



Annual Report to the Community

City of South Jordan, Utah

For the Fiscal Year Ended June 30, 2015

Purpose	1
Elected Officials	2
Financial Summary	3
Accomplishments	4
Where the Money Comes From	6
Sales Tax	7
Property Tax	8
Where the Money Goes	9
What We Owe	11
Glossary	12

PURPOSE OF REPORT

The Annual Report to the Community, also known as a Popular Annual Financial Report (PAFR), is an unaudited summary report of the financial activities of the City and is prepared primarily from detailed information contained in the City's 2015 Comprehensive Annual Financial Report (CAFR), with selected information from CAFRs prepared for earlier years. Information is also derived from the City's fiscal year 2016 budget.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and includes audited financial statements. As such, it provides much more detail as well as full disclosure of material events, both financial and non-financial. The GAAP presentation also includes the City's component units (related organizations) and information on individual funds.

The information in the CAFR by its nature can be technical and complex and as such not as useful to citizens wishing to gain an overview of the City's finances. The PAFR has been prepared to simplify the information in the CAFR and better inform the public about the overall financial condition of the City, without the heavy use of technical accounting terms or excessive detail. The PAFR is not intended to provide a complete financial picture of the City in accordance with GAAP.

Questions or feedback concerning any of the information provided in this report should be directed to the City's Finance

Department via mail to 1600 West Towne Center Drive, South Jordan, UT 84095, via e-mail to kmaurer@sjc.utah.gov, or via telephone at (801) 254-3742.

The City's financial reports are available on the City's website at:

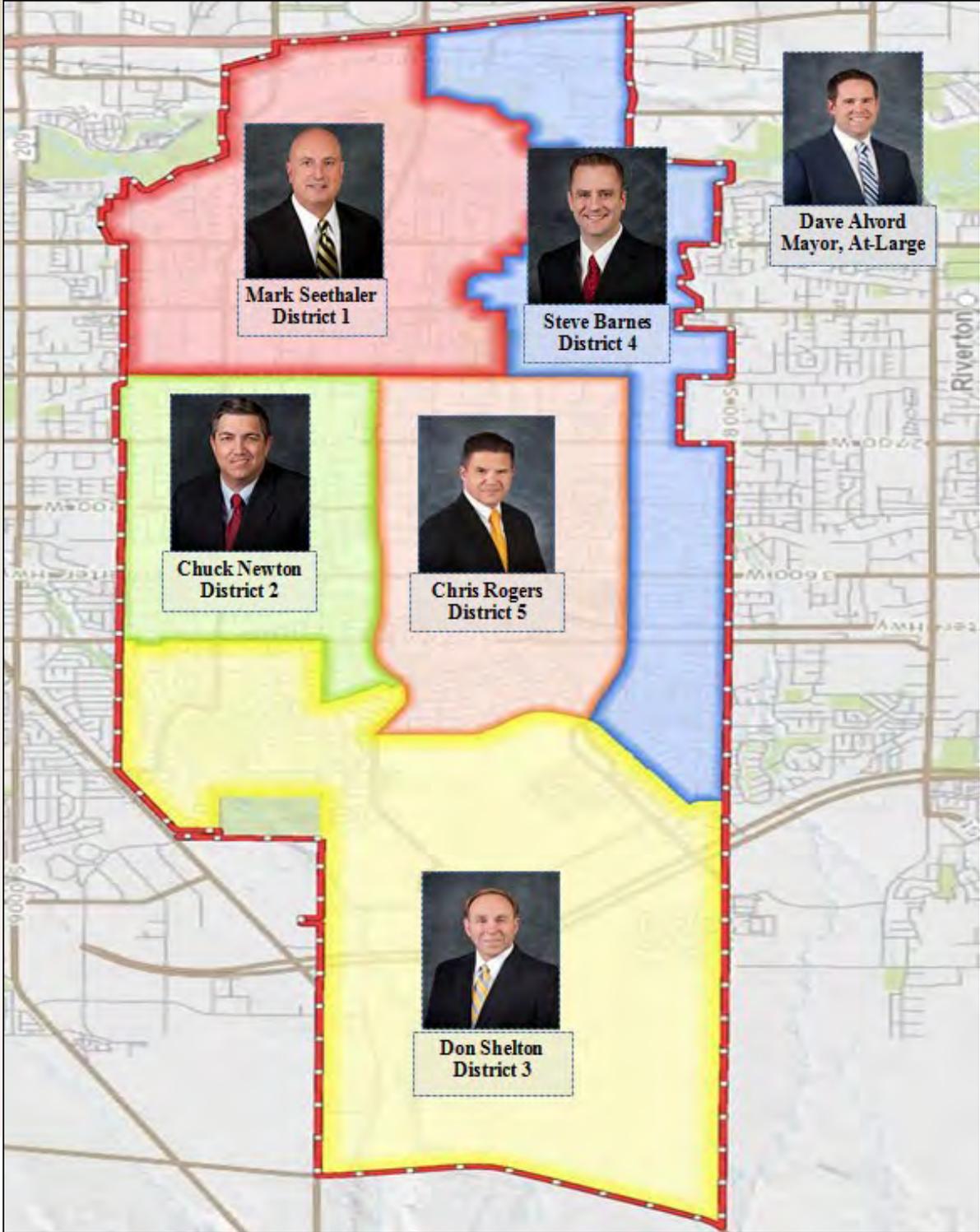
<http://www.sjc.utah.gov/finance/asp#reports>

