

Cottonwood Heights, Utah

City Between the Canyons



ANNUAL FINANCIAL REPORT TO THE COMMUNITY

**Fiscal Year Ending
June 30, 2016**





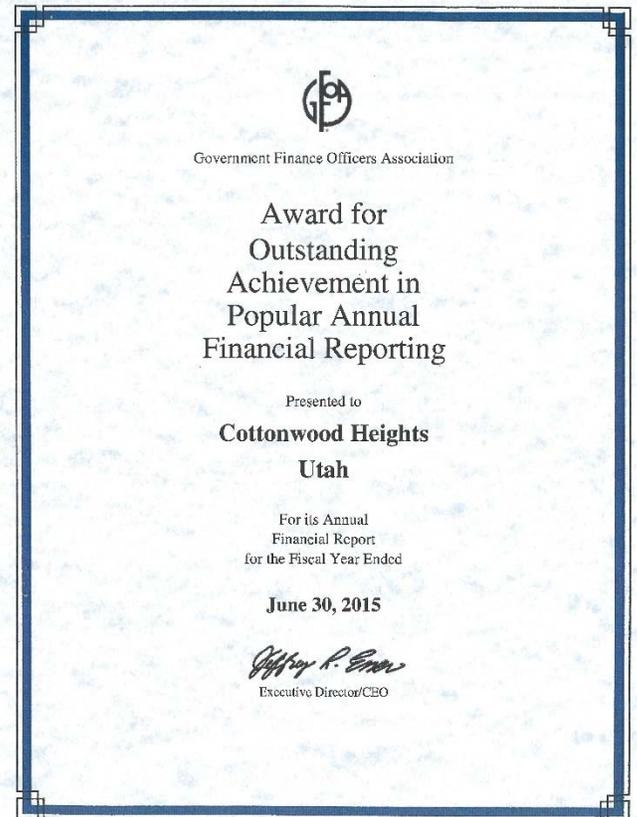
To the Mayor, City Council and Residents of the City of Cottonwood Heights:

The city manager and the entire finance department team are proud to present the fourth Annual Financial Report to the Community, also known as a *Popular Annual Financial Report* (PAFR) for the fiscal year (FY) ended June 30, 2016. This report provides an overview of the city's financial condition and brief analysis of how those revenues are generated and how those dollars are expended.

Most of the information in this report is drawn from the financial information in the FY2015-2016 Comprehensive Annual Financial Report (CAFR). The CAFR is a more detailed and complete financial presentation prepared in conformance with Generally Accepted Accounting Principles (GAAP) and was audited by the city's independent auditors, receiving an "unqualified opinion" (an opinion without auditor exceptions or qualifying comments).

The Government Finance Officers Association of the United States and Canada (GFOA) gave an Award for Outstanding Achievement in Popular Annual Financial Reporting to Cottonwood Heights for its Popular Annual Financial Report for the fiscal year ended June 30, 2015. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

To receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.



An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only.

Cottonwood Heights received a Popular Award for the third time in 2015. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

We hope you will find this information to be interesting and informative. We welcome your comments and suggestions for future reports. Both the CAFR and this document, the PAFR, are available for viewing at city hall and for viewing or printing on the city's website at <http://www.ch.utah.gov/>.



City Profile

Although the area currently encompassing Cottonwood Heights City was not incorporated until 2005, the area has roots back to the first pioneer settlers in the Salt Lake Valley. The following is an excerpt from Cottonwood Heights City's General Plan:

Near what is now Fort Union Blvd. and 2700 East early settlers established a community center with a church and a school. Among the earliest settlers of the area were six colorful brothers. The 'Butler Brothers' were lumbermen – complete with wagons, teams, and sawmills.



The Butler Bros (left to right): Alma, Alua, Leander, Neri, Phalander, and Eri

There were also four McGhie brothers and their families. Legend has it that they called a town meeting to organize their community and there was one more Butler than McGhie at the meeting, therefore the community received the name 'Butler' rather than 'McGhie.' Natives differ on this name; some say it was named 'Butlerville,' and others say the 'ville' was just a nickname.

Different parts of the west end of the city were known by other names. The Southwest part of the current city was

known as Little Cottonwood, or Union. One of the highlights of the area's history was the Deseret Paper Mill – the 'Old Mill' situated along Big Cottonwood Creek about a mile below the mouth of the Big Cottonwood canyon.

