

The Feasibility of Incorporating Cottonwood Heights

Revised Boundaries
November, 2002



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EXECUTIVE SUMMARY

The first feasibility study of the City of Cottonwood Heights was completed in June, 2002. The study showed the revenue produced by the area was 116% of the cost of serving the area; thus, the original boundaries did not meet the 105% test set forth in statute. This revised study considers the economics of the proposed city given a changed boundary.

Cottonwood Heights has about 34,000 residents and represents about 16% of the unincorporated County's population. The revised boundaries of the proposed city create some islands along its southern border. However, Sandy City is willing to annex those island areas. If those annexations occurred, the islands would be eliminated. Holladay is interested in annexing an area southeast of its existing boundaries roughly following 3000 East to Fort Union Boulevard then along Big Cottonwood Canyon Road. Midvale is willing to annex unspecified areas according to residents' wishes.

In 2002, Salt Lake County will spend roughly \$9.9 million to provide services to the area; the area generates \$11.6 million per year in Municipal Services Fund revenue. The statute requires that the property tax rate anticipated to be in-place be used in projecting property tax for the new city. The current Salt Lake County Auditor's office projection indicates Municipal services property tax rates may increase roughly 83% over the next five years.

If the proposed city contracted with Salt Lake County for municipal services, it could anticipate initial losses due to the addition of \$1.3 million per year in general government and start-up costs. Over a five-year time frame, a surplus (roughly \$2.9 million) would be generated assuming the city mirrored the anticipated increases in property tax rates for the Municipal Services Fund. If services were self-provided, substantial losses would occur, roughly \$18 million over the next five years.

The proposed city meets the "105% test" specified in State statute. The revenue generated by the area is 104.5% of costs over the five year period 2003-2007.

If Cottonwood Heights were to incorporate, the municipal services operation of Salt Lake County would be affected. The major impact is the loss of surplus generated by the area, roughly \$11 million over the next five years, again assuming the property tax rate increases discussed above.

The potential financial impact of incorporation on Salt Lake County was measured in two ways; assuming the County contracted with Cottonwood Heights for all services and alternatively, for no services. Further, if Cottonwood Heights did not use the County for service delivery, it is assumed only 75% of costs could be offset. Expressed as additional cost or savings per \$100,000 of taxable value, property owners in the unincorporated County would see additional cost of between \$4 and \$64 per year if Cottonwood Heights contracted for services with the County. If Cottonwood Heights secured services in another way, property owners would incur additional cost between \$45 and \$105 per \$100,000 of taxable value depending on the specific year analyzed.

The potential financial impact on property owners in Cottonwood Heights was measured in the same fashion. If the proposed city contracted with Salt Lake County for services, property tax impact would range between an increase of \$70 and a reduction of \$166 depending on the year analyzed.

ACKNOWLEDGMENTS

Basix Consulting thanks the citizens of the Cottonwood Heights area, the three Community Councils serving residents of the area, and the employees and leaders of various County agencies and departments for their involvement in Cottonwood Heights incorporation feasibility study. Their willingness to provide data, clarify issues, provide input and feedback, is a crucial part of this study.

INTRODUCTION

In late 2001, a petition was certified to consider the question of the feasibility of incorporating the Cottonwood Heights area. On March 14, 2002, Salt Lake County engaged Basix Consulting to perform a study of the feasibility of creating the City of Cottonwood Heights. The feasibility study of the boundaries included in the original petition showed the revenue produced by the area was 116% of the cost of serving the area; thus, the original boundaries did not meet the 105% test set forth in Statute. This revised feasibility study considers new boundaries shown on page five.

What Services Could Incorporation Affect?:

Government services are provided to residents from dozens of different entities ranging in size from the United States federal government to the Salt Lake County Mosquito Abatement District. A relatively small number of government services are potentially affected by incorporation; however, those services tend to be some of the most visible on a day-to-day basis. The services which could be affected are those in the Municipal Services part of Salt Lake County. They include: police (sheriff), fire, public works (street services, lighting, etc.), planning and zoning, animal control and justice courts. The Municipal Services part of Salt Lake County provides the services that are typically provided by cities to their residents.

The question of what services could be affected by incorporation gets further complicated by the possibility of the new city contracting with the County for services. Under this scenario, the new city would form a contractual relationship with the Sheriff, Fire, Public Works, Animal Control, Planning and Development Services and Justice Court for provision of service. From the perspective of the average citizen, very little impact would be apparent; the services would continue to be provided by the entities that provided them all along. Each of the new cities in Salt Lake County created since the 1990s (Taylorsville, Holladay and Herriman) have chosen to contract with the County for most of their municipal services.

Salt Lake County also provides some types of services to all County residents, regardless of whether they reside in one of the 15 cities in the County. Examples of County-wide services include: parks and recreation, libraries, county-wide flood control services, human services, paramedic services, community/economic development, landfill, and administrative services such as assessor, auditor, attorney, recorder etc. All of these services are unaffected by the potential incorporation of Cottonwood Heights. Additionally, there are a host of other government services which are unaffected by the potential incorporation, most notably school districts and the Cottonwood Heights Recreation Center which is a special service district.

There are two other Salt Lake County services that could be affected by incorporation over the long-run. These include the Sanitation Division and the Library Services Division. Both these Divisions have a separate property tax levy and are organizationally located outside the Municipal Services Fund. Both entities operate as essentially separate "companies" within the County structure. Their revenues are generated through property tax and use fees, the Divisions use these taxes and fees to cover the cost of the services they provide. It is possible for a city to elect to discontinue using the services of the Library and/or Sanitation Division and either self-provide those services or contract with another entity for the provision of those services. To date, none of the new cities in Salt Lake County have elected to provide their own or contract for Library and/or Sanitation services. However, South Salt Lake City seriously considered starting its own library and withdrawing from the County Library Service.

The table below summarizes the services which could be affected by incorporation, those that wouldn't be affected by incorporation and those that might be affected over the long-run.

Impact of Incorporation on Government Services			
Type of Service	Would be Affected	No Impact	Possible Long-Run Impact
Police/Sheriff	X		
Fire Department	X		
Public Works: Street Maintenance Capital Improvement Projects (Repaving, etc.) Street Lighting Traffic Signals Engineering	X		
Planning and Development Services	X		
Animal Control	X		
Justice Courts	X		
School Districts		X	
Water Service		X	
Sewer Service		X	
General County Government (Auditor, Recorder, Attorney, Assessor, Surveyor, Treasurer, etc.)		X	
County Jail		X	
Community Services (Fine arts, Salt Palace, Convention Bureau, Parks & Recreation, Planetarium)		X	
Human Services (Aging, Valley Mental Health, Youth, Health Department, Criminal Svcs)		X	
Flood Control		X	
Cottonwood Heights Community Rec. Center		X	
Sanitation (Refuse Collection) Services			X
Library Services			X

What Taxes and Fees Could be Affected if Incorporation Occurs?

A major concern in any incorporation process is how (if at all) will taxes be affected. Municipalities only have control over part of the taxes residents pay. Specifically:

- Property taxes - Roughly 15% of total property taxes paid by residents of the Cottonwood Heights area are used to provide municipal services. The vast majority of property taxes pay for other services such as the public schools (48%) and County-wide services (26%). The municipal services portion of property taxes would be impacted if incorporation occurs. Instead of paying the municipal services property tax, the residents of the new city would pay a new property tax to the City of Cottonwood Heights. The projections later in the study use the same property tax level for the proposed new city as is estimated to be in-place for the Municipal Services Fund.
- Sales taxes – One percent of overall sales tax is a local option sales tax. Theoretically, a city could opt to eliminate the 1% local option sales tax; however, as a practical matter, sales tax is far too important a source of revenue to consider eliminating; therefore, it is highly unlikely that sales tax in Cottonwood Heights would be affected by incorporation.
- Municipal Fees - Cities charge a variety of fees for licenses (e.g. business licenses, building permits, dog licenses), for services, and special fees such as impact fees for new developments, storm drain fees, etc. Additionally, cities can set the fine schedule for misdemeanor offenses that occur within their borders. All these types of fees may be impacted by incorporation. In the projections used in this study, the level of these fees are assumed to be the same.
- Franchise Taxes - In Utah, Counties can only charge franchise taxes on cable television services. However, cities can charge franchise taxes on other utility services such as telephone, natural gas and electric power.

Later in the study the impact of incorporation on property owners in the unincorporated County and Cottonwood Heights is illustrated in terms of impact per \$100,000 of taxable value. Property tax is used to show potential savings or additional costs because it is a common to both residents and business in the unincorporated County and proposed city.

Scope of Project:

This project is based around section 10-2-106 of the Utah State Code which details what data and analyses need to be included in this study. Generally, the report is organized around the major sections of the statute.

ECONOMIC, DEMOGRAPHIC AND GEOGRAPHIC OVERVIEW

Cottonwood Heights Boundaries:

The proposed city covers roughly nine and one-half square miles or about 1% of the land area of Salt Lake County. The proposed boundaries and legal description are shown on the next page. The changes from the original boundaries are all along the southern edge of the proposed city. The previous southern boundary was the same as the northern boundary of Sandy City. Generally, the new southern boundary of the proposed city is consistent with Sandy City's ultimate desired northern boundary. A map and legal description are included on the following page.

Historic and Current Population/Demographics:

Population and housing unit analyses are important because demand for municipal services is largely generated by housing and population growth. Historical population and housing unit data were derived from the U.S. Census, Wasatch Front Regional Council, and Salt Lake County data. Data for both Cottonwood Heights and the surrounding area are required for some parts of this study. For those parts, the surrounding area includes all of the City of Holladay, and parts of unincorporated Salt Lake County (referred to as Cottonwood West and Little Cottonwood Creek Valley) and Sandy City. Those tables usually have data from 1990 and 2000 and the geographic areas in each do not precisely match. For example, in 1990, the City of Holladay has not yet been incorporated, Sandy's boundaries were different, etc.

Cottonwood Heights Population - Revised Boundary

	1990	2000	2002	2003	2004	2005	2006	2007
Population	30,400	33,521	34,200	34,381	34,562	34,743	34,924	35,105
Male	15,249	16,928	17,271	17,362	17,454	17,545	17,637	17,728
Female	15,151	16,593	16,929	17,019	17,108	17,198	17,287	17,377

Source: US Census

The current population of unincorporated Salt Lake County is roughly 209,000; the Cottonwood Heights area's population represents about 16% of the unincorporated County. In terms of population density, the area proposed for incorporation has about 3,900 residents per square mile, which is less dense than Sandy (4,200) and South Cottonwood (4,900) and slightly more densely populated than Murray (3,400).

