Special Town Council Workshop

March 20, 2023

10:00AM

Town Council Chambers

NOTICE: THE VIDEO AND AUDIO FOR THIS MEETING ARE STREAMED TO THE PUBLIC VIA THE INTERNET AND MOBILE DEVICES WITH VIEWS THAT ENCOMPASS ALL AREAS, PARTICIPANTS AND AUDIENCE MEMBERS. PLEASE SILENCE ALL ELECTRONIC DEVICES DURING THE MEETING

I. ZOOM LINK FOR PUBLIC PARTICIPATION

To join, click the link or copy to your browser: https://us02web.zoom.us/j/82463118492?pwd=OEVEb25vNG5vOGFCUUN1aFN3bVMyQT09
If the link does not work, join at zoom.com with Webinar ID **824 6311 8492** Password: **83001**

or join by phone **+1 253 205 0468** with Webinar ID **824 6311 8492** and Password: **83001**

II. CALL TO ORDER AND ROLL CALL

III. WORKSHOP ITEMS

A. Setting FY24 Draft Revenue Projections for Sales and Lodging Tax (Tyler Sincliar)

B. Joint Department Funding/Governance Proposal (Tyler Sinclair)

IV. EXECUTIVE SESSION

A. Recess or Adjourn to executive session to discuss personnel matters in accordance with Wyoming Statute 16-4-405(a)(ii).

V. ADJOURN

Please note that at any point during the meeting, the Mayor and Council may change the order of items listed on this agenda. In order to ensure that you are present at the time your item of interest is discussed, please join the meeting at the beginning to hear any changes to the schedule or agenda.

STAFF REPORT

Meeting Date:	March 20, 2023	Meeting Title:	Workshop
Submitting Department:	Administration/Finance	Presenter:	Tyler Sinclair and Kelly Thompson
Agenda Item:	FY2024 Draft Sales & Lodging Tax Projections and General Fund Reserve Discussion	Public Comment:	Yes

Purpose & Policy Considerations.
The purpose of this item is to discuss and seek Council input on setting Fiscal Year 2024 sales and lodging tax budget projections and the desired General Fund reserve amount.

Requested Action.
The requested action is for Council to provide direction on setting FY2024 sales and lodging tax budget projections and the desired General Fund Reserve amount.

Recommendations.
Staff recommends Council set FY2024 sales tax projections at a 3% growth rate over estimated FY2023 actual collections, set FY2024 lodging tax projections at a 5% growth rate over estimated FY2023 actual collections and maintain the current General Fund reserve target of 25% of net operating expenditures.

Background.
The Town of Jackson has started staff level work drafting the Fiscal Year 2024 (FY24) budget.

Analysis.
One of the first steps in preparing the FY24 budget is to set the annual revenue growth rate for the upcoming fiscal year. The projected growth rate allows the Town Manager and staff to draft a balanced budget, which meets proposed budget expenditures. The Town utilizes all resources available to set these revenue projections and will continue to consider current and forward-looking revenue and expenditure trends and indicator information to help guide and inform our FY2024 budget preparations. Town staff use available methods, trends, and public sources to make this estimate but note that much of the data that drives tourism and sales tax is proprietary or is not available.

<u>Sales and Lodging Tax</u>
Looking back, the Town projected an 8% increase in sales tax collections for the FY23 budget over FY22 actual sales tax collections. As of January, actual collections are only 3.8% where the approved FY23 budget projected 8%. This trend means we are $1.3M behind projections for FY23. This difference means the Town is projected to end FY23 with $23,753,774 in sales tax collections instead of the $24,368,880 projection. The Town projected a 10% increase in Lodging tax collections for the FY23 budget over FY22 actual lodging tax collections. As of January activity, actual collections are 12% behind where the approved FY23 budget projected 10%. This trend means we are $201,000 behind projections for FY23. This difference means the Town is projected to end FY23 with $1,744,302 in lodging tax collections instead of the $1,956,948 projection.

