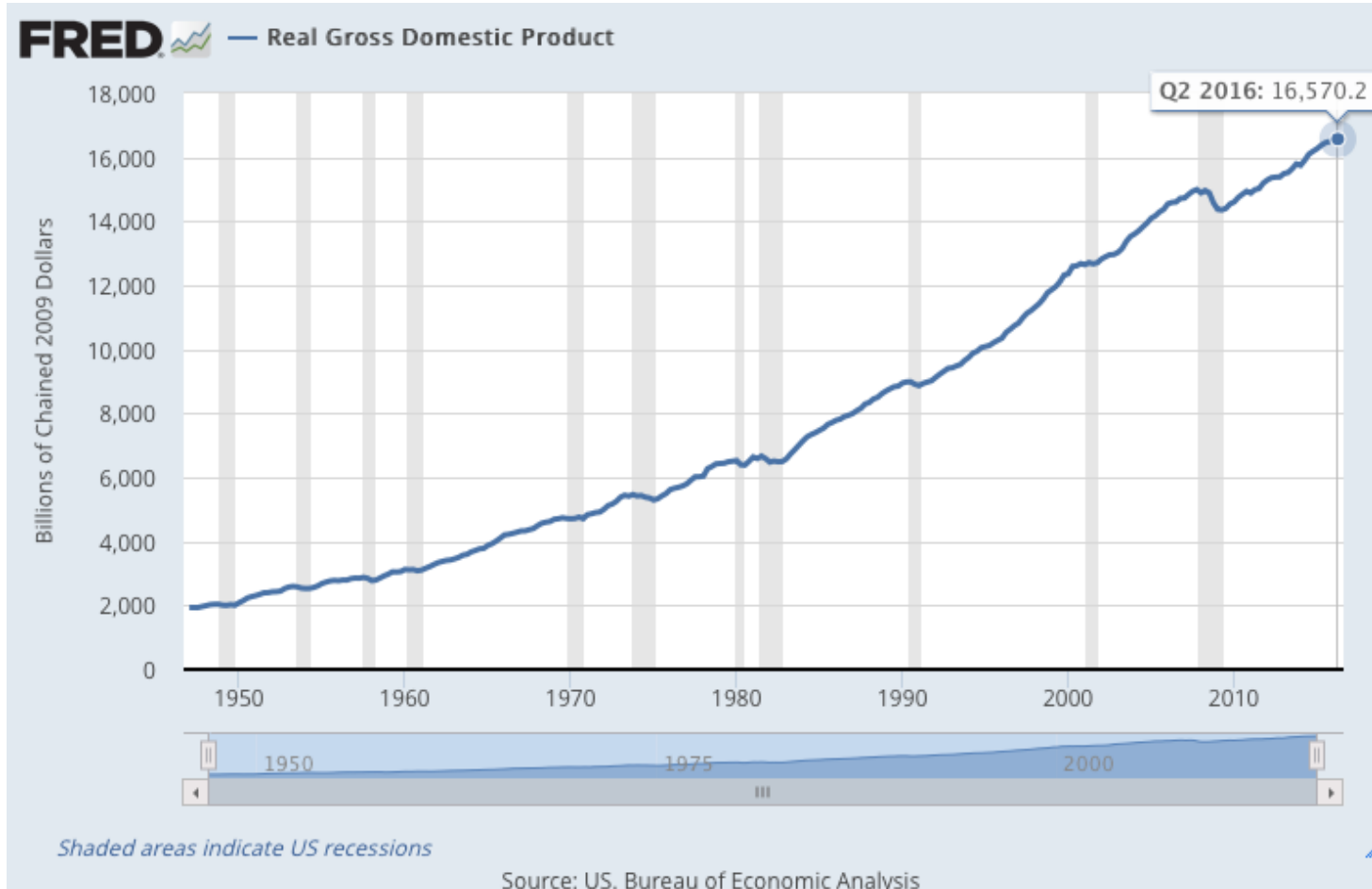


2016 U.S. growth slows to 1.6% from 2.7% but...

- The U.S. is **still** doing better than most -- **principle driver of growth is domestic demand**
- Prospects for **consumer spending** (domestic demand, roughly 70% of GDP) **still** look **bright**, thanks to **solid jobs and income growth, lower energy prices, low interest rates, and wage gains outpacing inflation**
- **Capital spending will improve 3% in 2017**



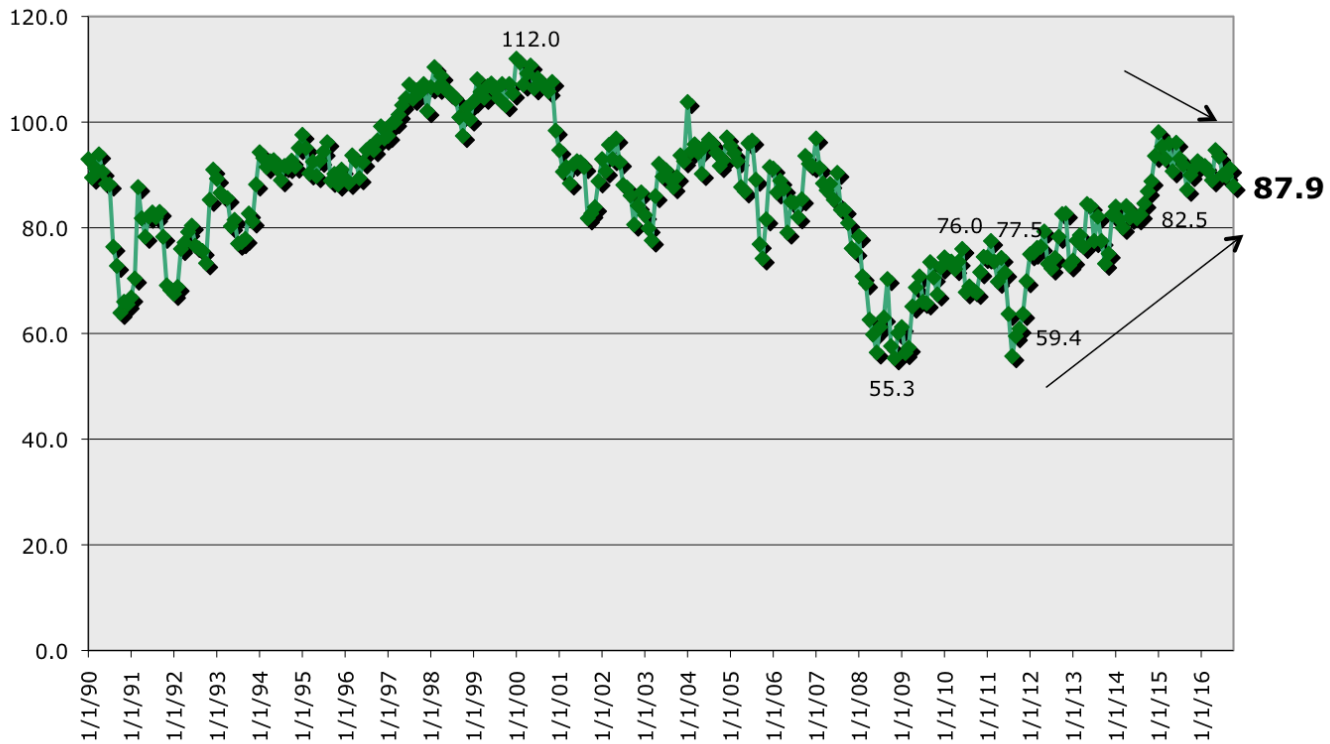
2016 U.S. growth slows (from 2.6%) to 1.6%





