

COMMUNITY

annual report
YEAR ENDED JUNE 30, 2014



mayor & council



MAYOR

Richard
Brunst Jr.

(801).319.4603

rfbrunst@orem.org

The City Council consists of the Mayor and six Council members who are all elected at large. Members serve a staggered four-year term on a part-time basis. Elections in Orem are non-partisan.



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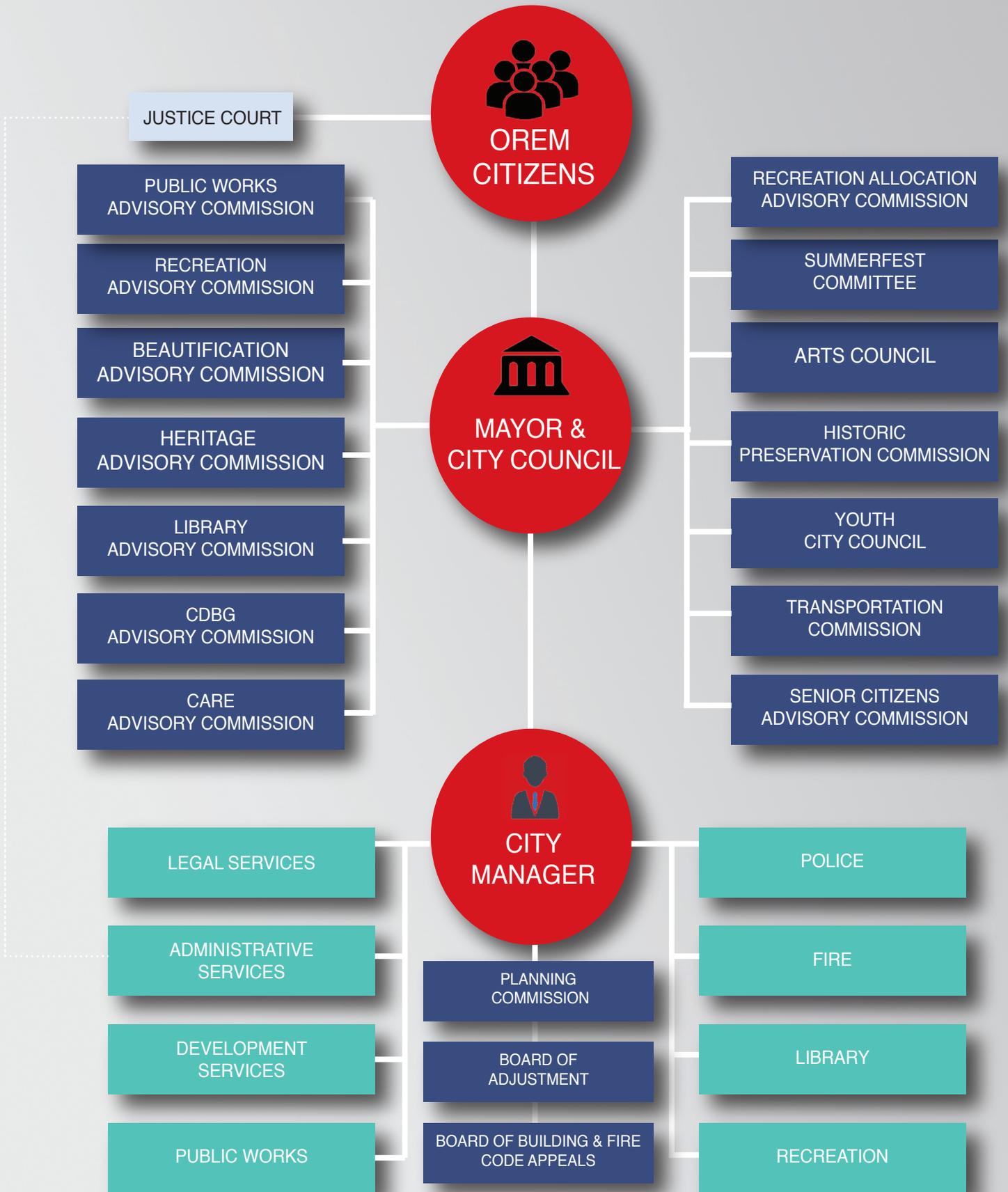
**COUNCIL
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VISION • COMMUNITY • HARMONY • GROWTH





The City of Orem continues to be recognized as one of the premiere communities in Utah. Forbes magazine recently named Orem as the #1 Labor Market in the United States and the Milken Institute named Orem the #3 best city for raising a family. With low overall costs of living, excellent job opportunities, good schools, and one of the lowest crime rates in the country, it's a great time to be in Orem.

By focusing on the guiding principles set forth by the Mayor and City Council, dedicated city employees are working each and every day to build a better Orem.

This year's Community Annual Report highlights the major efforts of the City of Orem to make our community a place where residents want to live, work, and play.

form of government

The City of Orem operates under a Council-Manager form of government as authorized by State law for municipalities. The City Council consists of six Councilmembers and the Mayor who each have a vote on all policy matters. The Mayor and Councilmembers are all elected at-large and serve staggered four-year terms. The City's form of government capitalizes on a basic tenet of American democracy—the separation of legislative and executive powers. The City Council assumes the legislative or policy-making role of the community while the City Manager assumes the executive or administrative role.

about orem

The City of Orem was incorporated in 1919 and was named after Walter C. Orem, President of the Salt Lake and Utah Railroad. The City encompasses 18.24 square miles and is centrally located in Utah County with an estimated population of 90,154 at June 30, 2014. Orem is located on the eastern shore of Utah Lake and at the foothills of the Wasatch Mountains. Utah Valley University (UVU) is located in Orem with a student body population exceeding 34,000 students making it the largest university in the state.

summerfest



Every year in June, the City of Orem holds its annual city celebration complete with a community family breakfast, carnival, car show, entertainment in the park, grand parade, fireworks show, and a multitude of other events.

The Summerfest Grand Parade is a great family event. The parade includes many beautiful floats with smiling royalty, marching bands, local high school cheerleaders and dance troupes, and many other local entries. This year's theme was "Dream Big."

timpanogos storytelling festival



Every Labor Day weekend, some of the nation's best known storytellers unite with other tellers, both young and old, for celebrations of music, merriment, and of course, storytelling. It is the largest storytelling festival in the west and sets the standard for festivals across the nation.

The bulk of the festival is held at Mt. Timpanogos Park which was designed, in part, to accommodate the needs of the festival. The festival has an annual attendance of about 26,000 people and celebrated its 25th anniversary this year.



general fund

The General Fund is the City of Orem's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund. It comprises the following departments: Mayor & City Council, City Manager's Office, Administrative Services, Development Services, Legal Services, Public Works, Public

