
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: October 17, 2006

SUBJECT: Follow-up Discussion Regarding Funding Options for the remainder of the Grant Tower Railroad Re-alignment project

STAFF REPORT BY: Jennifer Bruno, Policy Analyst

AFFECTED COUNCIL DISTRICTS: District 1,2,3, and 4

ADMINISTRATIVE DEPT: Office of the Mayor
AND CONTACT PERSON: DJ Baxter

KEY ELEMENTS:

- A. During Budget Amendment #4 of FY 2006, the Council approved a draw of \$4 million from general fund balance to pay for property acquisition and other start up costs related to the Grant Tower railroad realignment.
- B. In order to keep the project on schedule, the Council also approved \$400,000 on October 3rd, as a part of the annual CIP budget process.
- C. The purpose of this discussion is to clarify the Council's intent with regard to the funding source for the remainder of the Grant Tower project. This will give direction to the Administration as to what portions to include in the bond issue for January (the RDA portion will be included at a minimum), and how much, if anything, to include in Budget Amendment #2 (fund balance portion, if any - briefing scheduled for November 14th).
- D. There was some concern raised during CIP discussions in September, that drawing the remainder of the City's share of the Grant Tower funding (**estimated at \$2.22 million**) from fund balance, would drop it to below the Council's unofficial policy of 10%, and thereby raise the concern of one or more of the rating agencies.
- E. Since those discussions, *preliminary* numbers have been reported in terms of actual City revenues from the previous year. Although the financial audit has not been completed, council staff ran an accounting report that shows fund balance to be approximately \$22.8. This figure does take into account an estimated \$1.5 million of adjustments that may still need to be recorded.
 - Ten percent of general fund revenue is \$18.3 million.
 - Therefore, projected fund balance is about 12.46% or **\$4.5 million in excess of 10%**.
 - It is important to note that this does **not** take into account future budget amendments this year that may require the use of fund balance. It is also important to note that these are Council Staff estimates and do not represent the official numbers that will be transmitted to the Council sometime in December.
- F. Council staff has detailed the following scenarios (see table below), and the affect that each of those scenarios would have on the remaining fund balance and/or debt service responsibilities:

	Cash Payment (budget amendment #2)	Fund Balance Remaining	% of General Fund Revenue	Remaining Fund Balance in excess of 10%
Scenario 1				
pay for full City share (\$2.5 m) with fund balance - bond only for the RDA portion in January	\$ 2,220,000	\$ 20,580,000	11.2%	\$ 2,280,000
Scenario 2				
pay for half of the City's share with fund balance and half with the bond in January (city share of the debt service would be approximately \$85,000* per year)	\$ 1,110,000	\$ 21,690,000	11.9%	\$ 3,390,000
Scenario 3				
pay for all of the City's share of the project through the bond (city share of the debt service would be approximately \$170,000 per year)	\$ -	\$ 22,800,000	12.5%	\$ 4,500,000

* council staff estimate

G. The Council may wish to discuss these various scenarios or other options at this time. Bond Counsel and the City Treasurer will be available for any questions that may arise.

The following information was provided previously for the Council Work Session on September 5, 2006. It is provided again for your reference. It is background primarily on the previous Council discussion on the bond issue for January.

UPDATE ON PREVIOUS COUNCIL DECISION

The Council held a briefing on June 1, 2006 to tentatively decide how to proceed with regard to the Mayor's proposal for issuing a sales tax bond for various projects. The following are what the Council tentatively decided:

- Fleet Facility - Bond for the full cost of the construction of the new Fleet Facility, but do not bond for the original land cost. The surplus land account will not be paid back out of bond proceeds. Therefore the total amount to be bonded for this project is \$21.6 Million.
- Grant Tower - Bond only for RDA portion (assuming RDA does not receive a Federal Railroad Administration loan). Council Staff paperwork indicates this amount is \$3.1 Million.
- Daylighting City Creek @ Folsom Street Corridor and 900 South Rail line right-of-way improvements - The Council tentatively decided to bond for \$300,000 worth of soil improvement/erosion control, to qualify the project for bonding as a part of the Grant Tower Railroad Realignment bond. Some Council Members expressed an interest in this project in the future, with continued planning and community involvement. The Euclid Small Area Master Plan (currently under way in the Planning Division), addresses this corridor, and has involved community members and property owners along the corridor.

Staff note: At this point these decisions can still be revised as actual bond proceeds are not yet needed.

The following information was provided previously for the Council Work Session on March 7, 2006. It is provided again for your reference. It is background primarily on the Grant Tower project in general.

BUDGET RELATED FACTS:

- A. The Administration has presented 10 funding scenarios for the Council's consideration, examined in detail in the attached transmittal. There is no formal recommendation about which to pursue. While impact on the budget will depend on which option the Council decides to pursue, the Administration is proposing to draw from fund balance now in order to begin property acquisition and design immediately. This funding request is part of Budget Amendment #4 for a total amount of \$4 million.
1. There is an estimated \$6,525,955 requested from fund balance in Budget Amendment #4. If every request in the Budget Amendment were to be granted, that would leave approximately \$19.1 million in fund balance or 11.12%. This level does not address any requests associated with TRAX.
 2. If the Council wishes to discuss specific property acquisition further, an executive session has been tentatively scheduled.
- B. While the funding options presented in the Administration's transmittal are summarized further in the Key Elements section (see item I) the following summarizes the pros and cons of each *general* idea:
1. Paying for Grant Tower out of the general fund or fund balance:
 - i. Pros –
 - Avoids obligating future budget years to debt service payments,
 - Would complete the project in a timely manner, ensuring completion in coordination with commuter rail
 - ii. Cons –
 - Could draw down fund balance to a point below 10% (if all requests in Budget Amendment #4 are granted, there would be approximately \$1.9 million "left" above the 10% level),
 - Could mean sacrifice of a significant amount of other "regular" general fund expenditures,
 - Could still be left with the dilemma of how to fund other projects mentioned below (TRAX extension, Fleet Facility if the Council decides to pursue, 500 West 200 South intersection if the Council decides to pursue, "Enhanced" parks along 900 South and Folsom corridors)
 2. Bonding for only Grant Tower (or combining bonding with some general fund offset):
 - i. Pros –
 - Would take care of funding the project in a timely manner, ensuring completion in coordination with commuter rail
 - Could minimize the amount of additional debt service burden on CIP to free money for other projects
 - ii. Cons –
 - Would obligate the CIP with additional debt service payments resulting in less money available for other community projects (see table below),
 - Would not pay for any project other than Grant Tower, and would leave even less general fund money after debt service to complete these other projects,
 - Bonding in and of itself could be complicated due to tax-exempt eligible and ineligible components of the project (explained in detail below - item I-2a),
 - Would not be cost effective if the Council were to eventually decide to bond for the fleet facility (\$32,000 savings in bond issuance cost, \$417,000

savings in overall bond issued, \$30,000 yearly savings in debt service payments - see table below)

3. Bonding for Grant Tower and the Fleet Facility together

i. Pros -

- Would take care of funding the project in a timely manner, ensuring completion in coordination with commuter rail,
- Would fund the Fleet Facility in a timely manner, freeing up current fleet site for redevelopment,
- Would save in cost of issuance, total bond amount, and debt service payments, as shown in the following table (estimates provided by the City's financial advisor):

Project	Total Bond	Cost of Issuance	Debt Service (avg)
<u>Grant Tower Tax Exempt Portion Only</u> (includes only "basic" parks)	\$ 6,665,000	\$ 63,331	\$ 490,000
<u>Fleet Facility Only</u>	\$ 24,300,000	\$ 103,020	\$ 1,840,000
<u>Both Fleet Facility and Grant Bonded Separately</u>	\$ 30,965,000	\$ 166,351	\$ 2,330,000
<u>Both Fleet Facility and Grant Tower Bonded Together</u>	\$ 30,548,000	\$ 134,302	\$ 2,300,000
<i>Difference between bonding separately and bonding together</i>	\$ 417,000	\$ 32,049	\$ 30,000
<u>Bonding for <u>all</u> of the Grant Tower project (still includes only "basic" parks, but would re-imburse the general fund for any up-front expenses)</u>	\$ 11,100,000	\$ 84,505	\$ 817,000

ii. Cons -

- Would obligate the CIP with even greater additional debt service payments resulting in less money available for other community projects,
- Bonding in and of itself would still be complicated due to tax-exempt eligible and ineligible components of the project (explained in detail below)

4. Pursuing a Federal Railroad Loan to pay for all or part of the project

i. Pros -

- Could assist in funding the project, possibly up to 100%,
- Would ensure project completion

ii. Cons -

- Application process could take longer than expected - a City government has never pursued this kind of loan,
- The issue of collateral and loan guarantee could be complicated - usually the FRA takes a lien on the actual tracks that are being built. The City would have to find some comparable way to guarantee the loan with property that the FRA would desire.

