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July 2024

Economic Scenarios for Ogden Valley's Proposed Incorporation

ECONOMIC SCENARIOS FOR OGDEN VALLEY'S PROPOSED INCORPORATION

This report was paid for by Keep Our Valley Free



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About the Utah Foundation

Since 1945, leaders, legislators, and community members have relied upon the **illuminating, independent, and nonpartisan public-policy research** produced by the Utah Foundation to support informed decision-making on topics that matter most. As a 501(c)3 with broad community support and a 60-member board, the Utah Foundation exists to empower **civic engagement as the foundation for enhanced quality of life for Utahns.**

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Valley of Eden, Flickr user carfull...from Wyoming under licence CC-BY-NC-ND

INTRODUCTION

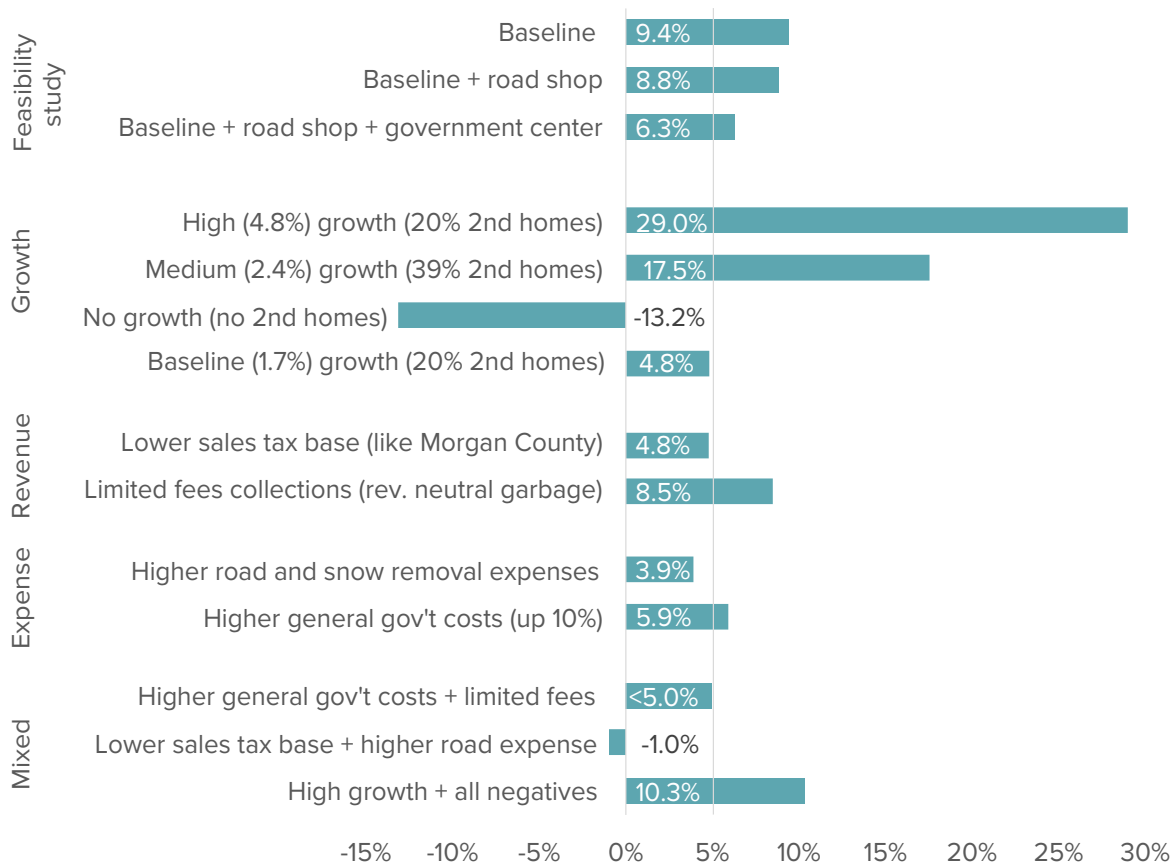
Incorporating into a city can give residents a sense of self-determination. Being able to elect one’s own leaders to make decisions for the local area can be empowering. However, it does come with a cost. The new city would be responsible for directly providing services for the newly incorporated area, or contracting with another service provider.

Keep Our Valley Free, a group organized against the incorporation of Ogden Valley, hired the Utah Foundation to perform a supplementary analysis to the state’s required feasibility study. This includes alternative scenarios that explore how the proposed city’s finances might fare under differing circumstances, including higher population growth, lower population growth, smaller commercial base, and higher cost/lower revenues.

