



City Council Staff Report

Subject: FY24 Tentative Budget
Budget Author: Budget Team
Department: Budget, Debt, & Grants
Resources Date: May 11, 2023
Type of Item: Legislative

Summary Recommendation

Review, hold a public hearing, and consider approving the annual ordinance to adopt a Tentative FY24 Budget for Park City Municipal Corporation and related agencies and authorize the property tax rate computation at a no-tax-increase rate.

On June 22, 2023, the City Council will hold a final public hearing and adopt a Final FY24 Budget. Leading up to June 22, the City Council can continue to evaluate and consider budget options before final adoption. There will also be additional opportunities for public input on the City’s annual budget. This report is an overview of the major changes to the budget. For further detail, see Exhibit C.

Executive Summary

The current fiscal year revenues are cumulatively tracking higher than last year. The effects are clearly quantified in realizing consecutive months of new record sales tax revenues from December 2022 through February 2023 (the most recent available data). The magnitude of growth is illustrated by the most recent sales tax month available (February 2023), which beat February 2022 by 4.2%.

With an eye toward caution, we believe FY24 will see similar sales tax revenues as FY23, meaning the year-over-year growth will be maintained but not surpassed due to some weaker economic signals on the horizon. As a result, we project the FY24 General Fund sales tax revenue to be \$2.1M higher than FY23. Other fees and revenue increases total \$1.2M, for a grand total of \$3.3M higher than FY23.

General Fund Revenue Summary - FY23 & FY24							
Revenue	FY22 Actual	FY23 YTD Actual	FY23 Ori Bud	FY23 Proj	FY24 Budget	\$, Variance FY24 vs. Ori	%, Variance FY24 vs. Ori
Property Taxes	\$13,109,913	\$11,952,709	\$12,938,775	\$12,938,775	\$13,109,913	\$171,138	1%
Sales Tax	\$18,900,806	\$12,876,618	\$16,433,542	\$16,433,542	\$18,533,542	\$2,100,000	11%
Franchise Tax	\$3,526,041	\$2,979,112	\$3,297,706	\$3,902,046	\$3,591,844	\$294,138	8%
Planning, Building and Engineering Fees	\$4,138,054	\$4,171,769	\$3,914,520	\$4,584,329	\$4,138,054	\$223,534	5%
Recreation	\$2,715,675	\$1,987,845	\$2,365,076	\$2,900,608	\$2,715,675	\$350,599	13%
Licenses	\$335,232	\$411,879	\$500,088	\$412,919	\$412,919	(\$87,169)	-21%
Ice Revenue	\$850,024	\$715,532	\$955,233	\$900,176	\$900,176	(\$55,057)	-6%
Intergovernmental Revenue	\$137,010	\$144,778	\$138,275	\$138,275	\$138,275	\$0	0%
Fees/Other	\$1,475,666	\$1,101,721	\$1,239,454	\$1,239,454	\$1,475,666	\$236,212	16%
Interfund Transfers	\$2,950,291	\$2,438,337	\$3,375,002	\$3,375,002	\$3,476,252	\$101,250	3%
Total	\$48,138,712	\$38,780,300	\$45,157,671	\$46,825,126	\$48,492,316	\$3,334,645	4%

On [April 04, 2023](#), we briefed Council about potential revenue shortfalls and the resulting

tension between funding critical requests in the face of inflationary pressures and increased demand for public services. To balance the recommended budget with revenue projections, we reduced the number of new positions presented to Council last month in draft form. We reduced the Pay Plan recommendation to 5.5% rather than 6.3%. Finally, there is also a recommendation to conduct a comprehensive organizational compensation study in FY24 (the last was completed in FY20) using an independent third party.

Overall, Park City is firmly positioned to continue its post-pandemic economic momentum while strengthening our ability to confront many of the challenges associated with mitigating resort economy and increased visitation impacts, demand for elevated public service levels, and a myriad of necessary organizational and community needs. With requests far outweighing available resources, we prioritized one-time expenses (OTE) that moved the needle on important community initiatives, same level of service (SLOS) requests, and aligning our expenses to reflect the resources, monetarily and otherwise, necessary to continue providing the high level of service our community and visitors expect.

