

Ogden Valley City Incorporation Model - Expenses at 7.7% AAGR

	2024	2025	2026	2027	2028	AAGR
Property Tax	\$474,347	\$478,044	\$481,836	\$485,627	\$489,513	0.8%
Sales & Use Tax	\$1,891,218	\$2,060,731	\$2,245,485	\$2,446,844	\$2,666,294	9.0%
Class C Roads	\$696,450	\$727,893	\$760,767	\$795,137	\$831,071	4.5%
Building Permits	\$718,483	\$777,039	\$840,368	\$908,858	\$982,930	8.1%
Business License Fees	\$31,747	\$32,700	\$33,681	\$34,691	\$35,732	3.0%
Garbage Admin Fee	\$54,043	\$55,664	\$57,334	\$59,054	\$60,826	3.0%
State Liquor Allotment	\$4,729	\$4,871	\$5,017	\$5,168	\$5,323	3.0%
Fines & Forfeitures	\$58,692	\$60,453	\$62,266	\$64,134	\$66,058	3.0%
Interest Earnings	\$0	\$2,664	\$8,517	\$17,452	\$29,885	
TOTAL Revenues	\$3,929,710	\$4,200,059	\$4,495,271	\$4,816,965	\$5,167,633	7.1%
Incorporation Costs	\$25,500	\$0	\$0	\$0	\$0	
General Administrative Services	\$228,277	\$238,792	\$249,798	\$261,315	\$273,367	7.7%
Engineering	\$166,993	\$174,686	\$182,736	\$191,162	\$199,978	7.7%
Planning and Zoning	\$260,504	\$272,504	\$285,063	\$298,206	\$311,959	7.7%
Building Inspector	\$544,655	\$569,744	\$596,002	\$623,481	\$652,237	7.7%
Police and Animal Shelter	\$668,114	\$688,157	\$708,802	\$730,066	\$751,968	7.7%
Animal Control	\$10,094	\$10,397	\$10,709	\$11,030	\$11,361	7.7%
Roads & Snow Removal	\$1,842,484	\$1,897,759	\$1,954,691	\$2,013,332	\$2,073,732	7.7%
Garbage Contract	\$9,826	\$10,121	\$10,424	\$10,737	\$11,059	7.7%
Weed Control	\$36,639	\$37,738	\$38,870	\$40,036	\$41,237	7.7%
TOTAL Expenditures	\$4,071,626	\$4,655,726	\$4,806,352	\$4,962,675	\$5,465,000	7.7%
Net Revenues	(\$141,916)	(\$455,667)	(\$311,081)	(\$145,710)	(\$297,367)	
Revised	96.5%	90.2%	93.5%	97.1%	94.6%	
Original	104%	108%	111%	115%	119%	
Revised	-3.6%	-10.8%	-6.9%	-3.0%	-5.8%	
Original	3%	7%	10%	13%	16%	

Adjustments Analysis

1 = On	Line Item	2023	2024	2025	2026	2027	2028
0	Engineering						
	Inc. Numbers	159,646	\$166,993	\$174,686	\$182,736	\$191,162	\$199,978
	Growth Rate		4.60%	4.61%	4.61%	4.61%	4.61%
	Revised Numbers	233,487	244,232	255,483	267,256	279,580	292,473
0	Planning						
	Inc. Numbers	249,043	\$260,504	\$272,504	\$285,063	\$298,206	\$311,959
	Growth Rate		4.60%	4.61%	4.61%	4.61%	4.61%
	Revised Numbers	441,487	461,805	483,077	505,341	528,640	553,021
0	Building Profit						
	Permit Rev		718,483	777,039	840,368	908,858	982,930
	Inspector Cost		544,655	569,744	596,002	623,481	652,237
	Margin \$		173,828	207,295	244,366	285,377	330,693
	Margin %		24%	27%	29%	31%	34%
	Revised Margin		173,828	187,995	203,317	219,887	237,808
	New Inspector Cost		544,655	589,044	637,051	688,971	745,122
	Variance		0	(19,300)	(41,049)	(65,490)	(92,885)
0	Garbage Profit						
	Garbage Rev		54,043	55,664	57,334	59,054	60,826
	Garbage Cost		9,826	10,121	10,424	10,737	11,059
	Garbage Profit \$		44,217	45,543	46,910	48,317	49,767
	Garbage Profit %		81.8%	81.8%	81.8%	81.8%	81.8%
	No Profit Cost		54,043	55,664	57,334	59,054	60,826
0	Road and Snow						
	Road (Inc.)	955,193	983,849	1,013,364	1,043,765	1,075,078	1,107,331
	Snow (Inc.)	833,626	858,635	884,394	910,926	938,254	966,401
	Total	1,788,819	1,842,484	1,897,759	1,954,691	2,013,332	2,073,732
			3%	3%	3%	3%	3%
	Road (Adj.)		1,279,364	1,317,745	1,357,277	1,397,996	1,439,936
	Snow (Adj.)		920,755	948,377	976,828	1,006,133	1,036,317
	Total		2,200,119	2,266,122	2,334,106	2,404,129	2,476,253
	Heber		2,485	2,485	2,485	2,485	2,485
	Incorporated		1,911	1,911	1,911	1,911	1,911
1	Expenses	7.7%					
	Original Expenses	4,071,626	4,191,268	4,341,894	4,498,217	4,660,455	3.4%
	Revised Expenses	4,071,626	4,655,726	4,806,352	4,962,675	5,465,000	7.6%

