
SALT LAKE CITY COUNCIL MAYOR'S RECOMMENDED BUDGET FISCAL YEAR 2006-07

DATE: June 2, 2006

SUBJECT: **Unresolved issues - Mayor's Recommended Budget FY 06-07**

STAFF REPORT BY: Gary Mumford

cc: Sam Guevara, Rocky Fluhart, Ed Rutan, Rick Graham, Louis Zunguze,
Chief Chuck Querry, Chief Chris Burbank, Steve Fawcett, Kay Christensen,
Susi Kontgis, DJ Baxter

Unresolved budget issues:

1. **Sales tax** – Council staff analyzed sales tax and found that actual receipts during the past 12 months (May 2005 – April 2006) was \$41,015,000, which is \$15,000 greater than the proposed budget. Growth in sales tax revenue over the past year was 9.8%, although April 2006 receipts showed only a 2% growth over April 2005. If the Council wished to project a 2% growth in sales tax revenue, an additional \$835,500 of general fund revenue could be budgeted. Some Council Members have indicated an interest increasing the budget projection for sales tax by an additional one percent. This would generate \$417,750. Sales tax revenue does fluctuate based of course on the economy. It is also subject to action by the Legislature. The growth is strong at this time.
2. **Fire check plan fees** – The Administration is withdrawing its request for an ordinance establishing fire check plan fees because the fees are already included in the building permit fees. The Administration requests that the Council offset the related revenue of \$126,000 with expected additional interest earnings.
3. **Interest revenue** – Council staff analyzed interest revenue and found that actual receipts during the past 12 months (May 2005 – April 2006) was \$3,982,000. The Administration is forecasting \$4,226,000 of interest revenue in fiscal year 2006-07, which is a 6.1% growth. (This forecast includes the addition of \$126,000 in interest revenue to replace the cut outlined in item 2 above.) Growth in interest revenue over the past year was 50.1% with April 2006 receipts showing 97% growth over April 2005. If the Council wished to project a 15% growth in interest revenue, an additional \$353,000 of general fund revenue could be budgeted.
4. **Parking meter revenue** – The Administration's latest revenue forecast for the current fiscal year (2005-06) projects that revenue from parking meter coin and from bagging of parking meters is \$1,486,600. The proposed budget for fiscal year 2006-07 is \$1,464,000. The Council may wish to budget for an additional \$22,600 in general fund revenue to bring the budget

for fiscal year 2006-07 up to forecasted actual revenue for fiscal year 2005-06

5. **Concrete 50/50 program** – The Mayor’s Recommended Budget included a request for \$13,100 of additional material costs for the concrete 50/50 program. Residents pay 50% of both materials and labor under this program. No additional revenue was included to the proposed budgeted. The Council may wish to include some additional revenue from this program.
6. **Business license fees** – The Administration proposed adjustments to business licenses fees resulting in the following increases: (1) \$374,000 increase to the base license fee, (2) \$533,000 increase to the per-employee fee, and (3) \$243,000 increase to regulator or disproportionate fees. The Council tentatively decided to refer the business license fee ordinance to a Council subcommittee and allow the Administration to obtain feedback from the business community. However, a few regulatory license fees are in excess of costs and probably should be adjusted at this time. This will result in an estimated decrease in general fund revenue of \$55,500. The Council may wish to increase the base fee slightly at this time rather than a major increase all at once. A \$5 increase to the base fee (from \$70 to \$75) will result in \$53,000 of additional revenue (not including home-based businesses). A \$1 increase to the per-employee fee (from \$10 to \$11) will result in \$128,000 of expected additional revenue.
7. **Fire inspection fees** (\$276,224 increase) – A discussion of the proposed ordinance on fire inspection fees was included in the staff report on business license fees. However, this part of the staff report was overshadowed by the Council’s discussions of the proposed increases to the business license fees. The Council may wish to discuss the attached schedule of proposed fire inspection fees, which also shows current fees and the costs per the recent study. The Council may wish to keep the document fee for Utah Fire Incident Report at the current \$15 fee rather than the proposed \$95 (total revenue reductions of \$5,360). While the business license fee approach is in keeping with a previous Council’s policy not to increase any fee by more than double in any one year, the fire fees were not calculated in that same manner. A number of fees are proposed to increase significantly. The Council may wish to review these fees.
8. **Insurance subrogation collections** – The City funds a loss prevention program in the Insurance & Risk Management Fund from money collected from third party insurance companies relating to prior year General Fund claims. When employees are injured or City property is damaged due to third party negligence, the City departments pay for repairs, medical expenses and salaries while injured employees are recovering. The Attorney’s Office collects from third parties and their insurance companies (subrogation reimbursements) and then reimburses the departments. Subrogation payments collected in the same fiscal year are reimbursed to the departments. Subrogation relating to enterprise funds is also reimbursed to the enterprise funds. However, subrogation relating to a prior-year General Fund claim is retained to support the safety program because budgets are closed out each year in the General Fund. This approach has been taken to fund the loss prevention program since 1999. Actual subrogation revenue for fiscal year 2004-05 was \$106,386 while actual safety expenditures were \$13,460. Actual subrogation revenue exceeded costs for the first