It was built in 1861 to make paper for the Deseret News (newspaper). The paper was made with wood pulp taken from the canyons and rags gathered by families in the valley.

It operated for many years, furnishing employment for the people of Butlerville and paper for the territory. But on the morning of April 1, 1893, the mill burned down and was never rebuilt as a paper mill. Since the mill's construction, the railroad had come through and it was cheaper to bring paper in by train than to manufacture it locally.



The Deseret Paper Mill is one of the highlights of Cottonwood Heights' history and still stands today.

Today, the City is home to nearly 35,000 residents with access to some of the greatest outdoor recreation opportunities that exist anywhere in the world. The two canyons bordering our City contain four ski resorts (Snowbird, Alta, Solitude, and Brighton) as well as many miles of roads and trails. It is a place we are proud to call home.



Staff and Elected Officials

State statutes detail the functions performed by municipalities. Cottonwood Heights is a political subdivision of the State of Utah and a municipal corporation. The City was incorporated on January 14, 2005, out of the southeastern area of unincorporated Salt Lake County. As of the 2010 census the City had 33,433 residents (the December 2016 estimate is 34,343) and encompassed approximately 9.24 square miles of land area.



Mayor
Kelvyn H. Cullimore, Jr.

At its inception, citizens voted to operate Cottonwood Heights under the council-manager form of government. Under this form of government, the citizens elect a five member council, chaired by a mayor. For Cottonwood Heights, the Mayor is elected at large, while the other four members of the Council are elected by district.

The mayor and council select a city manager who acts as the chief executive officer of the City. Policy-making and legislative authority are vested in the mayor and council while execution and administration of policies and ordinances is the responsibility of the City manager. The Mayor and Council serve part time. The City Manager serves full time. According to population and Utah law, Cottonwood Heights is considered a city of the third class.



Council Member
District 1
Michael Shelton



Council Member
District 2
J. Scott Bracken

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City Manager
John Park



Council Member
District 3
Michael J. Peterson



Council Member
District 4
Tee W. Tyler

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City Services

As a local general purpose government, Cottonwood Heights provides a full range of municipal services. Some of these services are provided internally, while some services are provided by other governmental agencies or private contractors. Still other services are provided to Cottonwood Heights residents by special districts.

Cottonwood Heights serves the residents of the City by performing the following functions using City personnel.

- Police
- Planning and Zoning
- Economic Development
- Highways and Public Improvements
- Finance and Treasury
- Public Works



For certain services, the City contracts with the following agencies or private companies:

- Fire and emergency services are provided by Unified Fire Authority
- Gilson Engineering performs engineering services with Brad Gilson serving as the City Engineer
- Sunrise Engineering is responsible for plan review and inspections with Jody Hilton serving as the City Building Official
- Legal Services are provided by the firm of Jones Waldo, with W Shane Topham employed as the City Attorney

The following services are provided directly to Cottonwood Heights residents by other governments or special service districts. Taxes and fees are paid directly to these entities.



- Water treatment and distribution is provided by Salt Lake City and Jordan Valley Water Conservancy
- Cottonwood Improvement District provides wastewater collection and treatment
- Wasatch Front Waste & Recycling provides disposal services of solid waste and recycling for City residents
- Library Services are provided by Salt Lake County



Public Works

On April 12, 2016, the Cottonwood Heights City Council made the decision to discontinue the contract with the private company previously providing public works services, and to move ahead with plans to begin providing these services through Cottonwood Heights employees.

In preparation for this, the City purchased 17 vehicles during July 2016. The new fleet consists of (4) 10-wheel dump trucks, (7) bobtail dump trucks, (2) used dump trucks, and (3) 1-ton trucks. All of these vehicles can be used for snowplowing. Additionally, the City purchased a truck for street sweeping.



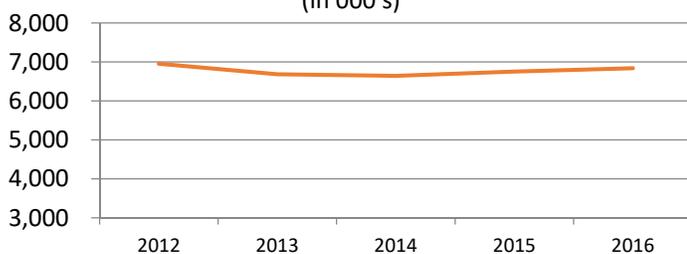
Public Works Director, Matt Shipp, was hired to implement this work. Mr. Shipp is a licensed engineer and has many years of experience in the industry. Danny Martinez, who was a current Cottonwood Heights employee, will serve as the Streets Superintendent. Mr. Martinez worked as a Salt Lake County supervisor managing the streets in the Cottonwood Heights area for eighteen years. The City anticipates increasing the level of service to City residents and providing public works services for the same cost previously paid to the contracted service provider.