Consumer Sentiment Levels Off at High Level

U.S. Consumer Sentiment Index





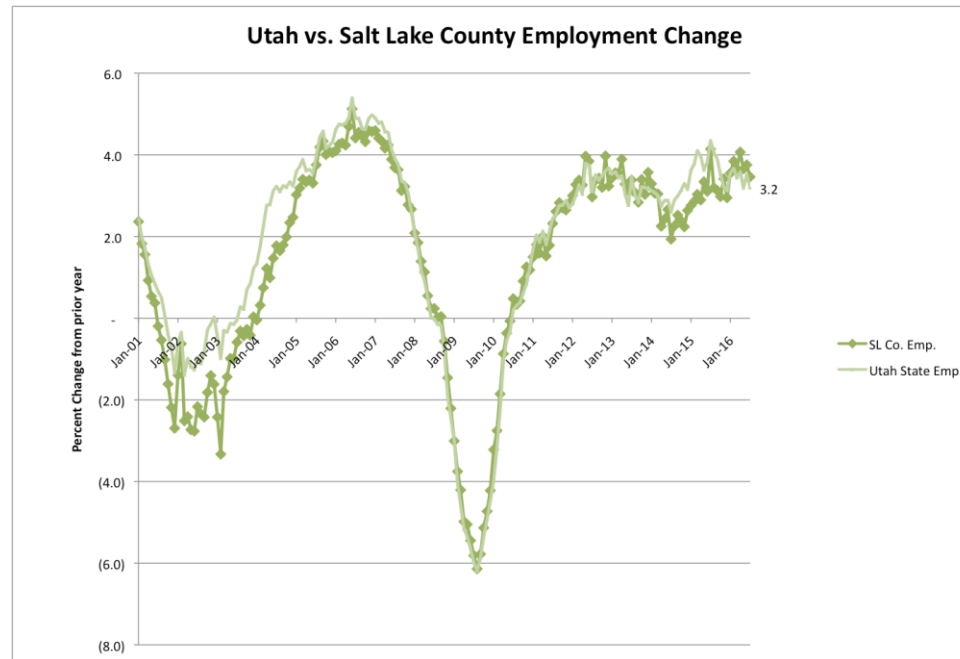
The County Economy





State of Utah and Salt Lake County Economies

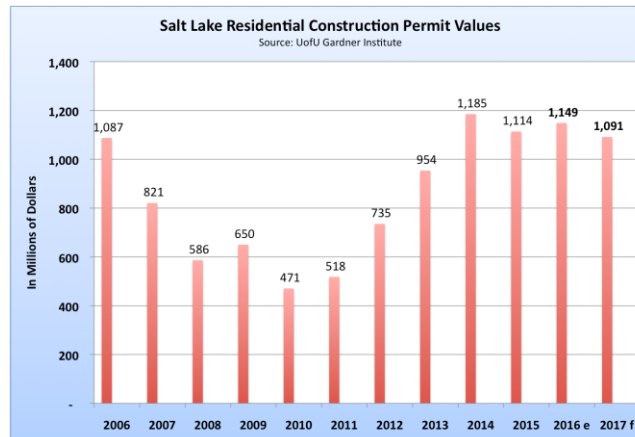
- Utah job growth slips from 3.6% this year to 2.3% in 2017





State of Utah and Salt Lake County Economies

1. Utah job growth slips from 3.6% this year to 2.3% in 2017
2. After more than doubling from 2010 to 2015, Salt Lake County new home construction was up 3% thru July 2016





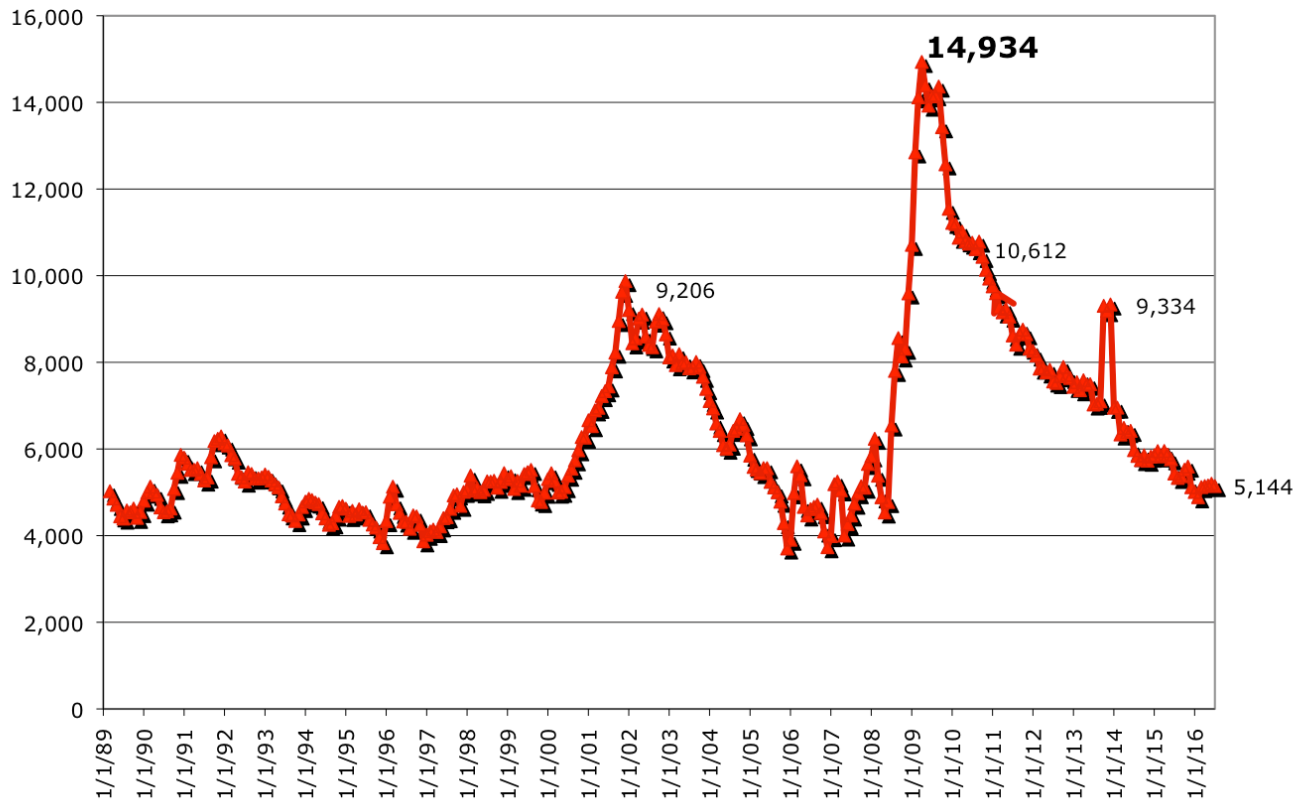
State of Utah and Salt Lake County Economies

