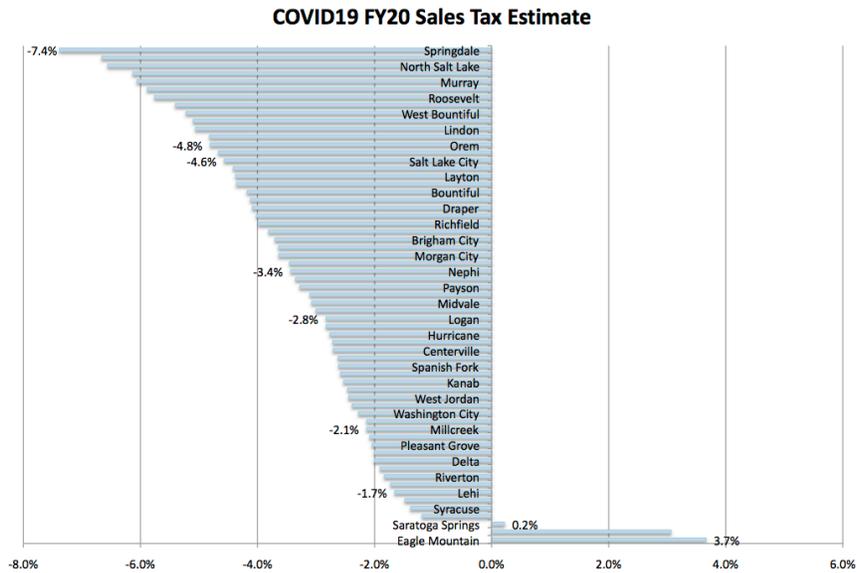


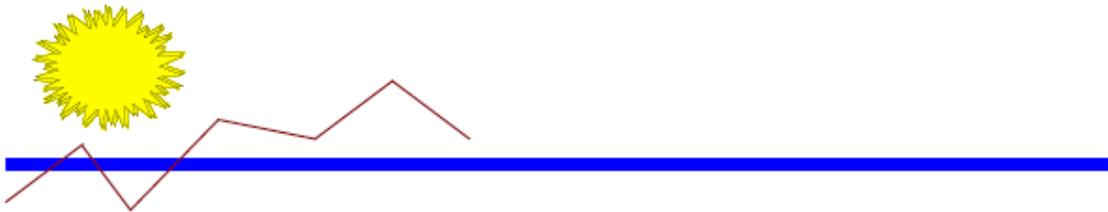
COVID19 FISCAL IMPACTS FOR 63 UTAH CITIES FY 2019-20 & 2020-21



Performed for the Utah League of Cities and Towns

By Econowest Associates, Inc.

April 2020



COVID19 Sales Tax Impacts on 63 Utah Cities

Summary

Because the COVID19 has no precedence it has been difficult to track and forecast. The simple models we use in this report utilize recent U.S. survey data to approximate the impact on 63 cities for the period between March 2020 and February 2021. Then we calculate these factors into fiscal years 2019-20 and 2020-21. Overall, we estimate that the total for the sales tax distributions of the 63 cities will decline 3.5% and 5.4% in fiscal year 2019-20. Growth rates will range from -7% in Vernal to positive 11% in Eagle Mountain.

Next year, we expect another drop in distributions, but only by 2.5%. Quarterly percentage changes in should improve at the end of the fiscal year 2020-21 (-20%, -10%, 5% and 15%) when they will compare favorably to the second half of fiscal year 2019-20.

When we first started this project, we thought there would be much bigger negative impacts, but because the first eight months of fiscal year 2019-20 distributions were so strong, they took the edge off the -25% to -36% declines the last four months the last of the fiscal year will probably bring.

By this November's sales tax distribution we will get a better handle on the trajectory of the pandemic in fiscal year 2020-21. Of course, cities are trying to create budgets right now.

The Strong Eight Months Between July 2019 and February 2020 Help Soften The Blow of COVID19

The COVID19 pandemic is unprecedented in recent history. We certainly don't have any magic bullets to forecast this event with our current economic models. The approach we take here is to estimate the impact in each city's economic sector from recent calendar year 2019 data from the Tax Commission. The duration of the impact is for an entire year. It is based on survey data from various sources that surveyed U.S. consumer sales in March and April 2020. Our sources come from the U.S. Census Bureau, Earnest Research and the University of Michigan (Table 1).

