City Budget
at a Glance

Purpose

Pleasant Grove's budget is large and complex, with detailed information about how the City operates and what expenditures are approved by the city council. This document simplifies important elements of the City's budget to ensure transparency for the citizens, whose money this is. All information is taken from the Fiscal Year 2012—2013 City budget, available online at **plgrove.org**. For questions please call us at 801-785-5045.

Pleasant Grove

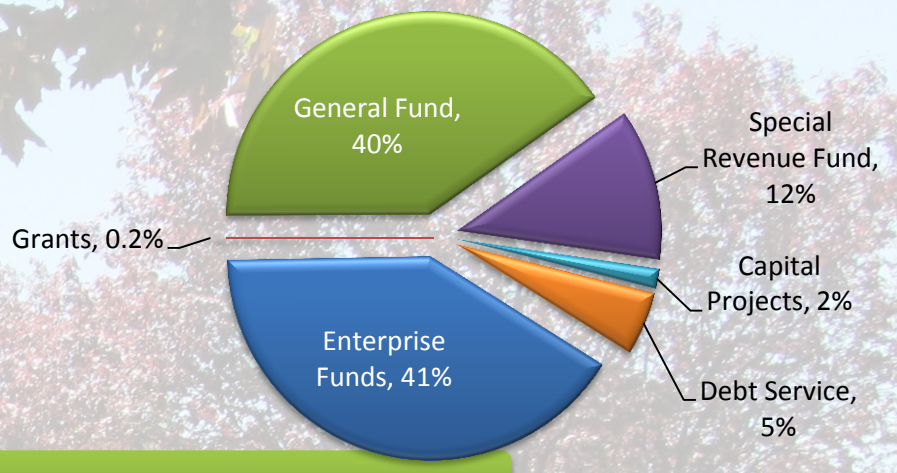
Utah's City of Trees

Overview

Budget Timeline

Pleasant Grove's budget runs on a fiscal year (FY) that differs from a calendar year. The City's fiscal year is from July 1 of one year to June 30 of the next year. When you hear about the 2012 budget, or you read about the "FY 2012" budget, both are referring to the city budget ending in fiscal year 2012 (from 2011—2012).

Parts of City Budget (%)



Summaries

General Fund

- Discussed in detail on pages 3—5.
- The General Fund pays for those functions typically associated with a municipal government (e.g., police, fire, streets, parks, recreation, and community development). The General Fund usually receives its revenues from taxes collected.

Special Revenue Funds

- Certain City revenues are collected for a specific purpose and are accounted for in a separate fund, allowing the City to closely monitor revenues and expenditures of these specific activities. A Special Revenue Fund differs an Enterprise Fund in that its revenues don't necessarily cover all the costs of a particular service.

Enterprise Fund

- Like a private-sector business, Enterprise Funds (obtained from user fees) cover the entire cost of the services provided, including personnel, operating costs, debt service, and overhead. Unlike a business, an Enterprise Fund only covers the cost of providing the service and does not generate a profit.

Capital Projects

- Discussed in detail on page 6.
- A capital project is a large, expensive, one-time project. Because they represent such a large costs, they are often considered "lumpy" in a budget and are therefore put in their own budget section. Separating capital projects ensures more stability when tracking other revenues and expenses over time.

