

FINANCIAL POLICIES

REVENUE

1. The City will project its annual revenue through an analytical process and will adopt its budget using conservative estimates and long term forecasting.
2. The City will minimize the use of one-time revenue to fund programs incurring ongoing costs.
3. Once taxes and fees are assessed, the City will aggressively collect all revenues due.
4. The City will pursue abatement programs and other ways to reduce the effect of taxes and fees on those least able to pay.
5. To the extent that the City's revenue base is insufficient to fund current services, the City will: first, continue to look for ways to reduce the cost of government services; second, consider reducing the level of government services; and third, consider new user fees or increases in existing fees. Should these three alternatives fail to offer a suitable solution, the City will increase tax rates as a last resort.
6. The City will review the budget for those programs that can be reasonably funded by user fees. This review will result in a policy that defines cost, specifies a percentage of the cost to be offset by a fee, and establishes a rationale for the percentage. When establishing these programs, the City will consider:
 - Market pricing;
 - Increased costs associated with rate changes;
 - The ability of users to pay;
 - The ability of individuals to make choices between using the service and paying the fee, or not using the service;
 - Other policy considerations. (For example, setting fines high enough to serve as a deterrent; or pricing fees to even out demand for services.)
7. The City will adjust user fee rates annually based on an analysis of the criteria established in policy six above. The City will pursue frequent small increases as opposed to infrequent large increases.
8. The City will consider revenue initiatives consistent with the following:
 - Find alternatives that address service demands created by the City's large daytime population;
 - Find alternatives that allocate an equitable portion of service costs to tax-exempt institutions;
 - Find alternatives to formulas which use residential population to distribute key revenues such as sales tax and gasoline tax; and
 - Pursue opportunities for citizen volunteerism and public/private partnerships.

DEBT

The City's debt policy is defined by State statute with the goal of maintaining the City's "Aaa/AAA" general obligation bond ratings, as rated by Moody's and Fitch respectively, or other rating agencies. Accordingly, the City will continually monitor all outstanding debt issues, as well as trends in key economic, demographic and financial data, including a periodic review of important debt ratios and debt indicators. The City will make all debt service payments in a timely and accurate manner. The City will fully comply with all IRS arbitrage rebate requirements, and in the preparation of official statements or other bond prospectus, the City will follow a policy of full and complete disclosure of its financial and legal conditions.

The City's practice is to also adhere to these following guidelines:

1. State law limits general obligation bonded debt use for general purposes to 4 percent of the adjusted fair market value of the City's taxable property.
2. State law also limits general obligation bonded debt for water, sewer and lighting purposes to 4 percent of the adjusted fair market value of the property plus any unused portion of the amount available for general purposes.
3. The City combines a pay-as-you-go strategy with long-term financing to keep the debt burden sufficiently low to merit the "Aaa/AAA" general obligation bond ratings and to provide sufficient available debt capacity in an emergency.
4. The City limits debt to projects that cannot be reasonably funded in a single year and to terms that are consistent with the useful life of the project being undertaken.
5. The City seeks the least costly financing available. All debt commitments are reviewed centrally by the City Treasurer who looks for opportunities to combine issues or for alternative methods that will achieve the lowest possible interest rates and other borrowing costs. For example, the Sales Tax Series 2004 Sales Tax Bonds were issued as variable rather than fixed rate bonds.
6. The City will issue Tax and Revenue Anticipation Notes only for the purpose of meeting short-term cash flow liquidity needs. In order to exempt the notes from arbitrage rebate, the sizing of the notes and the timing of cash flows will meet the "safe harbor" provisions of federal tax code.
7. The City will continually analyze whether it would be advantageous to refund bond issues based on market and budgetary conditions.
8. The City will invest bond and note proceeds, as well as all funds that are pledged or dedicated to the payment of debt service on those bonds or notes either in accordance with the terms of the borrowing instruments, or if silent or less restrictive, then according to the terms and conditions of the Utah State Money Management Act and Rules of the State Money Management Council.

9. The City will maintain outstanding debt at a level in order that revenues are equal to or greater than 200% of the maximum annual debt service.
10. The City currently has \$72,890,000 of outstanding general obligation debt. This is well below the 4 percent (of fair market value) statutory limit, which places the City's general obligation borrowing limit at \$1,054,564,455. The City currently does not use general obligation debt for water, sewer or lighting purposes.

Computation of Legal Debt Margin			
(in millions, as of June 30, 2008)			
Legal Debt Margin:	General Purposes 4%	Water, sewer, and lighting 4%	Total 8%
General Obligation Debt Limit	\$1,054.5	\$1,054.5	\$2,109.0
Less Outstanding General Obligation Bonds	(72.9)	-	(72.9)
Legal Debt Margin	\$981.6	\$1,054.5	\$2,036.1
<i>2007 Adjusted fair market value of property -- \$26,364</i>			
Source: Salt Lake City TRAN's Series 2008			

SIGNIFICANT FUTURE DEBT PLANS

The Leonardo at Library Square, Open Space Lands Program and the Regional Sports, Recreation, and Education Complex

In November of 2003 a general obligation bond election was held during which five (5) bond propositions were approved. Of these five propositions, the Leonardo at Library Square, the Open Space Parks and Recreational Lands Program, and the Regional Sports, Recreation, and Education Complex bonds have yet to be issued.

The Leonardo at Library Square:

The amount approved for The Leonardo at Library Square was \$10.2 million and will be used to renovate, improve and preserve the old city-owned Main Library building for the purpose of housing a science, culture, art, and education center, known as "The Leonardo at Library Square."

Open Space Parks and Recreational Lands Program:

The amount approved for the Open Space Parks and Recreational Lands Program was \$5.4 million and will be used to acquire and preserve open space, park and recreational lands, and amenities and to preserve valuable urban space throughout the City.

Regional Sports, Recreation and Education Complex:

The amount approved for the Regional Sports, Recreation and Education Complex was \$15.3 million and will be used to acquire, construct, furnish and equip a multi-purpose regional sports, recreation, and education complex.

Salt Lake City Public Services Maintenance Facility

The City has purchased property and the Department of Public Services is in the process of designing a new fleet facility to be constructed on the property. A new fleet facility will allow Public Services to improve fleet operations and performance, ensure safety and lessen the negative impact on the environment. The entire facility will be built and certified as a Silver LEED project and will continue to operate as such upon completion. In order to fund the cost of constructing this new facility the City is planning to issue sales tax revenue bonds in late calendar year 2008, or early 2009.

Special Assessment Area (SAA)

There appears to be only one SAA project, a sidewalk replacement project, scheduled to be bonded during fiscal year 2009.

**SALT LAKE CITY CORPORATION
OUTSTANDING DEBT**
(RDA bond information has been excluded from this list)
(As of June 30, 2008)**

Fiscal Year Ending 6/30	General Obligation		Water and Sewer Revenue		Motor Fuel Excise Tax		Special Assessments		Sales Tax Revenue		TOTALS		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest*	Principal	Total Interest	Total Debt Service
2009	6,875,000	3,770,256	2,820,000	2,334,168	690,000	35,535	351,000	90,784	3,525,000	2,944,884	14,261,000	9,175,627	23,436,627
2010	7,200,000	3,440,044	2,930,000	2,261,250	-	-	364,000	76,231	3,665,000	2,787,314	14,159,000	8,564,838	22,723,838
2011	7,550,000	3,080,275	3,065,000	2,130,625	-	-	378,000	62,091	3,815,000	2,612,749	14,808,000	7,885,739	22,693,739
2012	4,995,000	2,688,069	3,180,000	2,002,925	-	-	392,000	46,907	3,975,000	2,430,719	12,542,000	7,168,620	19,710,620
2013	5,245,000	2,421,469	3,315,000	1,859,225	-	-	322,000	32,483	4,140,000	2,240,048	13,022,000	6,553,224	19,575,224
2014	5,495,000	2,138,081	3,480,000	1,709,275	-	-	137,000	21,779	4,310,000	2,042,324	13,422,000	5,911,459	19,333,459
2015	5,770,000	1,841,094	3,690,000	1,551,550	-	-	143,000	15,730	4,500,000	1,825,874	14,103,000	5,234,247	19,337,247
2016	6,055,000	1,531,931	3,820,000	1,383,938	-	-	151,000	9,374	4,740,000	1,573,774	14,766,000	4,499,017	19,265,017
2017	6,360,000	1,207,381	3,995,000	1,205,375	-	-	62,000	2,616	4,975,000	1,335,599	15,392,000	3,750,971	19,142,971
2018	6,685,000	865,619	2,665,000	1,005,625	-	-	-	-	5,210,000	1,085,354	14,560,000	2,956,598	17,516,598
2019	6,990,000	520,964	2,795,000	872,375	-	-	-	-	5,460,000	822,515	15,245,000	2,215,854	17,460,854
2020	665,000	167,788	2,945,000	737,350	-	-	-	-	5,730,000	546,703	9,340,000	1,451,840	10,791,840
2021	700,000	138,528	3,040,000	595,100	-	-	-	-	6,030,000	256,474	9,770,000	990,102	10,760,102
2022	730,000	107,028	3,200,000	451,038	-	-	-	-	585,000	94,328	4,515,000	652,393	5,167,393
2023	770,000	73,448	3,350,000	296,313	-	-	-	-	330,000	73,740	4,450,000	443,500	4,893,500
2024	805,000	37,835	3,490,000	151,188	-	-	-	-	340,000	58,665	4,635,000	247,688	4,882,688
2025	-	-	-	-	-	-	-	-	360,000	42,915	360,000	42,915	402,915
2026	-	-	-	-	-	-	-	-	375,000	26,378	375,000	26,378	401,378
2027	-	-	-	-	-	-	-	-	390,000	8,970	390,000	8,970	398,970
Total	72,890,000	24,029,808	51,780,000	20,547,318	690,000	35,535	2,300,000	357,995	62,455,000	22,809,324	190,115,000	67,779,979	257,894,979

