



COUNCIL STAFF REPORT

CITY COUNCIL of SALT LAKE CITY
<https://fundingourfutureslc.com/>
tinyurl.com/SLCFY22Budget

TO: City Council Members

FROM: Kira Luke and Ben Luedtke
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DATE: June 8, 2021

RE: **FUNDING OUR FUTURE: Recap and Overview for FY22**



BACKGROUND

In 2018, the City identified street conditions, affordable housing, public transit, and neighborhood safety as important City services in need of additional ongoing funding. To fund these service needs, the Council increased the sales tax by 0.5%, and placed an \$87 million Streets Reconstruction General Obligation bond on the 2018 ballot, which City voters approved. The bond works in tandem with the sales tax funding by reconstructing the worst streets first while the sales tax revenue keeps streets in good condition longer.

The formal votes to place the bond on the 2018 ballot and to authorize the 0.5% sales tax increase was preceded by extensive online and in-person public engagement on the four critical need areas. One of the commitments made to the public throughout the engagement process was an enhanced level of transparency on how this revenue stream is used, in addition to the City's typical high transparency in the budget process.

Current transparency resources include:

- The City maintains [FundingOurFutureSLC.com](https://fundingourfutureslc.com/): year by year breakdowns of the budget allocations for the critical need areas, as well as updates on the projects funded.
- Quarterly (now semiannual) updates on projects funded and expenditures to date (Attachment 1: Year two, 4th Quarter report)
- Annual report on staff funded via Funding Our Future and how roles fall within critical need scopes (Attachment 2: Annual staffing report)
- For internal tracking, all Funding Our Future revenues are tracked, and all expenses are flagged as Funding Our Future programs. When funds allocated for Funding Our Future need areas aren't able to be used in a fiscal year (for example, if a contract negotiation falls through), instead of falling into the unallocated General Fund Balance (the City's rainy day fund / savings account), those funds are also tracked separately and available to be reallocated to relevant programs.

Note: specific allocations are discussed within each Department's budget. In early years, legislative intents relating to Funding Our Future were created to aid in transparency and reporting for these funds. Most of those intents are now codified within the budget adoption ordinance (Appendix I, below). Some prior year Funding Our Future-related discussions have taken place as part of the larger Legislative Intents discussion. Some proposals for the Funding Our Future fund balance are also under consideration within the Unresolved Issues discussion.

Recap: Prior Year Allocations

Funding Our Future provides a new ongoing revenue stream for previously underfunded critical needs and enhance or add new programs identified as priorities. However, sales tax is one of the most volatile revenue streams. Note that in the chart to the right the first year of 2018-2019 was a partial revenue year because the new sales tax percentage was implemented partway into the fiscal year and it takes several weeks for all retailers to update their systems and actually charge the higher rate. FY20 was the first full year of sales tax revenue under the higher rate. Revenues dipped significantly in FY21, as most City budgets compressed in response to the global pandemic. FY22 revenues are anticipated to recover to near FY20 levels.

Funding our Future Total Revenue

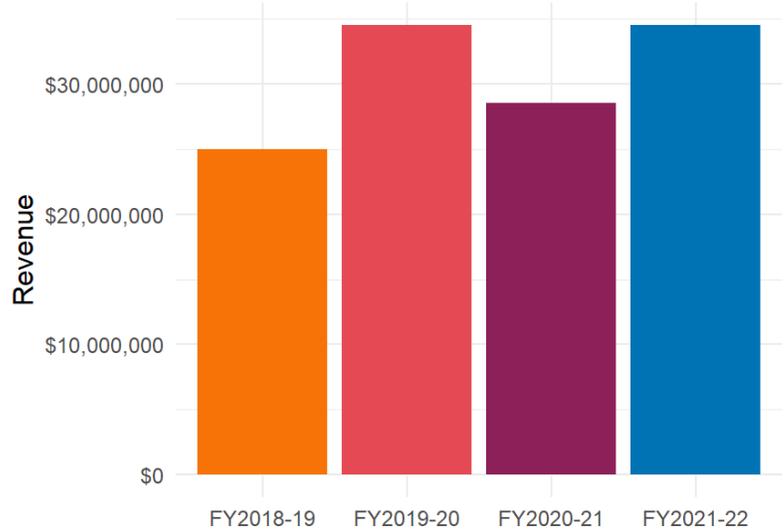


Chart by Julie Norman

The line chart below breaks out funding for the four critical need areas plus the amount transferred to the Capital Improvement Program or CIP. Note that the amount going to CIP is mostly for new street infrastructure projects but a smaller amount is for any CIP project because this contributes to the City’s goal of having at least 7% of all ongoing General Fund revenues (including Funding Our Future) be available for capital projects.

