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DEPARTMENT OF
FINANCE

BETTY MASUOKA
DIRECTOR

CITY OF SACRAMENTO
CALIFORNIA

February 21, 1989
89019:KN:ldc

CITY HALL
ROOM 14
915 I STREET
SACRAMENTO, CA
95814-2685

916-449-5736

DIVISIONS:
ACCOUNTING
BUDGET
REVENUE
RISK MANAGEMENT

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Fiscal Year 1988-89 Midyear Review

SUMMARY

The attached reports were reviewed by the Budget and Finance Committee. The FY 1988-89 Midyear Economic Forecast was heard on February 14, 1989 and the remainder of the reports were heard on February 21, 1989.

- A. FY 1988-89 Midyear Economic Forecast. This report is an economic forecast prepared for the City by an independent economic forecasting consultant. The purpose of this report is to inform the City Council of the significant economic factors that will likely influence the local economy during the next several years.
- B. FY 1988-89 Midyear Revenue Projections. This report presents the FY 1988-89 midyear revenue projections and recommends that the revisions to the revenues be adopted in the 1988-89 Approved Budget.
- C. 5-Year Revenue Projection - All Funds. This report transmits staff's 5-year revenue projections for all City funds. These projections provide early indications of potential program expansions and the need for revenue increases and/or expenditure reductions.
- D. Comparison of Estimated Available Fund Balances at June 30, 1989, FY89 Approved Budget versus Midyear Projection. This report compares the estimated available fund balances at June 30, 1989, FY89 Approved Budget versus the Midyear Projection.
- E. FY 1988-89 Midyear Review - 1988-89 General Fund Adjustments; 5-Year Revenue and Expenditure Projections. This report provides specific recommendations for correcting the 1988-89 projected \$5.4 million negative General Fund ending balance and 5-year fund balance projections for the enterprise funds.

City Council
February 21, 1989
page two

POLICY CONSIDERATIONS

Included in attached reports.

MBE/WBE


No impact.

RECOMMENDATION

Staff requests that the Council approve the attached resolutions:

- o Resolution amending the FY 1988-89 Approved Budget revenue projections;
- o Resolution adopting Midyear adjustments to the City of Sacramento's Fiscal Year 1988-89 Approved Budget.

Respectfully submitted,


Betty Masuoka
Director of Finance

RECOMMENDATION APPROVED:


WALTER J. SLIPE, City Manager

February 21, 1989
All Districts

RESOLUTION No. 89-146

Adopted by The Sacramento City Council on date of

A RESOLUTION AMENDING THE FY 1988/89 APPROVED
BUDGET REVENUE PROJECTIONS

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

That the FY 1988/89 Approved Budget revenue projections are hereby amended to the amounts listed as FY 1988/89 Midyear projections as shown on Exhibit I incorporated into this resolution by reference.

MAYOR

ATTEST:

CITY CLERK

APPROVED
BY THE CITY COUNCIL

FEB 21 1989

OFFICE OF THE
CITY CLERK

CITY OF SACRAMENTO
1988-89 MIDYEAR REVENUE PROJECTIONS

GENERAL FUND (\$ in 000's)		1986-87 ACTUAL	1987-88 ACTUAL	1988-89 APPROVED	1988-89 MIDYEAR	CHG FROM APPROVED

TAXES						
3101	Property Taxes - Current Secured	27,692	30,015	33,507	32,841	(666)
3102	Property Taxes - Current Unsecured	2,121	2,350	2,566	2,571	5
3103	Property Taxes - Prior Secured	1,689	2,317	2,044	2,842	798
3104	Property Taxes - Prior Unsecured	108	49	131	60	(71)
3105	Pen & Int Prop Taxes Sec	0	258	0	0	0
3107	Aircraft Personal Prop Taxes	2	2	0	0	0
3108	Sales & Use Tax	30,243	32,565	33,373	34,058	685
3110	Business Operations Tax	2,824	2,933	3,268	3,083	(185)
3111	Real Property Transfer Tax	3,302	2,839	3,789	3,211	(578)
3112	Utility User Tax	23,564	25,287	28,477	25,631	(2,846)
3120	Residential Dev Property Tax	1,220	929	892	900	8
3125	Debt Service Tax Override	1,004	973	850	850	0
3126	In-Lieu Taxes - Enterprise	665	730	845	845	0
3127	Property Taxes - Supplemental	1,559	1,607	1,909	1,752	(157)
3133	Real Prop Trans Tax-Penalties	3	12	0	0	0
Subtotal: TAXES		\$95,996	\$102,866	\$111,651	\$108,644	(\$3,007)

LICENSES AND PERMITS						
3201	Animal Licenses	134	152	140	148	8
3202	Funeral Escort Permits	3	0	0	0	0
3203	Construction Permits	2,063	1,798	1,816	2,799	983
3204	On Site Plan Review Permit	0	0	0	58	58
3205	Home Occupation Permits	46	41	32	41	9
3206	Firearms Dealer Permits	49	0	0	0	0
3208	Emergency Permits	1	1	1	1	0
3209	Taxi Permits	25	29	24	24	0
3210	Driveway Permits	2	2	2	35	33
3212	Dance Permits	2	1	1	1	0
3213	Special Use Permits	73	58	62	89	27
3214	Street Vendor Permits	11	10	11	11	0
3216	Sign & Billboard Permits	27	23	26	34	8
3217	Wrecking Permits	3	4	2	5	3
3218	Oversize Vehicle Permit	3	3	2	2	0
3219	Alley Parking Permits	9	8	8	8	0
3220	Bingo License	52	52	49	49	0
3223	House Moving Permits	0	0	2	16	14
3225	Amusement Arcade Permit	6	6	5	5	0
3226	Burglar Alarm Permits	150	88	55	65	10
3227	Excavation Permits	25	35	30	30	0
3228	Franchises	517	521	605	512	(93)
3229	Adult Business Permits	1	0	0	0	0
3230	Cable TV Construction Permits	253	359	180	20	(160)
3231	Towing Vehicle Permits	7	2	7	11	4
3232	Midtown Employee Parking Permit	0	19	376	76	(300)
3299	Miscellaneous Licenses/Permits	14	13	17	17	0
Subtotal: LICENSES AND PERMITS		\$3,476	\$3,225	\$3,453	\$4,057	\$604

GENERAL FUND (\$ in 000's)		1986-87 ACTUAL	1987-88 ACTUAL	1988-89 APPROVED	1988-89 MIDYEAR	CHG FROM APPROVED

FINE AND FORFEITS						
3301	Fines and Forfeits	1250	1,668	1,803	2,076	273
Subtotal: FINES AND FORFEITS		\$1,250	\$1,668	\$1,803	\$2,076	\$273

USE OF MONEY						
3401	Investment Interest	4,609	2,234	2,135	1,564	(571)
3402	Property/Equipment Rental	12	12	0	0	0
3408	Interest on Receivables	27	0	0	0	0
3423	Int Inc-Improvement Bonds	5	0	0	0	0
3427	Gain or Loss-Sale of Stocks	11	0	0	0	0
3420	Interest Income - Bonds	38	0	0	0	0
3436	Interest - County Held Funds	417	496	420	420	0
Subtotal: USE OF MONEY		5,119	\$2,742	\$2,555	\$1,984	(\$571)

INTERGOVERNMENTAL REVENUES						
3502	State Homeowners Prop Tax Relief	1,502	1,451	1,696	1,588	(108)
3504	State Motor Vehicle In-Lieu Tax	9,763	10,892	11,340	11,485	145
3505	State Trlr Coach In-Lieu Taxes	117	78	118	126	8
3506	State Cigarette Tax	1,001	931	976	822	(154)
3507	Other In Lieu Taxes	2	0	0	0	0
3510	State Mandated Reimb SB 90	0	4	0	311	311
3511	State Grants	424	100	0	14	14
3514	State Off Highway M V License	0	0	6	6	0
3515	County Support - Library	791	795	719	723	4
3516	Co Support - Museum & History	327	320	436	336	(100)
3520	P. O. S. T. Reimbursement	306	286	300	290	(10)
3521	Other Agency Training Reimbursement	61	33	44	93	49
3530	Redevelopment Agency Services (SHRA)	3,029	179	204	192	(12)
3532	Co Support - Metropolitan Arts Comm	53	100	79	84	5
3535	Fire District Reimbursement	1,017	1,098	1,192	1,205	13
3536	Supplemental State Subvention	384	211	0	0	0
3596	Misc Other Federal	43	17	0	28	23
3597	Misc Other State	245	237	280	294	14
3598	Misc Other County	94	287	249	246	(3)
3599	Misc Other Agencies	153	206	719	444	(275)
Subtotal: INTERGOVERNMENTAL REVENUES		\$19,312	\$17,225	\$18,358	\$18,287	(\$71)

GENERAL FUND (\$ in .000's)	1986-87 ACTUAL	1987-88 ACTUAL	1988-89 APPROVED	1988-89 MIDYEAR	CHG FROM APPROVED

CHARGES, FEES AND SERVICES					
3603 Subdivision Map - Planning	46	46	50	72	22
3604 Rezoning Fees	17	26	30	43	13
3605 Variance Fees	26	25	30	43	13
3606 Appeal Fees	4	4	4	3	(1)
3607 Map/Publication Sales	17	9	15	10	(5)
3609 Police Fees and Charges	0	0	0	160	160
3610 Fire Report Fees	4	4	3	4	1
3611 Plan Check Fee	1,101	1,309	981	1,730	749
3612 Animal Shelter	43	34	44	35	(9)
3613 St/Sidewalk/Curb Repairs	106	177	93	93	0
3614 Weed Abatement	137	207	200	200	0
3617 Swimming Pools	62	69	64	66	2
3618 Community Service Fees	102	135	117	91	(26)
3620 Admissions	880	877	854	953	99
3621 Development - Street Signs	21	14	22	19	(3)
3622 Development - Trees	28	18	22	19	(3)
3623 Cemetary Fees & Charges	2	3	1	2	1
3624 Demolition Charges	51	32	54	59	5
3628 EIS Fees	61	40	50	229	179
3634 Subdivision Map - Pub Works	22	16	25	56	31
3639 Compliance Fees	4	23	3	30	27
3640 Spec Assmt Revenue	14	9	126	126	0
3642 Central Support Charges	1,110	122	1,000	75	(925)
3643 Indirect Charges	0	2,219	0	1,201	1,201
3648 Treasurer Investment Fee	193	147	232	263	31
3651 Engineering Fees/Private Contract	1,041	1,518	2,000	1,711	(289)
3652 Planned Unit Development	0	6	5	7	2
3653 R-Plan Review	4	4	5	7	2
3655 Residential Energy Audit Fee	1	8	0	0	0
3657 Sidewalk Maint Assessmt	0	0	2	27	25
3658 Parking Meter Removal Fees	69	100	76	95	19
3659 Parking Meter Receipts	1,894	1,958	2,980	2,235	(745)
3662 Fire Permit Fees	97	120	227	206	(21)
3663 Fire Fee Disclosure	21	21	21	27	6
3664 Fire Fee Late Charges	17	16	10	12	2
3665 Utility Ext's & Frontage Imp	77	126	80	174	94
3666 Interdepartmental Direct Charges	337	360	537	412	(175)
3669 Bldg Trades Certification Fees	19	11	15	15	0
3670 Rental - Real Property	147	306	465	456	(9)
3671 Rental Equipment	6	0	1	1	0
3672 Concessions	175	146	167	170	3
3698 Other Departmental Services	96	294	59	50	(9)
3699 Other Dept Fees & Charges	155	176	124	176	52
Subtotal: CHARGES, FEES AND SERVICES	8.207	\$10,735	\$10,844	\$11,363	\$519

GENERAL FUND (\$ in 000's)	1986-87 ACTUAL	1987-88 ACTUAL	1988-89 APPROVED	1988-89 MIDYEAR	CHG FROM APPROVED

OTHER REVENUES					
3701 Sale of Real or Personal Property	11	159	650	71	(579)
3704 Salvage	14	14	8	16	8
3705 Gifts and Donations	6	0	5	5	0
3706 Liens	0	0	0	0	0
3709 Miscellaneous	512	2,614	365	498	133
3713 Interest on Receivables	0	40	80	80	0
3717 Contributions from Other Funds	22	4	61	61	0
3719 Pub Impro Redemption of Pen & Int	130	162	165	165	0
3720 Penalties	46	33	18	18	0
3725 Third Party Recvy Liability	19	0	0	0	0
3727 3rd Party Recovery, Property Damage	88	104	66	69	3
3728 Workers Compensation Offset	0	0	2	1	(1)
3761 Compost Sales	0	0	0	0	0
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Subtotal: OTHER REVENUES	\$848	\$3,130	\$1,420	\$984	(\$436)
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TOTAL GENERAL FUND	\$134,208	\$141,591	\$150,084	\$147,395	(\$2,689)
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OTHER GOVERNMENTAL FUNDS (\$ in 000's)		1986-87 ACTUAL	1987-88 ACTUAL	1988-89 APPROVED	1988-89 MIDYEAR	CHG FROM APPROVED

GAS TAX FUND-202,203,204,247						
3401	2106 Interest on Investments	178	150	156	153	(3)
3509	2106 State Gasoline Tax	1,677	1,706	1,699	1,749	50
3401	2107 Interest on Investments	151	87	135	63	(72)
3509	2107 State Gasoline Tax	3,003	2,980	2,947	2,951	4
3509	2107.5 State Gasoline Tax	10	11	10	10	0
3401	SB 300 Interest on Investments	95	16	0	7	7
3509	SB 300 State Gasoline Tax	735	0	0	0	0
Subtotal: GAS TAX FUND		\$5,849	\$4,950	\$4,947	\$4,933	(\$14)

CDBG FUND-205						
3511	State Grants	0	0	0	0	0
3513	Federal Grants	196	142	926	926	0
Subtotal: CDBG FUND		\$196	\$142	\$926	\$926	\$0

SHRA FUND-206						
3513	Federal Grants	0	0	226	198	(28)
3530	Redevelopment Agency Services	(194)	2,084	0	0	0
Subtotal: SHRA FUND		(\$194)	\$2,084	\$226	\$198	(\$28)

TRAFFIC SAFETY FUND-208						
3301	Fines Forfeits & Penalties	1024	1,165	923	1,200	277
3401	Interest on Investments	12	44	130	24	(106)
Subtotal: TRAFFIC SAFETY FUND		\$1,036	\$1,209	\$1,053	\$1,224	\$171

MAJOR STREET CONSTRUCTION FUND-209						
3129	Major Street Construction Tax	2,900	2,284	2,137	3,000	863
Subtotal: MAJOR ST CONSTRUCTION		\$2,900	\$2,284	\$2,137	\$3,000	\$863

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OTHER GOVERNMENTAL FUNDS (\$ in 000's)		1986-87 ACTUAL	1987-88 ACTUAL	1988-89 APPROVED	1988-89 MIDYEAR	CHG FROM APPROVED

