

# Budget Message

Letter from City Manager



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Honorable Mayor, City Council Members and the Citizens of South Jordan:

I am very pleased to present the Fiscal Year 2008-2009 Budget and Capital Improvement Program for the City of South Jordan, Utah. This budget represents the culmination of the efforts of the Mayor, City Council, City Staff, and the City Manager's office to utilize the financial resources of our community to provide for our Citizen's needs. Through a series of staff work shops, City Council direction, and citizen interaction, we have focused on improving public services while at the same time, fostering an environment that promotes positive development and improves the quality of life for all the residents of our community.

For FY 2008/2009, the General Fund budget has increased by 10% to \$28,994,584. During the last fiscal year, South Jordan City surpassed the 50,000 population mark. The City anticipates a population increase in excess of 5% over the next twelve months as represented by the current slow down in the residential market. We have every expectation, however, that the slow down will be temporary and that double digit growth will soon return.

What matters at the end of the day is what type and level of services are provided. These areas, evidence suggests, can improve when we focus on results and performance, broadly defined, and develop budget systems that fund outcomes rather than inputs. To accomplish this, spending is linked to measured results with funding levels and departments being held accountable for outcomes. Strategic planning, performance budgeting and citizen interaction provide the framework for government to be efficient, effective, and responsive.

Often we bemoan the lack of attention or engagement citizens display toward municipal governance. Citizens remain unenergetic and removed from the level of government closest to them, often because they lack the simple knowledge of what government services have been provided and in what quantities. Even today, most citizens would be hard pressed to determine how their tax dollars are being spent. However, here in South Jordan City, we are beginning to see a resurgence in citizen involvement and fiscal year 2007/2008 may well mark the year of "citizen engagement." Truly, South Jordan City has arrived as a community and not just a place to rest our head at night.

*"An important pillar in becoming the 'First Great City of the 21<sup>st</sup> Century' is the commitment to implement a continuous, systematic process for evaluating the quality and cost of services and products delivered by the City and comparing them with private and public industry leaders."*

South Jordan continues its period of growth both in residential and commercial development. Although we have witnessed a slowing in residential development, South Jordan continues to lead the state in new home construction. South Jordan has adopted the vision of the City Council by means of “Key Management Practices” and strategic planning concepts that are working to ensure a “Sustainable Future.”

South Jordan continues to set its course by the adoption of the 2003 General Plan. In 2005 the City set forth additional growth policies and best management practices that define how our community will achieve the future as envisioned. Growth policies provide a clear policy direction: new development will enhance, and not diminish, the quality of life in South Jordan City. In 2007, South Jordan City adopted the 2025 budget model that examines the future financial health of South Jordan City and provides a foundation by which we can ensure financial security in the generation to come. In fact, South Jordan City has now received national attention for our model and has been asked to present at the national Innovations Conference.

Additionally, we recognize that South Jordan City is a living entity and will become a different place with different needs over time. It will take a different perspective and different abilities as South Jordan continues to reinvent itself. Therefore people decisions are the ultimate control of a sustainable future. New growth brings new opportunities. The employee base continues to grow and we labor to find the right balance of leadership needed to prepare for our future against the appropriate balance of management needed to conduct the day to day operations of the City. One thing is vitally clear, it takes each and every one to make this City function as it should.

The budget is balanced. The increase in revenues and expenditures is in line with a growing City. The budget imperative has been, and will continue to be, prudent fiscal planning. The City will continue the tradition of excellent core services, financial stability, and cost effective operations. In order to proactively shape South Jordan’s financial future, it will be necessary to set the tax rate needed to promote long-term stability rather than accepting the trends produced by the certified tax rate. By a controlled decent of the tax rate over time, the necessary property tax revenues will be preserved and the proper distribution of revenue sources will be maintained. It is anticipated that the property tax rate will fall from a high of .002211 in 2005 to well below .001500 over the next twenty years. This exercise accompanied by continued strong sales tax generation will ensure the sustainability we are seeking.

**Economic Conditions:** Over the last five years, South Jordan City has seen unprecedented growth fueled by an incredibly strong housing market. Over the past nine months, the local housing market has slowed significantly. While the housing market has slowed, the commercial development that traditionally follows continues to add retail facilities, office complexes, and other service and professional buildings to the area. This is leading to a more balanced economy that is less dependent on property taxes. This commercial growth has enabled South Jordan City to realize a sales tax growth rate of 949% over the past eight years.

