

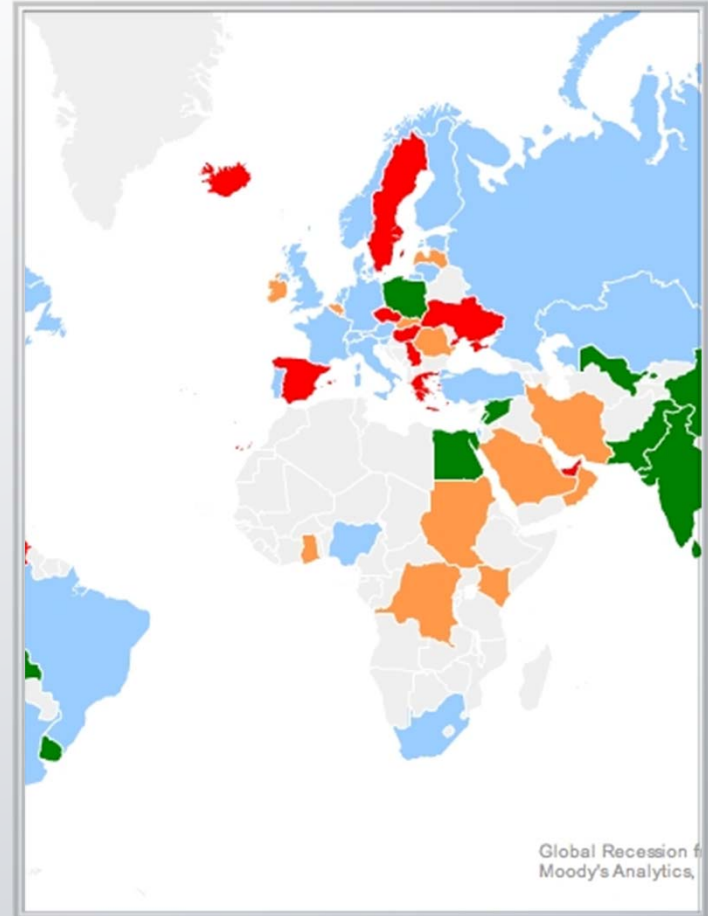
2015 Economic Outlook & Revenue Overview