11-months of the current fiscal year by \$92,750. Accumulated cash in this program is \$342,000. The Council may wish to use excess on-going subrogation collections to offset some administrative costs. The proposed budget includes a transfer from the general fund to the Insurance & Risk Management fund to pay for administrative costs.

9. Interest earned by the Insurance & Risk Management Fund – The Finance Division allocates interest revenue to each fund based on the average daily balance of cash in the City’s pooled account, which the City Treasurer invests. The Insurance & Risk Management Fund has earned \$141,450 of interest revenue in the first 10 months of the current fiscal year. The proposed fiscal year 2006-07 budget for interest revenue in the Insurance & Risk Management Fund is \$54,276. The interest revenue budget could be increased by about \$100,000. The Council may wish to reduce the amount of general fund support for administration by this additional interest revenue.

10. Airport Parking License Tax – The City charges a license fee of 2% of gross revenue to airport parking lots (Airport lot plus three offsite parking lots that shuttle customers to the airport). The Administration is proposing to change the fee to 50 cents per vehicle and extend the fee to other parking lots built with public funds that primarily serve public facilities. The Administration forecasted \$1,000,000 of revenue relating for this fee. Council staff obtained vehicle counts from the Airport for calendar year 2005. Total cars parked at the lots on Airport property were 1,413,829 excluding vehicles that parked free (i.e. first 30 minutes, etc.). By comparing the current license fee for the Airport parking lot to the license fees paid by the three offsite parking lots, Council staff estimated a total number of cars to be 1,637,000. If the Council decides to assess the license fee to only the four airport lots and not the downtown lots, Council staff projects revenue of \$818,500. If the Council wishes to recover the projected one million dollars in revenue, the fee could be increased to 61 cents per vehicle. The revenue increases by \$164,000 for each ten cents added.

11. Rent from old health clinic – The old occupational health clinic on Redwood Road is maintained (utilities, etc.) by the City’s Facility Support Services Division and is leased out under the direction of the City’s Property Management office. Both of these are general fund supported work groups. The lease revenue has been receipted into the Insurance & Risk Management Fund since the clinic used to be administered by this separate fund. The lease revenue of \$18,000 should probably be considered general fund revenue and used to help balance the budget.

12. Gifts and receptions – A Nondepartmental budget is traditionally established for the Mayor’s employee holiday luncheon, the induction ceremony, and some dignitary gifts presented by the Mayor. The Administration proposes an increase from \$20,600 to \$25,000 for gifts and receptions. Actual expenditures for the first 11 months of the current fiscal year are \$17,145 including \$12,920 for the employees’ holiday luncheon and \$3,000 for the induction ceremony. Gifts given by Council Members are not purchased from this budget but from the Council Office budget. Since there

isn't an induction ceremony in fiscal year 2006-07, the Council may wish to reduce the budget for gifts and receptions by about \$10,000. This account still has \$3,680 in the current-year budget for the Mayor's Office to purchase dignitary gifts for future events by the end of this fiscal year.

- 13. Animal services** (\$100,000 increase) – The County's original request for the Animal Services contract renewal was \$124,457, which includes a 3% increase in the contract of \$26,010, as well as \$3,400 for fuel costs, \$92,547 for dispatch services provided by the Sherriff's Office, and \$2,500 for utilities related to the shelter. The Administration indicated that the \$100,000 figure included in the Mayor's Recommended Budget would fulfill the City's share of the costs, even though it is \$24,457 less than requested by the County. *The Council may wish to appropriate \$50,000 for a six month contract extension with Salt Lake County Animal Services with the understanding that the Administration will negotiate with the County regarding dispatch services.* Council staff has included a legislative intent statement regarding this issue.