FAST FACTS

Population	65,150
Median Household Income	\$86,775
Median Age	30.1
Full-Time Equivalent Employees	333.59
Land Area (Square Miles)	22.26

Elected Officials

Mayor—David Alvord
Councilman—Mark Seethaler
Councilman—Chuck Newton
Councilman—Steve Barnes
Councilman—Chris Rogers
Councilman—Don Shelton



FINANCIAL TRENDS

The City is continuing to see a strong local economy. There is still increased interest in both residential and commercial development, even though building permit revenue fell 31 percent from fiscal year 2014. This decrease is mainly due to an extraordinary number of commercial projects started in the prior year. The U.S. Census Bureau recently named South Jordan the fifth fastest-growing City in the nation from July 2013 to 2014.

Overall general fund revenues rose 3 percent (the general fund is the main operating fund for the City), led by an increase in sales tax collections of 12 percent. This increase in sales tax collections allowed the City to reduce property taxes by 2 percent during the fiscal year. In addition, the municipal energy franchise tax rate was reduced 0.5 percent with the fiscal year 2016 budget.

The City remains cautious and committed to conservative budgeting practices due to national indicators leaning towards slow growth and the Zions Bank Consumer Attitude Index decreasing 9 points.

Overall general fund expenditures increased \$2 million, or 6 percent. This increase is due to: 1) Moving the Cemetery function to the general fund, 2) Payment of water used in City parks to the water fund, 3) Capital lease payments for public safety vehicles, 4) a 3 percent merit salary increase, and 5) Purchase of public

safety vehicles. Increased expenditures were not due to a material increase in staff.

FINANCIAL AWARDS

Number of Certificate of Achievement for Excellence in Financial Reporting	29
Number of Distinguished Budget Presentation Awards	22
Number of Outstanding Achievement in Popular Financial Reporting	2

**Awards are from the Government Finance Officers Association*

RESERVES

The City recognizes adequate reserves are necessary to ensure the City's fiscal sustainability and to "cushion" the City in the event of an economic downturn. As a larger percentage of the City's revenue becomes sales tax (instead of property tax), it will be important for the City to have adequate reserves since sales tax is not as stable of a revenue source.

In December 2015, the City Council passed Resolution R2015-81, which gives the City a path to achieving the maximum amount of reserves allowed under state law (25 percent). At June 30, 2015, the City's general fund reserve totaled \$6,788,567, or 17 percent of fiscal year 2016 general fund revenues. An additional \$500,000 will be contributed from fiscal year 2015's surplus, bringing the total to \$7,288,567, or 18 percent of next year's budgeted revenues.

