February 2016

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 2013	FY 2014	FY 2015	FY 2016 Budget	FY 2016 Projection	% +/- FY16 Proj. over FY 15	% +/- FY16 Proj. over FY 16 Budget
Sales Tax	$ 9,749,200	$ 10,103,580	$ 11,010,763	$ 11,734,936	$ 12,111,839	10%	3.2%
Property Taxes	$ 10,023,934	$ 9,279,024	$ 9,840,209	$ 10,464,000	$ 10,434,839	6%	-0.3%
Franchise Tax	$ 3,037,408	$ 3,158,716	$ 3,061,207	$ 3,414,000	$ 3,143,709	3%	-7.9%
Planning Building & Engineering Fees	$ 1,019,748	$ 2,154,168	$ 2,578,017	$ 1,545,000	$ 2,278,017	-12%	47.4%
Recreation	$ 1,495,801	$ 1,605,530	$ 1,710,968	$ 1,875,000	$ 1,998,741	17%	6.6%
Ice Revenue	$ 661,737	$ 810,830	$ 813,134	$ 712,500	$ 775,000	-5%	8.8%
Licenses	$ 391,550	$ 422,747	$ 412,605	$ 449,000	$ 503,523	22%	12.1%
Intergovernmental	$ 330,408	$ 138,853	$ 110,775	$ 132,000	$ 142,718	29%	8.1%
Court Fees	$ 75,927	$ 86,364	$ 99,640	$ 91,000	$ 91,187	-8%	0.2%
Fees/Other	$ 441,349	$ 477,852	$ 315,041	$ 538,000	$ 523,054	66%	-2.8%
Interfund Transfers	$ 1,415,722	$ 1,346,991	$ 2,166,356	$ 2,256,360	$ 2,253,011	4%	-0.1%
Total	**$ 28,642,784**	**$ 29,584,656**	**$ 32,118,715**	**$ 33,211,796**	**$ 34,255,638**	**6.7%**	**3.1%**

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 City Council in the upcoming budget process by illustrating the potential impacts of potential 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 has outpaced the gradual and somewhat up and down recovery experienced on the national level. This relatively quick recovery and the addition of new large lodging developments paired with the budget reductions instituted in FY 2009 and FY 2010, resulted in an operating budget surplus during the 2015 fiscal year, as it did in FY 2013 and FY 2014. In addition to the return of strong recreation activity over the last four years, the City has experienced a recent growth in building activity in FY 2014 and FY 2015. These factors have all contributed to a recalibration of projected revenues and a very strong revenue outlook for Park City.

While Summit County and the State of Utah have experienced a very healthy economy over the past year, the nation's economy continues to 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. January's findings continued to show positive trends projected for the next 6 to 12 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. Projected occupancy rates are up an average 6% over last year levels. Projected Average Daily Rates (ADR) are up an average 12% over last year and projected revenue per available room (REVPAR) is up 6.5% as well. These are all positive long range trend which indicating continued growth in the region. With this year's positive snow season, the City has experienced a strong winter season with Decembers sales returns up 7.4% over last year. Strong first and second quarter sales trends are above the five-year average and will likely keep the City on track to meet budgeted revenue amounts in FY 2016. Year-to-date sales tax figures thru December are up 9.8% compared to this time last year.

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 strong building activity and continued consistency in property tax, leads to positive revenue news for the City for the foreseeable future.

Short Range Surplus

Stable revenue projections for the current fiscal year along with a moderately increased budget mean significant surpluses are expected over the next several years. With the additional property and sales tax revenue in FY 2016, revenues are expected to be sufficient to cover operating costs, debt service payments, and allow the City to meet many of the City's anticipated budget challenges, including the Council recommended adjustments to the Pay Plan philosophy. It is expected that revenues in FY 2017 will come in at similar levels.

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. Much of the revenue growth is due to dramatic growth in the sales tax revenue. While staff does not expect a decline in sales revenue in the near future, it is not anticipated that growth can maintain the 10% year-over-year growth levels seen over the last two years. Staff continues to recommend that surpluses be used primarily for one-time allocations, such capital improvement projects.

Long Range Outlook

Although the recovery in sales tax revenue and the return of building growth to the property tax "new growth" equation significantly delays the timeline, as has been illustrated in all prior FIAR's, long-term projections continue to show deficits in future years. Currently deficits are projected starting in FY 2021 and continue in perpetuity. While FY 2021 may seem several years off, 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 future projected deficits. The first is discretionary growth in operating expenses (referred to as "operating level of service increase" in the projections). This is the 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. However, 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 need 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 improvements necessary to keep up with development growth 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 less than favorable long-range projections and will be the most difficult to overcome is effect which the Truth in Taxation process

