Monitoring Fiscal Health

Indicators to follow

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Why track economic indicators ?

- Better prepare for future community plans or projects (what are our needs?)
- Anticipate potential economic downturn
- Comprehensive budget process – more than just balancing budget
- Identify good and/or challenging fiscal conditions
- Improve bond rating

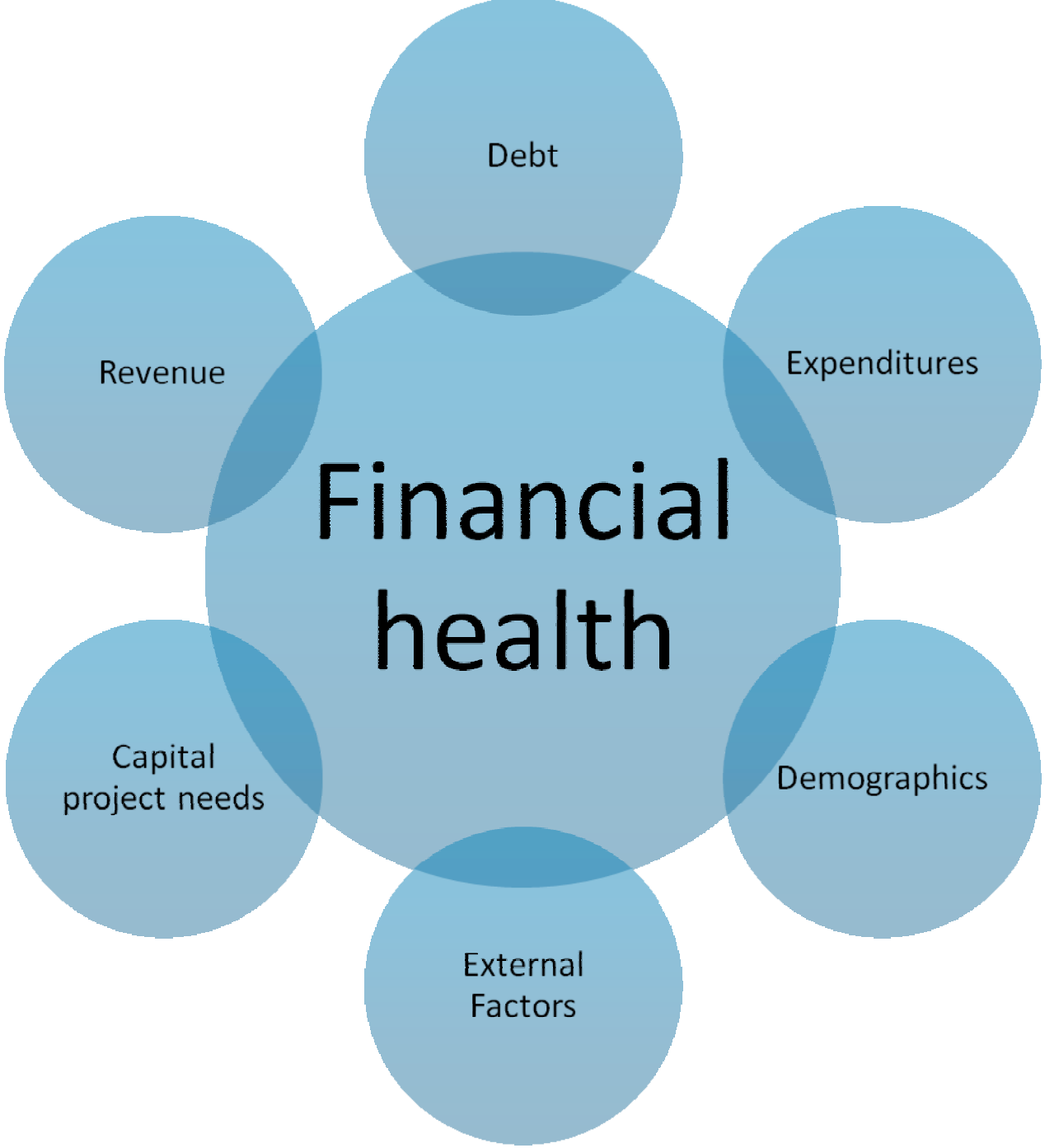
Factors influencing fiscal condition

- Community needs and resources
- External economic conditions
- Intergovernmental constraints
- Natural disasters/ emergencies
- Political culture