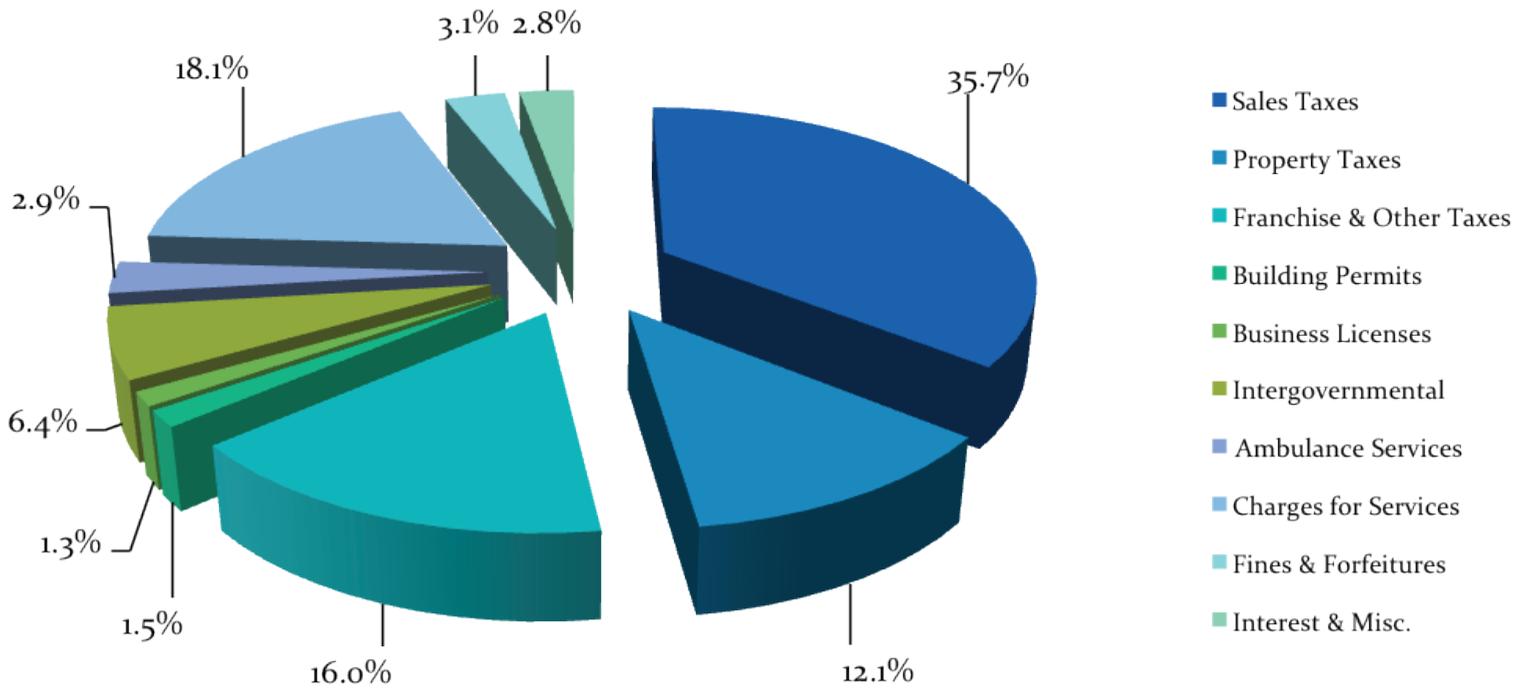
revenues

The General Fund receives funds from a number of revenue sources. Some of these sources include sales taxes, property taxes, franchise taxes, building permits, business licenses, grants and donations, ambulance fees, recreation program fees, B&C roads, fines, intergovernmental charges, and interest earnings.

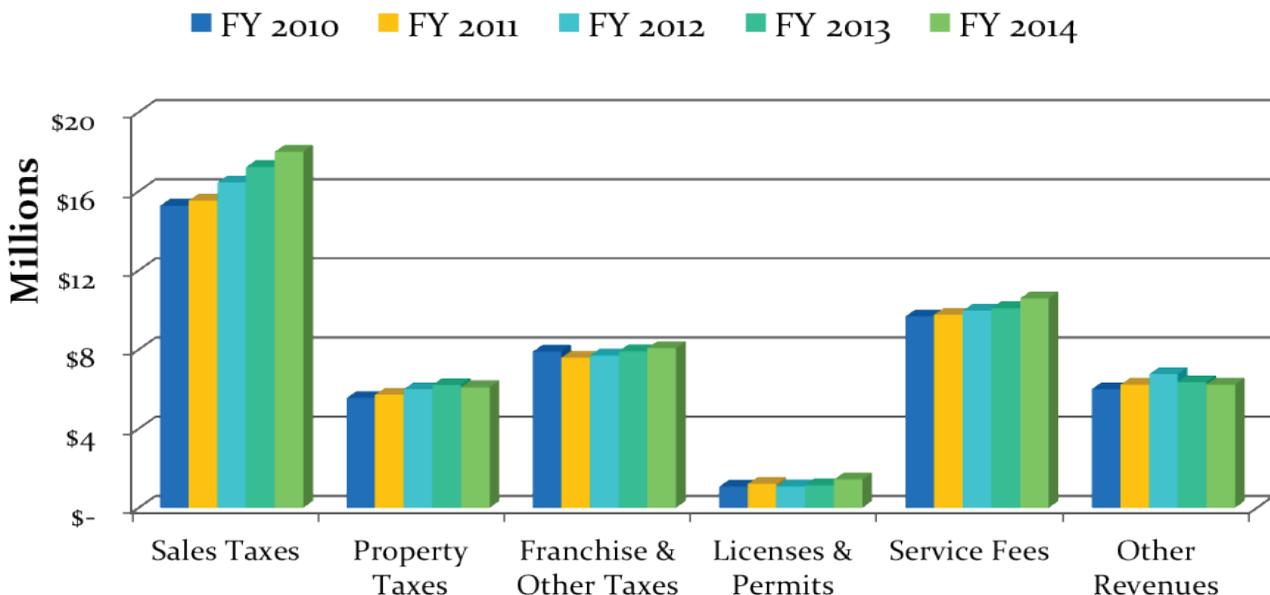
expenditures

The General Fund supports day-to-day operations. It expends funds for personnel, personnel benefits, materials and supplies, fuel, contracted labor and professional services, capital projects and equipment, and a small amount for debt service related to capital leases.