In review, last year staff identified several significant events that would impact summer 2022 guest visitations and thus sales tax collections including: recent inflation, major energy cost increases, spring airport shut down, and expiring Federal government subsidies. For FY24, staff does not anticipate an airport shut down or another spring closure of Yellowstone due to flooding thus sales tax collections are predicted to be higher assuming all other factors remain the same just by removing these two significant events. In addition, in FY23 a key data point considered was inflation. It was anticipated that with higher-than-average inflation sales tax projections would be higher even if the amount of products and services purchased was the same. Looking at inflation versus sales tax collections over the past year this did not play out the way anticipated with sales tax increasing 3.8% and inflation increasing 9%. Based upon this, staff has not used inflation as a basis for sales tax projections for FY24.

When considering resources and agencies to assist in making this projection staff focused on information related to the 6 largest sales tax categories in Teton County as follows:

Industry Code	% of Total Collections
RETAIL W/OUT BUILDING & MAIL ORDER	26%
TRAVELER ACCOMMODATION	20%
FULL-SERVICE RESTAURANTS	12%
ELECTRONIC SHOPPING AND MAIL ORDER	7%
BUILDING MATERIAL AND SUPPLIES DEALERS	7%
GOVERNMENT – Motor Vehicle Sales Tax	6%
	77%

Building on this staff looked at the percentage change in these 6 categories over the past year and since 2019 as follows:

	Increase / -Decrease from Prior Period	
		July – January
Industry Code		2019 vs 2023
RETAIL W/OUT BUILDING & MAIL ORDER	30%	$881,141
TRAVELER ACCOMMODATION	39%	729,103
FULL-SERVICE RESTAURANTS	20%	259,714
ELECTRONIC SHOPPING AND MAIL ORDER	127%	561,962
BUILDING MATERIAL AND SUPPLIES DEALERS	50%	318,049
GOVERNMENT – Motor Vehicle Sales Tax	35%	187,015
		$2,936,985

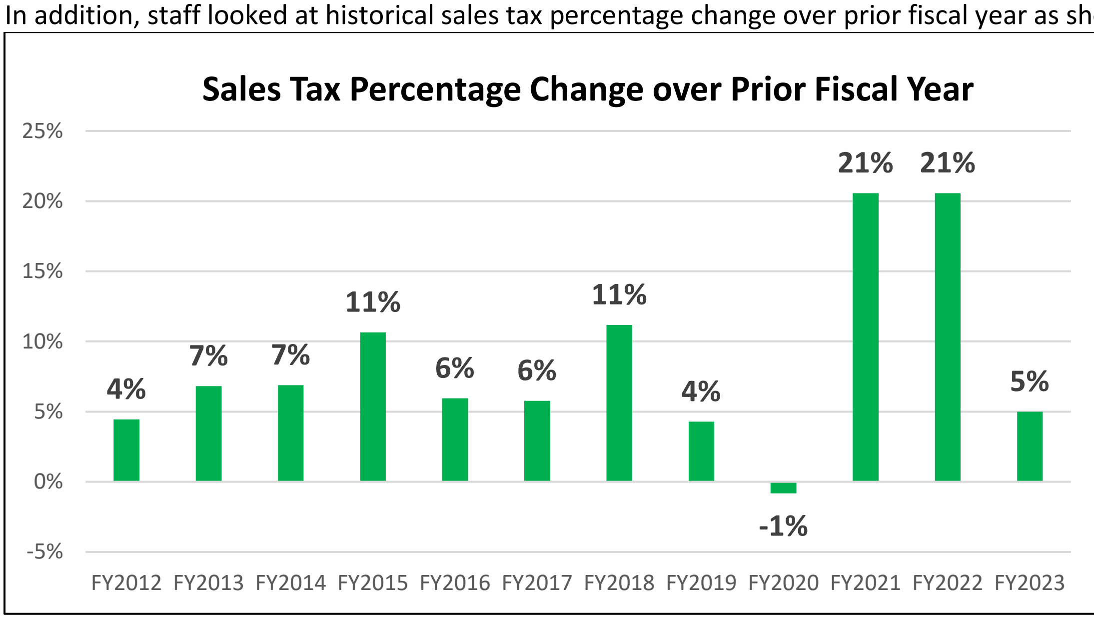
	Increase / -Decrease from Prior Period	
		July – January
Industry Code		2022 vs 2023
RETAIL W/OUT BUILDING & MAIL ORDER	3%	$104,049
TRAVELER ACCOMMODATION	-1%	(19,478)
FULL-SERVICE RESTAURANTS	8%	111,890
ELECTRONIC SHOPPING AND MAIL ORDER	39%	280,798
BUILDING MATERIAL AND SUPPLIES DEALERS	7%	58,916
GOVERNMENT – Motor Vehicle Sales Tax	2%	13,374
		$549,550

