

## SALT LAKE CITY COUNCIL STAFF REPORT

### BUDGET ANALYSIS – FISCAL YEAR 2003-04

**DATE:** May 20, 2003

**BUDGET FOR:** CAPITAL IMPROVEMENT PROGRAM FUND

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The proposed budget for the Capital Improvement Program (CIP) Fund for fiscal year 2003-2004 is \$27,601,997. The CIP Fund does not include capital projects of enterprise funds since those projects are budgeted within the enterprise funds.

<b>CAPITAL PROJECTS FUND PROPOSED BUDGET</b>				
	<b>Adopted 2002-2003</b>	<b>Proposed 2003-2004</b>	<b>Difference</b>	<b>Percent Change</b>
<b>Sources of funds</b>				
Transfer from the General Fund	\$18,949,321	<b>\$21,256,834</b>	\$2,307,513	12.2%
Class C Road funds	2,250,000	<b>1,400,000</b>	(850,000)	(37.8%)
CDBG	2,120,258	<b>1,968,000</b>	(152,258)	(7.2%)
Other sources	1,219,225	<b>2,199,003</b>	979,778	80.4%
Impact Fees	0	<b>778,160</b>	778,160	
<b>Total funds available</b>	\$24,538,804	<b>\$27,601,997</b>	\$3,063,193	12.5%
<b>Uses of funds</b>				
Transfer to debt service	\$14,741,423	<b>\$14,137,003</b>	\$(604,420)	(4.1%)
Capital outlay	9,797,381	<b>13,464,994</b>	3,667,613	37.4%
<b>Total uses of funds</b>	\$24,538,804	<b>\$27,601,997</b>	\$3,063,193	12.5%

The Capital Improvement Program is a multiyear planning program that uses three main planning documents: a 20-Year Inventory of Capital Needs, a 6 Year Capital Improvement Plan, and each fiscal year's capital budget. Attached is a schedule of the proposed capital budgets for fiscal year 2003-04 and the 6 Year Capital Improvement Plan. This fiscal years 2003-2004 schedule identifies all of the projects that were submitted for funding with the Mayor's recommendations and the priority rankings of the Citizens Advisory Board and Administrative staff. The City Council makes the final determination of projects to be funded.

## POTENTIAL MATTERS AT ISSUE

Some of the major policies or issues relating to the CIP Fund include:

- \$33,936,465 over 4 years for the Intermodal Hub – Although the Intermodal Hub is operated as an enterprise fund, the Council may wish to consider the development activities of the Intermodal Hub as part of the CIP. The capital planning of the Intermodal Hub is contained in the 6 Year Capital Improvement Program Plan. The Administration is recommending that the Council adopt a Capital Operating budget for the Intermodal Hub which includes expenditures of \$33,936,465 between fiscal year 2003-2004 and fiscal year 2006-2007. This amount is in addition the money that has been spent on viaduct shortening, property acquisition and track reconfiguring. The Council may wish to consider the timing of any proposed general commercial developments in the vicinity immediately adjacent to the Intermodal Hub and whether or not these developments are proposed as compliments to the Downtown Retail areas and Gateway retail area. The Council may wish to receive an update on the construction plans of the Intermodal Hub and determine when the proposed expenditures need to be made. The Council may also wish to consider whether or not any development activity at the Intermodal Hub will result in additional sales or property tax to the City or Redevelopment Agency of Salt Lake and if there are any restrictions on commercial development at the Intermodal Hub.
- Transfer of CIP Coordinator Salary to CIP Fund – The Administration is recommending that the Council adopt a Capital Operating budget which includes the salary and benefit costs of the CIP Coordinator. The FTE will still be housed in the Finance Division of the Department of Management Services. The Council may wish to create a cost center within the CIP for CIP Administration. The Administration is recommending that the allocation of the CIP Coordinator's salary be distributed to each of the CIP projects in the same manner as engineering costs are allocated. The total salary and benefits transfer will be \$66,228. This will represent an enhanced staffing allocation to the CIP, since in the past there has not been a full time staff position fully dedicated to CIP. The Council may wish to ask about the benefits of the enhanced staffing level.
- 9% of General Fund revenue to CIP Fund – The Council adopted a policy that at least 9% of on-going General Fund revenue is to be allocated to the CIP Fund. The 9% calculation excludes library bond property tax and one-time money. The Administration is proposing that a portion of the 9% allocation to the CIP Fund be from General Fund fund balance. This approach is not consistent with the Council's policy but it is consistent with the philosophy of this administration, to allocate 'an amount equal to 9 percent' to CIP.

