
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: August 8, 2003

SUBJECT: **General Obligation Bond Proposed Projects and Debt Ratios**

AFFECTED COUNCIL DISTRICTS: Citywide

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KEY ELEMENTS:

The Administration is proposing that the City Council call and hold an election for the approval of general obligation bonds. The bonds would be used for City projects such as renovation of existing City buildings and construction of new recreation facilities. The Administration recently commissioned a survey of City residents to gauge the potential support of the proposed general obligation bond election. The survey and responses are attached. The Council will discuss the specifics of each of the proposed projects during the August 12 and September 2, 2003 Council work sessions.

The Council has the authority to call a special bond election. This report summarizes the proposed projects.

The Administration has also provided a transmittal that details all of the debt that the City carries and the current debt ratios of the residents of Salt Lake City. The transmittal is attached for review and inclusion into the discussion on the proposed bond projects.

The Council will need to consider a several resolutions relating to the issuance of general obligation bonds. The Council may wish to direct the Administration to prepare the required resolutions for review during the September 2, 2003 meeting.

➤ GENERAL OBLIGATION BOND PROPOSED PROJECTS

The Leonardo – The Administration is recommending that the old main library be renovated and leased to The Leonardo at Library Square. The facility would house a science, cultural and educational facility. Several different groups are anticipated to have a presence at the facility.

The requested bond amount is \$10 million dollars. Approximately \$4.5 million will be used for remodeling and interior improvements, \$4.5 million for seismic, electrical, plumbing, heating and air conditioning, and \$.05 million for joint space functions such as shops, ticketing and security.

The total cost of this project is anticipated to be \$25 million.

Salt Lake City branch libraries – The Administration is recommending that the Salt Lake City Library system be enlarged to include two new branch libraries, one in the Glendale and one in the Capitol Hill area.

The requested bond amount is \$5.25 million dollars. Approximately \$5.0 million will be used for construction of the facilities and \$250 thousand dollars for property acquisition.

The total cost of this project is anticipated to be \$5.25 million.

Open Space – The Administration is recommending that the City create an Open Space Trust Fund to help purchase, receive and manage open space lands in Salt Lake City.

The requested bond amount is not noted in the transmittal from the Administration but the survey that was conducted on behalf of the City listed \$3 million dollars as a potential amount. The Council would set the bond amounts for each of the proposed projects.

Regional Sports Field Complex – The Administration is recommending that the City construct a multi-purpose regional sports complex on 212 acres at 2000 North and 2000 West. The facility could be used by several different entities and be constructed and managed in partnership with several municipalities and local government entities.

The requested bond amount is \$17.5 million dollars. If the City chooses to construct an indoor structure the cost would be \$22.5 million.

Pioneer Park – The Administration is recommending that the City renovate Pioneer Park by introducing new design elements and making the park a destination for City residents.

The requested bond amount is \$4.1 million dollars. Approximately \$3.1 million will be used for design and construction costs and \$1 million for contingency and fees.

Hansen Planetarium – The Administration is recommending that the City renovate and preserve the historic Hansen Planetarium building.

The requested bond amount is \$6.1 million dollars. Bond proceeds will be used to renovate the building to pre-tenant condition.

Hogle Zoo – The Administration is recommending that the City contribute \$10 million towards the renovation of animal exhibits at the Hogle Zoo.

The requested bond amount is \$10 million dollars. Bond proceeds will be used to renovate the large animal and cat enclosures to current zoo standards.

➤ **POLICY CONSIDERATIONS AND ANALYSIS**

The Administration has proposed several projects for funding and has conducted a survey of City residents to gauge the potential support for these projects were they to be voted upon during a special bond election. The survey included the Wasatch Plunge building which is not being recommended for inclusion in the bond election.

The Administration is recommending that all of the proposed projects be included in a single, combined General Obligation Bond issue. The City Council may wish to consider if all of the projects should be combined into a single issue or if each project should be listed separately.

The City Council may wish to consider other projects in addition to the recommended projects.

The City Council may wish to consider the effect that the proposed projects will have on the debt ratios of the City and the burden to future fiscal year budgets.

The City Council may also wish to consider the following policy questions that were asked on the written briefing report for the August 7, 2003 Council work session:

Will the issuance of general obligation bonds for the proposed projects affect the bond rating of the City?

Is it good public policy to use bond financing for recreation related?

What is the acceptable debt per capita of the residents and businesses of the City and what is the current debt per capita ratio?

Will this bond issuance inhibit new construction or population growth in the City?

Will companies choose to locate outside of the City because of this additional tax obligation?

Will the proposed projects fulfill Master Plan objectives and recommendations?

Would the City Council be fulfilling its fiduciary responsibilities by supporting or not supporting a special bond election and general obligation bond issuance?

How will the City finance the operations and maintenance of any new facilities or expanded programs?

Are the programs and facilities being suggested by the bond the Council's top policy priorities for which the Council wishes to exercise taxing authority?

Are there other projects that the City Council considers funding priorities, for example projects that have been identified on the City's CIP list?

How do the proposed projects compare to the other projects?

Would bonding for the proposed projects be consistent with the City's current focus and policy direction, or would bonding move the City into programs beyond the City's traditional scope?

➤ **BUDGET RELATED FACTS**

The proposed projects will be funded by the general obligation bonds. The bonds will cover only the construction and installation costs associated with the project. Project operating and maintenance costs will not be funded with general obligation bond revenue and will need to be appropriated in future year budgets. Some of the operating costs associated with the proposed project may be covered by contributions from Salt Lake County, the Hogle Zoo and other municipalities or private groups.

When the City Council authorized the City Library general obligation bonds they also decided to identify the potential operating and maintenance costs of the new facility and implement a property tax increase to cover the costs. The goal was to give the public a complete understanding of the financial impact of the project and to ensure that operating funds were available once the project was built. **The Council may wish to carefully identify any of the proposed projects that may have on-going expenses and identify the funding mechanisms for those costs prior to the bond election.**

cc: Rocky Fluhart, Cindy Gust-Jenson, Dan Mulé, Steve Fawcett, Gordon Hoskins, Rick Graham, Alison Weyher, Kevin Bergstrom, David Dobbins, David Nimkin and DJ Baxter

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