An anonymous review sent to me. Rather than disagree out of hand...research this yourself.

I spent a few hours today reading both studies in detail and comparing them and have some interesting observations. Bottom line is they did some interesting number manipulations to keep the feasibility going and seeing the 2 studies together just confirms for me they are backing into the needed 5% surplus.

The Boundary shrunk by 14.5% (10.6 sq miles) yet somehow the population increased by 196 and the number of households increased by 36 while using the same census data. They also seemingly arbitrarily increased the population growth rate from 1.1 to 1.7% (Tables 3.1 & 3.5) - this is significant because the population, households and growth rate is what drives some of the revenue and it appears they just manipulated these numbers in their model to help generate more revenue to compensate for some expense increases based on the categories called out in the study

They also added some revenue by increasing the Building Permit Revenue significantly. The earlier study stated the average cost per permit in 2023 was \$4185, in the new study this number increased 21% to \$5282 which generates an additional \$188,419 in revenue over the earlier study in 2024 with no justification for this increase (Table 5.12).

As mentioned earlier they did marginally raise some expenses in the areas of concerns pointed out in the feasibility study analysis. The level of service adjustment for planning and engineering was previously a 60 and 63% reduction and in the new study they changed this to a 40% reduction on both. The actual cost per capita for planning and engineering in unincorporated Weber County is \$245.61, LRBs new projection is \$187.38 per capita; better but still not accurate (Table 4.4)

LRB made a slight increase in their overall AAGR for expenses and bumped it from 3.7% to 4.2% but it is still much lower than the historical AAGR of 7.7% that LRB points out in Table 4.1 on the new study. More alarming is the expense AAGR for Roads and Highways they use; in table 4.1 LRB clearly shows that the AAGR has been 9.5% from 2018-2022, yet in their projected expenditures in table 4.2 they set the Road & Highways increase at only 4.1% - this is frankly ridiculous, costs are increasing rapidly at the moment and this study does not acknowledge that at all.

After comparing both of these studies seeing the corrections they made and how they manipulated the numbers to keep the feasibility above the 5% needed threshold it is all the more obvious that they are just backing into the needed threshold but manipulating numbers in their financial model.

Please share as much of this as you see fit. I'm frankly appalled by what is happening.

A BRIEF REVIEW

6 February 2024

At the request of Laura Warburton, we have looked at the Ogden Valley Feasibility Report prepared by LRB and provide herein some questions that could be raised regarding the Feasibility Study. As a background for the questions set forth in this memorandum, we have included below LRB's conclusions in Scenario 3, which is the most favorable scenario for incorporation because it does not include a government building or a public works shop. This is the table that drives the revenues to expenses ratio that exceeds the 5 percent mark needed for the incorporation to proceed.

TABLE 1: LRB SCENARIO 3 (FROM TABLE 8.8 IN THE FEASIBILITY STUDY)

	2024	2025	2026	2027	2028
Property Tax	\$474,347	\$478,044	\$481,836	\$485,627	\$489,513
Sales & Use Tax	\$1,891,218	\$2,060,731	\$2,245,485	\$2,446,843	\$2,666,294
Class C Roads	\$696,450	\$727,893	\$760,767	\$795,137	\$831,071
Building Permits	\$718,483	\$777,039	\$840,368	\$908,858	\$982,930
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State Liquor Allotment	\$4,729	\$4,871	\$5,017	\$5,168	\$5,323
Fines & Forfeitures	\$58,692	\$60,453	\$62,266	\$64,134	\$66,058
Interest Earnings	\$0	\$2,664	\$8,517	\$17,452	\$29,885
TOTAL Revenues	\$3,929,709	\$4,200,059	\$4,495,271	\$4,816,964	\$5,167,632
Incorporation Costs	\$25,500				
General Administrative Services	\$228,277	\$238,792	\$249,798	\$261,315	\$273,367
Engineering	\$166,993	\$174,686	\$182,736	\$191,162	\$199,978
Planning and Zoning	\$260,504	\$272,504	\$285,063	\$298,206	\$311,959
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Animal Control	\$10,094	\$10,397	\$10,709	\$11,030	\$11,361
Roads & Snow Removal	\$1,842,484	\$1,897,759	\$1,954,691	\$2,013,332	\$2,073,732
Garbage Contract	\$9,826	\$10,121	\$10,424	\$10,737	\$11,059
Weed Control	\$36,639	\$37,738	\$38,870	\$40,036	\$41,237
TOTAL Expenditures	\$3,793,086	\$3,899,898	\$4,037,095	\$4,179,365	\$4,326,898
Net Revenues	\$136,623	\$300,161	\$458,176	\$637,599	\$840,734
Net Revenues to Expenses	3.5%	7.1%	10.2%	13.2%	16.3%