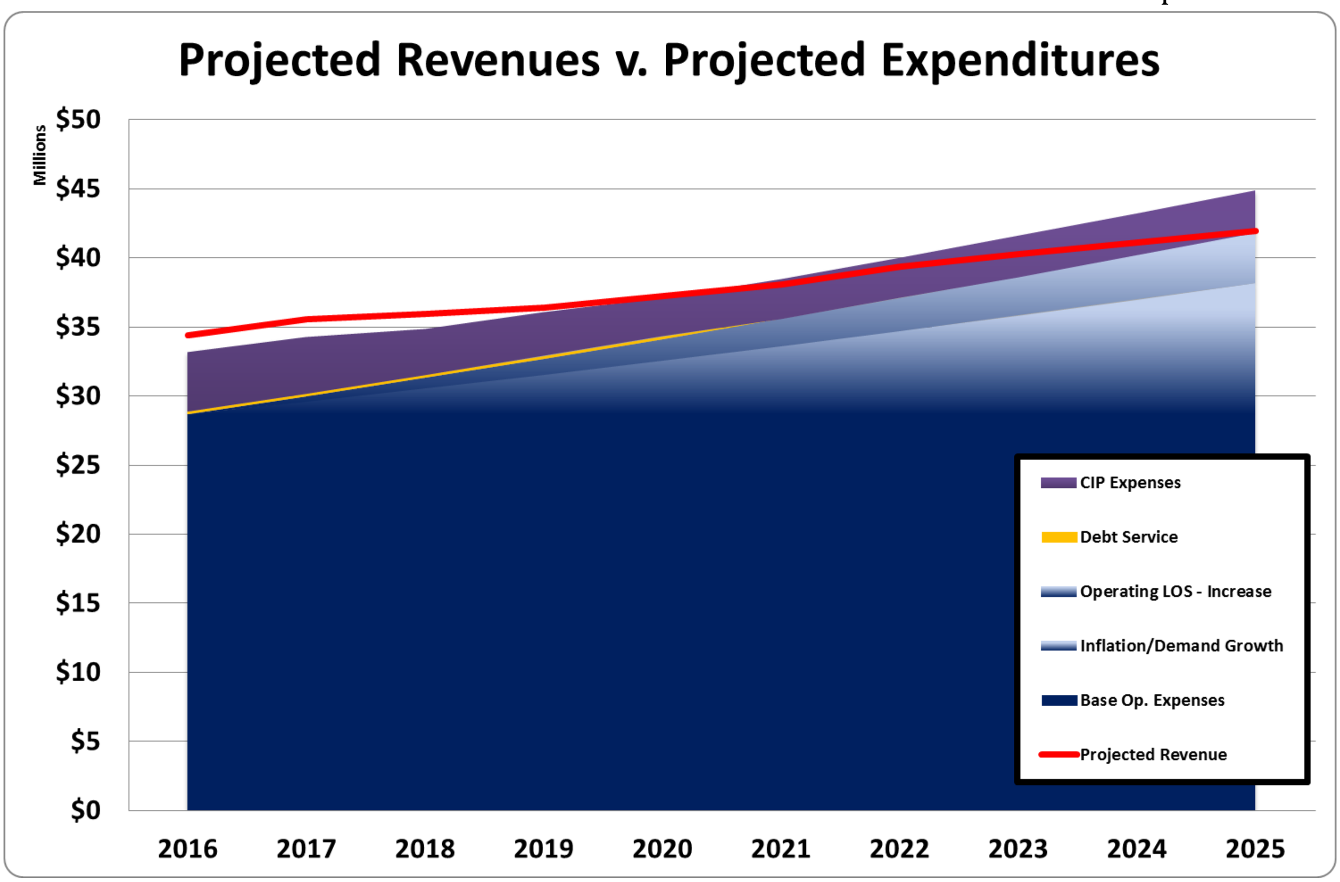


Figure ES-2: The FIAR Graph

has on the property tax base.

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 30.5 percent of General Fund revenue. The end result is a diminishing of cities' purchasing power over time which will eventually lead to deficits. It also shifts the City's revenue dependency to less stable revenues sources such as sales tax and building fees.

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 when possible. 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 recommends 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.

Although somewhat outdated, 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 potential long-term revenue issues.

In past revenue shortfall years 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 4 years and continues to be the central theme for the budget process. BFO will provide Council with an opportunity to adjust ongoing expenses and 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 easy way to overcome projected deficits by focusing solely on the expenditure side of the equation.

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 tenth 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 short-term surpluses could be used to fund one-time capital 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 2021. The current projection includes significant new property tax growth related to the Flagstaff annex coding error which was corrected in FY 2012. It also reflects growth in building activity in both the

Ten-year Financial Impact Forecast

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	$34,420	$35,560	$35,967	$36,415	$37,224	$38,104	$39,385	$40,273	$41,118	$41,973
Expense	$33,170	$34,264	$34,806	$36,032	$37,102	$38,430	$39,980	$41,572	$43,207	$44,888
Rev - Exp	$1,250	$1,296	$1,161	$383	$122	-$326	-$594	-$1,299	-$2,089	-$2,915

In Thousands (x1,000)

Aggregate Surplus/(Shortfall) Over Ten-Years (2015 to 2024)	-$3,011,333.28

Figure B-1: Projections of Surplus/Deficit (in thousands) building, planning and engineering fees and also the effect new growth has on property tax and sales tax revenue.

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's property tax collection is based on numerous factors such as the prior year collections, 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 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. The projected base AV is used to calculate an estimated mil levy in future years. This mil levy is