Funding our Future Budget

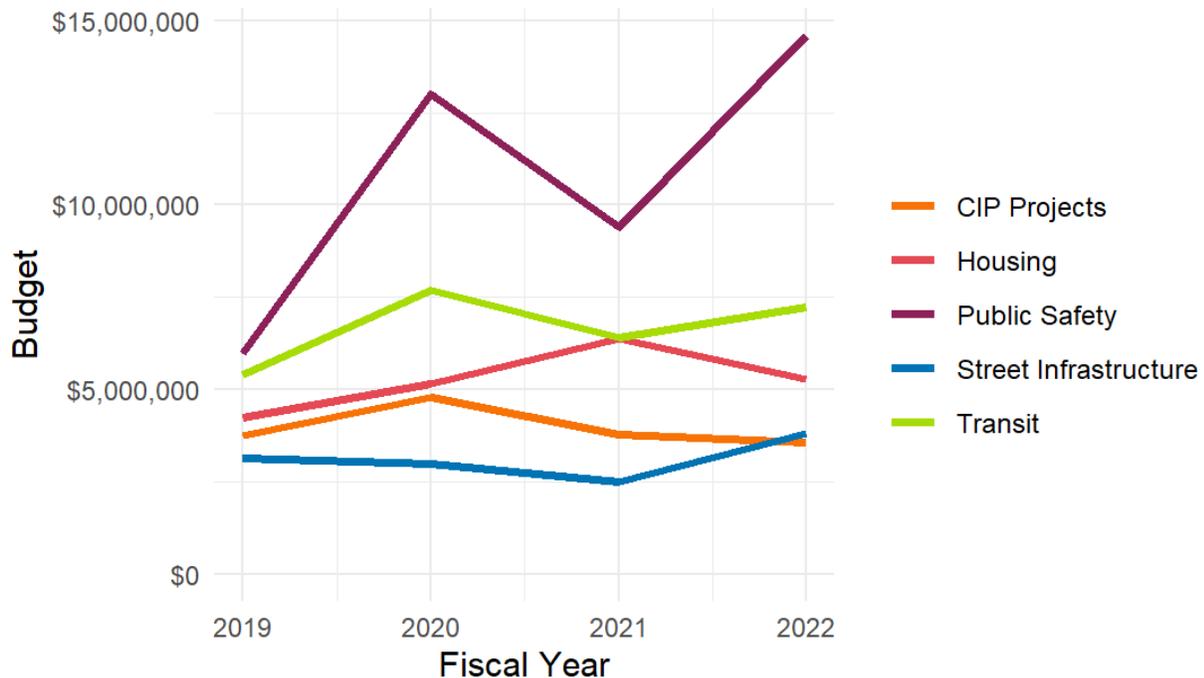


Chart by Julie Norman

	FY2018-19	FY2019-20	FY2020-21	FY2021-22 (Proposed)
Housing	\$4,226,161	\$5,169,408	\$6,371,124	\$5,270,622
Public Safety	\$5,983,187	\$13,014,956	\$9,401,531	\$14,591,429
Streets/Infrastructure	\$3,150,000	\$2,990,581	\$2,491,531	\$3,823,247
Transit	\$5,390,653	\$7,687,055	\$6,408,692	\$7,247,149
CIP	\$3,750,000	\$4,780,000	\$3,780,000	\$3,580,000
Fund Balance*	\$2,500,000	\$900,000	-	-
TOTALS	\$25,000,001	\$34,542,000	\$28,452,878	\$34,512,447

**Note Fund Balance is not shown in the line chart above*

Overview: FY2021-22 Allocations

The funding recommended for FY2021-22 maintains initial investments in transit, street maintenance, and housing, with a larger percentage of the full-year revenue allocated to the Public Safety category, in accordance with the expanded definition to include eight new vehicles for the Fire Department, eight more full time 911 Department dispatchers, and six more full time social worker mental health responders. Most program descriptions and outcomes can be found in Attachment 1. In this budget, positions no longer receiving Funding Our Future allocations appear to continue with funding elsewhere, although perhaps with responsibilities beyond the critical need categories. For example, a 2020 Census Coordinator FTE has been reclassified to another title with different duties and is now funded by the General Fund instead of the housing category of Funding Our Future because the census is over.

