

# SALT LAKE CITY COUNCIL STAFF REPORT

## BUDGET ANALYSIS – FISCAL YEAR 2006-07

**DATE:** May 29, 2007

**BUDGET FOR:** CAPITAL IMPROVEMENT PROGRAM FUND

**STAFF REPORT BY:** Jennifer Bruno

**cc:** Lyn Creswell, Sam Guevara, Louis Zunguze, Luann Clark, Sherrie Collins, Steve Fawcett, Gina Chamness

### UPDATE: TIME-SENSITIVE CIP PROJECTS

On May 29, the Council held a preliminary discussion of the Mayor’s recommended CIP budget. At that time, the Council decided to hold off on the majority of funding decisions until after the formal budget is adopted, with the exception of projects that the Administration has decided are time-sensitive. The following is a list and brief description of projects that the Administration has decided are “time sensitive:”

Number	Project Description	Amount Requested	Amount Recommended	Notes/justification
# 1-8	Debt Service	\$14,561,086	\$14,561,086	Includes new debt service for Grant Tower/TRAX Extension (\$388,334)
#1	Pioneer Park Plan Upgrade & Phase I Park Improvements Budget Increase	\$50,000 & \$300,000	\$50,000	Phase I Park Improvements budget increase request was submitted after the Mayor’s budget process was complete. The Council has previously discussed this item (see below).
#6	Jordan River Trailway Improvements	\$375,000	\$375,000	<i>This project is on the CIP 10 Year Plan. Will allow the project to be bid in August. UDOT funds are ready and waiting for City match.</i>
#7	Traffic Signal Upgrades (300 E 500S; 300 E 2100 S; 400 E 500S; 1300 E 200 S)	\$600,000	\$400,000	<i>This project is on the CIP 10 Year Plan for \$600,000 total. Deciding this funding early will allow for the surveying/design to be done this fall and constructed next spring, to avoid loosing a construction season.</i>
#8	Bicycle Facilities Development	\$50,000	\$50,000	<i>This project is on the CIP 10 Year Plan. Early consideration would allow this project to coincide with the adoption of the downtown master plan, allowing for the implementation of a bicycle lane on the Gallivan Block in this upcoming construction season.</i>
#24	Westside Senior Citizen’s Center Energy Conservation	\$194,534	\$194,534	<i>This project is not on the CIP 10 Year Plan. This project received a \$15,000 state grant. The total project cost is \$209,534. Early consideration will allow for completion by December 31, 2007, which will allow the City to comply with the State Energy Program Grants deadline. These grants will lapse if the projects are not completed by then.</i>
#25	Plaza 349 Energy Conservation Project	\$260,885	\$260,885	<i>This project is not on the CIP 10 Year Plan. This project received a \$15,000 state grant and \$259,079 in Budget Amendment #2. The total project cost is \$534,964. Early consideration will allow for completion by December 31, 2007, which will allow the City to comply with the State Energy Program Grants deadline. These grants will lapse if the projects are not completed by then.</i>

#26	City and County Building Energy Conservation Project	\$254,035	\$254,035	<i>This project is not on the CIP 10 Year Plan. This project received \$164,980 in Budget Amendment #2. The total project cost is \$419,015. Early consideration will allow for completion by December 31, 2007, along with the other two energy conservation projects.</i>
#51	Traffic Signal Installation (600 S 600 E)	\$150,000	\$0	<i>This is on the CIP 10 Year Plan for \$600,000 total. Deciding this funding early will allow for the surveying/design to be done this fall and constructed next spring, to avoid losing a construction season. This particular signal was not recommended for funding, though #7 was.</i>
<b>Total (non debt service projects)</b>		<b>\$2,234,454</b>	<b>\$1,584,454</b>	
Impact Fees	Land Purchase - Fire Station #15	\$750,000	\$ 750,000	This amount needs to be allocated by July 1 in order to avoid having to pay it back to the contractors who have paid into the Fire account for Impact Fees (state spending requirement). These funds will be used to purchase property for what will eventually be Fire Station #15. Fire Station #15 is scheduled in the CIP 10 Year Plan for FY 2014 for \$3.1 million (100% Impact Fee eligible).

