

Budget Summary

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KEY MANAGEMENT PRACTICES

Governmental budgeting allocates resources to public services and projects. Because it determines the total amount of taxes levied and on whom, governmental budgeting also allocates the burden of taxation. South Jordan City defines a balance budget as inclusive of transfers and use of fund balance, revenues shall equal expenses/expenditures. Budgeting balances the resources drawn from the public against the demand for services and projects, keeping taxes within acceptable limits and ensuring services are sufficient to allow for economic growth and social stability. Budgeting helps policy makers set goals, assist program managers and department heads to improve organizational performance, and ensures that both the elected and appointed officials are accountable to the public.

Budget guidelines are essentially policy statements that provide a sense of the budgetary environment. Budget guidelines and Financial Policy Statements address the budget's scope, definitions of balance, maintenance of reserves, and the assignment of roles to various budgetary participants. The following formal policy statements are presented to establish the financial goals of the organization and the principles that will govern budget deliberations.

- **Fiscal Procedures:** The City of South Jordan budget process complies with the Utah Fiscal Procedures Act and Generally Accepted Accounting Principles. The City seeks to, and thus far has been successful in qualifying for the annual Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting, and maintains its records based upon guidelines of that organization.
- **Basis of Budgeting:** The City's budget is based on the modified accrual basis of accounting for its governmental and proprietary funds. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available and qualify as current assets and expenses are recorded when the related liability is incurred.
- **Fund Accounting:** The City follows principles of fund accounting for all governmental funds, where each fund is defined as a separate accounting entity. Each fund is a self-balancing set of accounts established for the purpose of carrying out specific activities in accordance with clearly defined restrictions and/or limitations. For enterprise funds, the City follows principles of full accrual accounting as required by GAAP.
- **Investment Policy:** The City's investment policy is to secure its assets by collateralizing investment and money on deposit. In its investments, the City also seeks to maintain a sufficiently liquid position so that cash is available as needed for operating expenses. Within the framework of these two policies, the City seeks to maximize its yield from investments. All investments are made in strict conformance with the Utah Money Management Act, which governs the investment of public funds.
- **Revenue Stabilization Reserves (rainy day funds):** The City of South Jordan will maintain a revenue stabilization reserve at a level equal to 18% of the General Fund budgeted revenues as established by law. Funds in excess of 18% may be retained, if they are earmarked for specific future capital projects.
- **One Time Revenues:** A local government that becomes dependent on one-time revenue, or on a source of revenue that will soon disappear, can, in essence, create deficits for itself. The City of South Jordan will utilize one time or temporary funds to obtain capital assets or to make other nonrecurring purchases. Otherwise, strategic planning to earmark replacement revenue must be identified at the onset.
- **Debt Affordability:** Whereas Utah Law provides wide parameters for limitation on debt, the City of South Jordan will establish a limit on the amount of general fund revenue which can

be used toward debt service not to exceed 7% of the total general revenue. Under Utah law, the City will also impose limits for general obligation debt not to exceed 12% of total assessed property value. Of the 12%, a maximum of 4% may be used for general purpose, with the remaining 8% and any unused portion of the 4% available for water, sewer, and electrical projects.

- **Twenty-Year Budget Model:** The City will develop and maintain a comprehensive twenty-year budget model. This model will be updated on a yearly basis and will assist the City in making financial decisions regarding long-term revenue and expenditure needs.
- **Capital Improvement Plan:** The City will develop and implement a five-year capital improvement plan, which will require the City to anticipate long term needs. The five-year capital improvement plan will determine the capital improvement priorities, provide for the budget of current year projects, and provide for the forecasting and anticipation of future year expenditures.
- **Capital Needs Financing:** The City of South Jordan will, where possible, and in accordance with the adopted Capital Improvement Plan and Impact Fee Study, employ pay-as-you-go financing to save interest expenditures, preserve debt capacity for future borrowing, and not encumber future budgets with mandatory debt service expenditures. Exceptions to this practice will be for capital expenditures, which are determined to be time sensitive for purposes of public health, safety, welfare, or for economic gain.
- **Capital Expenditures:** All capital projects planned and budgeted for in any given fiscal year will have funding identified and proven to be available. This means that all projects are subject to funding already received in prior fiscal years. Funds that are earmarked for receipt during the current fiscal year will not be utilized for current year expenditures. This policy will enable the City to avoid the expenditure of funds before they are received. The only exception to this policy may provide for the use of certain impact fee expenditures wherein it is prudent to use them for current year expenditures. In any event, only funds collected, not anticipated, will be utilized.
- **Capital Equipment:** The City of South Jordan has established a fund for the renewal and replacement of capital equipment associated with the City's fleet and information services. The City will allocate .1% of commercial building valuations in the City for this purpose as determined from the Bond Certificate Worksheet provided by the Salt Lake County Assessor's Office. Eighty percent of these funds will be allocated to fleet and twenty percent will be allocated to information services.
- **Building Fund:** The City of South Jordan shall establish a fund for building improvements, renovations, or new construction.
- **Fees:** The City of South Jordan shall review fees annually to assure that fees reflect the actual cost of service delivery.
- **Enterprise Funds:** In general, Enterprise Funds should be self-supporting if (1) the benefits largely accrue to the users of the service, (2) collecting a fee from the end user is administratively feasible and (3) pricing the service at its full costs will not cause end users to take actions that are more costly than the revenues obtained through service charges. In such cases, subsidizing the service through general tax revenues is more efficient than trying to make it self-supporting. Each Enterprise Fund shall be balanced. All funds shall be required to recover 100 percent of their non-bonded costs through a five-year projection period; the overall objective of all enterprise funds is self-sufficiency.

- **Inter-Fund Borrowing / Transactions Defined:** a) Percentage transfers to the General Fund are justified as returns on investments or as overhead charges assessed to the enterprise activity for the indirect costs incurred by the General Fund in administering the activity. b) Inter-Fund borrowing may occur during the budget year as a cash management measure. It allows a surplus in one fund to be used to offset a shortfall in another. However, inter-fund borrowing should be kept to a minimum. First, so that anyone reading the financial report can understand what spending is being funded by what revenue sources, and secondly, to prevent the use of inter-fund borrowing to disguise deficits. c) Inter-fund transactions are one of the potential trouble spots in financial accountability. Such transactions can muddy the waters and make it difficult to determine what the money was actually spent for. The extensive use of inter-fund transactions can create difficulty in the City's ability to monitor the budget and track expenditures. Inter-fund transactions that do occur shall be clearly identified and labeled.
- **Inter-Fund Borrowing / Transactions Policies:** a) Administration fees charged by the general fund to the City's enterprise funds will be charged based on direct and allocated costs. These fees will be reviewed and adjusted annually. b) Inter-fund borrowing shall only occur in an emergency status situation where reserves are insufficient to meet projected needs. Inter-fund borrowing must be approved by the City Council. c) Inter-fund transfers should only occur once per funding source and must be identified as to the specific purpose of the expenditure. No transfers shall be made as a contribution to a fund balance, which has not been earmarked for a specific project. d) Inter-fund transfers shall have a set timeline for remittance to the fund from which funds are transferred.
- **Personnel Planning:** The City will develop and implement a five-year personnel plan detailing future employment needs, salary and benefits planning, and detailed support cost. Further the City has established a 77/23 "rule of thumb" for the General Fund whereas the City will maintain a spending ratio of 77% for personnel and 23% for operations.
- **Employee Benefits:** The City will review employee benefits on a yearly basis to determine the level of benefits which can be provided in accordance with budget availability.
- **Risk Management:** The City is one of twenty-nine (29) members of the Utah Risk Management Mutual Association (URMMA), an organization created to provide self-funded liability insurance to municipalities. URMMA has well-defined standards, which its participating cities are asked to follow to minimize their insurance risks. The City operates a risk management and loss prevention program to minimize losses.
- **Budget Flexibility:** a) Budget transfers (non-personnel related) between accounts within a department budget requires City Manager's authorization. This authorization is currently granted to Cabinet Staff and Department Heads by executive order and may be withdrawn as warranted. b) Budget transfers between departments, but within the same fund, requires only the City Manager or Chief Operating Officer authorization. c) Budget transfers between funds require City Council approval.
- **Overspending Prevention:** The City Manager shall have authority to move line items to a "frozen appropriation" status or seek appropriate cuts when economic developments so dictate (should revenues fail to keep pace with recommendations). No project requiring funding shall be approved by the City Council unless funding has been identified and proven available.
- **Financial Reporting (General):** The City of South Jordan provides for the preparation of monthly financial reports reflecting the operations of individual funds. Such reports contain information by which, City Management, can manage city departments and services effectively. These reports are in part, designed to alert impending shortfalls in revenues or

overruns in expenditures. The City will monitor revenues against expenditures. Additionally, an independent audit will be performed annually per the provisions of Utah State Law.