NARCOTICS TASK FORCE-579						
3401	Interest on Investment	9	19	100	117	17
3511	State Grants	0	12	0	0	0
3513	Federal Grants	0	225	0	0	0
3709	Miscellaneous	0	3	0	250	250
Subtotal: NARCOTICS TASK FORCE FUND		\$9	\$259	\$100	\$367	\$267

FAIRYTALE TOWN FUND-589						
3618	Community Service Fees	5	0	0	0	0
3620	Admissions	220	247	294	294	0
3672	Concessions	140	137	143	143	0
3709	Miscellaneous	12	19	34	34	0
Subtotal: FAIRYTALE TOWN FUND		\$377	\$403	\$471	\$471	\$0

FLORIN RD STORM & SANITARY SEWER-640						
3401	Interest on Investment	5	5	5	5	0
Subtotal: FLORIN RD STR & SANIT SWR		\$5	\$5	\$5	\$5	\$0

QUIMBY ACT FUND-710						
3401	Interest on Investments	352	361	457	290	(167)
3618	Community Services Fees	583	3	712	720	8
Subtotal: QUIMBY ACT FUND		\$935	\$364	\$1,169	\$1,010	(\$159)

FLOOD & DRAINAGE FUND-737						
3401	Interest on Investments	162	174	119	118	(1)
Subtotal: FLOOD & DRAINAGE FUND		\$162	\$174	\$119	\$118	(\$1)

CITATION I-5 IMPROVEMENT FUND-794						
3401	Interest on Investments	12	13	9	13	4
3604	Rezoning Fees	0	0	0	0	0
3699	Other Dept Fees & Charges	32	0	50	200	150
Subtotal: CITATION I-5 IMPROV FUND		\$44	\$13	\$59	\$213	\$154

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ENTERPRISE FUNDS (\$ in 000's)		1986-87 ACTUAL	1987-88 ACTUAL	1988-89 APPROVED	1988-89 MIDYEAR	CHG FROM APPROVED

PARKING FUND-412						
3401	Interest on Investment	172	220	432	196	(236)
3530	Redevelopment Agency Services	0	0	0	0	0
3599	Misc Other Agencies	194	194	194	194	0
3602	Parking Fees	7,204	7,314	8,699	7,936	(763)
3670	Rental - Real Property	416	487	413	474	61
3709	Miscellaneous	(2)	3	1	1	0
Subtotal: PARKING FUND		\$7,984	\$8,218	\$9,739	\$8,801	(\$938)

WATER FUND-413						
3401	Interest on Investment	1,235	1,157	750	1,002	252
3596	Miscellaneous Other Federal	0	1	0	0	0
3601	Utility Services Charges	12,787	13,938	15,540	14,772	(768)
3635	Water Development Fees	560	(20)	3,000	3,000	0
3642	Central Support Charges	51	86	0	0	0
3666	Interdepartmental Direct Charges	2	0	38	50	12
3667	Water Tap Sales	499	478	450	450	0
3706	Liens	294	300	555	300	(255)
3709	Miscellaneous	99	88	75	75	0
3721	Gas Royalties	363	5	0	0	0
3727	3rd Party Recovery Property Damage	17	8	10	10	0
Subtotal: WATER FUND		\$15,907	\$16,041	\$20,418	\$19,659	(\$759)

SEWER FUND-414						
3401	Interest on Investments	369	369	406	399	(7)
3528	RSD O&M Recovery	760	641	884	600	(284)
3599	Misc Other Agencies	57	176	540	533	(7)
3601	Utility Services Charges	3,924	4,454	4,510	4,701	191
3636	Sewer Development Fees	153	0	126	140	14
3642	Central Support Charges	5	7	0	0	0
3668	Sewer Permits	204	241	250	240	(10)
3706	Liens	285	270	160	160	0
3709	Miscellaneous	22	7	5	1	(4)
3713	Interest on Receivables	187	68	0	0	0
Subtotal: SEWER FUND		\$5,966	\$6,233	\$6,881	\$6,774	(\$107)

SOLID WASTE FUND-415						
3128	Garden Refuse Tax	2,438	2,504	2,631	2,530	(101)
3401	Interest on Investments	173	420	314	314	0
3511	State Grants	0	5	0	0	0
3597	Misc Other State	73	25	0	0	0

ENTERPRISE FUNDS (\$ in 000's)		1986-87 ACTUAL	1987-88 ACTUAL	1988-89 APPROVED	1988-89 MIDYEAR	CHG FROM APPROVED

SOLID WASTE FUND-415 (Continued)						
3598	Misc Other County	27	0	0	0	0
3601	Utility Services Charges	17,425	18,059	18,305	18,319	14
3699	Other Dept Fees & Charges	57	88	84	85	1
3706	Liens	524	540	690	550	(140)
3709	Miscellaneous	48	42	35	1,254	1,219
3761	Compost Sales	4	7	4	4	0
Subtotal: SOLID WASTE FUND		20,769	\$21,690	\$22,063	\$23,056	\$993

BOAT HARBOR FUND-417						
3221	Boat Slip License	313	415	818	893	75
3401	Interest on Investments	69	70	98	71	(27)
3599	Misc Other Agencies	0	0	0	0	0
3642	Central Support Charges	14	14	0	0	0
3709	Miscellaneous	26	19	21	21	0
3711	Gas & Oil Sales - Boat Harbor	128	125	225	219	(6)
Subtotal: BOAT HARBOR FUND		\$550	\$643	\$1,162	\$1,204	\$42

GOLF FUND-418						
3401	Interest on Investments	168	263	194	194	0
3618	Community Services Fees	2,339	2,526	2,546	2,546	0
3672	Concessions	487	456	490	490	0
Subtotal: GOLF FUND		2,994	\$3,245	\$3,230	\$3,230	\$0

COMMUNITY CENTER FUND-419						
3122	Transient Occupancy Tax	4,724	4,886	5,613	5,613	0
3401	Interest on Investments	143	849	159	219	60
3602	Parking Fees	0	21	0	60	60
3670	Rental-Real Property	1,026	929	1,106	951	(155)
3671	Rental Equipment	72	66	74	74	0
3672	Concessions	187	202	193	200	7
3673	Box Office Fees	107	162	130	140	10
3674	Catering Fees	159	164	162	165	3
3675	Insurance Fees & Charges	8	9	14	9	(5)
3709	Miscellaneous	59	49	99	32	(67)
3760	Community Center Service Fees	38	83	97	125	28
Subtotal: COMMUNITY CENTER FUND		\$6,523	\$7,420	\$7,647	\$7,588	(\$59)

ENTERPRISE FUNDS (\$ in 000's)	1986-87 ACTUAL	1987-88 ACTUAL	1988-89 APPROVED	1988-89 MIDYEAR	CHG FROM APPROVED

CAMP SACRAMENTO FUND-424					
3401 Interest on Investments	5	10	0	0	0
3670 Rental-Real Property	219	211	0	0	0
3709 Miscellaneous	0	1	0	0	0
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Subtotal: CAMP SACRAMENTO FUND	\$224	\$222	\$0	\$0	\$0

STORM DRAINAGE FUND-425					
3401 Interest on Investments	122	282	127	313	186
3511 State Grants	200	6	0	0	0
3597 Misc Other State	0	0	0	1,037	1,037
3598 Misc Other County	0	2	0	50	50
3601 Utility Services Charges	8,544	9,418	10,424	10,405	(19)
3624 Demolition Charges	4	5	0	0	0
3642 Central Support Charges	26	1	0	0	0
3706 Liens	108	179	377	200	(177)
3709 Miscellaneous	10	78	15	16	1
3717 Contributions from Other Funds	0	641	0	0	0
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Subtotal STORM DRAINAGE FUND	\$9,014	\$10,612	\$10,943	\$12,021	\$1,078

TOTAL ENTERPRISE FUNDS	\$69,931	\$74,324	\$82,083	\$82,333	\$250
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INTERNAL SERVICE FUNDS (\$ in 000's)	1986-87 ACTUAL	1987-88 ACTUAL	1988-89 APPROVED	1988-89 MIDYEAR	CHG FROM APPROVED

FLEET MANAGEMENT FUND-420					
3401 Interest	460	667	265	431	166
3510 State Mandated Reimbursement - SB 90	0	5	0	35	35
3511 State Grants	31	6	0	0	0
3599 Misc Other Agencies	0	0	45	0	(45)
3666 Interdepartmental Direct Charge	0	55	0	90	90
3699 Other Dept Fees	25	29	25	25	0
3704 Salvage	27	127	200	200	0
3709 Miscellaneous	1	7	4	10	6
3724 3rd Party Recovery	76	67	65	70	5
3726 Insurance Settlements	7	0	2	0	(2)
3727 3rd Party Recovery	3	1	2	2	0
3731 Recovery of Item Previously Expensed	74	52	0	100	100
Subtotal: FLEET MANAGEMENT	\$704	\$1,016	\$608	\$963	\$355

RISK MANAGEMENT FUND-421					
3401 Interest	1,010	1,366	1,000	1,723	723
3597 Misc Other State	57	0	0	0	0
3666 Interdepartmental Direct Charge	57	0	895	895	0
3709 Miscellaneous	6	3	2	6	4
Subtotal: RISK MANAGEMENT	\$1,130	\$1,369	\$1,897	\$2,624	\$727

TOTAL INTERNAL SERVICE FUNDS	\$1,834	\$2,385	\$2,505	\$3,587	\$1,082

TOTAL CITY REVENUES	\$223,642	\$232,947	\$252,285	\$253,780	\$1,495

RESOLUTION NO. 89-141

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

APPROVED
BY THE CITY COUNCIL

FEB 21 1989

OFFICE OF THE
CITY CLERKRESOLUTION 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



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DEPARTMENT OF
FINANCE

REVENUE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
ROOM 104
915 I STREET
SACRAMENTO, CA
95814-2696

916-449-5434

February 3 1989
RA891004:MLM:ldm

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: FY 1988/89 MIDYEAR ECONOMIC FORECAST

SUMMARY

This report recommends that the Budget and Finance Committee direct the transmittal of the FY 1988/89 Midyear Economic Forecast to the City Council for its information.

BACKGROUND

Beginning with FY 1983/84 staff has provided the City Council with an economic forecast prepared for the City by an independent economic forecasting consultant. The purpose of the forecast is to inform the City Council of the significant economic factors that will likely influence the local economy during the next several years.

DISCUSSION

The FY 1988/89 Midyear Economic Forecast was prepared for the City by Data Resources (DRI). DRI provides the City with comprehensive information services for monitoring, analyzing, and forecasting the economic environment and related factors. Jay V. Kloepper, DRI representative, prepared the City's FY 1988/89 Midyear Economic Forecast. The forecast was prepared utilizing the extensive economic data available to DRI and data and insights provided by key City staff.

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FINANCIAL DATA

The FY 1988/89 Midyear Economic Forecast projects a less optimistic future than the FY 1987/88 Midyear Economic Forecast. The following schedule compares the 1988 and 1989 major City revenue forecasts for FY 1989/90.

CITY OF SACRAMENTO
Revenue Projections
\$ in Thousands

<u>Revenues</u>	<u>FY 1989/90</u>			
	<u>1988 MY</u>	<u>1989 MY</u>	<u>\$ Change</u>	<u>% Change</u>
Property Taxes	\$ 44,533	\$ 44,318	<\$ 215>	< .5>
Sales & Use Taxes	35,102	35,354	252	.7
Utility Users Taxes - Gen.	30,843	24,759	< 6,084>	<19.7>
Utility Users Taxes - P.S.	NA	1,337	1,337	NA
Business Operations Taxes	3,485	3,249	< 236>	< 6.8>
Property Transfer Taxes	<u>4,216</u>	<u>3,351</u>	<u>< 865></u>	<u><20.5></u>
Total	<u>\$118,179</u>	<u>\$112,368</u>	<u><\$5,811></u> ^A	<u>< 4.9></u>

^AThe estimating error excluding the voter-approved freeze on utility users taxes for public safety was \$7,148 (6.0%).

The less optimistic forecast is primarily attributable to an assumption change in the growth of SMUD electric rates that impacts the utility user tax revenue. It appears that SMUD is committed to ending the double digit rate increases which have occurred during the last several years. This was not evident when the 1988 Midyear Economic Forecast was prepared.

POLICY CONSIDERATIONS

The Midyear Economic Forecast per se has no associated direct policy considerations. However, the economic data is used to forecast the City's financial future and therefore indirectly affects the City's fiscal policies. The Midyear Review reports will address the indirect policy considerations raised by the Midyear Economic Forecast.

MBE/WBE EFFORTS

None.

CONTACT PERSON

Michael L. Medema, Revenue Manager. 449-5724

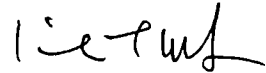
February 3, 1989

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RECOMMENDATION

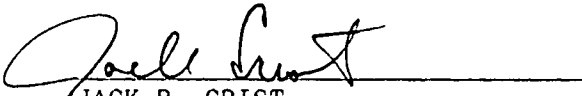
It is recommended that the Budget and Finance Committee direct staff to transmit the attached FY 1988/89 Midyear Economic Forecast to the City Council for its information.

Respectfully submitted,



Michael L. Medema
Revenue Manager

RECOMMENDATION APPROVED:



JACK R. CRIST
Deputy City Manager

Attachment

All Districts
February 14, 1989

SACRAMENTO METROPOLITAN AREA

ECONOMIC FORECAST

AND

SACRAMENTO CITY

REVENUE FORECAST

FIRST QUARTER 1989

SACRAMENTO METROPOLITAN AREA

ECONOMIC FORECAST

AND

SACRAMENTO CITY

REVENUE FORECAST

FIRST QUARTER 1989

Prepared By:

Jay Kloepfer
Data Resources
44 Montgomery Street, Suite 2485
San Francisco, CA 94104

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I. EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The current economic forecast for the Sacramento metropolitan area was prepared by Data Resources (DRI) and is based on the DRI November 1988 U.S. forecast and on the Commission on State Finance (COSF) December 1988 California forecast. The COSF forecast for California is based on the DRI November 1988 national projections.

Key economic indicators for the U.S., California, and Sacramento are summarized in Appendix Tables A1-A4.

THE U.S. ECONOMIC OUTLOOK

After a strong finish to 1987 and a robust first half of 1988, the U.S. economy is showing signs of slowing. The Federal Reserve has been clearly trying to shift the economy into a lower gear, and the central theme to the current DRI forecast for the U.S. economy is that tighter monetary policy and higher interest rates will successfully slow the economy to a "soft landing" consistent with capping the inflation rate in the 4-5% range. Real GNP growth should taper from the rapid 3.8% pace of 1988 to 2.3% in 1989 and 1.9% in 1990. While the Federal Reserve is preoccupied with controlling inflation, it is also sensitive to signs of weakness in the economy, and is not expected to drive the U.S. into a recession in 1989.

