

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2006-07

DATE: May 5, 2006

SUBJECT: **OVERVIEW OF MAJOR BUDGET ISSUES**
MAYOR'S RECOMMENDED BUDGET

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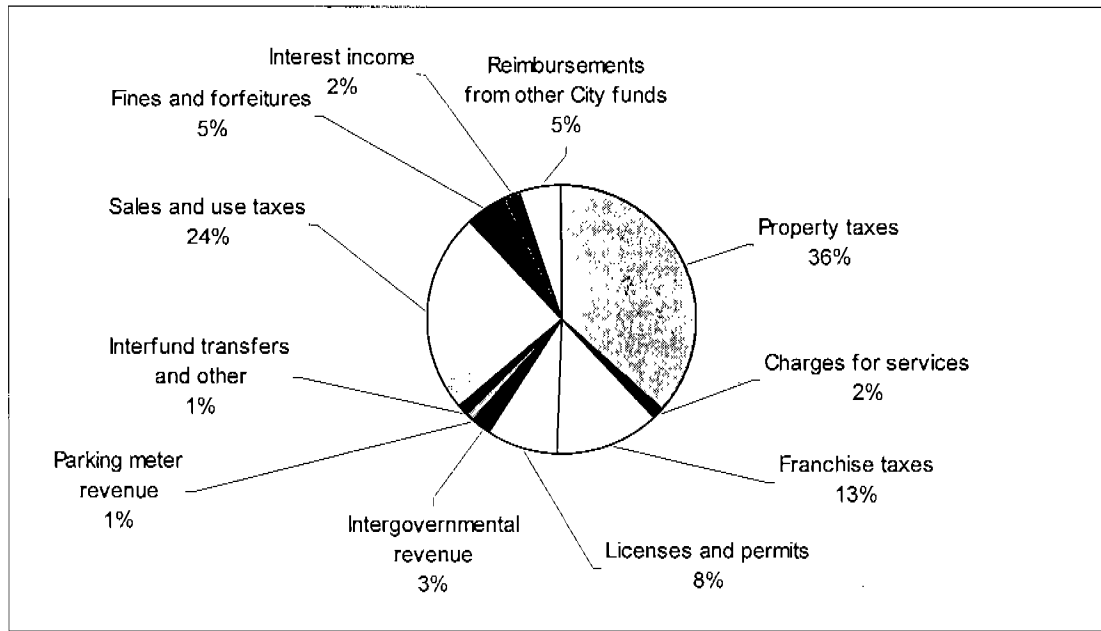
On May 2, 2006, Mayor Anderson presented his recommended budget for fiscal year 2006-07. Council staff has prepared this overview and will provide a more comprehensive analysis of proposed department budgets prior to each briefing. Summary of major policy issues begins on page 5. Table listing each of the proposed tax and fee increases is on page 16. Synopsis of the proposed city-wide budget is on the last page of this overview.

GENERAL FUND REVENUE

General Fund activities are funded primarily by property taxes, sales taxes, and franchise taxes. The table below reflects the fiscal year 2005-06 adopted budget for revenue and the projected revenue for fiscal year 2006-07.

PROPOSED GENERAL FUND REVENUE FISCAL YEAR 2006-07				
	Fiscal Year 2005-06	Fiscal Year 2006-07	Difference	Percent Change
Property taxes – certified rate	\$48,492,592	\$48,492,592	\$ -	-
Property taxes – general obligation debt	7,794,057	8,949,456	1,155,399	14.8%
Property tax increase	-	2,090,000	2,090,000	-
Property tax judgment levy	-	1,304,779	1,304,779	-
Property taxes - vehicle, delinquent, RDA	6,700,000	6,703,000	3,000	0.0%
Sales and use taxes	38,528,000	41,000,000	2,472,000	6.4%
Energy tax – natural gas	4,047,979	4,602,000	554,021	13.7%
Franchise taxes	22,956,972	23,446,972	490,000	2.1%
Payment in lieu of taxes	1,030,580	871,836	(158,744)	(15.4%)
Business licenses	5,528,338	7,553,743	2,025,405	36.6%
Building permits	4,641,477	7,948,749	3,307,272	71.3%
Fines and forfeitures	8,949,300	8,962,400	13,100	0.1%
Intergovernmental revenue	4,581,960	4,761,375	179,415	3.9%
Charges for services	2,949,960	2,932,813	(17,147)	(0.6%)
Parking meter revenue	1,493,000	1,464,000	(29,000)	(1.9%)
Interest income	2,235,575	4,100,000	1,864,425	83.4%
Reimbursements from other City funds	9,204,605	9,528,488	323,883	3.5%
Miscellaneous revenue	765,663	876,100	110,437	14.4%
Interfund transfers	1,579,300	1,622,300	43,000	2.7%
Fund balance & one-time sources	1,258,300	3,725,000	2,466,700	196.0%
Total General Fund Revenue	\$172,737,658	\$190,935,603	\$18,197,945	10.5%

Projected General Fund Revenue Fiscal year 2006-07



Property taxes – The Administration recommends a property tax increase of \$940,000 plus a property tax increase of \$1,150,000 to fund liability claims and judgments as allowed by law. A property tax to fund liability claims has not been levied in recent years, rather the liability claims have been funded through the general fund. Levying a separate tax for liability claims will free up \$1,150,000 for reallocation with the proposed budget. The Administration also proposes a judgment levy to recover amounts deducted from the City's current fiscal year (FY05-06) revenue for court ordered refunds or judgments. This one-time revenue is proposed to fund one-time costs. (See page 11 for listing of proposed one-time costs.) In 2003, the voters approved bonding for the purchase of property for open space and building renovation for the Leonardo. The proposed budget includes the first-year debt service of \$1,171,199. The total taxes for the three property tax increases and the judgment levy will be \$38 on a home valued at \$190,000 and \$364 on a \$1 million business.

