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INTERLAKEN ESTATES
FINANCIAL FEASIBILITY STUDY

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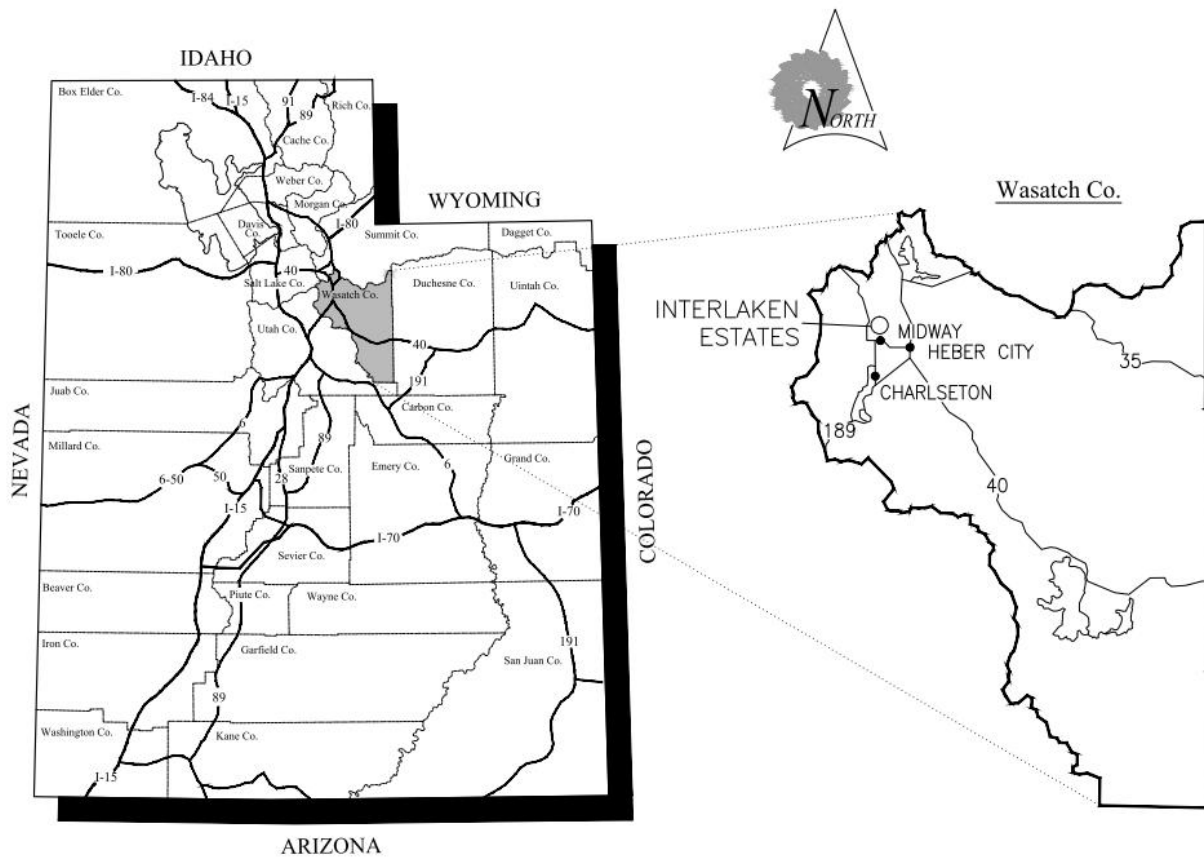
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INTRODUCTION

This report, a Financial Feasibility Study for the Incorporation of a town for approximately 142 acres of land in Wasatch County, is being prepared to determine the anticipated growth in the area as well as anticipated costs of services and revenue projections. The data being prepared in accordance with the Utah Code, Section 10-2-125.

The Interlaken Estates Community is located in western Wasatch County directly North of Midway City. The general boundaries of the community are Sections 22, 23, 26, and 27 of Township 3 South Range 4 East.

AREA MAP



POPULATION AND POPULATION DENSITY

Population

The most recent census was performed in 2010. To try and obtain an accurate estimation of the current population for Interlaken Estates, census data from 1950 to 2010 for the area was obtained and given in Table 1. Projected data was obtained from the Utah Population Estimates Committee and is show in bold font of Table 1.

