

City of South Jordan
 Summary Report of Fiscal Projections
 Through the Year 2025

2025 Financial Projections

In an effort to examine the future financial health of South Jordan City, staff have created a fiscal model to project revenues and expenditures through FY 2024-2025. By looking to the future, appropriate foundations can be laid now to ensure financial security in the generation to come.

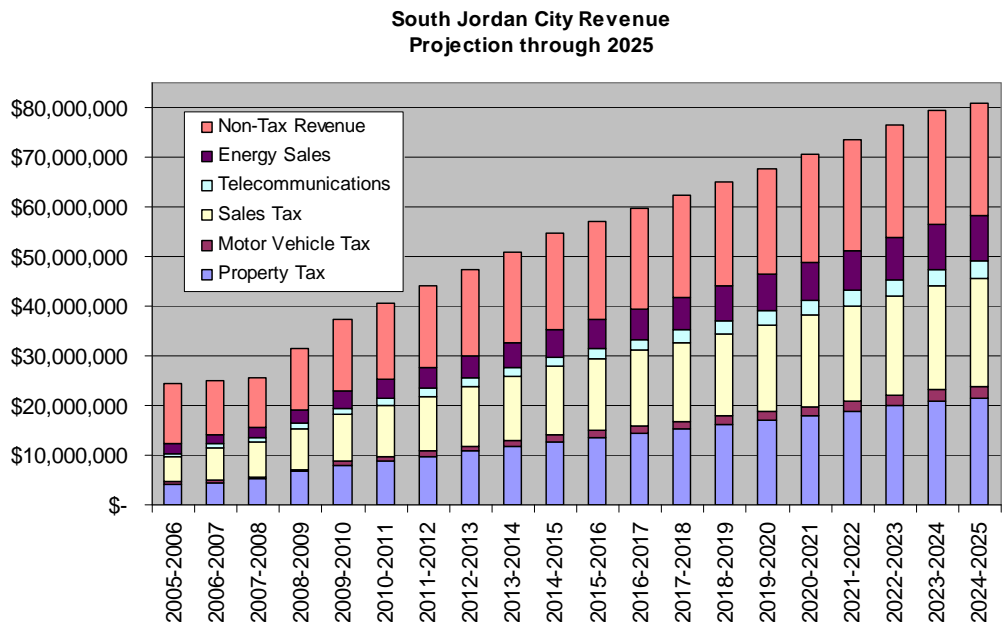
The model examines both revenues and expenditures:

- 1) **Revenues.** By projecting reasonable tax revenues, the model determines what level of budget is realistic. To do this, the model makes two important assumptions. (1) It assumes equal reliance on both property and sales taxes. Because sales tax is a volatile revenue source that rises and falls with changes in the economy, it is unwise to rely too heavily on it. Instead, a stable budget should rely on similar portions of property and sales taxes. (2) The model also assumes that as the City grows closer to build-out, more revenue will come from taxes and less will come from building-related fees.
- 2) **Expenditures.** The model projects increases in expenditures using current trends and focuses on three major categories: salaries & wages, benefits, and operating expenditures. It does not predict the additional employees by position, but rather utilizes a percentage increase based on historical trends, expected population growth, and projected increases in the cost of employee benefits.

Both revenues and expenditures were analyzed to make them as realistic as possible. The final results of the model not only represent the expenditure increases required to provide services in a growing city, but also reflect conservative spending of revenues that can be collected.

Revenue Sources

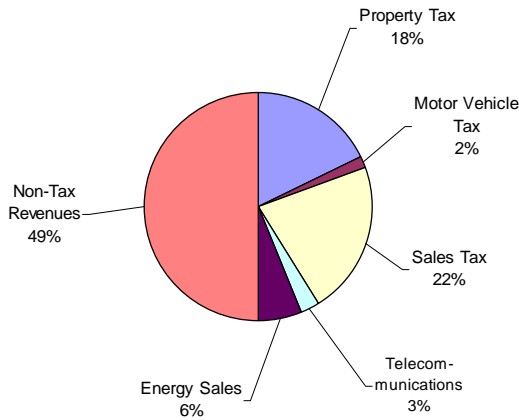
The graph below depicts the City’s major revenue sources and their predicted contribution to the overall budget during the next 20 years. Because South Jordan is currently in a high growth stage, many of the City’s revenues come from building permits and other related fees. As the City’s growth slows, building-related revenues will decline, causing the overall distribution to even out.



