Cottonwood Heights, Utah

City Between the Canyons

ANNUAL FINANCIAL REPORT TO THE COMMUNITY

FISCAL YEAR ENDING
JUNE 30, 2019

Cottonwood Heights
City between the canyons

MICHAEL J. PETERSON, MAYOR

J. SCOTT BRACKEN, COUNCIL MEMBER

TALI C. BRUCE, COUNCIL MEMBER

CHRISTINE W. MIKELL, COUNCIL MEMBER

MICHAEL SHELTON, COUNCIL MEMBER

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

The city manager and the entire finance and administrative department team are proud to present the sixth Annual Financial Report to the Community, also known as a *Popular Annual Financial Report* (PAFR) for the fiscal year (FY) ended June 30, 2019. This report provides an overview of the city's financial condition and brief analysis of how revenues are generated and how dollars are expended.

Most of the information in this report is drawn from the financial information in the FY2018-2019 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 "unmodified 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, 2018. 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.

Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

Cottonwood Heights

Utah

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

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 sixth time in 2018. 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 community 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 November 2019 estimate is 34,117) and encompassed approximately 9.24 square miles of land area.

COTTONWOOD HEIGHTS, UTAH

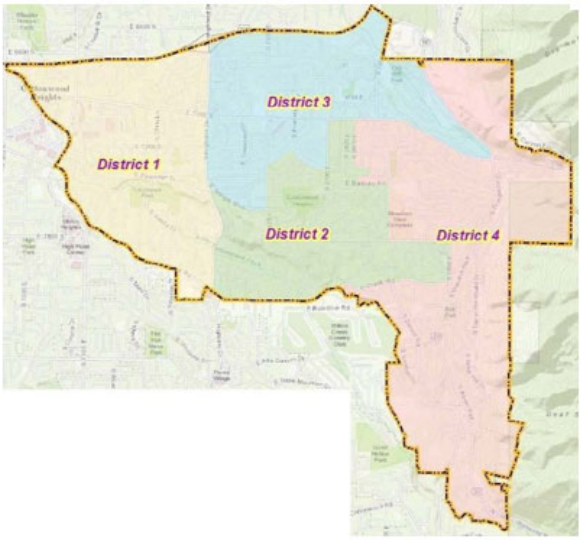
Mayor
Michael J. Peterson

Council Member
District 1
Michael Shelton

Council Member
District 2
J. Scott Bracken

Council Member
District 3
Tali C. Bruce

Council Member
District 4
Christine W. Mikell



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.

City Manager
Tim Tingey

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.

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 others are delivered through agreements with 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
- Engineer Services
- 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
- 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.