Table 1 - US Census Bureau Data 1950-2010

POPULATION - HISTORICAL AND PROJECTED										
	UTAH	Wasatch County			Heber City			Midway City		
Year	Ave. Household Population	Population	Area (sq. mi)	Density (Pop/sq. mi)	Population	Area (sq. mi)	Density (Pop/sq. mi)	Population	Area (sq. mi)	Density (Pop/sq. mi)
1950	4	5,574	1,194	4.7	2,936	3.45	851	711	3.35	212
1960	3.62	5,308	1,194	4.4	2,936	3.45	851	713	3.35	213
1970	3.46	5,863	1,191	4.9	3,245	3.45	941	804	3.35	240
1980	3.2	8,523	1,191	7.2	4,362	3.45	1,264	1,194	3.35	356
1990	3.15	10,089	1,209	8.3	4,782	2.1	2,277	1,554	2.9	536
2000	3.13	15,215	1,177	12.9	7,291	3.45	2,113	2,121	3.35	633
2010	3.1	23,530	1,177	20.0	11,362	8.41	1,351	3,845	5.24	734
2011	3.09	24,376	1,177	21	11,712	8.41	1,393	4,023	5.24	768
2012	3.08	25,311	1,177	21	12,072	8.41	1,435	4,208	5.24	803
2013	3.07	26,161	1,177	22	12,444	8.41	1,480	4,403	5.24	840
2014	3.06	27,040	1,177	23	12,827	8.41	1,525	4,606	5.24	879
2015	3.04	27,948	1,177	24	13,222	8.41	1,572	4,819	5.24	920
2016	3.03	28,887	1,177	25	13,629	8.41	1,621	5,041	5.24	962
2017	3.02	29,857	1,177	25	14,049	8.41	1,671	5,274	5.24	1,006
2018	3.01	30,860	1,177	26	14,482	8.41	1,722	5,518	5.24	1,053
2019	3.00	31,896	1,177	27	14,927	8.41	1,775	5,772	5.24	1,102
2020	2.99	32,741	1,177	28	15,387	8.41	1,830	6,039	5.24	1,152

Governor's Office of Planning Projected Value

Numbers extrapolated from average growth rates between 2010 and 2020

Since the current year 2014 is not a census year, the current population has to be estimated. A growth rate is calculated based on the historical population data. The average annual growth rate can be found by using the compound interest formula and solving for the growth rate, or “i”. The compound interest formula is given as:

$$F = P * (1 + i)^n$$

Where: F = future population, P = present population, i = annual growth rate, and n = number of years between P and F

From the census data above, a past growth rate for Wasatch County, Heber City, and Midway City was determined for each decade from 1950-2010 and an average over the entire period is given in Table 2.

Table 2 – Average Growth Rate 1950-2010

	PERCENT ANNUAL GROWTH		
	Wasatch County	Heber City	Midway City
Year	Percent Annual Growth	Percent Annual Growth	Percent Annual Growth
1950	***	***	***
1960	-0.5%	0.0%	0.0%
1970	1.0%	1.0%	1.2%
1980	3.8%	3.0%	4.0%
1990	1.7%	0.9%	2.7%
2000	4.2%	4.3%	3.2%
2010	4.5%	4.5%	6.1%
Average	2.4%	2.3%	2.9%

The Utah Population Estimates Committee produced estimated populations for Wasatch County, Heber City, and Midway City for the year 2020 (Table 1). An average projected growth rate was determined from the populations between 2010 and the projected population in 2020, these projected growth rates are given in Table 3.

Table 3 – Projected Growth Rates

AVERAGE PERCENT PROJECTED GROWTH		
Wasatch County	Heber City	Midway City
2010-2020	2010-2020	2010-2020
3.4%	3.1%	4.6%

Based on all of the compiled data, it is determined that an average growth rate of 3.5% would be used to determine the current population from the 2010 census, and the projected five year population for the surrounding areas.

Currently Interlaken Estates has 135 residential lots with 49 of them being secondary homes. This leaves 86 lots as primary residents. The population of the Interlaken Estates was estimated by taking the average population per household for the State of Utah and multiplying that average by 86 homes. Table 1 shows the average population per household from 1950-2010. Table 4 shows the percent change from decade to decade of the household size in the State of Utah.

