

Economic Impacts of Tourism

May 2009



Wikstrom Economic & Planning Consultants, Inc.

422 North 300 West
Salt Lake City, UT 84103



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Economic Impacts of Tourism

Park City Chamber of Commerce & Visitors Bureau
May 2009

2007 was peak year \$576mi

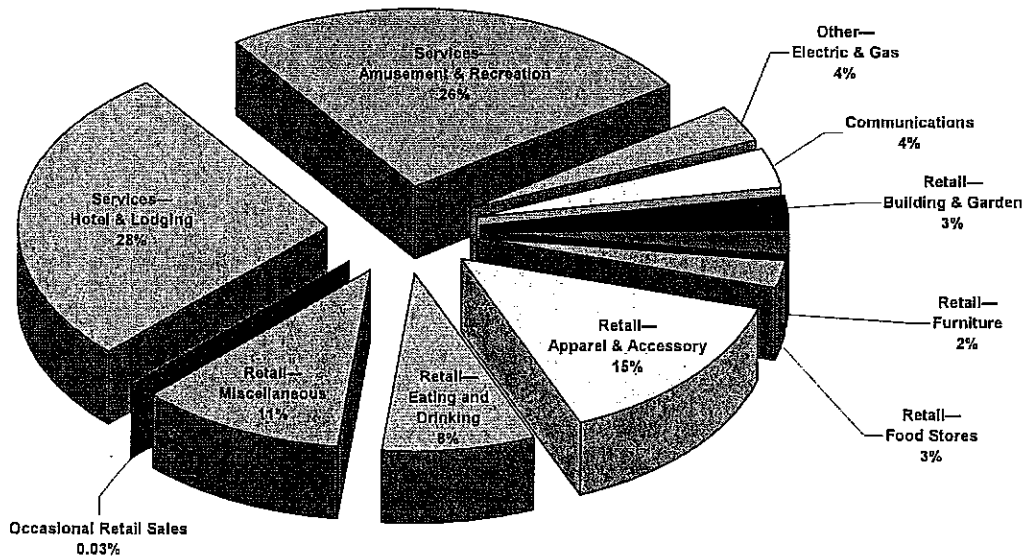
Economic Impacts of Tourism in Summit County, Utah

EXECUTIVE SUMMARY

The purpose of this study is to determine the net contribution made by visitors—including second home owners—to Summit County and assumes that residents would choose to maintain their resort standard of living even if visitors were not present. The analysis not only considers visitor revenue sources (property taxes on second homes, sales and use tax, restaurant tax, etc.), but identifies visitor impacts to major service providers (Park City School District, Summit County and Park City Municipal Corporation) that create increased expenditures. By comparing the reduction in revenues without visitors with the reduction in expenditures, an estimate can be made of their net contribution.

Total visitor spending in Summit County in 2007 was approximately \$576 million. Figure 1 below shows visitor spending broken out by category. It includes categories typically associated with tourism, such as restaurants, amusement, and lodging, as well as sectors affected by second home owners such as electric & gas, communications, retail—building and garden, and retail—furniture.

Figure 1. Visitor Spending by Major Category, Summit County, 2007



The following table summarizes the revenue sources that are available to each of the major service providers and reviews the amounts that are attributable to visitor spending.

Table 1. Summary of Revenues from Visitors Received by Service Providers, 2007

Revenue Source	North	South	Park City School District	Summit County	Park City Municipal Corp.
	Summit School District	Summit School District			
Property Tax	\$1,120,687	\$2,732,746	\$21,972,411	\$6,249,212	\$5,907,839
General Sales Tax				\$3,232,383	\$1,856,895
Restaurant Tax				\$684,168	
Recreation, Arts and Park (RAP) Tax				\$569,162	
TRT*				\$5,002,809	
Resort Tax**					\$5,155,164
Franchise Taxes					\$731,078
Transit Tax***				\$502,063	\$1,553,627
Charges for Services (not including golf, recreation and water funds or transit fares)				\$1,829,441	\$134,660
Fines & Forfeitures				\$193,740	
Intergovernmental Licenses, Building Permits				\$194,455	
Subtotal	\$1,120,687	\$2,732,746	\$21,972,411	\$18,728,960	\$16,122,678
Capital Improvement Fund					\$3,940,207
Equipment Replacement Fund					\$115,713
Golf Fund Revenues					\$419,617
Water Fund Revenues					\$2,941,549
TOTAL	\$1,120,687	\$2,732,746	\$21,972,411	\$19,231,023	\$23,539,765

Source: Wikstrom

Notes:

*TRT assumes all hotel expenditures are made by visitors

** As paid by visitors and residents since without visitors these taxes could not be enacted. Visitor spending accounts for approximately 74 percent of the revenue.

***Summit County collects a 0.3% transit sales tax in the Snyderville Basin.

Economic Impacts of Tourism

Expenditures by the major service providers that are directly attributable to visitors are summarized below:

Table 2. Direct Expenditures Attributable to Visitors, 2007

Service Provider	Amount of Expenditures
North Summit School District	\$0
South Summit School District	\$0
Park City School District	\$0
Summit County	\$12,254,151
Park City	\$1,199,523
Park City Capital Improvement Fund	\$3,940,207
Park City Equipment Replacement Fund	\$115,713
Park City Fleet Fund	\$182,905
Park City Transit Fund	\$176,733
Park City Golf Fund	\$161,482
Park City Water Fund	\$1,485,951
Total	\$19,516,666

Source: Wikstrom

The reduction in revenues attributable to visitors is larger than the reduction in expenditures, indicating that visitors make a net positive contribution to the Park City area.

Table 3. Summary of Reduced Revenues and Expenditures by Entity, 2007

	North Summit School District	South Summit School District	Park City School District	Summit County	Park City Municipal Corporation
Reduction in Revenues	\$1,120,687	\$2,732,746	\$21,972,411	\$19,231,023	\$16,238,391
Less: Reduction in Expenditures	\$0	\$0	\$0	\$12,254,151	\$5,615,082
Total	\$1,120,687	\$2,732,746	\$21,972,411	\$6,976,872	\$10,623,309

Source: Wikstrom

*Note: Does not include Golf, Water, or Capital Improvement Funds for Park City.