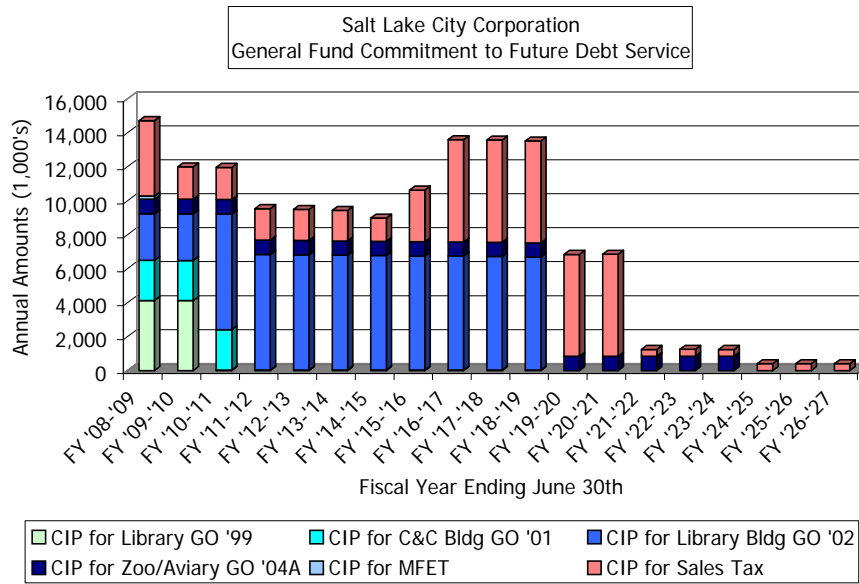
* Since the Sales Tax Series 2004 Bonds are adjustable rate bonds, the portion of interest reflecting that Series is estimated.

** This chart includes debt service for Water and Sewer Revenue bonds and Special Assessment bonds which are not reflected in the Debt Service Fund, Fund 81.

DEBT STRUCTURE

Salt Lake City Outstanding Debt Issues
(RDA bond information has been excluded from this list)
 (as of June 30, 2008)

	<u>Amount of Original Issue</u>	<u>Final Maturity Date</u>	<u>Principal Outstanding</u>
GENERAL OBLIGATION DEBT			
Series 1999 (Library Bonds)	\$ 81,000,000	6/15/2019	\$ 7,850,000
Series 2001 Refunding Bonds (Refund Series 1991)	22,650,000	6/15/2011	7,970,000
Series 2002 Building and Refunding Bonds (Refund portion of Series 1999)	48,855,000	6/15/2019	47,470,000
Series 2004A (Tracy Aviary & Hogle Zoo)	11,300,000	6/15/2024	9,600,000
TOTAL:			<u>\$ 72,890,000</u>
WATER AND SEWER REVENUE BONDS			
Series 2004 Revenue Bonds	30,955,000	2/1/2024	26,875,000
Series 2005 Improvement and Refunding Bonds	11,075,000	2/1/2017	10,105,000
Series 2008 Improvement and Refunding Bonds	14,800,000	6/30/2024	14,800,000
TOTAL:			<u>\$ 51,780,000</u>
MOTOR FUEL EXCISE TAX REVENUE BONDS			
Series 1999 Excise Tax Revenue	\$ 5,155,000	2/1/2009	\$ 690,000
SPECIAL IMPROVEMENT DISTRICT BONDS			
Series 2003 103009	1,217,000	12/1/2012	639,000
Series 2006 106024	472,000	2/1/2016	393,000
Series 2006 102004	294,000	6/1/2016	243,000
Series 2007 102112	316,000	12/1/2011	258,000
Series 2007 102113	76,000	12/1/2011	62,000
Series 2007 106018	376,000	6/1/2017	342,000
Series 2007 102109 and 102129	129,000	6/1/2017	117,000
Series 2008A 102019	246,000	6/1/2013	246,000
TOTAL:			<u>\$ 2,300,000</u>
SALES TAX REVENUE BONDS			
Series 2004 (Adjustable Rate)	\$ 17,300,000	6/1/2015	\$ 10,295,000
Series 2005A Refunding Bonds	47,355,000	10/1/2020	44,000,000
Series 2007A	8,590,000	10/1/2026	8,160,000
			<u>\$ 62,455,000</u>
TAX AND REVENUE ANTICIPATION NOTES			
Series 2008	\$ 25,000,000	6/30/2009	\$ 25,000,000



Revenues:	FY '08-'09	FY '09-'10	FY '10-'11	FY '11-'12	FY '12-'13	FY '13-'14	FY '14-'15	FY '15-'16	FY '16-'17	FY '17-'18
Transfer from General Fund to C.I.P. for Library G/O Series 1999	4,128,825	4,115,288	34,300	33,200	37,100	35,663	35,725	37,788	36,063	34,338
Transfer from General Fund to C.I.P. for C&C Building G/O Series 2001	2,362,439	2,367,420	2,373,495	0	0	0	0	0	0	0
Transfer from General Fund to C.I.P. for Library G/O Series 2002	2,736,444	2,740,069	6,808,319	6,794,294	6,779,669	6,754,394	6,737,694	6,711,969	6,696,944	6,682,744
Transfer from General Fund to C.I.P. for Zoo/Aviary G/O Series 2004A	865,638	866,788	860,757	858,175	853,800	845,625	841,775	839,775	836,975	837,638
Transfer from General Fund to C.I.P. for MFET	183,855	0	0	0	0	0	0	0	0	0
Transfer from General Fund to C.I.P. for Sales Tax Bonds*	4,443,672	1,911,698	1,893,227	1,853,082	1,822,481	1,793,030	1,368,259	3,036,654	6,032,279	6,021,364
Total	14,720,873	12,001,263	11,970,098	9,538,751	9,493,050	9,428,712	8,983,453	10,626,186	13,602,261	13,576,084

Revenues:	FY '18-'19	FY '19-'20	FY '20-'21	FY '21-'22	FY '22-'23	FY '23-'24	FY '24-'25	FY '25-'26	FY '26-'27
Transfer from General Fund to C.I.P. for Library G/O Series 1999	39,113	0	0	0	0	0	0	0	0
Transfer from General Fund to C.I.P. for C&C Building G/O Series 2001	0	0	0	0	0	0	0	0	0
Transfer from General Fund to C.I.P. for Library G/O Series 2002	6,640,644	0	0	0	0	0	0	0	0
Transfer from General Fund to C.I.P. for Zoo/Aviary G/O Series 2004A	836,808	834,288	840,028	838,528	844,948	844,335	0	0	0
Transfer from General Fund to C.I.P. for MFET	0	0	0	0	0	0	0	0	0
Transfer from General Fund to C.I.P. for Sales Tax Bonds	6,008,455	6,003,055	6,008,937	400,957	406,557	401,482	405,732	404,195	401,787
Total	13,525,020	6,837,343	6,848,965	1,239,485	1,251,505	1,245,817	405,732	404,195	401,787

* Does not include preliminary debt service for Public Services Maintenance Facility Project.
 C-7

FUND BALANCE

The City's fund balance policy for the General Fund is defined by the general practice of the City Council and the Administration over the last several years. The following legal and general guidelines provide the basis for the fund balance policy:

1. Utah Code 10-6-116(4) and 10-6-116(2) indicates that only the "fund balance in excess of 5% of total revenues of the General Fund may be utilized for budget purposes." Five percent of total revenues must be maintained as a minimum fund balance. The maximum in the General Fund may not exceed eighteen percent of the total estimated revenue of the General Fund.
2. All non-general fund funds may accumulate fund balances without limitations except that internal service funds are encouraged to maintain no more than five percent of cash reserves in fund balance. It is likely that any amount over five percent will be utilized for budget purposes.
3. Appropriations in the final budgets may not be made for any fund in excess of the estimated expendable revenues for the budget year. In other words, deficits in any fund are illegal. (Utah Code 17-36-17(1); 10-6-117(1); 10-5-114; 17a-1-416(1). The State Auditor has taken the position that a deficit fund balance in one or more funds, created by expenditures being made in excess of those budgets, is an illegally created debt and in violation of the Utah Constitution, Section XIV. As such, the following fiscal year's budget should include sufficient revenues to eliminate the illegal deficit. Deficits arising from emergencies are not illegal and may be retired over five years.
4. The City will maintain an available fund balance in the General Fund equal to ten percent of total revenues.
5. Subject to the Utah Code limitations of use, fund balance may be appropriated during budget amendments for prior year encumbrances, and may be appropriated for current obligations of the City that were not fully expensed in the prior fiscal year and were not officially encumbered.
6. Subject to the Utah Code limitations of use, fund balance may be appropriated for the purchase of real property or the construction of buildings, etc. where there is the assumption that the City is trading an asset for another asset.