The population of the proposed city is substantially different than some of the surrounding areas. For example, the area has on average, younger residents than either the Cottonwood West area, or the City of Holladay. The City of Sandy has the youngest residents, on average.

Age Distribution and Gender, 1990					
Age Groups:	Cottonwood Heights	Cottonwood West Area	Holladay-Ctwd CDP	Little Ctwd Creek	City of Sandy
Age 0-4 Years	8%	6%	7%	6%	11%
Age 5-14 Years	21%	14%	18%	22%	27%
Age 15 to 24 Years	17%	14%	14%	18%	14%
Subtotal 0-24 Years	46%	34%	39%	45%	52%
Age 25 to 34 Years	14%	14%	12%	10%	14%
Age 35 to 44 Years	16%	13%	14%	15%	18%
Subtotal 25-44 Years	30%	26%	26%	25%	33%
Age 45 to 54 Years	13%	13%	11%	14%	9%
Age 55 to 64 Years	7%	12%	10%	9%	3%
Subtotal 45 to 64 Years	20%	25%	21%	23%	12%
Age 65 to 74 Years	3%	10%	8%	5%	2%
Age 75 to 84 Years	1%	4%	4%	2%	1%
85 years and over	0%	1%	1%	0%	0%
Subtotal Age 65 and Over	4%	15%	14%	7%	3%
Gender:					
Male	50%	47%	49%	49%	50%
Female	50%	53%	51%	51%	50%

Source: U.S. Census

Age Distribution and Gender, 2000

Age Groups	Cottonwood Heights	Cottonwood West Area	City of Holladay	Little Ctwd Creek	City of Sandy
Age 0-4 Years	6%	5%	6%	6%	8%
Age 5-14 Years	15%	11%	15%	16%	20%
Age 15 to 24 Years	18%	15%	16%	20%	18%
Subtotal 0-24 Years	39%	31%	38%	42%	46%
Age 25 to 34 Years	14%	14%	10%	9%	11%
Age 35 to 44 Years	14%	12%	13%	13%	16%
Subtotal 25-44 Years	28%	26%	23%	22%	27%
Age 45 to 54 Years	15%	13%	14%	18%	15%
Age 55 to 64 Years	11%	11%	10%	11%	7%
Subtotal 45 to 64 Years	25%	24%	24%	28%	22%
Age 65 to 74 Years	5%	9%	8%	5%	3%
Age 75 to 84 Years	2%	7%	5%	2%	2%
85 years and over	1%	2%	2%	1%	1%
Subtotal Age 65 and Over	8%	18%	15%	8%	5%
Gender:					
Male	50%	47%	48%	51%	50%
Female	50%	53%	52%	49%	50%

Source: U.S. Census

With respect to average family size, Cottonwood Heights has slightly larger families than the Cottonwood West area and slightly smaller families than Sandy.

Average Family Size, 1990 and 2000

	Cottonwood Heights	Cottonwood West Area	Holladay-Ctwd CDP	Little Ctwd Creek	City of Sandy
1990 Average Family Size	3.3	2.5	3.0	3.4	3.9
	Cottonwood Heights	Cottonwood West Area	City of Holladay	Little Ctwd Creek	City of Sandy
2000 Average Family Size	3.3	3.0	3.3	3.6	3.7

Source: U.S. Census

Historic and current income characteristics are shown in the tables below. Income for 1990 is shown as a proportion of households in different income groupings. Income for 1999 is shown as average household income (the same income statistics were not available for both time periods.)

	Cottonwood Heights	Cottonwood West Area	Holladay- Ctwd CDP	Little Ctwd Creek	City of Sandy
\$0 to \$14,999	10%	14%	15%	10%	8%
\$15,000 to \$24,999	11%	19%	17%	14%	9%
\$25,000 to \$34,999	15%	19%	14%	11%	16%
\$35,000 to \$44,999	16%	14%	11%	11%	19%
\$45,000 to \$54,999	13%	11%	11%	13%	16%
\$55,000 to \$74,999	18%	11%	13%	13%	19%
\$75,000 to \$99,999	9%	6%	9%	15%	9%
\$100,000 to \$124,999	4%	2%	4%	6%	2%
\$125,000 to \$149,999	2%	0%	2%	2%	1%
\$150,000 or more	2%	2%	4%	5%	1%
Total	100%	100%	100%	100%	100%

Source: U.S. Census

	Cottonwood Heights	Cottonwood West Area	City of Holladay	Little Ctwd Creek	City of Sandy
Average Household Income	\$ 66,335	\$ 57,794	\$ 73,148	N/A	\$ 60,497

Source: Wasatch Front Regional Council

With respect to the 1999 data, Cottonwood Heights is slightly more affluent than the Cottonwood West area and Sandy and slightly less affluent than Holladay. However, all areas are substantially more affluent when compared to the average household income in Utah of roughly \$44,000. Household income is projected to grow about 2.0% per year over the next five years.

With the exception of total population and housing units, the above tables are the same as those in the study using the original boundaries, because the data needed to calculate the change with the revised boundaries is not available at the census tract level. The unchanged tables have no material effect on the key questions of incorporation feasibility given the relatively small (10%) change in population of the proposed city.

Growth Projection:

The area encompassed by the proposed city is largely built-out, with the exception of property in the northeast area around the Cottonwood Corporate Center, Holladay Gun Club, etc. Some cities in Salt Lake County have experienced phenomenal growth during the last two decades; however, the growth in these cities was possible due to large areas of undeveloped land. The major population growth in the

Cottonwood Heights area during the last two decades consumed some of the last large undeveloped parcels, for example the Pinnacle Peak apartment complex. We are projecting population growth will be less than that experienced from 1990 to 2000 simply because there are few opportunities for large scale residential projects. Over the next five years, Cottonwood Heights population growth will largely result from in-fill housing, young families moving into houses previously occupied by "empty nest couples" and some small scale housing development.

Significant commercial developments which could have substantial impact on property and sales taxes, such as a "super store", do not appear likely in the next five years in the proposed Cottonwood Heights incorporation area. A limited number of smaller commercial developments may occur; however, the area within the proposed city is largely built-out with the exception of the northeast area generally around the Cottonwood Corporate Center. At some future point, the undeveloped area around the Cottonwood Corporate Center will be developed, likely having a mix of commercial and residential structures. However, the time frame involved in this study is specified to be five years. It is our view that substantial development in the Cottonwood Corporate Center, Holladay Gun Club, and other undeveloped property in that area will not occur in the next five years.

Land Use and Zoning:

The zoning classifications in the area include:

- R-1-6 Single family dwelling on 6,000 square foot lot
- R-1-8 Single family dwelling on 8,000 square foot lot
- R-1-10 Single family dwelling on 10,000 square foot lot
- R-1-15 Single family dwelling on 15,000 square foot lot
- R-1-21 Single family dwelling on half-acre lot
- R-1-43 Single family dwelling on acre lot
- R-2-6.5 Duplex on 6,500 square foot lot
- R-2-8 Duplex on 8,000 square foot lot
- R-2-10 Duplex on 10,000 square foot lot
- R-M Residential multiple family/office
- C-1 Commercial
- C-2 Commercial
- FR-1 Forestry and recreational 1 acre
- FR-5 Forestry and recreational 5 acre
- FR-20 Forestry and recreational 20 acre
- A-1 Agricultural/Residential – Single Family (or two family conditional use) on 10,000 square foot minimum lot
- A-2 Agricultural uses on 1 acre minimum lot – Single Family dwelling and animals on 20,000 square foot minimum lot
- A-5 Agricultural uses on 5 acre minimum lot
- O-R-D Office, Research Park Development

Land use by commercial entities in the proposed city is extremely varied ranging from traditional small scale "corner" commercial development, strip malls, regional shopping complexes, small scale office buildings, modern "Class A" office space development and even gravel mining operations. The only

common types of commercial operations that are not in abundance are manufacturing facilities and large government administrative complexes.

Most of the land in the proposed city is used for residential purposes. Residential land use shows the same type of variety, from small single family homes on 6,000 square foot lots to major apartment complexes, to high end luxury homes. The northern end of the proposed city is largely comprised of single family homes built starting around the 1950's on 8,000 square foot lots. The southern part of the city has newer development on larger lots on average. Additionally, most of the newer luxury homes are located within the southern part of the proposed city.

Geographic Characteristics, Public Facilities and Businesses Located in Cottonwood Heights:

The proposed city is geographically diverse, both Big and Little Cottonwood Creek run through parts of it as well as several canals. The major creeks have cut significant beds through the area leaving pronounced bluffs that run through large parts of the area. Most of the undeveloped property in the proposed city is contained in these bluff areas. To the east, the proposed city abuts The Wasatch-Cache National Forest.

The area contains known fault lines that are principally located along Wasatch Boulevard. Soil liquefaction potential during an earthquake ranges from high to very low. The areas of higher liquefaction potential are principally along the general areas of Big and Little Cottonwood Creeks.

The area has many public facilities including: elementary, junior high and Brighton High School. There are also numerous churches, a cemetery, two fire stations, a post office, and parks. Several recreational resources exist in the city including the Cottonwood Heights Community Recreation Center, and the park and ride facilities serving Big Cottonwood Canyon.

Businesses within the boundaries of the proposed city are principally located in six areas. Most of the major commercial areas are located along Fort Union Boulevard:

- Fort Union Boulevard and 1300 East
- Fort Union Boulevard and 2000 East
- Fort Union Boulevard and 2300 East
- Wasatch Boulevard at the mouth of Big Cottonwood Canyon
- The Corporate Center area in the northeast corner of the proposed city
- Bengal Boulevard and 3500 East

The most prominent employers in the area include: Regence BlueCross BlueShield of Utah; United Health Care, Home Depot, Albertsons, and Smiths.