Prepared for the Salt Lake County Council and Mayor

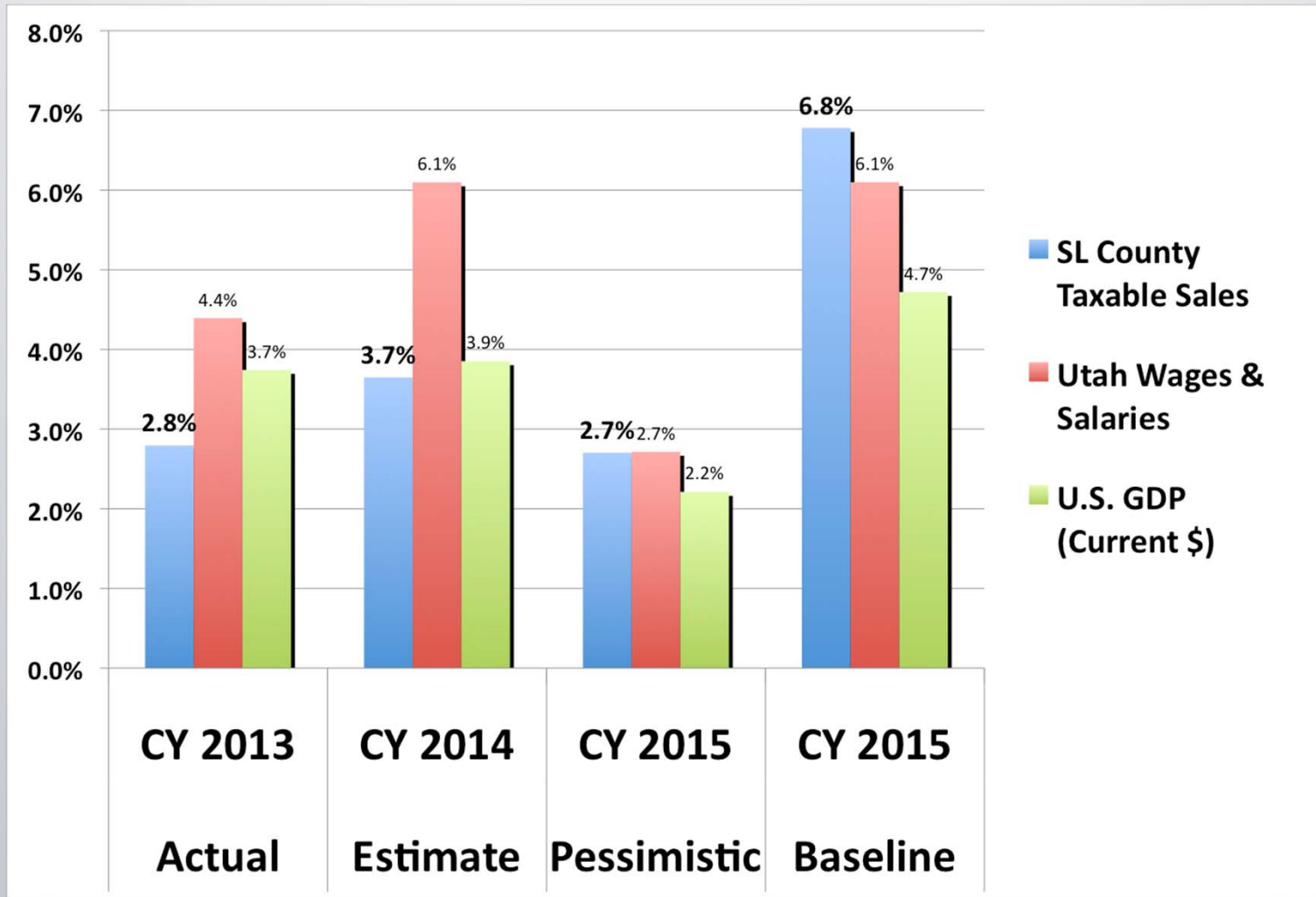
Doug Macdonald

Lance Brown

2015 Forecast

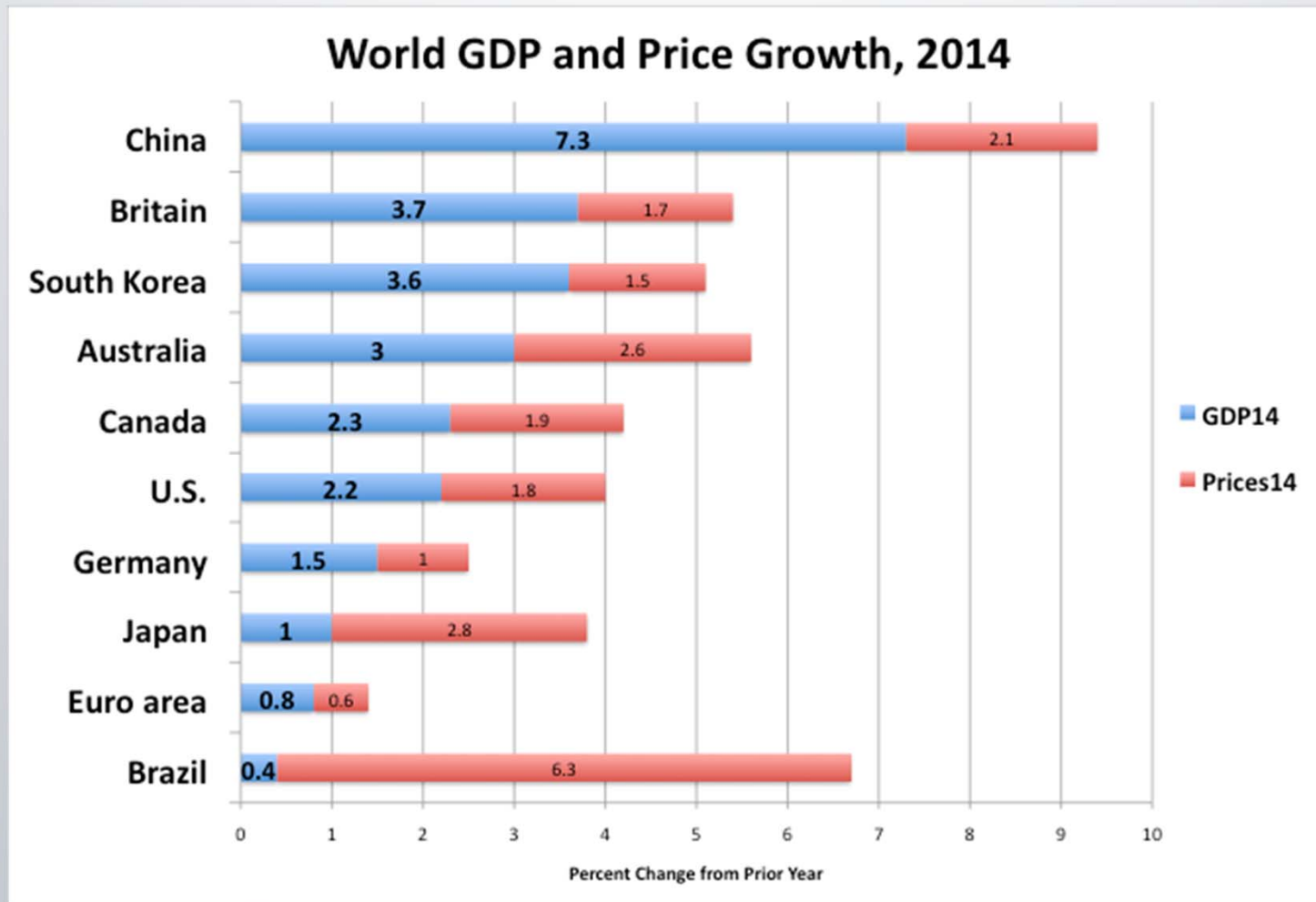


Utah Economic Growth Bounces Back



The World

China Leads Most Countries in 2014 Real GDP Growth



Source: The Economist, Oct. 18, 2014

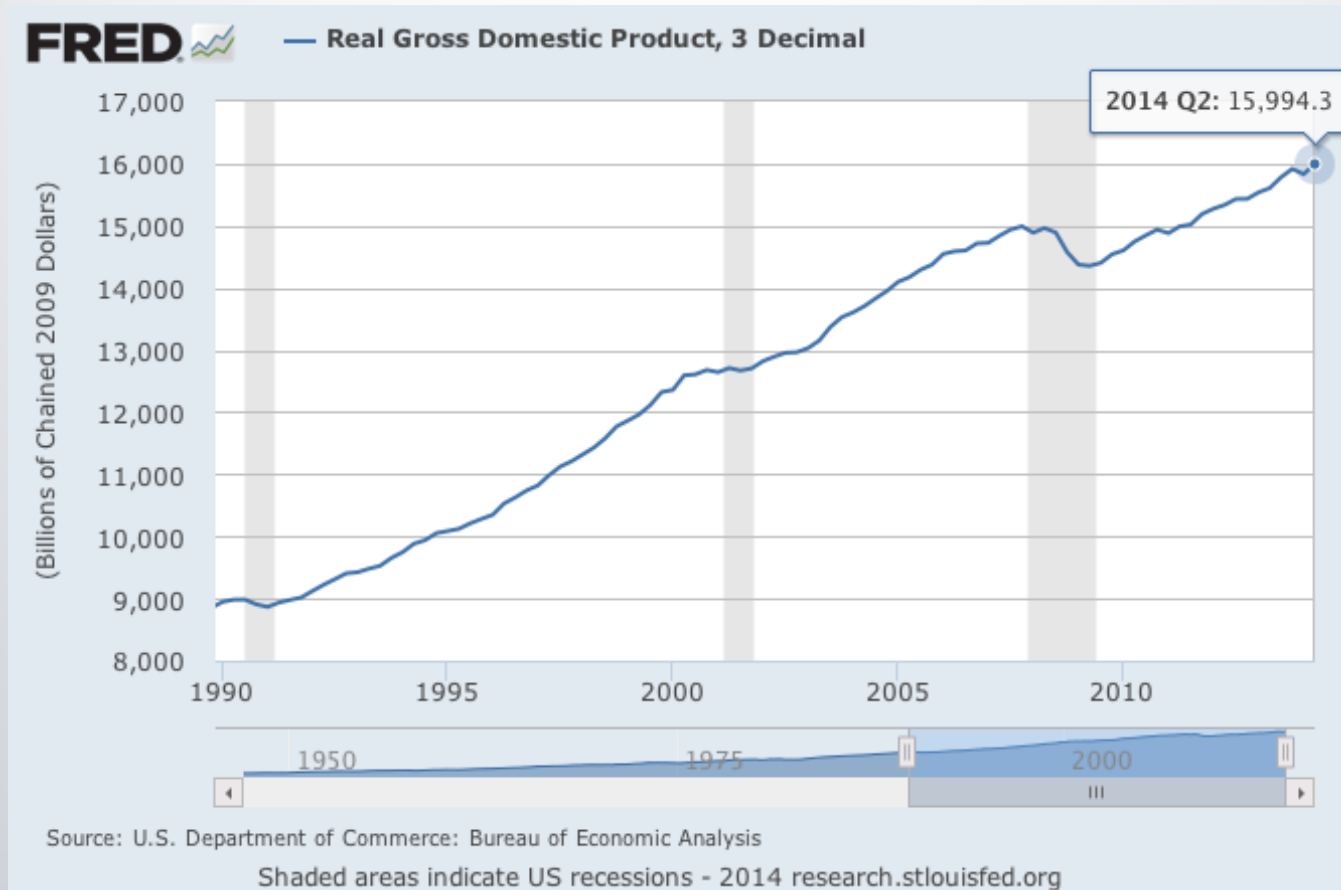
The World Economy: Recovery on track

- Global growth at 2.5% for the past three years
- The US economy in the second half will be in the 3% to 3.5% range
- The Eurozone stalled in the second quarter
- Japan's suffered a VAT tax related contraction in the 2nd quarter
- Recent Chinese data look weak, but still at 7%
- India is a bright spot, but Brazil and Russia are in recession.
- World trade growth is picking up modestly.

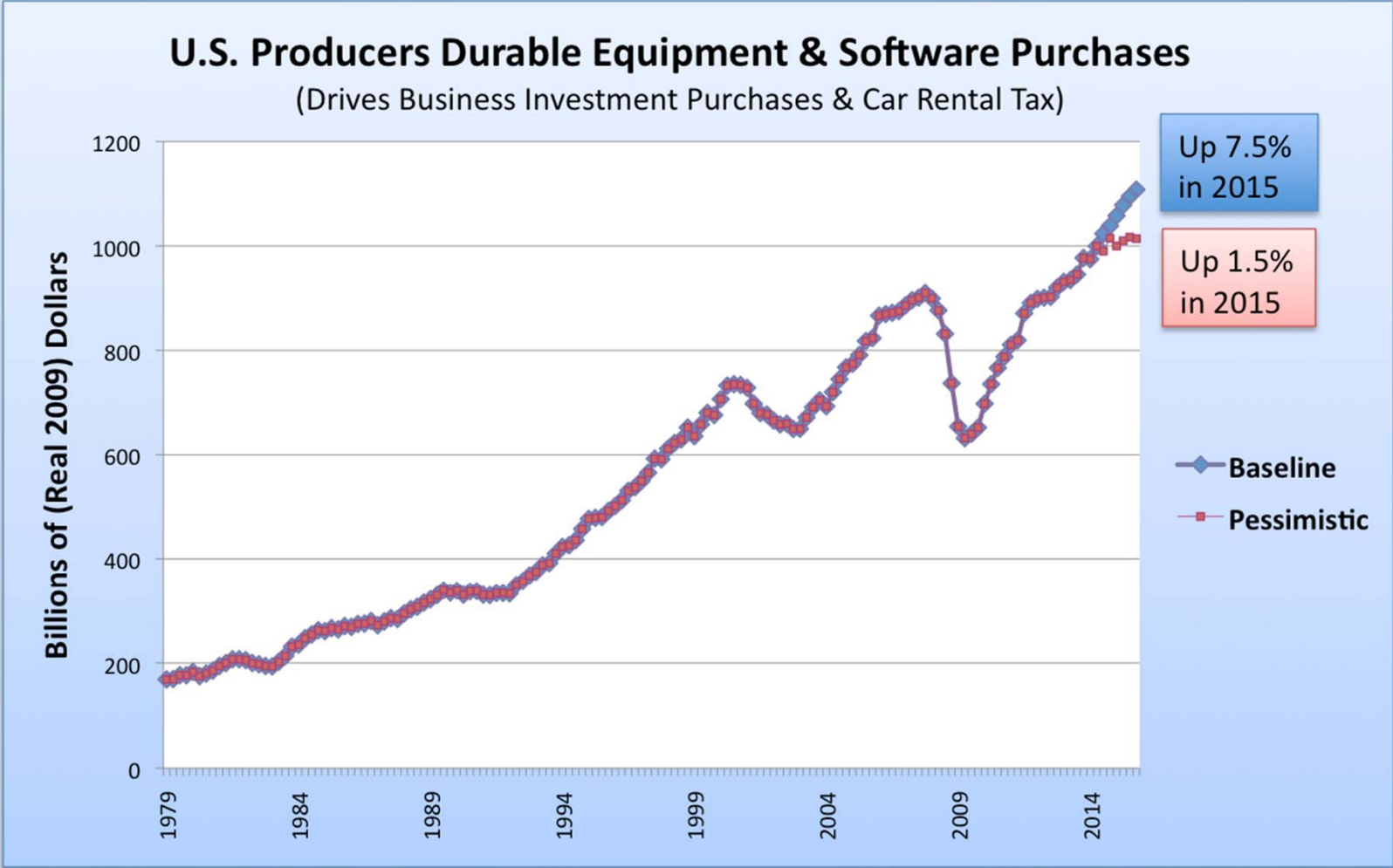
The Nation

US Outlook: Mostly upbeat

- The weather and inventory induced volatility in q1 and q2 is behind us.
- Continued good economic growth to continue through at least 2015.
- Sector contributions:
 - The consumer - the unsung hero
 - Housing will continue to improve but ...
 - Investment spending continues to grow
 - Volatility will come from international trade
 - Government spending growth near zero.
- Fed tightening to take place in the summer of 2015, but the period leading up to this event will be fraught with highly speculative arguments.



The U.S. economy (real GDP) expectations drop to 2.2% in 2014 (2.4% in June)



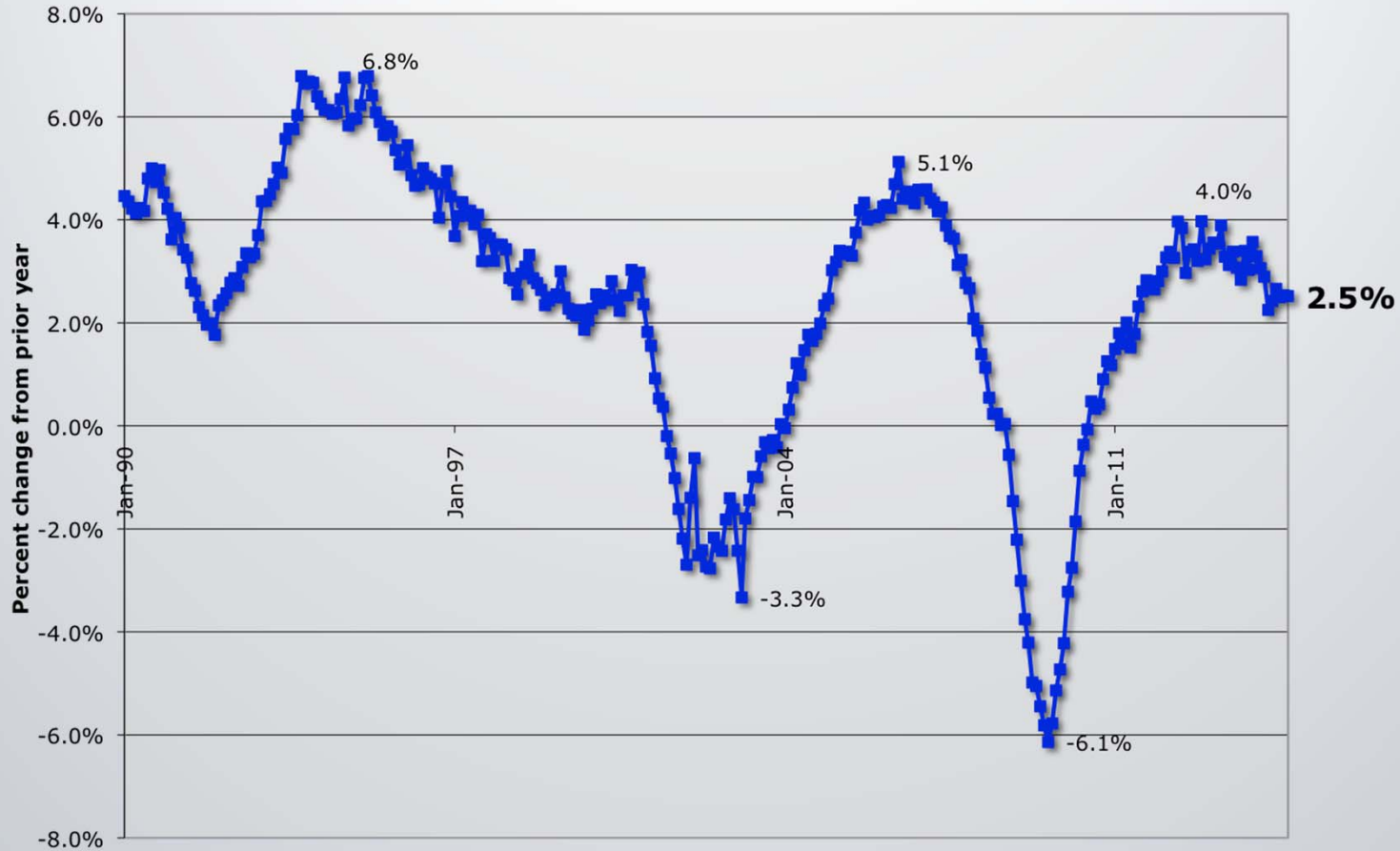
U.S. Business Equipment & Software
Expected to Grow 6.5% in 2014 & 7.5% in 2015