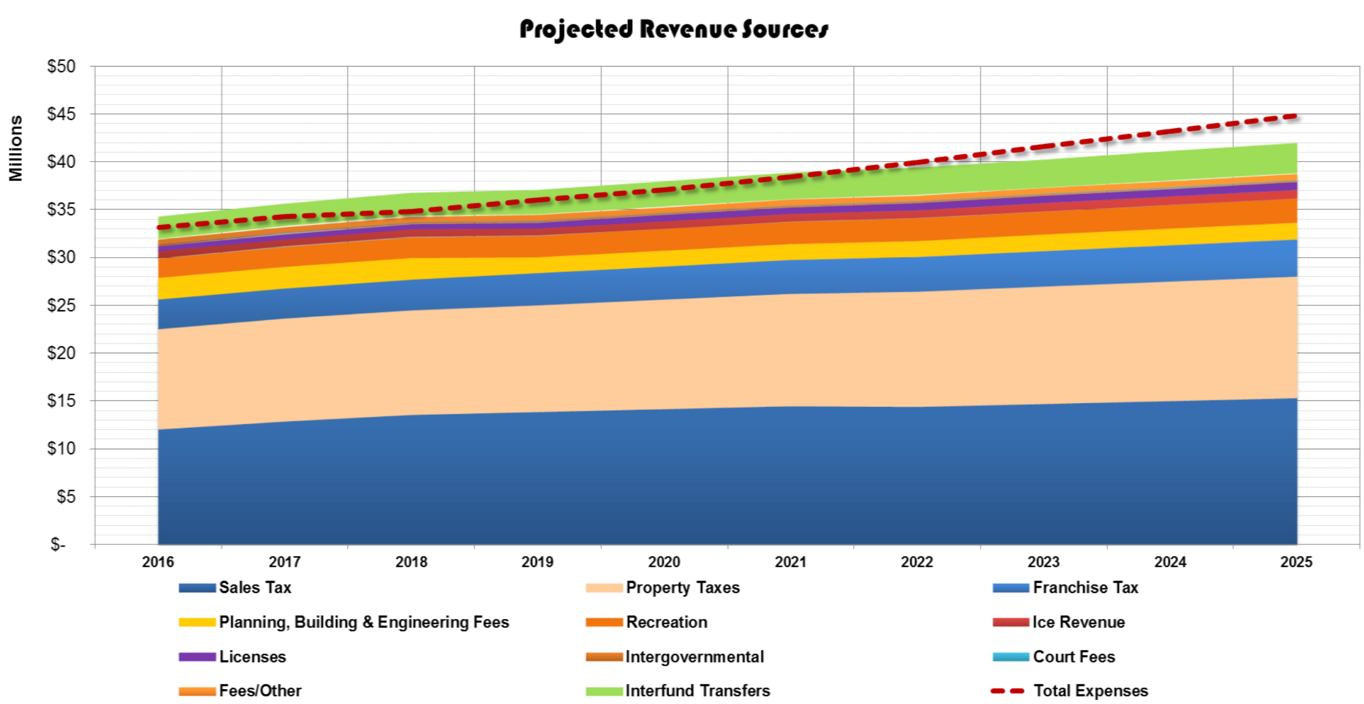


Figure AM-1: Projected Revenue Sources

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

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. Therefore, the new growth projection has been recalibrated as an average percentage of projected AV and therefore appropriately reflects the correct proportion of future

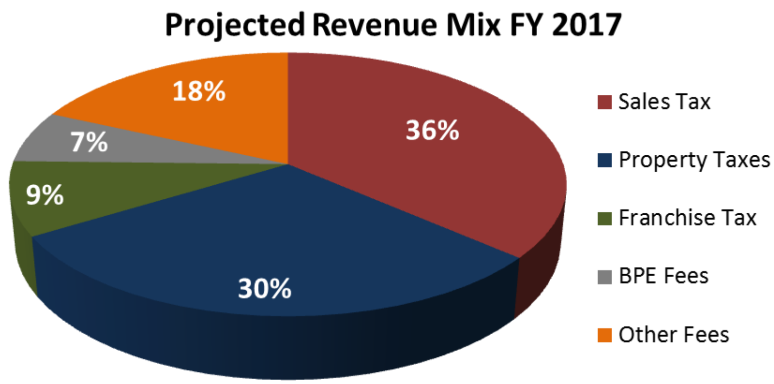


Figure AM-2: Projected Revenue Mix

property base AV. In FY 2015, new growth figures were updates to include potential growth in key economic development areas.

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 2015 as the highest in sales tax generation to date. Sales tax has grown significantly in the past 3 years with year-over-year growth rates averaging 7.5% with growth rates even higher in the last 2 years. While the Budget Department is not anticipating a drop in sales tax in the near future, it must be recognized that sales tax growth rates at the current average rate is unsustainable over a long term trend. The current trend show continued short turn growth over the next 2 years with this trend leveling out and returning to the long term trend over the next 10 years.

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. The current long-range tend line for sales tax is remarkably consistent with an R-squared value of 0.95.

For short-term projections lodging bookings data (as reported by DestiMetrics) 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 and fees 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. This year the Budget Department used a new statistical analytics software (BEAM) which works with the Board budgeting software to forecast the franchise tax and fees. This trend is extremely reliable although the revenue has experience fluctuation recently due to shifting utility use in telecommunications.

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. Recent local and national economic recover have led to significant growth activity and has highlighted the potential for extreme swings in BPE revenue.

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 during the recession years, fees were up slightly in FY 2013, significantly in FY 2014 and 2015, and are expected to be up compared to the average in FY 2016, although potentially lower than levels projected in last year's FIAR.

Recreation & Ice Fees

Recreation fees have grown steadily on a linear trend (R-squared .94). 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.

Ice revenues continue to be 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.

Other Revenues

Other revenues include licenses including 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 fund (such as water, golf, transit), 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 2014, the calculations are updated annually as part of the budget process. 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.