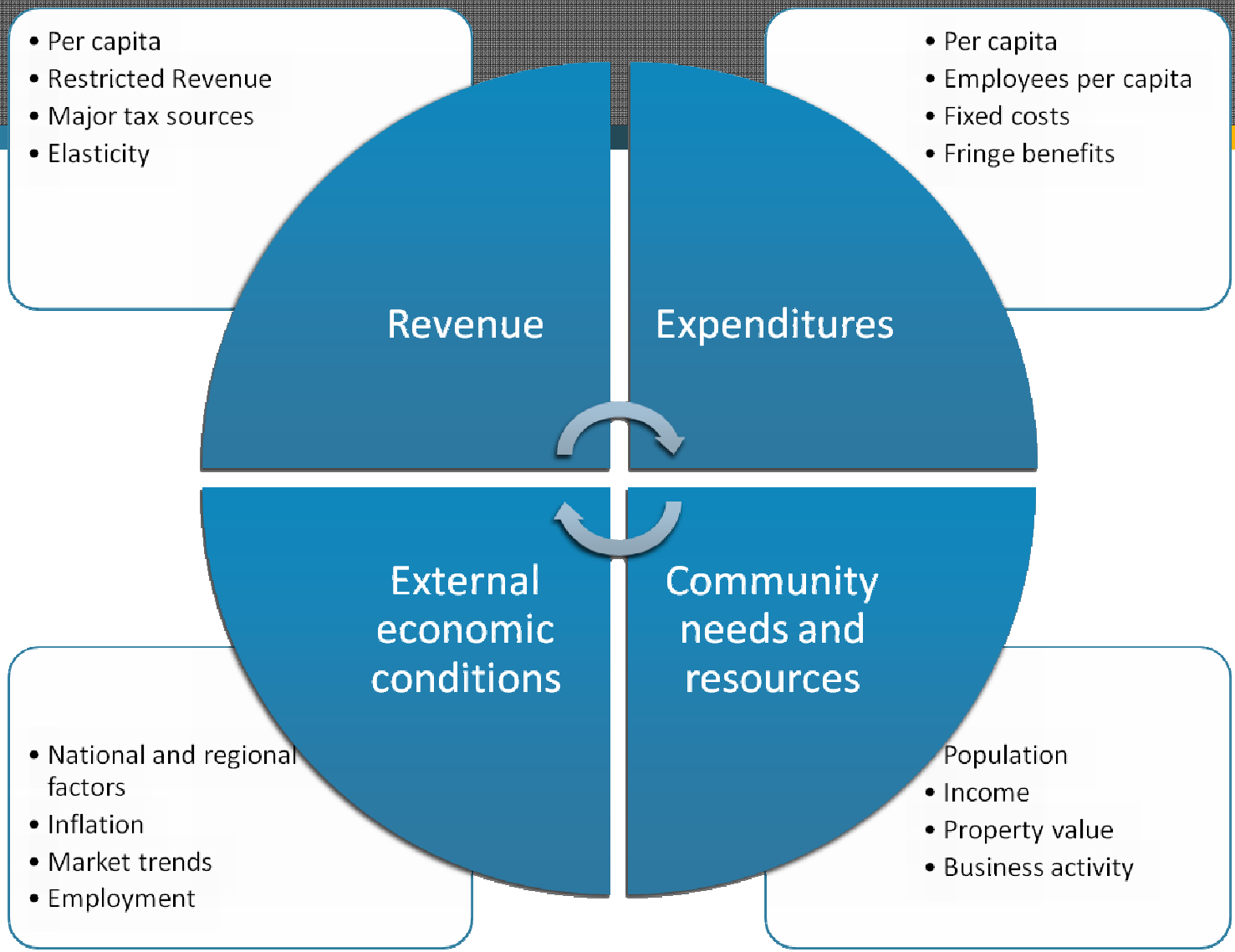
MANAGEMNT PRACTICES

- Revenues
- Expenditures
- Operating position
- Debt structure
- Unfunded liabilities
- Condition of capital plants

Indicators


Financial health
Debt
Expenditures
Demographics
External Factors
Capital project needs
Revenue