The County

The Utah & Salt Lake County Economies

- Utah job market peaks at 3.6% growth in 3rd quarter 2014
- Home building values off -24% in last 5 months, -44% in August, -6% year-to-date
- New car and truck sales up 4% in second quarter 2014
- Mining spending is rebounding from the last year's Rio Tinto landslide, pushing up taxable sales growth in SL County

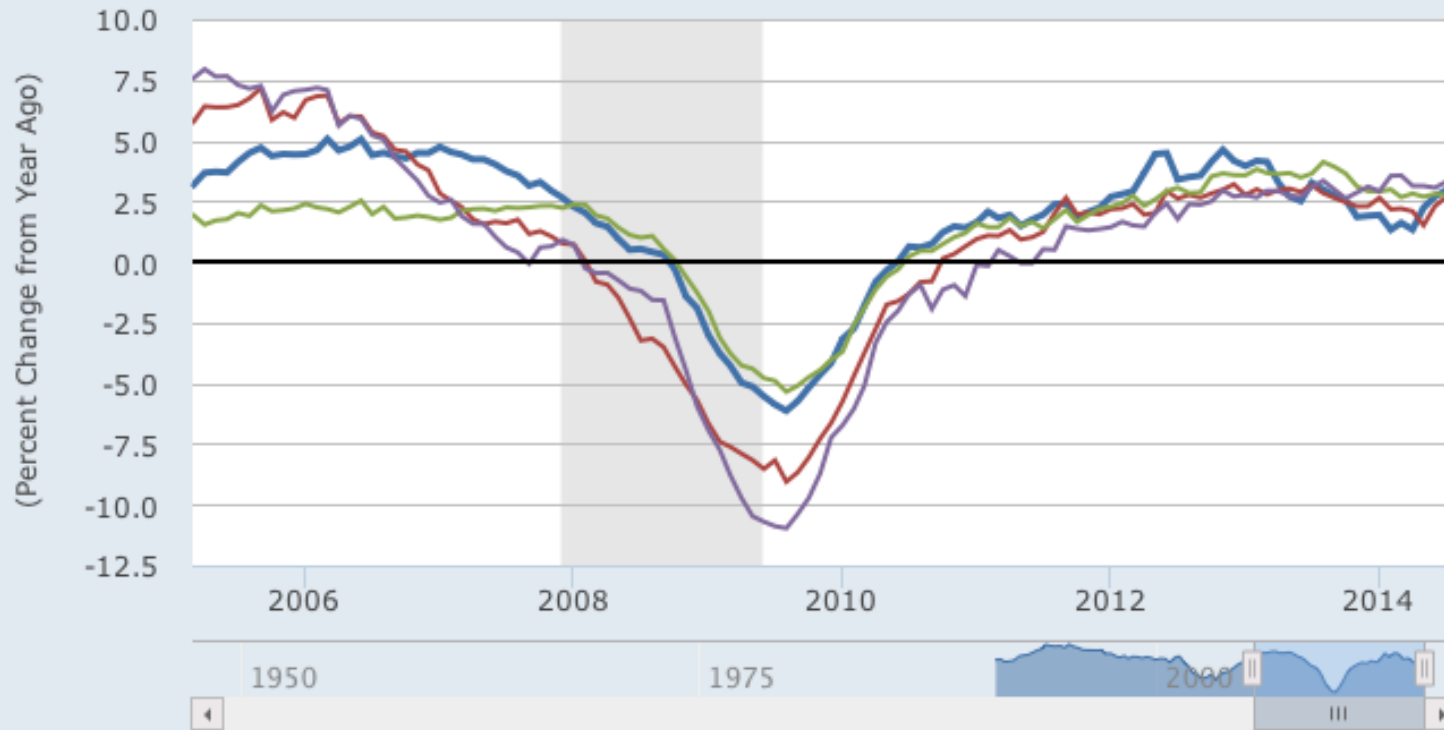
Salt Lake County Employment



Salt Lake County Employment Growth Has
Downshifted from 4% in 2012 to 2.5%

FRED

- All Employees: Total Nonfarm in Salt Lake City, UT (MSA)
- All Employees: Total Nonfarm in Phoenix-Mesa-Glendale, AZ (MSA)
- All Employees: Total Nonfarm in Denver-Aurora-Broomfield, CO (MSA)
- All Employees: Total Nonfarm in Las Vegas-Paradise, NV (MSA)



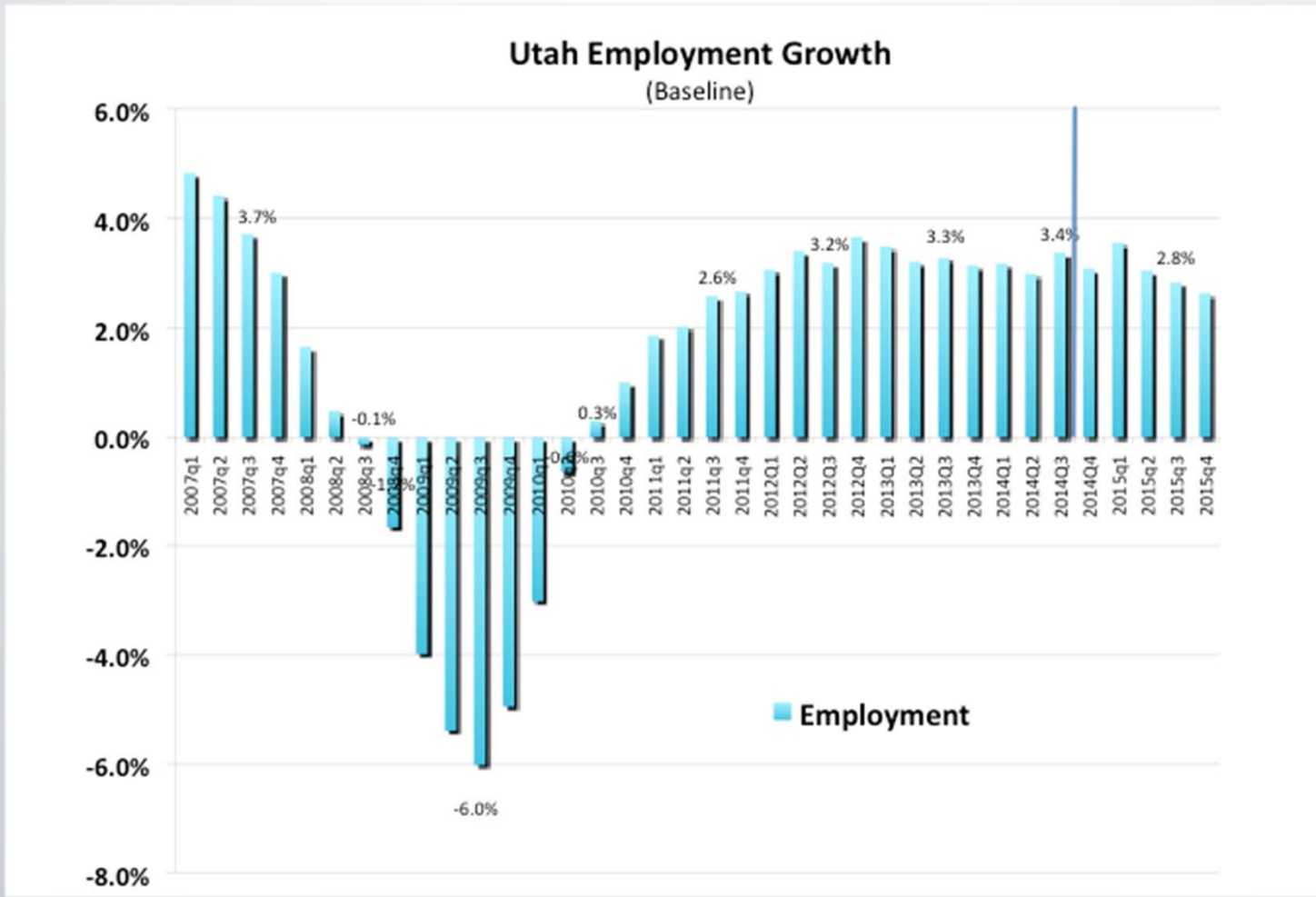
Shaded areas indicate US recessions - 2014 research.stlouisfed.org