- A. The total amount of non-debt projects requested for early consideration is **\$2,234,454**. The total amount of funds available for projects (after debt service) according to the Mayor's recommended budget is \$6,550,000 (amount *before* any additional Council appropriation). If the Council adopts the tentative addition made on June 5 (\$1,464,292 in one-time money), the total amount available for projects is **\$8,014,292**. The Mayor is recommending funding for \$1,584,454.
1. If all time-sensitive projects were funded by the Council, there would be \$4.3 million remaining for other projects (*\$5.8 million with the Council's additional tentative appropriation*). If only the Mayor's recommended time-sensitive projects were funded by the Council, there would be \$4.9 million left (*\$6.4 million with the Council's additional tentative appropriation*).
  2. Of the time-sensitive projects requested for review, 3 are related to energy conservation (for a total of \$709,454). All of these projects were recommended for funding by the Administration but not by the CDCIP Board. Two of the three projects are time-sensitive due to state grants that will expire at the end of the year.
- B. The \$300,000 Pioneer Park request is time sensitive due to the timing of the re-bidding. In Budget Amendment #3, the Council discussed "keeping the option open" for an additional \$300,000 to cover construction cost increases, while limiting the scope to identified elements in Phase I. The Administration did not forward this request through the regular CIP process because it was assumed that the timing would be in conjunction with the first budget amendment of FY 2008. Because the bid opening will be June 20<sup>th</sup>, and bids that are received will expire before funds are released in the first budget amendment (likely in September), the Administration is requesting that the Council appropriate \$300,000 for this purpose in the expedited CIP process.
1. The Council's concern during the budget amendment was that the Administration was not 100% sure that the \$300,000 would cover the re-bids. This

concern would still exist, as the bids will not be received until *after* the Administration is requesting that the Council appropriate the funds.

2. One option for Council consideration is to appropriate the funds as a placeholder and hold off on authorization of use of the funds until after the bids are received.
3. The \$50,000 request is a separate issue – This would review the current plan’s remaining stages, and constrain an update based on needs in the community, in an effort to prioritize redevelopment of the park in line with funding available. This request was generated from previous Council discussions which raised the issue of prioritizing some improvements in Stage 3 over improvements planned for Stage 2. The intent of this funding request would establish a plan that would address, given one more infusion of money, what improvements would be prioritized (i.e. “historical” elements prioritized over elements in Stage 2).
  - The Council may wish to inquire with the Administration what the process for this refinement would entail (consultant working with Council, community, Administration, etc).
  - In total, there is currently \$1,496,000 available for renovations in Pioneer Park.
  - The Council may wish to set a “budget” for this one additional infusion of money to give direction to the Administration’s master planning efforts.
  - This item does not appear to be as time sensitive as the \$300,000 item.

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The following information was provided previously for the Council Work Session on June 12, 2007. It is provided again for your reference.

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### **CAPITAL IMPROVEMENT PROGRAM BUDGET RECOMMENDATION**

The Mayor presented his budget for Fiscal Year 2006-2007 on Tuesday, May 1. The following staff report details the proposed Capital Improvement Budget.

The Administration recommends funding CIP from the general fund in the amount of \$20,996,266. Of this, \$7,753,964 million is general obligation bond debt (dedicated property taxes). Therefore, a total of \$13,242,302, or 7% of general fund revenue, is proposed for Capital projects. Of this amount, \$6,807,122 is allocated for non-GO debt service (including the new debt service for the TRAX extension and Grant Tower Realignment projects, detailed below). Including \$114,820 (available from reallocation), a total of \$6,550,000 is available for other projects (up from \$5,136,257 for “other” projects last year).

The CIP 10 Year Plan (adopted January 2006) indicates that in order for the capital projects to be fully funded over the 10 year cycle of the plan, an average of 7.95% of general fund revenues should be dedicated each year to capital projects. In order to reach the 7.95% number, the Council would have to increase CIP funding by \$1,795,194 over the Mayor’s recommended budget.