➤ **Financial Reporting (Specific):** A financial report shall be provided monthly, that compare budgeted with actual amounts of revenues and expenditures to date. This report shall include the following information:

- ❖ Fund Balance
- ❖ Outstanding Claims
- ❖ CIP Project Budget
- ❖ Sales Tax Revenue
- ❖ Property Tax Revenue
- ❖ Franchise Fee
- ❖ Impact Fund Balance Report

REVENUE and TAXATION

The General Fund is the City of South Jordan's primary operating fund. It accounts for all financial resources of the general government, except for 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 to provide that service. The City follows the revenue policies listed below:

REVENUE POLICIES

- Estimate revenues conservatively to avoid unexpected deficits.
- Not allow the use of one-time revenue to fund ongoing services.
- Aggressively collect all revenues or taxes due.
- Annually review user fees, impact fees, license and permit fees, and special assessments:
 - To determine that all long-term service costs are not being subsidized by general revenues or passed on to future generations of taxpayers.
 - To determine the subsidy level of some fees.
 - To consider any applicable new fees.
- Maintain a stable tax rate. Generally, taxes should not be increased unless:
 - Inflation has clearly forced operating costs upward faster than tax growth.
 - New services are instituted to meet citizens' needs.

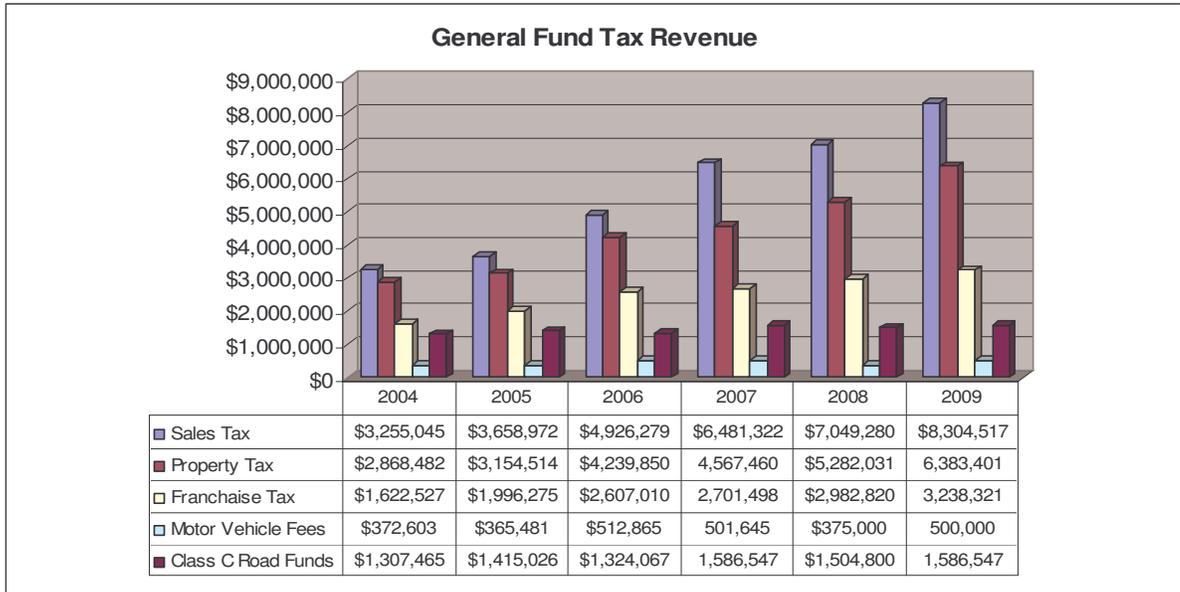
REVENUE ANALYSIS

User Fees – User fee revenue will be discussed in the section corresponding to the department that provides the serviced funded by the fee. User fees are based on an analysis of how much of the cost should be covered by the fee versus how much should be subsidized by general taxes and revenue. Factors considered in the analysis include:

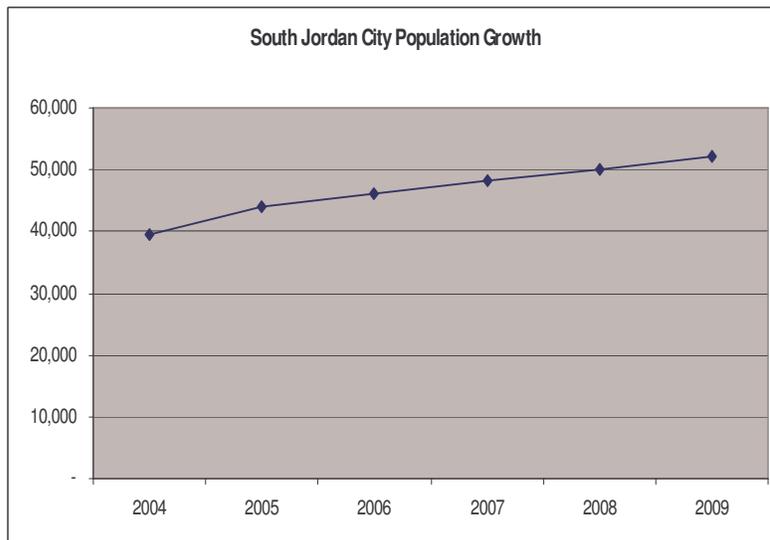
- How the fees compare with those charged by other cities.
- Whether the service benefits the general public versus an individual user.
- Whether the same service can be offered privately at a lower cost.

General Taxes & Revenue – The remainder of this section will provide information on the major tax revenue sources used to fund the City's general government services. Each source will provide information on:

- How the tax is calculated,
- Significant trends,
- Underlying assumptions for the revenue estimates, and
- A look at how the City of South Jordan's taxes compare with similar jurisdictions.



The above chart shows the six year trend for those revenue sources classified as taxes, as well as receipts for state road funds. In total these six sources comprise 69% of general fund revenue. It is important to maintain balance among major revenue sources as sales tax revenue fluctuates more with the economy than other revenue sources. Per the above chart, South Jordan is increasing revenues from both sales tax and property tax while maintaining a healthy balance between the two. Franchise taxes have increased over the years due to the growth of the City and the implementation of a telecommunication franchise fee for wireless utilities. Each of these revenue sources will be described in more detail in the following sections.



While the above chart depicts revenue growth, the graph to the left displays the population growth for corresponding years. The two rates grew at 16% and 4% respectively over the past year.

SALES TAX

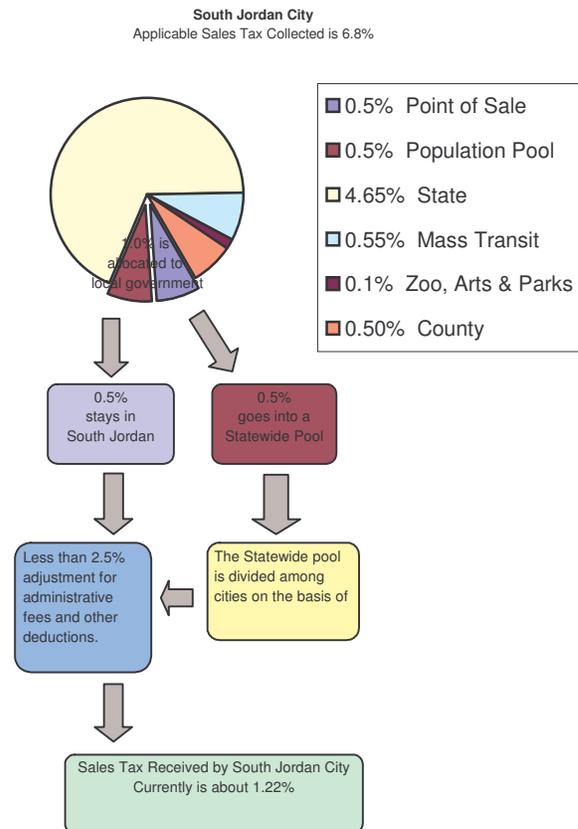
Sales tax is the largest revenue source for South Jordan City, consisting of approximately 29% of the overall general fund revenues. Distribution of sales tax revenues is established by state law based on the process described below. The Finance Council uses a qualitative method to forecast sales tax revenues, making assumptions about each of the relevant factors in the distribution model. Trends in each of the relevant factors were analyzed as follows:

State Law – The Legislature continues to reduce the rate of sales taxes as part of tax reform. The state sales tax on unprepared food is in the second year of a three year rate reduction. This tax was lowered from 4.75 percent in 2006, to 2.75 percent in 2007, and will be lowered to 1.75 percent in 2008.