Fiscal Indicators



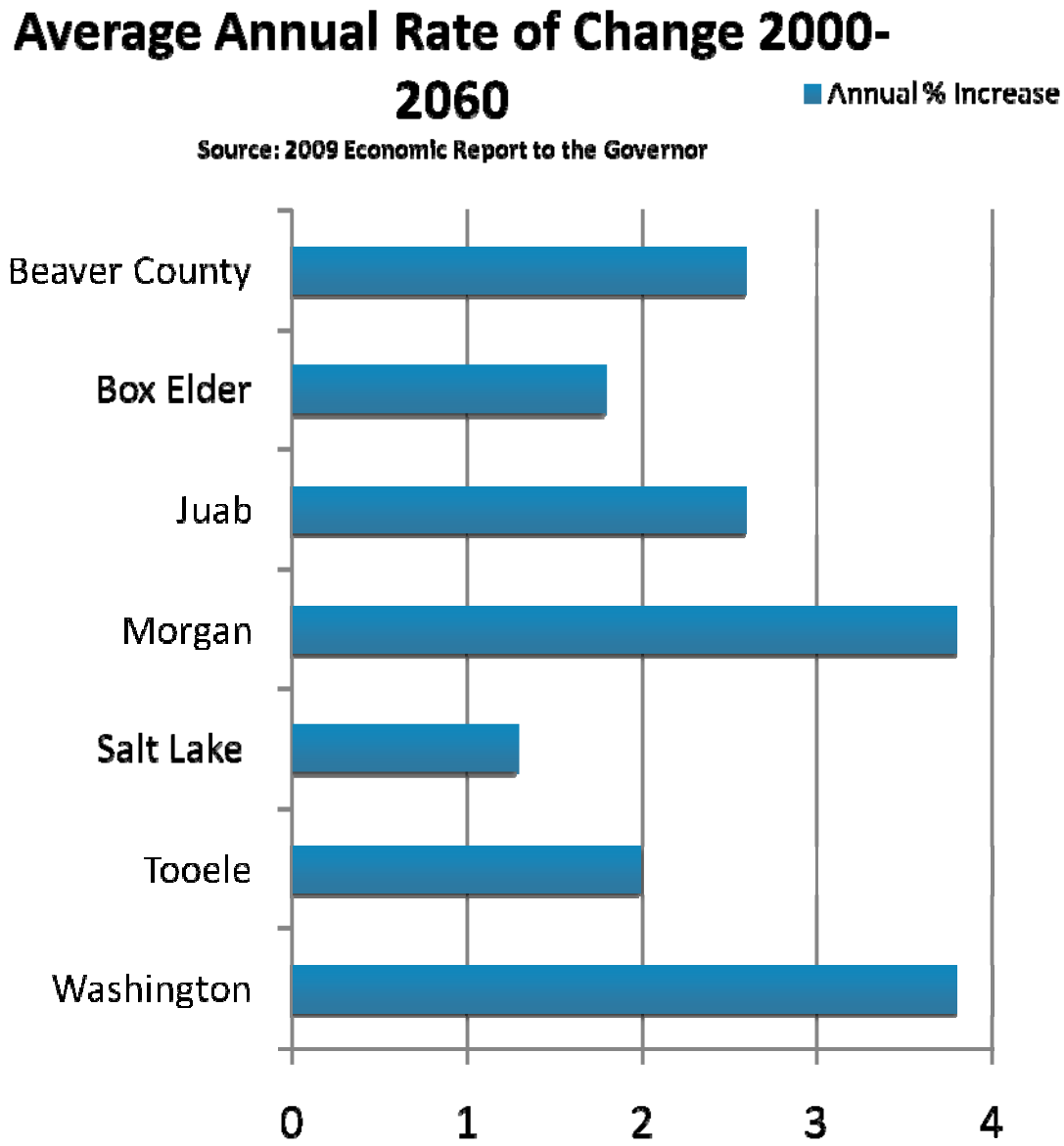
Community needs and resources

Indicators to consider…

- Population
- Median age
- Personal income per capita
- Poverty rate
- Property value
- Residential development
- Vacancy rates
- Employment base
- Business activity

Utah's population projections

Utah's 2040 population
5.2 million residents (currently 2.9 million Utahns)