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 2016, some subjective modification has been made to sales tax, property tax, BPE fees, and interest earnings. These modifications were made necessary due to current building activities and current sales tax growth. 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:

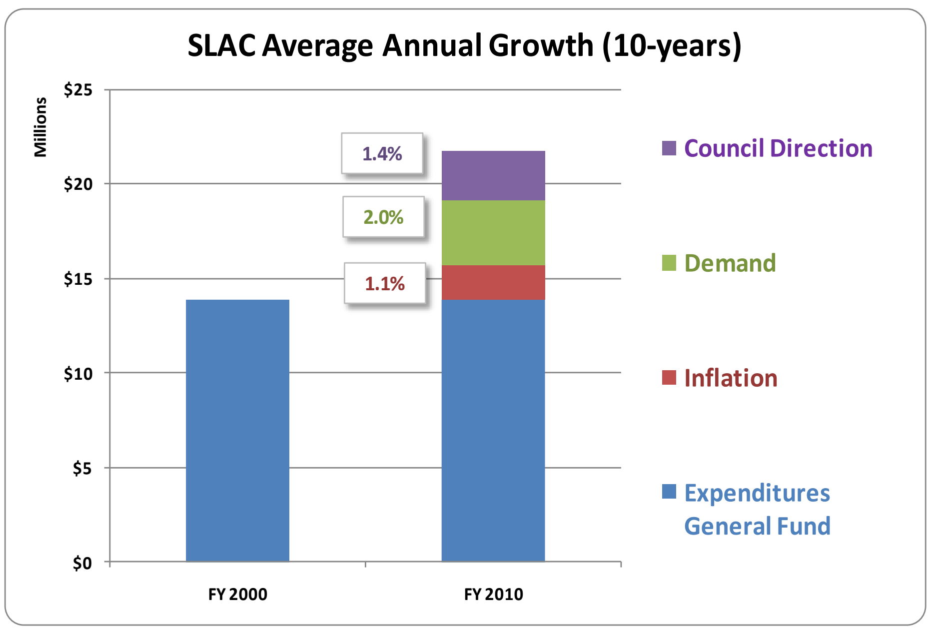


Figure AM-3: SLAC Results

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.

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%. A total 4.5% annual operating increase.

These percentages are applied to FY 2017 budgeted expenditures to project operating expense growth through 2026 in this FIAR update. More detailed results of the study are included in the appendix of the FIAR. In updating actuals for FY 2014 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.

While the short-term forecast shows anticipated surplus in fiscal years 2016 thru 2020, staff is currently anticipating significant inflationary growth increases in FY 2017, due to changes in the pay plan philosophy and employment market conditions. As part of the budget process staff will present a two-year balanced budget. It is anticipated that a one-time General Fund increase exceeding the typical 4.5% will be necessary in FY 2017.

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 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 issued and the financing strategy.

For purposes of long-range projections, the relevance of a capital project is determined by the type of funding: general fund transfer (A), flexible (B) or inflexible (C). Type B 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

5 -Year Capital Improvement Plan Listing (General Fund Transfer)							
CIP #	Project Name	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total
CP0006	Pavement Managment Implementation	300,000	300,000	300,000	300,000	300,000	Ongoing
CP0150	Ice Facility Capital Replacement	50,000	50,000	50,000	50,000	50,000	Ongoing
CP0075	Equipment Replacement - Computer	296,000	296,000	296,000	296,000	296,000	Ongoing
CP0146	Asset Management/Replacement Program	552,709	552,709	552,709	552,709	552,709	Ongoing
CP0336	Prospector Avenue Reconstruction	170,000	-	-	-	-	170,000
CP0267	Soil Repository	300,000	-	-	1,000,000	-	1,300,000
CP0074	Equipment Replacement - Rolling Stock	700,000	700,000	750,000	750,000	800,000	Ongoing
CP0217	Emergency Management Program	10,000	-	-	-	-	20,000
CP0061	Economic Development	25,000	25,000	-	-	-	75,000
CP0333	Engineering Survey Monument Re-establish	5,000	5,000	-	-	-	20,000
CP0041	Trails Master Plan Implementation	30,000	30,000	30,000	30,000	30,000	Ongoing
CP0017	ADA Implementation	5,000	5,000	5,000	5,000	5,000	Ongoing
CP0250	Irrigation Controller Replacement	20,000	20,000	20,000	20,000	20,000	Ongoing
CP0191	Walkability Maintenance	40,500	40,500	40,500	40,500	40,500	Ongoing
CP0340	Fleet Shop Equipment Replacement	15,000	15,000	15,000	15,000	15,000	Ongoing
CP0036	Traffic Calming	37,500	10,000	10,000	-	-	95,000
CP0142	Racquet Club Program Equipment Replaceme	60,000	60,000	60,000	60,000	60,000	Ongoing
CP0264	Security Projects	50,000	-	-	-	-	75,000
CP0349	Payment for snow storage lot	170,000	-	-	-	-	170,000
CP0368	Video Storage Array	40,000	-	-	-	-	40,000
CP0366	HR: Applicant Tracking Software (Recruiting software)	6,000	-	-	-	-	6,000
CP0089	Public Art	75,000	75,000	75,000	-	-	225,000
CP0280	Aquatics Equipment Replacement	11,250	11,250	11,250	11,250	11,250	Ongoing
CP0352	Parks Irrigation System Efficiency Improvements	25,000	25,000	25,000	25,000	25,000	Ongoing
CP0348	McPolin Farm Barn Seismic Upgrade	800,000	-	-	-	-	800,000
CP0229	Dredge Prospector Pond	-	-	150,000	-	-	150,000
CP0354	Streets and Water Maintenance Building	385,221	1,442,418	872,361	-	-	2,700,000
CP0332	Library Technology Equipment Replacement	24,387	24,387	24,387	24,387	24,387	Ongoing
CP0353	Remote snow storage site improvements	25,000	25,000	50,000	-	-	100,000
CP0351	Artificial Turf Replacement Quinn's	-	-	-	-	600,000	600,000
CP0374	Building Permit Issuance Software (City Manager Recommended)	18,000	-	-	-	-	18,000
CP0042	Property Improvements Gilmore O.S.	100,000	-	-	-	-	200,000
CP0380	Parks and Golf Maintenance Buildings	-	426,000	-	-	-	426,000
	Total	**4,346,567**	**4,138,264**	**3,337,207**	**3,179,846**	**2,829,846**	**17,831,730**

