

SALT LAKE CITY COUNCIL STAFF REPORT
BUDGET ANALYSIS – FISCAL YEAR 2009-10

DATE: May 26, 2009
SUBJECT: **UNRESOLVED ISSUES**
OVERVIEW OF MAJOR BUDGET ISSUES
MAYOR’S RECOMMENDED BUDGET
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Outstanding/Unresolved Issues/Follow-up Information

1. **Business License Base Fee increase** – The Administration’s proposed budget includes an increase the base business license fee from \$100 to \$130, generating \$262,500 in revenue. The Council has discussed this proposal, and has requested that the Administration obtain feedback from the Business Advisory Board. The Board’s next meeting is on June 10th, which may be after the Council adopts the budget. Therefore, Administrative staff is going to provide information electronically and obtain input from the board prior to the meeting. It is not likely that the Council will have this input for the May 26th meeting, but they may have it in time for the June 2nd Council Meeting.
 - Some members of the Council discussed the option of shifting the increase to the per employee fee rather than the base business license fee.
 - For every \$1 increase in the per employee fee, an additional \$128,245 is generated. An increase in the per employee fee of \$2.05 would be required to generate the same amount of revenue as the Administration has budgeted for business license increases in FY 2010.
 - However, the Adminsitration has indicated to Council Staff that due to timing, if the per employee fee were increased instead of the base fee, only $\frac{3}{4}$ of the revenue would be realized, as it would be difficult to implement that change by July 1.
 - If the Council wished to generate the same revenue, given the constraints of not implementing on July 1, the per employee fee would need to be increased \$2.73 to generate \$262,500 in FY 2010.
 - *The Council may wish to discuss if a majority is interested in pursuing shifting the increase to the per employee fee rather than the base fee.*

2. **Residential Parking Permit Fee Increase** – The Administration’s proposed budget includes an increase in the Residential Parking Permit program from \$12 to \$36 per year, generating \$66,000 in general fund revenue. Three Council Members have

expressed to staff an interest in increasing that fee above the \$36 identified by the Administration, possibly to \$50.

- If the fee was increased to \$50, staff estimates that this would generate an additional \$38,500 (assuming participation remains constant), above the additional revenue the Administration is recognizing (Total additional revenue would be \$104,500).
- *The Council may wish to discuss if a majority is interested in pursuing increasing the residential parking permit fee beyond the Administration's proposed increase.*

3. **Management Services Informational Pieces** - During last Tuesday's Council presentation for the Management Services budget, the Administration prepared the attached one-page summaries on the following functions and areas:

- CERT program
- Capital Asset Management
- Business licensing

The Administration indicated they will respond to any questions relating to these summaries.

4. **Online Processing Fee** - The Administration is proposing a \$1.00 per transaction fee for the use of the City's website to pay bills and fines and to obtain permits and renew licenses. During the Council's discussion May 19th, the Administration indicated this is strictly a 'convenience fee' and is not based on cost recovery. The Council asked a number of questions and requested further discussion. As to whether the City can legally charge an 'administrative processing fee', across the board for all transactions, the Administration indicated they will have a response for the Council next week. The Council may wish to have a discussion about moving forward with options. For instance, does the Council wish to discuss and consider any of the following:

- Administrative fee across the board (confirm with Attorney's office)
- Fee for all paper bill transactions (confirm with Attorney's office)
- Leave Public Utilities out of the discussion (confirm with Attorney's office)
- Convenience fee for "one-time" payments only (youth city, parking ticket, impound lot) and not regular payments (water bill, etc).

5. **Ground Transportation enforcement/fines** - There are several fee increases proposed by the Administration which relate to Ground Transportation and taxi drivers. Council Members have requested additional information with regards to the proposed increases, and have asked a number of questions.

One question relates to whether the proposed fees increases accurately reflect the true cost of administration (inspection/reinspection, background checks, missed appointments, badges issuance, badge replacement, etc). According to the Administration, the Finance Division conducted a cost-based analysis on the fees.

Council staff will obtain a copy of the study and provide to the Council on Tuesday.