BUDGETING BASIS

The City uses the modified accrual basis of budgeting and accounting for the following funds:

- **General Fund**
- **Capital Projects Fund**
- **Special Revenue Fund**
- **Debt Service Fund**

Under the modified accrual basis, revenue is recognized when it is measurable and available. For example, sales tax revenue is recognized when the retailer collects it. Expenditures are recognized at the time the City makes a commitment to pay. Once the City makes a commitment to pay, funds are "earmarked" and a purchase order is issued. Although the money is committed through the accounting system, the City is not legally liable for payment

until services or goods are received and deemed acceptable. The schedules for these funds also contain beginning and ending fund balance figures.

Enterprise Funds and Internal Service Funds operate on a full accrual basis accounting system wherein revenue is recorded when earned and expenditures are recorded when incurred, regardless of when the cash is actually received or disbursed. The City budgets for these funds on a non-GAAP cash basis, therefore you will see a budget for capital expenditures and not for depreciation.

FUND DESCRIPTIONS

GENERAL FUND SUMMARY

The General Fund is used to budget and account for traditional government services such as Police, Fire, and Public Services. The General Fund also contains all financial resources not required to be accounted for in other funds.

CAPITAL PROJECTS FUND SUMMARY

The Capital Projects Fund is used to account for non enterprise fund resources for construction, major repair or renovation of city property. The construction, repair, or renovation may require more than one budgetary cycle to complete. The Capital Projects Fund does not lapse at year end and projects are closed when completed.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for certain property taxes, grant funds, and other special revenue legally restricted for specific purposes. The City budgets for the following special revenue funds:

- **Community Development Block Grant Operating Fund** – This fund accounts for monies received by the City as a federal grantee participant in the Community Development Block Grant (CDBG) program. Those CDBG monies that are accounted for in the Capital Projects fund are not included in this summary. This schedule is organized by project.
- **Donations Fund** – This fund consists of monies from private donations for special projects.
- **E911 Dispatch Fund** – This fund accounts for monies received for operation and maintenance of the Emergency 911 Dispatch system. Telephone users are assessed monthly fees for the E911 service.
- **Housing Loans and Trust Funds** – These funds account for loan repayments for housing rehabilitation loans provided to eligible participants of the housing loans and grants program. This fund accounts for the City's Housing Demonstration Trust Fund projects.
- **Miscellaneous Grants Operating Fund** – This fund accounts for grant monies received from various government agencies such as HOME and State Emergency Services. When receiving the monies, the City is the grantee.

- **Miscellaneous Special Service Districts Fund (Downtown Economic Development)** – This fund contains special assessment taxes collected from businesses in the Central Business District (approximately 200 East to 300 West and South Temple to 400 South). The monies in this fund are dedicated to downtown projects or improvements.
- **Other Special Revenue Funds** – These funds are used to account for the City's weed abatement, demolition, and awards and incentive bank program.
 1. The weed abatement fund includes costs associated with enforcement of the City's weed removal ordinance.
 2. The demolition fund includes costs associated with demolition of deteriorated housing units. When the City pays to remove weeds or to demolish a housing unit on private property, a lien is placed on the property to recover the costs associated with the weed removal or demolition.
- **Street Lighting Special Assessments Fund** – This fund accounts for monies associated with the installation and operation of streetlights in special lighting districts where property owners share in the cost of the additional lighting.

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise. The intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where it has been decided that a periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City budgets for the following enterprise funds:

- **Airport Authority Fund** – User fees are charged to airlines, car rental agencies, airport concessionaires, etc.
- **Golf Fund** – Participants in golf pay fees that underwrite the cost of providing these services.
- **Refuse Collection Fund** – A weekly trash pickup service is provided to the residents of Salt Lake City. Additionally, residents receive an annual curb side pickup designed for large or oversized debris as well as leaf bag removal, weed removal, street sweeping, urban forestry debris removal, and weekly curbside recycling pickup.
- **Sewer Utility Fund** – Sewer service is provided to the residents of Salt Lake City.
- **Storm Water Utility Fund** – Drainage service is provided to the residents of Salt Lake City.

- **Water Utility Fund** – Water service is provided to the residents of Salt Lake City and some residents of Salt Lake County.

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the city. The City budgets for the following internal service funds:

- **Fleet Management Fund** – This fund accounts for the financing of vehicle management services. The Fleet Management program provides vehicles and maintenance for the city on a cost-reimbursement basis. This fund does not provide services to the Airport. It only provides maintenance services for Public Utilities.
- **Governmental Immunity Fund** – This fund accounts for the financing of general liability coverage for the City against legal claims.
- **Information Management Services Fund** – This fund accounts for the financing of data processing and telephone administration services.
- **Insurance and Risk Management Fund** – This fund accounts for the financing of services related to employee health, accident, and long-term disability insurance, and unemployment benefits managed by the Human Resources Management Division. This fund also includes the City's Risk Manager and related insurance services, and worker's compensation programs managed by the City Attorney's Office. Worker compensation claims are handled through a contract third party administrator.

DEBT SERVICE FUND

The debt service fund is used to account for all general obligation and revenue bonds proceeds and expenses associated with servicing debt.

SPECIAL IMPROVEMENT DISTRICT FUND

This fund accounts for debts associated with special service districts, including curb and gutter repair, and water main and sewer extensions.

A schedule of revenue sources and budgeted uses for the major funds and fund types follows on the next two pages. This information includes any usage of fund balance.

FY 2008-09 REVENUE

This section includes a general discussion of the City's major revenue sources. The City has seven major funds which include: Airport Fund, General Fund, Golf Fund, Refuse Fund, Water Fund, Sewer Fund, and Storm Water Fund. These funds and their major revenue sources are discussed below. The discussion of each major revenue source includes a performance history and general information concerning revenue projections.

FORECASTING METHODOLOGY

Salt Lake City revenue forecasts are compiled using historical, time-series, trend, and simulation models. The models primarily focus on past experiences and trends, but modifications are made based upon simulations reflecting anticipated economic activities and proposed initiatives. The model simulates projected revenues based upon anticipated economic conditions, anticipated fee or tax increases, as well as any new initiatives being proposed.

The same process is repeated looking at sales tax revenues. Various forecasts are generated from the model anticipating different growth rates derived from the housing information and economic development information coming from the Mayor's office. The forecast incorporates the combined judgment of budgeting staff within the Division of Policy and Budget and the various revenue-generating agencies of City Government.

In addition, the City has several revenue auditors that track and report on revenue collections monthly. Projections are monitored for precision and revisions are made throughout the year. This information is updated and used as a beginning basis for the upcoming year's forecast.

On a quarterly basis, City representatives meet with the Governor's Office of Policy and Budget staff to discuss and analyze revenue trends statewide, taking into account global events and impacts. These meetings allow the City to further refine revenue estimates by sharing information about developments that are occurring outside the City's limits, which may impact City revenues.

For example, several major construction projects are slated to come on line which could have significant financial impacts to City revenues even though these projects are not contained within the City's limits. After various scenarios are run, this information is updated and incorporated into the forecasting models.

As part of the City's modeling efforts, year-to-date cumulative revenue collections are monitored monthly and comparisons are made between the current year revenue collections and those of the previous 5 years. The model is sophisticated enough to compensate for extraordinary circumstances that may "skew" the data; however, the data is available for analysis if applicable.

One such example is the hosting of the Olympic Games. Revenues generated during the year of the Games, and construction projects leading up to the Games, would skew the data if you did not allow for those extraordinary revenues which resulted from that one-time event.

