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DEPARTMENT OF
FINANCE

BUDGET DIVISION

CITY OF SACRAMENTO
CALIFORNIA

February 21, 1989
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CITY HALL
ROOM 14
915 I STREET
SACRAMENTO, CA
95814-2696

916-449-5845

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: FY 1988-89 Midyear Review - 1988-89 General Fund Adjustments; 5-Year Revenue and Expenditure Projections

SUMMARY

The Midyear General Fund balance projections indicate that given current expenditure and revenue patterns, the General Fund will end 1988-89 with a potential negative balance of \$5.4 million and that expenditures will exceed revenues by \$10 - \$13 million over each of the next five years (1989-90 through 1993-94). These projections assume that no corrective action will be taken and that the spending will occur at the current level with no change in the revenue base. This report contains specific recommendations on correcting the 1988-89 projected negative \$5.4 million ending balance and addresses options that will be available for keeping expenditures in line with revenues for the five year projection period.

Included in Attachment F are the 5-year fund balance projections for each of the enterprise funds (Water, Solid Waste, Sewer, Storm Drainage, Parking, Golf, Boat Harbor and Community Center Fund). These projections are for information only.

1988-89 GENERAL FUND PROJECTIONS

The General Fund is projected to end the budget year 1988-89 with a negative balance of \$5.4 million. This projection is discussed in detail in a report prepared by the Accounting Division ("Comparison of Estimated Available Fund Balances at June 30, 1989, FY89 Budget versus Mid-Year Projection"). After exploring various options for correcting the projected negative ending balance, it is recommended that a combination of corrective measures be taken. The recommended measures are:

- (1) Use a portion of the Public Employees Retirement System (PERS) reserve to meet the City's obligations for the remainder of the fiscal year (\$1.9 million)

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- (2) Adjust the Sacramento City Employees Retirement System (SCERS) Unfunded Liability rates at Midyear to meet the recommended contribution amount (\$1.7 million)
 - (3) Reduction of department operating budgets at Midyear (\$1.3 million)
 - (4) Debt finance cash funded capital improvement projects (\$.5 million)
 - (5) Limit spending General Fund Administrative Contingency (\$.3 million)

In addition or in lieu of the recommended measures above, other alternatives are:

- o Use a portion of the Reserve for Economic Uncertainty (\$6.5 million)
- o Combine a hiring freeze with department budget reductions
- o Wait until the end of the year and make adjustments in 1989-90

The recommended measures and alternatives are discussed below.

RECOMMENDED MEASURES

- (1) Use PERS reserve account to meet the City's obligation for the remainder of the year (\$1.9 million).

PERS currently holds a surplus balance on behalf of the City of \$5.6 million. It is recommended that \$2.3 million of this reserve be used to make the City's contribution to PERS for the remainder of this fiscal year. This will leave a balance of \$3.3 million in the reserve account to offset future contribution rate increases. The benefit to the General Fund is \$1.9 million with the other funds benefiting \$.3 million. The Director of Finance has implemented this change effective February 7, 1989 to maximize the offset. If this option is not approved, the contribution will be adjusted to offset the use of the reserve account.

- (2) Adjust the SCERS Unfunded Liability Rate at Midyear to meet the recommended contribution amount (\$1.7 million).

The actuarial firm of Tillinghast has recommended a contribution amount for the Fiscal Year 1988-89 which is lower than the current budgeted amount. Historically, the City contribution rate is adjusted as part of the budget process. Adjusting rates at Midyear will still allow the City to meet the contribution amount recommended by the actuarial study. This will also result in a \$1.7 million savings to the General Fund and a \$.5 million savings to the other funds.

- (3) Midyear reduction of department operating budgets (\$1.3 million).

The City Manager's Office directed all departments supported by the General Fund to identify additional reductions/savings that could be achieved with emphasis on minimizing the effects on public safety and public service programs. See Attachment A for a list of department budget reductions. This will require departments to achieve further efficiencies over the remainder of the fiscal year. These reductions will be in addition to the 1% budgeted reduction.

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(4) Debt finance cash funded capital improvement projects (\$0.5 million).

Included in the 1988-89 Capital Improvement Budget are the following funded projects: Animal Control Expansion, Sim Park Community Center Expansion, Belle Cooleage Library and the Meadowview Community Center. It is recommended that the cash portion be included in the upcoming debt issue, thereby freeing up \$0.5 million of General Fund appropriations (see Attachment D).

(5) Limit spending the General Fund Administrative Contingency (\$0.3 million).

The General Fund Administrative Contingency has a current balance of \$750,000. See Attachment B for General Fund Contingency status. It is recommended that spending from contingency not exceed \$450,000. The \$450,000 may be needed to fund upfront costs associated with the opening of the south area police substation and a potential ballot measure in June of 1989 related to public safety employees transferring from the Sacramento City Employees Retirement System (SCERS) to PERS. Limiting contingency to these major items will result in a \$300,000 savings.

OTHER ALTERNATIVES

o **Use a portion of the Reserve for Economic Uncertainty (\$6.5 million).**

The Reserve for Economic Uncertainty has a current balance of \$6.5 million which is sufficient to offset the negative \$5.4 million ending balance. This option is not recommended due to the less than favorable outlook over the next five years. If this reserve were used, it would put a further drain on General Fund revenues in order to restore the reserve in upcoming budget years.

o **Do a combination of a hiring freeze and department budget reductions.**

This option is not recommended as an option to offset the total \$5.4 million negative ending balance because of the impact on the operating departments. A hiring freeze would mean keeping vacant positions unfilled for the remainder of the fiscal year. The random nature of vacancies would make it very difficult operationally for the departments. A \$5.4 million reduction to the departments over the last half of the year would mean a 7.5% reduction if spread equally. If adjustments were made to minimize impacts on public safety, the reduction would be in the 17% - 18% range for the remaining functions.

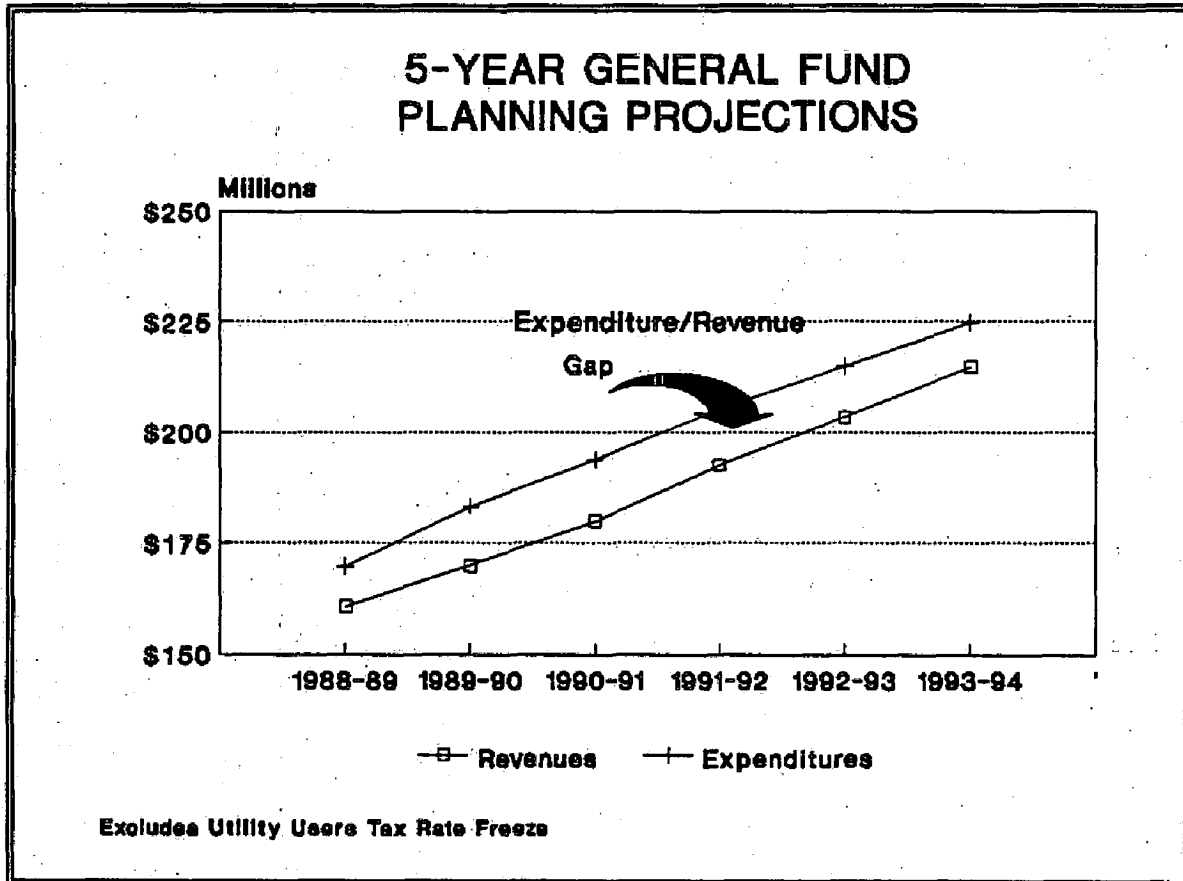
o **Wait until the end of the year and make adjustments in the 1989-90 budget.**

At this point, these are projections and actual amounts will not be identified until the year end and all expenditures and revenues are accounted for. This option is not recommended since the purpose of the Midyear Review is to identify potential shortfalls and recommend and implement corrective action as soon as possible so as not to jeopardize the City's financial condition.

FIVE-YEAR GENERAL FUND PROJECTIONS - 1989-90 TO 1993-94

Without any corrective actions, the five-year General Fund projections show that expenditures will exceed revenues annually by \$10 to \$13 million.

Exhibit 1



The key assumptions used for this forecast period are listed below:

- o All currently approved positions will be funded and that employee service costs will grow by 5.0% each year.
- o Services and supplies and equipment costs will grow at a rate of 5.0% each year.
- o The Utility Users Tax rate is frozen at 7.5% and the increment between the actual rate and the rate which would have been in place had the 1/2% annual rate reduction been continued is applied to public safety programs.
- o An annual \$1 million cash capital improvement program budget.

In addition to the above basic assumptions, included are new programs which have prior approval and a limited number of augmentations for mandated costs. See Exhibit 3 for a detailed listing.

