

SOUTH JORDAN CITY
CITY COUNCIL BUDGET MEETING

January 29, 2025

Present: Mayor Dawn R. Ramsey, Council Member Patrick Harris, Council Member Kathie Johnson, Council Member Don Shelton, Council Member Tamara Zander, Council Member Jason McGuire, City Manager Dustin Lewis, Assistant City Manager Jason Rasmussen, City Attorney Ryan Loose, Assistant to the City Manager/Mayor Melanie Edwards, Director of City Commerce Brian Preece, Director of Public Works Raymond Garrison, CFO Sunil Naidu, Director of Administrative Services Melinda Seager, Police Chief Jeff Carr, Fire Chief Chris Dawson, Director of Recreation Janell Payne, Communications Manager Rachael Van Cleave, Director of Human Resources Teresa Cook, Associate Director of Human Resources Corinne Thacker, CTO Matthew Davis, City Recorder Anna Crookston

Absent:

Others:

5:07 P.M.
BUDGET MEETING

A. Welcome, Roll Call, and Introduction - *By Mayor, Dawn R. Ramsey*

Mayor Ramsey welcomed everyone present.

B. Invocation – *By Director of City Commerce, Brian Preece*

Director Preece offered the invocation.

C. Discussion Item:

C.1. Fiscal Year 2025-26 Budget. (*By City Manager, Dustin Lewis*)

City Manager Lewis began his presentation by noting a change in the traditional format of the meeting. Typically, department directors would present individual reports on their respective departments. However, this year, he explained that he would be the sole presenter, walking the Council through the budget preparations that had been underway for the past five months. He explained that the process of preparing for this meeting began in September, when he assigned all department heads to evaluate their department's needs. He emphasized that, given the tight budget, the focus was on analyzing programs and personnel requirements. Each department head was asked to submit their requests for operational cost increases and staffing needs. These submissions were then reviewed by the city's human resources team, led by Human Resource Director Teresa Cook and Associate Director Corinne Thacker.

City Manager Lewis continued by explaining the extensive work conducted with department heads to review their budget submissions. Meetings were held with himself, CFO Sunil Naidu, and Assistant City Manager Jason Rasmussen, as well as with each department's deputies and managers. Throughout this process, there were in-depth discussions about the necessity of requested positions and resources. He compared the city's approach to budgeting with other municipalities that may ask for a larger number of positions or funding, knowing that cuts will be made. In contrast, he emphasized that the city's departments do not request items unless there is clear justification and a genuine need behind those requests.

Council Member Zander expressed appreciation for the straightforward and honest communication within their discussions. She acknowledged that in many situations, particularly in business, people often ask for more than they need in anticipation of negotiation. However, she noted her gratitude for the trust established in their work, where requests are made based on genuine needs rather than strategic overstatements.

City Manager Lewis emphasized that all budget requests presented were legitimate, necessary, and supported by data. He assured that nothing was excessive or unnecessary. He outlined the plan for the meeting, which included an overview of initial budget projections, a review of staffing requests, and a discussion on operational cost increases.

City Manager Lewis provided an overview of the staffing and compensation requests in the budget planning process. He noted that 27 new positions were requested citywide, including 10 full-time and 17 part-time roles, with a total estimated cost of \$2.2 million. He also discussed performance-based pay increases, which would recognize employees who consistently exceed expectations, with department directors submitting detailed justifications for these requests totaling approximately \$85,000. Additionally, he highlighted the city's career ladder program, which allows employees to advance through structured career paths by obtaining certifications and demonstrating proficiency in key skills. Examples included firefighters progressing from Firefighter I to Senior Firefighter or maintenance workers advancing through skill-based tiers. If all eligible employees were to move up in their career ladders, the estimated cost would range between \$545,000 and \$580,000. To ensure transparency and predictability, department directors were asked to identify potential career ladder advancements in their budget requests.

Council Member Zander asked for clarification on whether the budget included the full \$580,000 for career ladder advancements.

City Manager Lewis clarified that the budget request for career ladder advancements ranged from \$545,000 to \$580,000, representing the maximum possible cost if every eligible employee qualified. However, he acknowledged that not all employees might meet the necessary requirements, such as passing certification tests or demonstrating the required skill proficiency.

