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# M E M O R A N D U M

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**DATE:** December 5, 2006  
**TO:** City Council Members  
**FROM:** Jennifer Bruno, Policy Analyst  
**RE:** Update on funding options for the TRAX Extension project and the Grant Tower project

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This is a clarification briefing regarding the previous Council straw poll regarding funding options for the Grant Tower project, an update on General Fund Balance, and an outline of funding options to pay for the increased costs for the TRAX Extension project. The Administration's recommendations are listed in item F below.

A. Fund Balance

1. The Administration has indicated that the General Fund has about \$5 million in fund balance in excess of the 10% of general fund revenue, which is the level that is informal City policy to keep.
2. It should be noted that other potential expenditures that the City Council has recently discussed but has not taken action on could lower the \$5 million figure to the \$4 million range.
3. See chart at the end of this paper for further information about the potential impact of the Grant Tower and TRAX Extension projects on fund balance.

B. Grant Tower Funding

1. On October 17<sup>th</sup>, the City Council held a briefing to discuss various options to pay for the City's portion of the remainder of the costs for the Grant Tower railroad realignment project.
2. Council Staff outlined three scenarios for Council consideration:
  - i. pay for the full City share, \$2.5 million, with fund balance
  - ii. pay for half of the City's share with fund balance (\$1.25 million), and half with bonding (debt service, approx. \$93,000/yr)
  - iii. pay for the full City share with bonding (debt service, approx. \$185,000/yr)
3. The Council took a straw poll and voted 4-3 to pay for the full City share with bonding (see attached minutes), citing uncertainty about future project needs in the coming year that may require fund balance.
4. This decision will need to be confirmed before the December 12<sup>th</sup> budget opening, as funds will need to be expended for this project in January (the issuance of the bonds, which will likely occur sometime in June, would reimburse the City for these expended funds).

C. TRAX Extension funding

1. On November 16, the Council held a work session briefing to discuss the increased costs in the TRAX Extension project. It was discussed at that

briefing that the City would need to come up with an extra \$3.41 million, \$600,000 of which is not eligible to bond for (as the City will not own the final asset of the stations).

2. If the Council elects to issue sales tax bonds to pay for all of the bond-eligible parts of this project, debt service would be approximately **\$210,000** per year for 20 years.
3. If the Council elected to issue Motor Fuel Excise Tax Bonds to pay for all of the bond-eligible parts of this project (Class C Funds), debt service would be approximately **\$347,000** per year for 10 years. The City Treasurer has indicated that these bonds are not as desirable as Sales Tax Bonds, because they carry a slightly higher interest rate since their credit quality is not as high as sales tax bonds and the limitation to amortize over 10 years instead of 20 years.
4. It should be noted that at any time, the Council may decide to fund debt service payments on this sales tax bond project out of Class C funds.
5. In order to preserve all funding options for all projects (and so as not to jeopardize the projects currently being funded with a bond), the City Treasurer has indicated that the Council would need to make a funding decision regarding this project no later than March 22.
6. UTA has indicated that they need these funds on July 1, 2007. Funding this project with a June bond would meet this deadline, as would funding this project with fund balance through Budget Amendment #3 or #4.
7. It should be noted that in June of 2007 (Budget Amendment #4), fund balance could be lower than the figures discussed in this briefing paper because of additional needs that may be identified in Budget Amendment #3 or #4.

#### D. Debt Service

1. Individual sales tax debt service options are discussed above.
2. If the Council were to pursue a sales tax bond to pay for both projects, the total City share of debt service would be approximately \$395,000 per year.
3. The Council could elect to pay for half of each project out of fund balance, and half of each project with sales tax bond proceeds. Council Staff then estimates that debt service payments would total approximately \$198,000 per year. This option would leave just over \$1 million in fund balance over the 10% level (see Option #4 below).

#### E. Fund Balance Calculations

1. The Administration has communicated that, according to their most recent revenue forecasts, an additional \$650,000 in revenue may drop to Fund Balance on June 30, 2007.
2. While weighing the various options below, the Council may wish to consider the funding implications of pending legal issues that may require the use of fund balance before the end of the current fiscal year. The fund balance calculations below also do not take into consideration the Tracy Aviary's pending request for funding from the City Council.
3. It should also be noted that Option #2 below drops fund balance to below the 10% level.

<b>Fund Balance</b>	
Amount Above 10% of General Fund Revenue	\$ 5,078,500
Projects the Council has discussed but not taken action on	\$ (1,000,000)
<b>Balance Above 10%</b>	<b>\$ 4,078,500</b>

<b>Option 1</b>	
Pay for TRAX Extension out of fund balance	\$ (3,410,000)
Bond for Grant Tower	\$ -
<b>Remaining Balance Above 10%</b>	<b>\$ 668,500</b>

<b>Option 2</b>	
Pay for TRAX Extension out of fund balance	\$ (3,410,000)
Pay for Grant Tower out of fund balance (reconsider straw poll)	\$ (2,500,000)
<b>Amount Below 10%</b>	<b>\$ (1,831,500)</b>

<b>Option 3</b>	
Pay for non-bondable portion of TRAX Extension out of fund balance and bond for remaining	\$ (600,000)
Pay for Grant Tower out of fund balance (reconsider straw poll)	\$ (2,500,000)
<b>Remaining Balance Above 10%</b>	<b>\$ 978,500</b>

<b>Option 4</b>	
Pay for <u>half</u> of TRAX Extension out of fund balance and bond for remaining	\$ (1,705,000)
Pay for <u>half</u> of Grant Tower out of fund balance and bond for remaining (reconsider straw poll)	\$ (1,250,000)
<b>Remaining Balance Above 10%</b>	<b>\$ 1,123,500</b>

<b>Option 5 (Administration Recommendation)</b>	
Pay for portion of TRAX Extension out of fund balance and bond for remaining	\$ (600,000)
Bond for Grant Tower	\$ -
<b>Remaining Balance Above 10%</b>	<b>\$ 3,478,500</b>

F. The Administration's recommendation is as follows:

1. Fund both projects with a sales tax bond (fund balance implication shown in Option #5). Note: \$600,000 would still need to be paid for with fund balance (the non-bond-eligible portion of the TRAX extension).
2. Alternate/backup recommendation (if the Council decides not to bond for both) – Fund the bondable portion of the TRAX Extension with a sales tax bond and pay the City's portion of Grant Tower with Fund Balance (fund balance implication shown in Option #3).

October 17, 2006

The City Council of Salt Lake City, Utah met in Work Session on Tuesday, October 17, 2006, at 5:30 p.m. in Room 326, Committee Room, City County Building, 451 South State Street.

In Attendance: Council Members Carlton Christensen, Van Turner, Eric Jergensen, Nancy Saxton, Jill Remington Love, Dave Buhler and Søren Simonsen.

#4. 6:27:12 PM HOLD A FOLLOW-UP DISCUSSION ON THE ISSUE OF BONDING FOR THE GRANT TOWER PROJECT. [View Attachments](#)

Jennifer Bruno, D.J. Baxter and Dan Mulé briefed the Council with the attached handouts. A straw poll was taken on Scenario 3 on Page 2 of the handout. Council Members Saxton, Love, Christensen and Simonsen were in favor. Mr. Mulé said at a future meeting the Council would be asked to adopt a reimbursement resolution for Grant Tower and possibly the TRAX extension.