In broad terms, the Utah Foundation finds that the Ogden Valley area continues to meet the required financial benchmark (a five-year average budget surplus of 5%) under several scenarios that deal with higher expenses or limited fees. However, the prospective city would no longer meet the required financial

A selection of analyses showing the proposed city’s wide financial range under alternative scenarios.

Figure 1: Average Five-Year Budget Under Alternate Scenarios



Note:

The “road shop” is the acquisition cost for the Ogden Valley Road Shop for the purpose of having a public works building within city boundaries.

The “government center” refers to the land and building costs for government offices.

The “High growth” scenario is focused on growth patterns from 2018 to 2023.

The “Medium growth” scenario is focused on growth patterns from 2010 to 2023.

The “Limited fees collections” scenario includes slower non-home permit growth.

The “Higher road expenses” scenario includes about 15% higher snow removal costs and 16% higher road costs.

benchmark in scenarios with lower levels of growth, fewer second homes, or a smaller local sales tax base. In addition, the Utah Foundation found that fast population growth can offset all other negative scenarios combined. However, lower levels of growth may force the potential city to consider raising taxes, increasing fees, or reducing services to cover lower building permit revenues.

Importantly, this supplementary analysis is not a critique of the existing feasibility study. When making forecasts, analysts must make assumptions about the future. But it is often unclear which data will produce the most accurate projections. For instance, analysts must decide whether to use state data or county data, or whether to use the five-year average or the ten-year average. The feasibility study makes logical and sensible choices in these areas. However, it provides one single forecast. This supplemental study aims to provide additional data by examining whether the potential city would remain financially viable when a number of these underlying assumptions were slightly altered.

INCORPORATION

The process of incorporating areas into cities varies by state, with some states having specific criteria.¹ In Utah, the Lieutenant Governor oversees the incorporation process of creating a new city or town. For the Ogden Valley, incorporation as a city is based on whether the boundary area meets population, density, and contiguity requirements as outlined in Utah Code §10-2a-201.5.² It can be considered for incorporation if it has a population of at least 1,000 people or more that is not already part of a municipality. Regarding density, the area must not have an average population density of fewer than seven people per square mile.³ An area may be incorporated as a city if it is contiguous or a community council area.

Feasibility Studies

As outlined in Utah State Code §10-2a-205, the process of incorporating a city requires a feasibility study to help determine whether the proposed city would be financially viable. A feasibility study estimates whether the prospective city would have a 5% surplus in its budget, as state legislation requires.

The study includes the population and its accompanying population density for the proposed area.⁴ It should focus on the current and projected five-year demographics, including household size and income, commercial and industrial development, and public facilities.⁵ It should also present a five-year projected revenue for the proposed incorporated area.⁶ A feasibility study shares an analysis of the risks and opportunities that might affect costs⁷ and the projected tax burden per household within five years after incorporation of the

1 U.S. Department of Commerce, 1994, "Geographic Areas Reference Manual," <https://www2.census.gov/geo/pdfs/reference/GARM/Ch9GARM.pdf>.

2 Kem C. Gardner Policy Institute, 2024, "Memorandum on the Ogden Valley modified incorporation feasibility review". Included as Appendix E on page 57 of the May 2024 feasibility study. <https://ltgovernor.utah.gov/wp-content/uploads/sites/54/2023/09/Ogden-Valley-Incorporation-Feasibility-Review.pdf>.

3 Utah Code §10-2a-201.5 (1) - (3) https://le.utah.gov/xcode/historical.html?date=6/5/2023&oc=/xcode/Title10/Chapter2a/C10-2a-S201.5_2023050320230503.html.

4 Utah Code §10-2a-205 (3)(a)(i) https://le.utah.gov/xcode/historical.html?date=6/4/2023&oc=/xcode/Title10/Chapter2a/C10-2a-S205_2023050320230503.html.

5 Ibid. (3)(a)(ii).

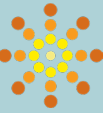
6 Ibid. (3)(a)(iv).

7 Ibid.

proposed municipality.⁸ It should analyze the fiscal impact of the proposed incorporation on the area's municipalities, special districts, and other governmental entities.⁹

The study should focus on how much it would cost to provide the same services it currently receives over the next five years.¹⁰ State statute requires that the feasibility show that over the course of the next five years, the proposed city would generate an average of 5% more revenue than would be required to cover all its expenses.¹¹ If this threshold is not met, the incorporation process of the planned area may not proceed.