Salt Lake Metro Employment Growth of 3% Leads Phoenix, Denver & Las Vegas Metros

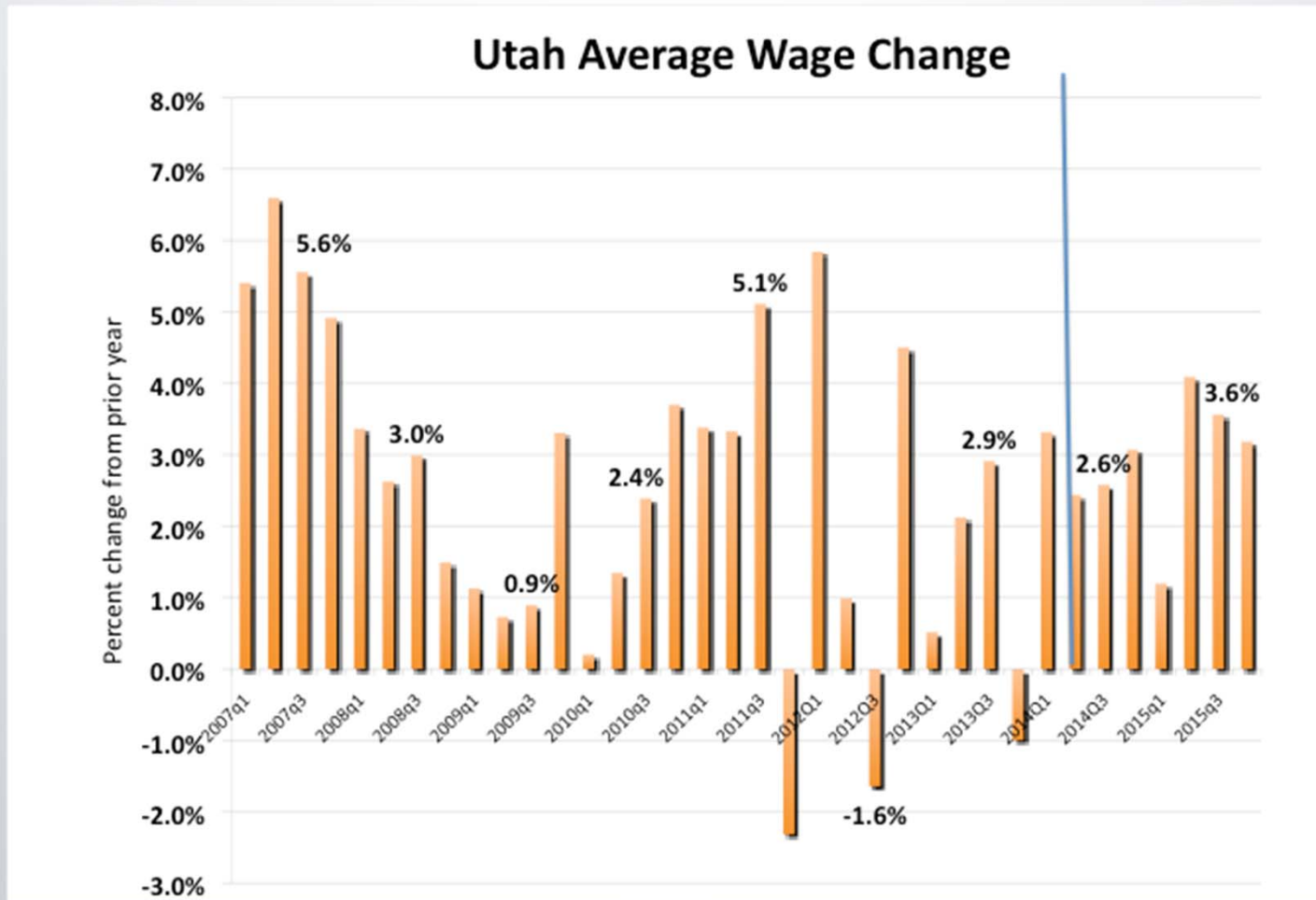
Utah Initial Unemployment Claims
(6 month leading indicator, 3 month average, seasonally adjusted)



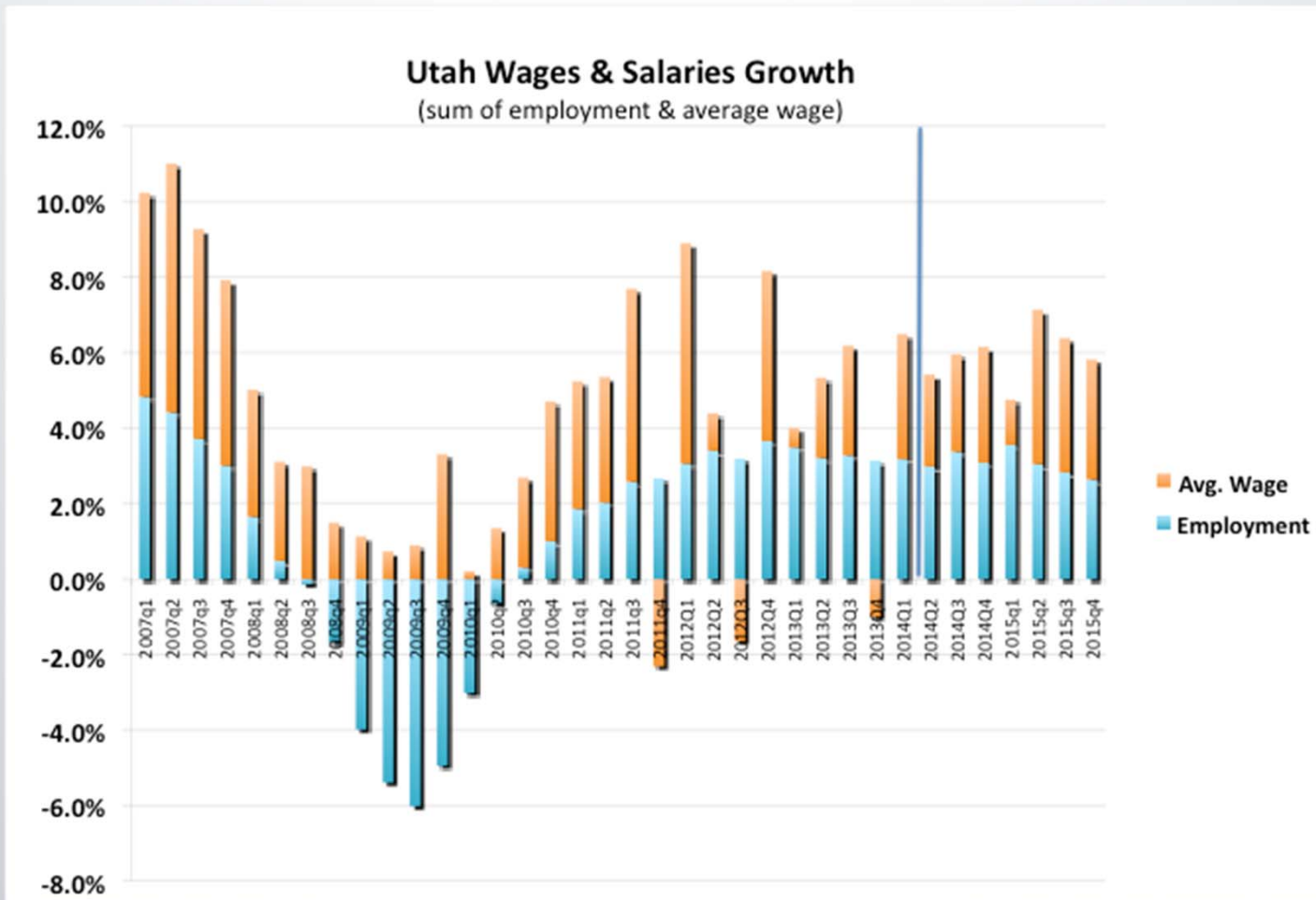
Unemployment Claims Continue to Fall



Utah employment growth
between 2.5% and 3%

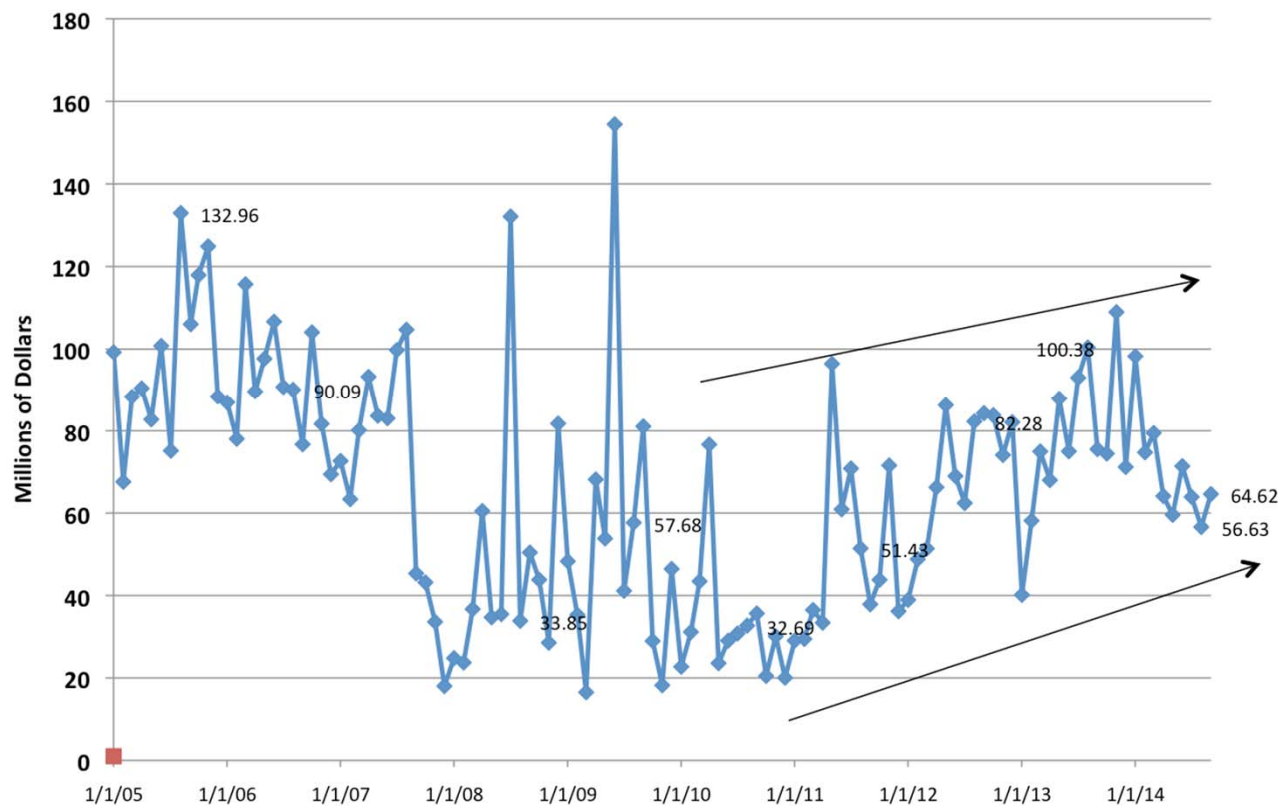


Utah Average Wages Should Rise 2.9% in
2014 and 3% in 2015 after 1% in 2013



Utah Payroll to Improve 6% in 2014
and in 2015 (barring economic & government shocks)