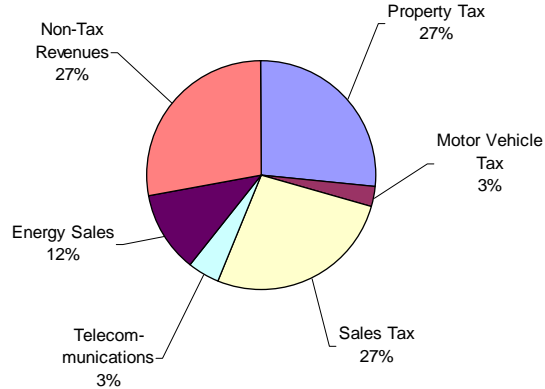
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Whereas non-tax revenues currently represent 49 percent of all revenues, the pie chart shows that in 2025, non-tax contributions should drop to 27 percent. The distribution shown in 2025 is financially stable because undue reliance is not given to any single revenue source.

FY 2006-2007 Revenues by Source



FY 2024-2025 Revenues by Source



Property Tax

After the model has forecasted City revenues, it performs a check to make sure the property tax rate is reasonable. The table below shows the revenues needed each year, the expected value of the taxable property, and the tax rate that would be required to reach the revenue goals.

	Needed Revenue from Property Tax	Property Valuation	Population Growth	Annual Appreciation	Tax Rate to Meet Revenue Needs
2005-2006	\$ 4,224,866	\$ 1,652,435,153	8.8%	24.4%	0.002211
2006-2007	\$ 4,553,409	\$ 2,200,864,340	8.4%	32.1%	0.001874
2007-2008	\$ 5,282,031	\$ 3,092,552,359	9.0%	17.0%	0.001708
2008-2009	\$ 6,618,546	\$ 3,896,615,972	7.0%	15.0%	0.001699
2009-2010	\$ 8,048,617	\$ 4,753,871,486	7.0%	12.0%	0.001693
2010-2011	\$ 8,923,003	\$ 5,657,107,069	4.0%	8.0%	0.001577
2020-2021	\$ 17,945,514	\$ 11,961,516,884	3.0%	2.0%	0.001500
2021-2022	\$ 18,898,211	\$ 12,559,592,728	3.0%	2.0%	0.001505
2022-2023	\$ 19,879,488	\$ 13,187,572,365	3.0%	2.0%	0.001507
2023-2024	\$ 20,890,204	\$ 13,715,075,259	3.0%	1.0%	0.001523
2024-2025	\$ 21,584,229	\$ 14,263,678,270	3.0%	1.0%	0.001513