Based upon review of this information and discussions with category professionals, staff offer the following general observations:

- **Retail w/out Building & Mail Order**
  - This is the largest category including all types of retail sales excluding Building Materials and Electronic Shopping and Mail Order, for example office supplies, sporting goods, furniture stores, liquor, auto and machine equipment and parts, etc.
  - This category seems to have slowed recently (last year) potentially due to increases in Electronic Shopping and a decrease in the volume of overall sales.

- **Travel Accommodations**
  - Town occupancy seems to be stronger showing some increase over previous year when compared to the overall County.
  - Town has added new Lodging supply (i.e. The Cloudveil) recently increasing its share of Lodging Tax collections as it is collected at the point of sale
  - Average Nightly Rates seem to be remaining steady at a high price point compared to previous years.
- **Full Service Restaurants**
  - This category seems to track comparable to Travel Accommodations but is impacted by effective population or the total number of people in the valley, which has increased recently with second homeowners staying for longer periods of time and overall visitation up.
- **Electronic Shopping and Mail Order Houses**
  - This category has seen significant growth, staff notes that some of this growth may be a shift away from local shopping for goods and services to online shopping due to COVID but also due to the closure of local brick and mortar stores providing basic goods and services.
- **Building Material and Supplies Dealers**
  - Based upon the number of active Building Permits in Town that will continue to be constructed during FY24 and the associated purchase of materials staff does not anticipate a significant change in this category for FY24 and notes it will be important to monitor new Building Permits issued moving into FY25.
  - There seems to be some reduction or stabilizing in the cost of lumber and other materials.
  - Increased interest rates and bank stability may affect this sector long term.
- **Government – Tax Collected on Motor Vehicles**
  - Recent growth in this category may be attributed to increases in effective population, with more second homeowners staying longer in the valley and thus purchasing more vehicles.
  - Overall, the cost of vehicles has risen significantly over recent years due to supply chain shortages leading to additional increases in this category.

In addition, staff looked at historical sales tax percentage change over prior fiscal year as shown below:



Staff notes that the community has experienced continuous growth in sales tax collections year over year since 2012, at an average of 6% per year when 2021 and 2022 are excluded.

Based upon review of this information staff is recommending a 3% growth rate increase above FY23 actual revenue for Sales Tax and 5% increase in Lodging Tax collections. This would generate approximately $24,466,388 in Sales Tax, of which $712,613 would be additional recurring revenue for FY24 over FY23 and $1,831,517 in Lodging Tax of which $87,215 would be additional recurring revenue for FY24 over FY23. This estimated tax revenue is expected to fund 75% of the

General Fund. Staff has included below a chart showing a range of sales tax projections by percentage change and dollar value for consideration.

	FY2022 Actual	FY2023 Estimated	2% Projection	3% Projection
1% Local Sales Tax (5th Cent)	$ 10,199,925	$ 10,692,957	$ 10,906,816	$ 11,013,745
1% State Sales Tax	$ 12,458,608	$ 13,060,818	$ 13,322,034	$ 13,452,642
Total	**$ 22,658,532**	**$ 23,753,774**	**$ 24,228,850**	**$ 24,466,388**
Percent Change	***33.4%***	***4.8%***	***2.0%***	***3.0%***
Dollar Change	***$ 5,674,232***	***$ 1,095,242***	***$ 1,570,317***	***$ 1,807,855***

Note: Each 1% adjustment increases or decreases revenue by $237,538.

In addition, staff is recommending continuing our adaptable budgeting process for FY24. Similar to previous fiscal years, we propose that the Town review revenue projections quarterly and if we are leading budget projections in a notable way, we work with Council to add funding to Council priorities that were not included in the adopted budget. If projections are lagging, staff will recommend adjustments to expenditures.