Notable Housing Changes

Funding proposed for housing programs has decreased by \$1,100,502 since last year. This reflects one position transferred out of Funding Our Future, the elimination of Community Land Trust funding, and reductions to several programs.

- The Census coordinator position has been moved to the Mayor’s Office with expanded/new responsibilities. This is no longer a Funding Our Future staff position.
- \$62,000 increase for the Shared Housing program.
- \$325,380 increase to Service Models for the Most Vulnerable
- No proposed funding for the Community Land Trust (prior year funding was not spent and recaptured for other uses)
- \$297,000 reduction to the Expanded Housing Opportunity (Landlord Insurance) Program
- \$228,380 reduction in Incentivized Rent Assistance
- \$450,000 reduction for Mortgage Assistance

Notable Public Safety Changes

Funding to the Public Safety category has increased by \$4,839,898 since last year. All increases are for line items falling within the expanded definition of public safety.

- Emergency Management Phase 2: \$236,448
- Fire Vehicle Replacements: \$4,000,000
- Mental Health Responders: \$450,000
- Public Safety Servers and Infrastructure: \$350,000
- Dispatchers: \$153,450

Notable Transit Changes

Funding to the Transit category has increased by \$838,457 since year last. Allocations for key routes and mobilization in previous years have been above what was needed for the contract. The remainder is currently in a Transit holding account with a balance of \$1,879,654 and is proposed to be used for the 600 North corridor transformation project which will improve the street for 600 North frequent transit bus services, add protected bike lanes and other complete streets enhancements pending additional public engagement.

- Decrease of \$76,198 removing a Civic Engagement Specialist
- Reduction of \$200,000 for Transit Key Routes (the amount budgeted in previous years)

- allowed for contract negotiations but was typically more than needed.)
- Reduction of \$1,100,000 for transit route improvements
- Increase of \$1,100,000 for on-demand ride services Trips to Transit pilot program

- Increase of \$1,101,319 for 1000 North mobilization (mobilization costs are separate from the bus service, but helps launch the new routes)

Notable Streets/Infrastructure Changes

The Streets category has increased overall by \$1,331,716. It maintains prior year funding for streets maintenance and crews and adds new funds for equipment and concrete maintenance.

- \$100,000 decrease to the allocation for new infrastructure projects
- \$950,916 increase for equipment
- \$207,500 increase for concrete road maintenance
- Increased asphalt budget by \$120,000
- Addition of a new FTE for \$53,000

\$87 Million Streets Reconstruction Bond Overview:

When approved by voters, as this one was, a General Obligation Bond is issued by the City and paid with property tax revenue. A key point in favor of the General Obligation Streets Reconstruction Bond is the accountability legally embedded in the process – the City is prohibited from spending the funds for any purpose other than those described on the ballot. After approval, the City has up to ten years to issue bonds and can choose to spread them out over multiple issuances. Once issued, the City has three years to spend the bond funds, so timing is a key consideration when planning bond sales. Factors involved in issuance timing can include bond market conditions, impact on property taxes, staff capacity to utilize funds and labor market conditions.

This bond has seen two of the four planned issuances, for a total of \$40 million which is anticipated to fund road reconstruction projects through 2022. See [attachment 3](#) for more details.