History of the Area:

The area around the proposed city was originally known as "Butlerville" and was settled by Mormon pioneers. Butlerville's main center was located at the mouth of Big Cottonwood Canyon and provided a resting and service area for loggers and stone quarry workers. The lumber and stone was, of course, instrumental in building the homes, businesses and church buildings in the Salt Lake valley. Until the

mid-1900's the area was primarily rural in character; however, there were several commercial ventures located in the area. In the late 1800's, the residents created the Upper Canal Irrigation Company to build a canal from the mouth of Big Cottonwood Creek northward to provide irrigation water. Another canal was partially built in the late 1800s; its purpose was to help transport materials for the LDS Temple from the canyons to downtown Salt Lake City. This canal was known as the "Mormon Canal" and was dug from the mouth of Big Cottonwood Canyon to about 48th South. The canal became unnecessary when railroads were built throughout the valley.

In 1881, the first major commercial structure, the Granite paper mill was built; however the mill was completely destroyed by fire in 1893. It is included in the National Register of Historic Sites.

Agriculture dominated the area encompassed by the proposed city until the 1960s when suburban development began in earnest. By the mid-1980s the character of the area had changed into a largely residential area with potential for significant commercial development such as the Corporate Center.

(Material for this section was taken from "Holladay-Cottonwood Places and Faces" edited by Stephan L. Case and from the Cottonwood Heights Community Master Plan.)

ISLANDS AND PENINSULAS

The initial proposed boundaries of Cottonwood Heights "retrofit" most of the existing unincorporated area into existing city boundaries. As mentioned above, revising the boundaries of the proposed city was necessary to bring revenue and cost into closer balance. The revised boundaries now create islands along the southern boundary of the proposed city. However, Sandy City is willing to annex from Creek Road south and then along Little Cottonwood Creek south. If this area were annexed into Sandy, (likely through a series of annexations) it would eliminate the islands created by the revised boundaries.

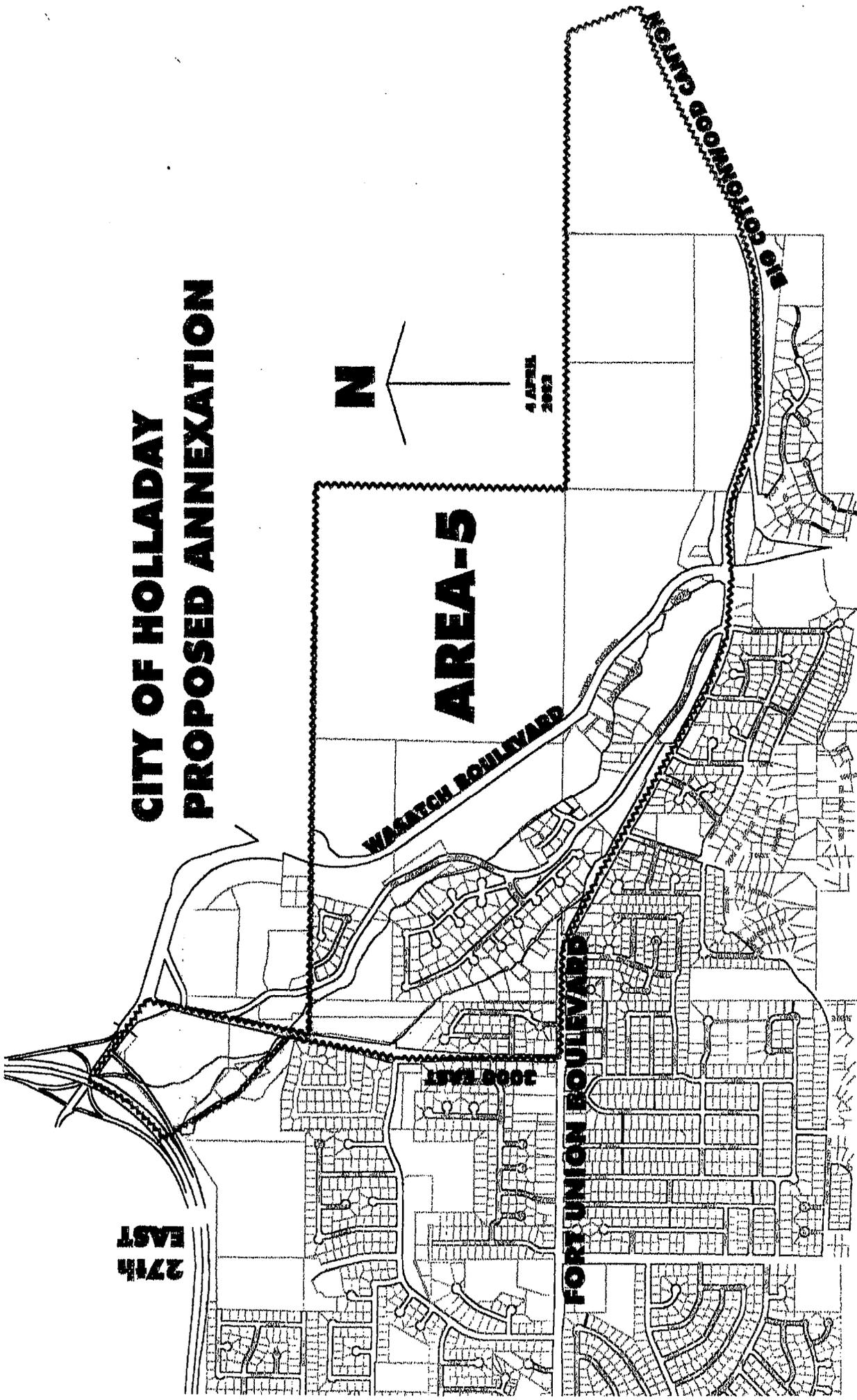
WILLINGNESS OF OTHER CITIES TO ANNEX

In order to assess the "willingness and probability" that other cities would annex territory within the area proposed for incorporation letters of inquiry were sent to: Sandy City, The City of Holladay; Midvale City, Murray City, and Salt Lake City. Holladay indicated they are willing to annex specific parts of the area proposed for incorporation. Midvale indicated it would consider annexing based on resident's desires. Photocopies of all responses are included in the appendix. The main points of each response are described below:

Sandy City is willing to annex the area between its current northern boundary and the proposed southern boundary of the proposed city.

The City of Holladay indicated that it is interested in annexing an area to include the area to the Southeast of its existing boundaries roughly following 3000 East to Fort Union Boulevard then along Big Cottonwood Canyon Road as shown in the map below.

CITY OF HOLLADAY PROPOSED ANNEXATION



27th EAST

1500 EAST

WASATCH BOULEVARD

FORT UNION BOULEVARD

AREA-5

N

4 APRIL
2012

NO CITY-CONTROLLED CENTER

Midvale City indicated its annexation policy is to support resident's right of self determination; therefore, it would consider annexing all or part of the area within the proposed city. The probability of all or part of the area being annexed is a function of the resident's actions and the annexation philosophy of the Midvale City leaders at the point a request for annexation is received and is therefore hard to predict.

Mayor Rocky Anderson responded for Salt Lake City and indicated that although their policy is to consider annexations along the east bench, he believes it is highly unlikely that the Cottonwood Heights area would be annexed because essentially the entire remaining east bench area would have to be annexed for Salt Lake City to be contiguous to the area in question.

Murray City indicated that its annexation plan will be prepared by December 31, 2002 and therefore has no comment on annexing all or part of the area considered for incorporation.

PRESENT COSTS AND ADEQUACY OF SERVICES

This section of the report analyzes the cost of municipal services including:

Fire	Sheriff
Public Works Operations	Public Works Capital Projects
Public Works Engineering	Development Services
Animal Control	General Government
Justice Courts	

The first step in projecting the cost of providing municipal services to the proposed city is to determine the current cost of providing services. Recently, a great deal of attention has been paid to the methodologies to be used for County municipal service fund entities to price their services to cities wishing to contract, rather than self-provide services. The contract cost figures used in this study have all been developed with substantial input from the various Departments as well as the Auditor's office. Contract cost amounts were further reconfirmed with each Department specifically noting that these figures will be counted upon by the potential new city; obviously providing figures that are reliable is paramount. Additionally, the Mayor's Office and County Council were asked to formally indicate what their contract cost policy will be for new cities. The County's policy with respect to new cities is that contracted services will be priced at a level that recovers all of both fixed and variable costs. The study is required to project the cost of providing services assuming that the same level and quality of service as currently being received.

The current cost Salt Lake County incurs to provide services to the area is shown in the table below.

Cottonwood Heights - Current Costs	
Type of Service	2002
Sheriff/Police	3,348,225
Fire Department	3,275,382
Public Works Operations:	
Road/Highway Operations	1,201,438
Traffic Operations	56,104
Subtotal PW Operations	1,257,542
Public W. Eng & Admin	242,397
Public Works Projects	912,309
Development Services:	
Building Permits/Inspection	201,399
Business License	36,319
Land Use (Planning/Zoning)	136,918
Subtotal Development Svcs	374,636
Justice Court	325,800
Animal Services	171,000
Total Direct Service Cost	9,907,291
Total Cost	9,907,291

Sheriff's Department Costs:

The Sheriff's Department provides three main types of service: patrol service, traffic service and investigative service. Recently, the County has done a great deal of analysis to establish methods for pricing service contracts from the Sheriff's Department to contracted cities. For the Cottonwood Heights area, the Department used the full cost of the services it currently provides to the Cottonwood Heights area. The costing methodology involves allocating patrol services employees and essential pooled services and the cost of crossing guards. Essential pooled services include: SWAT, homicide/robbery, sex crimes, K-9, crime lab, neighborhood narcotics, family violence, intelligence/ciu/gang unit, warrants and fugitives, and support services.

Fire Department Costs:

The Fire Department provides both fire suppression and both basic life support and advanced life support (BLS and ALS) paramedic services. The area proposed for incorporation contains two fire stations, the Union Station (Station 10) at 1790 East Fort Union Boulevard and the Granite Station (Station 16) located at 8000 South Wasatch Blvd. The costs for Fire Department services were calculated by determining the proportion of each Station's activities that occurred within the boundaries of the proposed city. Seventy percent (70%) of Union's station's activity and 82% of the Granite station's activity occurred within the area proposed for incorporation. Therefore, those parts of the station's budgets were allocated to develop the contract cost. Additionally, 25% of a specialized ladder unit, Truck 4, which serves the eastern part of Salt Lake County, was allocated to the proposed city.