Based on these surveys (Table 1) and our experience we have made reasonable estimates at trends in spending for an entire year, probably the year from March 2019 through February 2020 (while this doesn't exactly conform to the cities' July to June fiscal year, we modify our results to form fiscal year estimates).

Table 1. Recent Trends in U.S. Consumer Spending

Retail Categories	Direction	Source
Vehicles	-11%	University of Michigan
Vehicles	-35%	Earnest Research
Vehicles	-24%	U.S. Census Bureau
Homes	-21%	University of Michigan
Large Household Appliances	-46%	University of Michigan
Grocery Stores	+ 29%	U.S. Census Bureau
Clothing Stores	-51%	U.S. Census Bureau
Gasoline Stations	-18%	U.S. Census Bureau
Restaurants	-45%	Earnest Research
Sporting Goods, Toys, Books	-23%	U.S. Census Bureau
Sporting Goods, Toys, Books	-65%	Earnest Research
Nonstore Retailers – Internet and Catalogue	+ 10%	U.S. Census Bureau
Department Stores	-45%	Earnest Research
Electronic Stores	-33%	Earnest Research
Lodging	-85%	Earnest Research
Theaters and Events	-95%	Earnest Research
Health Care	-25%	Earnest Research
Drug Stores	-24%	Earnest Research

For about one fourth of the 63 cities we studied, the impact of the pandemic fits very close to the State of Utah’s impact. Those cities responding similarly to the State are:

- 1) Draper
- 2) Hurricane
- 3) Layton
- 4) Lehi
- 5) Midvale
- 6) North Salt Lake
- 7) Orem
- 8) Price
- 9) Richfield
- 10) Salt Lake City
- 11) Sandy
- 12) South Salt Lake City
- 13) Spanish Fork
- 14) Taylorsville
- 15) West Valley

Table 2 presents Orem’s fiscal impacts by 38 economic sectors. Orem’s pattern of declines are similar to the State of Utah’s. For Orem’s \$2.63 billion in taxable sales

last year, a Moderate Scenario decline of -11.7% is possible. The Pessimistic Scenario predicts a near 30% drop in taxable sales. This compares closely to the State of Utah's -11.6% Moderate Scenario decline and -28% Pessimistic Scenario fall. For Orem, large declines may be felt in Wholesale Durable Goods, Motor Vehicle Dealers, Clothing, General Merchandise, and Food Services. The Food and Beverage Store sales increase 14% will partially offset the above declines.

The rest of the 63 Cities individual impacts are in the Appendix (Appendix – COVID19 Fiscal Impact on Each City.pdf).

