



GENERAL FUND FINANCIAL PLAN

MARCH 2019



AGENDA

- **Sandy City Goals and Financial Objectives**
- **Summary of Historic Prioritization and Efficiency Measures**
- **Review Modeling Assumptions**
- **Scenario Analysis**
- **Property Tax Impact Summary**

CITY GOALS

- ❑ Maintain and improve basic core municipal services
- ❑ Maintain integrity of residential neighborhoods and preserve property values
- ❑ Preserve and improve public infrastructure and transportation systems
- ❑ Preserve and expand existing businesses / seek new clean commercial businesses
- ❑ Develop and improve the city's recreational trails and increase recreational opportunities
- ❑ Develop and maintain community facilities
- ❑ Strengthen communications with citizens, businesses, and other institutions
- ❑ Maintain a highly qualified employee workforce

FINANCIAL PLAN OBJECTIVES

Prioritization

- ▣ Evaluate existing services

Efficiency

- ▣ Control of prioritized services (remove low priorities, control growth, scope creep, allocation strategies etc.)

Revenue Generation

- ▣ What new revenue is needed for unfunded priorities, inflation and level of service impacts

PRIORITIZATION & EFFICIENCY

Technology Initiatives

- The City has undertaken a number of technology initiatives in recent years to streamline and improve operational efficiencies.
- As an expense saving measure during the height of the recession, City staff extended the expected useful life for much of the City's IT Capital.

Staffing Levels

- As a result of the 2008 Great Recession, the City made a number of reductions to the allocated FTE's in the City's staffing plan. In FY2008, just prior to the economic downturn, the City listed a total of 646.48 FTE's in its staffing plan. By FY2012 this figure had decreased to 574.6. As of FY2019, the number of FTE's in the City has risen to 610.78; remaining below the pre-recession totals.

Budget Reductions

- At the outset of FY2019, the City Staff made approximately \$1.5M in reductions to the General Fund's base budget.

PRIORITIZATION & EFFICIENCY

Passports

- The City Recorder's office began assessing application and execution fees for passport services. collecting a significant amount of revenue for the General Fund.

Justice Court

- In January 2013, the court began operating with one full time judge instead of its historical 1.6 judicial FTEs.
- Since 2014, the Justice Court has made incremental adjustment to becoming a paperless court.

Fleet

- Based on an oil analysis, the City extend oil change intervals and identified corrective actions to extend useful life.
- GPS (GeoTab) installation on all City vehicles to monitor idling (fuel costs) and safety (seatbelts and hard driving/speeding).
- As another expense saving measure by the City in recent years, there has been a cap on the City's Fleet O&M Charges. Since FY2015, staff have limited O&M Charges to \$2.2M for fleet repairs. This has saved all city departments and funds from increased charges but inhibited some of the City's fleet operational needs.

PRIORITIZATION & EFFICIENCY

Parks and Recreation

- The Parks and Recreation Department has completed several initiatives that have reduces costs through the development of alternative energy sources (solar power), reduced water utilization, online registrations, green waste recycling, and technology upgrades (motion sensors, electric golf carts, computerized irrigation systems, etc.).

Public Safety

- In order to provide better coverage and maximize the number of on duty officers at any given point, City Police recently switched to a new staffing schedule. Officers now have the option of working four 10-hour shifts or three 13-hour shifts.
- In FY2017 Sandy City began to contract with Gold Cross to collect ambulance fees. Previously the City had handled ambulance billing services in house via an ambulance billing clerk. The new contract with Gold Cross has improved collection rates by 15%.
- Switched dispatch services from VECC to Salt Lake City producing cost savings.