<u>General Fund Reserve</u>

The Town does not have a formal General Fund reserve policy. The Town historically has set the General Fund budget reserve target annually during the budget review and adoption process. For FY2023, the Town's General Fund budget reserve target is as follows:

> *"Due to the General Fund's reliance on elastic revenue sources and the historical uncertainty surrounding expenditures, the annual General Fund unreserved ending fund balance target is 25% of that year's estimated net operating expenditures. However, General Fund unreserved ending fund balance will always equal or exceed at least 20% of the prior year's net operating expenditures."*

In researching this topic, staff found that individual communities determined their reserve target based upon a combination of state requirements and individual/unique characteristics found in their community, there is no one-size-fits-all approach. For Jackson, staff has provided below areas for Council consideration as you discuss and consider this topic.

- State of Wyoming has no statute on General Fund reserves, leaving full discretion to determine it to Council.
- The Town is dependent on sales tax for approximately 70% of its revenue. Being so dependent on this single source of revenue leaves us subject to short-and long-term fluctuations dependent on international, national, state and local impacts. Reserves allow us to manage these fluctuations.
- The Town must actively manage cashflow from tourism elasticity during the year due to the seasonality of sales tax collections. Reserves allow us to manage this.
- Reserves carry the Town through declines in revenues/recessions.
  - Sufficient reserves allow time to fund critical core services while reducing Level of Service strategically.
- Reserves allow the Town to repair and maintain our greater than $200M invested in capital assets.
  - Inflation currently far exceeds historical replacement costs. The Town requires reserves to supplement for emergency and scheduled Capital Improvement Plan spending.

For purposes of reserve discussion, staff recommends that we limit it to the Town General Fund and not include Capital and Enterprise Funds although they are all related. Staff plans to further discuss Capital and Enterprise Fund reserves during upcoming Budget meetings.

In addition, staff has completed the following research related to best practice and policy from similar agencies and national organizations to assist the Town in discussing our approach to our General Fund budget reserve target for FY24.

National Organizations and Other States

- Government Financial Officers Association (GFOA) best practice is for communities to have no less than two months of regular General Fund operating revenues or regular general fund operating expenditures.
- International City Managers Association (ICMA) best practice regarding reserves is to ensure a minimum of six months of General Fund operating expenditures.
- Some states, including Montana, Utah and Colorado, cap (set a maximum) the amount of reserves a jurisdiction can maintain.

Peer Communities

- Cody: 6 months of operating expenses for the ensuing fiscal year.
- Teton County: 2.5 months of regular, on-going operating expenses including transfers out.
- Vail: 35% of annual revenues.
- Park City: Maintain at approximately the legal maximum; 25% of total, estimated, fund revenues.
- Aspen: 25% of annual appropriated expenditures, including reoccurring transfers.

Staff has provided the chart below for Council to consider how the various approaches to General Fund reserve translate to actual dollars. Staff have included both revenue and expenditures as various entities use both for their basis. For comparison under the Town's current target of maintaining a re*serve of approximately 25% of that year's estimated net operating expenditures, the Town reserve would be approximately $10,390,000.*

Basis:	20%	25%	30%	2.5 months	6 months
Revenue	6,650,000	8,310,000	9,980,000	6,930,000	16,630,000
Expenditures	8,310,000	10,390,000	12,470,000	8,660,000	20,790,000

Based upon review of this information, staff is not recommending any change to the Town General Fund reserve policy. Regarding implementation of the current policy, staff would monitor the Reserve Fund balance quarterly and if it goes below 20%, would notify Council and discuss potential budget adjustments. Similarly, if the reserve exceeds 30%, we would notify Council and discuss potential budget adjustments.

Possible Alternatives.

- To consider lower or higher Town projected sales and lodging tax projections.
- To consider an amendment to the current Town General Fund reserve target policy

Comprehensive Plan & Priority Alignment.

In order to take actions that align with and move our goals forward as outlined in the Comprehensive Plan, a sound budget is necessary, and that includes setting projected sales and lodging tax revenue. Chapter 8 - Quality Community Service Provision calls for *"Timely, efficient and safe delivery of quality services and facilities in a fiscally responsible and coordinated manner."*

Fiscal Impact.