<b>General Fund Transfer to CIP General Fund</b>
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<b>Calculation of 9% Minimum Transfer Amount</b>	
	<b>2003-2004</b>
<b>General Fund revenue</b>	\$ 161,186,949
Less Library Bond	(6,950,559)
Less One-time revenue	(0)
<b>General Fund revenue for 9% calculation</b>	<b>\$154,236,390</b>
<b>9% of General Fund revenue</b>	<b>\$ 13,881,275</b>
On-going allocation (78.4%)	\$ 10,878,731
General Fund balance allocation (21.6%)	\$ 3,002,544

The Council may wish to review the 9% policy and consider other funding priorities for the Capital Improvement Program. Council staff has noted in the staff review of department reports where revenue and expenditures within the General Fund have shifted to Special Revenue Funds etc. The net effect of such shifts or transfers is a reduction (or increase) of General Fund revenue. In many cases the reduction acknowledges that the revenue that was shown as General Fund revenue is really grant revenue dedicated to a particular program. An example of such a shift is the proposed CDBG shift. Because the CDBG grant revenue was passed through the General Fund, the Administration had to take an amount equal to 9% of the CDBG grant and transfer it to the Capital Improvement Program. Because the CDBG grant revenue is allocated to CDBG projects, the 9% allocation ends up being “subsidized” by the remaining General Fund revenue. The Administration’s approach of not including CDBG in the calculation of the 9% reduces the total dollar amount allocated for CIP, but is not inconsistent with basic accounting approaches and principles.

Council staff has identified two ways to address the allocation to the Capital Improvement Program and make the allocation more closely match the needs of the City:

- The first allocation method could be shifting the 9% allocation from General Fund revenue (total General Fund revenue that includes Intergovernmental Revenue, Charges for services, Inter fund Transfers, etc.) to General Fund Tax revenue. The new allocation would be calculated from those sources that are truly on-going in nature. General Fund tax revenue includes Property Taxes, Sales and Use Tax, Franchise Taxes and Payment in Lieu of Taxes. As comparison, total General Fund revenue was \$154,236,390 and total General Fund Tax revenue was \$122,337,805. \$13,881,275 of \$122,337,805 is 11.35%.
- The second allocation method is a straight forward planning approach that looks at the facilities that the City owns, makes assumptions about the replacement and repair of the facilities based on historical practices and allocates enough money to the Capital Improvement Program to accomplish the goals of the program. Cities with strong multi-year Capital Improvement Program plans follow this approach. Citizens and City staff gather once every five or six years to review the CIP plan and recommend funding for the program. Debt service that is dedicated to the projects within the CIP is removed from the funding scenarios and the remaining projects receive funding from a straight allocation for Pay-as-you-Go CIP funds. It is understood that projects that are unforeseen and unexpected are funded with General Fund fund balance and any contingency funds within the Capital Improvement Program. If the City were to follow this

approach the Administration would have a line item allocation for Pay-as-you-Go CIP projects that matches the multi-year adopted CIP Plan. In fiscal year 2003-2004, the total recommended allocation to the CIP Fund is \$27,601,997; \$13,720,722 of that amount is for CDBG, SID, Class C, Impact Fee and other governmental revenue CIP projects. \$13,881,275 is the General Fund portion; of that amount \$6,791,792 is legally obligated debt service on CIP projects. Capital Improvement Debt projects include the debt service on the City & County Building, the Police/Fire Radio system and MBA projects. \$7,089,483 of the General Fund portion is recommended for Pay-as-you-Go projects. If the Administration were to follow a straight allocation method, they would account for all of the other governmental revenue going to CIP and the debt service for CIP projects, then allocate an amount such as \$7 million in fiscal year 2003-2004, \$7,140,000 in fiscal year 2004-2005, etc.

- \$2,000,000 for the fourth phase of Liberty Park reconstruction – The Administration is recommending that the Council adopt a Capital Operating budget which includes \$2,000,000 for Liberty Park. This allocation will be the fourth allocation to the reconstruction of Liberty Park. Depending on what additional amenities are chosen for the park, an additional \$3 to \$6 million could be spent in the park. The Council may wish to receive an update on the park and hear what additional amenities are planned for the park. The multi-year reconstruction of the park is the largest component of CIP Pay-as-you-Go funding.
- \$420,000 for a street crossing at 1300 East and Sugarhouse Park – The Administration is recommending that the Council adopt a Capital Operating budget which includes \$420,000 for a street crossing at 1300 East and Sugarhouse Park. It is anticipated that this allocation will be matched with NEA, UDOT, Federal and Private Grants, etc. The total cost of this project is anticipated to be \$1,720,000. The Council may wish to receive an update on the fundraising and grant status of this project and determine whether a pedestrian crossing is necessary this year to complete the Parley's Creek Corridor Trail project.
- \$300,000 for SID street lighting in the Rose Park area – The Administration is recommending that the Council adopt a Capital Operating budget which includes \$300,000 for SID decorative street lighting in the Rose Park area. The council may wish to receive an update on the street lighting master plan and what effect this project will have on the overall street lighting policy of the City. The Council may wish to determine why this area has been chosen for street lighting upgrades and confirm that other street lighting areas are being upgraded also. The Administration has previously indicated that they will not be able to report back to the Council on their street lighting plans until August or September.
- \$0 for Traffic Calming – The Administration is recommending that the Council adopt a Capital Operating budget which does not include money for Traffic calming in the City. The Council may wish to consider the amount of funding remaining in the Traffic Calming cost center and determine if there are sufficient funds available to continue this program. The Council may also wish to receive

an update on the program and hear what concerns residents have expressed concerning the program. Council staff has attached a response from the Administration concerning the traffic calming program. This information was prepared in March of 2003. The Council initiated an audit of this program; it will be available after the Audit Committee meets next week. Some initial information is included in a later section of this report.