FINANCIAL PLAN OBJECTIVES

□ REVENUE GENERATION

- ▣ **Property Tax** – Most stable source, rate controlled by City Council
- ▣ **Sales Tax** – Fluctuates with economy, State Legislature controls the distribution formula
- ▣ **Franchise Fees** – More stable than sales tax but not as stable as property tax. Limited to maximum of 6% on gas and electric, 3.5% on telecommunications (the City's franchise tax revenue is declining)
- ▣ **Building and Development Fees** – Unpredictable and decrease near buildout, usually cover reimbursement of actual staff time and processing expense

FINANCIAL PLAN OBJECTIVES

- **Challenges Affecting the General Fund:**
 - Loss of Buying Power
 - Level of Service/Growth Issues

- **Is the General Fund able to keep up with both inflation and growth?**
 - Understanding the Certified Tax Rate Formula and Truth in Taxation

FINANCIAL PLAN OBJECTIVES

Certified Tax Rate

- Based on Assessed Value of Real, Personal and Centrally Assessed Property in the City
- Less Redevelopment Areas, Board of Equalization Adjustments and adjusted for Five-year average Collection Rate
- Certified Tax Rate = Revenue Neutrality plus **New Growth**

PROPERTY TAXES 101

Property Tax Demonstration
Year 1

House 1	House 2	House 3	House 4	House 5
Mkt Value 181,818	Mkt Value 181,818	Mkt Value 181,818	Mkt Value 181,818	Mkt Value 181,818
Tax Value 100,000	Tax Value 100,000	Tax Value 100,000	Tax Value 100,000	Tax Value 100,000
Tax Bill 1,000	Tax Bill 1,000	Tax Bill 1,000	Tax Bill 1,000	Tax Bill 1,000

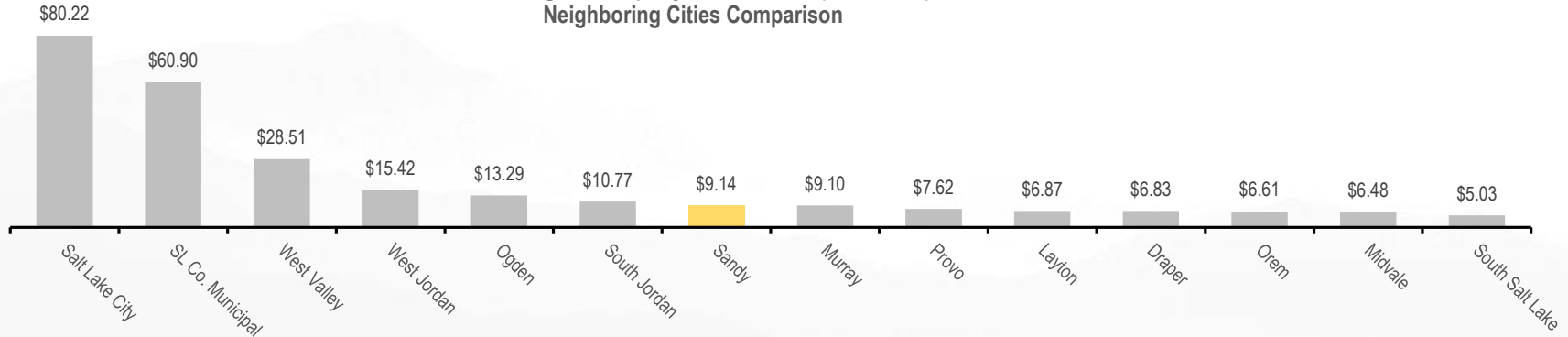
House 6	House 7	House 8	House 9	House 10
Mkt Value 181,818	Mkt Value 181,818	Mkt Value 181,818	Mkt Value 181,818	Mkt Value 181,818
Tax Value 100,000	Tax Value 100,000	Tax Value 100,000	Tax Value 100,000	Tax Value 100,000
Tax Bill 1,000	Tax Bill 1,000	Tax Bill 1,000	Tax Bill 1,000	Tax Bill 1,000

Entity	
Total Base Mkt Value	1,818,182
Total Base Tax Value	1,000,000
Tax Revenue Base	10,000
Tax Revenue New Grow	-
Total Tax Revenue	10,000
Tax Rate	1.00%