The projections also indicate that the revenue growth during the first four years of the projection period is not sufficient to fund the Base Budget. The Base Budget is everything included in the first set of the above assumptions and excluding new program costs.

Exhibit 2

GENERAL FUND BASE BUDGET					
(\$ in Thousands)					
BASE BUDGET	1989-90	1990-91	1991-92	1992-93	1993-94
REVENUES	\$170,064	\$180,006	\$192,579	\$203,398	\$214,821
*Utility Users Tax Rate Freeze Rev	1,337	3,338	5,750	7,984	10,363
EXPENDITURES					
Operating Budget	175,289	183,742	192,625	201,928	211,746
Capital Budget	1,000	1,000	1,000	1,000	1,000
7 Police Officers	564	481	505	531	557
Admin. Contingency	1,000	1,000	1,000	1,000	1,000
Base Budget Total	177,853	186,223	195,130	204,459	214,303
Ending Balance	(\$7,789)	(\$6,217)	(\$2,551)	(\$1,061)	\$518

* Utility Users Tax Revenue Not Included in Revenues Total

The Base Budget expenditure gap is compounded by adding the new program costs listed below.

Exhibit 3

NEW GENERAL FUND PROGRAM REQUIREMENTS					
(\$ in Thousands)					
	1989-90	1990-91	1991-92	1992-93	1993-94
1 Rooney Police Facility-Substation South	\$1,069	\$1,126	\$1,186	\$1,248	\$1,310
2 Police Overtime	750	750	750	750	750
3 Police Property/Museum & History Archives Warehouse	373	394	416	439	462
4 Animal Control Shelter	200	200	200	200	200
5 Central Library	1,046	3,306	4,617	4,849	5,093
6 Library Computer Equipment	754	429	216	616	0
7 Belle Coolege Library			478	484	491
8 Sim Community Center Expansion		237	241	246	251
9 Meadowview Community Center			471	481	491
10 Clunie Community Center Repair			251	253	255
11 South Natomas Park Land Acquisition	715	715	715	715	715
12 Planning & Development New Staff Space Needs	339	356	374	392	412
13 Bi-annual Election Costs	150	0	150	0	150
14 Human Rights Commission Additional Contribution	5	5	5	5	5
TOTAL	\$5,401	\$7,518	\$10,070	\$10,678	\$10,585

The projected \$10-\$13 million annual expenditure/revenue gap mentioned earlier is a result of combining the Base Budget cost with the new program costs.

Exhibit 4

GENERAL FUND PLANNING PROJECTIONS BASE BUDGET & NEW PROGRAMS (\$ in Thousands)					
	1989-90	1990-91	1991-92	1992-93	1993-94
REVENUES	\$170,064	\$180,006	\$192,579	\$203,398	\$214,821
*Utility Users Tax Rate Freeze Rev	1,337	3,383	5,750	7,984	10,363
BASE BUDGET TOTAL	177,853	186,223	195,131	204,459	214,303
Subtotal	(7,789)	(6,217)	(2,552)	(1,061)	518
ADDITIONAL PROGRAM COSTS	5,401	7,518	10,070	10,678	10,584
ANNUAL ENDING BALANCE	(\$13,190)	(\$13,735)	(\$12,622)	(\$11,739)	(\$10,066)
RESERVE FOR ECONOMIC UNCERTAINTY	6,486 3.8%	6,486 3.5%	6,486 3.3%	6,486 3.1%	6,486 2.9%

*Utility Users Tax Rate Freeze Revenue Not Included in Revenue Total

The options available for closing the expenditure/revenue gap are as follows:

- (1) Reduce Expenditures
- (2) Increase Revenues
- (3) Combination of the above two items

If the gap were to be closed solely on the expenditure side, it would result in a 7% overall reduction to the General Fund. This could mean not implementing any of the new programs listed, plus a 4.5% base budget reduction. If the new programs are added, it would mean a 7.5% budget reduction to existing programs. If adjustments are included to minimize impacts on public safety, it would translate into a 14% budget reduction for the other General Funded operating departments.

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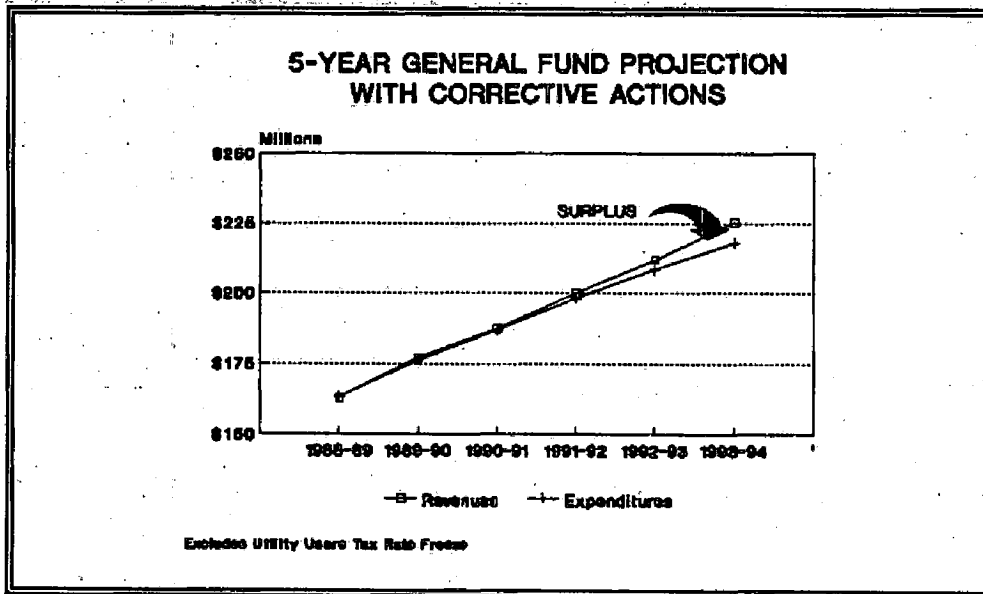
The City Manager's Proposed 1989-90 Budget will identify expenditure reductions necessary to close this gap, as well as, present revenue options. If the situation is corrected with permanent expenditure reductions or revenue increases in the 1989-90 budget year, the annual ending balance will not go negative. The \$13.7 million fix will be carried forward through each year of the forecast.

Exhibit 5

GENERAL FUND PLANNING PROJECTIONS					
ADJUSTED FOR EXPENDITURE REDUCTIONS/REVENUE INCREASES					
(\$ in Thousands)					
	1989-90	1990-91	1991-92	1992-93	1993-94
REVENUES	\$170,064	\$180,006	\$192,579	\$203,398	\$214,821
*Utility Users Tax Rate Freeze Rev	1,337	3,383	5,750	7,984	10,363
BASE BUDGET TOTAL	177,853	186,223	195,131	204,459	214,303
Subtotal	(7,789)	(6,217)	(2,552)	(1,061)	(518)
ADDITIONAL PROGRAM COSTS	5,401	7,518	10,070	10,678	10,584
SUBTOTAL ANNUAL ENDING BALANCE	(\$13,190)	(\$13,735)	(\$12,622)	(\$11,739)	(\$10,066)
EXPENDITURE REDUCTION AND/OR REVENUE INCREASE	13,735	13,735	13,735	13,735	13,735
ADJUSTED ENDING BALANCE	545	0	1,113	1,996	3,669
RESERVE FOR ECONOMIC UNCERTAINTY	6,486 3.8%	6,486 3.5%	6,486 3.3%	6,486 3.1%	6,486 2.9%
*Utility Users Tax Rate Freeze Revenue Not Included in Revenue Total					

A permanent expenditure decrease/revenue increase in 1989-90 will have the effect of bringing the expenditure and revenue growth in line.

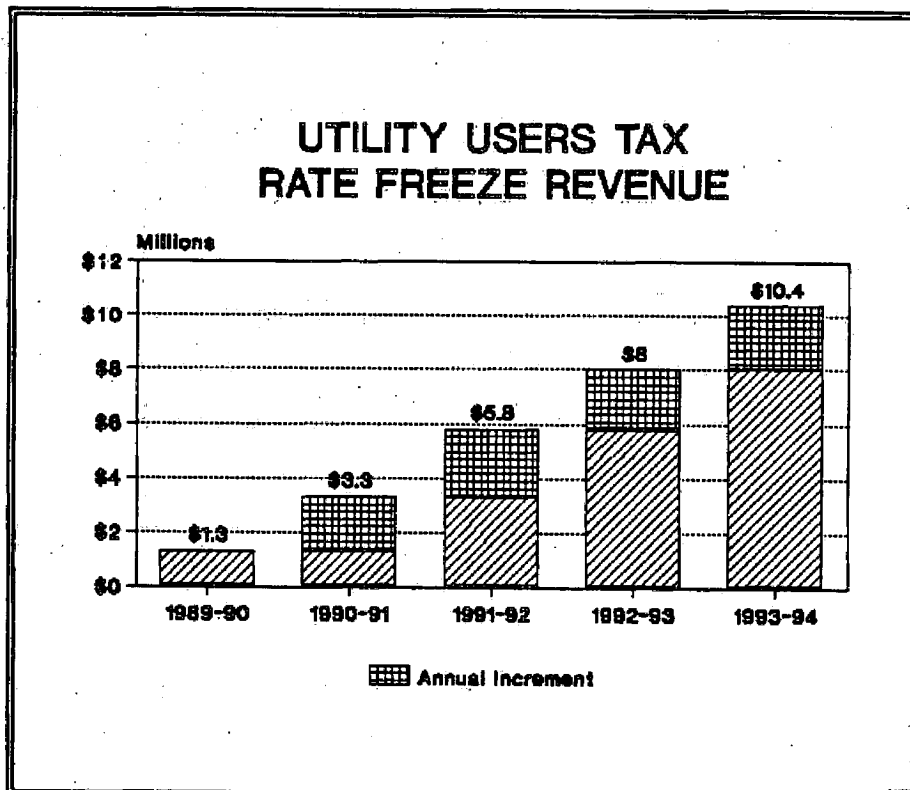
Exhibit 6



UTILITY USERS TAX RATE FREEZE

The projected revenue generated by freezing the Utility Users Tax rate at 7.5% is depicted below.

