

## **SALT LAKE CITY COUNCIL STAFF REPORT**

### **BUDGET ANALYSIS – FISCAL YEAR 2004-05**

**DATE:** August 20, 2003

**SUBJECT: CAPITAL IMPROVEMENT PROGRAM FUND FOLLOW-UP BRIEFING**

**STAFF REPORT BY:** Michael Sears

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On August 10, 2004 the Council met to discuss which requested Capital Improvement Program (CIP) projects would get funding during fiscal year 2004-05. The Council reviewed the proposed projects and decided that the following projects would receive funding.

- \$485,000 - Fleet/Street Facility Improvements (General Fund Contribution)
- \$200,000 - Sidewalk Rehabilitation/Concrete Sawing – Citywide (General Fund Contribution)
- \$300,000 - ADA Ramps/Corner Repairs – Citywide (General Fund Contribution)
- \$1,000,000 - Local Street Rehabilitation FY 04/05 – Citywide (General Fund Contribution)
- \$600,000 - Sidewalk, Replacement SID Sunnyside Avenue – 1300 South, 1500 – 1900 East (General Fund Contribution)(Tentative)
- \$600,000 - Sidewalk, Replacement SID Sunnyside Avenue – 1300 South, 1500 – 1900 East (Property Owner Contribution)(Tentative)
- \$200,000 - 900 East Street Construction – 900 - 2100 South (Class C Road Funds Contribution)
- \$1,115,000 - 900 South Rehabilitation - Main Street to 600 East (Class C Road Funds Contribution)
- \$560,000 – Fiscal Year 2004-05 Impact Fee Revenue (Impact Fee Contribution)

The Council also decided that the recaptured traffic calming funds (\$213,288 after changes from Budget Amendment #1) would not be allocated to projects at this time, but would instead remain in CIP Fund balance until further action is taken by the Council.

There is still **\$2,150,456** left to appropriate. The Council had several questions regarding specific requested projects in the CIP. The Administration will provide responses to Council Members questions in advance of the briefing. Council staff

will review with the Council during the briefing on August 24, 2004 the responses and possible funding scenarios given the additional information. There are two spreadsheets attached to this report. The first shows those projects that the Council has funded, the second shows the remaining projects vying for funding. The second spreadsheet will be broadcast onto the screen during the briefing on the 24<sup>th</sup>.

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Note: The following information was provided to the Council for the 08/10/04 briefing. It is provided again for your reference.

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The proposed budget in the Mayor's Recommended Budget for the Capital Improvement Program (CIP) Fund for fiscal year 2004-2005 was \$25,266,269. The City Council adopted a budget of \$25,918,445. The difference of \$652,176 relates to the net interest savings from the refinancing of MBA bonds (\$218,333), use of previous year CIP Fund balance for installation of conduit for future street lighting (\$70,000), the recapture of previous year traffic calming funds (\$300,843) and a housekeeping correction of \$63,000 in the allocation of CDBG funds.

The CIP Fund budget as presented in this report does not include capital projects of enterprise funds since those projects are budgeted within the enterprise funds and the Council adopted the enterprise fund budgets as recommended.

<b>CAPITAL PROJECTS FUND ADOPTED BUDGET</b>			
	<b>Proposed 2004-2005</b>	<b>Adopted 2004-2005</b>	<b>Difference</b>
<b>Sources of funds</b>			
Transfer from the General Fund	<b>\$18,946,910</b>	<b>\$19,165,243</b>	\$218,333
Class C Road funds (\$1.585 in advance)	<b>2,900,000</b>	<b>2,900,000</b>	0
CDBG	<b>1,693,696</b>	<b>1,756,696</b>	63,000
Other sources	<b>1,165,663</b>	<b>1,165,663</b>	0
Impact Fees	<b>560,000</b>	<b>560,000</b>	0
CIP Contingency	<b>0</b>	<b>370,843</b>	370,843
<b>Total funds available</b>	<b>\$25,266,269</b>	<b>\$25,918,445</b>	\$652,176
<b>Uses of funds</b>			
Debt service	<b>\$14,585,450</b>	<b>\$14,585,450</b>	\$0
Capital outlay	<b>10,680,819</b>	<b>11,332,995</b>	652,176
<b>Total uses of funds</b>	<b>\$25,266,269</b>	<b>\$25,918,445</b>	\$652,176

The City Council appropriated funding for those projects that are legal obligations of the City or are time sensitive in nature during the July 6, 2004 meeting. The Capital Improvement Program as adopted is as follows:

During the budget adoption process the Council discussed existing CIP Fund balance that can be appropriated for projects. The Council also asked the Administration if there were funds available for recapture from existing projects that are now complete. The Administration will be closing out finished CIP projects and asking for the Council to recapture the funds. This request will be made at a future budget amendment and as such, this staff report only deals with those funds that were allocated during the fiscal year 2004-05 budget process.