BENCHMARKING

2018 Budgeted Property Tax Revenue (in millions)
Neighboring Cities Comparison



2018 Residential Property Tax
Neighboring Cities Comparison



Includes: *UFA & UPD Rates, **UFA Rate, ***Rate for Library Services
Assumes a \$350,000 Residential Property Value
Source: taxrates.utah.gov

MODEL ASSUMPTIONS

- ❑ MODEL ASSUMES 2019 BUDGETED REVENUES AND EXPENSES

- ❑ FUTURE ASSUMPTIONS (2020-2023) REGARDING PRIMARY REVENUES:

	FY 2020	FY 2021	FY 2022	FY 2023
Property Tax	2.00%	2.00%	1.00%	1.00%
Sales Tax	2.50%	2.50%	2.50%	2.50%
Franchise Tax	-1.0%	-1.0%	-1.0%	-1.0%
Motor Vehicle Fee	-0.65%	-0.65%	-0.65%	-0.65%
Licenses & Permits	-5.00%	1.25%	1.25%	1.25%
State Road Funds	3.50%	3.50%	3.50%	3.50%
Charges for Service	2.00%	2.00%	2.00%	2.00%

	Historic (2000 – 2018)	Historic 10-Year	Historic 3-Year
	3.52%	2.75%	6.12%
	2.49%	1.05%	4.46%
	4.33%	0.79%	-3.86%
	-1.05%	-1.80%	1.73%
	2.44%	1.20%	4.38%
	-0.30%	-0.17%	3.12%
	7.40%	5.47%	2.14%

MODEL ASSUMPTIONS

□ ASSUMPTIONS REGARDING PRIMARY EXPENDITURES: ■ Annual Base Increase Assumptions (Due to Inflation & Natural Growth)

Base % Increase/Decrease	2020	2021	2022	2023
Personnel	3.75%	3.00%	3.00%	3.00%
Materials & Supplies	1.00%	1.00%	1.00%	1.00%
External Services	2.50%	2.50%	2.50%	2.50%
Internal Services	15.00%	8.00%	8.00%	8.00%
Equipment & Improvements	8.00%	8.00%	8.00%	8.00%
Capitalized Internal Services	7.69%	7.14%	6.67%	6.25%

Historic (2000 – 2018)	Historic 10-Year	Historic 3-Year
3.65%	2.15%	2.97%
2.76%	-0.03%	1.42%
5.54%	2.48%	8.48%
-1.68%	1.90%	0.08%
6.21%	7.88%	31.16%
0.00%	-0.62%	-4.99%

- **Personnel:** Based on 3-Year Historic Growth
- **Materials & Supplies:** Modeled Based on Slight Increase, Adds Approximately \$50K to Base
- **External Services:** Modeled Based on 10-Year Historic Growth, Adds Approximately \$40K to Base
- **Internal Services:** Increase Needed to Catch Up with Operational Costs Related to Fleet (parts and fuel) and IT
- **Equipment & Improvements:** Modeled Based on 10-Year Historic Growth, Adds Approximately \$10K to Base
- **Capitalized Internal Services:** Based on Adding \$100K to Base Expense to Catch up to Rising Fleet Replacement Costs.

MODEL ASSUMPTIONS

- ❑ ASSUMPTIONS REGARDING ADDITIONAL O&M EXPENDITURES:
 - ▣ New O&M Expenditures are Based on Preliminary Estimates from Fall
 - ▣ Inflationary Increase: 3%
 - ▣ Ongoing O&M Increases for 2020:
 - ▣ Personnel: \$492K
 - ▣ External Services: \$82K
 - ▣ Internal Services: \$6K
 - ▣ Model Includes Other One-Time O&M Expense Increases in 2021-2023