The CIP 10 Year Plan acknowledges that 7.95% of general fund balance will not be sufficient to fund all projects in every year, but rather – over the 10 year period, if 7.95% is consistently dedicated every year, this will eventually cover all of the projects. In the

past, the Council had a stated policy of dedicating a minimum of 9% of general fund revenues for Capital projects. In Fiscal Year 2008, the plan identifies \$10.4 million in non-debt service projects, well over the current funding proposal of \$6.55 million.

The following chart illustrates the additional money that would be needed to bring the funding level to the recommended amount of 7.95%, as well as if the Council decided to bring it to the previous funding level of 9% of general fund revenues:

<b>% of General Fund Revenue to CIP</b>	<b>Amount Needed</b>
7.95%	\$1,795,194
8%	\$1,889,770
9%	\$3,781,279

**Options to Fill Gap/Address 10 Year Plan**

The Council may wish to fund CIP at the level the Administration is recommending. The following are various options if the Council wishes to fund CIP at the 7.95% level, or increase the number of projects addressed in the CIP 10 Year Plan:

1. Make \$1.79 million in changes (cuts) to the recommended general fund ongoing budget and redirect these funds to CIP.
2. Fund only projects that are in the CIP 10 Year Plan with ongoing funds, and fund projects that are not in the plan with one-time surplus money dropping to fund balance this year (it is estimated that, after taking into account historical fund balance spending in budget amendments, which has been around \$3 million per year, approximately \$474,000 will be “left” above the 10% level).
3. Shift part or all of the “1% Energy Fund for the Future” money to CIP, with the policy basis that many of these energy projects fall into the category of capital improvements (currently there are \$2.9 million in funding requests relating to energy projects, of which \$709,454 are recommended for funding, see Page 7, item I).

**NEW DEBT SERVICE OBLIGATIONS**

C. The Mayor’s recommended budget includes debt service payments for the new Sales Tax bond for the TRAX Extension & Grant Tower Railroad Realignment projects.

1. The total bond amount is \$8.5 million. The RDA will service the debt on approximately \$3.15 million, leaving \$5.39 million of debt for the City to service.
2. Total general fund debt service will be approximately \$389,000 per year.

D. The Mayor’s recommended budget does **not** include debt service payments for the new Fleet Facility (a bond issuance for which the Council has already approved a parameters resolution). However, these payments will begin next fiscal year.

1. Construction of the facility is not expected to start until the end of 2007 at the earliest. Because of spend-down requirements the Treasurer’s Office has recommended that the City hold off on selling of the bonds until spring of 2008. This means that debt service on the facility (which will be partially covered by

general fund, partially covered by the Fleet Fund) will not start until Fiscal Year 2009.

2. Debt service would be split between the General Fund, the Refuse Fund, and the Fleet Internal Service Fund.
3. Once this debt service begins it is estimated that the General Fund portion of the debt service will be approximately \$1.2 - \$1.5 million per year.

E. 10 Year Plan Implications - The CIP 10 Year Plan does have a total of \$1.68 million in *new* debt service (both the Fleet and TRAX/Grant Tower bonds). The amount planned for the Grant Tower/TRAX Extension bonds is \$559,079 per year (less than the current debt service - at the time the 10 Year Plan was contemplating that more of the Grant Tower project would be bonded for), and the amount planned for the Fleet Facility is \$1.22 million per year (general fund portion).

F. Debt Ratio Benchmarking Data - The City reviewed data obtained from the various rating agencies in order to benchmark our debt ratio in comparison to other cities in the US. Currently Salt Lake City's debt ratio is \$615 per capita, 0.6% of market value, and represents 8.1% of General Fund Expenditures. The following chart illustrates what credit agencies would consider low, moderate, and high ratios of debt. Salt Lake City's current figures place in the low to moderate range.

