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# PCMC

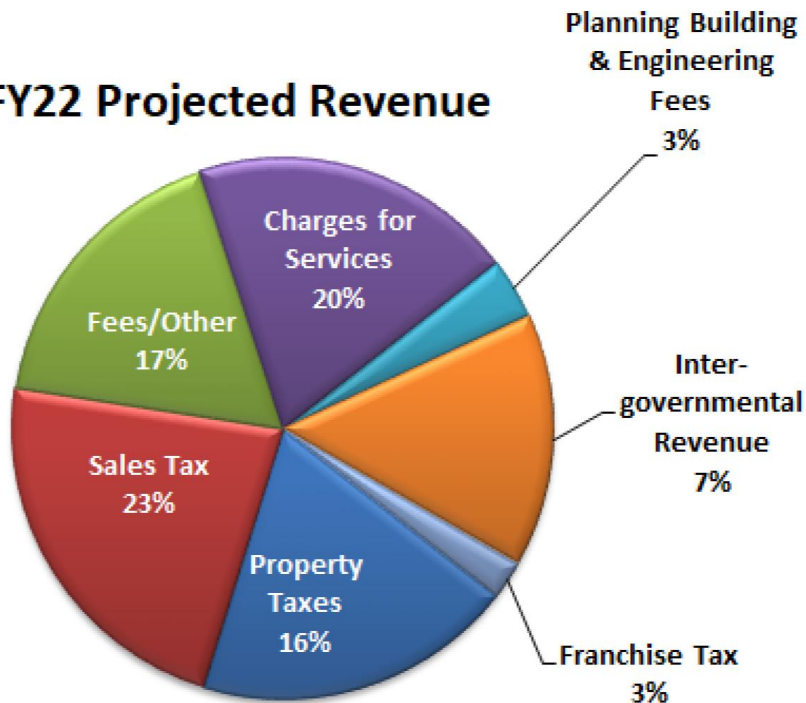
## Path Through Pandemic

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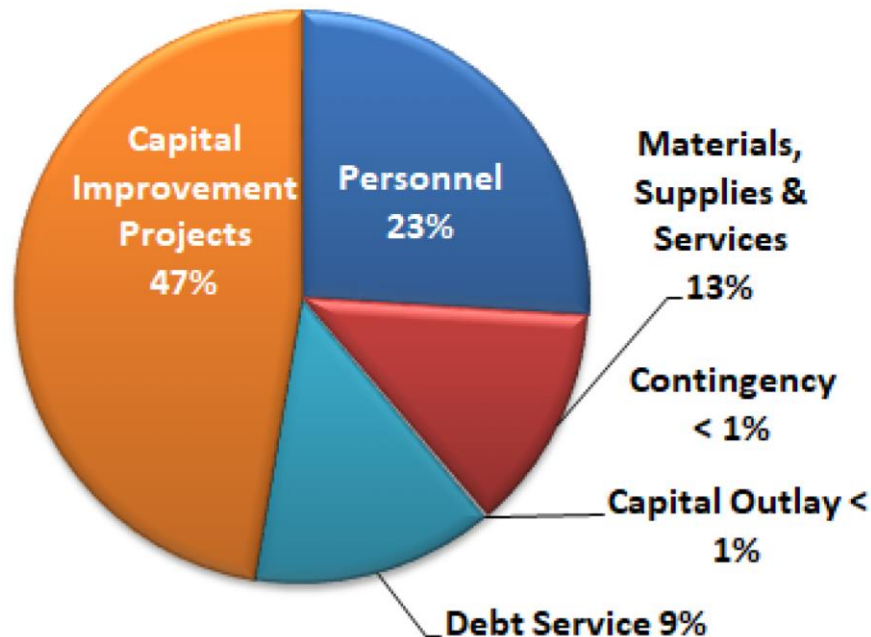


# Park City Budget

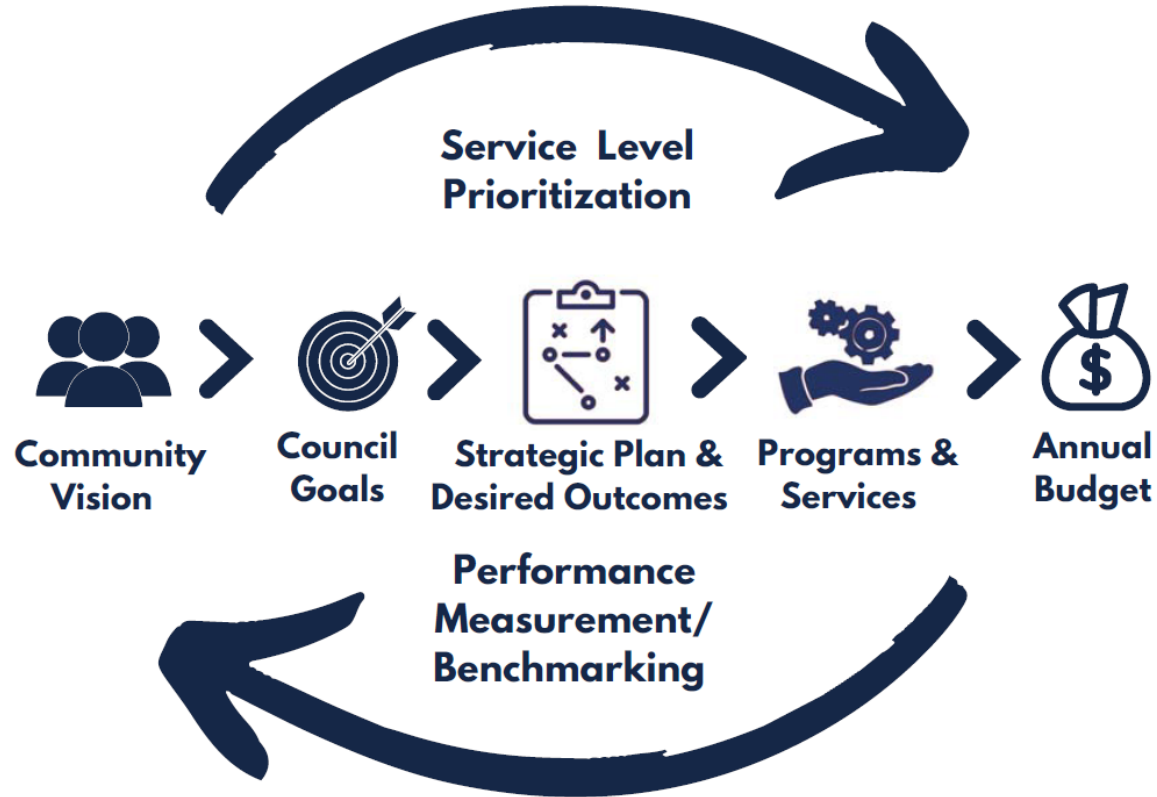
## FY22 Projected Revenue



## FY22 Budgeted Expenses \$163.3M



# Budget Process



# Community Pillars

**SOCIAL EQUITY &  
AFFORDABILITY**

**ENVIRONMENTAL  
LEADERSHIP**

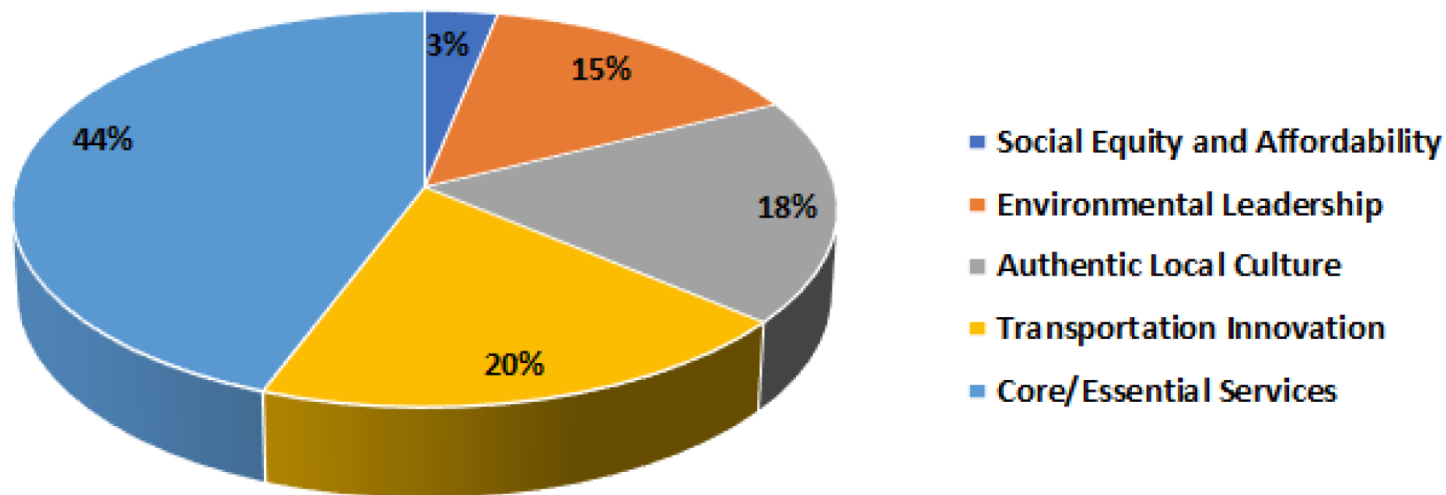
**AUTHENTIC  
LOCAL CULTURE**

**TRANSPORTATION  
INNOVATION**



# Community Pillars

## Allocation of Operating Budget by Pillar

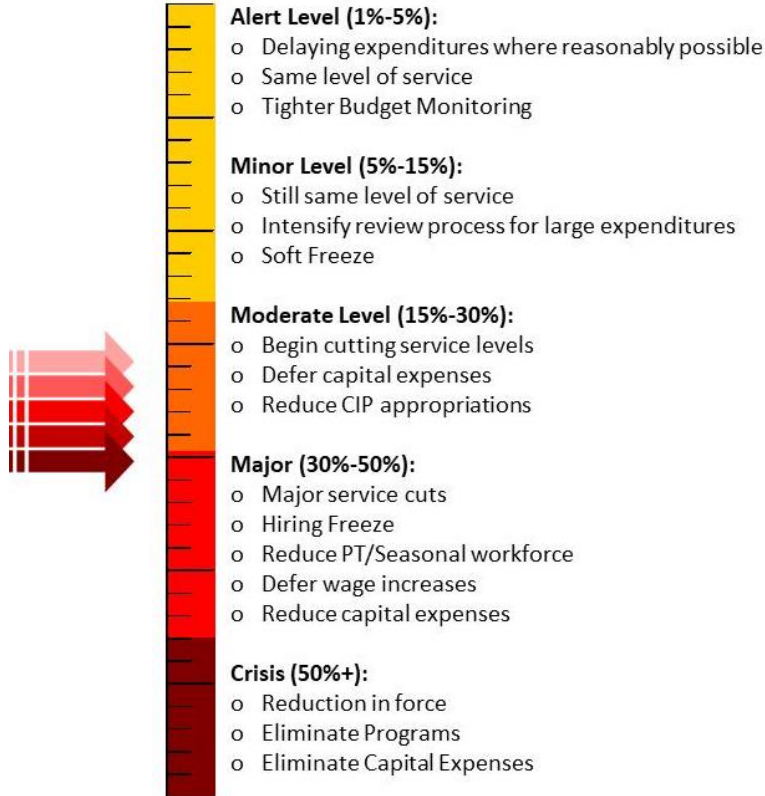


# ———— Guiding Principles Through Crisis ————

- Natural Disaster Vs. Economic Recession
- A principled and balanced approach:
  - **Fiscal responsibility:** Transparent decision-making and revenue projections, and avoid irresponsible cuts to generate short-term savings at the expense of long-term prosperity.
  - **Compassion & Commitment:** Maintain PCMC's core commitments, community safety and wellbeing.
  - **Shared Sacrifice:** No group should bear a disproportionate burden from this challenge alone.



# Recession Plan



## Recommended Actions

- **Delay Expenses:** Delay expenditures where reasonably possible, while maintaining the "Same Level" of service. Each department will be responsible for monitoring its individual budgets to ensure only essential expenditures are made.
- **Tightly Monitor Budgets:** Intensify the review process for large items such as contract services, consulting services, and capital expenditures, including capital improvements. Previously approved capital project expenditures which rely on General Fund surplus for funding should be subject to review by the Budget Department.
- **Soft Freeze:** Closely scrutinize hiring for vacant positions, delaying the recruitment process, and using temporary help to fill in where possible. The City Manager will review all personnel action with heightened scrutiny, including career development and interim reorganizations, to ensure consistency and equitable application of the soft freeze across the organization.
- **Reduce Expenses:** Closely monitor and reduce expenditures for travel, seminars, retreats, and bonuses.
- **Identify 5% Cuts:** Identify expenditures that would result in a 5% cut to departmental operating budgets while still maintaining the same level of service where possible.
- **Reprioritize CIP Budgets:** Reprioritize capital projects with the intent to de-obligate non-critical capital projects.

# Bridging the Gap – FY20

(\$3,945,925)

## 1. Operational Expense Constraints (\$1.25M)

Non-essential expenditure reductions (maintain services)

## 3. Spend from General Fund Balances (\$750k)

Utilize General Fund balance as a one-time sources of funding

## 5. CIP Emergency Reserve (not recommended)

Additional one-time source of funding that would materially alter the City's credit rating

## 2. Capital Fund Resources (\$2M)

Delay Non-essential Capital projects & equipment purchases

## 4. Cut Budgets Materially (not recommended)

Cut operating budgets between 15-30% per policy





# Bridging the Gap – FY21

(\$8,577,087)

## 1. Operational Expense Reductions (\$3M)

Non-essential expenditure reductions

## 3. Spend from General Fund Balances (\$1.7M)

Utilize General Fund balance as a one-time sources of funding

## 5. CIP Emergency Reserve (not recommended)

Additional one-time source of funding that would materially alter the City's credit rating



## 2. Capital Fund Resources (\$3.8M)

Delay Capital projects & equipment purchases

## 4. Cut Budgets Materially (not recommended)

Decrease Levels of Service

Source: Park City Municipal Corporation as of 4/20/2020.

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## Recommended Actions

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### **(\$8,577,087) – Estimated Shortfall**

1. **Operating Expense Reductions & Controls (\$3M)** – Across the board reductions incurred by each department in non-essential expenditure line items: tuition, training, conferences, supplies, equipment, materials, contract services, merit pay, overtime, hiring freeze.
2. **Capital Improvement Funds – Delay, Defer, Cancel (\$3.8M)**
  - 1) \$1.7M Delay capital project budgets
  - 2) utilize 32% or \$2.1M of Capital Improvement Fund balance
1. **Utilize General Fund Balance (21% or \$1.7M)** - Fund balances (emergency reserves) are meant to offset declines in revenue during times of economic distress and have been prudently held in abeyance for this purpose.
2. **Cut Budget Materially – Not Recommended** – Decrease levels of service, reduction in full-time staff
3. **Spend from 5-year CIP – Not Recommended**

# An Updated Budget Process In Times of Uncertainty

Immediate move to Minor/Moderate  
Recession Plan

March 2020

FY 2020 Activities

FY 2021 Activities

Implementation of measures to bridge  
projected General Fund funding gap

March – June 2020

FY 2021 budgeting  
assumes non-  
discretionary  
expenses only

May 2020

FY 2021 budget  
adopted

June 2020

Consider re-adopting a new budget with enhanced levels of service  
once economy begins to turn around, continue monitoring of  
revenues, capital projects, and operational expenses

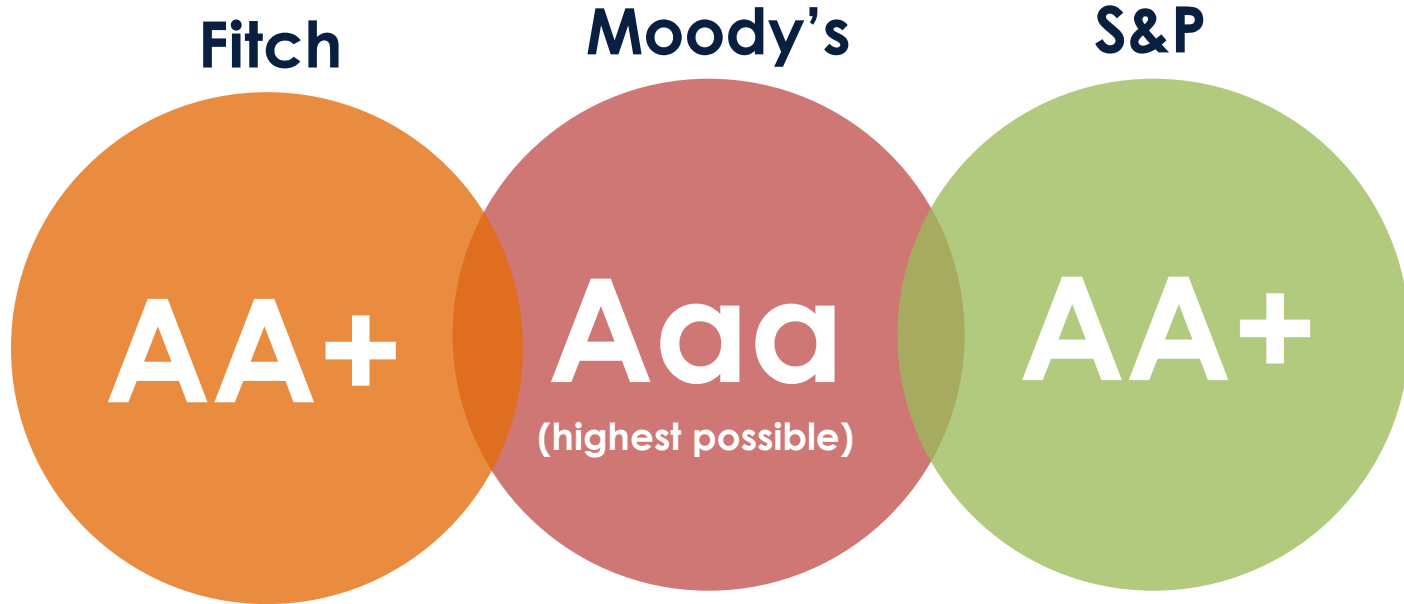
FY 2021

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# GO Bond Rating

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Credit rating agencies reaffirm the strength of Park City's credit



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## Bond Rating

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- Reaffirmed rating and changed from negative to stable outlook
- Wealthy customer base that can absorb water rate increases
- Well-planned capital program
- Strength of economy
- Sophistication in financial model and planning
- “One of the best budget books” they’ve ever seen
- Very strong economy
- Very strong management, with strong financial policies and practices
- Strong budgetary performance, increase to General Fund balance
- Very strong liquidity – total available cash at 141.5% of expenditures and 5.9x debt service
- Very strong institutional framework score

# Intuitive Sales Tax Drivers

Intuitively, we know certain factors matter – are they possible to systematically detect with math?