Exhibit 7



Some of the possible uses of this increment of revenue are:

- o Add additional police officers
- o Continue the program of adding 7 police officers beyond 1989-90
- o Fund the added costs of the South Area Substation
- o Fund an augmentation to Police Department budget for overtime
- o Fund the costs of the Police warehouse
- o Fund the cost of adding support staff to the Police Department
- o Fund the overall police staffing study (phase II)
- o Fund the cost of additional fire stations
- o Fund the cost of animal control shelter expansion

The above uses of the Utility Users Tax revenue and possibly others will be discussed in the context of the upcoming proposed budget, as well as, in future budgets.

CLEAN UP ITEMS

In addition to the budget information outlined above, a number of other issues, identified as "Clean-Up Items", must be resolved in the Midyear Review. These "clean-up items" require City Council authorization to:

- (1) Authorize the Director of Finance to recognize and appropriate the 1986 COP interest earnings in accordance with the issued official statement.
- (2) Authorize the City Manager to transfer appropriations from the General Fund replacement equipment account to the appropriate department.
- (3) Authorize the Director of Finance to adjust the charges to the Convention Bureau which were assessed in error via the cost allocation plan and redirect these charges to the Community Center Fund.
- (4) Increase the City Manager's authority to administratively transfer funds from \$20,000 to \$25,000. This is consistent with the Chapter 59 charter amendment that increased administrative contract authority from \$20,000 to \$25,000.
- (5) Authorize the City Manager to transfer \$77,400 from the General Fund Administrative Contingency Fund (101) and \$69,949 from Major Street Construction Tax Fund (209) to the Redevelopment Agency of the City of Sacramento as approved in Resolution 88-747 for the Central Library Project.

POLICY IMPLICATIONS

The policy implications associated with the projected 1988-89 negative ending fund balance are discussed in the section of this report dealing with the various options that are available. Recommending corrective action at Midyear is consistent with past City practice.

The policy issue related to the potential expenditure/revenue gap, as well as, the utility users tax rate freeze revenue will be discussed in the upcoming City Manager's proposed budget.

MBE/WBE

No impact.

RECOMMENDATION

It is recommended that the Budget and Finance Committee recommend approval to the City Council of the attached resolution and:

1. Approve the Director of Finance's action to utilize the PERS reserve account to meet the City's obligations to PERS for the remainder of this fiscal year;
2. Authorize the Director of Finance to adjust the SCERS Unfunded Liability Contribution rate to match the contribution amount specified in the actuarial study prepared by Tillinghast.
3. Authorize the City Manager to make the appropriate budget reductions as listed in Attachment A.
4. Authorize the City Treasurer to include and recover costs associated with Sim Park, Meadowview, Clunie Community Centers and Belle Coledge Library in a future debt financing issue.
5. Authorize the Director of Finance to recognize and appropriate the interest income from the 1986 COP in accordance with the official statement for the issue.
6. Authorize the City Manager to transfer appropriations from the General Fund replacement equipment account to the appropriate department.
7. Authorize the Director of Finance to adjust the charges (\$43,149) to the Convention Bureau which were assessed in error via the cost allocation plan and to redirect these charges to the Community Center Fund.
8. Increase the City Manager's authority to administratively transfer contingency funds from \$20,000 to \$25,000. This is consistent with the Chapter 59 charter amendment that increased administrative contract authority from \$20,000 to \$25,000.
9. Adopt the changes to the fund balances contained in Attachment C.

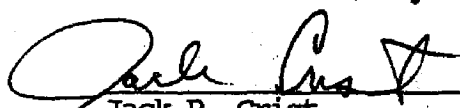
- 10. Approve additional funding for the Human Rights Commission in the amount of \$5,000.
- 11. Authorize the City Manager to transfer \$77,400 from the General Fund Administrative Contingency Fund (101) and \$69,949 from the Major Street Construction Fund (209) to the Redevelopment Agency of the City of Sacramento as approved in Resolution 88-747 for the Central Library Project.

Respectfully Submitted,



Ken Nishimoto
Budget Manager

Recommendation Approved:



Jack R. Crist
Deputy City Manager

- Attachment A: Budget Reductions by Department
- B: General Fund Contingency Status
- C: Changes to Fund Balance
- D: Memorandum describing Capital Project Requesting future reimbursement of costs and expenses from bond proceeds
- E: 5-Year General Projection Detail
- F: Enterprise Fund Balance Projections

Contact Person: Ken Nishimoto, Budget Manager (449-5845)

February 21, 1989
All Districts

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION ADOPTING MIDYEAR ADJUSTMENTS TO THE CITY OF SACRAMENTO'S FISCAL YEAR 1988-89 APPROVED BUDGET

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO THAT THE RECOMMENDATIONS AND FINDINGS CONTAINED IN THE MIDYEAR REVIEW ARE HEREBY ADOPTED WITH FUNDING CHANGES AS FOLLOWS:

1. Approve the Director of Finance's action to utilize the Public Employees Retirement System (PERS) reserve account to meet the City's obligations to PERS for the remainder of this fiscal year;
2. Authorize the Director of Finance to adjust the Unfunded Liability Contribution rate to match the contribution amount specified in the actuarial study prepared by Tillinghast.
3. Authorize the City Manager to make the appropriate budget reductions as listed in Attachment A which is incorporated into and made a part of this resolution.
4. Authorize the Director of Finance to recognize and appropriate the interest income from the 1986 Certificate of Participation (COP) in accordance with the issued official statement.
5. Authorize the City Manager to transfer appropriations from the General Fund replacement equipment account (101-710-7012-4630) to the appropriate department.
6. Authorize the Director of Finance to adjust the charges (\$43,149) to the Convention Bureau which were assessed in error via the cost allocation plan and redirect these charges to the Community Center Fund (419)
7. Increase the City Manager's authority from \$20,000 to \$25,000 to administratively transfer funds from contingency. This is in accordance with the Chapter 59 charter amendment that increased administrative contract authority from \$20,000 to \$25,000.

- 8. Adopt the changes to the fund balance contained in Attachment B entitled "Changes to General Fund Balance" which is incorporated into and made a part of this resolution.
- 9. Approve additional funding for the Human Rights Commission in the amount of \$5,000.
- 10. Authorize the City Manager to transfer from the General Fund Administrative Contingency Fund (101-710-7012-4999) and \$69,949 from Major Street Construction Tax Fund (209-710-7012-4999) to the Redevelopment Agency of the City of Sacramento as approved in Resolution 88-747 for the Central Library Project.

MAYOR

ATTEST:

CITY CLERK

CITY MANAGER'S RECOMMENDED
1988-89 BUDGET REDUCTIONS

	Included in the Midyear Projections -----	Additional Budget Reductions -----
Mayor Council:		
1 15 % reduction service & supplies		8,000

Total Mayor/Council	0	8,000

City Manager:		
1 Year-to-date salary savings	27,000	
2 Reduction in other professional services		31,094

Total City Manager	27,000	31,094

City Attorney:		
1 Year-to-date salary savings	80,000	
2 Savings in outside legal services	40,000	

Total City Attorney	120,000	0

City Clerk:		
1 Election expense from organization 700		9,040
2 Misc service and supplies	6,000	

Total City Clerk	6,000	9,040

City Treasurer:		
1 Salary savings	2,962	
2 User Fee - Fiscal Feasibility Reports on Mello Roos & Special Assessment Dist	30,000	
3 Annual Investment Cost Recovery Fee revised estimate	33,108	

Total City Treasurer	66,070	

Finance:		
1 Salary savings from resignations	33,256	
2 Salary savings from retirements		7,000
3 Misc service and supply savings	95,187	
4 Equipment purchase savings		60,000

Total Finance	128,443	67,000

	Included in the Midyear Projections	Additional Budget Reductions
Data Management:		
1 Salary savings	71,825	
2 UCIS additional enterprise billing in 1989		89,051
3 Transfer from the Fire Department	3,315	
4 CIP: Savings from upgrade of CPU on IBM computer		38,407
5 Budget over-run	(106,251)	
Total Data Management	(31,111)	127,458

Personnel:		
1 Misc service & supplies savings	4,225	4,790
2 Reduce Towards Excellence Program		3,250
3 Reduce Frontline Leadership		3,382
4 Reduce speakers for Mgt Team Building program		5,200
5 Typist Clerk Vacancy	15,100	
6 Savings on pre-employment psychological exams		8,000
7 Reduce use of videos for exempt exams		3,500
8 Reduce Medical Service-(result of hiring slow down)	3,674	12,806
9 No administrative law judge retirement hearings until June 1989		20,489
0 Equipment savings		2,651
Total Personnel	22,999	64,068

Employee Relations:		
1 Revenue from SHRA not in Approved Budget adjusted in Midyear report	16,500	
2 Misc saving in service & supplies	1,850	
Total Employee Relations	18,350	0

General Services:		
1 Senior Administrative Services Officer vacancy	42,666	
2 Salary savings from Purchasing Mgr vacancy	7,800	
3 Salary savings in Facility Management	52,000	
4 Misc service & supplies	6,400	
5 CIP Radio Communications Upgrade - project surplus		25,000
Total General Services	108,866	25,000

	Included in the Midyear Projections	Additional Budget Reductions
Police:		
1	Cal ID print charges - Sheriffs Department	30,000
2	CHP Academy Training-less space needed	40,000
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	Total Police	0 70,000
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Fire:		
1	Revenue to exceed Approved Budget	184,800
2	Budgeted Salary Savings	427,000
3	Additional Labor Savings	6,000
	Additional Department Savings	31,000
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	Total Fire	648,800
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Public Works:		
1	Budgeted salary savings/base reduction	535,265
2	Additional salary savings	120,000
3	Defund CIP Street overlay- tied to Midtown parking revenue shortfall	380,000
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	Total Public Works	655,265 380,000
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Planning & Development:		
1	Weed abatement contract reduction	120,630
2	Delay implementing Geographic Identification System	131,631
3	Credit for fee increase	114,078
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	Total Planning & Development	114,078 252,261
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Library:		
1	Salary savings	349,550
2	Service & supplies savings	30,000
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	Total Library	379,550 0
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Parks & Community Services:		
1	Fee Increases	128,384
2	K Street Mall maintenance-reimbursement from SHRA	61,000
3	Salary savings	75,000
4	Other Savings	100,000
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	Total Parks & Community Services	364,516 236,000
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	TOTAL GENERAL FUND	2,628,826 1,269,921

