

SALT LAKE CITY COUNCIL STAFF REPORT

BUDGET ANALYSIS – FISCAL YEAR 2004-05

DATE: May 11, 2004

BUDGET FOR: **NON-DEPARTMENTAL (General Fund)**

STAFF REPORT BY: Gary Mumford

cc: Rocky Fluhart, Sam Guevara, Steve Fawcett, DJ Baxter

The Non-Departmental budget provides a means to account for General Fund moneys transferred to other funds, and disbursements to civic organizations that provide a service on behalf of Salt Lake City but which are not legal entities of the City. The Non-Departmental budget represents 22.5% of the total General Fund budget. The proposed budget for fiscal year 2004-05 contains several increases and decreases for a net decrease of \$316,150. The proposed changes are as follows:

Proposed increases:

- \$ 900,000 – Street lighting electricity payments
- \$ 22,743 – Legal defenders
- \$ 473 – Salt Lake Chamber
- \$ 5,000 – Utah League of Cities & Towns
- \$ 540 – Nation League of Cities
- \$ 451 – Salt Lake Council of Governments
- \$ 1,000 – East Valley Chamber
- \$ 1,200 – US Conference of Mayors
- \$ 1,000 – Pass through financing of transitional housing – Housing Authority
- \$ 50,000 – Local lobbying services
- \$ 4,000 – Sales tax rebate for two contractual obligations
- \$ 500 – Community emergency winter housing
- \$ 894,056 – Transfer to CIP for GO bond (Hogle Zoo/Tracy Aviary)
- \$ 135,000 – Transfer to CIP for impact fees
- \$ 15,000 – Transfer to street lighting special assessment fund
- \$ 450,000 – Transfer to Fleet Management for vehicle replacement
- \$ 75,000 – Tracy Aviary
- \$ 48,900 – Animal services contract
- \$ 125,000 – Interest expense on tax anticipate notes

Proposed decreases

- \$(25,000) – Economic Development Corporation of Utah
- \$(48,618) – Information Management Services

- \$(94,129) – Insurance & Risk Management Fund
- \$(3,172,084) – Transfer to CIP (from 9% to 7%)
- \$(4,512) – Accounting system (IFAS) maintenance
- \$(175,000) – Municipal election

PROPOSED NON-DEPARTMENTAL GENERAL FUND BUDGET				
Programs	Amended Budget 2003-04	Proposed Budget 2004-05	Difference	Percent Change
Municipal Contributions/Civic Support				
Civic Opportunities Fund	\$ 15,000	\$ 15,000	\$ -	
Community Emergency Winter Housing	63,500	64,000	500	0.8%
East Valley Chamber of Commerce	2,000	3,000	1,000	50.0%
Economic Development Corporation of Utah	132,992	107,992	(25,000)	(18.8%)
Gifts/Receptions	20,600	20,600	-	
Hispanic Chamber of Commerce	1,500	1,500	-	
ICMA Performance Review Program	5,300	5,300	-	
Legal Defenders	379,051	401,794	22,743	6.0%
National League of Cities	9,860	10,400	540	5.5%
Sales Taxes Rebate	158,000	162,000	4,000	2.5%
Salt Lake City Arts Council	223,600	223,600	-	
Sister Cities	5,000	5,000	-	
SL Area Chamber of Commerce	30,000	30,473	473	1.6%
SL Valley Conference of Mayors	175	175	-	
Salt Lake Council of Governments	29,165	29,616	451	1.5%
Sugarhouse Park Authority	197,600	197,600	-	
Tracy Aviary	200,000	275,000	75,000	37.5%
Transitional Housing	107,500	108,500	1,000	0.9%
U.S. Conference of Mayors	10,300	11,500	1,200	11.7%
Utah League of Cities and Towns	95,000	100,000	5,000	5.3%
Total Municipal Contributions/Civic Support	1,686,143	1,773,050	86,907	5.2%
Other Programs				
Accounting System Maintenance Agreement	65,000	60,488	(4,512)	(6.9%)
Animal Services	818,100	867,000	48,900	6.0%
Election Processing	175,000		(175,000)	(100.0%)
Geographic Information System	25,000	25,000	-	
Local lobbyist		50,000	50,000	
Non CDBG Mailings	6,000	6,000	-	
Retirement payments	650,000	650,000	-	
Street lighting – electrical power		900,000	900,000	
Tuition aid program	110,000	110,000	-	
Washington DC Consultant	55,000	55,000	-	
Total Other Programs	1,904,100	2,723,488	819,388	43.0%
Debt Service – Tax & Revenue Anticipation Notes				
Interest Expense on Tax Revenue Anticipation Notes	500,000	625,000	125,000	25.0%
Bonding/Note Expense	35,000	35,000	-	
Total Debt Service	535,000	660,000	125,000	23.4%
Transfers				
Debt Service - Library Bonds (CIP Fund)	6,936,561	6,928,419	(8,142)	(0.1%)
Debt Service – Zoo/Aviary Bonds (CIP Fund)		894,056	894,056	
Debt Service – Other Projects (CIP Fund)	6,622,011	6,136,743	(485,268)	(7.3%)
Impact Fees (CIP Fund)	425,000	560,000	135,000	31.8%
Capital Improvement Projects	7,193,036	4,987,692	(2,205,344)	(30.7%)
Fleet Replacement Fund	4,562,481	5,012,481	450,000	9.9%
Information Management Services	4,881,370	4,832,752	(48,618)	(1.0%)
Insurance & Risk Management Fund	1,600,000	1,505,871	(94,129)	(5.9%)