Table 4 – Percent Change of Household Population 1950-2010

PERCENT ANNUAL GROWTH	
Utah	
Year	Percent Annual Growth (Households)
1950	***
1960	-9.5%
1970	-4.4%
1980	-7.5%
1990	-1.6%
2000	-0.6%
2010	-1.0%
2010-2020	-0.4%
Average	-3.6%

Considering that the Utah Population Estimates Committee estimated a decrease of -0.4% in household size from 2010-2020 an average decrease in household size of -3.6% was figured from 1950-2020. Table 5's population increases at a rate of 3.5% and the household population decreases at the rate of -0.4% to coincide with The Utah Population Estimates Committee's projected rate from 2010-2020. The number of households are then back calculated by dividing projected population by the average household population. This gives a current population of 263 residents for Interlaken Estates and a five year projection of 323 residents that can be seen in Table 5.

Table 5 – Interlaken Estates Population

ESTIMATED INTERLAKEN ESTATES POPULATION					
Year	# of Households	Ave. Population/Household	Population	Density Population/ Sq. Mi.	Density Population/ Lot
2014	86	3.06	263	1180	1.9
2015	89	3.04	272	1221	2.0
2016	93	3.03	281	1264	2.1
2017	96	3.02	291	1308	2.2
2018	100	3.01	302	1354	2.2
2019	104	3.00	312	1401	2.3
2020	108	*2.99	323	1450	2.4

* Governor's Office of Planning Projected Value

Population Density

Population densities for Wasatch County, Heber City, and Midway City were given in the census data from 1950-2010 and are shown in Table 1. To calculate the current and five-year projected population densities, the projected populations were divided by the current area of each city or county. These values are also given in Table 1 and were included in each decennial census.

Interlaken Estates has a total land area of 142.85 acres, or approximately 0.22 square miles. Interlaken Estates is essentially land locked by Wasatch State Park and the City of Midway. Table 5 gives the current population density of 1852 per square mile, and a projected density of 2,276 per square mile. There are 135 residential lots in Interlaken Estates so the population density could be looked at as 1.9 per lot currently, or 2.4 per lot in five years.

DEMOGRAPHICS & ECONOMIC BASE

Basic census data on population is published every ten years. There are periodic estimates made during the ten year period for larger areas such as counties and the state. From the census data from 2010, these are the general population characteristics of the surrounding area:

- Median Age (years)
 - Utah : 29.2
 - Wasatch County : 31.6
 - Heber City : 27.7
 - Midway City : 34.1

- School Age Children % of All Person
 - Under 18 years – Utah 31.5
 - Under 18 years – Wasatch County 33.9
 - Under 18 years – Heber City 37.1
 - Under 18 years – Midway City 27.5

 - Under 5 years – Utah 9.5
 - Under 5 years – Wasatch County 9.9
 - Under 5 years – Heber City 11.5
 - Under 5 years – Midway City 7.9

The median household income for Interlaken Estates was taken from the US Census Bureau’s Small Area Income and Poverty Estimates. Estimates were only available through the year 2012. Values beyond the year 2012 were based on average percent change over the years 2002-2012 and extrapolated to predict the years 2013-2020 based on the total average percent change (Table 6 & 7).

Table 6 – Median Household Income

INCOME HISTORICAL & PROJECTED		
Year	UTAH	Wasatch County
	Ave. Income	Ave. Income
2002	\$46,165	\$50,615
2003	\$46,709	\$51,180
2004	\$47,224	\$53,661
2005	\$48,155	\$54,340
2006	\$51,373	\$58,359
2007	\$55,220	\$60,888
2008	\$56,820	\$64,238
2009	\$55,183	\$61,609
2010	\$54,740	\$61,593
2011	\$55,802	\$56,379
2012	\$57,067	\$62,014
2013	\$58,314	\$63,370
2014	\$59,587	\$64,756
2015	\$60,889	\$66,173
2016	\$62,219	\$67,620
2017	\$63,578	\$69,099
2018	\$64,967	\$70,610
2019	\$66,386	\$72,155
2020	\$67,836	\$73,733

Values taken from US Census Bureau - Small Area Income and Poverty Estimates
Projected Estimates Based of associated average increase