Council Member Zander inquired about the existence and history of career ladders within the city. She asked whether the city has had these career ladders for a long time and requested information on the amount spent on career ladders in the previous year.

City Manager Lewis stated that he would ask staff to review historical data for comparison. He explained that the number of employees qualifying for career ladder advancements varies each year. Factors influencing this include employee experience levels and turnover. Most career ladders have three levels, with the goal of employees reaching the third and highest level of proficiency. He provided an example from the water department, noting that if all employees were already at the highest level, no career ladder advancements would occur that year. However, if new employees were hired due to turnover, they could potentially qualify for advancement.

Council Member Zander asked, if the career ladder system is already in place, what percentage of employees take advantage of this opportunity?

City Manager Lewis responded that almost all employees work toward advancing in the career ladder if it is available to them. He noted that it provides a slight pay increase and makes employees more valuable by enhancing their skills and reliability.

Council Member Zander asked if there is any commitment required from employees who receive a base pay increase through the career ladder, such as an obligation to remain employed with the city for so many months.

City Manager Lewis explained that there is no required commitment from employees who receive a pay increase through the career ladder program, unlike tuition reimbursement programs that require a minimum service period. He emphasized that the program is designed to develop employees to be highly skilled, which can make them attractive to other cities. To mitigate this, the city provides competitive pay increases to retain talent. He further discussed the importance of market adjustments to ensure competitive compensation. To bring police and fire personnel up to the top tier among neighboring cities, the city would need to allocate approximately \$1 million. The general pay plan for other employees is in a better position, requiring an estimated \$65,000 to \$94,000 to maintain market competitiveness. Additionally, cost of materials and services, including paper, software subscriptions, asphalt, and other necessary resources, has risen. The requested increase for these operational expenses totals approximately \$1.3 million, reflecting about a 10% increase in costs. He outlined the essential budget requirements for the upcoming fiscal year. Currently, the city's personnel costs within the general fund amount to \$52.5 million, which equates to just over \$1 million per week to compensate employees who operate city services. Operational costs, which include necessary supplies, equipment, and services, total \$11.2 million. Additionally, the city is required to make \$3.4 million in debt payments. Altogether, in order to maintain the city's current level of services and operations for the next budget year, the total estimated funding required is \$67.1 million.

City Manager Lewis noted that CFO Naidu has been extensively analyzing financial data to refine these projections. Explaining that CFO Naidu has been diligently working to finalize the city's end-of-year budget, including the Comprehensive Annual Financial Report (CAFR) and other critical financial tasks. As part of this process, CFO Naidu has been analyzing projected revenues. One challenge in revenue forecasting is fluctuating sales tax revenue. Recent data from January 2025 compared to January 2024 showed a 20% decrease in sales tax revenue for the city. This trend was seen across multiple cities, with an overall average decline around 21%.

City Manager Lewis provided an update on the budget process, highlighting key financial figures and considerations. The anticipated revenue for the fiscal year is \$68,621,772 resulting in approximately \$1.5 million in available new funding after addressing existing obligations. However, departmental requests totaled approximately \$5.5 million, necessitating careful prioritization. One of the primary budget challenges is the anticipated increase in costs related to insurance and workers' compensation. He noted that while the city has not yet received its new experience modification rate (eMod), the shift in the calculation year suggests an expected increase in costs. Based on prior trends, the city anticipates an increase of just over \$100,000 to maintain coverage. Additionally, the cost of operating expenses has increased by approximately \$1.3 million, with \$663,000 attributed to non-discretionary expenses such as vendor contracts, utility costs, and software subscriptions. These increases must be accounted for within the budget. After covering these fixed cost increases, approximately \$836,000 remains for discretionary budget allocations. He outlined potential approaches to utilizing these funds, emphasizing the importance of maintaining market competitiveness in employee compensation. Initial considerations included a flat 3% pay increase for all employees, including police, fire, public works, and general staff. However, after reviewing strategic priorities and fiscal responsibility guidelines, he recommended a structured approach that focuses on step increases, market adjustments, and career ladder funding. For employees on step plans (police, fire, and public works), he recommended funding step increases, which would provide eligible employees with a 3% pay raise at a total cost of approximately \$264,000. Additionally, he suggested a 1% adjustment to the general pay plan, costing approximately \$159,000. These adjustments would take effect at the beginning of the fiscal year in July. Further, he proposed implementing mid-year market adjustments to both the step plan and general pay plan. Adjusting the step plan mid-year would cost approximately \$183,000, while the general pay plan adjustment would require an additional \$33,000. The career ladder program would also be funded, with salary adjustments for eligible employees taking effect at mid-year, costing approximately \$219,000. The total cost of these personnel-related budget adjustments is projected at \$859,000, which slightly exceeds the available discretionary funding but remains within a reasonable range as final numbers are refined. Regarding service levels, overall operations would continue at current levels. However, as the city grows, minor impacts may be observed in areas such as park maintenance and street sweeping due to increased infrastructure demands. In public safety, the focus will be on filling existing vacancies rather than adding new positions. The police department, which typically has between four and seven openings, will concentrate on achieving full staffing. Future growth may necessitate the addition of new officers in subsequent budget cycles. City Manager Lewis emphasized that this budget approach maintains market competitiveness, prioritizes workforce retention, and allocates resources strategically to minimize turnover costs. He acknowledged the complexity of these decisions and invited questions from the council.