Grants

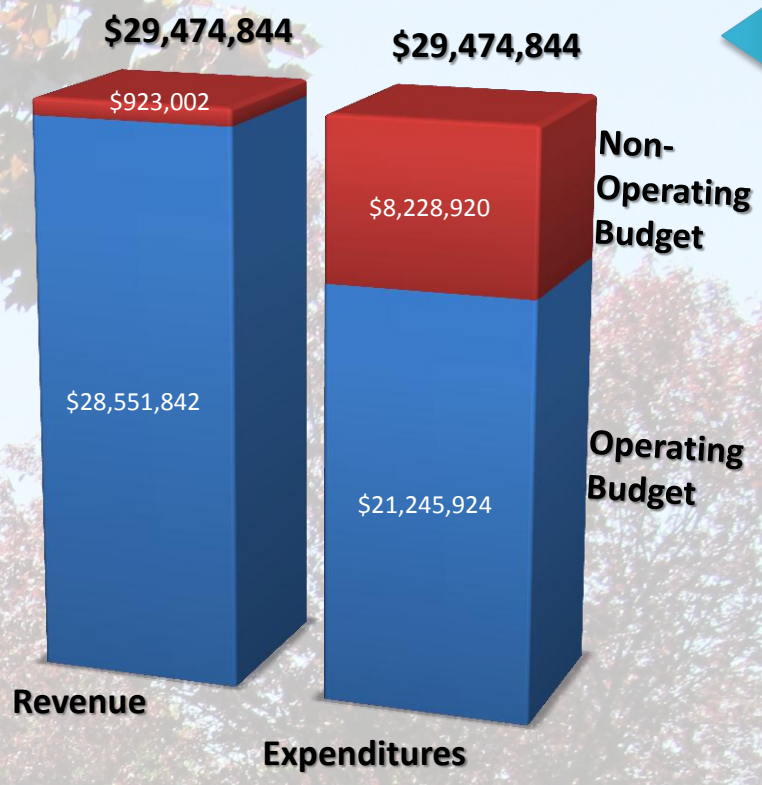
- The amount of grants the City receives varies from year to year. Some grants are for operations and the City counts on receiving these funds annually and includes them when creating the budget. Other grants are for equipment or other one-time costs in which their annual acquisition is never guaranteed. These grants are not included in the opening budget but are added as amendments as they are received. For FY 2013, Pleasant Grove is budgeting $61,250 in operating grants. However, in FY 2012, Pleasant Grove ended up receiving an additional $375,136 in one-time grants. The graph at the bottom of page two shows where these grants were used.

Debt Service

- Discussed in detail on page 7.
- Debt service refers to the annual amount that the City will expend in principal and interest payments. The most common way for a city to borrow money is through issuing bonds.

The Consolidated Budget

The full City budget can seem complicated. Luckily, the consolidated budget, found near the beginning, helps minimize this complication. The consolidated budget combines all of the City's funds and activities throughout the budget document into one report. The report is comparable to an executive summary, highlighting the major funds and showing overall revenues and expenditures. The consolidated budget includes operating expenditures and expenditures for debt and capital projects. Surpluses from one budget year are carried forward to be used to pay for capital projects in future years.



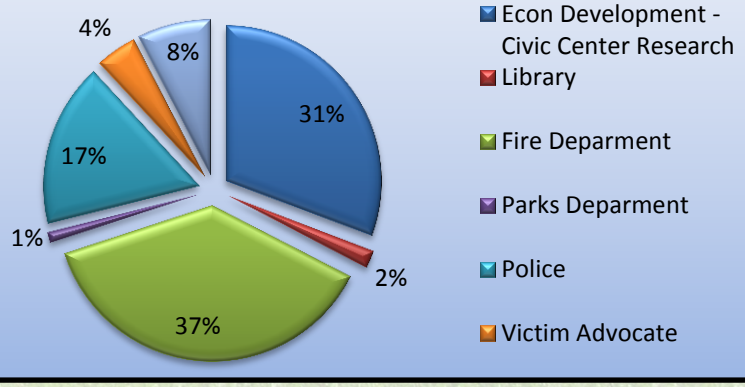
FY 2013 Operating Budget

Parts of City Budget		Revenue	%		Expenditures	%
General Fund	$	13,009,723	46%	$	11,306,775	53%
Special Revenue Fund	$	3,181,987	11%	$	1,843,330	9%
Enterprise Funds	$	11,655,799	41%	$	7,831,569	37%
Capital Projects	$	325,000	1%	$	198,500	1%
Debt Service	$	318,083	1%	$	4,500	0.02%
Grants	$	61,250	0.2%	$	61,250	0.3%
FY 2013 Budget Total	$	28,551,842	100%	$	21,245,924	100%
Remaining / Owed Funds	$	7,305,918				
Revenue Allocated to Capital & Debt	$	7,305,918	89%	$	-	0%
Capital Project Funding	$	923,002	11%	$	-	0%
Past Debt Service	$	-	0%	$	5,892,387	72%
Past Capital Projects	$	-	0%	$	2,336,533	28%
Total Non-Operating Expenditures	$	8,228,920	100%	$	8,228,920	100%

Non-operating Budget

Pleasant Grove will use revenues remaining after operating expenditures and debt service payments to pay for capital projects in future years.