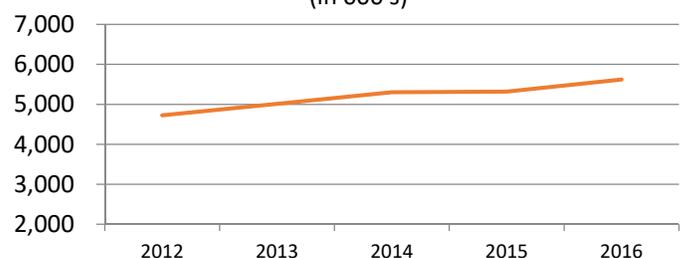
Revenue Trends

The graphs below show the City's trend in both sales taxes and property taxes. As indicated, while both revenue streams are trending upward, sales tax revenue tends to be more directly connected to economic growth, while property tax tends to be more stable. The potential for growth in sales tax revenue is greater than property tax revenue since Utah State law does not provide for natural inflation growth in property tax revenues without requiring a property tax increase.

Cottonwood Heights Property Tax
2012-2016
(in 000's)



Cottonwood Heights Sales Tax
2012-2016
(in 000's)





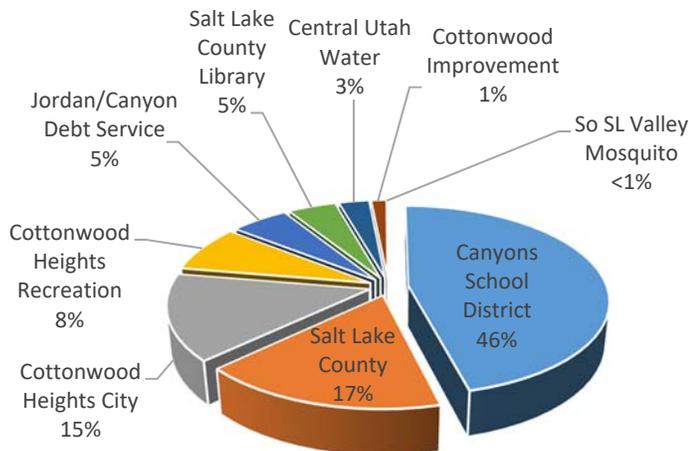
Funding of Government Services

The funding for the services provided by Cottonwood Heights comes from a variety of sources. The major sources of funding are described below:

Property Tax. Property tax is the largest source of revenue for Cottonwood Heights, representing 35 percent of total governmental revenue. Salt Lake County is charged with assessing all real and personal property in the County.

Residents of Cottonwood Heights pay property taxes to numerous taxing entities including: Canyons School District, Salt Lake County, Cottonwood Heights City, Cottonwood Heights Parks and Recreation District, Salt Lake County Library, Central Utah Water Conservancy, Cottonwood Improvement District, and South Salt Lake Valley Mosquito Abatement. The proportionate amount paid to each taxing district is represented in the chart below:

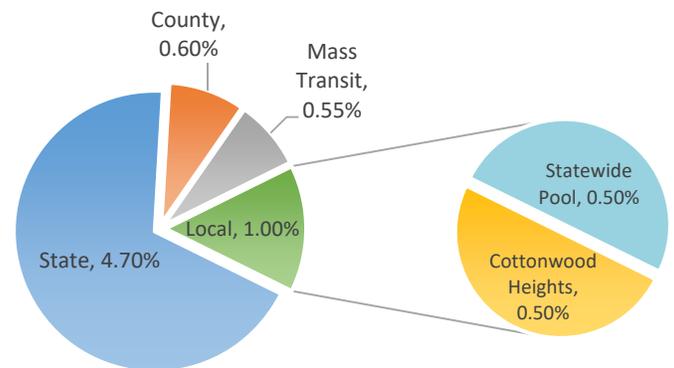
Property Taxes in Cottonwood Heights



By state law, primary residences are taxed at 55% of their value as assessed by Salt Lake County. All other real and business personal property is taxed at 100% of assessed value. Cottonwood Heights' property tax rate is .2064%. So, a primary residence in Cottonwood Heights with an assessed value of \$300,000 would pay \$340.56 in property taxes to Cottonwood Heights.