	Benchmarks			Salt Lake City Current Ratio
	Low	Moderate	High	
Debt Per Capita	< \$1,000	\$1,000 - \$2,500	> \$2,500	\$615
Debt as a Percent of Market Value	< 3%	3 - 6%	> 6%	0.6%
Debt as a Percent of Personal Income	< 3%	3 - 6%	> 6%	3.0%
Debt Service as a Percent of General Fund Expenditures	< 5%	5 - 15%	> 15%	8.1%

It should be noted that when debt service payments begin in Fiscal Year 2009 on the sales tax bond for the new Fleet Facility (payments anticipated to be roughly \$1.2 million per year), Council Staff estimates that this would increase the "Debt Service as a Percent of General Fund Expenditures" category by approximately 0.6%, still within the "Moderate" category.

**KEY ELEMENTS**

Attached is a complete log of all CIP project applications for the Council's discussion on May 29<sup>th</sup>.

Fifty Seven (57) non debt-related projects were submitted for funding requests. Of these projects, twenty-six (26) were recommended for funding from the general fund by the Administration, for a total of \$6,550,000. The following chart shows a breakdown of

funding totals, by type of project, and compares the various recommendations to what is called for in the 10 Year Plan:

**Non-Debt Service CIP Projects**

	Amount Requested	CDCIP Board Recommendation	Mayor's Recommendation	CIP 10 Year Plan
Streets	\$5,348,311	\$2,057,500	\$2,924,546	\$3,300,000
Transportation	\$1,981,000	\$600,000	\$500,000	\$2,588,333
Parks	\$6,676,230	\$3,319,000	\$2,276,000	\$3,782,500
Public Facilities	\$28,724,863	\$0	\$709,454	\$710,000
Percent for Art	\$60,000	\$60,000	\$60,000	\$60,000
CIP Cost Overrun	\$80,000	\$80,000	\$80,000	\$0
<b>Total</b>	<b>\$42,870,404</b>	<b>\$6,116,500</b>	<b>\$6,550,000</b>	<b>\$10,440,833</b>

The following are key points in relation to the FY 2007 CIP Applications and funding rankings:

- A. Of the 57 CIP funding applications, 18 projects are not specifically listed in the CIP 10 year plan. The total amount of these projects is \$5.3 million, of which \$1,215,454 is recommended for funding.

Number	Project Description	Amount Requested	Amount Funded	notes
# 1	Pioneer Park Plan Upgrade	\$50,000	\$50,000	
#12	Citywide Sidewalk Inventory	\$60,000	\$60,000	
#14	Fairmont Skate Park Lighting	\$62,000	\$62,000	
#17	Tracy Aviary Wilson Pavilion Renovation	\$950,000	\$200,000	
#21	Median Island Reconstruction - 500 West 500 South	\$44,000	\$44,000	
#22	Morton Park Improvements, 1858 West 1700 North	\$90,000	\$90,000	(in FY 2012, 2014, and 2016, there is \$600,000 planned for "To Be Determined" parks expansion or development)
#24	Westside Senior Citizen's Center Energy Conservation Project	\$194,534	\$194,534	
#25	Plaza 349 Energy Conservation Project	\$260,885	\$260,885	(\$259,079 previously allocated in Budget Amendment #2)
#26	City and County Building Energy Conservation Project	\$254,035	\$254,035	(\$164,980 previously allocated in Budget Amendment #2)
#37	Reroof Parks Administration Building & Fire Training Facility	\$829,470	\$ 0	
#52	Energy Conservation Study, for the 37 buildings managed by the City	\$70,581	\$ 0	
#53	Sidewalk Pavers, Planters and Service Line replacement, 300 South between State and Main	\$50,000	\$ 0	
#56	Existing Public Safety Building Energy Conservation Project	\$1.3 million	\$ 0	

The following projects (totaling \$1.2 million) are not specifically listed on the CIP 10 Year Plan but individually could be considered to fall under the \$250,000 yearly "placeholder for community projects" in the plan. None are proposed to be funded:

#35	Cannon Park Urban Fishery	\$98,000	\$0
#45	Sunnyside Avenue Safe Crossing (@ Guardsman, Greenwood, and Sunnyside Park)	\$166,000	\$ 0
#46	100 South 900 East Intersection Curb & Gutter Replacement	\$120,811	\$ 0
#47	500 South 900-1000 East Street Reconstruction	\$520,000	\$ 0
#50	Parley's Way Playground improvements	\$ 200,000	\$ 0
<b>Total</b>		<b>\$5,320,316</b>	<b>\$1,215,454</b>

