



CITY COUNCIL TRANSMITTAL


Sep 1, 2020 13:44 MDT

Lisa Shaffer, Chief Administrative Officer

Date Received: September 1, 2020
Date sent to Council: September 1, 2020

TO: Salt Lake City Council
Christopher Wharton, Chair

DATE: September 1, 2020

FROM: David Salazar, Acting Chief Human Resources Officer
Human Resources Department



Mary Beth Thompson, Chief Financial Officer 
Finance Department

SUBJECT: Election to Pick-Up URS Member Contributions for Tier II Public Safety & Firefighters

STAFF CONTACTS: David Salazar, Acting CHRO/Compensation Program Manager
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DOCUMENT TYPE: Resolution

RECOMMENDATION: It is recommended the City Council:

1. Adopt a resolution electing to pick-up member contributions for the City's qualifying Tier II public safety employees and firefighters on employees' behalf totaling 2.27% per member.
2. Authorize a reimbursement to qualifying Tier II employees who have had the required 2.27% member contributions deducted from their paychecks since July 1, 2020. This reimbursement will have the effect of making such employees financially whole; and, finally,
3. Consider a budget amendment at a later date to cover additional member contributions

required for qualifying Tier II public safety employees and firefighters in the Police and Fire Departments participating in the defined contribution plan (totaling \$55,000).

CITY COORDINATION: The Human Resources Department and the Finance Department will jointly coordinate implementation of the proposed resolution, including submission of a completed “Employer Election To Pick-Up Member Contributions” form to URS with a future date the City will begin to pick-up member contributions required for all qualifying Tier II Police Officers and Firefighters.

BUDGET IMPACT: \$55,000

BACKGROUND/DISCUSSION: During the 2019 state legislative general session, S.B. 129 was passed. This legislation increased the retirement multiplier for qualifying Tier II public safety employees & firefighters from 1.5% to 2%. This legislation had an effective date of July 1, 2020. This delayed implementation provided URS time to determine how this increased cost would be covered.

1. The Utah Retirement System released preliminary costs to employers and employees in January/February 2020 as a result of S.B. 129. The total cost was 4.27% for employees covered under the Public Safety and Fire Tier II – Hybrid plan and included a mandate for the City to pay 2% with the remaining 2.27% to be paid by the employees covered under these plans.
2. For those employees covered under the Public Safety and Fire Tier II – Defined Contribution plan, the legislation required the City to pay 2% with no additional cost to employees covered under this plan.

In 2020, S.B. 56 was passed during the state’s general legislative session. This legislation gave employers the option to cover the 2.27% cost to employees covered under the Public Safety and Fire Tier II – Hybrid plan. This legislation also mandated that if employers opted to cover the 2.27% employee contribution for those covered under the Hybrid plan they must also provide a 2.27% contribution to those employees covered under the Defined Contribution plan.

Ultimately, the City Council adopted budget for FY20-21 included an appropriation totaling \$544,981, which is enough to cover the state legislative mandates included under S.B. 129 and the Hybrid portion of S.B. 56; not covered are the additional costs necessary to cover contributions required for sworn Tier II Defined Contribution public safety and fire employees, which is \$55,000 (\$9,200 for Fire and \$45,800 for Police).

It is, therefore, recommended the City Council:

1. Adopt a resolution electing to pick-up member contributions for the City’s qualifying Tier II public safety employees and firefighters on employees’ behalf totaling 2.27% per member.
2. Authorize a reimbursement to qualifying Tier II employees who have had the required 2.27% member contributions deducted from their paychecks since July 1, 2020. This reimbursement will have the effect of making such employees financially whole; and, finally,
3. Consider a budget amendment at a later date to cover additional member contributions required for qualifying Tier II public safety employees and firefighters in the Police and Fire Departments participating in the defined contribution plan (totaling \$55,000).

PUBLIC PROCESS: n/a

EXHIBITS: Resolution “Authorizing Pick Up of Public Safety and Firefighter Employee Retirement Contributions”

RESOLUTION NO. ____ OF 2020

Authorizing Pick Up of Public Safety and Firefighter Employee Retirement Contributions

WHEREAS, Salt Lake City Corporation (the “City”) employs employees who are eligible for and participate as members in the Public Safety and Firefighter Tier II Contributory Retirement System administered by the Utah Retirement Systems;

WHEREAS, in accordance with federal and state law, including Section 414(h)(2) of 28 the Internal Revenue Code, employers may take formal action to pick up required employee contributions, which will be paid by the employer in lieu of employee contributions;