2015 Accomplishments

The City Council adopted 6 goals and 12 priorities to support the mission of the City of South Jordan. Of the 77 action items identified, 37 were completed, 31 were in progress, and 9 were deferred at fiscal year end. These goals, along with major completed action items, are below:

FISCAL RESPONSIBILITY—The City should have a balanced budget, healthy reserve fund, manageable debt, sustainable spending, and a municipal tax rate only necessary to provide services citizens desire.

- ⇒ Property taxes reduced by 2 percent
- ⇒ Priority based budgeting implemented
- ⇒ Employee compensation committee established
- ⇒ Prepared a reduction plan for the municipal franchise energy tax

BALANCED REGULATORY ENVIRONMENT—Planning and zoning regulations should encourage a well-maintained and aesthetically pleasing environment that contributes to resident satisfaction and promotes economic development.

- ⇒ Prepared affordable housing plan
- ⇒ Hired a full-time attorney for planning-related items
- ⇒ Conducted development impact cost model
- ⇒ Completed wall at 4800 West 10200 South

SUSTAINABLE GROWTH—Commercial development contributes to economic stability, residential opportunities, and educational excellence. Residential development supports landowner rights, land use planning, neighboring developments, and quality of life. Civic development needs to progress in harmony with our community.

- ⇒ Conducted school district feasibility analysis
- ⇒ Hired a full-time water conservation specialist
- ⇒ Developed an effective general re-use water agreement
- ⇒ Widened 11400 South at 4000 West

- ⇒ Completed UTA circulator study
- ⇒ Completed sidewalk at 9800 South Jordan Gateway
- ⇒ Conducted public process to evaluate the Forest City (South Jordan Gateway study) plan.

ENGAGED COMMUNITY—A framework exists for open and effective dialogue between residents, City staff, and elected representatives. Attractive community activities are successfully hosted year-round. Residents are well informed and engaged in community issues.

- ⇒ Implemented citywide social media policy
- ⇒ Hired a full-time communications professional
- ⇒ Evaluated software needs for effective communication

DESIRABLE AMENITIES AND OPEN SPACE—The City has beautiful and extensive parks, open spaces, and amenities to support a wide variety of recreational opportunities.

- ⇒ Supported efforts for a successful ZAP (Zoo, Arts, and Parks) reauthorization and project development
- ⇒ Replaced playground equipment at Bolton Park
- ⇒ Completed softball and baseball field renovations

OPERATIONAL EXCELLENCE—Residents receive fair process for services, high customer service, quick response times, open communication, innovation, and fiscal responsibility.

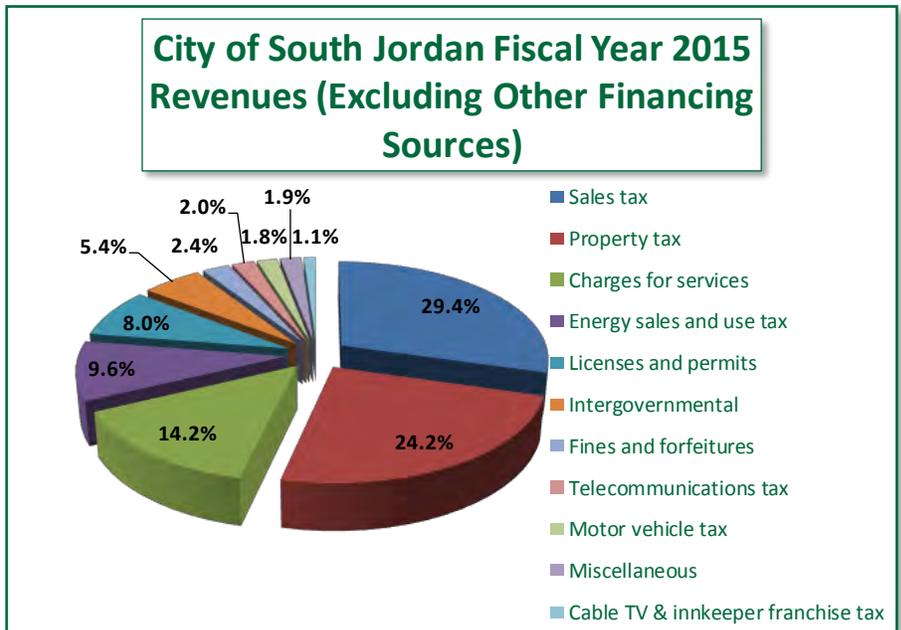
- ⇒ Gale Center facility improvements
- ⇒ Completed City Hall roof repairs
- ⇒ Fire station 61 facility improvements
- ⇒ Completed phase I of Advanced Meter Infrastructure (AMI)
- ⇒ Completed storage facility improvements for the Municipal Services building
- ⇒ Police department accreditation
- ⇒ Storm drain replacement—Riverwalk subdivision
- ⇒ ERP software implementation phase I (core financials)