Population Data – Changes in population can have a significant impact on the distribution of sales tax revenue. Since the 2000 census, population growth in South Jordan has far exceeded the population growth in the state as a whole. South Jordan’s population has grown over 64% from 2000 to 2007, while the state’s population has grown at a more moderate rate of 18% during the same period. This results in South Jordan receiving a larger slice of the pie, as the Utah State Tax Commission uses new population estimates to distribute sales tax revenues. The estimates for FY 2008-2009 assume the state will use new population estimates for distributions that continue to show increased population growth in South Jordan.

Statewide Sales – With half the sales tax revenue coming from the statewide pool, the amount of statewide sales is a major factor in estimates. From 2000-2003, statewide retail sales showed declining growth rates. However, in CY 2004 and CY 2005, retail sales grew at increased rates of 8.2% and 8.9%, respectively. CY 2006 shows the highest increase in retail sales in the past 10 years with 11.1% growth. Retail sales continued to grow throughout 2007 and are likely to continue growing through 2008, albeit at slower rates. With the population trend progressively increasing in South Jordan, we are receiving an increasingly larger percentage of the statewide pool.

South Jordan City Sales – With the other half of sales tax revenues derived directly from sales generated in South Jordan, it is important to project separately the growth in retail sales made in South Jordan. For the past several years, South Jordan sales have been in a constant growth mode. South Jordan sales rates have shown to be increasing at a faster rate than statewide sales rates. Sales in South Jordan increased 37% in FY 2007, whereas statewide sales increased 2.9% during the same period. This sales growth in South



Jordan is expected to continue during FY 2008-2009 as more retail centers and businesses such as Sam's Club, Costco, and a second Super Wal-mart locate within South Jordan boundaries.

South Jordan continues to be one of the fastest-growing cities along the Wasatch Front. These indicators, along with other anticipated retail, allow a projected increase of 18% in sales tax revenues for FY 2008-2009.

PROPERTY TAX

Property tax is South Jordan City's second largest source of tax revenue accounting for 22% of general fund revenue. South Jordan continues to prosper as the entire state has enjoyed strong economic growth. Utah's house prices were up 9.3% in the fourth quarter of 2007 from the fourth quarter of 2006 and long term interest rates in 2007 continued to be the lowest rates in three decades. South Jordan continues to be one of the fastest growing areas along the Wasatch Front, with open land to be developed. The Finance Council evaluates all data both present and future to forecast property tax revenues. Relevant factors included in the preliminary property tax forecast include tax rates and new growth.

The following chart shows historical tax rates for the city and how they relate to an average \$350,000 property. Residential properties are taxed at 55% of the value, while business and state assessed properties are taxed at 100% of the value.

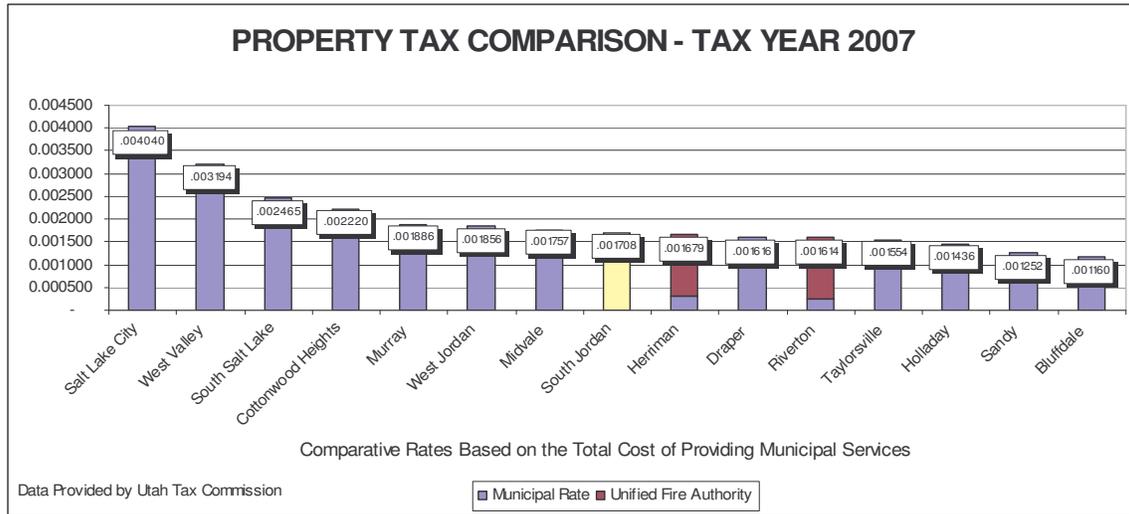
	Tax Year 2003	Tax Year 2004	Tax Year 2005	Tax Year 2006	Tax Year 2007
Tax Rate:					
General Operations	0.001933	0.001874	0.002211	0.001874	0.001708
Property Tax on \$350,000 Home	\$ 372.10	\$ 360.75	\$ 425.62	\$ 360.75	\$ 328.79
Property Tax on \$350,000 Business or State Assessed Property	\$ 676.55	\$ 655.90	\$ 773.85	\$ 655.90	\$ 597.80



Truth in Taxation – In order to understand property tax in Utah, it is necessary to understand a section of Utah State Law known as "Truth in Taxation". The county is responsible for administering property taxes and each June it submits to the cities a certified tax rate that would generate the same amount of revenue as the previous year plus any new growth. The certified tax rate does not provide for additional tax revenue due to increased valuation of existing property. If the city chooses to adopt a tax rate higher than the certified rate, state law has very

specific requirements for newspaper advertisements and public hearings from which the name "Truth in Taxation" is derived.

Property Tax Rates – The City anticipates a need to set the property tax rate above the Certified Rate in order to maintain a stable balance of revenues and to compensate for the increased cost of providing service to South Jordan citizens. As illustrated in the chart below, South Jordan's property tax rate is moderate compared to other cities in Salt Lake County.



New Growth – New growth is estimated using a trend analysis and reports of new construction generated by the City's Building Division. South Jordan anticipates an 11% increase in overall property value due to new growth. When combined with a predicted 9% annual appreciation for existing property, a tax rate of .001708 should keep property tax at 22% of the overall revenues (up from 20% last fiscal year). These numbers are City estimates and actual figures will not be available until June 10, 2008.

FRANCHISE TAX

Franchise taxes consist of just over 11% of general fund revenues. State law authorizes cities to collect up to 6% on utilities operating within City boundaries. The relevant factors in forecasting franchise fee revenue are as follows:

Tax Rate – South Jordan charges a 6% franchise tax for electrical and natural gas utilities. Cable television fees are governed by separate legislation and are currently charged a rate of 5%. Telecommunication services that run over landlines and wireless networks are charged a 3.5% franchise tax. The telecommunication fee has been in effect since July 1, 2004.

Utility Rate – The Public Service Commission regulates all utility rates. Changes in rates, whether decreases or increases, are not uncommon. Any announcements made on rate changes are factored into revenue projections.

Usage – Utility revenues are sensitive due to variations in usage. The electric and natural gas utilities are particularly affected by the weather. South Jordan projections assume a normal weather pattern.

MOTOR VEHICLE FEES

Motor vehicle fees account for approximately 2% of general fund revenue. It is a uniform fee based on vehicle age. The fee is applicable to passenger cars, light trucks, sport utility vehicles, vans, motorcycles, and recreational vehicles. These fees are due at the time of registration, even on new vehicles and vehicles that are registered more than once during a given year.

The fees collected are transmitted to the county where they are distributed to the taxing agencies within the taxing district, in proportion to the property tax rate. There are three variables that affect motor vehicle fee revenue for the City of South Jordan.

First, the distribution of this fee is affected by changes in tax rates among agencies within the taxing district. If tax rate increases of these agencies are greater than South Jordan City's rate, then South Jordan City would see a decrease in revenue from this fee. The opposite is true as well; if South Jordan City's tax rate increase is greater than the other agencies then South Jordan City would see an increase in revenue.

Second, the number of vehicles registered within South Jordan City directly affects revenue. With the average annual population growth projected at 4.5% over the next ten years, an increase in revenue from this fee would be expected. However as stated in the above paragraph, any increase in tax rates from other tax district agencies could reduce or eliminate any change in revenue projected from the increase in the number of vehicles within the City.