Steps of Incorporation in Utah



1. Sponsors must submit a petition to the Lieutenant Governor's Office, complete with signatures from residents within the proposed incorporated area.¹²
2. The signatures must represent a total of at least 7% of the proposed land value and 10% of the land area determined by the value and acreage of the signers' properties.¹³
3. After filing the petition, county officers determine whether it complies with requirements and proceed with a feasibility study.
4. The Lieutenant Governor's Office hires an organization to produce a feasibility study.
5. The feasibility study results are shared in a public hearing, allowing residents to express their opinions and perspectives.¹⁴
6. If changes are made to the initial study, those results are shared in a second public hearing.
7. Following the public hearing, sponsors gather signatures from registered voters living within the boundaries of the proposed municipality.¹⁵
8. If the signature requirements are met, the proposed incorporation will be added to the ballot for voters at the next election.¹⁶
So long as a majority votes in favor, the proposed municipality will become a city or town. However, if a majority does not vote in favor, the petition fails, and the process would need to start over.¹⁷

8 Utah Code §10-2a-205 (3)(a)(vii) https://le.utah.gov/xcode/historical.html?date=6/4/2023&oc=/xcode/Title10/Chapter2a/C10-2a-S205_2023050320230503.html.

9 Ibid. (3)(a)(viii).

10 Ibid. (3)(b)(ii).

11 Ibid. (5)(a).

12 Utah Code §10-2a-202 (1)(a) https://le.utah.gov/xcode/historical.html?date=6/5/2023&oc=/xcode/Title10/Chapter2a/C10-2a-S202_2023050320230503.html.

13 Ibid. (1)(a)(ii-iii).

14 Utah Code §10-2a-204.3 (1)(a) https://le.utah.gov/xcode/historical.html?date=6/5/2023&oc=/xcode/Title10/Chapter2a/C10-2a-S204.3_2023050320230503.html.

15 Utah Code §10-2a-208 (1)(a) https://le.utah.gov/xcode/Title10/Chapter2a/10-2a-S208.html?v=C10-2a-S208_2023050320230503.

16 Utah Code §10-2a-210 (1)(a) https://le.utah.gov/xcode/historical.html?date=6/5/2023&oc=/xcode/Title10/Chapter2a/C10-2a-S210_2023050320230503.html.

17 Utah Code §10-2a-209 (2)(a) https://le.utah.gov/xcode/Title10/Chapter2a/10-2a-S209.html?v=C10-2a-S209_2023050320230503.

RISKS OF FORECASTING AND SCENARIO PLANNING

No forecast is perfect. In addition, the longer the time frame, the less accurate and more uncertain a forecast becomes. There are dozens or even hundreds of assumptions that go into a feasibility study. It is not clear which historical or comparison data will best represent the next five years. For example, one could argue that the data over the past five years is the most accurate, seeing as it is the most recent. Or one could argue going back ten years covers a broader range of circumstances and is, therefore, a better estimate. When looking at comparison cities, there are many factors to consider – population, geographic size, geographic proximity, climate, economic vitality, whether it would classify as a resort community, or the miles of roads in the municipality. Which factors are considered and how those factors are weighted would create different sets of comparison cities. If one or two of those comparison cities were vastly different from the rest, it is not clear whether the more accurate choice would be to exclude or include the outliers. At the same time, it would not be prudent to give individuals the chance to incorporate without providing any information regarding how that might influence the new city's services and the cost of those services.

Not only are there fundamental uncertainties in forecasting and scenario planning, but in many ways, the very existence of a feasibility study misses the mark. The basic assumption of a feasibility study is whether it will be more expensive to provide the same level of service as a city. However, the drive for incorporation is often because residents are not satisfied with the current level of service provided by the county. They may want more services, fewer services, or a different set of services. While the feasibility study forecasts revenues and expenditures for the next five years, the proposed city would probably never meet those forecasts, not just because of the uncertainty inherent in forecasts but because the city would focus on a different basket of services.

In addition, the requirement that a city would need to collect money and spend money in the same way and still bring in 5% more revenues is an arbitrary line. Individuals may instead choose to incorporate, even if it is more expensive to provide the same services, because of the perceived additional benefits of incorporation. While a feasibility study provides some data as a baseline for discussion, there is often much more that goes into the final decision of whether to incorporate.

OGDEN VALLEY INCORPORATION SCENARIOS

The standard feasibility study examines alternative scenarios to determine whether the city could afford to build a road shop or a government center. This report, however, has alternative scenarios that examine whether the city is financially stable if the economic conditions vary from those forecasted by the feasibility study. The scenarios below are compared to the baseline scenario, which does not include the building of a road shop or government center.



