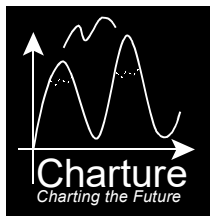


# Jackson, Wyoming: A 21st Century Community with a 20th Century Operating System

*COVID-19, the Town of Jackson's Finances,  
and the Importance of the Proposed  
"General Penny" of Sales Tax*

September 2020



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# A Presentation About the Town of Jackson, not By the Town of Jackson

*As an organization, the Town of Jackson can educate but not advocate. Jackson's Town Councilors can do both.*

*Educating and advocating for the passage of the proposed 7th cent of sales tax are the goals of this presentation*



# This Presentation's Major Point

*Because of COVID-19, the Town of Jackson faces a \$4.8 million budget deficit this year (around 38%).*

*In FY 2021, that hole is being plugged using reserves.*

*Because the town doesn't have sufficient reserves to use this technique in future years, in FY 2022 (which starts July 1, 2021), the gap will have to be plugged through either significant budget cuts and/or significant revenue increases*

- The deficit would have been much larger had the Town of Jackson not eliminated all new capital spending for FY21 (~\$2.6 million)
- “Significant budget cuts” will likely affect both non-Core and Core Services.
- If the 7th cent tax passes, it will provide sufficient revenues to continue most services at current levels



# The 7th Cent and COVID-19: Shifting the Fiscal Focus

*Before COVID-19, the Jackson Town Council thought we needed the 7th cent. Since COVID-19, we know we need it*

## ■ Before COVID-19

- ▶ *The Town of Jackson's revenues were sufficient to provide a high level of Core Services*
  - E.g., plowing, road repair, and policing
  - Our concern: the cost of those services is rising more rapidly than revenues
- ▶ *We did not have enough funding to adequately address the 21st century challenges facing our rapidly-growing and -changing community*
  - E.g., environmental quality, social services, transit, and affordable housing

## ■ After COVID-19

- ▶ *The 7th cent will plug the hole COVID-19 blew in the town's budget*
  - In the near future, it will allow us to continue to provide a high level of Core Services
  - Over time, it will allow us to better address our 21st century challenges



# The Major Point's Four Sub-points

*To plug its FY22 budget gap, the Town of Jackson must significantly cut expenditures and/or raise revenues*

- Budget shortfall
  - ▶ *Because of COVID-19, in its current fiscal year the Town of Jackson has a \$4.8 million budget shortfall, 38 percent of its anticipated revenues.*
  - ▶ *The \$4.8 million deficit must be eliminated by July 1, 2021, the new FY*
- Cutting \$4.8 million
  - ▶ *Requires significant reductions in staff, the number of services the town provides, &/or the level of those services*
- Increasing revenues by \$4.8 million
  - ▶ *Requires the 7th cent of sales tax.*
  - ▶ *Levying a town-wide property tax isn't adequate*
- Even before COVID, Jackson's revenue-generating system couldn't keep up with the needs of our rapidly growing and changing community.
  - ▶ *COVID has made clear the flaws of that mid-20th century system*



# Major Point 1 of 4

***Because of the drop in sales taxes due to COVID-19, in FY 2021 the Town of Jackson has a \$4.8 million budget deficit (38% of anticipated revenues)***

- In FY21, the deficit is being met by using reserves
- The town does not have sufficient reserves to do this again in FY22 (which starts July 1, 2021)
- Between now and then, the town must cut expenditures by \$4.8 million, raise revenues by \$4.8 million, or do some of both



