

Introduction

Budget Message 1
Economic Context and Projections 3
Government Finance Officers Association Award 7
Organizational Chart 8



City of West Jordan
8000 South Redwood Road
West Jordan, Utah 84088
(801) 569-5100
Fax (801) 565-8978

FISCAL YEAR 2010 BUDGET City Manager's Budget Message

Mayor David Newton and City Council
City of West Jordan, Utah

Dear Mayor Newton and Councilmembers,

The Fiscal Year 2010 budget represents a work in progress on two fronts: we are attempting to carefully work our way through the challenges of the current economic downturn; and we have changed the budget organization to a program management format.

Economic Challenges

I am attaching to this message a discussion of the Economic Context and Projections that briefly identifies the economic challenges facing the city. Within the context of some dramatic market corrections, we have put together a five year plan to guide our efforts to survive and move forward with vision. To that end, this budget was developed using a number of key assumptions:

This budget:

- Reflects 10.5 fewer positions than last year's budget, but will also reflect the mid-year addition of four additional sworn police officers and one legal assistant position in the City Attorney's prosecution office. My former Assistant City Manager position and one Management Analyst position have been eliminated, and I will defer hiring someone to fill the position of Administrative Services Director until at least July of 2010.
- Does not recommend layoffs to further reduce costs at this point, but recognizes that more drastic measures may be required if circumstances play out more negatively than we predict at this point. We will monitor the situation monthly, and circumstances could change at any time.
- Assumes relatively flat revenue growth for the next year.
- Freezes compensation at current levels for the next year.
- Reduces non-personnel operations costs by an average of 10%.
- Transfers \$500,000 from the Fleet Fund to the General Fund. The transfer will be made only if needed.
- Reduces the medical insurance benefit levels and shares the resulting savings with employees.

We will report regularly on the progress of the Five Year Fiscal Recovery plan, and the general intent is to move the city towards fiscal sustainability within a five year time frame. The process will require some difficult decisions, maintaining a consistent vision, and around-the-table openness and cooperation.

Program Budgeting

The core substance of the budget will be in the 80-plus programs we have identified to support accountability and decision making. It will be at the program level that work plans are developed, resources are allocated, and performance measurements defined and reported. This first year we have tackled the sizeable data-rich task of resource allocation, and have taken the first steps to the development of performance measures. The companion piece that will follow for next year's budget will be operational strategic plans at the program level, that will identify work plans and service level standards, analyze work methods and results, evaluate alternative service delivery options, and strengthen the goal and performance measure efforts. Budget documents are typically organized by fund in local governments. Funds are discrete categorical accounting entities that are intended to facilitate the tracking of transactions, primarily to provide some level of confidence that taxes and fees are spent for their legally required or legislatively designated purpose. Accurate tracking is a critical element of accountability, but is of less value in the other accountability keys of determining "why" an activity occurs (purpose), or "what" (and how effective) were the outcomes of the activity.

The intent of this budget format, then, is to retain the accuracy and tracking integrity of fund accounting, but organize it into "accountability centers." Traditional departments are typically assigned in the budget to their primary fund. Sometimes a department may be responsible for more than one fund, or part of a fund, and the connection can be confusing. We are trying this first year to organize the budget within the umbrellas of the accountability centers (or departments), so a fund may show up in more than one center, and multiple funds may show up in one center. For example, the Risk Management Fund is an internal service fund that tracks risk aversion, tracking, liability, and assignment for all departments of the city. Primary responsibility (accountability) for risk management is assigned to the Legal Department, so although the bulk of the operations of that department is a General Fund activity, the Risk Management program, along with the Risk Management Fund, will also be shown in that department, rather than in a separate section of the budget.

We will try our best to provide adequate tabs, tables of contents, and cross references to make the document searchable and intuitive, and will be available to help as needed. We will also evaluate this year's document, to identify improvements we might make in subsequent years.

As we continue this work in progress over the next couple of years, our primary objectives will be (1) accountability; (2) transparency; and (3) fiscal sustainability. The organization exists to serve community-identified and funded needs, as interpreted and directed by our only elected body, the City Council. This budget, we hope, is reflective of our best efforts to reach for a high level of productivity and responsiveness. We welcome comments and suggestions at any time that will help us improve.

Sincerely,



Tom Steele
City Manager

FISCAL YEAR 2010 BUDGET

Economic Context and Projections

West Jordan's fiscal resources are generally derived from either taxes (either direct or indirect, as in the case of state-shared revenues and some state and federal grants); charges for specific, individual services, particularly in the enterprise (self-contained) funds in water, sewer, and solid waste, and in certain special services like ambulance transport and development plan reviews; and fines and penalties, mostly in the criminal justice system. Because of the fund structure governments operate under, in which services are shown categorically and separate, there are transfers back and forth between those funds, primarily to account for services provided to each other. These are not properly considered revenue resources, however, because they simply move monies from fund to fund, and do not represent new income from external sources.