Public Works Operations:

Costs for highway/street maintenance, snow removal, resurfacing, traffic sign and road marker installation and maintenance were all allocated based on the proportion of total county-maintained road miles within the proposed boundaries of the city. The Cottonwood Heights area has about 111 road miles, or 17.2% of the road miles in the unincorporated County. Traffic signal and flasher expense as well as street light power are the actual costs consumed by projects and street lights in the proposed city.

Public Works Engineering:

Public Works engineering costs were allocated based on a weighted composite that considered the proportion of population and road miles that the area within the proposed city accounted for compared to the rest of the unincorporated County.

Public Works Projects:

The Public Works Department also engages in major projects such as roadway improvements. In 2002, the Department's expenditures include:

Public Works Projects in 2002	
Project	Expense in 2002
Danish Road	\$ 526,809
2000 East Intersection	\$ 102,000
6200 South and Lion Lane	\$ 89,000
Creek Road	\$ 44,500
Old Mill Park & Ride	\$ 105,000
Traffic Calming	\$ 45,000
Total	\$ 912,309

The cost projections for projects include the following:

Projected Public Works Projects		
Year	Class B Road Projects	Municipal Svcs Capital Improvement
2003	\$ 2,075,000	\$ 150,000
2004	\$ 1,434,000	\$ 30,000
2005	\$ 1,617,000	\$ 150,000
2006	\$ 1,040,000	\$ 100,000
2007	\$ 1,541,000	\$ 107,000
Source: SL County Public Works, except 2007 which is an average of prior years		

Development Services Costs:

Development Services involves three main types of activity: business licensing, building permits and inspection, and planning and zoning and zoning services. The cost of all these services were allocated based on the proportion of the revenue generated by the Cottonwood Heights area.

Animal Services Costs:

Recently, the Animal Services Division has performed a very thorough analysis of the cost of providing services to the City of Taylorsville. Cottonwood Heights is about two-thirds the size of Taylorsville in terms of both area as well as population. Further, Cottonwood Heights is similar in its use of Animal Services to the City of Taylorsville. The cost allocation used for Cottonwood Heights is proportionally the same as the cost of providing service to Taylorsville.

Justice Court Services:

Justice Court services principally involve two types of cases, traffic and misdemeanors. Traffic cases were allocated based on proportion of road miles within the boundaries of the proposed city. Misdemeanors were allocated based on the proportion of population within the unincorporated County.

It is important to note that all relatively new cities within Salt Lake County (Holladay, Taylorsville and Herriman) have decided to create their own Justice Court. Anecdotally, the driving reason behind these decisions was to help establish the separate "identity" of the new cities. Additionally, it is important to note that Justice Courts are generally not surplus producing entities, although intuitively it seems there would be a surplus of revenue over costs.

There is a relatively ridged process to create new Justice Courts which is governed by the State. For the purpose of projecting self-provided revenue and costs, it is assumed that a Justice Court would require a three year period to create and implement.

Adequacy of Current Services:

The statute that governs this feasibility study requires that the consultant assess the adequacy of current services. One way to measure adequacy of service is to measure the average expense per household for municipal services in Cottonwood Heights. In 2002, Salt Lake County spent roughly \$980 per household in Cottonwood Heights. Additionally, residents of the unincorporated County have access to a broader array of specialized law enforcement, fire and other services than other cities, with the possible exception of Salt Lake City.

MUNICIPAL REVENUE

The previous section detailed the costs associated with delivering services to the Cottonwood Heights area. This section details the second component of the financial baseline which is the revenue generated to support municipal services. The revenue to support municipal services comes from a variety of taxes and fees generated from residents and businesses. They include:

Municipal Services Property Tax	Justice Courts
Sales Tax	Animal Licenses/Fees
Road Funds	Liquor Control
Building Permits/Inspection	Franchise Tax (Cable TV)
Land Use (Planning) Fees	

As the table below shows, the two most important sources of revenue are property tax and sales tax which account for about 80% of the proposed city's revenue.

Cottonwood Heights - Current Revenue	
Type of Revenue	2002
Property Tax & FILT	5,387,407
Sales Tax 1% Local Option	3,900,000
Road Funds	1,142,138
Building Permits/Inspection	364,000
Business Licenses	178,700
Land Use	27,900
Engineering	111,500
Justice Court	283,500
Animal Services	21,546
Liquor Control	22,500
Franchise Taxes (Cable TV)	128,000
Interest	40,000
Total Revenue	11,607,191

Property Tax:

Roughly 15% of the revenue for the proposed city is generated by municipal services property taxes. There are four general types of property on which municipal services property taxes are paid: real property, personal property, motor vehicle fee-in-lieu of taxes and state assessed property. Real property includes houses, commercial buildings, etc. Taxable personal property is property (other than physical structures) used to conduct a business, for example copy and fax machines, computers, etc. Motor vehicle fee-in-lieu of taxes applies to cars, trucks, boats, etc. State assessed property includes utilities, railroads and mines. Total municipal service property tax revenue is determined by applying the municipal services tax rate to the taxable value of property in the proposed city.

Part of the Statute that governs the incorporation process and mandates what must be included in the feasibility study requires that the property tax rates assumed in the study be those which would have been in-place if no incorporation occurred. The County anticipates needing to increase the municipal services property tax rate as illustrated in the following table. It is important to note that forecasting a

change in the Municipal Services Fund property tax rate even a couple of years in the future is an inherently imprecise activity. The ultimate municipal services property tax rate will be influenced by at least the following: annexations, potentially this incorporation, other incorporations, the general economy, changes in the service delivery structure of the County and the rates at which services are provided to contracted cities.

Projected Municipal Services Property Tax Rates		
Year	Projected Municipal Services Property Tax Rate	Percentage Change
2003	.2883%	-
2004	.2883%	-
2005	.3228%	11.9%
2006	.4142%	28.3%
2007	.5274%	27.3%

what constitute this increase

Source: SL County Auditor's Office November 4, 2002

In addition to higher revenue due to increased tax rates, 1% annually is included in the projections to account for additional property tax revenue resulting from new growth.

Another factor influencing the property tax revenue for the Cottonwood Heights area is the Redevelopment Agency agreement made with the developers of the Cottonwood Corporate Center. Government entities, including the proposed city, will not receive property tax from the Cottonwood Corporate Center until 2009, per the terms of the RDA agreement. The property value associated with the RDA agreement is roughly 8% of the total property value in the proposed city.

Sales Tax:

The sales tax revenue a particular municipality receives is a function of several variables including: the amount of taxable sales within its boundaries, the proportion of its population to the population of the State, and the indirect taxable sales that occurred within the entire State. Cottonwood Heights generates substantial sales tax revenues through its retail shopping districts, particularly along Fort Union Boulevard. Sales tax was estimated by pulling actual sales taxes received by the County for the businesses located within the borders of the proposed city.

Road Funds:

Counties and Cities receive road funds from the State of Utah based on a formula that takes into consideration the type of roads and the number of road miles within a particular area. There are roughly 111 road miles within the proposed city.

Franchise Taxes:

Currently, the unincorporated County charges franchise tax on cable TV; revenue projections assume the franchise tax on cable TV services will continue. Unlike cities, Counties are unable to charge franchise taxes on other utilities. Most cities in Utah (including Murray, Sandy and Midvale) charge franchise tax on power, telephone, cell phones and natural gas as well as cable TV. The proportion of cable TV franchise tax allocated to the proposed city is roughly 16% of the amount generated by the County which is the proportion of the unincorporated population living in the area.

Development Services Fee Revenue:

Development Services use fees were determined by making actual counts of the activity in the proposed area.

Animal Services Revenue:

Historically, Animal Services generates revenues that are 14% of its costs. That percentage is applied to the cost of Animal Services to estimate the revenue.

Justice Court Services:

Justice (JP) Court services involve two types of cases, traffic and misdemeanors. Revenue was estimated based on the total proportion of Cottonwood Heights' population and road miles (both roughly 16% to 17%) to the rest of the County.

Liquor Control Funds:

There are a number of factors which determine the amount of Liquor control money that is ultimately distributed to municipalities, including:

- ◆ The Legislature determines on an annual basis the total amount of Liquor Control funds to be distributed to municipalities,
- ◆ The proportion of statewide convictions for alcohol related crimes,
- ◆ The proportion of State liquor outlets, package stores and beer licenses within the municipality,
- ◆ The proportion of population within the municipality.

The average liquor control revenue is estimated based on the population of Cottonwood Heights at \$22,500 per year.

SCENARIOS FOR CITY OPERATION

The total cost of providing municipal services varies widely from municipality to municipality. To broadly frame the cost of providing services three measures have been developed. The first measure is simply the status quo revenue and cost that could be expected if the area continued to be unincorporated. The second scenario shows the financial results that could be expected if the city contracted for services from Salt Lake County. The third scenario is required by statute and shows the cost of self-provided municipal services. As a practical matter, there are many variations between the completely contracted services and self-provision. Each of the recent new cities in Salt Lake County have chosen to contract for services with Salt Lake County. Furthermore, self-provision of services is more costly when compared with contracting with Salt Lake County.

Under Scenario Two, Cottonwood Heights will purchase all services from the County. The role of Cottonwood Heights government would be to function as a policy making body, contract manager and of course provide telephone and in-person resident service. For example, with respect to planning and zoning issues, Cottonwood Heights government would set the planning and zoning policies, rules and regulations, and then simply direct the County to implement and enforce those policies, rules and regulations. Scenario Two has one revenue change from the Status Quo. Animal Services contract price to the proposed city assumes that the County would retain all revenue associated with Animal Services.

Scenario Three - "Self-Provide Nearly All Services" The statute governing feasibility studies requires that the cost of self-provided services be included in the study. For Cottonwood Heights, this would be more costly than contracting with the County. Additionally, this option is substantially more complex than contracting services because the resident's will have to make a fully staffed and operational city "spring out of the ground". All new services are assumed to start immediately with the exception of Justice Court services that are projected to take two years to implement, due to State requirements.

Self-provided costs were estimated by comparing the per dwelling unit costs of similarly sized Utah cities shown in the following table.