Age Of Vehicles	Tax
Less than 3 years	\$ 150
3 or more than years but less than 6 years	\$ 110
6 or more years but less than 9 years	\$ 80
9 or more years but less than 12 years	\$ 50
12 or more years	\$ 10

Third, as shown in the table above, the age of a vehicle determines the fee amount that is collected. Therefore, if the average age of vehicles within the City increases, revenues would decrease. Conversely, if the average age of vehicles decreases, revenues would increase. Again, the tax rate of other agencies would affect any changes in revenue from this fee.

STATE ROAD FUNDS

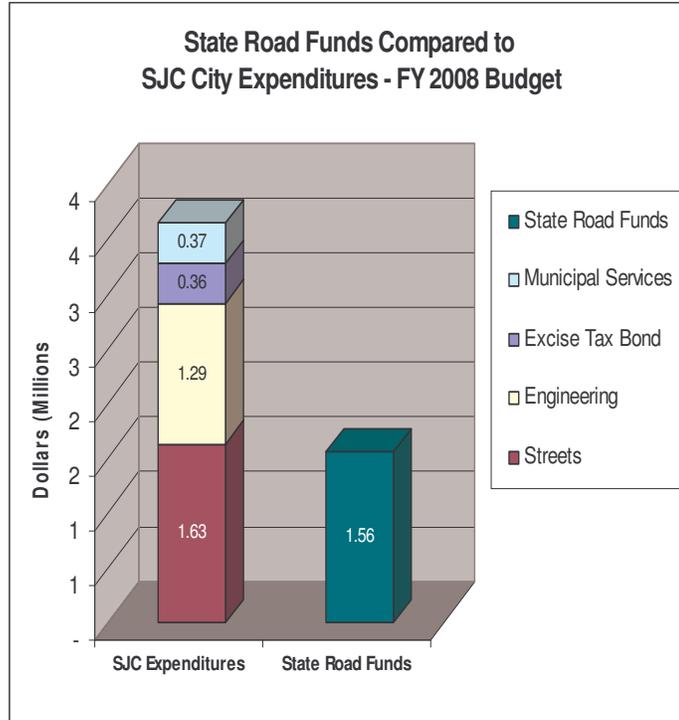
State Road Funds generate 5% of general fund revenue. This revenue source is the city's share of the B & C Road Fund administered by the Utah Department of Transportation. This fund receives 25% of the revenue collected from state highway user taxes and fees with the primary source being the \$0.245 per gallon tax levied on motor fuel. Additionally the fund receives 1/16% of the state sales tax. South Jordan City receives its allocation through a formula weighted 50% on the city's proportion of the state's population and 50% on the city's proportion of the state's road miles. The money received from the state road fund is generated primarily through taxes.

A qualitative method is used to forecast State Road Funds based on trends for each of the factors used in the formula:

Population – FY2009 estimate assumes an increase in South Jordan’s population as a percent of the statewide population. The City has been growing faster than the state as a whole since the 2000 Census.

Road Miles – Also attributable to growth is an increase in road miles relative to the rest of the state, thus the City’s proportion of road miles continues to increase.

Available B & C Road Funds – Gas tax revenue is based on consumption rather than the price of fuel. In reality, an increase in fuel prices can result in lower consumption.



Assuming that fuel prices will continue to be volatile, that the state will hold harmless the sales tax revenue for cities despite reductions in the sales tax on food, and that the City’s population growth and road miles will continue to outpace the state, the City is projecting it will receive 1.5 million in State Road Funds during FY2009.

DEBT

The City of South Jordan uses debt in a method consistent with the policies set forth in the City's key management practices. The primary components of these practices in relation to debt are as follows:

- The City of South Jordan will establish a ceiling on the amount of general fund revenue that can be used toward general debt service not to exceed 7% of general fund revenue.
- Under state law, the City's outstanding general obligation debt should not exceed 12% of total assessed property value. Of this percent, a maximum of 4% may be used for general purpose. The remaining 8% and any unused portion of the 4% available for general purpose up to a maximum of 12% may be used for water, sewer, and electrical projects.

For FY 2008-2009, \$415,537 will be paid from general fund revenues. This amount is equal to 1.44% of general fund revenues, which total \$28,931,028. As of June 30, 2007, the City's outstanding debt for governmental activities was \$32,887,105. This is .83% of the assessed valuation of property within the City, totaling \$3,973,617,000. As of June 30, 2007, the City's outstanding debt for business-type activities was \$35,563,446. This is .9% of the assessed valuation of property within the City. The City of South Jordan is well within legal debt limits.

The City's budget divides the City's activities into two types of functions, governmental activities and business-type activities. Governmental activities are generally associated with the operations of the government such as: public safety, public works, and general administration. Enterprise funds are used to track the business-type activities of the City. The City operates six enterprise funds; they are: Water, Water CIP, Secondary Water, Sanitation, Recycling and Mulligan's Golf and Games. These six funds are funded through user fees, and the accounting process is similar to that of a for-profit enterprise.

Since we divide the government financially into these two types of activities, their associated debt is discussed separately below.

OUTSTANDING DEBT IN GOVERNMENTAL FUNDS

The total debt payable by general governmental revenue is shown in the table below:

	Year of Issue	Funding Source(s)	Principal	Interest	Total	Outstanding as of 6/30/08	Year of Maturity
Excise Tax Bonds	2000	Class C Road Funds	258,145	31,905	290,050	1,005,000	2011
		Impact Fees	62,923	7,777	70,700		
		Total	321,068	39,682	360,750		
Sales Tax Bonds	2001	General Revenue	-	-	-	3,330,000	2015
		Impact Fees	329,846	116,255	446,101		
		Developer	85,154	30,012	115,166		
Sales Tax Bonds	2006	Total	329,846	116,255	561,267	9,865,000	2027
		General Revenue	46,211	369,326	415,537		
		Impact Fees	-	-	-		
Capital Leases	Varies	Developer	3,789	30,284	34,073	2,138,155	Varies
		Total	46,211	369,326	449,610		
		Impact Fees	50,214	11,084	61,298		
Capital Leases	Varies	Water Fund	-	-	-	2,138,155	Varies
		Recycling Fund	-	-	-		
		Total	593,802	95,568	689,370		
Total			1,604,716	613,088	2,782,580	24,373,155	

Additionally, special improvement district revenue bonds, originally issued in 2002 and refunded in 2007, will have an outstanding balance of \$5,770,000 as of June 30, 2008. Although these bonds are issued in the City's name, and the City is legally responsible for their payment, no general revenue is used to make these payments. Therefore, they are not included in the above table. Principal and interest payments on these bonds in the upcoming year total \$703,879 and will be paid entirely by an assessment to the commercial taxpayers in that district.

OUTSTANDING DEBT IN ENTERPRISE FUNDS

The total debt payable by enterprise funds is shown in the table below:

	Year of Issue	Funding Source(s)	Principal	Interest	Total	Outstanding as of 6/30/08	Year of Maturity
Water Revenue Bond	2000	Water Fund	145,000	18,639	163,639	455,000	2011
Water Revenue Bond	2003	Water Fund	600,408	158,335	758,743	5,545,000	2014
		Impact Fees	234,592	61,865	296,457		
		Total	835,000	220,200	1,055,200		
Water Revenue Bond	2007	Water Fund	210,000	999,955	1,209,955	21,775,000	2027
Lease Revenue Bond	2005	Mulligan's	190,000	258,213	448,213	7,285,000	2029
		Impact Fees	-	-	-		
		Total	190,000	258,213	448,213		
Capital Leases	Varies	Sanitation Fund	99,374	7,820	107,194	355,536	Varies
		Secondary Water	19,080	1,501	20,581		
		Total	118,454	9,321	127,775		
Total			1,498,454	1,506,328	3,004,782	35,415,536	

Payments to service the debt on these bonds are made almost entirely through the collection of user fees. The only exception to this is a portion of the 2003 water revenue bonds is funded through culinary water impact fees.

Below is an explanation of each of the City's bonds outstanding and what their proceeds were used to finance. It is significant to note that the City has no general obligation bonds outstanding.

Excise Tax Road Bonds – The City issued \$2,865,000 in excise tax bonds on November 9, 2000. These bonds were used to finance road improvements to 1300 West. They will be repaid by Class C road funds and impact fees.