The net revenue that would be lost without visitors equals \$1.1 million annually to North Summit School District, \$2.7 million to South Summit School District, \$22.0 million to Park City School District, \$7.0 million to Summit County and \$10.6 million to Park City, for a total of \$43,426,025. If residents choose to maintain the quality of life at current levels of service without these revenues and pay for them through increased property taxes, property taxes would increase as shown in the table below, depending on the value of the home.

Table 4. Summary of Property Tax Increases Necessary to Balance Budgets

Property Value of Primary Residence	North Summit School District	South Summit School District	Park City School District	Summit County	Park City Municipal Corporation
\$300,000	\$240	\$453	\$763	\$231	\$1,012
\$450,000	\$359	\$679	\$1,145	\$347	\$1,518
\$600,000	\$479	\$906	\$1,527	\$463	\$2,024
\$1,000,000	\$798	\$1,510	\$2,544	\$771	\$3,373

Source: Wikstrom

The impact of direct visitor expenditures is compounded through the cumulative effects on earnings and jobs as initial direct expenditures by visitors are spent and re-spent throughout the local economy—known as "multiplier effects." Direct visitor spending results in \$1.18 billion of indirect impacts for a total of \$1.62 billion annually and a multiplier of 3.66.

Table 5. Total Annual Economic Impact of Tourism: Summit County, 2007

Total Visitor Direct Expenditures*	\$441,506,261
Indirect Economic Impacts	\$1,176,121,038
Total Economic Impact	\$1,617,627,299
Average Multiplier	3.66
Number of Jobs Supported	11,874
Increase in Earnings	\$294,069,152
Measurable Tax Revenues (to Park City School District, Summit County and Park City Municipal Corporation)	\$57,270,244

Source: Governor's Office of Planning and Budget Input-Output Model; Wikstrom

*Because retail impacts are based on retail mark-up only, all retail trade direct expenditures, with the exception of restaurant expenditures, have been reduced by 70% before indirect expenditures have been calculated.

Undoubtedly, tourism is the largest single component of the economic base of Summit County, generating total economic impacts of over \$1.6 billion annually, creating nearly 12,000 jobs (54 percent of all jobs in Summit County) and increasing earnings by almost \$300 million. Measurable tax impacts are over \$57 million annually and contribute substantially to the budgets of Summit County, Park City Municipal Corporation, and the three school districts in the county. Without the net contribution made by visitors, Summit County residents could only maintain their current resort lifestyle through substantial property tax increases.

INTRODUCTION

Wikstrom Economic & Planning Consultants, Inc. was retained by the Park City Chamber of Commerce and Visitors Bureau to evaluate the impacts of tourism in the Park City/Summit County area. Tourism is a significant part of the economic base of Summit County, with nearly 12,000 jobs (54 percent of Summit County's total employment) based in travel and recreation-related employment. Non-primary residences ("second homes") in the county are valued at just under \$9 billion and provide annual property tax revenues of nearly \$38 million annually to Park City School District, North Summit School District, South Summit School District, Summit County and Park City Municipal Corporation. Visitor spending is estimated at over \$576 million annually, providing nearly \$5.1 million in general sales tax revenues locally, \$5.0 million in transient room tax revenues, over \$684,000 from the restaurant tax, and \$5.2 million as resort tax revenues.

While visitors bring revenue dollars to Summit County, they also increase the costs of local service providers for basic services such as fire, police, planning and building, transportation, etc. Through interviews with administrators at Park City and Summit County, estimates have been made of expenditures which can be attributed to visitors in order to determine their net contribution (revenues less expenditures) to Summit County. In this analysis, visitors include second homeowners in Summit County, as well as individuals coming to the area for vacations (but not owning second homes).

The analysis clearly shows that when local expenditures for visitors are compared to visitor revenues, there is a significant positive impact to Summit County from the tourism industry. Not only do visitors contribute heavily to property and sales tax revenues and thus reduce resident tax burdens, but residents enjoy a higher standard of living—"resort style"—than they could afford without visitors. Estimates have been made as to the extent that current property taxes for residents would need to be increased in order to compensate for the net contribution of visitors. The analysis assumes that the resort standard-of-living now enjoyed by residents is held constant.

Input/output or "multiplier" analysis is employed to calculate indirect expenditures and total economic impacts in the region resulting from direct visitor expenditures. Total annual economic impacts of tourism in Summit County are estimated at \$1.62 billion, with visitor spending resulting in additional earnings of \$294 million and nearly 12,000 jobs.

SOURCES AND METHODOLOGY

In order to estimate the extent of visitor activity and economic impacts in Summit County, the following sources have been used:

- Park City Chamber/Bureau Visitor Night Data
- Park City & Summit County Economic Profile: Tourism, Park City Chamber & Visitor's Bureau, 2009
- Input/Output Model, Governor's Office of Planning & Budget
- Utah State Tax Commission Gross Sales reports
- Utah State Tax Commission Income Tax Statistics
- Park City Sales Tax Database
- Park City, Park City School District, North Summit School District, South Summit School District and Summit County Budgets
- Summit County Property Tax Data
- Interviews with local city and county officials
- Summit County Tourism Profile, 2007, Utah Office of Tourism, Governor's Office of Planning & Budget
- 2005-2007 American Community Survey 3-Year Estimates
- Bureau of Labor Statistics Consumer Expenditure Survey

Using published sources, as well as interviews with local county and city officials, consultants reviewed budgets and determined an appropriate allocation of costs to tourism-related activities. These expenditures are summarized in the *Summary of Findings—Expenditures* section.