- Interest rate is higher than if the City were to bond (4.75% as compared to 3.3%)
5. Pursuing Class C Road funds to pay for all or part of the project
- i. Pros -
 - Could assist in funding the project to help ensure completion
 - The City already receives this money – no need to bond or pursue outside agencies
 - ii. Cons –
 - The money would not be sufficient to pay for 100% of the project
 - This money is already being slated for other City road projects according to the 10 Year CIP – including the TRAX extension in FY 2009. These projects would have to be deferred to a future date which could lead to further road deterioration

KEY ELEMENTS:

- A. The Administration’s transmittal includes a breakdown of the various funding components and funding options for the Grant Tower Railroad re-alignment project. Members of the Administration as well as bond counsel will be at the Council Briefing to answer any questions Council Members may have.
- B. The transmittal does not include a funding recommendation from the Administration, but the budget opening does include a request for fund balance. Some of the funding sources and approaches raised in this memorandum for funding Grant Tower have also been raised in the initial conversations on funding for the TRAX stations.
- C. The Grant Tower rail line curves that are at issue in this project are located between the intersection of North Temple and 500 West and Folsom Avenue and 700 West.
 1. This grouping of rail lines is where interstate freight trains make the directional change from southbound to westbound, or from eastbound to northbound.
 2. Because the current curves are so tight, trains have to slow down significantly in order to navigate, causing delays of up to 40 minutes.
 3. Reconfiguring these curves so that trains can move through the area more quickly involves the following, while maintaining railroad service through the area:
 - a. removal of tracks from Folsom Avenue;
 - b. construction of new tracks on South Temple;
 - c. relocation of underground utilities;
 - d. installation of new traffic and railroad signals;
 - e. land acquisition
- D. The overall project cost is estimated at \$50 million. The City’s estimated share of the overall project cost is approximately \$11 million. The Council will determine what, if any, portion of that cost should come from the General Fund and what option is ideal to fund the remainder. The following is a breakdown of the estimated \$50 million project:
 - \$5 million – Federal appropriation to Salt Lake City and Union Pacific through the SAFETEA-LU transportation spending bill
 - \$15 million – UTA contribution for work that must also be completed to accommodate commuter rail
 - \$15 million – Union Pacific’s agreed contribution
 - \$11 million – City share
 - \$3.5 million – Legislature authorized use of the transportation sales tax collected by Salt Lake County (one-time allowance)

- E. Salt Lake City's contribution would go up even more if the costs of planting the Folsom Avenue and 9th South park areas are included. The Parks Division estimates these costs to be \$300,000 (for basic erosion control seeding - more advanced park development would be more costly), bringing the City's total closer to \$11.3 million. If the Council is interested in the bonding approach, bond counsel recommends this park project be included in order to have a City asset at the project's conclusion and make the total Grant Tower project "bondable." Property acquisition will ideally begin immediately, and is projected to cost between \$3.5 and \$4 million. This figure is included in the \$11 million "City contribution" number.
- F. Previous attempts have been made to reach an agreement on how to fund this project, but only recently, with the construction of UTA Commuter rail, the support of UDOT and the Wasatch Front Regional Council (WFRC), and an agreement reached by Union Pacific and Salt Lake City, has an agreement been within reach.
1. The involvement of commuter rail, while providing the benefit of doing both projects simultaneously, does place certain time constraints on the rest of the project with respect to construction timelines and completion.
 2. Commuter rail construction is expected to begin in the summer of 2006 and conclude in late 2007 or early 2008.
 3. Therefore, the window of opportunity for Grant Tower construction and completion is the 2007 construction season. The cost and complexity of the project would increase dramatically if construction were to occur after commuter rail is operational in early 2008.
- G. The City will have to acquire land from private property owners in order to accommodate the realignment.
1. There are approximately 40 parcels to be purchased, but fewer than 10 are "entire parcels" (for some parcels only 10 to 15 feet of the parcel is needed for the realignment).
 2. The land necessary for the re-alignment will be deeded to Union Pacific for the rail construction. Any excess land not needed for re-alignment could be resold at a later date. This strategy could complicate matters regarding issuance of bonds, as the City must retain ownership of all land purchased with bond proceeds. One option could be to fund everything but land acquisition with bond proceeds.
 3. As a part of the exchange, once the Grant Tower realignment is completed, Union Pacific will abandon the 900 South rail line and deed that property to the City, along with property in the Folsom Avenue corridor.
 - a. The Folsom Avenue corridor land is approximately 100 feet in width and stretches from 700 to 1200 West.
 - b. The US Army Corps of Engineers and the City have both identified this corridor as an ideal location to bring some of the flow of City Creek back to the surface, and in the process add a natural amenity to the Euclid neighborhood (the Euclid Area Master Plan, currently under development, not yet adopted, contemplates this scenario).
 - c. The 900 South Rail line land is approximately 50 to 60 feet in width and runs from 700 West to Redwood Road.
- H. The following table shows a breakdown by month of the City's expenditures:

Salt Lake City Expenditure Timeline (Approximate) - Separated by Fiscal Years

<i>Fiscal Year 2006</i>		<i>Description</i>
February 2006	\$ 50,000	Property Appraiser
	\$ 50,000	Consultant-Utility Relocation Design
	\$ 50,000	Boundary Survey and Description
March 2006	\$ 200,000	Environmental Assessment (all properties)
April 2006	\$ 70,000	Finalize utility design
	\$ 200,000	Retain project management and street design
	\$ 2,830,805	Right-of-way Acquisition
	\$ 650,000	700 South property acquisition for quiet zone
	\$ 250,000	Relocation and Demolition
June 2006	\$ 900,000	Utility Relocation
	\$ 126,000	City creek conduit
February - June 2006 Total		\$ 5,376,805
<i>Fiscal Year 2007</i>		
August 2006	\$ 165,000	Continue consultant for street design
	\$ 418,000	Consultant program management and Project Construction Engineer and Overview
December 2006	\$ 1,930,000	Roadway improvements
	\$ 880,000	Gate and signals for quiet zone
July - December 2006 Total		\$ 3,393,000
Sub-total February - December 2006	\$ 8,769,805	
		Applied to everything but property acquisition and appraiser, which already has contingency built in, and environmental assessment which has no contingency applied
20% contingency	\$ 1,147,800	
10% for inflation	\$ 991,760	
Grand Total		\$ 10,909,365

- I. The following are funding options for covering this City contribution. Please see the Administration's transmittal for comprehensive information on each option:
1. General Fund Revenue/Fund Balance/RDA (no bonding) - The RDA Board could elect to use Depot District funds for a portion of the costs, reducing the remainder to a level that could be borne by the General Fund. The Administration's paperwork indicates that if the board were to pay for all eligible project elements (quiet zone design, engineering and construction, City Creek conduit, quiet zone work at 300 and 400 North, other discrete items in the Depot District), the total RDA expenditure could be up to \$3.3 million, leaving \$7.6 million to come from the General Fund. The Administration's application to the RDA board for FY 2006-2007 is for \$4.4 million. This could obviously have a significant impact on the Redevelopment Agency.
 - a. The Administration's paperwork indicates that the RDA has already allocated \$1.4 million for the quiet zone and City Creek culvert issue. RDA records indicate that \$1.8 million has already been allocated.
 - b. The increment projected to be available in the Depot District in FY 2006-2007 is approximately \$1 million, with approximately \$1.6 million available in FY 2007-2008 (These figures do not include any RDA contributions towards TRAX or Grant Tower projects). The spreadsheets at the end of this staff report were

provided to Council Staff by the RDA (**see attached**). The impact of funding both Grant Tower and the TRAX extension proposal is shown, as well as the previous 7 years of funding for quiet zones, transmission line burial (related to the 500 West 200 South intersection), and the TRAX extension.

- c. RDA staff has previously communicated to Council Staff that City-Wide housing funds could also be available, as ensuring the quiet zones would be in order to protect housing city-wide (particularly at the 800, 900 and 1000 West crossings). The City-Wide Housing Fund is projected to have roughly \$721,000 available.
- d. While these available funds ensure that previous commitments are paid for, if 100% of the available funds are used to pay for Grant Tower, there will be no remaining funds for other RDA projects in these areas.

OPTION 1A - RDA cover quiet zone work and street improvements already allocated in Depot District, plus the cost of the City Creek conduit, for a total of \$1.8 million, leaving \$9.1 million to be covered by the General Fund.

OPTION 1B - RDA covers items in 1a, in addition to Quiet Zone work at 300/400 North, and other Depot District items, for a total of \$3.3 million, leaving \$7.6 million to be covered by the general fund.

