

# **SALT LAKE CITY COUNCIL STAFF REPORT**

## **BUDGET ANALYSIS – FISCAL YEAR 2008-09**

**DATE:** June 3, 2008

**BUDGET FOR:** **CAPITAL IMPROVEMENT PROGRAM FUND**

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

The Mayor presented his budget for Fiscal Year 2008-2009 on Tuesday, May 6. The following staff report details the proposed Capital Improvement Budget.

The Administration recommends funding CIP from the general fund in the amount of \$23,182,686, plus \$500,000 for a specific Transportation Preservation project. Of this, \$7,730,907 is slated for general obligation bond debt (dedicated property taxes). Therefore, a total of \$15,951,779, or 7.82% of general fund revenue, is proposed for Capital projects. Of this amount, \$8,215,928 is pledged for non-GO debt service (including debt service for the TRAX extension and Grant Tower Realignment projects, as well as a new debt service payment for the Fleet Facility sales tax bond – yet to be issued - details below). Therefore, a total of \$7,365,730 is available for non-debt service projects (down from \$7,993,379 for “other” projects in FY 2008).

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 \$275,006 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 2009, the plan identifies \$9.65 million in non-debt service projects, well over the current funding proposal of \$7.4 million. In addition, a total of \$10.9 million worth of projects that were identified from FY 06-08 in the CIP 10 Year Plan, have not yet been funded.

The Council may wish to consider the policy goals identified at the 2008 retreat when considering project prioritization (see page 7). For more information on the CIP process and background, see section beginning on Page 8.

## NEW DEBT SERVICE OBLIGATIONS

A. The Mayor's recommended budget includes debt service payments for the new Sales Tax bond (not yet issued by the Council) for the Fleet Facility project.

1. The total bond amount is not yet finalized, but is expected to be in excess of the Council's previously-discussed amount of \$21 million, as costs have risen and seismic issues that were not previously planned for will need to be addressed. General fund debt service is estimated at approximately \$1.5 million per year, though the amount slated for FY 2009 is \$596,084 (partial year payment). The Fleet Fund, Impact Fees, and the Refuse fund would also be also contributing to the payment of these bonds (see schedule below):

Fund	% of Debt Service
General Fund CIP	69.2%
Fleet Fund <i>(it should be noted that previously the Fleet Fund indicated that they would increase billing to general fund departments to cover 60% of their annual debt service obligation - this will impact the general fund budgets)</i>	13.9%
Refuse Fund	13%
Impact Fees	3.9%

2. The Council previously discussed this issue in June of 2006, in conjunction with the annual CIP budget. At that time the Council took a straw poll in unanimous support of the Fleet Facility Sales Tax bond. The straw poll included the caveat that the bond proceeds would not reimburse the surplus land account for the purchase of the new property (located at 1954 West 500 South), even though a reimbursement resolution had been adopted in January of 2006. The reimbursement resolution indicates the Council's intent to issue Sales Tax bonds to construct the project, and preserves the option of reimbursing the general fund for the land purchase with sales tax bond proceeds.

B. 10 Year Plan Implications - The CIP 10 Year Plan does have a total of \$1.78 million in *new* debt service (both the Fleet Facility and TRAX/Grant Tower bonds). The amount planned for the Grant Tower/TRAX Extension bonds is \$562,294 per year (more than the current debt service of \$399,087 - 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 *general fund portion* of the Fleet Facility bond is \$1.22 million per year.

C. 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 (*note: This includes current partial year payment of debt service on the Fleet Facility but does not include bonding for any new projects - Public Safety Facilities, etc*).

	Benchmarks			Salt Lake City
	Low	Moderate	High	Current Ratio
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%

## KEY ELEMENTS

Attached is a complete log of all CIP project applications for the Council's consideration.