Consumer and business spending will soften in 1989, as income and employment growth slow and as a DRI/McGraw-Hill survey of investment plans reveals, an acceptance of the "soft landing" scenario by businesses. An expected correction in retail inventories will further depress the effect of slower spending on the economy as excess inventory is worked off.

The weakness induced in the economy by higher interest rates will temper inflation in 1989, although the effect of the drought on food prices and the effect of low unemployment on wages will exert upward pressure on the CPI. The early warning signs of impending inflation are quite evident to the Federal Reserve, and it is expected to devote considerable attention to controlling inflation. Rising interest rates should peak in mid-1989, when obvious weakening in the economy will necessitate some easing by the Fed.

Continued improvement in the trade balance is one of the primary elements preventing the economy from slipping into a recession.

THE CALIFORNIA ECONOMIC OUTLOOK

Economic growth has begun to slow in California during 1988, and is expected to continue to slow in concert with the nation through 1989. The slower spending growth identified in the national forecast will affect California by imposing only moderate increases in employment and income for the next two years. It appears that growth in California peaked somewhat earlier than the nation, due in part to the differences in the timing of the resurgence of manufacturing employment in California and the U.S., and in part to the continued slowdown in national defense spending, which has adverse effects on the state's high tech aerospace industries. Services, primarily business services, and government employment will contribute a significant amount of new jobs over the forecast interval. Residential building remained strong in 1988, largely due to single family starts, but higher home prices and interest rates will curtail demand over the next year. Nonresidential construction valuations showed impressive gains in 1988, and should hold steady through 1989 and 1990.

THE SACRAMENTO MSA ECONOMIC OUTLOOK

The Sacramento economy appears to have ignored completely the stock market crash of October 1987. From the fourth quarter of 1987 through the first three quarters of 1988, growth in employment and income has remained strong, and a surge in nonresidential construction has kept one of the primary engines of growth running warm. The general outlook for the MSA finds no compelling reasons why the current expansion cannot continue through the end of the decade, although somewhat slower growth is expected, especially in 1989.

Continuing the pattern of the last two years, the engines of growth for total employment during the first three quarters of 1988 have been the trade, services and construction sectors. These sectors, along with a resurgent high tech manufacturing sector and a stronger-than-expected outlook for state and local

government employment, support an expected growth rate of 5.3% for total employment in 1988, followed by 3.6% and 3.7% in 1989 and 1990. Sacramento will continue to outperform the state in total job growth, and will continue to be one of the fastest growing MSA's in the nation.

Total taxable sales did not record so much as a flinch in response to the stock market crash. Strong wage and salary growth over the past few years, coupled with high consumer confidence, served to maintain healthy growth rates in taxable sales. Sales measured in current dollars should grow 6.5% in 1988 and again in 1989, and 7.2% in 1990. Removing the effects of expected inflation, growth in real sales will slip from 4.9% in 1988 to 3.6% in 1989 and 3.3% in 1990.

Nonresidential construction valuations surged during the first three quarters of 1988, and in a pattern very similar to that of the state, should hold steady at historically high levels for the next two years. Residential housing starts should drop 9.2% in 1988 and then slip 7.9% in 1989 and 1.2% in 1990, as multifamily starts continue to be severely depressed. Growth in single family starts, like nonresidential valuations, is expected to be flat, but at a historically high level.

SMUD utility revenues grew by leaps and bounds from 1985 to 1987, averaging 25% growth per year. The bulk of these revenue increases came from numerous and large rate hikes, combined with moderate consumption growth. SMUD has recently announced that rate increases will be kept to one 4% increase in FY 1988-89, and no increase the following fiscal year. The resulting SMUD revenue forecast calls for 9.1% growth in 1989 and just 4.1% in 1990, after 15.9% in 1988. PG&E gas revenues are expected to grow 5.4% in 1988, followed by 7.9% and 10.9% in 1989 and 1990, assuming no further reduction in recorded sales from direct purchases of gas.

THE SACRAMENTO CITY REVENUE OUTLOOK

The current forecast calls for moderate growth in total major revenues over the forecast interval, with the drag on revenue growth coming primarily from utility user fees. Total major revenues collected by the City of Sacramento in FY88 were \$100.07 million, up 7.4% from FY87. These revenues are projected to grow 6% per year for FY89 and FY90 before increasing to a 9.2% rate in FY91. Strong city assessed value growth drives the forecast of

property tax revenues, which are projected to grow 9.5% during FY89, followed by increases of 10.6% and 11.7% in FY90 and FY91. Utility user fees increased 7.5% in FY88 to \$25.076 million, but will grow just 2.2% in FY89 and only 1.8% in FY90, this sluggish growth largely a result of the SMUD rate restrictions. Property transfer tax revenues dropped 18.6% in FY88 after two successive years of 19% growth. Given the strength of nonresidential permit activity in 1988, the transfer tax revenues should rise 9.8% in FY89, although it will take until FY91 to reach the level of transfer tax revenues attained in FY87. Business operating fees are projected to increase at 5-6% annual rates over the FY89-FY91 period.

II. UNITED STATES ECONOMIC OUTLOOK

U.S. ECONOMIC OUTLOOK

The current economic forecast for the U.S. is the DRI November 1988 Control Forecast. This forecast was released on November 2, 1988, and incorporates the Commerce Department's estimates of the National Income and Product Accounts (NIPA) data for the third quarter of 1988.

After a strong finish to 1987 and a robust first half of 1988, the U.S. economy is showing signs of slowing. The Federal Reserve has been clearly trying to shift the economy into a lower gear: except for a brief interlude after the stock market crash, when "damage control" called for lower interest rates to make sure the economy did not fall over a cliff, short-term interest rates have been rising steadily since 1986. The central theme to the current DRI forecast for the U.S. economy is that tighter monetary policy by the Fed will successfully slow the economy to a "soft landing" consistent with capping the inflation rate in the 4-5% range. While a 1989 boom cannot be ruled out, and a recession is another possibility, albeit more remote, DRI's analysis reveals that the evidence in favor of each of these scenarios is weak. The early warning signs of higher inflation are quite evident to the Federal Reserve, and combined with expected weakening in consumer and business spending, tight monetary policy should slow the economy in 1989. Real GNP growth should taper from the rapid 3.8% pace of 1988 to 2.3% in 1989 and 1.9% in 1990..

During the past summer, the forecast discussions at DRI revolved around denying the conventional wisdom that three things were bound to happen: double-digit inflation, a recession, and another financial shock. Embedded in the current forecast is the conviction that this conventional wisdom is still incorrect. The obvious concern of the Federal Reserve is controlling inflation, and it is not expected to back away from its goals in the near term. The economy may be showing signs of slowing, but is still relatively strong, strong enough to continue the current, seemingly endless expansion without the necessity of a recession. The Federal Reserve is also expected to keep a close watch on the economy in its pre-emptive strike against inflation, and should ease up interest rates should the signs of weakness become too threatening.

Real GNP increased at a 2.2% rate in the third quarter of 1988, its slowest pace in two years. This sluggish pace was achieved not by a weakening of total demand growth, but by a mix of strong business output and drought-damaged farm production. The drought is estimated to have taken 0.6 percentage point off the quarter's growth rate. Final sales increased only modestly, reflecting a sharp slowdown in spending for consumer durable goods and business equipment, as well as a drop in defense purchases. The trade balance deteriorated for the first time in a year as import growth of 8.7% outpaced export growth of 8.4%. Imports were particularly strong in foods and beverages, oil, capital goods, and factor income, while exports of agricultural goods were weak. The drought will continue to depress growth in the fourth quarter, and in addition to the drain on the farm sector, will have a small negative impact on consumption and exports.

The fourth quarter of 1988 begins a period of weaker economic growth which lasts until early 1990. While consumers have practiced balanced spending for the past three quarters, matching spending levels with income, weakening income growth will result in lower consumer spending growth. Spending on durable goods will show virtually no growth in the next three-and-a-half years, the result of this slow income growth plus declining consumer confidence, a weak housing market, and a moribund motor vehicle market. American businessmen apparently accept the scenario of Fed-induced "soft landing" in 1989 because they have already trimmed their 1989 capital budgets to match this outlook. According to the latest DRI/McGraw-Hill survey of investment plans, companies intend to increase capital outlays by only 5.8% in 1989, compared with an 11.7% increase in 1988. Moreover, only a 1% increase in spending is planned for 1990.

Continued improvement in the trade balance is one of the primary elements preventing the economy from slipping into a recession. The real deficit (1982 dollars) falls from \$94.9 B in the third quarter of 1988 to \$13.8 B in the second quarter of 1990 as the exchange rate drops 13% from its third quarter level. Exports are the primary source of this improvement, expanding 17.5% in 1988 and 10.0% in 1989 and 1990.

The weakness in the economy induced by the higher interest rates will temper inflation in 1989, although certain components will continue to exert upward pressure on the general price level. The 1988 drought means higher food prices; increases for cereals and bakery products, eggs, poultry, and fruit and vegetables are already evident. With some farmers choosing to slaughter animals rather than incur high feed costs, lower meat prices will help somewhat in the near term, but reduced meat supplies next year

will produce another round of food price increases. Consumer price inflation for food and beverages will jump from 4.2% in 1988 to 6.0% in 1989, before heading back toward 4% in 1990 and 1991. The other exacerbating influence will be wage inflation, caused by an unemployment rate that remains below 6% and a higher minimum wage. Oil prices, on the other hand, although recently stabilized by OPEC, will exert a moderating effect on the CPI.

Other Forecast Highlights

Housing and Construction - Single-family construction is expected to show steady gains through the end of 1988, but as mortgage rates move up in 1989, construction will fall before leveling out in 1990 and recovering in 1991. Multi-family starts fell to their lowest level in six years this past August, reflecting a market still dominated by high vacancy rates and the removal of tax benefits. Multi-family starts will continue to decline into 1989 and 1990 until a reduction in the vacancy rate begins to have an effect. Spending on nonresidential building is expected to fall roughly 2% per year from 1988 to 1990 before rising 3.1% in 1991. This weakness is due mainly to a continuing correction in the office market, reflecting previous overbuilding along with the effects of restrictions on tax shelters and the longer depreciation lives imposed by tax reform. The drop-off in office construction will outweigh a pickup in industrial building.

Inventories - While an acceleration in nonfarm inventory accumulation added marginally to growth in 1988, this inventory buildup also reflected the weakness in consumer spending and the bulge in imports during the year, and provided further support for a costly correction expected next year. The major problem lies in the retail sector, where stock growth has substantially outpaced sales growth for two years. Although total retail accumulation slowed in the third quarter as auto stocks stabilized, other retail stocks picked up the pace. A retail stock correction will contribute substantially to the slowdown in the economy over the next year, as retailers try to work down inventories, cutting back on their orders to suppliers.

International Trade - Benefitting from the dollar's depreciation, real exports are projected to rise 17.5% in 1988. As the drought slows grain shipments, real export growth slides back to 10.0% in 1989 and 1990 and 7.2% in 1991. In response to higher import prices and a slowdown in domestic demand, the growth of real imports drops from 7.4% in 1988 to 3.6% in 1989 and -0.4% in 1990. Consequently, the U.S. trade deficit gradually narrows from a record \$154 B in 1987 to \$83 B by 1991.

Interest Rates - The tight monetary policy of the Federal Reserve accomplishes the goal of restraining inflation in a very straightforward fashion: higher interest rates dampen consumer and business spending, which eases the upward pressure on prices. The prime rate of interest has already increased from 8.2% in 1987 to 9.3% in 1988, and is expected to climb to 10.3% in 1989 before easing back to 9.6% in 1990.

Federal Deficit and the New President - The budget deficit is not expected to disappear in a hurry: after narrowing to \$144 B in fiscal 1988, an improvement of \$20 B over the level anticipated a year ago, the budget deficit is expected to swell to \$147 B in fiscal 1989, dropping back to \$144 B in 1990 and \$108 B in 1991. While the incoming President has vowed to keep a lid on tax increases, any serious attack on the deficit will require some form of "revenue enhancement" or "user fee" without any real and significant decline in defense spending. Congress is already rumbling with calls for some sort of tax increase, and anecdotal evidence indicates that many in the business community doubt the ability of the new administration to hold its "no new taxes" line for long.

III. CALIFORNIA ECONOMIC OUTLOOK

CALIFORNIA ECONOMIC OUTLOOK

The current economic forecast for the state of California is the Commission on State Finance December 1988 forecast, and is used with their permission. This forecast is based on the DRI November 1988 U.S. economic forecast, presented in the preceding section of this report. Unlike most of the COSF forecasts, the December 1988 projections will not be published in a fully documented report, due to considerations of the Commission. The forecast is public, however, and for more details on the California outlook, the Commission refers interested readers to their Quarterly General Fund Forecast published by in September 1988. The analyses and forecasts presented in the September report are embodied in the current projections with no significant changes.

Economic growth has begun to slow in California during 1988, and is expected to continue to slow in concert with the nation through 1989. It appears that growth in California peaked somewhat earlier than the nation, as wage and salary employment in the state suffered fairly sluggish increases during the first half of 1988 compared to 1987, when the state outperformed the nation by an unusually wide margin. The slower spending growth identified in the national forecast will affect California in a fashion similar to the nation, with tempered, moderate increases in employment and income expected for the next two years.

California typically outperforms the nation in employment gains. During the first half of 1988, however, California employment grew at a slower pace than the nation, which is as unusual as the size of the margin by which the state outperformed the national average in 1987. The COSF forecast expects that this weaker first half will hold California employment growth to 3.5% in 1988, slightly below the national average of 3.6%, and this marks only the second time in the past two decades that employment growth in California has failed to exceed the national average. Over the forecast interval, however, California is expected to regain its traditional margin over the nation, exceeding the U.S. growth by about one-half percentage point.

The lower California employment growth rate is attributed in part to differences in the timing of the resurgence of manufacturing employment in California and the U.S. California manufacturing employment grew 2.0% in 1987, considerably more than the national gain of just 0.5%. In contrast, manufacturing payrolls will

expand by just 1.1% in California during 1988, less than the national average of 2.3%. The strong 1987 performance in California was centered in nondurable goods industries, particularly apparel and textile products, which benefited from the declining U.S. dollar. In 1988, much of the nation-wide strength in manufacturing has shifted to industries which have a relatively small presence in the state: primary and fabricated metals, engines, and farm equipment. This shift has led to a manufacturing revival in the eastern and "rust belt" midwestern states, but the gains have had relatively mild effects on California.

A second factor in the sluggish performance of California in 1988 is the continued slowdown in national defense spending and the subsequent effect on the state's high tech aerospace industries. The slowdown is showing up in the aircraft and parts and missiles and space segments, which are expected to increase just 0.8% and 0.3% in 1988 compared to 4.4% and 4.1% in 1987. Despite respectable gains in the other aerospace segments, such as office equipment, electronics components, and instruments, overall aerospace employment is expected to increase by only 1.3% per year in 1988 and 1989.