WHEREAS, Utah Code subsection 49-23-401(1)(b) requires a participating employer that picks up the required member contribution described in Utah Code subsection 49-23-301(2)(c) to also make an equivalent additional nonelective contribution to qualifying employees who are covered under the defined benefit contribution plan;

WHEREAS, the City desires to formally pick up a portion of the employee contributions required to be paid under Utah Code subsection 49-23-301(2)(c), for all qualifying City employees participating in the Public Safety and Firefighter Tier II Contributory 34 Retirement System; and

WHEREAS, the Mayor and City Council are duly authorized to take such action on behalf of the City as a participating employer with the Utah Retirement Systems:

NOW THEREFORE, BE IT RESOLVED by the City Council of Salt Lake City, Utah, as follows:

1. Beginning September ____, 2020, the City shall prospectively pick up and pay required employee contributions for all City employees who are qualifying members of the Public Safety and Firefighter Tier II Contributory Retirement System, subject to a maximum of 2.27% of compensation for each employee;
2. The picked up contributions paid by the employer, even though designated as employee contributions for state law purposes, are being paid by the City in lieu of the required employee contributions;
3. The picked up contributions will not be included in the gross income of the employees for tax reporting purposes, that is, for federal or state income tax withholding taxes, until distributed from the Utah Retirements Systems, so that the contributions are treated as employer contributions pursuant to Section 414(h)(2) of the Internal 49 Revenue Code.
4. The picked up contributions are a supplement and not a salary reduction to the City employees who are eligible for and participating members in the Public Safety and Firefighter Tier II Contributory Retirement System.

5. From and after the date of this pick up, a City employee may not have a cash or deferred election right with respect to the designated employee contributions, including that the employees may not be permitted to opt out of the pick up and may not be entitled to any option of choosing to receive the contributed amounts directly instead of having them paid by the City on behalf of its employees to the Utah Retirement Systems.

6. Beginning September ____, 2020, the City shall also make an additional nonelective contribution equivalent to the picked up employee contribution described in paragraph 1, likewise subject to same maximum of 2.27% of an employee's compensation, for each qualifying employee who participates in the City's defined contribution plan. This additional nonelective contribution shall be subject to all laws and rules governing nonelective contributions to the City's defined contribution plan.

7. This Resolution shall be effective immediately upon passage.

Passed by the City Council of Salt Lake City, Utah this ____ day of September, 2020.

SALT LAKE CITY COUNCIL

Chris Wharton, Chair

ATTEST AND COUNTERSIGN:

Approved as to form:
Salt Lake City Attorney's Office

Cindy Lou Trishman, City Recorder

Jaysen Oldroyd
Jaysen Oldroyd, Senior City Attorney


CITY COUNCIL TRANSMITTAL - Election to Pick-Up URS Member Contributions for Tier II Public Safety Firefighters


Final Audit Report


2020-09-01


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"CITY COUNCIL TRANSMITTAL - Election to Pick-Up URS Member Contributions for Tier II Public Safety Firefighters" History

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COUNCIL STAFF REPORT

CITY COUNCIL of SALT LAKE CITY
www.slccouncil.com/city-budget

TO: City Council Members
FROM: Ben Luedtke
Budget & Policy Analyst
DATE: September 1, 2020
RE: **FY21 County Fourth Quarter Cent Sales Tax for Transportation Projects**

Project Timeline:

Budget Hearings: May 19 & June 2
1st Briefing: May 19 CAN Budget Briefing
2nd Briefing: September 1
3rd Briefing: TBD
Potential Action: TBD

ISSUE AT-A-GLANCE

The County fourth quarter-cent sales tax for transportation funding is a new ongoing funding source dedicated to transportation. 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.). Attachment 1 is a one-page summary of the Administration's recommended capital projects using \$6.9 million for 10 transportation projects. Note that the eleventh project using \$300,000 for maintenance of multi-modal infrastructure was approved as part of the FY21 annual budget. The Council placed the remaining funds into a holding account subject to the below annual budget contingency.

FY21 Annual Budget Contingency:

Allocation of project related funds from the County Quarter-Cent Sales Tax (\$6,930,585) is contingent on the Administration briefing the Council on plans for a redesigned CIP process. In addition, Council will engage in policy conversations about how the specific projects proposed in the forthcoming Quality Transportation Improvement Plan (QTIP), as proposed by the Transportation Division, were selected and vetted, and how they would be implemented throughout the City on an equitable basis. The Council could consider a legislative intent on this topic as well.