Fifty (50) non debt-related projects were submitted through the regular CIP process (the CDCIP Board) for funding. The Community Development and Capital Improvements Program (CDCIP) Advisory Board reviewed these applications and then made recommendations to the Mayor. It should be noted that two projects on the attached list did not go through this process, but are proposed to be funded by the Mayor (#18 - \$500,000 for historic structures at the Intermodal Hub; #25 - \$50,000 for an electronic pay-booth for street parking study). **For time-sensitive projects, see Item F.**

Of these projects, twenty-six (26) were recommended for funding from the general fund by the Administration, for a total of \$7,865,730. The following chart shows a breakdown of funding totals, by type of project:

### Non-Debt Service CIP Projects - FY 2009

	Amount Requested	CDCIP Board Recommendation	Mayor's Recommendation
Streets	\$4,763,900	\$2,358,200	\$2,300,000
Transportation	\$3,714,500	\$1,700,000	\$2,084,500
Parks	\$5,283,100	\$2,250,703	\$1,827,300
Public Facilities/Buildings	\$6,247,352	\$996,827	\$1,496,827
Percent for Art	\$60,000	\$60,000	\$70,000
CIP Cost Overrun	\$0	\$0	\$87,103
<b>Total</b>	<b>\$20,068,852</b>	<b>\$7,365,730</b>	<b>\$7,865,730</b>

The following are key points in relation to the FY 2009 CIP Applications and funding rankings:

- A. The Mayor has taken into account rankings from the CDCIP Board, and has separately ranked all projects. He has recommended funding for project numbers 1-25 (see attached log).
- B. Of the 52 CIP projects, 20 projects are not specifically listed in the CIP 10 year plan. The total amount of these projects is \$5.6 million, of which \$1.14 million is recommended for funding.

CIP Log Number	Project Description	Amount Requested	Amount Proposed by Mayor	notes
#17	Replace Parks Administration Building and Fire Training Facility Roofs	\$ 906,453	\$ 450,000	The Council may wish to ask the Administration how plans for a Public Safety Bond may include the Fire Training Facility
#18	Intermodal Hub – contribution towards historic preservation	n.a.	500,000	North Warehouse @ Intermodal Hub
#22	Parley's Nature Park Fence	32,700	32,700	
#23	Plaza 349 Employee Showers	54,500	54,500	Sustainability
#24	Analysis & Design of East Capitol Blvd	50,000	50,000	Funding subject to State Capitol Board Matching Funds – <i>The Council may wish to ask the Administration how likely these funds are to be received.</i>
#25	Electronic Pay Booth Device Study	n.a.	50,000	
#30	CBD - Irrigation Water Conservation & Asset Renewal Project Design (100 S. W. Temple, 100 S. Regent to Main St., Main to Cactus St., 300 S. State to Main)	148,000	0	
#32	300 South Street Improvements – Design Design street improvements including medians and landscaping improvements. <i>The Council may wish to ask the Administration what kinds of landscaping improvements will be proposed considering water conservation issues.</i>	170,000	0	
# 35	Sugarhouse Irrigation Water Conservation & Asset Renewal Project Design (2100 S., 1000 E. to 1300 E., Highland Dr., Westminster & Ashton)	220,000	0	
# 38	Franklin Covey Concourse "B" Waterproofing	361,548	0	
# 43	Rose Park Golf Course Salt Storage Design and Cost Estimating	35,000	0	
# 47	Fairmont Park Lake Edge	417,700	0	
# 48	Artistic/LED Lighting for Broadway Medians (400 West to 300 East)	1,000,000	0	
# 49	Franklin Covey Building Steel & Roof Deck Painting	1,062,228	0	
<i>The following projects (totaling \$1.13 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 by the Mayor:</i>				
#27	Sidewalk Installation – Orange St, South side of N. Temple	\$ 58,200	\$ 0	Submitted by District 3 Constituent
# 42	Staircase & Walkway Improvements (1923 S 2600 E & Broadmoor/Wasatch)	121,000	0	Submitted by District 6 Constituent

#44	Parley's Way/Wilshire Park Playground ADA Improvements	200,000	0	Submitted by District 7 Constituent
# 46	800 South Median Island & 1100 East Barrier Improvements <i>The Council may wish to make note of this project. It was discussed as a possible component to mitigation solutions along the 800 South Corridor as a result of the Rocky Mountain Power line upgrades.</i>	325,000	0	Submitted by District 4 Constituent
# 50	500 West Street Improvement Design – 500 West, 600 North & N. Temple – <i>would provide access of semi-truck delivery to businesses</i>	126,700	0	Submitted by District 3 Constituent
# 51	Central City Recreation Center – Swimming Pool fill & Parking lot construction – <i>The Council may wish to ask the Administration to clarify if this funding would be needed even with the City's recent pledge of the Kiwanis-Felt Sale proceeds to the CCRC.</i>	300,000	0	Submitted by SL County
<b>Total</b>		<b>\$ 5,589,029</b>	<b>\$ 1,137,200</b>	