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### *Additional Information*

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#### **BACKGROUND**

The Administration accepts applications for capital projects from citizens and City departments each year for consideration for recommendation by the Mayor to the Council for funding. All applications are reviewed by the CIP Citizens Board and a team of City staffers from each department who specialize in capital projects. The Administration has prepared a booklet for each Council Member. The booklet contains all of the applications for fiscal year 2003-2004 and fiscal year 2004-2005 capital projects. A new round of applications will be received during the summer of 2003 for consideration in the fiscal year 2004-2005 CIP budget.

The CIP application booklet is attached to this report.

Council staff has also attached the 6 Year Business Plan for the Capital Improvement Program. The Business Plan is prepared by the CIP Coordinator and is listed in the CIP Section. The Department of Public Services has CIP related goals in the Engineering section. It is standard among cities with defined CIP programs such as Salt Lake City's to have the capital budget administration be located in a division other than the division responsible for the construction of the capital projects. Usually the oversight or administration is considered a budget or finance function.

Council staff has also attached a spreadsheet that shows the funding recommendations from the CIP Board, City staff and the Mayor. This spreadsheet will be shown on an overhead during the presentation on the CIP budget.

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

## **Traffic Management (Traffic Calming)**

The bulk of the information contained below is taken from a draft of the Traffic Management Program Audit.

“To date, the program has received \$1,500,000 in CIP funds from the City Council. To date, \$562,000 has been spent on construction; approximately \$238,000 has been spent for such items as testing equipment, speed boards, neighborhood mailings, supplies, temporary employees, Traffic Calming seminars and the Pace Car Program. An amount of \$52,300 is owed for the installation of the testing equipment. This currently leaves \$647,700 in the program. Salary expenses are allocated in the Division of Transportation budget. Currently, the program is staffed with one Traffic Calming Coordinator. A graduate student intern is assisting the Traffic Management Program on a part-time basis. Part-time or other assistance is utilized on an as needed basis.”

“There have been approximately 285 requests for traffic calming made to the Division of Transportation. To date, the program has completed 32 traffic calming projects and 3 others are in varying stages of the plan design and implementation process. Of the 32 completed projects, 24 resulted in the construction of traffic calming devices and 8 resulted in the closure of the project without the installation of any traffic calming devices. The causes of project completion without device construction are generally the result of neighborhoods deciding that they no longer want the devices, and/or neighborhoods unable to reach a consensus on proposed measures. There are approximately 105 eligible streets in the project queue awaiting traffic calming measures. Over 145 streets have been evaluated and deemed ineligible because they did not meet the threshold necessary to implement traffic calming measures. Twenty-one streets are scheduled for an initial traffic calming eligibility study. The Traffic Management Program receives approximately 20 telephone and/or email inquiries per week. Personnel respond to a variety of inquiries, ranging from general public information inquiries to information requests from other traffic calming departments. TMP receives 1-2 formal petitions each month from neighborhoods wishing to enter the Program.”

Contained below is a list of streets that the Traffic Management Program is currently working with.

- 600 South between 900 East and 1300 East – being done in conjunction with an Engineering reconstruction project.
- 1300 South, Glendale to Montgomery Street – being done in conjunction with an Engineering reconstruction project.
- 11<sup>th</sup> Ave B Street to I Street – cost is estimated to be approximately \$40,000
- 1500 East, 1700 South to 2100 South – cost is estimated to be approximately \$70,000.
- 600 West, North Temple to 600 North – cost is estimated to be approximately \$80,000.
- 1700 East, 1700 South to 2100 South – Plan is not yet developed.
- 1900 East, 1700 South to 2100 South – Plan is not yet developed.

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- Imperial Street, 2700 South to 3000 South – Plan is not yet developed.

Of the four existing Traffic Calming cost centers, three contain unencumbered cash and appropriation.

<b>Traffic Calming Cost Centers with Cash and Appropriation Remaining</b>			
	<b>Cost Center</b>	<b>Remaining Approp</b>	<b>Remaining Cash</b>
Traffic Calming	83-99014	\$2,073	\$2,073
Traffic Calming	83-00014	\$45,461	\$45,550
Traffic Calming	83-03014	\$249,912	\$249,912
<b>Total Remaining</b>		<b>\$297,446</b>	<b>\$297,535</b>