- B. Of the 57 CIP applications, 12 projects are on the CIP 10 Year Plan and scheduled for FY 2008, but are **not recommended for funding** (the total amount for these unfunded projects is \$7.3 million, of which \$3.4 is related to the upkeep and maintenance of the City and County Building):

Number	Project Description	Amount Requested	Amount Funded
# 27	Park Pavilion Roof Replacement (Sunnyside, Mt. Dell, Washington, Riverside Parks)	\$413,430	\$ 0
#29	Rotary Glen Park Improvements	\$1,300,000	\$ 0
#30	Cottonwood Park Irrigation System	\$350,000	\$ 0
#32	Arterial Lighting, California Ave (900 West to Redwood Rd)	\$65,000	\$ 0
#33	Arterial Lighting, Redwood Rd (N Temple to 2100 S & 1000 N to 2300 N)	\$275,000	\$ 0
#39	Arterial Lighting, 700 East ( S Temple to 700 South)	\$550,000	\$ 0
#36	McClelland Trail Corridor Master Plan, 900 S to 2700 S	\$50,000	\$ 0
#41	City and County Building Exterior Stone Replacement/Upkeep	\$1,400,000	\$ 0
#42	City and County Building Carpet & Electrical replacement	\$2,000,000	\$ 0
#48	Dog Off Leash Park improvements - Herm Franks & Cottonwood Parks	\$50,000	\$ 0
#51	Traffic Signal Installation, 600 South 600 East	\$150,000	\$ 0
#54	East Capitol Street Reconstruction, State St to 300 N	\$600,000	\$ 0
#55	A Street Green Space Analysis, 6 <sup>th</sup> and 8 <sup>th</sup> Avenue	\$50,000	\$ 0
#57	Traffic Camera Installation, 5 previously-purchased cameras at various locations	\$50,000	\$ 0
<b>Total</b>		<b>\$7,303,430</b>	<b>\$ 0</b>

- C. The following are GO Bond projects that are listed in the CIP 10 Year Plan for FY 2008 - these requests are for informational purposes only, and are not proposed to be funded this fiscal year in CIP. In the 10 Year Plan a GO Bond is indicated as the source of funds:

Number	Project Description	Amount Requested	Amount Funded
# 38	Liberty Police Precinct Design	\$2,100,000	\$ 0

#43	Public Safety Building and Emergency Operations Center Design (7.5% Impact Fee eligible)	\$8,900,000	\$ 0
#44	Public Safety Building and Emergency Operations Center Land Purchase (7.5% Impact Fee eligible)	\$8,800,000	\$ 0
#49	Fire Training Center/Fire Station #14 Design (20% Impact Fee eligible)	\$1,970,000	\$ 0
<b>Total</b>		<b>\$21,770,000</b>	

D. Of the 57 CIP applications, 6 projects are on the CIP 10 Year Plan and were planned for funding *in FY 2007*:

Number	Project Description	Amount Requested	Amount Funded
# 3	Westminster Park ADA Playground Improvements	\$250,000	\$250,000
#4	4 <sup>th</sup> Avenue Stairway Design and Analysis	\$60,000	\$60,000
#5	Oak Hills Baseball Park & Reservoir Park ADA Improvements	\$200,000	\$200,000
#10	California Avenue Street Construction SID (general fund portion)	\$803,500	\$803,500
#20	Jordan Park Power Pedestals	\$50,000	\$50,000
#40	Plaza 349 Sprinkler Addition	\$515,370	\$ 0
<b>Total</b>		<b>\$1,878,870</b>	<b>\$1,363,500</b>

E. Of the 57 CIP applications, 4 projects are on the CIP 10 Year Plan, but not planned for funding until *after* the current fiscal year:

Number	Project Description	Year Planned	Amt Requested	Amt Funded
# 13	Liberty Park Improvements	FY 2009	\$700,000	\$600,000
#28	Fairmont Park Tennis Courts	FY 2012	\$657,700	\$ 0
#31	City Creek Trail Corridors Design and Master Planning Process (Folsom St, Gateway to Jordan River & 900 South, 500 West to Redwood Road)	FY 2010	\$225,000	\$ 0
#34	Rosewood Park Restroom Improvements	FY 2012	\$156,100	\$ 0
<b>Total</b>			<b>\$1,738,800</b>	<b>\$600,000</b>

F. The following chart lists projects that are planned for FY 2008 in the CIP 10 Year Plan, but were not requested by any City Departments:

Project Description	Amount Planned	Notes
"To Be Determined" Trail Development and Improvements	\$375,000	
Transportation System Management - These funds would be used as needed to provide funding for immediate, unplanned, unanticipated projects that arise, but are unfunded. Projects could include intersection modifications, roundabouts, median	\$300,000	



islands, or other traffic calming devices.		
Plaza 349 - Parking Structure Repairs and Resurface - Upper level is deteriorating with spaling and rebar exposed that will cause future structural failures.	\$120,000	
Expansion of the Sorenson Center	\$1,100,000	Not applicable as the Center is currently fully funded
Residential Street Lighting Project, Citywide - To replace existing deteriorated residential street lighting and supplement installation of new residential lighting in areas of the City that do not meet the City's minimum lighting standards.	\$500,000	The Council has elected to hold off on funding this project until a formal policy can be discussed and adopted
HUB TRAX Connection Connect the existing terminus of the TRAX line at the Delta Center to the Intermodal Hub by spring 2008 to coincide with the opening of commuter rail at the Hub.	\$383,333	A total of \$1.15 million from the general fund, spread out over years to finance the TRAX extension to the hub. Not applicable as this project is now financed by a bond whose debt service was also planned
<b>Total</b>	<b>\$2,778,333</b>	

- G. The Mayor's recommended budget includes \$350,000 in funding for Street ADA Ramps/Corner repairs (#9). The CIP 10 Year Plan does indicate that \$400,000 per year should be spent on these projects from the general fund, and \$0 from CDBG. However, during this year's CDBG discussion, the Council funded \$300,000 for this purpose. Therefore, the Council could choose to fund \$100,000 from CIP for this purpose, and redirect the \$250,000 towards other CIP projects that may not be currently funded.
- H. The Mayor's recommended budget includes \$50,000 for an update of the Pioneer Park Master Plan. This would review the current plan's remaining stages, and constrain an update based on needs in the community, in an effort to prioritize redevelopment of the park in line with funding available. This request was generated from previous Council discussions which raised the issue of prioritizing some improvements in Stage 3 over improvements planned for Stage 2. The intent of this funding request would establish a plan that would address, given one more infusion of money, what improvements would be prioritized (i.e. "historical" elements prioritized over elements in Stage 2).
- The Council may wish to inquire with the Administration what the process for this refinement would entail (consultant working with Council, community, Administration, etc).
  - In total, there is currently \$1,496,000 available for renovations in Pioneer Park.
  - In a separate but related matter, following a discussion during Budget Amendment #3, the Administration has recently re-bid the project with a slightly reduced scope (eliminating only elements relating to future improvements) and will come back to the Council once those bid estimates are in for an updated request. Previous bids came in at \$400,000 over budget. The Council directed the Administration during budget amendment #3, that they would leave this item open and wait for the bids to come back before considering allocating cost overrun money.