Council Member Zander stated the step plan is more robust for the public works, police, and fire.

City Manager Lewis provided background on the step plan, explaining that it is designed to ensure employees progress through their pay scale efficiently. For example, a water maintenance worker can reach the top of their pay range within ten years. Unlike cities that use general pay grades, which require employees to work for an extended period to reach top pay, the step plan allows structured movement through the pay scale. He clarified that employees at Step 10, the top of the pay scale, would not receive a raise unless the mid-year market adjustment increases

the scale. The step plan primarily benefits frontline employees such as public works staff, police officers, and firefighters—those responsible for essential city services like repairing water leaks, patrolling neighborhoods, and responding to emergencies. Higher-ranking positions, such as department chiefs, are not included in the step plan but instead fall under the general pay plan. The step plan targets roles with the highest turnover rates, which also incur the highest costs when employees leave. For example, significant investments are made in police officer training, academy fees, and uniforms. Replacing a police officer carries a much higher cost than replacing a utility billing clerk, highlighting the importance of maintaining competitive pay for these critical positions.

Council Member Shelton asked for clarification on the mid-year.

City Manager Lewis stated that the mid-year market adjustments would likely occur in January or early February, depending on pay periods and final budget calculations. If the proposed concept is approved, the final calculations will determine whether the adjustments take effect in the first or second pay period of January or the first pay period of February. Each pay run every two weeks costs just over \$2 million, so the timing of the adjustment will help balance the budget. He noted that the current estimated cost is approximately \$859,000, while available funds are around \$836,000. These figures are still being refined, and the timing of the adjustments will help reconcile the difference. He also acknowledged that Council Member Shelton had previously met with CFO Naidu to review the budget in detail. Additional meetings are being scheduled for other council members who wish to review line-by-line budget details. The discussion during the meeting focused on the overall philosophy of the budget approach and recommendations for balancing personnel costs while maintaining service levels.

Council Member Shelton asked for the general turnover rate and will a six month delay have a significant impact on turnover.

City Manager Lewis stated that the city's retirement rate last year was approximately 12%, which he noted is a healthy level for an organization. While turnover is natural and beneficial to some extent, maintaining a balance is crucial, too low a rate can indicate stagnation, while a rate of 20–30% would be costly. He acknowledged that some employees might leave for slightly higher wages in neighboring cities, but others have chosen to join South Jordan even at a lower rate because they value the team culture and organizational environment.

Council Member McGuire emphasized the importance of ensuring that employees understand the city is committed to funding the adjustments. While there may be a six-month delay, the intent is to follow through and make it happen.