MODEL ASSUMPTIONS

❑ ASSUMPTIONS REGARDING CAPITAL IMPROVEMENT PLAN (CIP):

Revenues	2020	2021	2022	2023
CIP Expense	50,226,399	29,052,931	11,512,069	31,794,357
Other Funding Sources (Grants, Impact Fees, Road Funds, Etc.)	25,828,974	12,398,923	5,034,383	5,708,777
General Fund Need	\$24,397,425	\$16,654,008	\$6,477,686	\$26,085,580

❑ Major CIP Impacts on General Fund Include:

- ❑ Parks and Recreation Building, Alta Recreation Center
- ❑ Phase II Public Works Facility
- ❑ Monroe Street Extension and Improvements
- ❑ Fire Station #31 Relocation/Expansion
- ❑ Various Bridge Projects
- ❑ Wasatch Blvd Overlay
- ❑ Other City-Wide Road Projects
- ❑ Gateway Beautification Projects
- ❑ Other Parks and Recreation Improvements

SCENARIO ANALYSIS

Scenario 1: Baseline Analysis

- No Property Tax Increase
- Inclusion of New O&M and CIP
- No New Debt

Comparison of Revenues and Expenses

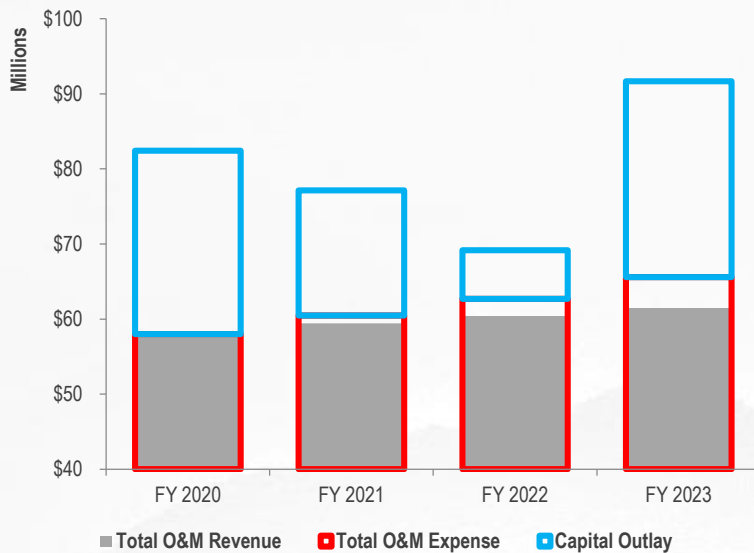
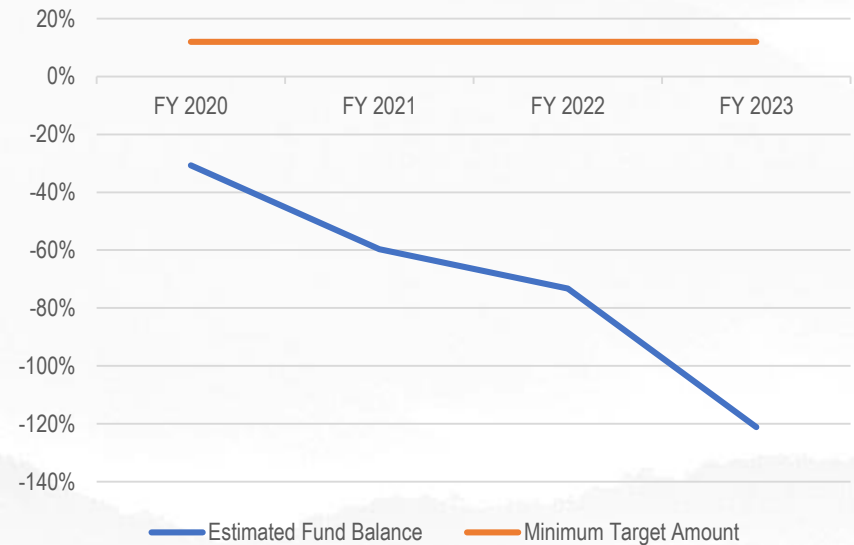