Table 2. Orem COVID19 Fiscal Impact

Orem	Taxable Sales	2019 Shares	Moderate Impact	Pessimistic Impact	Weighted Moderate	Weighted Pessimistic
Economic Sectors (NAICS)	CY 2019					
AGRICULTURE, FORESTRY, FISHING & HUNTING(110000-119999)	\$200,000	0.01%	10%	20%	0.00%	0.00%
MINING, QUARRYING, & OIL & GAS EXTRACTION(210000-219999)	300,000	0.01%	-5%	-9%	0.00%	0.00%
UTILITIES(220000-229999)	64,500,000	2.44%	-15%	-30%	-0.37%	-0.73%
CONSTRUCTION(230000-239999)	22,551,236	0.85%	-10%	-25%	-0.09%	-0.21%
MANUFACTURING(310000-339999)	84,584,359	3.20%	-10%	-20%	-0.32%	-0.64%
WHOLESALE TRADE-DURABLE GOODS(423000-423999)	246,953,009	9.34%	-20%	-40%	-1.87%	-3.74%
WHOLESALE TRADE-NONDURABLE GOODS(424000-424999)	14,341,028	0.54%	-20%	-40%	-0.11%	-0.22%
WHOLESALE TRADE-ELECTRONIC MARKETS(425000-425999)	1,024,407	0.04%	-20%	-40%	-0.01%	-0.02%
RETAIL-MISCELLANEOUS RETAIL TRADE	78,467,200	2.97%	-10%	-30%	-0.30%	-0.89%
RETAIL-MOTOR VEHICLE & PARTS DEALERS(441000-441999)	338,819,585	12.81%	-18%	-70%	-2.31%	-8.97%
RETAIL-FURNITURE & HOME FURNISHINGS STORES(442000-442999)	100,078,152	3.79%	-12%	-24%	-0.45%	-0.91%
RETAIL-ELECTRONICS & APPLIANCE STORES(443000-443999)	59,544,604	2.25%	-33%	-50%	-0.74%	-1.13%
RETAIL-BUILD. MATERIAL, GARDEN EQUIP. & SUPPLIES DEALERS(444000-444999)	165,371,448	6.26%	8%	16%	0.50%	1.00%
RETAIL-FOOD & BEVERAGE STORES(445000-445999)	196,470,897	7.43%	14%	40%	1.04%	2.97%
RETAIL-HEALTH & PERSONAL CARE STORES(446000-446999)	24,817,037	0.94%	-12%	-25%	-0.11%	-0.23%
RETAIL-GASOLINE STATIONS(447000-447999)	28,708,674	1.01%	-10%	-24%	-0.10%	-0.24%
RETAIL-CLOTHING & CLOTHING ACCESSORIES STORES(448000-448999)	120,867,743	4.57%	-25%	-50%	-1.14%	-2.29%
RETAIL-SPORTING GOODS, HOBBY, MUSIC, & BOOK STORES(451000-451999)	68,204,560	2.58%	-12%	-30%	-0.31%	-0.77%
RETAIL-GENERAL MERCHANDISE STORES(452000-452999)	381,237,199	14.42%	-20%	-50%	-2.88%	-7.21%
NONSTORE RETAILERS(454000-454999)	71,841,871	2.72%	10%	20%	0.27%	0.54%
TRANSPORTATION & WAREHOUSING(480000-489999)	3,456,032	0.13%	-40%	-80%	-0.05%	-0.10%
INFORMATION(510000-519999)	63,769,753	2.41%	0%	-10%	0.00%	-0.24%
FINANCE & INSURANCE(520000-529999)	5,446,575	0.21%	-20%	-50%	-0.04%	-0.10%
REAL ESTATE, RENTAL, & LEASING(530000-539999)	31,577,874	1.19%	-25%	-50%	-0.30%	-0.60%
PROFESSIONAL, SCIENTIFIC, & TECHNICAL SERVICES(540000-549999)	25,000,553	0.95%	0%	20%	0.00%	0.19%
MANAGEMENT OF COMPANIES & ENTERPRISES(550000-559999)	200,000	0.01%	-10%	-20%	0.00%	0.00%
ADMIN. & SUPPORT & WASTE MANAG. & REMED. SERVICES(560000-569999)	5,858,635	0.22%	0%	-20%	0.00%	-0.04%
EDUCATIONAL SERVICES(610000-619999)	7,458,056	0.28%	-10%	-40%	-0.03%	-0.11%
HEALTH CARE & SOCIAL ASSISTANCE(620000-629999)	5,381,013	0.20%	-25%	-40%	-0.05%	-0.08%
ARTS, ENTERTAINMENT, AND RECREATION(710000-719999)	14,681,823	0.56%	-40%	-80%	-0.22%	-0.44%
ACCOMMODATION(721000-721999)	17,569,630	0.66%	-50%	-75%	-0.33%	-0.50%
FOOD SERVICES & DRINKING PLACES(722000-722999)	211,745,857	8.01%	-20%	-40%	-1.60%	-3.20%
OTHER SERVICES-EXCEPT PUBLIC ADMINISTRATION(810000-819999)	57,575,027	2.18%	0%	-20%	0.00%	-0.44%
PUBLIC ADMINISTRATION(920000-929999)	900,000	0.03%	0%	0%	0.00%	0.00%
PRIVATE MOTOR VEHICLE SALES	28,750,000	1.09%	-10%	-60%	-0.11%	-0.65%
SPECIAL EVENT SALES	1,066,186	0.04%	-50%	-80%	-0.02%	-0.03%
OCCASIONAL/NONCLASSIFIABLE	85,542,592	3.24%	10%	20%	0.32%	0.65%
PRIOR-PERIOD PAYMENTS & REFUNDS	11,000,998	0.42%	0%	-20%	0.00%	-0.08%
	\$2,643,643,611	100.00%			-11.73%	-29.48%