It should be noted that these projects do not need to be approved in conjunction with the overall Capital Improvement Program (CIP) budget by September 1. However, the Council adopted a legislative intent on August 18 (see Additional Info section) to revisit the CIP process with the Administration. This funding source could be part of the overall CIP budget so that the projects can be evaluated in a competitive process with overall general fund needs and discussed by the CDCIP resident advisory board (similar to impact fees and Class C funds, use of those dollars would be limited to eligible projects) and receive funding recommendations from the board. The Council previously supported efforts to leverage multiple funding sources together in the competitive annual CIP process. The Council may wish to confirm with the Administration how these funds will be handled in the FY 22 budget process.

Eligible Uses for Fourth Quarter Cent

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 Fourth Quarter Local Option Sales Tax Summary June 22, 2018) This funding source is more flexible than the ongoing Class C "gas tax" funding the City receives from the State annually. Class C funding is already part of the annual competitive CIP process (see Additional Info for eligible uses of Class C funds).



POLICY QUESTIONS

1. Delegation of Authority – The Council may wish to discuss to what degree is the Council comfortable delegating authority to the Administration for the fourth quarter cent funding? One end of the spectrum would be the Council approving each individual project budget for specific uses. The other end of the spectrum would be the Council approving the entire budget for any of the allowable uses under state law and then the Administration selects individual projects. There are many delegations of authority options between these two. For example, the Council annually approves funding for specific categories like street reconstructions and traffic signal upgrades but delegates to the Administration selection of specific locations.
2. Geographic Equity – The Council may wish to ask the Administration how geographic equity factors into prioritization of the 10 proposed projects for FY21 and for future years.
3. Contingency for Revenue Shortfall – The Council may wish to discuss with the Administration how to prioritize the 10 proposed projects if actual sales tax revenue in FY21 is less than the \$4.7 million estimate. Sales tax is a volatile funding source because it closely follows consumer spending and the business cycle.
4. Staff Capacity – The Council may wish to ask the Administration if staff capacity or other challenges exist to implementing the 10 proposed projects. \$3.1 million of funding for four of the projects was not used in FY20 and lapsed to fund balance.
5. Constituent Project Requests – The Council may wish to discuss with the Administration if this funding source would be available for constituent project requests. Some Council Members mentioned a dedicated amount of funding each year for resident applications or prioritizing maintenance of existing assets before creation of new capital improvements. Separate dedicated funding for resident applications could result in smaller projects because of the budget constraints. However, it may also create greater funding predictability for departments. The abbreviated CIP process this year excluded resident applications. Any applications received will be retained for next year.

ADDITIONAL & BACKGROUND INFORMATION

CIP Process Legislative Intent

On August 18 the Council adopted the project-specific funding for the FY21 CIP budget. A legislative intent was included in the adoption motion and is copied below for reference.

I further move that the Council intends to revisit the CIP process with the Administration, including fully incorporating into that process the County fourth-quarter cent sales tax for transportation funding, reaffirming the commitment to the public process outlined by ordinance and Resolution 29 of 2017, continuing opportunities for constituent applications, reaffirming the Council's role in the process, and other refinements.

Class C "Gas Tax" Funds

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 following are permissible uses for Class C funds, as defined by Utah Code:

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)

Funding Authorization

SB 136 of 2018 authorized the fourth quarter sales and use tax revenue will be split 0.10 for UTA, 0.10 for cities and 0.05 for Salt Lake County as of July 1, 2019 and afterwards.

Additional 0.20% County Sales Tax for Transit (not currently collected/levied)

The State Legislature authorized this optional county sales tax for transit capital improvements and services. The Council may wish to ask the Administration about any discussions with the County or plans regarding this potential funding source. For example, could partnering with the County help implement the City's Transit Master Plan? Under current state law, the option to enact the additional sales tax expires at the end of FY23.