We believe the answer is **yes**.

# How? – Machine Learning

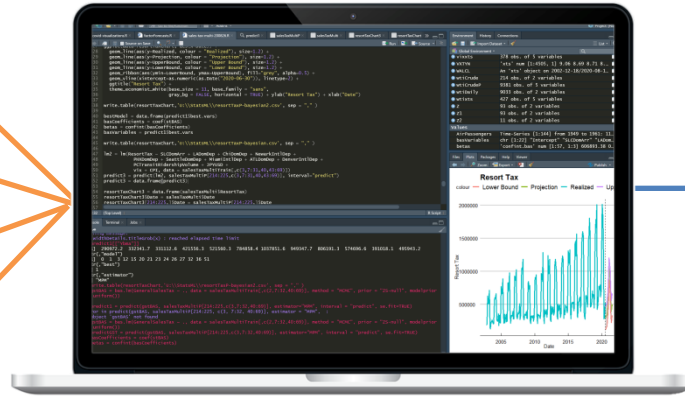
Machine learning allows us to examine large datasets and see which variables are the highest probability predictors of sales taxes

Predictor Variable  
1

Predictor Variable  
2

Predictor Variable  
3

Predictor Variable  
N



Response Variable  
(Sales Taxes)

**62**

Distinct Datasets  
Gathered

**500k+**

Models Algorithmically  
Tested



# Our Dataset

The data we are monitoring is a combination of Local, Macroeconomic, Financial Market and Travel data

## Domestic Financial

- S&P 500 Index
- VIX (S&P 500 Volatility Index)
- Federal Funds Effective Rate
- U.S. 3-Month Libor
- Treasury 2Y-10Y Spread
- U.S. 30Y Fixed Mortgage Rate
- Spot WTI Crude Oil

## Foreign Financial

- Spot Brent Crude Oil
- CAD/USD FX Rate
- CNH/USD FX Rate
- USD/JPY FX Rate
- CHF/USD FX Rate
- AUD/USD FX Rate
- EUR/USD FX Rate
- GBP/USD FX Rate

## Macroeconomic

- CPI (Core Inflation)
- Case Shiller U.S. Home Price Index
- U.S. Housing Starts
- M2 (U.S. Monetary Base)
- Personal Savings Rate
- Producer Price Index
- Construction Spending
- Construction Employees
- Leading GDP
- Jobless Claims
- Retail Spending Ex. Food
- Retail Spending With Food

Green box = statistically significant predictor of sales taxes

## Travel - Consumer Behavior

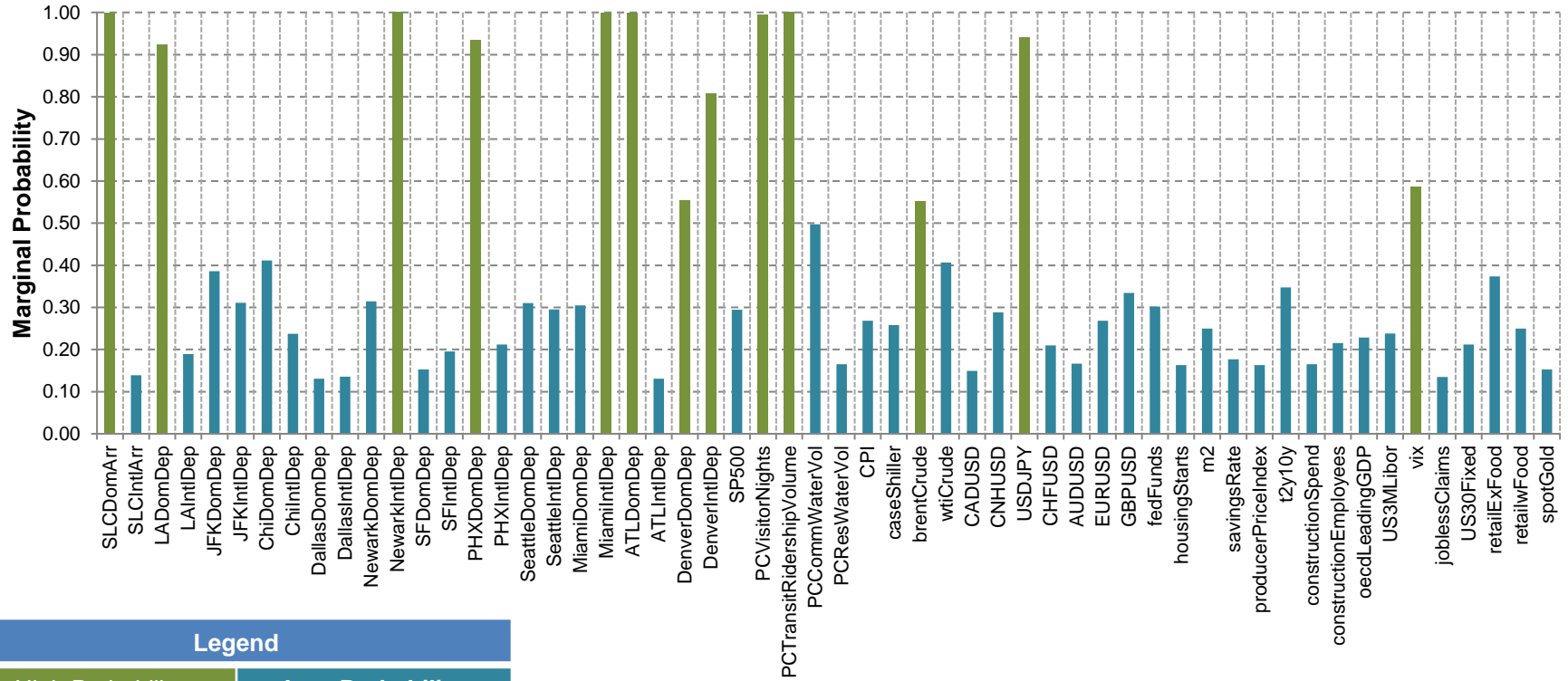
- SLC Domestic Arrivals
- SLC International Arrivals
- LA Domestic Departures
- LA Intl. Departures
- JFK Domestic Departures
- JFK Intl. Departures
- Chicago (O'Hare) Domestic Dep.
- Chicago (O'Hare) Intl Departures
- Dallas Domestic Departures
- Dallas Intl. Departures
- Newark Domestic Departures
- Newark Intl. Departures
- SF Domestic Departures
- SF Intl Departures
- Phoenix Domestic Departures
- Phoenix Intl. Departures
- Seattle Domestic Departures
- Seattle Intl. Departures
- Miami Domestic Departures
- Miami Intl. Departures
- Atlanta Domestic Departures
- Atlanta Intl. Departures
- Denver Domestic Departures
- Denver Intl. Departures

## Local - Consumer Behavior

- PC Transit Monthly Ridership
- PC Monthly Visitor Nights
- PC Commercial Water Usage
- PC Residential Water Usage

# What Predictors Matter

Factor Inclusion Probabilities



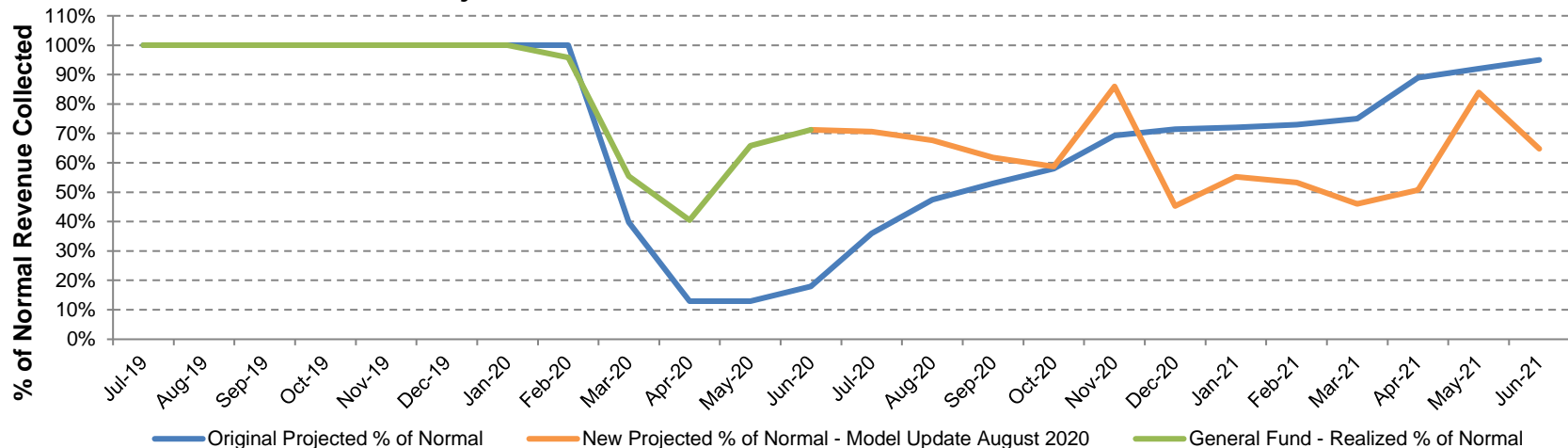
## Legend

High Probability  
Predictor

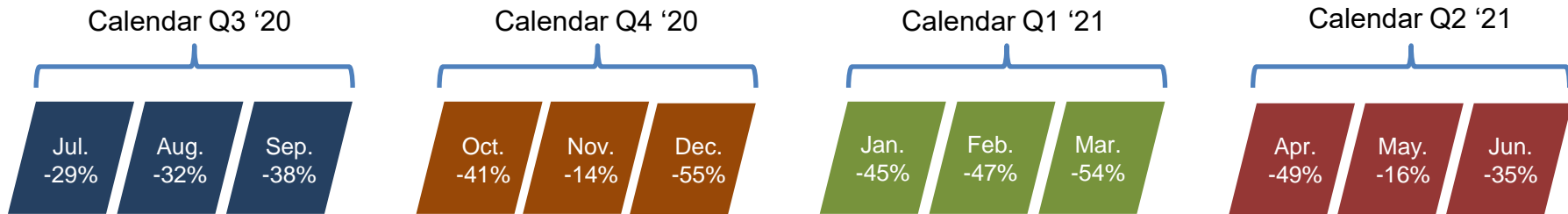
Low Probability  
Predictor

# Sales Tax Picture We Prepared For at The Depth of Crisis

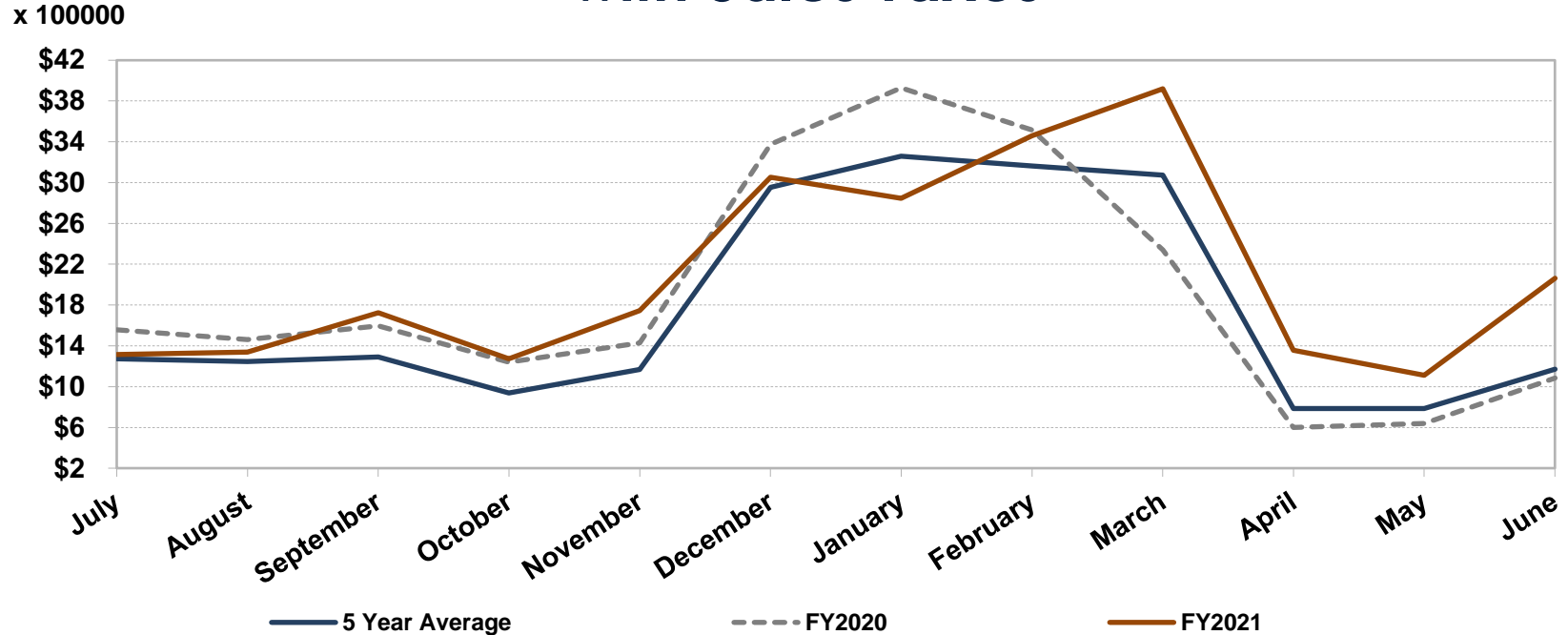
## Projected Sales Tax Path as % of Normal Revenue



## Projected Sales Tax Path as % Down From Normal Revenue



# What Actually Happened with Sales Taxes



\*Does not Include TRT or Transit Tax

- FY21 up 10.6% vs. FY20
- June FY21 up 89% from previous June FY20, June FY21 up 54% vs. FY19
- TRT FY21 up 1.8% vs. FY20, up 0.3% vs. FY19

Source: Park City Municipal Corporation. As of August 24, 2021.

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# Challenges & Changes

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## Challenges

Housing cost and reduction  
in wealth transmission

Nightly Rental vs. Long-  
Term

Transportation

Labor shortages

Weather

Inflation eroding buying  
power

## Changes & Opportunities

Tactical reduction in  
funding costs for large  
projects

Outdoors embraced even  
more than before

Seasonal diversification of  
resort economy

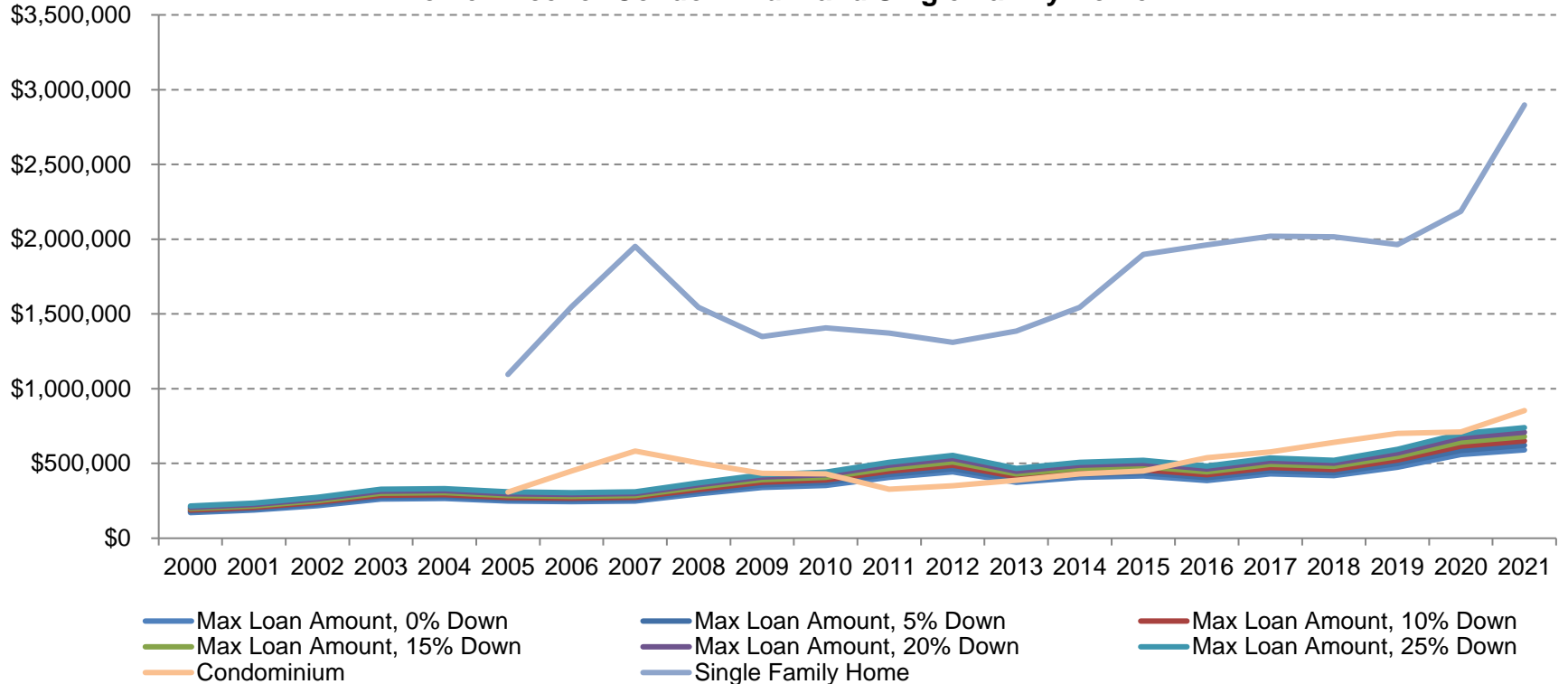
Sector diversification of  
resort economy