- 14. Fund Balance** – The following table is a forecast of fund balance assuming the Council appropriates \$2,700,000 for the Grant Tower project. The percent of general fund revenue depends upon whether the Council adopts all of the proposed tax and fee increases proposed by the Administration. The following calculation assumes that general fund revenue excludes the proposed on-going property tax increase of \$2,090,000 since the Council, by straw poll, is not supportive of this tax increase. The business license fee increase has also been excluded, although some Council Members have asked about the possibility of a minor increase rather than the proposed increase. For this calculation, total general fund revenue includes additional sales tax revenue of \$835,500 and interest revenue of \$353,000.

| Fund Balance General Fund | |
|-----------------------------------------------------------------------------------------------------------|---------------------|
| Fund balance – June 30, 2005 | \$26,631,000 |
| Less use of last year's lapsed appropriations for one-time costs in fiscal year 2006 | (887,000) |
| Less appropriation of fund balance by budget amendment | (6,632,000) |
| Less proposed use of fund balance in budget amendment #5 | (210,000) |
| Less proposed use of fund balance in Mayor's Recommended Budget for fiscal year 2007 | (3,725,000) |
| Plus forecasted excess revenue in fiscal year 2006 | 3,531,000 |
| Plus approximate expenditure savings in fiscal year 2006 | 400,000 |
| Less appropriation for the Grant Tower project | (2,700,000) |
| Estimated Fund balance – June 30, 2006 (8.9% of proposed general fund revenue of \$184,930,000) | \$16,408,000 |

- 16. The Leonardo addition to the Old Main Library Building** – The Mayor is proposing to fund a \$1.5 million request from the Leonardo for an annex/seismic solution to the old library building. The proposed funding is

to come from fund balance. Depending upon on one's approach, the primary source of funds is a judgment levy for \$1.3 million, or fund balance.

- 17. Property tax judgment levy for the Library and general obligation debt service** – A judgment levy in the amount of \$1,304,779 is proposed to offset a shortfall stemming from Tax Commission or court decisions that reduced the current year's taxes. The amount of next year's judgments is not known, but in recent past years the amount has been much less than the current judgments. The Administration plans to use the judgment levy for one-time expenditures. In addition to the Council's decision as to whether to levy this one-time property tax, the Council will need to decide if it will authorize a judgment levy for general obligation debt service or for the Library. A judgment levy requires a truth-in-taxation hearing in August.
- 18. Golf Budget** – At the briefing on June 1st, the Council tentatively decided to retain the full-time golf course positions.
- 19. Take-Home Vehicles** – The Council held a discussion on June 1st and requested some additional information.
- 20. Additional positions and other proposed budget increases** – The Council may wish to straw poll the additional positions proposed by the Administration and other proposed adjustments in the Mayor's Recommended Budget. Council staff will provide you a list of the new positions and other adjustments at your work session.

| Proposed Fire Prevention Fees | | | | |
|---------------------------------------------------------|------------------------------------|---------------------------------------------|------------------------------------|--------------------|
| Business Type | Annual Number of Inspections | Actual Cost per Business (Ceiling) | Current Fees per Bus. (Fire) | Proposed fees |
| General - minimal use and/or storage | 256 | \$391 | \$125 | \$390 |
| Storage Sites - warehouses, fuel storage for generators | 97 | \$440 | \$125 | \$440 |
| Tank Inspections | 21 | \$587 | \$250 | \$585 |
| Gas Stations | 102 | \$367 | \$175 | \$365 |
| Large Dispensing Sites - wholesale gas & oil. | 26 | \$587 | \$175 | \$585 |
| Production | 26 | \$685 | \$250 | \$685 |
| Fireworks Public Display Outdoor | 30 | \$685 | \$350 | \$685 |
| Fireworks Public Display Indoor | 13 | \$489 | \$150 | \$485 |
| Fireworks Public Display Delta Center | 1 | \$685 | \$100 | \$685 |
| State Licence Health Care | 82 | \$489 | \$50 | \$485 |
| Hospitals | 4 | \$685 | \$400 | \$685 |
| Lock Box - small | 16 | \$130 | \$30 | \$130 |
| Lock Box - large | 16 | \$230 | \$130 | \$230 |
| UFIR - Utah Fire Incident Report | 67 | \$98 | \$15 | \$95 |
| Re-Inspections | 430 | \$245 | \$0 | \$240 |
| Blasting | 2 | \$587 | \$500 | \$585 |
| High Rise | 34 | \$880 | \$350 | \$880 |
| Open Burning | New | \$391 | | \$390 |
| Flame effects before an Audience | New | \$293 | | \$290 |
| Temporary structures, tents, canopies | New | | | \$400 |
| Place of assembly (fee based on square feet) | New | | | \$300-\$1250 |
| Exhibit and trade shows (fee based on square feet) | New | | | \$175-\$700 |
| Suppression, alarm or detection system installation | New | | | 10% of system cost |
| Hot works operations | New | | | \$300 |