Table 7 – Percent Change of Income

YEARLY PERCENTAGE INCOME CHANGE		
Year	UTAH	Wasatch County
	Ave. Income	Ave. Income
2002	-----	-----
2003	1.18%	1.12%
2004	1.10%	4.85%
2005	1.97%	1.27%
2006	6.68%	7.40%
2007	7.49%	4.33%
2008	2.90%	5.50%
2009	-2.88%	-4.09%
2010	-0.80%	-0.03%
2011	1.94%	-8.47%
2012	2.27%	9.99%
Average	2.18%	2.19%

The average median income of Interlaken Estates currently could be considered close to the average of \$64,370 in Wasatch County. The 5-year (2019) projected median income of Wasatch County is based off the ten year average change of 2.19% from 2002-2012. This income value of \$72,155 is projected for the Interlaken Estates community for the year 2019.

No commercial or industrial development is expected to take place within Interlaken Estates. The land area has already been subdivided into residential lots and is land locked to expansion. The only public facility will be a city office that will be located inside the current pump house located within the community. This single governmental building will not have an impact on the local economy of Interlaken Estates.

EXPENDITURES

Interlaken Estates will be directly responsible for the service and maintenance of roads, public works, weeds, government offices, government overhead, culinary water, and secondary water. The cost of these services are shown in Table 8.

Sewer, fire protection, and law enforcement are services that are currently and will continue to be provided by other agencies other than Interlaken Estates. Sewer will be provided through the Midway Sanitation District. Sewer service connections will continue to be charged on an individual connection basis. There will continue to be no additional costs for sewer service to Interlaken Estates by becoming its own municipality.

Fire protection will continue to be provided through the Wasatch County Fire Department. The Wasatch County Fire Department is funded through county tax dollars. The level of service will remain the same and no additional cost will be assessed to the Interlaken Estates community for incorporating into a municipality for fire protection.

Other costs worth noting are a contingency fund, a reserve fund, and a loan payment fund for a previous water project that are contributed to annually. The contingency fund is money set aside for unplanned expenses that could arise from legal fees and other professional services that will accompany any municipality. A reserve fund study was performed for the Interlaken Mutual Water Company by Western Architectural Forensic Architects and Engineers. This study projected costs over a 50 year period that would cover the maintenance and improvements to the community's infrastructure. This is the purpose of the reserve fund. The contingency and reserve costs were included in the Government Offices section of Table 8. The water loan payment was included in the Culinary/Secondary section of Table 8.

Current and Projected Costs are both included in Table 8 below. All projected costs are based off an inflation rate of 3%.

Table 8 - Current and Projected Costs

				Future Cost				
Inflation Rate 3.00%	Item Cost	Period	2014	1	2	3	4	5
				2015	2016	2017	2018	2019
Culinary/Secondary Water								
	Submersible Pump	\$ 28,000.00	2016		\$ 29,705.20			
	Water Loan Payment	\$ 75,000.00	Annual	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00
	Capital Replacement Fund	\$ 500.00	Annual	\$ 500.00	\$ 515.00	\$ 530.45	\$ 546.36	\$ 562.75
	Management	\$ 10,000.00	Annual	\$ 10,000.00	\$ 10,300.00	\$ 10,609.00	\$ 10,927.27	\$ 11,255.09
Sewer								
No Cost to City - Private Connections through Midway City								
Law Enforcement								
No Cost to City - Paid for by County Taxes								
Fire Protection								
No Cost to City - Paid for by County Taxes								
Road and Public Works								
	Traffic Signage	\$ 600.00	2019					\$ 695.56
	Ashphalt Reseal	\$ 49,500.00	2017			\$ 54,089.99		
	Shoulder Work	\$ 1,100.00	Annual	\$ 1,100.00	\$ 1,133.00	\$ 1,166.99	\$ 1,202.00	\$ 1,238.06
	Crack Sealing	\$ 4,000.00	Annual	\$ 5,500.00	\$ 4,120.00	\$ 4,243.60	\$ 4,370.91	\$ 4,502.04
	Supplies - Salt, Sand, etc	\$ 2,000.00	Annual	\$ 2,000.00	\$ 2,060.00	\$ 2,121.80	\$ 2,185.45	\$ 2,251.02
	Maintain.	\$ 20,000.00	2014	\$ 20,000.00				
	Snow Removal	\$ 25,000.00	Annual	\$ 25,000.00	\$ 25,750.00	\$ 26,522.50	\$ 27,318.18	\$ 28,137.72
	Exterior Paint	\$ 1,989.00	2016		\$ 2,110.13			
Garbage								
No Cost to City - Paid for Individually by Residents								
Weeds								
	Spray/Whack	\$1,500.00	Annual	\$1,500.00	\$ 1,545.00	\$ 1,591.35	\$ 1,639.09	\$ 1,688.26
Government Offices								
	Water Master	\$ 6,400.00	Annual	\$ 6,400.00	\$ 6,592.00	\$ 6,789.76	\$ 6,993.45	\$ 7,203.26
	Clerk/Recorder (est.)	\$ 18,000.00	Annual	\$ 18,000.00	\$ 18,540.00	\$ 19,096.20	\$ 19,669.09	\$ 20,259.16
	Administrative	\$ 15,313.00	Annual	\$ 15,313.00	\$ 15,772.39	\$ 16,245.56	\$ 16,732.93	\$ 17,234.92
	Contingency	\$ 15,000.00	Annual	\$ 15,000.00	\$ 15,450.00	\$ 15,913.50	\$ 16,390.91	\$ 16,882.63
	Reserve	\$ 30,000.00	Annual	\$ 30,000.00	\$ 30,900.00	\$ 31,827.00	\$ 32,781.81	\$ 33,765.26
Total Estimated Expenditures			2014	2015	2016	2017	2018	2019
			\$207,313.00	\$207,677.39	\$243,473.04	\$269,847.43	\$ 219,980.17	\$ 225,025.14
								5 Year Expenditure Average \$233,200.63