We try to track revenues closely, since they are required in order to balance the expenses incurred in providing services. The following discussion will cover some of the major trends as we understand them from both internal data and information from other governmental and research organizations; and some indication of where we project our resources and spending to progress over the next year or so.

GENERAL ECONOMIC INDICATORS

- Utah wages and salaries have declined 3.7% in 2009.
- Utah unemployment in June stood at 5.7% (5.6% in West Jordan). That is the lowest point since August 2003. Sources indicate an expected rise in Utah unemployment to about 6.8% over the next six months. If this turnaround ends up being typical of the 2002 recession, it will take about two years for unemployment to recover to a static level of around 4%.
- Utah construction unemployment is the leading job problem, standing at 23% in June. The large number is reflective of the huge increases in construction jobs during the 2005-2007 building boom. Although a complete recovery to those high "boom" levels is unlikely, the common sentiment is that the recovery of the overall economy will require significant construction activity in order to return to sustainable growth. Interestingly, recovery in construction activity is more reliant on the availability of funding than on job recovery (we have heard of recent examples of developers offering to commit 50% equity to the banks, and are being turned down ... that's a problem!).
- On the financing side, the long-short term interest spreads on U.S. Treasuries is beginning to show strengthening, which we are told is an initial positive indicator of financial availability.
- The consumer sentiment index (sometimes called consumer confidence) is an indicator of the "sense of the economy." If you recognize and understand that a good share of the depth of the current economic problem is based simply on fear, then the level of confidence or sentiment is key to any turnaround. Normally, the index should ride above 90%. The July index was riding at 63.2%, but preliminary word on the August index is that it may exceed 70%.

- West Jordan's construction activity may have leveled off on the low end. Our housing starts have climbed slightly, but are still very tentative. To some extent our manufacturing and commercial building continued well beyond the initial drop in residential construction. That activity has now dropped, and will likely lag residential in any recovery.

INCOME PROJECTIONS

- **Sales tax:** We anticipate ending the last fiscal year (June 30, 2009) with a 10.4% decrease in sales tax from last year. That percentage decrease tracks very closely what is happening statewide, but is significantly higher than we projected during the budget process, which means our revenue entering this fiscal year will be at least \$1.2 million short of what we expected. When we have a sense of results from other revenue sources, we will be able to determine what, if any, adjustments we need to make in the budget for the year. We budgeted a 1.3% increase in sales tax for FY2010, from the projected FY2009 figure, or about \$14,435,250. If the 1.3% is applied to our new estimated FY2009 sales tax, the income would be about \$13.22 million ... or a shortfall of \$1,215,250.
- **Property tax:** By State law property taxes are intended to be revenue neutral for all developed property in the city (growth in property taxes comes from growth in newly developed properties, not from increases or decreases in property valuation). In a growth recession our property tax income does not grow, since there are no newly developed properties to add valuation, but at least we theoretically are protected from the "devaluation" of properties, because the law adjusts the rate to develop the same amount of revenue as the prior year. What that does not take into account is the potential effect of significant foreclosures. To be sure, those properties still owe property taxes, but the previous owners most likely have not paid the taxes, and the foreclosing banks are loath to pay the taxes until the property is either sold or the legal process catches up with them (which can take several years). Our budget estimate anticipates a 2.5% increase in property tax revenue, and we have no concrete basis to modify that figure at this point.
- **Utility franchise tax:** Franchise taxes this year will likely increase, simply due to increases in PUC (Public Utilities Commission)-approved utility company rate increases. That growth could be modified somewhat through economy-driven conservation, but is unclear at this point. The City Council has directed that a portion of the utility franchise tax and all of the telecommunications tax be dedicated for road maintenance use. We are anticipating utility franchise taxes of \$5,108,422; and telecommunications taxes of \$1,333,000.
- **Development-related fees:** Estimates for the plan review, inspection, and impact fees (which fund capital projects) have all been decreased in recognition of the slow market conditions. Capital projects are kept flexible to the extent possible, to adjust to economic changes. Some projects are put on hold, while others are redefined to reduce costs.
- **Water, sewer, and solid waste fees:** We have kept all estimates in the enterprise funds conservative. While households and businesses still use these services, even in a downturn, the level of use may decrease, either through conservation, business necessity, or delinquencies.