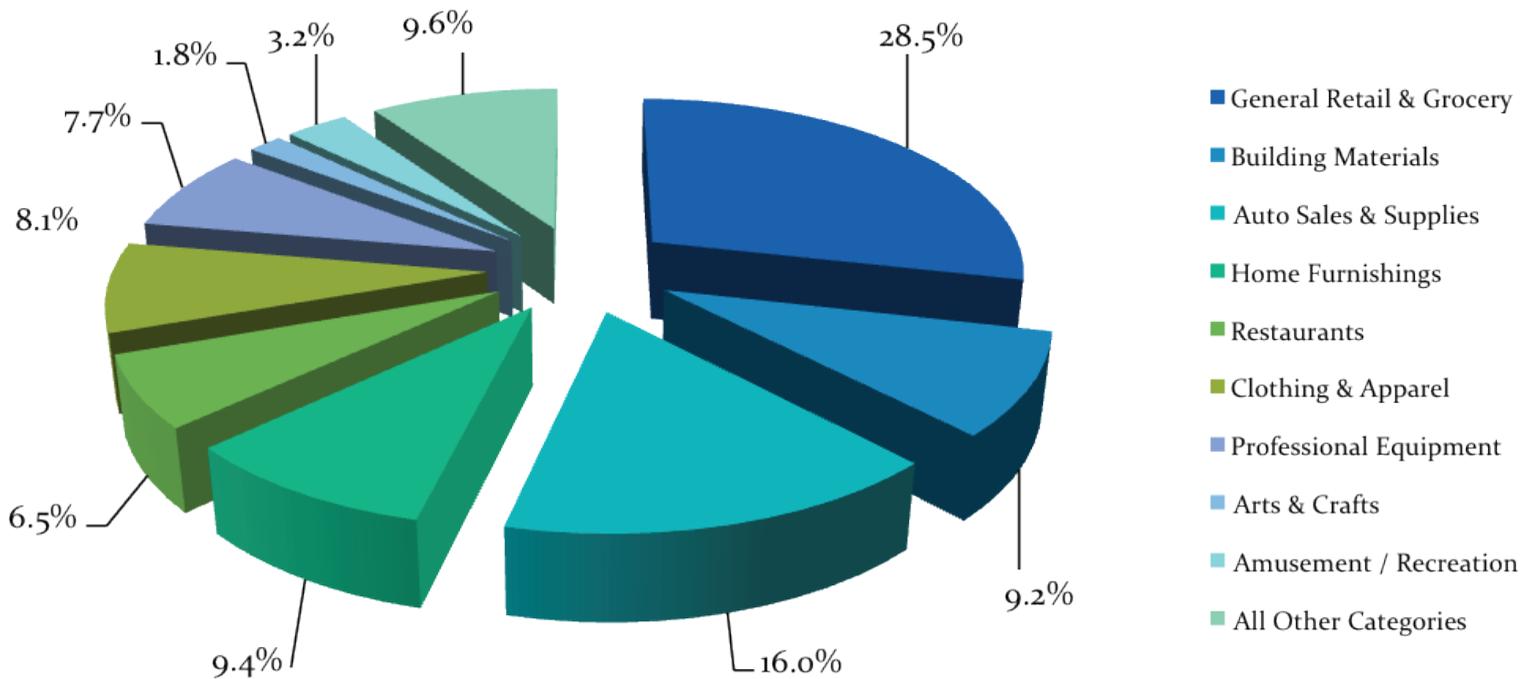
general fund **revenues**



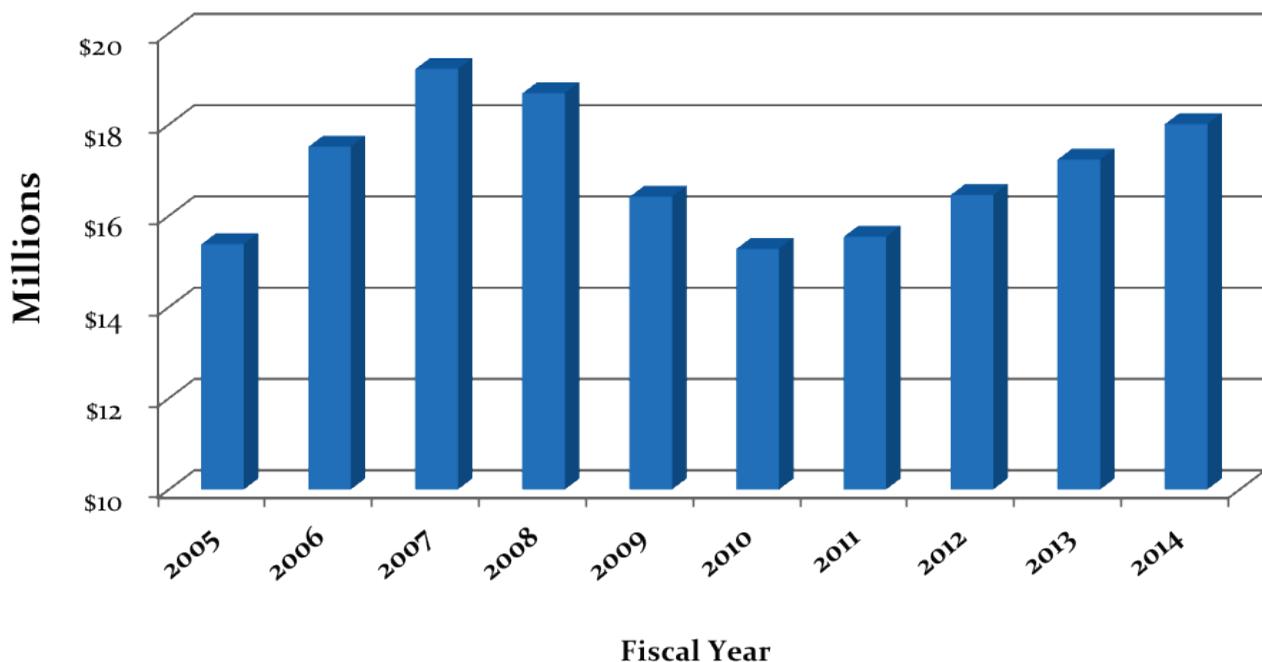
The City's General Fund revenues were \$50.3 million in Fiscal Year 2014 compared to \$49.0 million in Fiscal Year 2013. The increase is due primarily to a significant improvement in sales tax revenues which increased from \$17.2 million to \$18.0 million (4.5%). The chart below shows the current fiscal year compared to the prior fiscal year for each revenue category.



