

City Auditor's Baseline Funding Calculation for the Sacramento Children's Fund

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City of
SACRAMENTO
Office of the City Auditor

Research and Analysis Division

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Background

The Sacramento Children and Youth Health and Safety Act, also known as Measure L, was passed by voters in November 2022. Measure L amended the Sacramento City Charter, adding Section 120 – Sacramento Children's Fund. The section outlines the establishment and operations of the "Sacramento Children's Fund" in the City of Sacramento.

Purpose of Fund

- The Sacramento Children's Fund is created to support positive youth development and youth violence prevention programs in Sacramento.

Funding Source and Allocation

- The Fund is financed by allocating 40% of the estimated revenue from the "Cannabis Business Operations Tax" (CBOT) each year.

Maintenance of Effort

- The Fund does not replace existing Baseline Funding.
- Each annual budget must include Baseline Funding in addition to the amount allocated from CBOT.
- The City Auditor verifies the appropriate Baseline Funding annually.

Key Definitions

The following key definitions provide clarification on important aspects of Measure L.

Baseline Funding

Baseline Funding refers to the amount of unrestricted General Fund revenue that was expended on Baseline Services during FY23. Baseline Funding serves as a foundational level of financial support for Baseline Services.

Baseline Services

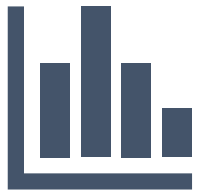
Baseline Services refer to services provided to youth that are designed to achieve the same objectives as the goals of the Sacramento Children's Fund, as defined in Measure L.

Fund Goals

Fund Goals pertain to the overarching objectives set out by the Sacramento Children's Fund. These goals include supporting the mental health and emotional wellness of youth, preventing and reducing homelessness, youth substance abuse, youth violence, and supporting the healthy development of children aged 0 to 5 years old.

City Auditor's Responsibilities

The City Auditor's responsibilities primarily relate to the calculation and verification of certain financial aspects of the Fund. The following is a summary of the specific responsibilities of the City Auditor as outlined in Section 120 of the Sacramento City Charter:



Baseline Funding Calculation

The City Auditor is responsible for calculating and publishing the Baseline Funding amount by no later than December 31, 2023.



Verification of Baseline Funding

Beginning in 2025, the City Auditor must verify whether the Baseline Funding amount was expended in the previous fiscal year.

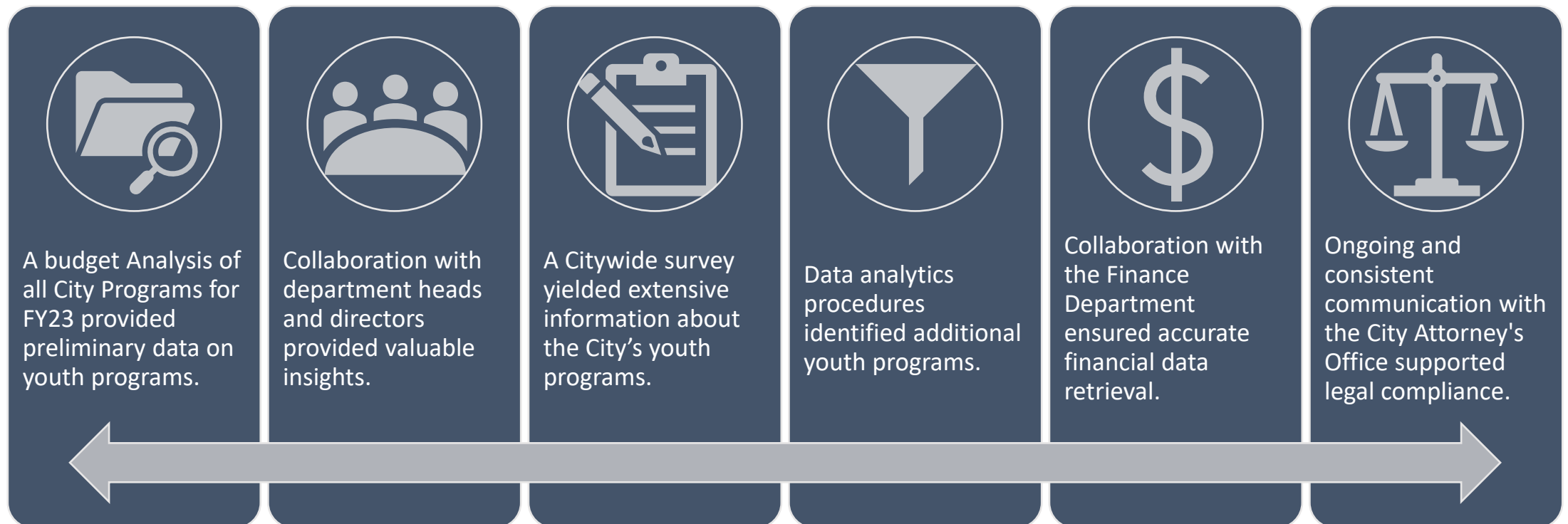


CBOT Audit & Adjustment Calculation

Starting in 2025, by each January 15, the City Auditor is required to publish an audited amount of Cannabis Business Operations Tax (CBOT) revenue for the prior fiscal year.