Figure AM-4: Capital Expense Projections from General Fund Transfer project expenses are irrelevant to this study. Type A projects are relevant since they impact the General Fund surplus.

Figure AM-4 shows all of the Type A projects and their requirements of the General Fund by year, according to what is currently scheduled in the 5-year Capital Improvement Plan. 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, 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 or the additional resort communities sales tax) 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 2014A sales tax bond. Debt service of the 2014 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 is received directly into the capital improvement fund (Fund 031) or debt service fund (Fund 071). It is anticipated that future sales tax revenue bonds will be issued against this additional revenue and will therefore not affect the General Fund.

Long-Term Debt Service (from General Fund)

Date	Contract Payable	Sales Tax Revenue Refunding Bond	Grand Total
	Gillmore Note	2014 A*	
'15	$ 100,000	$ 168,673	$ 268,673
'16	$ 100,000	$ 169,610	$ 269,610
'17		$ 169,510	$ 169,510
'18		$ 169,741	$ 169,741
'19		$ 169,549	$ 169,549
'20		$ 169,587	$ 169,587
'21		$ 169,523	$ 169,523
'22			

*estimated - calculation to be determined as part of budget process

Figure AM-5: Debt

APPENDIX
2016 FIAR

Ten-year Financial Impact Forecast

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	**$34,420**	**$35,560**	**$35,967**	**$36,415**	**$37,224**	**$38,104**	**$39,385**	**$40,273**	**$41,118**
Op. Expenses (Base)	$28,639	$28,639	$28,639	$28,639	$28,639	$28,639	$28,639	$28,639	$28,639
Inflationary Growth	$0	$924	$1,879	$2,866	$3,885	$4,938	$6,026	$7,150	$8,311
Operating LOS Growth	$0	$383	$772	$1,166	$1,566	$1,972	$2,384	$2,803	$3,227
CIP Expenses	$4,347	$4,138	$3,337	$3,180	$2,830	$2,880	$2,930	$2,980	$3,030
Debt Service	$183	$179	$178	$181	$182	$0	$0	$0	$0
Total Expenses	**$33,170**	**$34,264**	**$34,806**	**$36,032**	**$37,102**	**$38,430**	**$39,980**	**$41,572**	**$43,207**
Rev/Exp	**$1,250**	**$1,296**	**$1,161**	**$383**	**$122**	**-$326**	**-$594**	**-$1,299**	**-$2,089**

**In Thousands (x1,000)*

Aggregate Surplus/(Shortfall) Over Ten-Years (2016 to 2025)	**-$3,01**

Revenue Projections

Budget Summary

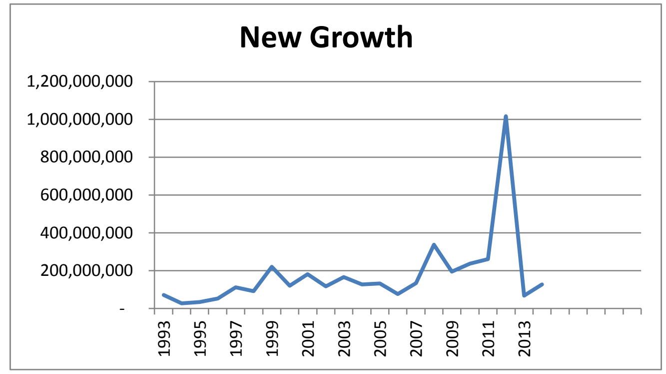
Description	Actual Revenue (15 Years)															Average Annual Change 10 Years (2006 -2015)
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
General Fund Revenue (thousands)																
Sales Tax	6,215	6,844	6,253	6,560	7,847	8,530	8,588	9,205	8,091	8,474	8,989	9,569	9,749	10,104	11,011	3.1%
Property Taxes	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	9,279	9,840	4.6%
Franchise Tax	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	3,159	3,061	1.5%
Planning Building & Engineering Fees	1,274	910	1,136	1,122	2,047	2,159	2,611	3,098	1,496	562	825	791	1,020	2,154	2,578	14.2%
Recreation	-	-	-	990	1,067	1,225	1,241	1,287	1,368	1,227	850	1,430	1,496	1,605	1,711	6.3%
Ice Revenue	-	-	-	-	-	161	407	402	458	459	583	688	704	854	813	25.5%
Licenses	-	36	29	21	88	91	48	173	207	212	228	345	392	423	413	35.1%
Intergovernmental	-	83	7	174	45	179	54	158	84	119	137	147	330	139	111	20.7%
Court Fees	-	66	51	77	103	101	75	92	101	106	95	80	76	86	100	1.1%
Fees/Other	-	788	628	527	815	904	1,090	1,040	646	453	468	465	441	478	315	-8.9%
Interfund Transfers	-	-	-	-	-	1,450	1,618	2,350	1,450	1,450	1,520	1,472	1,416	1,346	2,166	8.0%
Total	**14,487**	**16,460**	**15,640**	**17,479**	**21,565**	**24,246**	**25,020**	**27,696**	**23,558**	**23,578**	**25,248**	**27,767**	**28,686**	**29,626**	**32,119**	**3.5%**