Illustration of Fund Balance as % of O&M Revenue



SCENARIO ANALYSIS

Scenario 2: Pay-as-You-Go

- 314% Property Tax Increase Needed to Mitigate Funding Gap in 2020
- Inclusion of New O&M and CIP
- No New Debt

Comparison of Revenues and Expenses

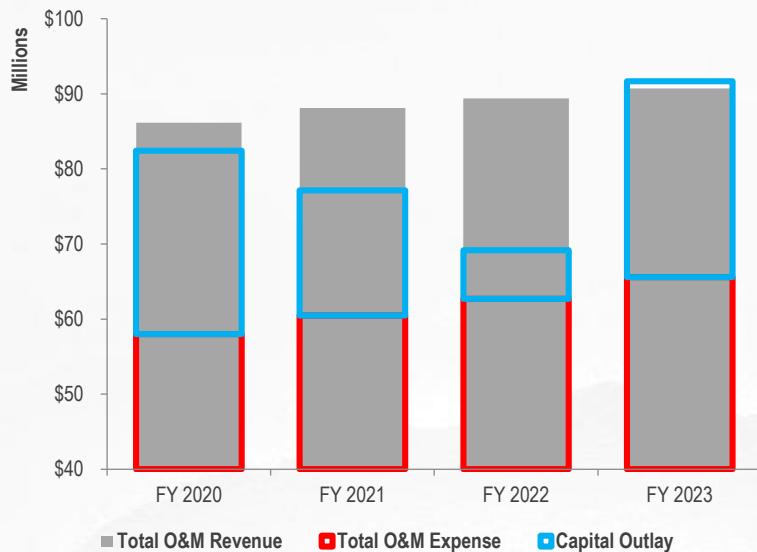
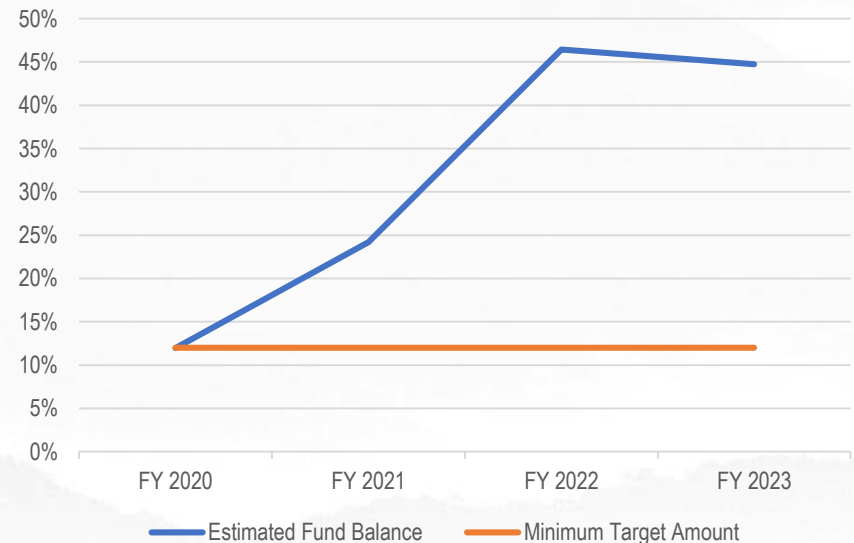