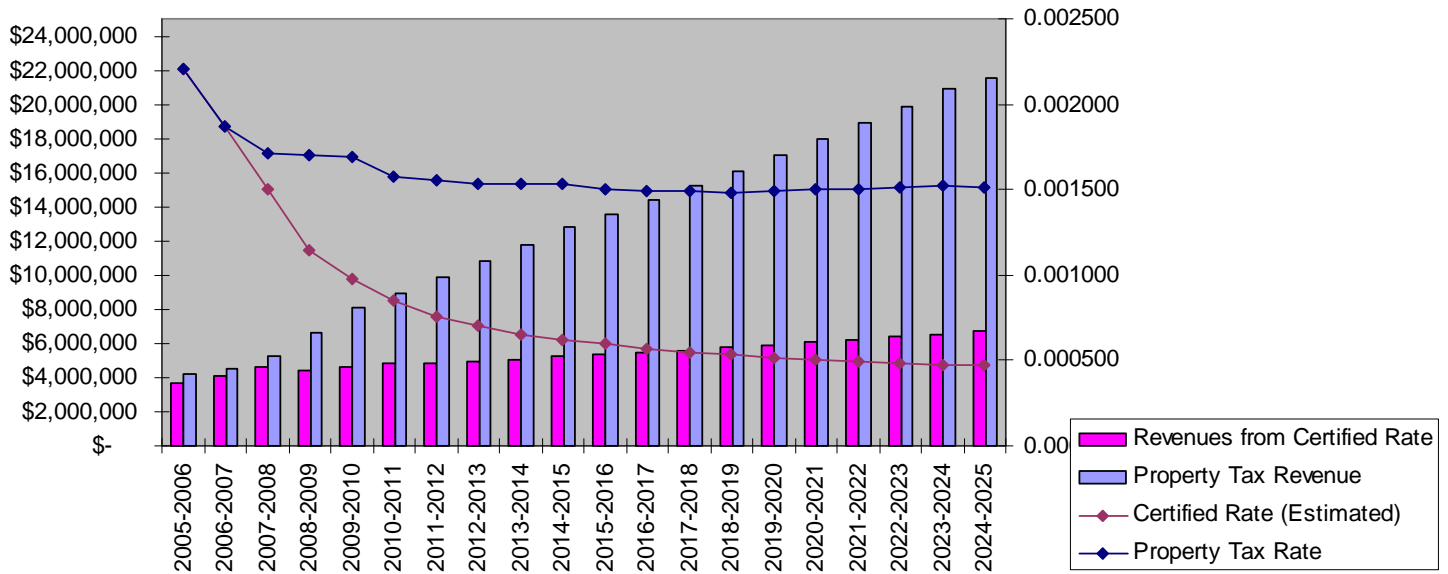
By slowly decreasing the tax rate over time, the necessary property tax revenues will be preserved and the proper distribution of revenue from the various sources will be maintained. Note on the property tax chart on the following page, that there was a significant drop in the property tax rate during FY 2006-2007. This is due to the dramatic change in the certified property tax rate, which does not effectively account for the increased



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cost of services in a high-growth community. In order to proactively shape South Jordan’s financial future, it may be necessary to set the tax rate needed to promote long-term stability rather than accepting the trends produced by the certified rate.

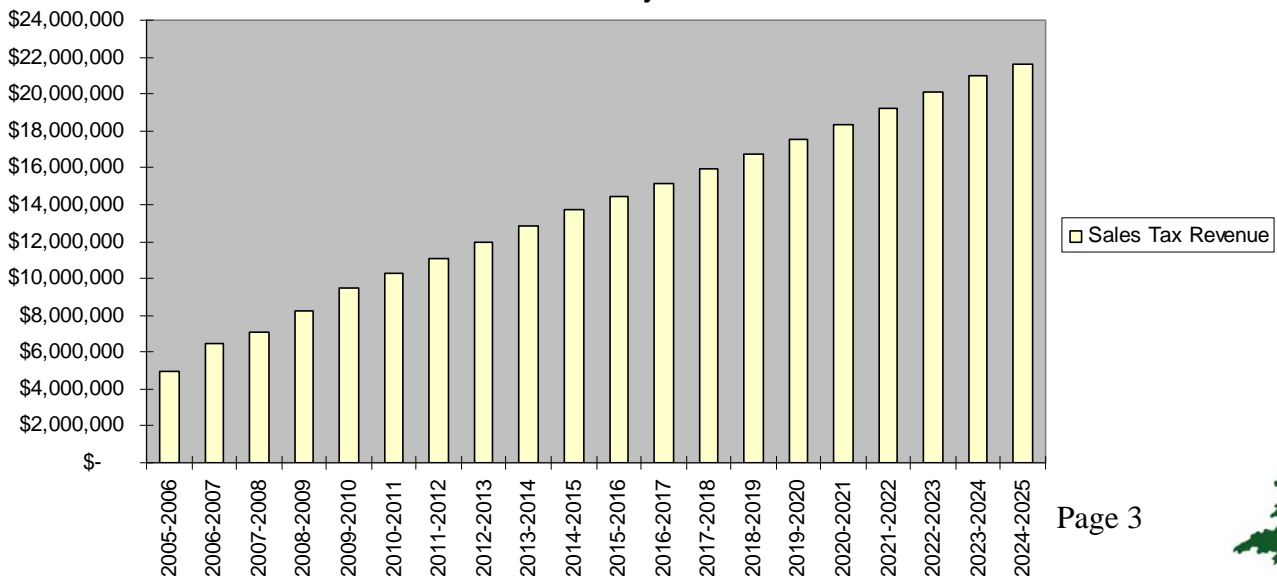
Property Tax Projections



Sales Tax

South Jordan City has experienced strong economic development in the last five years which has helped secure a healthy sales tax base. This, in combination with a strong Utah economy, has produced a positive outlook for this side of South Jordan’s financial equation. An “Absorption Model” is currently underway in the City to help project how land will be developed (“absorbed”) over the next 30 years. This will help ensure that a financially viable balance of commercial and residential properties can be maintained.

