19. FISCAL RESPONSIBILITY

Fiscal responsibility for Ivins means managing finances to ensure the sustainable delivery of public services, charging residents equitable fees for services, maintaining economic stability, and preparing for future growth and emergencies. This involves prudent budgeting, minimizing debt, maintaining a strong credit rating, and efficiently using taxpayer funds. Towards that end:

- The City's annual budget strives to balance expenditures with revenues.
- Consultants are hired periodically to update Master Plans and impact fee studies for the City's infrastructure to anticipate the needs and costs of growth.
- Consultants also update rate studies to determine adequate and equitable fees for providing water, sewer, and storm drain services and maintain that infrastructure.
- Although not required by the state, Ivins has a 5-Year Fiscal Plan, updated annually, that plans for long-term infrastructure investments.
- The City maintains a General Fund Reserve much larger than the state requires as a buffer to handle unexpected events, emergency expenditures, and economic downturns.

Effective fiscal responsibility is guided by accountability, transparency, and sustainability, which foster trust among residents and create an environment conducive to business and economic development.

Annual Budget

The annual budget represents the City staff's recommendations for implementing the goals, policies, and vision established by the Mayor and City Council. It is the working financial plan for all City services, improvements, and financial decisions. The City Council reviews the budget, makes any necessary modifications, and, after holding a public hearing, adopts the final budget.

The goal of the budget is to deliver quality municipal services as cost-effectively as possible for the taxpayers and ratepayers of Ivins. It is also the City's objective for the budget to provide sufficient detail to the City Council and taxpayers to allow maximum understanding of all aspects of the City's financial decisions. In addition to the annual budget, the city prepares monthly and quarterly updates comparing actual performance to the budget.

Master Plans, Reports, and Rate Studies

Consultants periodically update Master Plans, Impact Fee Facility Plans, and rate studies. These reports analyze the needs of the City regarding the maintenance and rebuilding of existing facilities and infrastructure, as well as new construction, and whether these costs are related to current residents or due to growth.

Costs associated with growth are eligible to be used in impact fee calculations and charged to new development. Impact fees are a significant source for obtaining the necessary infrastructure required by new growth.

5-Year Fiscal Plan

The state does not require this plan. However, Ivins considers it critically important because it takes a forward-looking look at the City's major operating funds. The plan aims to identify financial trends, shortfalls, and issues so the City can proactively address them.

The plan sets the stage for each year's budget process, but it is subject to change based on available resources, changes in the economy, and the City Council's direction. The 2025-2029 plan currently lists $45.23 million of capital projects planned for the next five years. It also details when these projects may happen and where that money will come from.

General Fund Reserve

The state requires cities to maintain a General Fund Reserve of at least 5% of annual revenue but not more than 35%. The FY2025 budget anticipates the reserve balance will be 27.6% of revenue at the end of the fiscal year in June 2025. Ivins has kept its reserve between 26% and 31% over the past five years. The 5-Year Fiscal Plan anticipates increasing the reserve to 35% of revenue over the next five years.

Debt

At the end of FY2024, Ivins had four outstanding bonds totaling $6.25 million. Utah caps borrowing at 1.5% of the value of taxable property. The 2024 taxable value of property in Ivins is approximately $2.5 billion. This limits the city's borrowing to approximately $38 million. It is the City's policy to minimize debt wherever fiscally reasonable.

Property Taxes

Ivins has not increased its property tax rate since 2010. At that time, only 45% of the cities in Utah had higher tax rates than Ivins. Last year, 72% of the cities in the state had higher tax rates than Ivins. More cities had higher tax rates last year because they have been rates while Ivins has not. About sixty cities and towns raise property taxes each year. That's about 25% of the cities and towns in the state.

The Utah Taxpayer's Association advocates on behalf of taxpayers for limited state and local taxes. However, they "recommend that taxing entities go through the Truth in Taxation process every 5 to 7 years to account for inflation and demographic changes. These intervals keep tax increases predictable, manageable, and restrained."

Ivins City Council decided that a property tax increase was not needed for the FY2025 budget even though that budget anticipates expenses slightly higher than revenue. That results in using a small amount of the General Fund Reserve to balance the budget. It is the City's policy to avoid using the General Fund Reserve for anything other than emergencies or unforeseen fiscal and economic hardship. Black Desert Resort's opening in late 2024 is expected to result in sufficient sales and room tax revenue beginning in FY2026 to make a property tax increase unnecessary, build the General Fund Reserve, and begin a Road Replacement Reserve.

If actual revenue from Black Desert Resort in FY2025 does not accomplish all that is expected, the comparatively low property taxes in Ivins give the City ample cushion to adjust in FY2026. Another

option may be charging a "resort community tax" in the next few years. This is an addition to the sales tax if the City meets the state's requirement for designation as a resort community for tax purposes.

Obstacles

- The economy, interest rates, and unforeseen events can significantly impact the City's budget.
- The cost of equipment and supplies required to maintain city services and build new infrastructure continues to increase more rapidly than impact fee and rate studies can anticipate.
- State law and current tax structures do not adequately address the long-term need to replace aging infrastructure.

Supporting City Documents

See the Reports & Studies page on the City's website for:

- Annual budgets and the 5-Year Fiscal Plan.
- Master Plans, Impact Fee Facility Plans, and Rate Studies.

Goal

- Manage finances to ensure sustainable delivery of public services, equitable fees for services, economic stability, and adequate financial resources for future growth and emergencies.
- Budget prudently, minimize debt, maintain a significant General Fund Reserve, build a sufficient Road Replacement Reserve, maintain a strong credit rating, and efficiently use taxpayer funds.
- Anticipate the long-term need to replace aging infrastructure beyond the scope of the 5-year plan.

Action Steps

- Determine and then maintain an appropriate minimum balance for the Capital Projects Fund
- Determine and then maintain a minimum operating cash flow for each of the Enterprise Funds to ensure infrastructure replacement needs are met.
- Create a Road Replacement Reserve. Begin funding it in FY2026 and fund it at the appropriate amount needed annually within five years to ensure sufficient reserves for all future road infrastructure replacement, based on a consultant study updated periodically.
- Take necessary steps to increase the General Fund Reserve to 35% by the end of FY2029.

Fiscal Responsibility Policies

- Use the General Fund Reserve only for emergencies or unforeseen fiscal and economic hardship.
- Budget realistically but conservatively.
- Update the 5-Year Fiscal Plan annually.
- Do not use short-term revenue to fund long-term expenses.
- Avoid using debt, but maintain a conservatively sustainable level of debt when used.

- Provide the current annual budget, budget amendments, and draft budget on the City's website.
- Financial reports are provided to the City Council at least quarterly.
- The City will refinance debt if refinancing will lower the interest expense.
- An independent accounting firm shall perform an annual audit of the City's finances and submit it to the State within 180 days of the close of the fiscal year.
- The burden of supporting City non-enterprise services will be equitably distributed.
- Maintain timely collection systems and implement necessary enforcement strategies.