Services, retail trade, and government provided the bulk of the new jobs created in the state in 1988. Trade employment is expected to grow very little over the forecast interval, while government and service employment will continue to contribute a significant amount of new jobs, but at a slower pace. Increasing school enrollments will be largely responsible for the expected increase in government employment. Business services will continue to grow rapidly as computer software development, advertising, and other business services remain in high demand. Construction employment grew a surprising 4.4% in 1988, reflecting strong construction permit activity during the first half of the year, but should decline 0.2% in 1989 and 3.6% in 1990 before rebounding in 1991.

Residential building remained strong in 1988, with permits issued at the rate of 236,900 per year, above the long term average for California of 210,000. Building in the state also compares quite favorably to the nation as a whole, which has seen building activity fall sharply over the past year. While some of this recent strength represents an acceleration of plans by builders in response to the large number of growth control measures on local ballots around the state, the continued strength in the residential building sector is one of the more positive features in this outlook for California. Most of the strength in residential housing is related to single family homes, although

rapidly rising home prices, higher interest rates and moderating increases in real income will make housing unaffordable to an increasing share of the state's population. Much of the single family housing growth is taking place in the inland regions of the state where affordability is less of a problem than in the largest population centers, but rising home prices and interest rates will nevertheless curtail demand for new housing over the next year. The combination of overbuilding and loss of tax incentives under the 1986 federal tax law changes will continue to depress multifamily housing construction through 1989 and 1990.

Nonresidential construction valuations were surprisingly strong in California during the first half of 1988. The strength has been concentrated in the office and commercial store space, however, and has been related to permits for a relatively few large projects, many of which are in the Los Angeles area. The COSF anticipates that total valuations will maintain the levels of the first half of 1988 over the balance of 1988 and 1989 and on into 1990. The major risk to this forecast is the possibility that permits for large, discreet projects will drop back to 1987 levels in the coming months, reducing total valuations.

IV. SACRAMENTO MSA ECONOMIC OUTLOOK

SACRAMENTO MSA ECONOMIC OUTLOOK

The current economic forecast for the Sacramento Metropolitan Statistical Area (MSA) is based on the Data Resources (DRI) model of the Sacramento economy, using the DRI November 1988 U.S. forecast and the Commission on State Finance (COSF) December 1988 California projections. (The Sacramento MSA includes El Dorado, Placer, Sacramento, and Yolo counties.) The DRI model of the Sacramento economy is a sophisticated econometric tool used to describe and project economic activity in the MSA. The model links appropriate local variables to state and national forecasts, and incorporates the recent data updates and revisions. The MSA forecast includes detailed projections in six sectors of the economy: employment, real estate and assessed value, demographics, income, taxable sales, and utility revenues. This forecast is summarized in Appendix Tables A-3 and A-4, and documented in more detail in Tables A-5 through A-13. The forecast begins in the fourth quarter of 1988 for employment and utility revenues, the second quarter of 1988 for taxable sales, the first quarter of 1988 for demographics, and the first quarter of 1987 for personal income.

The Sacramento MSA economy appears to have ignored completely the stock market crash of October 1987. During the fourth quarter of 1987 and the first three quarters of 1988, growth in employment and income has remained strong, and a surge in nonresidential construction has kept one of the primary engines of growth running warm. Following the market crash in 1987, DRI predicted that economic growth in the MSA would subside in 1988, but the crash was "not expected to darken the outlook dramatically". Compared to 1987, growth in 1988 is expected to be lower, but the difference is slight. Total employment expanded 5.5% in 1987 and should finish 1988 at a rate of 5.3% growth. Personal income growth, estimated at 10.0% in 1987, will slip a notch to 9.5% for 1988, hardly a significant slowdown. If the immediate post-crash outlook for the Sacramento MSA in 1988 could have been labelled "cautiously optimistic", this year's post-crash experience has shown that the caution was unnecessary. The general outlook for this First Quarter 1989 forecast is similar in character to the national forecast: there are no compelling reasons why the current expansion cannot continue through the end of the decade, although somewhat slower growth is expected, especially in 1989. Total employment should expand at a slower, but still healthy, 3.6% clip in 1989 and 3.7% in 1990, while personal income growth will dip to 8.8% in 1989 before climbing back up to 9.5% in 1990.

Employment

Continuing the pattern of the last two years, the engines of growth for total nonagricultural employment during the first three quarters of 1988 have been the trade, services and construction sectors. These sectors, along with a resurgent high tech manufacturing sector and a stronger-than-expected outlook for state and local government employment, support an expected growth rate of 5.3% for total nonagricultural employment in 1988, followed by 3.6% and 3.7% in 1990 and 1991. Sacramento will continue to outperform the state in total job growth, and will continue to be one of the fastest growing MSA's in the nation.

The performance of the trade, services and construction sectors during the first three quarters of 1988 has been almost identical to 1987. Construction employment grew by a healthy 8.2% in 1987, which appears moderate compared to the double-digit growth of the previous four years, and this healthy rate of growth should hold up for 1988. Nonresidential construction contract awards have been extremely strong, more than making up for the continued slowing of the residential permit activity. Consumer spending in the MSA has apparently returned to its pre-crash abandon, fueling employment growth in trade of 5.0% in 1988 after 5.4% in 1987, and service employment expansion of 7.8% in 1988 following 8.2% the previous year.

The remarkably strong surge in activity in nonresidential construction during 1988 is expected to abate somewhat during 1989, and the projected decline in residential permits will slow construction employment growth to just 2.2% in 1989 and 2.9% in 1990. The consensus view of business mentioned in the national forecast of a slower 1989, embodied in the investment plans covered by the DRI/McGraw-Hill survey, as well as expected hesitancy on the part of the consumer, will weaken employment growth in trade to 2.1% in 1989 before rising to 3.6% in 1990. Service employment, buoyed by the business services subsector, should settle in around 5.5% growth over the forecast horizon.

Manufacturing employment continues to be an emerging bright spot in the MSA economy, although its relatively small size limits the impact of its above-average growth. While manufacturing employment grew at an average annual rate of 7.7% between 1983 and 1987, the second fastest rate of all MSA's in the nation, only 7.4% of all jobs in Sacramento MSA are in manufacturing, more than ten percentage points lower than the average for the top 100 MSA's. The manufacturing share of total employment has crept up from 6.6% in 1982, and is slowly contributing to the

diversification of the metropolitan economy. Durable manufacturing has been largely construction-related in Sacramento and has led manufacturing growth during the mid-1980's. The continued strength of construction will hold manufacturing growth up at 5.4% for 1988, but the expected slackening in 1989 should drop the growth rate to under 2% before recovering in 1990.

High-tech manufacturing (classified partially under electrical and non-electrical machinery) has rebounded to grow an expected 12.9% in 1988, and should the lustre return to the electronics and computer sectors state- and nation-wide, this manufacturing sector could flower in the fashion that has been desired for some time. The benefits of such a development include not only diversification of the industry base, but new demand for machinery and industrial products in the business-to-business markets, and for business services, which are currently aimed primarily at government. Until the manufacturing sectors of the economy mature, demand for supporting services is likely to remain small. While low business and living costs, especially when compared to the Bay Area and Southern California, are the Sacramento MSA's greatest assets in attracting manufacturing employers, the relative inaccessibility of the area to the major metropolitan markets has been a hindrance - only 12.6% of the nation's urban markets lie within a 500-mile drive of Sacramento.

Finance, insurance, and real estate (FIRE) employment was the only category to suffer major revisions during the annual re-release of the benchmark employment numbers by the Commerce Department. The new data show that FIRE employment growth averaged over 7.5% per year from 1984 to 1986, and then reached 8.2% in 1987. Riding comfortably atop the real estate and construction boom of the mid-1980's, FIRE should enjoy 7.8% growth for 1988 before slipping to average annual growth of just over 5% for the next three years, reflecting the anticipated slowdown in construction and real estate. Transportation employment will jump 12% in 1988, then settle in at 4.0% and 3.2% for 1989 and 1990, while public utility employment will remain relatively flat.

Government employs just over 30% of all nonagricultural workers in the Sacramento MSA, and the state and local levels together employ one out of every four in the workforce - more than double the average for the top 100 MSA's nation-wide. Federal government employment actually declined 2.5% in 1987 and is expected to decline 2.2% further in 1988 before growing again in 1989 and 1990. City and county government employment has been stronger in 1987 and 1988 than expected, but caution is expected at the local level over the forecast interval, holding growth to

under 2% per year. State government employment has continued to grow steadily in response to the state's prosperous economy, and in spite of the budget problems introduced by tax reform in 1987 and 1988. The current COSF forecast of state personal income is stronger for 1988 and 1989 than immediately after the market crash, which translates to stronger state government revenue growth.

The unemployment rate in the Sacramento MSA was 5.6% in 1987, lower than both the state and the national rates, and slipped even lower in 1988 to 5.4%. The state and national unemployment rates are now in line with the MSA's, however, and all three are expected to closely shadow each other at 5.6% in 1989, creeping up to 6.0% in 1990. These are low rates by recent historical standards, and are viewed by some economists as the lowest the rates can fall before significantly aggravating wage inflation.

Personal Income

All categories of personal income for the MSA were completely revised back to 1969 by the Commerce Department. These revisions reflect new benchmark data, better reporting techniques, redefinitions, and better statistical interpretation of survey information, as well as an attempt to quantify some aspects of the underground economy. The resulting numbers reveal somewhat different income patterns for the MSA than previously expected.

First, the level of total personal income is higher by 4-5% across history, reflecting a more prosperous economy. These new numbers, especially when viewed on a per capita basis, help explain the strong taxable sales patterns of the past few years much better. Second, the relative composition of personal income has been changed. Wages and salaries still dominate, contributing 57% of total income. Proprietors' income has been redefined to include a portion of what was once considered property income, and the Commerce Department has added an amount to proprietors' income to reflect a measure of the underground economy. The residence adjustment component has been eliminated from the definition of MSA personal income. Residence adjustment refers to income by individuals residing outside the MSA but who have earnings in the MSA and vice versa. This information is published only at the county level, so aggregating it to the four-county Sacramento MSA would include intra-MSA flows. Given the size and geographic location of the MSA, county aggregation would grossly overstate the true measure of the MSA residence

adjustment, which is an extremely small portion of total income.

Total personal income grew at an average annual rate of 10.3% from 1984 to 1987, on the strength of wage and salary income and the newly defined proprietors' income. After growing 9.5% in 1988, income should increase at a slower 8.8% rate in 1989, reflecting slower wage gains, before returning to 9.5% growth in 1990. Higher interest rates expected in 1988 and 1989 should support extraordinary growth in property income for these two years. The stock market crash does not appear to have had the major impact on personal income the "wealth effect" suggested it should. (See the First Quarter 1988 forecast for a description of the wealth effect and an explanation of why it was not expected to hold after the market crash.)

Taxable Sales

Total taxable sales in the Sacramento MSA did not record so much as a flinch in response to the stock market crash. Strong wage and salary growth over the past few years, coupled with high consumer confidence prior to October 1987, served to maintain healthy growth rates in taxable sales. Some analysts feared that the precipitous drop in the Dow Jones on Black Monday would spell a disastrous fourth quarter for consumer spending in 1987, and a serious cutback in future outlays into 1988. Not only did this scenario not happen, but total taxable sales for calendar year 1987 grew 7.3%, faster than the "cautiously optimistic" projections made immediately after the crash. This strong growth occurred despite the flat performance of the automotive sales category, where financing incentive plans ended in mid-1987. Taxable sales should remain strong through 1988, reflecting the strength of the Sacramento economy during the year, with 6.5% growth followed by 6.5% in 1989 and 7.2% in 1990. All of these growth rates are in nominal or current dollars. The 6.5% nominal growth in 1989 includes the effects of higher expected inflation - real growth (in constant 1982 dollars) will slip from 4.9% in 1988 to 3.6% in 1989 and 3.3% in 1990, reflecting the gentle slowing of the MSA economy represented in this forecast.

Demographics

The total resident population of the Sacramento MSA, as of January 1, 1988, is 1,363,900, according to the California Department of Finance. This figure represents an increase of 3.9% over 1987, which is a phenomenal growth rate, especially when compared to growth in the top 100 MSA's. The robust job market and the lower cost of living appears to be luring new residents to the metropolitan area. Population is projected to grow at a slower 2.7% annual rate for 1989, settling at 2.6% for 1990, as population growth in the state slows over this period.

Construction and Real Estate

Nonresidential construction contract valuations surged during the first three quarters of 1988. After four years of construction boom from 1983-1986, new nonresidential valuations dipped 3.7% in 1987, reflecting the high vacancy rates resulting from the four-year boom and the elimination of several tax incentives to build. Starting with the fourth quarter of 1987, however, the past four quarters have seen the value of nonresidential contract awards in the MSA soar, and these values are expected to grow by 22.7% for the calendar year 1988. The forecast then calls for relatively slow growth for the next two years, 4.6% and 2.2%, but even this slower growth means historically high levels of nonresidential construction activity. The perception of nonresidential construction opportunities in the outlying areas, fueled by confidence in the MSA economy, is overriding the facts of current high vacancy rates for most types of nonresidential structures and greatly reduced tax incentives to build. The MSA will reflect the basic pattern of the state for 1988 through 1990.

Authorized residential housing starts dropped 5.2% in 1987 and are projected to decline 9.2% in 1988, which will mark the third successive year of decline. Starts are then expected to slip 7.9% in 1989 and 1.2% in 1990. Multifamily starts are declining dramatically, while single family starts actually increased over 4% per year in 1987 and 1988 and are projected to hold steady over the forecast interval. Multi-family starts are being held down by high vacancy rates, reduced federal tax incentives, and relatively inexpensive land, which favors single family homes. While single family starts may not be growing over the forecast horizon, the level at which they are projected to hold steady is historically high.

Utility Revenues

SMUD utility revenues grew by leaps and bounds from 1985 to 1987, averaging 25% growth per year. The bulk of these revenue increases came from the rate hikes imposed by SMUD over this period, including 20% and 10% rate increases imposed in one year, 1987. Over this same period, electricity consumption grew 8.5%, 2.4%, and 6.0%. SMUD has recently announced to city officials that rate increases will be kept to one 4% increase in FY 1988-89, and no increase the following fiscal year. These announced rate changes have been incorporated into the current forecast, and are reflected in the average SMUD rate increases of 11.3% for calendar 1988, 2.7% for 1989, and 1.4% for 1990 that are displayed in the appendix tables. The resulting SMUD revenue forecast calls for 9.1% growth in 1989 and just 4.1% in 1990, after an estimated 15.9% increase in 1988. During this period of minimum rate increases, electricity consumption is projected to grow 4.1% in 1988, 6.3% and 2.7% in 1989 and 1990. During the 1985-1987 episode, the large SMUD rate increases and subsequent revenues offset the decline in PG&E revenues such that combined utility revenues grew by 4.8% in 1986 and 18.6% in 1987. Combined revenues are expected to increase by 13.3% in 1988, 8.8% in 1989 and 5.6% in 1990.

