



2022 Tentative Budget

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Budget Officer Message

To the Honorable Board of Utah County Commissioners and Citizens of Utah County:

Pursuant Utah Code §17-36-10, the following tentative budget for 2022 has been prepared for Utah County using budgetary practices required by the Utah State Auditor.

BUDGET PROCESS

The basic concept of Utah County's budget process for departments - funded either in the general fund or with funds transferred from the general fund - is to balance the expenditures to the 2022 projected revenue without using fund balance to bridge the gap between revenue and expenditures.

For the 2022 budget, departments received a budget schedule based upon projected 2022 staffing plan costs, charges from the internal service funds, and most recently amended 2021 budgeted expenditures (operating expenditures excludes capital equipment and other one-time purchases). Department heads could request any changes that were necessary to fund their respective departments' 2022 operations. These budget requests were discussed during workshops with the Budget Office in September and October. The Commissioners may schedule additional budget meetings to discuss the requests and will make final adjustments to the tentative budget.

STRUCTRually BALANCED BUDGET

The concept of a structurally balanced budget dictates that the County will pay for long-term costs like employee wages and benefits with long-term revenue sources like property tax and fees for vital services, while one-time costs like fixed assets and software initiation costs are funded by one-time or instable revenue sources such as grants, development-related fees, and to an extent, sales tax. The tentative 2022 budget is structurally balanced as \$5.1 million of new General Fund-tax funded payroll related expenditures are funded by \$4.3 million of new property tax revenue and \$12.5 million in new budgeted sales tax revenue funds \$5.1 million in one-time or optional general fund expenditures. The remaining \$5.8 of requested new expenditures are

mostly in the internal service funds. The tentative budget also plans to contribute \$1.2 million to the General Fund balance, commonly referred to as the rainy-day fund.

PROPERTY TAX DECREASE

In June of 2021, the Commission cut the general county property tax levy by \$6.6 million. A simple method to account for the inflationary effects mentioned below on the County's budget is to hold the property tax rate constant. We estimate that doing so in 2022 would yield an additional \$8 million in property tax revenue. However, due to unprecedented revenue growth and forecaster expectations of continued growth in retail sales and property development, we recommend allowing the property tax rate to fall and adopting the certified rate in June of 2022. In doing so, property owners will pay zero additional taxes to Utah County, but we estimate new growth during 2021 will generate an additional \$4 million of combined property tax revenue to the General Fund. We acknowledge and highlight, however, that by relying more on sales tax and less on property taxes, the County is more vulnerable to the negative impacts on general fund revenue during a prolonged or dramatic economic recession.

ESTIMATED REVENUE CALCULATIONS

Revenue from property taxes is estimated based upon the calculation required by the Utah State Tax Commission. The property tax revenue is budgeted at \$72.0 million for 2022. Of the \$72.0 million budgeted for property taxes, \$56.5 million is for general property taxes that are unrestricted in their use, \$10.3 million is for property taxes that are restricted to assessing and collecting activities, and \$5.3 million is for property taxes assigned to redevelopment agencies.

The local sales tax, which represents sales tax collected in the unincorporated area of the County, has been budgeted at \$2.75 million for 2022, which is a \$250,000 or 10% increase from the projected 2021 amount. This local sales tax has a population component and since the population of the unincorporated area is decreasing, the revenue was budgeted to reflect a lower population factor. Despite the effects of COVID 19, sales tax revenues have exceeded 2021 budgeted numbers.

The County option sales tax, which represents the 0.25-percent levy the County has opted to collect for general governmental purposes, is budgeted at \$46.2 million for 2022, which is a \$4.2 million or 10% increase from the projected 2021 amount.

Revenues for licenses, grants, fees, and fines were estimated by the respective departments. Most of these amounts are included in the 2022 budget as submitted by the departments.

INFLATION

State and national economists have recently verified that Utah County, along with the rest of the country, is experiencing the highest inflation in decades. In response to this reality, the tentative budget includes a COLA of 4.5% to all county employees and elected officials. We note that Utah County has not made a cost of living adjustment in two years.

LABOR MARKET CHALLENGES

The September 2021 unemployment rate in Utah County was 2.9%. The increased competition for employees has resulted in increased employee turnover, increasing vacancies for open positions, and low applicant volume. In response to these challenges, the tentative budget includes a COLA of \$3.1 million (4.5% for all county employees) and allocates \$3.8 million (5.4% of total salaries) to increase salaries for positions determined to be significantly under the market rate. The tentative budget also includes funding for additional staff in the IT Department to expand its ability to implement existing projects. Additional staff will increase the efficiency of existing staff and identify additional opportunities for efficiency, decrease the timeline of existing projects, and allow the existing staffing levels to do more as the demand for services increases with unprecedented population and economic growth.

INCREASES TO STAFFING PLAN

The tentative budget includes all requests for additional staff, most notably, 12 in the Attorney's Office, 11 in the Sheriff's Corrections Division, 8 in the Sheriff's Support Services Division, and 6 in the IT Department.

SALARIES AND BENEFITS

Several departments have submitted staffing plan change requests. These requests have been considered in the tentative budget, and added when deemed appropriate, but require final approval from the Board of County Commissioners before the positions are added to departments' staffing plans and budgets.

The tentative 2022 budget includes a 'one-step' increase for employees with successful performance appraisals effective on their scheduled review dates. 'One step' represents an approximate 2.35-percent salary increase. Because employees' review dates are spread throughout the year, the overall salary increase is approximately 1%. Based upon market research conducted by the Human Resource Department, private employers and local government agencies have implemented a cost-of-living adjustment (COLA) for the coming year an average of 5.7%, while the private market COLA is closer to 7.5%. The tentative budget includes a COLA of 4.5% for the 2022 budget. Additionally, the Human Resources Department will be evaluating salaries in relation to the market to determine if our salaries are competitive. The results of previous market studies indicate that several positions are significantly below market and salary adjustments for those positions will be proposed in 2022. The tentative budget includes \$3.8 million of restricted appropriations for the purpose of correcting this imbalance.