STATUS REPORT
 GENERAL FUND
 ADMINISTRATIVE CONTINGENCY
 THROUGH FEBRUARY 21, 1989

DESCRIPTION	AMOUNT	OFFSET	NET	AUTHORIZED DATE	BY
APPROVED BUDGET	\$910,000		\$910,000	07/01/88	City Council
ADJUSTMENTS					
o In-House Telecommunications Program	-53,000		-53,000	07/19/88	City Council
o Council Chambers Remodeling	-150,000		-150,000	07/26/88	City Council
o Central Library Expansion	-77,400		-77,400	08/23/88	City Council
o Emergency Response Cost Recovery Program	-22,500	150,000	127,500	09/29/88	City Council
o Colonial Heights Security Fence	-1,025		-1,025	09/29/88	City Manager
o Police Radio Tower Extension	-8,627		-8,627	10/06/88	City Manager
o Planning/Development Telephone System	-10,000		-10,000	10/10/88	City Council
o Fire Waterproof Portable Radios	-5,866		-5,866	10/10/88	City Manager
o Tax Bill	-885		-885	11/21/88	City Manager
o Sacramento Ballet	-30,000		-30,000	01/24/89	City Council
o Parks/Community Services Fee Increase	118,000		118,000	01/31/89	City Council
o Election Costs	-47,430		-47,430	02/07/89	City Council
o 1989 Sacramento Sesquicentennial	-25,000		-25,000	02/21/89	pending
Total of Transactions			-163,733		
TOTAL BALANCE			\$746,267		

DETAIL OF 1988-89 REVENUES, APPROPRIATIONS AND CHANGES IN FUND BALANCES
(\$ in 000's)

	-----OTHER GOVERNMENTAL FUNDS-----									CONTINUED
	202-04,247	205	206	208	209	636-39,232	640	235/243	240	
	Gas Taxes	CDBG	SHRA	Traffic Safety	Major St. Construct	Assessmt Funds	Florin Assmt Dis	TDA/Bikeway	Pocket Sewer	
Beginning Fund Balance (Deficit)	\$597	\$0	\$0	\$198	(\$261)	\$102	\$64	\$145	\$1,130	
Current Resources:										
Revenues										
Taxes					2,137					
Licenses & Permits										
Fines, Forfeitures & Penalties				923						
Use of Money & Property	291			130		5	5	80	80	
Intergovernmental	4,656	926	226					159		
Charges for Current Services						50				
Miscellaneous Revenue										
Subtotal Revenues	4,947	926	226	1,053	2,137	55	5	239	80	
Operating Transfers In										
Internal Service Billings										
Total Current Resources	4,947	926	226	1,053	2,137	55	5	239	80	
Current Requirements:										
Current Operations:										
Employee Services										
Other Services & Supplies										
Equipment										
Debt Service										
CIP Labor/Supply Offset										
Operating Grant Labor Offset										
Operating Transfers Out	3,268	216	0	1,209		23	14		211	
Subtotal Current Operations	3,268	216	0	1,209	0	23	14	0	211	
Capital Improvements:										
General Government										
Public Safety										
Public Facilities/Development	1,934	710	226		1,769					
Culture & Leisure								250		
Subtotal Capital Improvements	1,934	710	226	0	1,769	0	0	250	0	
Total Current Requirements	5,202	926	226	1,209	1,769	23	14	250	211	
Total Current Surplus (Deficit)	(255)	0	0	(156)	368	32	(9)	(11)	(131)	
Other Fund Sources (Uses)										
Approved Ending Balance	\$342	\$0	\$0	\$42	\$107	\$134	\$55	\$134	\$999	
Year Adjustment										
Year Available Balance	342	0	0	42	107	134	55	134	999	

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DETAIL OF 1988-89 REVENUES, APPROPRIATIONS AND CHANGES IN FUND BALANCES
(\$ in 000's)

	-----OTHER GOVERNMENTAL FUNDS-----										CONTINUED
	249 Bridge Construct	250 Operating Grants	248 Capital Grants	565 Citation I-5 Maint	794 Citation I-5 Impr	795 S.Natomas Cap Impr	798 S.Natomas I-5 Devlpr	228-9 Maint Assmt	710 Quimby Act	737 1965 Drainage	
Beginning Fund Balance (Deficit)	\$7	\$0	\$0	\$234	\$14	\$254	\$322	\$88	\$789	\$50	
Current Resources:											
Revenues											
Taxes											
Licenses & Permits											
Fines, Forfeitures & Penalties											
Use of Money & Property	13			13	9	30	25		457	119	
Intergovernmental		1,320	1,591								
Charges for Current Services	30	1,501		60	50	200	80	111	712		
Miscellaneous Revenue											
Subtotal Revenues	43	2,821	1,591	73	59	230	105	111	1,169	119	
Operating Transfers In											
Internal Service Billings											
Total Current Resources	43	2,821	1,591	73	59	230	105	111	1,169	119	
Current Requirements											
Current Operations:											
Employee Services											
Other Services & Supplies		1,051									
ment											
ervice											
Cap Labor/Supply Offset		1,770									
Operating Grant Labor Offset											
Operating Transfers Out								109	5		
Subtotal Current Operations	0	2,821	0	0	0	0	0	109	5	0	
Capital Improvements:											
General Government									17		
Public Safety											
Public Facilities/Development	43		901			125					
Culture & Leisure			743			200			179		
Subtotal Capital Improvements	43	0	1,644	0	0	325	0	0	196	0	
Total Current Requirements	43	2,821	1,644	0	0	325	0	109	201	0	
Total Current Surplus (Deficit)	0	0	(53)	73	59	(95)	105	2	968	119	
Other Fund Sources (Uses)											
Approved Ending Balance	\$7	\$0	(\$53)	\$307	\$73	\$159	\$427	\$90	\$1,757	\$169	
Midyear Adjustment											
Midyear Available Balance	7	0	(53)	307	73	159	427	90	1,757	169	

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DETAIL OF 1988-89 REVENUES, APPROPRIATIONS AND CHANGES IN FUND BALANCES
(\$ in 000's)

	-----OTHER GOVERNMENTAL FUNDS-----								CONTINUED
	585	571	573	579	589	251	590	559	252
	Sutter Park	Special Recreation	Sports Complex	Narcotics	Fairytale Town	Animal Acquisition	Art In Pub Pls	Moore Trust	Cable TV Fran
Beginning Fund Balance (Deficit)	\$72	\$122	\$53	\$21	\$299	\$15	\$133	\$19	\$9
Current Resources:									
Taxes									
Licenses & Permits									
Fines, Forfeitures & Penalties									
Use of Money & Property									
Intergovernmental				100					
Charges for Current Services		665	260		437				
Miscellaneous Revenue		97			34	10			
Subtotal Revenues	0	762	260	100	471	10	0	0	0
Operating Transfers In									
Internal Service Billings									
Total Current Resources	0	762	260	100	471	10	0	0	0
Current Requirements									
Employee Services									
Other Services & Supplies		496	184				50		
Equipment									
Debt Service									
CIP Labor/Supply Offset									
Operating Grant Labor Offset									
Operating Transfers Out		256	76	100	371	25	83	19	
Subtotal Current Operations	0	752	260	100	371	25	133	19	0
Capital Improvements:									
General Government									
Public Safety									
Public Facilities/Development									
Culture & Leisure					229				
Subtotal Capital Improvements	0	0	0	0	229	0	0	0	0
Total Current Requirements	0	752	260	100	600	25	133	19	0
Total Current Surplus (Deficit)	0	10	0	0	(129)	(15)	(133)	(19)	0
Other Fund Sources (Uses)									
Approved Ending Balance	\$72	\$132	\$53	\$21	\$170	\$0	\$0	\$0	\$9
Year-End Adjustment									
Year-End Available Balance	72	132	53	21	170	0	0	0	9

DETAIL OF 1988-89 REVENUES, APPROPRIATIONS AND CHANGES IN FUND BALANCES
(\$ in 000's)

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	-----OTHER GOVERNMENTAL FUNDS----->				<----INTERNAL SERVICE FUNDS---->	
	220 Sacramento Theater	796 S Natomas FBA	797 Sac Hist Fund	811 Assmt Dist Reserve	420 Fleet Managemnt	421 Risk Managerint
Beginning Fund Balance (Deficit)	\$21	\$7	\$0	\$104	\$3,261	(\$1,257)
Current Resources:						
Revenues						
Taxes						
Licenses & Permits						
Fines, Forfeitures & Penalties						
Use of Money & Property	0		21		265	1,000
Intergovernmental					45	
Charges for Current Services					25	895
Miscellaneous Revenue					273	2
Subtotal Revenues	0	0	21	0	608	1,897
Operating Transfers In						
Internal Service Billings					12,840	27,065
Total Current Resources	0	0	21	0	13,448	28,962
Current Requirements						
Current Operations:						
Employee Services					3,756	649
Other Services & Supplies					5,225	26,943
Equipment					5,667	12
Postage Service						
COP Labor/Supply Offset						
Operating Grant Labor Offset						
Operating Transfers Out				104		
Subtotal Current Operations	0	0	0	104	14,648	27,604
Capital Improvements:						
General Government						
Public Safety						
Public facilities/Development					283	
Culture & Leisure						
Subtotal Capital Improvements	0	0	0	0	283	0
Total Current Requirements	0	0	0	104	14,931	27,604
Total Current Surplus (Deficit)	0	0	21	(104)	(1,483)	1,358
Other Fund Sources (Uses)						
Approved Ending Balance	\$21	\$7	\$21	\$0	\$1,778	\$101
Midyear Adjustment					1,839	2,331
Midyear Available Balance	\$21	\$7	\$21	\$0	\$3,617	\$2,432



OFFICE OF THE
CITY TREASURER

THOMAS P. FRIERY
TREASURER

DONALD E. SPERLING
ASSISTANT TREASURER

CITY OF SACRAMENTO
CALIFORNIA

February 15, 1989

800 TENTH STREET
SUITE ONE
SACRAMENTO, CA
95814-2688

916-449-5318
OPERATIONS

916-449-5168
INVESTMENTS &
ADMINISTRATION

916-448-3139
DEX TRANSCIEVER

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Memorandum describing Capital Project Requesting Future Reimbursement of Costs and Expenses from Bond Proceeds


SUMMARY

In compliance with City Council Resolution No. 87-435 authorizing a request for reimbursement of costs and expenses associated with Capital Projects, the following list of Capital Projects are provided for City Council approval:


Sim Park Community Center Expansion
Belle Coolege Library
Meadowview Community Center
Clunie Community Center Renovation

It is recommended City Council approve the above described Capital Projects for reimbursement of costs and expenses.