1. Utah job growth slips from 3.6% this year to 2.3% in 2017
2. After more than doubling from 2010 to 2015, Salt Lake County new home construction up 3% in 2016 thru July
3. Low gas prices and strong job growth driving 5% increase in Utah new car & truck sales in 2016



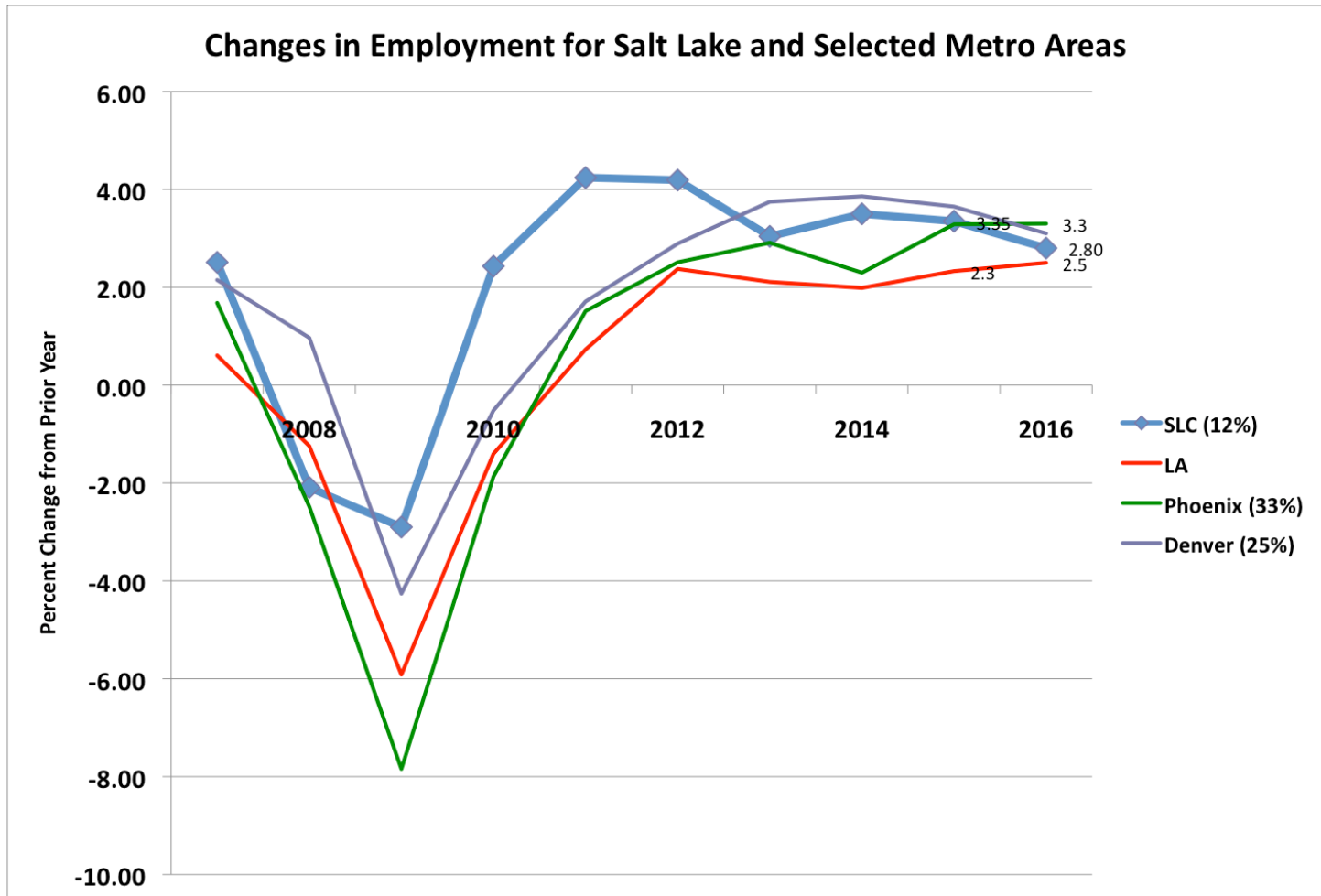
Unemployment Claims Down to 5,144 (6 Month Leading Indicator)

Utah Initial Unemployment Claims
(6 month leading indicator, 3 month average, seasonally adjusted)