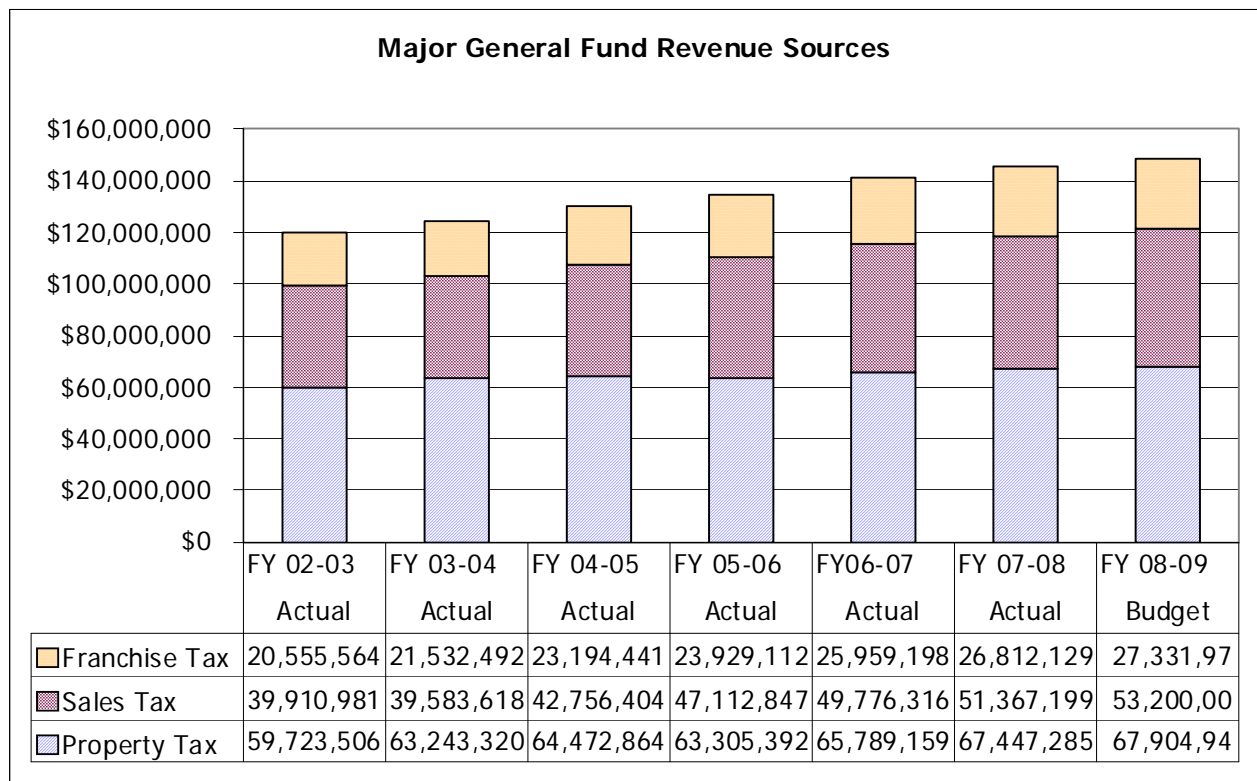
In the final analysis, the judgment of those making the revenue forecasts must ultimately determine a set of estimates from a range of possible outcomes generated by various modeling approaches. The process produces estimates within a tolerable margin of error.

GENERAL FUND REVENUE

The General Fund is the principal fund of the City and is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund. The General Fund accounts for the normal activities of the City (i.e., police, fire, public works, parks, community development, general government, etc.). These activities are funded through taxes, fees, fines and forfeitures, and charges for services. Taxes are the largest source of revenue in the General Fund.

The majority of the City's General Fund revenue comes from three sources, property taxes \$67,904,943 (33.2%), sales taxes \$53,200,000 (26%), and utility franchise taxes \$27,331,972 (13.3%). Those sources are all impacted by national economic trends and activities. Major increases or decreases in any one of these three taxes have a significant impact on City operations. Chart 1 summarizes actual revenue for each of these revenue sources for FY 2002-03 thru 2007-08, and provides budget information for FY 2008-09.

Chart 1: Major General Fund Revenue Sources



- **PROPERTY TAX**

Property tax revenue is Salt Lake City's principal source of General Fund revenue, providing 33.2% of total projected revenue in FY 2008-09. Since 1999, only Real Property and Personal Property are classified as an ad valorem tax, based on a tax rate. Although property tax revenue has not grown as robustly as it did in the previous decade, FY 2008-09 property tax revenue remains steady.

Salt Lake County calculates the Certified Tax Rate and expected revenue for each taxing entity. State Tax Code requires taxing entities to adopt the county's property tax revenue forecast as their own, unless they go through the truth-in-taxation process and raise the rate above the certified rate.

Property Tax is calculated by taking the assessed value of the property and multiplying it by the Certified Tax Rate. It is designed to be revenue neutral, which means that if the cumulative assessed valuation of the properties within the jurisdiction goes up, then the Certified Tax Rate must be lowered in order to ensure the revenue remains neutral. So, although individual properties may see a tax increase the combined total values of all the properties within the jurisdiction multiplied by the Certified Tax Rate must remain neutral.

- **SALES TAX**

Sales tax revenue is Salt Lake City's second largest source of General Fund revenue, providing 26% of total projected revenue in FY 2008-09.

The outlook for sales tax revenues in FY 2008-09 is predicted to decline in the Salt Lake City area which is consistent with statewide and national trends. This is due to the economic instability of financial markets and credit markets worldwide that is affecting consumer confidence.

Sales tax revenue is forecast using trend analysis in conjunction with various modeling scenarios that anticipate economic events that may impact the City.

- **FRANCHISE TAX**

Franchise tax revenue is Salt Lake City's third largest source of General Fund revenue, providing 13.3 % of projected General Fund revenue in FY 2008-09. Franchise tax revenue is expected to grow by approximately \$500,000 from FY 2007-08 levels due to utility rate increases and additional growth, primarily commercial.

Franchise taxes are derived from utility companies such as natural gas, electric and water companies as well as telecommunication providers. The variables that affect the franchise tax are the utility rate that consumers are charged times their usage which generates the revenue to the utility company. That revenue is then taxed at a rate set by the municipality which generates the franchise tax revenue to the City.

Questar Gas provides Salt Lake City a 6% use tax on natural gas; however, 4% of this revenue is collected as a municipal energy tax, and is now reflected as part of the sales and use tax revenue. Franchise tax revenue is forecast using time-series and trend analysis, as well as input from utility company representatives.

- **OTHER GENERAL FUND SOURCES**

Discussion of other major general fund sources, including motor vehicle fees

The following table provides a complete summary of revenue sources into the General Fund, including transfers from other City funds, for the period FY 2002-03 through the current budget year.

General Fund Revenue Summary

	Actual FY 02-03	Actual FY 03-04	Actual FY 04-05	Actual FY 05-06	Actual FY06-07	Actual FY 07-08	Budget FY 08-09
Property Tax	59,723,506	63,243,320	64,472,864	63,305,392	65,789,159	67,447,285	67,904,943
Sales Tax	39,910,981	39,583,618	42,756,404	47,112,847	49,776,316	51,367,199	53,200,000
Franchise Tax	20,555,564	21,532,492	23,194,441	23,929,112	25,959,198	26,812,129	27,331,972
Licenses	5,430,021	5,539,637	5,505,103	5,778,560	6,577,602	7,326,445	9,512,498
Permits Fines & Forfeitures	3,751,273 5,273,989	4,052,493 5,525,401	6,145,380 5,655,906	7,293,313 6,256,433	6,968,884 5,996,072	8,426,315 5,640,357	10,762,130 5,524,100
Interest	1,667,460	1,327,124	2,329,996	3,468,103	4,710,321	3,297,603	4,014,571
Intergovernmental	3,705,062	4,254,847	4,367,263	4,146,448	4,504,348	4,785,831	4,688,073
Interfund Charges	8,057,284	8,158,136	8,689,335	8,863,783	9,542,111	9,447,942	10,093,728
Parking Meter Charges for Services	1,160,062 3,940,894	1,196,843 3,653,699	1,288,059 3,551,386	1,453,619 3,471,724	1,539,771 4,034,270	1,663,960 4,034,105	1,439,000 4,270,500
Miscellaneous Parking Ticket Revenue	473,994 3,444,720	476,019 3,913,024	427,769 3,669,078	599,940 3,135,240	575,758 2,908,662	534,170 3,102,615	573,427 4,831,495
Contributions	47,435	89,638	11,541	19,135	11,738	1,537,882	163,500
General Fund Revenue	157,142,245	162,546,291	172,064,525	178,833,649	188,894,169	195,423,838	204,309,937
Other Financing Sources:							
Transfers		3,493,569	1,484,541	1,628,762	1,791,470	1,952,048	3,579,665
Proceeds from Sale of Property		310,445	418,167	393,044	560,463	603,264	508,950
Revenue and Financing Sources	157,142,245	166,350,305	173,967,233	180,855,455	191,246,102	197,979,150	208,398,552

