

TOWN COUNCIL STAFF REPORT

Title: FY2024-25 Budget – General Fund Revenue Projections

Meeting Date: April 3, 2024

Prepared by: Rob Patterson, Town Manager

RECOMMENDATION:

Staff is requesting Town Council comment and direction on proposed revenue projections that will assist staff in preparing the preliminary FY24-25 budget to be presented on May 1st for Town Council consideration.

BACKGROUND:

The methodology and background used for each revenue forecast is consistent with prior years. Preparing these initial revenue estimates provides a base line for providing current service levels with specific areas identified for additional investment. The development of a robust capital improvement program (CIP) along with current and future planned investment in housing programs requires a very measured process in setting revenue estimates for the Town's operating budget. We remain conservative in our estimates to prevent over reliance on high revenues for operations, while allowing for greater flexibility in executing on the CIP and other priority investments. These revenue estimates are completed with the best available information to date. Staff will receive updates on information for revenue projections and make adjustments throughout the budget cycle. Staff are working on the expense side of the budget as we prepare a preliminary budget for discussion tentatively set for May 1st.

FY24-25 General Fund Revenue Projections

In preparing for the FY24-25 budget, several key revenue projections are made to set the stage for the expenditure side of the budget. The primary focus is on the General Fund, which supports the majority of the Town's operations. The following highlights our projection of revenues for the preliminary budget work. These projections are subject to change as more information is obtained through the budget process. The following discussion uses the adopted FY23-24 budget as a point of comparison as well as trends over the past several years. The preliminary base operating revenue for FY24-25 is \$32,824,365 which represents a 7.4% increase from the prior year adopted budget (\$30,571,165). This increase is consistent with the natural growth of the organization as we have enhanced our core services to meet the needs of our community.

Transient Occupancy Tax

The base Transient Occupancy Tax (TOT) is recommended at \$18.5 million this year, which is \$500,000 or 2.8% higher than last year and represents 56.4% of the General Fund budgeted revenue for FY24-25. We believe this base TOT is sustainable based on summer / winter diversification and TBID supported marketing efforts. The staff does believe this revenue item will exceed the budget within the next year, allowing for investments in Housing Now! initiatives and the implementation of the CIP to support advancements to the community infrastructure. However, locking in a higher budget would increase our vulnerability to fluctuating visitation and revenues. This approach also allows us to allocate revenue in excess of the operating budget to special projects and one time spending that will further critical

community programs. The Town is unique in that we depend so heavily on visitation and this revenue stream, but we are also unique in the fact we have a system to provide financial capital to further our projects, over and above our operating needs.

Visitation to the Town remains strong and ahead of most resort communities around the State who have not recovered from the impacts of the COVID-19 pandemic. The big winter of FY22/23 has generated excitement and renewed interest in our main attraction, winter sports. While the winter of FY23/24 was an average to slightly down year, when the snow did arrive, we had some big weekends and the strongest February on record. Staff anticipates this interest in our amenities will continue provided the economy continues to support leisure travel. We do anticipate continued growth in foreign travel that was significantly reduced during the pandemic which should help the region with additional visitors.

For comparison purposes, TOT enforcement related revenues from assessments, penalties or interest are not included in the base TOT revenue analysis. The analysis provides a comparison of Non-Winter months (May – November) and Winter-Months (December – April). The two seasons are used to demonstrate both steady increase in Non-Winter month revenue and more potential volatility in the Winter months. The average for the past 10, 6, & 3 years is provided.