Salt Lake County Residential Construction Permit Values



Last 5 months Down -24%

Source: Construction Monitor, UofU's BEBR

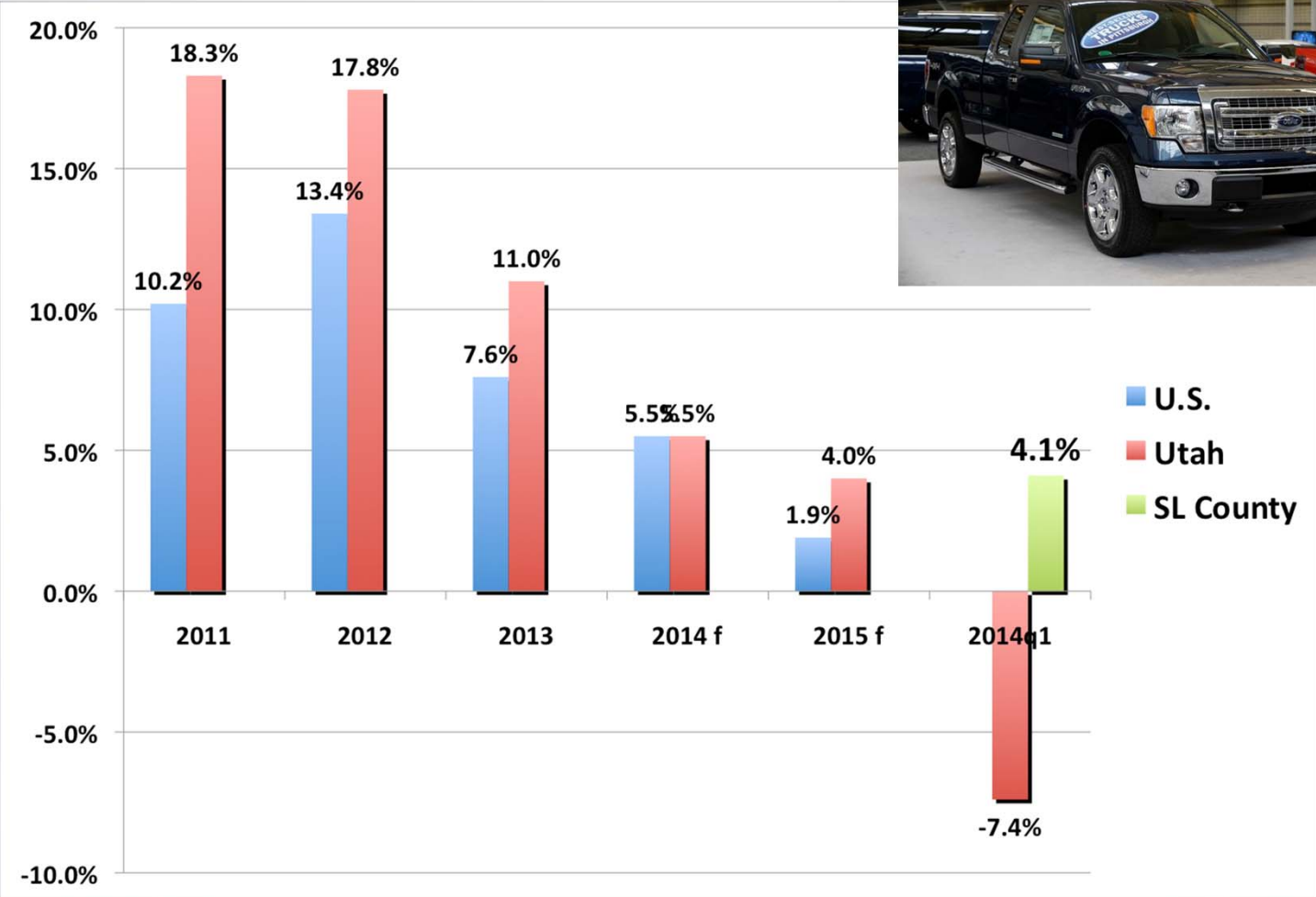
Utah Construction Forecasts

	2013	2014	2015
Dwelling Units (000)	14.5	15	17.5
Residential Permit Values (\$M)	11.8 %	0 to -12 %	17 to 6 %
Non-Residential Values (\$M)	-38.4 %	-17 to -13 %	33.3 to 9 %
Total Value of Permits (\$M)	2.9 %	-10 %	7 - 22 %

Source: [Econowest](#)

Source: Bureau of Economic & Business Research, Univ. of Utah

Car & Truck Sales – Tapering Off



Salt Lake County Taxable Sales: 2nd Quarter 2014

	Sales in Million\$	% Chg. from 2013
Retail – Motor Vehicle	668	4.1
Retail – General Merchandise	541	4.1
Wholesale Durables	520	5.5
Services – Restaurants	470	6.5
Retail – Groceries	424	5.8
Retail – Building	301	10.9
Services -- Information	253	-2.2
Total	\$ 5,634	3.9 %

Source: Utah State Tax Commission

October 2014
Forecast

**Salt Lake County Taxable Sales
Key Forecast Drivers**

Key Economic Drivers	2012	2013	Oct 14	Oct 14	Oct 14
	Actual	Actual	2014 Baseline	2015 Recovery Stalls (Pessimistic)	2015 Baseline
Real GDP (Gross Domestic Product \$B)	15,369	15,710	16,057	16,250	16,522
	2.3%	2.2%	2.2%	1.2%	2.9%
Consumer Price Index	2.1%	1.5%	1.9%	1.0%	1.4%
Nominal GDP (\$B)	16,163	16,768	17,414	17,477	18,236
	4.2%	3.7%	3.9%	2.2%	4.7%
Utah Employment	3.3%	3.3%	3.2%	0.4%	3.0%
Utah Average Wages	2.4%	1.1%	2.9%	2.3%	3.0%
Utah Wages (Payroll)	5.8%	4.4%	6.1%	2.7%	6.1%
SL County Residential Construction Values	44.1%	11.8%	-12.2%	-10.2%	5.8%
U.S. Equipment & Software Purchases	6.8%	4.6%	6.5%	1.5%	7.7%
U.S. Savings Rate	7.2%	4.9%	5.1%	6.0%	5.1%
U.S. Consumer Sentiment Index	76.5	79.2	83.2	81.5	90.7
Landslide, Fed Sequester, NSA (% reduction in taxable sales)	-	-2.7%	-1.8%	-	-
Salt Lake County Taxable Sales	8.8%	2.8%	3.7%	2.7%	6.8%

Revenue Overview

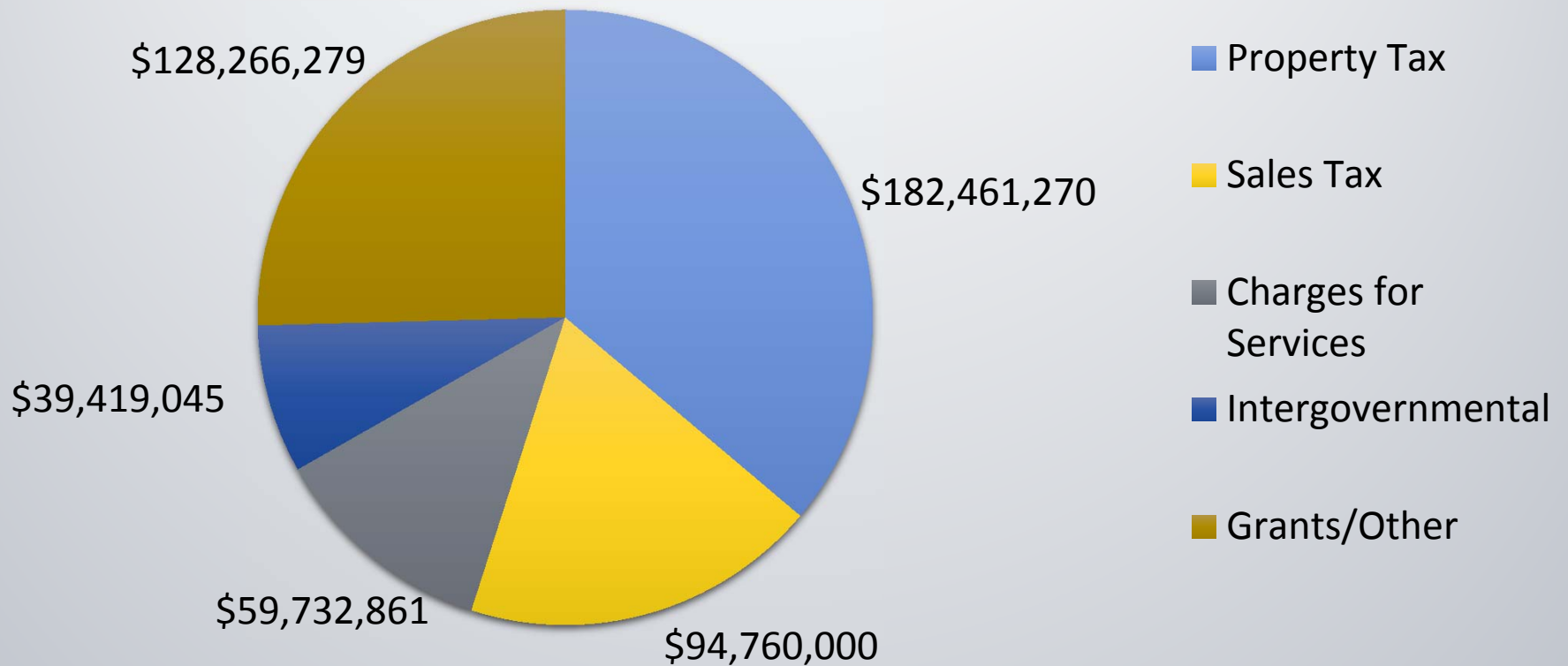
Definition of General Fund and Related Funds

In general, the General Funds' "related" funds are **those that depend on the GF for financial support**, and receive current year funding from the GF in the form of fund transfers. Or that contribute to the General Fund such as the TRCC fund.

In the end, the funds that have this relationship include all of the "Tax" funds (except the Bond Debt Service Fund), the TRCC , Open Space, and ZAP funds.

