

## **Town of Brighton Town Council Meeting**

**ITEM:** FY 2021 Tentative Budget & FY 2020 Adj. Budget

**DATE:** May 12, 2020

**SUBMITTED BY:** Nate Rockwood

**ITEM TYPE:** Legislative

**SUBJECT:** Approval of the Tentative Budget Resolution, a Resolution Adopting the Fiscal Year 2021 Tentative Budget and setting a date and time for the Budget Hearing.

### **SUMMARY:**

The process of adopting the fiscal year 2021 budgets requires several steps that the Town Council is required to take to be compliant with state statute.

As a reminder, the purpose of a tentative budget is to have a working tool from which the Council can start the formal adoption process. The budget can be adjusted with Council's direction prior to final adoption. At the time of final adoption, the budget must be balanced with expenditures equaling revenues (including fund balance). The General Fund can have a fund balance of up to 75% of year end revenues.

The following timeline shows the budget process and dates:

#### **May 12<sup>th</sup>**

- Adopt Tentative Budget and make available to public
- Set proposed property tax rate to no increase (There is no property tax levy by the Town of Brighton)
- Set time and place for public hearing (June 9<sup>th</sup>)
- Discuss budget and funds available for Town Goals and Priorities

#### **June 2<sup>nd</sup>**

- Provide notice of the place, purpose, and time of the public hearing by publishing notice at least seven days before the hearing

#### **June 9<sup>th</sup>** (final budget needs to be adopted before June 30)

- Hold a public hearing on the Budget
- By resolution or ordinance adopt FY 2021 Final Budget & FY 2020 Adj. Budget

#### **Before July 2<sup>nd</sup>**

- File a copy of the final budget for each fund with the state auditor within 30 days after adoption

### **Budget Information and Analysis:**

The Budget consists of all anticipated revenues to be received by the Town and all anticipated expenditures. State code requires that all Cities and Towns follow a July – June fiscal year (FY) budget and that all Counties (including the MSD) are required to follow a calendar year budget. Because Brighton will have an adopted Town Budget and an adopted MSD Budget, Brighton will have both a fiscal year and calendar year budget. This is a unique situation in Utah. The goal will be to always have the FY and CY budget match. To make things additionally complicated, because the Town was created in January, the first FY will be from January 1, 2020 to June 30, 2020 and will be a six-month period (FY2020). Fiscal Year 2021 will run from July 1, 2020 to June 30, 2021 (FY2021). The County MSD calendar year will run from January 1, 2020 to December 31, 2020 (CY2020).

## Sales Tax Revenue Analysis

The town currently applies the following sales tax rates. The 1% Local Option and the .25% County Option Highway and Transportation tax are allocated to cover services and transfers provided by the MSD:

- 1% Local Option (Brighton receives .5% Point of Sale; .5% population is distributed statewide)
- .25% SB 136 Sales Tax Hwy/Transit (Brighton receives .1% of the .25% County Tax)
- 1.1% Resort Communities Sales Tax
- 1% Municipal TRT

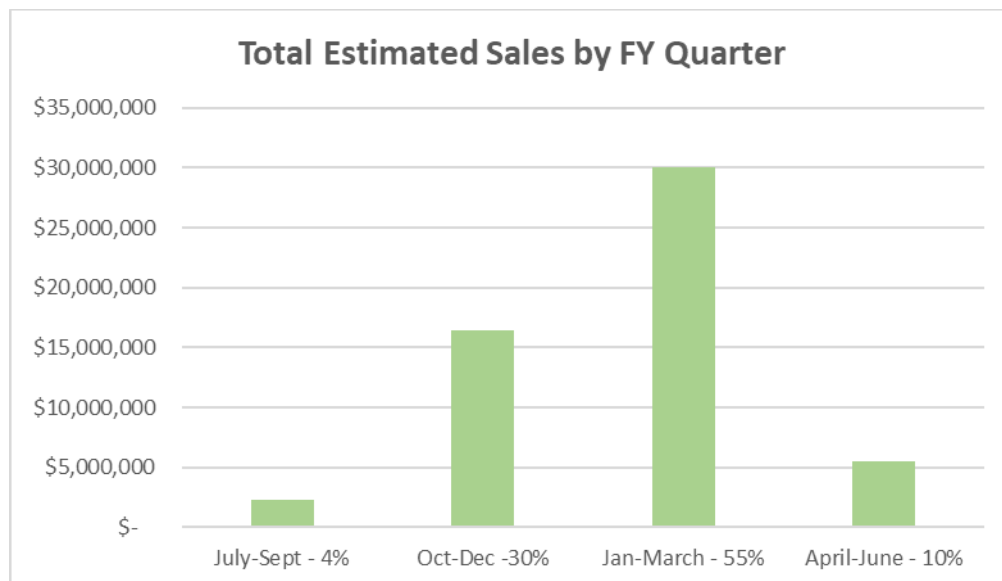
The following table details the projected revenue from each sales tax. The projection was created using 18 months of historic sales tax collection data from business in Brighton and two months of actuals from January and February 2020. The table places the revenue forecast into the correct period for FY 2020 and FY 2021. These numbers have been used in the recommended budget. Because of the current economic situation, it is extremely difficult to project sales revenue for the upcoming winter season. The forecast below is based on a winter season at 70% of the revenue received in the 2019 winter season. It is hoped that this is conservative figure. The Town will continue to monitor the economic conditions and make adjustments as necessary during the winter.