Sales Tax Projections

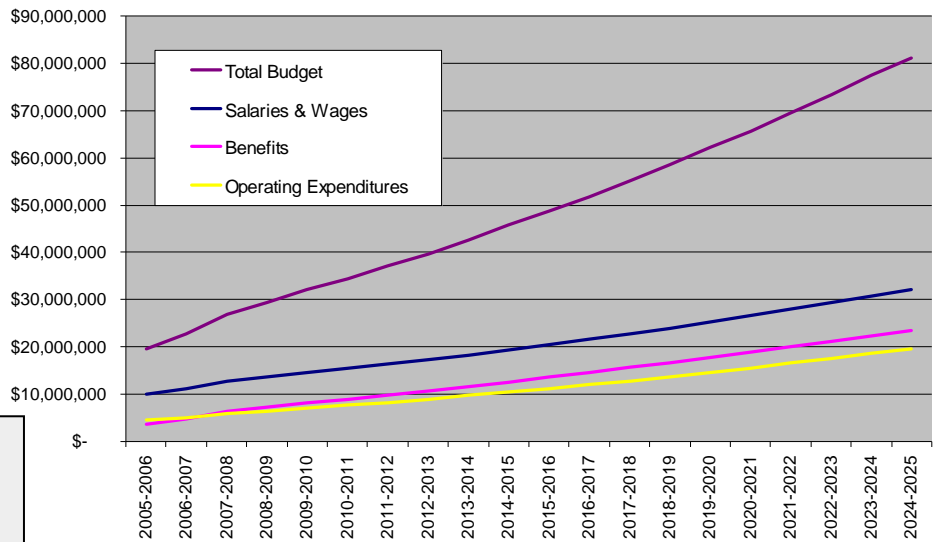


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Expenditure Projections

The second part of the model projects City expenditures. The graph to the right illustrates the expected growth in salaries & wages, employee benefits, and operating expenses. These expenses fall within the expected revenues and balance in FY 2024-2025. Some of the assumptions used in these forecasts are listed in the chart below.

City-Wide 2025 Projections



Expenditure Assumptions

- Salaries increase by 4% per year (2% COLA and 2% merit).
- City staff and operations growth will mimic the City’s population growth, but at a fraction of the rate.
- Inflation is set at 2.46% (based on a 20-year state average).
- Healthcare and benefits will increase according to recent trends.

In the model, a “77/23 Rule” was used to help measure the financial health of the City. This best practice rule suggests that 77 percent of expenditures should be for personnel and 23 percent should be dedicated to operations. The model indicates that personnel will rise to 79 percent in 2008 (because of a city-wide initiative to raise wages to market rate) and then drop back down to 75 percent by 2025. Note that this rule applies to the City as a whole and the

percentages of individual departments will vary. For example, Public Safety will spend more than 77 percent on personnel and Information Systems will spend much less.

Another tool that will help verify the validity of the projections in the 2025 Model will be the 5-Year Staffing Plan. This plan is currently in progress and will provide a comprehensive view of the staffing requests by each department over the next 5 years. Once complete, it can be compared against the personnel cost projections of the 2025 Model.

Overall, South Jordan City is on track to have a healthy and stable financial future. The General Fund budget is predicted to be just over \$81 million in 2025. For comparison, Sandy and West Valley City will have budgets of \$86 million and \$105 million, respectively, if they keep up with inflation and grow at a very conservative 1% each year. This benchmarking indicates that in 2025, South Jordan will use a smaller budget to provide necessary city services. South Jordan is working hard to provide financial management that its citizens can be proud of.

South Jordan City 2025 Budget Projection:	
\$ 58,019,768	Personnel
\$ 17,330,580	Operating Expenditures
\$ 4,051,094	5% For the Unexpected
\$ 1,620,438	2% For Debt/CIP
\$ 81,021,880	Total Budget in 2025