Sales tax: Projected sales tax revenue for fiscal year 2005-06 reflects a 6.4% increase of \$2,472,000.

Municipal energy tax: The municipal sales tax on natural gas was capped by the state legislature at 110% of the previous year's revenue. According to the Administration, the legislation will allow the City to collect a maximum of \$4,602,000 in fiscal year 2006-07. The increase from fiscal year 2005-06 budget to fiscal year 2006-07 budget is greater than 10%, but actual revenue will not exceed the allowable amount. The finance division is setting aside approximately \$1,100,000 of receipts for rebate in December 2006. Salt Lake City would be eligible to receive a small portion of this rebate based on its own natural gas purchases.

Franchise tax: Franchise taxes are projected to increase by \$490,000 or 2.1% based on current revenue trends.

Business licenses: The Administration has updated the cost study to support business license fees and has proposed adjustments to fees, which is projected to increase revenue by \$1,323,000. In addition, proposed revisions to the parking license fee are expected to increase revenue by \$560,000 for total parking lot license revenue of \$1,000,000. The current parking license fee is applicable to the airport and other parking lots that specifically service the airport. The proposed ordinance would also apply to publicly built/privately operated parking lots that support public facilities such as the underground parking lot at the Library.

Permits: The Administration projects that building permit revenue will increase 62% based on proposed projects for a total of \$7,546,525. In addition, proposed ordinances relating to fire prevention inspection fees and hazardous materials fees are projected to increase permit revenue by \$402,224.

Charges for services: Forecasted revenue from charges for services reflects some increases and decreases for a net decrease of \$17,147. The principal decrease relates to ground transportation background checks, which may be done in the future by the Airport.

Parking meter revenue: The Mayor's Recommended Budget continues the free holiday parking program. Forecasted parking meter revenue is slightly down from the fiscal year 2005-06 budget by \$29,000 based on actual revenue collections.

Fines and forfeitures: Estimated revenue for parking and traffic fines reflects a very slight increase of \$13,100 based on current trends of actual receipts. The Administration has designated one meter parking area as free without limits on Saturdays, which may have an impact on parking fine revenue. The Council may wish to ask if the Administration plans to retain or expand that program and what the projected cost (lost revenue) may be.

Interest revenue: Interest rates have significantly increased over the past year. Estimated interest income reflects an 83% increase from \$2,235,575 to \$4,100,000.

Administrative fees and reimbursements from other City funds: The General Fund provides services to enterprise and internal service funds. The Administration is projecting an increase of \$276,863 in airport fire reimbursement and an increase of about \$47,020 in other reimbursements for services provided by the general fund such as accounting, payroll, purchasing, human resource management, legal, cash management, Mayor, and City Council.

Transfers from other funds: This revenue category primarily reflects the transfer of E911 fees from a separate "special revenue fund." The E911 funds are restricted to reimburse the City for the cost of answering emergency calls and related equipment. Reimbursements are projected to be \$43,000 greater than fiscal year 2005-06.

Use of fund balance: The Mayor's Recommended Budget includes use of fund balance of \$3,725,000 to fund one-time uses for the following:

- \$2,000,000 – land acquisition
- \$1,500,000 – addition to the old library building for the Leonardo to be matched
- \$ 225,000 – offset sales tax from downtown malls reconstruction.

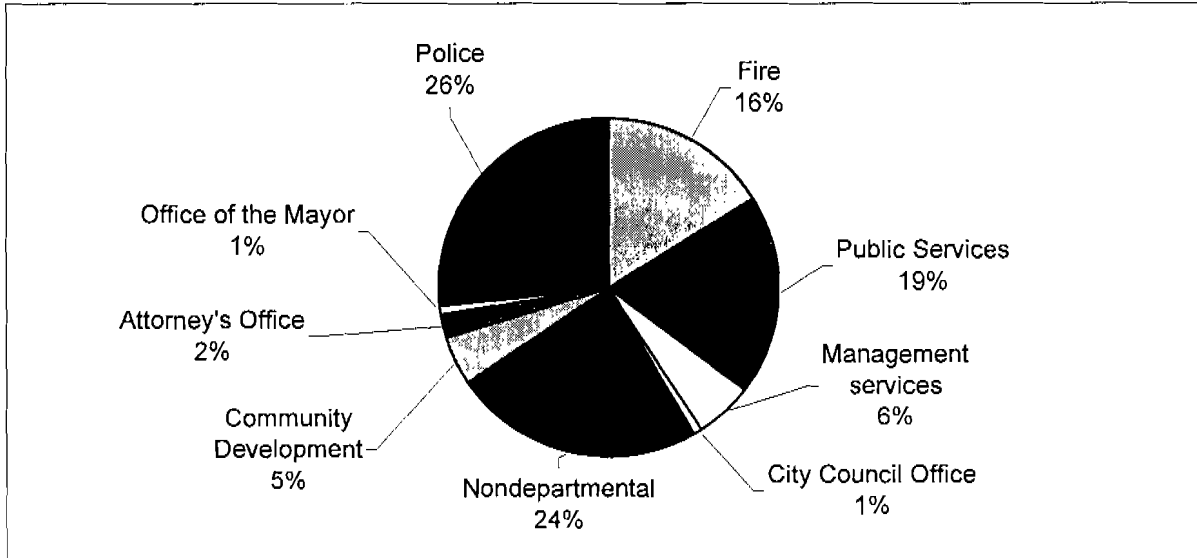
See page 10 for analysis of fund balance.

GENERAL FUND EXPENDITURES

The following table summarizes proposed expenditure budgets for the General Fund.