The other background piece of information to keep in mind is the population breakout in the unincorporated County which is presented in the Feasibility Study as follows:

TABLE 2: POPULATION FROM FEASIBILITY STUDY

Area	Population
Ogden Valley Population	7,387

Area	Population
Unincorporated Population	15,292

Question #1 – Why are the Planning and Engineering costs so low?

The Municipal Services Fund (MSF) budget for Engineering is \$827,225 as shown in Table 4 below. The LRB study shows that roughly 40 percent of time (Table 3) is spent in the Upper Valley (1,802 hours divided by 4,510 hours). Therefore, one would expect that 40 percent of the MSF costs are attributable to the Upper Valley and 60 percent to the Lower Valley. This results in a cost of \$330,487 for the Upper Valley (40% x \$827,225). The LRB report uses a cost of \$159,644 in table 4.5 in its study (which is increased to \$2024 costs in Table 1 above). This represents only 19.3 percent of total MSF engineering costs (\$159,644/\$827,225), yet 40 percent of hours spent. The same problem exists with the planning expense allocation. LRB has allocated only \$249,039 of total MSF costs of \$1,399,090 to the Upper Valley (17.8 percent), yet it represents 36.8 percent of time spent. The correct allocation to the Upper Valley for planning is \$515,550.

TABLE 3: LRB TABLE 4.3 IN THE FEASIBILITY STUDY

	Engineering	Engineering	Planning	Planning
Planning and Engineering	Total Hours	% of Unincorporated	Total Hours	% of Unincorporated
Lower Valley	2,708.5	60.0%	5,363.8	63.2%
Upper Valley	1,802.0	40.0%	3,129.8	36.8%
TOTAL	4,510.5		8,493.6	

TABLE 4: LRB TABLE 4.4 IN THE FEASIBILITY STUDY

Gen Govt MSF Budget	MSF Budget (FY2023)	Unincorporated per Capita	LOS Adjustment	Cost per Capita	Incorporated Budget - LRB
General Admin	\$451,769	\$29.54	NA	\$29.54	\$218,233
Engineering	\$827,225	\$54.10	40.0%	\$21.61	\$159,646
Planning	\$1,399,090	\$91.49	36.8%	\$33.71	\$249,043
Building Inspector	\$1,077,894	\$70.49	NA	\$70.49	\$520,691
TOTAL	\$3,755,978				

There appears to be a math mistake in the LRB report which takes the total engineering costs of \$827,225 and divides this number by the total unincorporated county population of 15,292 to arrive at an average cost per capita of \$54.10. This far is correct. Then, the \$54.10 is multiplied by 40 percent to arrive at a cost of \$21.61 per capita. This is not correct. The cost per capita does not change. The level of service calculation comes in the reduced number of hours spent, per capita, in the Upper Valley. Then the LRB report multiplies the \$21.61 by the number of persons in the Upper Valley (7,387) to arrive at a total cost of \$159,646.

Another way of looking correctly at the calculation is to take the \$827,225 and divide by the total number of hours (4,510.5 – see Table 3 above) to get a cost per hour of \$183.40. This number is then multiplied by the number of hours spent in the Upper Valley (1,802) to arrive at a total cost of \$330,487. The process and concerns for Planning are the same as for Engineering.

The corrected amounts are shown in Table 5 and reflect increased expenses of over \$437,000 per year.

TABLE 5: COMPARISON OF PLANNING AND ENGINEERING CALCULATIONS

Summary	LRB	Corrected Amt	Difference
Engineering	\$159,646	\$330,487	\$170,841
Planning	\$249,043	\$515,550	\$266,507
TOTAL Annual 2023	\$408,689	\$846,036	\$437,347

Question #2 – Why are building permit revenues growing so much more rapidly than building inspector expenses?

The State Auditor’s Office has been concerned recently that some cities may be charging excessive fees for development services which are significantly more than the actual costs incurred in providing those services. So, while there is a difference in 2024 in the revenues and expenses shown below in Table 6 as prepared by LRB, this could be explained by arguing that there are additional planning and engineering expenses showing up on different line items (i.e., planning and engineering). This would increase costs, thereby offsetting the gap with revenues.