Respectfully submitted,


THOMAS P. FRIERY
City Treasurer

RECOMMENDATION APPROVED:


WALTER J. SLIPE
City Manager

February 21, 1989
Districts 3, 4, 6, 7, 8

General Fund 5-Year Planning Projections

	1989-90	1990-91	1991-92	1992-93	1993-94

Beginning Fund Bal	0	0	0	0	0
Resources					
Revenues					
Taxes	113,706	122,208	132,696	141,133	150,444
Licenses & Permits	5,080	5,125	5,195	5,406	5,450
Fines, Forfeit & Penalties	2,300	2,359	2,407	2,452	2,497
Use of Money & Property	1,580	1,603	1,624	1,635	1,649
Intergovernmental	18,626	19,503	20,450	21,468	22,567
Charges For Current Services	12,892	13,014	13,294	13,595	13,899
Miscellaneous	1,603	1,215	1,197	1,218	1,241
Operating Transfers	14,047	14,749	15,487	16,261	17,074
County Share Of Library Computer	230	230	230	230	0
Total Resources	170,064	180,006	192,580	203,398	214,821
Utility Users Tax - Public Safety	1,337	3,338	5,750	7,984	10,363
Expenditures					
Current Operating					
Employee Services	139,079	146,033	153,334	161,001	169,051
Services & Supplies	35,234	36,971	38,795	40,709	42,720
Equipment	500	525	551	579	608
Debt Service	5,299	5,277	5,262	5,222	5,229
CIP Labor Offset	(2,741)	(2,878)	(3,022)	(3,173)	(3,332)
Grant Labor Offset	(2,082)	(2,186)	(2,295)	(2,410)	(2,530)
Capital Improvement - Cash	1,000	1,000	1,000	1,000	1,000
Capital Improvement Debt	0	0	0	0	0
Capital Improvement Debt Proceeds					
Seven Police Officers	564	481	505	531	557
Admin Contingency	1,000	1,000	1,000	1,000	1,000
Base Budget	177,853	186,223	195,131	204,459	214,303
Base Budget					
Annual Surplus/(Shortfall)	(7,789)	(6,217)	(2,551)	(1,061)	518
Police Sub Station	1,069	1,126	1,186	1,248	1,310
Police Overtime	750	750	750	750	750
Central Library	1,046	3,306	4,617	4,849	5,093
Library Computer Equipment	754	429	216	616	
Sim Park		237	241	246	251
Meadowview			471	481	491
Belle Cooledege			478	484	491
Clunie			251	253	255
Natomas Land Acquisition	715	715	715	715	715
Planning Staff Housing	339	356	374	392	412
Election Costs	150	0	150	0	150
Police Warehouse	373	394	416	439	462
Animal Control Shelter	200	200	200	200	200
Human Rights	5	5	5	5	5
Total Additional Programs	5,401	7,518	10,070	10,678	10,584
Total Expenditure Budget	183,254	193,741	205,200	215,137	224,887
Ending Balance	(13,190)	(13,734)	(12,620)	(11,739)	(10,066)
Reserve for Economic Uncertainty	6,486	6,486	6,486	6,486	6,486
	3.8%	3.5%	3.3%	3.1%	2.9%

5-YEAR PUBLIC WORKS ENTERPRISE FUND BALANCE PROJECTIONSBACKGROUND:

In this section of the Midyear Review, each of the five Public Works enterprise funds (Parking, Water, Sewer, Storm Drainage, and Solid Waste) will be analyzed. This analysis will compare midyear projections to the 1988-89 Approved Budget. Also included in the analysis is a 5-year expenditure/revenue forecast and fund balance forecast.

The analysis of each of the five enterprise funds will identify any weaknesses and discuss future actions which may be necessary to alleviate weaknesses.

The City's enterprise funds are expected to be self-supporting by recovering costs through the assessment of fees to those who use the services.

ASSUMPTIONS:

The following assumptions have been used in each of the analysis unless specifically stated otherwise:

- o The growth rate of a particular service may vary from fund to fund based on external conditions such as population growth and construction growth. The write up for each enterprise fund will identify the growth rate used in the analysis.
- o Rate increases have not been assumed in the fund balance projections.
- o It is assumed that there will be no new operational programs unless specifically stated.
- o It is assumed that Employee Service costs will grow at rate of 5% per annum, unless otherwise noted, for the full projection period to cover inflation and accommodate minimal growth in personnel.
- o Service and Supply costs have been assumed to grow at a rate ranging between 3% and 6% per year to cover inflation and accommodate modest growth.
- o Historical levels of annual equipment costs have been assumed, and have been escalated by 5% each year to cover inflation and accommodate modest growth.
- o Capital projects for the projection period reflect 5-year capital requests.

Where deficits occur in the fund balance projections, the required rate increase is identified to bring the fund into balance.

PARKING FUND

The Parking Enterprise is responsible for the operations and maintenance of 17 parking facilities in the downtown area. Revenue from parking fees, retail rental space, and interest earnings are used to pay operating expenses, maintenance, capital improvements to the garages, debt service to the Parking Authority, and annual lease payments to the Sacramento Housing and Redevelopment Agency for Agency owned/City operated garages. Revenues in excess of these costs are used for maintenance or other capital improvements within the Parking Enterprise. Growth in parking revenues is a function of downtown employment, population growth, and the overall health of the local economy.

Five-Year Fund Balance Projections

The assumptions that were used in forecasting the five-year fund balance projections were as follows:

- o A 1% growth in vehicles parked short-term.
- o East End Parking Garage capital costs of \$13.5 million will be debt financed in 1988-89. Funds of \$5.8 million will be borrowed from the 1987 Certificate of Participation and will be repaid by the East End debt issue in 1988-89.
- o East End Parking Garage debt service payments will begin in 1989-90.
- o East End Parking Garage will be completed in March, 1991. Operating costs begin in the second half of 1990-91.
- o Ongoing maintenance costs of \$800,000 per year have been budgeted as a part of operating expenses.
- o During the latter half of 1989-90, it is anticipated that Lot A will be sold and the debt repaid. Therefore, beginning in 1990-91, the debt service payments are eliminated from the projections. Additional revenue may be generated in the out years from a new parking lot. This revenue is excluded from the projections.

The fund projections indicate a negative fund balance beginning in 1989-90 and compounding in the out years primarily due to the East End Garage debt and operating costs.

Rate Increase Required

Rate increases for hourly parking will be required to move the fund balance from a negative to a positive position, allow for ongoing structural maintenance, and allow for the building and debt financing of the East End Parking Garage.

Exhibit P1

PARKING FUND					
	1989-90	1990-91	1991-92	1992-93	1993-94
	Projected	Projected	Projected	Projected	Projected
Beginning Fund Balance (Deficit)	\$1,362	(\$1,164)	(\$3,116)	(\$5,211)	(\$7,506)
Current Resources:					
Revenues					
Taxes					
Licenses & Permits					
Fines, Forfeitures & Penalties					
Use of Money & Property	196	198	199	198	198
Intergovernmental	194	194	194	194	194
Charges for Current Services	8,355	8,578	9,243	9,653	10,318
Miscellaneous Revenue	1	1	1	1	1
Subtotal Revenues	8,746	8,971	9,637	10,046	10,711
Operating Transfers In					
Internal Service Billings					
Total Current Resources	8,746	8,971	9,637	10,046	10,711
Current Requirements					
Current Operations:					
Employee Services	2,713	2,849	2,991	3,141	3,298
Other Services & Supplies	5,478	5,807	6,155	6,525	6,916
Equipment	130	137	144	151	158
Debt Service	1,026	19	19	19	20
East End Debt Service	1,355	1,355	1,355	1,355	1,355
Hyatt Pkg pymt	56				
Transfers Out	502	527	553	581	610
East End Operating Costs		219	502	558	580
Subtotal Current Operations	11,261	10,912	11,720	12,329	12,937
Capital Improvements:					
Public Facilities	11	11	12	12	13
Subtotal Capital Improvements	11	11	12	12	13
Total Current Requirements	11,272	10,923	11,732	12,341	12,950
Total Current Surplus (Deficit)	(2,526)	(1,952)	(2,095)	(2,295)	(2,239)
Other Fund Sources (Uses)					
Ending Fund Balance (Deficit)	(\$1,164)	(\$3,116)	(\$5,211)	(\$7,506)	(\$9,745)

The Water Enterprise is responsible for water production, water distribution and the monitoring of local water quality. It is a lead agency in the development and administration of the area's surface water management plan. Water Fund revenues include user fees, tap sales, and development fees. The use of this revenue is restricted by bond covenants and must be used for maintenance and operation of the water system, extensions and improvements to infrastructure, and the payment of bond debt.

Five-Year Fund Balance Projections

The assumptions that were used in forecasting the five-year fund balance projections were as follows:

- o A 1.25% growth rate for utility service charges.
- o A 5.0% inflation/growth rate for employee services and 6.0% for services and supplies, including utility expenses.
- o Debt will be issued on the expansion of the Fairbairn Water Treatment Plant in 1990-91.
- o Debt service payments will begin in 1991-92. The payments are estimated at \$5.5 million, but this could change significantly based on the type of financing and the terms of the financing.
- o The Fairbairn Water Treatment Plant expansion will be completed by January, 1993. No significant increases in the operating budget are expected.
- o Revenues from other agencies from the sale of water will begin in 1993-94.

The fund projections indicate a positive fund balance in 1989-90. The fund balance begins to decline in 1990-91 and becomes negative in 1991-92 when the debt service payments begin.

Also of note in the projections is the comparison of the Water Development Fee to development-related capital improvement projects. The fee is applied towards the development projects, with any excess being paid for by utility service charges. Beginning in 1991-92, the debt service payments on the Fairbairn plant expansion begin. These payments are partly recovered through development fees and partly through user fees.