Transfer from Fund balance 1,758,803
 210,157,355

ENTERPRISE FUND REVENUE

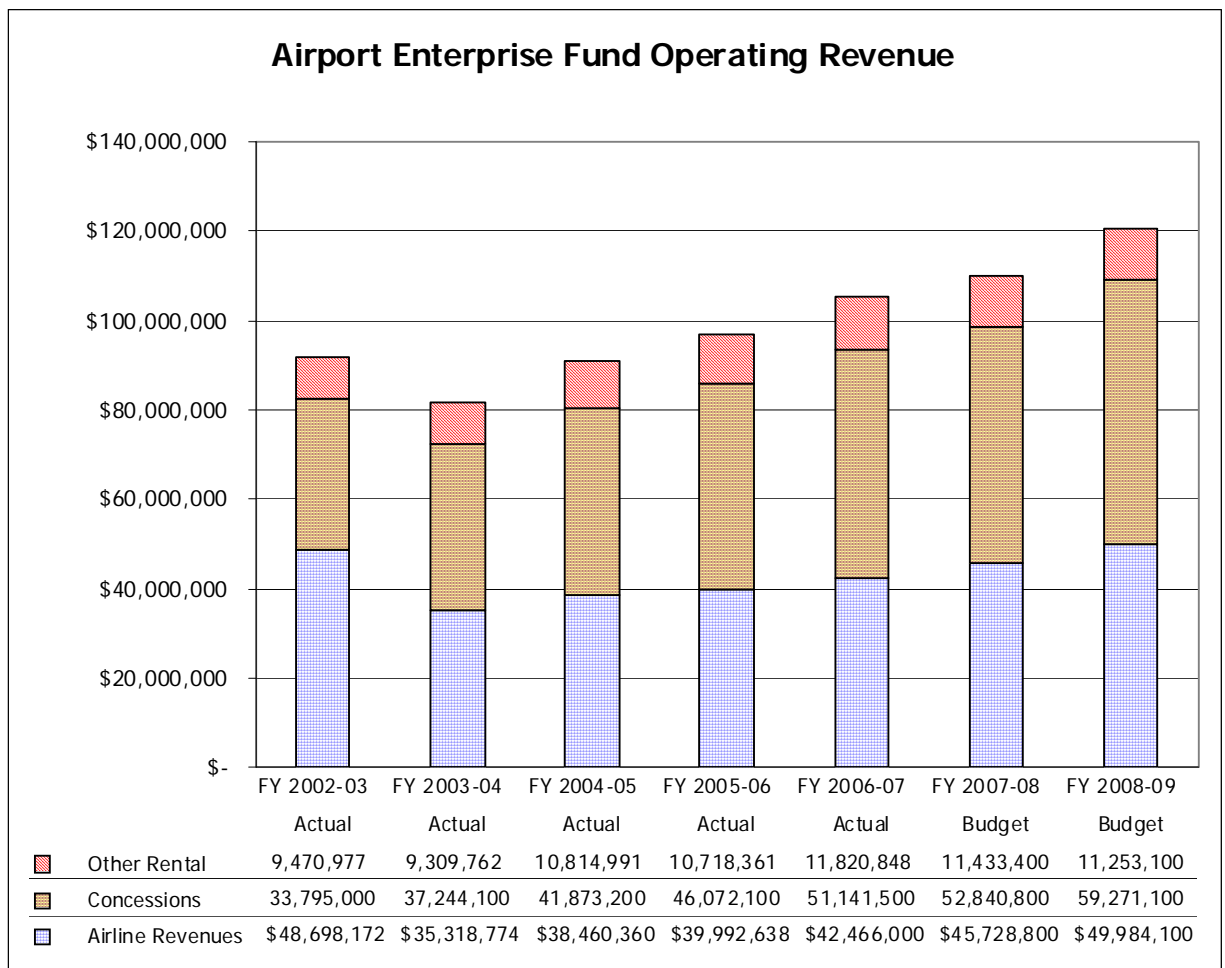
Enterprise funds are used to record sources and uses for business-like activities within City government. This includes the Salt Lake City International Airport, water, sewer and storm-water utilities, golf activities, and refuse collection.

▪ **AIRPORT ENTERPRISE FUND**

The Airport Enterprise Fund is not supported by property taxes, general funds of local governments or special district taxes. Capital funding requirements are met from earnings,

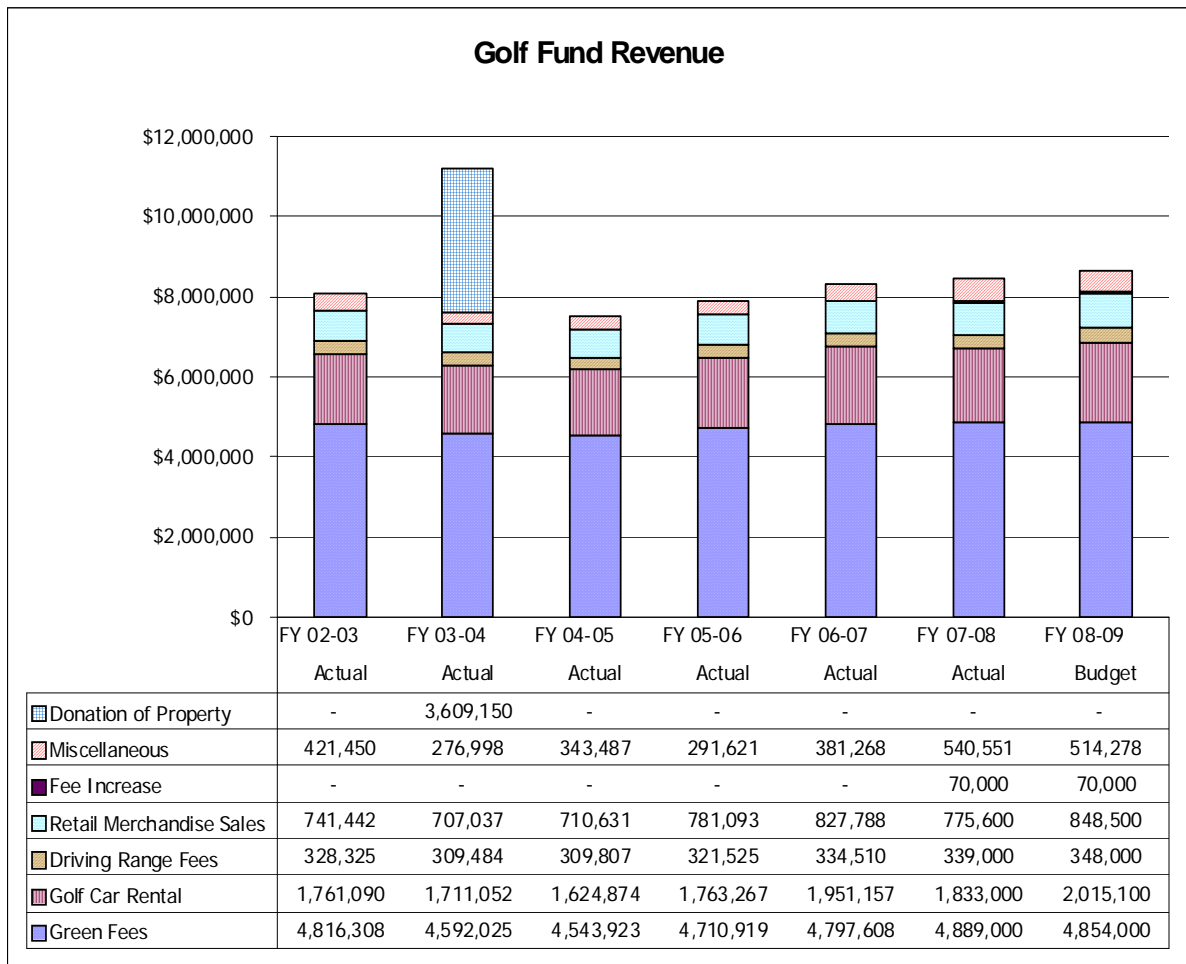
revenue bonds, passenger facility charges, Federal Aviation Administration grants under the Airport Improvement Program and State grants.

The major source of revenue (49%) is generated from the Airport concessions. This includes revenue from food and retail concessions as well as car rental companies and parking fees. Passenger traffic is projected to remain flat. The increase in revenue is primarily because of the renegotiation of the food and beverage retail concession contracts in the terminals, and an increase in parking fees. Remaining revenues are generated through lease contracts on buildings, office space and hangars. The Airport also receives a portion of the State aviation fuel tax. The second largest source of revenue (41%) is generated from the airlines. Air carriers pay on a cost-of-service basis for the services they receive. Rates are set annually based on direct operating cost, including debt service. The formula used for this system is considered a compensatory structure in the aviation industry. Revenues are forecast by reviewing and analyzing lease agreements, operating costs, capital projects, product inflation and passenger levels. The Airport will generate approximately \$5.5 million in interest income during FY 2008-09. Because this is not operating income, the interest figure is not reflected in these budgetary numbers.



▪ **GOLF FUND REVENUE**

This fund accounts for the operation of the City's nine public golf courses. Revenue in this fund is generated by user fees. Revenue is projected based on historical patterns and forecasts of trends in the local market area. Golf will continue with the rates that were effective January 1, 2007 that are comparable to other courses in the area.