Odgen Valley Timeline

- April 14, 2023: The Ogden Valley incorporation team submits a petition to the Lieutenant Governor¹⁸ requesting a feasibility study for a possible city of the unincorporated areas of Weber County known as the Ogden Valley.¹⁹
- May 11, 2023: The Lieutenant Governor grants the Ogden Valley incorporation team permission to conduct a feasibility study as outlined in Utah Code §10-2a-202.
- July 6, 2023: The Utah Population Committee analysis indicates that Ogden Valley meets the population requirements for incorporation.²⁰
- August 8, 2023: The Lieutenant Governor's Office hires LRB Public Finance Advisors to study whether the proposed town of Ogden Valley is financially viable as a city.
- January 30, 2024: The first public hearing about Ogden Valley's incorporation to allow feasibility consultants to share their results with residents of the proposed incorporated area.²¹
- February 27, 2024: Notice from the Office of the Lieutenant Governor that the Utah Code prohibits the Office of the Lieutenant Governor from holding a second public hearing for the Ogden Valley's incorporation.²²
- March 8, 2024: The Ogden Valley incorporation team filed a request with the Lieutenant Governor's Office for a modified feasibility study.
- March 18, 2024: The Lieutenant Governor's Office commissioned LRB Public Finance Advisors to conduct a modified feasibility study to demonstrate if the proposed city for incorporation is financially viable.²³
- March 28, 2024: The Lieutenant Governor's Office approves the Ogden Valley incorporation team's request and certifies that it will be sent to the Utah Population Committee.²⁴
- May 2024: The Ogden Valley modified feasibility study conducted by LRB Public Finance Advisors is released.²⁵
- June 3, 2024: A second public hearing for the feasibility consultants to present findings to residents and property owners regarding the proposed areas for the Ogden Valley's incorporation.²⁶
- June 3, 2024: The Ogden Valley incorporation team starts gathering signatures to get the question of incorporation (and type of government) on the ballot.²⁷

18 Deidre Henderson, 2023, "Certification of Request for Feasibility Study," <https://ltgovernor.utah.gov/wp-content/uploads/sites/54/2023/07/Feasibility-Study-Certification.pdf>.

19 Mark Ferrin, 2023, "Feasibility Request Petition for the Ogden Valley Area in Weber Valley," <https://drive.google.com/file/d/1whfPOXnRnpn5hAFTSipvMACQ1Afp8VvT/view>.

20 Kem C. Gardner Policy Institute, 2023, Included as an appendix in the feasibility study. <https://ltgovernor.utah.gov/wp-content/uploads/sites/54/2023/09/Ogden-Valley-Incorporation-Feasibility-Review.pdf>.

21 Deidre Henderson, 2024, "Notice of Incorporation and First Public Hearing," <https://ltgovernor.utah.gov/wp-content/uploads/sites/54/2024/01/Ogden-Valley-First-Public-Hearing-Notice-for-UPN-and-LGO-Website.pdf>.

22 Deidre Henderson, 2024, "Huntsville Town Annexations," <https://ltgovernor.utah.gov/wp-content/uploads/sites/54/2024/02/Huntsville-Annexation-Letter-Website.pdf>.

23 Deidre Henderson, 2024, "Notice of Proposed Public Incorporation and Second Public Hearing," <https://ltgovernor.utah.gov/wp-content/uploads/sites/54/2024/05/Ogden-Valley-Second-Public-Hearing-Notice-PDF.pdf>.

24 Deidre Henderson, 2024, "Certification of Request for Modified Feasibility Study," <https://ltgovernor.utah.gov/wp-content/uploads/sites/54/2024/04/Ogden-Valley-Modified-Feasibility-Study-Certification-3.28.2024.pdf>.

25 LRB Public Finance Advisors, 2024, "Supplemental Feasibility Study for the Proposed Incorporation of Ogden Valley," <https://ltgovernor.utah.gov/wp-content/uploads/sites/54/2024/05/Ogden-Valley-Mod.-Feas.-Study-FINAL.pdf>.

26 Deidre Henderson, 2024, "Notice of Proposed Incorporation and Second Public Hearing," <https://ltgovernor.utah.gov/wp-content/uploads/sites/54/2024/05/Ogden-Valley-Second-Public-Hearing-Notice-PDF.pdf>.

27 Ogden Valley Incorporated, 2024, "Petition for incorporation," <https://www.ogdenvalleyinc.org/petition-for-incorporation/>.