Transient Occupancy Tax Analysis

Fiscal Year	Non-Winter	Winter	Total	Adopted Budget	Actual Variance to	
					Adopted Budget	Modified Budget
FY2013 - 14	\$ 4,415,758	\$ 5,947,501	\$ 10,363,259	\$ 11,646,356	\$ (1,283,097)	\$ 10,343,365
FY2014 - 15	\$ 4,907,077	\$ 6,401,920	\$ 11,308,997	\$ 11,600,000	\$ (291,003)	\$ 10,839,000
FY2015 - 16	\$ 6,112,789	\$ 9,620,717	\$ 15,733,506	\$ 11,600,000	\$ 4,133,506	\$ 14,500,000
FY2016 - 17	\$ 6,958,537	\$ 11,132,927	\$ 18,091,464	\$ 11,650,000	\$ 6,441,464	\$ 16,667,305
FY2017 - 18	\$ 7,227,599	\$ 10,639,802	\$ 17,867,401	\$ 12,500,000	\$ 5,367,401	\$ 17,472,000
FY2018 - 19	\$ 7,385,530	\$ 12,825,531	\$ 20,214,779	\$ 13,500,000	\$ 6,714,779	\$ 20,100,000
FY2019 - 20**	\$ 5,808,258	\$ 10,103,601	\$ 15,911,859	\$ 13,500,000	\$ 2,411,859	\$ 15,904,700
FY2020 - 21**	\$ 8,635,050	\$ 7,964,197	\$ 16,599,247	\$ 11,200,000	\$ 5,399,247	\$ 16,564,000
FY2021 - 22	\$ 9,802,091	\$ 16,841,118	\$ 26,643,209	\$ 14,500,000	\$ 12,143,209	\$ 26,610,000
FY2022 - 23	\$ 10,053,899	\$ 19,466,843	\$ 29,520,742	\$ 16,000,000	\$ 13,520,742	\$ 29,400,000
FY2023 - 24*	\$ 7,641,349	\$ 11,449,907	\$ 19,091,256	\$ 18,000,000	\$ 1,091,256	\$ 23,000,000

* = Partial Year, missing March, April (Winter) May, June - (Non-Winter)

** = Year Heavily Impacted by COVID-19

Average	Non-Winter	Winter	Total
10 Year	\$ 7,130,659	\$ 11,094,416	\$ 18,225,075
6 Year	\$ 8,152,071	\$ 12,973,515	\$ 21,125,587
3 Year	\$ 9,497,013	\$ 14,757,386	\$ 24,254,399

Note:

Winter = December - April (5 Months)

Non Winter = May - November (7 Months)

Staff Recommendation \$ 18,500,000 2.8%

Staff is requesting Council discussion and confirmation on the TOT revenue recommended for the initial preparation of the operating budget.

of visitors and price of goods sold. Staff expect this trend to stabilize as inflation slows. In April 2019, AB147 was signed into law requiring every retailer engaged in business in the State to collect the tax from the purchaser, file a return, and remit the tax to the State. This bill also identified “Marketplace facilitator” as one who contracts with marketplace sellers to facilitate the sale of products (a.k.a. Online Sales). This required online sales platforms to collect and remit taxes. The visitation coupled with collection of online sales tax should result in a strong year for this revenue stream. Below you will find a historical representation of sales tax.

Sales Tax Analysis

Fiscal Year	Actuals	Adopted Budget	Actual Variance to Adopted Budget	Actual % increase
FY2013 - 14	\$ 1,403,323	\$ 1,332,710	\$ 70,613	
FY2014 - 15	\$ 1,411,709	\$ 1,430,000	\$ (18,291)	0.6%
FY2015 - 16	\$ 1,805,712	\$ 1,730,000	\$ 75,712	27.9%
FY2016 - 17	\$ 2,617,014	\$ 2,324,000	\$ 293,014	44.9%
FY2017 - 18	\$ 2,433,682	\$ 2,250,000	\$ 183,682	-7.0%
FY2018 - 19	\$ 2,749,036	\$ 2,490,000	\$ 259,036	13.0%
FY2019 - 20	\$ 2,372,657	\$ 2,521,000	\$ (148,343)	-13.7%
FY2020 - 21	\$ 2,513,299	\$ 1,850,000	\$ 663,299	5.9%
FY2021 - 22	\$ 3,358,773	\$ 2,600,000	\$ 758,773	33.6%
FY2022 - 23	\$ 3,766,418	\$ 2,700,000	\$ 1,066,418	12.1%
FY2023 - 24*	\$ 2,071,620	\$ 3,000,000		

