

DEBT SERVICE CRITICAL PATH

The attached chart shows the current planned payments for all city debt. The purpose is to show the relative timing of debt service and its impact on the various funding sources.

Sales Tax Revenue Bond: Stormwater and Park projects

These bonds are retired in three more years. It means that an average \$1.8 million in sales tax will be “freed up” at that point. That resource will be closely examined for both capital and operations strategic plans in Fiscal Year 2012-13. An example of the difficult decisions that will have to be made is that for Storm and Parks projects there is no other funding source other than impact fees. Although impact fees are an important resource for providing those services in the growth areas of the city, they cannot be used to build infill parks, to refurbish parks, or to build storms systems that benefit areas of the city that have inadequate storm protection. We will be evaluating alternative funding as well as alternative service delivery over the next three years, but we recognize there will be no easy answers.

Municipal Building Authority: City Hall and Fire Station 53

The City pays off bonds through the MBA for debt incurred in the construction of City Hall and Fire Station 53 at Jordan Landing. These are paid from general taxes (primarily sales and property taxes). Notice that the City Hall payments spike the last year (the “spike” is actually paid from bond reserve funds), but then the next year the Fire Station payment increases to about the same level as we are now paying. Thus, the tax resources are essentially committed at a fairly level amount through Fiscal Year 2015-16.

General Obligation Bonds: Justice Center / Open Space & Parks

GO Bonds are voter-approved and create and commit property taxes to pay off the bonds. These taxes will be levied through Fiscal Year 2024-25, and then go away.

Water Revenue Bonds

These bonds were sold to finance much of the water system improvements on the west side of the city and to buy radio-read meters throughout the city. Debt service is paid partly with impact fees and partly with water rates. Note that the payments dip in two years, then rapidly decline through FY 2012-13. This freed up bonding ability will allow us to consider beginning the next phases of our water system improvements within the next year or two. Interestingly bonds cannot be sold solely on the basis of impact fee revenue (not a financially consistent enough revenue source), so we typically carry a very low income to debt ratio that has served us well over the last few years.

Excise Taxes: Jordan Landing Blvd.

These bonds are actually paid partly with Road impact fees and partly with C Road revenues. The payments end in two years, and will open up additional opportunities to fund other sorely-needed transportation projects.

RDA Bonds and Special Assessment Bonds

I lump these together only because they are primarily related to the KraftMaid project, and the funding sources are tax increment and special assessments paid primarily from additional tax increment, backed by corporate assessments. There will be opportunities in the future to again use this important development tool, but we have tended to focus lately on Economic Development Areas (job creation) as opposed to the retail projects we typically have formed in the past. We of course still have a potential retail or mixed use development area across the street from City Hall, and we do have an EDA for the Oracle project, but bonds are not sold on that project, and will not be until the project gets back off the ground.

Final Comments

The City of West Jordan has actually been very judicious in the use of debt and is strongly rated because of our overall economic health and caution. The following excerpt from a Standard and Poor’s report on the strength of some western utility systems (in this case, bonds sold by the South Valley Water Reclamation Facility to pay for expansion) makes the point clearly:

South Valley Water Reclamation Facility, UT (A)

“Based on our weak-link criteria used in rating these bonds, the 'A' rating *reflects our view of the credit quality of the City of West Jordan*. Management projects annual debt service coverage of 2.1x for fiscal 2009, which we consider strong, and fixed-charge coverage of 1.27x, which we consider good. Management reports that the city's capital improvement plan through fiscal 2012 will not be funded with additional debt.”

Debt Service Scheduled Payments

FY 09/10 FY 10/11 FY 11/12 FY 12/13 FY 13/14 FY 14/15 FY 15/16 FY 17/18 FY 18/19 FY 19/20 FY 20/21 FY 21/22 FY 22/23 FY 23/24 FY 24/25

Sales Tax Rev. Bonds															
Various SS proj., parks	1,800,675	1,819,800	1,819,875	Note: RDA covers 38% of this debt service.											
Sales Tax															

Municipal Building Authority Bonds															
City Hall															
General Fund Lease Revenues	443,063	446,450	443,855	977,443											
Municipal Building Authority Bonds															
Fire Station #53															
General Fund Lease Revenues	265,995	259,770	263,180	231,770	685,188	686,970	813,683								