Another issue is that of enforcement. Council Members have asked what the City needs to do to make taxi enforcement viable. Ground transportation staff indicated that the fines are nominal, and that they need to be increased. In response, Council Members have asked the Administration to propose changes to the fee schedule, given that the RFP may not address or solve the enforcement issues. The Administration indicates that Ground Transportation has made some progress in enforcement, stating that over 400 drivers with criminal backgrounds are no longer driving. Also, they indicate that only a very small group of unlicensed drivers continue to drive, and they have been ticketed multiple times and will continue to be ticketed. According to the Administration, in order to make enforcement viable, additional resources are needed in the Prosecutors Office. *The Council may wish to inquire as to what additional resources are necessary, and whether the Prosecutor's office is unable to prosecute enforcement issues.*

Additionally, Council staff understands that 200 tickets were issued to taxis this year; however, 4 out of 5 of them were warnings. Council staff inquired as to why so many warnings were issued as opposed to tickets. In response the Division indicates they had targeted the first year as a time to make the industry aware of the presence and seriousness of the Ground Transportation Administration. They also indicate that the Prosecutor's Office seems to be overwhelmed by higher priority cases and many of the citations referred to them are dismissed. *Does the Council wish to establish a legislative intent statement regarding the enforcement of taxis?* Council staff will continue research this issue with the Administration.

6. **Baseball stadium naming rights** (\$109,000 - revenue) – The Administration has indicated that an agreement with Spring Mobile for the naming rights of the previously-named Franklin Covey field will result in \$109,000 in revenue per year for at least five years, at which point Spring Mobile can renew for two additional five year periods. There are significant maintenance needs at the stadium that the City is responsible for, under the current agreement with the Salt Lake Bees baseball team. Public Services Administration has indicated a preference to dedicate this revenue stream to pay for these capital projects. The Council may wish to discuss whether a majority would follow the Administration's preference, or allocate these additional revenues to the general fund (to be spent in any City department).
7. **Purchase of new Fire apparatus** – The Administration's proposed budget includes a one-time allocation in the Fire Department budget totaling \$74,466 to equip new apparatus. The Fleet Division has indicated that it has scheduled four new apparatus for purchase in FY 2010 (through the City's lease/purchase program with Bank of America). The lead time for this equipment is approximately nine months from the time of ordering. The Council may wish to discuss whether it would make sense to hold off on the purchase of this equipment so that the City's capital facilities

plan can be updated so that these apparatus can be purchased with impact fees rather than Fleet lease payments.

- The Fleet Division had planned a 10 year payment schedule for the new Fire apparatus, at a cost of \$280,000 per year. If the Council wishes to delay the purchase, the Fleet Division lease payment budget could be reduced (as would Fleet's draw from reserves).
- The Fleet Division has indicated that although the current engines do not burn as clean as new engines would, the engines run on low-sulfur diesel (with the intention of running on bio-diesel when the new Fleet Facility opens).
- The Fleet Division is closely watching Fire apparatus testing for the 2010 Emissions standards, as some engine technology may still be in need of improvement.
- *The Council may wish to discuss if a majority is interested in delaying the purchase of new Fire apparatus.*

Upcoming Topics for June 2nd briefing

Council staff is continuing to gather information on the following topics:

- City-wide bill/ticket collections strategy
- Parking Ticket Data
- Budget Key Changes fine tuning
- Utah State Retirement Issues
- Possible reconsideration of a rate increase for the Storm Water Fund
- Refuse Fund Class - Operations Fund - Environmental Fund items:
 - Possible rate re-structure to include one rate for all services, plus roll-out of broader participation in the yard waste program
 - Legal questions raised regarding the placement of tree purchases and planting in the Operations Fund

Truth-in-taxation process – If the Council approves the Mayor's recommended budget for property tax, because the City would technically be increasing the rate, the City will have to hold a truth-in-taxation hearing. The City will also have to have a truth-in-taxation hearing if the Council adopts a judgment levy on either the Library, GO Debt, or General Fund. *A judgment levy is a one-time, one-year rate applied to properties in order to offset the "judgments" in value that are approved by the County Board of Equalization (if the Board of Equalization reduces the assessed value of a property because the owner protests, the taxing entities are given an opportunity to recoup that reduction in value through a separate levy).*

- The entire process for increasing property tax rates is governed by State Code (59.2.919), and is referred to as "Truth in Taxation."
- After the Council adopts the budget, if it includes a tax increase - The City will prepare a notice (wording in the notice is defined by state law), in conjunction with and approved by the State Tax Commission, which will state the current average value of a home in Salt Lake City (determined by

the County Assessor's office), what the proposed rate increase would mean in terms of yearly dollar amount on that average home, and what the property tax dollar amount would be on that average home without the rate increase. The notice is very detailed and the wording is set by state law.