* Partial Year

Average	Total
10 Year	\$ 2,443,162
6 Year	\$ 2,865,644
3 Year	\$ 3,212,830

Staff Recommendation **\$ 3,250,000 8.3%**

Franchise Fees

Franchise Fees revenue estimate of \$900,000 represents 2.7% of the General Fund revenue budget for FY24-25. The Town receives franchise fees for Solid Waste, Electricity, Gas, and Cable. The budgeted revenue is equal to recommendation, so no adjustment is recommended for this year. In the prior year, the Town completed a new Solid Waste franchise agreement with Waste Connections, Inc. (DBA Mammoth Disposal) including a 2% increase in the franchise fee. The Town has realized the increase in the current year and staff expects this to perform to budget expectations. These line items are heavily dependent on visitation as they represent utilization of services. Based on this fact, staff expects the current year to over perform expectations, however predicting future growth is where staff usually remains conservative, therefore, staff is recommending a continuation of current revenue expectations for this component. Below you will find a historical representation of combined franchise fees.

Franchise Fee Analysis

Fiscal Year	Actuals	Adopted Budget	Actual Variance to Adopted Budget	Actual % increase
FY2013 - 14	\$ 787,727	\$ 729,963	\$ 57,764	
FY2014 - 15	\$ 787,331	\$ 790,000	\$ (2,669)	-0.1%
FY2015 - 16	\$ 637,607	\$ 804,705	\$ (167,098)	-19.0%
FY2016 - 17	\$ 1,010,266	\$ 811,656	\$ 198,610	58.4%
FY2017 - 18	\$ 911,173	\$ 813,000	\$ 98,173	-9.8%
FY2018 - 19	\$ 910,190	\$ 830,000	\$ 80,190	-0.1%
FY2019 - 20	\$ 852,565	\$ 845,000	\$ 7,565	-6.3%
FY2020 - 21	\$ 858,936	\$ 770,000	\$ 88,936	0.7%
FY2021 - 22	\$ 918,042	\$ 812,000	\$ 106,042	6.9%
FY2022 - 23	\$ 989,217	\$ 900,000	\$ 89,217	7.8%
FY2023 - 24*	\$ 505,548	\$ 900,000		

* Partial Year

Average	Total
10 Year	\$ 866,305
6 Year	\$ 906,687
3 Year	\$ 922,065

Staff Recommendation **\$ 900,000 0.0%**

Certified Properties Fee

This is a new revenue stream for FY24-25, and it is a result of work done with the STR Advisory Committee to review the administration of Short-Term Rental (STR) business in the Town. The fee is \$250 per unit and is renewed annually. The total number of active STR units is approximately 3,600, which should produce \$900,000 in annual revenue. The roll out of this program will begin after April 22, 2024, and the half year remaining for calendar year 2024 will be prorated at 50%, or \$125 per unit. This initial prorated amount (\$450,000) combined with the renewal in January should produce a total of \$1,350,000 in new revenue for FY24-25. This represents 4.1% of the General Fund revenue budget for FY24-25.

Other Revenues

Other Revenues represent 11.3% of the General Fund revenue and include a variety of fees and charges for service, interest, grants, etc. Some of the larger elements include the annual COPs grant (\$100,000); cannabis tax (\$120,000); business license (\$380,000); building permit fees (\$850,000); planning and zoning applications (\$350,000); TBID Administrative fee (\$129,000); facility rentals (\$200,000); recreation program fees (\$160,000); transit fee (\$150,000); and transfer – in (\$440,000). Transfer In represents monies allocated from other funds to cover expenditures in the General Fund. The major elements included here are Tourism Reserve support for host program and fish stocking as well as

Measure R and U support for the Office of Outdoor Recreation. In addition to the specific items listed above, other revenues include planning fees; other development related fees; charges for programs; licenses and permits; interest, and miscellaneous administrative fees. The projected revenue is approximately \$3,694,365.