Bus pass program	66,000	66,000	-	
Governmental Immunity Fund	1,300,000	1,300,000	-	
Street Lighting Special Assessment Districts	130,000	145,000	15,000	11.5%
Total Transfers	33,916,459	32,369,014	(1,347,445)	(4.0%)
TOTAL	\$37,841,702	\$37,525,552	\$ (316,150)	(0.8%)

Description of proposed Non-Departmental appropriations:

1. Accounting System Maintenance Agreement (\$4,512 decrease) – The City has traditionally accounted for the maintenance agreement on the accounting system within the Non-Departmental budget under the assumption that the system benefits all departments. The total cost of the maintenance agreement is anticipated to be \$60,488.
2. Animal control services (\$48,900 increase) – The proposed \$867,000 budget represents a 6% increase from fiscal year 2003-04. Salt Lake County has been providing animal control services for Salt Lake City for several years by contract. The Administration has explored other options for obtaining these services. The Administration reviewed the County's cost records and determined that Salt Lake City is not paying more than what the actual expenses are for animal control services. The animal control services contract is on the Council's list for potential future audit.
3. Arts Council – The Non-Departmental budget includes \$223,600 for the Arts Council (no change from fiscal year 2003-04). In addition, the salaries of Arts Council employees are included within the budget of the Department of Community Development.
4. Bus pass program – The City instituted the bus pass program to encourage the use of mass transit. The discount is only available under a special program with UTA that is based on the total number of employees, so the cost cannot be reduced by specifying a certain number of employees who would like the passes. Because a number of City employees utilize the pass, the City has been able to provide free parking for other employees. The City funds 100% of the bus/TRAX pass with no cost to City employees. The benefits administrator estimates \$93,500 as the total costs of the bus pass program for 2005 with about one-third of the cost coming from enterprise and internal service funds. The City Library also participates in the bus pass program. The Council may wish to urge the Administration and Library Director to review whether there any base fee or volume pricing that would provide an opportunity to save money of the two programs were consolidated.
5. Capital Improvement Projects Fund (\$2,205,344 decrease in transfer from the General Fund) – The Administration is proposing to transfer \$4,987,692 for on-going capital improvement projects. This amount represents 7% of General Fund revenue or \$3,172,000 less than 9%. The Mayor proposes a short-term variation from the policy to fund CIP with 9% of ongoing General Fund revenue. To bring the transfer up to 8% will require an additional \$1,856,000. The Council is planning separate discussions regarding the capital improvement program (e.g.,

amount proposed to fund deferred maintenance, growth of deferred maintenance, 20-year plan, administrative costs, etc.)