Last Year's (FY 2012) Grant Allocation

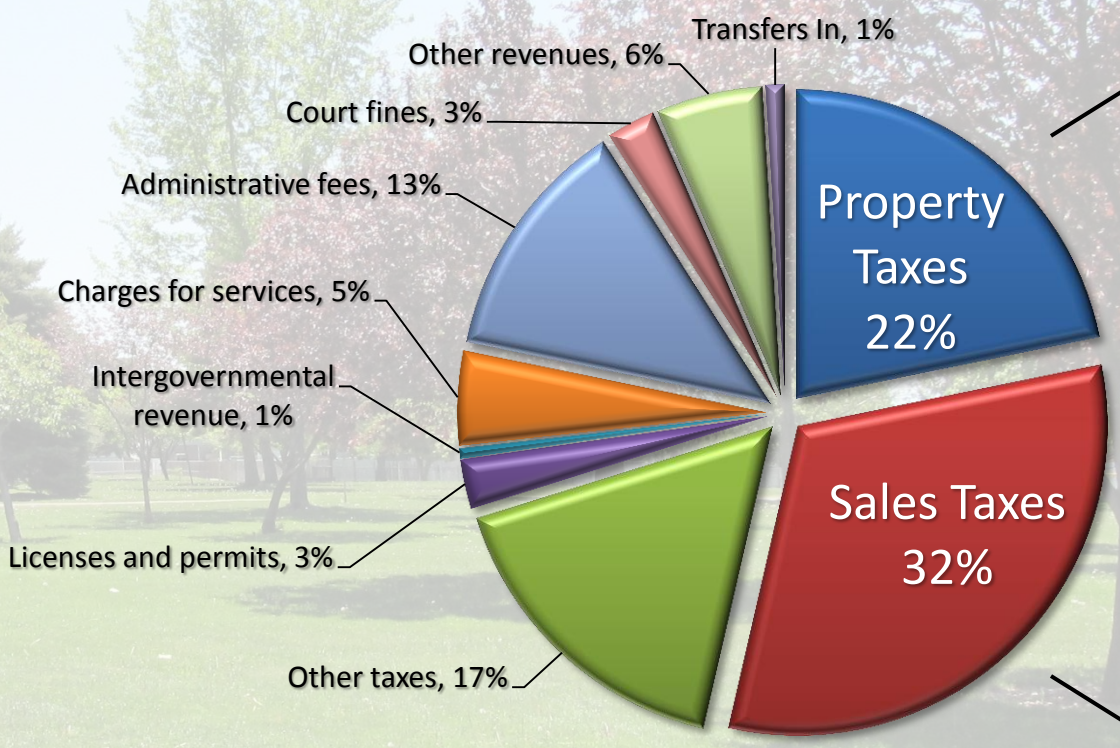


General Fund Revenue

What Is the General Fund?

The General Fund is the pool of money that pays for those functions most typically associated with a municipal government. The General Fund does not represent all the funds of the City. Revenues not a part of the General Fund are those typically collected through fees or grants and are normally used for specific services. As the consolidated budget shows, the General Fund represents that largest portion of the city budget, followed closely only by the Enterprise Fund. The pie chart below better explains the revenue sources for the General Fund, with the expenditures being explained on page five of this document.