Historical Summary of Taxable Value of Property

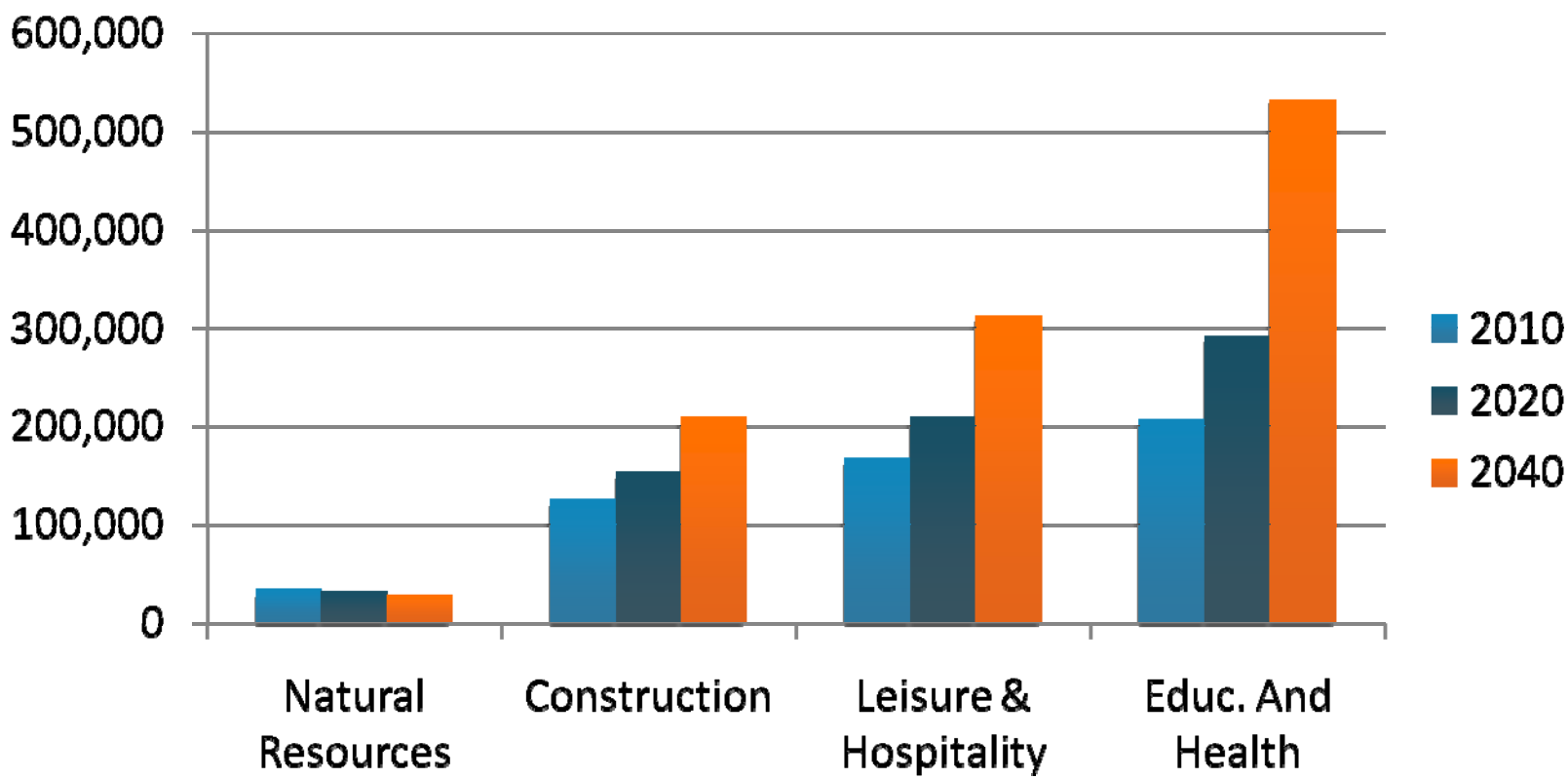
Taxable and Fair Market Value of Property

Year	Taxable Value (1)	% Change Over Prior Year	Fair Market/ Market Value
2008 (2)	$3,144,601,054	12.0%	$5,150,921,6
2007	2,808,248,071	18.0	4,590,049,3
2006	2,380,269,514	41.9	3,874,361,3
2005	1,677,205,864	3.4	2,711,669,6
2004	1,621,933,614	6.5	2,612,241,5
2003	1,523,302,716	25.2	2,436,891,6