Direct revenue impacts were analyzed through the various revenue sources—property tax, sales and use tax, franchise tax, charges for services, licenses, etc. to which visitors contribute. Property tax data was evaluated through information provided by the Summit County Assessor's Office that allowed the identification of second homes ("non-primary residences") by tax district. Sales tax impacts were determined through a "leakage" analysis of gross sales data for items such as food, lodging, recreation and entertainment. By comparing average annual household expenditures statewide, by various categories such as eating and drinking, entertainment, etc., with expenditures made in Summit County in those same categories, visitor spending levels can be approximated. These revenues are summarized in the *Summary of findings—Revenues* section.

Input/Output or "multiplier" analysis measures the indirect impacts that occur from initial direct impacts as dollars are re-spent in the local economy. These impacts occur both in the form of increased earnings and income, as well as in increased jobs and are summarized in the section, *Total Economic Impact*.

It is important to note that, as a resort town, Park City maintains very high levels of service in comparison with cities of similar size in the State or in any other state. For purposes of comparison, it is assumed throughout that Park City residents would want

to maintain this "resort" standard of living, even if visitors are not supporting their "lifestyle habit."

EXPLANATION OF FINDINGS

EXPENDITURES

Through interviews with Summit County and Park City officials, estimates were made regarding the amount of current expenditures that are directly attributable to Summit County's visitors. A summary of these estimates is outlined in the table below. Actual 2007 expenditures are used as guidelines.

Table 6. Direct Expenditures Attributable to Visitors, 2007

Service Provider	Amount of Expenditures
North Summit School District	\$0
South Summit School District	\$0
Park City School District	\$0
Summit County	\$12,254,151
Park City	\$1,199,523
Park City Capital Improvement Fund	\$3,940,207
Park City Equipment Replacement Fund	\$115,713
Park City Fleet Fund	\$182,905
Park City Transit Fund	\$176,733
Park City Golf Fund	\$161,482
Park City Water Fund	\$1,485,951
Total	\$19,516,666

Source: Wikstrom

A complete discussion of specific budget cuts, by service provider, as well as an itemized listing of these reductions, can be found in Appendix A.

Park City, North Summit and South Summit School Districts. Because the School Districts provide services for children of local residents, no direct expenditures are attributed to tourists.

Summit County. A total reduction of \$12.2 million could be made in the following areas: recorder, attorney, assessor, justice court, sheriff, ambulance, jail, public works, engineering, roads, information technology, facilities & grounds, tourism, grants, and waste management.

Park City Municipal Corporation. Because the resort standard of living is held constant, no budget reductions have been made in street maintenance, parks & cemetery maintenance, library, and recreation and tennis. Projected reductions are for \$282,000

in the Community Development department, which oversees development and building inspections. Without development of second homes, many supervisory costs could be eliminated in this department. A reduction of \$894,000 has also been made for public safety which could decrease the number of patrol cars, officers, other full-time employees and part-time contractual work. Reductions have also been made for Fleet, Transit, Golf, Water, Equipment Replacement and Capital Facilities funds.

REVENUES

Property Tax *55% from property tax revenue neutral w/ mil levy*

Property tax is the largest single source of revenue for the three major service providers. The total taxable value of non-primary residences throughout Summit County in 2008 was \$8,973,536,471. In 2007 these properties generated property taxes for service providers as estimated below.

Table 7. Estimated Property Tax Revenues From Non-Primary Residences by Entity, 2007

Service Provider	Tax Revenues from Non-Primary Residences
Park City School District	\$21,972,411
Summit County	\$6,249,212
Park City	\$5,907,839
North Summit School District	\$1,120,687
South Summit School District	\$2,732,746
Totals	37,982,895

Source: Summit County Assessor's Office, Wikstrom

Summit County. Summit County receives nearly \$6.2 million annually in property tax revenues from non-primary residences. However, the county also receives sales, transient room, and restaurant tax revenues, as well as fees for building permits and various services that would be reduced without visitors. These reduced revenues would be offset somewhat by the reduced county expenditures of discussed above. A summary of the "shortfall" for Summit County and the effect on property taxes is included after a discussion of all county revenue sources.

Park City. Based on information from the Summit County Auditor's Office, the taxable value of second homes within the Park City municipal boundaries is \$4,554,062,000. In 2007 these homes provided tax revenues of roughly \$5.9 million annually to Park City Municipal Corporation. Note that this does not include Main Street and Lower Park

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Avenue RDA projects which provide the city with roughly \$3.8 million in tax increment annually and which would likely be reduced without visitors.

Like Summit County, Park City has other revenue sources, including the resort and franchise taxes not collected by Summit County, that would be reduced without visitors. Therefore, an estimate of property tax increases necessary to balance Park City's budget without visitors is included after a discussion of all affected revenue sources.

Park City School District. Park City School District receives nearly \$22 million in property tax revenues annually from non-primary residences located within the school district. These homes provide revenues to the school district, without directly contributing additional students, or expenditures to the system. Therefore, it would be necessary to increase property taxes substantially to compensate for the shortfall. The impact of the tax increase is shown later in the *Net Contribution by Visitors* section, but as an example, the annual property tax rate on a primary residence valued at \$300,000 would be approximately \$763.

Note that this property tax increase is only that needed to make up deficiencies in the Park City School District budget (does not include Park City or Summit County deficiencies) and assumes that the number of school facilities, teachers, pupils, etc., remains constant without the second homes. Through indirect means, such as the decreased local services required without the needs of second-home owners, many jobs, especially in the service sector, could be eliminated. This reduction in services would indirectly reduce the number of local school students. However, for the purposes of this analysis, holding school service levels constant, these indirect impacts have not been taken into account.

Sales and Use Tax

Because of the limited data available regarding visitation numbers and average daily expenditures of various types of guests (resident, non-resident, overnight, day, off-season, peak season), visitor-contributed sales tax revenues for Summit County have been calculated using a "leakage analysis." This type of analysis compares, on an annual basis, the average expenditures per household in Utah with the average expenditures per household in Summit County. The underlying assumption of this analysis is that Summit County household expenditure patterns are similar to purchasing patterns statewide. Therefore, the increased expenditures that we find in visitor-related categories such as hotels/lodging, eating and drinking, entertainment, etc., can be attributed to visitor expenditures.