For example:

- **Advancing Community Priorities in Transportation, Housing, and Planning** - Continued investment in neighborhood and community planning, peak-day traffic mitigation, microtransit, and our Housing program. Many requests are one-time expenses, meaning they are finite and will not carry forward to future years unless ongoing support is requested. Examples include a General Plan update, microtransit, Richardson Flat Transit route, and continuing our work on Land Management Code updates and Small Area/Neighborhood Planning.
- **Aligning expenses with community growth, increased utilization, and expectations** – Essential must-haves to continue meeting demands and delivering the high level of service our community and visitors have come to expect. Examples include a text messaging community outreach and engagement tool, 4th of July drone fireworks show, and increased trails and street maintenance.
- **Maintaining current programs while facing inflationary pressure** – Same levels of service requests are directly related to increased costs in goods, services, and equipment. Examples include MARC fitness supplies, Police equipment, new material for the Library, and bank charges in various departments.
- **Retaining, recruiting, and developing workforce** – Important new positions in Library, Engineering, Planning, and Housing are recommended to meet new demand in service levels and a desire for additional professional experience and expertise. Also, and importantly, increases in front-line and part-time pay are requested to improve our ability to recruit and retain employees in a very competitive market.

Analysis

The long and extensive budget process is essential for sound financial planning, administration, accountability, transparency, and evaluation. To build the Tentative Budget, departments assess operations, consider market conditions, service demands, and Council and community priorities. Managers present new budget requests to the Results Team (internal budget review committee), who evaluate proposals based on

mandatory obligations, Council and community goals, and the need to maintain essential services. After rigorous deliberation, the Results Team makes a final recommendation to the Executive Team.

The City also relies upon a host of Budget Policies adopted each year by Council that govern the stewardship of public funds and ensure transparency. Our Budget Policies cover revenue management, fees and rates, capital financing and debt management, reserves, capital improvements, compensation, and public service contracts (found [here](#)). We will review and update the policies concurrently with Council on June 15th.

While FY23 has been strong for sales tax revenue, it is important to note that our budget process is built with economic ebbs and flows in mind. Park City’s Budget Policies strive to maintain expenditure control in strong economic years to avoid significant service and personnel cuts during economic challenges.