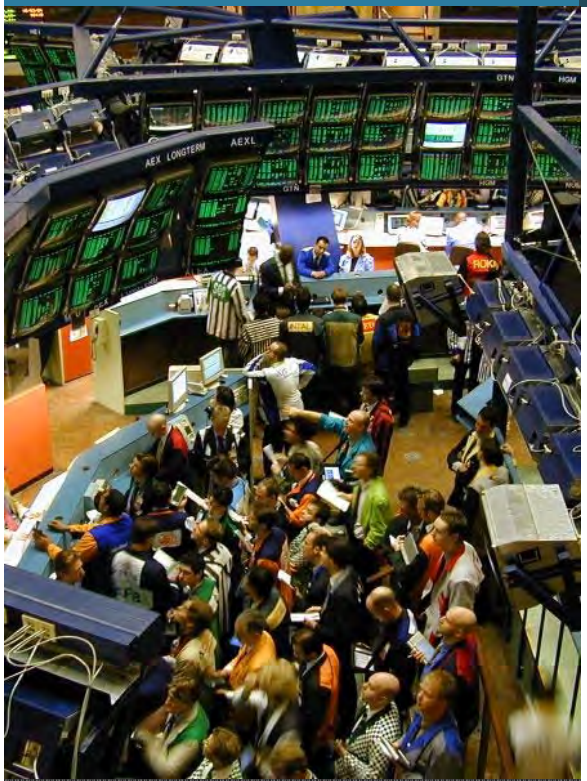
(1) Includes redevelopment agency valuation. Taxable values were calculated by reducing the fair market/market value of primary residential property by 45%, representing a partial property tax exemption for such property.
(2) Preliminary; subject to change.

(Source: Property Tax Division, Utah State Tax Commission (as to Taxable Value only).