When the financing methods for the Fairbairn Plant debt are analyzed, consideration must be given to new bond coverage requirements and also the affect on existing bond coverage requirements.

Rate Increase Required

Water rate increases ranging from 8% to 11% will be required in 1989-90 and 4% to 8% in subsequent years to move the fund balance in the out years from a negative to a positive and to maintain a favorable revenue to expenditure ratio for bond coverage requirements.

Exhibit W1

WATER FUND					
	1989-90	1990-91	1991-92	1992-93	1993-94
	Projected	Projected	Projected	Projected	Projected
Beginning Fund Balance (Deficit)	\$1,137	\$1,052	\$167	(\$6,137)	(\$11,131)
Current Resources:					
Revenues					
Taxes					
Licenses & Permits					
Intergovernmental					800
Fines, Forfeitures & Penalties					
Use of Money & Property	974	974	950	941	941
Charges for Current Services	15,457	15,644	15,833	16,025	16,219
Miscellaneous Revenue	385	393	400	408	436
Subtotal Revenues	16,816	17,011	17,183	17,374	18,396
Operating Transfers In	5	6	6	6	6
Internal Service Billings					
Total Current Resources	16,821	17,017	17,189	17,380	18,402
Current Requirements					
Current Operations:					
Employee Services	7,136	7,493	7,867	8,261	8,674
Other Services & Supplies	6,753	7,158	7,588	8,043	8,526
Equipment	213	224	235	247	259
Debt Service	1,457	1,463	2,190	1,269	1,425
Water Treatment Plant Debt Svc			5,500	5,500	5,500
CIP Labor/Supply Offset	(143)	(150)	(157)	(165)	(173)
Transfers Out	215	226	237	249	262
Subtotal Current Operations	15,632	16,414	23,460	23,404	24,472
Capital Improvements:					
Public Facilities-Maintenance	599	627	428	450	473
Subtotal Capital Improvements	599	627	428	450	473
Total Current Requirements	16,231	17,041	23,888	23,854	24,944
Total Current Surplus (Deficit)	591	(25)	(6,699)	(6,473)	(6,542)
Other Fund Sources (Uses):					
CIP Closures/Additions					
Water Development Fee	3,000	3,000	3,000	3,000	3,000
Capital Impr. Projects-Development	(3,676)	(3,860)	(2,605)	(1,520)	(1,596)
Water Trtmt Plant Debt Issue		(55,000)			
Water Treatment Plant Proceeds		55,000			
Ending Fund Balance (Deficit)	\$1,052	\$167	(\$6,137)	(\$11,131)	(\$16,269)

The Sewer Fund Enterprise is responsible for sewer maintenance, installation of new services, and monitoring discharges into the sewer system. The enterprise operates forty-five pumping stations. The sewer system is best described as a "contained system" with little growth potential outside of infill projects. The County's Sanitation District Collection System presently serves growth areas to the north and south. The Regional Sanitation District provides sewage treatment citywide. The City performs all billing functions for the Regional Sanitation District for properties within the municipal boundaries.

Sewer Fund Enterprise revenues are generated from user fees, development and connection fees, and reimbursement from the Regional Sanitation District for operating costs.

Five-Year Fund Balance Projections

The assumptions that were used in forecasting the five-year fund balance projections were as follows:

- o A .25% growth rate for service revenues to reflect the "contained system".
- o A 3% growth rate for services and supplies.
- o Intergovernmental revenues - Regional Sanitation revenues have consistently come in under budget for several years because the projections were based on faulty assumptions as to the amount of labor and materials spent on Regional Sanitation related work. The forecast corrects this error and assumes that revenues will remain at the lower amount for the 5-year period.
- o Utility service charges are assumed to have a .25% growth rate which reflects the "contained system".
- o Sewer permits revenue is expected to remain fairly constant in anticipation of a steady rate of development in the infill area.
- o The Capital Improvements include a budget of approximately \$1 million per year for miscellaneous sewer replacements. It does not include any funding for the combined sewer and drainage system as described in a report to the City Council in August, 1988. The combined system is in preliminary discussion stages and so was excluded from the projections.
- o Other Fund Sources (Uses) show the reduction of \$140,000 every year for the five-year period. These funds are from sewer development fees and are not "available" fund balance until applied to development activity.

The fund projections indicate a negative fund balance in the second year

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and continuing in the out years. Because of the slow growth rate of this type of "contained system", coupled with substantial preventive maintenance capital needs, the negative fund balance will compound rapidly in the out years.

Rate Increase Required

Sewer rate increases will be required to move the fund balance from a negative (beginning in the second year) to a positive. Rate increases ranging from between 8% and 12% in 1989-90 and between 4% and 9% in subsequent years will be needed to maintain a positive fund balance and provide capital for preventative maintenance projects.

Exhibit S1

SEWER FUND	1989-90	1990-91	1991-92	1992-93	1993-94
	Projected	Projected	Projected	Projected	Projected
Beginning Fund Balance (Deficit)	\$961	\$232	(\$726)	(\$1,991)	(\$3,449)
Current Resources:					
Revenues					
Taxes					
Licenses & Permits					
Fines, Forfeitures & Penalties					
Use of Money & Property	392	388	378	375	375
Intergovernmental	1,137	1,139	1,136	1,132	1,137
Charges for Current Services	5,103	5,115	5,126	5,138	5,150
Miscellaneous Revenue	161	161	161	161	161
Subtotal Revenues	6,793	6,803	6,801	6,806	6,823
Operating Transfers In	222	233	244	256	269
Internal Service Billings					
Total Current Resources	7,015	7,036	7,045	7,062	7,092
Current Requirements					
Current Operations:					
Employee Services	2,275	2,389	2,509	2,634	2,766
Other Services & Supplies	2,071	2,133	2,197	2,263	2,331
Equipment	214	225	236	248	260
Debt Service	570	570	566	561	563
CIP Labor/Supply Offset					
Transfers Out	1,091	1,145	1,203	1,263	1,326
Subtotal Current Operations	6,222	6,463	6,711	6,969	7,246
Capital Improvements:					
Public Facilities	1,382	1,390	1,460	1,411	1,482
Subtotal Capital Improvements	1,382	1,390	1,460	1,411	1,482
Total Current Requirements	7,604	7,853	8,171	8,380	8,728
Total Current Surplus (Deficit)	(589)	(817)	(1,126)	(1,318)	(1,636)
Other Fund Sources (Uses)					
Sewer Development Fee	(140)	(140)	(140)	(140)	(140)
Ending Fund Balance (Deficit)	\$232	(\$726)	(\$1,991)	(\$3,449)	(\$5,225)

STORM DRAINAGE FUND

The Storm Drainage Enterprise is responsible for the maintenance and repair of the storm drainage system and operation of ninety storm pumping stations. The Storm Drainage Enterprise assumed operational responsibility for the American River Flood Control District in 1987-88. The Fund also pays for costs incurred by storm caused pumping at Sumps 1 and 2, Pioneer Reservoir and the combined Wastewater Treatment Plant. User fees provide revenue to the Fund.

Five-Year Fund Balance Projections

The assumptions that were used in forecasting the five-year fund balance projections were as follows:

- o A 1.25% growth rate for storm drainage service.
- o A 5.0% inflation/growth rate factor for employee services and 6.0% for supplies and services.
- o The Services and Supplies costs include \$158,000 for the City-County Flood Control Task Force in 1988-89 and \$750,000 a year for the next two years.
- o No new bond or debt service.

The fund projections indicate a negative fund balance beginning next year (1989-90) which will then continue to compound in the out years. The negative fund balance is caused by two factors:

- 1) no increases are projected in revenue over the 1.25% growth rate as opposed to a 6% inflation factor for operating expenses; and
- 2) the Storm Drainage fund was not set up to handle significant flood control issues. Flood control is becoming an increasingly large part of Storm Drainage operations. The addition of the City-County Flood Control Task Force will increase costs to the fund by over \$1.5 million in the next two years.

Rate Increase Required

Storm Drainage rate increases will be required to move the fund balance from a negative to a positive. Rate increases ranging between 9% and 12% may be required in the next year. Future increases between 4% and 9% should allow the Fund to maintain a healthy fund balance.

Consideration should be given to establishing a separate fee for Flood Control. This would help to more clearly identify the costs associated with Flood Control and would reduce the rate increase on the Storm Drainage fee.

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Exhibit SD1

STORM DRAIN FUND	1989-90	1990-91	1991-92	1992-93	1993-94
	Projected	Projected	Projected	Projected	Projected
Beginning Fund Balance (Deficit)	\$599	(\$514)	(\$2,095)	(\$3,933)	(\$6,280)
Current Resources:					
Revenues					
Taxes					
Licenses & Permits					
Fines, Forfeitures & Penalties					
Use of Money & Property	314	316	318	318	318
Intergovernmental	0	0	0	0	0
Charges for Current Services	10,535	10,667	10,800	10,935	11,072
Miscellaneous Revenue	215	215	215	215	215
Subtotal Revenues	11,064	11,198	11,333	11,468	11,605
Operating Transfers In	1,031	1,083	1,137	1,194	1,253
Internal Service Billings					
Total Current Resources	12,095	12,281	12,470	12,662	12,858
Current Requirements					
Current Operations:					
Employee Services	4,140	4,347	4,565	4,793	5,032
Other Services & Supplies	4,494	4,764	5,050	5,353	5,674
Flood Control Task Force	750	750			
Equipment	424	445	468	491	516
Debt Service	48	46	44	41	38
CIP Labor/Supply Offset					
Transfers Out	103	108	113	119	125
Subtotal Current Operations	9,960	10,461	10,240	10,797	11,385
Capital Improvements:					
Public Facilities	3,248	3,401	4,069	4,211	4,422
Subtotal Capital Improvements	3,248	3,401	4,069	4,211	4,422
Total Current Requirements	13,208	13,862	14,309	15,008	15,807
Total Current Surplus (Deficit)	(1,113)	(1,581)	(1,839)	(2,346)	(2,948)
Other Fund Sources (Uses)					
Ending Fund Balance (Deficit)	(\$514)	(\$2,095)	(\$3,933)	(\$6,280)	(\$9,228)

The Solid Waste Enterprise is responsible for refuse collection and disposal, street sweeping, household hazardous waste collection, and neighborhood cleanup. Solid Waste fees support all of these services and provide a subsidy to the Lawn and Garden Refuse collection program since the Lawn and Garden Excise Tax produces less revenue than required to support the program.

