



COUNCIL STAFF REPORT

CITY COUNCIL of SALT LAKE CITY
FundingOurFutureSLC.com

TO: City Council Members

FROM: Kira Luke
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DATE: September 7, 2021

RE: FUNDING OUR FUTURE: Resolution: Street Reconstruction General Obligation Bond Issuance and Sale

**FUNDING
OUR
FUTURE**

BACKGROUND INFORMATION: Funding Our Future: 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 implemented a state-authorized sales tax increase by 0.5% and placed an \$87 million Streets Reconstruction General Obligation bond on the 2018 ballot, which City voters approved.

General Obligation Bonds: When approved by voters, as this one was, a General Obligation Bond is issued by the City and paid with a dedicated property tax revenue increase. 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, engineering capacity to design and oversee projects, and labor market conditions.

ISSUE AT-A-GLANCE

If adopted, the resolution for September 7 would authorize the City Finance Department to issue the third block of General Obligation Streets Reconstruction bonds for up to \$23,600,000, at interest rates no greater than 5% per year - likely closer to 2%. Final amounts and timing of the issuance may vary, depending on market conditions at the time of sale. The resolution authorizes the Administration to issue the bonds at a time deemed favorable for Salt Lake City. This is the third issuance of this General Obligation Bond, with \$28 million still available for future issuances.

The City uses a worst-first approach when selecting which streets to reconstruct. Funding Our Future sales tax funds a streets maintenance crew that focuses on repairs and treatments to extend the life of streets in good and fair condition.

The Council recently approved funding for a new citywide pavement condition survey of the entire street grid. The results will provide an update on how the combination of worst-first reconstruction and streets maintenance crew approach is working to improve the City's overall street conditions. It will also inform the funding needs of the City's streets over the next several years.

Engineering indicates that when all the \$87 million bond funds have been spent, additional ongoing funding above current levels (excluding bond funding) would be needed to address all City streets in poor or worse condition.

ENGAGEMENT



Funding Our Future received extensive engagement through Spring 2018, and the “Funding Our Future” brand continues to keep residents apprised of the progress. One of the consistently recurring top themes residents raised throughout the engagement process was the importance of transparency, accountability, and trust that the funds raised through sales tax or bonding would be used as the City represented. To this end, the FundingOurFutureSLC.com website has been created to report Funding Our Future funds and expenses.

POLICY QUESTIONS

1. **Market conditions:** Compared to market conditions when voters approved the bond, the market has changed considerably in relation to the global pandemic. This prompts two timing questions:
 - a. **Property tax increase:** issuance of general obligation bonds means a levy will be applied to property owners’ tax bill in order to generate revenue for the debt service. According to the Administration, these bonds were timed when other bonds expired, which would ideally minimize or eliminate any increase to property tax bills. However, due to the economic impact the pandemic has on our community, it is worth mentioning that this will appear on property tax bills. It could also be noted that there is sometimes a benefit additional construction projects can have on the local economy. **If the Council has any questions about this, the Administration is ready to address this topic.**
 - b. **Bond market:** Thanks to the Triple A bond rating the City maintains due to responsible stewardship of City debts, Salt Lake City bonds are generally considered a good investment in the municipal bond markets. However, the health of the bond market is correlated with the health of the stock market. **The Council may wish to ask, how does the Administration anticipate the current market conditions could impact bond issuances?**
 - c. **Current events:** The Covid-19 pandemic, 2020 Windstorm, and other recent events are acknowledged in the Administrative transmittal as events financially impacting Salt Lake City. **The Council may wish to ask the Administration for any updates on how these events have impacted the City’s fiscal health and bonding capacity.**
2. **Engagement:** Since the bond will be issued in multiple parts and the funded projects will have some engagement efforts, there will be many opportunities for engagement. The 300 West project, funded by the previous bond issuance, has received national recognition for the planning and engagement process. **The Council may wish to ask the Administration about engagement planned for each of the bond-funded road reconstruction projects through Civic Engagement’s standard outreach and engagement process.**

PROJECTS

- Funds from the first Streets Reconstruction bond issuance were used for projects scheduled for construction or design in 2020-22.
- Funds from the second issuance focused on 300 West, scheduled for design and construction in this year and through 2022. The Transportation Division has a [project webpage](#) with more information on the design process and reconstruction plans for 300 West.

Funds from the third issuance are planned as outlined below.

- \$12 million for design and reconstruction of 200 South from 400 West to 900 East. The funding is distributed across two phases. (District 4). The Transportation Division has a [project webpage](#) with more information about the 200 South project.
- \$6.8 million for 1100 East/Highland Drive from 900 South to Warnock Avenue (District 7)

- \$1.6 million for 300 North from 300 West to 1000 West (District 1)
- \$3 million for local street reconstruction projects (see figure 2 for a list of planned projects)

Major Streets

The table below shows the timeline for reconstruction projects using funds from this issuance. High-capacity urban streets that deliver traffic at the highest level of service possible are considered major streets. These projects range from design to full replacement with a new structural system, including pavement, curb and gutter, drive approaches, sidewalks, accessibility ramps. Projects also include consideration of complete street elements like pedestrian or bicycle paths.

Salt Lake City Streets Bond 3rd Bond Issuance Projects

Construction Year	Street	From	To	Cost
2022	200 South Phase 1	400 West	900 East	\$6,000,000
2023	200 South Phase 2	400 West	900 East	\$6,000,000
	1100 East - Highland Dr	900 South	Warnock Ave	\$6,800,000
	300 North	300 West	1000 West	\$1,600,000
	Local Streets			\$3,000,000
Issuance Total				\$23,400,000

Figure 1 - Administrative Transmittal, page 3

Local Streets

The local streets are small streets that carry less traffic and have fewer lanes than major streets. Local street reconstruction projects include new pavement, sidewalks, drive approaches, curbs, and updating accessibility ramps. Funding for local street reconstruction projects has been rotated through all seven districts to ensure geographic equity in funding distribution, but projects are prioritized based on condition ratings before location. This was also with the policy approval of the Council. The table below shows candidates for local street reconstruction projects using bond funds from this issuance, based on current information and evaluations, but could change.

Local Street Reconstruction Candidates					
Year	Street	From	To	Cost	Total for Year
2023	100 S	600 W	500 W	\$696,337	\$2,825,621
	1000 E	ATKIN AV	2700 S	\$327,363	
	1700 E	1300 S	SHERMAN AVE	\$176,000	
	640 S	IVERSON ST	CONWAY CT	\$49,804	
	DALLIN ST	COUNTRY CLUB DR	STRINGHAM AV	\$371,763	
	GREGSON AVE	900 E	LINCOLN ST	\$127,494	
	LINCOLN ST	ELM AV	2100 S	\$244,435	
	MEADOW LN	GREEN ST	700 E	\$61,644	
	PIERPONT AVE	400 W	300 W	\$182,269	
	RICHARDS ST	900 S	800 S	\$405,280	
UNIVERSITY ST	600 S	700 S	\$183,231		

Figure 2 - Administrative Transmittal, page 6

During policy discussions, the Council set direction for an 80/20 split of funding between major and local streets. When combined with the earlier two issuances, which were split 75/25 and 85/15 between major and local streets, this issuance tips the average distribution toward 82/18. At least one additional issuance is planned.