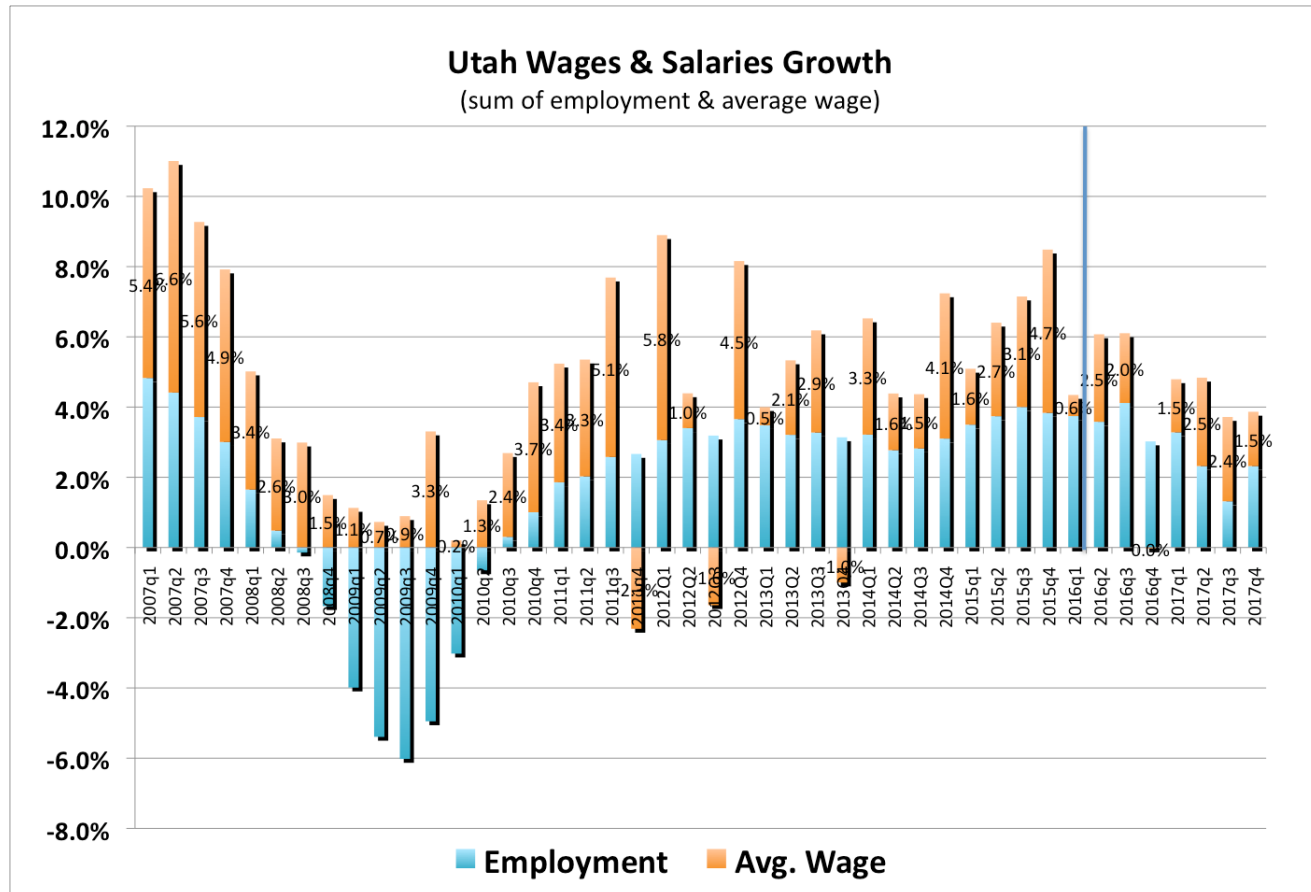


Salt Lake Metro Employment Growth Decelerating





Utah Payrolls will Improve 4.3% to 5% in 2017





Car & Truck Sales – Still Growing in 2016



Salt Lake County		% Chg.
2013	\$ 2.48 B	14.8%
2014	\$ 2.63	5.6%
2015	\$ 2.83	7.1%
2016 1 st half	Units: 30,113	5.3%



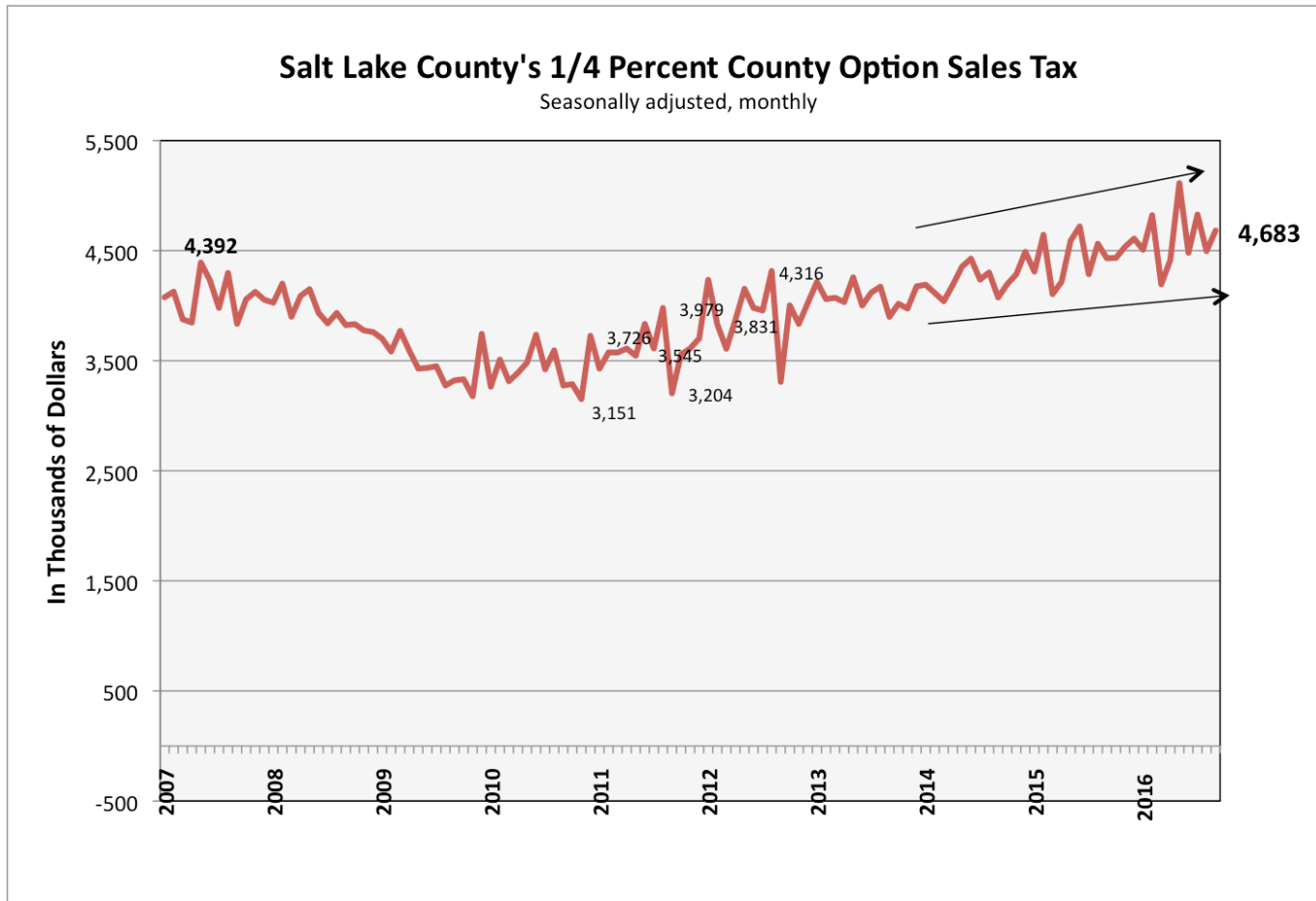
Salt Lake County Taxable Sales: Second Quarter 2016