Illustration of Fund Balance as % of O&M Revenue



SCENARIO ANALYSIS

Scenario 3: Pay-as-You-Go & Debt Financing

- Property Tax Increases Needed to Mitigate Funding Gap, Assuming New Debt

	2020	2021	2022	2023
Property Tax Increase Needed	38%	12%	15%	12%

- Inclusion of New O&M and CIP
- Including New Debt in 2020 and 2023

Comparison of Revenues and Expenses

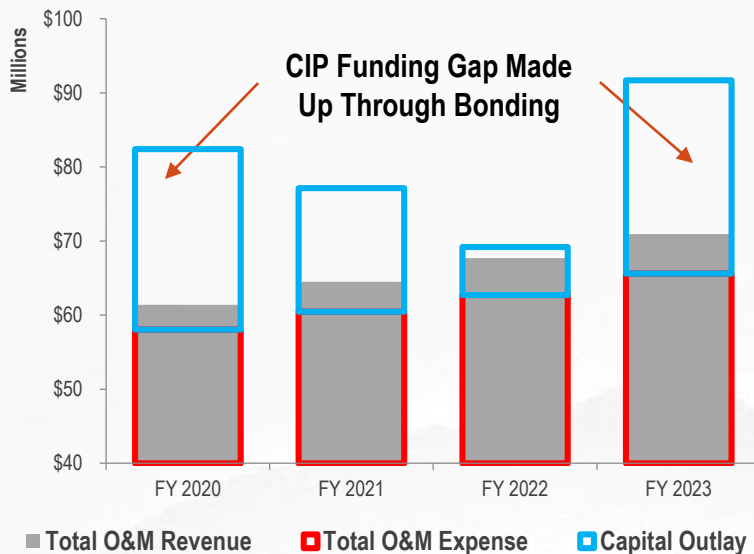
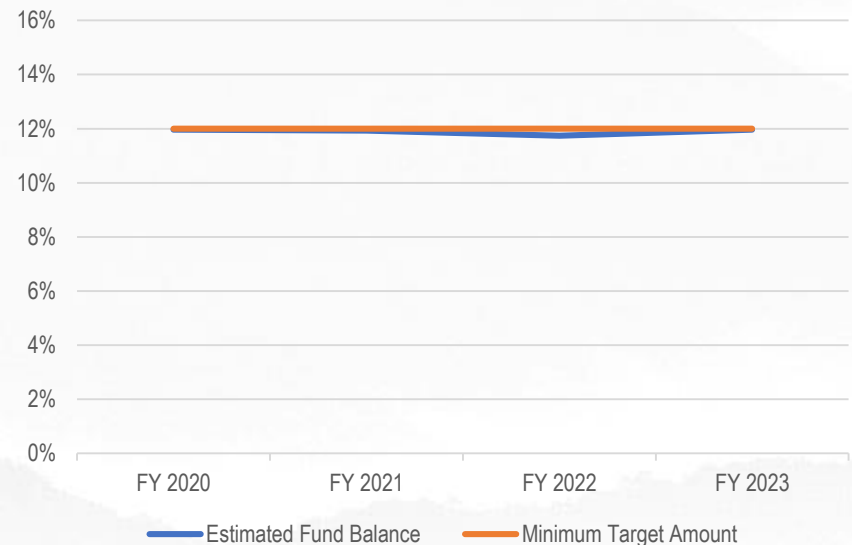