Sources of Revenue for the General Fund

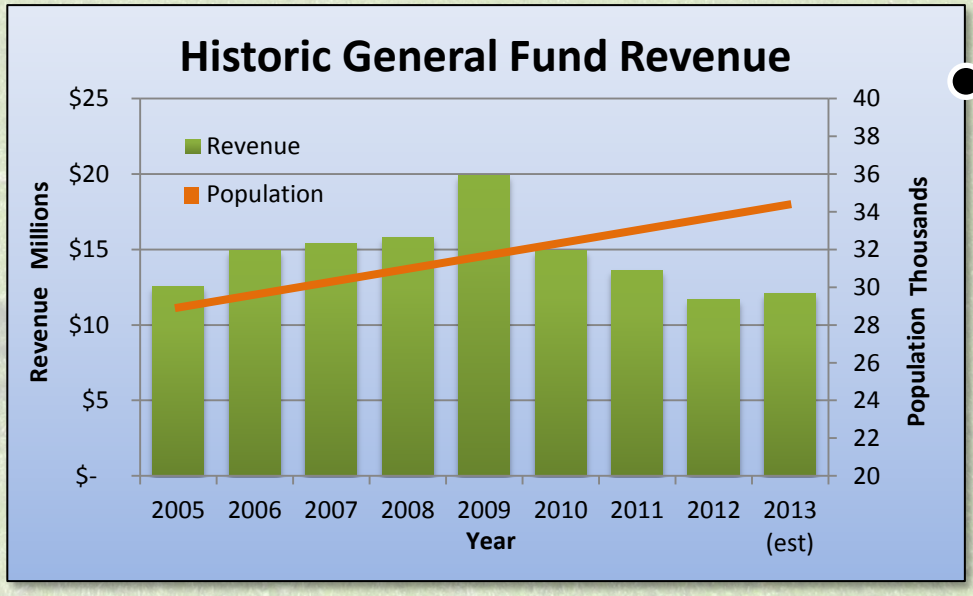


Total General Fund Revenue: $12,066,719

Total Property Tax: $2,630,000

Total Sales Tax: $3,837,245

Total Other: $5,599,474



One of the biggest challenges facing Pleasant Grove City has been declining revenue since 2009 with a gradually increasing population. Although population is expected to increase into the future, fiscal conservatism allows Pleasant Grove to continue to offer quality service.

How Property Tax Works

Taxable home value
$115,500

45% tax exemption for homeowners

Home value
$210,000

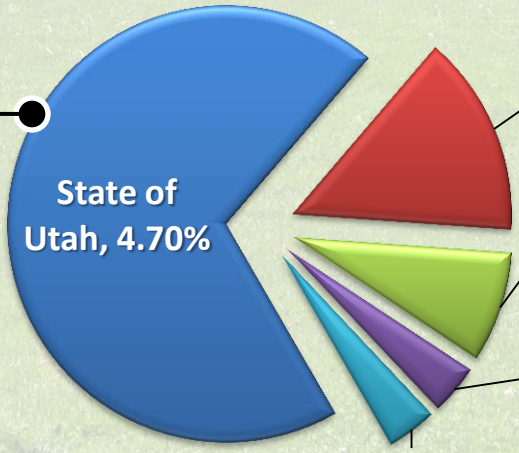
Property tax
1.2874%
$1487

County, school district, misc. (83%) **$1226**

Pleasant Grove (17%) **$261**

Pleasant Grove collects $261 (0.00124%) from a property valued at $210,000

How Sales Tax Works



Sales tax = 6.75%

Municipal government, 1.00% → .5% stays in city

Municipal government, 1.00% → .5% goes into a state pool and is divided among cities based on population

For every $1.00 of sales tax collected in the City, Pleasant Grove also gets $1.75 from the state pool

Sales and Property tax rates based on 2011 data

General Fund Expenditures

Where does the money go?

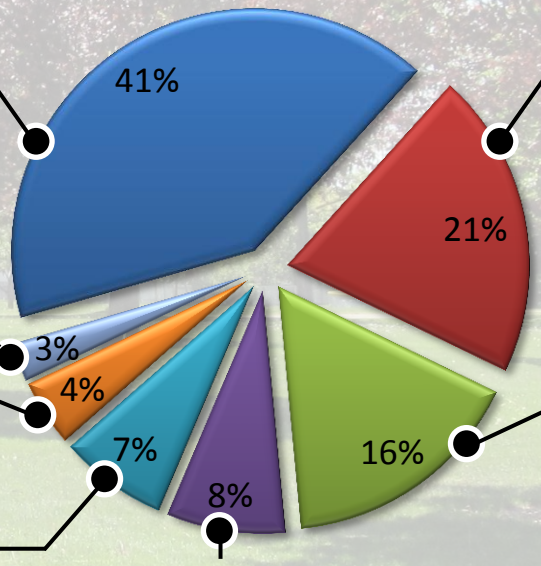
Proposed city budgets attempt to plan expenditures so they match projected revenues. But it's impossible to predict the future with certainty. Below are two options when the money received doesn't equal the amount spent?

1 If the City either receives more money than budgeted or spends less than budgeted, the city council decides how these funds are to be used. Typical options include placing unused funds into reserves or spending them on one-time projects.

2 If the City receives less money than budgeted, such as during economic recessions, it will typically use money in its fund balance reserves to cover any shortfall, which is the purpose of a fund balance.

General Fund Expenditures by Department

Below is a chart of how much each department spent in FY 2012. The General Government department, which is the second largest source of expenditures, is really just elements of other departments. A good example is Custodial Services, which perform custodial work for all departments. If all the services performed for other departments were listed in their respective departments, General Government would be one of the smallest sources of expenditures.