Comparable Cities Cost Structure						
City	Population	Dwelling Units	Police Per D.U.	Fire Per D.U.	Public Works Per D.U.	P&Zoning Per D.U.
Bountiful	41,300	12,906	321.35	140.85	235.20	71.04
Logan	42,670	13,334	399.65	113.12	210.16	23.78
Midvale	27,029	8,447	465.38	221.83	570.97	14.38
Murray	34,000	10,625	605.89	322.89	485.07	30.40
Roy	32,885	10,277	272.99	191.11	210.65	20.55
So. Jordan	29,437	9,199	223.36	126.77	475.83	58.27
Average			381.44	186.09	364.65	36.40
Standard Deviation			140.08	78.62	163.57	22.85

Source: Comprehensive Annual Financial Reports – Utah State Auditor

Cost for Public Works Engineering was assumed to be \$220,000 per year which would support 1 full time professional engineer and associated staff and expense.

General Government:

General government costs were calculated assuming the staffing structure shown in the following table. Direct costs are the average ratio (28%) from the comparable cities used for other service area costs. The changes from the Status Quo to Scenario Two and Scenario Three are highlighted in bold type.

General Government Expense	
Type of Expense:	Annual Cost
Elected Officials:	
Commission/Council Members	90,000
Elected Official Support Staff	35,000
Total Elected Officials	125,000
General Government Employees:	
City Admin/Manager/Mayor	85,000
City Attorney & Staff	130,000
City Treasurer & Staff	65,000
City Recorder & Staff	95,000
Director Economic & Community Development	75,000
General Administrative Staff	70,000
Other Staff (Data Processing, Public Relations, Ordinance Enforcement)	110,000
Total Gen Govt Salary Exp.	630,000
Employee Benefits @ 35%	220,500
Total Salary & Benefits Exp.	850,500
Direct Costs (28% of Other Costs - Average of Comparable Cities)	273,140
Total General Government Costs	1,248,640

A general word of caution is in order regarding forecasting. Business forecasting is an inherently imprecise endeavor. Forecasts are affected by world-wide trends, national trends and major local economic events all of which are unpredictable. The growth rates and factors affecting the growth of each revenue and service component are the best information the consultants had at the time the study was prepared.

Status Quo - Projection of Revenue and Cost to SL County

Type of Revenue	2002	2003	2004	2005	2006	2007
Property Tax & FILT	5,387,407	5,441,281	5,495,693	6,204,638	8,022,597	10,292,992
Sales Tax 1% Local Option	3,900,000	3,997,500	4,097,438	4,199,873	4,304,870	4,412,492
Road Funds	1,142,138	1,187,824	1,235,336	1,284,750	1,336,140	1,389,586
Building Permits/Inspection	364,000	378,560	393,702	409,450	425,829	442,862
Business Licenses	178,700	185,848	193,282	201,013	209,054	217,416
Land Use	27,900	29,016	30,177	31,384	32,639	33,945
Engineering	111,500	115,960	120,598	125,422	130,439	135,657
Justice Court	283,500	294,840	306,634	318,899	331,655	344,921
Animal Services	21,546	22,408	23,304	24,236	25,206	26,214
Liquor Control	22,500	23,400	24,336	25,309	26,322	27,375
Franchise Taxes (Cable TV)	128,000	129,280	130,573	131,879	133,197	134,529
Interest	40,000	41,600	43,264	44,995	46,794	48,666
Total Revenue	11,607,191	11,847,516	12,094,337	13,001,849	15,024,742	17,506,653
Expenses:						
Sheriff/Police	3,348,225	3,482,154	3,621,440	3,766,298	3,916,950	4,073,628
Fire Department	3,275,382	3,406,397	3,542,653	3,684,359	3,831,734	3,985,003
Public Works Operations:						
Road/Highway Operations	1,201,438	1,249,496	1,299,475	1,351,454	1,405,513	1,461,733
Traffic Operations	56,104	58,348	60,682	63,109	65,634	68,259
Subtotal PW Operations	1,257,542	1,307,844	1,360,157	1,414,564	1,471,146	1,529,992
Public W. Eng & Admin	242,397	252,093	262,177	272,664	283,570	294,913
Public Works Projects	912,309	2,225,000	1,464,000	1,767,500	1,140,000	1,648,000
Development Services:						
Building Permits/Inspection	201,399	209,455	217,833	226,546	235,608	245,033
Business License	36,319	37,772	39,283	40,854	42,488	44,188
Land Use (Planning/Zoning)	136,918	142,395	148,091	154,014	160,175	166,582
Subtotal Development Svcs	374,636	389,621	405,206	421,415	438,271	455,802
Justice Court	325,800	338,832	352,385	366,481	381,140	396,386
Animal Services	171,000	177,840	184,954	192,352	200,046	208,048
Total Direct Service Cost	9,907,291	11,579,781	11,192,973	11,885,631	11,662,857	12,591,771
Total Cost	9,907,291	11,579,781	11,192,973	11,885,631	11,662,857	12,591,771
Surplus/(Loss)	1,699,900	267,735	901,365	1,116,217	3,361,885	4,914,882

Scenario - Contract for All Services

Type of Revenue	2003	2004	2005	2006	2007
Property Tax & FILT	5,441,281	5,495,693	6,204,638	8,022,597	10,292,992
Sales Tax 1% Local Option	3,997,500	4,097,438	4,199,873	4,304,870	4,412,492
Road Funds	1,187,824	1,235,336	1,284,750	1,336,140	1,389,586
Building Permits/Inspection	378,560	393,702	409,450	425,829	442,862
Business Licenses	185,848	193,282	201,013	209,054	217,416
Land Use	29,016	30,177	31,384	32,639	33,945
Engineering	115,960	120,598	125,422	130,439	135,657
Justice Court	294,840	306,634	318,899	331,655	344,921
Animal Services	-	-	-	-	-
Liquor Control	23,400	24,336	25,309	26,322	27,375
Franchise Taxes (Cable TV)	129,280	130,573	131,879	133,197	134,529
Interest	41,600	43,264	44,995	46,794	48,666
Total Revenue	11,825,108	12,071,033	12,977,612	14,999,536	17,480,439
Expenses:					
Sheriff/Police	3,482,154	3,621,440	3,766,298	3,916,950	4,073,628
Fire Department	3,406,397	3,542,653	3,684,359	3,831,734	3,985,003
Public Works Operations:					
Road/Highway Operations	1,249,496	1,299,475	1,351,454	1,405,513	1,461,733
Traffic Operations	58,348	60,682	63,109	65,634	68,259
Subtotal PW Operations	1,307,844	1,360,157	1,414,564	1,471,146	1,529,992
Public W. Eng & Admin	252,093	262,177	272,664	283,570	294,913
Public Works Projects	2,225,000	1,464,000	1,767,500	1,140,000	1,648,000
Development Services:					
Building Permits/Inspection	209,455	217,833	226,546	235,608	245,033
Business License	37,772	39,283	40,854	42,488	44,188
Land Use (Planning/Zoning)	142,395	148,091	154,014	160,175	166,582
Subtotal Development Svcs	389,621	405,206	421,415	438,271	455,802
Justice Court	338,832	352,385	366,481	381,140	396,386
Animal Services	177,840	184,954	192,352	200,046	208,048
Total Direct Service Cost	11,579,781	11,192,973	11,885,631	11,662,857	12,591,771
General Government	1,298,586	1,350,529	1,404,550	1,460,732	1,519,161
Costs Related to Incorp.	320,000	220,000	-	-	-
Total Cost	13,198,367	12,763,502	13,290,182	13,123,589	14,110,932
Surplus/(Loss)	(1,373,259)	(692,468)	(312,569)	1,875,947	3,369,507

Scenario - Self-Provide Services

Type of Revenue	2003	2004	2005	2006	2007
Property Tax & FILT	5,441,281	5,495,693	6,204,638	8,022,597	10,292,992
Sales Tax 1% Local Option	3,997,500	4,097,438	4,199,873	4,304,870	4,412,492
Road Funds	1,187,824	1,235,336	1,284,750	1,336,140	1,389,586
Building Permits/Inspection	378,560	393,702	409,450	425,829	442,862
Business Licenses	185,848	193,282	201,013	209,054	217,416
Land Use	29,016	30,177	31,384	32,639	33,945
Engineering	115,960	120,598	125,422	130,439	135,657
Justice Court	294,840	306,634	603,000	627,120	652,205
Animal Services	22,408	23,304	24,236	25,206	26,214
Liquor Control	23,400	24,336	25,309	26,322	27,375
Franchise Taxes (Cable TV)	129,280	130,573	131,879	133,197	134,529
Interest	41,600	43,264	44,995	46,794	48,666
Total Revenue	11,847,516	12,094,337	13,285,950	15,320,207	17,813,937
Expenses:					
Sheriff/Police	5,045,478	5,247,297	5,457,189	5,675,476	5,902,495
Fire Department	2,461,561	2,560,024	2,662,425	2,768,922	2,879,679
Public Works Operations:	4,823,351	5,016,285	5,216,937	5,425,614	5,642,639
Public Works Engineering	251,680	261,747	272,217	283,106	294,430
PW Projects	2,225,000	1,464,000	1,767,500	1,140,000	1,648,000
Development Services:	481,515	500,776	520,807	541,639	563,305
Justice Court	338,832	352,385	540,000	561,600	584,064
Animal Services (In Police)	-	-	-	-	-
Total Direct Service Cost	15,627,418	15,402,514	16,437,074	16,396,357	17,514,611
General Government	1,298,586	1,350,529	1,404,550	1,460,732	1,519,161
Costs Related to Incorp.	320,000	220,000	-	-	-
Total Cost	17,246,003	16,973,043	17,841,624	17,857,089	19,033,773
Surplus/(Loss)	(5,398,487)	(4,878,706)	(4,555,675)	(2,536,883)	(1,219,836)

Assumptions Used in Projections:

The table below shows the assumptions and base line amounts used to project revenue and expenses.