Employment Projections



Source: 2009 Economic Report to the Governor

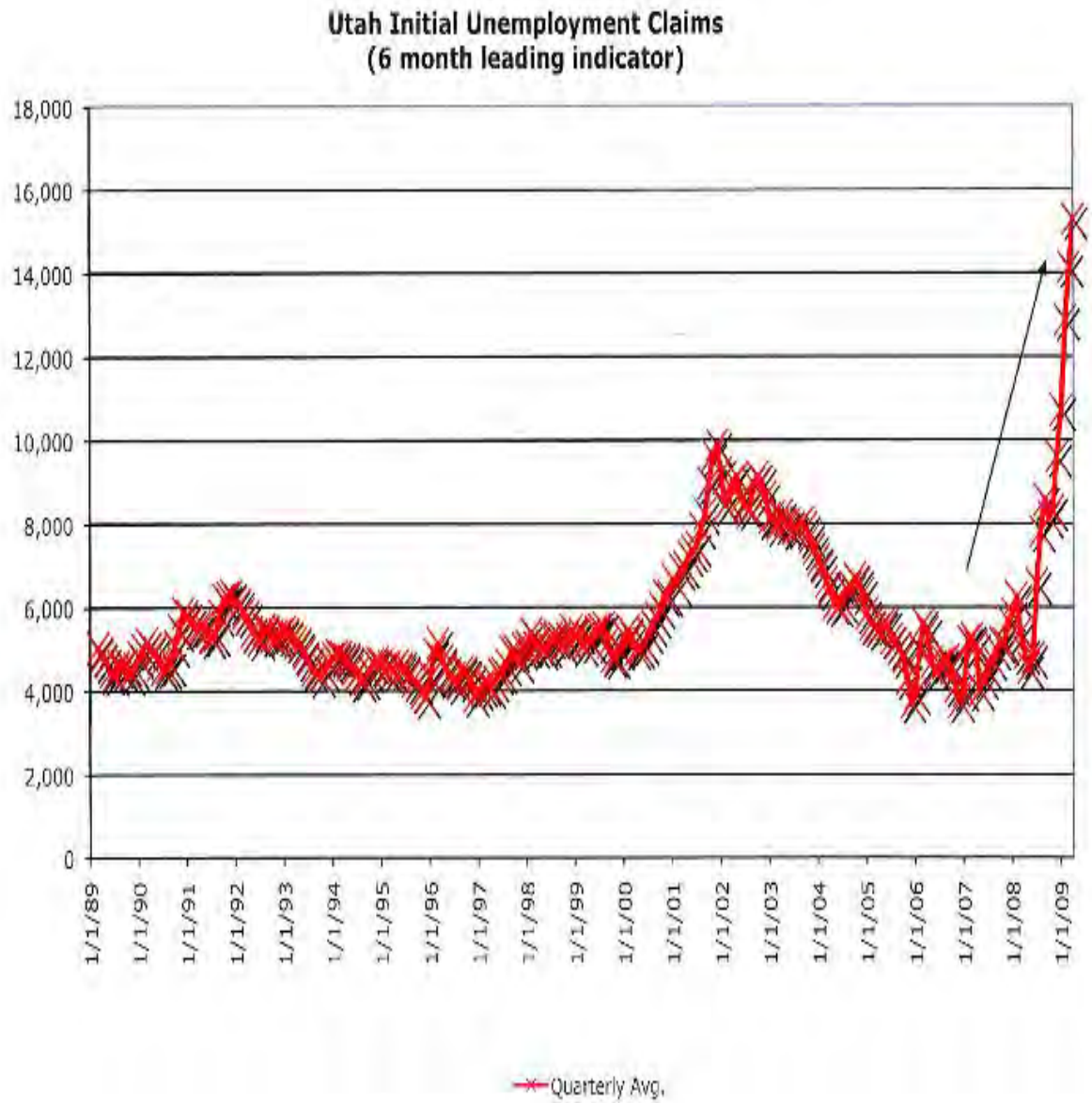


External economic conditions

Indicators to consider…

- National and regional economy
- Inflation
- Employment
- Regional markets
- Residential and commercial construction activity

Unemployment claims

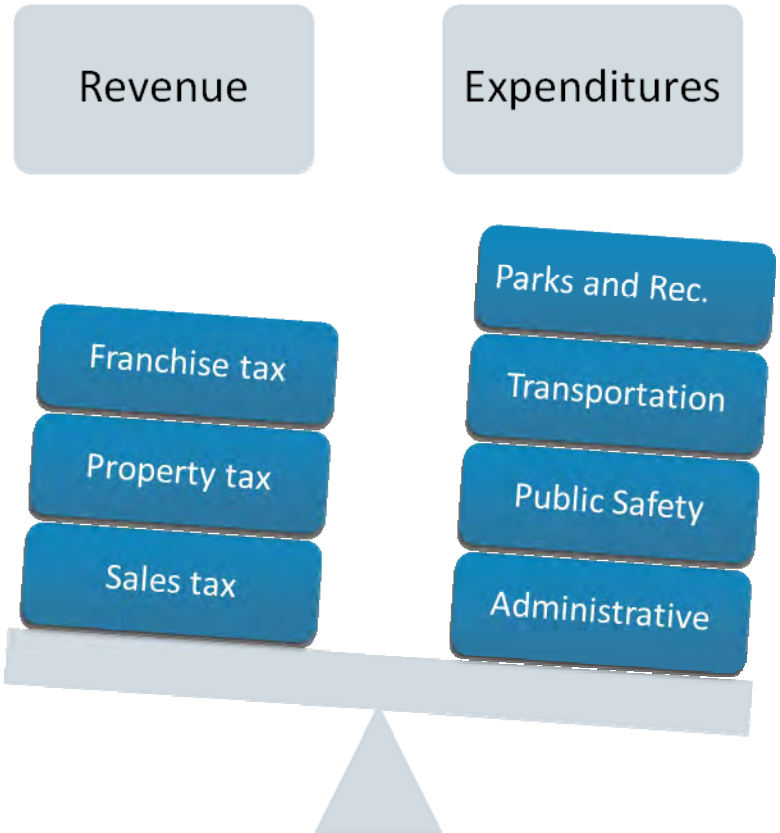


Revenue

Indicators to consider…

- Revenues per capita
- Restricted revenues
- Intergovernmental revenues
- Elastic tax revenues
- One-time revenues
- Property tax revenues
- Uncollected property taxes
- User charge coverage
- Revenue shortfalls

Revenue



- Deterioration of revenue base
- Ineffective revenue estimating
- Overdependence on one source
- User fees not covering cost of service
- Changes in tax burden