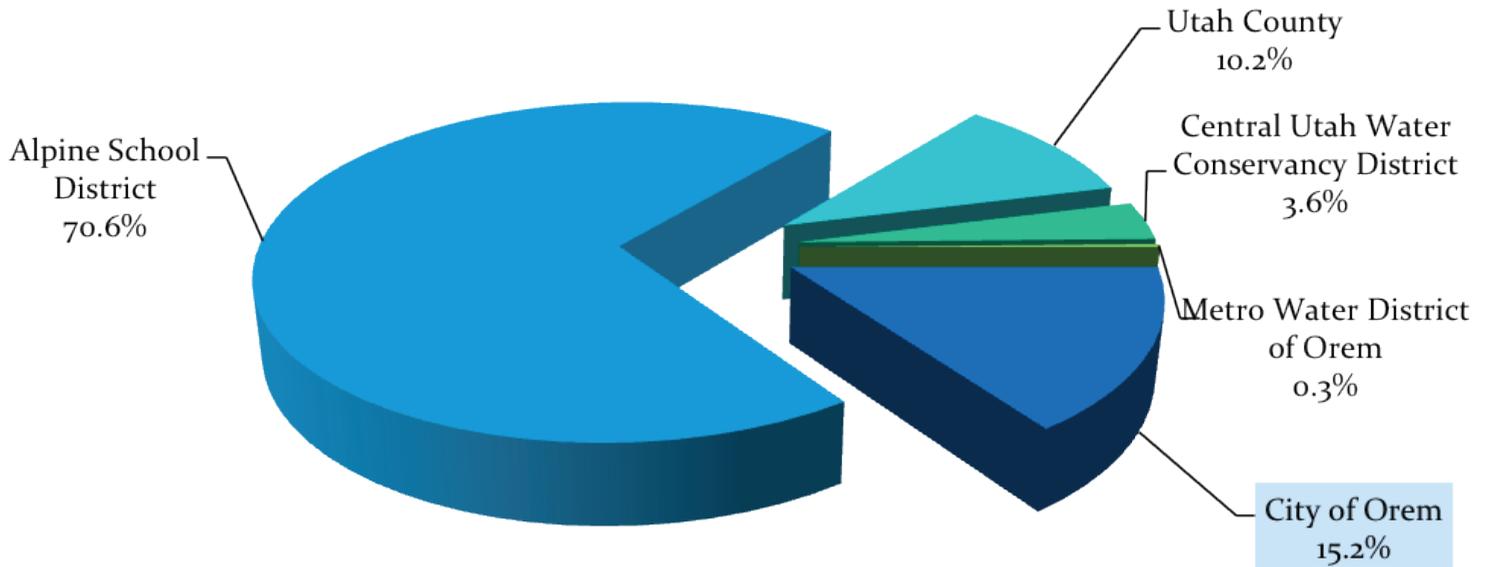
sales tax revenues



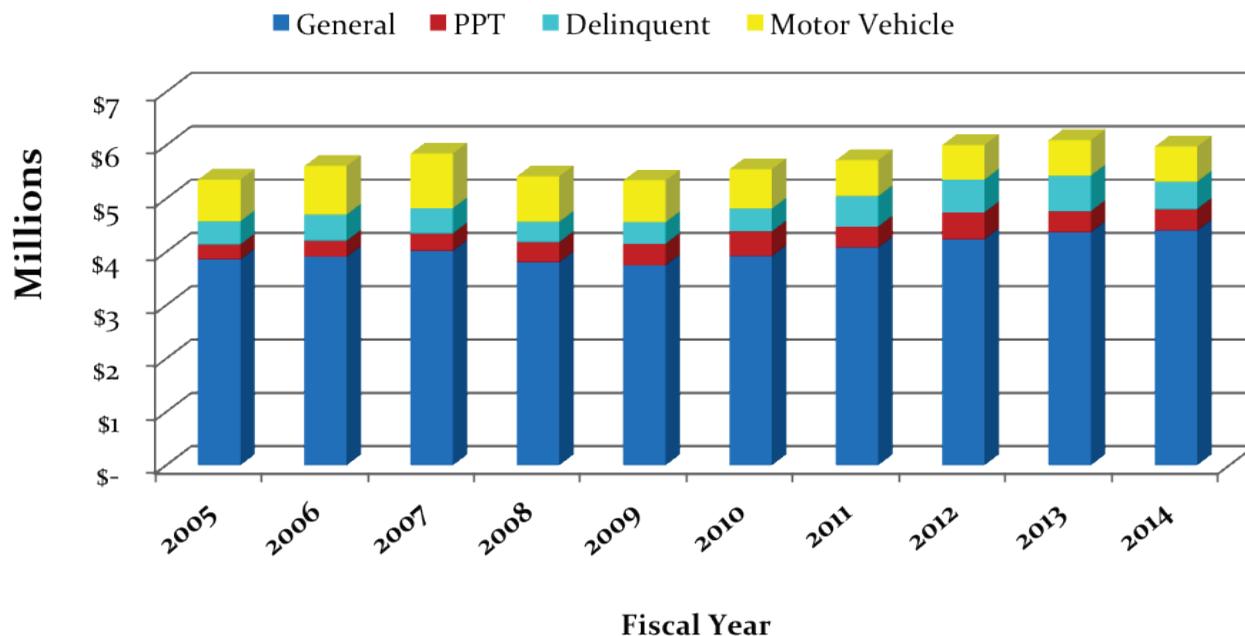
The City is a major retail and commercial hub within Utah County. The University Mall and surrounding area is also the largest retail area between Salt Lake County and Clark County, Nevada. Sales tax revenues continue to increase and reached \$18 million for the first time since Fiscal Year 2008. The chart below shows the sales tax revenues for the last ten fiscal years.



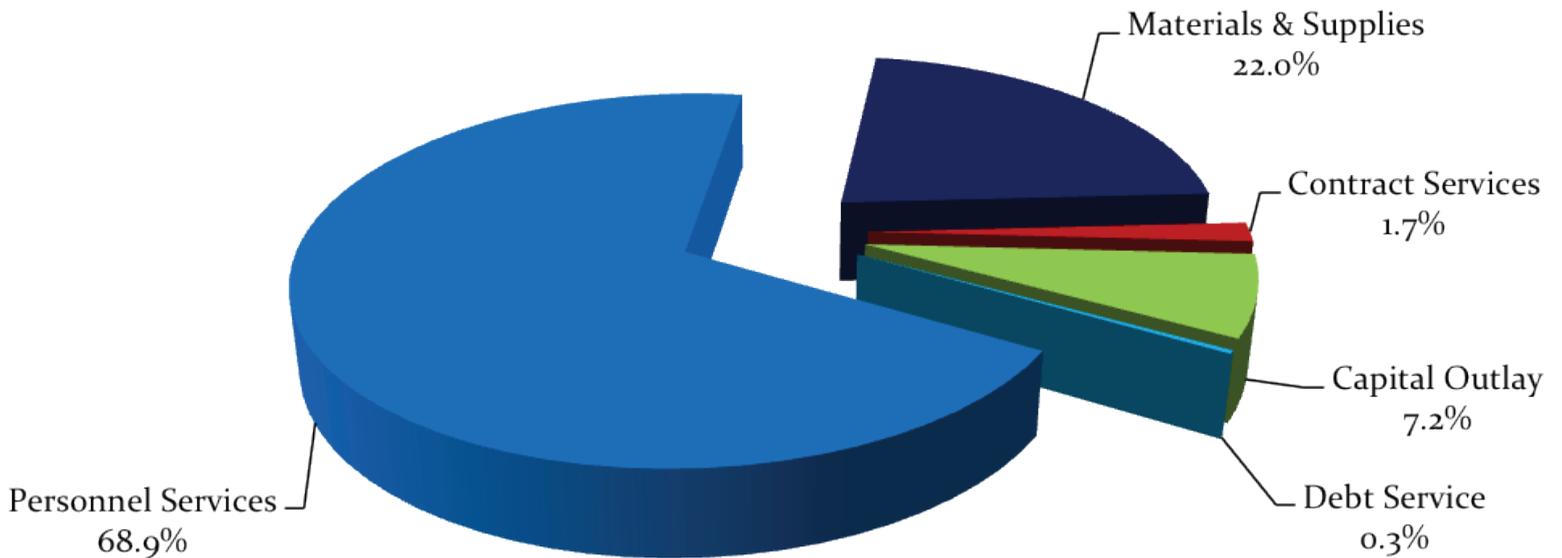
property tax revenues



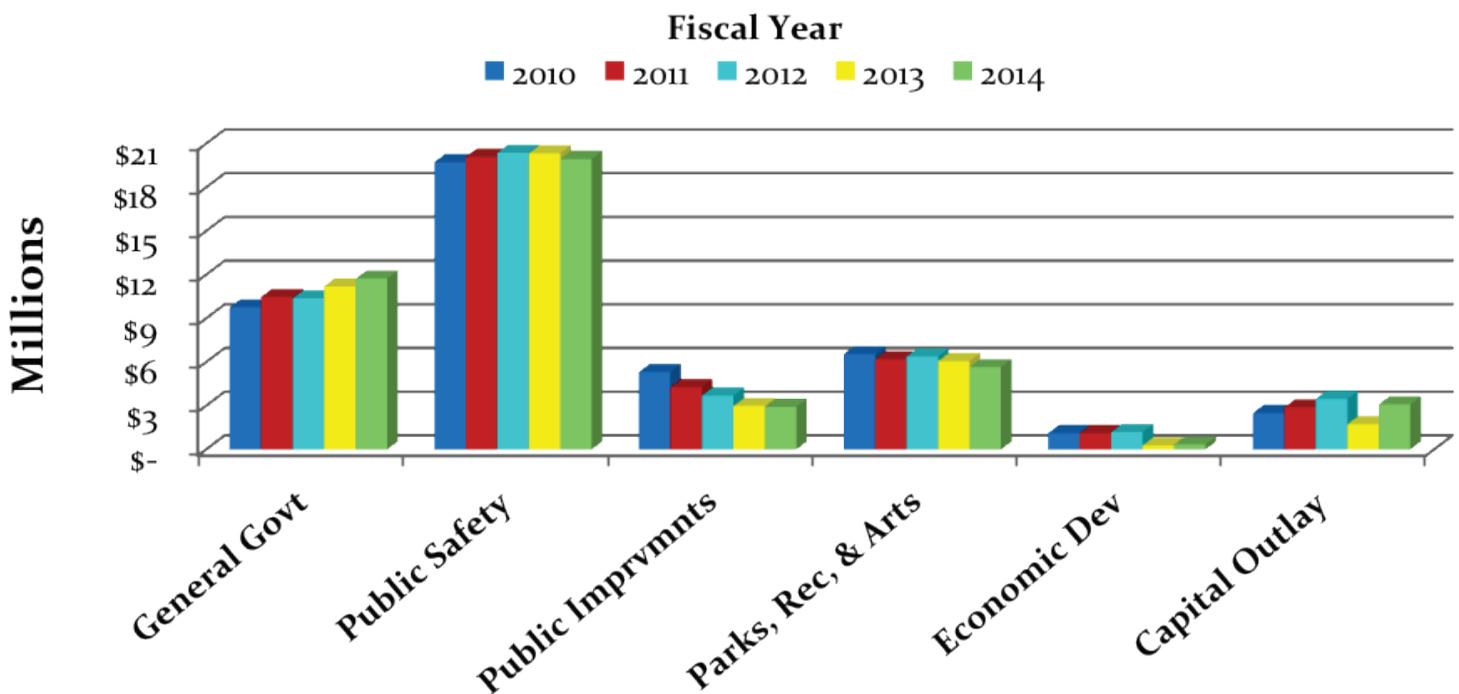
Property tax revenues consist of general property taxes, general obligation debt taxes, personal property taxes (PPT), delinquent tax collections, and motor vehicle fees. The City has had the same property tax rate for the last 34 years. Utah's property tax system is designed to provide the City with the same amount of general property taxes it received in the prior year plus any new growth that has occurred. Thus, changes in assessed property values have no impact to the amount of revenues the City receives each year. The pool of tax revenues is simply reallocated. Property tax revenues for the last ten fiscal years are shown below.