Where The Money Comes From

City of South Jordan				
Fiscal Year 2015 and 2014 General Fund Revenues and Other Financing Sources				
Category	2015 Amount	Percent	2014 Amount	Percent
Sales tax	\$ 10,909,154	29.4%	\$ 9,682,273	27.1%
Property tax	8,957,573	24.2%	8,863,046	24.8%
Charges for services	5,276,876	14.2%	5,347,955	14.9%
Energy sales and use tax	3,567,464	9.6%	3,530,287	9.9%
Licenses and permits	2,947,782	8.0%	3,434,674	9.6%
Intergovernmental	1,982,302	5.4%	1,891,314	5.3%
Fines and forfeitures	902,968	2.4%	785,586	2.2%
Telecommunications tax	739,525	2.0%	730,271	2.0%
Motor vehicle tax	667,860	1.8%	674,298	1.9%
Miscellaneous	699,619	1.9%	488,546	1.4%
Cable TV & innkeeper franchise tax	399,327	1.1%	362,905	1.0%
Total Before Other Financing Sources	\$ 37,050,450	100.0%	\$ 35,791,155	100.0%
Transfers in from other funds	8,818		822,451	
Capital lease proceeds	1,385,000		665,000.00	
Sale of capital assets	2,404		6,197	
Total After Other Financing Sources	\$ 38,446,672		\$ 37,284,803	

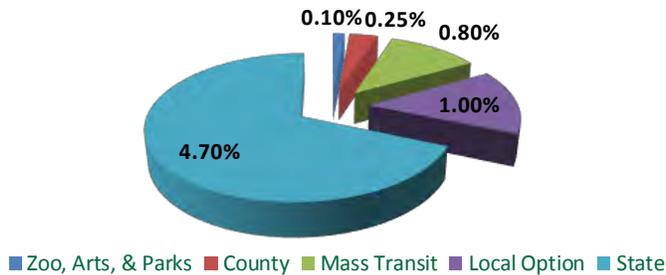
The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. The City is funded through two basic categories of revenue: taxes and fees. Tax revenue is primarily used to pay for services provided to the public in general such as police, fire, streets, and parks.

The City also provides services that benefit specific groups of citizens for which a specific fee is charged which is intended to pay for all or part of the costs incurred.



Sales tax is the largest source of revenue in the general fund. Of the total 6.85 percent collected by the State Tax Commission on sales within South Jordan, one percent is allocated for distribution to local governments. The remaining 5.85 percent is distributed to the state of Utah (4.7 percent), mass transit (0.8 percent), Salt Lake County (0.25 percent), and Zoo, Arts, & Parks (ZAP) (0.1 percent).

Distribution of Salt Lake County Sales Tax



The City has seen a substantial increase in sales tax revenue over the past ten years, going from \$4.9 million in 2006 to \$10.9 million in 2015. As the City’s population increased faster than the general state population, the City received a greater percentage of the amount allocated to local governments (the City, however, does not receive the full 1 percent allocation due to how the state formula is calculated). In addition, the City has been committed to increasing commercial development.