PROPOSED GENERAL FUND EXPENDITURES FISCAL YEAR 2006-07				
	Fiscal Year 2005-06	Fiscal Year 2006-07	Difference	Percent Change
Attorney's Office	\$ 3,475,240	\$ 3,909,521	\$434,281	12.5%
Community Development	8,331,182	9,183,080	851,898	10.2%
Fire	28,696,411	30,549,938	1,853,527	6.5%
Management Services	9,634,521	10,708,331	1,073,810	11.1%
Police	47,128,460	51,083,387	3,954,927	8.4%
Public Services	34,609,623	36,756,738	2,147,115	6.2%
Office of the Mayor	1,566,133	1,633,638	67,505	4.3%
City Council Office	1,550,473	1,595,941	45,468	2.9%
Non-Departmental	37,745,614	45,515,029	7,769,415	20.6%
Total General Fund Expenditures	\$172,737,657	\$190,935,603	\$18,197,946	10.5%

Proposed General Fund Expenditures
Fiscal year 2006-07



CHANGES PROPOSED IN FULL-TIME EQUIVALENT POSITIONS

The proposed budget includes several additional employee positions.

PROPOSED CHANGES IN FULL-TIME EQUIVALENT POSITIONS FISCAL YEAR 2006-07				
	Amended Fiscal Year 2005-06	Fiscal Year 2006-07	Proposed Increase	Percent Change
Attorney's Office	43.6	45.6	2	5.1%
Community Development	123.0	128.0	5	4.1%
Fire	362.0	362.0		
Management Services	119.5	132.7	13.2	11.0%
Police	585.0	599.0	14	2.4%
Public Services	435.3	445.0	9.7	2.2%
Office of the Mayor (including mayor)	17.0	17.0		
City Council Office (including council)	18.6	18.6		
Total General Fund FTEs	1704.0	1747.9	43.9	2.5%

MAJOR POLICY ISSUES

1. Property tax increase (\$940,000) – The budget proposes a property tax increase of \$940,000. This will result in a \$7.80 tax increase on a home valued at \$190,000 and a \$75 increase on a \$1 million business. The Administration has indicated that additional police positions and equipment would be funded through a tax increase, although there are additional increases in the budget beyond the police officers.
2. Property tax increase to fund governmental immunity claims (\$1,150,000) – A property tax increase of \$1,150,000 is requested to fund liability claims and judgments as allowed by law. In reality, this is a general property tax increase since claims and judgments are currently funded by the general fund. This property tax increase will result in a \$9.60 tax increase on a home valued at \$190,000 and a \$92 increase on a \$1 million business.
3. Property tax judgment levy (\$1,304,779) – A judgment levy is an additional property tax rate imposed to offset a shortfall stemming from a Tax Commission or court decision that reduces a tax entity's tax base (total assessed value). The failure to adopt a judgment levy impacts only one year rather than each year in the future as was the case before the Legislature made changes a few years ago. The Administration is proposing that this one-time revenue be used to fund one-time costs. This judgment levy will result in a one-time tax of \$10.90 on a home valued at \$190,000 and \$104 on a \$1 million business.
4. No elimination of positions or budget reductions – The Mayor's Recommended Budget does not contain any elimination of positions in the general fund or reductions in services.

5. Additional positions (\$2,249,485): The Mayor recommended 43.9 new FTE positions in the general fund including 14 positions at the Police Department, 11 positions at the Justice Court, 4 positions relating to one-stop building permits shop, 2 positions for the Prosecutor's Office, 2 at the Unity Center, 4.75 youth program FTEs that are currently grant funded, and 6 other positions. Council staff will provide more information regarding these proposed new employee positions in separate staff reports for each department. Annual salaries are shown below. In some cases the position will not start until November, January or April. Annual salaries are still shown, but the start dates are indicated.

Proposed Additional General Fund Positions		
	Annual Salary	Annual Benefits
City Prosecutor's Office		
Associate city prosecutor	\$47,640	\$16,644
Office technician	\$29,280	\$13,116
Community Development		
Planner	\$51,588	\$17,400
Building inspector	\$50,244	\$17,136
Project coordinator/building plans examiner	\$47,736	\$16,656
Fire engineer	\$65,664	\$20,112
Office facilitator	\$36,108	\$14,424
Management Services		
Deputy treasurer (hire Sept 1)	\$57,000	\$18,500
HR records administrator (hire Sept 1)	\$45,158	\$17,654
Court hearing officer	\$28,350	\$16,668
Court small claims clerk	\$26,568	\$16,326
Court traffic coordinator 0.2 FTE (part-time to full-time)	\$39,792	\$15,300
4 court clerks (hire Nov 1)	\$24,894 each	\$16,002 each
Court file clerk (hire Nov 1)	\$23,364	\$15,696
Court judge (hire Jan 1)	\$91,800	\$25,140
3 court clerks for new judge (hire Nov 1)	\$25,632 each	\$16,146 each
Police		
School resource officer (grant funding expired; school district to reimburse \$43,000 for nine months)	\$32,856	\$19,692
8 police officers	\$32,856 each	\$19,692 each
Police sergeant	\$60,912	\$30,120
2 field crime lab technicians	\$30,300 each	\$14,028 each
Civilian evidence room supervisor officer to be transferred to direct police services	\$36,756	\$15,264
Civilian technician over pawn shop review officer to be transferred to direct police services	\$28,200	\$13,620
Public Services		
Open space coordinator	\$71,328	\$21,203
Facilities energy efficiency coordinator	\$51,216	\$17,340
Engineering office tech	\$34,164	\$14,052
2 Unity Center program coordinators (hire April 1)	\$41,820	\$15,528
3 YouthCity program coordinators (moved from grant)	\$40,224 each	\$15,192 each
Computer Clubhouse coordinator (moved from grant)	\$33,700	\$13,968
Part-time Clubhouse assistant 0.75 FTE (moved from grant)	\$20,784	\$7,728

6. Bonding – The Administration is recommending the following bonding:

Voter-approved General Obligation Bonds in the amount of \$10.2 million are proposed to be issued to help refurbish and retrofit the former City library building (Leonardo project). Voter-approved bonds in the amount of \$5.4 million are also proposed to be issued to purchase property within the City to be preserved for open space. Debt service for both the Leonardo bonds and the open space bonds will be \$1,171,199 in fiscal year 2006-07. The Council has already taken the first step in the bonding process on these two sets of bonds.