Five-Year Fund Balance Projections

The assumptions that were used in forecasting the five-year fund balance projections were as follows:

- o A growth rate of 1.25% in service, in both utility services and garden refuse.
- o A 6.0% inflation/growth in services and supplies.
- o A reduction in employee service costs over the next two years due to the efficiencies of the one-person 90-gallon refuse truck. A 5.0% inflation growth rate is factored in for the remaining employee services.
- o The \$1.2 million received this year for the vegetal waste facility will go towards additional landfill closure costs in 1989-90.
- o An annual stipend to the State of approximately \$100,000 is included in Services and Supplies. This is a new requirement, based on daily tonnage, and related to certification of landfill closure costs.
- o No costs are reflected for the direct haul disposal or transfer station options. An Environmental Impact Report on the direct haul option will be done this year. A future debt issue will be necessary for the alternative disposal system.
- o The Public Works Department is exploring mining methane gas from the landfill as a source of revenue. Tests will be performed to evaluate the impact on air quality.

The fund projections indicate a negative fund balance beginning in 1990-91 and compounding in the out years. This negative fund balance is largely due to a slow growth rate for service as compared with a 5% - 6% growth rate in operating costs in the out years. Landfill closure and certification costs are also impacting the budget.

Rate Increase Required

Solid Waste rate increases ranging between 0% and 5% will be required in 1989-90 to move the fund balance into a positive position in the out years.

Exhibit SW1

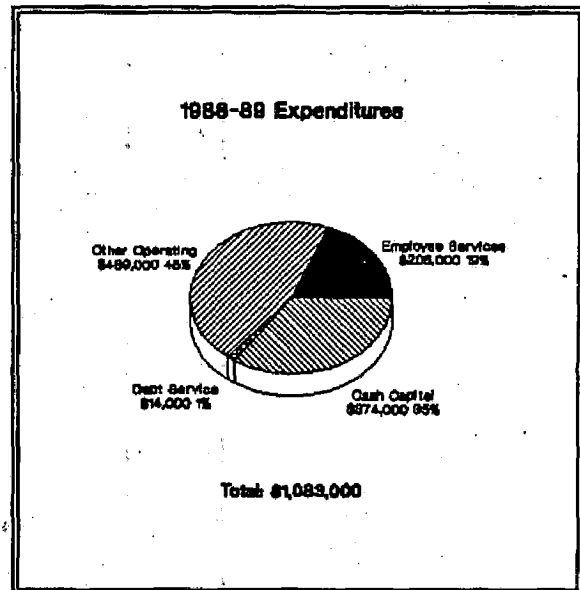
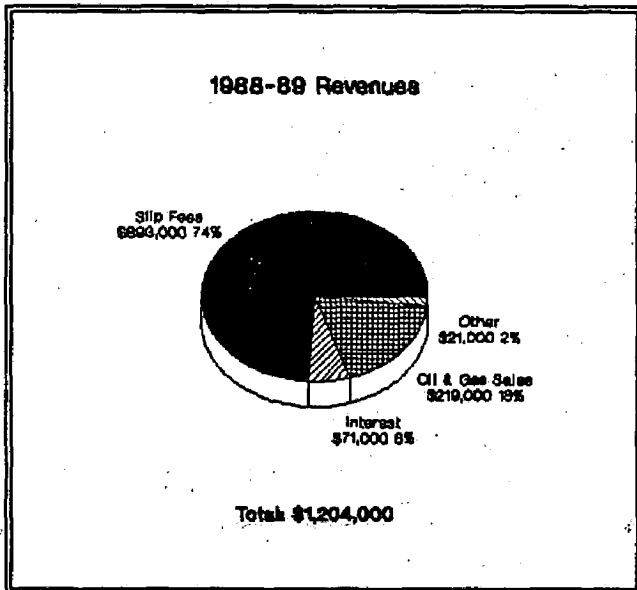
SOLID WASTE	1989-90 Projected	1990-91 Projected	1991-92 Projected	1992-93 Projected	1993-94 Projected
----- Beginning Fund Balance (Deficit)	\$3,710	\$1,294	(\$391)	(\$2,375)	(\$4,780)
Current Resources:					
Revenues					
Taxes	2,562	2,594	2,626	2,659	2,692
Licenses & Permits					
Fines, Forfeitures & Penalties					
Use of Money & Property	314	314	314	314	314
Intergovernmental					
Charges for Current Services	18,635	18,870	19,107	19,347	19,589
Miscellaneous Revenue	604	619	634	651	667
----- Subtotal Revenues	22,115	22,397	22,681	22,971	23,262
Operating Transfers In	0	0	0	0	0
Internal Service Billings					
----- Total Current Resources	22,115	22,397	22,681	22,971	23,262
Current Requirements					
Current Operations:					
Employee Services	10,017	10,315	10,831	11,373	11,941
Other Services & Supplies	9,477	10,045	10,648	11,287	11,964
Equipment	218	229	241	253	265
Debt Service	2,432	2,382	2,328	2,272	2,217
CIP Labor/Supply Offset	(19)	(20)	(21)	(22)	(23)
Transfers Out	185	194	204	214	225
----- Subtotal Current Operations	22,310	23,146	24,231	25,376	26,589
Capital Improvements:					
Public Facilities	1,019	936	434	0	0
----- Subtotal Capital Improvements	1,019	936	434	0	0
----- Total Current Requirements	23,329	24,082	24,665	25,376	26,589
----- Total Current Surplus (Deficit)	(1,214)	(1,685)	(1,984)	(2,405)	(3,327)
----- Other Fund Sources (Uses)	(1,202)				
----- Ending Fund Balance (Deficit)	\$1,294	(\$391)	(\$2,375)	(\$4,780)	(\$8,108)
	=====	=====	=====	=====	=====

BOAT HARBOR FUND

The Sacramento Boat Harbor is located on the Sacramento River at Miller Park. It is operated as an enterprise fund in which revenues must offset the full cost of this program. The Boat Harbor has recently doubled its size from 280 to 560 berths. This fiscal year the final phase of the Boat Harbor expansion will be put out to bid. The final phase will include the Harbor Administrative Office, the harbor flushing system, landscaping, lighting, and parking.

The expansion project is primarily financed from low interest loans totaling \$7.65 million from the California State Department of Boating and Waterways. The loan repayment will commence in fiscal year 1989-90 at \$168,000 and will rise to a maximum of approximately \$600,000 per year in fiscal year 1992-93.

Revenues are relatively stable in this fund due to the high percentage of total revenues attributable to year round rentals. Likewise, expenditures are relatively stable with minor fluctuations related to the cost of fuel for resale.



The following exhibit projects revenues and expenditures over the next five years. For discussion purposes, the model assumes 5% annual increases in operating expenditures. Capital costs are as currently anticipated by the department.

The major change over the next several years is the introduction of debt service payments in this fund. The slip fee revenue will need to be increased beyond operating cost increases to meet the debt obligations. As a condition of the loan agreement, the State Department of Boating and Waterways requires that the average berth fee rise to \$6.00 per foot per month by July 1, 1992 to assure repayment of the loan. The exhibit illustrates that a six percent increase in slip fees allows the fund to remain financially sound and meets the

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BOAT HARBOR FUND

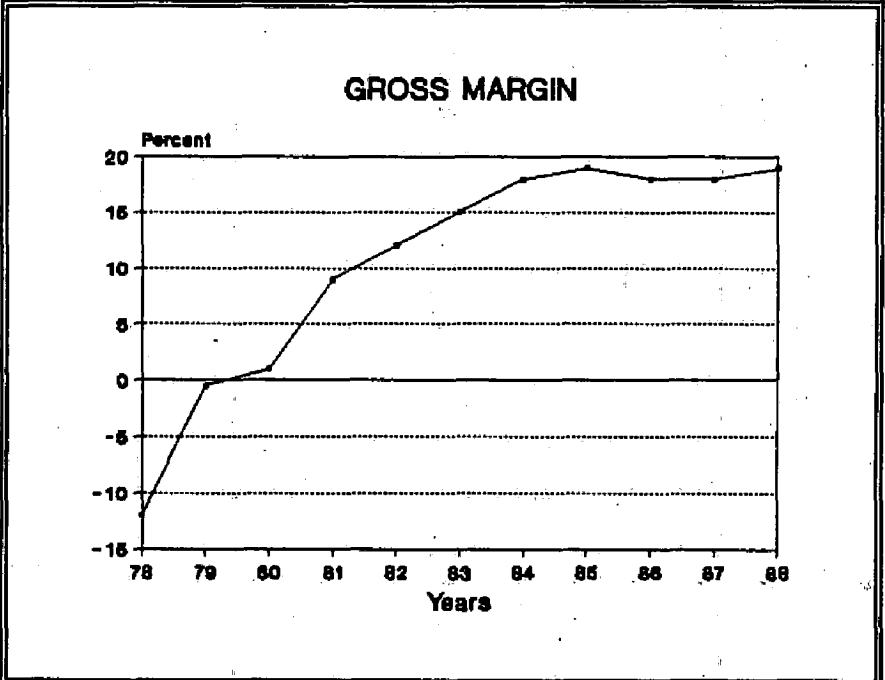
average slip fee condition. Notice that it is necessary to start to accumulate available resources to cover the full impact of the debt service in 1992-93. This accumulated balance buffers the future debt service increases.