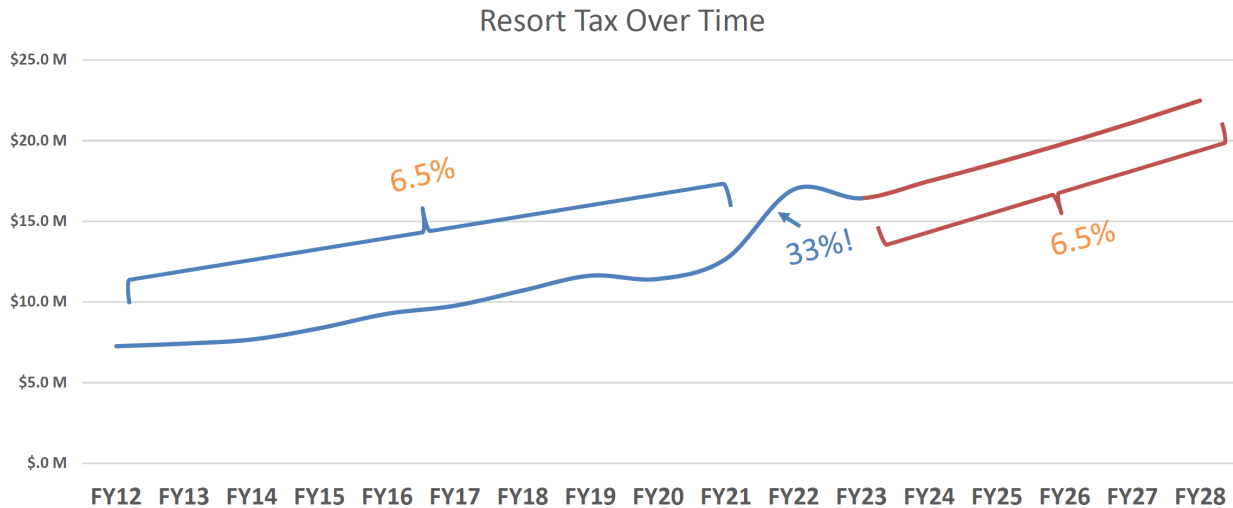
Budget Summary

Expenditure Summary - All Funds							
	Actuals FY 2020	Actuals FY 2021	Actuals FY 2022	YTD Actuals FY 2023	Original Budget FY 2023	Adjusted Budget FY 2023	Original Budget FY 2024
Personnel	\$40,019,168	\$36,565,560	\$39,898,811	\$39,940,633	\$50,251,589	\$50,251,589	\$55,980,771
Mat, Suppls, Services	\$20,850,156	\$22,782,224	\$21,832,403	\$18,884,467	\$27,117,977	\$27,117,977	\$30,136,843
Capital Outlay	\$435,427	\$429,591	\$526,103	\$699,454	\$1,189,360	\$1,189,360	\$1,152,832
Contingency	\$362,218	\$172,741	\$24,600	\$0	\$300,000	\$300,000	\$350,000
TOTAL	\$ 61,666,969	\$ 59,950,116	\$ 62,281,917		\$ 78,858,926	\$ 78,858,926	\$ 87,620,446
Capital	\$47,829,798	\$61,354,362	\$51,495,991	\$27,697,143	\$73,086,784	\$230,815,327	\$50,830,371
Debt Service	\$24,538,521	\$19,373,212	\$20,557,556	\$17,037,969	\$22,059,324	\$26,159,217	\$25,594,717
Interfund Transfer	\$24,617,678	\$19,689,126	\$23,094,790	\$17,848,710	\$20,186,317	\$20,186,317	\$20,485,691
Ending Balance	\$130,306,234	\$152,780,088	\$188,244,180	\$0	\$71,477,414	\$87,697,318	\$85,188,596
TOTAL	\$ 227,292,231	\$ 253,196,788	\$ 283,392,517		\$ 186,809,839	\$ 364,858,179	\$ 182,099,375

General Fund Revenues

While winter visitation remained robust, the unique post-pandemic trend in Park City is the growth of shoulder season and non-winter visitation. This trend is visible in the volume of visitors through the City’s Main Street business district, in particular. While winter visitation reached near-record highs, summer, spring, and fall growth caused calendar year 2022 to see the most visitors on record.

One result is that Park City is on a new revenue trajectory for sales taxes, closing FY22 up 33% vs. FY21, a previous record sales tax year. The FY24 sales tax revenue budget is slightly higher than FY23, as we project a slight softening of the global economy and some additional economic volatility. However, the City can still take strategic advantage of the growing sales tax trajectory and deploy resources to meet community demands.



*Avg Annual Growth Rate

On the national front, the effects of inflation are eroding the buying power of American workers and Park City, and real growth concerns are beginning to manifest in household earnings and markets. Average U.S. households increasingly deploy income once used for discretionary purposes into essentials to make ends meet. With an eye toward caution, we believe FY24 will remain robust in revenues, almost similar to FY23, with a minor increase of 4%, as record revenue growth tapers off in the near term.

In addition, we have forecasted long-term revenues and operating, capital, and debt service expenses for the General Fund. The analysis below illustrates the potential impacts of financial decisions on the City’s short and long-term financial health. The figures help set the funding limits for both the Operating and Capital Budget related to the General Fund and General Fund capital transfer.

Major General Fund Expenses

The table below demonstrates the breakdown between the major categories of functional enhancements: ongoing operational expenses such as inflationary costs, new personnel, one-time expenses, compensation, and capital projects.

FY24 Expenses -General Fund	Amount	Notes
		Inflationary increases, aligning expenses with increased utilization & growth, targeted expansion of Critical Community
FY24 Ongoing Operational Increases	\$ 1,979,987	Priorities
FY24 One-time Operational Increases	\$ 738,080	Funded by reducing amount of General Fund CIP Transfer
Pay Plan	\$ 1,911,459	5.5 % increase to compensation ranges
Health Insurance	\$ (500,000)	New provider offers enhanced benefits at lower premiums
CIP Transfer	\$ 3,960,000	Funds deployed on key projects for community benefit
	\$ 8,089,526	

The Budget Department projects \$3.3M in new revenue for FY24, which includes sales tax revenue and fee increases. We also anticipate \$500k in savings from the effort to solicit

competitive bids for a new health insurance provider. Lastly, the \$3.9M represents the General Fund Transfer to the Capital fund, which moves revenues from the General Fund to Capital to pay for ongoing capital projects.