Sales tax revenue bonds in the amount of approximately \$24.7 million are proposed to be issued to construct a new fleet facility and to reimburse the capital improvement program for the purchase of the land. Bonds are also proposed to be issued in the amount of approximately \$11.3 million to realign the railroad tracks at the Grant Tower Curve and construct the Folsom Street/City Creek Parkway which will daylight City Creek. Under this recommendation, debt service for the 2006-07 fiscal year will be \$682,917.

Bonding for a new public safety building is not proposed for fiscal year 2006-07. Two of the City's bond issues will be retired within the next five years. In 2009, payments for bonds that were issued for various road improvements will be completely repaid freeing up \$730,000 annually. In 2011, the annual debt payments of about \$2,390,000 for the City & County Building renovation will end. Other bond payments expire between 2019 and 2026.

7. Business license fees (\$1,323,379 increase) – In 2005, the Administration conducted a review of business license fees to identify the actual costs associated with issuing business licenses. The proposed ordinance increases the base business license from \$70 to \$90 in order to better reflect the actual cost of licensing and monitoring as determined by the study. Under the proposal, the per-employee fee will increase from \$10 to \$14. Adjustments are proposed to regulatory fees for indirect costs associated with doing business within the City. New disproportionate fees are proposed to certain types of businesses due to their receiving a disproportionate level of city services. *The Council may wish to schedule a separate briefing on business license fees.*
8. Fire prevention plan review fees (\$276,224 new fees) – The Fire Department provides fire plan review for fire code regulations and fire suppression systems. At the current time, no fee is specifically designated to pay for fire plan review. This service is instead funded by taxpayer dollars and an unidentified portion of business licensing construction permit fee. The Administration proposes that the City establish a set fee schedule for fire plan reviews and hire a fire protection engineer at the one-stop shop.
9. Fire hazardous materials permit fees (\$126,000 increase) – The Fire Prevention Bureau currently collects fees for hazardous materials permits, tank permits, blasting permits, high rise permits, fireworks public display permits, temporary structure permits, health care facility inspections and day care inspections. A recent review of business license fees showed that the fee amounts were less than the costs. The Administration is recommending that fees be established based on size, difficulty, and the type of permit or inspection needed. In addition to the items listed above, the proposed ordinance establishes a fee schedule for open

burning permits, flame effects permits, assembly permits, trade show permits, suppression, alarm or detection system installation permits, hot works operations permits and re-inspections

10. Capital Improvement Program on-going funding (\$12,502,682) – The 10-year CIP plan requires average funding from the general fund to be 7.95% of general fund revenue. The 10-year plan projected that this percentage would provide funding of \$13,433,750 in fiscal year 2006-07. The Mayor recommends that \$12,502,682 of general fund revenue be transferred to the Capital Improvement Projects Fund for fiscal year 2009-07, which is less than the 10-year CIP plan by \$931,068. Of the proposed transfer to CIP, \$7,306,425 is for debt service and \$5,196,257 is for pay-as-you-go projects.

The Mayor's proposed funding the following projects:

- \$2,000,000 future land purchases (from fund balance)
- \$1,500,000 expansion of the Leonardo Building Project (fund balance)
- \$1,000,000 local streets
- \$ 770,000 California Ave street reconstruction 4800 W to 5600 W
- \$ 500,000 Liberty Park improvements
- \$ 450,000 traffic signal upgrades
- \$ 400,000 Phase II improvements of Pioneer Park
- \$ 400,000 sidewalk replacement SID
- \$ 300,000 ADA ramps
- \$ 210,000 Sugarhouse rails with trails project
- \$ 200,000 Westminster Park ADA playground & improvements
- \$ 150,000 sidewalk rehabilitation - citywide
- \$ 150,000 traffic signal installation, 1000 N 1200 W
- \$ 150,000 Jordan River Trail, 2000 North to Davis County Line
- \$ 75,000 pedestrian safety devices
- \$ 60,000 tennis court resurfacing
- \$ 50,000 tree replacement in parks
- \$ 50,000 barrier beautification design, 800 S 1100 E
- \$ 50,000 safety lighting
- \$ 50,000 bicycles routes and paths
- \$ 45,000 street improvements, 750 N 2200 W
- \$ 20,000 ADA transition parks
- \$ 56,257 baseball park concession stand improvements
- \$ 60,000 percent for Art

11. Golf Course session passes (\$174,800) – The Administration is proposing a new season pass program for adults: weekday 5-course pass (\$895), weekday 9-course pass (\$1,095), unlimited 5-course pass (\$1,295), and unlimited 9-course pass (\$1,695). There will be a discount in the pass purchase price for seniors 65 or older. A junior pass program is proposed to be available for persons 17 or younger as follows: junior summer 5-course pass (\$250), junior summer 9-course pass (\$375), junior year-around pass 5-course pass (\$495), and junior annual 9-course pass (\$695). The budget includes revenue estimates of \$136,700 for the new adult season pass and \$38,100 for the junior season pass. Some adjustments to the 9-hole green fees at Bonneville, Mountain Dell and Forest Dale are also proposed. Some employee positions are proposed to be eliminated and some full-time

positions are proposed to be reduced to seasonal. Council staff will include an analysis of these changes for the Council briefing on the Golf Fund. It should be noted that a previous City Council audit recommended that the pass program (as previously configured) be eliminated.