- 2. Sales Tax Revenue Bonds - Current tax policy will not allow the City to use tax exempt bonds to pay for land that will be turned over to Union Pacific, even if the City receives an equal-value land exchange. It is estimated that \$4.6 million of the total project cost is related to items ineligible for tax-exempt bonding (page 7 of the Administration's memo breaks down the components of the project by "eligibility"), leaving \$6.4 million that is "bondable".
 - a. The City's bond counsel has suggested using taxable bonds for the ineligible portion of the project, until the project is complete and the 900 South and Folsom land has been turned over to the City. Once this happens the taxable bonds can then be converted back to tax-exempt bonds. This would save money in interest payments over the life of the bond.
 - b. It should be noted that the figures above do not include the Folsom or 900 South Corridor parks, which bond counsel is recommending the project include if the City were to pursue Sales Tax revenue bonds.
 - 1. The base cost for doing the "bare minimum" of native erosion control seeding is estimated to cost \$300,000.
 - 2. Plans exist to do much more in both corridors as funds permit. Council Staff note: In the 10 Year CIP, there is a placeholder for \$1 million in Fiscal Year 2010 for "Daylighting City Creek." The total cost for this project is listed in the 10 Year CIP at \$5 million. The \$4 million gap is listed as "other funding" and is not contemplated to come from the general fund, nor is it specified where it would come from.
 - c. Payment for these bonds are historically allocated within the City's Capital Improvement Program budget.

- d. It should also be noted that if RDA funds are also used in combination with this bonding option, they can be used to offset the amount to be bonded for, or pay for debt service of the bonds.
- e. It should be noted that out of Fiscal Year 2006's \$19.5 million Capital Improvement Program budget, \$13.9 million was slated for debt, leaving \$5.7 million for other projects. The following is a schedule of when outstanding bonds will expire and how much debt will be "freed":

Bond	Expiration Date	Bond Amount	Annual Debt Service
Street improvement projects (Motor Fuel Excise Tax)	February 1, 2009	\$2,580,000	\$733,000
City & County Building	June 15, 2011	\$14,975,000	\$2,956,000
Baseball Stadium, Fire Stations, Cemetery, Wasatch Hollow Park, Forest Dale, 400 West	October 1, 2015	\$14,767,000	\$2,290,000
Library	June 15, 2019	\$65,965,000	\$6,912,000
Zoo/ Aviary	June 15, 2024	\$10,930,000	\$881,000

- f. It should be noted that a \$7 million bond for Grant Tower is contemplated in the adopted 10 Year Capital Improvement Program, as well as a \$22.1 million Fleet Facility Bond. The debt service payments for the Grant Tower bond are listed to be around \$560,000 per year, and the debt service payments for the Fleet Facility Bond are estimated to be around \$1.2 million per year.

<p>OPTION 2A - The City could use fund balance to pay for the project costs through May (\$4.6 million) and bond for the remainder of the cost (\$6.4 million), or for that portion eligible for tax-exempt bonding. <u>Council Staff note:</u> The Council may wish to clarify that the \$300,000 for the "basic park" at 900 South and Folsom would be require to go forward with this option. This amount is not included in the above estimates.</p>
<p>OPTION 2B - The City could use fund balance up front as in Option 2a, but bond for the full amount (\$10.9 million) and reimburse the General Fund with bond proceeds, assuming the City Council was willing to support a <i>taxable</i> bond for part of the \$10.9 million in the short term (see <i>explanation item #2a</i>). A taxable bond would be a higher interest rate, but could be shifted to a lower interest rate tax-exempt bond once the project is finished and the City has ownership of the Folsom and 900 South Rail line land. <u>Council Staff note:</u> The Council may wish to clarify that the \$300,000 for the "basic park" at 900 South and Folsom would be require to go forward with this option. This amount is not included in the above estimates.</p>
<p>OPTION 2C - Using option 2a or 2b, the City could choose to do a combined bond issue to include the Fleet Facility (\$24 million). The City's financial advisor estimates that the City could save \$750,000 in principal</p>

and interest payments and bonding costs over the life of the bond by combining these projects into one bond issue. Council Staff note: The Council may wish to clarify if the \$24 million figure for the Fleet Facility includes the \$3.1 million to be “reimbursed” to the surplus land account for land acquisition.

OPTION 2D - Because portions of the Grant Tower project are not eligible for Tax-exempt financing, the City could bond for *eligible* CIP projects that (parks, roads, etc.), and use the “freed up” general fund money to pay for the ineligible parts of Grant Tower. The Administration compiled a list of *already approved* CIP projects (approved in previous fiscal years) with remaining “cash on hand” (see **Attachment 2** in the Administration’s transmittal). These are eligible projects that have not used 100% of the cash that has already been allocated to them from the Capital Improvement Fund. The total amount that could be “freed up” is \$5.9 million (sufficient to pay for the estimated \$4.6 million in *ineligible* Grant Tower costs). If the City were to pursue this route, the debt service on *both* bonds (for the CIP projects and for the eligible part of Grant Tower projects) would be rolled in to the yearly CIP, thereby reducing the amount of money available for yearly, pay-as-you-go projects.

OPTION 2E - Grant tower will be paid for by “freed up” money from bonding for other projects. The Administration is proposing that if the Council bonded for the TRAX Connection and the 500 W 200S park blocks that money would be “freed” to fund Grant Tower. It is not clear how much funding is ‘available’ or ‘appropriated’ that could be ‘freed’ to fund Grant Tower. The Administration indicates that the Council could review bonding options for the TRAX Connection and/or the 500 West/200 South Park Block intersection widening. The Administration estimates savings of \$1 million if work on the 500 West Park Blocks is done in conjunction with the TRAX extension project. The bond for both projects would be \$10.1 million (\$8.5 for TRAX - \$2.4 from RDA for TRAX + \$4 million for the park blocks), and the \$5.2 million loan “repayment” for the Hub would then be “freed” to be used for the Grant Tower project. This assumes that the general fund loan to the Hub is forgiven, and that the in-coming federal appropriations are used for the Grant Tower project instead of repayment to the general fund. While the Administration’s transmittal indicated a \$1 million savings for doing the intersection project now, the ‘savings’ is would only be realized if the Council decided to fund this project now versus later. Funding for this project has not been allocated and it is not included in the 10-year CIP plan, nor have the project’s costs been fully explained to the Council. Details relating to the interplay between TRAX funding and this project funding are not readily available.

3. Federal Railroad Loan - The Federal Railroad Administration (FRA) has a Railroad Rehabilitation and Improvement Financing (RRIF) program, which provides direct loans

to improve railroad facilities including tracks. The terms, generally, would involve current treasury interest rates (4.7%), 10-30 year term, and a .5% application fee depending on the complexity of the deal. There are NEPA requirements, but it is possible that the City could use the environmental report conducted by UTA. Typically collateral is the trackage or underlying right of way, but the City could take a lien on its property (this could raise issues depending on the source of loan repayment). This kind of loan is typically only issued to railroad carriers. Salt Lake City is still eligible, but would be the first governmental entity to go through this process.

OPTION 3 - Pursue a Federal Railroad Loan. This process would take much longer than a typical bond issue (30 days for the FRA to respond and confirm application fee, 90 days after application is received to accept or reject the application). The City would not be able to use an FRA loan to pay for 100% of the project, but only for the track, quiet zone improvements, and infrastructure related to the reconfiguration. An additional source of funding would likely need to be identified for property acquisition.

4. Class C Road Funds - An additional source of funds for at least part of the City's commitment to Grant Tower could be Class C Road Funds. The City Receives about \$6 million per year in Class C Road Funds. By state law they must be expended on the maintenance and construction of City streets. Approximately \$2 million of the City's contribution could be considered "Class C" eligible (actual road work and track crossings of City streets).
 - a. According to the Administration, of the \$6 million the City receives, \$3 million goes to the Streets Division operating budget to patch, snow plow, and resurface streets. The remaining \$3 million goes to CIP, where half of that (\$1.5 million) typically goes to an annual contract to overlay City streets. The remaining \$1.5 goes to arterial and collector street reconstruction projects or towards local match for federally funded street projects. There are projects scheduled in the 10 Year CIP for FY 2007 and FY 2008, which use this remainder, that would have to be delayed, which would in turn delay other projects (examples: 900 South reconstruction, between State Street and 700 East, 1300 East reconstruction, between South Temple and 500 South, 1300 South Viaduct, 500 East reconstruction, between 900 and 1300 South).
 - b. A total of \$4.5 million in Class C funds are committed (to the projects listed above), but are not yet encumbered.
 - c. Administrative staff working on the TRAX extension project have communicated that they are expecting to use approximately \$1.8 million in Class C funds in Fiscal Year 2009, for Street improvements on 200 South in relation to the extension (this project is included in the CIP 10 Year Plan).

OPTION 4 - Pursue Class C funds as a means to offset the total amount. Fund total amount with one of the other options.