The leakage analysis is effective, but not perfect. The leakage analysis visitor expenditure estimates may be understated because the leakage analysis assumes all

Summit County residents' expenditures occur in Summit County. However, nearly 28 percent of the Summit County labor force commutes to work out of the County, compared to an average of 16 percent of the labor force statewide who work in counties other than those in which they reside. The Summit County commuters likely spend money on restaurants, apparel and other items outside of the County. Unfortunately, without an exhaustive survey of resident expenditures, there is no way to know just how much residents do spend outside the County.

Table 8 shows the results of the leakage analysis. Column 3 represents per capita "expected spending"—meaning the amounts residents of the County would spend annually for the various categories. These numbers represent statewide per capita spending by category adjusted upwards to reflect Summit County's higher median income.

Table 8. Leakage Analysis—Summit County and State of Utah 2007 Visitor & Second-Home Owner Expenditures

	Spending per Capita	Income Adjusted Expected per Capita Spending	Estimated Total Visitor Spending
Typical Visitor-Related Categories			
Retail—Food Stores	\$2,536	\$2,144	\$15,072,533
Retail—Apparel & Accessory	\$2,842	\$740	\$80,736,107
Retail—Eating and Drinking	\$2,964	\$1,743	\$46,888,642
Retail—Miscellaneous	\$3,575	\$1,946	\$62,573,201
Occasional Retail Sales	\$57	\$52	\$188,142
Services—Hotel & Lodging*	\$4,358	\$722	\$157,883,614
Services—Amusement & Recreation	\$4,357	\$556	\$146,015,147
Subtotal	\$20,690	\$7,903	\$509,357,386
Typical Second-Home Owner Categories			
Retail—Building & Garden	\$1,876	\$1,484	\$15,054,601
Retail—Furniture	\$1,487	\$1,182	\$11,695,916
Electric & Gas	\$1,567	\$1,061	\$19,460,213
Communications	\$937	\$1,014	N/A
Subtotal	\$5,867	\$4,741	\$46,210,730
Prior-Period Payments & Refunds**	\$759	\$227	\$20,433,745
Grand Total			\$576,001,861

Source: Utah State Tax Commission, Wikstrom

*Assumes all hotel expenditures are by visitors

**Estimated based on percentage of sales in tourism-related categories

Economic Impacts of Tourism

While the first section of the above table includes those categories typically associated with tourism, such as restaurants, amusement, and lodging, resort towns are unique in that they have a large number of second homes whose owners incur expenses in a wide variety of sectors, including: electric & gas, communications, retail (building and garden), and retail (furniture). With these additional expenditures, as outlined in the second part of the table, total visitor spending in Summit County reaches \$576 million per year.

The estimate of \$576 million calculated above for Summit County is higher than the estimate of \$530 million calculated by the Utah Office of Tourism. One reason for the difference is that the Office of Tourism numbers only include spending by visitors from outside of Utah. The Office of Tourism model takes statewide numbers and distributes them proportionally to counties based on hotel and restaurant sales as reported by the Tax Commission. The higher number is needed for the purposes of this analysis because it includes all visitor spending, not just spending from out-of-state visitors. Importantly, as mentioned earlier, the \$576 million estimate is conservative because it assumes that County residents spend all of their money in the County. This means that visitor spending will be understated.

Summit County. In 2007 Summit County received an estimated \$3.23 million in general sales tax revenue from visitors.

Summit County also receives revenues from the transient room tax—a 3 percent sales tax on hotel and lodging facilities. In 2007, Summit County collected \$5,002,809 in transient room taxes. These funds are used for activities and facilities that promote tourism in Summit County or mitigate the impacts of tourism. Without visitors, these revenues would not exist, nor would the expenditures that promote tourism.

In 2007, Summit County also received roughly \$1,661,345 from the restaurant tax—a 1 percent sales tax on prepared foods and beverages that are sold by restaurants. This tax may only be imposed for, "financing tourism promotion; and the development, operation, and maintenance of an airport facility; a convention facility; a cultural facility; a recreation facility; or a tourist facility." [Utah Code, 59-12-603(2)]. Summit County has used this tax to finance tourism promotion and over 400 projects including cultural arts and history facilities, recreation facilities and tourism and convention facilities. The leakage analysis suggests that at a minimum, visitors contribute \$684,168 of these revenues.

In 2007 Summit County received \$1,334,062 from the Recreation, Arts and Park Tax. Approximately \$569,000 of this amount can be attributed to visitors.

Park City Municipal Corporation. Park City Municipal Corporation received sales tax revenues of \$4,352,388 in Fiscal Year 2007. Park City officials estimate that 0.64 of 1

percent of gross taxable sales are returned to the city in the form of local option sales tax. Because Park City has a low population compared to the amount of sales within its boundaries, it actually loses revenues when adjustments are made for the population/point of sale formula. Based on the total visitor sales generated in Park City, out-of-county visitors directly account for \$1.86 million, or 43 percent of all sales tax revenues that are returned to Park City.

In addition, Park City has enacted a 1.1 percent resort sales tax, which provided the city with revenues of \$6,873,552 in Fiscal Year 2007. Without visitors, Park City would not legally be entitled to impose or collect the resort city sales tax and the city would lose this source of revenue. It is estimated, based on a household spending survey done by the Bureau of Labor Statistics, that the resort tax costs Park City households approximately \$270 annually. This assumes that households in Park City spend, on an annual basis, roughly the same amount as households nationwide relative to their income and that Park City households make 50 percent of their total yearly purchases within Park City limits.