general fund **expenditures**



The City's General Fund expenditures were \$43.7 million in the current fiscal year compared to \$42.6 million in the prior fiscal year (2.5% increase). This change was due primarily to a significant increase in capital expenditures. Increased costs included road reconstruction and micro-surfacing projects as well as additional public safety and parks vehicle replacements. Expenditures by group for the last five fiscal years are shown below.



general fund

fund balance summary

Category	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Nonspendable	\$ 51,604	\$ 107,041	\$ 97,590	\$ 183,807	\$ 146,343
Restricted	4,345,683	5,439,904	5,367,461	5,721,516	5,554,462
Committed	-	497,768	75,000	75,000	75,000
Assigned	-	1,226,527	2,145,703	1,500,374	1,893,107
Unassigned	5,410,613	3,471,493	3,396,016	6,092,838	10,073,358
Total	\$ 9,807,900	\$ 10,742,733	\$ 11,081,770	\$ 13,573,535	\$ 17,742,270

nonspendable fund balance

Amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

restricted fund balance

Amounts that are restricted by enabling legislation or are externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

committed fund balance

Amounts that can only be used for specific purposes pursuant to constraints imposed for formal action (ordinance) of the City Council. Also includes contractual obligations that commit existing resources to satisfy contractual requirements.

assigned fund balance

Amounts constrained by the City's intent to use the funds for specific purposes, but neither restricted or committed, as established by the City Manager.

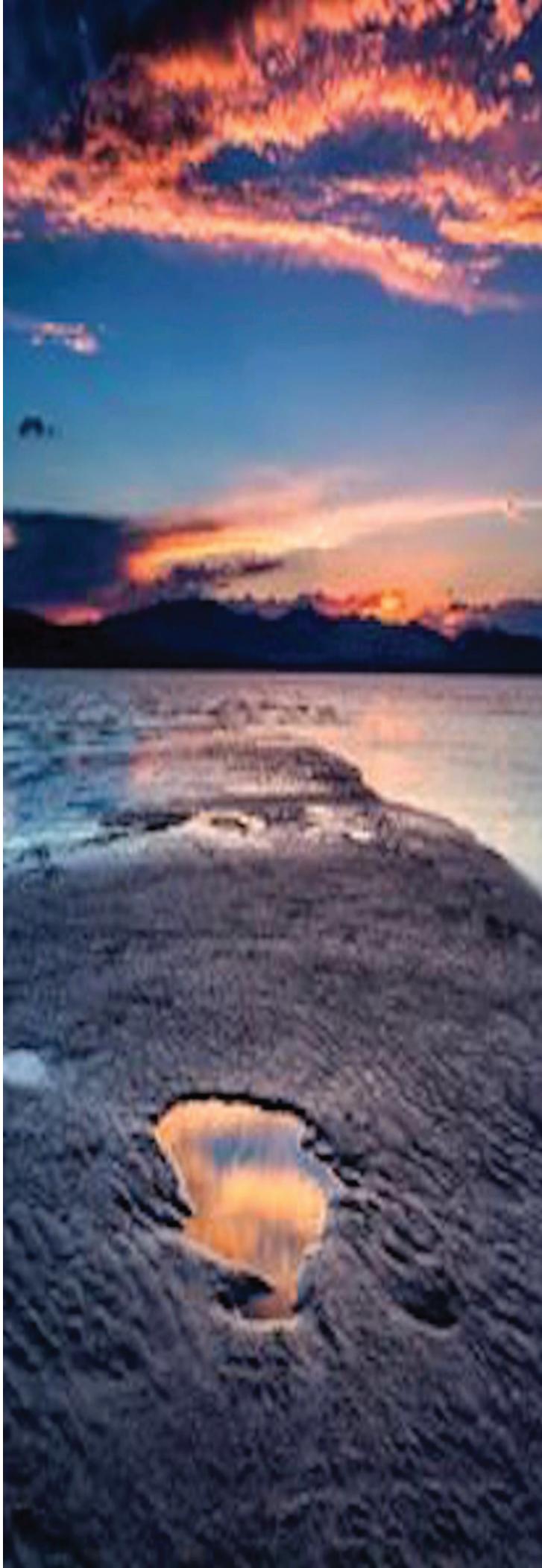
unassigned fund balance

Represents the residual amount that has not been restricted, committed, or assigned. These funds are available for whatever purpose the City desires to use them for although the State of Utah has a minimum required balance that must be maintained (the calculation for the current fiscal year is shown below).

state of utah 5% fund balance minimum balance calculation

Committed (\$75,000) + Assigned (\$1,893,107) + Unassigned (\$10,073,358) = \$12,041,465
Net FY 2015 General Fund Budgeted Revenues (\$48,003,510) x 5% = \$2,400,176
Available General Fund Balance (\$12,041,465) - 5% Fund Balance Minimum (\$2,400,176)

net available general fund balance: \$9,641,289



water fund

The City of Orem owns and operates a culinary water system providing water to over 22,000 customers. The system has over 370 miles of water transmission and distribution lines, 9 deep wells, 2 natural springs, and 6 water storage tanks.

surface water

Approximately 60% of the City's culinary water comes from rivers and lakes (which is referred to as surface water). Most of this water comes from the Deer Creek and Jordanelle reservoirs. All of this water is treated by the Central Utah Water Conservancy District (CUWCD) at its Utah Valley Water Treatment Plant before entering the City's distribution system. The City has emergency storage capacity of 22,440,000 gallons.