PG&E gas revenues declined 22% in 1986 and slid 6.3% further in 1987, reflecting a decline in the average PG&E rate and a decline in gas consumption. The average PG&E rate, after declining in response to the sharp drop in energy prices in 1986, is expected to recover over the forecast interval. The drop in gas consumption is harder to explain. This absolute decline has been attributed to large commercial users that have contracted directly with gas producers and carriers, such that their purchases no longer show up as PG&E reported revenues. The economic forecast of gas consumption assumes that the declines in 1986 and 1987 are entirely accounted for by these gas sales and does not explicitly assume any other consumers' reported purchases will disappear from the reported revenues. Gas sales are forecast to grow 6.6% in 1988, followed by 3.5% and 4.8% in 1989 and 1990. Combined with the projections of average PG&E prices, PG&E revenues are forecast to grow 5.4% in 1988, 7.9% in 1989, and 10.9% in 1990.

V. SACRAMENTO CITY REVENUE OUTLOOK

SACRAMENTO CITY REVENUE OUTLOOK

The current revenue forecast for the City of Sacramento is based on the preceding economic forecast for the Sacramento MSA. Detailed projections of five major categories of City revenue are provided: property tax, sales and use tax, utility user fees, business operating fees, and property transfer tax. These projections include fiscal year totals and monthly collections patterns for property and sales taxes and utility users' fees. Also forecast are city-level taxable sales, assessed values, and city building permit valuations. The revenue forecast is summarized in Appendix Table A-16 and documented in further detail in Appendix Tables A-17 through A-20. The other projected City variables are displayed in Appendix Tables A-14 and A-15.

The City revenue forecast begins in the fourth quarter of 1988.

Total major revenues collected by the City of Sacramento in FY88 were \$100.07 M, up 7.37% from FY87. These revenues are projected to grow 6% per year for FY89 and FY90, increasing to a 9.2% rate in FY91. While this forecast calls for only moderate growth in total major revenues over the forecast interval, the drag on revenue growth is primarily from the utility user fees.

Property tax receipts for FY88 were \$36.6 M, an increase of 10.3% over FY87, and representing over 36% of the total major revenues. Property tax is expected to be the leading growth component of revenues for Sacramento, and it will increase in importance over the length of the forecast interval, rising from a 36% share to almost 40% in FY91. These receipts are expected to grow 9.5% during FY89, and then to increase by 10.6% in FY90 and 11.7% in FY91.

Assessed values determine the ultimate level of property tax receipts. Total assessed values increased 10% in FY88 and 9.4% in FY89 to \$12.0 B, within 1/2% of the February 1988 forecast. The components of the assessed value rolls are the existing roll and additions to the roll, both new construction and the incremental assessed value from existing properties that change title. The value of the existing roll is severely restricted by Prop 13, and it does not change much with economic conditions. The additions are determined by the amount of new construction added to the roll, and by properties that change title, which brings their assessed value to their market value. The new construction boom of the mid-1980's added greatly to the assessed value roll, but as construction activity begins to slow over the

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forecast, new construction additions to assessed values should moderate. However, the large amount of nonresidential construction permitted in 1988 should swell the rolls during 1989 and 1990, and the strong forecast of average home prices for the Sacramento area will strengthen the additions to assessed values from the turnover of existing properties, resulting in assessed value growth of 10.3% and 11.7% for FY90 and FY91. The single-family construction market is much weaker in 1988 than anticipated in February 1988, and the lack of developable land may be making itself known. (The development of the North Natomas area has not been explicitly incorporated into this forecast, as the continuing uncertainty surrounding the scope and timing of possible additions to the assessed value rolls would result in projections that are not much better than a wild guess.)

Sales and use taxes grew a robust 7.7% in FY88, reflecting the strong income and employment activity in the MSA, and the fearless consumer spending in the wake of the stock market crash. The moderation in employment growth and income expected for 1989 and 1990 will slow the growth in sales tax receipts to 4.6% in FY89 and 3.8% in FY90, before rebounding to 7.2% in FY91. This pattern is very similar to that expected of taxable sales at the state level.

Utility user fees increased 7.5% during FY88, after growing just 5.4% in FY87. These moderate increases occurred at the same time as some of the largest SMUD rate hikes. There are two reasons for this apparent anomaly: first, PG&E reported revenues declined 22% in 1986 and 6% in 1987, as discussed in the MSA economic forecast; second, the utility user tax rate has been declining since 1986. Utility user fees are expected to increase by just 2.2% in FY89 and only 1.8% in FY90, before rebounding back to 8.2% growth in FY91. The utility user fee collections of \$25.076 M in FY88 were \$1.5 M less than expected in February 1988, accounting for much of the \$2 M difference between the February forecast of total major revenues and the actual amount collected.

Underlying this rather flat forecast of utility user fees are projections of moderate PG&E average gas rate increases combined with positive energy consumption growth, which should push up energy user fees. The telephone portion of the utility user fees are also projected to grow in concert with total employment for the region. However, imposed on this economic forecast of user fees are two important policy decisions. First, as mentioned in the MSA forecast, SMUD has announced to City officials that their rates will increase only 4% for FY 89 and not at all for FY90.

Imposing this rate increase restriction on the projections of electricity consumption greatly reduces the previous forecast of SMUD utility revenues. Second, working in the opposite direction, voters in Sacramento elected to freeze the utility user tax rate at 7.5%, which it dropped to on October 1, 1988, instead of allowing it to fall by 0.5% each October until it reached 5.0%. This tax rate change will have a greater effect on the later years of the forecast.

Business operating fees inched up just 1.5% in FY88, after only 2% growth in FY87. Given the robust performance of the Sacramento economy during the last few years, the slow growth in this tax source is difficult to explain. Historically, the business operating fees have been strongly correlated with the level of taxable sales in the City of Sacramento and the growth in total employment. Using these indicators, and dampening the results given the experience of the past two fiscal years, the business fees are projected to increase at 5-6% annual rates over the FY89-FY91 period.

Property transfer tax revenues jumped 19% in each of FY86 and FY87, in response to very strong real estate and construction activity. These tax revenues then dropped 18.6% in FY88. While a definite flattening out of the transfer tax revenues was expected last February, a decline of such magnitude was surprising. The flattening of the property transfer tax revenues was expected in FY88 as an adjustment to a new plateau of economic and real estate activity established by the previous years' growth. The pattern was consistent with both the historical experience of the City of Sacramento and the outlook for the economy of the region and nonresidential construction in particular. In 1987, nonresidential construction permit valuations declined by almost 60% over 1986. The property transfer tax is expected to grow 9.8% over FY89, given the strength of the nonresidential permit activity in 1988, although it will take until FY91 to reach the level of transfer tax revenues attained in FY87.

VI. APPENDIX TABLES

Table A-1 — United States Forecast Summary

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Real GNP (B82\$)	3279.1	3501.4	3618.7	3721.7	3847.0	3992.5	4083.7	4161.8	4297.0
% ch	3.6	6.8	3.4	2.8	3.4	3.8	2.3	1.9	3.2
Personal Income (M\$)	2838.6	3108.8	3325.4	3531.1	3780.0	4054.3	4341.5	4620.7	4979.6
% ch	6.3	9.5	7.0	6.2	7.0	7.3	7.1	6.4	7.8
Real Pers. Income (M82\$)	2726.3	2877.1	2978.9	3087.8	3163.5	3255.9	3326.8	3380.9	3474.3
% ch	2.1	5.5	3.5	3.7	2.4	2.9	2.2	1.6	2.8
Personal Savings Rate	5.4	6.2	4.5	4.1	3.3	4.1	4.4	4.5	4.6
Nonag. Employment (000)	90.2	94.5	97.5	99.5	102.3	106.0	107.9	108.7	110.3
% ch	0.7	4.8	3.2	2.1	2.8	3.6	1.8	0.8	1.4
Indust. Prod. (% ch)	5.9	11.2	1.9	1.1	3.8	5.4	2.0	1.9	4.4
New Car Sales (Mil.)	9.2	10.4	11.0	11.4	10.3	10.6	10.1	9.7	10.0
% ch	15.0	13.2	6.2	3.7	-10.2	3.2	-4.8	-3.8	2.4
Housing Starts (Mil.)	1.7	1.8	1.7	1.8	1.6	1.5	1.4	1.4	1.5
% ch	61.3	3.6	-1.4	4.1	-9.8	-10.3	-3.6	0.3	6.2
Pre-tax Corp. Prof. (B\$)	207.6	239.9	224.3	236.4	276.7	295.3	292.5	317.7	369.7
% ch	22.4	15.6	-6.5	5.4	17.1	6.7	-0.9	8.6	16.4
Consumer Prices (% ch)	3.2	4.3	3.5	1.9	3.7	4.1	4.7	4.6	4.9
Prime Interest Rate	10.8	12.0	9.9	8.3	8.2	9.3	10.3	9.6	10.3
Mortgage Interest Rate	12.8	12.5	11.7	10.3	9.3	9.3	9.6	9.6	9.5
Unemployment Rate	9.6	7.5	7.2	7.0	6.2	5.5	5.6	5.9	5.6
Federal Budget Deficit (B\$)	-176.0	-169.6	-196.9	-205.6	-157.8	-142.9	-147.9	-138.3	-100.5
Net Exports (B\$)	-6.1	-58.9	-78.0	-104.4	-123.1	-92.1	-81.3	-43.4	-25.6

Source: DRI November 1988 Control U.S. Forecast

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Table A-2 — California Forecast Summary

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Personal Income (B\$)	352.4	389.2	422.2	453.4	493.0	531.1	572.8	614.8	669.6
% ch	7.4	10.4	8.5	7.4	8.7	7.7	7.8	7.3	8.9
Real Pers. Income (B82\$)	338.5	360.2	378.2	396.5	412.6	426.6	438.9	449.9	467.3
% ch	3.2	6.4	5.0	4.8	4.1	3.4	2.9	2.5	3.9
Nonag. Employment (000)	9964.1	10572.6	10978.5	11256.0	11709.6	12116.7	12431.7	12642.0	12964.0
% ch	1.6	6.1	3.8	2.5	4.0	3.5	2.6	1.7	2.5
Unemployment Rate	9.7	7.8	7.2	6.7	5.8	5.3	5.5	6.0	5.8
Population (000)	25311.1	25795.0	26365.1	26998.0	27673.0	28365.0	29046.0	29714.0	30308.3
% ch	2.1	1.9	2.2	2.4	2.5	2.5	2.4	2.3	2.0
Res. Bldg. Permits (000)	172.1	225.7	271.5	315.4	253.4	235.4	203.0	195.6	200.1
% ch	100.1	31.1	20.3	16.2	-19.7	-7.1	-13.7	-3.6	2.3
Nonres. Const. (B82\$)	10.2	12.2	13.2	12.7	11.6	13.0	13.5	13.3	14.0
% ch	16.9	19.8	7.7	-3.9	-8.5	12.3	3.5	-1.2	5.2
Taxable Sales (B\$)	42.3	48.5	52.1	54.3	57.9	62.7	66.8	70.7	76.6
% ch	9.4	14.6	7.6	4.2	6.5	8.3	6.7	5.8	8.4
Real Taxable Sales (B82\$)	41.7	46.8	49.5	51.8	53.5	56.6	58.2	59.1	61.4
% ch	7.8	12.4	5.7	4.6	3.3	5.8	2.9	1.5	3.9
Consumer Prices (% ch)	0.0	2.5	7.3	0.0	6.8	2.1	8.3	3.8	3.7

Source: California Commission on State Finance December 1988 Forecast

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Table A-3 — Sacramento MSA Forecast Summary

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Personal Income (M\$)	14751.3	16285.2	18039.3	19836.8	21823.2	23893.5	25984.3	28443.4	31479.2
% ch	8.3	10.4	10.8	10.0	10.0	9.5	8.8	9.5	10.7
Real Pers. Income (M82\$)	14167.4	15071.3	16158.4	17345.0	18262.5	19185.4	19910.9	20810.5	21961.7
% ch	4.0	6.4	7.2	7.3	5.3	5.1	3.8	4.5	5.5
Nonag. Employment (000)	436.3	465.8	494.5	520.0	548.6	578.0	598.5	620.6	647.5
% ch	2.7	6.7	6.2	5.2	5.5	5.3	3.6	3.7	4.3
Unemployment Rate	10.1	8.1	7.1	6.2	5.6	5.4	5.6	6.1	6.2
Population (000)	1185.5	1213.9	1244.3	1270.7	1313.0	1359.9	1396.0	1431.7	1467.3
% ch	2.8	2.4	2.5	2.1	3.3	3.6	2.7	2.6	2.5
Housing Starts (000)	43.86	59.07	82.96	74.18	70.31	63.87	58.81	58.10	61.76
% ch	62.4	34.7	40.4	-10.6	-5.2	-9.2	-7.9	-1.2	6.3
Nonres. Const. (M82\$)	463.7	729.9	594.8	739.0	710.1	877.4	904.7	897.6	980.2
% ch	56.1	57.4	-18.5	24.3	-3.9	23.6	3.1	-0.8	9.2
Home Sales (000)	6.55	7.18	7.46	7.58	7.20	7.65	7.50	7.13	6.93
% ch	25.2	9.5	3.9	1.7	-5.0	6.2	-1.9	-4.9	-2.9
Avg. Home Price (000)	85.6	86.2	88.6	94.9	100.3	107.7	111.8	117.4	124.7
% ch	-0.5	0.7	2.7	7.2	5.6	7.4	3.8	5.1	6.2
Assessed Value (B\$)	33.6	36.9	40.6	45.4	50.3	55.3	61.8	68.5	75.7
% ch	7.5	9.8	10.0	11.7	10.9	9.9	11.8	10.9	10.5
Utility Revenue (Mil. \$)	403.9	437.2	502.0	526.3	624.4	707.8	770.4	813.8	902.5
% ch	9.0	8.2	14.8	4.8	18.6	13.3	8.8	5.6	10.9
Taxable Sales (M\$)	7539.8	8711.7	9695.7	10239.8	10986.2	11698.8	12459.6	13355.8	14567.5
% ch	11.7	15.5	11.3	5.6	7.3	6.5	6.5	7.2	9.1
Real Taxable Sales (M82\$)	6924.9	7923.6	8732.0	9241.8	9654.1	10126.0	10485.7	10830.2	11365.2
% ch	11.4	14.4	10.2	5.8	4.5	4.9	3.6	3.3	4.9
Taxable Prices (% Chg.)	0.3	1.1	1.1	-0.2	2.8	1.6	3.0	3.9	4.1