- I. The Mayor’s recommended budget also includes \$709,454 in funding for 3 projects relating to energy efficiency. There were a total of 6 projects that requested \$2.9 million in funding. None of these projects are listed on the 10 Year Plan:

Number	Project Description	Amount Requested	Amount Funded
# 24	Westside Senior Citizen’s Center Energy Conservation Project	\$194,534	\$194,534
#25	Plaza 349 Energy Conservation Project (\$259,079 previously allocated in BA #2)	\$260,885	\$260,885
#26	City and County Building Energy Conservation Project (\$164,980 previously allocated in BA #2)	\$254,035	\$254,035
#37	Re-roof Parks Administration Building and Fire Training Facility (Green Roof)	\$829,470	\$0
#52	Energy Conservation Study for all City facilities	\$70,581	\$0
#56	Existing Public Safety Building Energy Conservation Project	\$1,300,000	\$0
<b>Total</b>		<b>\$2,909,505</b>	<b>\$709,454</b>

- J. The Mayor’s recommended budget includes \$600,000 for Liberty Park improvements. The CIP 10 Year Plan does include this project, but not until FY 2009. This project would complete construction of the Children’s Garden playground surfacing, and would tie into improvements to the concessions building , merry go round, and restrooms. This money would also reconstruct and realign the boat dock on the lake, and would reconstruct the war memorial. The followings lists the remaining projects “left” in Liberty Park renovations, according to the CIP 10 Year Plan (\$2.75 million):

- \$750,000 – Children’s Playground Renovation (FY 2009)
- \$1,000,000 – Greenhouse reconstruction & Jordan Greenhouse demolition (FY 2011)
- \$1,000,000 – Maintenance Building & Yard Reconstruction (FY 2012)

- K. Attached, please find the Mayor’s recommendations for CIP funding and the list of all projects scheduled in the CIP 10 Year Plan (FY 2008 is highlighted). Staff will have the CIP 10 Year Plan for reference at the briefing.

**POTENTIAL BUDGET-RELATED MATTERS AT ISSUE**

- A. The Council may wish to separate CIP projects that have been prioritized in the 10 Year Plan from projects that have not been prioritized in the 10 Year Plan. Based on the policy that these projects have been identified as on-going needs in the City, they could exclusively be funded with on-going money, while projects that have been suggested outside of the 10 Year Plan, could be funded with one-time money (with the policy basis that “surplus” money will cover “non-essential” projects). This idea is referenced in the “options” section on page 2.
- B. The Council may wish to clarify with the Administration whether the intention is to have energy-efficiency-related projects funded with the “1% Energy Fund for the Future” or whether they should be covered with the existing CIP budget. The current proposed budget contemplates funding these projects with the existing CIP

budget and not the 1% energy fund. The Council may wish to discuss the policy basis of considering these energy-efficiency related projects along with all other City capital projects, and whether that would mean that the 7.95% funding of CIP should be increased to reflect these projects.

- C. The Council may wish to clarify with the Administration, the status of the escalating costs of construction materials, and the increased difficulty in obtaining construction bids.

### **CAPITAL IMPROVEMENT PROGRAM BUDGET PROCESS**

The Capital Improvement Program is a multiyear planning program that uses two main planning documents: a 10 Year Capital Improvement Plan, and each fiscal year's capital budget. The Council recently adopted a revised 10 Year Capital Improvement Plan, on January 17, 2006, after a lengthy process to identify the most critical and realistic projects that need to be funded over the next decade. It should be noted that the overall amount to transfer from the general fund in order to pay for this 10 Year Plan over the decade, is 7.95%. Note: 7.95% is the number to be allocated to balance over the 10 year period. If 7.95% of general fund revenue is allocated, there will be some years that will have a surplus and some years that have a deficit. Therefore, if less than 7.95% is allocated one year, this does not weaken the likelihood of completion of the 10 Year Plan, as long as more than 7.95% is allocated in a following year.

Following the Mayor's presentation of his recommended budget on Tuesday May 2<sup>nd</sup>, the Council received a schedule of the proposed capital projects for fiscal year 2007-08 with ranking information from the CDCIP Board, Administrative Staff and the Mayor. The schedule identifies all of the projects that were submitted for funding with the Mayor's recommendations and the priority rankings of the Citizens Advisory Board and Administrative staff. The City Council makes the final determination of projects to be funded. Council staff will project the schedule on the screen during the work session to facilitate discussion and funding decisions.