General Obligation Bonds - 2004 & 2006															
Justice Center/Open Space															
Property Taxes	822,864	821,251	818,564	834,564	818,026	816,276	816,481	815,669	818,819	821,019	818,800	820,800	820,800	816,600	816,400
Total for GF PROPERTY TAXES	822,864	821,251	818,564	834,564	818,026	816,276	816,481	815,669	818,819	821,019	818,800	820,800	820,800	816,600	816,400

Water Revenue Bonds															
Water lines/meters															
Water Revenues	1,526,065	572,640	350,910	187,380											
Total for WATER REVENUES	1,526,065	572,640	350,910	187,380											

Excise Tax Bonds															
Jordan Landing Blvd															
C Road Taxes	558,600	565,650													

RDA Bonds															
Independence Square															
Property Taxes - RDA	260,500														
RDA Bonds															
KraftMaid Cabinetry, Inc.															
Property Taxes - RDA	1,166,065	1,079,315	1,019,341	944,686	861,466	790,103	750,388	765,938	558,488						
Total for RDA - PROPERTY TAX INCREMENT	1,426,565	1,079,315	1,019,341	944,686	861,466	790,103	750,388	765,938	558,488						

Special Assessment Bonds															
KraftMaid Cabinetry, Inc.															
Property Taxes - RDA & assessment	200,117	200,117	200,117	200,117	200,117	200,117	200,117	200,117	200,117	335,117	949,109	975,512	1,029,244	1,043,972	968,252
Total for SPECIAL ASSESSMENT	200,117	200,117	200,117	200,117	200,117	200,117	200,117	200,117	200,117	335,117	949,109	975,512	1,029,244	1,043,972	968,252

Projecting Sales Tax Income

Forecasting future sales tax income is at best an imprecise effort. It may help to understand some of the variables, and discuss how we try to account for the variables and end up with at least a reasonable range of possible outcomes.

Sales tax is collected and distributed by the State of Utah. Tax is of course collected at various points of sale, but is submitted to the State either monthly or quarterly, depending on the average amount of tax collected. Not surprisingly, payments are often late. And occasionally errors are made and taxes are redistributed or even refunded. I should also note that we receive our portion of the sales tax two months in arrears, thus adding additional challenge to timely projections. From year to year, then, it is challenging to rely strictly on same-month income. One way we try to correct for the uncertainty is by developing three year averages of same-month income. Of course, in either a growing or ebbing economy the number of businesses fluctuates, so may at the point of steepest incline or decline defy over-time trends.

The portion of the 6.85% sales and use tax allocated to cities is 1.0%, or approximately 14.6% of the total tax. The State returns to cities 50% of the 1.0% developed by sales transacted within the specific city (point-of-sale). The other 50% of the sales tax collected within the city is put into an Equity fund, and distributed to each city in the state by population. A recent analysis for the City of West Jordan shows that we collect about 80% as much in point-of-sales distribution as we do in equity distribution, which implies that the rate of sales tax collection in West Jordan is somewhat below average for the State, and that we in fact are recipients of a kind of “subsidy” from more robust cities such as Salt Lake and Sandy. What that means for forecasting is that while we pay attention to the ups and downs of local businesses, we are somewhat more reliant on statewide trends than we are on local trends.

The goal of the attached sales tax projection model is to identify a rationale range of possible outcomes ... a sort of “bracketing” of the possibilities. The first scenario uses a three-year average to estimate what percentage of the budgeted sales tax amount will be received in each month. The actual income received is compared each month to the cumulative total of predicted monthly budgets to develop an overall performance percentage. The newest cumulative performance percentage is applied to the estimated annual total sales tax, then compared to the annual budget total to predict actual surplus or deficit income for the year.

The second scenario calculates the actual performance against the same month in the previous year. The monthly performance percentages are averaged, and that average applied to the annual budget, and that total compared to the annual budget total to predict actual surplus or deficit income for the year.

Finally, in the third scenario the latest performance percentage from the second scenario is applied to each remaining monthly budgeted estimate, and the totals compared to the annual budget total to predict actual surplus or deficit income for the year.