Town of Brighton - Sales Tax Forecast (Based on Collection Month)								
Sales Tax Type	FY 2020		FY 2020	FY 2021				FY 2021
	Jan-March	April-June	Total	July-Sept	Oct-Dec	Jan-March	April-June	Total
1% local Option (.5% Point of Sale)*	\$ 174,051	\$ 1,128	\$175,180	\$ 2,257	\$ 57,511	\$ 105,059	\$ 19,222	\$184,049
SB 136 Sales Tax Hwy/Transit*	\$ 17,405	\$ 113	\$ 17,518	\$ 226	\$ 5,751	\$ 10,506	\$ 1,922	\$ 18,405
1.1% Resort Communities Sales Tax	\$ -	\$ 2,483	\$ 2,483	\$ 4,965	\$126,524	\$ 231,131	\$ 42,288	\$404,909
1% Municipal TRT	\$ -	\$ 534	\$ 534	\$ 2,138	\$ 4,612	\$ 9,770	\$ 4,280	\$ 20,799
<b>Total Sale Tax</b>	<b>\$ 191,457</b>	<b>\$ 4,258</b>	<b>\$195,715</b>	<b>\$ 9,586</b>	<b>\$194,398</b>	<b>\$ 356,466</b>	<b>\$ 67,712</b>	<b>\$628,162</b>

Sales Tax is shown by collection month, not by distribution month. Forecast does not include internet sales

\* Taxes allocated to MSD

The Town's sales revenues are also very seasonal, as would be expected. The following graph shows the total estimated sales by quarter. The Town of Brighton businesses did approximately \$55 million in sales in FY 2019:



The following tables details the breakdown of sales tax collection rates for Town of Brighton sales:

<b>Sales Tax Rate Table - Town of Brighton</b>			
	<b>General Sales*</b>	<b>Lodging Sales</b>	<b>Restaurant Sales</b>
<b>State Sale Tax</b>			
State Sales & Use Tax	4.85%	4.85%	4.85%
State Transient Room Tax	-	0.32%	-
<b>County Sale Tax</b>			
County Option Sales Tax	0.25%	0.25%	0.25%
Mass Transit Tax	0.30%	0.30%	0.30%
Add'l Mass Transit Tax	0.25%	0.25%	0.25%
County Option Transportation**	0.25%	0.25%	0.25%
Transportation Infrastructure	0.25%	0.25%	0.25%
Botanical, Cultural, Zoo Tax	0.10%	0.10%	0.10%
Transient Room Tax (TRT) county-wide		4.25%	
Tourism Transient Room Tax		0.50%	
Tourism - Restaurant Tax	-	-	1.00%
<b>Town Sales Tax</b>			
Local Option Sales & Use Tax	1.00%	1.00%	1.00%
Resort Communities Tax	1.10%	1.10%	1.10%
Municipal Transient Room Tax	-	1.00%	-
<b>Total Combined Sales Tax Rate</b>	<b>8.35%</b>	<b>14.42%</b>	<b>9.35%</b>

\* Rate for Unprepared Food (Grocery) is 3% statewide

\*\* Brighton receives .10% of the .25% County Wide Transportation Tax

## Budget

The following is the proposed Town of Brighton FY 2021 Tentative Budget and FY 2020 Adjusted Budget:

**Town of Brighton**  
**FY 20-21 Budget**  
For Period Ending June 30, 2021

<u>Account Description</u>	2019 Actual	2020 Original Budget *Jan 1 - Dec 31	2020 Estimated Rev/Exp *Jan 1 - June 30	2020 Budget Variance	2020 Adjusted Budget *Jan 1 - June 30	2021 Tentative Budget July 1 - June 30
<b>REVENUES</b>						
Business Licenses	-	\$ 8,400	\$ 6,000	\$ (2,400)	\$ 6,000	\$ 8,600
Code Enforcement Fines and Fees	-	-	-	-	-	-
Building Permit	-	-	500	500	500	500
Sales Tax 1% Local Option	-	211,800	175,180	(36,800)	175,000	185,000
Grants	-	-	-	-	-	-
SB 136 Sales Tax	-	-	17,518	17,500	17,500	18,500
Engineering Services	-	-	-	-	-	-
Planning Services	-	-	-	3,000	3,000	6,000
Justice Court Fines/Forfeitures	-	8,700	4,350	(4,350)	4,350	8,700
B&C Road Fund Allotment	-	18,600	3,000	(15,600)	3,000	6,000
Interlocal Revenue	-	325,900	199,450	(126,450)	199,450	238,000
Donations	-	-	-	-	-	-
Interest Earnings	-	-	-	-	-	-
Other Revenue	-	3,500	-	(3,500)	-	-
Non-Allocatable Resort Communities Sales	-	-	2,483	2,500	2,500	404,909
Non-Allocatable TRT	-	-	534	550	550	20,799
Town Council Designated Funds	-	284,000	-	(284,000)	-	-
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ 860,900</b>	<b>\$ 409,015</b>	<b>\$ (449,050)</b>	<b>\$ 411,850</b>	<b>\$ 897,007</b>
<b>EXPENDITURES</b>						
Wages	\$ -	\$ 135,000	\$ 67,500	\$ (67,500)	\$ 67,500	\$ 109,000
Employee Benefits	-	20,100	10,050	(10,050)	10,050	5,000
Subscriptions/Memberships	-	200	500	300	500	1,000
Printing/Publications/Advertising	-	9,500	2,000	(7,500)	2,000	4,000
Travel/Mileage	-	1,200	600	(600)	600	1,200
Office Expense and Supplies	-	2,000	1,000	(1,000)	1,000	2,000
Cell phone and Telephone	-	2,400	1,200	(1,200)	1,200	3,300
Attorney-Civil	-	48,000	24,000	(24,000)	24,000	48,000
Training and Seminars	-	2,000	1,000	(1,000)	1,000	2,000
Web Page Development/Maintenance	-	4,000	4,000	-	4,000	2,500
Payroll Processing ex.	-	2,000	1,000	(1,000)	1,000	2,000
Contributions/Special Events	-	28,000	13,000	(15,000)	13,000	28,000
Insurance	-	10,200	5,100	(5,100)	5,100	4,500
Workers Comp Insurance	-	-	1,000	1,000	1,000	-
Professional and Technical	-	12,000	25,000	13,000	25,000	12,000
Recorder Services	-	4,500	6,000	1,500	6,000	1,000
Equipment/Computer Purchases	-	2,800	25,000	22,200	25,000	1,000
Interlocal	-	251,000	206,548	(41,650)	209,350	233,300
Trans to Capital Fund	-	-	-	-	-	-
Rent	-	19,000	11,500	(7,500)	11,500	11,500
Non-Classified Expenses	-	23,000	-	(23,000)	-	-
Contribution to Fund Balance	-	-	-	-	-	-
<b>Total Operational Expenditures</b>	<b>\$ -</b>	<b>\$ 576,900</b>	<b>\$ 405,998</b>	<b>\$ (168,100)</b>	<b>\$ 408,800</b>	<b>\$ 471,300</b>
<b>NET INCOME (LOSS)</b>	<b>\$ -</b>	<b>\$ 284,000</b>	<b>\$ 3,017</b>	<b>\$ (280,950)</b>	<b>\$ 3,050</b>	<b>\$ 425,707</b>

\*FY 2020 includes Jan. 1, 2020 to June 30, 2020 and has been adjusted to meet state code requirements from the original Calendar Year budget (Jan. 1, 2020 to Dec. 31, 2020) adopted by the MSD.

### **Budget Notes and Discussion Items:**

- The “Budget Variance” Column includes reducing the 12-month budget to a 6-month FY budget for FY 2020.
- The “Town Council Designated Funds” consisted of an estimate of the 1.1% Resort Communities Sales Tax and the 1% Municipal Transient Room Tax (TRT). This has been reduced from the original estimate and divided between the two respective Non- Allocatable categories. It was reduced significantly in FY 2020 because the sales tax collection did not begin until April 1, 2020 after the resorts had closed for the 2020 winter season.
- Contribution to fund balance is currently zero but would include the corresponding amount in the Net Income Balance line. Based on the budget, this would be \$3,050 in the 6-month FY period ending on June 30, 2020. The balance in FY2021 is anticipated in the budget to be \$425,707.
- The General Fund can have a fund balance of up to 75% of year end revenues. Based on the budgeted revenues in FY 2021, this amount would be \$672,756. The actual year-end balance limit must be determined at FY 2021 year-end.
- Once the General Fund fund balance limit is reached, the Town may wish to create a capital improvement fund to transfer funds for capital projects. A Capital Fund does not have a fund balance limit, but funds must be allocated towards future capital improvement projects.
- **The Town Council may wish to designate a Capital Outlay line item within the current General Fund budget for capital improvement projects in FY 2021.**
- **It is recommended that the Town review the budget in October and November in preparations for the Calendar Year MSD budget process.**
- **Council should consider the 0.5% Additional Resort Community Sales Tax.** The Additional Resort Community Sales Tax requires a majority vote of residents and would be required to go on a November ballot. A resolution putting the item on the ballot would be approved by Council in late August. It should be noted that due to the timing of a November election and the 3-month waiting period before the start of collections, the additional tax, if approved and enacted, would start on the following April 1 of the year following the election. The tax would therefore miss the majority of the winter season revenue in the year following the vote and enactment. This should be accounted for correctly in the budget year when and if this tax is ever enacted.
- Based on the revenue generated in Brighton in FY 2019, the anticipated annual revenue generated by the 0.5% Additional Resort Community Sales Tax in a typical winter season year would be approximately \$270,000 per year; based on the current forecast for FY 2021 at 70% of typical sales, this amount would be approximately \$185,000.