Major Operating Initiatives and Key Investments in Community Priorities

FY24 Operating Expenses - All Funds Combined	Amount	Summary
Advancing Community Priorities in Transportation, Housing, Planning and Environment	\$ 4,517,031	Housing Director, Planning Office Manager, Engineering Project Manager. Peak Day Traffic management: Additional Transportation positions, microtransit, Richardson Flat route, snow removal equipment. Gordo clean-up, topsoil assistance program.
Aligning expenses with community growth and expectations	\$ 478,706	Support for drone firework show and Miners Day, enhanced trail, parking lot and street maintenance, community outreach, increased inventory for resale.
Maintaining Current Programs & Service Levels	\$ 1,101,936	Increases in supplies, professional services and equipment in various departments. Jordanelle Special Service District (water) expenses.
Retaining, Developing and Recruiting the Best Talent	\$ 812,865	New staff to support public programming and facility management at the Library. Increase in front-line pay and part-time pay, succession planning, compensation study.
Grand Total All Funds	\$ 6,910,538	

Advancing Community Priorities in Transportation, Housing, and Planning

With Transportation/Traffic Mitigation remaining a priority, new resources are requested to continue microtransit, the Richardson Flat Park & Ride route, enhanced frequency on other winter routes, and increased front-line worker pay to help the Transportation department supply year-round and seasonal employees.

Microtransit - The microtransit pilot program ended April 16, 2023. A comprehensive Council review of the microtransit pilot will occur at the May 25 City Council meeting. Proactively, we included a **\$1.5M placeholder in the FY24 Tentative Budget**.

Richardson Flat Budgeted Service:

- Shoulder/Summer: Richardson Flat to Old Town Transit Center from 6:45 am to 7:45 pm at a 40-minute frequency.
- Winter: Richardson Flat to Old Town Transit Center from 5:45 am to 11:05 pm at a 20-minute frequency.

Transportation - Two Transportation Planners were added to implement the Long-Range Transportation Plan, including Old Town Transportation Improvements, SR248 corridor enhancements, Regional Park and Ride planning, Box of Rocks/Bonanza Dr and other intersections, and walkability. Four support positions were added to Transit Operations to assist with administrative duties, grants and financial management, business analysis, and community outreach. We are also requesting an upgrade to the business analyst position, elevating to a senior budget analyst to recognize the increased responsibility and better align with similar positions in the organization.

Streets - Vehicles and snow removal equipment were added to the Transportation and

Streets departments to help maintain signage, barricade placement, and timely clearing of bus stops, sidewalks, and parking areas.

Housing - A Housing Director position was created to oversee regulations, development, strategic partnerships, and negotiations to increase the community and affordable housing supply in Park City. The position is currently advertised and will remain unfilled until the Budget is approved.

Planning - In FY24, the Planning Department will update the City's General Plan, a comprehensive guide for future growth, development, and preservation. The Planning Department will begin Plan development this summer, with a final draft slated for Spring 2024 and adoption Fall 2024. While this is an exciting community project, it will consume significant resources both monetarily and in professional staff time. Separately, an additional staff member is requested to help the Planning Department improve its administrative and logistical support. In addition, we will continue our work on Small Area/Neighborhood Plans and Land Management Codes.

Aligning Operating Expenses with Community Growth and Expectations

Over the last few years, usage and expectations increased in Information Technology, Parks, Ice, Recreation, and Trails departments. Investments are necessary to maintain essential services and programs to meet new demand. Examples include increased facility maintenance at the Ice Arena, additional Trails maintenance and supplies at trailheads, and increased part-time funds to maintain planters, stairs, streets, and sidewalks. A full-time Front Desk Representative is requested at the MARC to reduce the seasonal turnover this position has faced in the past. Funds are also recommended to support a drone fireworks show for the 4th of July and to continue supporting Miners Day.

As we continue to strive to offer high-quality, hybrid public meetings, we also recommend reallocating part-time funds and creating a full-time A/V Technical Support Specialist in the IT department.