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2006-07

DATE: June 6, 2006

BUDGET FOR: **Unresolved Budget Issues – Take Home Vehicle Program**

STAFF REPORT BY: Lehua Weaver

cc: Rocky Fluhart, Sam Guevara, Chief Chris Burbank, Chief Querry, Scott Atkinson, Jerry Burton, Lee Dobrowolski, Rick Graham, Lamont Nelson, Steve Fawcett, Kay Christensen, Susi Kontgis, Lisa McCarver, DJ Baxter, Gary Mumford, Sylvia Jones, Lehua Weaver, Jennifer Bruno

Based on the Council's discussion on June 1, below is a list of the issues addressed, and a summary of staff's understanding of the direction provided by the Council.

Calculations to meet the revenue target will be finalized prior to the June 6 briefing.

The Administration may also provide additional information for the Council's consideration.

TENTATIVE COUNCIL DECISION:

a. Vehicle miles: limit the total number of miles per vehicle to 18,000 – to include on-duty use, commute, and allowed personal use.

b. Distance to Employee's Residence:

- Use I-80 and Redwood Road as the point from which to measure.
- Use “actual road and highway miles” to calculate the distance.
- Maximum distance: *to be determined*

As mentioned during the June 1st briefing, the Council may wish to consider that a 40-mile one-way commute would generate 14,800 commuting miles on vehicles per year, based on an estimate of 185 shifts per year. This would not include commute miles to and from secondary employment.

Council staff has requested information about the average number of on-duty miles accrued each year on patrol vehicles.

c. Personal Use:

- For law enforcement and sworn officers *who live within the City*, personal use would be allowed within the City.
- For *non-city resident* law enforcement and sworn officers, personal use within the City would be allowed while the officer is in the City in conjunction with official business.

The Council may wish to clarify this issue related to personal use within the City for City residents vs. non-City residents. There may be some confusion about whether non-City residents would be able to drive into the City in order to utilize their vehicles for personal use.

- d. Secondary Employment: more information needs to be gathered about the potential unintended consequences of charging employers a rate per hour for the use of City vehicles. ***The Council may wish to consider an alternate proposal for recouping some of the costs associated with secondary employment.*** A Council Member suggested the use of a fuel surcharge per “engagement” or “shift”. Charging per hour may cause employers to reduce the number of hours the officers are employed.
- e. Employee Reimbursement schedule: this information will be forthcoming after the data is gathered about the distances of employee residences from the I-80 & Redwood Road measuring point. Options will include:
 - Generating a total of \$375,000 in employee reimbursements – an increase of \$80,000 over what is currently collected. \$375,000 is the amount currently budgeted in the Mayor’s Recommended Budget.
 - No charge to law enforcement and sworn officers living within the City.
 - Using 1) a rate that escalates per distance mile and 2) a set rate.
 - Varying maximum allowable distance.
- f. Grandfathering: The Council may wish to continue discussing whether or not to implement a grandfathering period. At a minimum, the Council could specify that the new terms of the program would apply to all employees who are hired or become a part of the take-home vehicle program after July 1, 2006.

ADDITIONAL OPTIONS

1. The Council may wish to consider implementing an appeal process for employees who disagree with the road mile calculation of distance to their homes. The appeal process could include a requirement for the employee to provide documentation of the discrepancy to their Department director and the Fleet director. This information could be subject to audits as deemed necessary.
2. The Council may wish to consider how these rates could be routinely re-evaluated to take into account rising fuel rates and other costs.