

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2003-04

DATE: May 20, 2003

BUDGET FOR: **NON-DEPARTMENTAL (General Fund)**

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The Non-Departmental budget provides a means to account for General Fund moneys transferred to other funds, contingency funds, and disbursements to civic organizations that provide a service on behalf of Salt Lake City but which are not legal entities of the City. Salt Lake City also uses Non-Departmental to account for special revenue funds, debt services funds and the Capital Projects Fund. However, only the General Fund portion of the budget that is accounted for in Non-Departmental is discussed below.

The proposed budget for Non-Departmental for fiscal year 2003-2004 decreases by \$2,245,516 or 5.7%.

PROPOSED NON-DEPARTMENTAL GENERAL FUND BUDGET				
Programs	Amended Budget 2002-2003	Proposed Budget 2003-2004	Difference	Percent Change
Municipal Contributions/Civic Support	\$ 1,743,626	\$1,686,143	\$ (57,483)	(3.3%)
Other Programs	1,724,200	1,904,100	179,900	10.4%
Interest on Tax and Revenue Anticipation Notes	670,000	535,000	(135,000)	(20.1%)
Transfers to other City funds	34,911,490	32,678,557	(2,232,933)	(6.4%)
Contingencies	278,500	278,500		
TOTAL	\$39,327,816	\$37,082,300	\$(2,245,516)	(5.7%)

A complete list of the budget proposed for each contribution or proposed expenditure is shown on the next page.

PROPOSED NON-DEPARTMENTAL GENERAL FUND BUDGET				
Programs	Amended Budget 2002-2003	Proposed Budget 2003-2004	Difference	Percent Change
Municipal Contributions/Civic Support				
Civic Opportunities Fund	\$ 15,000	\$ 15,000	\$ -	
Community Emergency Winter Housing	63,000	63,500	500	0.8%
East Valley Chamber of Commerce	2,000	2,000	-	
Gifts/Receptions	20,600	20,600	-	
Hispanic Chamber of Commerce	1,500	1,500	-	
ICMA Performance Review Program	5,200	5,300	100	1.9%
Legal Defenders	295,139	379,051	83,912	28.4%
National League of Cities	8,900	9,860	960	10.8%
Sales Taxes Rebate	162,000	158,000	(4,000)	(2.5%)
Salt Lake City Arts Council	223,600	223,600	-	
Sister Cities	5,000	5,000	-	
SL Area Chamber of Commerce	29,527	30,000	473	1.6%
SL Valley Conference of Mayors	350	175	(175)	(50.0%)
Salt Lake Council of Governments	28,898	29,165	267	0.9%
Sugarhouse Park Authority	192,600	197,600	5,000	2.6%
Tracy Aviary	200,000	200,000	-	
Transitional Housing	103,000	107,500	4,500	4.4%
U.S. Conference of Mayors	7,320	10,300	2,980	40.7%
Utah Economic Development Corp.	132,992	132,992	-	
Utah League of Cities and Towns	90,000	95,000	5,000	5.6%
YouthCity Program	150,000	-	(150,000)	(100.0%)
Youth City Government Program	7,000	-	(7,000)	(100.0%)
Total Municipal Contributions/Civic Support	1,743,626	1,686,143	(57,483)	(3.3%)
Other Programs				
Accounting System Maintenance Agreement	63,000	65,000	2,000	3.2%
Animal Services	805,200	818,100	12,900	1.6%
Election Processing	-	175,000	175,000	
Geographic Information System	25,000	25,000	-	
Non CDBG Mailings	6,000	6,000	-	
Retirement payments	650,000	650,000	-	
SLCC Community Television	15,000	-	(15,000)	(100.0%)
Tuition aid program	110,000	110,000	-	
Washington DC Consultant	50,000	55,000	5,000	10.0%
Total Other Programs	1,724,200	1,904,100	79,900	10.4%
Debt Service – Tax & Revenue Anticipation Notes				
Interest Expense on Tax Revenue Anticipation Notes	625,000	500,000	(125,000)	(20.0%)
Bonding/Note Expense	45,000	35,000	(10,000)	(22.2%)
Total Debt Service	670,000	535,000	(135,000)	(20.1%)
Transfers				
Debt Service - Library Bonds (CIP Fund)	6,817,883	6,950,559	\$132,676	1.9%
Debt Service – Other Projects (CIP Fund)	7,354,315	6,622,011	(732,304)	(10.0%)
Impact Fees (CIP Fund)	650,000	425,000	(225,000)	(34.6%)
Capital Improvement Projects – Ongoing revenue	5,806,317	4,256,720	(1,549,597)	(26.7%)
Capital Improvement Projects – One-time revenue	1,520,806	3,002,544	1,481,738	97.4%
Fleet Replacement Fund	4,518,481	4,562,481	44,000	1.0%
Information Management Services	4,886,786	5,033,242	146,456	3.0%
Insurance & Risk Management Fund	1,553,902	1,600,000	46,098	3.0%
Bus pass program	61,000	96,000	35,000	57.4%
Governmental Immunity Fund	1,500,000	-	(1,500,000)	(100.0%)
Neighborhood Matching Grants Program	117,000	-	(117,000)	(100.0%)
Street Lighting Fund	125,000	130,000	5,000	4.0%
Total Transfers	34,911,490	32,678,557	(2,232,933)	(6.4%)
Contingencies	278,500	278,500	-	-
TOTAL	\$39,327,816	\$37,082,300	\$(2,245,516)	(5.7%)