Continued population growth, retail development and commercial construction within South Jordan City will ensure the city's fiscal condition will remain strong as the overall state and national economy continues to strengthen and rebuild. However, it should be noted that despite the mixed economic outlook, the City continues to take a conservative, yet realistic, approach to all revenue projections for FY 2008/2009 and beyond.

**Financial Strategies:** The City has continued to implement tools of sustainability via economic development, re-development and planning programs to increase the mix of residential, commercial, retail and industrial construction. It is the intent of the City to ensure that South Jordan is a healthy community with a balanced economy.

**Financial Overview:** The budget is balanced with ongoing revenues exceeding ongoing expenditures. In an effort to examine the future financial health of South Jordan City, staff has created a fiscal model to project revenues and expenditures through FY 2025. By looking to the future, appropriate foundations can be laid now to ensure financial security in the generations to come. Such foundations include a structured property tax program that will provide for a controlled decrease in the overall tax rate so that the necessary property tax revenue will be preserved and the proper distribution of revenue from various other sources will be maintained. A perceived flaw in the State formula for property tax calculations does not provide adequately for high growth communities. 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.<sup>1</sup>

**Revenues:** In aggregate, General Fund revenues are projected to increase by 11% to \$28,931,028 over the amended 2008 budget of \$26,108,440. A significant share of this increase comes from our largest revenue source, sales tax, with growth that has paralleled our rising population. Rising oil costs continue and this budget reflects the impact of those rising costs, which are significant.

**Employee Benefit Costs:** Health plan and retirement benefit costs continue to increase. However, this year's budget projects an increase of between 6% and 8% in overall benefit costs. Additionally a 1.5% COLA is projected to cover the rate of inflation with an overall 0.5 – 2.0 % increase projected for merit allowances. Market study reviews, as required by City policy may drive other salary considerations.

**Long-Range Outlook:** The City's ability to ensure that new development "pays its own way" will be the single most important determination of our long-range outlook. Prudent fiscal management has served South Jordan City well. Maintaining this approach in a fast growing environment is essential as challenges from the development community increase to block the way. The City's Growth Policies provide the framework to make this happen. The fact that the City is requiring specific plans and master plans for new development furthers our ability to advance toward the "South Jordan City of the Future" as envisioned in the General Plan. Fee studies conducted as necessary will ensure that we can support new development in terms of both necessary infrastructure and operations.

We continue to be at a point in time where we can experience greater control of our future. Strict adherence to adopted policies and guidelines and the fostering of new and revised policies will enable us to be a sustainable community when our growth period comes to a stop.

**Reserves:** The proposed budget maintains the City's 18% reserve goal bringing the total reserve to \$5,207,585. Overall reserves surpass \$24,000,000.

**Strategic Goals:** In accordance with the City's stated budget goals and objectives, the 2008/2009 budget strategic goals emphasize the following:

- Sense of Community – Ensure that the City retains a sense of community through planned development.
- High Quality of Life – Enhance the quality of life in the City.
- Exceptional Public Health and Safety – Provide exceptional services in order to maintain and ensure the health, safety, and general welfare of our community.
- Quality Service Delivery – Improve communications between citizens and the City and maintain the level of customer satisfaction for municipal services.
- Modern Public Infrastructure – Provide adequate funding and management systems to maintain and enhance City infrastructure.
- Prudent Financial Management – Operate City government in a fiscally prudent and managerially responsible manner to assure the most efficient expenditure of public funds.
- Balanced Economic Development – Ensure a well-planned and diverse local economy in order to provide a strong economic base.
- Organizational Development – Continuously develop the City organization to provide and maintain high quality service with given resources.
- Use of Technology – Ensure that City employees have access to the technology necessary to provide high quality services.

## Summary

The Fiscal Year 2008/2009 budget is based on strategies answering the challenges associated with rapid growth and the continued demand for City services and basic infrastructure needs. Through strong financial policies, as adopted by the City Council and presented within the text of this budget, we are able to present our residents with an adopted budget that is balanced, addresses priority needs, maintains current service levels, and does not require an increase in property taxes.

As we forge into the next fiscal year, together we will continue to work on many exciting projects and complete a number of others. Our City continues to mature everyday and a steadfast focus on the future is going to be key to our continued success.

Many individuals on staff contributed their knowledge and expertise to the development of this budget. I wish to express my appreciation to the members of the Cabinet and the Finance Council as well as for other staff for their many hours of dedication, late nights, and in some cases long weekends. As always, it is through the leadership and dedication of the Mayor and City Council that the needs of the community for today and in the future are being addressed.

Ricky A. Horst  
City Manager

*“The best way to predict the future...is to create it.”*

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