Sales Tax. Sales Tax is the second largest source of revenue for the City, representing 30 percent of total governmental revenue. Retail sales in Cottonwood Heights are assessed a tax at the rate of 6.85 percent. One percent of the 6.85 percent is assessed by the City. However, following state law, 50 percent of this revenue comes directly to Cottonwood Heights, while the other 50 percent is distributed statewide based on population. How this tax is distributed is shown by the chart below:

Sales Tax Distribution



Grants. Cottonwood Heights received \$2,451,662 in grants during the 2016 year. The largest State grant comes from gasoline taxes paid by all Utah residents. These funds totaled \$1,098,514 during the year and are distributed by the State from a formula that includes both population and road miles. The City also received \$741,752 directed by the State to be used for street maintenance and construction. The City continually seeks for opportunities to qualify for grant funding as a way of supplementing the City's budget and achieving financial objectives.

Fees. Another Source of revenue is fees charged for services, primarily related to community development. Companies, or individuals, desiring to develop property within the boundaries of Cottonwood Heights pay fees for planning, business licenses, building permits, and plan reviews.



Financial Information

Government accounting standards require financial information to be presented on both a long-term, full accrual (government wide) method as well as a current view (fund) basis. For the year ending June 30, 2016, the City's Government-Wide Statement of Activities reports the following results:

Government-Wide Financial Data

STATEMENT OF ACTIVITIES (Governmental Funds)		
	2016	2015
Revenues:		
Program Revenue		
Fees, Fines, and Charges for Services	\$ 1,630,018	\$ 1,262,945
Capital Grants and Contributions	836,020	1,968,068
Operating Grants and Contributions	1,709,910	1,543,851
Total Program Revenue	4,175,948	4,774,864
General Revenues:		
Property Tax	6,810,925	6,646,537
Sales Tax	5,657,553	5,342,298
Municipal Energy Sales Tax	1,530,067	-
Motor Vehicle Fee-In-Lieu	359,521	366,675
Franchise Tax - Cable TV	320,220	305,641
Unrestricted investment earnings	84,666	91,956
Loss on Sale of Capital Assets	8,250	-
Miscellaneous	83,228	76,246
Total general revenue and transfers	14,854,430	12,829,353
Total Revenue	19,030,378	17,604,217
Expenses:		
Primary Government:		
Governmental Activities:		
General Government	3,153,136	3,048,026
Public Safety	9,370,954	9,025,584
Highways & Public Improvements	5,156,417	5,801,322
Community & Economic Development	1,119,682	1,058,098
Interest on long-term debt	529,778	547,992
Total Expenses	19,329,967	19,481,022
Change in Net Assets	(299,590)	(1,876,805)
Net Assets Beginning of the Year	51,285,096	53,161,901
Net Assets End of the Year	\$ 50,985,506	\$ 51,285,096

The Statement of Activities provides information on a full accrual basis. Revenues and expenses are recorded based on the economic substance of the transaction and does not always match how these transactions were recorded in the budget.

As can be seen on the comparative statements to the left, the City enacted a new municipal energy tax, which began October 1, 2016. This fee was already being charged by all other municipalities along the Wasatch Front. Capital grants vary year-to-year based on available funding and project need. The largest capital grant in 2016 was \$741,752 from Salt Lake County used to reconstruct Bengal Blvd.

No new services or programs were implemented during the year. Increases in departmental expenses were primarily due to increases in the cost of employee health insurance premiums, Utah State pension rates, and cost of living wage adjustments, and changes in personnel.



General Fund Financial Data

The following information is presented from the City’s general fund financial statements. These statements differ from the Statement of Activities shown on the previous page in that the information is presented on a current resources model and matches the flow of these resources to the City’s budget. The information below is only related to revenues and expenditures of the City’s general fund. Information on the City’s other funds can be found by accessing the Comprehensive Annual Financial Report on the City’s website.