The public transit tax allows for 0.30 of 1 percent to be charged on all sales. This tax is only collected in Park City and the Snyderville Basin. In Fiscal Year 2007, Park City received \$3,469,575 and Summit County received \$1,176,791 from this source. For Summit County and Park City combined, it is estimated that visitors contribute \$2.06 million annually through this source. Since the transit system is operated by Park City, almost all (92 percent) of the County's revenue from this source is transferred to Park City through an assessment for services provided to unincorporated portions of the County. In 2007, Summit County paid Park City \$1,085,786 for transit services provided by Park City. With this payment included, Park City received \$4,555,361 from transit tax. In order to maintain Park City's current level of services, it is assumed that the transportation system will continue a full schedule of operations without visitors. According to department officials, without visitors, this system would be running empty buses fairly frequently. It is unlikely that Park City residents would choose to pay for this service under such conditions; however, for the purposes of consistency in the analysis, service levels have been held constant.

Franchise Taxes

Franchise taxes include energy, telecommunications, and taxes on utilities such as sewer lines. Cities can tax up to 6 percent of taxable portions of electricity and natural gas revenue. This tax is paid by all utility users in the community, not just residents. Cities can also tax phone and utility revenue. All of the revenue for natural gas and electricity is subject to franchise tax, but long distance charges on telephone service are not. Counties cannot charge franchise taxes.

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Second homes account for roughly 60 percent of all developed parcels in Park City, but as they are not always used year-round, it is assumed that they contribute 29 percent, or \$731,078 of all franchise tax revenues. In 2007, Park City collected total revenues of \$2,529,915 from franchise taxes.

Other Revenue Sources

Other sources of revenues for cities and counties that are impacted by visitors include: charges for various services, fines & forfeitures, licenses, building permits, intergovernmental funds and contributions. While Park City School District has other revenues sources than just the property tax—i.e., state and federal funding, these sources are not impacted by visitor activity in the area. A summary of revenue sources by service provider is included in the following table:

Table 9. Summary of Revenues from Visitors Received by Service Providers, 2007

Revenue Source	North Summit School District	South Summit School District	Park City School District	Summit County	Park City Municipal Corp.
Property Tax	\$1,120,687	\$2,732,746	\$21,972,411	\$6,249,212	\$5,907,839
General Sales Tax				\$3,232,383	\$1,856,895
Restaurant Tax				\$684,168	
Recreation, Arts and Park (RAP) Tax				\$569,162	
TRT*				\$5,002,809	
Resort Tax**					\$5,155,164
Franchise Taxes					\$731,078
Transit Tax***				\$502,063	\$1,553,627
Charges for Services (not including golf, recreation and water funds or transit fares)				\$1,829,441	\$134,660
Fines & Forfeitures				\$193,740	
Intergovernmental Licenses, Building Permits				\$773,589	\$783,415
Subtotal	\$1,120,687	\$2,732,746	\$21,972,411	\$18,728,960	\$16,122,678
Capital Improvement Fund					\$3,940,207
Equipment Replacement Fund					\$115,713
Golf Fund Revenues					\$419,617
Water Fund Revenues					\$2,941,549
TOTAL	\$1,120,687	\$2,732,746	\$21,972,411	\$19,231,023	\$23,539,765

Source: Wikstrom

Notes:

*TRT assumes all hotel expenditures are made by visitors

** As paid by visitors and residents since without visitors these taxes could not be enacted. Visitor spending accounts for approximately 74 percent of the revenue.

***Summit County collects a 0.3% transit sales tax in the Snyderville Basin.

NET CONTRIBUTION BY VISITORS

A summary of visitor contributions, less visitor-related expenditures by the major service providers, is set forth in the following table.

Table 10. Summary of Reduced Revenues and Expenditures by Entity, 2007

	North Summit School District	South Summit School District	Park City School District	Summit County	Park City Municipal Corporation
Reduction in Revenues	\$1,120,687	\$2,732,746	\$21,972,411	\$19,231,023	\$16,238,391
Less: Reduction in Expenditures	\$0	\$0	\$0	\$12,254,151	\$5,615,082
Total	\$1,120,687	\$2,732,746	\$21,972,411	\$6,976,872	\$10,623,309

Source: Wikstrom

*Note: Does not include Golf, Water, or Capital Improvement Funds for Park City.

The total net contribution by visitors to all five service providers is \$43.4 million.

Park City School District. Park City School District has a \$22.0 million deficit that would necessitate higher property taxes as shown in Table 11 below.

Summit County. Summit County has a \$7.0 million deficit and would also require a higher tax rate to balance its budget. (See Table 11.)

Park City Municipal Corporation. Park City has a \$10.6 million deficit and would also need to raise property taxes as shown in Table 11 to balance its budget. It is important to note that Park City's figures do not include the potential loss of revenue from the Park City RDA, as discussed above. If these figures are included, additional property tax increases would be necessary to balance the Park City budget.

Table 11. Summary of Property Tax Increases Necessary to Balance Budgets

Property Value of Primary Residence	North Summit School District	South Summit School District	Park City School District	Summit County	Park City Municipal Corporation
\$300,000	\$240	\$453	\$763	\$231	\$1,012
\$450,000	\$359	\$679	\$1,145	\$347	\$1,518
\$600,000	\$479	\$906	\$1,527	\$463	\$2,024
\$1,000,000	\$798	\$1,510	\$2,544	\$771	\$3,373

Source: Wikstrom

Total property tax increases by area are summarized in the table below. Note that Park City School District residents would be the most heavily impacted, as they would pay increases to three service providers—the school district, the County and Park City.

Table 12. Summary of Property Tax Increases by Residence Location

Property Value of Primary Residence	North Summit School District Resident	South Summit School District Resident	Park City School District Resident
\$300,000	\$471	\$684	\$2,007
\$450,000	\$706	\$1,027	\$3,010
\$600,000	\$942	\$1,369	\$4,014
\$1,000,000	\$1,570	\$2,281	\$6,689

Source: Wikstrom

Golf Fund

Park City estimates that visitors account for 28 percent of the total rounds of golf played. However, because of higher fees per round charged to non-locals, visitors account for 34 percent of golf fee revenues.¹ Therefore, without visitors, golf course revenues would be cut drastically, but golf maintenance expenditures can only be marginally reduced, as golf courses are largely fixed-cost operations. Therefore fees will have to be raised to make up the deficit of \$258,135 between golf revenues and golf expenditures.