REVENUES

The Interlaken Mutual Water Company currently charges a rate of \$1200.00 per year for a connection on the water system and for road maintenance. A reduced future fee would be adjusted to \$900 due to a projected increase revenue from taxes and B & C road funds. It is required by Utah Code 10-2-125 that anticipated tax revenue be considered as part of the municipality's revenue as part of this financial feasibility study.

Ultimately it would be a decision by the community as to whether future revenue would be by taxation or a flat rate. After consulting with Wasatch County's assessment office and clerk's office, a taxable rate of 0.001114 would be used as a revenue rate for Interlaken Estates. This same rate is utilized in Charlestown,

another community in Wasatch County, and was determined to be a sufficient tax rate Interlaken Estates could be based on as well. The 1% Utah State sales tax is money available to communities who adopt an ordinance for use of this money. A town a similar size and economy were used as an estimation of the revenue that would be received by adopting such and ordinance.

Twenty properties were randomly selected and looked at for their previous taxable values, and an average taxable value was tabulated from those twenty properties as shown in Table 9.

Table 9 – Average Property Taxable Value

INTERLAKEN ESTATES AVERAGE TAXABLE VALUE			
Parcel #	Address	Class	Taxable Value
00-0001-0954	303 INTERLAKEN DR	Primary/Secondary	\$ 191,223.00
00-0001-1796	338 BERN WAY	Primary/Secondary	\$ 220,928.00
00-0001-1291	324 JUNGFR AU HILL RD	Primary/Secondary	\$ 185,409.00
00-0001-2364	250 BIG MATTERHORN CIR	Primary/Secondary	\$ 457,549.00
00-0001-0772	268 INTERLAKEN DR	Primary/Secondary	\$ 132,438.00
00-0001-1507	328 INTERLAKEN DR	Primary/Secondary	\$ 199,115.00
00-0001-1721	451 BERN WAY	Primary/Secondary	\$ 362,334.00
00-0001-2240	235 INTERLAKEN DR	Primary/Secondary	\$ 143,058.00
00-0001-2166	257 INTERLAKEN DR	Primary/Secondary	\$ 167,508.00
00-0001-0996	315 JUNGFR AU HILL RD	Primary/Secondary	\$ 132,527.00
00-0001-0855	269 INTERLAKEN DR	Primary/Secondary	\$ 163,684.00
00-0001-0889	277 INTERLAKEN DR	Primary/Secondary	\$ 191,135.00
00-0001-2083	500 EIGER POINT RD	Primary/Secondary	\$ 119,849.00
00-0001-0384	312 JUNGFR AU HILL RD	Primary/Secondary	\$ 148,104.00
00-0001-1648	380 LUZERN WAY	Primary/Secondary	\$ 158,467.00
00-0001-1366	325 BERN WAY	Primary/Secondary	\$ 366,733.00
00-0001-1127	254 INTERLAKEN DR	Primary/Secondary	\$ 261,859.00
00-0001-0517	268 W ST MORITZ RD	Primary/Secondary	\$ 130,658.00
00-0001-0723	278 INTERLAKEN DR	Primary/Secondary	\$ 389,628.00
00-0001-1481	320 INTERLAKEN DR	Primary/Secondary	\$ 140,538.00
Ave. Taxable Value			\$ 213,137.20