General Fund & Related Funds

2015 Projected Revenues by Type



\$504,639,455 Total Gen. Fund & Related Funds Projected Revenue

2015 Property Tax Revenue Projections: New Growth

- Projected new growth for 2015
 - Reviewed permit authorized construction trends for residential and non-residential properties.
 - Reviewed personal property (business equipment) taxable values with the Assessor's staff.
 - Consulted with the District Attorney's Office about centrally-assessed property values.
 - Projection vetted with Revenue Committee

Personal Property

- Depreciates rather than appreciates
 - Requires new investment by businesses just to stay even
- Was negative countywide in 2011 and 2012 rate setting process (2010 and 2011 values)
- New growth for rate setting based on prior year values
 - Good data available for predicting its effect in 2015 rate setting

	Countywide	Library
2014	5,193,628,054	3,070,106,713
2015	5,638,939,000	3,305,415,000
Growth	445,310,946	235,311,287

Centrally-Assessed Property

- Value increased by \$546.5 million in 2014
- Possible reduction in mining sector taxable value in 2015
- Expected increases in airlines, utilities, and railroads
- Projection cautiously assumes increases offset by decreases

RDA / CDRA

- Tax increment financing (TIF) by definition captures new growth and diverts it from taxing entities
- TIF capture offset new growth by \$342.8 million in 2014
- New projects come online every year
 - Additional RDA capture possible
 - A moderate offset used in projection

2015 New Growth

- Positives
 - Some real property new growth
 - Personal property recovery picking up
- Possible modest growth
 - Centrally assessed still has lower base from which to grow
- Likely offsets
 - CDRA / RDA
- Conclusion
 - Prospects for modest growth in 2015
 - Projection of 1.5% in countywide funds
 - Projection of 1% in library fund

Property Tax Revenue Budget – Countywide Tax Funds

Fund	2014 Budget	2015 Budget	New Growth
General	\$121,533,391	\$123,360,000	\$1,826,609
Flood Control	\$6,205,664	\$6,300,000	\$94,336
Health	\$10,737,890	\$10,900,000	\$162,110
Governmental Immunity	\$1,533,984	\$1,560,000	\$26,016
Capital Improvements	\$5,368,945	\$5,450,000	\$81,055
Planetarium	\$2,789,062	\$2,830,000	\$40,938
Total Countywide Tax Funds	\$148,168,936	\$150,400,000	\$2,231,064
Bond Debt Service	\$42,393,748	\$37,500,000	(\$4,893,748)

Property Tax Revenue Projections – Other Funds

Fund	2014 Budget	2015 Projected	New Growth
Gov Immunity Unincorp	\$776,225	\$784,000	\$7,775
Library	\$35,344,359	\$35,700,00	\$355,641
State Tax Admin	\$20,220,702	\$20,520,000	\$299,298

Sales Tax Revenue

Actual Sales Tax Receipts vs. Projected Year-to-Date through July 2014

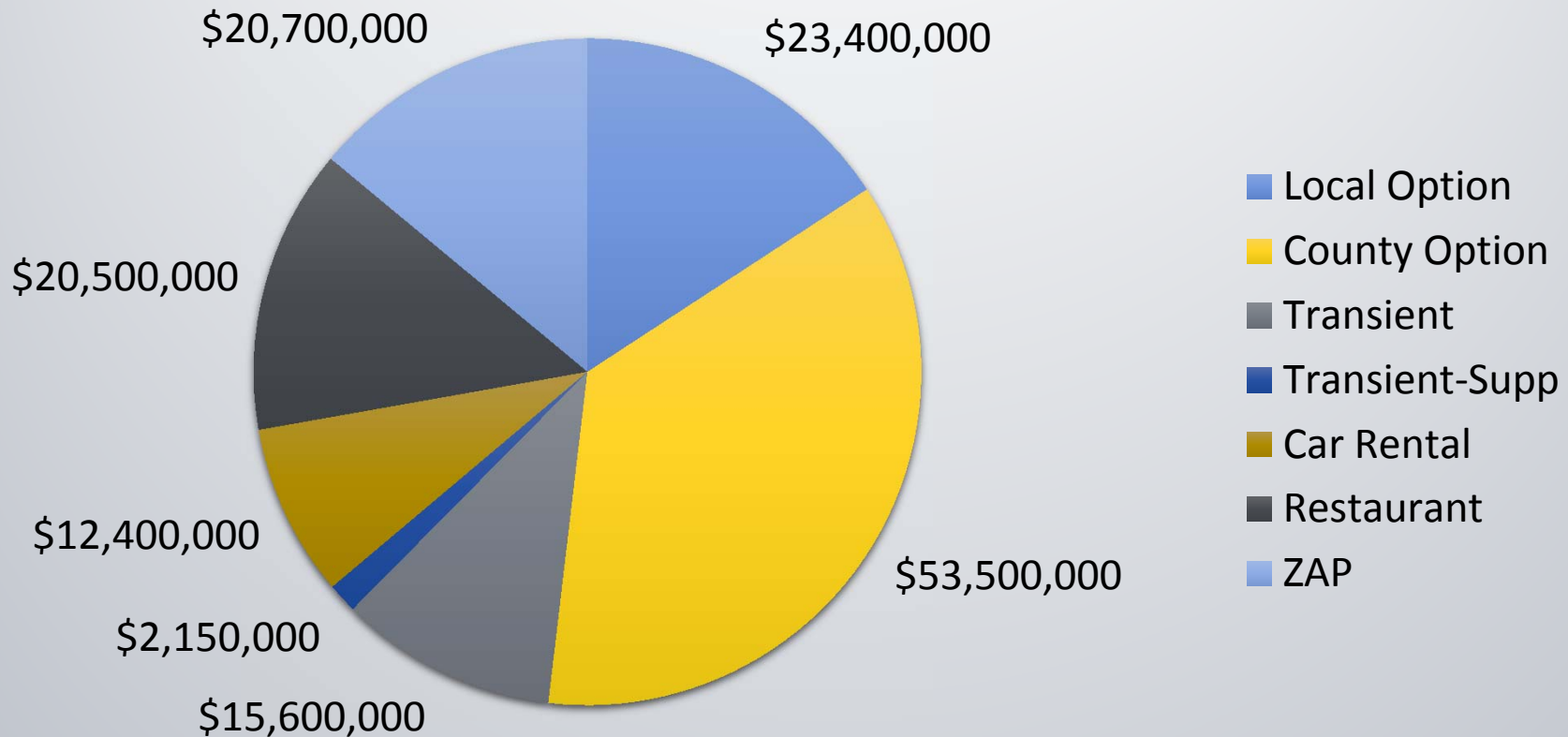
Tax	Year-to-Date 2014	Year-to-Date Projection (June Budget)	Difference	Difference %
Local Option	\$12,794,866	\$12,393,599	\$401,267	3.2%
County Option	\$29,068,229	\$28,699,541	\$368,687	1.3%
Transient Room	\$8,875,850	\$8,882,676	\$(6,826)	-0.1%
Trans. Room Supp.	\$1,228,491	\$1,229,436	\$(946)	-0.1%
Car Rental	\$7,580,866	\$7,384,167	\$196,699	2.7%
Restaurant	\$11,314,040	\$11,405,157	\$(91,117)	-0.8%
ZAP	\$11,338,665	\$11,224,769	\$113,896	1.0%
TOTAL	\$82,201,006	\$81,219,345	\$981,661	1.2%

Sales Tax Receipts vs. Same Period Prior Year Year-to-Date through July 2014

Tax	Year-to-Date 2014	Year-to-Date 2013	Difference	Difference %
Local Option	\$12,794,866	\$12,352,717	\$442,149	3.6%
County Option	\$29,068,229	\$28,087,097	\$981,131	3.5%
Transient Room	\$8,875,850	\$8,345,092	\$530,758	6.4%
Trans. Room Supp.	\$1,228,491	\$1,155,030	\$73,461	6.4%
Car Rental	\$7,580,866	\$6,317,469	\$1,263,397	20.0%
Restaurant	\$11,314,040	\$10,811,879	\$502,161	4.6%
ZAP	\$11,338,665	\$11,013,521	\$325,144	3.0%
TOTAL	\$82,201,006	\$78,082,805	\$4,118,201	5.3%

Sales and Use Tax

2015 Projected Tax Revenues



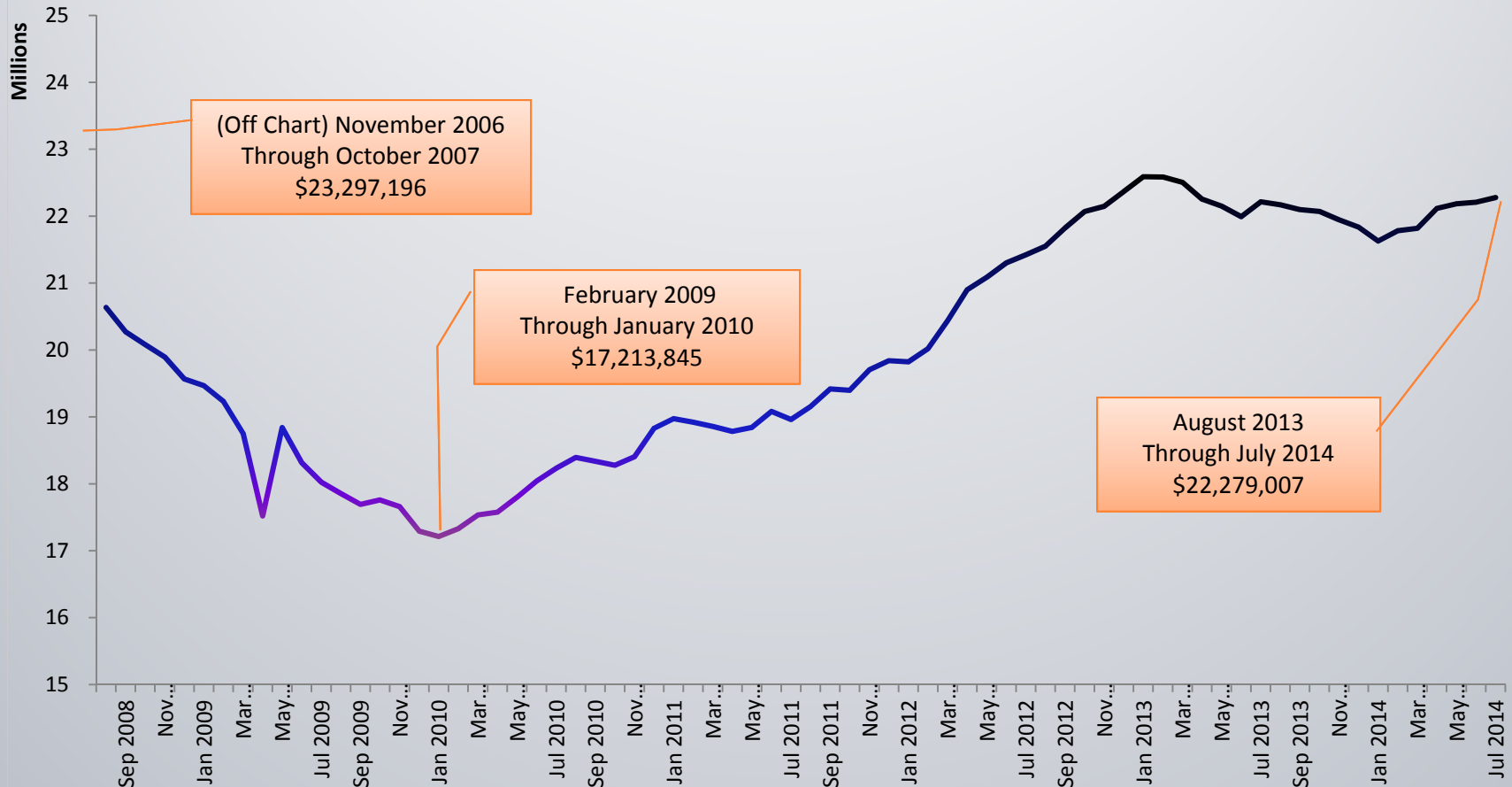
\$148,250,000 Total Projected Sales and Use Tax Revenue