Boat Harbor Fund							
(\$000)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
Beginning Funds (Deficit)	\$233	\$461	\$491	\$352	\$225	\$166	\$149
Slip Fees - Existing Open	3.50	3.71	3.93	4.17	4.42	4.68	4.96
Existing Covered	5.41	5.73	6.07	6.44	6.82	7.23	7.67
New Open	4.77	5.06	5.36	5.68	6.02	6.38	6.77
New Covered	5.99	6.35	6.73	7.13	7.56	8.01	8.50
Average	5.41	5.73	6.07	6.44	6.82	7.23	7.67
Percent Increase	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Revenues							
Interest	90	70	70	50	50	50	50
User Fees							
Existing	392	416	440	467	495	525	556
New	554	587	622	660	699	741	786
Oil & Gas	230	242	252	265	278	292	306
Other	22	23	24	25	26	27	29
Total Current Resources	1,288	1,337	1,409	1,467	1,548	1,635	1,727
Current Operations:							
Employee Services	225	236	248	260	273	287	302
Other Services & Supplies	460	483	507	533	559	587	616
Equipment	4	4	4	5	5	5	5
Expansion Operating	20	21	22	23	24	26	27
Debt Service	168	378	530	605	605	605	605
Transfers Out	33	35	36	38	40	42	44
Subtotal Cur. Operations	910	1,157	1,348	1,464	1,507	1,552	1,599
Capital Improvements:							
Dredging	25	25	25	25	25	25	25
Dock Replacement	75	75	75	75	75	75	75
Marina	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Subtotal CIP	100	100	100	100	100	100	100
Total Current Requirements	1,010	1,257	1,448	1,564	1,607	1,652	1,699
Total Current Surplus	278	80	(39)	(97)	(59)	(17)	28
Other Fund Sources: (Uses)							
Bond Proceeds							
Bond Reserves	(50)	(50)	(100)	(30)	0	0	0
Ending Fund Balance (Deficit)	\$461	\$491	\$352	\$225	\$166	\$149	\$177

The Golf Fund operates the Haggin Oaks (one 18-hole and two 9-hole courses), Bing Maloney (one 18-hole and one 9-hole course), and William Land Park (one 9-hole course) golf courses. The Golf Fund is operated as an enterprise fund in which all golf related revenues must pay the full cost of this program. The major financial issue for this fund is how to develop additional courses in response to the area's demand.

In the late seventies, the golf fees and concession income were nearly entirely consumed by operating costs leaving no funds for capital improvements and major maintenance projects. The gross margin (operating and concession revenues less operating costs) in this period ranged from -1 to 1% of gross revenues. Essentially, only a modest amount of interest income was available to maintain the courses.

EXHIBIT 1



In the early eighties, the gross margins increased up to 12% of gross revenues. This level provided additional working capital to make improvements to assure that the current courses would not deteriorate from the heavy usage. The capital projects included green and irrigation rehabilitations of the various courses.

The funding levels of the early eighties provided capital for the maintenance of the current courses but limited funding for additional capital projects. As previously reported to Council, the Sacramento area needs several additional courses. Two 18-hole courses are being considered. The Golf Fund has recently acquired property from the Regional Sanitation treatment plant to develop the first 18-hole course. This fund is also exploring the feasibility of a 18-hole course at the Hansen Ranch site in the north area.

The following exhibit projects this fund's revenue and expenditures over the next several years. For discussion purposes, the model assumes 5% inflation and a 2.5% increase due to growth. The capital costs include the construction costs of the new course near the Regional Sanitation Treatment plant.

The model demonstrates that total revenues must rise steadily over the next few years to meet inflation and to provide capital related to expansion at the Water Treatment plant. Without additional revenues, the additional courses can not be constructed.

EXHIBIT 2

Golf Fund (\$000)	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
Beginning Balance (Deficit)	\$1,149	\$578	\$419	\$664	\$978	\$984	\$1,067
Green Fees - 18 M-F	8.50	9.50	10.50	11.50	12.50	13.50	14.50
18 S-S	9.50	10.50	11.50	12.50	13.50	14.50	15.50
Sr/Jr	5.50	6.00	7.00	8.00	9.00	10.00	11.00
Revenues							
Interest	194	159	138	144	136	100	100
User Fees	2,546	2,956	3,306	4,156	4,566	4,976	5,386
Concessions	490	510	535	592	610	620	644
Total Current Resources	3,230	3,625	3,979	4,892	5,312	5,696	6,130
Current Requirements							
Current Operations:							
Employee Services	1,585	1,704	1,832	1,969	2,117	2,275	2,446
Other Services & Supplies	907	975	1,048	1,127	1,211	1,302	1,400
Equipment	135	145	156	168	180	194	208
South City Operating				574	617	663	713
Debt Service Bing Maloney	114	114	114	114	114	114	114
Debt Service South	60	60	60	60	660	660	660
Subtotal Cur. Operations	2,801	2,998	3,210	4,012	4,899	5,209	5,541
Capital Improvements:							
Cherry Island	500						
So Area Acq & Dev	0	476	100	100			
Hansen Development	50	50	50	100	100	100	
Haggin Development	200	50	150	200	200	150	100
Other	400	210	224	167	106	155	135
Subtotal CIP	1,150	786	524	567	406	405	235
Total Current Requirements	3,951	3,784	3,734	4,579	5,305	5,614	5,776
Total Current Surplus	(721)	(159)	265	313	7	82	354
Other Fund Sources (Uses)	150	0	0	0	0	0	0
Ending Fund Balance (Deficit)	\$578	\$419	\$664	\$978	\$984	\$1,067	\$1,420

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GOLF FUND

Other non-operating revenue sources are being explored to offset development costs. This operation has recently requested proposals for a hotel development on surplus golf property at Haggin Oaks. It is premature to speculate on the outcome. Parks & Community Services will report back on the results of an RFP next month.

COMMUNITY CENTER FUND

The Community Center provides facilities for business, recreation, entertainment, and educational purposes. The Community Center facilities include the Exhibit Hall, Activity Building, a 2,436 seat Theater, and Memorial Auditorium, which is presently closed.

This enterprise fund has two major revenue sources: rental/service fees and the Transient Occupancy Tax (TO Tax). The TO Tax is a tax charged on the cost of a hotel/motel room within the city limits. This tax is earmarked by City Code for the Community Center use. The TO Tax estimates were provided by Data Resources, Inc. Two major capital improvement expenditures facing the Community Center are the Community Center expansion and the Memorial Auditorium rehabilitation. These projects are still in the planning stages; final cost estimates will be determined at the time that preliminary design drawings are completed.

Five Year Fund Balance Projections

Table CC1 provides a projection of the financial status of the Community Center Fund through Fiscal Year 1999-2000. Highlights of the projection are as follows:

- o Transient Occupancy Tax revenues are projected to come in on budget. This assumes future hotel rooms come on line at an average rate of 173 rooms per year.
- o Use of Money and Property has increased based on actual increases in interest earnings on available cash.
- o Charges for Current Services and Miscellaneous Revenue appear to be lower than anticipated, however, the approved budget figure of \$1,679,000 was revised in the 1988-89 Revenue Status Report by lowering the figure by approximately \$100,000. This change then meant that revenues are coming in slightly higher than anticipated.
- o A debt service accrual has been added. This represents an accrual that will be paid in the following year.
- o An annual City contribution to the Docks Project will commence in Fiscal Year 1990-91.
- o An inflation factor of 6% has been added to all out year projections. While an inflation factor of 5% has been used for other funds, the 6% factor used for the Community Center reflects a measure for growth that is slightly higher due to the additional out-years included in the projection.
- o Capital Improvements assumes that the Convention/Community Center Expansion Project will expend \$2,263,000 in budgeted cash for feasibility studies and designs and environmental reviews related to the Expansion of the Community Center.

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COMMUNITY CENTER FUND

o Debt for the Expansion is budgeted in 1991-92.

Table CC1 illustrates that the Community Center Fund balance dips in 1990-91 and then grows from 1991-92 to 1996-97. The dip in 1990-91 reflects pre-construction costs for the Expansion that are funded from cash. Debt proceeds for the pre-construction are expected to come on line in 1991-92 and the increased fund balance reflects these additional funds. Debt service payments begin in 1994-95 and the fund balance then begins to drop until it levels out and increases in the year 2000-2001.

Table CC1

	Community Center Fund										
	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Beginning Balance	1,771	3,076	389	7,108	9,853	13,192	13,770	11,344	8,427	5,936	4,031
Current Resources:											
Taxes	6,199	6,928	7,840	8,995	10,154	11,487	13,203	13,731	14,418	15,283	16,200
Use of Money & Property	159	159	159	159	159	159	159	159	159	159	159
Charges for Cur. Services	1,696	1,798	1,906	1,684	1,641	2,382	2,525	2,676	2,837	3,007	3,188
Miscellaneous Revenue	165	175	186	197	209	221	235	249	264	279	296
Expansion Revenues	0	0	0	953	2,424	2,570	2,724	2,887	3,061	3,244	3,439
Current Resources	8,219	9,060	10,090	11,988	14,587	16,819	18,845	19,702	20,738	21,973	23,282
Current Requirements:											
Current Operations:											
Employee Services	2,212	2,345	2,486	2,485	2,793	2,953	3,130	3,318	3,517	3,728	3,952
Other Services & Supplies	2,819	2,988	3,167	3,207	3,558	3,768	3,994	4,234	4,488	4,757	5,042
Equipment	164	174	185	196	207	220	233	247	262	278	294
Debt Service Existing	1,396	1,418	1,440	1,349	1,439	1,462	1,014	1,785	1,783	1,785	1,785
Debt Service Memorial	0	0	0	0	0	0	0	0	0	0	0
Dock's Project	0	350	350	350	350	350	350	350	350	350	350
Expansion Oper. Costs	0	0	0	777	1,977	2,096	2,221	2,355	2,496	2,646	2,804
Current Operations	6,591	7,275	7,627	8,363	10,325	10,848	10,943	12,288	12,895	13,543	14,228
Capital Improvements:											
Expansion	9,619	3,725	65,744								
Debt Service 87 ODP	664	706	748	832	874	915	1,423	1,423	1,421	1,419	1,419
Debt Service Additional	0	0	0	0	0	4,425	8,849	8,849	8,849	8,849	8,849
Subtotal	10,283	4,431	66,492	832	874	5,340	10,272	10,272	10,270	10,268	10,268
Memorial Auditorium	0	0	0	0	0	0	0	0	0	0	0
Other/Replace Maint Fund	40	42	45	47	50	53	56	60	63	67	71
Subtotal CIP	10,323	4,473	66,537	879	924	5,393	10,328	10,332	10,333	10,335	10,339
Debt Proceeds	10,000	0	70,793	0	0	0	0	0	0	0	0
Ending Balance	3,076	389	7,108	9,853	13,192	13,770	11,344	8,427	5,936	4,031	2,746