City Manager Lewis explained that a flat 3% raise across the board would not account for career ladders, market adjustments, or performance-based increases. He emphasized that the proposed approach ensures market competitiveness, particularly for police and fire, positioning them closer to the middle of comparable cities. He clarified that the city benchmarks against municipalities it competes with for employees, such as Riverton, Herriman, Sandy, Draper, West Valley, and West Jordan, rather than cities like St. George, where employee movement is minimal. He acknowledged that the City has fallen slightly below market for police and fire

salaries. He attributed this to last year's budget decisions, noting that several neighboring cities implemented tax increases and allocated those funds to public safety wages, allowing them to surpass South Jordan in pay. He added the significant wage increases in public safety over the years, noting that the starting wage for a police officer has risen from around \$18–\$19 per hour to approximately \$30 per hour. He attributed this increase to the competitive nature of hiring within the region, where cities must compete for the same pool of candidates due to a declining interest in government careers. He stressed the importance of maintaining competitive wages to avoid losing employees to neighboring cities, as recruitment has become a matter of cities poaching from one another. He pointed out that broader economic factors, including sales tax revenue trends, will likely impact other cities' ability to sustain aggressive wage increases in the future.

Mayor Ramsey expressed concern over the 20% decrease, emphasizing that this issue aligns with the council's long-standing concerns over the past five years. She acknowledged that the decline reflects broader consumer spending trends but questioned whether the drop was specific to South Jordan rather than a general economic slowdown. She pointed out that a neighboring city has reported consistent double-digit revenue increases since a new development was introduced, with surplus funds being used to pay down debt. This raised concerns about whether South Jordan was losing potential revenue to nearby developments and what could be done to address the shift in spending patterns.

City Manager Lewis noted that all the neighboring cities have bigger drops.

Council Member McGuire inquired about software subscriptions, specifically whether an in-depth audit is conducted to ensure efficiency in licensing. He raised concerns about potential redundancy, questioning whether efforts are made to consolidate licensing as much as possible.

City Manager Lewis confirmed that software audits have been a major focus. He explained that a dedicated committee on technology, conducts a thorough audit to identify duplicate licenses, unused software, and opportunities to consolidate systems. He emphasized that the committee is developing a multi-year roadmap to improve efficiency and streamline software use. This includes bringing in solutions that can replace various one-off programs and optimizing the city's overall technology strategy. In addition to software, he noted that efforts are being made to upgrade hardware to improve speed and security. He credited Chief Technology Officer Matthew Davis and his team for their work in driving these improvements and ensuring a more efficient and secure technological future for the city.

Council Member McGuire clarified that the concern isn't necessarily about which specific software programs are being used but rather ensuring that the city avoids "licensing creep." He emphasized the importance of monitoring software licenses to prevent situations where outdated or retired equipment still has active licenses being paid for unnecessarily.

Mayor Ramsey expressed appreciation for the additional efforts on security, emphasizing its critical importance. She noted the significant breaches that have occurred in other public entities over the past couple of years and stressed that the city must take all necessary precautions to

avoid similar incidents. She thanked the team for their diligence in strengthening security measures.

Council Member Shelton inquired about the availability of funds for capital projects.

City Manager Lewis responded that the next meeting in February will focus on capital projects and the Capital Improvement Plan (CIP). He noted that while there are some available funds, this will be the shortest list of CIP projects in a long time. CFO Naidu has been working on identifying priority projects, and the upcoming discussion will cover the strategy and plan for moving forward. Additionally, acknowledging that there are other significant projects in progress, and efforts are ongoing to determine how best to fund and complete them.

Council Member Shelton noted that the council typically authorizes hiring three or four new officers each year and raised a concern about not doing so this time.

City Manager Lewis explained that the City will not authorize new police officer positions this year but will focus on ensuring all existing positions are filled. Looking ahead to the next budget year, the City may need to add six to eight new positions or phase in additional hires over multiple years. Instead of hiring three officers per year, as in previous cycles, the City may need to hire four per year over the next two years to maintain adequate staffing levels. For the Fire Department, current vacancies will be filled, but the next major hiring effort will coincide with the construction of Fire Station 65 or the staffing of an additional battalion at Station 64. Either scenario would require hiring 21 to 22 personnel. Since building Station 65 is expected to take two to two and a half years, staffing and funding plans must be in place well in advance. A phased hiring approach, similar to the one used for Station 64, may be necessary, bringing on half the personnel in one budget year and the remainder in the next. Long-term planning also includes procurement of fire apparatus, as fire trucks now require an order placement nearly four years in advance. The City is aligning its hiring and equipment acquisition strategies to ensure resources are available when new stations become operational.