Population presence  
persistent

Travel renewal

# Challenge 1: Housing

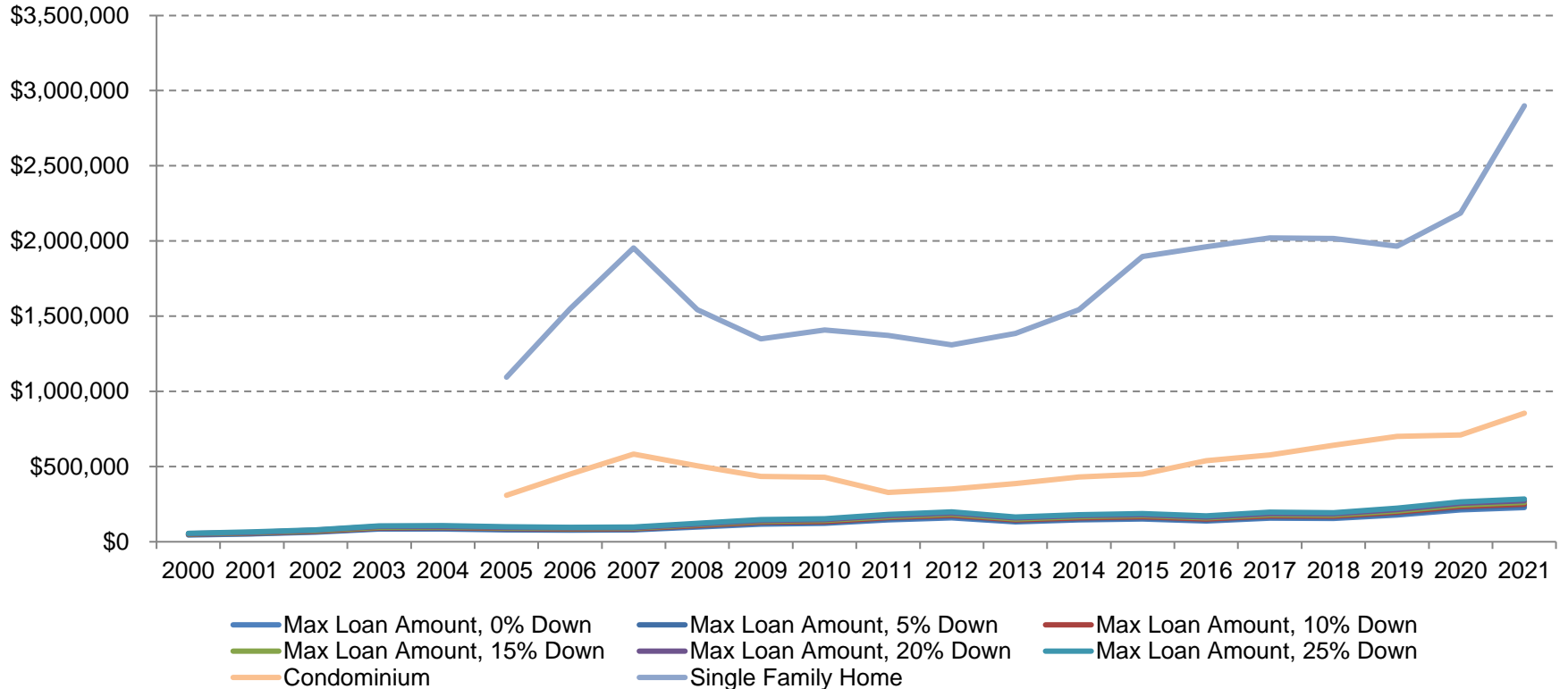
First Qualifying Level for 100% AMI Borrower at Various % Down vs. Park City Median Home Price for Condominium and Single Family Home



Source: Park City Municipal Corporation. As of July 12, 2021.

# Challenge 1: Housing

First Qualifying Level for 50% AMI Borrower with Various % Down vs. Park City Median Home Price for Condominium and Single Family Home



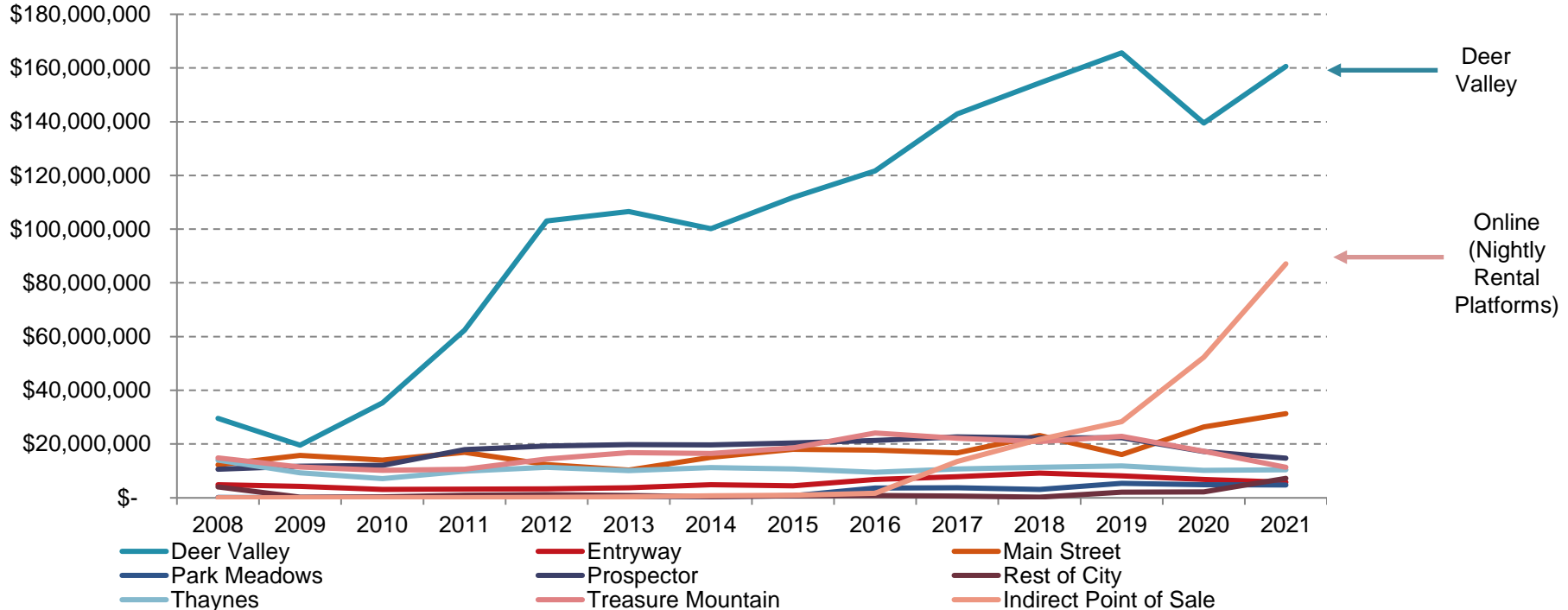
Source: Park City Municipal Corporation. As of July 12, 2021.



# Challenge 2: Nightly Rentals Gaining Steam

Deer Valley continues to lead in the lodging sector with online growing.

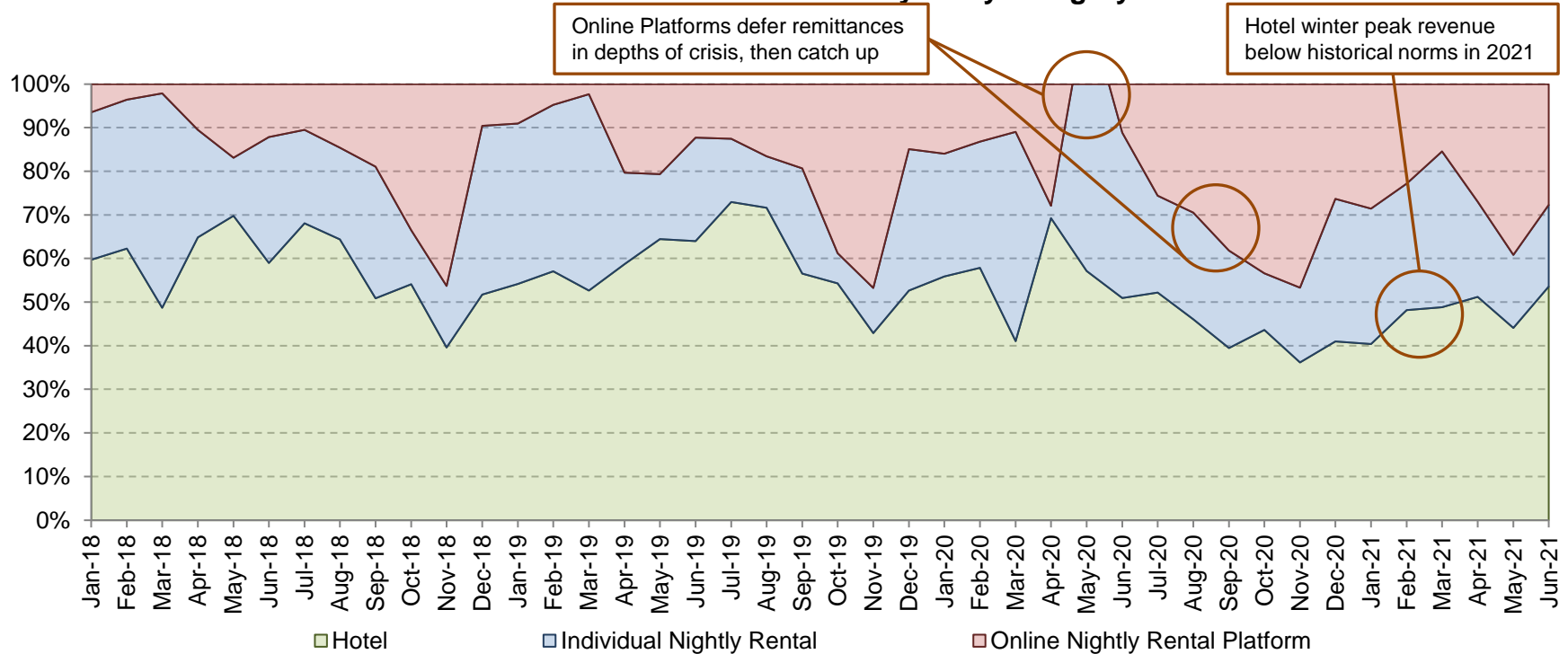
Lodging Sector Revenue by City Geographies



## Challenge 2: Nightly Rentals Gaining Steam

Online platforms are gaining market share.

### Historical Market Share of TRT Payers by Category

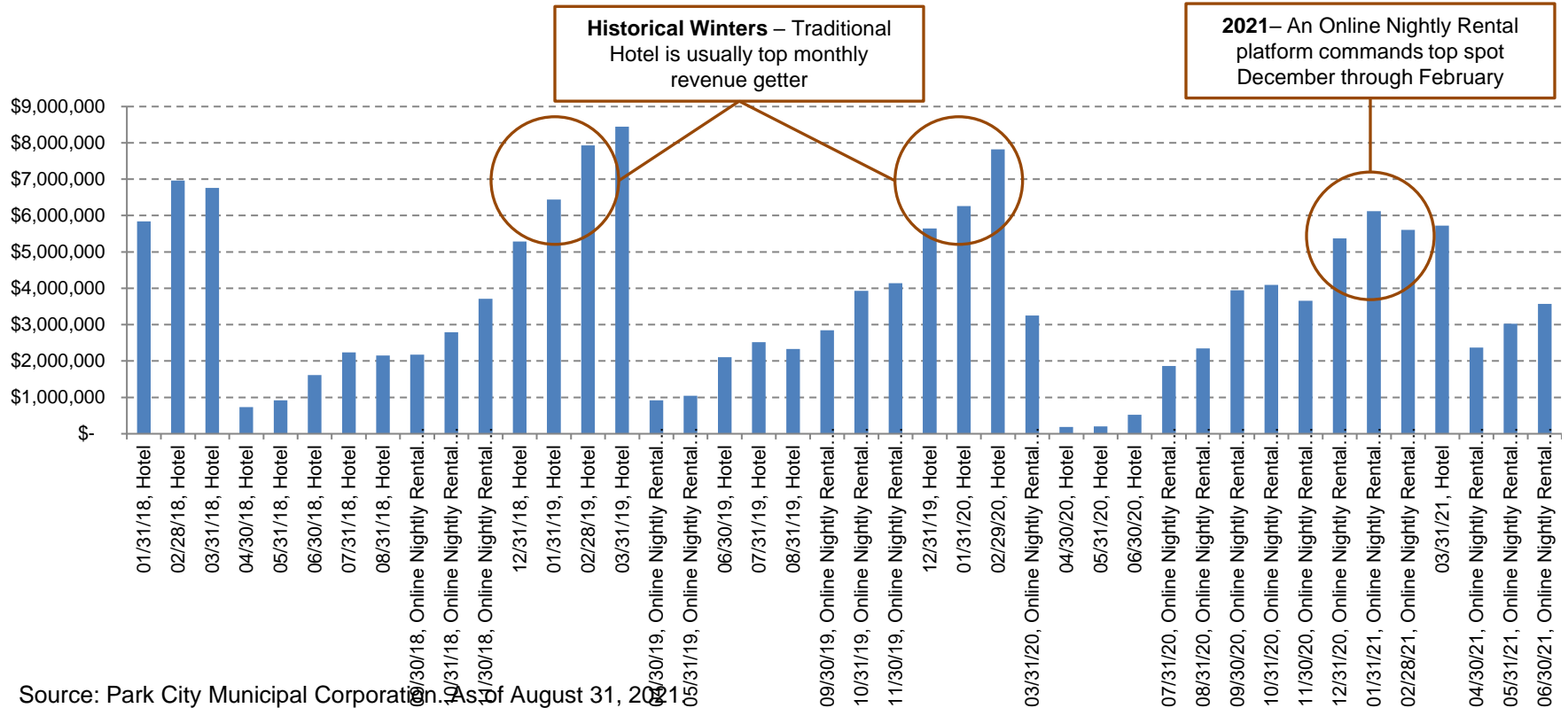


Source: Park City Municipal Corporation. As of August 31, 2021.

# Challenge 2: Nightly Rentals Gaining Steam

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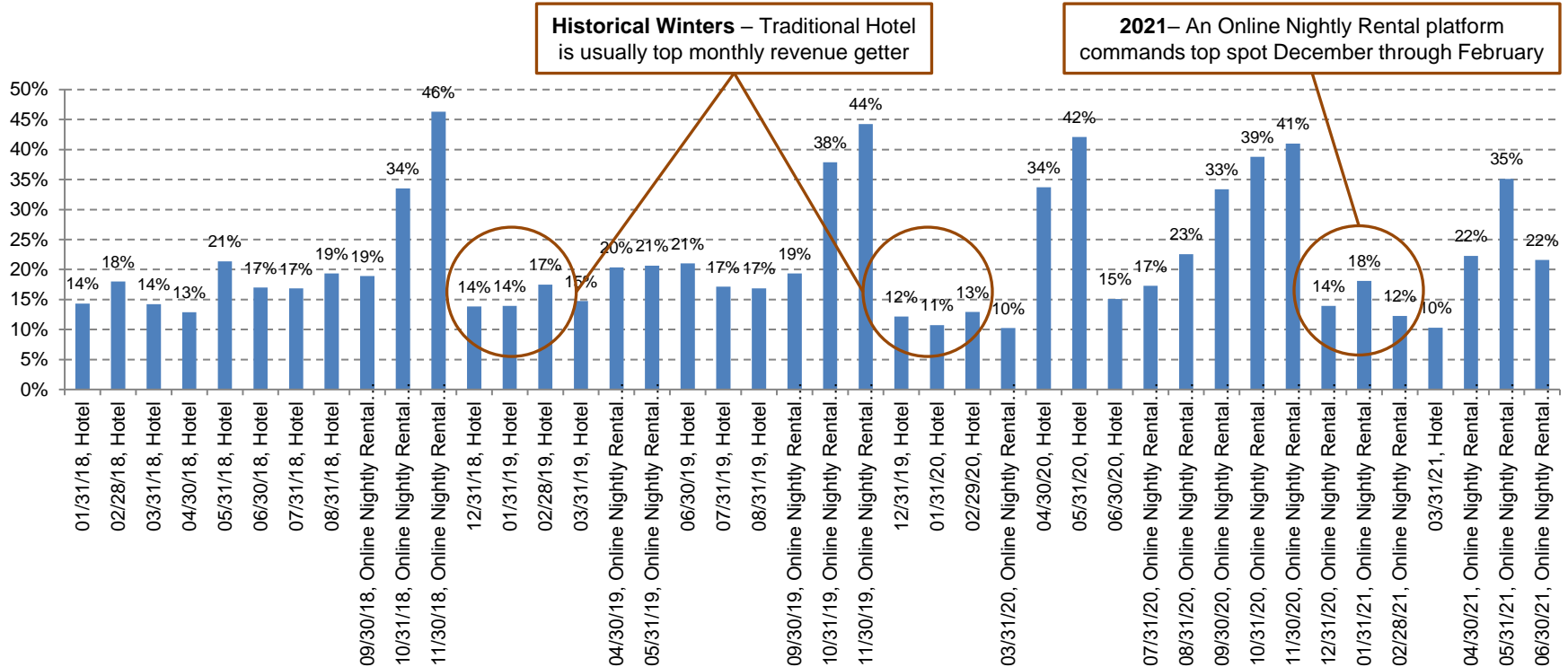
## Lodging - \$ Revenue & Category of Monthly Revenue Winner



# Challenge 2: Nightly Rentals Gaining Steam

Online platforms are gaining market share.