Ogden Valley from Snowbasin Road, Flickr user Evan Sanders under licence CC-BY-NC-ND.

Population Growth

Population growth influences several factors. Many of the estimates of the cost of government services are estimated at a per-capita level and increase under a scenario with higher levels of growth. These costs include general administrative services, engineering, planning and zoning, and building inspections.

The population also results in higher revenues. Higher population growth is linked to higher property taxes, higher sales taxes (particularly those transferred from the state), higher disbursements from the state for roads, and additional permitting fees.

The Utah Foundation uses the state growth of taxable sales to estimate the share of sales tax revenue generated statewide transferred to local governments. It also uses the county growth of taxable sales to estimate the local portion of the sales tax.

High-Growth Scenario (4.8%). Ogden Valley’s population growth varies depending on the time frame examined. Under this high-growth scenario, the Utah Foundation uses more recent data, which displays higher levels of population growth.

For this estimate, the following three assumptions are altered. Based on the estimated population growth from the Kem C. Gardner Population Center from 2020-2023, the population is expected to grow at a rate of 4.8%.²⁸ Based on state-

²⁸ This represents the most recent data available. While data reaching back to 2018 would have been preferred to align with the sales tax estimates, such data is not available. See Kem C. Gardner Policy Institute, 2024, “Memorandum on the Ogden Valley modified incorporation feasibility review”. Included as Appendix E on page 57 of the May 2024 feasibility study. <https://itgovernor.utah.gov/wp-content/uploads/sites/54/2024/05/Ogden-Valley-Mod.-Feas.-Study-FINAL.pdf>.

wide taxable sales from 2018 to 2023, the state sales tax revenue is expected to grow at 8.9%.²⁹ Based on the taxable sales growth in Weber County from 2018 to 2023, the local sales tax is expected to grow at 8.2%.³⁰

Using these alternative assumptions, the Utah Foundation finds that the proposed city would more easily clear the required financial benchmark than the baseline feasibility study scenario.

If the number of permits is adjusted to allow for the number of homes that would need to be built to support such growth, the permitting fees would increase revenue substantially.

Medium-Growth Scenario (2.4%). Ogden Valley’s growth has looked different depending on when examined. Under the lower population growth scenario, the Utah Foundation uses data beginning in 2010, which includes periods of lower growth. The following three assumptions are altered. The population is expected to grow at a rate of 2.4% based on the 2010 estimate from the feasibility study and the estimated population in 2023 from the Kem C. Gardner Population Center.³¹ Based on statewide taxable sales from 2010 to 2023, the state sales tax revenue is expected to grow at 7.1%.³² Based on the taxable sales growth in Weber County from 2010 to 2023, the local sales tax is expected to grow at 6.3%.³³

Using these alternative assumptions, the Utah Foundation finds that the proposed city would more easily clear the required financial benchmark than the baseline feasibility study scenario. This is even more likely when building permit growth is linked to population growth – with fewer second/vacation homes.

No-Growth Scenario. Many incorporation proponents hope to use the additional control to limit community growth. The Utah Foundation explored a scenario describing the budget if growth were completely eliminated. That is, there would be no population growth and no permits issued for new residential buildings.

Many general government expenditures would increase, but only to match increasing costs rather than an expanding population. Sales tax would continue to increase over time, although at a slower rate. With no new homes built, property taxes would continue to generate the same amount of revenue each year. The city would also see state funds for roads to continue growing. The biggest impact would be in the assessed building fees. Under the baseline scenario, building permit fees account for about 20% of the city’s revenues. Based on building permit data for unincorporated Weber County and Morgan County, permits for new residential buildings account for

29 Utah State Tax Commission, 2024, “Table 4TR: Utah quarterly gross taxable sales and purchase – 1998Q1 to 2023Q4”. Utah Foundation calculations.

30 Ibid.

31 Kem C. Gardner Policy Institute, 2024, “Memorandum on the Ogden Valley modified incorporation feasibility review”. Included as Appendix E on page 57 of the May 2024 feasibility study. <https://ltgovernor.utah.gov/wp-content/uploads/sites/54/2024/05/Ogden-Valley-Mod.-Feas.-Study-FINAL.pdf>.

32 Utah State Tax Commission, 2024, “Table 4TR: Utah quarterly gross taxable sales and purchase – 1998Q1 to 2023Q4”. Utah Foundation calculations.