Public Safety
$4,969,570
Police
Fire
Animal Control

Court
$308,370

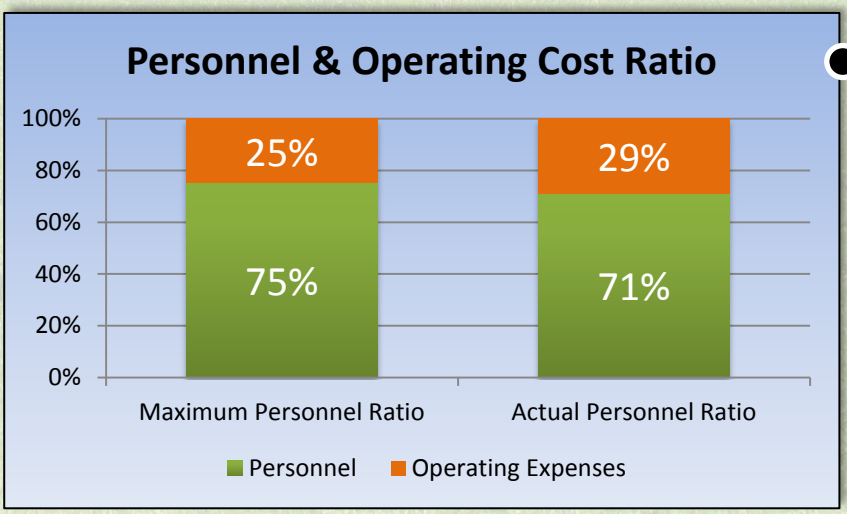
Public Works
$535,046
Streets
Waste Collection

Transfers
$868,885
Money transferred to other funds to support that funds activities; e.g., swimming pool

Community Development
$951,616
Engineering
Community Development

General Government
$2,468,895
Mayor & Council
Legal
Physical Facilities
Administrative Services
Custodial Services
Other Expenditures

Leisure Services
$1,972,341
Library
Senior Citizen Center
Parks
Recreation
Leisure Services



"The People Make the Company"

Whether public or private, the biggest cost for any organization is its personnel. Pleasant Grove has as its goal to have 75% or lower of general operating expenses (General Fund) go towards personnel. In actuality, Pleasant Grove spends considerably less on personnel: 71%. This allows the City to invest even more into operating expenses. The trim personnel budget has existed for the past 2 years because of a freeze on wage increases among city staff, and even though a 3% wage increase has take place, the City will remain below its 75% personnel cap.

Projects

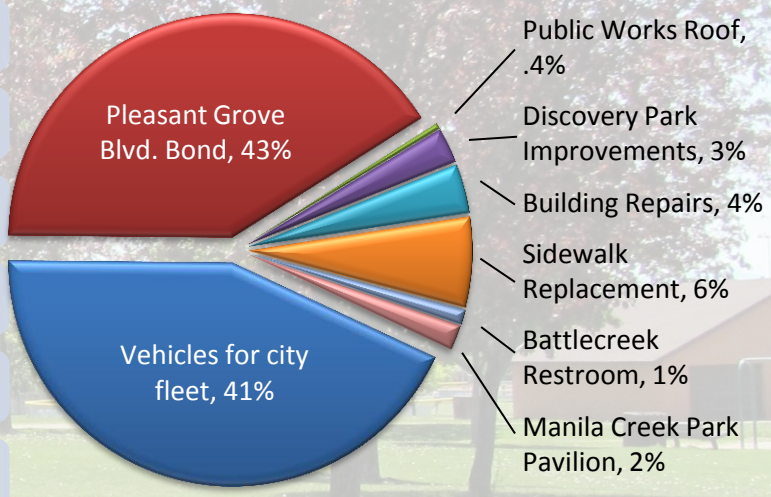
Capital Projects

Capital projects are large, expensive, one-time projects that greatly influence how budgets are managed. An example could be the expenditures of a Parks and Recreation Department's budget over five years. If they built a swimming pool in one of those years there would be a large spike in expenditures that year while all other years were significantly less. Because capital projects come intermittently, like the swimming pool, and because they represent such a large cost, they are often considered "lumpy" in a budget and consequently are put in their own separate fund. Separating capital projects gives more stability when tracking other revenues and expenditures over time. Below are the capital projects expected to take place in July 2012 through June 2013:

Capital Projects

$200,810	• Pleasant Grove Blvd. Bond
$190,000	• Vehicles for City Fleet
$2,000	• Public Works Roof
$11,764	• Discovery Park Improvements
$16,629	• Building Repairs
$30,000	• Sidewalk Replacement
$5,000	• Manila Creek Park Pavilion
$8,500	• Battle Creek Restroom

Capital Projects as a Percent



Total Capital Projects for FY 2013: $464,703

Streets – Where the rubber hits the road!