# Major Point 2 of 4

## *3 basic ways to reduce expenditures by \$4.8 million*

- Lay off 50 employees (38% of the town's 133 FTEs)
  - ▶ *In FY21, personnel will account for 74% of the town's expenditures*
  - ▶ *The mean cost/FTE is \$96,507*
- Eliminate all Non-core Service expenditures (in FY21 these = \$2.9 million) **PLUS** Core Services totaling \$1.9 million
  - ▶ *In FY21, Non-core Services include Parks & Rec (\$1.5 million), support for local Social Services agencies (\$0.9 million), & \$0.5 million in other funding*
  - ▶ *In FY21, Core Services expenditures total \$13.7 million: Public Works (\$1.9 million), General Government (\$4.9 million), & Public Safety (\$6.9 million)*
- Reduce Service Levels of Core Services
  - ▶ *Potential changes include:*
    - **Streets:** Plow and sweep less frequently; lower maintenance & repair standards
    - **Police & Fire/EMS:** Reduced service levels &/or slower response times
    - **Permits & applications:** Processed more slowly
    - **Environmental quality:** Allow more pollutants to enter local streams



# Major Point 3 of 4

## ***3 basic ways to increase revenues by \$4.8 million***

- Hope for a return to pre-COVID levels of taxable sales
  - ▶ *~75% of the Town of Jackson's general revenues are from sales taxes*
    - The town is more dependent on sales taxes than Wyoming is on hydrocarbons
  - ▶ *It's hard to imagine returning to pre-COVID levels of sales anytime soon*
- Implement a town-specific property tax of  $\leq 8$  mils
  - ▶ *8 mils would raise around \$3 million, still leaving a \$1.8 million hole*
  - ▶ *It is levied at Town Council's discretion (currently no town property tax)*
- Increase sales tax by 1%
  - ▶ *Tourists would pay at least half of this tax*
  - ▶ *At 50% of 2020 peak sales, this tax would raise \$3.7 million for the town. At 100% of 2020 peak, this tax would raise \$7.4 million*
    - For first 4 full months of pandemic, taxable sales were down 21%.
    - At this level of decline, the 7th cent would raise \$5.8 million/year
  - ▶ *Voters must approve a sales tax increase on November's ballot*





# Major Point 4 of 4

## ***The Town of Jackson's structural financial challenge: We are a 21st century community with a 20th century operating system/funding mechanism***

- The town's funding mechanism is little-changed from when the state established its local government funding mechanism in the mid-20th century
  - ▶ *The system was designed to fund Core Services and not much else*
  - ▶ *The system was well suited for Jackson's needs and economy of the 1960s and 70s, but not today's community*
  - ▶ *The current system doesn't reflect the local economy*
    - Taxable sales rely heavily on Retail, Lodging, Restaurants, Construction, and Auto Sales, ignoring huge categories of economic activity such as Services, Real Estate, and Investment Income
    - As a result, taxable sales produce around 3/5 of town and county general revenues, while accounting for only about 1/6 of local economic activity



# Major Point 4 of 4 (cont.)

## *The Town of Jackson's structural financial challenge: We are a 21st century community with a 20th century operating system/funding mechanism*

- As Jackson grows, changes, and becomes more sophisticated, the community has sought more and better Core Services
  - ▶ *In just the past decade or so, Jackson has added a great deal of infrastructure AND increased the quality of its Core Services*
    - E.g., snow plowing is more frequent and aggressive, ditto road and sidewalk repair and maintenance; Fire/EMS is more heavily staffed and equipped
    - The cost of these changes has outpaced sales tax growth
    - COVID has cast a harsh light on this unsustainable dynamic
- There is also the issue of depreciation...
  - ▶ *More services means more capital facilities and equipment*
    - SPET funds capital projects, but not their upkeep or depreciation
    - Depreciation of the town's capital assets has grown faster than revenues
    - Net result: another \$2.6 million needed annually to fully fund depreciation



# Major Point 4 of 4 (cont.)

## *The Town of Jackson's structural financial challenge: We are a 21st century community with a 20th century operating system/funding mechanism*

