Overview of Capital Improvement Program (CIP) Major Funding Sources

General Fund Dollars

(Most flexible funding source; can be spent on any project)
These are the City's most flexible unrestricted funds available to be spent on any CIP project. The Council transfers a portion of General Fund revenues into the CIP Fund as part of each annual budget in June. The City collects a variety of revenue sources that all go into the General Fund such as property taxes, sales taxes, franchise taxes, building permits and license fees, and many others. A Council audit identified 9% of ongoing General Fund revenues as an ideal funding level to help ensure the City keeps up with capital investment needs. The City reached that 9% funding level in FY2023. In the prior two decades the City's annual General Fund transfer into the CIP Fund averaged closer to 7%.

Funding Our Future 0.5% Local Salt Lake City Option Sales Tax

(Critical need categories: housing, public transit, streets, and public safety; a fifth category of parks maintenance was added in FY2023)
The 0.5% sales tax increase was authorized by the Legislature only for the capital city as part of the State prison relocation from Draper. The City's local option sales tax was increased as part of the FY2019 annual budget and was branded "Funding Our Future" along with a Streets Reconstruction Bond approved by voters (all those bond funds have now been budgeted). Prior to enacting the sales tax increase the City conducted impact research, public hearings, open houses, workshops, letters, online information, and other extensive outreach. The funds from the sales tax are limited to the critical need categories as determined by the Council. The definition of the critical need categories has evolved over the times such as expanding public safety from only police to also include 911 dispatch, fire, medical, and social workers. The number of categories was originally four and a fifth category, parks maintenance, was added in FY2023. There is no legal limitation to the categories which are subject to the Council's annual appropriation process and subject to change.

Class C Funds

(State gas tax)
Class C funds are generated by the Utah State Tax on gasoline. The state distributes these funds to local governments on a center lane mileage basis. The City's longstanding practice has been to appropriate Class C funds for the general purpose of street reconstruction and asphalt overlays. The Roadway Selection Committee selects specific street segment locations as recorded in the Engineering Division's Six Year Pavement Plan which is regularly updated. Note that there is overlap in eligible uses between this funding source and the County Quarter Cent Sales Tax for Transportation and Streets Funding.

<u>Per state law, Class C funds may be used for:</u>

1. All construction and maintenance on eligible Class B & C roads
2. Enhancement of traffic and pedestrian safety, including, but not limited to: sidewalks, curb and gutter, safety features, traffic signals, traffic signs, street lighting and construction of bicycle facilities in the highway right-of-way
3. Investments for interest purposes (interest to be kept in fund)
4. Equipment purchases or equipment leases and rentals
5. Engineering and administration costs
6. Future reimbursement of other funds for large construction projects
7. Rights of way acquisition, fencing and cattle guards
8. Matching federal funds
9. Equipment purchased with B & C funds may be leased from the road department to another department or agency
10. Construction of road maintenance buildings, storage sheds, and yards. Multiple use facilities may be constructed by mixing funds on a proportional basis
11. Construction and maintenance of alleys
12. B & C funds can be used to pay the costs of asserting, defending, or litigating
13. Pavement portion of a bridge (non-road portions such as underlying bridge structure are not eligible)

County Quarter Center (0.25%) Sales Tax
(Limited to transportation and streets eligible uses per state law)
The County fourth quarter-cent transportation funding is an ongoing sales tax funding source dedicated to transportation and streets. The City has taken a progressive view of transportation beyond a vehicle-focused perspective and uses a multi-modal, more inclusive approach (walking, biking, public transit, accessibility and ADA, ride-share, trails, safety, scooters, etc.). The Wasatch Front Regional Council summarized eligible uses for this funding as "developing new roads or enhancing (e.g., widening) existing roads; funding active transportation, including bike and pedestrian projects; or funding transit enhancements. It can also be used for maintenance and upkeep of existing facilities." (SB136 of 2018 Fourth Quarter Cent Local Option Sales Tax Summary June 22, 2018). Revenue from the 0.25% sales tax increase is split 0.10% for the Utah Transit Authority or UTA, 0.10% for cities and 0.05% for Salt Lake County as of July 1, 2019 and afterwards. Note that there is overlap in eligible uses between this funding source and Class C funds.

Impact Fee Eligibility
(Four types: fire, parks, police, and transportation / streets)
Impact fees are one-time charges imposed by the City on new development projects to help fund the cost of providing infrastructure and services to that new development. This is part of the City's policy that growth should pay for growth. A project, or portion of a project, must be deemed necessary to ensure the level of service provided can continue with the additional impacts of the new developments (such as serving more residents or workers). As a result, it's common for a project to only be partially eligible for impact fee funding (the growth-related portion) so other funding sources must be found to cover the difference. It is important to note that per state law, the City has six years from the date of collection to spend or encumber under a contract the impact fee revenue. After six years, if those fees are not encumbered or spent then the fees are returned to the developer with interest.

<u>General Impact Fee Guidelines:</u>

1. Impact fees are to be used to keep a current level of service for new growth to a City.
2. Cannot be used to cure deficiencies serving existing development.
3. May not raise the established level of service in existing development.
4. Cannot include an expense for overhead, such as any cost for staff/administration, operation, and maintenance.
5. Impact fees can only be used to pay for the portion of the project directly attributable to growth (it's uncommon for projects to be 100% eligible for impact fees).
6. Must be incurred or encumbered within 6 years from the date they are collected, or they shall be returned to the developer with interest payments per state law.
7. Must use an adopted Impact Fees Facilities Plan to determine the public facilities needed to serve new growth and set fees costs by development type.
8. Repair and replacement projects are not growth related.
9. Upgrade projects are not growth related.
10. Repair, replacement, or upgrades can be included as part of a mixed project where the scope will create increased capacity to serve projected growth.
11. Impact fees must be spent in the same geographic boundary (service area) in which they are collected. The City's Impact Fee Facilities Plan designates the entire city as the service area. The Transportation section was updated in 2020. The other three sections were adopted in 2016.