12. Proposed cost-of-living and step increases (\$3,713,700) - The Mayor's Recommended Budget includes a citywide cost-of-living increase. Merit or step increases are also proposed for laborers (100 series), office/clerical (200 series), fire fighters, and police officers (except for those employees already at the top step). The proposed cost-of-living and step increases are still the subject of ongoing negotiations. The Administration is available to discuss labor bargaining in executive sessions. Council staff will provide more detail in a staff report later in the Council's budget review process.
13. Health insurance - major change in premium structure (\$375,000 general fund increase; 3.75%) - The City is self-insured for employee health coverage. The City's health insurance costs have increased an average of 8.1% per year over the past eleven years (less than the national average). To maintain the current medical plan benefits, a premium increase of 8.5% is needed this year at a cost to the general fund of about \$850,000. In order to reduce this cost trend, the Administration is proposing some major changes.

The Administration's health insurance proposal continues to allow employees the option of three health insurance plans. Currently, the City pays 100% of the employee's premium in any of the three plans. One plan, Summit Care, costs the City 20% to 30% less than the other plans due to higher discounts that have been negotiated with providers and facilities. Under the new premium structure, the Administration is proposing to pay 100% of each employee's premium in the Summit Care plan and require employees to pay the additional cost if they select one of the more expensive plans. This will help control future claims costs and premium increase. The Administration also proposes to implement a \$150 annual deductible (not subject to the employee clinic use and prescriptions). Those enrolled in Summit Care will have the option to use any medical provider, but if an out-of network provider is used, the plan pays 70% of the Summit Care schedule of benefits and a \$250 deductible applies in addition to the standard co-pay.

In order to encourage movement from the higher cost plans to the more cost effective plan, the Administration is proposing to pay 100% of the cost to add spouse/double coverage or family/more-than-two coverage in the Summit Care plan. Employees can pay the additional cost for one of the more expensive plans. The total cost increase to the general fund for the proposed premium structure will be \$375,000, which is an increase of only 3.75%. These changes were recommended by a majority vote of the City's Benefits Committee. The Human Resource Management Division briefed union membership and the professional employees council. According to the Administration, the changes received support from a majority of those attending these briefings. Additional meetings are scheduled for all employees during the month of May. The City Council may wish to have a separate briefing on the employee health insurance proposal. If the Council decides to suggest any changes, the Administration would like to know as soon as possible since employees must decide whether to change plans by May 31st in order to allow time to implement the new health insurance program by July. Under past practice, the specific implementation of benefits is largely an administrative matter, while the funding is legislative.

14. Pension premium increase (\$1,051,677) – Pension costs are increasing \$1,051,677 for the General Fund. The increase in the retirement costs are as follows:
- Firefighters increased 0.89% (from 7.83% to 8.72%);
 - Public Safety increased 3.03% (from 33.70% to 36.73%);
 - Public Safety Noncontributory increased 3.19% (from 32.52% to 35.71%);
 - Public Employees Contributory increased 0.50% (from 13.08% to 13.58%);
 - Public Employees Noncontributory increased 0.50% (from 11.09% to 11.59%).
15. Use of fund balance (\$3,725,000) – The Mayor’s Recommended Budget proposes the appropriation of \$2,000,000 for land acquisition for a possible future site for city facilities, \$1,500,000 for matching funds for an annex to the old main library building for the Leonardo, and \$225,000 from fund balance to offset the decrease in sales tax revenue from downtown mall reconstruction. In the past, the Council has had a policy of maintaining a fund balance of at least equal to 10% of general fund revenue. It should be noted that there was some discussion on the part of the Council previously about funding some of the costs associated with Grant Tower from fund balance rather than through a bond.

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	3,393,000
Plus approximate expenditure savings in fiscal year 2006	400,000
Estimated Fund balance – June 30, 2006 (10.1% of proposed general fund revenue of \$187,210,603)	\$18,970,000
Minimum amount per Council policy (10% of general fund revenue)	18,721,000
Amount in excess of Council’s 10% policy	\$ 249,000

16. Justice Court (\$498,950 increase) – In March 2006, the Council appropriated funds for four contract employees at the Justice Court to be continued until the result of a study are available. The Administration has proposed continuing the contract employees for four more months and then hiring ten regular court staff. An additional judge is also proposed beginning in January after the next judge training opportunity. Council staff will include an analysis of the proposed court budget increases in the staff report for the Council briefing on the Department of Management Services

17. One-Stop Permit Shop (\$269,124 increase plus one-time costs of \$98,000) – The Administration proposes to remodel the one-stop counter area into a one-stop shop and add four employee positions. On May 2, the Council received a briefing on this request. The funding for geographic information components that would ultimately facilitate communication among departments and fully implement this concept is not included in the Administration's recommended budget. These would be one-time costs and could be funded over a several year period. Council staff suggests an investment of \$200,000 to \$250,000 in one-time funding for the first year.
18. Airport/public facilities parking/license tax increase (\$560,000 increase) – The Administration is proposing to change the basis of the license fee for airport and public facilities parking services from a percentage of gross revenue to a per-paying vehicle fee and increase the fee. The proposed ordinance would apply to privately operated parking lots that primarily support public facilities such as the underground parking lot at the Library.
19. Refuse fee increase (\$606,000 increase) – The Administration is proposing a 10.5% fee increase for refuse collection for fiscal year 2006-07 with automatic increases in subsequent years through fiscal year 2011-12.