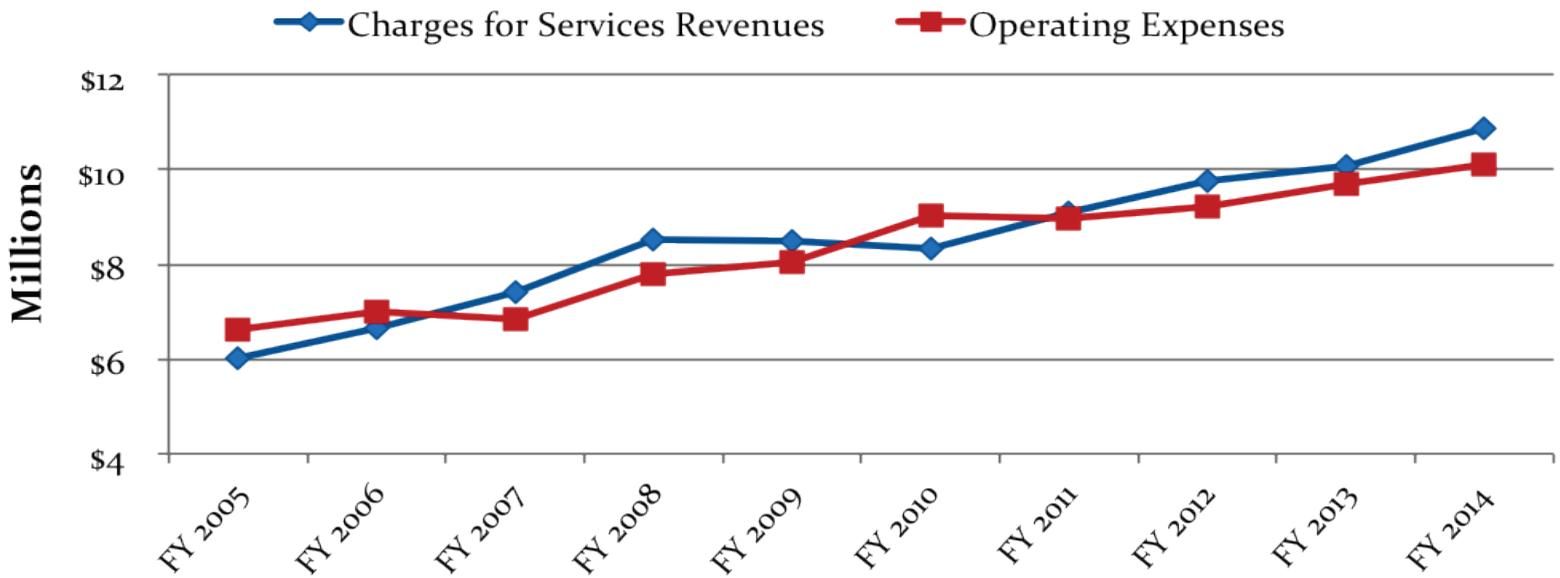
wells

The City maintains and operates nine deep wells located throughout the city. These wells provide about 24% of the culinary water used in the city. The quality of this water is so good that it does not require filtration or purification and can be piped directly into the City's distribution system.

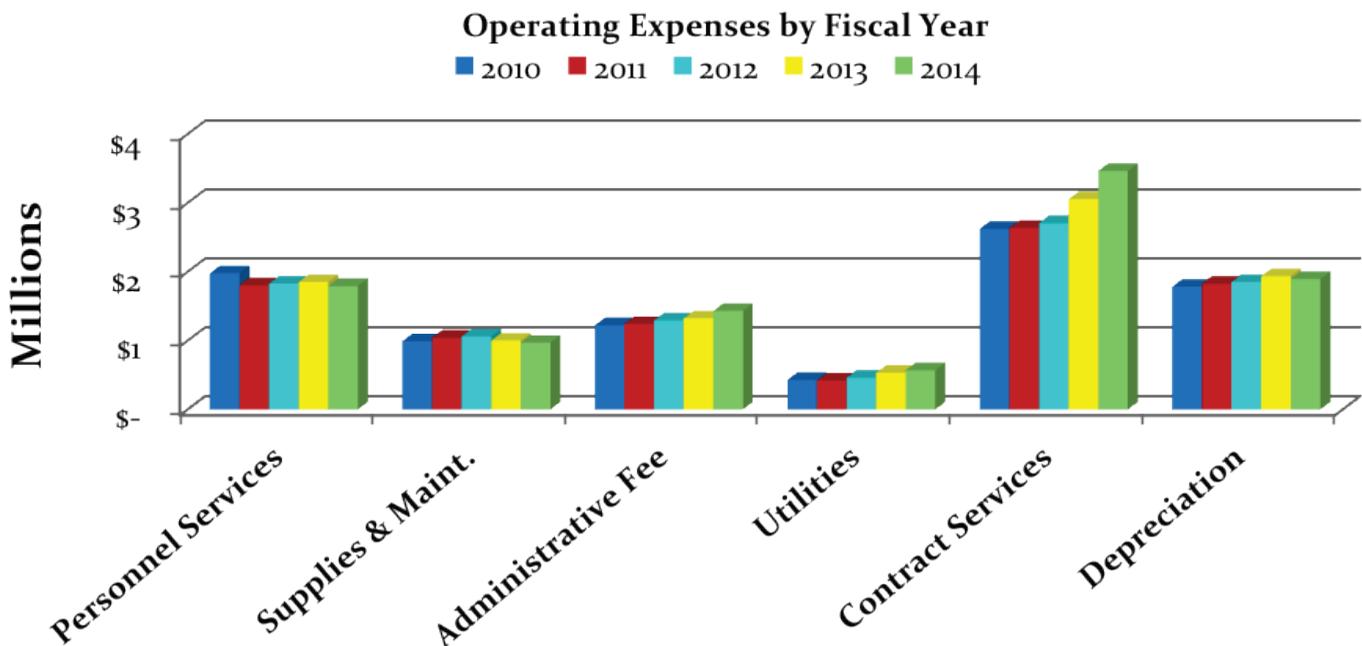
springs

The City maintains rights to two natural springs in Provo Canyon, Alta and Canyon Springs. These two springs provide about 16% of the culinary water used in the city. These springs depend on glacial melt from Mt. Timpanogos. Thus, the water supplied by these springs can vary greatly from year to year depending on annual snowfall.