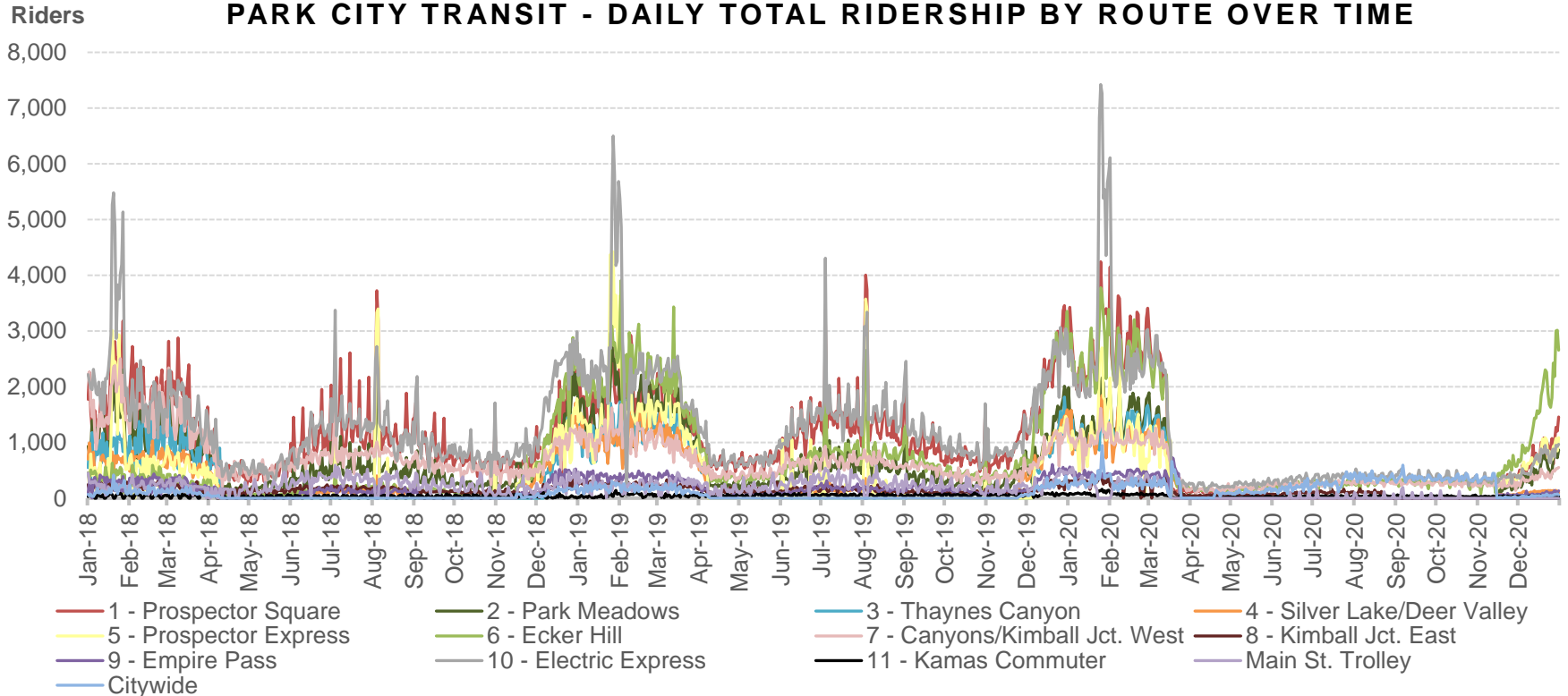
## Lodging - Market Share % & Category of Monthly Revenue Winner



Source: Park City Municipal Corporation. As of August 31, 2021.

# Challenge 3: Public Transportation

Efficiency of City's public transportation system plunged in COVID depths but is rebounding

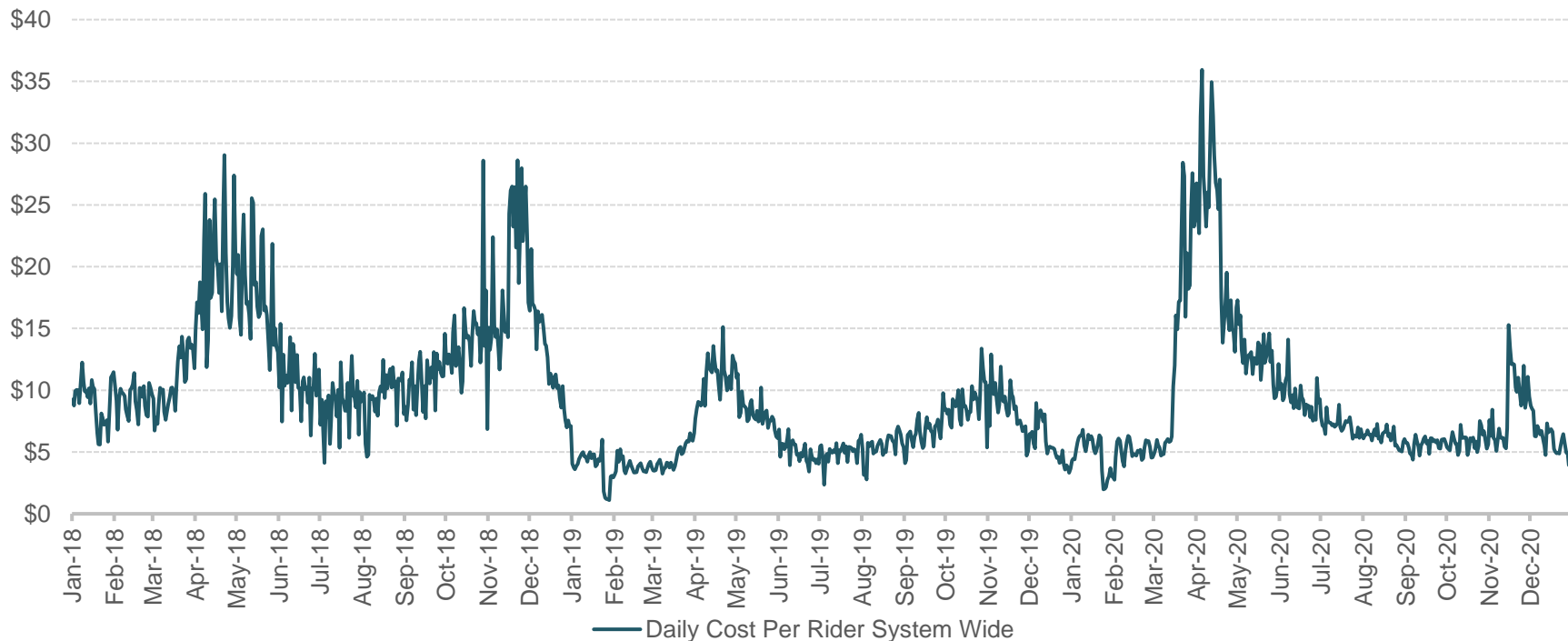


Source: Park City Municipal Corporation. As of August 31, 2021.

## Challenge 3: Public Transportation

Efficiency of City's public transportation system plunged in COVID depths but is rebounding

### PC TRANSIT - DAILY \$ COST PER RIDER - SYSTEM-WIDE

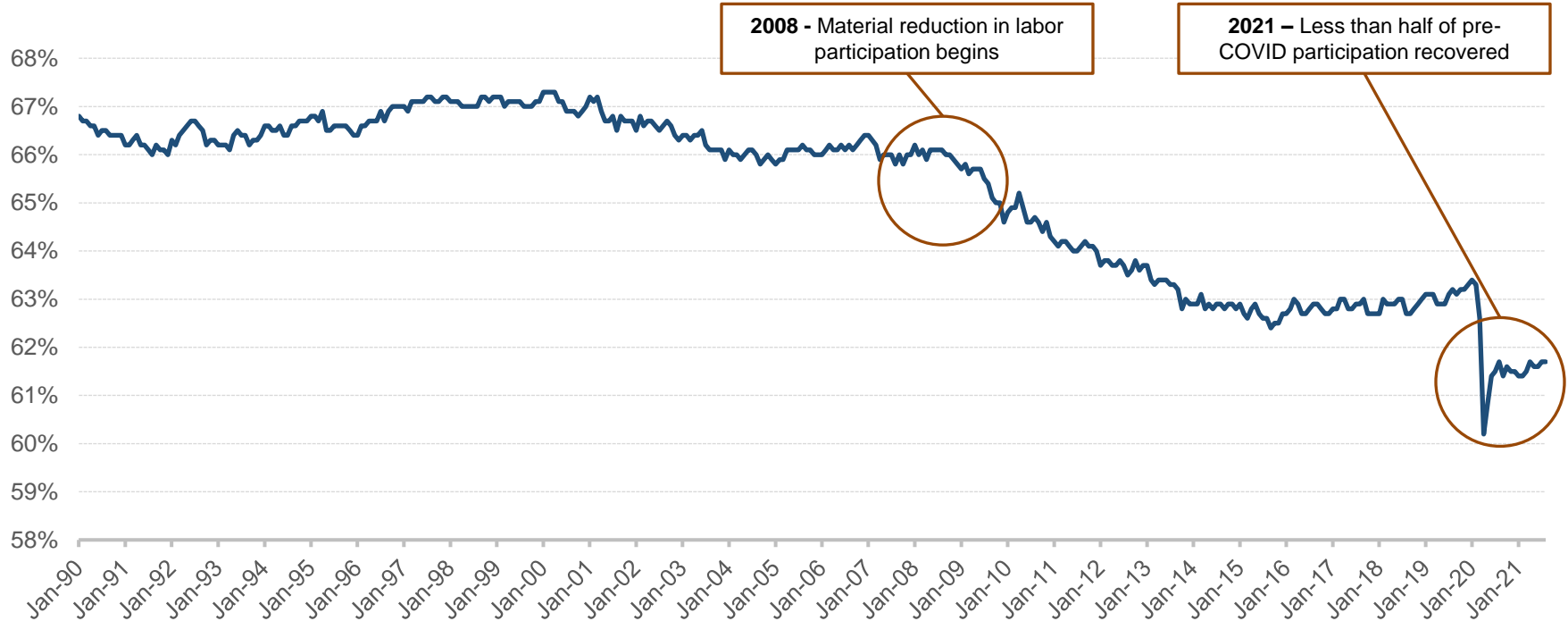


Source: Park City Municipal Corporation. As of August 31, 2021.

# Challenge 4: Labor

Labor force participation rate continues to decline; effects felt locally as well.

## U.S. Labor Force Participation Rate



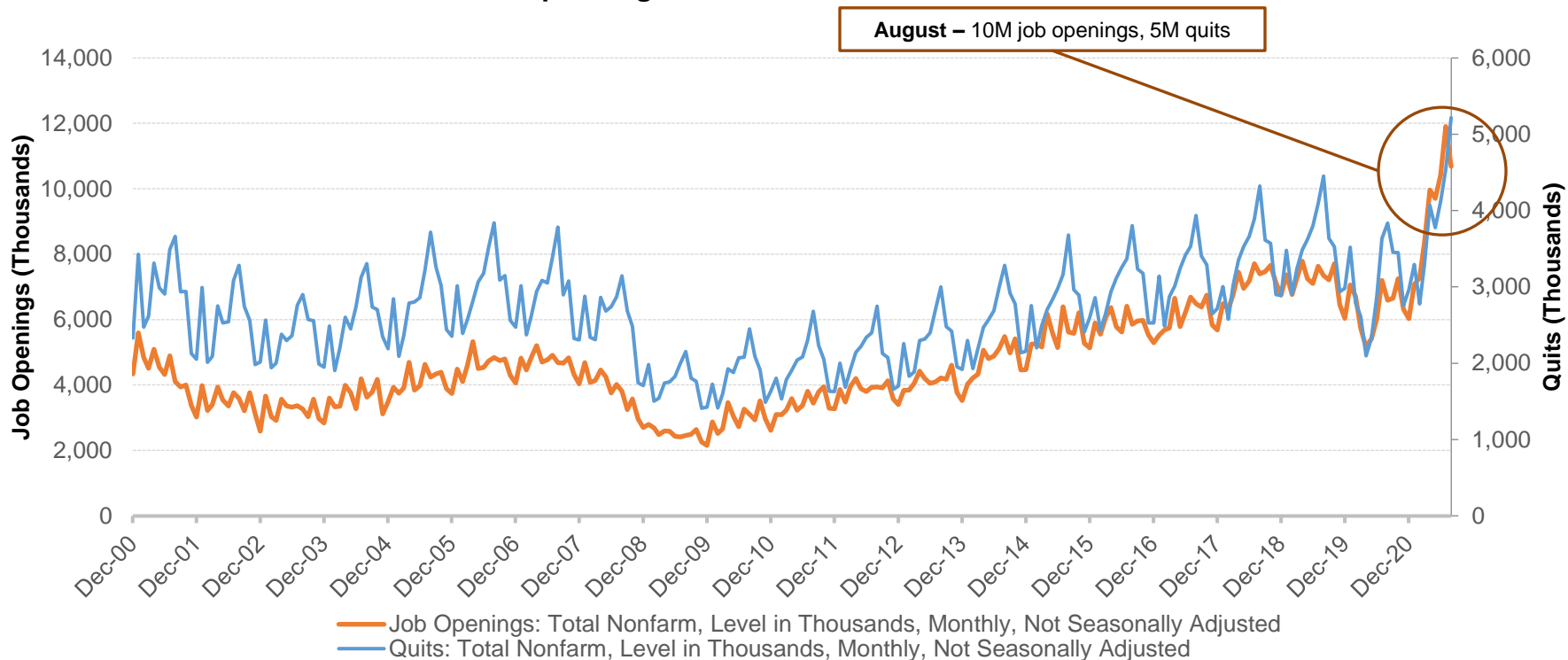
Source: Park City Municipal Corporation, St. Louis Federal Reserve. As of August 31, 2021.



# Challenge 4: Labor

More job openings and more quits in August than ever seen before.

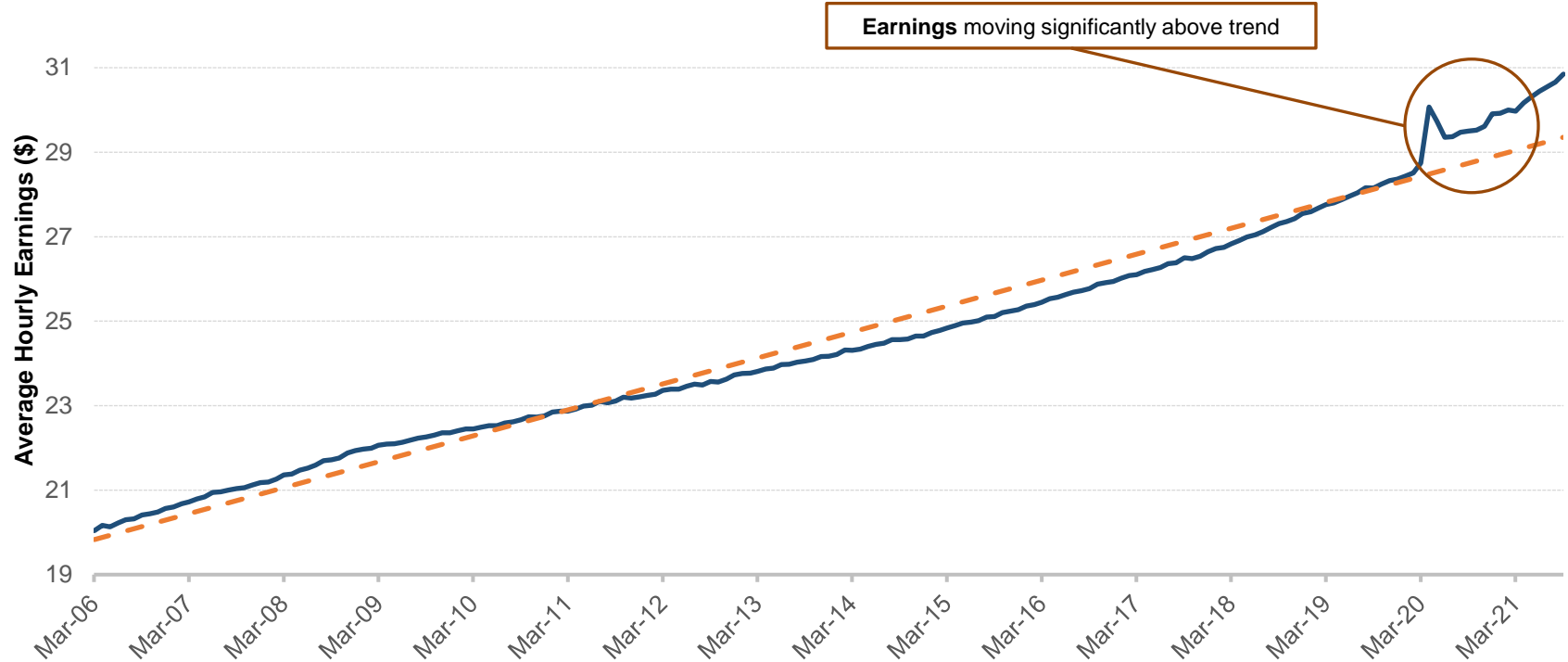
## U.S. Job Openings vs. Total Quits: Total Nonfarm



Source: Park City Municipal Corporation, St. Louis Federal Reserve. As of August 31, 2021.

# Challenge 4: Labor

Earnings tracking above trend.  
**U.S. Average Hourly Earnings**



Source: Park City Municipal Corporation, St. Louis Federal Reserve. As of August 31, 2021.

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# Challenge 4: Labor

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What is going on?

Hypothesis: Workers have more power to bargain for a shift in the **nature and type** of work they do.