5. Additional Bonding consideration - Expanded Grant Tower Project (including full park development)-
 - a. Though there is a \$300,000 minimum requirement for pursuing a bonding option, the Administration has submitted a variety of options for phased development of parks at 900 South and the Folsom Corridor (see Attachment 1 in the Administration's transmittal). The following summarizes the additional costs if the Council were to pursue this option:
 1. 900 South from 700 West to Redwood Road (10 blocks)
 - a. Phase 1 - \$1.9 million (includes 2 street crossings, trail development, benches and drinking fountains, native erosion control seeding, and design and administrative costs)
 - b. Phase 2 - \$6.7 million (includes security lighting, landscaping and irrigation, Peace Garden Expansion, 900 South Jordan River Park Expansion, and design and administrative costs)
 - c. Total cost Phase 1 & Phase 2 - \$8.6 million
 2. Folsom Trailway from I-15 to Jordan River (5 blocks)
 - a. Phase 1 - \$3 million (includes 3 street crossings, trail development, stream opening and development, native erosion control seeding, benches and drinking fountains, and design and administrative costs)
 - b. Phase 2 - \$2.8 million (includes security lighting, landscaping and irrigation, and design and administrative costs)
 - c. Total cost Phase 1 & Phase 2 - \$5.9 million
 3. Total costs for both parks
 - a. Phase 1 (both parks) - \$4.9 million
 - b. Phase 2 (both parks) - \$9.5 million
 - c. Total Phase 1 & Phase 2 (both parks) - \$14.4 million

OPTION 5 - Decide which, if any, park development scenarios to pursue, and fund with Options 2a - 2e (note: at a minimum, approximately \$300,000 must be spent on native erosion control seeding in order to qualify for bonding).

POTENTIAL MATTERS AT ISSUE

- A. The Council may wish to ask the Administration what contingencies have been put in place to ensure that our estimate of \$11 million is correct. The Council may also wish to ask the Administration how they would fund any cost overruns from this \$11 million figure.
- B. The Council may wish to ask the Administration how this project, and the associated costs, will affect City's fund balance level, in light of the recent Administration budget amendment and the TRAX extension project. Is the level of fund balance high enough to cover all of these costs?
- C. The Council may wish to consider the general policy of bonding for all major capital projects, and at what level of debt is the City Council comfortable with.
- D. The Council may wish to have a discussion as the RDA board to discuss the implications of any of the options listed above which may affect RDA funds, and how best to manage any impacts to minimize loss of other RDA project opportunities.

- E. The Council may wish to confirm with bond counsel that the bonding plan detailed in item #2a above (converting taxable bonds to tax-exempt bonds once the City owns the 900 South and Folsom land) is possible, and what the costs are, if any, for converting these bonds.

MASTER PLAN AND POLICY CONSIDERATIONS:

- A. The Council's street closure policy includes the following:
- B. The Gateway Specific Plan (adopted 1998) states the following as policy objectives:
 - 1. Encourage high density residential uses
 - 2. Ensure that adequate infrastructure and community facilities are developed to support the proposed mixture of existing, continuing and new uses.
 - 3. Locate housing where there are opportunities to establish a "critical mass" of residential use and a strong sense of neighborhood.
 - 4. Bring City Creek and other water features to the surface in the Gateway District.
 - 5. Develop a City Creek open space corridor that is an integral and identifiable element in the Gateway District.
- C. The West Salt Lake Master Plan (adopted 1995) expresses that Union Pacific Railroad should be encouraged to vacate the 900 South right-of-way, and that the City should acquire the land once abandoned. The right-of-way should then be developed as a pedestrian-bicycle trail and incorporated into the Transvalley Corridor proposed in the Open Space Master Plan.

cc: Rocky Fluhart, Sam Guevara, DJ Baxter, Mary Guy-Sell, Steve Fawcett, Gordon Hoskins, Dan Mule, Rick Graham, Tim Harpst, Louis Zunguze, Brent Wilde, Doug Wheelwright, Doug Dansie, Kurt Larson, Barry Esham, Marge Harvey, Janice Jardine, Russell Weeks, Dave Oka, Valda Tarbet

2-Mar-06

GRANT TOWER PROPOSAL				TRAX EXTENSION PROPOSAL			
	Estimated Cost	Prior Allocation Distribution	Remaining Funding Needed		Estimated Cost	Prior Allocation Distribution	Remaining Funding Needed
City Creek Culvert	200,000	(200,000)	0				
City Wide Housing Project		(1,017,773)		CBD Project Area			
Quiet Zone Improvements (outside Depot but within 1 mile of project area boundaries)	1,200,000			TRAX Design/Engineering	500,000	(500,000)	0
Public Improvements (300-400 N 500 West)	53,000			TRAX Construction	1,300,000		
Subtotal City-Wide Housing	1,253,000	(1,017,773)	235,227	Subtotal CBD Project Area	1,800,000	(500,000)	0
Depot District Project Area		(800,216)		Depot District Project Area			
Construction of Frontage Road (Howa-Danzie); Street Improvements on 600 West; Grade Crossings 600 West; 100 South	1,700,000			TRAX Design/Engineering	200,000	(200,000)	0
Share of Civil/Grading/Drainage; Right of Way Relocation; Utilities	1,250,000			TRAX Construction	1,550,000	(400,000)	1,150,000
Subtotal Depot District	2,950,000	(800,216)	2,149,784	500 West Park Block Reconstruction	2,000,000	0	2,000,000
				Burial of Electrical Transmission Lines	2,000,000	(300,000)	1,700,000
				Subtotal Depot District	5,750,000	(900,000)	4,850,000
Total	4,403,000	(2,017,989)	2,385,011	Total	7,550,000	(1,400,000)	4,850,000

	<u>Budget FY 99/00</u>	<u>Budget FY 00/01</u>	<u>Budget FY 01/02</u>	<u>Budget FY 02/03</u>	<u>Budget FY 03/04</u>	<u>Budget FY 04/05</u>	<u>Budget FY 05/06</u>	<u>Total</u>	<u>Remaining Balance</u>
QUIET ZONE IMPROVEMENT ALLOCATIONS									
Depot District	64,366	318,736				448,139		831,241	800,216
Granary District		68,691	15,644		82,094	68,326		234,755	195,422
City-Wide Housing		500,000			545,394			1,045,394	1,017,773
Project Area Housing					34,398			34,398	34,398
								<u>2,145,788</u>	<u>2,047,809</u>
BURIAL OF TRANSMISSION LINES									
Depot District						300,000	750,000 *	1,050,000	
CITY CREEK PROJECT									
Depot District				428,250	100,000			528,250	528,250
TRAX EXTENSION									
CBD Project Area				500,000		1,300,000		1,800,000	1,594,690
Depot District				200,000		400,000		600,000	504,929

* Uncertain Fund Allocation

OPTION #2
RRIF LOAN

Terms:
Rate 4.75%
Term 15 years
Amount 4,400,000

DEPOT DISTRICT FUND

	Actual FY 04/05	Budget FY 05/06	Budget FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
SOURCES:																			
Tax Increment - Certain	2,224,781	2,336,020	2,700,000	2,781,000	2,864,430	2,950,363	3,038,874	3,130,040	3,223,941	3,320,659	3,420,279	3,522,888	3,628,574	3,737,431	3,849,554	3,965,041	4,083,992	4,206,512	4,332,707
Additional Tax Increment - Uncertain	0	1,663,980	2,550,000	2,626,500	2,705,295	2,786,454	2,870,047	2,956,149	3,044,833	3,136,178	3,230,264	3,327,172	3,426,987	3,529,796	3,635,690	3,744,761	3,857,104	3,972,817	4,092,001
Federal Grants																			
Rental Income	26,400	26,400																	
Interest Income	33,372	30,000	40,500	42,525	44,651	46,884	49,228	51,689	54,274	56,988	59,837	62,829	65,970	69,269	72,732	76,369	80,187	84,197	88,406
Subtotal	2,284,553	4,056,400	5,290,500	5,450,025	5,614,376	5,783,701	5,958,149	6,137,878	6,323,048	6,513,825	6,710,380	6,912,888	7,121,531	7,336,497	7,557,977	7,786,171	8,021,283	8,263,526	8,513,115
USES:																			
Administration	75,000	80,000	81,600	83,232	84,897	86,595	88,326	90,093	91,895	93,733	95,607	97,520	99,470	101,459	103,489	105,558	107,669	109,823	112,019
State Tax Overpayment Reserve		5,000																	
Gateway Associates (Reimbursement Agreements @ 50% of tax Increment)	825,000	950,000	1,103,000	1,136,090	1,170,173	1,205,278	1,241,436	1,278,679	1,317,040	1,356,551	1,397,247	1,439,165	1,482,340	1,526,810	1,572,614	1,619,793	1,668,386	1,718,438	1,769,991
Temporary Property Expense	35,000	18,000	19,800	20,196	20,600	21,012	21,432	21,861	22,298	22,744	23,199	23,663	24,136	24,619	25,111	25,613	26,126	26,648	27,181
Land Acquisition		900,000																	
Public Improvements		750,000																	
Loan Programs		1,131,400																	
Public Art		50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
TRAX EXTENSION				383,333	383,333	383,333													
BURIAL OF TRANSMISSION LINES			850,000	850,000															
500 WEST PARK BLOCKS			0	0															
GRANT TOWER			416,773	416,773	416,773	416,773	416,773	416,773	416,773	416,773	416,773	416,773	416,773	416,773	416,773	416,773	416,773	416,773	416,773
Project Area Housing	76,500	86,000	260,000	272,501	280,719	289,185	297,907	306,894	316,152	325,691	335,519	345,644	356,077	366,825	377,899	389,309	401,064	413,176	425,656
City-Wide Housing	76,500	86,000	260,000	272,501	280,719	289,185	297,907	306,894	316,152	325,691	335,519	345,644	356,077	366,825	377,899	389,309	401,064	413,176	425,656
Subtotal	1,088,000	4,056,400	3,041,173	3,484,626	2,687,213	2,741,360	2,413,783	2,471,194	2,530,310	2,591,183	2,653,865	2,718,409	2,784,872	2,853,311	2,923,785	2,996,354	3,071,083	2,731,262	2,810,503
DEFINITELY AVAILABLE:	1,196,553	(1,663,980)	(300,673)	(661,101)	221,868	255,886	674,319	710,535	747,905	786,464	826,252	867,307	909,673	953,389	998,502	1,045,055	1,093,097	1,559,447	1,610,611
UNCERTAIN IF AVAILABLE:	1,196,553	0	2,249,327	1,965,399	2,927,163	3,042,340	3,544,367	3,666,684	3,792,738	3,922,642	4,056,515	4,194,479	4,336,659	4,483,186	4,634,192	4,789,816	4,950,200	5,532,264	5,702,612