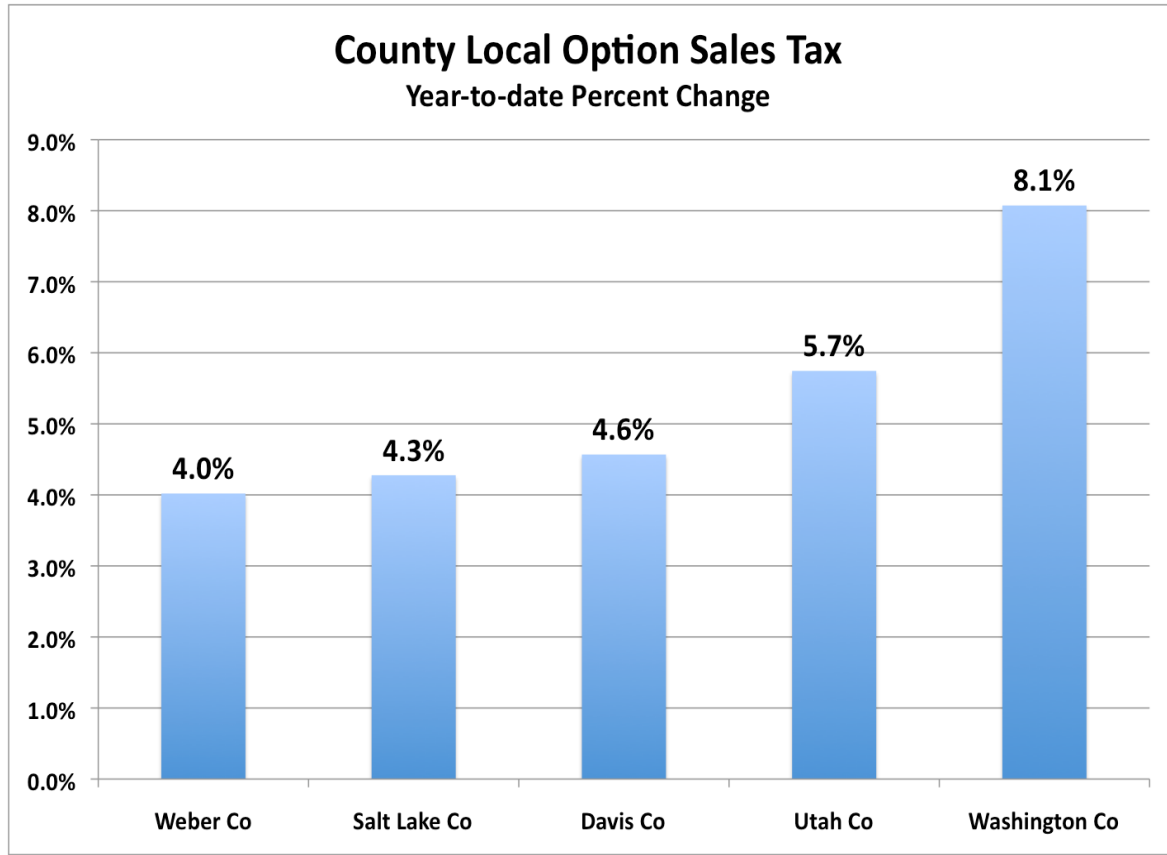
(These nine sectors account for 59% of all taxable sales)	Sales in Million \$	% Change From Prior Year
Retail – Motor Vehicle	\$ 731	5.1 %
Retail – General Merchandise	559	2.3
Retail – Groceries	465	3.4
Retail – Building	354	11.8
Services – Restaurants	532	5.6
Services – Information	245	-5.0
Bus. Inv. - Manufacturing	267	10.1
Bus. Inv. - Wholesale Durables	570	2.3
Bus. Inv. – Mining	68	-13.3
Total	\$ 6,284.3	5.6 %