Larger declines will be felt in cities with heavy tourist spending, or cities that draw in neighboring consumers into their retailers. More than 25% declines may be felt in the last four months of fiscal year 2019-20 in the following cities:

- 1) Farmington
- 2) Kanab
- 3) Moab
- 4) Park City
- 5) Riverdale
- 6) South Ogden
- 7) Springdale
- 8) West Bountiful

The Pluses and Minus of Lagged Distribution Data

The last four months of fiscal year 2019-20 can be looked at two ways. On the down side, distribution lags from actual sales by two months prevent us from seeing pandemic impacted data until May 20th and June 20th for March and April spending, respectively. This makes forecasting more difficult.

On the positive side, significant COVID19 related declines in May through August 2020 distributions will be mitigated by the strong distributions from September 2019 through April 2020, which were up 7.1% for the 63 cities.

Current Year Estimates

We estimate fiscal year 2019-20 sales tax growth in Table 3. This is based on the first eight months of “hard data” from the distributions that are “in the bank” and our estimates for the remaining four months of March to June sales (May to August distributions, under GAPP). We used a 80% Pessimistic Scenario weighting and a 20% Moderate Scenario weighting.

Because the first eight months of the current fiscal year grew very fast at a 7.1% rate, the momentum takes the edge off an estimated 25% decline in the last four months of fiscal year 2019-20. During the first eight months the range of distribution changes ran from -3% in Roosevelt to positive 21% in Eagle Mountain, averaging 7.3% for the 63 cities.

Over the final four months of fiscal year 2019-20, we expect to see significant declines – close to the Pessimistic Scenario. If we use an 80% weight for the Pessimistic Scenario, the decline will be almost 25% for the last four months of the fiscal year 2019-20. The first eight months, weighted at 66.67% (8/12ths of a year) contributes **4.9%** growth. This growth is offset by a -24.8% in the last four months (4/12ths of year) equaling **-8.3%**. The sum of these two amounts equals a **3.5%** decline for the current fiscal year for all 63 cities (last row in Table 3).