OPTION #1
CASH

DEPOT DISTRICT FUND

	Actual FY 04/05	Budget FY 05/06	Budget FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
SOURCES:																			
Tax Increment - Certain	2,224,781	2,336,020	2,700,000	2,781,000	2,864,430	2,950,363	3,038,874	3,130,040	3,223,941	3,320,659	3,420,279	3,522,888	3,628,574	3,737,431	3,849,554	3,965,041	4,083,992	4,206,512	4,332,707
Additional Tax Increment - Uncertain		1,663,980	2,550,000	2,626,500	2,705,295	2,786,454	2,870,047	2,956,149	3,044,833	3,136,178	3,230,264	3,327,172	3,426,987	3,529,796	3,635,690	3,744,761	3,857,104	3,972,817	4,092,001
Federal Grants																			
Rental Income	26,400	26,400																	
Interest Income	33,372	30,000	40,500	42,525	44,651	46,884	49,228	51,689	54,274	56,988	59,837	62,829	65,970	69,269	72,732	76,369	80,187	84,197	88,406
Subtotal	2,284,553	4,056,400	5,290,500	5,450,025	5,614,376	5,783,701	5,958,149	6,137,878	6,323,048	6,513,825	6,710,380	6,912,888	7,121,531	7,336,497	7,557,977	7,786,171	8,021,283	8,263,526	8,513,115
USES:																			
Administration	75,000	80,000	81,600	83,232	84,897	86,595	88,326	90,093	91,895	93,733	95,607	97,520	99,470	101,459	103,489	105,558	107,669	109,823	112,019
State Tax Overpayment Reserve		5,000																	
Gateway Associates (Reimbursement Agreements @ 50% of tax Increment)	825,000	950,000	1,103,000	1,136,090	1,170,173	1,205,278	1,241,436	1,278,679	1,317,040	1,356,551	1,397,247	1,439,165	1,482,340	1,526,810	1,572,614	1,619,793	1,668,386	1,718,438	1,769,991
Temporary Property Expense	35,000	18,000	19,800	20,196	20,600	21,012	21,432	21,861	22,298	22,744	23,199	23,663	24,136	24,619	25,111	25,613	26,126	26,648	27,181
Land Acquisition		900,000																	
Public Improvements		750,000																	
Loan Programs		1,131,400																	
Public Art		50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
TRAX EXTENSION				383,333	383,333	383,333													
BURIAL OF TRANSMISSION LINES			850,000	850,000															
500 WEST PARK BLOCKS			0	0															
GRANT TOWER			1,074,892	1,074,892															
Project Area Housing	76,500	86,000	260,000	272,501	280,719	289,185	297,907	306,894	316,152	325,691	335,519	345,644	356,077	366,825	377,899	389,309	401,064	413,176	425,656
City-Wide Housing	76,500	86,000	260,000	272,501	280,719	289,185	297,907	306,894	316,152	325,691	335,519	345,644	356,077	366,825	377,899	389,309	401,064	413,176	425,656
Subtotal	1,088,000	4,056,400	3,699,292	4,142,746	2,270,440	2,324,587	1,997,010	2,054,421	2,113,537	2,174,410	2,237,092	2,301,636	2,368,099	2,436,538	2,507,012	2,579,581	2,654,310	2,731,262	2,810,503
DEFINITELY AVAILABLE:	1,196,553	(1,663,980)	(958,792)	(1,319,221)	638,641	672,659	1,091,092	1,127,308	1,164,678	1,203,237	1,243,025	1,284,080	1,326,446	1,370,162	1,415,275	1,461,828	1,509,870	1,559,447	1,610,611
UNCERTAIN IF AVAILABLE:	1,196,553	0	1,591,208	1,307,280	3,343,936	3,459,113	3,961,139	4,083,457	4,209,511	4,339,415	4,473,288	4,611,252	4,753,432	4,899,959	5,050,965	5,206,589	5,366,973	5,532,264	5,702,612

COUNCIL TRANSMITTAL

TO: Rocky J. Fluhart
Chief Administrative Officer

FROM: Kay Christensen

DATE: March 1, 2006

SUBJECT: Grant Tower Project

STAFF CONTACT: D.J. Baxter (535-7735)

DOCUMENT TYPE: Memorandum

RECOMMENDATION: The City Council should consider the funding options presented and approve a funding package that will allow the Grant Tower project to proceed to completion.

BUDGET IMPACT: The City's share of the overall project cost is approximately \$11 million. The Council will determine what, if any, portion of that cost should come from the General Fund and how the remainder will be funded.

BACKGROUND/DISCUSSION: Union Pacific reactivated the 900 South Railroad line in 2001 after years of disuse. At that time, Union Pacific also improved the line so it could carry fully loaded freight trains. Today up to twelve trains a day travel along the line. Use of the 900 South line allows northbound trains to avoid the delay caused by the Grant Tower curves. The Grant Tower curves (Grant Tower) are located between the intersections of North Temple / 500 West and Folsom Avenue/ 700 West in downtown Salt Lake City. It is through these curves that interstate freight trains make the directional change from southbound to westbound, or from eastbound to northbound.

The curves are so tight that trains must slow to 5-10 mph, meaning that longer trains can require 40 minutes to move through the downtown

area, blocking city streets and damaging the region's air quality as both vehicles and trains idle waiting for trains to move through the curves.

The only way for Union Pacific to increase its capacity through Grant Tower is to widen the angle of the curved tracks to allow trains to move through the area more quickly. The project will cost approximately \$50 million to complete. The solution will involve removal of tracks from Folsom Avenue, construction of new tracks on South Temple, relocation of underground utilities, installation of new traffic and railroad signals, and land acquisition, all the while maintaining railroad traffic through the area. When the project is complete, Union Pacific will abandon the 900 South line and give the property to the City along with Union Pacific's property holdings in the Folsom Avenue corridor.

Salt Lake City, Union Pacific, and UDOT studied this project in the late 1990s in conjunction with the development of the Gateway project and the consolidation of railroad tracks in the downtown area, but the costs were too great and no agreement could be reached. Salt Lake City has recently reached an agreement with Union Pacific to eliminate rail traffic on the 900 South line if the City and Union Pacific are able to jointly secure the \$50 million required for the Grant Tower reconfiguration. That goal is now within sight. UDOT and the Wasatch Front Regional Council (WFRC) both support this project, which is now listed in WFRC's adopted Long Range Transportation Plan. The Folsom Avenue rail corridor and the 900 South rail corridor are both included in Salt Lake City's Open Space Master Plan (map 7 and map 11 respectively).

The project is possible now because of the simultaneous construction of commuter rail. Therefore, there are certain time constraints that must be a consideration. UTA's commuter rail project is already under construction in Weber and Davis Counties. Construction in the Salt Lake City area, in and around Grant Tower, will commence this summer and conclude in late 2007 or early 2008. To gain the benefits of constructing commuter rail and the Grant Tower realignment simultaneously, the Grant Tower project must move forward immediately. Salt Lake City's role will be to acquire property and relocate utilities this summer, and complete street work and crossing improvements in the 2007 construction season. If we miss this window of opportunity, we could not begin to undertake the Grant Tower realignment until 2008, when commuter rail is complete. At that time, the project's cost and complexity will increase substantially because of inflation and the need

to construct the Grant Tower improvements while maintaining both freight and commuter rail train traffic.