Property Tax Revenue

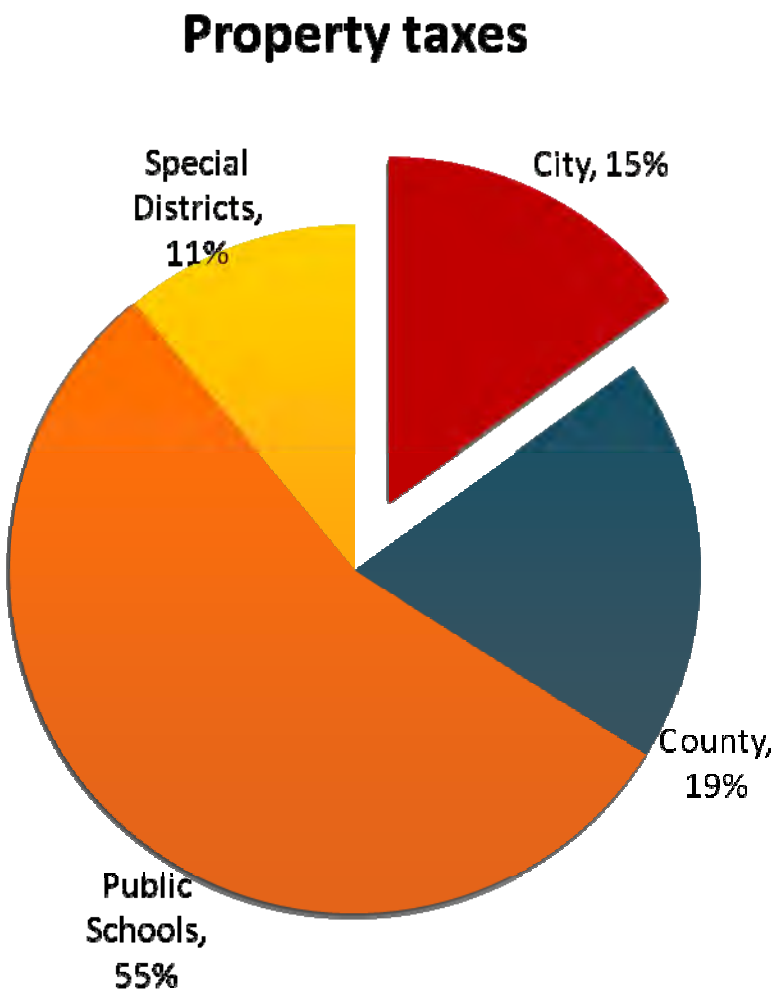
Warning trend – not keeping up with inflation

Has the assessed value of properties or classes of properties dropped as a percentage of market value?

Is the percentage of nontaxable property increasing?

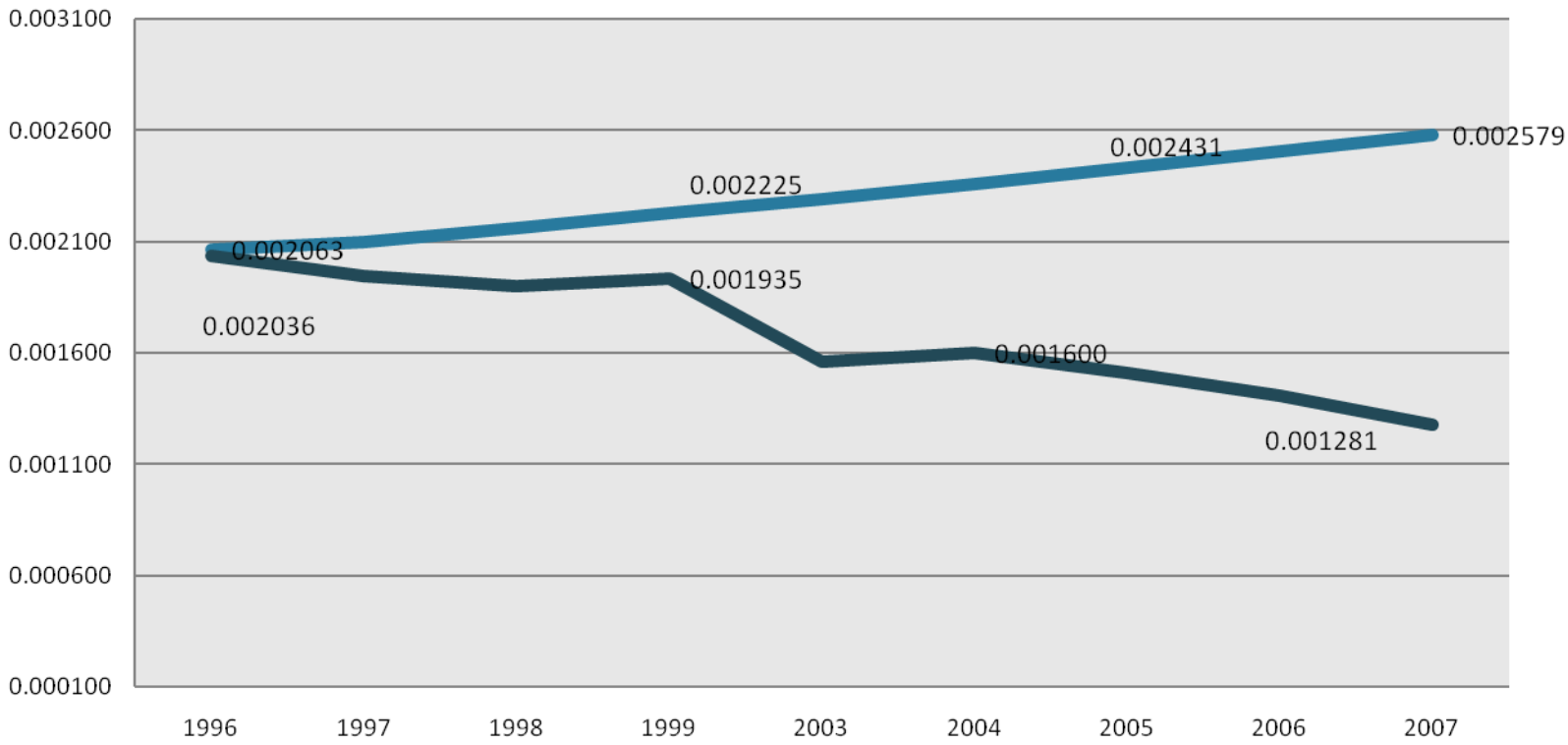
Are tax delinquencies increasing?