There is no fiscal impact associated with this report.

Staff Impact.

The staff impact of preparing this information for the March 20, 2023, meeting is approximately 25 hours.

Attachments or Links.

None

Suggested Motion. *Council always has the option to adopt, approve with conditions, continue, or deny items*.

Item A
I move to approve __% sales and __% lodging tax projection for development of the draft FY24 Budget.

Item B
I move to maintain the current General Fund reserve policy.

STAFF REPORT

Meeting Date:	March 20, 2023	**Meeting Title:**	Town Council Workshop Meeting
Submitting Department:	Administration	**Presenter:**	Tyler Sinclair
Agenda Item:	Joint Department Funding Alternatives	**Public Comment:**	Yes

Purpose & Policy Considerations.
The purpose of this item is to consider alternatives to the current funding of Joint Departments and Programs between the Town and County.

Requested Action.
Council direction on an amendment to the current Joint Departments and Programs funding structure.

Recommendations.
None

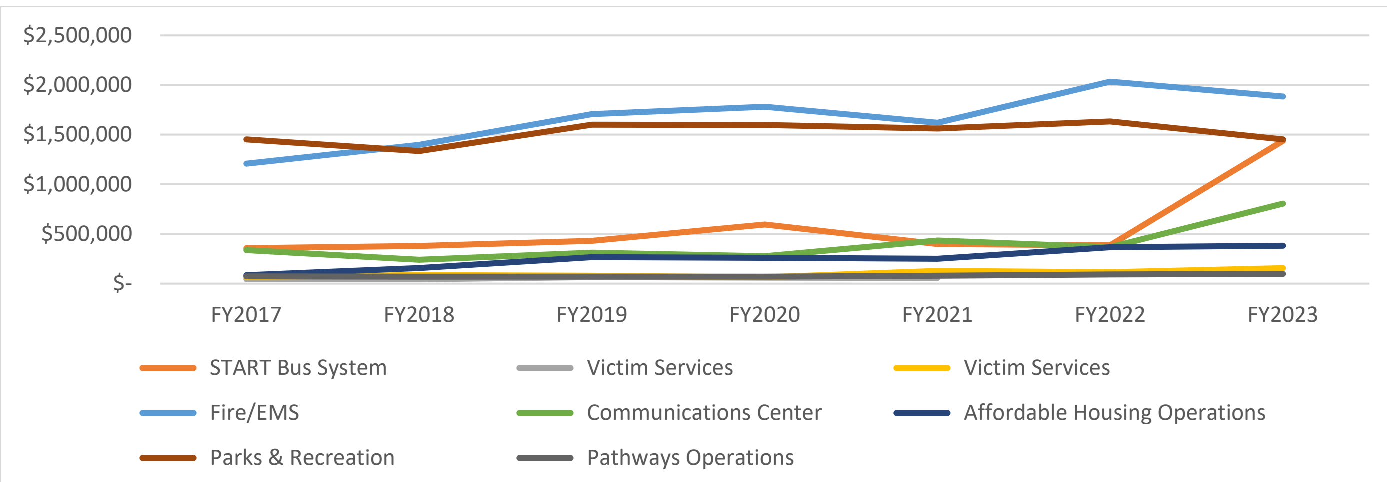
Background.
Currently Town and County fund Joint Departments as described in Joint Powers Agreements (JPAs) generally described as based upon the most recent census population split, currently 54% Teton County, 46% Town of Jackson. This funding agreement applies to the Joint Departments/Divisions managed by Teton County including Fire/EMS, Parks and Recreation and Housing and Joint Departments/Divisions managed by the Town including START. Other joint programs including Long Range Planning, and Transportation are generally funded 50% by each entity. This is a general overview of the current broad existing funding agreements; staff can provide much more detailed information should Council request it at a future meeting. Most recently a presentation on Town, County and Joint Department funding was provided and discussed at the 2021 Joint Retreat, a link to the video including the presentation and discussion is provided and worth watching for background.