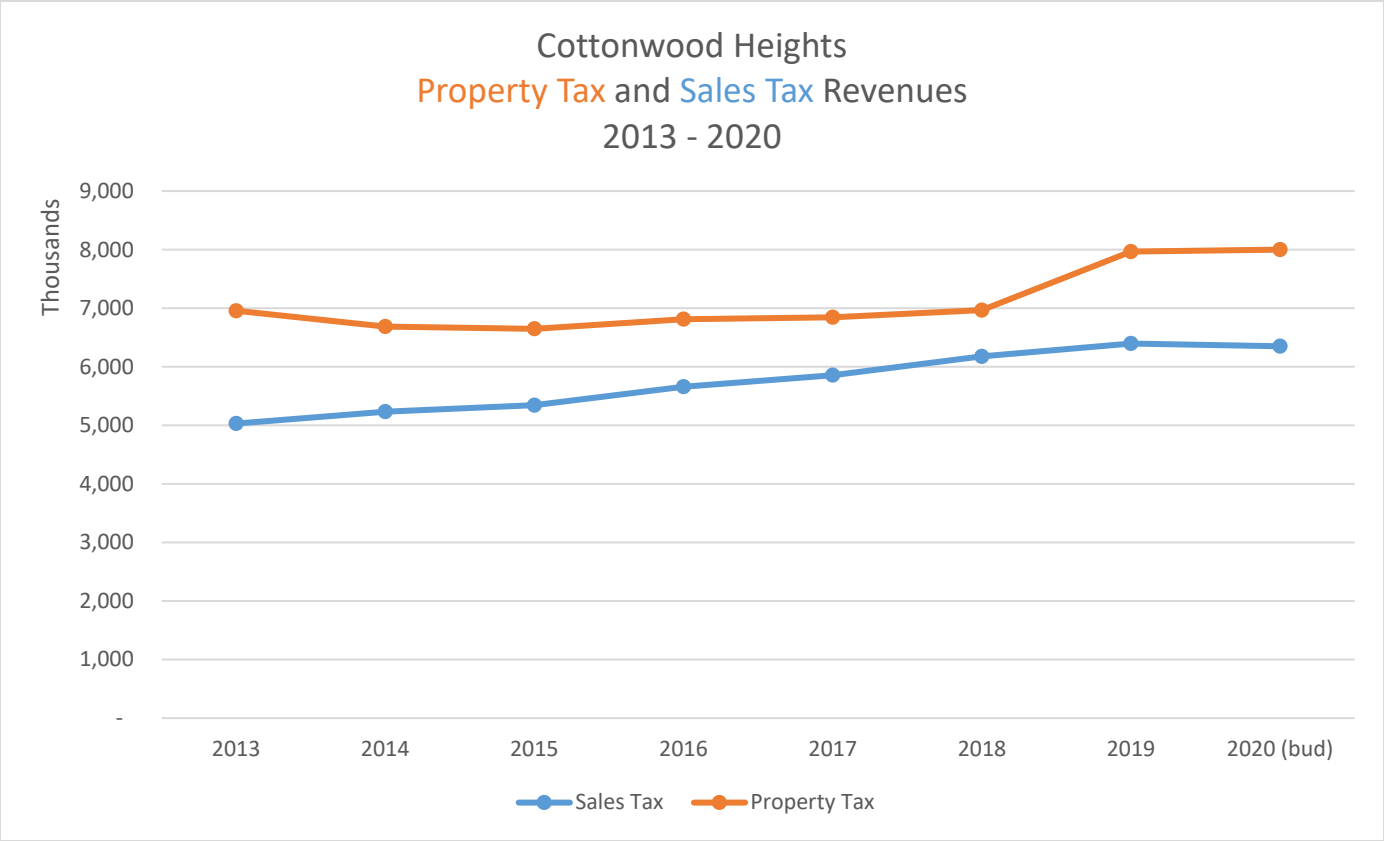
- Water treatment and distribution is provided by Salt Lake City and Jordan Valley Water Conservancy;
- Cottonwood Improvement District provides wastewater collection and treatment;
- Wasatch Front Waste & Recycling provides disposal services of solid waste and recycling for City residents;
- Library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

Financial Highlights

- The City's general fund balance increased by $545,372 to $4,283,489. This represents 21.5 percent of the budgeted revenues for the 2020 fiscal year;
- The City implemented a Property Tax increase for the 2018/2019 Budget year that will generate funds to use for road maintenance and parks development;
- The City received a Distinguished Budget Presentation Award for the twelfth consecutive year in 2018/19 and a Certificate of Achievement for its CAFR for the eighth consecutive year in 2017/18. Both awards are issued by the Government Finance Officers Association (GFOA).

Revenue Trends

The Graphs below show the Cities trends in both sales 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 tax increase. The 2019 budget included a Tax increase of 13.4 percent with the 2020 budget having no tax increase.