The average taxable value was then multiplied by the current 135 lots and increased by 3.0% for the projected 5 year values. Vacant lots were looked into and an average taxable value of \$115,000 was projected be applied to the 50 vacant lots within Interlaken Estates. Table 10 shows the current and anticipated revenue of Interlaken Estates.

Table 10 – Current and Projected Revenue

				Future Revenue						
Inflation Rate 3.00%		Current Fee (2014)		2014 Revenue	Future Fee	1	2	3	4	5
		\$/Connection	# Connections			2015	2016	2017	2018	2019
Culinary/Secondary Water										
	IMWC Fee	\$ 1,200.00	185	\$ 222,000.00	\$ 900.00	\$ 166,500.00	\$ 171,495.00	\$ 176,639.85	\$ 181,939.05	\$ 187,397.22
	Late Fees	\$ 350.00		\$ 350.00	\$ 350.00	\$ 360.50	\$ 371.32	\$ 382.45	\$ 393.93	\$ 405.75
	Transfer Fee	\$ 150.00		\$ 150.00	\$ 150.00	\$ 154.50	\$ 159.14	\$ 163.91	\$ 168.83	\$ 173.89
	Water Usage	\$ 1,000.00		\$ 1,000.00	\$ 1,000.00	\$ 1,030.00	\$ 1,060.90	\$ 1,092.73	\$ 1,125.51	\$ 1,159.27
Classification	Tax rate	Taxable Value	# of Properties							
Residence	0.001114	\$ 213,137.20	135	N/A	N/A	\$ 32,053.70	\$ 33,015.31	\$ 34,005.77	\$ 35,025.95	\$ 36,076.73
Vacant	0.001114	\$ 115,000.00	50	N/A	N/A	\$ 6,405.50	\$ 6,597.67	\$ 6,795.59	\$ 6,999.46	\$ 7,209.45
1% Sales Tax		\$ 12,000.00				\$ 12,000.00	\$ 12,360.00	\$ 12,730.80	\$ 13,112.72	\$ 13,506.11
B & C Road Funds										
		\$ 3,000.00		N/A	N/A	\$ 3,000.00	\$ 3,090.00	\$ 3,182.70	\$ 3,278.18	\$ 3,376.53
Total Estimated Revenues				2014		2015	2016	2017	2018	2019
				\$223,500.00		\$ 221,504.20	\$ 228,149.33	\$ 234,993.81	\$ 242,043.62	\$ 249,304.93
						5 Year Average Revenue				\$ 235,199.18

As per Utah Code Section 10-2-125, the 5-year projected revenue for a community seeking incorporation cannot be more than 10% of the 5-year projected costs. Table 11 summarizes those values and shows that the 5-year projected revenue is below the required 10%, at 0.86% above the projected costs.

Table 11 – Percentage of Revenue to Expenditure

Percent Difference Revenue/Expenditure						
	2015	2016	2017	2018	2019	5 Year Sum
Revenue						
	\$ 221,504.20	\$ 228,149.33	\$ 234,993.81	\$ 242,043.62	\$ 249,304.93	\$1,175,995.90
Expenditures						
	\$ 207,677.39	\$ 243,473.04	\$ 269,847.43	\$ 219,980.17	\$ 225,025.14	\$ 1,166,003.16
					% Difference	
						0.86%

CONCLUSION

The Interlaken Community has maintained a good relationship with county services that will continue to serve them as they incorporate into a municipality of their own. With safety to its residents as the highest priority, sewer, garbage, fire, and law enforcement will see no change in services after the incorporation of Interlaken Estates.

Results of the feasibility study show that the proposed incorporation of Interlaken Estates is feasible in terms of revenue versus expenditures. Interlaken Estates is in a good situation such that they have planned ahead for futures expenses and contingent events. This has been done while establishing a stable water fee that covers existing and future expenses.



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