6. Civic opportunities fund (First Night) – The proposed \$15,000 budget is for the First Night celebration. In light of a court case and resulting legislation, the City must demonstrate that organizations receiving contributions provide a service for the residents of the City. The Administration has forwarded the study to the Council relating to First Night and requests that the Council hold a public hearing. In the past, the Mayor made contributions to other community organizations or specific programs, but in recent years a contribution is made only to the Downtown Alliance to help with the funding of the First Night celebration.
7. Community Emergency Winter Housing (\$500 increase) – Salt Lake City’s share of the operating costs of the winter overflow shelter located in Midvale is based upon population. The requested amount for fiscal year 2004-05 is \$64,000. State law (UCA 10-8-2) requires a study to show the specific benefits to be received by the City. The Administration has forwarded the study to the Council relating to this appropriation and requests that the Council hold a public hearing.
8. Debt service (\$400,646 increase) – A large portion (37%) of the Non-Departmental budget is relating to the payment of long-term debt. The amount necessary for debt service in fiscal year 2004-05 is \$13,959,218. The final payment on annual debt payments of about \$730,000 will be in 2009, and annual debt payments of \$2,980,000 will end in 2011. Other bond payments expire in 2019 and 2024.
9. East Valley Chamber of Commerce (\$1,000 increase) – The East Valley Chamber is assessing Salt Lake City \$3,000 for its Chamber dues, which is a 50% increase over the prior year.
10. Economic Development Corporation of Utah (\$25,000 decrease) – In 1997, the total municipal funding of the Economic Development Corporation of Utah (EDCU) was assessed based 50% on population and 50% on certain revenues (sales tax, franchise & utility tax, licenses & permits, and other fees). Salt Lake City’s contribution was calculated to be \$126,659. This amount remained unchanged until 2000 when all assessments increased 5%. Salt Lake City’s contribution based on this formula is \$132,992. The Mayor’s Recommended Budgeted proposes reducing this amount by \$25,000. In fiscal year 2000-01, the Council made a similar decrease in funding for EDCU but restored the funding in the next year. Council staff understands that the Administration has not contacted the EDCU regarding the proposed reduction in funding, but the Council may wish to request clarification on this status.

11. Election Processing (\$175,000 decrease) – Every other year, funds must be budgeted for local elections. The City contracts with Salt Lake County for election services. *During non-election years, the Council may wish to budget the election funds for one-time projects or an additional transfer to the CIP Fund so that the election funding is available for election years without having to make other budget cuts.*
12. Fleet replacement (\$450,000 increase) – The budget increases funding for fleet replacement from \$4,562,481 to \$5,012,481. However, the increase does not meet all the current needs to update the City's fleet, which is becoming more aged and requiring more extensive repairs. Council staff will prepare a separate staff report on the proposed budget for the Fleet Management Fund.
13. Geographic Information System – Over the past several years, the City has spent significant resources toward the development of a geographic information system (GIS). Each year, beginning in 1997, the Non-Departmental budget has included funding for equipment to help with additional GIS applications or implementation. Proposed funding for fiscal year 2004-05 is \$25,000, which is the same as the prior year. The \$25,000 appropriation is very modest given the potential uses that the GIS system has to make City tasks more efficient. At some point the Council may wish to consider making a one-time investment in this program to make it more useful.
14. Gifts and Receptions – The budget for gifts to be presented by the Mayor and receptions is proposed to remain at \$20,600. This appropriation pays for receptions including the Mayor's holiday luncheon for City employees. This past January, the appropriation paid for expenses relating to the induction ceremony. As of May 1, 2004, all of the current year appropriation has been spent.
15. Governmental Immunity Fund – The City's Governmental Immunity Fund provides for protection against unfounded claims of liability and for payment of legitimate claims. Net assets in the Governmental Immunity Fund have slightly increased over the past two years. The Administration is proposing continuing annual funding at \$1,300,000.
16. Hispanic Chamber of Commerce – In fiscal year 2002-03, the City joined the Hispanic Chamber of Commerce as a dues paying member. The appropriation is proposed to continue for the third year at \$1,500.
17. ICMA Performance Review Program – The International City/County Management Association has compiled comparative information on certain city functions since 1994. For a fee, cities can participate in the program and compare their performance to that of similar cities. Salt Lake City began participating in this performance review program

in 1998-99. The participation fee is currently \$5,300. Some City departments use this comparative information, but most departments could probably use the data to a greater extent.