ATTACHMENTS

1. County Fourth Quarter-cent Transportation Funding FY21 Recommended Projects

ACRONYMS

ADA – Americans with Disabilities Act

CAN – Community and Neighborhood Development Department

CDCIP – Community Development and Capital Improvement Program Advisory Board

CIP – Capital Improvement Program

FTE – Full-time Employee

FY – Fiscal Year

UTA – Utah Transit Authority

4th Quarter Funding Recommended Allocation

Line Item (Amount)	Amount	Description/Projects
<i>FY20 Fund Balance – These projects lapsed to Fund Balance because they were not CIP capital accounts</i>		
Urban trails FY20 fund balance	\$800,000	9-Line and Folsom trails. The Administration clarified most of these funds would be used for the 9-Line Trail as part of the 900 South Corridor 10-projects consolidation effort. The funds would likely be used for the Central Ninth section from 300 West to West Temple and possibly the Center Section from 600 West to 300 West and/or West Temple to Lincoln St. The Folsom Trail funding from FY20 was encumbered, as well as a portion for design work for 9-Line. This funding is anticipated to be needed by early next calendar year based on the project timeline.
Multi-Modal intersection and traffic signal upgrades FY20 fund balance	\$500,000	Upgrading and replacing outdated or worn out traffic signals, enhancements for improved bus operations, multi-modal safety enhancements, roundabouts, radar detection, etc. The Administration proposes this be an ongoing annual item. This is flexible funding for multiple categories of intersection improvements. It could help the City get closer to an ideal traffic signal replacement schedule of 10 per year. The City has averaged closer to two or three replacements in recent years.
Neighborhood Street Safety and Livability FY20 fund balance	\$270,000	Street livability projects focused primarily within neighborhoods. It is anticipated that most, if not all of these funds will go to enhancements on 500 North. The project partially originated with an auto-pedestrian accident at 1465 West and 500 North in September 2018 that resulted in the death of a child. The project would add traffic calming enhancements on 500 North. The specific segments of 500 North to be improved will depend on further design work, cost estimates and public feedback. This funding is anticipated to be needed before November based on a tentative 2021 construction schedule.
600 North/1000 North Bus Service Start-up Investments	\$1,534,945	Bus stops, transit signal upgrades, crosswalks, pedestrian safety, first/last mile enhancements, in preparation for frequent transit service upgrades. The next phase of the Frequent Transit Routes as part of Funding Our Future would begin with this mobilization funding. August 2021 implementation of the 600 North and 1000 North routes depends on this funding being available before the end of the calendar year. Otherwise implementation would be postponed to August 2022. UTA's operational capacity for the new routes is another factor that may impact implementation. A related project is the 600 North safety study. The results of which are expected to recommend further improvements to the corridor. Temporary bus stops may be needed during that time possibly in 2021 or 2022.
<i>FY21 Requests (excluding personnel) Council approved personnel costs as part of the FY21 annual budget</i>		
Urban Trails	\$1,767,000	Planning, engineering, and construction of key urban trails; maintenance of recently constructed trails. Projects are likely to include 400 South Viaduct Trail; Surplus Canal Trail; key eastern segments of 9-Line Trail; Jordan River Trail connections; and studies leading to trail construction, including alleyway trail feasibility study; Red Butte Creek Trail concept/study; and 9-Line / 600 West RR crossing concept/study. Proposed projects have support from Trails & Natural Lands Division, with which Transportation has an active and ongoing collaboration on trails. The Administration proposes this be an ongoing annual

		item. The most time sensitive project in this list is the 400 South Viaduct Trail (potentially renamed to be the Poplar Grove Connector) which would need funding available before the end of the calendar year based on the tentative 2021 construction schedule. UDOT is participating in this project and has contributed funds for planning and design, as well as potentially for construction.
Complete Streets Reconstruction	\$500,000	Supplements bond projects, possibly could include reconstruction of 300 South (West Temple to Main St.) as a model for an improved design for a downtown separated bikeway. <i>The Administration proposes this be an ongoing annual item.</i>
Corridor Transformations	\$1,100,000	Infrastructure additions to corridors NOT planned for or in need of reconstruction – to include transit, pedestrian, and bicycle signal enhancements; neighborhood byways; pedestrian and bicycle crossing signals; enhanced medians; curb bulbouts; radar detection. Corridor-based complete streets changes to signing, striping and wayfinding. Possible examples include Main St., 200 East and other corridors on the Downtown Green Loop, 1000 West.
Alleyway Maintenance / Repaving	\$200,000	Projects to be selected by a prioritization process including metrics of good governance (e.g., pavement condition), equity (e.g., low-income areas), and sustainability (e.g., air quality). <i>The Administration proposes this be an ongoing annual item. Alleys would be selected based on criteria including that it connects an origin and destination for transportation purposes, to meet State statute.</i>
Trail Maintenance	\$200,000	Maintenance of recently constructed trails. These funds would likely be transferred to the Trails and Natural Lands Division, who developed the cost estimate for the maintenance. <i>The Administration proposes this be an ongoing annual item.</i>
Maintenance of Multi-Modal Infrastructure*	\$300,000	Specialized maintenance of infrastructure such as enhanced crosswalks, bike lanes, bike racks, colored pavement including downtown green bike lanes, bus shelters, enhanced medians: Snow plowing, striping, signals, signage, delineators, etc.
Community engagement	\$58,640	Consultant assistance to supplement staff resources as needed.
Total	\$7,230,585	

**Included Adopted June 2020 Budget*

Note: text in blue was added by Council staff