Project Components

1. The South Temple line currently consists of two parallel tracks. The City will buy up properties to allow for an additional track to run parallel along the south edge and for the curve of the tracks to be made wider. The land needed for this right of way is only 10 to 15 feet in width, but in some cases it will be necessary to buy an entire parcel of land (the excess could be resold at a later date). Some land will also be purchased to allow access to properties impacted by the relocated tracks. There are approximately 40 pieces of property that must be purchased, but fewer than 10 of those will be entire parcels. The land necessary for track right of way will be deeded to Union Pacific so realignment can begin. When the rail realignment project is complete and Union Pacific can abandon the 900 South line, the 900 South and Folsom Avenue properties will be deeded to Salt Lake City.

2. Tracks will be abandoned in the Folsom Avenue area from 700 to 1200 West as soon as the realigned tracks are built and activated. This land, which is approximately 100 feet in width, will be given to the City. In studies conducted jointly by the City and the U.S. Army Corps of Engineers, this corridor has been identified as a desirable location to bring some of the flow of City Creek back to the surface, as part of an urban habitat restoration project. The City and the Corps have developed preliminary plans for this project, and the effort could proceed as soon as the rail realignment is complete and funds became available. The City Administration views this as an excellent opportunity to enhance the Euclid neighborhood with a natural amenity that would attract new residential development on the west edge of downtown. The Administration also believes this would substantially further the City's ongoing efforts to reduce the dividing effect of I-15 between the east and west sides of the City. The daylighting of City Creek in this area is contemplated and supported by the Euclid Area Master Plan currently under development (photo and artist's rendering attached).

3. When the new track is completed in the Grant Tower area, Union Pacific will abandon the 900 South line and give the land to the City. The track runs from 700 West to Redwood Road and the right of way corridor is approximately 50 to 60 feet in width.

The reconfiguration of the Grant Tower curves will provide substantial local and regional benefits. In addition to allowing the removal of the 900 South line, thereby restoring quiet to a City neighborhood, the Grant Tower project will improve traffic flow on City streets that must cross the tracks, and will improve air quality by reducing emissions from idling vehicles and idling and accelerating locomotives, and end the noise pollution and damage caused from the vibrations created by the passing trains on the 900 South line. It will also allow for the creation of green space in the abandoned rail corridors.

Total Project Funding Sources

As stated, the project is estimated by Union Pacific to cost approximately \$50 million.

Salt Lake City and Union Pacific sought and received \$5 million for the Grant Tower reconfiguration project in the federal SAFETEA-LU transportation spending bill.

UTA will contribute \$15 million on work that must also be completed to accommodate commuter rail.

Union Pacific has agreed to cover \$15 million of the costs.

This leaves a gap of \$15 million. The City's share of the project would cost approximately \$11 million.

In the session just completed, the Legislature authorized the expenditure of up to \$3.5 million for the project from a transportation sales tax collected in Salt Lake County.

Therefore, Salt Lake City is responsible for contributing approximately \$11 million in funds and in-kind work to make this project a reality. It will be necessary to assure that funds are available as needed, as in the case of property acquisition (approximately \$3.5 to \$4 million), which must begin immediately.

Salt Lake City Expenditure Timeline (Approximate)

February 2006-	\$50,000-	Property Appraiser
	\$50,000-	Consultant-Utility Relocation Design
	\$50,000-	Boundary survey and description
March 2006-	\$200,000-	Environmental Assessment (all properties and consultant)
April 2006-	\$70,000-	Finalize utility design
	\$200,000-	Retain project management and street design consultant
	\$2,830,805-	Right-of-way acquisition (less appraiser fee)
	\$650,000-	700 South property acquisition for quiet zone
	\$250,000-	Relocation and demolition
June 2006-	\$900,000-	Fund utility relocation
	\$126,000-	City creek conduit
Feb.-June	\$5,376,805	

August 2006- \$165,000-Continue consultant street design
 \$418,000-Consultant Program Management and Project Const. Engineer and Overview

December 2006-
 \$1,930,000-Roadway improvements
\$880,000-Gate and signals for quiet zone

July-Dec. \$3,393,000
TOTAL Feb.-Dec. \$8,769,805

20% Contingency- \$1,147,800 (applied to \$5,739,000-excluding property acquisition and appraiser, which already includes a contingency, and environmental assessment which has no contingency applied)

10% for inflation \$991,760
GRAND TOTAL \$10,909,365

Funding Options Background:

1. General Fund Revenue/Fund Balance/RDA (no bonding)

If the RDA Board decided to use Depot District RDA funds for a substantial portion of the costs, it might be possible to reduce the remaining cost of the basic project to a level that could be borne by the General Fund without the need to bond. The RDA Board could decide to use Depot District funds for quiet zone design, engineering and construction (\$1.2 million) and for the City Creek conduit (\$200,000), for a potential expenditure of \$1,400,000, leaving \$9,500,000 to come from the General Fund. In addition to that amount, the Board could also decide to pick up other discrete items in the Depot District plus quiet zone work at 300 and 400 North. This would require an expenditure of up to an additional \$1,900,000, for a total RDA expenditure of \$3,300,000, and would leave \$7,600,000 to come from the General Fund.

(Bond background information from a January 30, 2006 memo from Kelly Murdock, Financial Advisor to Salt Lake City Corporation)

2. Sales Tax Revenue Bonds

The City should evaluate using sales tax revenue bonds to fund the Grant Tower project.

Sales tax revenue bonds, like most other types of revenue bonds, require a stream of revenues that are *pledged* by the issuer for repayment to the investor/bondholder. Such bonds have not been used by the City in the distant past and have only become a financing option more recently due to clarifications made within the past four years by the Utah State Legislature.

The City's sales tax revenue bonds derive their credit strength from the City pledging its statutory one-percent of sales tax collections as their security. However, it must be noted that while sales tax revenues are *pledged* to the bondholders, none of these revenues, in the City's case, are budgeted or used to actually satisfy debt service requirements. Debt service for this category of bonds has been provided historically from amounts allocated within the City's Capital Improvement Project ("CIP") Fund.

Current tax policy will not allow the City to use tax-exempt bond proceeds to purchase or develop land that will be turned over to Union Pacific, even if the City will later receive back from them land of equal or greater value. It is estimated that \$4,555,074 of the total project cost is related to land purchase and developments that would be ineligible for tax-exempt bonding. It has been suggested by the City's financial advisor, Kelly Murdock, that the City could issue taxable bonds for the ineligible portion until the project is complete and Union Pacific has turned land over to the City, and then those bonds could be converted to tax-exempt status.

Tax-exempt financing-eligible and ineligible costs

Civil, Grading, Drainage:	\$555,660 - not eligible
Grade Crossing/Street Improvements:	\$793,528 - eligible
Utilities:	\$1,226,579- eligible
Fiber optic relocation	\$ 195,275- not eligible
(Structural: (no city costs)	\$0
UPRR Track work (no city costs)	\$0
Right-of-Way (demo and relocation)	\$396,900- not eligible (some portion may be)
Property Acquisition/Relo/NEPA	\$3,407,239- not eligible
City Creek Pipe	\$200,037 - eligible
Increment for Quiet Zone	\$2,832,315 - eligible (if we own the crossing gates)
Increment for Street Improvements	<u>\$1,301,832</u> -eligible
TOTAL:	\$10,909,365

TOTAL Eligible for Tax-Exempt: \$ 6,354,291

NOTE: Many of these items are also eligible for RDA funds, so it's not likely we would need to bond for a full \$6.5 million - this is just the maximum cost of items that are eligible for tax-exempt financing, according to our tax consultant. In the alternative, the City could bond for the full \$6.5 million and RDA could contribute a portion to the debt service payment if their money is not otherwise committed.

3. Federal Railroad Loan

It might be possible to borrow all or a portion of the funds needed for the City's portion of the Grant Tower project through the Federal Railroad

Administration's (FRA's) Railroad Rehabilitation & Improvement Financing (RRIF) program. The program is intended to provide direct loans of up to 100% of a railroad project which improves rail facilities including trackage. In general the terms of the loan would be as follows:

- 10 – 30 year term based on Treasury Rates (currently 4.7%)
- Pay a loan application fee of up to .5% depending on the complexity of the deal.
- The process begins when we send a letter to request consideration. FRA will respond within 30 days and will confirm what the actual loan application fee will be.
- After the complete application is submitted, FRA will have 90 days to accept or reject the application.
- FRA does have to follow NEPA requirements, but we may be able to use the environmental report which UTA conducted to meet the requirement and/or the fact that the reconfiguration is running through existing rights of way may mean that FRA would not need an environmental report.
- There would be a credit risk premium which is determined by the perceived risk of the project and borrower.
- The loan would require both a cash flow sources to make payments as well as some sort of collateral. Typically FRA has taken a lien against trackage or the underlying right of way to secure the loan. If the City were to borrow funds or grant a lien on its property, constitutional debt issues might arise that could require an election, depending on the source of repayment of the loan.
- Funds can be used for trackage, quiet zone improvements, and infrastructure related to the reconfiguration (i.e., the adjacent streets need to have new curb, gutter, sidewalk because of the changes in trackage).

While state and local government entities are eligible to apply for these loans, to date loans have only been applied for and received by railroad carriers. Salt Lake City would be the first governmental entity to go through the process. If we want to use this program, we need to begin the process soon because we will be a test case.