18. Impact fees (\$135,000 increase) – Impact fee revenue is projected to decrease because of less construction due to the economy. Impact fee revenue of \$560,000 is anticipated with a corresponding transfer to the CIP Fund.
19. Information Management Services Fund (\$48,618 decrease in transfer) The City's Information Management Services Division maintains the City computer infrastructure. The General Fund's portion of major systems is funded by a direct transfer from the General Fund. A \$4,832,752 transfer is proposed for fiscal year 2004-05. In addition, departments are charged for computer maintenance (set fee per computer), for discretionary computer support services not covered by the maintenance agreement, and for telephone services. The proposed budget recognizes savings in operating costs including reduced contract maintenance costs of the computer network and the telephone network. In addition, some equipment costs in the current-year budget can be eliminated because these were one-time expenses. Council staff will prepare a separate staff report on the budget for the Information Management Services Fund. This program is included in the Council's list of potential future audits.
20. Insurance & Risk Management Fund (\$124,129 decrease) – The City's cost for workers compensation has decreased recently allowing for a 2.8% budget reduction for workers compensation. The cost of property insurance has leveled off allowing a 3.7% reduction in the budget for property insurance. (Note: The transfer from Nondepartmental to the Insurance & Risk Management Fund has nothing to do with general liability claims handled in the Governmental Immunity Fund.)
21. Legal Defenders (\$22,743 increase) – The City is required to provide indigent defendants where jail time is a possibility. The City contracts this responsibility to Salt Lake Legal Defenders at a proposed cost of \$401,794 for fiscal year 2004-05. The Administration considers the increase in the amount budgeted to be consistent with the increase that the City is experiencing in its case load. The Justice Court is included in the Council's list of potential future audits.
22. Local lobbyist (\$50,000) – The Mayor recommends adding funding for local lobbying efforts. One Council Member suggested that the Council consider reducing this proposed appropriation. Council Members have also discussed whether this funding could be used on a case-by-case basis rather than hiring a single firm on a retainer, and

one Council Member mentioned the option of hiring a part-time staff member to assist with legislative efforts.

23. National League of Cities (\$540 increase) – The increase in funding represents an increase in membership dues. For fiscal year 2004-05, the City's dues will be \$10,400.
24. Neighborhood Matching Grants Program – In fiscal year 1995-96, the Council appropriated \$50,000 for a pilot Neighborhood Matching Grants Program. Funding was increased to \$250,000 in the next fiscal year and continued until 2000-01 when it was increased to \$350,000. In fiscal year 2002-03, the funding was reduced to \$117,000 to use some of the unspent accumulated amounts. In fiscal year 2003-04, the Neighborhood Matching Grant Program was maintained entirely by the accumulated balance. Once again this year, the Neighborhood Matching Grants program is not recommended to be funded. The program will be continued using \$374,000 of existing fund balance. A review of the program's effectiveness is included on the Council potential list of audits.

25. Non-CDBG mailings – The Mayor’s Office mails community council newsletters and agendas to those residents registered with community councils. Community Development Block Grant funding is available for mailings in CDBG eligible areas. Several years ago, the Council added \$6,000 for mailings in non-eligible areas. However, for the past three years, no costs have been charged to the Non-Departmental budget for non-CDBG mailings. The mailing costs for non-CDBG areas must have been funded through regular appropriations.
26. Retirement payments – The City budgets \$650,000 to pay retirement cash payouts of vacation leave and portions of other accumulated leave upon retirement. Actual annual retirement payouts usually exceed \$650,000 and are absorbed within the departmental budgets. The Council has requested a report from the Administration on the City’s leave programs and options for reducing large payouts upon retirement.
27. Sales tax rebates (\$4,000 increase) – The City is contractually obligated for sales tax rebates relating to incentives for two retail businesses – Hermes (Fred Meyer) and Sutherlands. The Administration projects the rebates, which are based on a portion of actual sales taxes collected by the two retail stores, to increase to a total of \$162,000.
28. Salt Lake Area Chamber (\$473 increase) – The 1.6% increase in funding represents an increase in membership dues, which totals \$30,473.
29. Salt Lake Valley Conference of Mayors – During the mid 1990s, mayors in Salt Lake County began to meet together to discuss strategies to compel the County to eliminate double taxable and other issues that didn’t involve county government. Dues of \$175 began in 1997-98. The City hasn’t paid these dues for the past two years. *The Council may wish to inquire whether this group still meets, and if so, what the topics of discussion include.*
30. Salt Lake Council of Governments (\$451 increase) – The Salt Lake Council of Governments includes Salt Lake County representatives and representatives from cities in the county. The increase in funding represents an increase in the proportionate share of expenses for the Council of Governments. Total funding of \$29,616 is proposed, which represents a 1.5% increase.
31. Sister Cities – Salt Lake City has established Sister City relationships with several cities in other countries. City elected officials sometimes attend functions hosted by local organizations in honor of the Sister

City guests, present welcoming gifts to visiting dignitaries, arrange for tours of the City & County Building, etc. The budget proposes to continue a \$5,000 appropriation for the Sister Cities program. For the first ten months of fiscal year 2003-04, the City spent \$4,002 for this program. In fiscal year 2002-03, the City spent the entire \$5,000.