POTENTIAL MATTERS AT ISSUE

The following are some of the changes proposed to the Nondepartmental budget. The Council may wish to discuss some of these changes or other items listed on page 2.

1. Accounting System Maintenance Agreement (\$2,000 increase) – The City has traditionally accounted for the maintenance agreement on the accounting system within the Non-Departmental budget under the assumption that the system benefits all departments. The total cost of the maintenance agreement is anticipated to be \$65,000.
2. Animal control services (\$12,900 increase) – The proposed \$818,100 budget represents a 1.6% increase from fiscal year 2002-03. Salt Lake County has been providing animal control services for Salt Lake City for several years by contract. Some time ago, the Administration contacted local animal control organizations, security providers, kennels and veterinarians to determine if any other entities were interested in providing animal control services for Salt Lake City. No other entity expressed interest in providing these services for Salt Lake City. The Administration also reviewed the County's cost records and determined that Salt Lake City is not paying more than what the actual expenses are for animal control services. The cost for FY04-05 will be \$842,600 or an increase of \$24,500 from FY03-04. In some cases Council Members have expressed interest in a higher service level. *Is the Council interested in expanding or providing additional resources for this contract?*
3. Bus pass program (\$35,000 increase) – The budget for fiscal year 2002-03 was the second half of the biennial budget. Actual costs of the pass program have been exceeding the budget. Costs for fiscal year 2002-03 were \$83,937. The Administration is anticipating a charge of approximately \$96,000 for the bus pass program in fiscal year 2003-04. The City instituted the bus pass program to encourage the use of mass transit. The discount is only available under a special program with UTA that is based on the total number of employees, so the cost cannot be reduced by specifying a certain number of employees who would like the passes.
4. Community television services (\$15,000 elimination of funding to Salt Lake Community College) – In fiscal year 2003-04, the City budgeted to participate in a one-time countywide project to provide community information to the public and visitors at hotels/motels. These funds have not yet been expended. *The Council may wish to ask the Administration about the status of this project.*
5. Election Processing (\$175,000) – Every other year, funds must be budgeted for local elections. The City contracts with Salt Lake County for election services. Actual election costs in fiscal year 2001-02 were \$118,207. *The Council may wish to request an explanation from the Administration for the increase in election costs. The Council may wish to consider a legislative intent that the budget during non-election years include the use of these funds for one-time projects or an additional transfer to the CIP Fund so that the election funding is available for election years without having to make other budget cuts.*