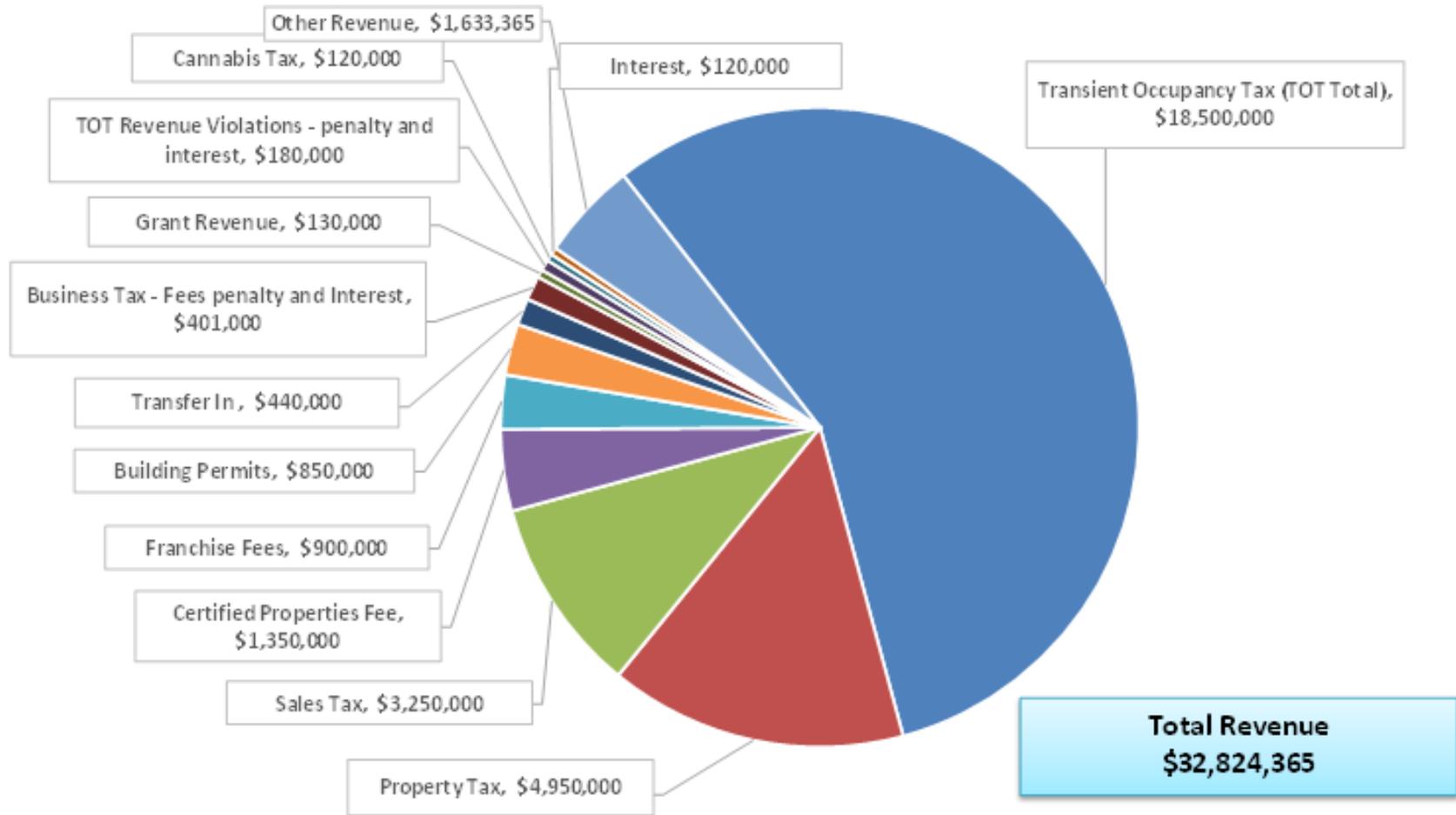
Key Revenue Components - General Fund

Item	Amount	% of Total Revenue
Transient Occupancy Tax (TOT)	\$ 18,500,000	56.4%
Property Tax	\$ 3,950,000	12.0%
Sales Tax	\$ 3,250,000	9.9%
Certified Properties Fee	\$ 1,350,000	4.1%
Community Development Permits	\$ 1,263,500	3.8%
Property Tax in Lieu VLF	\$ 1,000,000	3.0%
Franchise Fees	\$ 900,000	2.7%
Business Tax - Fees penalty and Interest	\$ 567,000	1.7%
Other Revenue	\$ 645,500	2.0%
Recreation Programs	\$ 380,000	1.2%
TOT Penalty and Interest	\$ 180,000	0.5%
Public Safety	\$ 205,000	0.6%
Transit Fee	\$ 150,000	0.5%
Interest	\$ 120,000	0.4%
Charges for Services (TBID Collection, Clerk Duties, Snow Removal Civic Center)	\$ 188,365	0.6%
Whitemore Pool County Share 50%	\$ 175,000	0.5%
Total Budgeted Revenue	\$ 32,824,365	100.0%