Source: Utah State Tax Commission



Seasonally Adjusted Sales Tax Trending Up

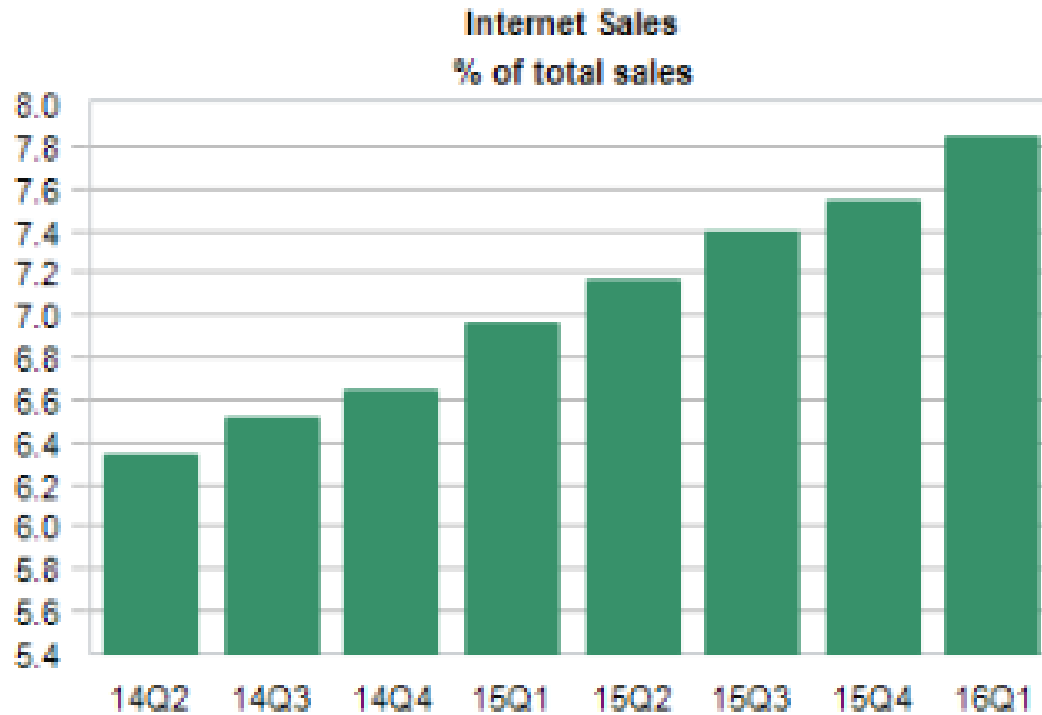




Sales Tax Distributions

Year-to-date up 4.3%





United States: Internet Sales (E-Commerce Sales)

Latest: \$92.8 bil for 2016Q1

“Internet Sales are Eating Brick & Mortar Stores’ Lunch”

IHS Economics

October 2016 Forecast

Salt Lake County Taxable Sales Key Forecast Drivers

Key Economic Drivers	June 2016		Oct 2016	Oct 2016	Oct 2016
	2015	2016	2016	2017	2017
	Actual	Baseline	Baseline	Pessimistic	Baseline
Real GDP (Gross Domestic Product \$B)	16,397 2.7%	16,622 1.4%	\$ 16,651.9 1.6%	16,702 0.3%	\$ 17,059.4 2.4%
Consumer Price Index	0.1%	0.7%	1.1%	3.9%	2.5%
Nominal GDP (\$B)	18,037 3.7%	18,831 4.4%	18,577 3.0%	17,477 4.2%	19,440 4.6%
Utah Employment	3.8%	2.9%	3.6%	2.0%	2.3%
Utah Average Wages	3.0%	2.5%	1.2%	1.1%	2.0%
Utah Wages (Payroll)	6.9%	5.5%	4.9%	3.1%	4.3%
SL County Residential Construction Values	2.0%	-8.6%	13.7%	-6.1%	-5.4%
U.S. Equipment & Software Purchases	3.5%	3.4%	-1.4%	1.3%	3.4%
U.S. Savings Rate	5.8%	5.0%	5.7%	6.5%	5.7%
U.S. Consumer Sentiment Index	92.9	92.8	92.7	83.0	93.2
Refunds,Landslide,Fed Cuts,NSA	0.250	1.000	0.500	0.875	0.500
Salt Lake County Taxable Sales	5.8%	5.0%	3.2%	2.1%	4.0%





Property Tax Revenue



Property Tax Value - New Growth

Countywide Tax Funds

- New growth for rate setting based on change in value, net of reappraisal
- Starting in 2017, Personal Property no longer in the new growth formula and Centrally Assessed must exceed a benchmark to add to new growth.
- RDA/CDRA Offsets
 - Tax increment financing (TIF) captures new growth in value and diverts it from taxing entities
 - New projects come online every year

New Growth (\$M)	2012	2013	2014	2015	2016	2017 P
Real Property	519	775	1,190	1,444	2,218	2,278
Personal Property	(157)	94	434	485	49	n/a
Centrally Assessed	(188)	(1,262)	547	429	258	0
CDRA Capture	(360)	(481)	(343)	(833)	(958)	(900)
SCME Capture	(6)	(18)	(1)	13	10	0
TOTAL	(191)	(892)	1,826	1,537	1,577	1,378
<i>CDRA/SCME Capture %</i>			-16%	-35%	-38%	-40%



Property Tax Value - New Growth

Library Fund

New Growth (\$M)	2012	2013	2014	2015	2016	2017 P
Real Property	187	534	792	1,093	1,478	1,563
Personal Property	(145)	125	212	260	40	n/a
Centrally Assessed	(221)	(1,369)	564	276	29	0
CDRA Capture	(113)	(234)	65	(541)	(609)	(600)
SCME Capture	(6)	(18)	7	12	9	0
TOTAL	(299)	(961)	1,640	1,100	947	963
<i>CDRA/SCME Capture %</i>			5%	-32%	-39%	-38%

* The values above represent new growth and do not include changes due to reappraisal.



Property Tax Revenue Projection

Countywide Tax Funds

Fund (\$M)	2017 Budget	2016 Budget	<i>New Growth</i>	
General	138.3	135.6	2.7	2.0%
Flood Control	6.1	5.9	0.1	2.0%
Health	11.5	11.2	0.2	2.0%
Governmental Immunity	1.7	1.6	0.0	2.0%
Capital Improvements	5.6	5.5	0.1	2.0%
Planetarium	3.3	3.3	0.1	2.0%
Total Countywide Tax Funds	166.5	163.2	3.3	2.0%
Bond Debt Service	30.2	29.7	0.5	1.6%



Property Tax Revenue Projections

Other Funds

Fund (\$M)	2017 Budget	2016 Budget	<i>New Growth</i>	
Gov Immunity Unincorp	0.3	0.7	(0.4)	(59%)
Library	37.4	36.8	0.6	1.7%
State Tax Admin	22.5	22.0	0.4	2.0%
Total Other Funds	60.2	59.5	0.6	1.1%