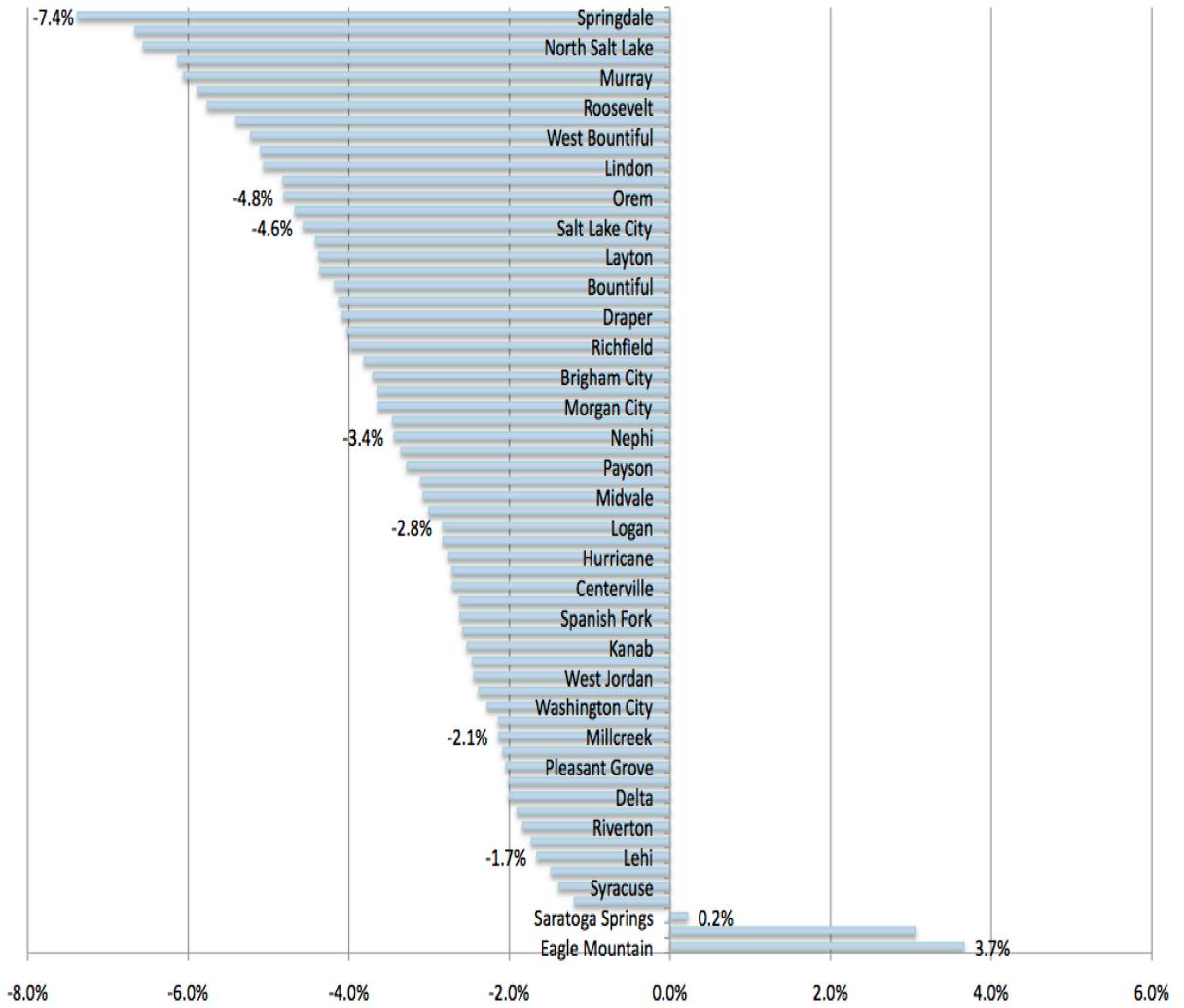
Because the model is dynamic we can calculate the impacts of different scenarios. If the last four months come in 20% worse than the Pessimistic Scenario (-36%), the cities would see a 5.4% decline in distributions for fiscal year 2019-20.