Should all planning and engineering expenses be covered by fees? No – there are a lot of planning and engineering services that cities provide for which they do not charge a fee (i.e., preparation of a general plan, personnel at the service counter, etc.). The concern in Table 6 is that the net revenues are increasing quite dramatically over a 4-year period, thereby potentially painting an overly rosy picture for incorporation and that there is no justification for the increasing net revenues.

TABLE 6: COMPARISON OF BUILDING PERMIT REVENUES AND EXPENSES – LRB REPORT TABLE 8.8

Building Permits	2024	2025	2026	2027	2028
Building Permit Revenues	\$718,483	\$777,039	\$840,368	\$908,858	\$982,930
Building Inspector Expenses	\$544,655	\$569,744	\$596,002	\$623,481	\$652,237
Difference	\$173,828	\$207,295	\$244,366	\$285,377	\$330,693

Question #3 – Why are sales tax revenues growing so rapidly, yet property tax revenues are not?

TABLE 7: COMPARISON OF PROPERTY AND SALES TAX REVENUE GROWTH – LRB REPORT TABLE 8.8

	2024	2025	2026	2027	2028	Growth Rate, 2024-2028
Property Tax	\$474,347	\$478,044	\$481,836	\$485,627	\$489,513	3.2%
Sales & Use Tax	\$1,891,218	\$2,060,731	\$2,245,485	\$2,446,843	\$2,666,294	41.0%

Based on the LRB report, between 2024 and 2028, property tax revenues are projected to grow by 3.2 percent while sales tax revenues are anticipated to grow by 41 percent. It doesn’t make sense that sales are growing rapidly and property taxes are not. Sales tax revenues are based on both population and point of sale. In order for sales to grow this dramatically, there would need to be residential (population) and commercial (retail) growth. Yet we are seeing very limited growth in property tax revenues. The two projections seem incongruent.

While the report backs up the sales tax growth rate, because sales tax growth has been exceptionally strong in Utah over the past few years, it is important to note that the projected sales tax revenues represent about 50 percent of the new city’s budget – a high reliance on this source if a recession occurs or if growth slows.

Question #4 – Why are building permit valuations so low?

The LRB report projects between 159 and 184 building permits issued per year.

TABLE 8: PROJECTED BUILDING PERMITS – LRB REPORT TABLE 5.12

	2024	2025	2026	2027	2028
Ogden Valley Projected Building Permits	159	164	168	173	184

The LRB report also projects growth of about \$20.4 million per year in additional assessed value.

TABLE 9: PROJECTED BUILDING PERMITS – LRB REPORT TABLE 5.3

	2023	2024	2025	2026	2027	2028
Assessed Value	\$2,594,400,666	\$2,594,400,666	\$2,614,778,166	\$2,635,155,666	\$2,656,055,666	\$2,676,955,666
New Growth		\$20,377,500	\$20,377,500	\$20,900,000	\$20,900,000	\$21,422,500
Total Taxable Value	\$2,594,400,666	\$2,614,778,166	\$2,635,155,666	\$2,656,055,666	\$2,676,955,666	\$2,698,378,166
County MSF Levy	0.000172	0.000181	0.000181	0.000181	0.000181	0.000181
Property Tax Revenue	\$446,237	\$474,347	\$478,044	\$481,835	\$485,627	\$489,513

We can take the average growth in new assessed value per year (just over \$20 million as shown in Table 9) and adjust to market value under two scenarios: 1) 100 percent primary homes; and 2) 75% primary homes. Primary homes have an assessed valuation of 55 percent of their market value. Taking the market values and dividing by the number of new permits per year, as shown by LRB, results in really low average market values – especially for the Ogden Valley.

TABLE 10: ANALYSIS OF AVERAGE BUILDING PERMIT VALUE

	2024	2025	2026	2027	2028
100% Primary Homes					
Market Value of New Growth - assumes 100% primary homes	\$37,050,000	\$37,050,000	\$38,000,000	\$38,000,000	\$38,950,000
Average Value per Permit - assumes 100% primary homes	\$233,019	\$225,915	\$226,190	\$219,653	\$211,685
75% Primary Homes					
Market Value - assumes 75% primary homes	\$32,881,875	\$32,881,875	\$33,725,000	\$33,725,000	\$34,568,125
Average Value per Permit - assumes 75% primary homes	\$206,804	\$200,499	\$200,744	\$194,942	\$187,870

Question #5 – Does the County really make money off of garbage collection?

TABLE 11: GARBAGE COLLECTION REVENUES AND EXPENSES – TABLE 8.8 IN LRB REPORT

	2024	2025	2026	2027	2028
Garbage Admin Fee – Revenue	\$54,043	\$55,664	\$57,334	\$59,054	\$60,826
Garbage Contract - Expense	\$9,826	\$10,121	\$10,424	\$10,737	\$11,059