Sales Tax Revenue Bonds – \$15,000,000 in sales tax revenue bonds were issued on December 5, 2001. The proceeds from these bonds were used to construct the existing City Hall, site improvements at the City's Towne Center, and for certain road improvement projects. The funding for these bonds' debt payments comes from general city revenue as well as from impact fees. \$9,240,000 of these bonds were refunded in 2006, and the refunded bonds have received an AA rating from Standard and Poor's.

MBA Lease Revenue Bonds – The Municipal Building Authority of South Jordan issued \$9,390,000 in lease revenue bonds on October 24, 2002. The proceeds from these bonds were used to construct a recreation facility as well as purchase a building to be used as a city historical center. These bonds will be repaid through the use of redevelopment area tax increment revenue.

Water Revenue Bonds – The City issued \$3,400,000 of water revenue bonds on November 9, 2000. These bonds were issued to purchase water shares in support of the City's culinary and secondary water systems. The bonds will be repaid through user fees. \$2,120,000 of these bonds were refunded in 2007, and the refunded bonds have received an A+ rating from Standard & Poor's and Fitch.

MBA Lease Revenue Bonds – The Municipal Building Authority of South Jordan issued \$9,505,000 in lease revenue bonds on September 13, 2005. These bonds were used to refund a previous bond issue from 2004. The original bonds were used to purchase the Mulligan’s Golf & Games recreation facility, which the City owns and operates. These bonds will primarily be repaid through revenue from Mulligan’s. Additionally, a portion of the bonds will be paid by park impact fees.

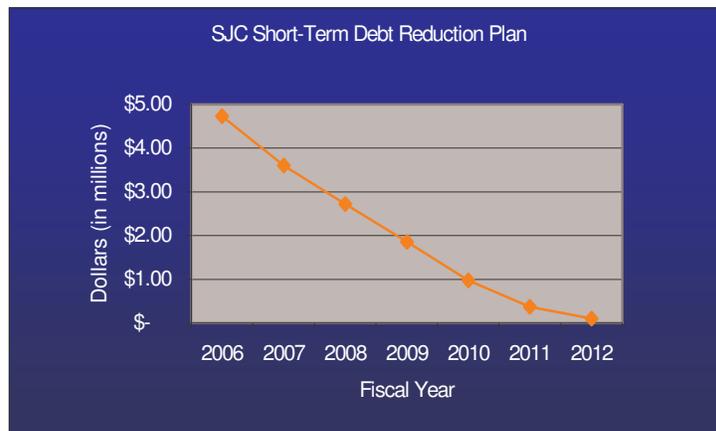
Water Revenue Bonds – The City issued \$22,480,000 in water revenue bonds on August 21, 2003. The proceeds from these bonds were used to make significant upgrades in the City’s culinary water system, including the addition of water storage capacity. These bonds will be repaid primarily through water rates, but will also be partially paid through culinary water impact fees. \$13,870,000 of these bonds were refunded in 2007, and the refunded bonds have received an A+ rating from Standard & Poor’s and Fitch.

DEBT REDUCTION INITIATIVE

South Jordan City has placed an emphasis on reducing its short-term debt. All projected surpluses from one-time revenues will initially be used to fund payments for the City’s short-term debt. As these debts are repaid, these funds will then be used towards preparation for future capital replacement needs.

The following table shows projections for the next five years in sources and uses of these projected one-time revenue surpluses.

	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12
Expected Surplus from One-Time Revenue Sources Designated for Debt Reduction	1,219,856	1,069,856	919,856	561,281	411,281
2000 Road Bonds	290,050	289,807	358,575	-	-
Zion’s Note	150,194	150,194	150,194	150,194	150,194
2002 Capital Lease	71,572	71,572	71,572	71,572	-
2002 Capital Lease	52,893	-	-	-	-
2004 Capital Lease	185,020	185,020	-	-	-
2001 Sales Tax Revenue Bonds	88,582	38,582	-	-	-
Total Debt Payments	838,311	735,175	580,341	221,766	150,194
Available for Capital Equipment Replacement	381,545	334,681	339,515	339,515	261,087



Consolidated Budget

	Actual FY06-07	Amended Budget FY 07-08	Estimated Actual FY 07-08	Proposed Budget FY 08-09
Financing Sources:				
Taxes & Special Assessments	18,986,584	\$20,447,529	22,482,589	\$24,036,981
Licenses & Permits	3,716,133	\$2,458,258	2,869,033	\$2,308,546
Intergovernmental Revenues	2,175,536	\$1,820,406	1,952,007	\$1,922,226
Charges for Services	20,889,487	\$21,573,051	21,960,420	\$22,875,330
Fines and Forfeitures	1,089,849	\$1,200,000	1,062,333	\$1,200,000
Miscellaneous Revenue	21,936,323	\$2,166,866	2,610,497	\$694,431
Fees from Developers	6,568,283	\$2,587,533	2,587,533	\$0
Transfers In & Other Sources	22,938,259	\$25,241,859	26,365,073	\$8,387,105
Total Financing Sources	98,300,454	77,495,502	81,889,485	61,424,619
Financing Uses:				
Personnel Services	18,381,189	22,245,112	20,463,770	24,068,598
Material Supplies	1,427,588	1,936,280	1,869,259	1,914,426
Operating Expenses	14,526,643	14,037,473	13,950,020	16,294,508
Equipment & Improvements	2,046,164	1,799,071	1,792,625	1,348,671
Capital Outlays	18,011,945	20,110,388	20,163,916	1,001,935
Debt Service	15,065,304	7,958,979	7,958,999	6,604,355
External Commitments	1,400,199	1,577,172	1,969,765	1,992,459
Transfers Out	13,049,993	6,527,193	9,637,377	5,962,494
Total Financing Uses	83,909,025	76,191,668	77,805,731	59,187,446
Excess (Deficiency) of Financing Sources over Financing Uses	14,391,429	1,303,834	4,083,754	2,237,173

Notes to the Consolidated Budget Schedule

Miscellaneous Revenue - Includes proceeds from issuance of bonds.

Transfers - The consolidated schedule includes all interfund transfers and use of fund balance.

Capital Outlays - The capital outlays line includes all operating and non-operating capital outlays.

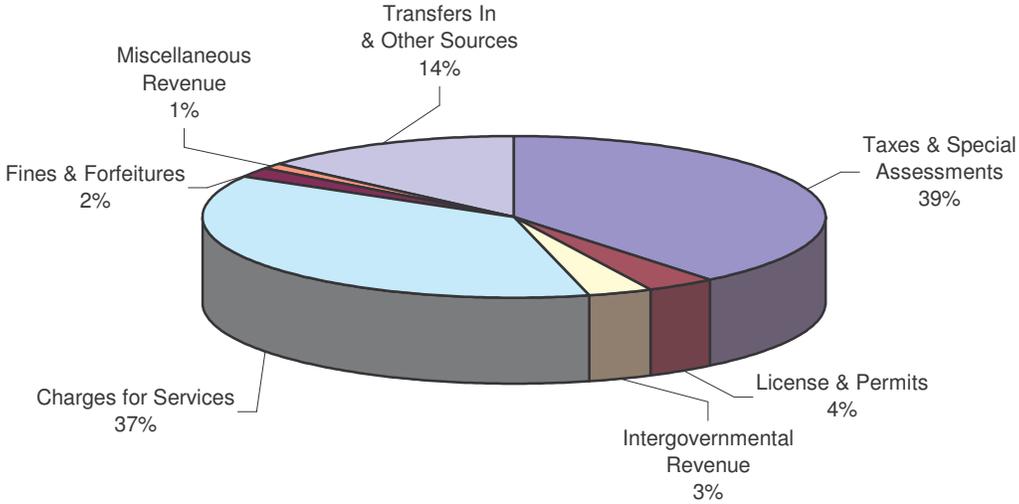
Capital Carryovers - Each year, any unspent appropriation for capital projects are reappropriated in the next year. City Council approves these carryovers as part of the mid-year budget amendment.

Debt Service - The FY 2009 debt service line includes \$52,893 used to retire current debt.