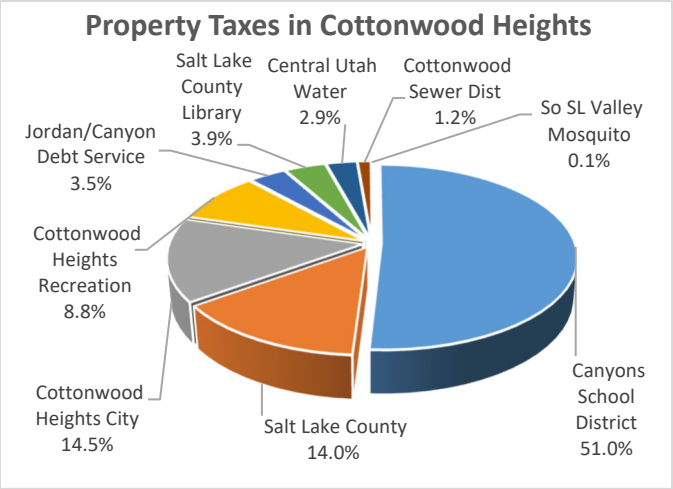


Funding of Government Services

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

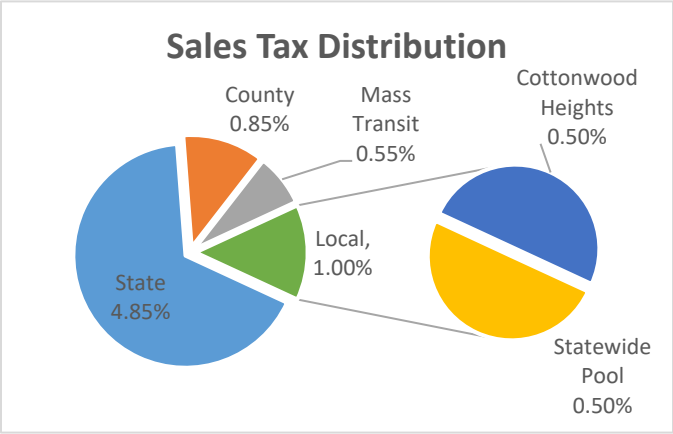
Property Tax. Property tax is the largest source of revenue for Cottonwood Heights, representing 39.3 percent of total governmental revenue. Salt Lake County is charged with assessing all real and personal property in the County.

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:



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' 2018/19 property tax rate is .2088%. So, a primary residence in Cottonwood Heights with an assessed value of $431,000 would pay $495.88 in property taxes to Cottonwood Heights.

Sales Tax. Sales Tax is the second largest source of revenue for the City, representing 32 percent of total governmental revenue. Retail sales in Cottonwood Heights are assessed a tax at the rate of 7.25 percent. One percent of the 7.25 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:



Grants. Cottonwood Heights received $2,798,466 in grants during the 2018/19 year. The largest State grant comes from gasoline taxes paid by all Utah residents. These funds totaled $1,221,106 during the year and are distributed by the State from a formula that includes both population and road miles. The City utilized $1,371,466 of a $2 million County grant for road improvements.

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. These fees help the City develop in a way that follows safe and fundamentally sound building practices.

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, 2019, the City's Government-Wide Statement of Activities reports the following results consistent with Generally Accepted Accounting Principles (GAAP):

Government-Wide Financial Data

STATEMENT OF ACTIVITIES (Governmental Funds)

	2019	2018
Revenues:		
Program Revenue	$ 1,400,005	$ 1,481,423
Fees, Fins, and Charges for Services	1,417,229	1,480,356
Capital Grants and Contributions	8,456,439	1,410,309
Total Program Revenue	11,273,673	4,372,089
General Revenues:		
Property Tax	8,326,448	7,352,766
Sales Tax	6,395,262	6,176,453
Municipal Energy Sales Tax	1,993,681	2,094,365
Franchise Tax - Cable TV	325,048	335,910
Unrestricted Investment Earnings	233,574	103,347
Gain on Sale of Capital Assets	508,094	3,875
Miscellaneous	202,772	151,394
Total General Revenue and Transfers	17,984,879	16,218,111
Total Revenue	29,258,552	20,590,199
Expenses:		
Primary Government:		
Governmental Activities:		
General Government	3,893,596	3,736,218
Public Safety	10,547,363	9,910,192
Highways & Public Improvements	5,770,220	4,907,822
Community & Economic Development	7,148,623	1,177,023
Interest on Long-Term Debt	340,990	954,272
Total Expenses	27,700,792	20,685,526
Change in Net Position	1,557,760	(95,327)
Net Position Beginning of the Year	50,767,660	50,862,987
Net Position End of the Year	$52,325,420	$50,767,660

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.

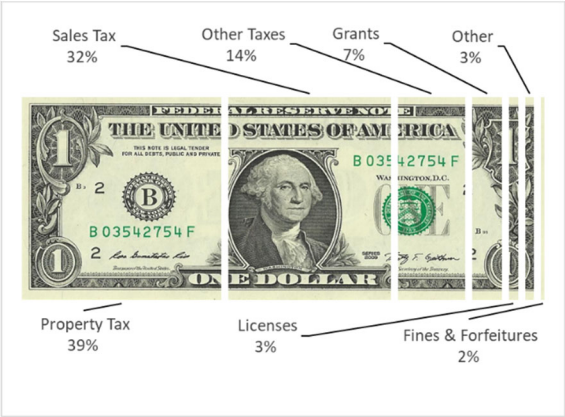
No new services or programs were implemented during the year. Increases in departmental expenses were primarily due to increases in the cost of employee health insurance premiums, Utah State pension rates, and cost of living wage adjustments. Increased depreciation contributed to this change as well.

Grants vary year-to-year based on available funding and project need. The largest capital grant in 2018/19 was $1,371,466 from Salt Lake County used for road improvements and the largest operating grant was $1,221,106 from the State of Utah for road maintenance.

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. Other revenues includes the sale of capital assets.