- C. Of the 52 CIP applications, 9 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 \$5.9 million, of which \$2.5 million is related to the upkeep and maintenance of the City and County Building):

CIP Log Number	Project Description	Amount Requested	Amount Proposed by Mayor
# 26	Traffic Signal Installation, 600 South 600 East	\$ 170,000	0
# 28	Rotary Glen Park Improvements	1,300,000	0
# 29	Cottonwood Park Irrigation System	454,300	0
# 31	East Capitol Street Reconstruction, State St to 300 N	628,000	0
# 33	Park Pavilion Roof Replacement (Sunnyside, Mt. Dell, Washington, Riverside Parks)	85,000	0
# 34	A Street Green Space Analysis, 6 <sup>th</sup> and 8 <sup>th</sup> Avenue	50,000	0
#40	City and County Building Carpet & Electrical replacement	2,454,897	0
# 41	1300 East Traffic Study & Implementation Funds <i>Funds to hire a consultant to collect data, analyze usage and traffic patterns and prepare recommendations for improvements. Note: The Council may wish to ask the Administration how much of the request would fund the study, and how much might be left for actual improvements.</i>	250,000	0
# 45	Arterial Lighting, 700 East ( S Temple to 700 South)	550,000	0
<b>Total</b>		<b>\$ 5,942,197</b>	<b>\$ 0</b>

- D. Of the 52 CIP projects, 4 projects are on the CIP 10 Year Plan and were planned for funding in previous fiscal years (carry-over projects):

CIP Log Number	Project Description	Amount Requested	Amount Proposed by Mayor
#3	Jordan River Trail – Rose Park Golf Course to Redwood Rd	\$ 200,000	\$ 200,000
# 29	Cottonwood Park Irrigation System	454,300	0
# 34	"A" Street Green Space – 6 <sup>th</sup> to 8 <sup>th</sup> Avenue	50,000	0
# 39	Plaza 349 Parking Structure Improvements & Security System	247,399	0
<b>Total</b>		<b>\$ 951,699</b>	<b>\$ 200,000</b>

- E. Of the 52 CIP applications, 2 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	Amount Proposed by Mayor
# 36	Rosewood Park Restroom Improvements	FY 2012	\$ 198,200	\$ 0
# 37	Fairmont Park Tennis Courts - replacement	FY 2011	750,600	0
<b>Total</b>			<b>\$ 948,800</b>	<b>\$ 0</b>

- F. The Administration has indicated that the following projects are considered “**time sensitive**” and should ideally be ranked and have funding levels decided at the time of the budget adoption:

CIP Log Number	Project Description	Dept/ Priority	Reason	Amount Requested	Amount Proposed by Mayor
n.a.	All Debt Service Payments		Debt Service payments are generally approved with the adoption of the budget, as payments are sometimes structured in July	\$ 15,316,956	\$ 15,316,956
#17	Replace Parks Administration Building Roof	Facilities/1	To complete construction this season	\$ 450,000	\$ 450,000
# 3	Jordan River Trail – Rose Park Golf Course to Redwood	Parks/1	To continue project before delays through summer season	\$ 200,000	\$ 200,000
#20	Rosewood Park Tennis Court Resurfacing	Parks/3	To continue up-grades currently underway without a break in the progress during the Summer '08 construction season	\$ 80,000	\$ 80,000
#6	Traffic Signal Upgrades	Trans/1	To take advantage of summer '08 construction season	\$ 800,000	\$ 640,000
#7	Bicycle Facilities Development	Trans/4	To take advantage of summer '08 construction season – <i>The Council may wish to ask how the Administration would take advantage of this construction season if the Bicycle Facilities Coordinator FTE is not approved</i>	\$ 50,000	\$ 500,000
# 21	Traffic Signal System Upgrade	Trans/5	To take advantage of summer '08 construction season	\$ 375,000	\$ 375,000
#13	Traffic Camera Installation	Trans/6	To install this summer	\$ 50,000	\$ 50,000
# 23	Plaza 349 Employee Showers	Trans/11	To construct immediately for use this summer	\$ 54,500	\$ 54,500
<i>Based on previous Council inquiries and interest, staff has also listed the following projects that the Council may wish to fund along with the adoption of the budget:</i>					
# 18	Intermodal Hub – Warehouse preservation			n.a.	\$ 500,000
# 25	Electronic Pay Booth Study			n.a.	\$ 50,000
# 46	800 South Median Island & 1100 East Barrier project			\$ 325,000	\$ 0

If the Council funded all “time-sensitive” projects identified by the Administration (excluding debt service and Council Staff identified projects), the appropriation would total \$2,349,500. This would leave approximately \$5.5 million left to allocate later in the summer.