Source: DRI Fourth Quarter 1988 Sacramento MSA Forecast

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Table A-4 — Forecast Comparison — U.S., California and Sacramento MSA

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Personal Income (% Chg.)									
U.S.	6.3	9.5	7.0	6.2	7.0	7.3	7.1	6.4	7.8
CA	7.4	10.4	8.5	7.4	8.7	7.7	7.8	7.3	8.9
SAC MSA	8.3	10.4	10.8	10.0	10.0	9.5	8.8	9.5	10.7
Real Personal Income (% Chg.)									
U.S.	2.1	5.5	3.5	3.7	2.4	2.9	2.2	1.6	2.8
CA	3.2	6.4	5.0	4.8	4.1	3.4	2.9	2.5	3.9
SAC MSA	4.0	6.4	7.2	7.3	5.3	5.1	3.8	4.5	5.5
Nonagricultural Employment (% Chg.)									
U.S.	0.7	4.8	3.2	2.1	2.8	3.6	1.8	0.8	1.4
CA	1.6	6.1	3.8	2.5	4.0	3.5	2.6	1.7	2.5
SAC MSA	2.7	6.7	6.2	5.2	5.5	5.3	3.6	3.7	4.3
Unemployment Rate									
U.S.	9.6	7.5	7.2	7.0	6.2	5.5	5.6	5.9	5.0
CA	9.7	7.8	7.2	6.7	5.8	5.3	5.5	6.0	5.8
SAC MSA	10.1	8.1	7.1	6.2	5.6	5.4	5.6	6.1	6.2
Residential Housing Construction (% Chg.)									
U.S. (Starts)	61.3	3.6	-1.4	4.1	-9.8	-10.3	-3.6	0.3	6.2
CA (Permits)	100.1	31.1	20.3	16.2	-19.7	-7.1	-13.7	-3.6	2.3
SAC MSA	62.4	34.7	40.4	-10.6	-5.2	-9.2	-7.9	-1.2	6.3
Nonresidential Construction (% Chg.)									
U.S. (Real Invest.)	-11.2	13.0	4.0	-13.5	-2.9	-0.5	-1.7	-1.9	4.3
CA (Real Perm. Val.)	16.9	19.8	7.7	-3.9	-8.5	12.3	3.5	-1.2	5.2
SAC (Real Contract Val.)	56.1	57.4	-18.5	24.3	-3.9	23.6	3.1	-0.8	9.2
Population (% Chg.)									
U.S.	1.0	0.9	1.0	1.0	0.9	0.9	0.9	0.9	0.8
CA	2.1	1.9	2.2	2.4	2.5	2.5	2.4	2.3	2.0
SAC MSA	2.8	2.4	2.5	2.1	3.3	3.6	2.7	2.6	2.5
Inflation (% Chg.)									
U.S. (CPI)	3.2	4.3	3.5	1.9	3.7	4.1	4.7	4.6	4.9
CA (CPI)	0.0	2.5	7.3	0.0	6.8	2.1	8.3	3.8	3.7
SAC (Taxable Prices)	0.3	1.1	1.1	-0.2	2.8	1.6	3.0	3.9	4.1

Source: DRI Fourth Quarter 1988 Sacramento MSA Forecast

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Table A-5 — Sacramento MSA Nonagricultural Employment

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Employment by Place of Work, Thousands									
Total Nonag. Employment	436.3	465.8	494.5	520.0	548.6	578.0	598.5	620.6	647.5
Mining	0.8	0.8	0.9	0.8	0.8	0.7	0.7	0.7	0.6
Construction	17.9	23.0	27.2	30.8	33.3	36.0	36.8	37.9	40.1
Manufacturing	29.3	33.0	35.1	38.2	40.7	42.9	43.5	44.4	45.4
Nondurable	13.1	14.5	14.4	14.9	16.1	16.9	16.8	16.9	17.2
Food & Kindred	6.0	6.8	6.3	6.5	6.8	6.9	6.6	6.6	6.5
Print. & Publish.	4.1	4.4	4.8	5.1	5.5	5.9	5.9	5.9	6.1
Other Nondurable	3.1	3.4	3.3	3.4	3.8	4.1	4.3	4.4	4.5
Durable	16.2	18.5	20.7	23.2	24.5	26.0	26.7	27.5	28.2
Lumber & Wood	3.2	3.7	3.8	4.1	4.8	4.9	4.7	4.6	4.6
Stone, Clay, Glass	1.6	1.8	2.0	2.2	2.1	2.2	2.3	2.3	2.5
Machinery, Ex. Elec.	2.6	3.3	3.4	3.4	3.5	4.0	4.2	4.4	4.7
Other Durable	8.7	9.7	11.5	13.5	14.1	14.9	15.5	16.2	17.4
Nonmanufacturing	407.0	432.7	459.4	481.8	508.0	535.1	555.0	576.2	601.1
Trans. & Pub. Util.	22.5	23.4	23.8	23.8	24.8	26.2	26.9	27.5	28.4
Transportation	10.9	12.2	12.7	12.9	13.8	15.5	16.1	16.6	17.2
Public Util.	11.6	11.2	11.1	10.9	11.0	10.7	10.8	10.9	11.2
Trade	105.4	113.7	121.7	127.0	133.8	140.5	143.4	148.7	155.8
Wholesale	20.5	22.6	24.2	24.7	26.0	27.5	28.6	30.0	31.3
Retail	84.9	91.1	97.6	102.3	107.8	113.0	114.8	118.7	124.4
Fin., insur., R/E	24.8	26.8	28.6	30.8	33.3	35.0	36.6	38.5	40.9
Services	86.8	94.3	101.4	108.3	117.1	126.3	133.2	139.9	147.1
Government	148.8	150.7	155.7	160.4	164.8	170.4	177.3	183.1	188.2
Federal	27.8	28.4	29.6	30.3	29.5	28.9	29.3	30.2	30.4
City & County	15.9	16.3	17.1	17.7	18.5	19.3	19.7	20.0	20.3
State & other	105.2	105.9	109.1	112.4	116.8	122.2	128.3	132.9	137.5
Employment by Place of Residence, Thousands									
Civilian Labor Force	527.2	604.3	615.2	643.8	675.3	716.5	748.5	785.7	825.7
Civilian Employment	474.0	555.3	571.6	603.9	637.8	677.5	706.3	737.8	774.2
Unemployment	53.2	49.0	43.5	39.9	37.5	39.0	42.2	47.9	51.5
Unemployment Rate (%)	10.1	8.1	7.1	6.2	5.6	5.4	5.6	6.1	6.2

Source: DRI Fourth Quarter 1988 Sacramento MSA Forecast

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Table A-6 — Sacramento MSA Nonagricultural Employment (Contd.)

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Employment by Place of Work, Annual Percent Change									
Total Nonag. Employment	2.7	6.7	6.2	5.2	5.5	5.3	3.6	3.7	4.3
Mining	-13.5	2.0	10.6	-10.2	-0.2	-7.4	-4.2	-6.1	-5.2
Construction	10.5	28.6	18.1	13.0	8.2	8.3	2.2	2.9	5.8
Manufacturing	4.9	12.7	6.2	8.9	6.5	5.4	1.5	2.1	4.5
Nondurable	1.3	10.3	-0.8	3.9	7.9	4.5	-0.3	0.4	1.7
Food & Kindred	-4.9	12.7	-6.0	1.9	5.8	0.3	-3.2	-0.7	-0.8
Print. & Publish.	8.6	7.4	9.1	6.1	9.0	5.9	0.5	0.9	3.1
Other Nondurable	5.2	9.7	-3.5	4.6	10.4	10.1	3.6	1.5	3.6
Durable	8.1	14.7	11.7	12.3	5.6	6.0	2.6	3.2	6.2
Lumber & Wood	21.2	15.9	3.3	7.4	15.6	2.0	-3.5	-2.4	1.3
Stone, Clay, Glass	13.1	7.6	10.7	11.1	-3.0	5.0	2.6	1.5	7.9
Machinery, Ex. Elec.	0.2	25.4	2.4	0.6	3.9	12.9	4.4	6.0	6.1
Other Durable	5.4	12.4	18.1	17.6	4.3	5.7	4.1	4.4	7.4
Nonmanufacturing	2.5	6.3	6.2	4.9	5.4	5.3	3.7	3.8	4.3
Trans. & Pub. Util.	-4.1	4.0	1.9	-0.3	4.3	5.6	2.9	2.4	3.1
Transportation	-3.7	11.3	4.2	1.5	7.3	12.0	4.0	3.2	3.3
Public Util.	-4.5	-2.9	-0.7	-2.4	0.8	-2.6	1.2	1.1	2.7
Trade	5.3	7.9	7.1	4.3	5.4	5.0	2.1	3.6	4.8
Wholesale	8.4	10.3	6.8	2.2	5.3	5.8	3.9	4.8	4.5
Retail	4.6	7.3	7.1	4.9	5.4	4.8	1.6	3.4	4.9
Fin., insur., R/E	3.8	7.9	6.6	7.9	8.2	5.0	4.7	5.0	6.3
Services	3.9	8.6	7.6	6.7	8.2	7.8	5.5	5.0	5.2
Government	-0.0	1.3	3.4	3.0	2.8	3.4	4.1	3.3	2.8
Federal	1.1	2.4	4.0	2.5	-2.5	-2.2	1.6	2.9	0.9
City & County	-0.0	3.0	4.5	3.7	4.4	4.7	1.8	1.7	1.5
State & other	-0.3	0.7	3.0	3.0	3.9	4.6	5.0	3.6	3.4
Employment by Place of Residence, Annual Percent Change									
Civilian Labor Force	2.2	14.6	1.8	4.7	4.9	6.1	4.5	5.0	5.1
Civilian Employment	3.7	17.2	2.9	5.7	5.6	6.2	4.2	4.5	4.9
Unemployment	-9.5	-7.8	-11.2	-8.5	-5.9	4.0	8.4	13.4	7.5
Unemployment Rate (%)	10.1	8.1	7.1	6.2	5.6	5.4	5.6	6.1	6.2

Source: DRI Fourth Quarter 1988 Sacramento MSA Forecast

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Table A-7 — Sacramento MSA Personal Income

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Personal Income, Mil. \$									
Total Personal Income	14751.3	16285.2	18039.3	19836.8	21823.2	23893.5	25984.3	28443.4	31479.2
Wages & Salaries	8438.6	9374.1	10402.9	11444.7	12644.5	13793.1	14965.4	16376.0	18139.7
Other Labor Income	741.7	802.3	860.8	936.7	1028.6	1121.1	1211.8	1315.8	1470.4
Proprietors' Income	1121.3	1314.8	1482.7	1700.9	1895.7	2086.1	2233.5	2396.2	2636.2
Property Income	2227.7	2532.5	2776.8	2990.5	3284.8	3687.8	4071.4	4424.6	4904.0
Transfer Income	2813.0	2920.6	3276.5	3607.8	3891.7	4258.4	4657.0	5217.3	5765.9
Less Social Insurance	-591.1	-659.2	-760.4	-843.7	-922.1	-1052.9	-1154.8	-1286.6	-1437.1
Real Personal Income, Mil. 82 \$									
Real Personal Income	14167.4	15071.3	16158.4	17345.0	18262.5	19185.4	19910.9	20810.5	21961.7
Real Disposable Income	12118.1	12937.5	13793.6	14832.6	15507.3	16385.8	16955.0	17639.3	18510.6
Real Per Cap. Inc. (82\$)	12.0	12.4	13.0	13.6	13.9	14.1	14.3	14.5	15.0
Annual Percent Change									
Total Personal Income	8.3	10.4	10.8	10.0	10.0	9.5	8.8	9.5	10.7
Wages & Salaries	7.9	11.1	11.0	10.0	10.5	9.1	8.5	9.4	10.8
Other Labor Income	11.4	8.2	7.3	8.8	9.8	9.0	8.1	8.6	11.8
Proprietors' Income	16.9	17.3	12.8	14.7	11.5	10.0	7.1	7.3	10.0
Property Income	7.7	13.7	9.6	7.7	9.8	12.3	10.4	8.7	10.8
Transfer Income	6.8	3.8	12.2	10.1	7.9	9.4	9.4	12.0	10.5
Less Social Insurance	-13.3	-11.5	-15.4	-11.0	-9.3	-14.2	-9.7	-11.4	-11.7
Real Personal Income	4.0	6.4	7.2	7.3	5.3	5.1	3.8	4.5	5.5
Real Disposable Income	5.0	6.8	6.6	7.5	4.5	5.7	3.5	4.0	4.9
Real Per Capita Income	1.2	3.9	4.6	5.1	1.9	1.4	1.1	1.9	3.0

Source: DRI Fourth Quarter 1988 Sacramento MSA Forecast

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Table A-8 — Sacramento MSA Construction and Real Estate

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Authorized Housing Starts									
Number of Starts (000)	43.86	59.07	82.96	74.18	70.31	63.87	58.81	58.10	61.76
Single Family	33.09	34.04	37.58	43.63	45.43	47.40	46.39	46.60	48.11
Multiple Family	10.77	25.03	45.38	30.55	24.88	16.48	12.41	11.49	13.65
Res. Contract Val. (Mil. \$)	701.8	914.5	1189.0	1356.6	1508.0	1646.3	1659.3	1804.6	2024.4
Population, Housing Stock and Vacancy Rates									
Population (000)	1185.5	1213.9	1244.3	1270.7	1313.0	1359.9	1396.0	1431.7	1467.3
Housing Stock (000)	494.9	504.8	518.2	537.0	559.5	576.7	593.6	610.4	627.7
Single Family	340.3	348.1	358.2	366.5	377.2	388.8	401.3	413.9	426.8
Multiple Family	154.6	156.8	160.0	170.4	182.4	188.0	192.4	196.6	200.8
Occupied Housing (000)	443.9	453.5	467.2	480.4	503.1	520.5	534.9	549.2	563.4
Vacancy Rate (%)	0.90	0.90	0.90	0.89	0.90	0.90	0.90	0.90	0.90
Home Sales and Prices (Sacramento County)									
Home Sales (000)	6.55	7.18	7.46	7.58	7.20	7.65	7.50	7.13	6.93
Average Price (000)	85.6	86.2	88.6	94.9	100.3	107.7	111.8	117.4	124.7
Afford. Index (1982=100)	127.5	135.1	145.4	159.8	172.0	165.6	162.2	162.8	165.2
Nonresidential Construction Activity — Contract Valuations									
Nonres. Contract Val. (M\$)	458.2	714.3	581.1	740.5	713.0	874.5	914.4	934.3	1053.7
Real Contract Val. (M82\$)	463.7	729.9	594.8	739.0	710.1	877.4	904.7	897.6	980.2
Gross Assessed Values, Bil. \$									
Total Assessed Value	33.61	36.91	40.60	45.35	50.28	55.27	61.79	68.52	75.69
County Roll	31.70	34.83	38.34	42.85	47.71	52.16	58.24	64.70	71.67
State Roll	1.91	2.08	2.25	2.50	2.57	3.11	3.55	3.83	4.01

Source: DRI Fourth Quarter 1988 Sacramento MSA Forecast

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Table A-9 — Sacramento MSA Construction and Real Estate (Contd.)