Sales Tax Revenue

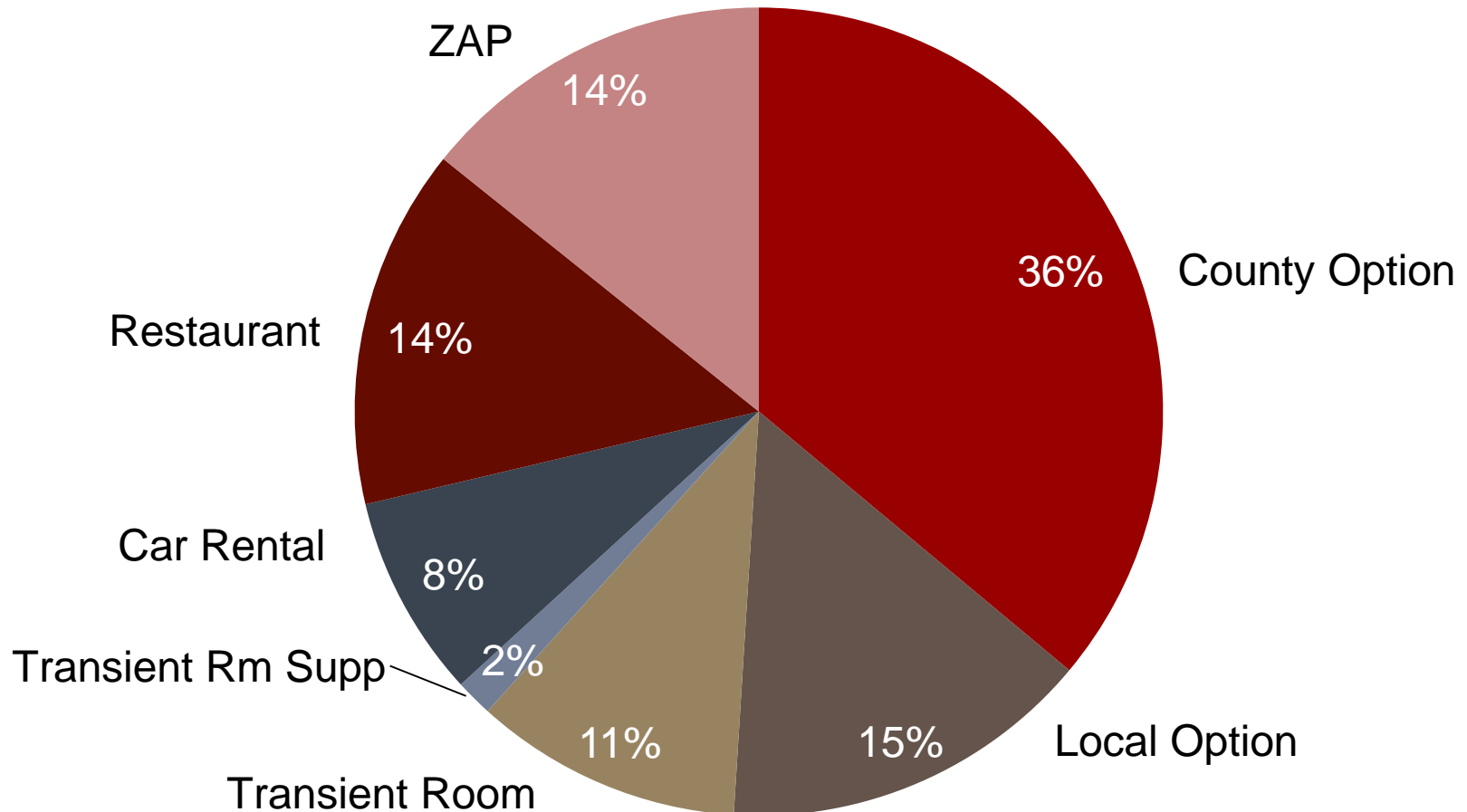


2017 Sales Tax Revenue

- Projected new growth for 2017 based on local and national economic indicators, including
 - Wage and employment growth
 - Consumer Confidence
 - Vehicle sales and other leading indicators
- Projections vetted with Revenue Committee
- Local Option Sales Tax
 - Currently forecasted in whole for the entire year.
 - Sales tax revenues transferred to the MSD statutorily guaranteed through June 30th
 - Beginning July 1, revenues associated with the new Millcreek City will be kept by the city
 - The 2017 budget, at this point, contemplates converting sales tax revenues to contract revenues. The revenues will be adjusted to match contracted services.
 - Revenue and expenditure budgets in this area will require flexibility and constant monitoring

Sales and Use Tax 2017 Projected Revenues









\$161M Total



* Excludes state transportation pass-through taxes.



2017 Sales Tax Projection

Sales Tax (\$M)	2017	2016	Change		Trend ('07-'17)
	Budget	Budget			
Local Option	24.1	23.0	1.1	4.8%	
County Option	58.2	56.4	1.8	3.2%	
Transient Room	17.3	16.7	0.6	3.6%	
Transient Room Supp.	2.4	2.3	0.1	4.3%	
Car Rental	13.1	13.2	(0.1)	(0.8%)	
Restaurant	23.3	22.7	0.6	2.6%	
ZAP	23.0	22.2	0.8	3.6%	
TOTAL	161.4	156.5	4.9	3.1%	



Local Option Sales Tax

(1% tax to Unincorp Municipal Services Fund*)

(\$000's)

	<u>Revenues</u>	<u>Change Y/Y</u>	
Actual			
2013	\$21,837	(\$531)	(2.4%)
2014	\$22,743	\$906	4.1%
2015	\$22,596	(\$146)	(0.6%)
YTD Jul 2016	\$13,335	\$759	6.0%
Projected			
2016 Jun Adj Budget	\$23,000	\$404	1.8%
2017 Budget	\$24,100	\$1,100	4.8%

* Local Option Sales Tax is currently forecasted in whole for the entire year. Sales tax revenues transferred to the MSD statutorily are guaranteed through June 30th. Beginning July 1, revenues associated with the new Millcreek City will be kept by the city. The 2017 budget, at this point, contemplates converting sales tax revenues to contract revenues. The revenues will be adjusted to match contracted services. Revenue and expenditure budgets in this area will require flexibility and constant monitoring

County Option Sales Tax

(0.25% tax to General Fund)

(\$000's)

	<u>Revenues</u>	<u>Change Y/Y</u>	
Actual			
2013	\$49,311	\$1,645	3.5%
2014	\$51,863	\$2,552	5.2%
2015	\$54,253	\$2,390	4.6%
YTD Jul 2016	\$31,722	\$1,300	4.3%
Projected			
2016 Jun Adj Budget	\$56,400	\$2,147	4.0%
2017 Budget	\$58,200	\$1,800	3.2%



Transient Room Tax

(4.25% tax to Visitor Promotion Fund)

(\$000's)

	<u>Revenues</u>	<u>Change Y/Y</u>	
Actual			
2013	\$13,436	\$797	6.3%
2014	\$14,701	\$1,265	9.4%
2015	\$16,607	\$1,906	13.0%
YTD Jul 2016	\$10,075	\$81	0.8%
Projected			
2016 (as of Jun '16)	\$16,700	\$93	0.6%
2017 Budget	\$17,300	\$600	3.6%

Transient Room Tax - Supplemental

(0.5% tax to TRCC Fund)

(\$000's)

	<u>Revenues</u>	<u>Change Y/Y</u>	
Actual			
2013	\$1,860	\$110	6.3%
2014	\$2,035	\$175	9.4%
2015	\$2,299	\$264	13.0%
YTD Jul 2016	\$1,394	\$11	0.8%
Projected			
2016 (as of Jun '16)	\$2,300	\$1	0.1%
2017 Budget	\$2,400	\$100	4.3%