33 Ibid.

50%-60% of building permits.³⁴ The remaining permits are for non-residential buildings or remodeling of existing buildings. These permits also tend to be less expensive – providing less of a revenue source for the city. Without the revenue generated from issuing permits on new residential structures, the proposed city would have an average budget shortfall of more than 12%. If property taxes alone were used to make up the budget shortfall, the tax would need to be about 2.5 times higher.

Growth to Reach Financial Benchmark. Using the baseline scenario assumptions, the Utah Foundation determined that the area would need to see at least 1.3% housing growth to meet the financial benchmark.

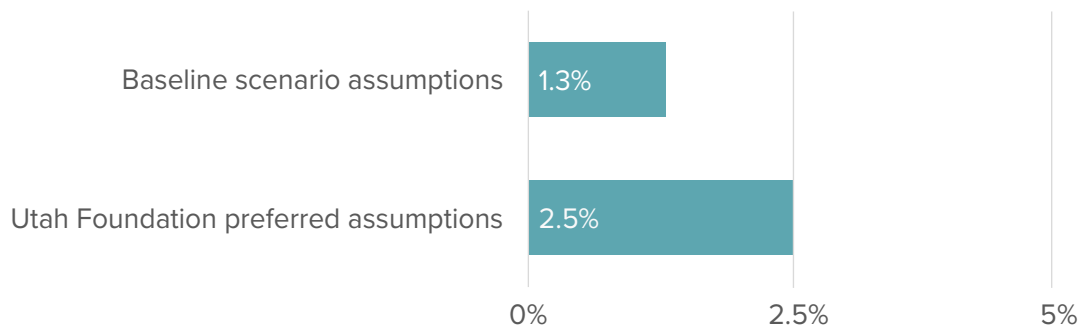
The Utah Foundation also calculated the growth required under its preferred assumptions:

- Property taxes linked to population growth (which has a very small effect on the result).
- 20% of news homes are second homes (which is about half as much as the baseline assumption).
- Sales tax increases based on the previous ten years (instead of the five years in the baseline assumption).
- A sales-tax base more similar to Morgan County (which is \$137,498,411 instead of \$172,820,880 in the baseline).³⁵

In this case, the proposed city would need 2.5% annual growth to meet the financial benchmark.

The area may need to grow by 2.5% per year to reach the required financial benchmark.

Figure 2: Baseline Assumptions and Utah Foundation Preferred Assumptions



Note: See the assumptions and footnotes in the Growth Needed to Reach Financial Benchmark section for details. These do not include the roadshop or government center.

34 Data gathered from the Ivory-Boyer Construction Database. See <https://gardner.utah.edu/public-policy/housing-construction-real-estate/ivory-boyer-construction-database/>. Utah Foundation looked at the average breakdown of residential permits, nonresidential permits and Additions/Alterations/Repairs for “Other Weber County” and “Morgan County” from 2018-2023.

35 The \$137,498,411 is the taxable sales estimate calculated using Morgan County’s taxable sales per capita. The \$172,820,880 is from: LRB Public Finance Advisors, 2024, “Supplemental Feasibility Study for the Proposed Incorporation of Ogden Valley,” page 28, <https://ltgovernor.utah.gov/wp-content/uploads/sites/54/2024/05/Ogden-Valley-Mod.-Feas.-Study-FINAL.pdf>.

Fewer Second Homes. The feasibility study estimates building permits to be 3% by averaging the population growth from 2010-2020 (1.7%) with the building permit growth from 2018-2022 (5.6%).³⁶ Based on the average composition of building permits, about 60% of those permits would be for a new residential building. Of those new residences, only 60% would be required to support the assumed 1.7% population growth. The remaining 40% of new residential buildings would be assumed to be nonprimary residences or second homes.

The Utah Foundation could not find any direct data on the breakdown of new homes for primary or secondary residences in the incorporation area. However, data from the breakdown of residential lots listed as primary or secondary residences indicated that, as of 2018, about 20% of residential lots were secondary residences.

The feasibility study does not directly estimate the number of primary or secondary residences built. Instead, this estimate of about 40% of new homes being secondary residences is a function of two other estimates. Population growth of 1.7% and building permit growth of 3%. Comparing the limited data available, the estimate that 40% of new homes built in the area are secondary homes is probably within the margins of error. However, the Utah Foundation explored what the budget might look like if the number of new secondary homes matched the level of the housing stock as of 2018 – 20%. Under this scenario, the average budget surplus falls to 4.8% – just short of the 5% benchmark.

Smaller Commercial Base

One of the most challenging assumptions to calculate in this study is the sales tax revenue collected from the local sales tax. There are no clear data on how much this specific geography will produce from the local sales tax portion. The feasibility study does the best it can with the limited data available.