32. Street lighting electrical power (\$900,000) – The Administration proposes to move the street lighting electric power costs from the Department of Community Development to the Non-Departmental Fund. Some other costs for which City departments have very little control are accounted for in the Non-Departmental Fund (e.g., legal defense, animal services, interest on notes, accounting system maintenance, sales tax rebate, Arts Council). City street lighting is included on the Council’s potential list of future audits.
33. Street Lighting Special Assessment Fund (\$15,000 increase) The City pays 25% of street lighting costs of special districts since the City would have provided some lighting within districts. The Mayor’s Recommended Budget proposes to charge \$48,221 of administrative costs of the special assessment coordinator in the City Treasurer’s Office to the street lighting districts. Administrative costs are proposed to be charged to all 50 districts based on the amount of other costs of each district (i.e. contract with Utah Power, outside legal services, publication/recording fees.) The General Fund’s total share of district costs is projected to be \$145,000, which is an increase of \$15,000.
34. Sugarhouse Park Authority – The proposed budget is \$197,000, which is in excess of the actual amount due by \$30,456 because the actual amount of the billing wasn’t available to the individual preparing the Nondepartmental budget. The excess amount is available for other Council priorities. The City and County share equally the costs of operating the Sugarhouse Park.
35. Tax & Revenue Anticipation Notes (\$125,000 increase in interest expense) – The proposed budget includes \$625,000 for interest on tax and revenue anticipation notes and \$35,000 for issuing costs. As is customary, each year the City borrows funds to help support General Fund operations until property taxes are received. The budget proposes increasing the borrowing from \$21 million to \$25 million. Interest rates are projected to be about 2.5%, which is 0.5% greater than last year. The City Treasurer plans to sell the notes in June 2004. Council staff will prepare a separate staff report on Tax & Revenue Anticipation Notes.

On May 11th, a Council Member asked why the interest revenue wasn’t increasing if the City was borrowing \$4 million more. The City Treasurer explained to Council staff the \$15 million of high interest investments have recently matured (\$5 million invested at 8¼% and \$10 million at 5¾%). Therefore, the average anticipated yield in fiscal year 2004-05 is expected to be less than the average yield in fiscal year 2003-04. The City Treasurer projects that the lower yield will be

offset with a greater amount available to invest for a net effect of no change in interest revenue.

36. Tracy Aviary (75,000 increase) – The proposed increase will bring the City’s annual funding of the Aviary to \$275,000, which is a 37.5% increase. The increase will allow the Aviary to address its increased operating costs and compensate for a decrease in the funding it receives from the Zoo, Arts and Parks tax (ZAP).
37. Transitional housing (\$1,000 increase) – The proposed budget includes payments in lieu of taxes from the Housing Authority of \$108,500. Federal regulations allow housing authorities to make payments from federal funds to cities in lieu of property taxes. The proposed budget includes a contribution of these funds back to the Housing Authority as a match for a federal grant used for maintaining existing transitional housing. The City has traditionally transferred the payment in lieu of taxes back to the Housing Authority. State law (UCA 10-8-2) requires a study to show the specific benefits to be received by the City. The Administration has forwarded the study to the Council relating to this appropriation and requests that the Council hold a public hearing.
38. Tuition aid program – With prior approval, Salt Lake City reimburses employees 70% of tuition paid to an accredited institution for job related classes taken for credit on employees’ own time up to a maximum of \$2,000 per employee. The reimbursement percentage for career development classes is reduced to 50%. If an employee leaves City employee within one year of receiving payment for tuition, the tuition payment is withheld from the employee’s last paycheck. The proposed budget is \$110,000, which is the same as last year. Actual uses were \$54,269 in fiscal year 2002-03, and \$67,422 for the 10 months of fiscal year 2003-04. Since actual and projected expenditures are less than the proposed budget, approximately \$15,000 should be available for other Council priorities.
39. U.S. Conference of Mayors (\$1,200 increase) – The increase in funding represents an increase in membership dues. For fiscal year 2004-05, the City’s dues will be \$11,500.
40. Utah League of Cities & Towns (\$5,000 increase) – Salt Lake City’s membership dues for the Utah League of Cities and Towns were \$95,000 in fiscal year 2003-04. For the coming fiscal year, the City’s dues are calculated to be \$100,000 based on the League’s formula.
41. Washington DC consultant – The Administration is proposing to continue to fund \$55,000 for a Washington DC consultant.

LEGISLATIVE INTENT STATEMENT

No legislative intent statements are outstanding relating to the Nondepartmental budget.

During the briefing on the proposed budget, the Council may wish to identify legislative intents relating to the Nondepartmental budget.

During the briefing, the Council may wish to identify potential programs or functions to be added to the Council's list for future audits.