Street improvements and maintenance are paid for primarily from Class C Road Funds, also called "gas tax." The chart below shows the process for acquiring funds from the gas tax. Of the $985,000 Pleasant Grove receives, more than $700,000 each year is used to pay back a bond for past street improvement projects.

Sustainable Maintenance

Pleasant Grove has recently updated its road maintenance plan to use technologies that better measure road conditions. These measurements allow the City to extend the life of their roads rather than replacing them after they fail. Maintaining and sealing a good road every few years has the benefit of increasing the road's life and costing less than the previous system. In addition to maintaining recently improved roads, Pleasant Grove will slowly add roads that need major improvements as funding is available. So if you see a relatively new road (upwards of five years old or less) being treated, it's part of the plan!

Debt Service

Why Serve Debt?

Debt service refers to the annual obligation Pleasant Grove has to outstanding debt, most of which is through the issuance of bonds. A bond is an obligation to pay back a loan with interest. If a city bonds to fund a project, there are several bonding options available.

A Case for Debt

There are times when debt is the cheapest and most logical option for funding a project. Below are three main reasons why debt might be advantageous over other methods, such as saving up.

Intergenerational Equity

- Saving up for 30 years for a recreation center may seem financially prudent, but may result in citizens paying for an asset they will never use. Many of the Pleasant Grove citizens who would be paying for the recreation center would likely move before it is built, leaving new residents who didn't pay anything to come in 30 years later and use it. Bonding to pay for the recreation center fixes this inequity by making those who pay for it also those who will use it.

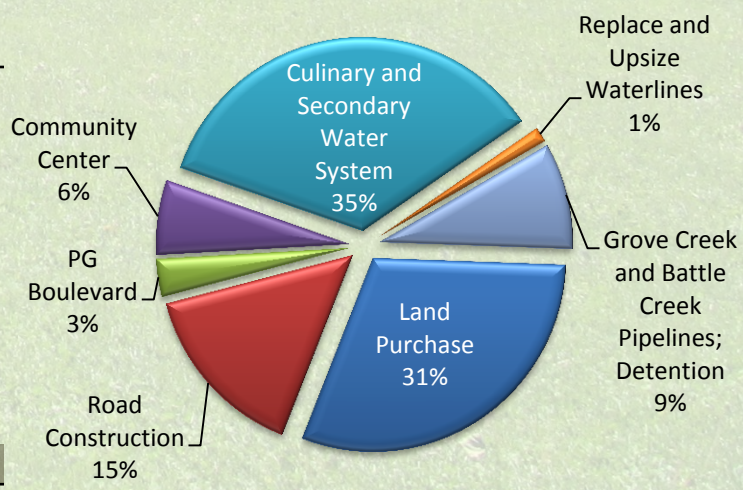
Immediate Need

- While some capital projects can wait, others may be more pressing. If the Fire Department's building collapses from an earthquake, Pleasant Grove cannot wait 30 years before they have the money to build a new one. The City may even need to replace the building preemptively for safety reasons. Safety, opportunity, and demand can each dictate the need for a capital project now rather than waiting for it later.

Cheapest Option

- It may seem counterintuitive to think that simply paying for something can be more expensive than paying for something with interest, but this can sometimes be the case. Inflation reduces the purchasing power of money by steadily increasing every year. That means a lollipop today will cost more than the same lollipop did 30 years ago. That also means the City could pay a lot more for a project 30 years from now than they would if they bonded for it today. If the cost of the project 30 years from now is less than the cost of it today, plus interest, then it is cheaper to bond for it now rather than wait.

Pleasant Grove's Debt

Use of Fund	Debt Payment for FY 2013	Balance as of June 2012
Land Purchase	$ 1,560,583	$ 18,383,000
Road Construction	$ 767,888	$ 3,750,000
PG Boulevard	$ 162,413	$ 4,390,000
Community Center	$ 316,583	$ 4,510,000
Culinary and Secondary Water System	$ 1,802,074	$ 22,741,000
Replace and Upsize Waterlines	$ 65,100	$ 1,000,000
Grove/Battle Creek Pipelines & Detention	$ 454,907	$ 7,050,000
Total	$ 5,466,144	$ 67,298,852

Debt Payment for FY 2013