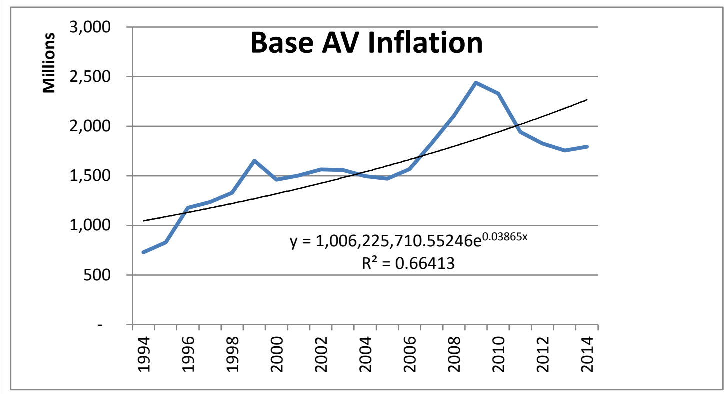
** Actual in red indicate outliers*

Description	Projected Revenue (10 Years)									Average Annual Change (10 Years)
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
General Fund Revenue (thousands)											
Sales Tax	12,112	12,960	13,608	13,911	14,215	14,518	14,478	14,781	15,085	15,388	3.6%
Property Taxes	10,435	10,671	10,870	11,112	11,416	11,690	11,945	12,192	12,392	12,596	2.6%
Franchise Tax	3,144	3,226	3,309	3,391	3,474	3,556	3,639	3,721	3,804	3,887	2.4%
Planning Building & Engineering Fees	2,278	2,278	2,278	1,700	1,700	1,700	1,717	1,734	1,752	1,769	-3.8%
Recreation	1,999	2,055	2,111	2,167	2,224	2,280	2,336	2,392	2,449	2,505	4.2%
Ice Revenue	775	791	806	822	839	856	873	890	908	926	1.3%
Licenses	504	543	582	621	660	699	738	777	816	855	8.0%
Intergovernmental	143	143	143	143	143	143	143	143	143	143	3.2%
Court Fees	91	91	91	91	91	91	91	91	91	91	-0.9%
Fees/Other	523	531	539	548	557	566	576	586	596	607	8.8%
Interfund Transfers	2,253	2,343	2,437	2,534	2,636	2,741	2,851	2,965	3,083	3,207	4.0%
Total	**34,256**	**35,631**	**36,774**	**37,042**	**37,954**	**38,840**	**39,385**	**40,273**	**41,118**	**41,973**	**2.8%**

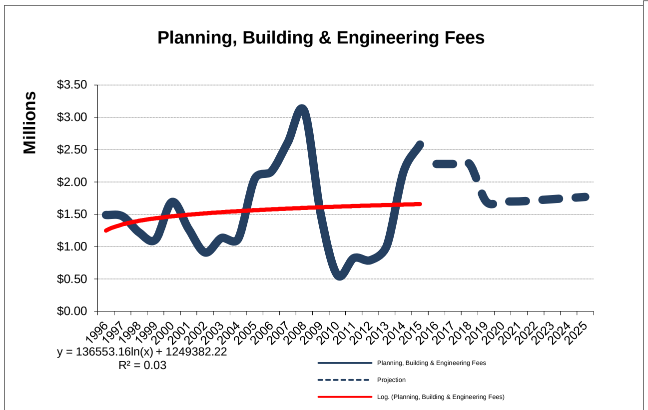
Property Tax Calculation

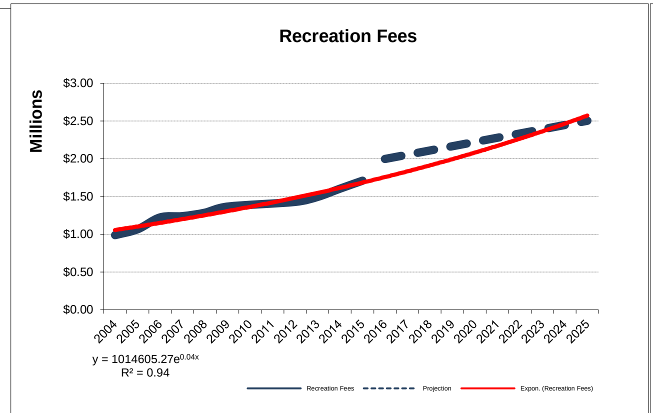
FY	Base AV	Base Rev	Gen Levy	Est New Growth AV	Est New Growth Rev	Total Projected Gen Levy
1993	702,394,843	2,727,282	0.003883	72,031,510	279,698	
1994	803,188,589	3,151,763	0.003924	27,154,818	106,556	
1995	942,273,048	3,381,510	0.003589	34,311,260	123,143	
1996	1,389,314,410	3,540,711	0.002549	52,732,915	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	6,448,304,413	8,109,243	0.001248	127,236,788	158,792	
2015	6,651,451,429.93	8,268,035	0.001243	282,590,302	351,272	9,319,306
2016	6,946,841,155.77	8,619,306	0.001241	293,726,233	364,441	9,633,748
2017	7,257,023,724.76	8,983,748	0.001238	305,300,993	377,944	9,861,691
2018	7,572,582,072.97	9,361,691	0.001236	317,331,876	392,305	10,053,996
2019	7,924,122,108.00	9,753,996	0.001231	272,115,405	334,954	10,288,950
2020	8,244,552,165	10,088,950	0.001224	242,841,184	297,167	10,586,117
2021	8,599,976,315	10,386,117	0.001208	221,230,587	267,178	10,853,296
2022	8,938,226,383	10,653,296	0.001192	208,342,635	248,319	11,101,615
2023	9,268,199,843	10,901,615	0.001176	205,324,056	241,510	11,343,125
2024	9,599,947,784	11,143,125	0.001161	166,730,613	193,532	11,536,658
2025	9,898,084,222	11,336,658	0.001145	173,300,905	198,488	11,735,146
2026	10,207,969,211	11,535,146	0.001130	180,130,109	203,550	11,938,695
2027	10,530,065,722	11,738,695	0.001115	187,228,429	208,718	12,147,414