Mayor Ramsey inquired about the potential impact of proposed legislation that would eliminate the City's ability to collect impact fees. She noted that she had received questions about this issue and sought clarification on how such a change would affect the City's financial planning and ongoing projects.

City Manager Lewis acknowledged the uncertainty surrounding potential unfunded mandates from the legislature in the coming weeks. If the City loses the ability to collect impact fees, he suggested that the responsibility for infrastructure construction would likely shift to developers, as the City would lack the necessary funds to build it. He questioned how the legislature expects municipalities to provide infrastructure without impact fees and noted that development agreements and planning processes would have to be adjusted accordingly. He expressed hope that if the legislature eliminates impact fees, they might offer a compensatory measure, such as allowing cities to maintain a constant property tax rate without requiring a truth-in-taxation process. This would enable cities to capture inflationary growth rather than having tax rates automatically adjusted downward each year. Without such a measure, the City would need to reconsider its financial strategies to ensure infrastructure needs are met.

Council Member Shelton inquired whether the City would be able to contribute to a rainy day fund in this budget year.

CFO Naidu explained that while the current balanced budget does not include a direct allocation to the rainy day fund, surplus funds at the end of the fiscal year could be used for this purpose. He noted that even a small increase, such as half a percent, would be beneficial. Allocating a portion of savings to the rainy day fund alongside capital projects has been a past practice. He also mentioned that credit rating agencies, such as Fitch, are closely monitoring financial stability, including factors like cybersecurity plans. Ensuring strength in these areas is critical to maintaining the City's AAA rating. He stated that if possible, the City would like to contribute to the rainy day fund at the end of the fiscal year, potentially adding around \$150,000 to \$200,000. The goal is to gradually increase reserves, as the City is allowed by code to hold up to 35% in the fund. Currently, the rainy day fund sits at approximately 28.8%, which is considered a healthy level.

Council Member Zander sought clarification on the staffing proposal, referencing the 10 full-time and 17 part-time positions totaling 27 jobs and \$2.2 million previously mentioned.

City Manager Lewis clarified that the recommendation is not to hire any new positions this year. Requests for new positions included a billing clerk to manage increasing utility accounts due to growth, four police officers (one sergeant and three officers), two full-time parks maintenance workers, four seasonal parks maintenance workers, and a part-time driver for the senior center. Additionally, ten of the requested positions were concessions and customer service roles, expected to be self-funded through concession revenue. Other requests included a cybersecurity specialist, an additional Information Services position, and an associate director in Administrative Services. However, given budget constraints, the plan is to maximize existing staff and resources rather than approving new hires.

CFO Naidu noted that of the 27 requested positions, two or three are tied to enterprise funds and are already accounted for within the existing fee structure. These positions may still be proposed for approval since their funding is self-sustaining and does not impact the general budget.

City Manager Lewis clarified that certain positions, such as a water maintenance worker, are funded through enterprise funds rather than the general fund. These positions are accounted for within the rate structures set for water and other utilities, ensuring that anticipated personnel needs are included in the budgeting process. While the general fund will not be adding new positions this year, some roles within enterprise funds may still appear in the tentative budget since they are already funded through collected fees.

Mayor Ramsey expressed frustration that the City is unable to fully staff necessary positions each year, comparing it to deferred maintenance. She noted that staff repeatedly request additional positions, but budget constraints prevent those requests from being fulfilled. She also sought clarification on sales tax revenue, asking if the reported 2% decrease this year follows an 18% decline from the previous year.

City Manager Lewis clarified that the reported sales tax figures represent a snapshot of collections for a single month, comparing January 2025 to January 2024, though the data reflects revenue collected in November. He cautioned against focusing on a single month's numbers, as sales tax revenue fluctuates.

Mayor Ramsey emphasized the need for a long-term strategy to address the City's ongoing budget challenges, particularly the inability to fund necessary staff positions each year. She noted that consistently denying staffing requests could send a message to employees that their support needs are not a priority, leading to increased workloads and potential burnout. Acknowledging that property tax is just one component of the City's revenue, she advocated for a comprehensive discussion on diversifying revenue sources beyond property and sales taxes. While recognizing the extensive planning already in place for the upcoming year, she stressed the importance of developing a sustainable financial strategy to avoid continually deferring critical needs. She clarified that this is not about excessive taxation but about finding viable solutions to ensure the City can adequately support its workforce and operations.