Autonomy

Desire to be self-directed  
and not micromanaged



Complexity

Ability to work on  
challenging problems



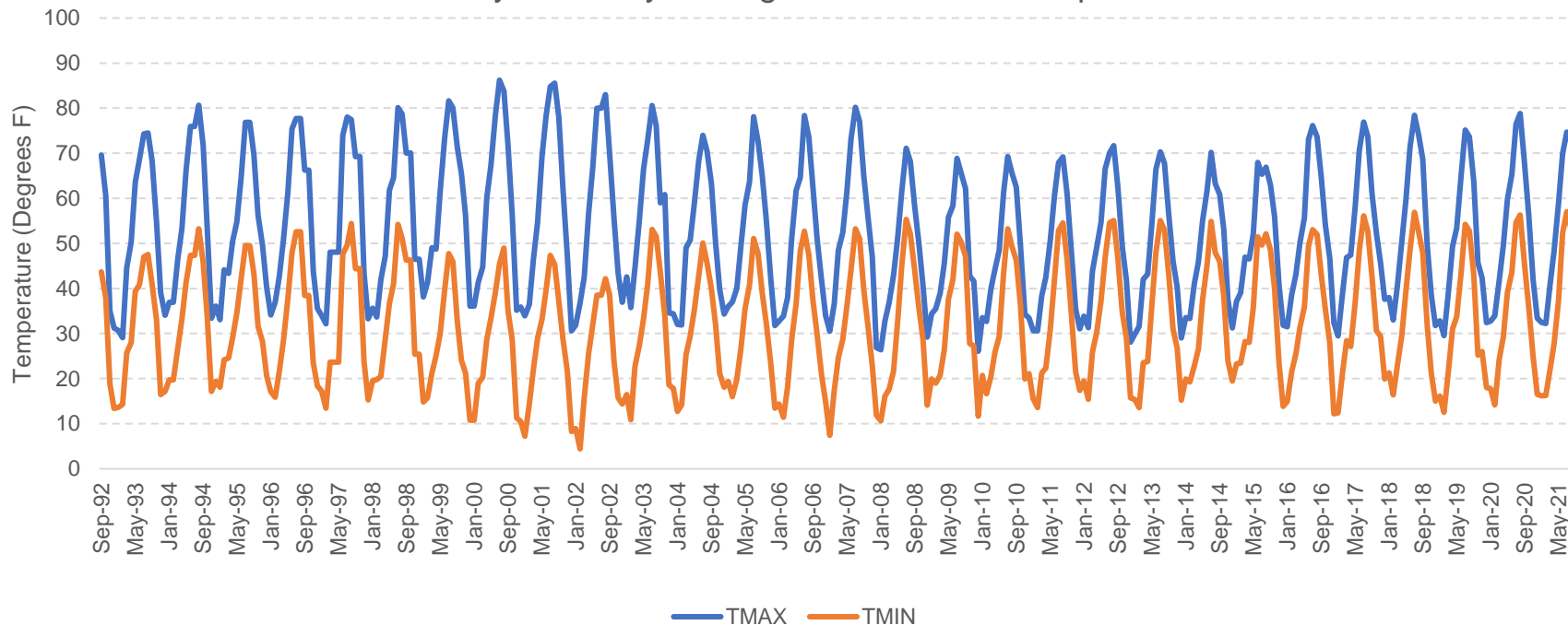
Purpose

Sense that what we do is making  
a difference in the world

# Challenge 5: Weather

Max temperatures have been range-bound but minimum temperatures continue to climb with potential consequences for snow base.

Park City - Monthly Average Max and Min Temperature

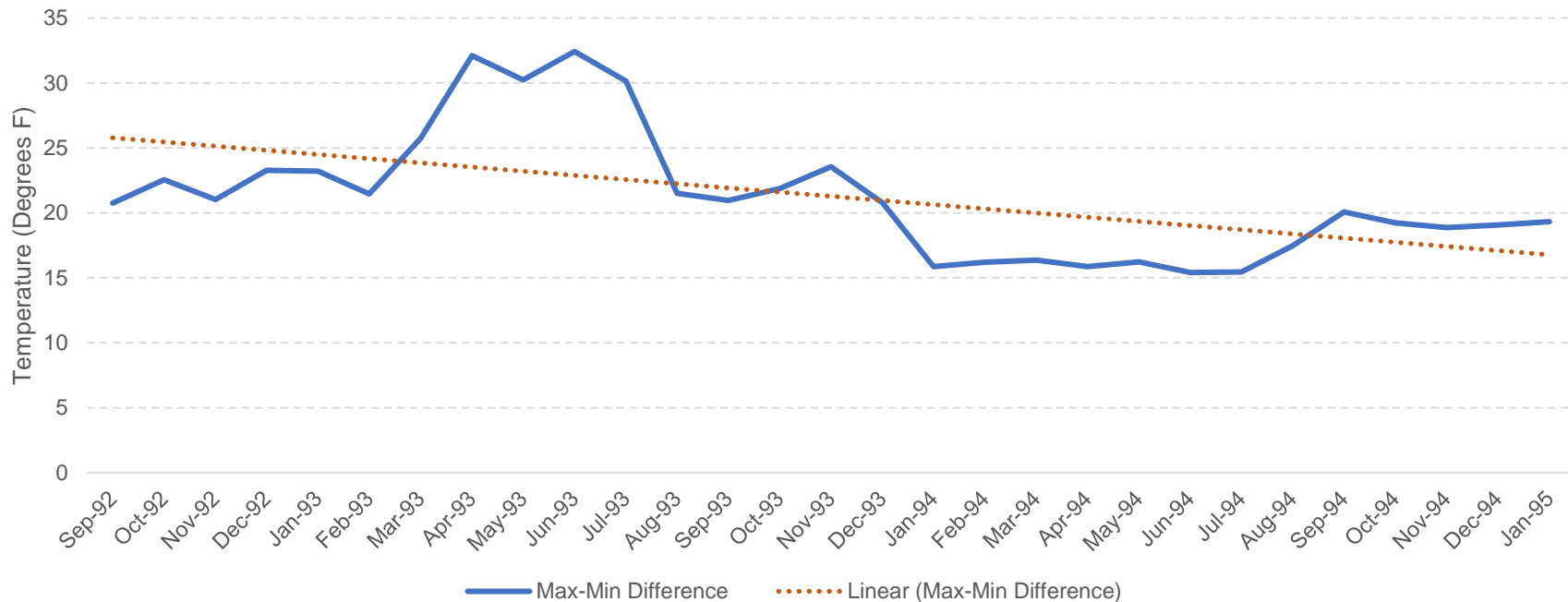


Source: Park City Municipal Corporation, NOAA. As of August 31, 2021.

# Challenge 5: Weather

Max temperatures have been range-bound but minimum temperatures continue to climb with potential consequences for snow base.

Park City - Monthly Average Max Less Min Temperature

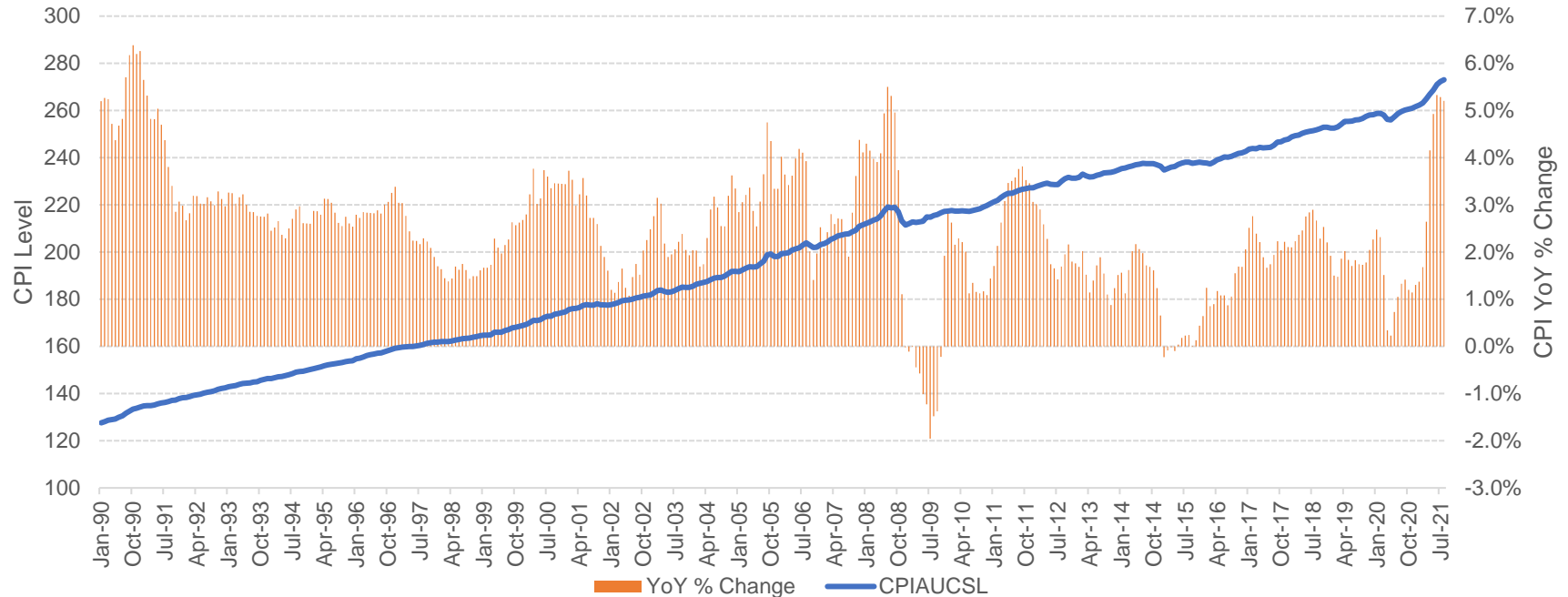


Source: Park City Municipal Corporation, NOAA. As of August 31, 2021.

# Challenge 6: Accelerating Costs

Consumer prices rising at **fastest pace since 2008**. Last time 3 monthly prints above 5% observed – **fall of 1990**.

U.S. Consumer Price Index - Level vs. YoY % Change

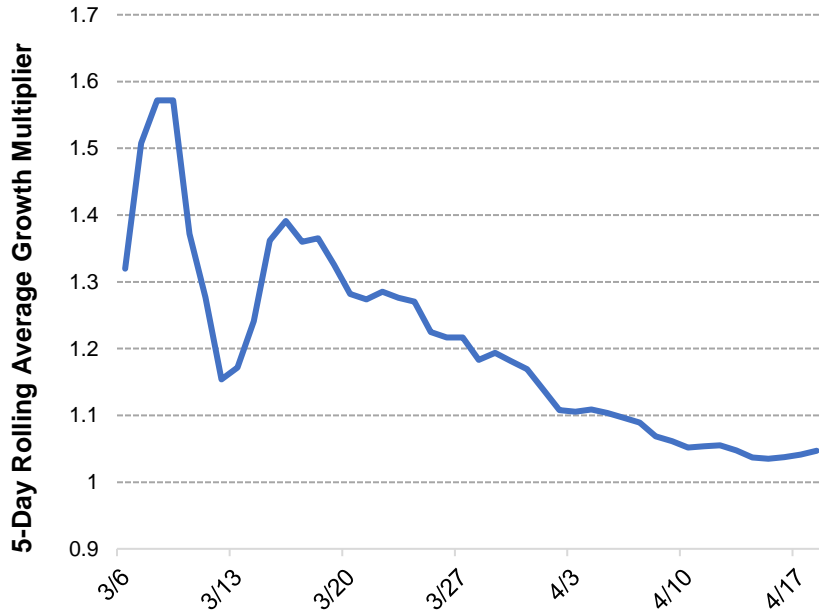


Source: Park City Municipal Corporation. As of August 31, 2021.

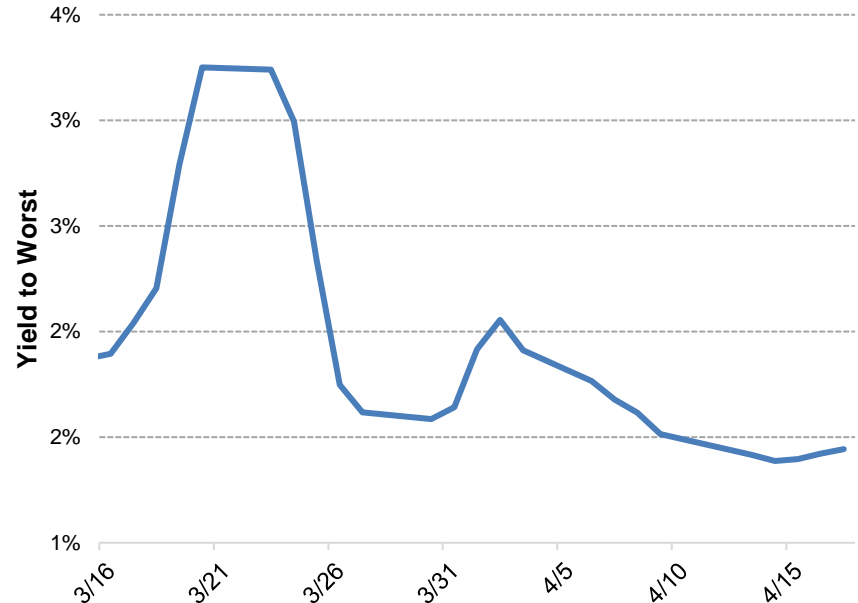
# Opportunity 1: Tactical Bond Financing

- In Spring 2020 the municipal primary market has awakened to quality issuers with interest rates continuing to fall – *markets priced the growth rate of the virus on a two-week lag, approximately equal to the incubation period*
- PCMC consolidated plan of annual issuance for Water capital projects into two larger issuances

**COVID-19 in Utah - Rolling 5-Day Average Growth Rate**



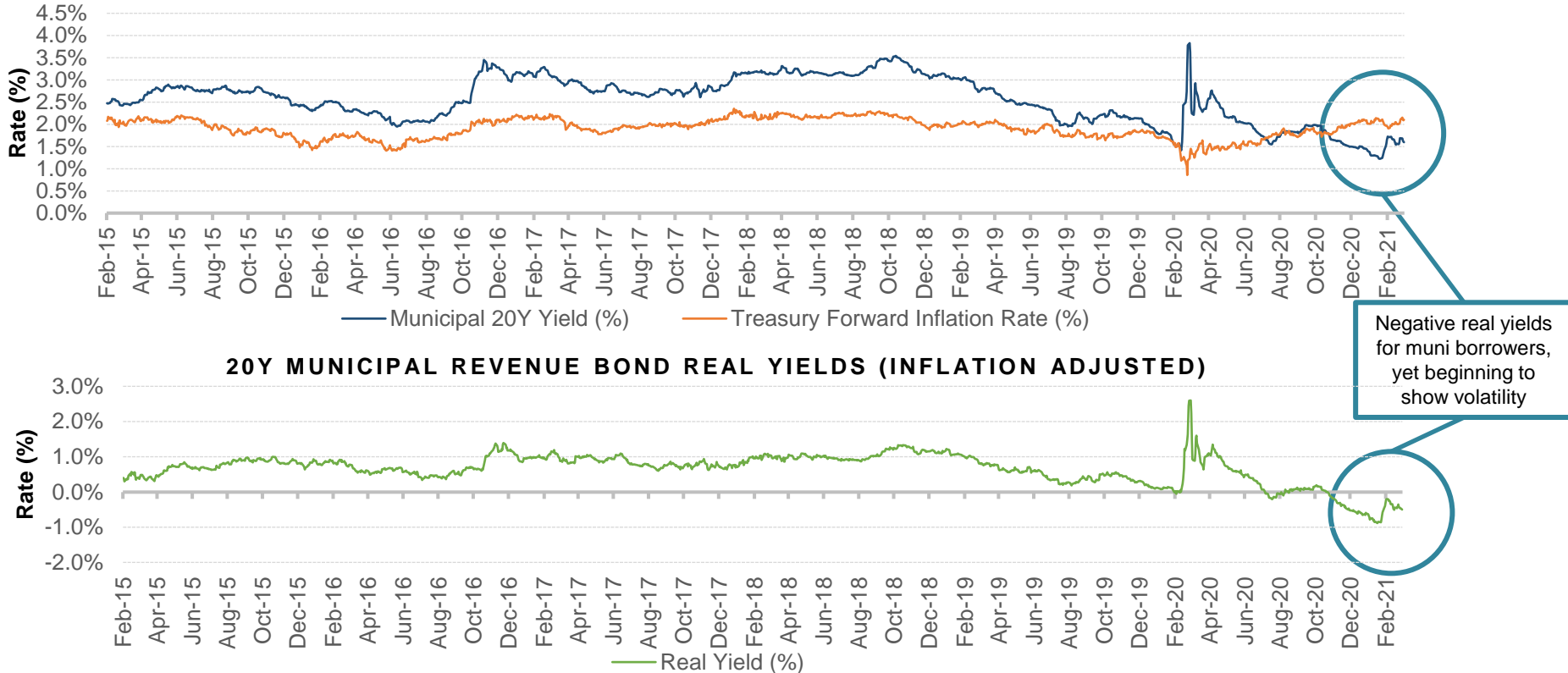
**Bloomberg Barclays Municipal Bond Index - 10 Year GO Yields**



# Opportunity 1: Tactical Bond Financing

PCMC tapped bond markets at negative real yields for GO and water revenue bonds

## 20Y MUNICIPAL REVENUE BOND YIELDS VS. INFLATION EXPECTATIONS

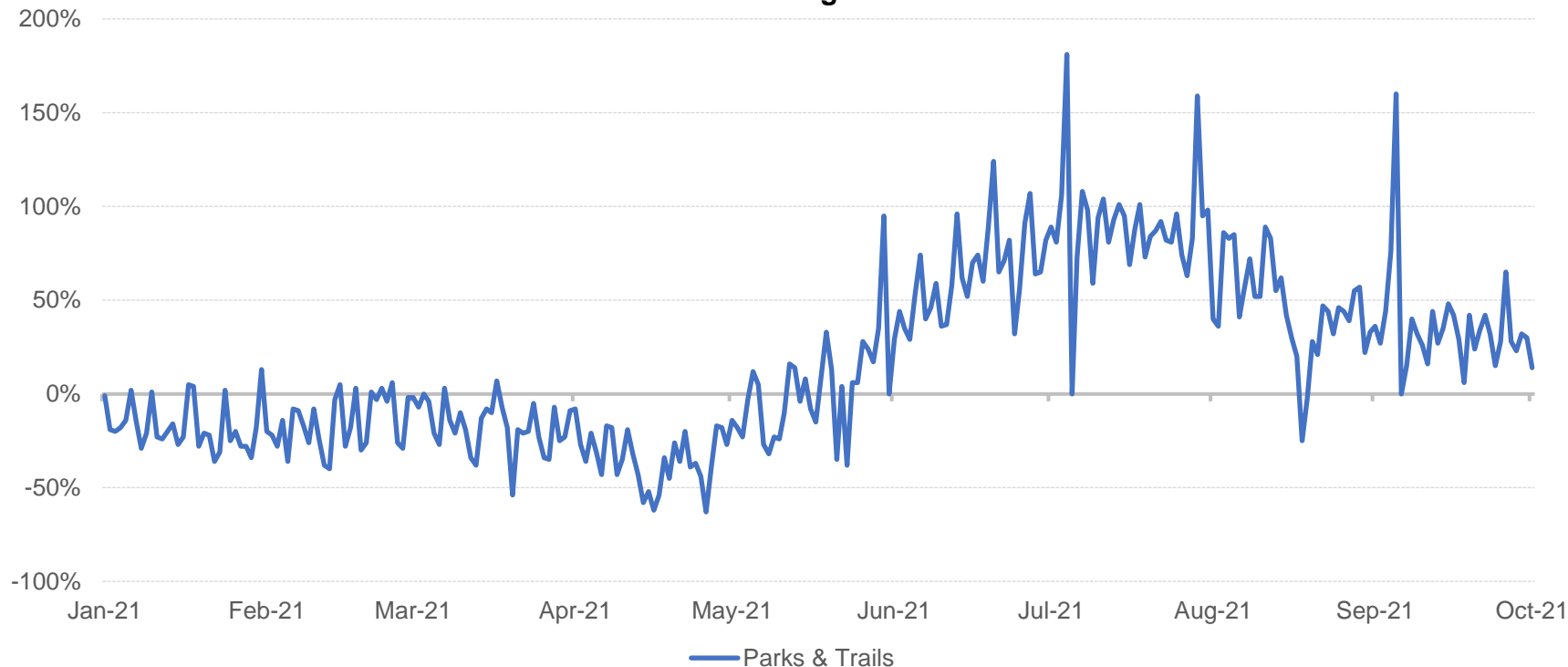




## Opportunity 2: Outdoor Activities Boom

People seeking outdoor activities boomed, with notable demand in shoulder season for trails.