POLICY QUESTIONS

1. **Continuing Four Critical Needs Areas** – The Council may wish to discuss whether the critical need areas of 2018 are still representative of constituent priorities for FY22 and beyond, and whether other needs are sufficiently narrow or broad to represent public priorities. The 2018 needs were initially identified in a small survey conducted by a previous administration but have been the subject of robust engagement. A second resident survey conducted as part of public engagement showed strong support for the four categories. Staff recommends continued thorough engagement for any planned changes to critical needs.
 - a. Expansion of Public Safety Category Example – The Council indicated support in previous years to expand the Public Safety category to include the Fire Department, Emergency Management Division, and 911 Department. FY22’s proposed allocations reflect the City’s growing understanding of the complexities of public safety and includes funding for fire apparatus, 911 dispatch, and mental health responders.
 - b. Equity and Funding Our Future – In the past year, the City has received an abundance of feedback indicating that citywide equity is of high importance to Salt Lake City residents. This is a multi-faceted priority that touches on Housing, Safety, Transit, and even the Council’s original priorities of ensuring that street maintenance and road reconstruction benefits are distributed throughout all districts. The Council may wish to discuss whether to formally acknowledge equity advancement as a qualifying critical need or underlying theme in funding decisions.
 - c. Future Resident Surveys – The Council may wish to discuss mechanisms to allow the critical needs to evolve. One option discussed in previous years to ensure this funding serves constituent priorities is to use feedback from the Biennial Resident Survey (attachment 5) to inform allocations.
2. **Funding Contingencies if Sales Tax is Above or Below Projections** – The Council may wish to discuss with the Administration what funding contingencies should be created if sales tax revenues are above or below projections. In prior years, the Council requested the Administration recommend cuts if revenues are under budget and set aside funds for CIP road projects if revenues are higher than budgeted.
3. **Accountability and Tracking for the Public** – The Council may wish to review the public dashboard with the Administration. The Council approved all Funding Our Future budgets conditioned upon the Administration “creating and maintaining a publicly available dashboard reflecting revenues received and

actual uses.” The resulting website (www.fundingourfutureslc.com) receives periodic updates for the public to learn about and stay informed on the Funding Our Future initiative which includes the sales tax revenues and the voter-authorized \$87 million Streets Reconstruction General Obligation Bond.

4. **Written Updates** – The Council may wish to discuss if the semiannual updates meet the original intent and if additional information could be provided next fiscal year. The Council approved all Funding Our Future budgets conditioned upon the Administration providing semiannual updates on sales tax revenues and uses of funds. Updates in the past year were provided in writing, but the Council has the option to schedule briefings when these reports are received.
5. **Administration Percentage for Housing Pilot Program Funds** – The Council may wish to discuss with the Administration if housing pilot program funds awarded to outside organizations should include a portion for administration of the program. This approach is like the Federal Housing and Urban Development grants (CDBG, ESG, HOME and HOPWA) which set a percentage limit from 3% to 20% to cover program administration costs.

Attachments

Attachment 1: Funding Our Future Year 2, Quarter 4 Update

Attachment 2: Annual Staffing Update for FY20

Attachment 3: Funding Our Future Bond and CIP projects 2020, Quarter 2

Attachment 4: FY22 Funding Our Future Year to Year changes

Attachment 5: Biennial Resident Survey

Glossary

Budget Amendment - BA

Community and Neighborhoods – CAN

Capital Improvement Program – CIP

Frequent Transit Network – FTN

Fiscal Year – FY

Full-Time Employee - FTE

Interlocal Agreement – ILA

International Association of Chiefs of Police - IACP

Transit Master Plan - TMP

Utah Transit Authority – UTA

Appendix I – Budget Adoption Ordinance Funding Our Future Conditions

The Council approves Funding Our Future sales tax revenue appropriations with the following conditions:

- a. Expenditure of Funding Our Future Sales Tax Funds. Funding our Future funds may not be expended unless the department or division expending the funds complies with:
 - i. *Utah Fiscal Procedures Act*
 - ii. *The City’s Procurement Code and Rules*
 - iii. *Written verification from the City Attorney and City Finance Director that proper legal and financial procedures have been followed.*

- b. Other Funding Our Future Budget Contingencies:
 - i. *The Administration providing a written semiannual spending, implementation and outcomes report on each of the four critical need areas.*
 - ii. *Tracking funding for Fleet provided through the Funding our Future tax separately to ensure it is spent only on public safety (police, fire, dispatch).*
 - iii. *The Administration spending funds in the four critical need areas as adopted in the attached key changes spreadsheet.*
 - iv. *The Administration bringing back to the Council any proposed adjustments to the adopted budget in a budget amendment for re-appropriation before changes are made.*
 - v. *The Administration maintaining and regularly updating a publicly available dashboard reflecting revenues received and actual uses.*
 - vi. *In FY21 and all future funding requests, providing a label denoting which line items are funded with this Funding Our Future sales tax funds.*
 - vii. *For all positions added, the Administration shall submit an annual written review along with the Mayor’s Recommended Budget to ensure that each position continues to serve the critical need areas and, if a Council work session briefing is scheduled, provide a presentation of the report.*