Sales Tax Projections

Sales Tax	2014 June Budget	2014 Updated Projection	2015 Projection	% Change
<i>Local Option</i>	<i>\$22,100,000</i>	<i>\$22,500,000</i>	<i>\$23,400,000</i>	<i>5.5%</i>

Sales Tax Revenues: *Unincorporated County*

Salt Lake County Local Option Sales Tax 72-Month Trendline of 12-Months to Date



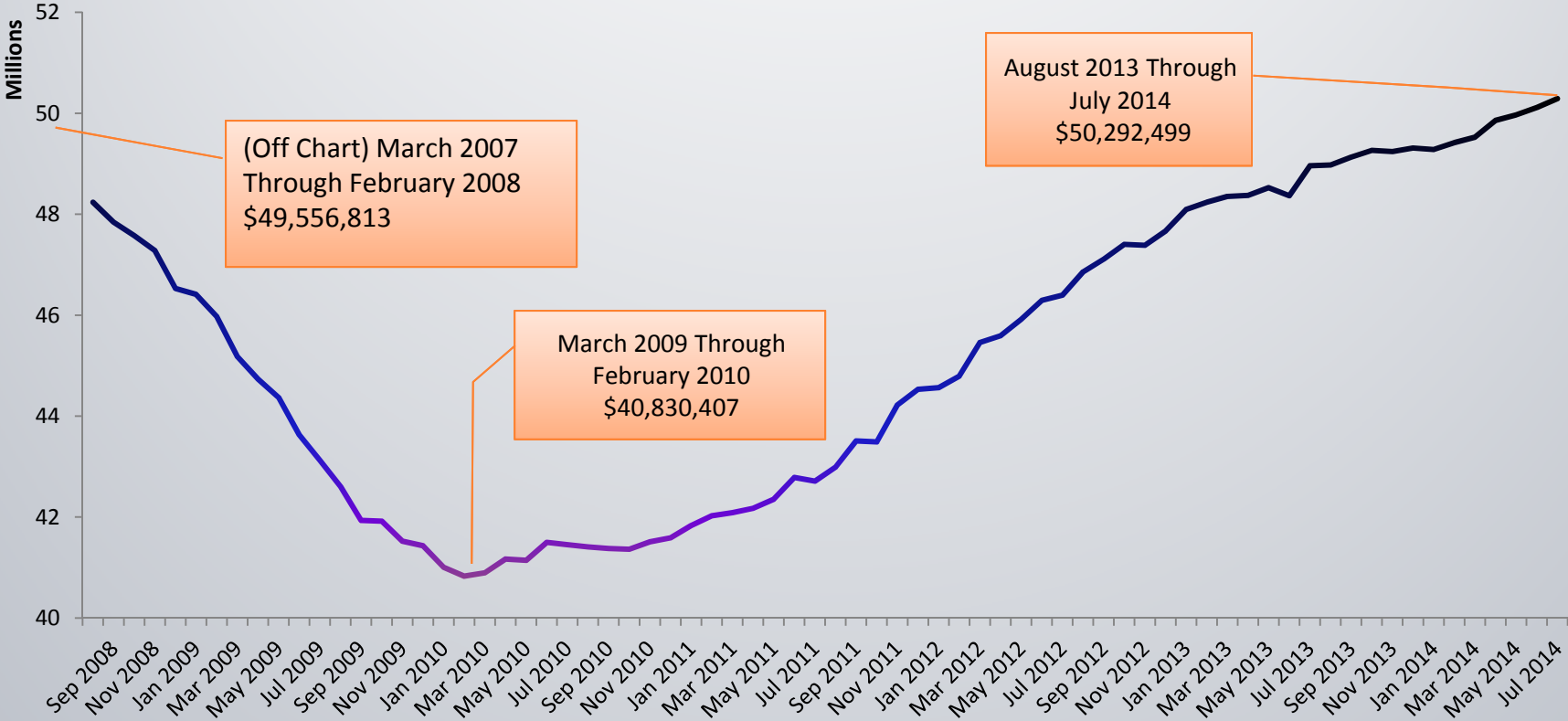
Sales Tax Projections

Sales Tax	2014 June Budget	2014 Updated Projection	2015 Projection	% Change
Local Option	\$22,100,000	\$22,500,000	\$23,400,000	5.5%
County Option	\$50,700,000	\$51,000,000	\$53,500,000	5.5%

Sales Tax Revenues: *County Option*

Salt Lake County Option Sales Tax

72-Month Trendline of 12-Months to Date



Sales Tax Projections

Sales Tax	2014 June Budget	2014 Updated Projection	2015 Projection	% Change
Local Option	\$22,100,000	\$22,500,000	\$23,400,000	5.5%
County Option	\$50,700,000	\$51,000,000	\$53,500,000	5.5%
<i>Transient Room</i>	<i>\$14,400,000</i>	<i>\$14,300,000</i>	<i>\$15,600,000</i>	<i>8.3%</i>
<i>Transient Room Supp.</i>	<i>\$2,000,000</i>	<i>\$2,000,000</i>	<i>\$2,150,000</i>	<i>7.5%</i>

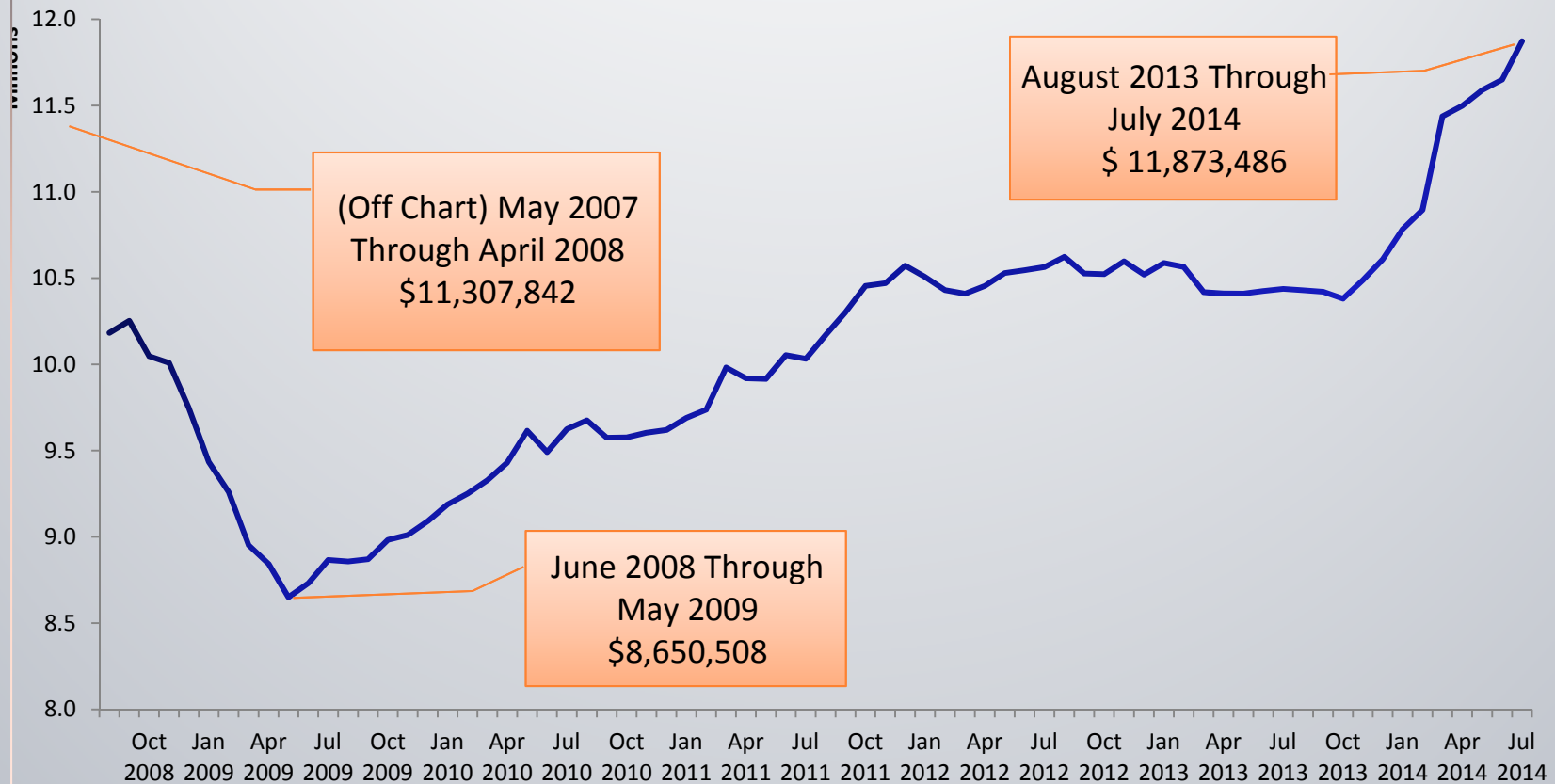
Sales Tax Projections

Sales Tax	2014 June Budget	2014 Updated Projection	2015 Projection	% Change
Local Option	\$22,100,000	\$22,500,000	\$23,400,000	5.5%
County Option	\$50,700,000	\$51,000,000	\$53,500,000	5.5%
Transient Room	\$14,400,000	\$14,300,000	\$15,600,000	8.3%
Transient Room Supp.	\$2,000,000	\$2,000,000	\$2,150,000	7.5%
<i>Car Rental</i>	<i>\$11,900,000</i>	<i>\$12,100,000</i>	<i>\$12,400,000</i>	<i>4.2%</i>