These are not particularly sophisticated tools, but give us some range of possible outcomes. We will be exploring ways to test our predictions earlier and with more accuracy in future years.



JORDAN VALLEY WATER
CONSERVANCY DISTRICT

Delivering Quality Every Day

8215 South 1300 West • PO Box 70 • West Jordan, UT 84088-0070 • Ph: 801.565.4300 • Fax: 801.565.4399

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April 14, 2009

Tom Steele, City Manager
West Jordan City
8000 South Redwood Road
West Jordan, UT 84088

RE: Tentative Water Rates for 2009/2010

Dear Tom:

At the April 8, 2009 meeting of the Jordan Valley Water Conservancy District Board of Trustees, wholesale and retail water rates for the coming fiscal year beginning July 1, 2009 were reviewed. The Board and staff carefully evaluated the District's ten-year financial plan, capital improvement plan, and the economic challenges facing its member agencies. I am pleased to inform you that the Board chose to adopt, as tentative rates, the same water rates that are in effect in the current fiscal year. The attached schedule shows the tentative 2009/2010 rates, with no rate increase, approved for West Jordan City and for each agency. The Board will consider the adoption of final water rates following a public hearing scheduled for June 10, 2009 at 6:00 p.m. at the District's office. The new rates would become effective July 1, 2009.

The tentative budget of Jordan Valley Water Conservancy District for the fiscal year July 1, 2009 through June 30, 2010 was also approved at the April 8, 2009 District Board meeting. This tentative budget, with no increase in operation and maintenance expenditures, will be noticed for public comment at the June 10, 2009 public hearing. If you would like a copy of the District's tentative budget, please contact us.

I hope you will find the District's efforts to control costs helpful as you deal with your own challenging budget and financial issues. The District's ten-year financial and capital improvement plans indicate that water rates will need to resume increasing by approximately five percent each year for the following nine years. These rate increases will be needed to develop water sources and build new infrastructure to serve the forecasted population growth within the District's service area.

If you have additional questions regarding the District's tentative budget or water rates for the fiscal year 2009/2010, please call me or Neil Cox. A copy of the final water rates for 2009/2010 will be sent to you following Board approval in June.

Best regards,

Richard P. Bay, P.E.
General Manager/CEO

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Enclosure

c: Roger Payne, Utilities Manager
Lyle C. Summers, JWVCD Trustee

JORDAN VALLEY WATER CONSERVANCY DISTRICT

2009/2010 Wholesale and Retail Water Rates (Rate Per Acre Foot)

4/15/09 9:22 AM	2008/2009 Rates	2009/2010 Tentative New Rates	\$ Change from Present	% Change from Present
Bluffdale				
Winter	\$323.11	\$323.11	\$0.00	0.0%
Summer	\$403.89	\$403.89	\$0.00	0.0%
Bluffdale - Zone 6				
Winter	\$348.11	\$348.11	\$0.00	0.0%
Summer	\$428.89	\$428.89	\$0.00	0.0%
Draper City				
Winter	\$314.78	\$314.78	\$0.00	0.0%
Summer	\$393.48	\$393.48	\$0.00	0.0%
Draper Irrigation (Water Pro)				
Winter	\$365.01	\$365.01	\$0.00	0.0%
Summer	\$456.26	\$456.26	\$0.00	0.0%
Granger Hunter				
Winter	\$314.15	\$314.15	\$0.00	0.0%
Summer	\$392.69	\$392.69	\$0.00	0.0%
Granger Hunter - Zone 1				
Winter	\$342.24	\$342.24	\$0.00	0.0%
Summer	\$420.78	\$420.78	\$0.00	0.0%
Herriman - Zone 4				
Winter	\$442.94	\$442.94	\$0.00	0.0%
Summer	\$538.40	\$538.40	\$0.00	0.0%
Herriman - BCWTP Rate	\$346.06	\$346.06	\$0.00	0.0%
Hexcel - Zone 1				
Winter	\$292.61	\$292.61	\$0.00	0.0%
Summer	\$358.74	\$358.74	\$0.00	0.0%
Kearns - Zone 1				
Winter	\$356.28	\$356.28	\$0.00	0.0%
Summer	\$438.33	\$438.33	\$0.00	0.0%
Magna - Zone 1				
Winter	\$289.73	\$289.73	\$0.00	0.0%
Summer	\$355.14	\$355.14	\$0.00	0.0%
Midvale				
Winter	\$281.31	\$281.31	\$0.00	0.0%
Summer	\$351.64	\$351.64	\$0.00	0.0%
Riverton				
Winter	\$278.02	\$278.02	\$0.00	0.0%
Summer	\$347.53	\$347.53	\$0.00	0.0%
Riverton - Zone 4				
Winter	\$339.12	\$339.12	\$0.00	0.0%
Summer	\$408.63	\$408.63	\$0.00	0.0%
Riverton - BCWTP Rate	\$346.06	\$346.06	\$0.00	0.0%
Sandy City				
Winter	\$258.69	\$258.69	\$0.00	0.0%
Summer	\$323.36	\$323.36	\$0.00	0.0%