Ten Year Historical Sales Tax Trend



Increases in sales tax revenue have allowed the City to not raise property taxes since 2007. Actually, the City decreased property taxes 2 percent with fiscal year 2015’s budget. Since property tax does not have built-in inflationary measures (such as cost of living increases), other revenue sources are necessary to cover natural inflationary pressures the City faces as it provides services to citizens and the community.

SALES TAX FAST FACTS

Percentage of general fund revenue	29% (same as 2014)
Distribution of local option (1%)	0.5% based on percentage of statewide population, 0.5% direct to City
Sales tax increase from fiscal year 2014	12.7%

Property Tax

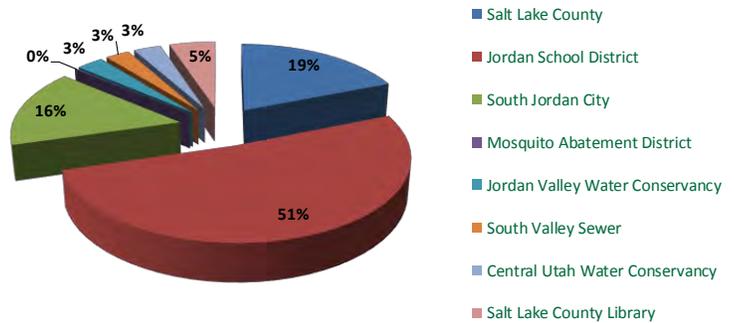
Property tax is the second largest source of revenue in the general fund (after sales tax). The value of property is determined by the Salt Lake County Assessor's Office.

State statutes require each year a certified tax rate be calculated. This certified rate is the rate

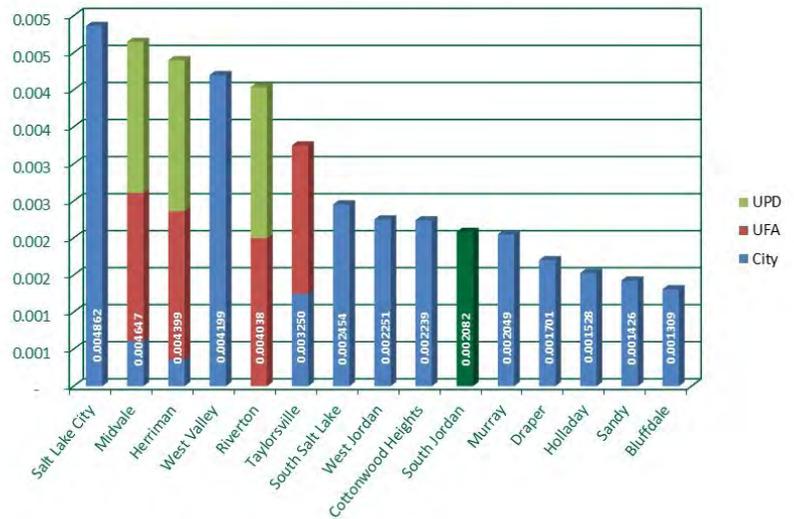
which will provide the same amount of property tax revenue as was charged in the previous year excluding the revenue generated by new growth. If the City determines it needs greater revenues than the certified tax rate will generate, the City will undergo a process called "Truth in Taxation." The Truth in Taxation statute requires an entity to go through a series of steps which include proper notification of the proposed tax increase and a public hearing. The City has not undergone "Truth in Taxation" since 2007.

Actual property tax paid by residents may vary by year depending on many factors. One factor is the assessed value of a property relative to other properties in the same tax district. Another factor is if individual taxing entities (such as Salt Lake County, Jordan School District, etc.) have raised or lowered their tax rates.