6. Fleet replacement (\$44,000 increase) – The budget increases funding for fleet replacement from \$4,518,481 to \$4,562,481. Council staff will prepare a separate staff report on the proposed budget for the Fleet Management Fund. (Note: There is a slight discrepancy between the amount budgeted in Non-Departmental to be transferred to the Fleet Management Fund and the amount budgeted in the Fleet Management Fund shown as a revenue from the General Fund.)
7. Gifts and Receptions – The budget for gifts and receptions is proposed to remain at \$20,600. Induction ceremony expenses are traditionally budgeted in this account. *Since the budget isn't proposed to increase, the Council may wish to verify with the Administration that the budget includes the induction ceremony expenses for both mayor and council.*
8. Impact fees (\$225,000 decrease) – Impact fee revenue is projected to decrease because of less construction due to the economy. Impact fee revenue of \$425,000 is anticipated with a corresponding transfer to the CIP Fund.
9. Legal Defenders (\$83,912 increase) – The City is required to provide counsel indigent defendants where jail time is a possibility. The City contracts this responsibility to Salt Lake Legal Defenders. The budget proposes an increase of 28.4% for fiscal year 2003-2004. A portion of the increase, \$55,100, represents the costs to cover the additional cases taken over from the district attorney. Salt Lake City funds 5 of the 33 attorneys employed by Legal Defenders. The increase in costs without considering the cases from the district attorney is 7.6%. The requested increase will help keep salary consistent with the Salt Lake City Prosecutor's Office. *The Council may wish to ask the Administration to provide more written details relating to the cost increase for the contract with Legal Defenders.*
10. National League of Cities (\$960 increase) – For fiscal year 2003-04, the City's dues will be \$9,860.
11. Neighborhood Matching Grants Program (one-time elimination of on-going funding) – In fiscal year 1995-1996, the Council appropriated \$50,000 for a pilot Neighborhood Matching Grants Program. Funding was increased to \$250,000 in the next fiscal year and continued until 2000-2001 when it was increased to \$350,000. In fiscal year 2002-2003, the funding was reduced to \$117,000 to use some of the unspent accumulated amounts. The Administration recommends maintaining the Neighborhood Matching Grant Program in fiscal year 2003-2004 by utilizing the accumulated balance of \$266,000 (no new funding). This in effect will be a one-time savings, since an appropriate amount from the General Fund will probably be necessary for fiscal year 2004-2005.
12. Sales tax rebates (\$4,000 decrease) – The City is contractually obligated for sales tax rebates relating to incentives for two retail businesses – Hermes (Fred Meyer) and Sutherlands. The Administration projects the rebates, which are based on a portion of actual sales taxes collected by the two retail stores, to decrease to a total of \$158,000.

13. Sugarhouse Park Authority (\$5,000 increase) – The City and County equally share the costs of operating the Sugarhouse Park. The City's 50% share for fiscal year 2003-04 will be \$197,600.
14. Tax & Revenue Anticipation Notes (\$125,000 decrease in interest expense)
– As is customary, each year the City borrows funds to help support General Fund operations until property taxes are received. The proposed budget represents preliminary cost estimates of a 2% interest rate on \$25 million. More precise calculations will be available before the Council adopts the budget. The City Treasurer plans to sell the notes on July 10, 2003. Council staff will prepare a separate staff report on Tax & Revenue Anticipation Notes. The City Treasurer is also proposing a decrease of \$10,000 in the budget for issuing costs.
15. Transfer of on-going revenue to Capital Improvement Projects Fund (\$1,549,597 decrease excluding debt service) – The Administration is proposing to transfer \$3,002,544 from fund balance to the CIP Fund to bring the transfer to 9% of General Fund revenue. The total transfer to the CIP Fund including debt service and one-time revenue is proposed to decrease by \$667,487. A portion of this decrease is due to a decline in General Fund revenue resulting in a corresponding decrease in the 9% amount of General Fund revenue. The transfer to CIP with ongoing revenue (excluding the portion required for debt service) is proposed to decrease from \$5,806,317 to \$4,256,720.
16. Transfer to Governmental Immunity Fund (\$1,500,000 decrease) – The budget proposes a separate levy for the Governmental Immunity Fund with an offsetting reduction to the General Fund levy. Property tax revenue from the separate tax levy is estimated to be \$1,300,000. The original adopted budget for the transfer to Governmental Immunity for fiscal year 2002-03 was \$1,300,000. The budget was increased by \$200,000 during the year by amendment to meet the claims needs. Council staff will prepare a separate staff report on the proposed budget for the Governmental Immunity Fund.
17. Transfer to Information Management Services Fund (\$146,456 increase)
The City's Information Management Services Division maintains the City computer infrastructure. The General Fund's portion of major systems is funded by a direct transfer from the General Fund. The Administration is requesting the addition of two full-time positions. One position is to continue the ratio of one network administrator for every 100 computers (which was established during fiscal year 1995-96). The other position is to keep the Division on track for placing applications for City on-line services on the Internet. Council staff will prepare a separate staff report on the budget for the Information Management Services Fund.
18. Transfer to Insurance & Risk Management Fund (\$46,098 increase)
The Administration recommends a 3% increase in the transfer to the Insurance & Risk Management Fund. Council staff will prepare a separate staff report on the budget for the Insurance & Risk Management Fund.