Fiscal Year	Per container charge	Delivery charge for additional containers
Current fees	\$ 9.75	\$10.00
2006-07	10.75	11.00
2007-08	11.25	11.00
2008-09	11.75	11.00
2009-10	12.50	12.00
2010-11	13.25	12.00
2011-12	14.00	12.00

20. Water rate increase – The proposed budget contains a 4% increase to water rates effective July 1, 2006 to continue a strong capital improvement program. The proposed ordinance also contains another 4% increase effective July 1, 2007. While adoption of a second-year rate increase does not bind a future Council, it makes it necessary for a future Council to take formal action to halt or change the planned rate increase. In the past when the Council has approved multi-year rate plans it has noted the value of advance planning and clearly articulating policy direction.

21. One-time expenditures – The proposed budget includes several items that the Administration considers as one-time expenditures. The Mayor proposes to fund most of these from a property tax judgment levy.

Community Development

- \$ 63,500 – automated housing & zoning enforcement software/hardware
- \$ 30,000 – preservation plan
- \$ 12,816 – Avenues historic district survey
- \$ 98,000 – reconfigure office space for one-stop shop

Fire

- \$428,000 – new apparatus equipment
- \$ 43,750 – heavy rescue equipment
- \$ 53,500 – self-contained breathing apparatus (SCBA) equipment
- \$ 6,200 – CPR equipment
- \$182,500 – computer aided dispatch (phased in over FY07 and FY08)
- \$ 45,000 – early retirement incentives for firefighters

Management Services (Justice Court)

- \$ 2,500 – software license for new hearing officer position
- \$ 2,500 – software license for new small claims clerk position
- \$ 10,000 – software license for new criminal court clerk position
- \$ 2,500 – software license for new file clerk position
- \$ 10,000 – high speed scanner for new file clerk position
- \$ 2,500 – software license for new judge position
- \$ 7,500 – software license for new criminal court clerk position
- \$ 17,000 – remodeling, security access system, printer, copier
- \$ 45,133 – continue contractual employees for court (4 months)

Police

- \$ 15,000 – SWAT vest replacement
- \$ 87,000 – laptop computer replacement (51 of 179)
- \$104,000 – three computer servers
- \$ 36,000 – radio/laptop modems replacement (12 of 400)

Public Services

- \$ 46,000 – paver repairs, central business district crosswalks, sidewalks
- \$165,000 – tree removal and replacement (500 large weak trees)

16. Vehicle take-home policy (\$53,000 increase in revenue) – Take-home use of city-owned motor vehicles is governed by City Ordinance 2.54. The ordinance allows take-home vehicle for: (a) law enforcement officers, (b) when emergency situations or callbacks occur on a regular basis at least five times a month, (c) when the nature of an employee's work requires immediate response to emergency situations and requires the use of specific safety or emergency equipment that cannot be reasonably carried in the employee's personal vehicle. Since adoption of the ordinance in June 2001, there has been an increased emphasis on reducing the number of take-home vehicles. In addition, gas prices are much higher than in 2001. The proposed ordinance contains the following revisions: (1) employees reimburse the city for commuting mileage at 50% of the vehicle operational costs. Employees currently reimburse the city for commuting anywhere from \$0 to \$75 per month based on their mileage from their home to the corporate limits. The proposed fees are \$20 per month if living in the city limits or within 5 miles of the city limits, \$40 within 10 miles, \$60 within 15 miles, \$80 within 20 miles,

\$100 within 25 miles, \$120 within 35 miles, and \$140 per month within 35 miles. (2) Non-commuting personal use of city vehicles will be prohibited under the proposal. The current ordinance allows personal use of police vehicle if in Salt Lake County. (3) Secondary employment commuting and use will be prohibited unless business reimburses City directly for vehicle costs. (4) No take-home vehicle is allowed if employee lives farther than 25 miles from the City & County Building. Existing employees not complying would be grandfathered for their current residence for a period of 5 years.

SOME OTHER POLICY ISSUES – Mayor’s Recommended Budget

The following items will be included in individual department briefing staff reports.

17. Animal Control Services (\$100,000 increase) – Salt Lake County has been providing animal control services for Salt Lake City for several years by contract. The Council recently received a briefing on Animal Control Services including potential fees. Salt Lake City is beginning its third year of its current 5-year animal control services contract with the County. The Administration is proposing a \$100,000 increase in the appropriation for animal services for a total of \$967,000. Contract negotiations with the County are pending.
18. Cemetery fee increase (\$11,705 increase) – Last year the Council adopted a two-year phased approach to increasing Cemetery fees to put them in line with other local Cemeteries. The increases set to take effect July 1, 2006 will be \$50 for all of the categories (e.g., gravesites from \$650 to \$700, continuing care from \$650 to \$700, opening and closing from \$450 to \$500). This year’s fee increases are expected to bring in an additional \$11,705 in revenue. Cemetery operations are subsidized by taxes and other general fund revenue. A report indicated that there was an assertion that the City’s rates are artificially holding down rates of the private facilities. The City has the option of increasing the rates to more accurately reflect the cost of operations.
19. Contract person to manage construction mitigation – The Mayor proposes to contract for a downtown renovation coordinator to be funded 50% by the Salt Lake Chamber and 50% by the City for a total of \$60,000. This will be similar to the 400 South light rail contract. The goal will be to mitigate construction impact on existing downtown businesses and help make the construction process go well for the developers, the public, and the existing businesses. The budget is proposed to be appropriated within the Department of Community Development from ongoing revenue.
20. Donation Fund – A donation fund is used to account for contributions held in trust by the City for contributions received for a specific purpose. For the last few years, the Administration requested and the Council appropriate \$400,000 annually for donations with the understanding that the appropriations will be held in a “budget only cost center” until cash is received. As contributions are received and interest earned, appropriations are moved from the “budget only cost center” to the project to match the actual amount of available cash. In March 2006, the Council reduced the unspecified budget for donations from \$400,000 to \$50,000. This allows the Council the opportunity to consider the more significant projects funded from donations. The proposed budget continues the Council’s intent by proposing a \$50,000 budget for fiscal year 2007.