Table 3. FY2019-20 COVID19 Sales Tax Impact for 63 Utah Cities

63 Utah	Year-to-Date	8 Mo. Factor	Moderate	Pessimistic	Weighted Pess. Impact	4 Mo. Factor Net Direct	FY2019-20 Estimate	
Cities	FY2019-20	66.67%	Scenario	Scenario	80.0%	33% FY2019-20	w 50 Direct/50 Pop	
American Fork	12.3%	8.2%	-13.4%	-39.3%	-34.1%	-11.4%	-3.2%	-3.3%
Beaver City	9.2%	6.1%	-10.3%	-23.1%	-20.5%	-6.8%	-0.7%	-2.1%
Blanding	5.1%	3.4%	-6.8%	-15.7%	-13.9%	-4.6%	-1.2%	-2.4%
Bountiful	5.5%	3.7%	-9.0%	-29.6%	-25.5%	-8.5%	-4.8%	-4.2%
Brigham City	5.0%	3.4%	-9.0%	-24.9%	-21.7%	-7.2%	-3.9%	-3.7%
Cedar City	9.0%	6.0%	-10.6%	-26.3%	-23.2%	-7.7%	-1.7%	-2.6%
Centerville	7.9%	5.3%	-8.8%	-24.6%	-21.4%	-7.1%	-1.9%	-2.7%
Clearfield	7.0%	4.6%	-7.9%	-20.6%	-18.1%	-6.0%	-1.4%	-2.5%
Cottonwood Heights	6.0%	4.0%	-6.6%	-14.5%	-12.9%	-4.3%	-0.3%	-1.9%
Delta	6.9%	4.6%	-7.2%	-17.2%	-15.2%	-5.1%	-0.5%	-2.0%
Draper	7.0%	4.7%	-11.6%	-32.0%	-28.0%	-9.3%	-4.6%	-4.1%
Eagle Mountain	20.9%	14.0%	-3.9%	-10.6%	-9.3%	-3.1%	10.9%	3.7%
Farmington	7.6%	5.1%	-17.3%	-37.6%	-33.5%	-11.2%	-6.1%	-4.8%
Heber	10.1%	6.8%	-9.0%	-25.4%	-22.1%	-7.4%	-0.6%	-2.1%
Herriman	21.6%	14.4%	-6.4%	-16.1%	-14.1%	-4.7%	9.7%	3.1%
Holladay	5.2%	3.4%	-8.5%	-17.8%	-16.0%	-5.3%	-1.9%	-2.7%
Hurricane	9.8%	6.5%	-11.9%	-29.0%	-25.6%	-8.5%	-2.0%	-2.8%
Kanab	8.8%	5.9%	-14.2%	-24.1%	-22.1%	-7.4%	-1.5%	-2.5%
Kaysville	11.0%	7.3%	-10.0%	-26.7%	-23.3%	-7.8%	-0.5%	-2.0%
Layton	4.5%	3.0%	-10.9%	-28.1%	-24.7%	-8.2%	-5.2%	-4.4%
Lehi	11.1%	7.4%	-10.4%	-24.4%	-21.6%	-7.2%	0.2%	-1.7%
Lindon	3.1%	2.1%	-9.4%	-30.1%	-26.0%	-8.7%	-6.6%	-5.1%
Logan	5.5%	3.6%	-8.2%	-19.6%	-17.3%	-5.8%	-2.1%	-2.8%
Midvale	7.3%	4.9%	-10.9%	-25.2%	-22.4%	-7.5%	-2.6%	-3.1%
Millcreek	6.2%	4.1%	-6.2%	-16.7%	-14.6%	-4.9%	-0.7%	-2.1%
Moab	4.2%	2.8%	-20.7%	-38.0%	-34.6%	-11.5%	-8.7%	-6.1%
Monticello	12.6%	8.4%	-10.6%	-24.6%	-21.8%	-7.3%	1.2%	-1.2%
Morgan City	6.7%	4.5%	-7.4%	-29.0%	-24.7%	-8.2%	-3.7%	-3.6%
Murray	3.6%	2.4%	-14.2%	-37.5%	-32.9%	-11.0%	-8.6%	-6.1%
Nephi	4.5%	3.0%	-8.4%	-21.7%	-19.0%	-6.3%	-3.3%	-3.4%
North Salt Lake	-0.6%	-0.4%	-11.4%	-31.7%	-27.6%	-9.2%	-9.6%	-6.6%
Ogden	3.8%	2.5%	-9.2%	-22.4%	-19.8%	-6.6%	-4.1%	-3.8%
Orem	3.8%	2.6%	-11.7%	-29.5%	-25.9%	-8.6%	-6.1%	-4.8%
Park City	12.3%	8.2%	-26.1%	-44.1%	-40.5%	-13.5%	-5.3%	-4.4%
Payson	7.1%	4.8%	-10.6%	-26.5%	-23.4%	-7.8%	-3.0%	-3.3%
Pleasant Grove	7.2%	4.8%	-7.0%	-18.4%	-16.1%	-5.4%	-0.5%	-2.0%
Price	4.4%	2.9%	-11.7%	-29.9%	-26.2%	-8.7%	-5.8%	-4.7%