19. Transfer to Street Lighting Special Assessment Fund (\$5,000 increase)
The City pays 25% of street lighting costs of special districts since the City would have provided some lighting within the district. The total budget proposed for fiscal year 2003-04 is \$130,000.
20. Transitional housing (\$4,500 increase) – The proposed budget includes payments in lieu of taxes from the Housing Authority of \$107,500. Federal regulations allow housing authorities to make payments from federal funds to cities in lieu of property taxes. The proposed budget includes a contribution of these funds back to the Housing Authority as a match for a federal grant used for maintaining existing transitional housing. The City has traditionally made these transfers over the past several years.
21. U.S. Conference of Mayors (\$2,980 increase) – For fiscal year 2003-04, the City's dues are anticipated to be \$10,300.
22. Utah League of Cities & Towns (\$5,000 increase) – Salt Lake City's membership dues for the Utah League of Cities and Towns were \$90,000 in fiscal year 2002-03. For the coming fiscal year, the City's dues are calculated to be \$95,000 based on the League's formula.
23. Washington DC consultant (\$5,000 increase) – The Administration is anticipating an increase of funding for the Washington DC consultant from \$50,000 to \$55,000.
24. Youth City Government – The budget proposes continuation the \$7,500 appropriation for Youth City Government but transfers the function to the Department of Public Services.
25. YouthCity programs – The budget proposes continuation of the \$150,000 appropriation for YouthCity programs but transfers the program to the Department of Public Services.

Additional Information

LEGISLATIVE INTENT STATEMENT

The Council issued the following legislative intent statements in June 2000 that relate to the Non-Departmental budget.

Economic Development Promotion - It is the intent of the City Council that the Administration coordinate economic promotion with other entities that provide these services. The Council requests a written report on the overall economic development activities including the Economic Development Corporation of Utah (EDCU), the State Department of Community and Economic Development, the Salt Lake Chamber of Commerce, the Downtown Alliance and the City's Department of Community and Economic Development. The Council urges the Administration to

review the funding formula and staffing needs of the EDCU and report the findings to the Council.

Results/Steps Taken:

The Department works closely with other economic development organizations in Salt Lake City, with staff serving on the boards of the EDCU, Chamber of Commerce and the Downtown Alliance. The Economic Development program within the Department of Community & Economic Development just completed an audit, requested by the City Council, which addresses many of these concerns. (The Council has not yet received the audit report. Council staff anticipates that it will be available within the next two weeks.) Over the last year, the Chamber of Commerce has begun to focus more effort on the downtown area, culminating in a merger with the Downtown Alliance. As mentioned above, closer ties are also being established between the Economic Development Corporation of Utah and the Downtown Alliance/Chamber of Commerce. The current funding formula used by EDCU is based on population and tax revenues. As the second largest contributor to the EDCU, we are very concerned about the benefits we receive and are working to develop performance standards and measurements to justify our continued level of support. One component currently being discussed is hiring a retail recruitment specialist to work on bringing new retailers into the Salt Lake City market.

During the briefing on the proposed budget, the Council may wish to identify legislative intents relating to the Nondepartmental budget.

During the briefing, the Council may wish to identify potential programs or functions to be added to the Council's list for future audits.