Objective, Scope and Methodology

The primary objective of this project was to fulfill the requirement outlined in §120 Sacramento Children's Fund, section (e)(1)(A) of the Sacramento City Charter by calculating and publishing the Baseline Funding amount no later than December 31, 2023. The scope of this project was City expenditures for fiscal year 2022/23, or those made between July 1, 2022, and June 30, 2023.



Program Qualification and Analysis

We researched programs identified as a potential youth program, aiming to gain an understanding of their key characteristics. To confirm that a program qualified for Baseline Funding, we conducted an analysis to verify its compliance with Measure L.



Identifying and Tracking Youth Expenditures

In our effort to calculate the Baseline Funding amount in compliance with Measure L, we collaborated closely with management to accurately identify youth-related expenditures.



Reliance on Management's Estimates

- In certain situations, the most appropriate method for determining the correct allocation of youth-related expenditures was to rely on management's estimates.



Inconsistency in Accounting for Youth Programs

- Given the recent passage of Measure L, there has been a lack of uniformity in tracking youth-related expenses within the City.

Potential Post-Publication Adjustments

The objective of this project was to calculate and publish the Baseline Funding amount by December 31, 2023. To calculate the Baseline Funding amount and publish the results prior to December 31st, we had to perform the calculation based on the best available information as of November 2023.



City Fiscal Year-End Activities

- The report timing coincided with the City's fiscal year-end activities, as well as audit work performed by external auditors.
- Although we've carefully reviewed and analyzed youth program expenditures, there remains a chance that post-publication adjustments from the Accounting Department or external auditors could occur.



Eligible Programs not Included in the Published Baseline amount

- Some programs were identified at the project's conclusion that we were unable to complete our analysis of eligibility for Baseline Funding.
- We plan to further evaluate these programs to ascertain if any conditions exist warranting a revision of the fiscal year 2022/23 Baseline Funding amount.

Baseline Funding Calculation

The following table summarizes the Baseline Funding programs, Baseline Funding amounts and Fund Goals by City departments. It is important to note that the table doesn't include all youth program offerings in the City of Sacramento. Instead, it highlights those eligible per Measure L.

| Department | Baseline Programs | Fund Goals | | | | | Baseline Funding |
|--|-------------------|------------|---|---|---|---|----------------------|
| | | 1 | 2 | 3 | 4 | 5 | |
| Youth, Parks, and Community Enrichment (YPCE) | 12 | • | | • | | • | \$ 10,839,009 |
| Office of Youth Development (OYD) | 4 | • | • | • | • | | \$ 4,240,340 |
| Department of Community Response (DCR) | 2 | • | • | • | | | \$ 1,562,177 |
| Sacramento Fire Department (SFD) | 6 | • | | | | | \$ 1,495,144 |
| Sacramento Police Department (SPD) | 4 | • | | • | • | | \$ 1,421,979 |
| Office of Violence Prevention (OVP) | 4 | • | | | • | | \$ 1,041,552 |
| Office of Innovation & Economic Development (OIED) | 3 | • | | | | • | \$ 740,117 |
| Office of the City Manager | 1 | • | | | | | \$ 750,000 |
| Office of Cannabis Management (OCM) | 1 | • | | • | | | \$ 525,000 |
| Convention & Cultural Services (CCS) | 4 | • | | | | | \$ 192,188 |
| Office of the City Clerk | 1 | • | | | | | \$ 11,130 |
| Community Development Department (CDD) | 1 | • | | | | | \$ 5,839 |
| Information Technology (IT) | 1 | • | | | | | \$ 5,706 |
| Total | 44 | | | | | | \$ 22,830,181 |

Amount
Considered
\$50M

Baseline
Funding
\$22.8M

Amount
Excluded*
\$27.1M

Program Expenditures Excluded from the Baseline Funding Calculation (Appendix A)

Partial Youth Program

- Measure L defines “Youth” as a person under 25 years of age. We identified the percentage of the program attributable to youth/non-youth. The amounts excluded are attributable to the program’s non-youth participation.

Ineligible Funding Source

- Expenditures were from funds that are not eligible for Baseline Funding because they are not General Fund, or revenue received by the City that is unrestricted and that can be used for any lawful purpose.

Prohibited Capital Expenditures

- Expenditures were for capital projects. Measure L prohibits expenditures for the acquisition, lease or maintenance of any capital item or real property that is not for the primary and direct use by youth.

General Operational Support

- Funding for youth programs was provided through general operating agreements or grants that did not have specific provisions for youth services. As these expenditures were directed toward general operational support and not youth services, we were unable to qualify them as Baseline Funding for Baseline Services.



Thank You.

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