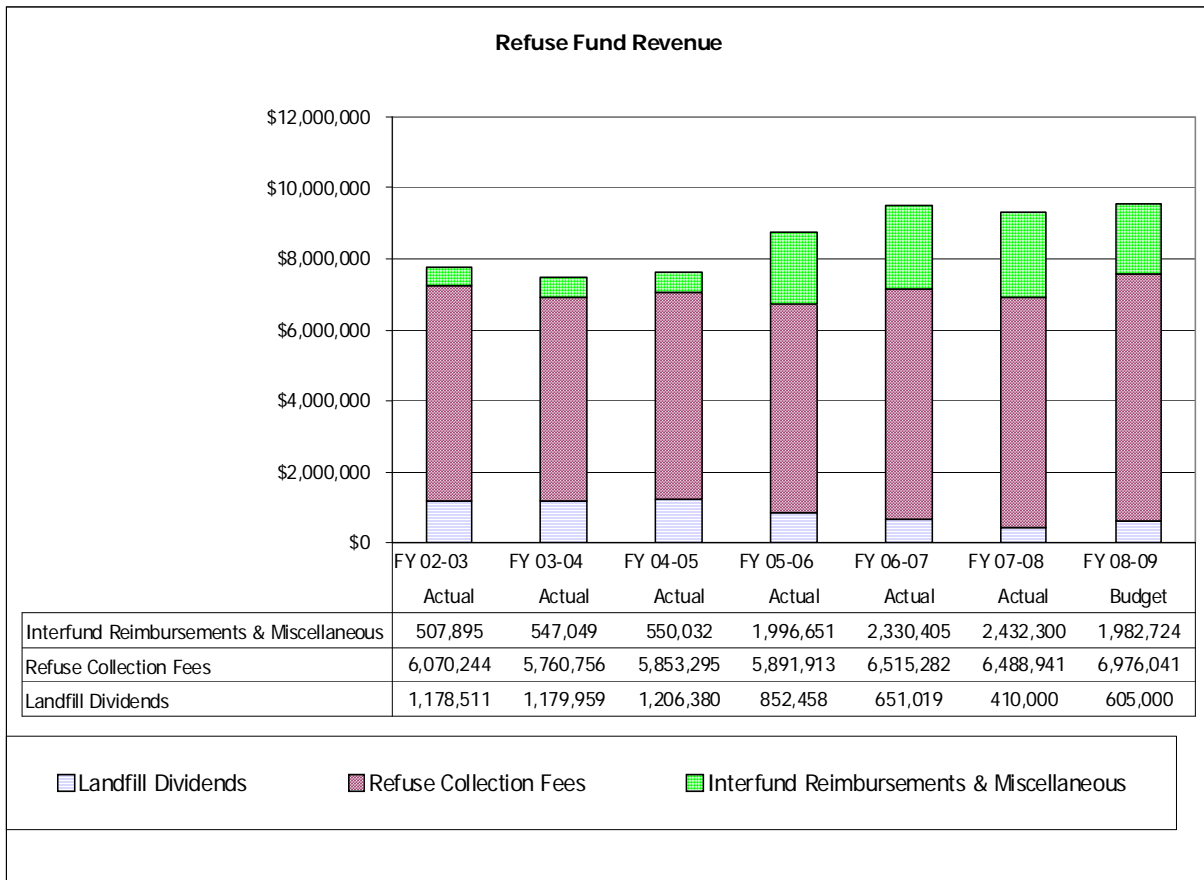


▪ **REFUSE ENTERPRISE FUND**

In the Refuse Fund, revenue is comprised of the refuse collection fee, the landfill dividend, interfund reimbursements and miscellaneous revenue. City residents are charged a refuse collection fee. This fee is calculated to recover the costs of operating the Refuse Fund when combined with the other sources of revenue described above.

Revenue in the Refuse Fund is forecast based on known factors such as the number of refuse cans in service and projected landfill tonnage. In addition, trend analysis and scheduled events such as equipment replacement and changes in contractual agreements

are also factored into the calculation. Beginning in March of 2008, residents have the option to subscribing to a voluntary green waste program.



▪ **WATER UTILITY FUND**

The sale of water accounts for about 90% of the revenue for this fund. The 2008-09 Budget includes a 4% rate increase with proposed rate increases of 4% for the next four years thereafter.

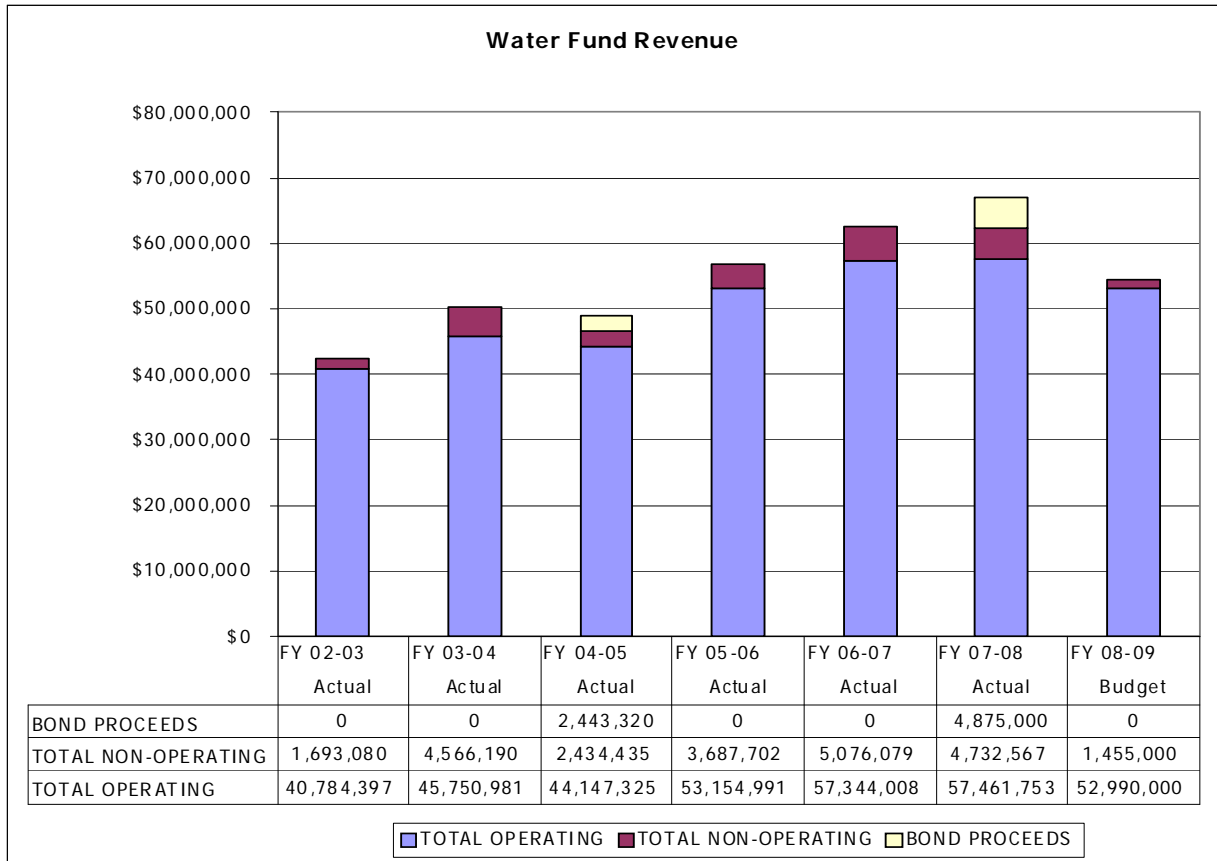
Last year a hot dry summer and spring produced some of the strongest and highest water sales the department has seen. Although conservation rates remain a deterrent to extravagant use, the extremely dry conditions and general abundance of water caused a jump in the usually conservative revenue the department has experienced over the last several years.

The Metropolitan Water District's annual (Metro) assessment will be \$7 million for the next 27 years to repay the construction of a new existing water treatment plant and other system improvements at the south end of the valley. Metro is raising the water rates by \$12 per acre foot for the water they sell to the City.

The 2008-09 capital budgets cover the minimum amount of projects needed to keep upgrading the water system. The budget also includes funding to begin work on the fire

protection project to upgrade County water lines. This will be funded from the bond issue sold in February 2008. A portion of this issue was also used to refinance past higher yielding bonds. The bond proceeds are reflected in the 2007-2008 fiscal year shown below.

Other revenue sources remain at the same levels as last year.