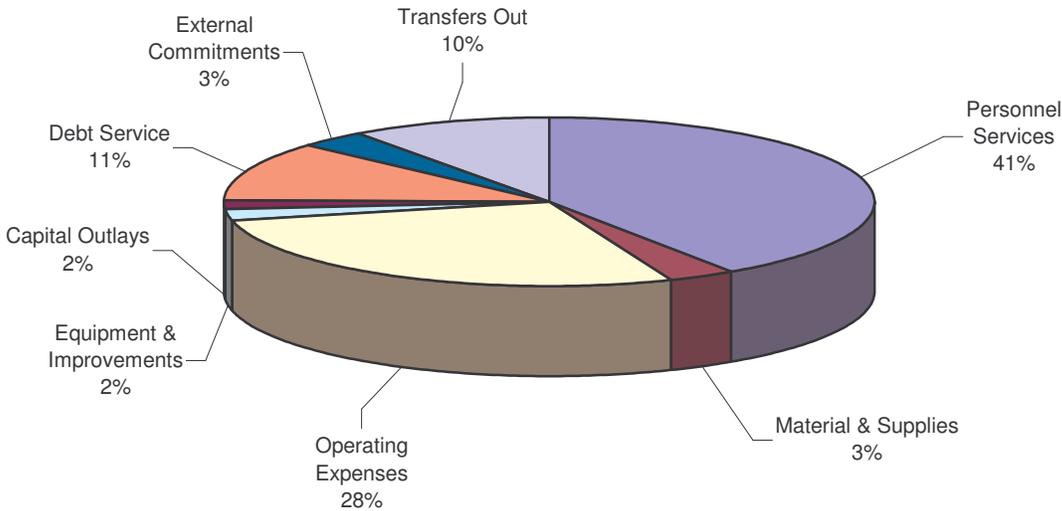
External Commitments - External commitments are obligations the City's Redevelopment Agency has entered into for the different project areas.

Excess/Deficiency - "Excess (Deficiency) of Financing Sources over Financing Uses" represents a budgeted increase in fund balance in the case of excesses and usage of beginning fund balance in the case of a deficiency. The deficit is attributable to capital projects, equipment, and external commitments.

Consolidated Financing Sources FY 2009



Consolidated Financing Uses FY 2009



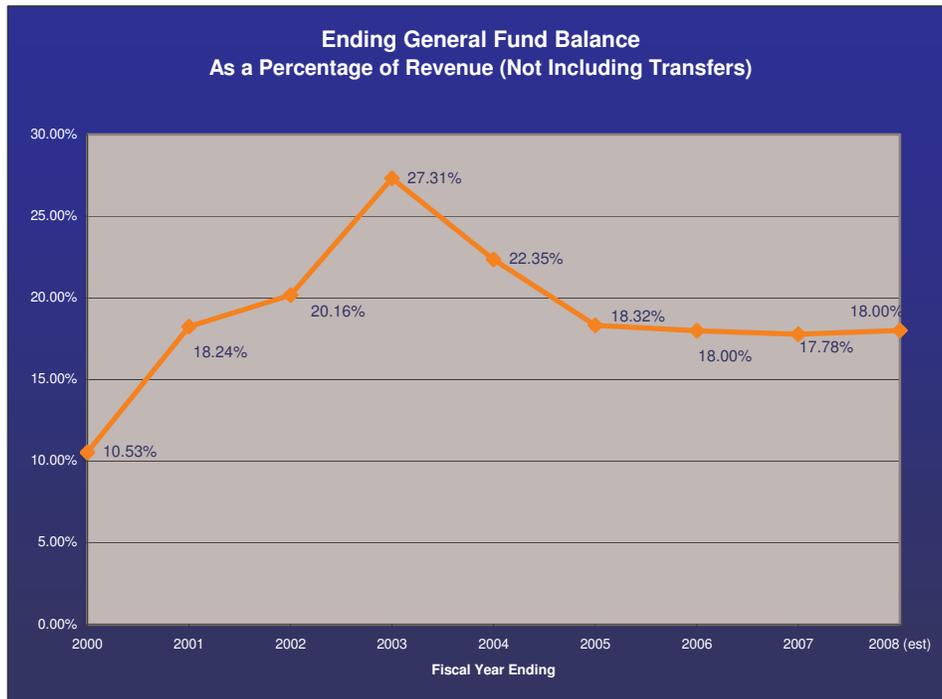
FUND BALANCE and RESERVES

South Jordan City defines fund balance for governmental funds as the difference between a fund's assets and liabilities. The definition of fund balance for enterprise funds is slightly different and is the difference between a fund's current assets and current liabilities. The City accumulates fund balances in its various funds for the following purposes:

- To have adequate funds in case of an emergency or unexpected events
- To secure the City's debt and related bond ratings
- To meet requirements for liabilities already incurred but not yet paid
- To avoid short-term debt
- To provide for planned and unplanned capital expenditures

According to Utah Code 10-6-116, cities are allowed to accumulate retained earnings or fund balances in any fund. However, the law imposes a limit on general fund balance which is 18% of total estimated general fund revenue. Any fund balance in excess of 5% and less than 18% may be utilized for budget purposes. Any fund balance less than 5% of the estimated revenue may be used for working capital, certain emergency expenditures, or to cover a pending year-end excess of expenditures over revenues from an unavoidable shortfall in revenues. Any funds in excess of 18% of general fund revenues may be retained if they are earmarked for specific future capital projects.

The following graph depicts the general fund balance as a percentage of the next year's budgeted revenue. Any fund balance amount in excess of 18% is used toward capital expenditures.



The state does not impose limits on accumulation of fund balances for enterprise or special revenue funds. However, South Jordan tries to maintain a target reserve of 35% of next year's revenue for the storm drain, secondary water, and street lighting funds. For the culinary water, sanitation, and recycling funds, the target reserve is 25% of the next year's budgeted revenues.

The following table illustrates the estimated beginning and projected ending fund balances for South Jordan's major and non-major governmental funds.

Changes in Fund Balance - Governmental Funds							Total
	General	Debt Service	RDA	Capital	Nonmajor Funds	Governmental Funds	
Financing Sources							
Revenues	28,931,028	978,083	4,781,898	-	2,233,062	36,924,071	
Transfers In	63,556	1,911,757	-	684,584	2,498,603	5,158,500	
Total Financing Sources	28,994,584	2,889,840	4,781,898	684,584	4,731,665	42,082,571	
Financing Uses							
Expenditures	26,039,111	2,889,840	3,304,647	-	4,680,285	36,913,883	
Transfers Out	2,955,473	-	721,602	634,584	147,603	4,459,262	
Total Financing Uses	28,994,584	2,889,840	4,026,249	634,584	4,827,888	41,373,145	
Excess (Deficiency) of Sources over Uses	-	-	755,649	50,000	(96,223)	709,426	
Estimated Fund Balance - July 1, 2008	5,207,585	1,169,856	686,475	15,630,994	3,662,213	26,357,123	
Projected Fund Balance - June 30, 2009	5,207,585	1,169,856	1,442,124	15,680,994	3,565,990	27,066,549	
Percentage Change	0.00%	0.00%	110.08%	0.32%	-2.63%	2.69%	

The 110% increase in the fund balance for RDA is due to a retirement of a large commitment and the increase in the amount of funds that are reserved for housing. The unappropriated increase in fund balance is anticipated to be used for new bonds.

The following table illustrates the estimated beginning and projected ending fund balances for South Jordan's enterprise funds.

Changes in Fund Balance - Enterprise Funds							Total
	Water	Secondary Water	Water CIP	Sanitation	Recycling	Mulligans	Enterprise Funds
Financing Sources							
Revenues	11,584,887	618,322	-	1,785,956	529,290	1,314,902	15,833,357
Transfers In	296,457	-	658,000	-	-	-	954,457
Total Financing Sources	11,881,344	618,322	658,000	1,785,956	529,290	1,314,902	16,787,814
Financing Uses							
Expenditures	10,978,265	642,337	308,000	1,883,100	529,290	1,314,433	15,655,425
Transfers Out	660,444	1,211	303,736	247	-	469	966,107
Total Financing Uses	11,638,709	643,548	611,736	1,883,347	529,290	1,314,902	16,621,532
Excess (Deficiency) of Sources over Uses	242,635	(25,226)	46,264	(97,391)	-	-	166,282
Estimated Fund Balance - July 1, 2008	5,663,825	791,458	1,390,643	481,703	115,773	115,441	8,558,843
Projected Fund Balance - June 30, 2009	5,906,460	766,232	1,436,907	384,312	115,773	115,441	8,725,125
Percentage Change	4.28%	-3.19%	3.33%	-20.22%	0.00%	0.00%	1.94%

The 20.22% decrease in fund balance for the Sanitation fund is due to the purchase of one additional garbage truck.

BUDGET PROCESS

The City of South Jordan's budget process complies with the Utah Fiscal Procedures Act. The City seeks to maintain budgetary control by monitoring monthly revenues and expenditures and by holding each department responsible for costs incurred within budget limits. Financial information and reports are provided to the City Manager and department heads to assist them in monitoring expenditures and in keeping costs within approved limits.