General Fund Revenues. The City’s general fund is the primary operating fund of the City. Most of the revenues in the general fund come from taxes levied to and paid by Cottonwood Heights residents. However, some general fund revenue comes from fees paid for services provided. The chart below illustrates the proportionate sources of revenue for Cottonwood Heights



General Fund Revenues

- Property Tax - \$6,792,308
- Sales Tax - \$5,657,553
- Grants - \$1,612,119
- Other Taxes - \$2,209,807
- Courts - \$530,137
- Licenses - \$744,299
- Other Revenues - \$410,587

General Fund Expenditures. Cottonwood Heights provides numerous services to the residents of the City. These services consist of public safety, street maintenance, and planning and zoning. Other expenditures are made to City departments in support of these operational departments. These services include such functions as: accounting, legal services, City Council, and other management expenditures. The chart below illustrates how these funds are spent, which includes funds transferred to the capital projects fund.

General Fund Expenditures

- Public Safety - \$9,045,817
- General Government - \$3,151,315
- Street Improvements - \$2,868,935
- Community Development - \$1,082,076
- Capital Outlay - \$371,244
- Debt Service - \$1,230,104





2016-2017 Budget Priorities

During the Feb 16, 2016, meeting, the Cottonwood Heights City Council met with staff to discuss budget and other strategic priorities for this budget year and future years. Several issues were addressed and prioritized. The following issues were identified to be the highest priorities:

- **Competitive Employee Compensation** – Cottonwood Heights considers its employees as its most valuable resource. Hiring and retaining a qualified, motivated, and enthusiastic workforce is of utmost importance. Of particular importance is the need to hire and retain a qualified and professional police force. The City has evaluated its pay plan and made adjustments. The new pay plan now gives supervisors the ability to move high-performing employees further along the pay range more quickly than they could previously.
- **Successful City Hall Completion** – The City recently completed the construction of a new municipal center that will house both the police and general City functions. This facility *is not* just a building in which to house staff but is intended to be an asset to the community. This building is accessible to the public and should be a point of pride for Cottonwood Heights residents. The City originally issued bonds to fund the building construction in 2014. However, at that time the final project costs were not known. In order to complete the facility, the City borrowed approximately \$2.5 million in FY2017.
- **Fund Roads at a Level to Maintain or Increase PCI Condition** – Due to funding shortfalls, the City's roads are in need of increased attention and funding. All roads are given a rating based on a standard pavement condition index (PCI). The PCI measures the condition of the roads for distress and drivability on a scale from 0 to 100. Currently, the average PCI for Cottonwood Heights roads is 66. The intent of City leaders is to increase the average PCI level to 70. This budget priority will be a focus for the next several years in association with taking on Public Works Service internally as indicated below. However, new revenue sources will need to be identified to assure this goal is achieved and maintained.
- **Evaluate Public Works Alternatives** – Cottonwood Heights has always contracted with an outside provider for its Public Works Services. These services were previously provided by Salt Lake County and then by a private company. In an effort to better manage resources and improve service levels, the City will begin self-providing public works in the 2016-2017 fiscal year. Included with annual operation will be an emphasis to improve street maintenance funding.
- **Evaluate and Consider Budget Savings and/or Reduce Service Levels** - As City leaders and staff look forward to ever-tightening budgets, an emphasis will be placed each year on finding areas where savings can be realized with minimal impact on service levels. Budget savings that will significantly impact service levels will be evaluated on a case-by-case basis.





Administrative & Statutory Officials

City Manager	John Park
Deputy City Manager	Bryce Haderlie
City Finance Director and Budget Officer	Dean Lundell
City Director of Community & Economic Development	Brian Berndt
City Police Chief	Robby Russo
City Public Works Director	Matt Shipp
City Treasurer	David Muir

City Recorder	Paula Melgar
City Attorney	Shane Topham—Jones Waldo
City Fire Chief	Mike Watson— Unified Fire Authority
City Engineer	Brad Gilson— Gilson Engineering
City Building and Zoning Official	Jody Hilton— Sunrise Engineering

Visit Cottonwood Heights City at

<http://www.cottonwoodheights.utah.gov>

The following valuable information can be obtained from the City's website:

- Annual budgets
- Annual Financial Statements (CAFR)
- Popular Annual Financial Report (PAFR)
- Monthly Financial Reports to the Council
- Information about the Mayor and City Council
- Hot topics going on in the City
- News and events happening
- City calendar of events and meetings
- Job opportunities
- Monthly message from the mayor or member of the City council
- Department contacts and information and lots of other good stuff.

also

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