

III. PERFORMANCE OF SELECTED SPECIAL AND CAPITAL FUNDS

CONSTRUCTION AND CONVEYANCE TAX FUNDS

Revenue and Expenditure Performance (\$ in Thousands)				
	2022-2023 Budget	2022-2023 Actuals	Variance	% Variance
Revenues	\$73,641	\$59,697	(\$13,944)	(18.9%)
Expenditures	\$151,067	\$74,690	(\$76,376)	(50.6%)

The Construction and Conveyance (C&C) Tax Funds consist of the Communications C&C Tax Fund, Service Yards C&C Tax Fund, Fire C&C Tax Fund, Library C&C Tax Fund, Parks Central C&C Tax Fund, Parks City-Wide C&C Tax Fund, 10 Council Districts C&C Tax Funds, and Park Yards C&C Tax Fund.

Revenues generated in the Construction and Conveyance (C&C) Tax Funds in 2022-2023 totaled \$59.7 million and were comprised of C&C tax receipts (\$37.9 million), transfers between funds (\$10.5 million), State and federal grants (\$7.8 million), interest earnings (\$3.0 million), and miscellaneous revenue that is primarily related to Federal Emergency Management Agency reimbursements (\$650,000). The revenue level is \$13.7 million below the budgeted estimate of \$73.6 million, primarily due to lower C&C tax proceeds (\$7.1 million), miscellaneous revenue (\$6.0 million), and transfers between funds (\$4.8 million), partially offset by higher than budgeted State and federal grants (\$3.9 million) and interest earnings (\$103,000). A significant portion of revenue was rebudgeted as part of the 2023-2024 Adopted Capital Budget (\$2.4 million) or is recommended to be rebudgeted as part of this report (\$2.9 million).

C&C Tax revenue collections of \$37.9 million was received in 2022-2023, which is \$7.1 million below the 2022-2023 Modified Budget of \$45.0 million and \$2.1 million below the estimated collection level of \$40.0 million. The tax receipts in 2022-2023 were 41.3% below the historically high tax collections received in 2021-2022 (\$64.5 million), primarily due to a tightened local real estate market, which is the primary driver of this revenue source. In 2023-2024, C&C Tax collections are budgeted at \$40.0 million, which require growth of \$2.1 million (5.7%) from the actual 2022-2023 collection level. Given the volatile nature of the C&C Tax, receipts will be closely monitored with budget adjustments brought forward later in the budget process, if deemed necessary. Further information regarding the local real estate market, which drives this tax revenue, can be found in the Transmittal Memorandum at the beginning of this report.

Expenditures in the various C&C Tax Funds totaled \$74.7 million in 2022-2023 and were derived primarily from various capital projects and transfers to other funds across the 17 C&C Tax funds (Council Districts 1-10, Parks City-Wide, Parks Central, Park Yards, Fire, Library, Service Yards, and Communications). This expenditure level is \$76.4 million (50.6%) below the budgeted level of \$151.1 million, which is primarily the result of unexpended capital project funding – most of which was rebudgeted into 2023-2024 as part of the Adopted Budget process – and project reductions that were necessary as a result of declining C&C Tax revenue. The 2022-2023 expenditure level of \$74.7 million was \$11.1 million (13.0%) below the prior year’s level of \$85.8 million.

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Ending Fund Balance Performance (\$ in Thousands)						
2022-2023 Modified Budget	2022-2023 Estimated Ending Fund Balance	2022-2023 Actual Ending Fund Balance	Variance	Recommended Annual Report Rebudgets	Revised Variance	Revised Variance % (incl. Rebudgets)
\$205,297	\$101,742	\$117,129	\$15,387	\$4,993	\$10,394	10.2%

The **Ending Fund Balance** of \$117.1 million was \$15.4 million above the \$101.7 million estimate used to develop the 2023-2024 Adopted Capital Budget. After accounting for net revenue and expenditure rebudgets of \$5.0 million recommended in the Annual Report, the variance decreases to \$10.4 million.

As described in *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions*, this report includes recommendations to allocate from a number of C&C Tax Fund Ending Fund Balances to fund various capital projects, including Family-Friendly City Facilities (\$203,000; Parks City-Wide C&C Tax Fund), Family Camp Infrastructure Renovations (\$103,000; Parks City-Wide C&C Tax Fund), Strategic Capital Replacement and Maintenance Needs (\$75,000; Parks City-Wide C&C Tax Fund), and Alameda Undercrossing Diamond Plate Lids (-\$32,230; Council District 6 C&C Tax Fund). In addition, the Library C&C Tax Fund includes an action to decrease the Building Forward Library Infrastructure grant revenue and the Ending Fund Balance. The 2023-2024 Adopted Capital Budget assumed this revenue would be received in 2023-2024, however, the grant was actually received in 2022-2023. For a complete list of all budget adjustments included in the 17 C&C Tax Funds, please refer to *Section IV – Recommended Budget Adjustments and Clean-up/Rebudget Actions*.