Distribution of Property Tax Paid by South Jordan City Property Taxpayers



Property Tax Comparison - Calendar Year 2015



PROPERTY TAX FAST FACTS

2015 vs. 2014 South Jordan tax rate	0.002082 (2015), 0.002210 (2014)
2014 total tax paid \$300K home/amount to South Jordan	\$2,202/\$344 (last year \$2,289/\$365)
Percentage of total taxes to South Jordan	15.6% (last year 15.9%)

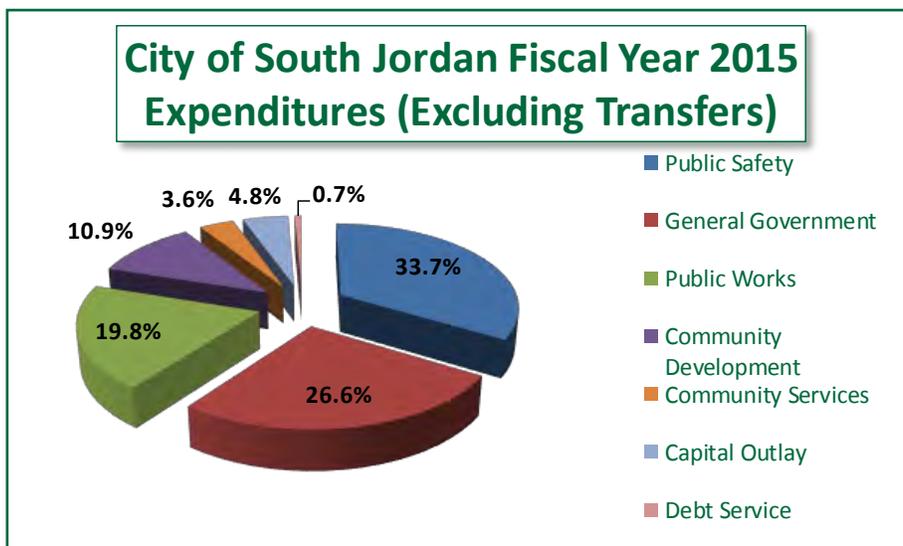
City of South Jordan Fiscal Year 2015 and 2014 General Fund Expenditures				
Category	2015		2014	
	Amount	Percent	Amount	Percent
Public Safety	\$ 10,857,414	33.7%	\$ 10,364,496	35.8%
General Government	8,564,967	26.6%	8,890,914	30.7%
Public Works*	6,380,786	19.8%	3,710,462	12.8%
Community Development	3,521,605	10.9%	3,463,734	12.0%
Parks, Recreation, and Culture**		0.0%	1,810,343	6.2%
Community Services**	1,165,684	3.6%	-	0.0%
Capital Outlay	1,537,556	4.8%	588,617	2.0%
Debt Service	225,707	0.7%	150,472	0.5%
Total Before Transfers	\$ 32,253,719	100.0%	\$ 28,979,038	100.0%
Transfer Out - Capital Projects Fund	\$ 5,557,450		\$ 6,546,087	
Transfer Out - Debt Service Fund	438,426		537,399	
Transfer Out - Fitness Center	-		67,273	
Total After Transfers	\$ 38,249,595		\$ 36,129,797	

* Public Works includes both the cemetery and parks departments in 2015
 ** Parks was reported with Public Works; recreation and culture was reported with Community Services for 2015

In the General Fund (the City's main operating fund), revenues are spent on public safety, general government (such as administration, finance, justice court, legal, etc.), public works, community development, community services, capital equipment (such as police vehicles and fire equipment), and capital lease payments. In addition, revenues are transferred to other funds to pay for capital projects and debt service (bonds).

Overall, general fund expenditures

increased 6 percent due to personnel merit and COLA increases, the purchase of public safety vehicles, and moving the Cemetery function to the general fund. The City is committed to remaining fiscally conservative and is always exploring ways to provide excellent services to stakeholders at the most efficient cost.