G. Selected Projects/Highlights:

- a. The Mayor's recommended budget includes \$400,000 in funding for Street ADA Ramps/Corner repairs (#1). 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 \$395,192 for this purpose. Therefore, the Council could choose to fund \$4,808 from CIP for this purpose, and redirect the \$395,192 towards other CIP projects that may not be currently funded (*though this would restrict construction to CDBG-eligible areas*). In recent years the Council has funded ADA Ramps/Corner repairs from both CIP and CDBG funds (\$700,000 total in FY 2008 and \$778,868 total in FY 2007).
- b. The Mayor's recommended budget includes \$500,000 towards the renovation/preservation of the North Warehouse building at the Intermodal Hub.
- c. The Mayor's recommended budget does not include funding for the 800 South/1100 East barrier project (#46, \$325,000 requested). The Council had previously discussed possibly linking the funding of this project to a larger traffic mitigation strategy project along 800 South/Sunnyside, in order to reduce the negative visual impacts of Rocky Mountain Power's planned line upgrades. *The Council may wish to discuss this project further.*
- d. The Mayor's recommended budget includes \$960,000 for Liberty Park improvements. The CIP 10 Year Plan does include this project, but not until FY 2009. This money would reconstruct and realign curbing around the lake (including a retaining wall) and reconstruction of the boat dock. *The Council may wish to ask for renderings of the proposed projects. The Council may also wish to request that the Administration wait for the formation of an Advisory Committee on Historic Parks (per the Council's request to the Administration) before approving the funding for any other major renovations in the park.* 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)

H. Council Staff will have the complete 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).

- B. The Council may wish to discuss an option to fund energy-efficiency-related projects with the “Energy Fund for the Future” or whether they should be covered with the CIP budget and ranked among all other capital projects.
- C. The Council may wish to consider the policy goals identified at the 2008 retreat when considering funding allocations:

#### Goals/Priorities Identified at Retreat (January 2008)

<b>Infrastructure</b>		
- Walkability	- Bicycle trail development	- Bike-friendly roadways
- Invest in Westside infrastructure	- Use of wide ROW for alternative transportation access	- Improving Sidewalk, Curb, and Gutter City-wide
<b>Planning</b>		
- Infill	- Neighborhood Protection	- Master Plan Updates
- Downtown Revitalization	- Downtown Cultural District	- Northwest Quadrant development
- Riparian Overlay Process	- Sugar House Planning Issues	- Airport Expansion
<b>Alternative Transportation</b>		
- Redevelopment of North Temple	- Planning for Infrastructure	- Jordan River trail development
- 900 South trail development	- Daylighting City Creek	
<b>Environmental Issues</b>		
- Air Quality	- Green/Sustainable City Building Codes	- Northwest Quadrant
- City-wide Sustainability Plan		
<b>Small Business Issues</b>		
- Historic preservation	- Neighborhood business incubation	- Fisher Mansion
<b>Emergency Preparedness</b>		
- Mobile/Neighborhood Watch	- CERT	- Community Preparedness

- D. 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. Staff has reviewed articles from various publications that indicate that the cost of construction materials is not rising as fast as in recent years, and may even be declining. The Council may wish to request that the Administration provide an update of the most current experience in construction cost changes in Salt Lake City, as compared to recent years, in order to judge a sufficient contingency allocation.

## BACKGROUND - CAPITAL IMPROVEMENT PROGRAM BUDGET PROCESS

The Capital Improvement Program is a multi-year 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 6<sup>th</sup>, the Council received a schedule of the proposed capital projects for fiscal year 2008-09 with ranking information from the CDCIP Board 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. Copies of each project application can be made if Council Members desire.

During the past three 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 for specific projects 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.