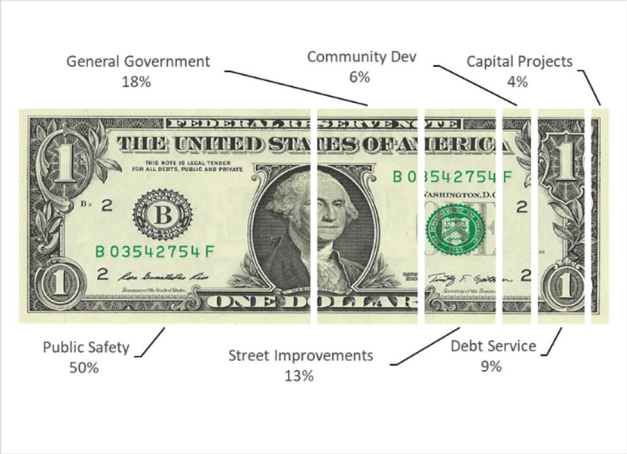
General Fund Revenues

- Property Tax - $7,904,512
- Sales Tax - $6,341,451
- Grants - $1,417,229
- Other Taxes - $2,733,120
- Fines and Forfeitures - $391,709
- Licenses - $687,780
- Other Revenues - $635,746

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 and Transfers

- Public Safety - $9,642,511
- General Government - $3,405,055
- Street Improvements - $2,618,980
- Community Development - $854,236
- Capital Outlay - $1,307,800
- Debt Service - $1,737,595



2019-2020 Budget Priorities

The following information is taken from the Administrative Direction Plan, Work Objectives for (calendar year) 2019:

Land Use, Planning, Redevelopment and Transportation

- Consider adoption of a proposed Accessory Dwelling Unit (ADU) Ordinance;
- Obtain further input and finalize change and consider adoption of the Wasatch Blvd Master Plan;
- Road Improvement Funding;
- Secure funding for a new General Plan, conduct a Request for Proposals (RFP) and secure consultant services and begin the public input process for the plan;
- Prepare modifications to the Planned Development District zoning code;
- Develop a Community Reinvestment Plan for the Gravel Pit site and obtain approval from the taxing entities and Cottonwood Heights Council and CDRA Board; (investigate)
- Develop a Community Reinvestment Plan for Fort Union Boulevard and obtain approval from the taxing entities and Cottonwood Heights Council and CDRA Board; (Investigate)
- Investigate collaborating with UTA on services to Cottonwood Heights.

Budgeting, Capital Improvements and Compensation

- Prepare a strategic land acquisition strategy in conjunction with the budgetary process;
- Conduct a storm drain capital facilities study investigating implementation of a storm water utility fee (two-part needs and then fees);
- Employee compensation market adjustments;
- Conduct a review of all fees in the city in conjunction with the budgetary process (telecommunications--FEE).

Sustainability and Environmental Initiatives

- Consider adoption of an outdoor lighting ordinance (dark skies);
- Consider adoption of a sustainability resolution. Prepare a plan in conjunction with Rocky Mountain Power to implement sustainability elements outlined in the proposed resolution;
- Investigate further bike lane options in the city;
- Tree replacement ordinance.

Parks Trails and Open Space

- Finalize and consider for adoption the Parks Trails and Open Space Master Plan (inventory, priorities, implementation);
- Identify and secure funding for property acquisition and capital expenditures for the Bonneville Shoreline Trail;
- Identify and secure funding for property acquisition and capital expenditures for the Ferguson Canyon Trail;
- Identify and secure funding for property acquisition and capital expenditures for the Deaf Smith Canyon;
- Investigate future possibilities for a dog park;
- Coordinate updating the Crestwood Park master plan with County.

Public Safety

- Develop a revised communications plan to establish protocol for external use of Twitter, Facebook and other public information that is shared regarding the department. The plan will also include a section on efforts to enhance transparency within the community on public safety operations (Operations);
- Prepare revised community relations goals for Police.

These Work Objectives provide guidance utilized by staff when submitting budget items and were also used by the Mayor and Council to evaluate and determine the budget priorities.

Administrative & Statutory Officials

City Manager	Tim Tingey
City Finance & Admin Director and Budget Officer	Scott Jurges
City Director of Community & Economic Development	Mike Johnson
City Public Works Director & City Engineer	Matt Shipp
City Treasurer & Reporting Manager	David Muir

City Police Chief	Robby Russo
City Recorder, Culture, and Human Resources Director	Paula Melgar
City Attorney	Shane Topham—Jones Waldo
City Fire Chief	Mike Watson— Unified Fire Authority
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

Join us on Facebook @ www.facebook.com/chcity
and **F**ollow us on Twitter @ CHCITY

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Cottonwood Heights, Utah 84121
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