Regarding health insurance, the county has been effective in controlling costs, thus achieving very low increases in the cost of insurance. The tentative budget includes an adjustment for health insurance, which is estimated to increase by 2.5% in 2022. The County currently pays the entire health insurance premiums for qualified employees.

REQUESTED APPROPRIATIONS

Pursuant to Utah State Code, the County Clerk-Auditor has prepared the 2022 tentative budget. The tentative budget that is presented to the Commission includes a balanced budget for all funds, excluding fund 248 which has a deficit of \$181,650 that could not be reconciled as of the tentative budget deadline.

The Commissioners will make final adjustments to the tentative budget before the budget is officially adopted. The public hearing for the final budget is tentatively scheduled for Wednesday, November 17, 2021.

This tentative budget includes budget increases for reasonable departmental costs to fulfill their statutory duties or operational directives.

Sincerely,

Josh Daniels
Utah County Clerk/Auditor

Capital Projects

The Capital Projects Fund is used to account the County's Capital Improvement Program (CIP). This includes construction and acquisition of capital projects and facilities, replacement or major renovations of existing capital assets, and accumulation of funding for future capital projects. The CIP lists projects that are 1) anticipated to be completed within three years, and 2) funding for the projects has been identified and has been accumulated in the capital projects fund.

The following is a summary of capital project expenditures included in the 2022 budget and projected for the subsequent two years:

	2022	2023	2024	Total
Replace existing equipment/major renovations	2,467,500	107,500	644,800	3,219,800
New projects with detailed sheets	1,100,000	400,000	997,500	2,497,500
New projects with requiring additional details	2,999,800	7,745,800	5,135,000	15,880,600
Future capital funding	2,041,963	1,814,963	2,189,563	6,046,489
Total CIP	8,609,263	10,068,263	8,966,863	27,644,389
Funding source:				
Contributions				(1,104,999)
Departmental Charges				(4,156,000)
Grants				(1,666,000)
Taxes-Fund 100				(22,649,100)
TRCC Fund				(2,740,490)
Wildland Fire				(810,000)
Total Funding				(33,126,589)
Contribution required from General Fund				(5,482,200)
ROADS PROJECTS	7,181,000	4,720,000	10,745,000	22,646,000
Funding Source:				
B Roads Project				(13,952,000)
4th quarter cent sales tax				(8,694,000)
				(22,646,000)
PARKS PROJECTS	1,895,000	7,140,000	6,172,000	15,207,000
TRCC Funding				(6,755,000)
Part 18 Funding				(8,452,000)
				(15,207,000)

Other Statistical Information

PROPERTY TAX LEVIES

The following table shows the general property tax levies adopted by the County for the last five years:

	2021	2020	2019	2018
General fund	0.0977%	0.1041%	0.0672%	0.0732%
Debt service	n/a	n/a	n/a	n/a
State assessing & collecting	0.0012%	0.0012%	0.0009%	0.0009%
Local assessing & collecting	<u>0.0142%</u>	<u>0.0149%</u>	<u>0.0158%</u>	<u>0.0170%</u>
Total direct rate	<u>0.1131%</u>	<u>0.1202%</u>	<u>0.0839%</u>	<u>0.0911%</u>

SALES TAX RATES

The following sales tax rates have been enacted by the County:

<u>Sales Tax</u>	<u>Rate</u>	<u>Purpose</u>
County Option Sales Tax	0.25%	General fund
Local Sales Tax	1.00%	General fund
Transient Room Tax	4.25%	Tourism promotion
Restaurant Tax (TRCC)	1.00%	Tourism, recreation/cultural/convention facilities
Short-term Vehicle Leasing (TRCC)	7.00%	Tourism, recreation/cultural/convention facilities
Section 2208 Sales Tax	0.25%	Mass transit projects (distributed directly to UTA)
Section 2216 Sales Tax	0.30%	Transportation projects, including public transit
Section 2218 Sales Tax	0.25%	Transportation projects
Section 2219 Sales Tax	0.25%	Transportation projects, including public transit

ELECTED OFFICIAL COMPENSATION

The following chart summarizes the salaries of the elected officials of the County:

<u>Elected Official</u>	<u>Annual Salary</u>					
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Commissioner	\$ 119,444	\$ 119,444	\$ 119,444	\$ 119,444	\$ 119,444	\$ 119,444
Attorney	\$ 140,504	\$ 143,314	\$ 143,314	\$ 143,314	\$ 143,314	\$ 143,314
Sheriff	\$ 111,410	\$ 113,638	\$ 113,638	\$ 113,638	\$ 113,638	\$ 113,638
Assessor	\$ 111,410	\$ 113,638	\$ 113,638	\$ 113,638	\$ 113,638	\$ 113,638
Clerk-Auditor	\$ 108,862	\$ 111,039	\$ 111,039	\$ 111,039	\$ 111,039	\$ 111,039
Recorder	\$ 108,862	\$ 111,039	\$ 111,039	\$ 111,039	\$ 111,039	\$ 111,039
Treasurer	\$ 108,862	\$ 111,039	\$ 111,039	\$ 111,039	\$ 111,039	\$ 111,039
Surveyor	\$ 96,902	\$ 111,039	\$ 111,039	\$ 111,039	\$ 111,039	\$ 111,039