The topic of how the Town and County fund our Joint departments was originally initiated as a recommendation from the Town Future Funding of Local Government initiative and during discussion at recent Joint Retreats. The Town has provided the County an overview of the Town Future Funding of Local Government initiative describing the funding challenges and opportunities contained therein and asked the County for engagement on this topic. The first ask of the Town was for the County to agree with the placement of an additional Cent of Sales Tax on the 2020 ballot for consideration. The outcome of that ballot initiative was not successful as it failed to receive a majority vote of the Teton County voters. Subsequent to that effort the County provided direction to the Town that they would prefer the Town prepare actionable requests regarding Future Funding opportunities/alternatives rather than more general discussion of the topic. Most recently this item was prioritized by Council at the 2023 Annual Town Retreat for discussion prior/during the FY2024 Budget review, to determine the Town approach to funding Joint departments for FY24. Depending on Council direction additional time and consideration may be needed to address this issue over a longer time period.

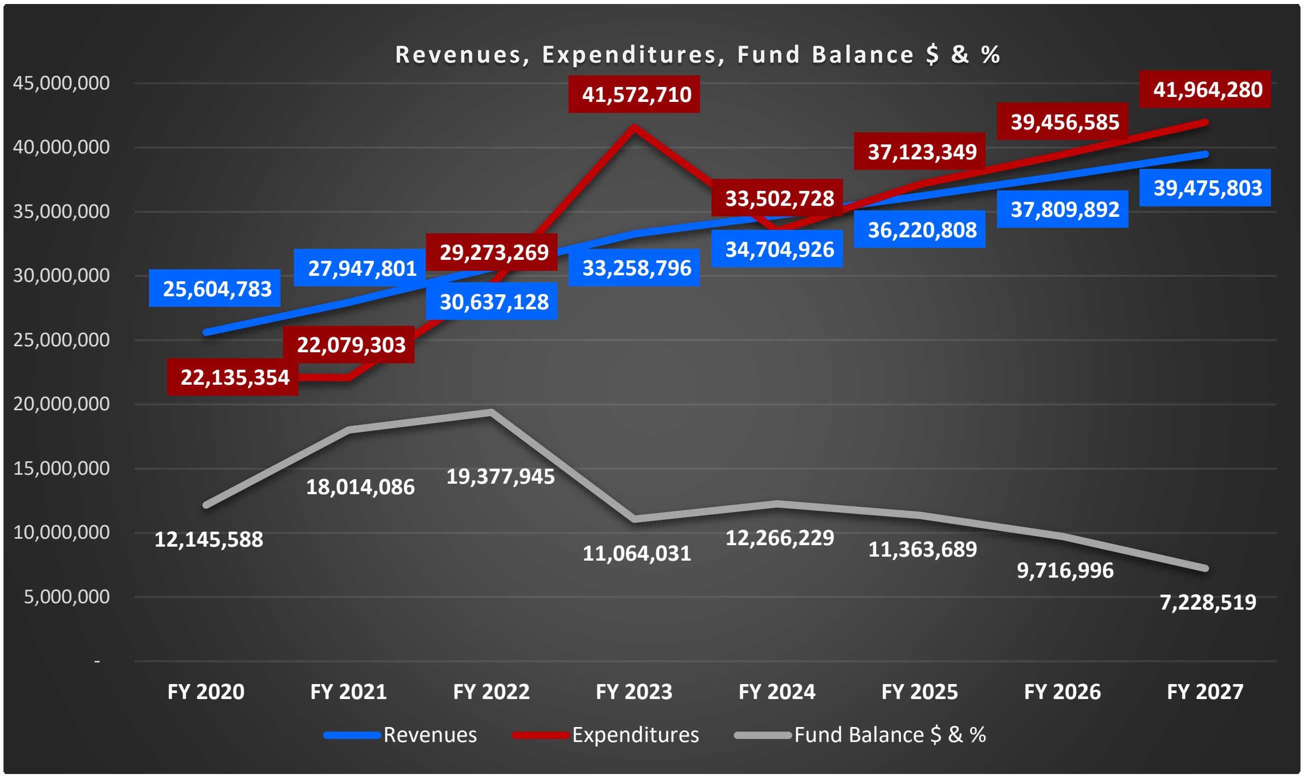
To provide background and context for this discussion staff have provided below information regarding Joint Departments, and Town General Fund Operations.