Water Fund

The water fund would have a deficit of \$1,455,589 without visitors. This shortage would have to be made up through increased fees for services.

¹ Based on current golf rates a resident is charged \$32 and a non-resident is charged \$43 per 18-hole round. Since 28 percent of visitors are non-residents and they pay on average 34 percent more, using a weighted average, non-residents will account for 34 percent of golf revenue.

Capital Improvement Fund

Because this fund receives transfers from other funds based on projected need, reductions in capital improvement expenditures are fully offset by the reduction in Capital Improvement Fund revenues.²

TOTAL ECONOMIC IMPACT

The impacts of direct visitor expenditures are compounded through the cumulative effects on earnings and jobs as initial direct expenditures by visitors are spent and re-spent throughout the local economy. For instance, visitor expenditures at hotels increase the earnings of hotels as well as creating a need for more jobs at the hotel. Generally, the added earnings are spent in the local economy, again augmenting incomes and creating demand for more services and jobs. These impacts are commonly known as "multiplier effects" and are measured using an input-output model developed at the Utah Governor's Office of Planning and Budget. The following table summarizes the impacts of tourism in Summit County.

Table 13. Total Annual Economic Impact of Tourism: Summit County, 2007

Total Visitor Direct Expenditures*	\$441,506,261
Indirect Economic Impacts	\$1,176,121,038
Total Economic Impact	\$1,617,627,299
Average Multiplier	3.66
Number of Jobs Supported	11,874
Increase in Earnings	\$294,069,152
Measurable Tax Revenues (to Park City School District, Summit County and Park City Municipal Corporation)	\$57,270,244

Source: Governor's Office of Planning and Budget Input-Output Model; Wikstrom

**Because retail impacts are based on retail mark-up only, all retail trade direct expenditures, with the exception of restaurant expenditures, have been reduced by 70% before indirect expenditures have been calculated.*

A breakdown of the jobs and earnings generated by visitor spending is contained in the following table:

² A reduction in revenues flowing into this fund does not necessarily mean these funds would not be available for other municipal uses. It simply means that the revenues would not be transferred into this particular fund.

Economic Impacts of Tourism

Table 14. Earnings and Employment Generated by Visitor Spending, 2007

Industry	Number of Jobs	Amount of Earnings
Landscape & Forestry	17	\$311,723
Mining	27	\$2,145,472
Utilities	36	\$3,768,753
Construction	328	\$15,361,551
Manufacturing	268	\$15,376,573
Wholesale	117	\$6,483,389
Retail	1,254	\$33,049,317
Transportation & Warehousing	76	\$4,092,968
Information	73	\$3,956,339
Finance	168	\$6,802,301
Real Estate & Rental	110	\$2,943,832
Professional	280	\$16,846,560
Holding Companies	65	\$3,995,335
Administrative and Waste	273	\$6,490,609
Private Education	83	\$1,986,992
Health & Social	353	\$13,603,487
Arts, Entertainment, Recreation	2,919	\$50,424,553
Hotels & Restaurants	4,542	\$72,079,399
Other Services	230	\$7,332,608
Farm	59	\$805,917
State & Local Government	596	\$26,211,474
TOTAL	11,874	\$294,069,152

Source: Governor's Office of Planning and Budget Input-Output Model; Wikstrom

± 8500 jobs of 11,874 already attributable to tourism

As expected, the lion's share of the jobs created by visitor spending, 75 percent, are in the visitor-related sectors of trade and services.

SUMMARY

Tourism is the largest single component of the economic base of Summit County, generating total economic impacts of over \$1.6 billion annually, creating nearly 12,000 jobs and increasing earnings by almost \$300 million. Measurable tax impacts are nearly \$57 million annually and contribute substantially to the budgets of Park City, Summit County and the local school districts. Because this analysis attempts to "balance" the budgets of the various service providers through property tax increases (assuming current service levels are held constant), the impact of no visitors would be felt most

strongly by those individuals owning property with high taxable value and by Park City residents.

Note that this analysis has not taken into account every impact that a loss of tourism would have on the community. Many of the revenues that have been assumed to remain in place as non-tourist-based revenues would likely disappear, having a much more substantial impact on local revenue streams and quality of life for area residents. For example, the businesses that rely on tourism would not be able to survive without it, but this analysis does not project likely business failures and associated reductions in revenues to Park City, Summit County and other taxing jurisdictions. Nor has it assessed the impact on residents' quality of life related to fewer choices in business establishments and other services. Without the strength afforded to the Summit County economy by tourism, property values may also decline—another impact not assessed in this project scope. This analysis, then, evaluates the impacts of tourism *on the margin*.

If tourism were to vanish in Park City, would the community revert to its condition in the early 1960s? Most likely not entirely, due to the impact that regional economic growth fueled out of Salt Lake City has had on the area (as evidenced by the high level of "out commuters"). However, compared with other cities of like size, Park City and Snyderville Basin residents do enjoy a level of service that most communities could not afford.

Note that in preparing this analysis, conservative assumptions were employed to assure that the figures produced could be taken as a baseline estimate of tourism impacts.

- 2nd property tax benefit
- Visitor Spending
- \$ 600,000 primary residence would require add'l
\$4,014 for PC resident

APPENDIX A

Summary of Reduced Expenditures for School Districts

Because the school districts provide services for children of local residents, no direct expenditures can be attributed to tourists.

We're educating children for a lot less
or gaining more b/c of tourism

Summary of Reduced Expenditures for Summit County

General Fund The general fund is used to provide services countywide. General fund expenditures are estimated to decrease by \$12.2 million in a budget that is currently \$44.5 million. The major decreases would occur in the following services: recorder, attorney, assessor, justice court, sheriff, ambulance, jail, public works, engineering, roads, information technology, facilities & grounds, tourism, grants, and waste management. Table A-1 below shows a detailed listing of Summit County revenues and expenditures, as well as the specific amounts of budget cuts by item.