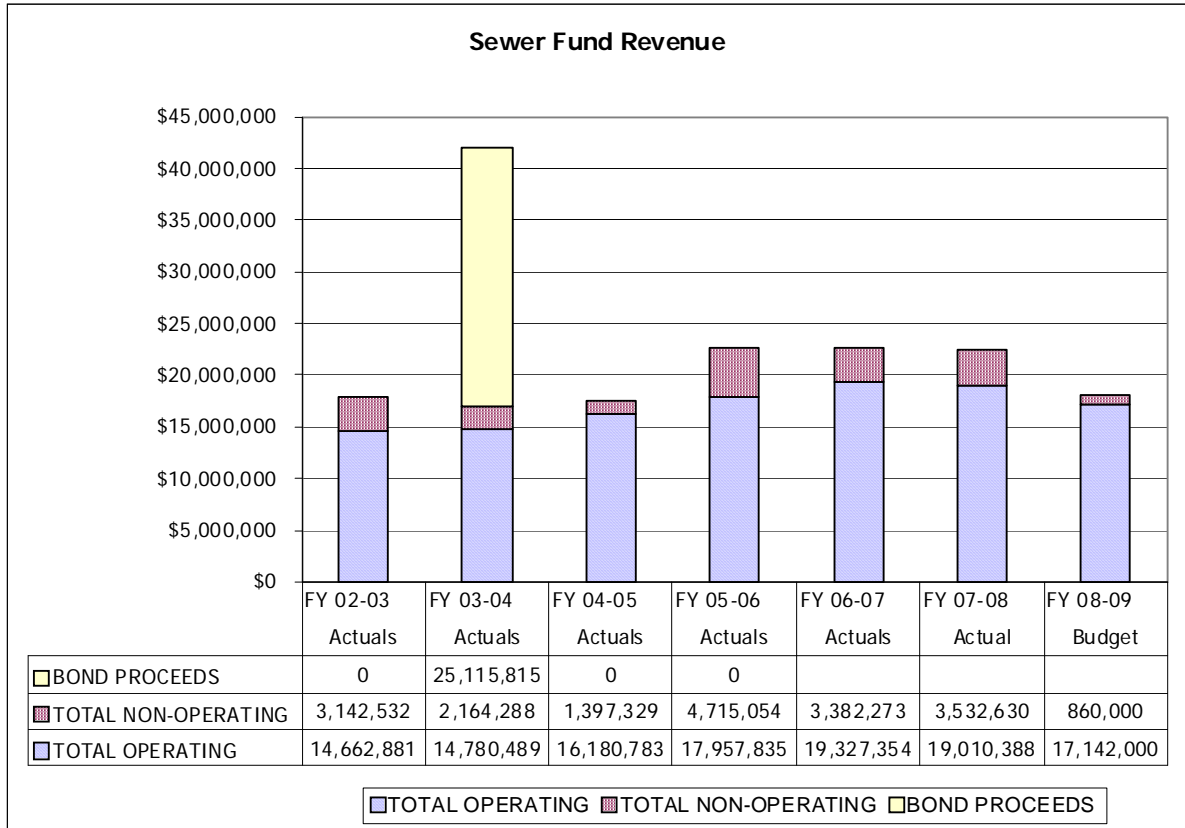
▪ **SEWER UTILITY FUND**

The Sewer Fund mirrors the Water Utility for revenue behavior. Sewer residential charges are based on winter water usage from November to March. Over the last five years, as customers have reduced their water consumption, sewer revenue has fallen below original estimates. This budget is also fiscally conservative and managers have made significant efforts to forecast minimal costs. The sewer fund is highly dependent on winter flows and for the past two completed fiscal years has generated more income that expected.

The issues facing the Sewer Fund are focusing around completing the reclamation plant upgrades and a new trunk line master plan study planned for next fiscal year. The \$800,000 study will focus on examining existing and future system capacity with an emphasis on the Northwest Quadrant and major collection lines into the treatment plant. The study will also review the needs and capacity requirements expected from the growth and other changes taking place in Salt Lake City.

The budget will not include a rate hike until possibly 2010 when the department expects to issue a \$10 million bond issue for needed capital for the treatment plant or others issues that come from the aforementioned study.

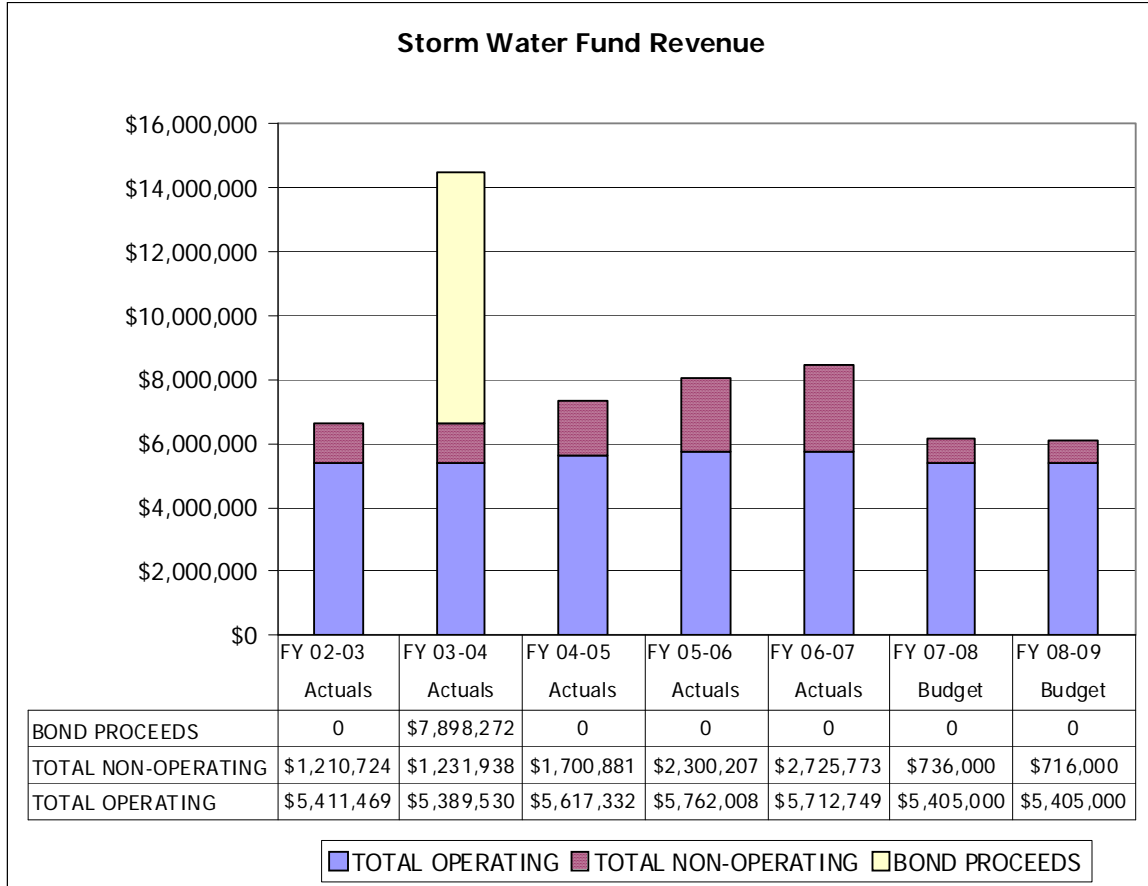
The rate structure implemented in 2001 has continued to keep down the volume of oil and grease treated at the plant. This effort by our customers continues to improve the overall system capacity for waste treatment.



▪ **STORM WATER FUND**

Stormwater fees are based on property size and run-off potential at a steady \$5.2 million. Fees or adjustments for Stormwater have remained unchanged since inception as an enterprise fund in 1990. However, a rate increase perhaps in 2009-2010 will be needed to keep the system in good repair. The increase in next year's budget is expected to be nominal at 3% which would impact residential bills for only \$1.08 per year. The Stormwater Fund will conduct a study next year that was requested by the City Council. The Riparian Corridor Study will cost the fund \$600,000 and will evaluate and propose selective protocols that will help protect our above ground streams and sensitive habitats that exist through residential areas. These protocols will help preserve the esthetic values of the natural watercourses among our residential customers.

The storm water fee is a fixed monthly fee charged on the same bill as water and sewer; the funds go to maintain and improve the storm drainage system in Salt Lake City to limit or prevent flooding potential.