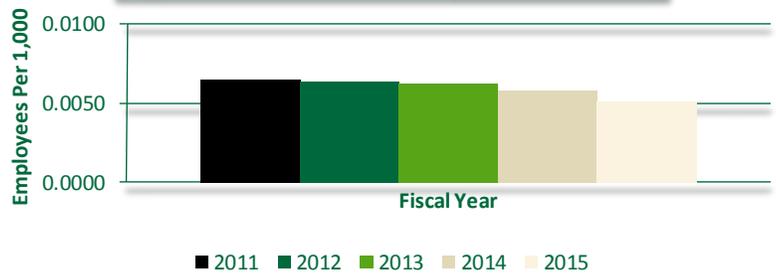


Where the Money Goes

City of South Jordan Fiscal Year 2015 and 2014 General Fund Expenditures by Type				
	2015 Amount	Percent	2014 Amount	Percent
Wages & Salaries	\$ 22,441,021	69.6%	\$ 21,605,391	74.6%
Operating Expenditures	6,585,845	20.4%	5,458,291	18.8%
Materials & Supplies	1,463,340	4.5%	1,176,267	4.1%
Capital Expenditures	1,537,806	4.8%	588,617	2.0%
Capital Lease Payments	225,707	0.7%	150,472	0.5%
Total Before Transfers	\$ 32,253,719	100.0%	\$ 28,979,038	100.0%

Personnel services make up the largest portion of the General Fund’s expenditures. Because of this, the City carefully manages personnel expenditures and strives to use personnel resources as efficiently as possible. As illustrated in the chart to the right, the number of full-time equivalent employees per 1,000 population has been steadily decreasing over the past 5 years.

**City of South Jordan
Number of Employees Per 1,000
Population**



As the City’s population continues to grow, it will be necessary to add employees to provide high-quality services to the City’s residents and other stakeholders.

Materials & supplies include those items that allow City employees to “do their job,” such as equipment supplies & repairs, training, memberships, office supplies, and facility repair & maintenance. Operating expenditures include everything not categorized separately above. Some of the larger expenditures include public safety dispatch expense, transportation maintenance & improvements, snow removal, crack sealing, and street striping.

DID YOU KNOW?

The services provided by the City, by their nature, are labor-intensive. Good examples include police and fire protection (which make up 33 percent of the City’s full-time equivalent workforce) and parks & recreation (14.6 percent of the City’s full-time workforce). As mentioned earlier, the City carefully manages personnel & benefit costs.

As of June 30, 2015, the City's long-term obligations totaled \$57,127,837, which is made up of \$31,926,092 for governmental activities and \$25,201,745 for business-type activities. Of this total, \$7,446,834 is due in fiscal year 2016. The long-term obligations of the City include bonded debt pledged by specific revenue sources (such as sales tax and RDA tax increment), capital leases, employee compensated absences (accrued vacation and compensatory time), and claims & judgments.

City of South Jordan Debt Outstanding as of June 30, 2015						
	Governmental Activities		Business-Type Activities		Total	
	Amounts Due		Amounts Due		Amounts Due	
	Payable At June 30, 2015	Within One Year	Payable at June 30, 2015	Within One Year	Payable at June 30, 2015	Within One Year
Sales Tax Bonds	\$ 15,050,000	\$ 1,130,000	\$ -	\$ -	\$ 15,050,000	\$ 1,130,000
Special Assessment Bonds	1,957,000	628,000	-	-	1,957,000	628,000
RDA Tax Increment Bonds	5,179,000	967,000	-	-	5,179,000	967,000
MBA Lease Revenue Bonds	5,660,000	555,000	-	-	5,660,000	555,000
Water Revenue Bonds	-	-	25,075,000	2,250,000	25,075,000	2,250,000
Capital Lease	1,683,443	680,335	-	-	1,683,443	680,335
Compensated Absences	1,635,279	1,005,198	126,745	79,027	1,762,024	1,084,225
Claims & Judgements	761,370	152,274	-	-	761,370	152,274
Total Long-Term Obligations	\$ 31,926,092	\$ 5,117,807	\$ 25,201,745	\$ 2,329,027	\$ 57,127,837	\$ 7,446,834

Below is a table comparing South Jordan City's debt ratios to other municipalities within Salt Lake County. Smaller cities and cities that contract out many of their services were excluded in order to provide a more meaningful comparison.