While cities can levy sales taxes, the state is in charge of collecting and distributing revenue. Regarding municipal sales taxes, the state will distribute funds based on two factors. First, the state will distribute to the municipality half of the funds collected from within the municipality's boundaries. Second, the other half is pooled together with the funds from all other municipalities. That second pool of funds is distributed on a per capita basis. Cities with larger populations will receive a larger share, and cities with smaller populations will receive a smaller share. It is relatively straightforward to estimate the states received based on population. It is the first pot of money – how much the potential municipality would generate from sales tax within its borders – that is much more difficult to estimate.

There appear to be limited sources of taxable sales within the proposed boundaries. While there are a handful of grocery or convenience stores, the general area's primary sources of sales tax revenue are likely to be taxable sales from the nearby resorts – which are largely excluded from the proposed boundaries. The "big ticket" items for sales tax are large, durable goods and personal vehicles, neither of which are sold in the proposed area. This means most of the

³⁶ LRB Public Finance Advisors, 2024, "Supplemental Feasibility Study for the Proposed Incorporation of Ogden Valley," page 30, <https://ltgovernor.utah.gov/wp-content/uploads/sites/54/2024/05/Ogden-Valley-Mod.-Feas.-Study-FINAL.pdf>.



Snowbasin Resort, Unsplash user Tim Peterson under licence CC-BY-SA

population will purchase these goods in larger nearby cities such as Ogden. This is sometimes known as sales tax leakage.

While there are no major commercial enterprises in the region, the correct size of the property tax base is complicated by the trend toward purchasing goods online. When purchased online, goods are counted as taxable sales for the area where they are delivered. In this case, the taxable sales base may depend heavily on whether residents purchase goods online, bringing home goods they purchased from outside municipal boundaries.

To explore alternatives, the Utah Foundation compared the proposed geography's expected taxable sales per capita to the county and state at large.³⁷ In both cases, the estimated taxable sales per capita were lower, as expected, considering the limited commercial locations inside the proposed city boundaries. However, nearby Morgan County has even lower taxable sales per capita.³⁸ This scenario reduces the local taxable sales per capital from the estimated \$147 million to \$138 million.

Under this scenario, the proposed city would not meet financial benchmarks – but just barely. Instead of meeting the 5% required financial benchmark, it produces an average surplus revenue of 4.97% over the projected five years.

37 Taxable sales came from Utah State Tax Commission, 2024, "Table 4TR: Utah quarterly gross taxable sales and purchase – 1998Q1 to 2023Q4". Population data came from the 2023 US Census estimates. Utah Foundation calculations.

38 Morgan county reported \$18,132 of taxable sales per capita. This multiplied by the population of the study area (7,583) results in \$137,498,411.

Higher Expenses or Lower Revenues

Dozens of assumptions go into the estimation of revenues and costs. This section addresses a handful of scenarios for which these assumptions might be adjusted.

Higher General Government Costs. The feasibility primarily estimates general government costs by looking at per-capita costs of the existing general government costs of unincorporated Weber County.³⁹ It also compares those estimates against the general government costs of seven nearby cities, which, on average, have substantially lower per capita general government costs.⁴⁰

The Utah Foundation compared the general government costs to those of ten similar cities (based on population and municipal characteristics). On average, these ten comparison cities have lower general government costs per capita.⁴¹ If general governmental costs are more similar to those of these cities, the proposed city would clear the financial benchmark by a substantial margin.

The Utah Foundation also compared the overall budget to 20 comparison cities. These cities were selected based on similarities in their location, size, and road profile.⁴² The proposed city budget would initially be ranked 16th lowest, but it would rise to 11th lowest over the projected five years. This comparison may indicate that the budget cost may be higher than initially expected. However, no firm conclusions can be drawn from this comparison as it is unclear what services these cities provide for their residents and if they are comparable to the proposed city. However, they do indicate that the overall size of the budget may be a little low but well within the expected range of a city its size.

While most comparable cities seem to indicate general government costs will be lower than those in the feasibility study, it is possible they will be higher. However, the proposed city would still meet the required financial benchmark even if general government costs increased by 10% from the feasibility study's basic scenario.

Limited Fees. The feasibility study estimated that the proposed city would generate far more revenue charging for garbage collection (nearly \$54,000) than it would spend on garbage collection services (under \$10,000). Additionally, revenues generated via permits are a substantial, rapidly growing revenue source. This is partly because the average permit fee and the number of permits issued are expected to increase over the projected five years.