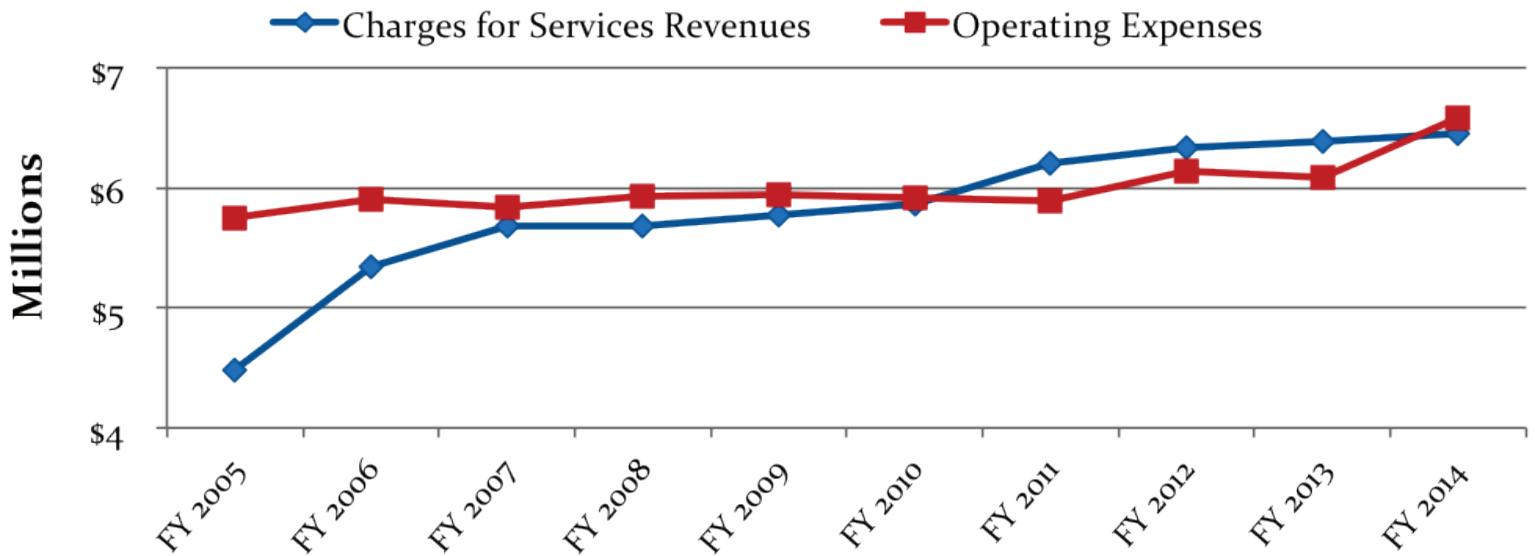
water fund operations



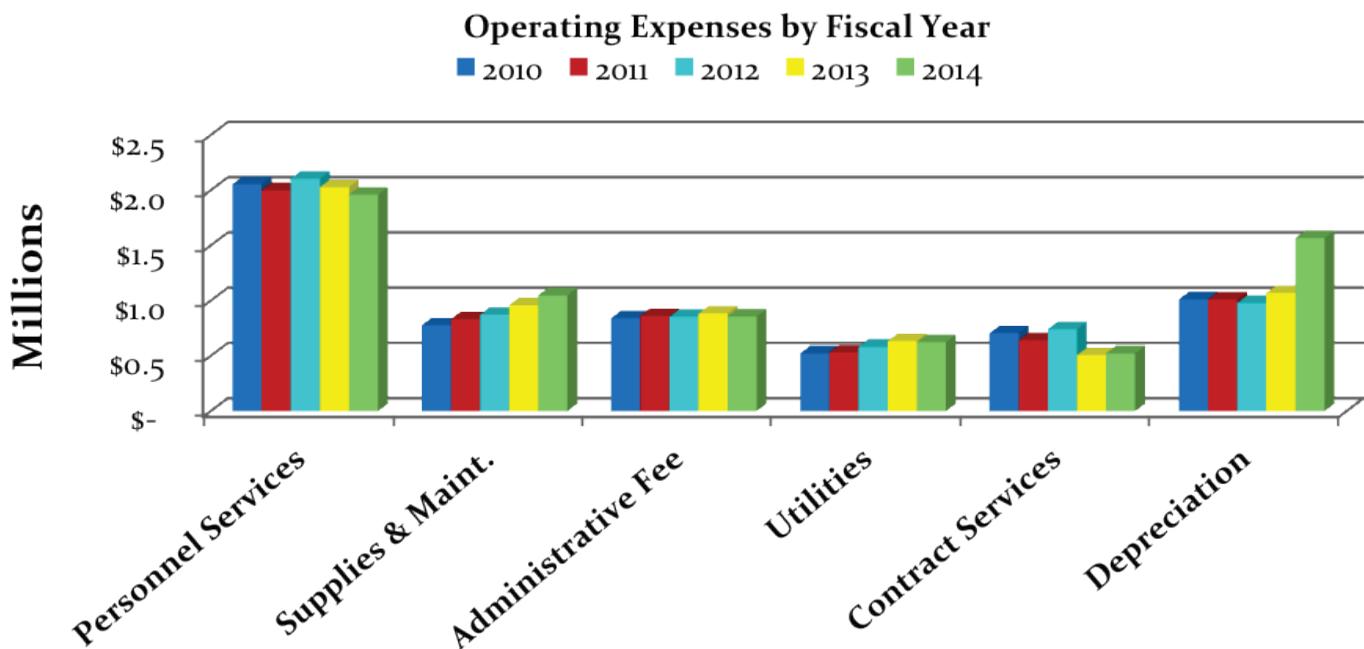
The City's Water Fund charges for services revenues were \$10.9 million in the current fiscal year compared to \$10.1 million in the prior fiscal year (7.9% increase). Operating expenses were \$10.1 million in the current fiscal year compared to \$9.7 million in the prior fiscal year (4.1% increase). Operating expenses by type for the last five fiscal years are shown below.