Table A-1. Reduction in Expenditures in Summit County, Utah

	Actuals 2007	Estimate Without Visitors	Difference From Actuals
<u>General Government</u>			
Council	\$251,263	\$251,263	\$0
Administrative Services	\$193,190	\$193,190	\$0
Auditor	\$406,150	\$406,150	\$0
Clerk	\$299,517	\$299,517	\$0
Treasurer	\$258,408	\$258,408	\$0
Recorder	\$685,787	\$514,382	\$171,405
Attorney	\$1,256,334	\$1,067,882	\$188,452
Assessor	\$799,834	\$547,450	\$252,384
Motor Vehicle	\$189,916	\$189,916	\$0
District Court	\$0	\$0	\$0
Justice Court	\$344,245	\$261,462	\$82,783
Public Defender	\$168,677	\$168,677	\$0
Community Development	\$2,259,324	\$2,259,324	\$0
Administration and Community Development	\$803,868	\$401,934	\$401,934
Building	\$571,157	\$285,579	\$285,579
Planning and Zoning	\$884,300	\$442,150	\$442,150
Total General Government	\$7,112,645	\$6,417,621	\$695,024
<u>Public Safety</u>			
Sheriff Department	\$4,769,320	\$3,457,757	\$1,311,563
Communications	\$1,077,481	\$861,985	\$215,496
Corrections	\$2,842,201	\$2,202,706	\$639,495
Fire Warden	\$398,971	\$398,971	\$0
Animal Control	\$471,508	\$471,508	\$0
Emergency Services	\$154,401	\$154,401	\$0
Ambulance	\$1,952,296	\$1,171,378	\$780,918
Total Public Safety	\$11,666,178	\$8,718,705	\$2,947,473
<u>Public Health</u>			
Health Services	\$4,013,611	\$4,013,611	\$0
Total Public Health	\$4,013,611	\$4,013,611	\$0

Table A-1. Reduction in Expenditures in Summit County, Utah

	Actuals 2007	Estimate Without Visitors	Difference From Actuals
<u>Public Works</u>			
Administration	\$695,962	\$487,173	\$208,789
Class B Roads	\$1,227,562	\$1,043,428	\$184,134
County Roads	\$1,153,577	\$980,541	\$173,037
Storm Water Management	\$191,957	\$191,957	\$0
Waste Disposal	\$2,709,220	\$1,557,801	\$1,151,418
Weed Control	\$350,954	\$350,954	\$0
Engineering	\$646,324	\$452,427	\$193,897
Total Public Works	\$6,975,557	\$5,064,281	\$1,911,275
<u>Government Services</u>			
Risk Management	\$448,700	\$448,700	\$0
Information Technology	\$890,330	\$801,297	\$89,033
Personnel	\$276,797	\$276,797	\$0
Seniors Programs	\$121,290	\$121,290	\$0
Facilities and Grounds	\$1,672,121	\$1,421,303	\$250,818
Fleet Operations	\$30,306	\$30,306	\$0
Stockyards	\$2,180	\$2,180	\$0
Library	\$949,483	\$664,638	\$284,845
Historical Society	\$77,251	\$77,251	\$0
Ag & Extension	\$92,738	\$92,738	\$0
Total Government Services	\$4,561,195	\$3,936,499	\$624,696
<u>Parks and Recreation</u>			
County Fair	\$169,654	\$169,654	\$0
State Fair	\$1,075	\$1,075	\$0
Recreation Expenditures	\$1,476	\$1,476	\$0
Youth Expenditures	\$109,508	\$109,508	\$0
Total Parks and Recreation	\$281,712	\$281,712	\$0
<u>Other Departments</u>			
Non-Departmental	\$319,027	\$319,027	\$0
Tourism	\$4,501,351	\$0	\$4,501,351
Grants	\$1,537,309	\$15,373	\$1,521,936
Art Expenditures	\$699,000	\$699,000	\$0
Television	\$121,261	\$121,261	\$0
Debt Services	\$277,118	\$277,118	\$0
Contributions	\$139,130	\$139,130	\$0
Transfers to S. C. Building Auth.	\$1,250,000	\$1,250,000	\$0
Transfers to S. C. Tax Stability Trust		\$0	\$0
Transfers to S. C. Open Space Fund		\$0	\$0
Transfers to S. C. Captial Fund		\$0	\$0
Transfers to S. C. Transit District		\$0	\$0
Olympics	\$0	\$0	\$0
Miscellaneous	\$1,047,927	\$995,531	\$52,396

Economic Impacts of Tourism

Table A-1. Reduction in Expenditures in Summit County, Utah

	Actuals 2007	Estimate Without Visitors	Difference From Actuals
Total Other Departments	\$9,892,122	\$3,816,439	\$6,075,683
Total General Fund Expenditures	\$44,503,021	\$32,248,870	\$12,254,151

Source: Summit County, Wikstrom, Utah State Auditor

Summary of Reductions in Expenditures for Park City Municipal Corporation

Park City's General Fund includes General Government, Highway and Public Improvements, Public Safety, Community Development and Parks & Recreation, as well as executive and internal service functions. Golf, Water, Fleet, Capital Improvement, Equipment Replacement and Transit are separate funds and are therefore treated distinctly. An itemized summary of reductions to Park City funds is given in Table A-2 below. An explanation of the reasoning behind changes in some of the important categories follows.

Table A-2. Reduction in Expenditures in Park City, Utah

	Actuals 2007	Estimate Without Visitors	Difference From Actuals
General Government	\$5,666,309	\$5,642,791	\$23,518
Public Safety	\$3,565,474	\$2,671,176	\$894,298
Highways and Public Improvements	\$1,947,909	\$1,947,909	\$0
Parks, Rec, & Public Property	\$4,701,208	\$4,701,208	\$0
Community & Economic Development	\$2,136,455	\$1,854,749	\$281,706
Transfer to Other Uses	\$6,458,981	\$6,458,981	\$0
Appropriated Increase in Fund Bal.	\$4,595,997	\$4,595,997	\$0
Golf Fund	\$969,685	\$808,203	\$161,482
Water Fund	\$3,027,867	\$1,541,916	\$1,485,951
Transit Fund	\$3,534,666	\$3,357,933	\$176,733
Fleet Fund	\$2,438,732	\$2,255,827	\$182,905
Capital Improvement Fund	\$11,939,704	\$7,999,497	\$3,940,207
Equipment Replacement Fund	\$736,358	\$620,645	\$115,713
Total	\$51,719,345	\$44,456,830	\$7,262,515

Source: Park City, Wikstrom, Utah State Auditor

Public Works The Public Works Department oversees street maintenance, building maintenance, parks & cemetery, water operations, transportation, parking, administration and fleet maintenance.