39 LRB Public Finance Advisors, 2024, "Supplemental Feasibility Study for the Proposed Incorporation of Ogden Valley," <https://ltgovernor.utah.gov/wp-content/uploads/sites/54/2024/05/Ogden-Valley-Mod.-Feas.-Study-FINAL.pdf>.

40 Ibid.

41 The Utah Foundation looked at the budgets of Midway, Providence, Wellsville, Perry, Pleasant View, Santaquin, Hyrum, North Logan, Park City, Riverdale using the methodology as reported in the feasibility study.

42 The Utah Foundation looked at the budgets of Park City, Riverdale, Midway, North Logan, West Bountiful, Perry, Hyrum, Providence, Wellsville, Santaquin, Sunset, Pleasant View, Harrisville, Farr West, Fruit Heights, Plain City, South Weber, Washington Terrace, West Point, Hooper. The Utah Foundation used the reported planned 2023 general fund budget reported in each city's Annual Comprehensive Financial Report.

Under a limited-fees scenario, the Utah Foundation restricted the revenue collected from garbage collection to cover only the collection costs and reduced the annual average increase in permits from 5% growth to 1.5% growth.

The proposed city would still meet the required financial benchmark even if reducing these fee revenues.

Higher Road Expenses. The proposed municipality is unique in terms of roads. While there are 18 other cities with more roads, those cities have populations of at least 30,000.⁴³ Out of the six cities closest in population size, the next city with the most roads has only half as many as the proposed city.⁴⁴ In many ways, miscalculations in the cost of road maintenance and snow removal seem to be some of the biggest threats to the proposed city's financial stability, particularly as road maintenance and snow removal account for almost half of the proposed city's annual budget.

The feasibility study estimated the cost of road maintenance based on a comparison of six nearby municipalities. The costs ranged from under \$800 per weighted mile to nearly \$3,300 per weighted mile. This widespread variation indicates a higher level of uncertainty surrounding the future cost of maintaining these roads.

The Utah Foundation collected similar information from an additional seven cities.⁴⁵ These cities also saw a wide range of costs, from just over \$600 per weighted mile to over \$4,000 per weighted mile.⁴⁶ The average of these seven cities was \$2,211 as compared to \$1,911 estimated by the feasibility study.

The proposed city would still meet the required financial benchmark even with this higher cost.

Scenario Summary

The Utah Foundation looked at several base assumptions that could be modified and found that the proposed city would still have met the required financial benchmark under many scenarios regarding higher expenses, lower fees, or higher levels of growth. However, the proposed city would not meet the required financial benchmark if it had a smaller local sale tax base, saw lower levels of growth, or had a smaller share of new second homes. However, in some circumstances, the benefits of rapid growth can outweigh all the negative scenarios combined.

43 Municipal road data was accessed from the Utah Department of Transportation, 2024, "FY2024 Mileage Report," <https://docs.google.com/spreadsheets/d/18emXTbULqrGjz17v-y9HIKBrGYMeax7J/edit#gid=925543032>. Population was gathered from the 2023 US Census population estimates. Utah Foundation calculations.

44 The six closest cities in population are South Weber, Plain City, Farr West, Santa Clara, Enoch, and Nibley.

45 The Utah Foundation looked at Farr West, Hooper, Midway, Perry, Plain City, Providence, and Washington Terrace.

46 The Utah Foundation used the same methodology as the feasibility study to calculate these numbers.

CONCLUSION

The Utah Foundation experimented with the proposed city feasibility requirements using different assumptions and found the proposed city feasibility fiscally robust to higher expenses or lower fees. That said, this report does not take into account all the possible expenses and fee shortcomings that are possible, even without the addition of services that a new local government might choose to provide. More importantly, lower levels of growth, fewer second homes, or a smaller sales tax base prove more problematic. Ultimately, growth is the only surefire way to overcome these negative effects. Without ongoing growth, this newly incorporated city would be at risk of not meeting its costs, and as a result would need to cut back on services, raise taxes or increase fees.

While the Utah Foundation hopes this data aids the decision-making process, it acknowledges the limitations of this data. Forecasts are prone to error. The Utah Foundation attempts to address this by testing several scenarios. However, more problematic is that this feasibility study only addresses the cost of providing services the area already receives. However, if residents were satisfied with their current services, there would be little incentive to incorporate. The real question should be what services residents hope to gain from incorporation and whether they would be willing to pay the expected cost of that basket of services. However, this question remains beyond the scope of this supplement to the feasibility study.



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