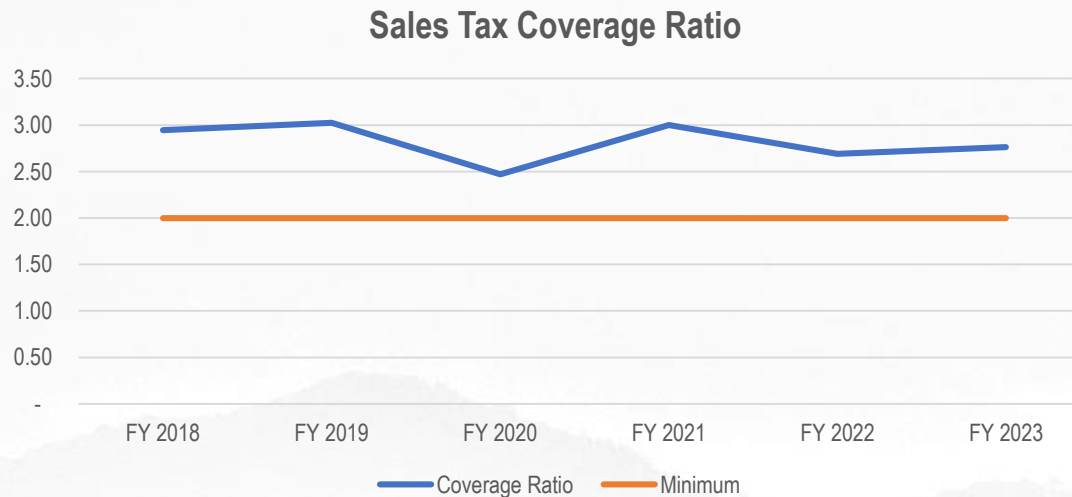
Illustration of Fund Balance as % of O&M Revenue



SCENARIO ANALYSIS

- Scenario 3: Pay-as-You-Go & Debt Financing
 - Bonding Assumptions

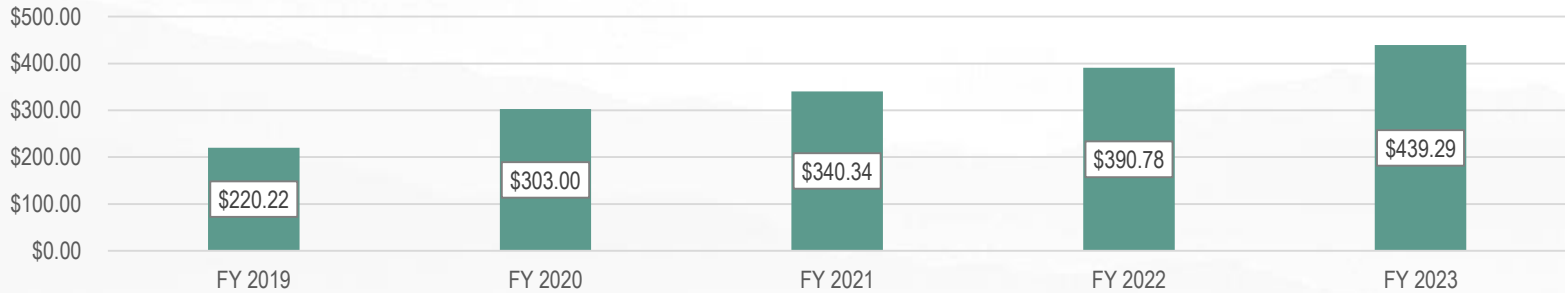
Potential Bonds	2020	2021	2022	2023
Rate	4.0%	4.0%	4.0%	4.0%
Years	25	25	25	25
PAR Amount of Bonds	\$40,800,000	-	\$33,150,000	-
Cost of Issuance	2%	2%	2%	2%