Street maintenance is currently designed so that all primary routes are open 24 hours a day to allow public transportation and emergency vehicle access to be maintained. This requires 24-hour snow removal services. If the level of services remains the same, then street maintenance expenditures would stay roughly the same. However, it would be anticipated that evening snow plowing would be reduced without the influx of visitors. Services for special events would decrease without visitors or tourism. Staff estimates that the street maintenance budget could be reduced by 22% (or \$414,000) with the

reduction in special events and snow removal. However, since the basis for this report assumes that service levels will remain the same, no reduction in expenditures has been made.

Parks & Cemetery Maintenance provides varied services for the community. A large portion of the services the Parks & Cemetery Maintenance staff provides is for recreation programs. This for the most part is services for the resident community and does not service tourism. Reducing showy plantings targeting visitors and special event support would reduce the current budget by 20% (or \$268,500). However, since the basis for this report assumes that service levels will remain the same, no reduction in expenditures has been made.

Building maintenance, managed under Parks and Recreation, would stay at the same service levels without any visitors, although there would be less building use. In the near term, this would not allow for budget cuts, although in the long term there would likely be some reduction in replacement and repair costs. Reducing special events targeting visitors would realize a budget reduction of approximately 5% (or \$55,000).

Public Works oversees the water and golf maintenance funds, which are treated separately below.

Golf Fund A golf course is, to a large degree, a fixed-cost operation but to attract visitor rounds the level of quality of the golf course needs to be quite high. Visitor targeted rounds would reduce but it is anticipated that the local players would fill the void. Visitor rounds currently make up approximately 28% of total rounds played and visitor round rates are significantly higher than local play rates. Without visitors the budget would be reduced by 17% or (\$161,000).

Water Fund It is assumed that water fund expenditures will be reduced by roughly 50 percent of operations and billing, or by about \$1,486,000.

Transit Fund Transit ramps up service significantly to serve Park City's visitors. Approximately 70% of ridership occurs during the months of December – April. Special Event ridership accounts for approximately 5% of total riders carried. Service hours could be slashed significantly if the need to provide service to visitors no longer existed. Controlling for fixed costs these changes would likely result in a 30% reduction (\$1,060,000) of the current Transit operating budget. However, since the basis for this report assumes that service levels will remain the same, only the 5% reduction for special events has been made in expenditures.

Fleet Fund Because of the reductions in police patrols and mass transportation, there would be less demand on the central garage. Assuming 30 percent less demand and accounting for basic fixed costs results in a reduction of 15 percent to the current

budget, for a reduction of \$366,000. Since the basis for this report assumes that service levels will remain the same, this reduction has been adjusted to 7.5% (\$183,000) because transit service will have to be maintained at current service levels with the exception of special events.

Parking: The demand for parking generates the need for parking management. While tourists and part-time residents account for a portion of the need to manage the spaces, staff estimates the lack of this demand would not be sufficient to remove the program. However assuming 30% of usage is visitor and part-time based, enforcement could be cut back by a third, or approximately \$70,000. The revenue loss from these user groups would outstrip this savings by an estimated \$100,000.

Public Safety Reductions in the public safety budget assume that 24-hour coverage is maintained. Reductions would come in the number of patrol cars, patrol officers and other full-time employees and part-time contractual work. It is assumed that the public safety budget could be reduced by 25% or \$894,000.

Community Development Community Development includes the Planning, Building and Engineering departments. The primary visitor impact here is second homes, or vacation homes, that are built in the Park City area. It is assumed that the building department could be reduced by 30 percent if no second homes were to be built in the area and that the staff reductions would occur among building inspectors. Total expenditures could be reduced by \$282,000.

Library In addition to serving residents the library issues approximately 450 visitor library cards each year. Many of these are only used for a few days and some are used for several months. Internet use by resort workers and visitors is not tracked separately from resident use but the higher numbers served during the peak winter months and in the summer can reasonably be attributed to guest and visitor usage. Attendance at Library programs is not significantly affected by visitors. If the Library discontinued services to visitors the estimated cost savings would be approximately \$30,000. However, since the basis for this report assumes that service levels will remain the same, no reduction in expenditures has been made.

Recreation & Tennis The Recreation & Tennis Departments are responsible for the operation of the Park City Racquet Club, recreation programs, park and field reservations, along with the administration of the cemetery. Park City hosts many tournaments that attract players from the Salt Lake area as well as three national tennis tournaments that attract players from all over the country. Park City's services are heavily used by visitors. If the city was to provide services to only year round residents in the area, expenditures would be reduced by 25% or \$472,933. However, since the basis for this report assumes that service levels will remain the same, no reduction in expenditures has been made.

Ice Arena The majority of business at the Ice Arena is generated from local usage which requires a fixed cost to operate. Visitor fees represent approximately 7-10% of the overall business. Since visitors come during public programs and no programs are developed directly for visitors except facility rentals, little could be saved in operational costs. If visitors and 2nd home owners were not being serviced, the Ice budget could be reduced by \$25,000.

Equipment Replacement Fund While there would be less demands on existing equipment, and consequently less need for replacement, the advent of new technology will still require fairly high expenditures from this fund. Therefore, the equipment replacement fund has been reduced by 16 percent, or by \$110,000.

Capital Improvement Fund It is estimated that capital improvements could be reduced by 33 percent or \$3,940,000.

No budget reductions are foreseen in the following funds: Debt Service and Self Insurance.