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Authorized Housing Starts, Annual Percent Change									
Number of Starts (000)	62.4	34.7	40.4	-10.6	-5.2	-9.2	-7.9	-1.2	6.3
Single Family	52.0	2.9	10.4	16.1	4.1	4.3	-2.1	0.5	3.2
Multiple Family	106.0	132.4	81.3	-32.7	-18.6	-33.8	-24.7	-7.4	18.8
Res. Contract Val. (Mil. \$)	58.7	30.3	30.0	14.1	11.2	9.2	0.8	8.8	12.2
Population, Housing Stock, Annual Percent Change									
Population (000)	2.8	2.4	2.5	2.1	3.3	3.6	2.7	2.6	2.5
Housing Stock (000)	1.2	2.0	2.6	3.6	4.2	3.1	2.9	2.8	2.8
Single Family	1.4	2.3	2.9	2.3	2.9	3.1	3.2	3.1	3.1
Multiple Family	1.0	1.4	2.1	6.5	7.0	3.1	2.3	2.2	2.2
Occupied Housing (000)	1.3	2.2	3.0	2.8	4.7	3.5	2.8	2.7	2.6
Vacancy Rate (%)	0.90	0.90	0.90	0.89	0.90	0.90	0.90	0.90	0.90
Home Sales and Prices (Sacramento County), Annual Percent Change									
Home Sales (000)	25.2	9.5	3.9	1.7	-5.0	6.2	-1.9	-4.9	-2.9
Average Price (000)	-0.5	0.7	2.7	7.2	5.6	7.4	3.8	5.1	6.2
Afford. Index (1982=100)	24.8	6.0	7.6	9.9	7.7	-3.7	-2.0	0.4	1.4
Nonresidential Construction Activity - Cont. Val., Annual Percent Chg.									
Nonres. Contract Val. (M\$)	54.3	55.9	-18.7	27.4	-3.7	22.7	4.6	2.2	12.8
Real Contract Val. (M82\$)	56.1	57.4	-18.5	24.3	-3.9	23.6	3.1	-0.8	9.2
Gross Assessed Values, Bil. \$, Annual Percent Change									
Total Assessed Value	7.5	9.8	10.0	11.7	10.9	9.9	11.8	10.9	10.5
County Roll	7.3	9.9	10.1	11.8	11.3	9.3	11.7	11.1	10.8
State Roll	12.2	8.6	8.3	11.0	2.7	21.2	14.0	7.9	4.8
Related National Indicators									
Housing Starts (% chg.)	61.3	3.6	-1.4	4.1	-9.8	-10.3	-3.6	0.3	6.2
Mortgage Interest Rate	12.8	12.5	11.7	10.3	9.3	9.3	9.6	9.6	9.5

Source: DRI Fourth Quarter 1988 Sacramento MSA Forecast

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Table A-10 — Sacramento MSA Utility Sales, Prices & Revenues

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Electricity — Sacramento Municipal Utility District (SMUD)									
Sales (Mil. KWH)	5910.0	6314.8	6853.3	7018.1	7442.4	7751.0	8242.6	8466.7	8810.1
Residential	2918.2	3094.6	3191.3	3108.5	3245.0	3379.6	3573.7	3687.0	3806.4
Comm. & Indust.	2991.7	3220.2	3662.0	3909.7	4197.4	4371.4	4669.0	4779.7	5003.7
Average Rate (Cents/KWH)	3.6	3.8	4.4	5.3	6.5	7.2	7.4	7.5	8.0
Residential	4.0	4.2	4.9	6.0	7.3	8.1	8.4	8.5	9.1
Comm. & Indust.	3.2	3.3	3.8	4.6	5.7	6.3	6.4	6.5	6.9
Natural Gas — Pacific Gas and Electric Co. (P.G. & E.)									
Sales (Mil. Therms)	386.2	369.0	395.5	358.4	333.7	355.6	368.0	385.5	399.7
Residential	232.4	218.0	233.6	210.7	215.9	231.4	252.7	262.4	268.4
Comm. & Indust.	153.8	151.1	161.9	147.8	117.7	124.2	115.2	123.0	131.2
Average Rate (Cents/THM)	50.0	54.5	52.0	44.3	45.4	45.4	47.6	50.3	53.7
Residential	46.8	51.8	51.4	46.1	44.0	42.3	44.3	46.8	50.0
Comm. & Indust.	53.3	57.2	52.6	42.6	46.9	48.5	50.9	53.8	57.4
Utility Revenues, Mil. \$									
Electricity	213.4	237.7	296.8	366.3	474.5	549.7	599.9	624.6	692.9
Residential	116.8	130.6	157.3	185.7	236.5	274.5	299.1	314.6	347.1
Comm. & Indust.	96.6	107.2	139.5	180.6	238.0	275.2	300.7	310.0	345.8
Natural Gas	190.5	199.4	205.2	160.0	150.0	158.0	170.5	189.2	209.6
Residential	108.5	113.1	120.1	97.1	95.0	97.8	111.9	122.9	134.2
Comm. & Indust.	82.0	86.3	85.1	63.0	55.0	60.3	58.6	66.2	75.4
Electricity & Gas	403.9	437.2	502.0	526.3	624.4	707.8	770.4	813.8	902.5
Residential	225.3	243.7	277.4	282.8	331.5	372.3	411.0	437.5	481.3
Comm. & Indust.	178.6	193.5	224.6	243.5	293.0	335.5	359.4	376.3	421.2

Source: DRI Fourth Quarter 1988 Sacramento MSA Forecast

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Table A-11 — Sacramento MSA Utility Sales, Prices & Revenues (Contd.)

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Electricity (SMUD), Annual Percent Change									
Sales (Mil. KWH)	5.0	6.9	8.5	2.4	6.0	4.1	6.3	2.7	4.1
Residential	4.7	6.0	3.1	-2.6	4.4	4.1	5.7	3.2	3.2
Comm. & Indust.	5.2	7.6	13.7	6.8	7.4	4.1	6.8	2.4	4.7
Average Rate (Cents/KWH)	12.3	4.3	15.8	21.2	22.2	11.3	2.7	1.4	6.7
Residential	13.7	5.3	16.9	21.2	21.9	11.5	3.0	1.9	6.9
Comm. & Indust.	10.5	3.1	14.4	21.3	22.6	11.2	2.3	0.7	6.5
Natural Gas (P.G. & E.), Annual Percent Change									
Sales (Mil. Therms)	-5.9	-4.4	7.2	-9.4	-6.9	6.6	3.5	4.8	3.7
Residential	-6.1	-6.2	7.2	-9.8	2.5	7.1	9.2	3.8	2.3
Comm. & Indust.	-5.7	-1.8	7.1	-8.7	-20.3	5.5	-7.2	6.8	6.7
Average Rate (Cents/THM)	5.9	8.9	-4.6	-14.7	2.5	-0.1	4.8	5.8	6.7
Residential	10.2	10.8	-0.8	-10.4	-4.6	-3.9	4.7	5.8	6.8
Comm. & Indust.	2.4	7.3	-8.1	-19.0	10.2	3.4	4.8	5.8	6.7
Utility Revenues, Annual Percent Change									
Electricity	18.0	11.4	24.8	23.4	29.5	15.9	9.1	4.1	10.9
Residential	19.3	11.8	20.5	18.1	27.3	16.1	9.0	5.2	10.3
Comm. & Indust.	16.4	10.9	30.2	29.4	31.8	15.6	9.3	3.1	11.5
Natural Gas	0.4	4.7	2.9	-22.0	-6.3	5.4	7.9	10.9	10.8
Residential	3.4	4.2	6.2	-19.2	-2.1	2.9	14.4	9.9	9.2
Comm. & Indust.	-3.3	5.3	-1.5	-26.0	-12.7	9.7	-2.7	13.0	13.8
Electricity & Gas	9.0	8.2	14.8	4.8	18.6	13.3	8.8	5.6	10.9
Residential	11.0	8.2	13.8	1.9	17.2	12.3	10.4	6.4	10.0
Comm. & Indust.	6.4	8.3	16.1	8.4	20.3	14.5	7.1	4.7	11.9
Related Indicators — Sacramento MSA									
Occupied Units (% Chg.)	1.3	2.2	3.0	2.8	4.7	3.5	2.8	2.7	2.6
Housing Starts (000)	43.9	59.1	83.0	74.2	70.3	63.9	58.8	58.1	61.8
Nonres. Bldg. Val. (M82\$)	463.7	729.9	594.8	739.0	710.1	877.4	904.7	897.6	980.2

Source: DRI Fourth Quarter 1988 Sacramento MSA Forecast

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Table A-12 — Sacramento MSA Taxable Sales — Current Dollars

	1983	1984	1985	1986	1987	1988	1989	1990	1991
	Taxable Sales, Millions of Current \$								
Total Taxable Sales	7539.8	8711.7	9695.7	10239.8	10986.2	11698.8	12459.6	13355.8	14567.5
Retail Stores	5523.9	6232.1	6854.3	7255.7	7752.9	8241.8	8700.7	9339.0	10203.3
Apparel Stores	189.8	217.9	249.8	284.3	315.1	330.4	363.0	386.1	417.0
Drug Stores	166.1	176.3	184.9	197.4	223.2	212.3	234.9	253.5	277.0
Food Stores	597.3	639.6	694.5	738.7	754.9	797.2	880.7	952.9	1039.8
Packaged Liquor Stores	72.7	69.8	69.1	70.5	74.1	78.0	82.1	87.0	91.5
General Merchandise	704.2	795.4	904.8	966.0	1057.7	1204.6	1242.8	1321.3	1410.4
Eating & Drinking Places	677.4	747.0	804.8	860.4	942.0	1008.6	1123.4	1220.1	1330.8
Building Materials	487.0	570.2	621.4	678.8	731.9	746.1	720.7	747.6	803.5
Furniture & Appliances	302.4	337.2	353.3	377.6	412.7	412.7	445.1	470.6	508.3
Motor Vehicles & Parts	1189.0	1407.0	1606.2	1778.1	1781.2	1916.7	1963.2	2117.9	2364.9
Service Stations	612.6	645.6	678.3	544.2	605.2	596.1	609.4	650.1	696.6
Other Retail Stores	525.4	626.1	687.2	759.7	855.0	939.1	1035.4	1132.0	1251.6
All Other Outlets	2016.0	2479.6	2841.5	2984.0	3233.3	3457.0	3758.9	4016.8	4364.2
Annual Percent Change									
Total Taxable Sales	11.7	15.5	11.3	5.6	7.3	6.5	6.5	7.2	9.1
Retail Stores	12.4	12.8	10.0	5.9	6.9	6.3	5.6	7.3	9.3
Apparel Stores	-2.8	14.8	14.6	13.8	10.8	4.9	9.8	6.4	8.0
Drug Stores	8.1	6.2	4.9	6.7	13.1	-4.9	10.7	7.9	9.3
Food Stores	5.1	7.1	8.6	6.4	2.2	5.6	10.5	8.2	9.1
Packaged Liquor Stores	-14.4	-4.0	-1.0	2.0	5.1	5.3	5.2	6.0	5.1
General Merchandise	14.9	13.0	13.7	6.8	9.5	13.9	3.2	6.3	7.2
Eating & Drinking Places	7.8	10.3	7.7	6.9	9.5	7.1	11.4	8.6	9.6
Building Materials	20.2	17.1	9.0	9.2	7.8	1.9	-3.4	3.7	7.5
Furniture & Appliances	18.5	11.5	4.8	6.9	9.3	0.0	7.8	5.7	8.0
Motor Vehicles & Parts	32.0	18.3	14.2	10.7	0.2	7.6	2.4	7.9	11.7
Service Stations	32.0	18.3	14.2	10.7	0.2	7.6	2.4	7.9	11.7
Other Retail Stores	7.2	19.2	9.8	10.6	12.5	9.8	10.3	9.3	10.6
All Other Outlets	10.0	23.0	14.6	5.0	8.4	6.9	8.7	6.9	8.7

Source: DRI Fourth Quarter 1988 Sacramento MSA Forecast

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Table A-13 — Sacramento MSA Taxable Sales — Constant Dollars

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Real Taxable Sales, (Mil. 82 \$), Annual Percent Change									
Total Real Taxable Sales	11.4	14.4	10.2	5.8	4.5	4.9	3.6	3.3	4.9
Retail Stores	11.4	10.4	8.0	7.6	2.7	3.5	1.6	3.0	4.8
Apparel Stores	-4.8	11.6	11.9	14.1	6.1	0.9	4.5	1.8	3.5
Drug Stores	5.9	3.2	2.4	6.9	8.4	-8.6	5.3	3.3	4.7
Food Stores	3.0	4.1	6.0	6.6	-2.2	1.6	5.1	3.6	4.5
Packaged Liquor Stores	-16.2	-6.7	-3.3	2.2	0.7	1.3	0.0	1.4	0.7
General Merchandise	10.3	8.9	10.1	4.2	4.8	9.3	-1.5	1.5	2.2
Eating & Drinking Places	5.6	7.2	5.2	7.1	4.8	3.0	6.0	4.0	5.0
Building Materials	17.7	13.0	6.6	6.5	3.1	-1.0	-5.9	-0.9	1.9
Furniture & Appliances	17.3	12.2	6.1	8.4	8.8	-0.6	6.5	4.2	6.2
Motor Vehicles & Parts	28.5	14.4	11.5	8.3	-2.9	5.3	-0.7	3.8	7.1
Service Stations	28.5	14.4	11.5	8.3	-2.9	5.3	-0.7	3.8	7.1
Other Retail Stores	5.0	15.8	7.2	10.8	7.7	5.7	4.9	4.6	5.9
All Other Outlets	11.3	24.1	14.8	2.4	8.1	7.7	7.2	3.8	5.2
Related Indicators — Sacramento MSA									
Real Disp. Inc. (% Chg.)	5.0	6.8	6.6	7.5	4.5	5.7	3.5	4.0	4.9
Sales Elasticity	2.3	2.1	1.5	0.8	1.0	0.9	1.0	0.8	1.0
Housing Starts (000)	43.9	59.1	83.0	74.2	70.3	63.9	58.8	58.1	61.8
Nonres. Bldg. Val. (MB2\$)	463.7	729.9	594.8	739.0	710.1	877.4	904.7	897.6	980.2
Unemployment Rate	10.1	8.1	7.1	6.2	5.6	5.4	5.6	6.1	6.2
Taxable Prices (% Chg.)	0.3	1.1	1.1	-0.2	2.8	1.6	3.0	3.9	4.1
Related Indicators — United States									
Real GNP (% Chg.)	3.6	6.8	3.4	2.8	3.4	3.8	2.3	1.9	3.2
Prime Interest Rate	10.8	12.0	9.9	8.3	8.2	9.3	10.3	9.6	10.3
Personal Savings Rate	5.4	6.2	4.5	4.1	3.3	4.1	4.4	4.5	4.6
New Car Sales (Mil.)	9.18	10.39	11.04	11.45	10.28	10.61	10.10	9.72	9.95
Consumer Prices (% Chg.)	3.2	4.3	3.5	1.9	3.7	4.1	4.7	4.6	4.9
Energy Prices (% Chg.)	-4.1	-1.2	-3.5	-23.7	0.7	-4.3	4.0	5.0	6.4