City Manager Lewis highlighted the importance of balancing the City's revenue sources, comparing them to the legs of a stool. He noted that the City's sales tax revenue is disproportionately large compared to other revenue streams, making it highly susceptible to economic fluctuations. In downturns, this instability can quickly impact the City's financial position. While economic development remains a key focus, maintaining a balanced approach is essential. He emphasized the importance of fee rate adjustments to support financial stability and suggested exploring ways to capture property tax growth to keep that revenue source sustainable. Additionally, he cautioned that the City must remain attentive to potential changes in state tax distribution policies that could further impact revenue.

Mayor Ramsey noted the ongoing discussions about potentially eliminating the City's ability to collect certain fees. She emphasized that the City takes a more balanced and transparent approach to revenue collection compared to neighboring municipalities. The City deliberately chose to maintain the property tax method rather than switching to a fee-based system, ensuring greater transparency and public input. Unlike fees, which can be set with minimal public oversight, property tax adjustments require a formal process that allows for community engagement.

City Manager Lewis highlighted the importance of closely monitoring legislative changes to sales tax distribution, which is influenced by both population and geography. He noted that the state continues to adjust the formula, potentially impacting the City's share of revenue. Additionally, he cautioned against the state limiting local tools for tracking and incentivizing development, referencing past concerns over zoning for dollars. Without these tools, cities lose the ability to compete for economic development.

Council Member McGuire noted the importance of maintaining a balanced approach to revenue generation, noting that the Legislature is considering limits on how much taxing entities can increase property taxes. He agreed with the mayor's stance against excessive taxation but cautioned against keeping property taxes so low that future increases become restricted by state

law. He stressed the need for proactive financial planning to avoid potential legislative constraints that could hinder the City's ability to fund essential services.

Council Member Harris inquired whether any areas have been identified where efficiencies can be created.

City Manager Lewis confirmed that the Strategy and Budget division has been actively analyzing efficiencies. The team has been working closely with department directors to assess program costs, staff assignments, and potential areas for optimization. Efforts are ongoing to identify and implement efficiencies wherever possible.

Council Member Harris referenced previous discussions by Council Member Zander about utilizing volunteers to support certain city functions. He suggested exploring opportunities where volunteers could assist in filling gaps and providing support in appropriate areas.

City Manager Lewis acknowledged that while volunteers are valuable, there are costs associated with managing them.

Assistant City Manager added that efficiency improvements are an ongoing process within the city's culture rather than a one-time effort. Over the past several years, departments have continually worked to eliminate waste and enhance efficiency.

Council Member Zander highlighted that payroll is a significant expense, totaling approximately \$2 million every two weeks. While emphasizing the importance of retaining well-trained staff, she suggested exploring opportunities to supplement certain roles with volunteers to help manage costs. She proposed the creation of a Recreation Council, similar to existing arts and senior councils, to support the city's recreation department. Acknowledging past staff concerns about overseeing volunteers, she noted that residents have expressed interest in contributing to city events and suggested establishing a structured way for them to get involved, such as volunteering for Summer Fest.

City Manager Lewis responded that while the city welcomes volunteers, reliability is often a challenge. He noted that salaried staff frequently step in to fill gaps when volunteers are unavailable, without additional compensation. While the city does have some volunteers, he emphasized that more would be beneficial if they could be consistently relied upon to support events effectively.

Council Member Johnson noted that Summer Fest was previously run by volunteers but faced significant challenges in one particular year, leading to the decision to shift its management to city staff.

Council members and staff discussed the role of volunteers in supporting city events and projects. While volunteer participation can supplement staffing needs, ensuring consistent commitment and follow-through remains a challenge. Staff noted that many city-led events, such as Arts Council programs and Veterans Day activities, require significant staff coordination even with volunteer involvement. Council members highlighted that volunteers are generally more effective when organized through committees, which provide structure and accountability.