Budget amendments can and will be made only with the approval of the City Council upon recommendation of the Budget Officer. Financial controls are intended to be a resource for effective financial management, rather than a barrier to achieving results that are consistent with the City's overall mission. At the same time, the City must comply with the Utah Fiscal Procedures Act and may not expend monies in excess of those authorized by the City Council.

The FY 2008-2009 budget was developed in compliance with state law and was approved by the City Council after a public hearing was held. The proposed budget for each division, department, and fund includes actual expenditures for one prior year, the current year's adopted budget, an estimate of the current year's actual expenditures, and the proposed budget for the coming fiscal year. The City Council shall approve the FY 2008-2009 budget after thoroughly reviewing policy issues related to the budget and proposals to assist the City in achieving program objectives for the coming year.

The following are the procedures followed by the City in the budget process:

- 1) Revenue projections for all funds are made during November in preparation for the Revenue Forum, which is held in December.
- 2) An amended budget for the current budget year is submitted on or before the second regularly scheduled meeting of the City Council in December. This amended budget will include any budget amendments made between July 1 and November 30.
- 3) After additional sources of funds are determined at Revenue Forum, those sources are allocated to the various divisions within the City. The Divisions then submit their proposed budgets in March.
- 4) On or before the first regularly scheduled meeting of the City Council in May, the City Manager submits a proposed budget. The budget document includes the proposed amounts to be spent for operating needs of each department as well as capital needs for all proprietary fund types.
- 5) A public hearing is held to receive input from the residents of the community on all aspects of the proposed budget. The hearing is advertised in a local newspaper at least seven days before it is held, and budget documents are available for public inspection at least ten days prior to the public hearing.
- 6) On or before June 22, a balanced budget is adopted for the fiscal year beginning July 1.
- 7) An amended budget for the current budget year is submitted on or before the second regularly scheduled meeting of the City Council in June. This amended budget will include any budget amendments made between December 1 and May 30.
- 8) Budgetary control is maintained at the department level after the budget is approved by the City Council. As the budget officer, the City Manager has the authority to transfer budget appropriations between individual line items within any department of any budgetary fund.

- 9) The City Council has authority to transfer budget appropriations between the individual departments of any budgetary fund.
- 10) A public hearing must be held to increase the total appropriations of any governmental fund.
- 11) Monthly interim financial reports are prepared and presented to the City Manager and department heads. These reports compare the amount budgeted with actual expenditures for all budgetary funds of the City.
- 12) Budgets may be amended throughout the fiscal year. The City Council may amend the budget after holding a public hearing, giving residents at least seven days notice. A copy of the proposed budget amendment shall be made available to residents for their review ten days before the public hearing.

The budget process is intended to provide the opportunity for public participation and discussion and full disclosure to the residents of South Jordan as to the intent of the City Council in providing the City with programs and services.

Budget Calendar FY 2008-2009

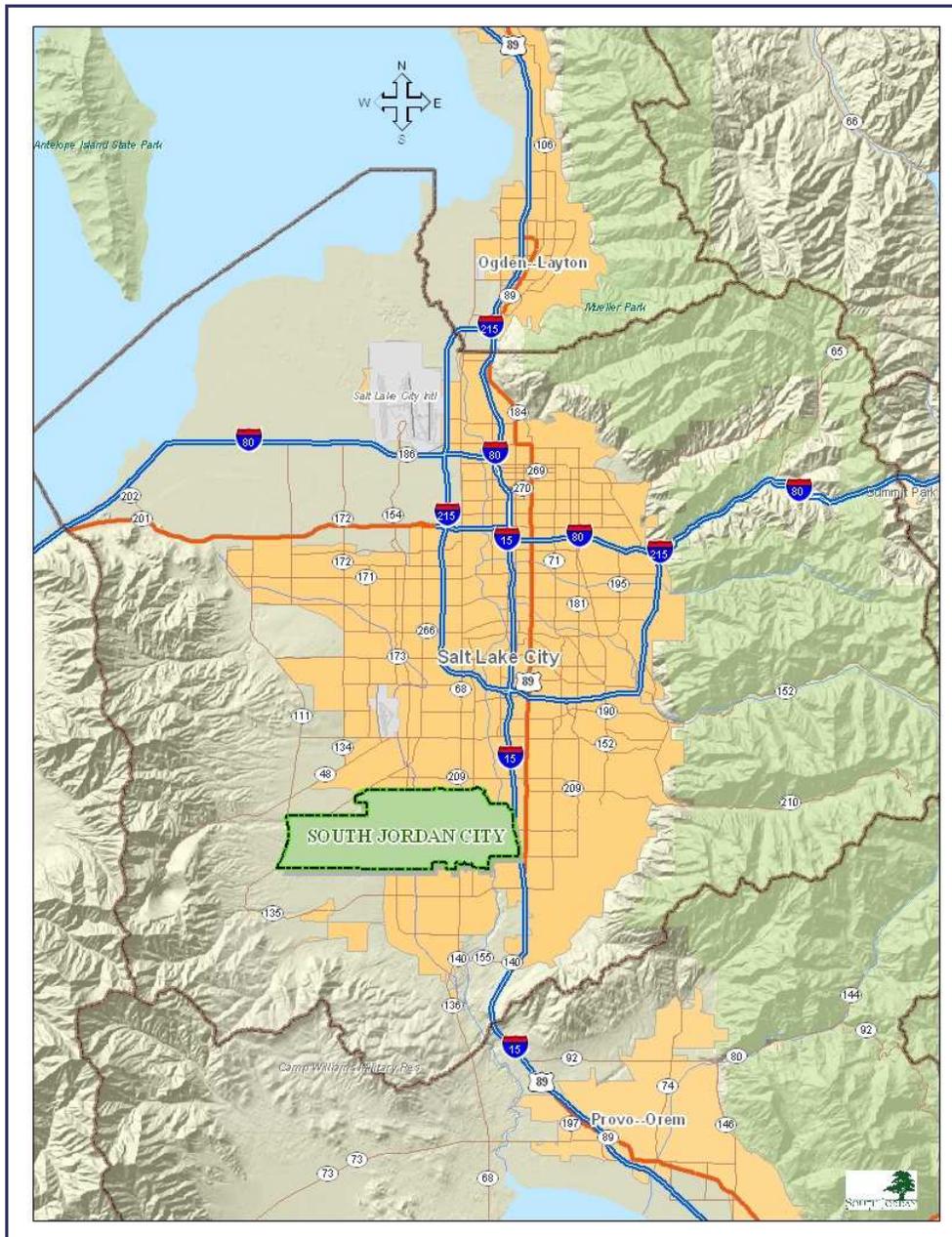
Responsible Party	Finish	Nov-07				Dec-07				Jan-08				Feb-08				Mar-08				Apr-08				May-08				Jun-08				Jul-08			
		11/7	11/14	11/21	11/28	12/7	12/14	12/21	12/28	1/7	1/14	1/21	1/28	2/7	2/14	2/21	2/28	3/7	3/14	3/21	3/28	4/7	4/14	4/21	4/28	5/7	5/14	5/21	5/28	6/7	6/14	6/21	6/28	7/7	7/14	7/21	7/28
Department Heads	11/21/2007	Request for Additional Personnel & Fleet																																			
Budget Committee	11/30/2007	Last Day for Mid-Year Budget Adjustments																																			
Finance Council	12/3/2007	Revenue Forum																																			
Budget Committee	12/15/2007	Online Budget Templates Prepared																																			
Budget Officer	12/18/2007	Mid-Year Budget To Council																																			
Department Heads	1/23/2007	Strategic Planning Conference																																			
CIP Committee	2/27/2008	CIP Conference																																			
Department Heads	3/21/2008	All Budgets Submitted by Departments																																			
Budget Committee	3/21/2008	Final Salary Projections																																			
Budget Committee	3/21/2008	Fee Schedule Changes																																			
Budget Officer	3/24/2008	Present Fee Changes to Finance Council																																			
Budget Committee	3/28/2008	All Budgets & Salaries Entered																																			
Budget Committee	4/4/2008	All Budgets Balanced & Finalized																																			
Budget Committee	4/28/2008	Preliminary Budget Document																																			
Budget Officer	5/6/2008	Tentative Budget to City Council																																			
City Council	5/20/2008	Public Hearing & Possible Adoption																																			
Budget Committee	5/30/2008	Last Day for YE Budget Adjustments																																			
City Council	6/3/2008	Budget Adoption (If Needed)																																			
Budget Officer	6/17/2008	Final Amended Budget																																			
Budget Officer	7/22/2008	"Certification of Budget" to State																																			

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COMMUNITY PROFILE

Geography

South Jordan is located in the southwestern portion of the Salt Lake Valley. It lies between the Oquirrh Mountains to the west, the Jordan River and Sandy to the east, West Jordan to the north, and Riverton to the south. Most of the western half of South Jordan remains undeveloped. South Jordan's elevation ranges from approximately 4,300 feet near the Jordan River to approximately 5,200 feet in the foothills of the Oquirrh Mountains. The total area of South Jordan is 21 square miles.