21. Economic Development Corporation of Utah – The Mayor's budget includes funding for the Economic Development Corporation of Utah. In 1997, the total municipal funding of the Economic Development Corporation of Utah (EDCU) was assessed based 50% on population and 50% on certain revenues (sales tax, franchise & utility tax, licenses & permits, and other fees). Salt Lake City's contribution was calculated to be \$126,659. This amount remained unchanged until 2000 when all assessments increased 5%. Salt Lake City's contribution based on this formula is \$132,992. Last year, the City's payment was \$108,000. The budget proposes to continue funding at this levy.
22. Energy costs (\$805,657 increase) – Fuel prices for vehicles have increased significantly over what was originally budgeted for fiscal year 2005-06. The proposed budget includes a general fund increase of \$359,972 for fleet fuel. Natural gas prices have also increased since the budget for fiscal year 2005-06 was developed. The proposed budget includes a general fund increase for natural gas of \$198,750. The budget also contains a \$246,935 increase for street lighting and other electricity costs. Asphalt, concrete and almost everything the City buys costs more due to fuel rate increases for production and transportation.
23. Fire retirement incentive (\$45,000) – The budget includes an experimental one-time retirement incentive. Firefighters who have served over 30 years would be eligible for a single payment of \$15,000 per employee with the intent to help pay for health insurance. The Fire Department expects to generate savings of \$90,000 over five years for each employee taking the incentive. The budget does not include a similar proposal for police officers. The Council may wish to ask the Administration about the status of the physical fitness requirements for City fire and police positions.
24. Fleet Management Fund reserves – The budget proposes to use \$550,000 of reserve funds that have accumulated in the Fleet Management Fund for operations.
25. Geographic Information System (\$10,000 increase) – Over the past several years, the City has spent significant resources toward the development of a geographic information system (GIS). GIS resources including technology and staffing are distributed throughout the City. Each year, beginning in 1997, the Non-Departmental budget has included funding for equipment to help with additional GIS applications or implementation. Proposed funding for fiscal year 2006-07 is \$35,000, which is a \$10,000 increase from the prior year. The \$35,000 appropriation is very modest given the potential uses that the GIS system has to make City tasks more efficient. At some point the Council may wish to consider making a one-time investment in this program to make it more useful. Additional information was noted on page 11 in relation to the one-stop shop.
26. Legal Defenders (\$148,368 increase) – The City is required to provide legal counsel for indigent defendants where jail time is a possibility. The City contracts this responsibility to Salt Lake Legal Defenders at a proposed cost of \$615,162 for fiscal year 2006-07. The increase is for two attorneys and one secretary. The Administration considers the increase in the amount budgeted to be consistent with the case load that the Salt Lake Legal Defenders is experiencing.

27. No More Homeless Pets in Utah (\$10,000) – The Administration is proposing a \$10,000 grant to No More Homeless Pets in Utah to support a trap/neuter/release program for feral cat populations. Contributions to non-profit organizations require a study to identify and determine that the benefits received by the community are equal to or greater than the amount of funds contributed. A public hearing is also required under Utah Code 10-8-2. The Administration provided the Council with the study and a resolution.
28. Sidewalk replacement 50/50 program (\$13,100 increase) – The budget projects a 25% increase in project work for the sidewalk replacement 50/50 program. Usually, there is a waiting list for this program, with nearly the entire annual budget being spent in the first four months of the fiscal year.
29. Special Events – The Administration is requesting \$110,000 to support special events.
30. Street Lighting electrical power (\$150,000 increase) – The cost of electricity for street lighting is estimated to increase \$150,000 for a total of \$1,350,000. These costs are budgeted in the Nondepartmental budget.
31. Tracy Aviary – The proposed budget of \$250,000 for Tracy Aviary is the same as the current budget.
32. TRAX Extension – Salt Lake City will need to pay \$8.45 million for its share of the TRAX extension to the Intermodal Hub. The Intermodal Hub Fund has funding available of \$7.6 million (\$2 million from UTA, \$2.4 million from existing RDA appropriations, \$3.2 million from already-secured FTA reimbursements). The remaining amount is \$850,000, which the City will need by July 2007. Nothing is included in the proposed budget for fiscal year 2006-07 since the additional funds are not needed in this coming fiscal year.
33. Unfunded Retirement Liability – When a City employee retires, the City makes a cash payment of accumulated vacation leave. Under an old sick leave plan, the City also pays the retired employee a portion of accumulated sick leave. Vacation leave, compensatory leave, and the portion of sick leave that will eventually be paid are recognized as liabilities as they are earned in the City's enterprise funds. These liabilities are unfunded in the General Fund. The general fund's long-term compensation liability was \$14,925,000 as of June 30, 2005 as reported in the City's financial statements.

According to a recent study by the Administration, 690 employees or 25.5% of all city employees are eligible to retire within the next five years. Based on historical trends, the study projects that 301 employees will actually retire within the next five years which is 11.1% of the entire workforce. For the past several years, the City has budgeted \$650,000 of general fund monies annually in anticipation of employees retiring. These funds are used mostly for Fire and Police retirees. Police and Fire payouts averaged \$636,500 over the past six years. Other general fund departments cover most retirees' cash payments by leaving positions vacant or by using savings within their department. The study projects that 217 general fund employees will retire during the next five years for a total cost of \$6,360,500. This is an average of approximately \$1,272,000 per year. The Administration is proposing to increase the

retirement payout appropriation to \$1,000,000. This appropriation will be available to all general fund departments rather than primarily for Police and Fire. Any amount unspent will be transferred to a separate account to accumulate for the expected increase in future years.