Car Rental Tax

(3% & 4% tax to TRCC Fund)

(\$000's)

	<u>Revenues</u>	<u>Change Y/Y</u>	
Actual			
2013	\$10,610	\$89	0.8%
2014	\$12,143	\$1,533	14.4%
2015	\$12,868	\$725	6.0%
YTD Jul 2016	\$8,096	\$236	3.0%
Projected			
2016 (as of Jun '16)	\$13,200	\$332	2.6%
2017 Budget	\$13,100	(\$100)	(0.8%)



Restaurant Tax

(1% tax to TRCC Fund)

(\$000's)

	<u>Revenues</u>	<u>Change Y/Y</u>	
Actual			
2013	\$18,575	\$1,082	6.2%
2014	\$19,940	\$1,365	7.3%
2015	\$21,664	\$1,723	8.6%
YTD Jul 2016	\$12,996	\$676	5.5%
Projected			
2016 (as of Jun '16)	\$22,700	\$1,036	4.8%
2017 Budget	\$23,300	\$600	2.6%



Zoo, Arts, & Parks Tax

(0.1% tax to ZAP Fund and General Fund*)

(\$000's)

	<u>Revenues</u>	<u>Change Y/Y</u>	
Actual			
2013	\$19,303	\$505	2.7%
2014	\$20,236	\$933	4.8%
2015	\$21,359	\$1,123	5.6%
YTD Jul 2016	\$12,499	\$515	4.3%
Projected			
2016 (as of Jun '16)	\$22,200	\$841	3.9%
2017 Budget	\$23,000	\$800	3.6%

* Approximately 70.5% to ZAP fund and 29.5% to General Fund for Recreation



2017 Revenue Growth

Property & Sales Tax Revenue

General Fund & Related Funds

Fund (\$M)	Property Tax	Sales Tax	Total New Growth
General	2.71	2.04	4.75
Flood Control	0.12		0.12
Health	0.22		0.22
Planetarium	0.07		0.07
Capital Improvements	0.11		0.11
State Tax Admin	0.44		0.44
TRCC		0.60	0.60
ZAP		0.56	0.56
Total	3.67	3.20	6.87



Definition of General Fund and Related Funds

- The General Fund’s “related” funds are
 - Those that depend on the GF for financial support
 - Receive current year funding from the GF in the form of fund transfers
 - Contribute to the General Fund such as the TRCC fund
 - Includes
 - All County-wide “Tax” funds (except the Bond Debt Service Fund)
 - Grant fund
 - TRCC fund
 - Open Space fund
 - ZAP fund - administration portion



2017 New Growth Property & Sales Tax Revenue

All Funds

Fund (\$M)	Property Tax	Sales Tax	Total New Growth
General	2.71	2.04	4.75
Flood Control	0.12		0.12
Health	0.22		0.22
Planetarium	0.07		0.07
Capital Improvements	0.11		0.11
State Tax Admin	0.44		0.44
TRCC		0.60	0.60
ZAP		0.56	0.56
Governmental Immunity	0.03		0.03
Gov Immunity Unincorp	(0.44)		(0.44)
Library	0.64		0.64
Municipal Services		1.10	1.10
Visitor Promotion		0.60	0.60
Total	3.91	4.90	8.81



Other Revenues



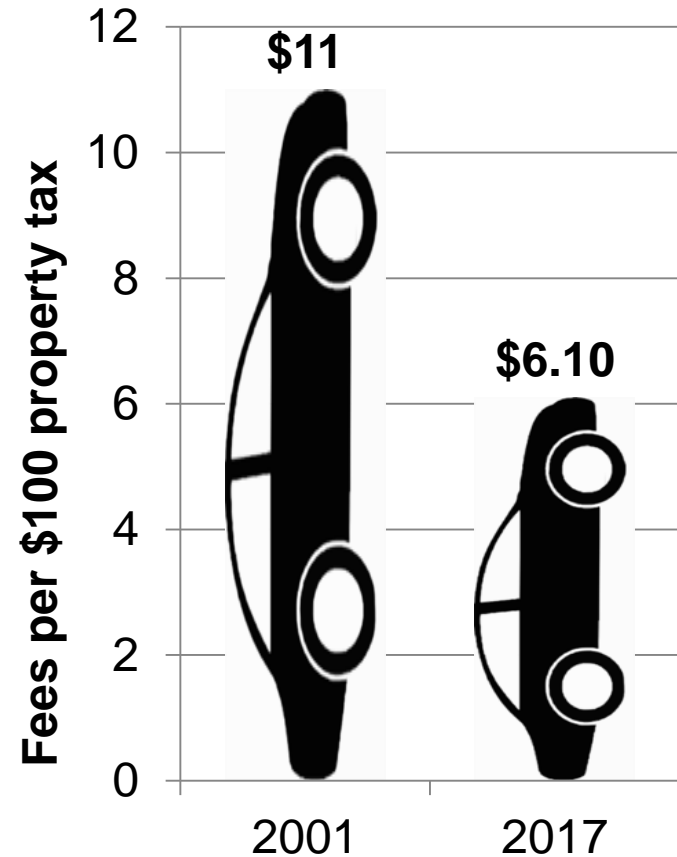
Motor Vehicle Fee-in-lieu of Property Tax

Fund (\$M)	2017 Budget	2016 Budget	<i>Change</i>	
General	8.44	7.99	0.45	5.6%
Flood Control	0.37	0.39	(0.02)	(4.5%)
Health	0.70	0.66	0.04	5.9%
Governmental Immunity	0.10	0.09	0.01	10.0%
State Tax Admin	1.30	1.32	(0.02)	(1.5%)
Capital Improvements	0.34	0.33	0.01	3.9%
Clark Planetarium	0.20	0.18	0.02	11.3%
Gov Immunity Unincorp	0.03	0.03	-	-
Library	2.47	2.37	0.10	4.3%
Bond Debt Service	1.84	1.78	0.06	3.3%
TOTAL	15.80	15.14	0.65	4.3%



Structural and Economic Decline in Motor Vehicle Fees

- Age-based fee not increased for inflation
- Has decreased from \$11 per \$100 of property tax in 2001 to a projected \$6.10 per \$100 of property tax in the General Fund in 2017
- Will be consumed by inflation unless the legislature increases the fee schedule





Recorder Revenue Trend