**Google Mobility - Summit County  
Parks & Trails Use % Change vs. Previous Year**



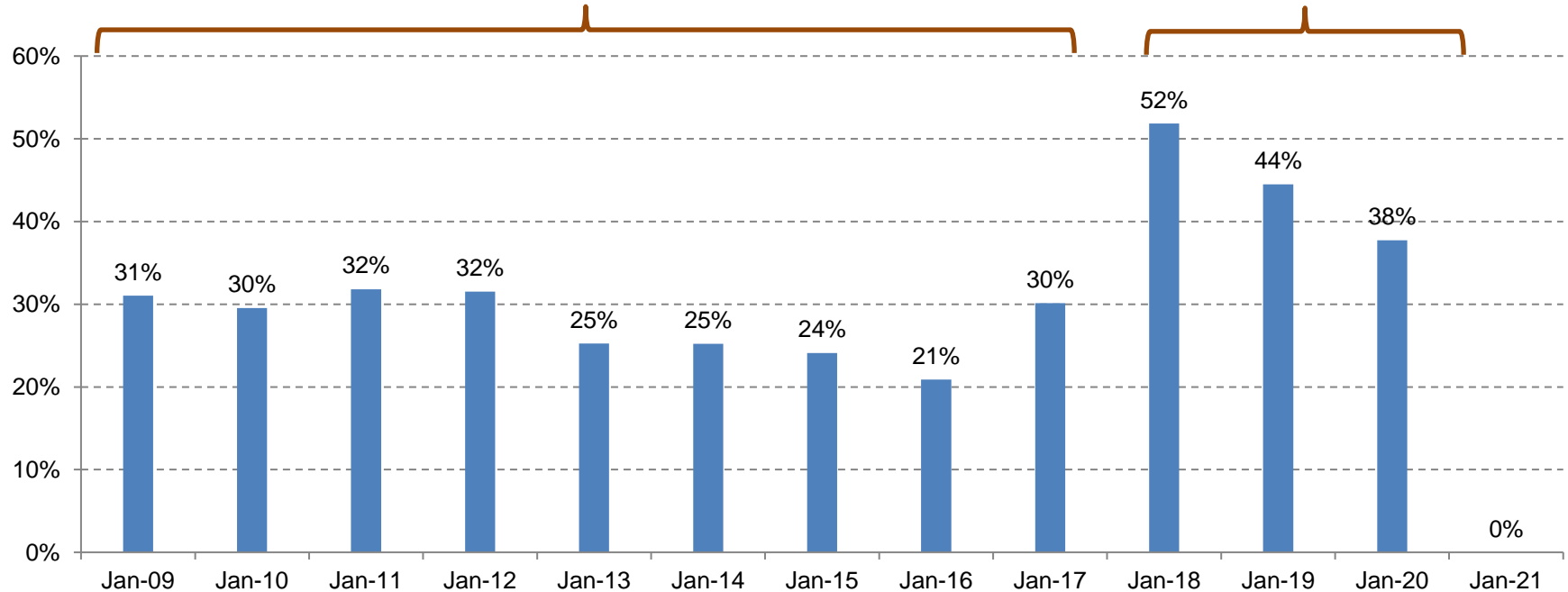
Source: Park City Municipal Corporation, Google. As of September 30, 2021.

# Opportunity 3: Less Dependence on Large Winter Events

## Statistical Model – Sundance Film Festival % Share of January Sales Revenue

Sundance generates 28% of January Sales Revenue on Average

If we include the 2018 – 2020 period, which appears biased, in the historical average, market share jumps to 32%

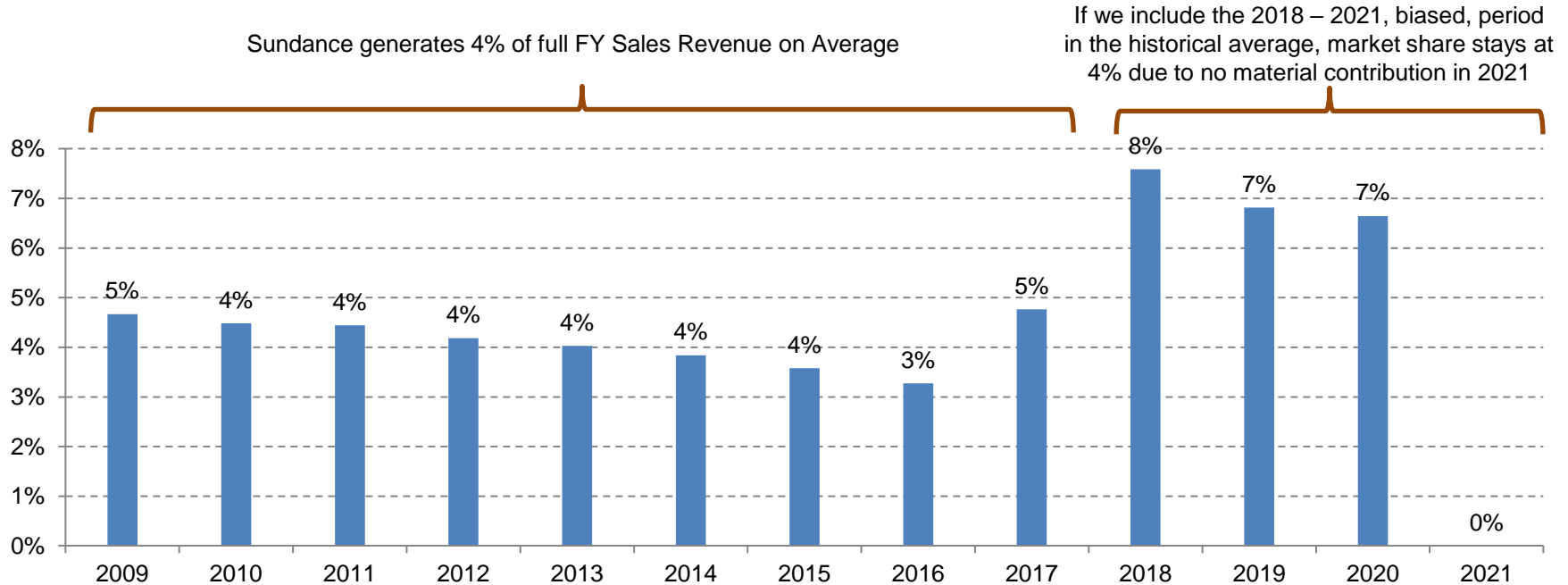


Source: Park City Municipal Corporation. As of July 12, 2021.

# Opportunity 3: Less Dependence on Large Winter Events

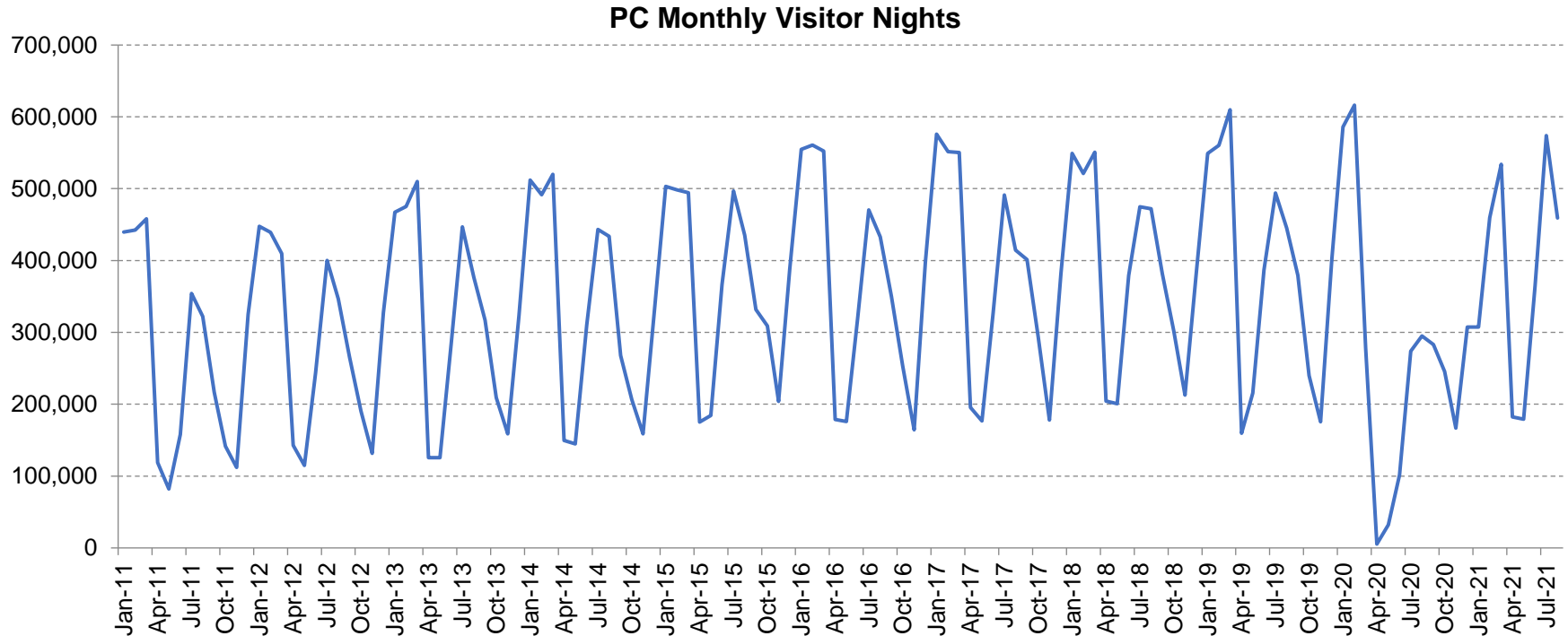
What does Sundance Film Festival's impact amount to for Park City point of sale business revenues in an entire fiscal year?

## Sundance Film Festival % Contribution to City Full FY Point of Sale Revenue



# Opportunity 3: Less Dependence on Large Winter Events

Continued recovery in visitor nights with **July 2021 summer peak only 6.9% below previous winter high in February 2020.**

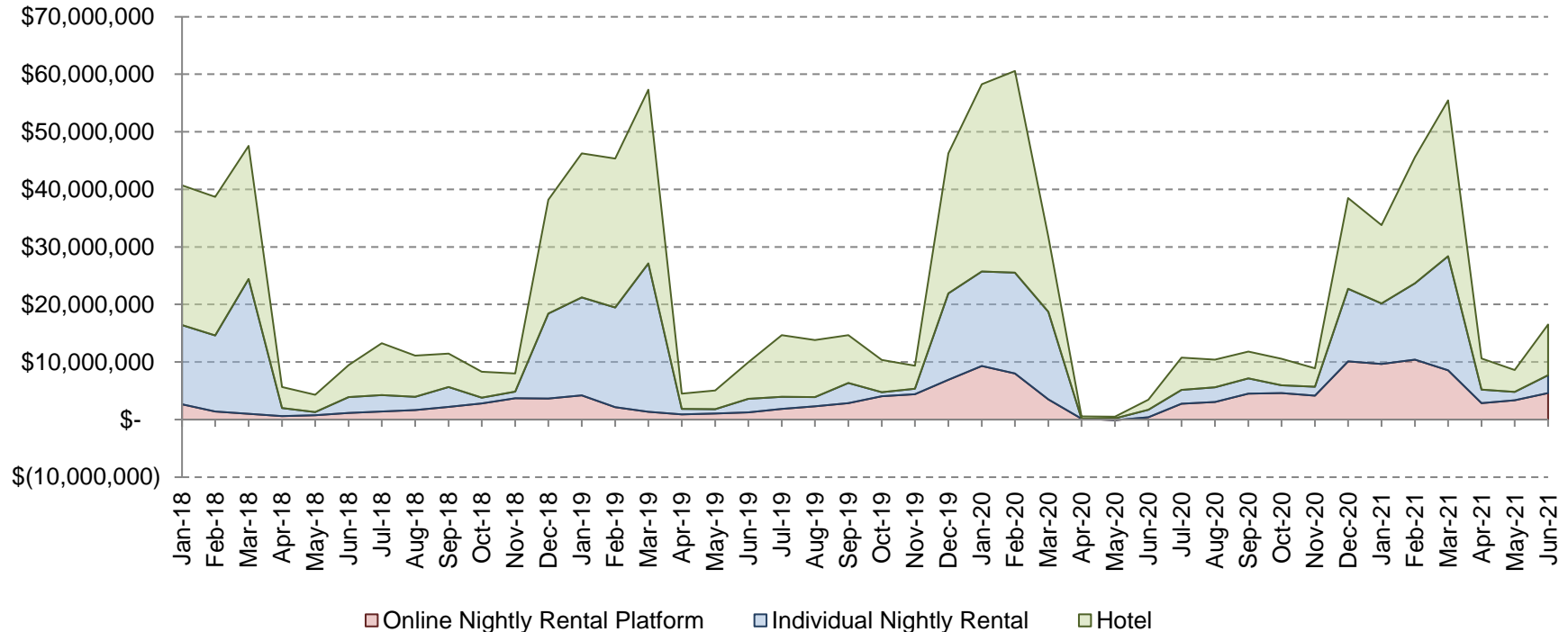


Source: Park City Municipal Corporation. As of August 31, 2021.

# Opportunity 3: Less Dependence on Large Winter Events

2021 sees lower peak revenue with higher shoulder season.

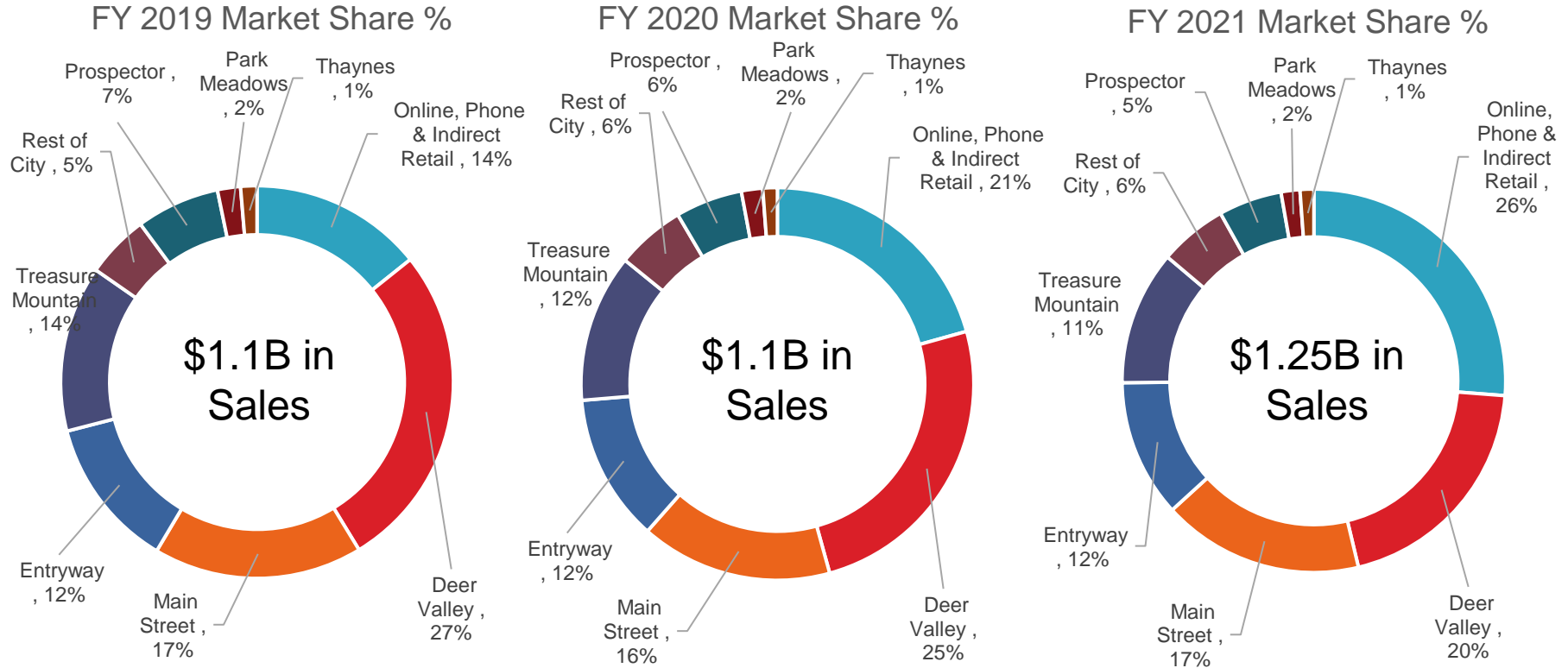
Historical Revenue of TRT Payers by Category



Source: Park City Municipal Corporation. As of August 31, 2021.