Maintaining Current Programs & Service Levels

As the [Mountain Plains](#) region continues to battle rising inflation, there were many same-level of service requests in the budget process this year. This is what it takes to “keep the lights on,” so to speak, and reflect the increased cost of doing business. Most requests are for utility increases, equipment, contract services, bank charges, supplies, and materials. In some cases, increases are offset by increased revenue from fees that are under consideration for adjustment.

Retaining, Recruiting, and Developing a Professional Workforce

Investments in our workforce through increased on-call pay for front-line workers, advanced training and development, succession planning, and part-time wage increases are essential. Most of the services any city or town provides are the professionals that plan, implement, and/or work directly with community stakeholders in a customer service or regulatory role. In the Library, for example, we requested a new Facility and Event Space Manager and part-time funds to meet the demand for additional library public programming.

We also recommend one-time funds to conduct an independent review of our compensation methodologies in FY24. Our last compensation study was completed in FY20.

Pay Plan

In FY22, PCMC committed to a compensation methodology whereby the organization would strive to pay its workforce at no more than the 75th percentile of the competitive market wage for a position. A compensation study is necessary to obtain updated benchmarks reflecting the 75th percentile. Industry best practices rely on inflation as a guide for “off-years” when a compensation study, typically performed every 3-5 years, isn’t conducted.

For FY24, we propose a 5.5% increase to wage range maximums, which is lower than inflation (6.3%) since our last adjustment. This increase allows us to remain competitive to retain and recruit talented applicants while at the same time balancing our desire to fund other critical requests and invest in competing community priorities. Wage adjustments are not simply granted or applied across the board. Instead, they are applied by managers based on several criteria, such as performance, experience, attendance, certifications, education, etc.

Fund	5.5% Increase to Wage Range Maximum	
General Fund	\$	1,911,459
Water	\$	241,707
Storm Water	\$	46,041
Golf	\$	56,970
Transportation	\$	545,373
Parking	\$	60,772
Fleet	\$	56,348

Health, Dental, & Life Insurance Costs

PCMC provides quality health insurance as part of our impressive employee benefits package. In January 2023, we conducted an RFP to ensure our employees were offered quality and affordable health care and to potentially reduce costs. As a result, [a new provider](#) can enhance our benefits (expanded network of hospitals and doctors) and simultaneously provide lower premiums to obtain our business. This change will result in a \$500k cost savings next year.

Personnel Changes

As discussed, several new personnel requests and pay adjustments for part-time and on-call pay are recommended within the FY24 Budget.

FY24 New Personnel & Reclass Requests	Amount
General Fund	\$ 1,293,623
Transportation Fund	\$ 1,914,014
Parking Fund	\$ 89,483
Golf Fund	\$ 16,500
Increase to On-call pay (all funds)	\$ 107,435

Materials, Supplies, and Services

The table below displays changes to materials, supplies, and services by Fund. In FY24, the principal increases in the General Fund are for services, supplies, and equipment. In the Water Fund, FY24 marks the first year our pre-payment for water to the Jordanelle Special Service District has expired. This increase reflects our annual amount for water and related operating expenses. The Transportation Fund displays the placeholder to consider continuing microtransit service.

FY24 Materials, Supplies and Services	Amount
General Fund	\$ 1,126,539
Water Fund	\$ 865,575
Transportation Fund	\$ 1,173,239
Golf Fund	\$ 44,750

Capital Changes

At the April 27, 2023, City Council meeting, we comprehensively reviewed the City's five-year capital plan recommendation across the Capital Fund, Transportation Fund, Water Fund, and Lower Park Avenue Redevelopment Agency (LPA RDA) Fund. After receiving Council feedback, we made several adjustments to reflect your input.

For example, the Budget Dept will return to discuss a GO Bond strategy for recreation projects with more refined scenarios. For the Tentative Budget adoption and as a result of your discussion, we removed the MARC expansion and PC Sports Complex from the Tentative Budget, as Council did not fully support them. However, they can be added to the Final Budget at any time based on future Council direction.