- The notice will then be published over the months between budget adoption in June, and the Truth in Taxation hearing, which is required by law to be in August. State law dictates that the notice cannot be in the classified or legal section, that it must be no less than ¼ page in size, and that the advertisement must appear at least one day per week.
- The City Council has already given notice to the County that if the City elects to conduct a Truth in Taxation hearing, it will be on August 11, 2009 at 7pm (State Law requires notice be given to the County by March 1). Overlapping taxing entities may not have Truth in Taxation hearings at the same time (for example if the County was proposing a tax increase they could not have their hearing at 7pm on August 11th). If they needed to have it on that day, it would have to be scheduled at a different time, but state law dictates that these hearings may not take place before 6pm.
- The City Council may elect to use the time between budget adoption in June and the public hearing in August, to inform the public about the proposed changes through various ways (newsletters, e-mails, open houses, work session briefings, etc). *The Council may wish to discuss these ideas further as a group or in the various subcommittees.*
- The Council will hold the public hearing on August 11, 2009. At the conclusion of the hearing, the Council can move to adopt the new tax rate, and ratify the previously adopted budget.
- If the Council chooses to not adopt the new tax rate at that time, the budget will need to be re-balanced. Note: This is difficult timing to re-balance the budget, as Fiscal Year 2010 will already be well under way (new FTEs may be hired, money may have been spent, etc.). The City Attorney's office is in the process of examining the potential steps that could need to be taken in this scenario.

A copy of the original Overview staff report can be provided upon request.

Business Licensing

- **Function transfer from CED to Administrative Services**
- **Zoning issues will remain in CED**
- **Administrative Services will:**
 - **Oversee ordinance revision**
 - **Publish needed policies, procedures, and rules**
 - **Support customers with:**
 - **an *IVR system* to direct customers;**
 - **an updated *user friendly web page*;**
 - **an *electronic application services*;**
 - **an online updating system for address changes and other information.**
 - **Create data mining for:**
 - ***Businesses without licenses*;**
 - ***Incorrect business information*.**
 - **Create an audit process to:**
 - **Determine which businesses are being changed *incorrect fees***
 - **Determine which businesses have provided *incorrect information***
 - **Identify *businesses without licenses***
 - **Create an electronic inspection process – so both customers and inspectors are aware of inspection requirements**
 - **Create a re-inspection fee**
 - **Establish a internal coordination functions to improve efficiency among the several City departments & divisions**

Capital Asset Management Section

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- **“Capital assets” include all fixed assets, including real property, building, and City infrastructure – to include the planning, design, construction, maintenance, and operation of those assets.**
 - **“Capital assets” do not include City-owned personal property or “rolling stock” owned by the City.**
- **Administrative Services has created a “Capital Asset Section”, managed by a department deputy director.**
 - **The section includes six FTE’s (deputy director, a project manager, three real property agents, an office technician)**
- **Primary functions of the Section:**
 - **Facilitate *inter-department coordination* of all aspects of capital asset planning, design, construction, maintenance, and operations.**
 - **Focus is on creating or supporting partnership teams relating to Mayor-designed projects or related groups of projects.**
 - **At the request of the Mayor or City Council, assume lead *project management for significant community projects*.**
 - **Be *accountable for all City real property* – through project planning, acquisition, budget and cost analysis, cost recovery, and related functions.**
 - **Develop *long-term strategies* to enhance the effectiveness and efficiency of City capital assets.**

CERT, Volunteer Coordination, Donated Goods

- **Mayor Becker proposes to move the CERT training function from the Fire Department to Administrative Services – to be managed by the City’s Emergency Management Director.**
- **Last year, the Council approved the dedication of one firefighter and funded one full-time FTE and two RPT’s in the Fire Department to enhance CERT training and to lay the foundation for citizen corps activity.**
- **The proposed budget eliminates three Fire Department positions and transfers the CERT training function to Administrative Services – without the FTE’s or a general fund budget.**
- **Administrative Services intends to do the following:**
 - *Secure grant funding to continue CERT training in Salt Lake City;*
 - *Clean up and update the City’s list of 10,000 plus CERT-trained individuals;*
 - *Promote the establishment of neighborhood citizen corps groups – lead, where appropriate, by CERT-trained volunteers;*
 - *Update the Emergency Support Function (ESF) plan for volunteer coordination and donated goods – as part of the City’s Emergency Operations Plan. The ESF plan will cover the following functions:*
 - A process to manage donated goods;
 - A pre-vetted list of volunteer organizations;
 - A process to deal with unaffiliated volunteers;
 - Linking the volunteer networks with the Joint Information System;
 - Support the identification of a Volunteer Coordination Center;
 - Meshing the City’s volunteer coordination efforts with neighboring local governments;
 - Address City liability relating to directing volunteers;
 - Credentialing volunteers;
 - Supporting safety and security planning for volunteers;
 - A system to understand private sector supply inventories, tracking, and availability;
 - Support “just-in-time” training for volunteers;
 - Support volunteer coordination exercises;
 - Regularly update the Policy and Coordination Groups regarding volunteer resources, assistance, and effectiveness;
 - A plan to redistribute or salvage donated goods after a disaster;
 - Support plans for demobilization and debriefing of volunteers after an event.