# Opportunity 4: Sector Diversification

**Online, Phone and Indirect sales continue to gain market share – accelerated by the pandemic.**

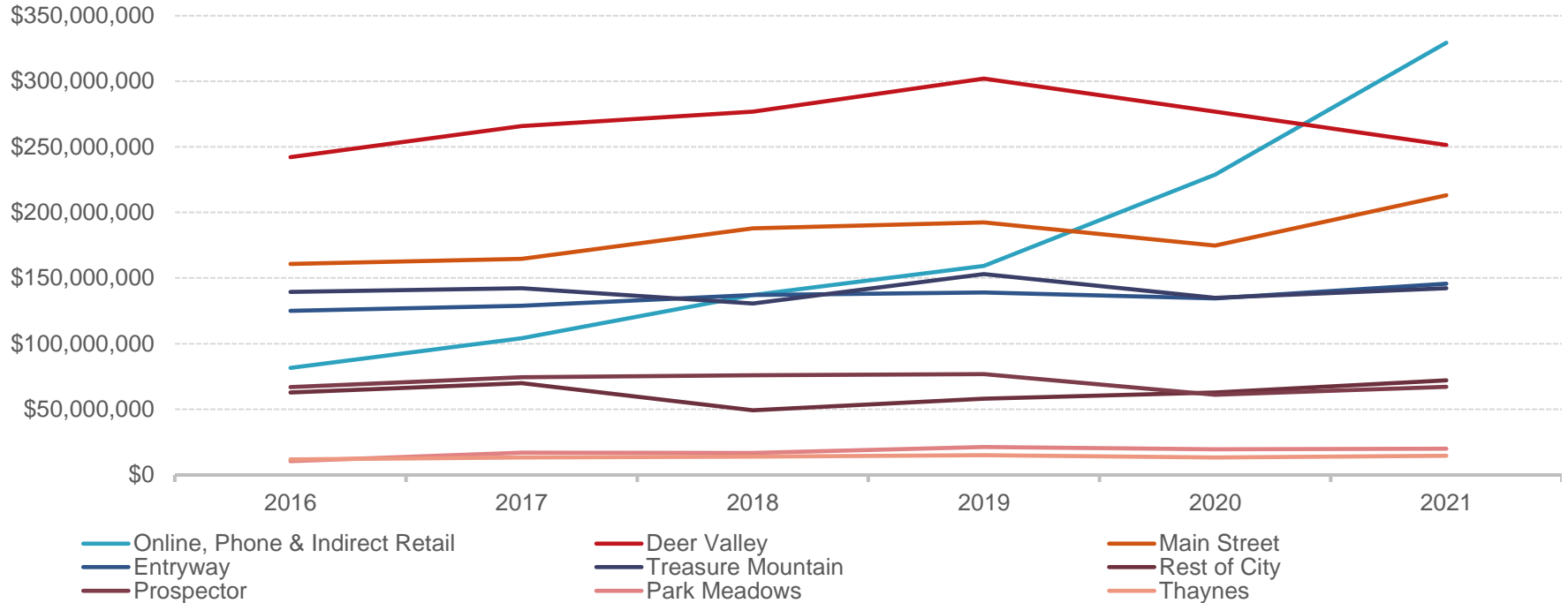


Source: Park City Municipal Corporation. As of August 31, 2021.

# Opportunity 4: Sector Diversification

Online, Phone and Indirect sales continue to gain market share – accelerated by the pandemic.

## Historical \$ Revenue by GEO

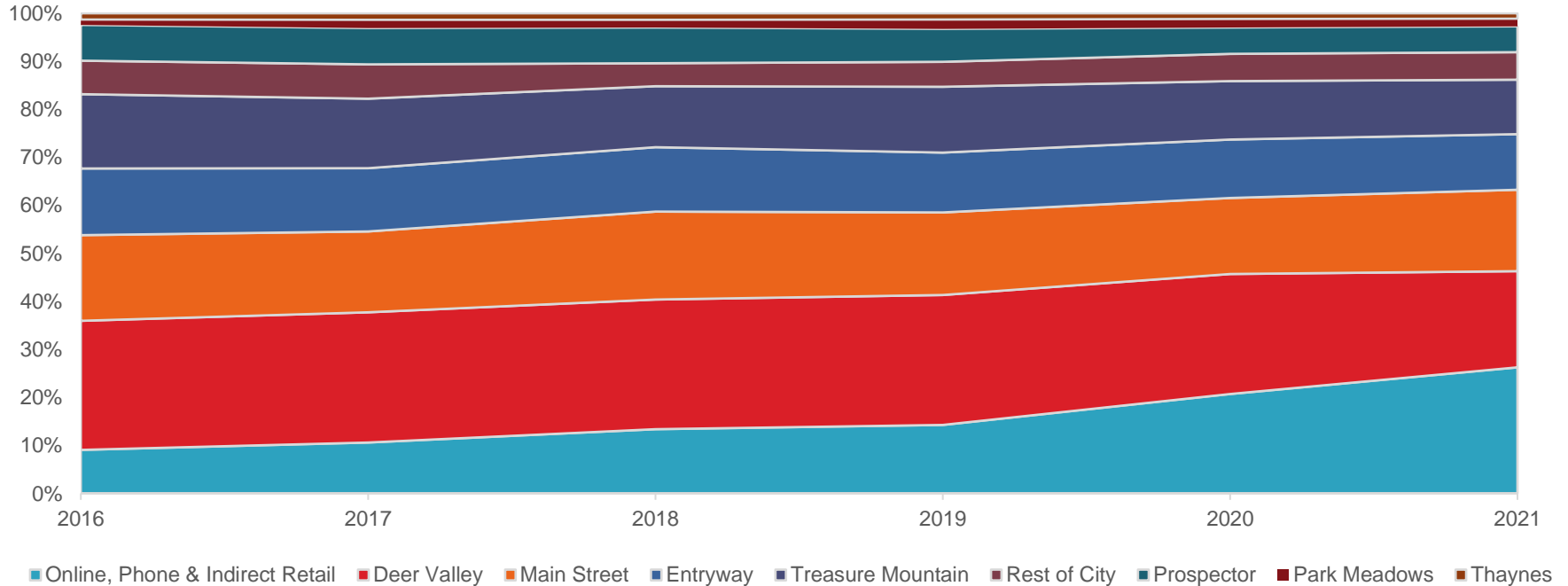


Source: Park City Municipal Corporation. As of August 31, 2021.

# Opportunity 4: Sector Diversification

**Online, Phone and Indirect sales continue to gain market share – accelerated by the pandemic.**

Market Share % by Geo and Calendar Year

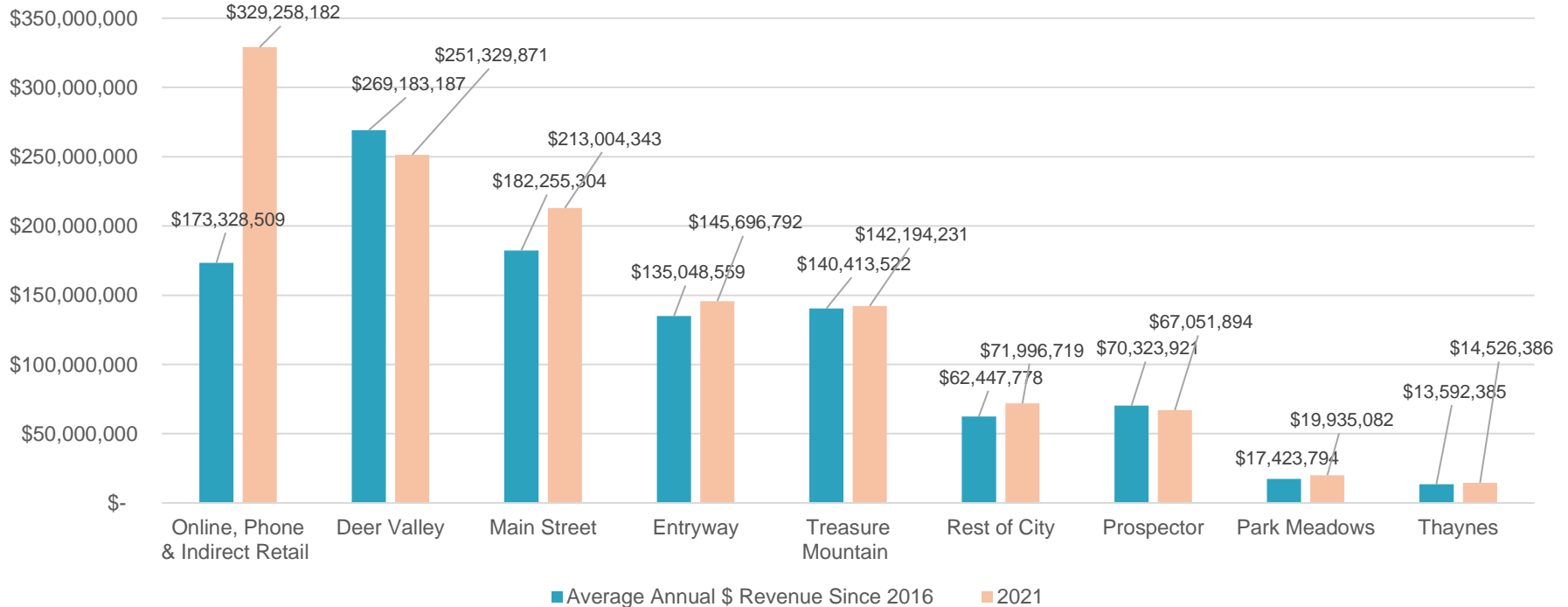




# Opportunity 4: Sector Diversification

**Online, Phone and Indirect sales continue to gain market share – accelerated by the pandemic.**

2021 Revenue vs. 5Y Average

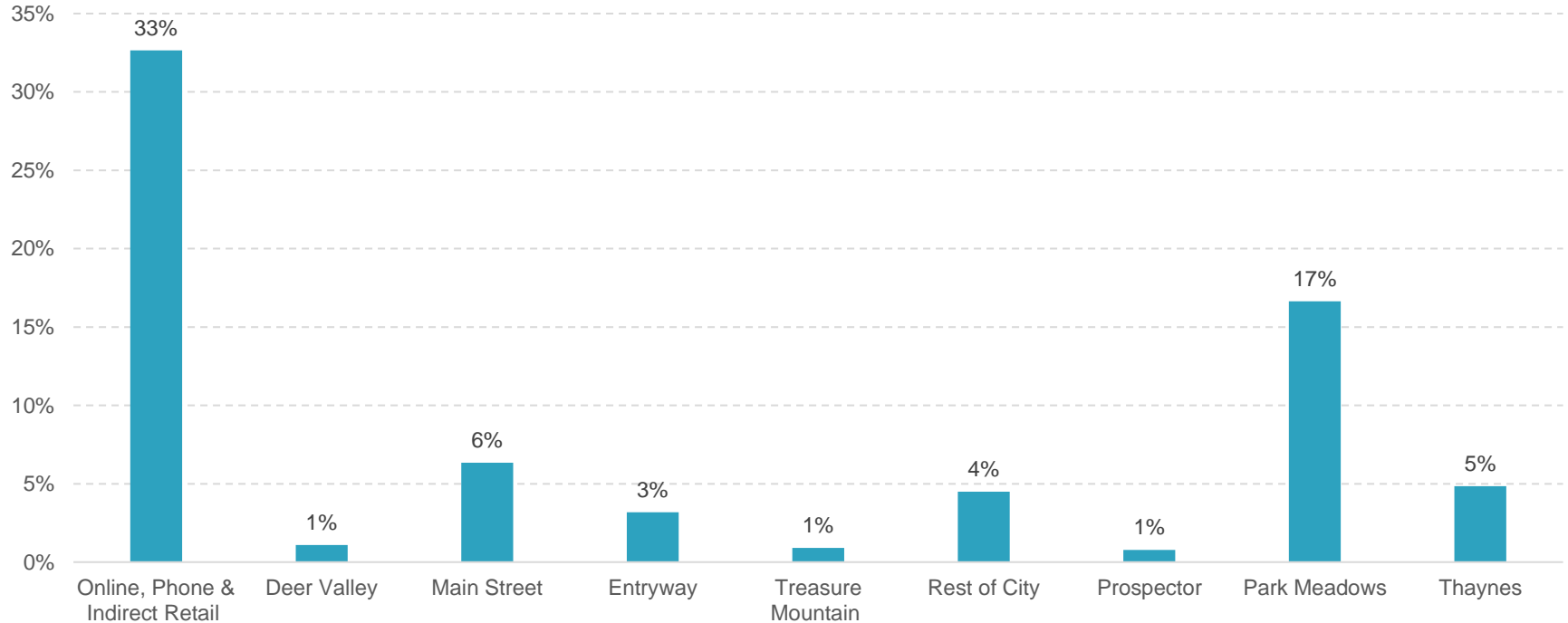


Source: Park City Municipal Corporation. As of August 31, 2021.

## Opportunity 4: Sector Diversification

Average annual growth has been positive across all geographies.

Average Annual % Growth Since 2016

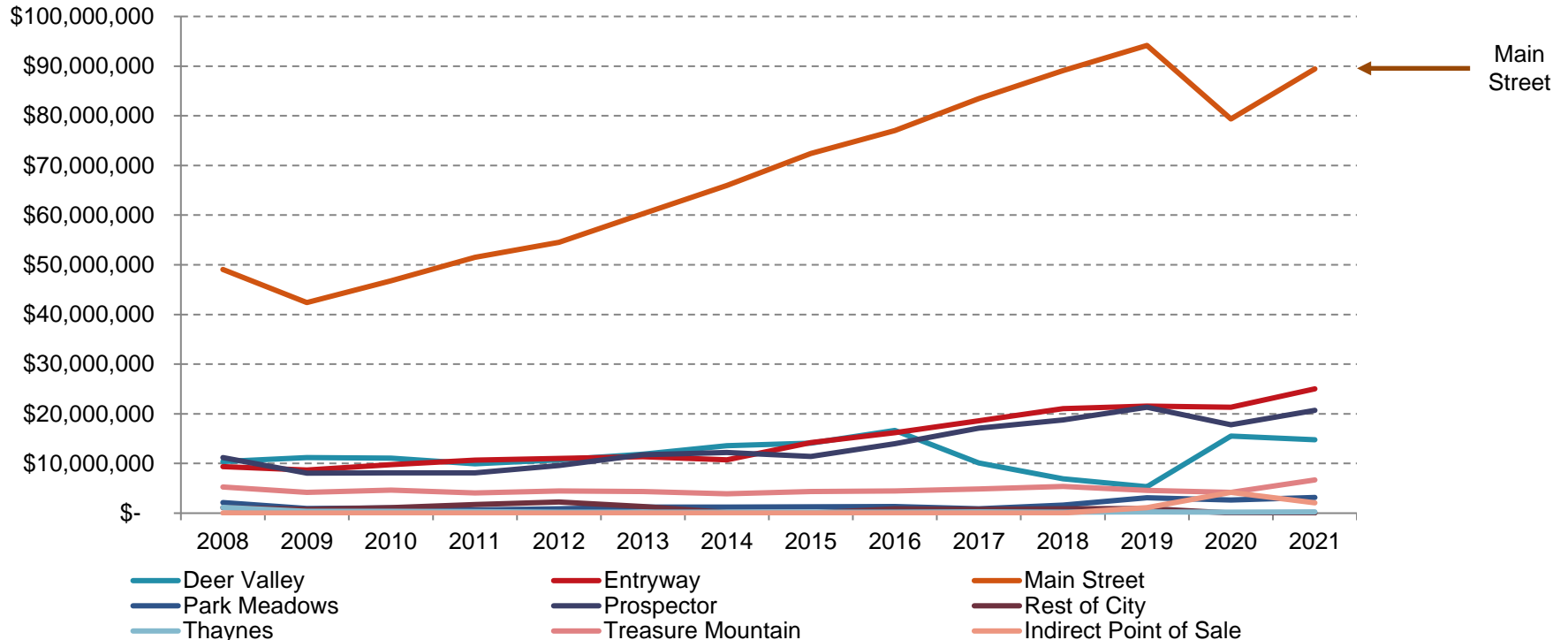


Source: Park City Municipal Corporation. As of August 31, 2021.

# Opportunity 4: Sector Diversification

Main Street continues to lead in the restaurant/bar sector.

## Restaurant/Bar Sector Revenue by City Geographies

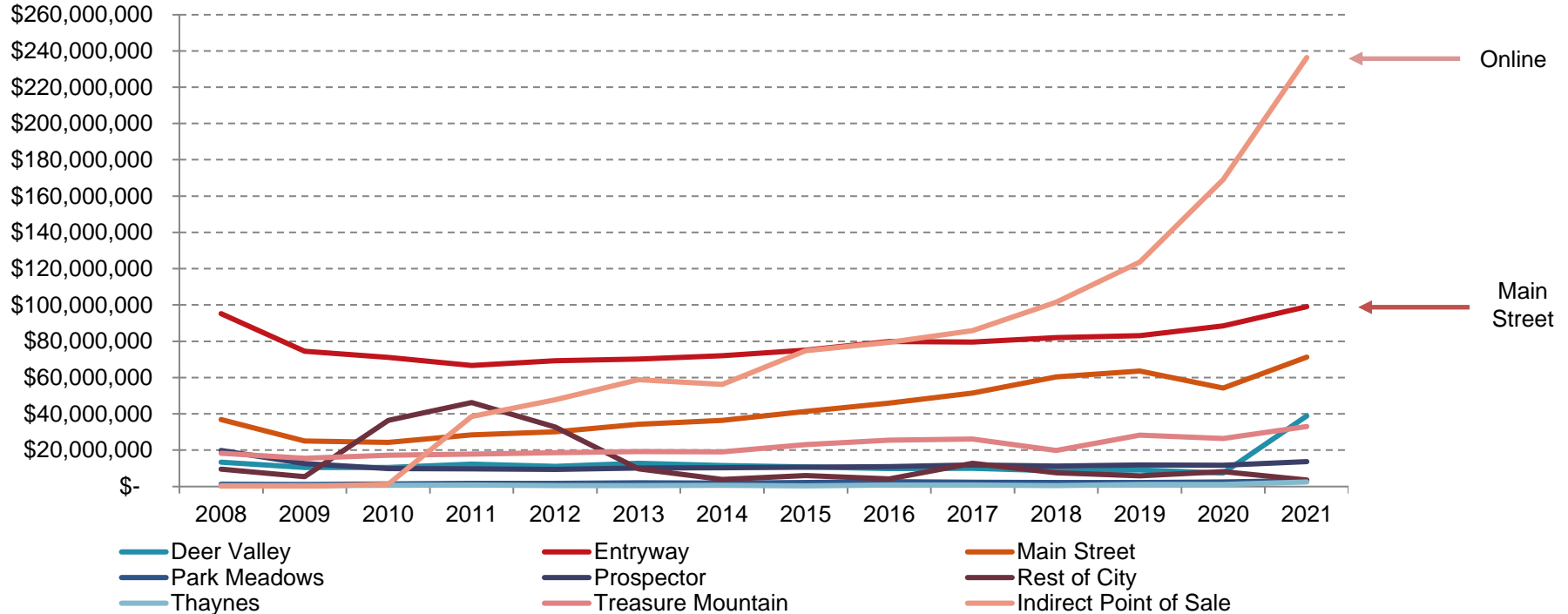


Source: Park City Municipal Corporation. As of August 31, 2021.