Examples such as the Memorial Day event and the Day of Service were cited as successful models, though both require extensive planning. The discussion also included the potential use of platforms like JustServe to connect volunteers with smaller projects. However, staff noted that coordinating these efforts often requires significant administrative time, sometimes equaling or exceeding the effort of completing tasks internally. While volunteer programs offer community engagement benefits, staff emphasized the importance of balancing these efforts with operational efficiency.

Mayor Ramsey asked if there were any additional questions.

Council Member Johnson inquired whether the proposed six-month period would be sufficient to accumulate the necessary funds to reduce the amount paid within the fiscal year.

City Manager Lewis explained that the six-month period serves as a safeguard to ensure that revenue growth can sustain the proposed budget changes in the long term. He emphasized that these adjustments are ongoing commitments rather than one-time figures. By implementing changes mid-year, the city can assess whether projected revenues materialize as expected. If economic conditions shift, such as a decline in revenue, an unfunded state mandate, or federal funding freezes, the city retains flexibility to delay or adjust commitments before finalizing the next fiscal year's budget. Conversely, if revenue growth is strong, the city may have additional funds available for future initiatives.

Council Member McGuire expressed discomfort with the current budget approach, emphasizing that while he trusts staff's conservative estimates, he wishes the city were in a position to generate additional revenue to fund hiring and wage increases. However, given economic uncertainties, he does not believe it is the right time to pursue a tax increase. He acknowledged the financial pressures on residents, including rising costs from other sources, and reiterated his concerns about the city's ability to balance its needs while maintaining fiscal responsibility.

Mayor Ramsey acknowledged the broader economic challenges, noting the rising costs of goods and their impact on residents' spending abilities. She emphasized that while the city is experiencing financial pressures, these cost increases are part of a broader economic cycle.

City Manager Lewis highlighted the challenge of shifting spending patterns due to rising costs. He explained that while families continue to spend money, they may shift purchases from higher-taxed services, such as dining out, to lower-taxed necessities, like groceries. This change affects the city's revenue, as the overall tax collected may decrease despite continued consumer spending.

Mayor Ramsey pointed out that spending tax dollars in Salt Lake City results in higher tax collection there compared to South Jordan, due to recently passed increases in sales tax. She emphasized the importance of considering local economic impacts when making purchasing decisions.

Council Member Zander requested scheduling a deep dive discussion on economic development in a future meeting.

City Manager Lewis mentioned an upcoming change to the Public Infrastructure District (PID) process, which will be presented in the next work session. He noted that this adjustment aims to improve the tool's effectiveness and aligns with discussions from previous sessions on enhancing financial strategies. He also referenced an upcoming ordinance related to the PD overlay floating zone, previously discussed in a work session. He emphasized that these efforts are part of a broader strategy to equip the city with tools that support long-term planning and development.

Mayor Ramsey highlighted ongoing legislative efforts, particularly through the League and the LPC, to ensure cities retain the necessary tools for effective governance. She emphasized that with neither the state nor municipalities operating with a surplus, it is crucial to preserve local control and financial flexibility.

City Manager Lewis pointed out that businesses are also facing economic challenges, leading them to scale back. This makes it more difficult for the city to attract new commercial development, as companies are hesitant to invest in new locations. He emphasized that the city is navigating multiple challenges in balancing economic growth and financial sustainability.

Mayor Ramsey suggested focusing on attracting bright young graduates from local universities, such as BYU and the University of Utah, to establish tech startups in the city. She highlighted Utah's strong track record of producing new millionaires and mentioned the potential for South Jordan to support and retain homegrown talent in fostering economic growth.

Council Member Zander stated we know there's going to be increased spending in the Department of Defense and at the Point of the Mountain. Is there anything we should focus on proactively to draw some of those jobs and opportunities here?

City Manager Lewis noted the challenges of attracting new businesses, particularly in industries like defense and technology. He stated that the city does not own available land to develop commercial projects, meaning private property owners must be willing to sell or build facilities that align with business needs. However, property owners often see higher returns from residential development rather than commercial projects like warehouses or office spaces. He highlighted the importance of collaboration, stating that attracting businesses requires coordination among property owners, city leaders, and zoning decisions that support commercial development. Additionally, he pointed out that the city's ability to offer incentives is limited, making it more challenging to compete with other locations. Proposed changes to policies like the Public Infrastructure District (PID) process and zoning regulations aim to provide the city with better tools to support commercial growth.