Debt Ratio Comparison to Salt Lake Valley Municipalities												
	Salt Lake City*	Midvale	West Valley	Draper	Riverton	Herriman	Sandy*	South Salt Lake	South Jordan 2015	South Jordan 2014	West Jordan	Murray
Governmental activities debt per capita	\$ 1,722	\$ 1,120	\$ 987	\$ 964	\$ 869	\$ 675	\$ 674	\$ 656	\$ 456	\$ 543	\$ 227	\$ 162
Total governmental activities debt as a % of estimated value of property	1.30%	1.33%	2.44%	0.74%	1.05%	0.88%	0.64%	0.65%	0.41%	0.49%	0.30%	0.12%
Total City debt per capita	2,540	1,849	1,058	1,052	1,118	1,401	758	736	850	1,117	279	509
Total City debt as a % of personal income	5.33%	8.90%	5.90%	3.33%	4.16%	3.52%	1.34%	6.95%	2.86%	3.35%	0.66%	1.18%

Source: Fiscal year 2015 CAFR for each City
* Data based on fiscal year 2014 CAFR, 2015 CAFR not available at time data was collected

The City uses multiple funding sources to fund debt service payments. These funding sources may be different from the revenue pledged in the bond covenants. Below is a summary of funding sources for each debt type:

City of South Jordan Funding Source by Debt Type	
Debt Type	Funding Source
Sales Tax Bonds	Sales taxes, RDA tax increment, impact fees, reimbursement
Special Assessment Bonds	Developer assessment
RDA Tax Increment Bonds	RDA tax increment
MBA Lease Revenue Bonds	RDA haircut
Capital Lease	Fleet equipment fund
Compensated Absences	General fund revenues (majority)
Claims & Judgements	General fund revenues (majority)
Water Revenue Bonds	Water user fees, impact fees

BUSINESS-TYPE ACTIVITIES—The City’s activities that are funded primarily through user charges. Business-type activities include water operations, Mulligans Golf and Games, and sanitation. These areas are designed to be self-supporting and do not use general tax revenue.

CLAIMS AND JUDGMENTS—The amount of claims and judgments the City is liable for as of June 30, 2015. The City pays these incurred claims back to the City’s insurance carrier over 5 years at zero percent interest.

COMPENSATED ABSENCES—Under generally accepted accounting principles, the City is required to accrue employee’s earned time off for vacations and compensatory time.

DEFINED BENEFIT PLAN—A type of pension plan where a sponsoring agency promises a specified monthly benefit on retirement. The City and employee both make defined benefit contributions to Utah Retirement Systems (www.urs.org).

FUND—A self-balancing set of accounts, segregated for specific purposes in accordance with laws and regulations or special restrictions and limitations.

GENERAL FUND—The chief operating fund of the City; accounts for all financial resources not accounted for and reported in another fund.

GENERAL OBLIGATION BONDS—A form of government debt that is backed by the full faith and credit of the government.

GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) - Organization whose mission is to promote the professional management of governments for the public benefit by identifying and developing financial policies and best practices and promoting their use through education, training, facilitation of member networking, and leadership.

GOVERNMENTAL ACTIVITIES—Functions of the City that are funded primarily through taxes and intergovernmental revenues. User charges do not fund a significant amount of the functions.

PER CAPITA PERSONAL INCOME—An estimate of an individual’s income from all sources for all individuals residing in the City of South Jordan, calculated from data provided by the Utah State Tax Commission.

UNASSIGNED FUND BALANCE—Generally accepted accounting principles require fund balances to be segregated according to constraints or restrictions in place. Unassigned fund balance in the General Fund has the least amount of constraints.

TOP 5 EMPLOYERS IN SOUTH JORDAN

- Merit Medical
- Jordan School District
- Ultradent
- Extend Health
- Walmart Supercenter