SCENARIO ANALYSIS

Scenario 3: Pay-as-You-Go & Debt Financing

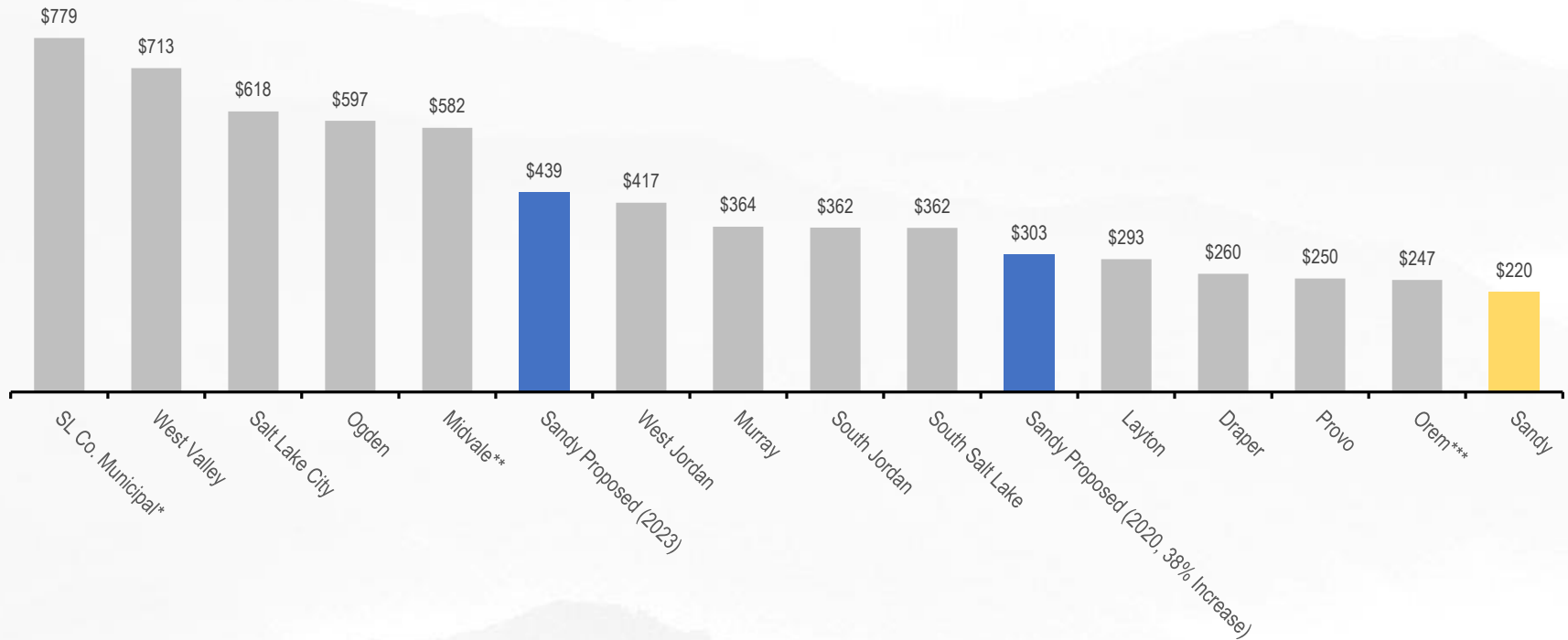
Estimate of Annual Impact (Avg. Home of \$350K)



	2019	2020	2021	2022	2023
Needed General Fund Property Tax Revenues	-	\$3,371,393	\$1,602,108	\$2,184,053	\$2,122,435
Average Home Value	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000
Taxable Value	\$192,500	\$192,500	\$192,500	\$192,500	\$192,500
Certified Tax Rate (General Operations)	0.001144	0.001144	0.001574	0.001768	0.002030
General Tax Levy Increase	-	0.000430	0.000194	0.000262	0.000252
Combined Levy	0.001144	0.001574	0.001768	0.002030	0.002282
Combined Tax Bill	\$220.22	\$303.00	\$340.34	\$390.78	\$439.29
Annual Increase		\$82.78	\$37.34	\$50.44	\$48.51
Monthly Increase		\$6.90	\$3.11	\$4.20	\$4.04
Percent Increase		38%	12%	15%	12%

BENCHMARKING

2018 Residential Property Tax
Neighboring Cities Comparison (with Scenario 3 Increases)*



Includes: *UFA & UPD Rates, **UFA Rate, ***Rate for Library Services
Assumes a \$350,000 Residential Property Value
Source: taxrates.utah.gov

*Assumes other Taxing Entities Remain Constant

CONCLUSION

▣ Next Steps

- ▣ Prioritization of Operational and Capital Needs
- ▣ Identify Additional Funding Needs
- ▣ Evaluate Funding Options
- ▣ Refine Scenarios
- ▣ Establish Action Plan

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