Council Member Zander suggested assembling a team of key economic stakeholders to explore opportunities for attracting businesses to the city. She acknowledged the current involvement of the Larry H. Miller group in city projects as a positive factor and inquired whether there are other influential individuals or organizations within the state that could contribute to economic development efforts. She referenced a previous conversation with Aaron Stark, who had encouraged forming an economic team to strategize and coordinate business recruitment.

City Manager Lewis questioned what assembling an economic team would entail and what specific expectations stakeholders have for the city's role in that process. He emphasized the need for clarity on what resources or incentives the city is expected to provide, given its limitations in owning property or offering financial incentives. He pointed out that while the city can help facilitate discussions and create a business-friendly environment, successful economic development requires collaboration with property owners and private sector partners willing to invest in commercial projects.

Director Brian Preece added the long-term nature of economic development efforts, emphasizing that many initiatives, such as the HTRZ program and Downtown Daybreak, are investments in future growth. He noted that while projects like these help attract businesses by creating desirable locations, it often takes time for them to yield financial benefits, especially when property tax revenue is deferred due to incentive structures. He also acknowledged the challenge of securing the first major tenant in a development, as success tends to build momentum for further growth. Despite these delays, he pointed to potential revenue increases from upcoming projects and events, underscoring the importance of strategic planning and sustained investment.

City Manager Lewis revisited a previous discussion about implementing a hotel tax to support tourism efforts in Utah. He noted that the council had declined the proposal about a year ago, with the understanding that it would not be reconsidered for five years. However, given recent interest in hosting more events in South Jordan, he asked whether the council would be open to reengaging with tourism officials to explore the possibility of implementing the tax. While the funds would not go directly to the city, they could be used by Tourism Utah to attract and support events that drive visitors and economic activity to the area.

Council Member McGuire expressed concerns about the previous hotel tax proposal, noting that one of the main issues was the lack of a clear illustration of how it would directly benefit the city. He suggested that if Tourism Utah could now provide concrete examples of events they had to turn away and demonstrate the potential economic impact, such as increased visitors to local restaurants and businesses, the council might be more open to reconsidering. While past social and political factors influenced the original decision, he emphasized that the primary concern was the inability to see tangible local benefits from the tax.

City Manager Lewis acknowledged the challenge of quantifying the direct financial impact of tourism-related events. While organizations promoting these events often claim they generate significant revenue, the actual benefit to the city is difficult to pinpoint. He noted that while such events do bring visitors, accurately measuring their economic contribution, especially in terms of local tax revenue and business activity, remains a challenge.

Council Member McGuire clarified that while exact financial figures may be difficult to determine, a more tangible example of missed opportunities would be helpful. If the tourism organization could present specific instances, such as the Junior PGA at Glenmoor or other events that sought support but were turned away due to the city's non-participation, it would provide a clearer understanding of the potential benefits of joining the program.

Mayor Ramsey pointed out that if the hotel tax is too high, visitors may choose to stay in a neighboring city where the tax is lower, ultimately reducing local hotel bookings. She

emphasized that while the tax could fund tourism initiatives, there is a balance to consider, potential savings for visitors might outweigh the benefits if it drives them to other areas.

Council members and City Manager Lewis discussed whether to revisit the hotel tax that was previously voted down. There are concerns over whether the tax would directly benefit the city or primarily serve as a funding mechanism for an external tourism body. Council members are open to reconsidering if there is concrete evidence that the tax has brought significant events and economic benefits to neighboring cities. City Manager Lewis is willing to investigate whether reopening the discussion is possible and to gather data on how the tax has impacted other municipalities. Council members expressed interest in seeing specific examples of events that were secured due to the tax, particularly in cities like Sandy, which have implemented it. They also raised concerns about funds collected in South Jordan being spent in other areas without direct local benefits. Overall, the council is open to exploring the idea further, particularly in the context of attracting more events and hotels to the city. However, they want more concrete data before inviting Tourism Utah back for formal discussions.

Council Member Zander motioned to adjourn the January 29, 2025 City Council Budget Meeting. Council Member Johnson seconded the motion.

ADJOURNMENT

The January 29, 2025 City Council Budget Meeting adjourned at 6:33 p.m.