

**SALT LAKE CITY COUNCIL STAFF REPORT**  
**BUDGET ANALYSIS – FISCAL YEAR 2004-05**

**DATE:** May 4, 2004

**BUDGET FOR:** **CAPITAL IMPROVEMENT PROGRAM FUND**

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The proposed budget for the Capital Improvement Program (CIP) Fund for fiscal year 2004-2005 is \$25,266,269. 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 2003-2004</b>	<b>Proposed 2004-2005</b>	<b>Difference</b>	<b>Percent Change</b>
<b>Sources of funds</b>				
Transfer from the General Fund	\$20,765,606	<b>\$18,946,910</b>	\$(1,818,696)	(8.76%)
Class C Road funds (\$1.5 in advance)	2,900,000	<b>2,900,000</b>	0	0%
CDBG	2,018,639	<b>1,693,696</b>	(324,943)	(16.10%)
Other sources	2,199,003	<b>1,165,663</b>	(1,033,340)	(46.99%)
Impact Fees	1,153,160	<b>560,000</b>	(593,160)	(51.44%)
CIP Contingency	776,745	<b>0</b>	(776,745)	(100.0%)
<b>Total funds available</b>	<b>\$28,313,153</b>	<b>\$25,266,269</b>	<b>\$(3,046,884)</b>	<b>(10.76%)</b>
<b>Uses of funds</b>				
Debt service	\$14,739,514	<b>\$14,585,450</b>	\$(154,064)	(1.05%)
Capital outlay	13,573,639	<b>10,680,819</b>	(2,892,820)	(21.31%)
<b>Total uses of funds</b>	<b>\$28,313,153</b>	<b>\$25,266,269</b>	<b>\$(3,046,884)</b>	<b>(10.76%)</b>

The Capital Improvement Program is a multiyear planning program that uses three main planning documents: a 20 Year Inventory of Capital Needs, a 5 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 ranking information from

the CIP Board, Administrative Staff and the Mayor. The 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. The Administration is in the process of updating the 5 Year and 20 Year Plans.

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 the Council Office, copies of each project application can be made if Council Members desire. The booklet contains all of the applications for fiscal year 2004-2005 capital projects. A new round of applications will be received during the summer of 2005 for consideration in the fiscal year 2005-2006 CIP budget.

## **POTENTIAL MATTERS AT ISSUE**

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

- Transfer of CIP Administrative Salaries 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 (\$31,752, 0.50 FTE), Community Development Department Deputy Director (\$10,700, 0.10 FTE), and HAND Director (\$10,578, 0.10 FTE). The Traffic Calming Coordinator (\$62,700, 1.00 FTE) is also recommended for transfer to the CIP fund. The reduction for the coordinator is shown in the Department of Community Development's budget. It is staff's assumption that the traffic calming salary would come directly from the traffic calming account balance. The FTE's will still be housed in their respective divisions within the Department of Community Development. The Council may wish to create a cost center within the CIP Fund for CIP Administration as recommended so that there is no confusion about the portion of the various salaries that would be taken from each project.
- \$0 for Traffic Calming - The Administration is recommending that the Council adopt a Capital Operating budget which does not include new 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 determine if there is sufficient funding remaining in the program to justify retaining a full time traffic calming coordinator position through the end of fiscal year 2004-05. A sheet showing the current status of the traffic calming program is 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 and other general obligation bond property tax and one-time money. The Administration is proposing that the ongoing allocation to the CIP Fund be reduced to 7%. If the Council wishes to retain its 9% policy additional funding must be identified.

<b>General Fund Transfer to CIP General Fund Calculation of 9% Minimum Transfer Amount</b>	
	<b>2004-2005</b>
<b>General Fund revenue</b>	\$ 166,673,145
Less Library Bond	(6,923,900)
Less Zoo/Aviary GO Bond	(894,056)
Less One-time revenue	(184,000)
<b>General Fund revenue for 9% calculation</b>	<b>\$158,671,189</b>
<b>9% of General Fund revenue</b>	<b>\$ 14,280,407</b>
Mayor's Recommended allocation	\$ 11,128,954
Funding amount needed to maintain 9% policy	<b>\$ 3,151,453</b>

The Council may wish to review the 9% policy and consider whether maintaining that policy is a higher priority than expenditures in the operating budgets.