History

South Jordan City was settled by Alexander and Catherine Beckstead in 1859. Several other Mormon pioneer families joined them and lived in caves dug out of the banks of the river. These settlers called the place "Gale" because the wind was always blowing. The Beckstead family built the Beckstead Ditch, which diverted water from the Jordan River and allowed them to irrigate their crops. Water from the Beckstead Ditch also powered the mill until electricity was available.

South Jordan citizens voted to incorporate the town in 1935 in order to receive government money to purchase a water tank. The Depression, wars, and droughts all hit South Jordan hard and forced many farms out of business. Housing has gradually started to replace farmland as more local families sell off farmland for housing developments. The late 1990s saw a change in the City's master plan and lot size requirements, which encouraged growth of businesses. This shift to stronger commercial growth allowed South Jordan citizens to work and play here as well as live here. South Jordan continues to grow and looks forward to maintaining an important balance between residential and commercial developments.



Population and Ethnicity

Over the past ten years, South Jordan City has witnessed explosive population growth. South Jordan's population has nearly doubled in ten years, which places the City as the 14th largest city by population in the state and the 6th largest city by population in the Salt Lake County. South Jordan's 2007 population of 48,340 is 2,302 people per square mile, compared with 138 people per square mile in 1975. South Jordan continues to be one of the fastest-growing cities in the state. As of the 2000 census, the ethnic makeup of the City was the following:

- 95.51% White
- 3.27% Hispanic or Latino
- 0.30% African American
- 0.10% Native American
- 1.01% Asian
- 0.48% Pacific Islander
- 1.29% Other
- 1.31% Two or more races

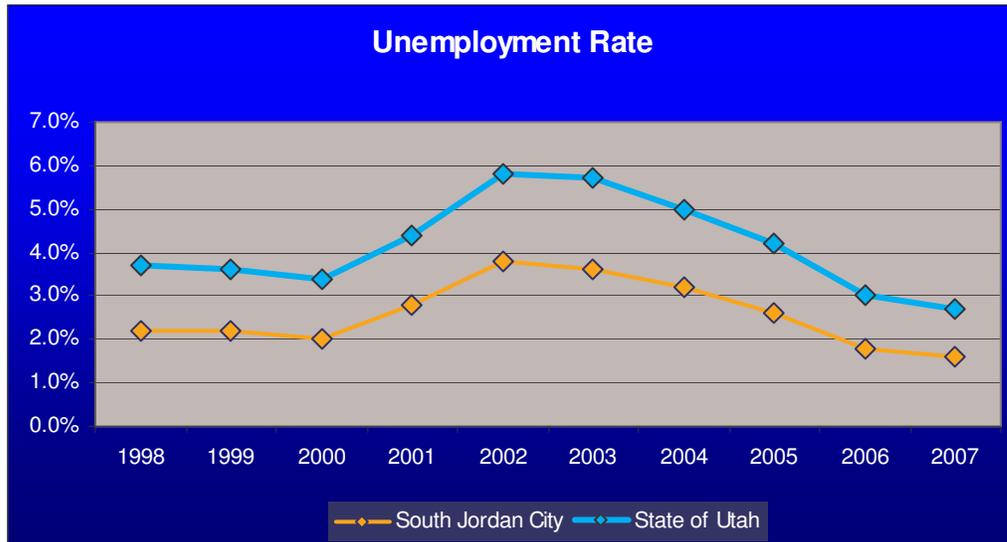
Income

From 1998 to 2006, the city experienced a 20% growth in household median adjusted gross income from \$59,590 in 1998 to \$71,733 in 2006. This median income level is significantly higher than both the state (\$55,179) and national (\$54,061) averages. High income levels have a stabilizing effect upon economic growth, and the high income levels in South Jordan City are an attractive feature to incoming businesses. South Jordan looks to attract a more diverse population by bringing more affordable housing to the City.

South Jordan City Population & Income								
	2000	2001	2002	2003	2004	2005	2006	2007
Population	29,437	31,679	33,920	36,162	39,500	43,959	46,086	48,340
Population Increase	6.21%	7.62%	7.07%	6.61%	9.23%	11.29%	4.84%	4.89%
Median Household Adjusted Income	\$ 61,665	\$ 64,173	\$ 62,588	\$ 62,295	\$ 64,463	\$ 67,922	\$ 71,733	\$ -

Employment

Throughout its period of rapid population growth, South Jordan City continues to maintain a low unemployment rate. The City's unemployment rate has also dropped dramatically from 3.8% in 2002 to 1.6% in 2007. South Jordan's unemployment rate remains lower than both the state (2.7%) and national (4.7%) averages.



Education

South Jordan's population is highly educated. According to the 2000 US Census, 95.8% of the City's population, 25 years and older, has a high school diploma or some college experience. Of the 95.8%, 30.9% have bachelor's degrees or higher. According to the Census only 3.7% of the population 25 years and older attended high school, but did not receive a high school diploma.

Property Valuation and Construction

South Jordan City continues to improve its tax base diversification by attracting new businesses and residents. Two factors that help the City reach a sustainable economic health for the community and growth of the ad-valorem tax base are the trend in construction and property value.



In light of the above information, the past ten years show how South Jordan City has grown and developed. Further, future population and tax revenue trends indicate a continued high rate of growth for the City. By continuing to attract quality commercial businesses along with a diversified residential mix and by continuing to financially plan for the long term, the City will become a sustainable economic community.

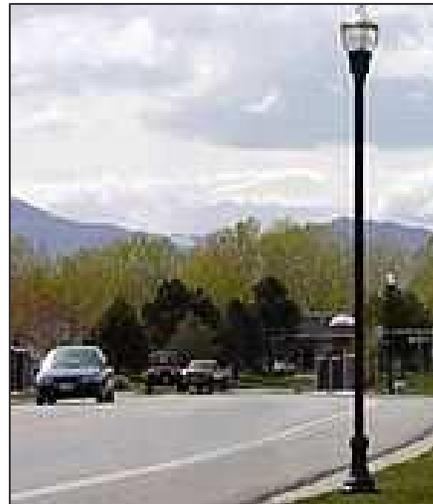
South Jordan 2007 Quick Facts

Police Protection	
Full-time Police Officers	49
K-9 Officers	2
Patrol Units	53
Traffic Citations	9,189
Assaults	167
Total Crimes	1,164
Total Incidents	20,411



Fire Protection	
Full-time Fire Department Employees	48
Fire Stations	2
Fire Fatalities	0
Fire Injuries	2
Emergency Calls for Service	2,256
Fire Hydrants Inspected	2,127
Plans Reviewed	323
Life Safety Inspections	939
Flu Vaccinations	641

Streets	
Miles of Paved Streets	225
Miles of Sidewalk	565
Number of Street Lights	4,096
Number of Street Signs	4,141



Community Development	
Building Permits Issued	1,554
Commercial	107
Residential	808
Garage	80
Other	559
Building Inspections	53,261



Culinary & Secondary Water	
Culinary Water Mains (in Miles)	276.6
Culinary Water Connections	13,075
Average Daily Gallons Consumed	11,378,246
Yearly Gallons Consumed	4,153,060,000
Secondary Water Mains (in Miles)	153.9
Secondary Water Connections	2,972
Fire Hydrants	7,400

Sanitation & Recycling	
Garbage Containers	15,678
Weight of Refuse (in Tons)	18,988
Neighborhood Dumpster Rentals	406
Weight of Dumpster Refuse (in Tons)	4,279
Recycling Containers	11,742
Weight of Recycled Materials (in Tons)	2,900

Storm Drain	
Miles of Storm Drain Lines	112.14
Miles of Lines Inspected	20.75
Miles of Streets Swept	4,569
Storm Drain Inlets	5,146
Inlet Boxes Inspected	725
Retention Basins	47
Detention Basins	24





Parks	
Parks	25
Grass Acreage	142.01
Total Acreage	244.27
Playgrounds	15
Restrooms	10
Main Pavillions	11
Satellite Pavillions	33
Tennis Courts	8
Volleyball Areas	3
Horse Shoes	2
Drinking Fountains	15