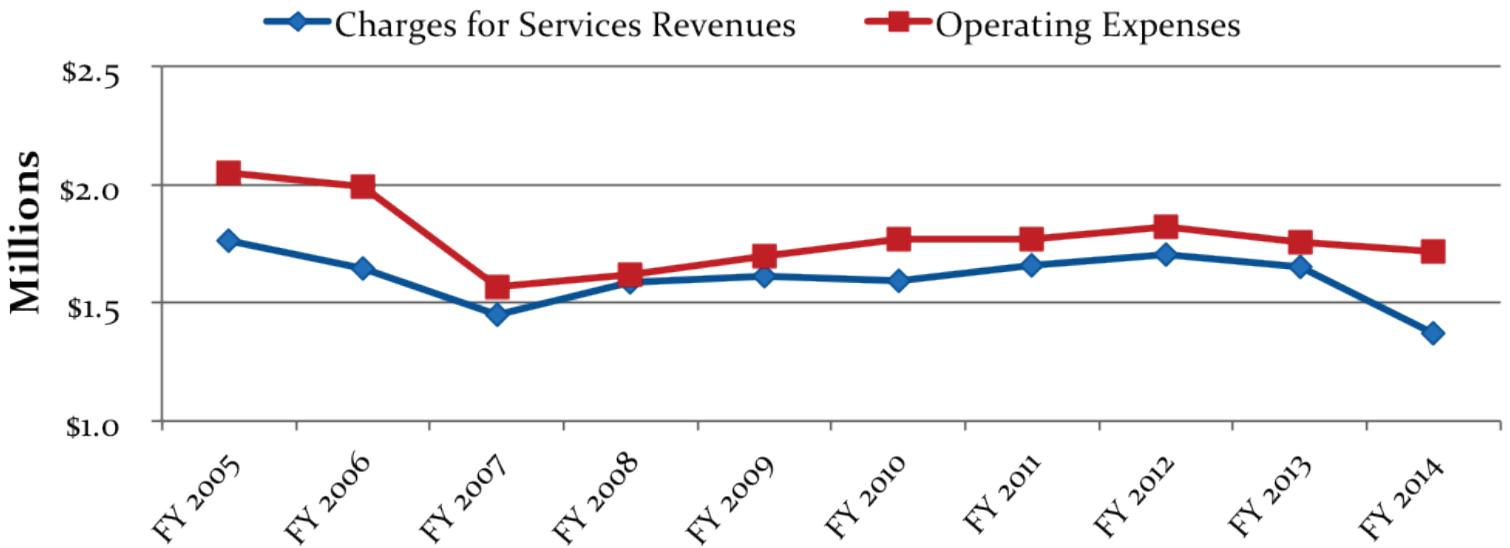
water reclamation fund **operations**



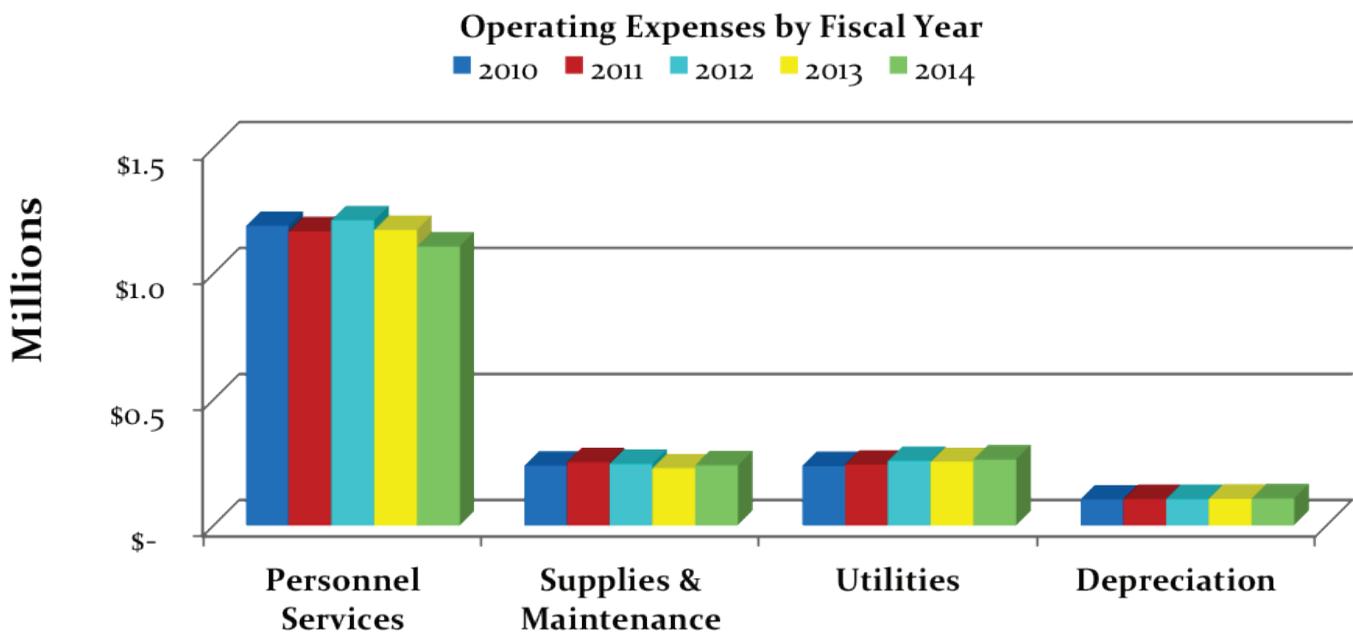
The City's Water Reclamation Fund charges for services revenues were \$6.5 million in the current fiscal year compared to \$6.4 million in the prior fiscal year (1.1% increase). Operating expenses were \$6.6 million in the current fiscal year compared to \$6.1 million in the prior fiscal year (8.2% increase). Operating expenses by type for the last five fiscal years are shown below.



recreation fund **operations**



The City's Recreation Fund charges for services revenues were \$1.4 million in the current fiscal year compared to \$1.7 million in the prior fiscal year (17.1% decrease). Operating expenses were \$1.7 million in the current fiscal year compared to \$1.8 million in the prior fiscal year (2.4% decrease). Operating expenses by type for the last five fiscal years are shown below.



capital assets

Asset Type	Original Cost (000's)	Accum. Depr. (000's)	Current Bk Value (000's)	C.Y. Additions (000's)	C.Y. Expense (000's)
Land	\$62,512	\$0	\$62,512	\$22	\$0
Buildings	61,407	34,153	27,254	0	237
Improvements	42,167	22,197	19,970	512	322
Vehicles	17,021	12,613	4,408	1,134	567
Equipment	9,615	7,714	1,901	288	0
Roads	112,575	57,838	54,737	880	1,180
Water Lines	51,688	22,434	29,254	1,308	0
Sewer Lines	25,545	14,052	11,493	425	0
S. Sewer Lines	17,235	3,925	13,310	1,550	0
CIP	4,997	0	4,997	3,215	0
Grand Total	\$404,762	\$174,926	\$229,836	\$9,334	\$2,306

Note: The City of Orem uses straight-line depreciation for all asset types.

Completed the Williams Farm storm drain improvements & detention basin - \$878,000

Completed the Fitness Center remodel and expansion project - \$3,800,000

Additional costs were incurred on the ultra-violet disinfection project - \$585,000

Purchased a new jet-rodger truck - \$351,000

Purchased twelve new police vehicles and two new parks vehicles - \$410,000

New ballfield shade structures and other improvements - \$249,000

IT division installed new core switching equipment - \$202,000

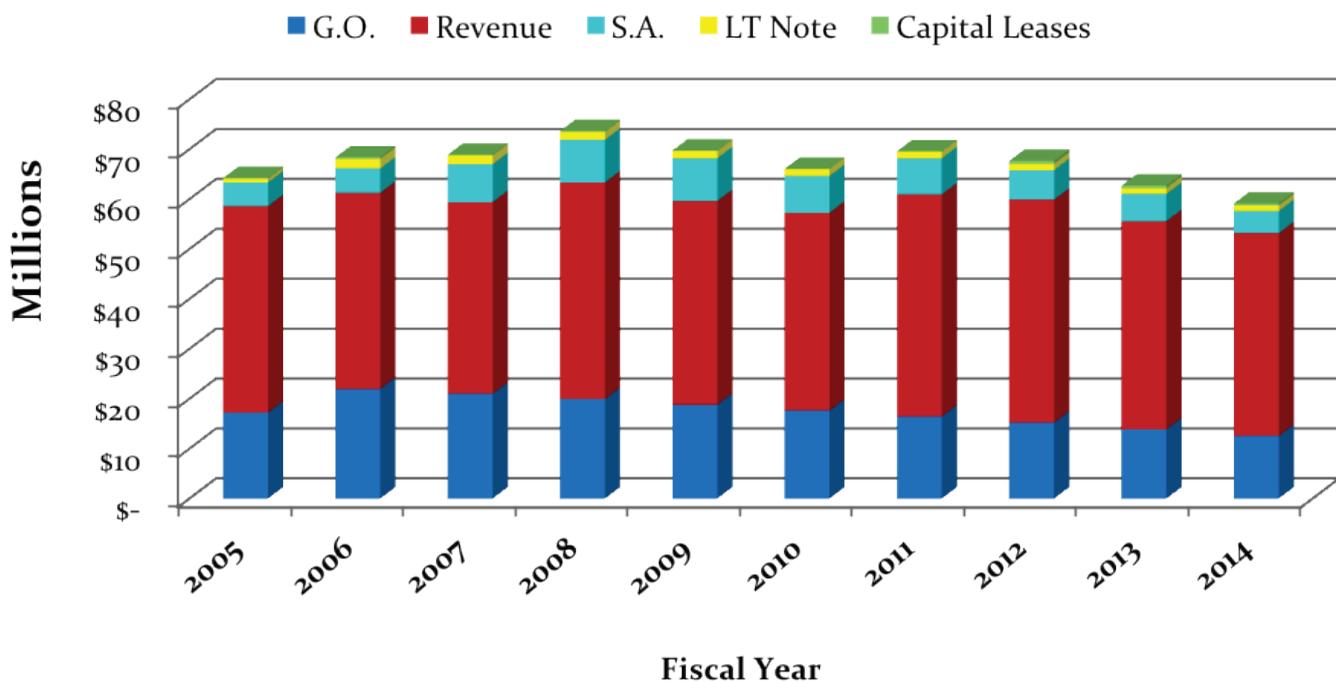
Purchased new trailer mounted generator - \$148,000

Purchased a new ambulance - \$138,000

debt

Debt Type	Governmental Activities	Business-type Activities	Total Debt
General Obligation	\$12,550,000	\$0	\$12,550,000
Revenue Bonds	8,148,000	32,473,757	40,621,757
Special Assessment	4,446,000	0	4,446,000
Long-term Notes	1,122,977	0	1,122,977
Capital Leases	396,436	0	396,436
Grand Total	\$26,663,413	\$32,473,757	\$59,137,170

The City of Orem maintains a "AA" bond rating from Standard & Poor's (S&P) and an "AA+" rating from FitchRatings. Total outstanding debt decreased by \$3,568,485 from the prior fiscal year. While the majority of this decrease was due to normal required debt payments, the Northgate SID received additional funds due to a sale of property within the district's boundaries which was used to payoff approximately \$530,000 of bonds early. Outstanding debt by type for the last ten fiscal years is shown below.





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community annual financial report

for the fiscal year ended June 30, 2014