Summary of Yearly Revenue/Cost Growth Assumptions						
Type of Revenue	2002	2003	2004	2005	2006	2007
Property Tax & FILT	5,387,407	1.0%	1.0%	12.9%	29.3%	28.3%
Sales Tax 1% Local Option	3,900,000	2.5%	2.5%	2.5%	2.5%	2.5%
Road Funds	1,142,138	4.0%	4.0%	4.0%	4.0%	4.0%
Building Permits/Inspection	364,000	4.0%	4.0%	4.0%	4.0%	4.0%
Business Licenses	178,700	4.0%	4.0%	4.0%	4.0%	4.0%
Land Use	27,900	4.0%	4.0%	4.0%	4.0%	4.0%
Engineering	111,500	4.0%	4.0%	4.0%	4.0%	4.0%
Justice Court	283,500	4.0%	4.0%	4.0%	4.0%	4.0%
Animal Services	21,546	4.0%	4.0%	4.0%	4.0%	4.0%
Liquor Control	22,500	4.0%	4.0%	4.0%	4.0%	4.0%
Franchise Taxes (Cable TV)	128,000	1.0%	1.0%	1.0%	1.0%	1.0%
Interest	40,000	4.0%	4.0%	4.0%	4.0%	4.0%
Type of Municipal Service						
Sheriff/Police	3,348,225	4.0%	4.0%	4.0%	4.0%	4.0%
Fire Department	3,275,382	4.0%	4.0%	4.0%	4.0%	4.0%
Road/Highway Operations	1,201,438	4.0%	4.0%	4.0%	4.0%	4.0%
Traffic Operations	56,104	4.0%	4.0%	4.0%	4.0%	4.0%
Public W. Eng & Admin	242,397	4.0%	4.0%	4.0%	4.0%	4.0%
Public Works Projects	912,309	2,225,000	1,464,000	1,767,500	1,140,000	1,648,000
Building Permits/Inspection	201,399	4.0%	4.0%	4.0%	4.0%	4.0%
Business License	36,319	4.0%	4.0%	4.0%	4.0%	4.0%
Land Use (Planning/Zoning)	136,918	4.0%	4.0%	4.0%	4.0%	4.0%
Justice Court	325,800	4.0%	4.0%	4.0%	4.0%	4.0%
Animal Services	171,000	4.0%	4.0%	4.0%	4.0%	4.0%
General Government	-	4.0%	4.0%	4.0%	4.0%	4.0%

The 105% Test:

In order to help assure that a balance exists between the revenue and costs associated with an area proposed for incorporation, Utah Statute requires a comparison of the revenue and cost of the area. The revenue produced by the area must not exceed the cost of providing service to the area by more than 5% over the next five years. If revenue is greater, the boundaries for a proposed incorporation must be altered. As the table below shows, the revenue is 104% of the cost so the proposed city so the area meets the 105% test.

The 105% Test	
Status Quo Revenue Over 5 Years	69,475,097
Contracted Cost, Including General Government Over 5 Years	66,486,571
Proportion Revenue to Expense	104.5%

General Transition Issues:

If Cottonwood Heights becomes a city, there will be dozens of issues for the elected officials to deal with before and after the city assumes operation. Some of the major issues include:

- ◆ Formalizing contracts with the County and/or other cities for contracted services
- ◆ Clearly defined authority and responsibility for elected officials and staff.
- ◆ Creation of city ordinances
- ◆ Hiring of city personnel, establishing benefit package, pay scales, etc.
- ◆ Creation of city policies/procedures
- ◆ There is a substantial amount of legal and organizational work to be done before the new city begins operation. This effort is typically paid for by a loan (e.g. revenue anticipation) or by making arrangements for delayed payment with individuals and vendors.
- ◆ Administration/transition of revenue sources is particularly important because the city will be unable to generate revenue without the proper legal and administrative underpinnings. For example, no sales tax can be received until the city formally adopts a local sales tax and meets the administrative requirements of the State Tax Commission. Likewise, property tax, road funds, liquor control revenue etc. all have various administrative details which need to be in-place long before actual city operations begin. For example, taxing districts need to be redefined to conform with the boundaries of the city, the court system needs to track liquor related offenses which is a part of calculation of liquor control funds, etc.
- ◆ In addition to the issues listed above, there is a substantial lag between the time a city begins operation and the time when it receives revenue, especially from property and sales tax receipts. Generally, new cities begin operation July 1st; the vast majority of property tax is collected during December which presents a six-month lag. Sales taxes generally have a 60 to 90 day lag time between collection and disbursement. Additionally, a disproportionate amount of sales tax is collected during the holiday season. Usually, a new city issues a revenue anticipation bond to provide immediate revenue at start-up. To fund the city as revenue is generated the cost of \$5 million in revenue anticipation bonds is included in the incorporation start-up cost estimates. Five million represents about 40% of the total 2003 cost.

IMPACT OF INCORPORATION ON:

- SALT LAKE COUNTY
- RESIDENTS IN THE UNINCORPORATED AREA
- RESIDENTS IN COTTONWOOD HEIGHTS

If Cottonwood Heights were to incorporate, the municipal services operation of Salt Lake County would be affected. The major impact on the County would be the loss of revenue currently being contributed to the Municipal Services Fund. At the same time, the County would no longer be directly responsible for providing municipal services to the area encompassed by the new city. In the case of Cottonwood Heights, there is a surplus of revenue over costs associated with serving the area.

The table on the following page, Financial Impact on Salt Lake County shows two general types of impacts which would occur if the Cottonwood Heights area became a city. The first type of impact is losing the surplus generated by the area.

The second type of impact has to do with the extent to which the County can offset municipal services costs if it does not provide services to the new city. If the city decided to self-provide services or contract with another entity to provide services, the impact on Salt Lake County would be determined by how much of the resources previously serving the area could be reduced. Two measures of this type of impact are offered, the first assumes 100% of the cost associated with serving the area can be offset or eliminated. The second assumes that 75% of the cost can be offset or eliminated. While it is theoretically possible to eliminate all of cost of providing municipal services to the area, it may difficult to accomplish given the complexity of municipal services delivery. Again, this type of impact is pertinent if the new city decides to self-provide municipal services or contract for service delivery with an entity other than Salt Lake County.

*Ask Mike
Hanson about
Validity of
these numbers*

Financial Impact on Salt Lake County					
	2003	2004	2005	2006	2007
Revenue Generated by Area	11,847,516	12,094,337	13,001,849	15,024,742	17,506,653
Costs to Serve Area	11,579,781	11,192,973	11,885,631	11,662,857	12,591,771
Annual Surplus/(Loss) To County	267,735	901,365	1,116,217	3,361,885	4,914,882
Impact if Ctwd Heights Contracts for All Services with SL County: Lose Surplus	267,735	901,365	1,116,217	3,361,885	4,914,882
Impact if Ctwd Heights Contracts with Other Entity(ies); SL County Offsets 100% of Costs: Lose Surplus	267,735	901,365	1,116,217	3,361,885	4,914,882
100% Offset of Resources Required to Serve Area	0	0	0	0	0
Total Impact	267,735	901,365	1,116,217	3,361,885	4,914,882
Impact if Ctwd Heights Contracts with Other Entity(ies); SL County Offsets 75% of Costs: Lose Surplus	267,735	901,365	1,116,217	3,361,885	4,914,882
75% Offset of Resources Required to Serve Area	2,894,945	2,798,243	2,971,408	2,915,714	3,147,943
Total Impact	3,162,680	3,699,608	4,087,625	6,277,599	8,062,825

To put the impact in perspective, it is illustrated in terms of the property tax impact per \$100,000 of taxable value in the following two charts. The chart below illustrates the impact on owners of property in the unincorporated County.

Property Tax Impact - Property Owners in Unincorporated SL County Increase or (Reduction) Per \$100,000 of Taxable Valuation					
Scenario	2003	2004	2005	2006	2007
SL County Taxable Value For Municipal Services Fund (in 000's)	7091280140	7233105743	7377767858	7525323215	7675829679
Cottonwood Heights Contracts for All Services with SL County	\$ 4	\$ 12	\$ 15	\$ 45	\$ 64
Ctwd Heights Contracts for All Services with Other Entity(ies): Lose Surplus Offsets 100% of Cost	\$ 4	\$ 12	\$ 15	\$ 45	\$ 64
Lose Surplus Offsets 75% of Cost	\$ 45	\$ 51	\$ 55	\$ 83	\$ 105

The chart below shows the property tax impact on owners of property in the proposed city. A word of caution is in order regarding the apparent potential property tax reductions shown if Cottonwood Heights contracts for services. Some years show a potential reduction in property tax if the area became a city. These potential reductions are primarily created by the anticipated property tax increase projected by Salt Lake County (statute requires the use of the same property tax rate that would have been in effect absent incorporation).

Property Tax Impact - Property Owners in Cottonwood Heights Increase or (Reduction) Per \$100,000 of Taxable Valuation					
Scenario	2003	2004	2005	2006	2007
Ctwd Heights Taxable Value (in 000's)	1955865525	1975424180	1995178422	2015130206	2035281509
Cottonwood Heights Contracts for All Services with SL County	\$ 70	\$ 35	\$ 16	\$ (93)	\$ (166)
Ctwd Heights Self-Provides All Services	\$ 276	\$ 247	\$ 228	\$ 126	\$.60

COUNTY COUNCIL POSITION ON INCORPORATION PROPOSAL

We did not receive a formal statement regarding the position of the County Council.

HOW CITY BOUNDARIES HAVE CHANGED FROM 1992 TO 2002

The map on the following page shows how the boundaries of cities in Salt Lake County have changed since 1992.

ATTACHMENTS

- Response from Sandy City
- Response from the City of Holladay
- Response from Midvale City
- Response from Murray City
- Response from Salt Lake City



Community Development Department

TOM DOLAN
MAYOR

BYRON JORGENSEN
CHIEF ADMINISTRATIVE OFFICER

MICHAEL G. COULAM
DIRECTOR

March 22, 2002

John D. Fry
Partner, Basix Consulting LLC
3328 South Monte Verde Drive
Salt Lake City, UT 84109

Dear Mr. Fry,

This letter is in response to the request made in your letter dated February 20, 2002, in regards to the Cottonwood Heights Incorporation Feasibility Study. Specific response to your questions are as follows:

1. **The willingness of your city to annex all or part of the area proposed for incorporation.**

- A. Sandy City's previous annexation policy declaration included the entire Little Cottonwood Creek Valley, up to what has been referred to as the 'north creek bluff.' This was done based upon three factors: community identity, service delivery, and topography. However, based upon our current inter-local agreement with Salt Lake City, Sandy City will not be annexing north of Little Cottonwood Creek Road without their permission and/or an adjustment to the agreement. The area north of Creek Road roughly approximates the southern boundary of Salt Lake City's water service district. Our latest understanding is that Salt Lake City wants to protect their service area from annexation by other communities with the idea that this area may one day be part of their city. Although there are some residents living on the north side of Creek Road who have expressed an interest in being part of Sandy City, we have not encouraged annexation petitions in an effort to hold to our agreement with Salt Lake City.