4. Class C Road Funds

It has been suggested that the City could use Class C Road Funds to pay eligible expenses related to the Grant Tower Project.

The City receives about \$6 million per year in Class C Road Funds which come from the state gasoline tax and other related state highway taxes. By state law, these funds must be spent on maintenance and construction of city streets. There are approximately \$2 million in Class C related Grant Tower expenses, including actual road work and track crossings of city streets.

Of the approximately \$6 million the City receives annually, approximately \$3 million goes to the Streets Division operating budget and funds maintenance activities such as street patching, snow plowing, and street resurfacing. The remaining \$3 million goes to the CIP where historically half of that (\$1.5 M) goes to an annual contract to overlay city streets. The overlay program is essential to maintaining the viability of the city street system and the program could use twice the amount available. The remaining \$1.5 million per year goes to arterial and collector street reconstruction projects and towards local match requirements for federally funded street reconstruction projects. For example the FY2006-07 CIP budget requests funds for the following projects:

- 900 South Rehabilitation (State Street to 700 East) – This project follows up with road reconstruction after last year’s installation of a major storm drain. \$1,700,000 in Class C has gone to this project in prior years. This money has been held waiting until the full amount necessary for the project is in hand. In the March budget opening a request is being made for the City Council to pre-approve an additional \$700,000 in the FY2006-07 budget to allow 900 South to be bid this spring. Bidding this spring instead of waiting until July would allow enough time to complete the project this year. This road was not left in good condition following the storm drain installation. An extensive, quality patch job was not done because of the plan to remove and replace it with a rehabilitation project.
- 1300 East (South Temple to 500 South) – \$200,000 local match to a federal highway grant for road reconstruction.

- 1300 South Viaduct – \$300,000 local match to a federal highway grant for rehabilitation of this bridge.
- Concrete Street rehabilitation – \$200,000 for major rehabilitation of city concrete streets.

A large portion of the FY2007-08 request for Class C funds will probably go to 500 East (900 S to 1300 S) reconstruction, approximately \$950,000. This is another project which follows up after installation of a major storm drain line. The line will be installed this summer, and the plan is to rebuild the road in 2007.

The diversion of Class C funds away from the above projects will obviously cause their delay and that, in turn, will delay other street rehabilitation and reconstruction projects that have been identified in the ten-year plan.

There is a request for early approval of the FY2006/07 budget for \$1.5 M for the overlay project, again to allow for bidding the project in the spring.

There is also \$550,000 in the FY2005/06 Class C budget which was approved for the 500 East project. That funding has been held until it could be combined with funding that will be requested in the FY2007/08 budget to build 500 East in 2007.

In summary, the following funds are committed but not yet encumbered and could be diverted to the Grant Tower project:

Funds banked for 900 South (Main to 700 East)-	\$1,700,000
Class C Fund request for FY2006/2007 (to complete the 900 South project)	\$ 700,000
Funds banked for 500 East project	\$ 550,000
Overlay funds for 2006 projects	<u>\$1,500,000</u>
TOTAL	<u>\$4,450,000</u>

5. An additional bonding consideration- Expanded Grant Tower Project (including park completion)

This Memorandum and all previous documents and discussions with the City Council have dealt with the cost to complete the project to the point that Union Pacific could abandon the 900 South and the Folsom Avenue lines and turn both properties over to the City. The cost estimates previously listed in the Memorandum do not include funds to design and build parks in either the Folsom Avenue or the 900 South corridors. According to bond counsel, the City will need to do a minimum amount of planting in these two areas to qualify for sales tax revenue bonds. The Parks Division has determined that basic native erosion control seeding could be accomplished for \$300,000 for both areas and bond counsel has told the City that this should be adequate to meet the requirements for bonding. This amount is included in Attachment 1 entitled “Phased Trailway Development Estimates,” but it is not included in the Expenditure Timeline on page 5 of this document. If necessary for bonding, this would be the final work completed in the Grant Tower project. The City does not know at this point the cost of potential environmental mitigation measures that might need to be done on each site prior to the seeding, but preliminary environmental testing done on both corridors has shown no major environmental issues.

There are plans to do much more in both corridors as funds permit. The Council may want to consider what work they would like to see done as part of the current project and what should be considered as part of the 10 year CIP plan. The City Parks Division has prepared a document that breaks the costs into two phases. That document is included as Attachment 1.

FINANCING OPTIONS FOR COUNCIL CONSIDERATION:

1. Use of General Fund/RDA Revenue-

With the support of RDA funds, it might be possible to get the total cost for the project to a point that could be borne by the General Fund without the need to bond.

Option 1a- RDA would cover the cost of Quiet Zone work and street improvements already allocated in the Deport District, plus the cost of the

City Creek conduit in the Depot District, for a total of \$1,400,000 (assuming the City is covering engineering and construction management fees and contingency), leaving approximately \$9,500,000 to be covered by the General Fund.

Option 1b- In addition to the costs covered in Option 1a, RDA also does additional items in the Depot District and Quiet Zone work at 300/400 North, for a combined total cost of \$3,300,000, (again assuming the City is covering engineering and construction management fees and contingency), leaving a total of approximately \$7,600,000 to be covered by the General Fund. The Depot District generates approximately \$1 million in disposable funds a year. The RDA has already allocated \$1.4 million (\$1.2 million remaining from City-wide Housing funds for quiet zone work, and \$200,000 for City Creek daylighting work). This commitment would require all disposable Depot District funds for the coming two years.

2. Issuance of Sales Tax Revenue Bonds

The Council could decide to bond for all or part of the cost of the Grant Tower project, depending on whether the Council is interested in a short-term taxable bond component.

Of course, any of the options described below could also be combined with some infusion of RDA funds, Class C road funds, or other options to reduce the amount of fund balance and/or bond funds needed.

Option 2a- The City could use fund balance to pay for the project costs through May (\$4,350,805) and bond for the remainder of the cost (\$6,558,560), or for that portion eligible for tax-exempt bonding.

Option 2b- The City could use fund balance as in Option 2a, but bond for the full amount (\$10,909,365) and reimburse the General Fund with bond proceeds, assuming the City Council was willing to support a short-term taxable bond.

Option 2c- Using either option 2a or 2b, the City could choose to do a combined bond issue to include the Fleet Facility (\$24 million). The City's Financial Advisor estimates that with an increase in interest rates of only 25 basis points over the next 12 months the City would save approximately

\$750,000 in principal and interest and bonding costs over the life of the bond by combining the projects into one bond issue.

With the uncertainty of future interest rates and the economies of scale from a combined bond issue, the City's financial advisor recommends that, if possible, the City pursue a mid-to-late summer, 2006, sales tax revenue bond issue that funds both Grant Tower and the Fleet Facility.

Option 2d- Because portions of the Grant Tower project are not eligible for tax-exempt financing, the City could consider bonding for eligible projects currently in the 10 year CIP plan and then use the freed up funds for Grant Tower. There are currently an estimated \$5,893,024 in project related funds available that could be diverted to the Grant Tower project and replaced with the proceeds of a sales tax bond. However, the debt service on that amount will obviously reduce the overall funds available in CIP for pay as you go. A list of potential bondable CIP projects is included as Attachment 2.

Option 2e- The Council may also want to review bonding options for the TRAX Connection and/or the 500 West/200 South Park Block work. Salt Lake City's portion of the TRAX Connection funding is estimated to be \$8.5 million. The RDA has already appropriated \$2.4 million of the \$8.5 million TRAX Connection costs. Costs for extending the 500 West Park Blocks through the 200 South intersection are estimated to be \$4 million. The 500 West Park Block costs are roughly split at \$2 million for roadway work (SLC) and \$2 million for power line work (RDA). Completing the Park Block work in conjunction with the TRAX connection will save the Park Block project an estimated \$1 million (above the \$4 million). The bond for both projects would be \$10.1 million (\$8.5 - \$2.4 + \$4.0). If Salt Lake City were to bond for the projects, the Hub Enterprise Fund would have approximately \$5.2 million in cash (pending reimbursement of the existing 05 and 06 FTA appropriations) to repay a portion of the \$6.4 million dollar General Fund loan to the Hub project. The \$5.2 million repayment to the General Fund could then be used to fund the Grant Tower project. The advantages of bonding for the TRAX Connection and Park Blocks projects are that the project costs can be absorbed by the debt service and/or SLC/RDA appropriations over a 10-year period and the project has the flexibility to use both RDA CBD and DD funding.

Sales Tax Bond Process (see Attachment 3)

Note: We have **assumed**, for discussion purposes, that interest rates will likely be 25 basis points higher in 2007 than they are at this time. It is this assumption that makes up the larger component of the savings outlined in this memo.

4. Alternative Financing Options

If the City Council prefers not to bond or to limit the amount bonded, this Memorandum has provided information on two other possible sources of funds- the Federal Railroad Administration's (FRA's) Railroad Rehabilitation & Improvement Financing (RRIF) program, and Class C Road Funds. Either or both sources could be considered in connection with a bond or instead of a bond, with the limitations and considerations outlined in the Memorandum.