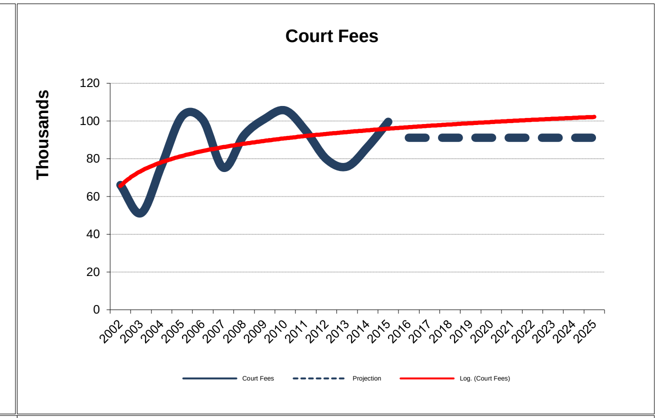


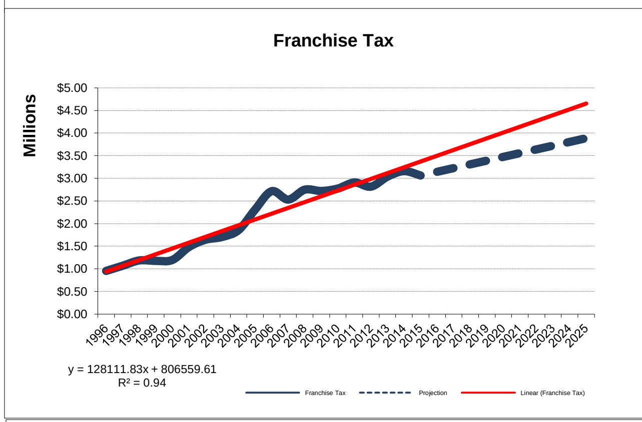


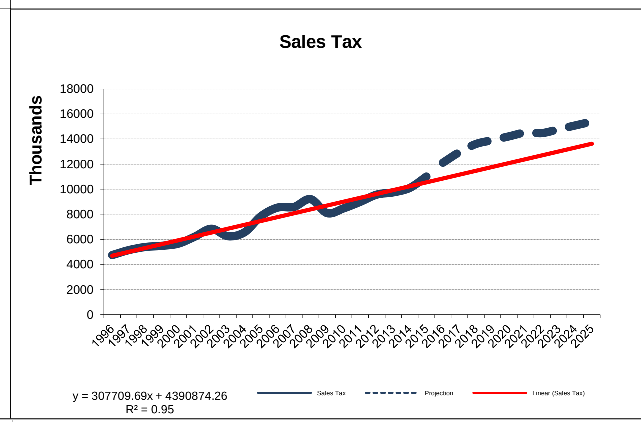
Time-Series Trend Projections

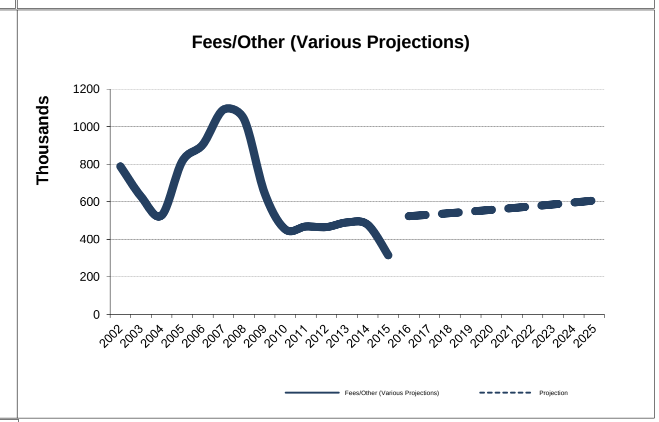


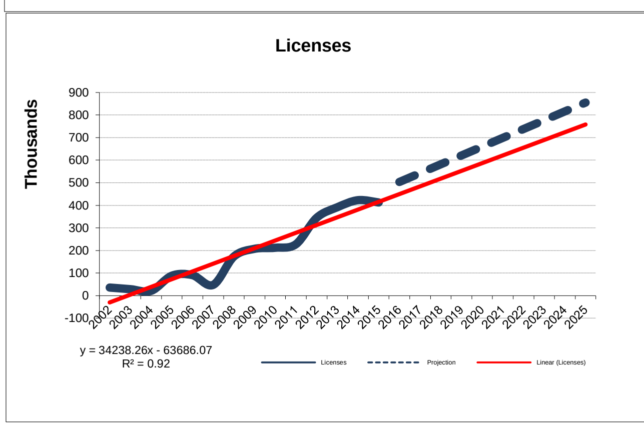


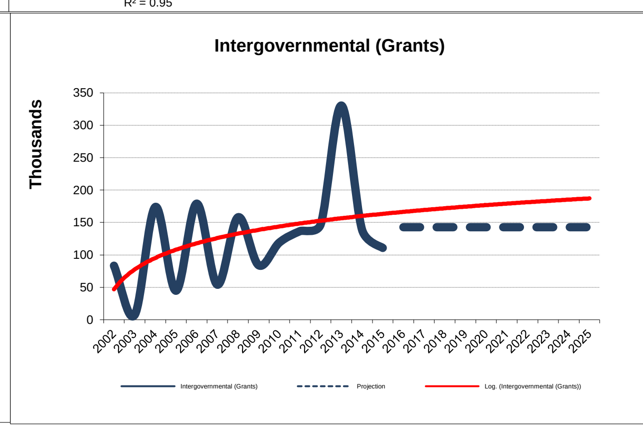












Expense Projections

Base Expenses	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Personnel	$19,301,339	$19,301,339	$19,301,339	$19,301,339	$19,301,339	$19,301,339	$19,301,339	$19,301,339	$19,301,339	$19,301,339
Materials, Supplies, & Services	$7,329,442	$7,329,442	$7,329,442	$7,329,442	$7,329,442	$7,329,442	$7,329,442	$7,329,442	$7,329,442	$7,329,442
Capital Outlay	$375,282	$375,282	$375,282	$375,282	$375,282	$375,282	$375,282	$375,282	$375,282	$375,282
Interfund Transfer & Contingency	$1,633,415	$1,633,415	$1,633,415	$1,633,415	$1,633,415	$1,633,415	$1,633,415	$1,633,415	$1,633,415	$1,633,415
Other										
Total:	$28,639,478	$28,639,478	$28,639,478	$28,639,478	$28,639,478	$28,639,478	$28,639,478	$28,639,478	$28,639,478	$28,639,478

CIP Expenses	$4,346,567	$4,138,264	$3,337,207	$3,179,846	$2,829,846	$2,879,846	$2,929,846	$2,979,846	$3,029,846	$3,079,846
Debt Service	$183,497	$179,097	$178,297	$180,897	$181,697	$0	$0	$0	$0	$0

Inflation/Demand Expense Growth										
3.32%	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Personnel	$0	$640,016	$661,238	$683,164	$705,817	$729,221	$753,402	$778,384	$804,194	$830,861
Materials, Supplies, & Services	$0	$243,038	$251,097	$259,423	$268,025	$276,913	$286,095	$295,582	$305,383	$315,509
Capital Outlay	$0	$12,444	$12,857	$13,283	$13,723	$14,178	$14,649	$15,134	$15,636	$16,155
Interfund Transfer & Contingency	$0	$28,708	$29,659	$30,643	$31,659	$32,709	$33,793	$34,914	$36,072	$37,268
Other										
Total:	$0	$924,205	$1,879,056	$2,865,569	$3,884,793	$4,937,815	$6,025,753	$7,149,767	$8,311,052	$9,510,844

Expanded Level of Service Expense Growth										
1.31%	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Personnel	$0	$253,276	$256,599	$259,967	$263,378	$266,834	$270,335	$273,883	$277,477	$281,118