34. Unity Center Operations – The Administration expects construction of the Unity Center to start in August 2006. The Center is scheduled to open in April 2007. Based on that schedule the Public Services Department included \$90,000 to operate and maintain the center in the department's proposed budget for Fiscal Year 2006-07.

35. Utah League of Cities & Towns – The Administration has included membership dues for the Utah League of Cities & Towns in its proposed budget. For fiscal year 2006-07, the City's dues are calculated to be \$104,168 based on the League's formula.

SUMMARY OF PROPOSED PROPERTY TAX OR FEE INCREASES

The following table lists the proposed tax or fee increases.

Proposed Tax or Fee Increases	
	Additional Annual Revenue
Property tax increase	\$2,090,000
Judgment levy one-time tax	\$1,304,780
Voter-approved property tax for open space and Leonardo	\$1,171,200
Business license fee increase	\$1,323,000
Water rate increase	\$1,808,000
Refuse collection fee increase	\$606,000
Airport/public facility parking lot license fee	\$560,000
Fire prevention inspection fees	\$276,200
Hazardous material fees	\$126,000
Golf Course fee increase/passes	\$174,800
Cemetery fee increase	\$11,700

SYNOPSIS OF CITYWIDE BUDGET

The schedule on the following page summarizes the proposed citywide expenditure budget compared to the fiscal year 2006 adopted budget. The Council already held briefings on the proposed budgets for the Department of Airports, the Department of Public Utilities, the Community Development Operating Fund (CDBG), and the Grants Operating Fund (ESG, HOME, HOPWA). The Council generally doesn't hold individual briefings on all of the special revenue fund budgets. Briefings are not currently scheduled for those funds marked with an asterisk. The Council may wish to ask staff or the Administration questions regarding those funds not scheduled for a briefing. The Council could ask staff to prepare a written briefing on certain funds or schedule some of the funds marked with an asterisk for a formal briefing.

**MAYOR'S RECOMMENDED BUDGET
SYNOPSIS OF PROPOSED EXPENDITURE BUDGETS**

	Adopted 2005-06	Proposed 2006-07	Difference	Percent Change
General Fund				
Police	\$47,128,460	\$51,083,387	\$3,954,927	8.4%
Public Services	34,609,623	36,756,738	2,147,115	6.2%
Fire	28,696,411	30,549,938	1,853,527	6.5%
Management Services	9,634,521	10,708,331	1,073,810	11.1%
Community Development	8,331,182	9,183,080	851,898	10.2%
Attorney's Office	3,475,240	3,909,521	434,281	12.5%
Mayor's Office	1,566,133	1,633,638	67,505	4.3%
Council Office	1,550,473	1,595,941	45,468	2.9%
Nondepartmental	37,745,614	45,515,029	7,769,415	20.6%
Total General Fund	172,737,657	190,935,603	18,197,946	10.5%
Enterprise Funds				
Department of Airports	198,592,800	181,564,579	(17,028,221)	(8.6%)
Water	63,107,903	51,378,407	(11,729,496)	(18.6%)
Sewer	31,699,301	24,056,639	(7,642,662)	(24.1%)
Stormwater	14,625,134	8,533,648	(6,091,486)	(41.7%)
Refuse Collection	9,907,256	8,869,022	(1,038,234)	(10.5%)
Golf	8,092,038	8,510,031	417,993	5.2%
Intermodal Hub	9,346,448	4,900,000	(4,446,448)	(47.6%)
Total Enterprise Funds	335,370,880	287,812,326	(47,558,554)	(14.2%)
Internal Service Funds				
Insurance & Risk Management	29,414,599	31,897,477	2,482,878	8.4%
Fleet Management	16,270,019	17,369,619	1,099,600	6.8%
Information Management Services	7,615,101	7,967,424	352,323	4.6%
Governmental Immunity	1,273,276	1,182,200	(91,076)	(7.2%)
Total Internal Service Funds	54,572,995	58,416,720	3,843,725	7.0%
Capital Improvement Program	33,746,831	30,829,337	(2,917,494)	(8.6%)
Debt Service Funds				
Debt Service – CIP*	16,974,088	17,437,570	463,482	2.7%
Debt Service – SID*	1,868,269	393,594	(1,474,675)	(78.9%)
Total Debt Service Funds	18,842,357	17,831,164	(1,011,193)	(5.4%)
Special Revenue Funds				
Community Development (CDBG)	3,333,487	2,971,961	(361,526)	(10.8%)
Grants Operating (ESG, HOME, HOPWA)	6,091,585	4,721,609	(1,369,976)	(22.5%)
Street Lighting*	2,227,122	1,896,923	(330,199)	(14.8%)
Emergency 911*	2,055,100	2,056,600	1,500	0.1%
Housing Loan Fund*	2,104,306	6,608,367	4,504,061	214.0%
Downtown Economic Development * (Downtown Alliance)	700,000	700,000		
Demolition & Weed Abatement*	153,000	26,500	(126,500)	(82.7%)
Donation Fund*	400,000	50,000	(350,000)	(87.5%)
Total Special Revenue Funds	17,064,600	19,031,960	1,967,360	11.5%
TOTAL	\$632,335,320	\$604,857,110	\$(27,478,210)	(4.3%)

* Individual budget briefings are not generally scheduled for the proposed budgets marked with an asterisk. The Council may wish to indicate if a briefing is desired this year.