Major Revenue Components

Item	FY21-22 Actual	FY22-23 Actual	FY23-24 Adopted Budget	FY24-25 Proposed Budget	Variance to FY23-24	%	% of Total Revenue
Transient Occupancy Tax (TOT)	\$ 26,643,209	\$ 29,482,552	\$ 18,000,000	\$ 18,500,000	\$ 500,000	2.8%	56.4%
TOT Revenue Violations	\$ 201,286	\$ 199,485	\$ 100,000	\$ 80,000	\$ (20,000)	-20.0%	0.2%
TOT Penalty and Interest	\$ 257,665	\$ 367,017	\$ 150,000	\$ 100,000	\$ (50,000)	-33.3%	0.3%
Total TOT Revenue	\$ 27,102,161	\$ 30,049,055	\$ 18,250,000	\$ 18,680,000	\$ 430,000	2.4%	56.9%
Property Tax	\$ 4,736,931	\$ 5,374,261	\$ 4,705,000	\$ 4,950,000	\$ 245,000	5.2%	15.1%
Sales Tax	\$ 3,358,773	\$ 3,766,418	\$ 3,000,000	\$ 3,250,000	\$ 250,000	8.3%	9.9%
Franchise Fees	\$ 918,042	\$ 989,217	\$ 900,000	\$ 900,000	\$ -	0.0%	2.7%
Certified Properties Fee	\$ -	\$ -	\$ -	\$ 1,350,000	\$ 1,350,000	100.0%	4.1%
Other Revenue							
Building Permits	\$ 1,219,892	\$ 877,731	\$ 800,000	\$ 850,000	\$ 50,000	6.3%	2.6%
Business Tax (New, Renewal, and Penalties)	\$ 393,892	\$ 427,688	\$ 386,000	\$ 401,000	\$ 15,000	3.9%	1.2%
Cannabis Tax	\$ 158,723	\$ 127,765	\$ 130,000	\$ 120,000	\$ (10,000)	-7.7%	0.4%
Interest	\$ 129,617	\$ 924,642	\$ 120,000	\$ 120,000	\$ -	0.0%	0.4%
Grant Revenue	\$ 297,213	\$ 195,664	\$ 228,800	\$ 130,000	\$ (98,800)	-43.2%	0.4%
Transfer In	\$ 160,027	\$ 2,379,724	\$ 440,000	\$ 440,000	\$ -		1.3%
Misc Revenue	\$ 183,164	\$ 1,770,424	\$ 1,216,090	\$ 1,633,365	\$ 417,275	34.3%	5.0%
Total Budgeted Revenue (General Fund)	\$ 38,658,435	\$ 46,882,589	\$ 30,175,890	\$ 32,824,365	\$ 2,648,475	8.8%	100.0%

FY24-25 General Fund Revenue



Other Funds

The Town has other funds that will be incorporated into the preliminary budget such as Gas Tax, Airport, Vehicle maintenance and replacement, Measures R & U, and a number of smaller funds, such as the various assessment districts. Finalizing both revenues and expenses for several of these funds is tied to the General Fund. Using the direction provided on the above revenues will assist staff in proceeding with the next step in the budget cycle.

CONCLUSION

Your Town leadership team and finance staff have put in a number of hours in preparing for the budget cycle. They are committed to working within the Town's financial limits and the policy direction provided by Town Council as we provide services to our community. Council discussion and recommendation on the key revenue components of the FY24-25 budget are a critical first step in the development of our budget. As the budget cycle progresses, staff will provide additional budget details, comparisons and other relevant information that serves to inform the overall budget development.