Materials, Supplies, & Services	$0	$96,178	$97,440	$98,719	$100,014	$101,327	$102,657	$104,004	$105,368	$106,751
Capital Outlay	$0	$4,925	$4,989	$5,055	$5,121	$5,188	$5,256	$5,325	$5,395	$5,466
Interfund Transfer & Contingency	$0	$28,708	$29,659	$30,643	$31,659	$32,709	$33,793	$34,914	$36,072	$37,268
Other										
Total:	$0	$383,086	$771,775	$1,166,158	$1,566,330	$1,972,388	$2,384,430	$2,802,555	$3,226,867	$3,657,470

Expense Projections

Interfund Transfers:

Expenses:

Object Code	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
9121-Fleet Charge Inflation/Demand	$593,000	$19,663	$20,315	$20,989	$21,685	$22,404	$23,147	$23,914	$24,707	$25,527
9122-Fleet Maint Charge Inflation/Demand	$272,750	$9,044	$9,344	$9,654	$9,974	$10,305	$10,646	$10,999	$11,364	$11,741
9121-Fleet Charge Council Directed	$593,000	$19,663	$20,315	$20,989	$21,685	$22,404	$23,147	$23,914	$24,707	$25,527
9122-Fleet Maint Charge Council Directed	$272,750	$9,044	$9,344	$9,654	$9,974	$10,305	$10,646	$10,999	$11,364	$11,741
9165-Insurance Fund Charge	$492,665	$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
Contingency	$250,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total - Inflation/Demand	$1,633,415	$28,708	$29,659	$30,643	$31,659	$32,709	$33,793	$34,914	$36,072	$37,268
Total - Council Directed	$1,633,415	$28,708	$29,659	$30,643	$31,659	$32,709	$33,793	$34,914	$36,072	$37,268

Assumptions: ***See SLAC Study***

In 2010, a committee of City staff reconvened to update the 2000 SLAC report. The committee agreed that the most valuable output fro m 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 increase s (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 h ere. 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 pro vided. 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 mark et 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 cont ingency 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.

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**	