ATTACHMENT 1

PHASED TRAILWAY DEVELOPMENT ESTIMATES

<u>900 S. from 700 West to Redwood Road –(10 blocks)</u>	<u>Phase One</u>	<u>Phase Two</u>
• Environmental Mitigation Work	????	
• 2 Street Crossings (signalized) @\$100K each	\$ 200,000	
• Trailway Development	\$1,000,000	
• Security Lighting		\$1,000,000
• Landscape and Irrigation		\$3,300,000
• Basic Native Erosion Control Seeding (in lieu of L & I)	\$ 200,000	
• Benches, Drinking Fountains, & Bike Racks	<u>\$ 100,000</u>	
• Peace Garden Expansion – South Side Parcel of Property		\$ 600,000
• 900 South Jordan River Park Expansion – N. Side Parcel		\$ 500,000
Phase One Project Guestimate	\$1,500,000	
• Design and Administrative Costs (25%)	<u>\$ 375,000</u>	
Total Phase One Only Guestimate	\$1,875,000	
Phase Two Project Guestimate		<u>\$5,400,000</u>
• Design and Administrative Costs (25%)		<u>\$1,350,000</u>
Total Phase Two Only Guestimate		\$6,750,000
Total Project Guestimate (900 South Site)		\$8,625,000
<u>Folsom Trailway from I-15 to Jordan River – (5 blocks)</u>		
• Environmental Mitigation Work	????	
• 3 Street Crossings (signalized) @\$100K each	\$ 300,000	
• Trailway Development	\$ 500,000	
• Stream Opening and Development	\$1,500,000	
• Security Lighting		\$ 500,000
• Landscape and Irrigation		\$1,750,000
• Basic Native Erosion Control Seeding (in lieu of L & I)	\$ 100,000	
• Benches, Drinking Fountains, & Bike Racks	<u>\$ 50,000</u>	
Phase One Project Guestimate	\$2,450,000	
• Design and Administrative Costs (25%)	<u>\$ 612,000</u>	
Total Phase One Only Guestimate	\$3,062,000	
Phase Two Project Guestimate		<u>\$2,250,000</u>
• Design and Administrative Costs (25%)		<u>\$ 562,500</u>
Total Phase Two Only Guestimate		\$2,812,500
Total Project Guestimate (900 South Site)		\$5,874,500

ATTACHMENT 2

CAPITAL IMPROVEMENT PROJECTS CASH ON HAND

This list is created for the purpose of considering what funds might be available for bonding for the portion of the Grant Tower project that does not qualify for tax-exempt bonding. The list includes those projects that have remaining cash (as of February 2006) that would likely qualify for sales tax bonds. It is not a definitive list and should be considered only for discussion purposes.

<u>Project</u>	<u>Remaining Cash</u>
Park playground replacement-Citywide	\$100,878
State Street-streetlight replacement	\$ 27,443
Salt Dome-Bonneville Blvd.	\$380,020
Rotary Glen-park improvements	\$225,000
Sugarhouse Park-irrigation renovation	\$145,000
Quiet Zone	\$ 63,391
Liberty Park improvements	\$ 46,517
13 th East Street Crossing	\$200,000
Stratford Park ADA Playground	\$ 3,083
Sugarhouse Park irrigation renovation	\$ 10,000
Jordan River Trailhead	\$161,002
ADA transition at parks	\$124,919
100 North Street lighting	\$ 17,110
Fenway/Strong Court SID match	\$161,494
Dog off-leash parks	\$ 46,400
Emigration Visitors District	\$ 40,518
Fleet Street Facility improvements	\$ 98,640
Sugarhouse Rails to Trails	\$ 85,652
Pioneer Park	\$599,016
Local street reconstruction	\$1,145,598
Safety lighting- citywide	\$ 50,000
Bicycles facilities development	\$ 50,000
Safety lights addition	\$ 75,000
Jordan River Trail improvements	\$ 77,720
Jordan River Trail safety lights	\$ 62,600
Rotary Glen Parks	\$ 23,728

<u>Project</u>	<u>Remaining Cash</u>
Jordan River Trail improvements	\$ 70,000
Tracy Aviary perimeter fence	\$115,916
Sidewalk replacement SID	\$597,026
East Capitol Street reconstruction	\$ 40,000
Rose Park Lane improvements	\$ 30,000
North Rosewood Park Sports Complex	\$350,000
North Rosewood Park reconfiguration	\$488,400
Pedestrian traffic signal installation	\$ 75,706
Fleet Street facility	\$497,000
Jordan River Trailhead	\$118,998
<u>Jordan River Trailway improvements</u>	<u>\$157,683</u>
TOTAL	\$6,561,458

<u>Other CIP Cash on Hand</u>	
Contingency (83-04099)	\$530,307
Traffic calming (3 accounts)	\$382,288
Cost overruns (holding-83-05099)	\$504,349
Contingency (83-06099)	\$171,888
Surplus land cash account	\$360,945
Percent for Art (83-04009)	\$ 29,931
Percent for Art (83-05009)	\$ 60,000
Percent for Art (83-06016)	\$ 60,000
Land open space matching	\$ 15,600
Open Space Land Trust	\$194,354
FTZ warehouse	\$331,199
<u>Asphalt Plant sale</u>	<u>\$ 75,884</u>
TOTAL	\$2,716,745

Note- Class C Road Funds are not included in these figures

ATTACHMENT 3

Public Finance

\$ _____ *

SALT LAKE CITY, UTAH
Sales Tax Revenue Bonds*
Series 2006
(Grant Tower Rail Reconfiguration
[and Fleet Facility?] Project)

TIMETABLE of EVENTS
(02/10/06)

(FOR DISCUSSION PURPOSES ONLY)

DATE/DAY	EVENT	RESPONSIBILITY
	Short-form RFP sent electronically	CT
	Underwriter RFP's Due	U
	Selection of Underwriters. 3:00 p.m., office of the City Treasurer	CT, CA, FA
	First Drafts of Bond Documents Distributed to Financing Team	BC
	Conference Call with Financing Team to discuss bond issue, timetable, etc.	All Hands
March 7 (Tues)	City Council Briefed on Bonding Project(s)	CO, CT, FA
March 14 (Tues)	City Council sets date for Public Hearing (April 4 th)	CC
March 19 (Sun)	First publication of 'Notice of Public Hearing' in <i>Deseret Morning News</i> and <i>The Salt Lake Tribune</i>	N
March 26 (Sun)	Second publication of 'Notice of Public Hearing' in <i>Deseret Morning News</i> and <i>The Salt Lake Tribune</i>	N
March 28 (Tues)	Copies of Parameters Resolution transmitted to City (Rocky Fluhart's Office)	BC
April 4 (Tues)	Public Hearing on the Proposed Bond Issue	CC
April 4 (Tues)	City Council Adopts Parameters Resolution	CC
April 5 (Wed)	Document Review Session. Offices of Bond Counsel	All Hands
April 7 (Fri)	Ratings [and Insurance] Packets Sent Out	FA
Week of April 10	Rating Discussion with Moody's	CT, FA
Week of April 10	Rating Discussion with Fitch	CT, FA

April 20 (Thurs)	Bond Insurance Quotes Received	FA
April 20 (Thurs)	Moody's Rating Received	FA
April 20 (Thurs)	Fitch Rating Received	FA
April 25 (Tues)	Bond Resolution and Bond Purchase Agreement delivered to City Offices	BC
April 25 (Tues)	POS in PDF Format available for distribution to potential investors	BC, U
May 2 (Tues)	Sale of Bonds	U
May 2 (Tues)	City Council considers and adopts Bond Resolution and Bond Purchase Agreement	CC
May 4 (Thurs)	Final Official Statement sent to printer	BC
May 5 (Fri)	Final Official Statement sent to Investors	P
May 15 (Mon)	Closing Memorandum Distributed	FA
May 15 (Mon)	Closing Documents Distributed	BC
May 22 (Mon)	Pre-closing*. Office of Bond Counsel	All Hands
May 23 (Tues)	Bond Closing. Offices of Bond Counsel	All Hands
Legend:		
BC: Bond/Disclosure Counsel, Chapman and Cutler (Richard Scott & Ryan Bjerke)		
CA: City Attorney, (Boyd Ferguson)		
CC: City Council, Salt Lake City		
CO: City Officials, Salt Lake City (Kay Christensen, D.J. Baxter)		
CT: City Treasurer's Office, (Dan Mulé and Randy Hillier)		
FA: Financial Advisor, Wells Fargo Public Finance (Kelly Murdock)		
N: Newspapers, (<i>Deseret Morning News</i> and <i>The Salt Lake Tribune</i>)		
P: Printer, Rose Printing		
U: Underwriter (tbd)		

***Preliminary, subject to change—FOR DISCUSSION PURPOSES ONLY**