**POTENTIAL MATTERS AT ISSUE**

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

- \$87,555 reduction in available Traffic Calming funds -There is a change that needs to be made to the Council’s Adopted CIP Budget. The requested change is included in Budget Amendment #1. The Administration has notified the Council Office that the Engineering Division needs an additional \$87,555 for projects currently planned in the Traffic Calming program. The additional costs relate to contract expenses to be paid to the contractor and for Engineering Fees associated with the 600 West Traffic Calming project. The \$87,555 shortage will need to be paid from the \$300,843 that was recaptured from traffic calming cost centers and appropriated to the CIP Holding cost center for future appropriation.

After taking the requested reduction into account the current state of this fiscal year’s CIP Budget is as follows:

<b>CAPITAL PROJECTS FUND FISCAL YEAR 2004-05 BUDGET</b>	
	<b>Adopted 2004-2005</b>
<b>Sources of funds</b>	
Transfer from the General Fund	<b>\$19,165,243</b>
Class C Road funds	<b>2,900,000</b>
CDBG	<b>1,756,696</b>
Other sources	<b>1,165,663</b>
Impact Fees	<b>560,000</b>
CIP Fund Balance (after \$87,555 reduction)	<b>283,288</b>
<b>Total funds available</b>	<b>\$25,830,890</b>
<b>Uses of funds</b>	
Transfer to debt service	<b>\$14,585,450</b>
Capital projects appropriation	<b>3,821,696</b>
<b>Class C Capital projects holding account</b>	<b>1,315,000</b>
<b>GF Capital projects holding account</b>	<b>4,735,456</b>
<b>GF Capital projects holding - Impact Fees</b>	<b>560,000</b>
<b>GF Capital projects holding - Sidewalk SID</b>	<b>600,000</b>
<b>CIP Fund Balance from recaptured Traffic Calming</b>	<b>213,288</b>
<b>Total uses of funds</b>	<b>\$25,830,890</b>

**On August 10, 2004 the Council will have \$7,423,744 available for allocation.** This amount includes \$560,000 that needs to be allocated as Impact Fee Revenue, \$600,000 in property owner contributions for the Sidewalk SID, \$1,315,000 for Class C projects, \$213,288 from recaptured traffic calming funds and \$4,735,456 for General Fund projects.

- Engineering Fees - Related to the reduction of \$87,555 in available traffic calming fees is the budgeting of engineering fees. One of the reasons the traffic calming transfer to the CIP holding cost center needed to be reduced is that engineering fees were not accounted for on the City accounting system. Because engineering has not utilized the object code set aside for engineering fees in some costs centers, it is difficult to know how much has been paid in engineering fees on a project or how much remains to be paid. **The Council may wish to review the attachment from the Administration that deals with engineering fees and request confirmation from the Administration that the budgeting and accounting processes that the Engineering Division employs are consistent with other areas of the City and are adequate to allow appropriate tracking of funding associated with projects.**
- \$800,000 for the next phase of Liberty Park reconstruction - The Administration is recommending that the Council adopt a Capital Operating budget which includes \$800,000 for Liberty Park. This allocation will be the fifth 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 has traditionally been the largest component of CIP Pay-as-you-Go funding. **The Council approved \$350,000 of the requested \$800,000 so that the time sensitive reconstruction of the Liberty Park Tennis courts could proceed.**
- \$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. There are several funding requests for traffic calming measures this year. The Council has recaptured previous year funding from this program and made it available for reallocation. The Council also instructed the Administration to include traffic calming requests that cost more than \$5,000 in the CIP budget process.
- Intermodal Hub Facility Light Rail Extension - The Council has been provided additional information on the budget relating to the proposed light rail extension to the Intermodal Hub. A memo and proposed budget statement that details the project assumptions, estimated expenses and estimated revenue are attached.
- 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.

This year, the Mayor did not recommend 9% of General Fund revenue to the Capital Improvement Program. The total amount of allocation as adopted by the Council is 7.12% of General Fund revenue.

<b>General Fund Transfer to CIP General Fund Calculation of 9% Minimum Transfer Amount</b>	
	<b>2004-2005</b>
<b>General Fund revenue</b>	\$ 167,121,127
Less Library Bond	(6,923,900)
Less Zoo and Aviary Bond	(894,056)
Less One-time revenue	(0)
<b>General Fund revenue for 9% calculation</b>	<b>\$159,303,171</b>
<b>9% of General Fund revenue</b>	<b>\$ 14,337,285</b>
<b>General Fund revenue as adopted on July 6, 2006</b>	<b>\$ 11,347,287</b>

## **BACKGROUND**

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 2004-05, with the Mayor's recommendations and the priority rankings of the Citizens Advisory Board and Administrative staff. This spreadsheet will be shown on an overhead during the presentation on the CIP budget.

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 that contains all of the applications for capital improvement projects for fiscal year 2004-2005 for the Council Office. Additional copies can be emailed to each Council Member or printed out for review during the briefing.

A new round of applications will be received during the summer of 2004 for consideration in the fiscal year 2005-2006 CIP budget.

cc: Rocky Fluhart, Sam Guevara, Steve Fawcett, Gordon Hoskins, Rick Graham, Kevin Bergstrom, Max Peterson, Rick Johnston, Lee Martinez, David Dobbins, Luann Clark, Sherrie Collins, Laurie Donnell, DJ Baxter