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, Non-Departmental or to the Capital Improvement Fund, etc. The net effect of such shifts or transfers is a reduction (or increase) of departmental expenditures and an increase in expenditures in the other funds. An example of such a shift is the proposed shift of CIP administrative salaries to the CIP Fund. This shift follows the same reasoning behind allocating engineering costs to the CIP projects that they supervise. From an accounting approach this is standard. It does, however, reduce the actual dollars available for actual 'bricks and mortar' projects.

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 and would not include federal or state grants such as has been the situation in previous years. General Fund tax revenue

includes Property Taxes, Sales and Use Tax, Franchise Taxes and Payment in Lieu of Taxes. If the 9 % calculation were based on this method, the dollar amount would be less than under the current calculation approach.

- 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.

The second allocation approach strengthens the short and long term planning efforts of the City and removes the concept of a percentage appropriation. This approach does have the down side of being subject to more budget pressure – in years with low funding it would be very likely that the CIP would be reduced. The long-term impact could be a back-log of deferred maintenance. This deferred maintenance backlog is the issue the Council was attempting to address with the idea of an annual allocation based upon percentage of the budget.

The Administration is in the process of completing an update to the City's CIP 20 and 5 year plans. The Council may wish to appropriate funds for on-going and debt service projects and delay appropriation to other CIP projects until the one year capital program can be reviewed within the context of the 20 and 5 year plans.

- \$800,000 for the fifth 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 \$2 to \$5 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.
- \$40,000 for design & construction of street improvements at 600 West – No. Temple to So. Temple – The Administration is recommending that the Council

adopt a Capital Operating budget which includes \$40,000 for street improvement design and construction at 600 West between North Temple and South Temple. The street improvements would include the installation of curb, gutter, & sidewalk. The total project as requested by property owners is expected to cost \$290,000. The Council may wish to consider the City's policy of requiring property owners to install their own sidewalks.

- \$1,000,000 for local street rehabilitation - 1/3 - 2/3 Sidewalk Replacement Program - The Administration is recommending that the Council adopt a Capital Operating budget which includes \$1,000,000 for local street rehabilitation. The proposed amount includes \$62,000 for the City's Sidewalk Replacement program. Previously, the sidewalk replacement program was administered as a 50%-50% program where the property owners and the City equally shared the cost of replacing City sidewalks. The proposed program reduces the City's contribution to 1/3 of the total cost of each project. In conjunction with this revision to the program, the Administration is recommending that staffing and budget in the Department of Public Services be reduced by 6.60 FTE and \$576,794. The City's Sidewalk Replacement Program would be contracted out and would receive total funding of \$62,000. The Council may wish to review the proposed program and determine if there are sufficient funds in the proposed allocation to continue the program.
- \$1,000,000 for 200 South Reconstruction 400 - 700 West - The Administration is recommending that the Council allocate \$1,000,000 for the reconstruction of 200 South including pavement, curb, gutter, sidewalk, storm drainage, street lighting, landscaping and traffic control features. The reconstruction project will be completed in conjunction with the extension of the light rail line to the Intermodal Hub. The total amount of the project is expected to be \$1.9 million; the remaining \$900,000 will be requested in fiscal year 2005-06. The Council may wish to confirm that the light rail extension will occur this fiscal year and construction funds for this project will be expended during the upcoming fiscal year. The Council may wish to allocate the design portion of this project this fiscal year and construction funds next fiscal year. The Council may also wish to confirm whether City funds related to the planned extension will be counted as a local match for current or future light rail projects.
- \$0 for Fleet / Street Facility Improvements - The Administration is recommending that the Council adopt a Capital Operating budget which does not include money for improvements at the Fleet and Streets facility. The Council may wish to consider the capital needs at the facility and confirm with the Administration that the facility can be safely operated without upgrades this fiscal year.

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