Provo	6.5%	4.4%	-9.6%	-24.0%	-21.1%	-7.0%	-2.7%	-3.1%
Richfield	6.8%	4.5%	-12.5%	-30.5%	-26.9%	-9.0%	-4.4%	-4.0%
Riverdale	5.1%	3.4%	-15.6%	-39.8%	-35.0%	-11.7%	-8.2%	-5.9%
Riverton	8.7%	5.8%	-8.0%	-20.2%	-17.7%	-5.9%	-0.1%	-1.8%
Roosevelt	-3.4%	-2.2%	-7.2%	-19.7%	-17.2%	-5.7%	-8.0%	-5.8%
Roy	5.1%	3.4%	-3.6%	-9.7%	-8.5%	-2.8%	0.6%	-1.5%
Salt Lake City	4.6%	3.0%	-12.9%	-29.2%	-25.9%	-8.6%	-5.6%	-4.6%
Sandy	3.7%	2.5%	-12.1%	-31.2%	-27.4%	-9.1%	-6.7%	-5.1%
Saratoga Springs	15.2%	10.2%	-8.6%	-21.0%	-18.5%	-6.2%	4.0%	0.2%
South Jordan	11.6%	7.7%	-13.2%	-35.0%	-30.6%	-10.2%	-2.5%	-3.0%
South Ogden	6.5%	4.4%	-14.7%	-39.9%	-34.9%	-11.6%	-7.3%	-5.4%
South Salt Lake	9.9%	6.6%	-10.9%	-28.1%	-24.6%	-8.2%	-1.6%	-2.6%
Spanish Fork	11.0%	7.3%	-11.5%	-30.9%	-27.0%	-9.0%	-1.7%	-2.6%
Springdale	6.5%	4.3%	-30.6%	-50.7%	-46.7%	-15.6%	-11.2%	-7.4%
Springville	6.9%	4.6%	-8.8%	-22.9%	-20.1%	-6.7%	-2.1%	-2.8%
St George	8.4%	5.6%	-11.9%	-30.7%	-26.9%	-9.0%	-3.4%	-3.5%
Syracuse	10.5%	7.0%	-8.8%	-21.2%	-18.7%	-6.2%	0.8%	-1.4%
Taylorsville	4.9%	3.3%	-11.4%	-27.1%	-24.0%	-8.0%	-4.7%	-4.1%
Tooele City	11.3%	7.6%	-10.1%	-25.5%	-22.4%	-7.5%	0.1%	-1.7%
Tremonton	5.2%	3.4%	-9.0%	-24.7%	-21.6%	-7.2%	-3.7%	-3.6%
Vernal	-2.4%	-1.6%	-11.5%	-27.9%	-24.6%	-8.2%	-9.8%	-6.7%
Washington City	9.0%	6.0%	-9.7%	-24.0%	-21.1%	-7.0%	-1.0%	-2.3%
West Bountiful	7.4%	4.9%	-15.4%	-40.6%	-35.5%	-11.8%	-6.9%	-5.2%
West Jordan	6.2%	4.1%	-8.3%	-18.5%	-16.5%	-5.5%	-1.3%	-2.4%
West Valley City	6.3%	4.2%	-12.0%	-29.6%	-26.1%	-8.7%	-4.5%	-4.0%
Woods Cross	6.7%	4.5%	-10.0%	-33.8%	-29.0%	-9.7%	-5.2%	-4.4%
	7.3%	4.9%	-10.9%	-26.8%	-23.6%	-7.9%	-3.0%	-3.3%
	7.1%	4.7%	-11.6%	-28.1%	-24.8%	-8.3%	-3.5%	n/a

Chart 1.

COVID19 FY20 Sales Tax Estimate



Fiscal Year 2020-21 Forecast

At this point, the view out into next fiscal year is murky. We assume a gradual return to positive growth may not occur until the second half of fiscal year 2020-21 (Table 4).

Table 4.

1% Sales Tax Distributions (Year over Year Percentage Changes)

FY2019-20

1 st quarter	+ 3.5 % actual
2 nd quarter	+10.0 % actual
3 rd quarter	- 10.0 % estimate
4 th quarter	- <u>25.0 %</u> estimate
Total FY 2019-20	-3.3 % to - 5.5 %

FY 2020-21

1 st quarter	-20 %
2 nd quarter	-10 %
3 rd quarter	+ 5 % (this would be +5% over the -10% prior year)
4 th quarter	+ <u>15 %</u> (this would be +15% over a very negative fourth quarter FY20)
Total FY 2020-21	-2.5 %