- As Jackson grows, changes, and becomes more sophisticated, the community has sought more and better Non-Core Services
  - ▶ *Jackson currently does things that typically only much bigger cities do:*
    - Long-range planning
    - Affordable housing
    - START
    - Support community health & human services; community events
  - ▶ *Additional things the community would like us to do include:*
    - Provide significant additional funding for community health & human services, affordable housing, and transit
    - Address other issues relating to Teton County having the nation's greatest income inequality
    - Actively engage in and support environmental stewardship



# Conclusion

***COVID-19 has brought to the surface a long-submerged problem:***

*Under its current funding system, the Town of Jackson cannot continue providing the quantity and quality of services it has been providing, much less the additional services our rapidly-growing and changing community desires.*

***If the 7th cent passes...***

*The town will be able to keep providing current Core Services at current levels and address other community issues.*

***If the 7th cent fails...***

*The town will be forced to make service cuts &/or look for new revenues*



# Conclusion (cont.)

## *More specifically...*

- If the 7th cent passes, the Town of Jackson will be able to do four things:
  - ▶ *Maintain or improve current levels of Core Services*
  - ▶ *Maintain or improve involvement in Non-Core Services*
  - ▶ *Begin or improve involvement in planning for and addressing the community's 21st century challenges*
  - ▶ *Better fund the depreciation of its assets*
- If the 7th cent fails, the Town of Jackson will have to close a budget gap of millions of dollars. In its direct control, the town has only three tools to make this happen:
  - ▶ *Service cuts (which will involve staffing cuts)*
  - ▶ *Service-level reductions (ditto)*
  - ▶ *Town-wide property tax*



# Conclusion (cont.)

## *How might the town use the 7th cent's extra revenue?*

- Short-term: Address the budget hole
  - ▶ *For FY21, the town prioritized retaining staff to keep Core Service levels high.*
    - A one-year fix: Draw on \$4.8 million in reserves, eliminate new capital funding
    - Not sustainable: Inadequate reserves, can't continue without capital funding, etc.
- Medium-term: Keep Core Service levels high; address depreciation shortfall
  - ▶ *Because of growth (population, business, tourism) and community's desire for increasingly high levels of service, costs are growing faster than revenues*
  - ▶ *To fully-fund the depreciation for the town's \$233 million in assets will require an additional \$2.6 million/year*



# Conclusion (cont.)

## *Using the 7th cent's extra revenue (cont.)*

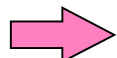
- Longer term: Meaningfully address the community's 21st century challenges
  - ▶ *Currently the Town of Jackson spends ~\$2 million/yr. total on the "Big 4" issues. To meaningfully address them, local agencies feel >=\$5 million/yr. more is needed from local govt. (estimates from local agencies)*
    - Human Services: >\$3 million/yr. to offset upcoming WY state cuts
    - Affordable Housing: >\$2 million/yr. for 5-10 years
    - Public Transportation: >\$1 million/yr. for federal funding matches
    - Ecosystem Health: >\$1 million/yr. for research, programs, etc.
- And even longer-term: As Jackson Hole continues to evolve from a remote, seasonal tourism outpost to a globally-connected, lifestyle-driven 21st century community, residents will look to local government to address new challenges.
  - ▶ *Which will take money...*



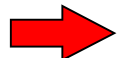
# Conclusion (cont.)

***To meet the needs of our 21st century community, the 7th cent is the best tool available to the town***

- The 7th cent is not a perfect tool
  - ▶ *It's regressive*
  - ▶ *It doesn't reflect the local economy*
    - Sales tax is paid on perhaps 1/6 of all local economic activity
    - E.g. annual real estate sales roughly equal all retail, lodging, and restaurant sales *combined*
- That noted, given the significant limitations of our 20th century operating/funding system – limitations that only the Wyoming state government can change – the 7th cent is the best tool available to the Town of Jackson



▶ *It raises the most money*



▶ ***Tourists pay at least half of the taxes generated***



– Town of Jackson residents and businesses pay 100% of every other funding mechanism currently available to the town