Sales Tax Revenues: *Top Performer 2014*

Salt Lake County Car Rental Tax

72-Month Trendline of 12-Months to Date



Sales Tax Projections

Sales Tax	2014 June Budget	2014 Updated Projection	2015 Projection	% Change
Local Option	\$22,100,000	\$22,500,000	\$23,400,000	5.5%
County Option	\$50,700,000	\$51,000,000	\$53,500,000	5.5%
Transient Room	\$14,400,000	\$14,300,000	\$15,600,000	8.3%
Transient Room Supp.	\$2,000,000	\$2,000,000	\$2,150,000	7.5%
Car Rental	\$11,900,000	\$12,100,000	\$12,400,000	4.2%
Restaurant	\$19,600,000	\$19,500,000	\$20,500,000	4.6%

Sales Tax Projections

Sales Tax	2014 June Budget	2014 Updated Projection	2015 Projection	% Change
Local Option	\$22,100,000	\$22,500,000	\$23,400,000	5.5%
County Option	\$50,700,000	\$51,000,000	\$53,500,000	5.5%
Transient Room	\$14,400,000	\$14,300,000	\$15,600,000	8.3%
Transient Room Supp.	\$2,000,000	\$2,000,000	\$2,150,000	7.5%
Car Rental	\$11,900,000	\$12,100,000	\$12,400,000	4.2%
Restaurant	\$19,600,000	\$19,500,000	\$20,500,000	4.6%
ZAP	\$19,800,000	\$19,800,000	\$20,700,000	4.6%

Sales Tax

Comparative Purchasing Power

Sales Tax	Prerecession Peak 12 Months	Most Recent 12 Months	Comparative Purchasing Power	% Change
Local Option	23,197,957	22,279,007	19,952,047	-14%
County Option	49,556,813	50,292,499	45,039,633	-9%
Transient	16,363,685	15,900,298	13,999,364	-14%
Car Rental	11,307,842	11,873,486	10,698,090	-5%
Restaurant	15,653,666	19,077,578	17,084,995	9%
ZAP	20,924,263	19,627,964	17,355,598	-17%

New 2015 Property and Sales Tax Revenue - General Fund and Related Funds

Fund	New Property Tax	New Sales Tax	Total New
General Fund	\$1,826,609	\$3,159,100	\$4,985,709
Flood Control	\$94,336		\$211,087
Health	\$162,110		\$162,110
Planetarium	\$40,938		\$40,938
Capital Improvements	\$81,055		\$81,055
State Tax Admin	\$299,298		\$299,298
TRCC		\$1,550,000	\$1,550,000
ZAP		\$540,900	\$540,900
Totals	\$2,504,346	\$5,250,000	\$7,871,097

New 2015 Property and Sales Tax Revenue – All Funds

Fund	New Property Tax	New Sales Tax	Total New
General Fund	\$1,826,609	\$3,159,100	\$4,985,709
Gov Immunity	\$26,016		\$26,016
Gov Immunity Unincorp	\$7,775		\$7,775
Flood Control	\$94,336		\$94,336
State Tax Admin	\$299,298		\$299,298
Library	\$355,641		\$355,641
Health	\$162,110		\$162,110
Planetarium	\$40,938		\$40,938
Capital Improvements	\$81,055		\$81,055
TRCC		\$1,550,000	\$1,550,000
Municipal Services		\$1,300,000	\$1,300,000
Visitor Promotion		\$1,200,000	\$1,200,000
ZAP		\$540,900	\$540,900
Totals	\$2,893,778	\$7,750,900	\$10,643,778

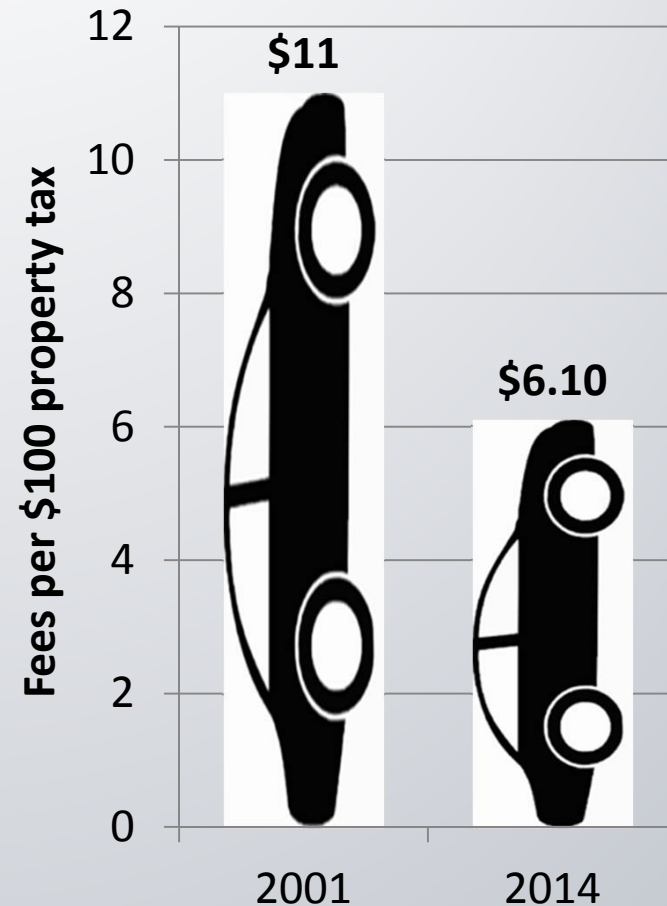
Other Revenues

Motor Vehicle Fee-in-lieu of Property Tax

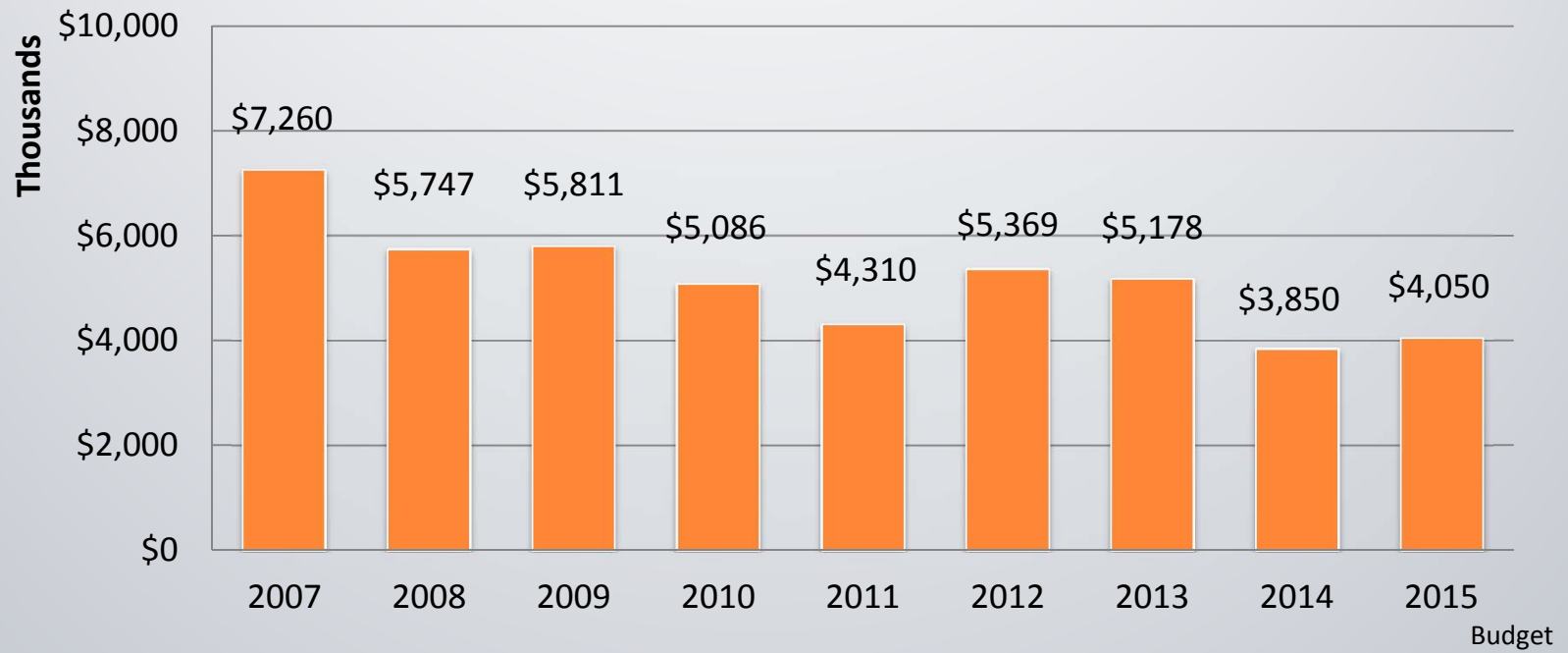
Fund	2014 June Budget	2015 Projected	% Change
General	\$7,472,640	\$7,472,640	0%
Flood Control	\$383,000	\$386,830	1.0%
Health	\$659,800	\$659,800	0%
Governmental Immunity	\$92,000	\$92,000	0%
Bond Debt Service	\$2,544,000	\$2,250,000	(11.6)%
Capital Improvements	\$331,000	\$331,000	0%
Clark Planetarium	\$159,000	\$159,000	0%
State Tax Admin	\$1,322,000	\$1,322,000	0%
Muni. Svcs. Tort Liability Levy	\$32,000	\$32,000	0%
Library	\$2,366,000	\$2,366,000	0%
Total Motor Vehicle Fees	\$15,361,440	\$15,071,270	(1.9)%

Structural and Economic Decline in Motor Vehicle Fees

- Age-based fee not increased for inflation
- Has decreased from \$11 per \$100 of property tax in 2001 to a projected \$6.10 per \$100 of property tax in the General Fund in 2015
- Will be consumed by inflation unless the legislature increases the fee schedule



Recorder Revenue Trend



Reserve Status at Tentative Budget Stage By Fund

Fund	Ending Fund Balance	Minimum Reserve	Excess or (Deficiency)
General	\$25,178,772	\$28,855,969	(\$3,677,197)
Flood Control	\$2,004,802	\$512,762	\$1,492,040
Health	\$2,438,223	\$1,881,905	\$556,318
Planetarium	\$944,867	\$463,892	\$480,975
Municipal Services	(\$4,522,452)	\$2,912,676	(\$7,435,128)
Library	\$7,211,964	\$2,021,120	\$5,190,844
Tax Administration	\$51,649	\$1,388,318	(\$1,336,669)
TRCC	\$2,967,355	\$730,541	\$2,236,814