Additional residential development annexations do not generally benefit our tax base. However, if petitioners come to us for the annexation of areas that make sense from a service delivery standpoint and a better long-term boundary, we would likely look upon them favorably.

- B. We have currently two pending annexations north of our current boundary that are within the mapped area for the incorporation study:

- **Webco, Inc. Annexation**, 7364 South Creek Road (approximately five acres located between Creek Road and Union Park Avenue, just north of

Sweet Tomatoes Restaurant, see map). The petitions for this annexation were first received February 14, 2000 and then again on November 29, 2001. We have not proceeded with this annexation because of the timing of the Cottonwood Heights petitions.

- **Creek Road Annexation**, 1700 East Creek Road (36.07 acres located on the south side of Creek Road and including Riveroaks, English Oaks, and Hidden Park Subdivisions, as well as some individual parcels, see map) The petitions for this annexation were received October 10, 2001. The Sandy City Council will consider annexation and zoning of this area at a public hearing scheduled for March 26, 2002 (see attached notice).

C. The current northern border of the City was never intended to be the final boundary line of the City. The current boundary does not reflect the ability to provide municipal services in a cost effective manner because of incremental annexations in the past. Although a Creek Road boundary has some disadvantages, it would at least make for a clean line between Sandy and whatever. Regardless of what may happen with individual annexations by Sandy City or the eventual resolution of the Cottonwood Heights incorporation efforts, we would hope that an eventual boundary can be worked out that will make better sense than the current one (see 2nd paragraph under "A.")

D. The Cottonwood Heights area map appears to include a 'cherry stem' south into the Granite Community. This is of some concern for us because it appears to divide this historic community in two. Sandy City currently provides several municipal services to this unincorporated area, including culinary water service. Although there is only one annexation petition currently active in the Granite area, some of these neighborhoods have expressed an interest in annexing to Sandy City, which would make sense based upon the services we are now providing.

No longer in the plan

X

Specifically, the Cottonwood Heights boundary appears to include LaCaille Restaurant and a vacant area on Little Cottonwood Road. These two areas will likely be the only non-residentially developed areas in the Granite Community and as such should be left intact with the larger community. We would recommend that Cottonwood Heights incorporation boundary end in this area south of the existing subdivisions at about 9000 South.

2. **The probability that your city would annex some or all of the area proposed for incorporation during the next five years if the proposed incorporation did not occur.**

It is likely that all the areas described under question #1 could be annexed to Sandy City within the next five years, as petitions are received from area residents. As mentioned, other neighborhoods between Creek Road and the current City boundary have indicated an interest in annexing to Sandy City. Additionally annexation interest has been expressed by neighborhood leaders north of Creek Road.

The area between Creek Road and the current City boundary actually receives culinary water service from Jordan Valley Water Conservancy District, who has a limited number of water connections in this area. Sandy City and the District have discussed the possibility of trading water district boundaries and retail customers to enhance overall service delivery. As such it is likely that the above described area would eventually be served by Sandy City, suggesting again that Creek Road is probably the best eventual boundary of the City.

Thank you for the opportunity to respond to issues surrounding the incorporation feasibility study. If you have further questions, please feel free to contact us.

Sincerely,

A handwritten signature in black ink that reads "George G. Shaw". The signature is written in a cursive style with a long horizontal stroke at the end.

George G. Shaw, AICP
Planning Director

c:/.../annex/CotHtsFeasibilityResponse0302.wpd

Sandy City Public Hearing Creek Road Annexation

Notice is hereby given of a public hearing to be held in the Sandy City Hall, 10000 Centennial Parkway, Sandy, Utah, before the Sandy City Council on March 26, 2002, at 7:00 p.m., to consider the annexation petition submitted by sponsors: Bayne McMillan, Walt Schanuel, and Jay Forbush, for properties located on the south side of Creek Road between approximately 1390 East and 1772 East. The area under consideration for annexation involves the Riveroaks Subdivision (including the two parcels immediately to the west fronting Creek Road), English Oaks Subdivision, and Hidden Park Subdivision, as well as other parcels to the east fronting Creek Road (see map). The total area under consideration for annexation at this time is 36.07 acres.

It is proposed that the subject area be granted Sandy City zoning which best matches existing developments, to wit: **R-1-10** (single family residential on minimum 10,000 square foot lots) for English Oaks Subdivision, the two parcels west of Riveroaks Subdivision (1390 East and 1404 East Creek Road), and four additional parcels facing Creek Road (1706 and 1772 East); **R-1-20A** (single family residential on minimum 20,000 square foot lots with animal rights) for Riveroaks Subdivision, and **R-1-15A** (single family residential on minimum 15,000 square foot lots with animal rights). Other zones which may better match existing development may also be considered, based upon the desire of the residents.

Legal Description: *Beginning at a point on the current Sandy City boundary, as established by a previous annexation to Sandy City recorded December 6, 1990 as Entry No. 4998379 in Book 90-12 of Plats at Page 139 in the office of the Salt Lake County Recorder, said point being the northeast corner of Lot 17, Canterwood Subdivision and lies North 262.64 feet and East 558.88 feet from the Northwest Corner of Section 33, Township 2 South, Range 1 East, Salt Lake Base and Meridian (basis of bearing for this description is South 0°08'55" West along the west line of the Northwest Quarter of said Section 33); thence along the southerly line of Forbush Lane and an extension thereof, South 85°12'55" East 46.68 feet, more or less, to intersect the southerly line of Little Cottonwood Creek Road, said southerly line is 33 feet perpendicularly distant southerly from the "Control Line" of said Little Cottonwood Creek Road, surveyed by the Salt Lake County Surveyor, the plat of said survey may be found on file in the office of the Salt Lake County Surveyor as file no. S01-09-0604; thence along said southerly line the following fifteen courses: (1) South 56°57'37" East 298.613 feet; (2) Southeasterly 101.831 feet along the arc of a curve to the right having a radius of 967.000 feet, a central angle of 6°02'01" and a chord bearing and length of South 53°56'36" East 101.784 feet; (3) South 50°55'36" East 143.700 feet; (4) Southeasterly 141.286 feet along the arc of a curve to the left having a radius of 973.000 feet, a central angle of 8°19'11" and a chord bearing and length of South 55°05'11" East 141.162 feet; (5) South 59°14'47" East 128.270 feet; (6) Southeasterly 144.142 feet along the arc of a curve to the left having a radius of 503.000 feet, a central angle of 16°25'08" and a chord bearing and length of South 67°27'21" East 143.649 feet; (7) South 75°39'55" East 180.260 feet; (8) Southeasterly 167.847 feet along the arc of a curve to the right having a radius of 437.000 feet, a central angle of 22°00'24" and a chord bearing and length of South 64°39'43" East 166.817 feet; (9) South 53°39'31" East 112.980 feet; (10) Southeasterly 164.503 feet along the arc of a curve to the right having a radius of 467.000 feet, a central angle of 20°10'58" and a chord bearing and length of South 43°34'02" East 163.654 feet; (11) South 33°28'33" East 222.320 feet; (12) Southeasterly 282.725 feet along the arc of a curve to the left having a radius of 503.000 feet, a central angle of 32°12'17" and a chord bearing and length of South 49°34'41" East 279.018 feet; (13) South 65°40'50" East 242.610 feet; (14) Southeasterly 88.239 feet along the arc of a curve*

to the left having a radius of 503.000 feet, a central angle of 10°03'04" and a chord bearing and length of South 70°42'22" East 88.126 feet; (15) South 75°43'54" East 545.148 feet, more or less, to intersect an extension of the east line of the Keith L. and Wanda R. Lockwood property designated as parcel number 22-33-251-003 by the Salt Lake County Assessor; thence along said line, South 152.54 feet, more or less, to intersect the north line of the Rondelle Subdivision #1; thence along said north line and the north line of Rondelle Subdivision No. 3 the following four courses: (1) North 89°31'00" West 47.11 feet, more or less; (2) South 25°27'00" West 3.506 feet; (3) North 89°52'32" West 417.825 feet; (4) South 0°11'52" West 958.63 feet, more or less, to intersect the current Sandy City boundary established by a previous annexation to Sandy City recorded December 28, 1984 as Entry No. 4032604 in Book 84-12 of Plats at Page 193 in the office of the Salt Lake County Recorder; thence along said annexation boundary the following seven courses: (1) North 42°18'09" West 331.85 feet, more or less; (2) North 53°00'00" East 1.00 foot; (3) North 37°00'00" West 313.00 feet; (4) North 84°00'00" West 20.11 feet; (5) North 37°01'20" West 404.22 feet; (6) North 36°16'00" West 18.5 feet; (7) North 88°00'00" West 198.00 feet, more or less, to intersect an easterly line of a previous annexation to Sandy City recorded October 15, 1971 as Entry No. 2415666 in Book KK of Plats at Page 16 in the office of the Salt Lake County Recorder; thence along said line, North 3°00'00" West 122.28 feet, more or less, to intersect a southerly line of a previous annexation to Sandy City recorded August 7, 1973 as Entry No. 2559798 in Book 73-8 of Plats at Page 55 in the office of the Salt Lake County Recorder; thence along the boundary of said annexation the following four courses: (1) North 89°53'15" East 391.95 feet, more or less; (2) North 0°30'00" West 160.00 feet; (3) South 89°53'15" West 300.00 feet; (4) North 60°38'34" West 594.04 feet, more or less, to intersect the boundary of a previous annexation to Sandy City recorded April 23, 1973 as Entry No. 2534114 in Book NN of Plats at Page 82 in the office of the Salt Lake County Recorder; thence along said annexation boundary the following five courses: (1) North 27°00'00" West 157.695 feet; (2) North 15°00'00" West 162.00 feet; (3) North 59°30'00" West 175.00 feet; (4) West 240.34 feet; (5) North 60°00'00" West 240.96 feet, more or less, to intersect the boundary of s previous annexation to Sandy City recorded December 6, 1990 as Entry No. 4998379 in Book 90-12 of Plats at Page 139 in the office of the Salt Lake County Recorder; thence along the boundary of said annexation the following four courses: (1) East 131.28 feet, more or less; (2) North 4°00'00" West 462.52 feet; (3) South 86°00'00" West 132.55 feet; (4) North 4°00'00" West 188.82 feet, more or less, to the point of beginning. The above described parcel of land contains approximately 36.07 acres in area.