The Administration accepts applications for capital projects from citizens and City departments each year for consideration for recommendation by the Mayor to the Council for funding. All applications are reviewed by the CIP Citizens Board (CDCIP) and a team of City staffers from each department who specialize in capital projects. The Administration will provide the Council Office with a three-ring binder of the applications. Copies of each project application can be made if Council Members desire.

During the past two years, the Council has appropriated funds for debt service and time sensitive projects during the annual budget process and waited until later in the summer to make other appropriations. The Council may wish to determine whether it wants to pursue this same course of action or whether the Council wishes to appropriate the entire amount of CIP funding during the annual budget process.

## **COUNCIL POLICIES REGARDING CAPITAL IMPROVEMENT PROGRAM**

On April 6, 1999 the City Council adopted a resolution entitled "Council Policies Regarding Salt Lake City's General Fund Capital Improvement Program." This resolution specifically stated the Council's intentions that the Administration regard the resolution as the Council's policy objectives for the City's General Fund CIP Program. In December 1999 the Council adopted a resolution entitled "Salt Lake City Council Capital and Debt Management Policies" which set forth the capital and debt-management policies that were intended to guide the City in addressing the deferred and long-term infrastructure needs of the City. In December 1999, the Council also adopted an ordinance (which was amended in May 2000, and again in 2006 – see section on impact fees below) establishing impact fees on new development within the City. Revenue from these fees are dedicated to fund those capital projects which are directly attributable to growth.

Some of the Council's capital improvement program policies are highlighted as follows:

- Establish a formal multi-year capital program
- Link the 10-year needs list and the annual capital budget
- Identify the extent and cost of deferred maintenance
- Utilize condition information to select and prioritize capital projects
- Focus attention on the long-term implications of capital decisions
- Identify full life cycle project costs
- Prepare multi-year revenue and expenditure forecasts
- Give priority to capital improvement projects that reduce current City maintenance requirements.
- Continue taking advantage of one-time opportunities to supplement base budget CIP (i.e. one-time revenues, particularly from the sale of real property).
- Maintain a capital improvement prioritization process that allows citizen and community input.
- Provide ongoing funding to address capital improvement needs of the City. (Council's policy is that at least 9% of on-going General Fund revenue be allocated to the CIP Fund. Class C, federal funds, impact fees, and one-time monies are all in addition to the 9%. For fiscal year 2004-05, the Mayor proposed a one-time reduction to approximately 7%.)
  - It should be noted however, that in October 2005, the Council made the decision to revise the 20 Year Inventory of Capital Needs and evaluate spending expectations as compared with recent budget realities. In January 2006, the Council adopted a fiscally constrained 10 Year Capital Facilities Plan, in which each department was asked to identify the most crucial and realistic projects, in order to arrive at a plan that was more likely to be executed to completion.

- The consultants hired to form the plan noted that in order to fully pay for the fiscally constrained 10 Year list of projects, the Council would need an average of 7.95% of the general fund per year allocation to CIP (see note on page 2).

## **“SPECIAL” ITEMS WITHIN THE CIP BUDGET**

### **Impact Fees**

Impact fees are a financing tool that enables the City to address some of the infrastructure necessitated by new growth without further deferring current infrastructure needs. Impact fees cannot be assessed to address issues of deferred capital infrastructure. Revenue collected from impact fees must be expended or encumbered within six years after receipt, unless the Council identifies, in writing, an extraordinary and compelling reason to hold the impact fees longer. Under such circumstances, the Council must establish an absolute date by which the impact fees will be expended. The Council may wish to ask the Administration whether some of the CIP applications qualify for partial funding from impact fees.

An independent consultant conducted an analysis of impact fees in Salt Lake City and made recommendations regarding updating the City’s impact fees to reflect the now-current, fiscally constrained 10 Year Capital Facilities Plan. The Council adopted this revised schedule of fees to reflect the current list of projects. Additionally, the ordinance was amended (at the recommendation of the consultants) to include a yearly inflationary adjustment to cover steadily-increasing construction costs (the standard identified is the *Engineering News Record* yearly construction cost index). This yearly inflationary component ordinance is currently before the Council for consideration. At issue is what date the yearly inflationary adjustment should become effective.