Town Contributions - Joint Department Operations

Provider	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Adopted
Town							
START Bus System	$ 357,050	$ 377,801	$ 430,914	$ 596,492	$ 400,194	$ 385,454	$ 1,437,981
Victim Services	44,671	45,714	65,758	61,794	55,654	91,593	116,800
Animal Shelter/Control	66,634	84,526	79,577	64,101	126,387	114,418	155,878
Total Town	**$ 468,355**	**$ 508,042**	**$ 576,250**	**$ 722,387**	**$ 582,235**	**$ 591,465**	**$ 1,710,659**
County							
Fire/EMS	1,208,243	1,398,322	1,707,904	1,782,914	1,620,890	2,033,998	1,884,930
Emergency Management	-	-	-	-	-	-	84,767
Communications Center	336,261	240,450	312,310	276,159	435,299	367,172	805,802
Affordable Housing Operations	84,913	156,594	265,701	258,939	251,901	367,444	381,776
Parks & Recreation	1,452,873	1,335,235	1,600,622	1,596,822	1,561,681	1,633,381	1,452,569
Pathways Operations	74,099	70,440	70,349	70,613	78,941	92,544	98,162
Planning	77,808	158,568	79,263	47,743	120,249	93,346	136,332
Total County	**$ 3,234,197**	**$ 3,359,609**	**$ 4,036,149**	**$ 4,033,190**	**$ 4,068,961**	**$ 4,587,885**	**$ 4,844,338**
Total Town Operating Contribution	**$ 3,702,551**	**$ 3,867,651**	**$ 4,612,398**	**$ 4,755,578**	**$ 4,651,196**	**$ 5,179,350**	**$ 6,554,997**
Town General Fund Operations	**$ 11,551,201**	**$ 12,546,858**	**$ 13,195,354**	**$ 13,578,293**	**$ 14,049,039**	**$ 15,075,171**	**$ 19,927,921**



In addition, staff have provided below the graph utilized in the Town Future Funding of Local Government initiative, and in the 2023 Town Budget that shows the 5-year financial model of Town Revenues, Expenditures and Fund Balance illustrating the challenge facing the Town Budget going forward.



Analysis.

To begin thinking about this request staff recommends Council start by discussing what is the goal of this initiative. Based upon staffs understand of this item, staff has drafted the below goal statement to begin this discussion:

> *To explore developing an alternative Joint Department funding approach reducing the overall cost to the Town, allowing this reduction in Joint Department funding to be used for other Town core services and priorities.*

Key Question 1: Does Council agree with the described goal? If no, what should the goal of the initiative be?

Once a goal is agreed upon Council can choose to discuss what type of proposed amendment the Town would like to develop, if any. When thinking about potential amendments there are ones that may be able to be implemented in the short term (this budget cycle) were others may take longer-term discussion/implementation (future years). Below staff have provided possible alternatives for consideration/direction:

1. Establish a maximum increase or desired decrease for Joint Departments for FY24; i.e. Cap Town contributions at a maximum of XY% for Joint Departments for FY24 or to match the Town General Fund.
2. Establish a new Joint Funding Formula based upon Total Revenue Collected by the Town and County.
3. Complete a Department by Department, Program by Program review to consider adjustments based on, geographical location of assets (i.e. parks), and/or services (i.e. calls for service), etc.
4. Establish a property tax "credit" for the Town recognizing that Town property owners pay County property taxes.
5. Other
6. No action alterative

Key Question 2: Does Council desire to move forward with further development of any of these alternatives for consideration at a future meeting? And if so, what is the desired timeline?

Possible Alternatives.
See above.

Comprehensive Plan & Priority Alignment.
Chapter 8 - Quality Community Service Provision

Fiscal Impact.
None

Staff Impact.
Staff took approximately 8 hours to complete work on this report.

Attachments or Links.
None

Suggested Motion. *Council always has the option to adopt, approve with conditions, continue, or deny items*.

I move to direct staff to further develop option ___ for consideration at a future meeting.