# Opportunity 4: Sector Diversification

Online retail has gained rapidly.

Retail Sector Revenue by City Geographies

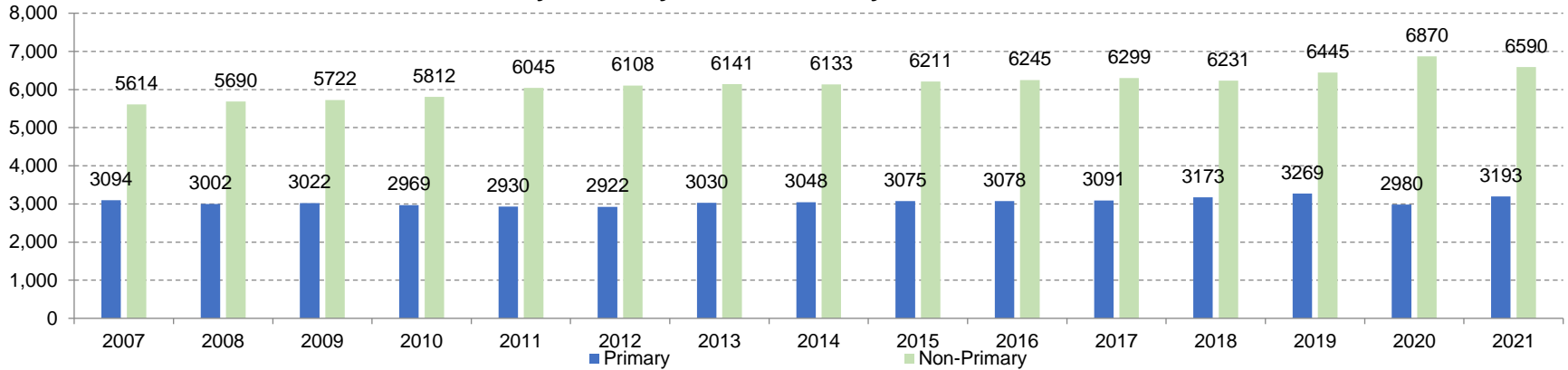


Source: Park City Municipal Corporation. As of August 31, 2021.

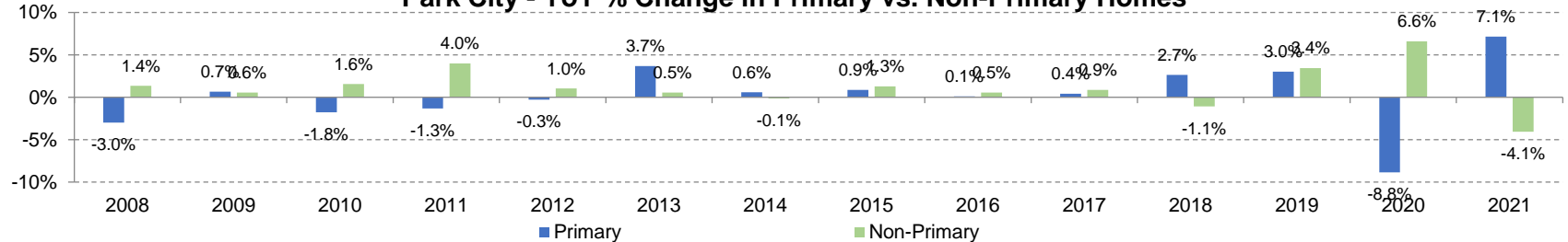
# Opportunity 5: Long-Term Population Persists

Single-family primary sales in 2020 resulted in an increase in non-primary homes, a change that was partially reversed in 2021 with a portion of non-primaries flipping back to primaries.

**Park City - Primary vs. Non-Primary Homes Over Time**



**Park City - YoY % Change in Primary vs. Non-Primary Homes**

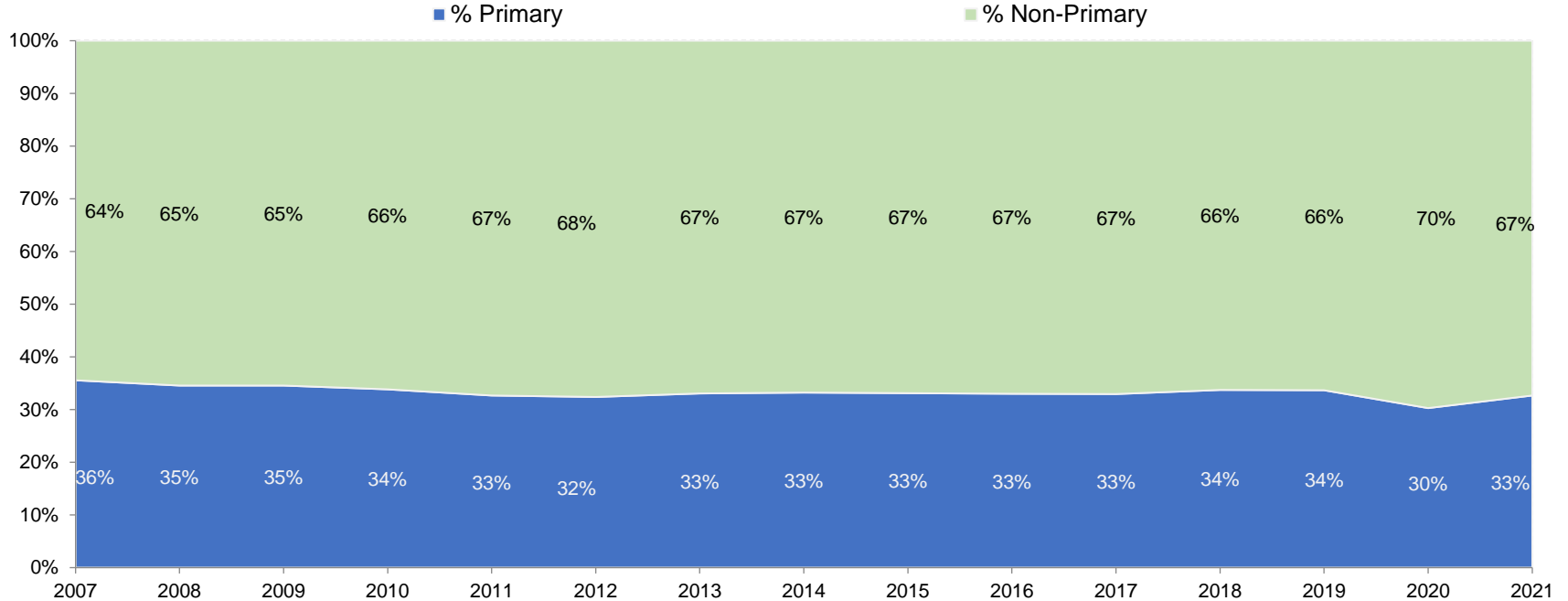


Source: Park City Municipal Corporation. As of August 31, 2021.

## Opportunity 5: Long-Term Population Persists

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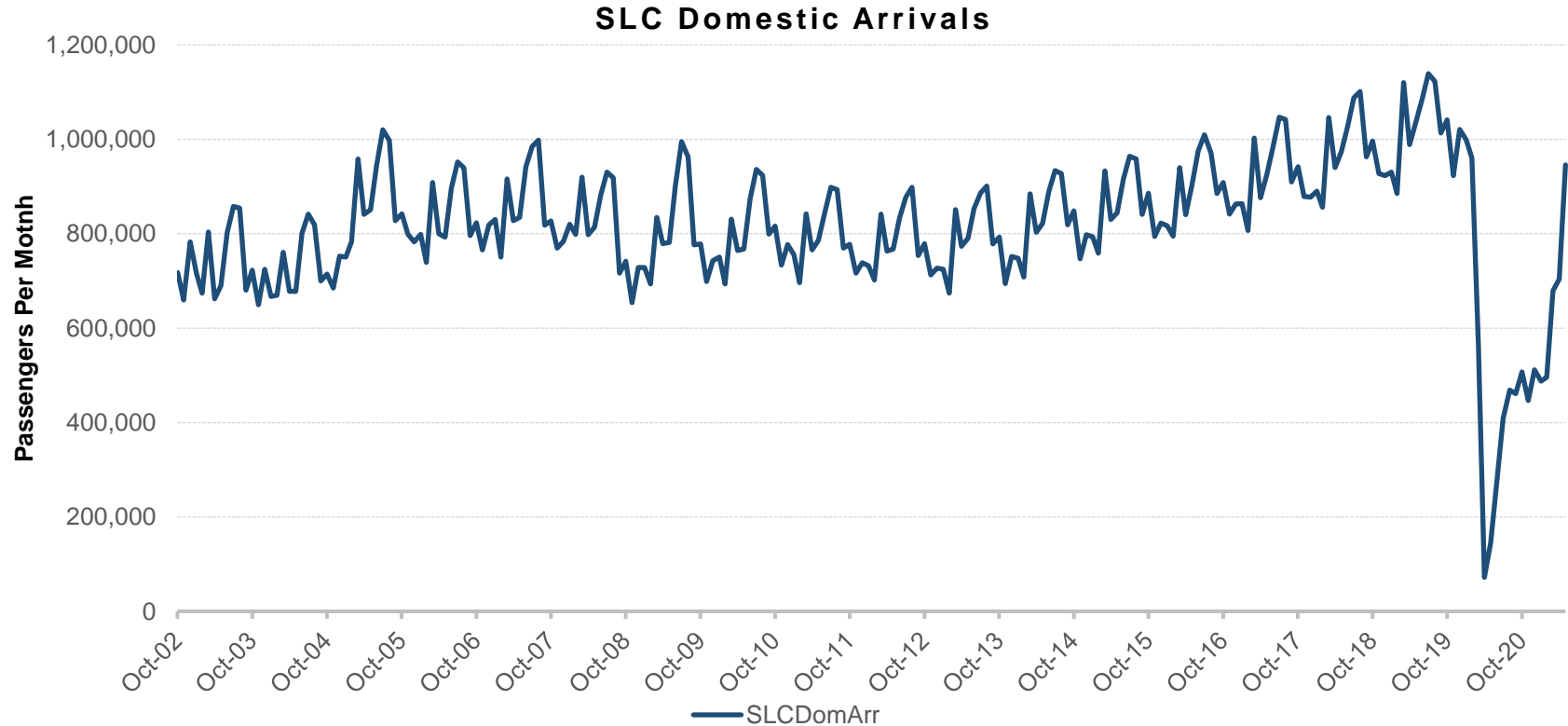
**Park City - % Primary vs. % Non-Primary Homes Over Time**



Source: Park City Municipal Corporation. As of August 31, 2021.

# Opportunity 6: Travel Renewal

Air travel on continued path to recovery at pace faster than previously expected.



Source: Park City Municipal Corporation. As of August 31, 2021.

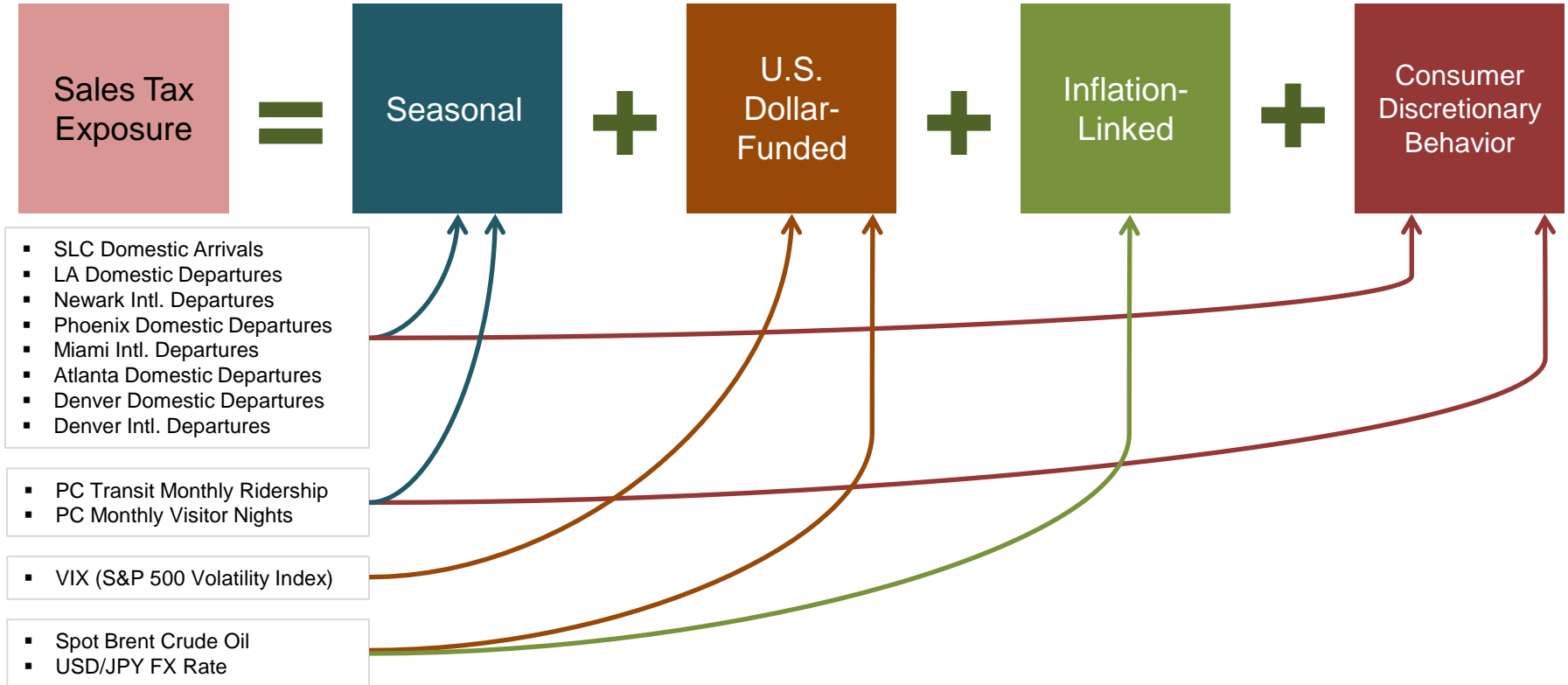


# Appendix



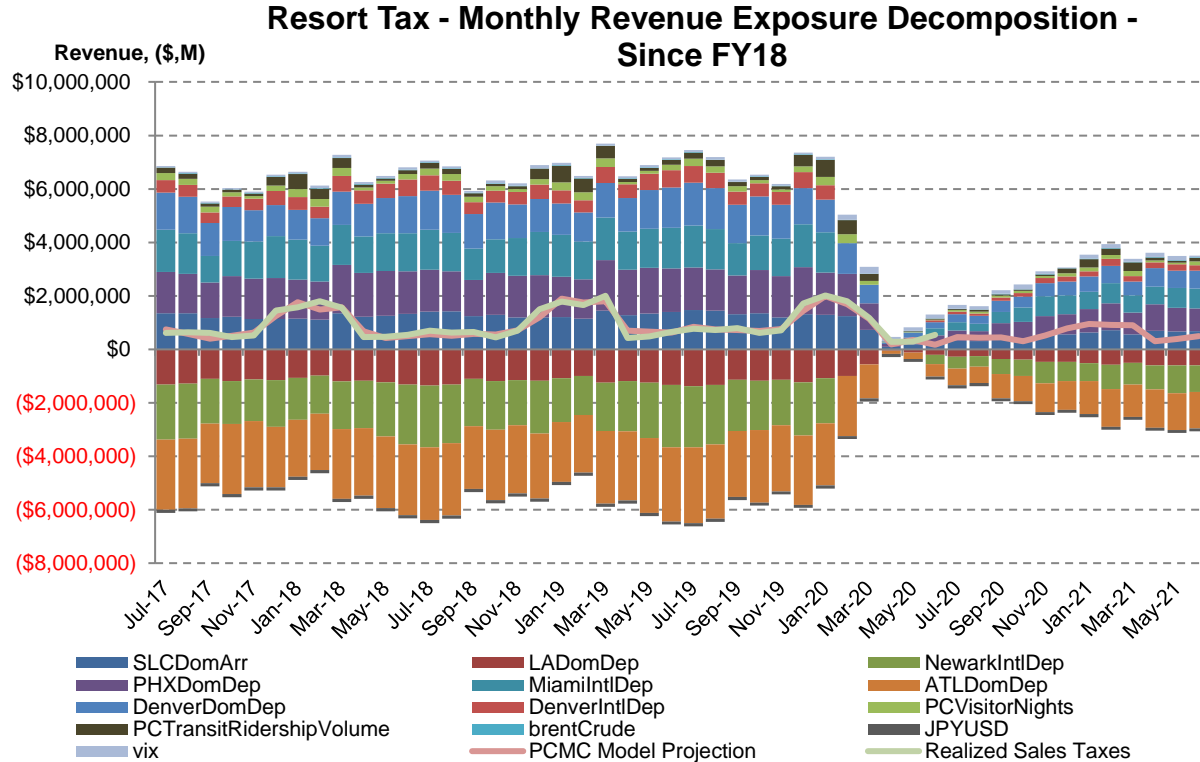
# Sales Tax Model: Why it Makes Sense

Our statistically significant factors map to one or more of our intuitively proposed exposures.



# Sales Tax Decomposition

It is possible to then decompose sales tax revenues into key statistical contributors and detractors



**FY21 Projected Top 5 Contributors and Detractors to Resort Tax**

Contributors	1	Phoenix Domestic Departures	\$8,787,773
	2	Miami International Departures	\$7,198,002
	3	SLC Domestic Arrivals	\$6,519,949
	4	Denver Domestic Departures	\$6,169,679
	5	Denver International Departures	\$2,117,544
Detractors	5	-	-
	4	JPY/USD FX Rate	(\$1,330,053)
	3	LA Domestic Departures	(\$5,596,383)
	2	Newark International Departures	(\$8,880,974)
	1	Atlanta Domestic Departures	(\$13,262,001)