In addition, there seemed to be Council support to fund the City Park Recreation Building and new MARC aquatics. Thus, the Tentative Budget reflects funding these projects within existing resources. A summary of other changes and key topics of conversation are presented below:

- **CP0318 Bonanza Park/Substation Mitigation** – Restored \$958,568 in FY24 and programmed this amount against the Capital Fund balance.
- **CP0386 Recreation Building in City Park** – Programmed \$15M from 2019 Sales Tax Revenue bonds (2019 STR) in FY24 and removed \$15M associated with a

potential recreation General Obligation bond. The effect is twofold: (1) this step allows the Council to fund the City Park Recreation Building without adding it to a General Obligation bond, and (2) it contemplates swapping funding from affordable housing projects by removing the 2019 STR bond proceeds from affordable housing and backfilling those affordable housing projects with fund balance associated with Additional Resort City Sales Tax (ARCST). This will generate flexibility for the Council on affordable housing projects (especially public-private partnerships). For further discussion of the characteristics and limitations of the 2019 STR, please see the [April 27, 2023, staff report](#). At its meeting on May 2nd, the City's Recreation Advisory Board (RAB) unanimously supported the City Council funding \$21 million for the City Park Building & the PC MARC aquatics capital projects from existing resources. RAB also unanimously supported Council considering a general obligation bond for the November ballot to fund additional new recreation enhancements at the PC MARC and Park City Sports Complex totaling \$30 million.

- **CP0385 Park Avenue Reconstruction** - Replaced \$5M of ARCST in FY23 with \$5M from the 2019 STR. Additionally, we added \$3M from the 2019 STR in FY24. This funding swap strategy is proposed similarly to CP0386 above to create flexibility with affordable housing funding by expending the 2019 STR on other authorized uses while backfilling affordable housing projects with ARCST and fund balance. There will be no decrease in affordable housing funding. This project will likely require additional future funding requests beyond FY24 and will become more precise as the project manager narrows in on scope and scale.
- **CP0598 PC MARC Fitness & Aquatics Enhancements** - Added \$6M from Capital Fund balance. This project aims to upgrade PC MARC aquatics and would not be funded with a General Obligation bond.
- **CP0558 PC MARC Expansion** – This project was listed with \$15M in funding from a General Obligation bond for initial budget recommendations. For the moment, we removed the project so Council can hold further strategy discussions.
- **CP0163 Quinn's Fields Phase III** – This project was listed with \$20M in funding from a General Obligation bond for initial budget recommendations. The project's scope is for Nordic, ice, pickleball, maintenance, and field enhancements at the Park City Sports Complex. For the moment, we removed this project so Council can hold further strategy discussions.
- **CP0559 Marsac Remodel** – This budget was maintained (\$1M) due to general Council support and remains a placeholder that aims to renovate portions of City Hall to modernize the work environment. Due to growing teams, less demand for formal office space, and flexible work schedules, more adaptive and flexible space can accommodate our workforce within Marsac rather than expand or build new facilities. With an eye toward efficiency and collaboration, renovating internal portions of City Hall will reflect a more modern professional work environment.
- **CP0474 Main Street Bollards Phase II** – The proposed budget of \$350k is maintained in the tentative budget, but additional Council discussion was requested. In the April 27, 2023, Council meeting, we confirmed that this project would not conflict with CP0556 Upper Main Street Intersection Improvements, which targets roadway infrastructure on Upper Main Street, and the City Engineer is prepared to answer questions.

Summary

Overall, Park City's General and Capital Improvement Funds remain solid and well-positioned to continue investing in City infrastructure while also initiating several new investments in programs, policies, and projects. Strong and conservative funding projections support the City's plans for major capital project investments, departmental operating improvements, competitive compensation, cost cutting, and keeping up with inflationary increases.

The proposed budget reflects stability and growth; increasing tourism and visitation year-round, drive-traffic and overnight lodging; and increasing pressure on our facilities, infrastructure, neighborhoods, and employees. To the extent possible, the City seeks to address critical needs, strategically advance capital project opportunities, and recruit and retain a high-performing workforce to meet community demands.

Department Review

This report has been reviewed by the City Attorney's Office and the City Manager's Office.

Attachments:

- A – Budget Summaries
- B – Tentative Budget Ordinance
- C – Itemized List of FY24 Operating Items