SPENDING PROJECTIONS

- **Personnel:** This year's budget reflects a reduction or delay of filling 10.5 positions that were in last year's budget. Offsetting that reduction, however, was the addition in mid-year of FY2009 of four police and one attorney positions. The recovery plan for the city assumes that we will drop another 10 positions, or recover sufficient resources to make up for that many during this year. We are, however, starting the year with fewer resources than we originally anticipated. Coupled with the possibility of a longer-than-expected recession, the resource deficit may require additional adjustments during this fiscal year. We managed to preserve all uniformed police and fire positions in the budget, but since those two budgets account for 50% of the general fund activities of the city, we may be faced with some hard decisions ... the "other" departments took the brunt of the reductions in the budget, and have little left to give.
- **Materials and services:** Each department was asked to cut 10% of their last year's budget for materials and services in this new budget. That across the board hit is significant and painful, but helped position us this year to start addressing the recession. Because of the depth of cuts this year, additional cuts are problematic, since materials and services only account for about 10-15% of the overall general fund budget. As an added challenge, we have gone two years without new contributions to the vehicle replacement fund, and that fund is reaching a critical point. We need to be able to begin replenishing the vehicle replacement fund by FY2011.
- **Capital projects:** In reaction to reductions in impact fee income (from new development), a number of projects in new road construction, parks, and the water system have been deferred until later years. Road maintenance construction (existing roads) is relatively healthy, since the funding is supplemented by dedicated utility franchise and telecommunications revenues. However, to cover all needs of maintenance construction would require an increase of about 50% in the current level of funding. We carefully examine capital needs on an annual basis, and focus on critical needs and the best use of available resources. We are not a heavy debt user, but will consider bonding for improvements when the financing and ongoing revenue streams permit.

FUND BALANCES

- **General Fund:** When developed several months ago, the Fiscal Recovery plan anticipated that the General Fund would be "balanced" within three budget years. That means that ongoing income would match or exceed outgoing spending, and not require the drawing on fund balances, except for one time and special expenses that are planned and saved for (or for "rainy days" to cover short term economic recessions). The General Fund budget for FY2010 shows the use of reserves to cover an expected \$1.1 million dollar imbalance. We are in a compound problem, however, since the anticipated FY2009 resources appear to leave us with less fund balance than we anticipated in the budget, and we have the possibility of lingering resource malaise. To keep on track, we may need more draconian adjustments during this fiscal year.
- **Capital Funds:** Capital funds are intended to have dual resources: impact fees to pay for the growth impacts of new development; and rate income to pay for the rehabilitation, capacity deficit, and maintenance impacts of existing developed properties. In the *Road Capital Fund*, the rate income is contributed by State gas tax funds and supplemented by city utility franchise and telecommunication taxes. In the *Parks Capital Fund* and the

Storm Capital Fund there are not dedicated and designated rate income streams. Presumably those funds compete with other General Fund activities for tax resources. In the *Water and Sewer Capital Funds* rate income is contributed by water and sewer usage charges. Because of the nature of these capital funds, the total fund balance must be kept positive, even though periodically there might be a temporary deficit in either impact fees or rate income. Typically the deficit occurs when a one or more major projects need to be completed before the respective funding is completely received. The difference is picked up by the other revenue source and paid back as new revenues are received.

- ***Enterprise Funds (Water, Sewer, etc.):*** Enterprise funds are wholly-contained activities, paid for by rate payers of each utility or use (except for the contribution of impact fees to the capital projects component of the Water and Sewer funds). The City regularly conducts rate studies to project costs and income over a multi-year period, and establish rates to keep the financing whole.



The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of West Jordan for its annual budget for the fiscal year beginning July 1, 2008 and ending June 30, 2009. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



CITY OF WEST JORDAN UTAH

Political, Economic and Social Activity

Citizens, Businesses, Schools, Institutions, Visitors

Governance and Legislative

Mayor and City Council

Organizational Leadership and Resource Management

City Manager

Service Delivery Accountability Centers

Police	Fire	Justice Court	Public Works	Development
<ul style="list-style-type: none"> Crime prevention Crime intervention Traffic safety Emergency response School crossings Animal control 	<ul style="list-style-type: none"> Fire prevention Fire suppression Emergency medical Emergency operations 	<p>Court support Justice Court judges are accountable through the State of Utah court systems. The City provides administrative support to the Justice Court, but does not directly supervise nor control the activities of the Justice Court judges.</p>	<ul style="list-style-type: none"> Transportation Parks Stormwater Water Wastewater Facilities Capital construction Solid waste Fleet maintenance 	<ul style="list-style-type: none"> Land use planning Zoning management Development review Building inspection Economic development Redevelopment Federal block grants

Operations Support and General Government Accountability Centers

Administrative Services	Office of the City Manager	Legal Services
<ul style="list-style-type: none"> Finance & accounting Budget Information technology Human resources 	<ul style="list-style-type: none"> Meetings & records Elections Events Public information Volunteer support Western Stampede Arts 	<ul style="list-style-type: none"> Legal consulting Admin support Prosecution Litigation Risk management Property management