Direct questions to: George Shaw, Sandy City Planning Director, 568-7261,
sandypo.gshaw@state.ut.us

Posted February 28, 2002 Sandy City Hall
Sandy Parks and Recreation
Sandy Library
Salt Lake Community College

Published March 4, 2002 Salt Lake Tribune

WEBCO, INC ANNEXATION



CREEK ROAD ANNEXATION

10





May 3, 2002

Mr. John Fry, Partner
Basix Consulting, LLC.
3328 South Monte Verde Drive
Salt Lake City, Utah 84109

Re: Cottonwood Heights Incorporation Study

Dear John:

I apologize for taking so long to send you our response to your request concerning the Cottonwood Heights Incorporation Study.

Attached is a map describing the area of influence that we would be interested in pursuing.

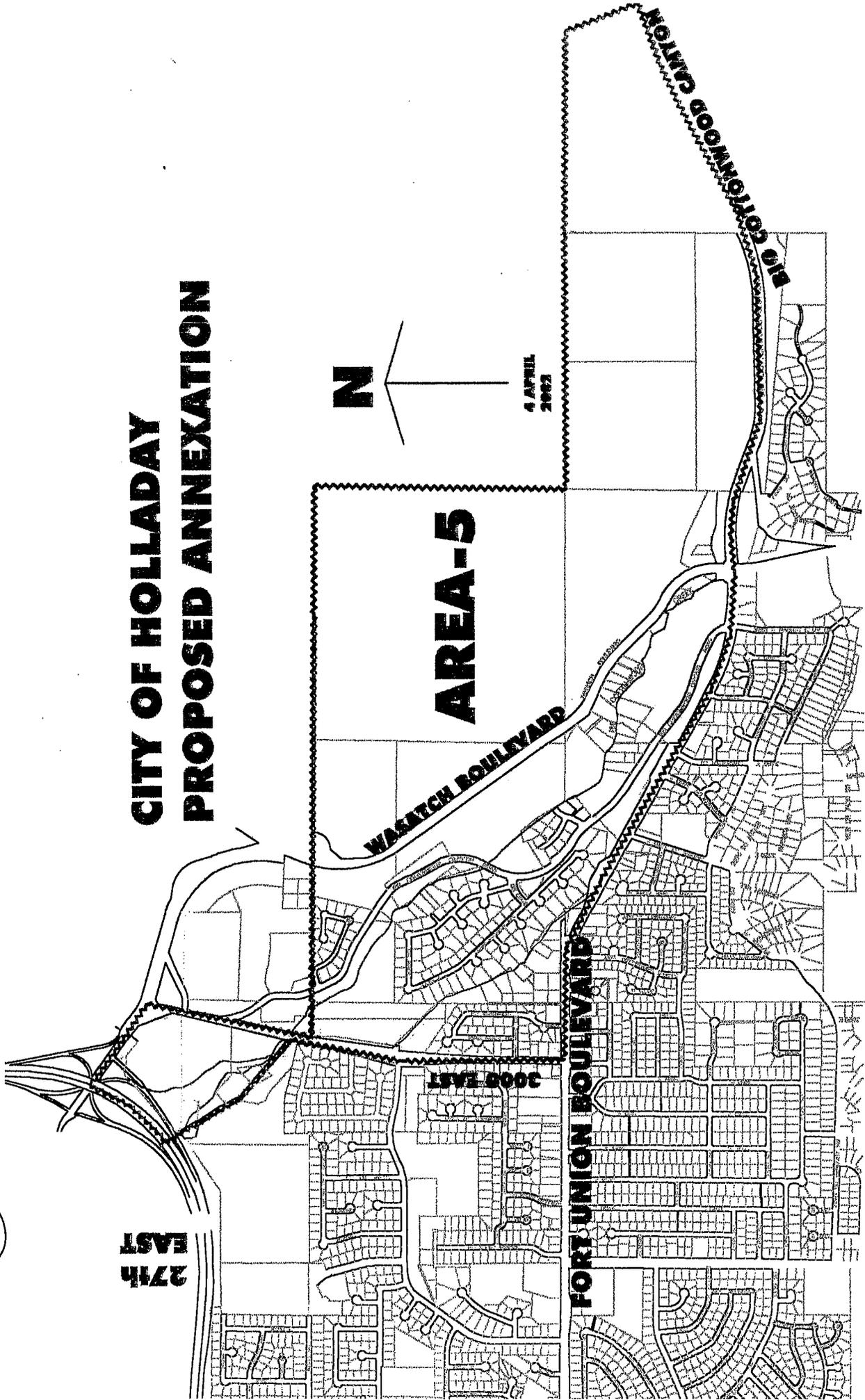
If you have any questions, please call me at City Hall (272-9450).

Sincerely,

CITY OF HOLLADAY


Dennis P. Larkin,
Mayor

CITY OF HOLLADAY PROPOSED ANNEXATION



N

4 APRIL
2003

AREA-5

WATCH BOULEVARD

FORT UNION BOULEVARD

27TH
EAST

3000 EAST

BIG CANYON CANYON

4X



655 West Center Street
Midvale, Utah 84047
Phone (801) 567-7200
Fax (801) 567-0518

March 27, 2002

Mr. John D. Fry, Partner
Basix Consulting LLC
3328 South Monte Verde Drive
Salt Lake City, Utah 84109

Dear Mr. Fry:

This is in response to your letter of February 20, 2002 concerning the incorporation petition filed by the Cottonwood Heights area. First let me say that Midvale City supports the citizens of Cottonwood Heights and wishes them well whichever direction they ultimately choose. The right of self determination is one of the most cherished rights we have in this country and one that we certainly encourage and support.

You asked our city to respond to two specific questions:

1. **The willingness of Midvale City to annex all or part of the area proposed for incorporation.** Again, our philosophy is to support the people's right of self determination. If petitioned, the Midvale City Council would consider annexing all or part of the proposed area for incorporation.
2. **The probability that Midvale City would annex some or all of the area proposed for incorporation during the next five years if the proposed incorporation did not occur.** This question is a little more difficult to answer. The current City Council is willing to consider annexation, if petitioned. However, I must place a caveat on this answer. We cannot give any guarantees beyond the term of office of the current city council. As you are aware, city councils change with every election cycle and this policy position could change as often as every two years.

Thank you for the opportunity to provide information. I hope it is helpful. If we can be of any assistance during this process please do not hesitate to contact me or my City Administrator at any time.

Sincerely,

JoAnn B. Seghini
Mayor

Murray City Corporation

Murray City Municipal Building
P.O. Box 57520
5025 South State Street • Suite 106
Murray, Utah 84157-0520

City Attorneys' Office

Office: (801) 264-2640
Office: (801) 264-2642
Fax: (801) 264-2641

April 10, 2002

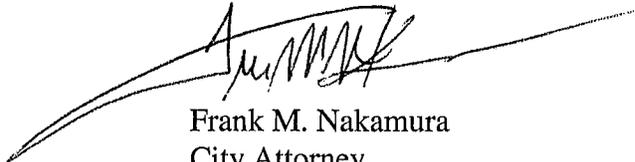
Basix Consulting LLC
ATTN: John D. Fry, Partner
3328 South Monte Verde Drive
Salt Lake City UT 84109

Re: Letter to Mayor Daniel C. Snarr dated February 20, 2002

Dear Mr. Fry:

The City is required to prepare an annexation plan on or before December 31, 2002. The City has not prepared such a plan at this time. Therefore, the City has no comments on questions submitted in your letter to Mayor Snarr dated February 20, 2002 regarding the Cottonwood Heights incorporation. If you have any questions, please feel free to contact us.

Sincerely,



Frank M. Nakamura
City Attorney

FMN/jwr

ROSS C. "ROCKY" ANDERSON
MAYOR



SALT LAKE CITY CORPORATION

OFFICE OF THE MAYOR

March 12, 2002



John D. Fry, Partner
Basix Consulting LLC
3328 S. Monte Verde Drive
Salt Lake City, Utah 84109

Dear Mr. Fry:

I write in response to your request of February 20, 2002 for information regarding Salt Lake City's annexation intentions. The Salt Lake City Council, which has authority over annexations to the City, has formally expressed a willingness to consider annexation requests from areas along the east bench as far south as Cottonwood Heights. I differ with the Council on this issue, and will do everything I can to persuade them that such an annexation would not be in the best interests of Salt Lake City. Nevertheless, this will ultimately be a Council decision.

To answer your second question, I think it highly unlikely, regardless of the Council's intentions, that Salt Lake City would annex some or all of the area described within the next five years. Because State law requires annexations to be contiguous, Salt Lake City would have to annex most of the east bench, excepting Holladay, of course, before it could consider annexing any portion of the area proposed in the Cottonwood Heights incorporation petition. Therefore, I doubt that this area could be annexed by Salt Lake City in the next five years.

I hope this information is helpful.

Best regards,

A handwritten signature in black ink, appearing to read "Ross C. Anderson".

Ross C. Anderson
Mayor

031202-Fry-djb.doc

CALENDAR FOR INCORPORATION

CITY OF COTTONWOOD HEIGHTS

October 31, 2001 Request for feasibility study submitted to County. (Boundaries as outlined on the Request for Feasibility Study are locked in and no other annexations of this area can take place until the process is either completed, or the time limit has run out.)

December 17, 2001 Deadline for County response to request for feasibility study.

February 15, 2002 Deadline for County to select a company to do feasibility study.

May 16, 2002 Deadline for company to complete feasibility study.

Two public hearings, to be held within 60-day of completion of feasibility study.

Balance of signatures on the Incorporation Petition to reach a minimum of 33% of the approved land area equaling 33% of the approved value must be submitted to County within 18 months of the final public hearing.

After submittal of the Incorporation Petition to the county the county has forty five (45) days to certify all of the signatures on the Petition to Incorporate.

February 2003 or May 2003 A public vote on the Incorporation of The City of Cottonwood Heights including a vote to determining the type of governmental structure to run the city.

A filing time must be set for the people who want to run the cities elected offices.

September 2003 Primary Election for the cities elected offices.

November 2003 General Election for the cities elected offices.

Within 7 days of the canvass of the final election results the mayor-elect shall file signed Articles of Incorporation with the Lieutenant Governor. Within 10 days of receipt the Lieutenant Governor shall certify the Articles of Incorporation and the City of Cottonwood Heights begins to function as a city within Salt Lake County.