JORDAN VALLEY WATER CONSERVANCY DISTRICT

2009/2010 Wholesale and Retail Water Rates (Rate Per Acre Foot)

4/15/09 9:22 AM	2008/2009 Rates	2009/2010 Tentative New Rates	\$ Change	% Change
South Jordan				
Winter	\$324.98	\$324.98	\$0.00	0.0%
Summer	\$406.23	\$406.23	\$0.00	0.0%
South Jordan - Zone 3				
Winter	\$358.83	\$358.83	\$0.00	0.0%
Summer	\$440.08	\$440.08	\$0.00	0.0%
South Jordan - Zone 4				
Winter	\$386.08	\$386.08	\$0.00	0.0%
Summer	\$467.33	\$467.33	\$0.00	0.0%
South Jordan - BCWTP Rate	\$346.06	\$346.06	\$0.00	0.0%
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South Salt Lake				
Winter	\$263.04	\$263.04	\$0.00	0.0%
Summer	\$328.80	\$328.80	\$0.00	0.0%
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State Corrections				
Winter	\$269.97	\$269.97	\$0.00	0.0%
Summer	\$337.46	\$337.46	\$0.00	0.0%
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Taylorsville Bennion				
Winter	\$284.07	\$284.07	\$0.00	0.0%
Summer	\$355.09	\$355.09	\$0.00	0.0%
Taylorsville Bennion - Zone 1				
Winter	\$312.16	\$312.16	\$0.00	0.0%
Summer	\$383.18	\$383.18	\$0.00	0.0%
Taylorsville Bennion - Transported				
Winter	\$118.41	\$118.41	\$0.00	0.0%
Summer	\$118.41	\$118.41	\$0.00	0.0%
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West Jordan				
Winter	\$288.41	\$288.41	\$0.00	0.0%
Summer	\$360.51	\$360.51	\$0.00	0.0%
West Jordan - Zone 1				
Winter	\$316.50	\$316.50	\$0.00	0.0%
Summer	\$388.60	\$388.60	\$0.00	0.0%
West Jordan - Zone 3				
Winter	\$350.35	\$350.35	\$0.00	0.0%
Summer	\$422.45	\$422.45	\$0.00	0.0%
West Jordan - Zone 4				
Winter	\$349.51	\$349.51	\$0.00	0.0%
Summer	\$421.61	\$421.61	\$0.00	0.0%
West Jordan - Transported				
Winter	\$137.44	\$137.44	\$0.00	0.0%
Summer	\$137.44	\$137.44	\$0.00	0.0%
West Jordan - BCWTP Rate	\$346.06	\$346.06	\$0.00	0.0%
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White City				
Winter	\$289.72	\$289.72	\$0.00	0.0%
Summer	\$362.15	\$362.15	\$0.00	0.0%
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Retail System (Rate Per 1,000 Gallons)				
Non-Pumped				
Winter (Nov - Apr)	\$1.15	\$1.15	\$0.00	0.0%
Summer (May - Oct)	\$1.43	\$1.43	\$0.00	0.0%
Pumped				
Winter (Nov - Apr)	\$1.31	\$1.31	\$0.00	0.0%
Summer (May - Oct)	\$1.59	\$1.59	\$0.00	0.0%