FISCAL YEAR 2009 BUDGETED SOURCES BY SELECTED CATEGORY AND FUND

	MAJOR GOVERNMENTAL FUNDS			MAJOR PROPRIETARY FUNDS			DEPT. OF AIRPORTS PROP. FUND	TOTAL NONMAJOR PROP. FUNDS	TOTAL INTERNAL SERVICE FUNDS	TOTAL ALL FUNDS
	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOV'T FUNDS	WATER UTILITY PROP. FUND	SEWER UTILITY PROP. FUND	HOUSING FUND				
TAXES:										
Property Tax:										
Current Year Assessments	\$ 57,260,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,260,500
Prior Year Assessments	1,864,500									1,864,500
G.O. Bond Assessments	7,732,006									7,732,006
Sales Tax	53,200,000									53,200,000
Franchise Tax	27,331,972		2,400,000							29,731,972
Special Assessment Tax			1,589,832							1,589,832
Aviation Fuel Tax										
Payments in Lieu of Taxes	1,047,937									1,047,937
TOTAL TAXES	148,436,915		3,989,832							152,426,747
LICENSES AND PERMITS:										
Innkeeper's Licenses	2,349,000									2,349,000
Business /Other Licenses	7,163,498									7,163,498
Total Licenses	9,512,498									9,512,498
Construction Permits	9,898,074									9,898,074
Other Permits	864,056				85,000					949,056
Total Permits	10,762,130				85,000					10,847,130
TOTAL LICENSES AND PERMITS	20,274,628				85,000					20,359,628
FINES AND FORFEITURES	10,355,595									10,355,595
PARKING METER COLLECTIONS	1,439,000									1,439,000
INTEREST INCOME	4,014,571		262,000	450,000	400,000	1,282,600	5,500,000	396,000	263,181	12,568,352
CHARGES FOR SERVICES:										
Departmental Charges for Services	3,066,750		1,833,951	50,712,000	16,597,000		235,097,500	21,426,219	53,396,627	382,130,047
Building Rental/Other Leases	842,450			208,000						1,050,450
TOTAL CHARGES FOR SERVICES	3,909,200		1,833,951	50,920,000	16,597,000		235,097,500	21,426,219	53,396,627	383,180,497
INTERGOVERNMENTAL REVENUE:										
State Class 'C' Road Funds	3,000,000	1,450,000								4,450,000
State Liquor and Beer Tax	417,000									417,000
Other State Funds										
Federal Highway Administration										
AIP/Federal Aviation Grants							65,953,000			65,953,000
Community Development Block Grant		1,696,283	2,912,862							4,609,145
Other Federal Funds						837,009				837,009
Salt Lake County		554,012								554,012
SLC Redevelopment Agency/Other	543,753									543,753
Other Local Sources	1,059,320									1,059,320
TOTAL INTERGOVERNMENTAL REVENUE	5,020,073	3,700,295	2,912,862			837,009	65,953,000			78,423,239
INTERFUND REIMBURSEMENTS:										
Administrative Fees	3,816,646									3,816,646
Airport Fire and Police Reimbursements	4,304,000									4,304,000
Other Reimbursements	1,973,082			1,520,000				282,224		3,775,306
TOTAL INTERFUND REIMBURSEMENTS	10,093,728			1,520,000				282,224		11,895,952
MISCELLANEOUS	1,275,177		2,099,266	1,555,000	920,000	488,514	4,358,300	826,200	820,471	12,342,928
TOTAL REVENUES	204,818,887	3,700,295	11,097,911	54,445,000	18,002,000	2,608,123	310,908,800	22,930,643	54,480,279	682,991,938
BOND PROCEEDS								1,404,000	2,400,000	3,804,000
APPROPRIATION OF FUND BALANCE	1,758,804		2,574,864	18,166,388	6,556,852	8,367,000		5,456,375	1,965,407	44,845,690
TRANSFERS IN FROM OTHER FUNDS	3,579,665	23,182,686	16,229,826			38,514			7,011,551	50,042,242
TOTAL FUND RESOURCES	\$ 210,157,356	\$ 26,882,981	\$ 29,902,601	\$ 72,611,388	\$ 24,558,852	\$ 11,013,637	\$ 310,908,800	\$ 29,791,018	\$ 65,857,237	\$ 781,683,870

TOTAL GENERAL FUND RESOURCES

FISCAL YEAR 2008 BUDGETED USES BY SELECTED CATEGORY AND FUND

	MAJOR GOVERNMENTAL FUNDS				MAJOR PROPRIETARY FUNDS				TOTAL ALL FUNDS	
	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOV'T FUND	WATER UTILITY PROP. FUND	SEWER UTILITY PROP. FUND	HOUSING FUND FUND	DEPT. OF AIRPORTS PROP. FUND	TOTAL NONMAJOR PROP. FUNDS		TOTAL INTERNAL SERVICE FUNDS
PERSONAL SERVICES:										
Salaries and Wages										
Professional/Managerial	\$32,211,609		\$49,161	\$4,094,359	\$2,364,370		\$15,077,517	\$2,585,226	\$5,352,319	\$61,734,561
Clerical/Technical	10,137,057		90,000	1,592,278	217,965		1,297,140	150,347	198,836	13,683,623
Operating/Maintenance	6,731,955			5,468,497	2,244,034		14,502,892	1,703,605	1,601,536	32,252,519
Public Safety-Police	19,763,835									19,763,835
Public Safety-Fire	21,956,108									21,956,108
Temporary/Seasonal	3,746,098			157,038			407,172	1,405,240		5,715,548
Other	1,066,651			5,411			352,400		272,803	1,697,265
Total Salaries and Wages	95,613,313		139,161	11,317,583	4,826,369		31,637,121	5,844,418	7,425,494	156,803,459
Benefits										
FICA(Social Security)	4,231,036			944,355	371,431		2,308,187	445,283	533,663	8,833,955
Retirement	18,517,414			1,692,676	664,616		4,663,828	623,998	926,660	27,089,192
Employee Insurance	14,771,544			2,361,480	987,456		5,542,404	832,800	1,089,228	25,584,912
Other	559,414			5,160			136,660		21,600	722,834
Total Benefits	38,079,408			5,003,671	2,023,503		12,651,079	1,902,081	2,571,151	62,230,893
TOTAL PERSONAL SERVICES	133,692,721		139,161	16,321,254	6,849,872		44,288,200	7,746,499	9,996,645	219,034,352
MATERIALS/SUPPLIES:										
Office/Administrative	1,178,416			577,110	88,260		444,850	689,305	119,941	3,097,882
Roads, Land, Building, and Equipment	3,899,689			1,692,785	1,145,500		7,490,500	791,641	6,319,376	21,339,491
Other	818,424		11,488	53,475	72,250		722,750	20,220	131,500	1,830,107
TOTAL MATERIALS/SUPPLIES:	5,896,529		11,488	2,323,370	1,306,010		8,658,100	1,501,166	6,570,817	26,267,480
CHARGES AND SERVICES:										
Professional/Technical	10,087,713		91,564	9,068,443	225,000		3,058,600	2,917,260	2,305,441	27,754,021
Utilities, Maintenance and Equipment	23,830,705		649,945	13,819,417	2,040,901		22,839,000	5,292,645	1,413,971	69,886,584
Employee and Risk Management	3,132,672			575,000	335,000		2,192,700	263,935	33,921,509	40,420,816
Interdepartmental			6,000	368,557	309,120		5,992,500	999,945	796,461	8,472,583
Other	863,061		5,495,277		422,246	10,282,837	34,764	75,610	147,329	17,321,124
TOTAL CHARGES AND SERVICES:	37,914,151		6,242,786	23,831,417	3,332,267	10,282,837	34,117,564	9,549,395	38,584,711	163,855,128
BONDING/DEBT/INTEREST CHARGE	764,167		19,144,712	3,592,000	1,940,000	730,800	9,600	2,112,096	3,330,855	31,624,230
CAPITAL EXPENDITURES:										
Equipment	719,683			3,396,400	2,447,000		13,477,800	1,060,906	3,647,946	24,749,735
Other	992,580	11,012,013	1,636,000	23,116,900	8,662,000		205,764,200	6,169,634	3,464,634	260,817,961
TOTAL CAPITAL EXPENDITURES:	1,712,263	11,012,013	1,636,000	26,513,300	11,109,000		219,242,000	7,230,540	7,112,580	285,567,696
INTERFUND TRANSFERS: (to)										
General Fund			2,122,530					1,337,127	120,000	3,579,657
Capital Improvement Project Fund	23,182,686									23,182,686
Street Lighting Special Revenue Fund	113,669									113,669
Fleet Management Internal Serv.Fund	5,726,318									5,726,318
Governmental Immunity Int.Serv.Fund	1,000,000									1,000,000
Debt Service Fund		15,870,968						105,686	113,003	16,089,657
Other Funds	154,852		38,514	30,047	21,703		52,836	16,927	28,626	343,505
TOTAL INTERFUND TRANSFERS:	30,177,525	15,870,968	2,161,044	30,047	21,703		52,836	1,459,740	261,629	50,035,492
BUDGETED CONTRIBUTION TO SURPLUS:			567,410				4,540,500	191,582		5,299,492
TOTAL BUDGETED USES	\$210,157,356	\$26,882,981	\$29,902,601	\$72,611,388	\$24,558,852	\$11,013,637	\$310,908,800	\$29,791,018	\$65,857,237	\$781,683,870

TOTAL GENERAL FUND BUDGET

TOTAL CITY BUDGET

TOTAL FUND RESOURCES	\$ 210,157,356	\$ 26,882,981	\$ 29,902,601	\$ 72,611,388	\$ 24,558,852	\$ 11,013,637	\$ 310,908,800	\$ 29,791,018	\$ 65,857,237	\$ 781,683,870
LESS: TOTAL BUDGETED USES	-210,157,356	-26,882,981	-29,902,601	-72,611,388	-24,558,852	-11,013,637	-310,908,800	-29,791,018	-65,857,237	\$(781,683,870)