Average homeowner in Utah pays 15% of property tax bill to city government…where is your city? Higher? Lower?



Actual property tax rates vs. Rates adjusted for inflation

Certified Tax Rate 1996-2007 if adjusted for inflation



Cost of inflation to property tax

- Example: 1997 rate .001944
  - Generate $131 on a $150,000 home
- Example: 2007 rate .001281
  - Generate $131 on $228,500 home
- Adjusting for inflation **$131** in 1997 has the same buying power as **$179** in 2008
  - **Cost due to inflation is -$48 in buying power or about a 37% decrease**

Elastic Tax Revenues

Do revenues rely heavily on inelastic or elastic tax sources?

During a recession dependence on inelastic revenue sources is an advantage.

During inflation periods dependence on elastic is an advantage.

Sales Tax as a percent of GF revenues		
Cluster Name	Sales Tax percent dependency (2007)	Sales Tax percent dependency (2008)
Major Population Centers	37.6%	40.0%
Commercial Centers	40.7%	43.6%
Residential Transitioning	27.9%	35.0%
Urban Edge	45.4%	47.9%
STATE AVERAGE	33.6%	35.9%

Expenditures

Indicators to consider…

- Expenditures per capita
- Employees per capita
- Fixed costs
- Fringe benefits

Expenditures per cpaita

Description	2004	2005	2006	2007	2008
Net Operating Expenditures	2,374,313	2,546,158	2,565,972	2,607,956	2,847,661
% change from prior year	0.89	1.07	1.01	1.02	1.09
CPI	100.00	97.00	94.00	91.00	87.00
CPI in decimal	1.00	0.97	0.94	0.91	0.87
Net Operating Expenditures (Constant dollars)	2,374,313	2,469,773	2,412,014	2,373,240	2,477,465
Population	8,661	8,595	8,713	8,726	8,726
Net Operating Expenditures per capita (Constant dollars)	**274.14**	**287.35**	**276.83**	**271.97**	**283.92**

Employees per capita

Municipal employees/population

Is employee productivity decreasing?

Have population characteristics changed, necessitating different or higher service levels?

Description	2004	2005	2006	2007	2008
Number of FTEs	16.43	16.90	18.03	17.4	18.58
Population	8,661	8,595	8,713	8,726	8,726
Number of Municipal FTEs per Capita	0.0019	0.0020	0.0021	0.0020	0.0021

Financial Factors

Revenue

- Growth
- Flexibility
- Elasticity
- Dependability
- Diversity
- Administration

Expenditures

- Growth
- Mandated costs
- Productivity
- Effectiveness

Operating position

- Operating results
- Fund balance
- Reserves
- Liquidity

Debt structure

- Long-term debt
- Short-term debt
- Overlapping debt
- Contingent debt
- Debt schedules

Unfunded liabilities

- Pensions
- Leave benefits
- Deferred maintenance

Condition of capital plant

- Depreciation
- Asset inventories
- Maintenance and replacement schedules

Environmental Factors

Community Needs and Resources

- Population
- Income
- Property Value
- Employment
- Business Activity

External economic conditions

- Inflation
- Employment
- Regional markets

Intergovernmental constraints

- Intergovernmental
- Grants-in-aid
- Tax restrictions
- Incorporation laws

Political culture

- Attitudes toward taxes, services, and political process

Natural disasters and emergencies

- Weather
- Earthquake
- Flood
- Fire