SALT LAKE CITY COUNCIL STAFF REPORT

Date: May 16, 2006

Subject: Intermodal Hub Enterprise Fund

Staff Report By: Russell Weeks

Cc: Cindy Gust-Jenson, Rocky Fluhart, Steve Fawcett, DJ Baxter, Gordon Hoskins, Gary Mumford, Mary Guy-Sell

KEY ELEMENTS:

- The proposed budget anticipates a roughly 50 percent decline in revenue and expenses because of the City's plans to turn over the Intermodal Hub to the Utah Transit Authority in the next fiscal year.
- The proposed budget would allocate about $4.9 million in revenue toward the UTA project to connect the Intermodal Hub with the Trax light rail system at the Delta Center.

MATTERS AT ISSUE/POTENTIAL QUESTIONS TO ADMINISTRATION:

To pay for the initial phase of the project the City lent the Intermodal Hub Enterprise Fund $6.4 million. Of that sum, $1.8 million in Class C road funds is the only guaranteed revenue identified to repay the loan. About $3.3 probably will be repaid from additional reimbursements from the Federal Transit Administration. If the loan is to be completely repaid, the remaining $1.3 million might have to come from other City sources such as Redevelopment Agency or Capital Improvement Projects funds. It also should be noted that the Administration would like to have about $900,000 appropriated in Fiscal Year 2007-2008 to complete the City's share of paying for building the light rail connection between the Delta Center station and the Intermodal Hub at 200 South 600 West. Given that, how likely is it that Salt Lake City will be completely reimbursed for the original $6.4 million loan to the Intermodal Hub Enterprise Fund?

DISCUSSION:

Except for one or two issues, the proposed budget for the Intermodal Hub Enterprise Fund might be considered nearly a close-out budget. The City Council on April 20 adopted an ordinance authorizing the implementation of an interlocal agreement between the City and the Utah Transit Authority to build a light rail connection between the Delta Center Trax station at South Temple and 400 West Street and the Intermodal Hub. Terms of the agreement included the conveyance by Salt Lake City to Utah Transit Authority (UTA) of the Salt Lake City Intermodal Hub at 200 South 600 West Street, and the assignment of all City leases and agreements related to the Intermodal Hub.

The proposed budget appears to reflect the agreement. The Transit Authority projects that the Trax connection to the Intermodal Hub will be finished between late 2007 and early 2008 – the same time UTA projects its commuter rail service between Ogden and Salt Lake City will start operating. The latter project also involves straightening the Grant Tower curve, which may have an effect on the Transit Authority's schedule.

The two tables that follow depict projected revenue and proposed expenses for the Intermodal Hub Enterprise Fund for the 2006-2007 fiscal year.

Intermodal Hub Fund	**Adopted 2005-2006**	**Proposed 2006-2007**	**Difference**	**Percent**
Federal Grants	$1,500,000	**$3,200,000**	$1,700,000	113.33%
Building leases	146,448	**0**	($146,448)	-100.00%
Private Donations	3,000,000	**0**	($3,000,000)	-100.00%
RDA Transfer	1,700,000	**1,700,000**	$0	0.00%
Bond Proceeds	3,000,000	**0**	($3,000,000)	-100.00%
TOTAL	**9,346,448**	**4,900,000**	**-4,446,448**	-47.57%

Intermodal Hub Expenses	**Adopted 2005-2006**	**Proposed 2006-2007**	**Difference**	**Percent**
Materials and Supplies	$17,600	**$5,000**	($12,600)	-71.59%
Charges and Services	244,500	**1,995,000**	$1,750,500	715.95%
Capital Expenditures	9,084,348	**2,900,000**	($6,184,348)	-68.08%
TOTAL	**9,346,448**	**4,900,000**	**-4,446,448**	-47.57%

One might see from the tables that there are significant projected reductions in anticipated revenue. However, it should be noted that $3 million in bond proceeds for the Intermodal Hub under the current year's revenue actually never was used because the City did not issue bonds for the project, according to the Administration.

In addition, the line items listing an expected loss of $3 million in "private donations" and $146,448 in lease revenue are the result of the April 20 agreement between the City and the Transit Authority. According to the Administration, the $3 million loss in "private donations" is projected revenue from UTA initiating contractual agreements for the Trax connection to the Intermodal Hub and paying those costs directly to the contractor instead of Salt Lake City. The projected loss of $148,446 in building leases is the result of UTA acquiring ownership of the Intermodal Hub which includes lease revenue from Greyhound Bus Lines and Amtrak.

Among expenditures, the largest percentage increase is in charges and services. Of the $1.75 million budgeted for that category $1.5 million is earmarked for architect and engineering services related to completing the final design of the Trax connection to the Intermodal Hub plus the City's share of construction engineering costs related to the project, according to the Administration. The projected $2.9 million in capital expenditures also will be used for the balance of the City's share of construction costs to connect the Intermodal Hub to the Delta Center light rail station.

In preparing City Council material for the Council to consider at the April 20 meeting where the Council authorized implementing the interlocal agreement between the City and the Transit Authority, the City Council staff wrote the following:

a. Salt Lake City Corporation originally made a $6.4 million "loan" to the Hub Enterprise Fund, to build the Intermodal Hub. The original intent was to pay off the loan with revenue generated at the Intermodal Hub. However, because the proposed agreement has UTA assuming ownership of the Hub, the City will forfeit all future revenue generated at the site (However, as a municipality, federal guidelines restrict the City from spending any revenue generated at the Hub, anywhere except the Hub. UTA does not have these restrictions.)
    i. The only 100% "sure" money coming into the City to pay back this loan, is $1.8 million in Class C road fund, in effect "repaying" the City for reconstruction of 200 South (a project that was needed and scheduled independently of the TRAX extension). This is money that is scheduled, but not yet appropriated, for FY 2009 according to the CIP 10 Year plan. 200 South was slated to be repaired *independent* of the TRAX extension project, using Class C funds. Since the repairs/upgrades will be done in conjunction with this project, the City is eligible to be "paid back" for this work with Class C funds.
    ii. About $3.3 million still "due" to the City from the Federal Transit Administration (FTA) is likely to be reimbursed because the proposed agreement in Section 12.1.3 calls for the City to be reimbursed from federal funds before UTA is reimbursed. The remaining $1.3 million of the original loan would then have to be "repaid" with other sources – possibly from the RDA or the Capital Improvement Program. An alternative is for the City to elect not to "repay itself" (as the repayment would be from RDA or CIP funds into the general fund).

The ultimate disposition of the loan remains an outstanding issue that the proposed budget does not appear to address. The City Council may wish to prepare a legislative intent that would say what the Council's expectations might be pertaining to repaying the loan.

In addition, as mentioned earlier in this report, the Trax light-rail connection between the Delta Center station and the Intermodal Hub is part of a series of projects related to mass transit – and future development. The Administration has proposed issuing about $36 million in bonds to pay for construction of a new fleet facility, the City's share of straightening the Grant Tower railroad curve, and a trail project to bring City Creek to the surface west of the Gateway Mall. Bonding for straightening the railroad curve and bringing City Creek to the surface are estimated to cost roughly about $7.07 million and $5.06 million respectively.