Source: DRI Fourth Quarter 1988 Sacramento MSA Forecast

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Table A-14 — Sacramento City Taxable Sales — Current Dollars

	1983	1984	1985	1986	1987	1988	1989	1990	1991
	Taxable Sales, Millions of Current \$								
Total Taxable Sales	2024.9	2303.8	2493.2	2568.9	2802.9	2914.6	3089.6	3290.4	3558.7
Retail Stores	1382.3	1586.7	1694.2	1759.6	1875.9	1923.5	2031.5	2175.1	2366.3
Apparel Stores	43.4	48.4	59.3	59.8	61.2	67.8	74.1	78.5	84.4
Drug Stores	34.0	36.8	38.2	39.8	45.9	43.5	48.2	52.1	57.1
Food Stores	147.8	161.6	170.8	184.0	168.2	181.8	200.7	217.0	236.7
Packaged Liquor Stores	18.8	17.6	18.6	19.2	17.4	18.6	19.2	19.8	20.4
General Merchandise	180.4	202.3	216.9	224.4	249.3	272.1	280.9	298.8	320.5
Eating & Drinking Places	190.7	205.2	222.1	240.3	265.6	282.2	312.1	337.3	367.7
Building Materials	122.5	142.3	164.3	179.2	192.3	175.7	169.0	176.2	191.2
Furniture & Appliances	64.2	72.4	69.9	75.4	79.3	76.9	82.1	86.2	92.2
Motor Vehicles & Parts	258.2	296.7	318.5	328.6	335.8	372.0	379.3	403.8	442.9
Service Stations	140.0	153.9	165.7	132.9	148.8	140.3	143.2	152.2	162.5
Other Retail Stores	182.2	249.4	250.0	276.0	312.2	292.6	322.8	353.1	390.6
All Other Outlets	642.6	717.1	799.0	809.3	927.1	991.1	1058.1	1115.3	1192.4
	Annual Percent Change								
Total Taxable Sales	12.0	13.8	8.2	3.0	9.1	4.0	6.0	6.5	8.2
Retail Stores	10.7	14.8	6.8	3.9	6.6	2.5	5.6	7.1	8.8
Apparel Stores	-1.4	11.4	22.5	0.9	2.2	10.8	9.2	6.0	7.5
Drug Stores	4.4	8.2	3.7	4.1	15.4	-5.3	10.9	8.1	9.5
Food Stores	4.9	9.3	5.7	7.7	-8.6	8.1	10.4	8.2	9.1
Packaged Liquor Stores	16.1	-6.4	5.5	3.1	-9.2	7.2	2.9	3.4	3.0
General Merchandise	12.4	12.1	7.2	3.5	11.1	9.2	3.2	6.4	7.3
Eating & Drinking Places	5.9	7.6	8.2	8.2	10.5	6.3	10.6	8.1	9.0
Building Materials	18.3	16.2	15.4	9.1	7.3	-8.6	-3.8	4.3	8.5
Furniture & Appliances	14.5	12.8	-3.4	7.8	5.2	-3.0	6.7	5.0	7.0
Motor Vehicles & Parts	41.3	14.9	7.3	3.2	2.2	10.8	2.0	6.5	9.7
Service Stations	41.3	14.9	7.3	3.2	2.2	10.8	2.0	6.5	9.7
Other Retail Stores	-1.8	36.9	0.2	10.4	13.1	-6.3	10.3	9.4	10.6
All Other Outlets	15.0	11.6	11.4	1.3	14.5	6.9	6.8	5.4	6.9

Source: DRI Fourth Quarter 1988 Sacramento MSA Forecast

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Table A-16 — Sacramento City: Summary of Revenue Projections
(Amounts in Thousands)

REVENUES	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
Property Taxes: *								
Current Roll	\$26,361	\$29,804	\$32,356	\$35,412	\$39,078	\$43,693	\$48,719	\$54,313
Supplemental	1,164	1,558	1,606	1,752	2,076	2,326	2,596	2,897
Prior-yr./other	1,503	1,802	2,623	2,902	3,164	3,478	3,865	4,315
Total	\$29,028	\$33,164	\$36,585	\$40,066	\$44,318	\$49,497	\$55,180	\$61,525
% ch	12.44	14.25	10.32	9.51	10.61	11.69	11.48	11.50
Sales and Use Taxes	\$29,532	\$30,243	\$32,562	\$34,058	\$35,354	\$37,918	\$41,401	\$44,044
% ch	12.53	2.41	7.67	4.59	3.81	7.25	9.19	6.38
Utility Users' Fees	\$22,122	\$23,320	\$25,076	\$25,631	\$26,096	\$28,243	\$31,112	\$31,894
% ch	25.31	5.42	7.53	2.21	1.81	8.23	10.16	2.51
Business Oper. Fees	\$2,824	\$2,879	\$2,922	\$3,083	\$3,249	\$3,451	\$3,696	\$3,992
% ch	13.46	1.95	1.49	5.51	5.38	6.22	7.10	8.01
Property Trans. Tax	\$3,010	\$3,594	\$2,925	\$3,211	\$3,351	\$3,647	\$4,137	\$4,615
% ch	18.78	19.40	-18.61	9.78	4.36	8.83	13.44	11.55
Total, Major Revenues	\$86,516	\$93,200	\$100,070	\$106,049	\$112,368	\$122,756	\$135,526	\$146,070
% ch	10.85	7.73	7.37	5.97	5.96	9.24	10.40	7.78

* Current-roll and supplemental property taxes do not include accrual adjustments

Source: DRI Fourth Quarter 1988 Sacramento MSA Forecast

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Table A-17 — Sacramento City: Assessed Values & Current Property Taxes

ASSESSED VALUES (Millions)	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
Current Secured:								
Local Roll	7,981	8,845	9,854	10,753	11,827	13,252	14,792	16,508
State Roll	436	510	469	499	544	575	638	709
Subtotal	8,418	9,355	10,323	11,252	12,371	13,827	15,431	17,218
Current Unsecured	527	616	644	747	856	954	1,045	1,143
Total, assessed value	8,945	9,971	10,967	11,999	13,227	14,781	16,476	18,360
Supplemental AV (SB 813)	311	345	384	419	461	517	577	644
PROPERTY TAXES (000)								
Current secured:								
Nonredevelopment	25,194	28,296	30,568	33,307	36,618	40,927	45,675	50,964
Redevelopment	890	890	890	890	890	890	890	890
Subtotal	26,084	29,186	31,458	34,197	37,508	41,817	46,565	51,854
Less HOE	(1,340)	(1,502)	(1,451)	(1,478)	(1,512)	(1,547)	(1,581)	(1,615)
Net secured	24,744	27,684	30,007	32,719	35,996	40,271	44,984	50,239
Current unsecured:								
Nonredevelopment	1,496	2,000	2,229	2,585	2,962	3,302	3,615	3,954
Redevelopment	120	120	120	120	120	120	120	120
Net unsec.	1,616	2,120	2,349	2,705	3,082	3,422	3,735	4,074
Total, current taxes	26,360	29,804	32,356	35,424	39,078	43,692	48,719	54,313
Percent growth	9.8	13.1	8.6	9.5	10.3	11.8	11.5	11.5
Supplemental Taxes (SB813)	1,164	1,558	1,606	1,752	2,076	2,326	2,596	2,897

* Excludes assessed value in redevelopment tax rate areas

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Table A-18 — Sacramento City: Property Tax Collections
(Amounts in Thousands)

CURRENT MONTHLY	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.
1985-86												
Current sec.							14,311			807	9,626	
Current unsec.							1,515			102		
TOTAL							15,826			909	9,626	
1986-87												
Current sec.						13,000	974	1,233		10,500	1,198	779
Current unsec.							1,777				343	
TOTAL						13,000	2,751	1,233		10,500	1,542	779
1987-88												
Current sec.						15,000		1,471		13,537		
Current unsec.								2,024		325		
TOTAL						15,000		3,495		13,862		
FORECAST												
1988-89												
Current sec.						16,360		1,603		14,756		
Current unsec.								2,326		379		
TOTAL						16,360		3,930		15,135		
1989-90												
Current sec.						17,998		1,764		16,234		
Current unsec.								2,651		431		
TOTAL						17,998		4,414		16,666		
1990-91												
Current sec.						20,136		1,973		18,162		
Current unsec.								2,943		479		
TOTAL						20,136		4,916		18,641		
1991-92												
Current sec.						22,492		2,204		20,288		
Current unsec.								3,212		523		
TOTAL						22,492		5,416		20,811		
FORECAST												
1988-89												
Current sec.						16,360		1,603		14,756		
Current unsec.								2,326		379		
TOTAL						16,360		3,930		15,135		
1989-90												
Current sec.						17,998		1,764		16,234		
Current unsec.								2,651		431		
TOTAL						17,998		4,414		16,666		
1990-91												
Current sec.						20,136		1,973		18,162		
Current unsec.								2,943		479		
TOTAL						20,136		4,916		18,641		
1991-92												
Current sec.						22,492		2,204		20,288		
Current unsec.								3,212		523		
TOTAL						22,492		5,416		20,811		
FORECAST												
1988-89												
Current sec.						16,360		1,603		14,756		
Current unsec.								2,326		379		
TOTAL						16,360		3,930		15,135		
1989-90												
Current sec.						17,998		1,764		16,234		
Current unsec.								2,651		431		
TOTAL						17,998		4,414		16,666		
1990-91												
Current sec.						20,136		1,973		18,162		
Current unsec.								2,943		479		
TOTAL						20,136		4,916		18,641		
1991-92												
Current sec.						22,492		2,204		20,288		
Current unsec.								3,212		523		
TOTAL						22,492		5,416		20,811		
FORECAST												
1988-89												
Current sec.						16,360		1,603		14,756		
Current unsec.								2,326		379		
TOTAL						16,360		3,930		15,135		
1989-90												
Current sec.						17,998		1,764		16,234		
Current unsec.								2,651		431		
TOTAL						17,998		4,414		16,666		
1990-91												
Current sec.						20,136		1,973		18,162		
Current unsec.								2,943		479		
TOTAL						20,136		4,916		18,641		
1991-92												
Current sec.						22,492		2,204		20,288		
Current unsec.								3,212		523		
TOTAL						22,492		5,416		20,811		
FORECAST												
1988-89												
Current sec.						16,360		1,603		14,756		
Current unsec.								2,326		379		
TOTAL						16,360		3,930		15,135		
1989-90												
Current sec.						17,998		1,764		16,234		
Current unsec.								2,651		431		
TOTAL						17,998		4,414		16,666		
1990-91												
Current sec.						20,136		1,973		18,162		
Current unsec.								2,943		479		
TOTAL						20,136		4,916		18,641		
1991-92												
Current sec.						22,492		2,204		20,288		
Current unsec.								3,212		523		
TOTAL						22,492		5,416		20,811		
FORECAST												
1988-89												
Current sec.						16,360		1,603		14,756		
Current unsec.								2,326		379		
TOTAL						16,360		3,930		15,135		
1989-90												
Current sec.						17,998		1,764		16,234		
Current unsec.								2,651		431		
TOTAL						17,998		4,414		16,666		
1990-91												
Current sec.						20,136		1,973		18,162		
Current unsec.								2,943		479		
TOTAL						20,136		4,916		18,641		
1991-92												
Current sec.						22,492		2,204		20,288		
Current unsec.								3,212		523		
TOTAL						22,492		5,416		20,811		
FORECAST												
1988-89												
Current sec.						16,360		1,603		14,756		
Current unsec.								2,326		379		
TOTAL						16,360		3,930		15,135		
1989-90												
Current sec.						17,998		1,764		16,234		
Current unsec.								2,651		431		
TOTAL						17,998		4,414		16,666		
1990-91												
Current sec.						20,136		1,973		18,162		
Current unsec.								2,943		479		
TOTAL						20,136		4,916		18,641		
1991-92												
Current sec.						22,492		2,204		20,288		
Current unsec.								3,212		523		
TOTAL						22,492		5,416		20,811		
FORECAST												
1988-89												
Current sec.						16,360		1,603		14,756		
Current unsec.								2,326		379		
TOTAL						16,360		3,930		15,135		
1989-90												
Current sec.						17,998		1,764		16,234		
Current unsec.								2,651		431		
TOTAL						17,998		4,414		16,666		
1990-91												
Current sec.						20,136		1,973		18,162		
Current unsec.								2,943		479		
TOTAL						20,136		4,916		18,641		
1991-92												
Current sec.						22,492		2,204		20,288		
Current unsec.								3,212		523		
TOTAL						22,492		5,416		20,811		
FORECAST												
1988-89												
Current sec.						16,360		1,603		14,756		
Current unsec.								2,326		379		
TOTAL						16,360		3,930		15,135		
1989-90												
Current sec.						17,998		1,764		16,234		
Current unsec.								2,651		431		
TOTAL						17,998		4,414		16,666		
1990-91												
Current sec.						20,136		1,973		18,162		
Current unsec.								2,943		479		
TOTAL												

Table A-19 — Sacramento City: Sales Tax Revenues
(Amounts in Thousands)

MONTHLY	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.
1980-81	1,100	2,200	1,355	1,138	2,275	1,185	1,100	2,200	1,488	1,019	2,038	1,708
1981-82	1,050	2,100	1,902	1,056	2,114	2,027	1,111	2,220	1,489	1,075	2,150	1,627
1982-83	1,593	1,820	1,687	1,425	1,663	2,135	1,305	1,740	2,171	1,260	1,680	2,228
1983-84	1,320	1,760	2,642	1,426	1,901	2,798	1,465	1,953	2,439	1,441	1,921	2,815
1984-85	1,561	2,081	2,889	1,711	2,281	2,787	1,681	2,241	3,100	1,740	2,320	2,424
1985-86	1,890	2,520	3,112	1,980	2,640	2,789	2,100	2,800	1,956	1,860	2,480	3,135
1986-87	2,160	2,880	2,286	2,130	2,840	3,015	2,130	2,840	2,178	2,056	2,501	3,261
1987-88	2,127	2,836	3,382	2,274	3,033	2,917	2,293	3,058	2,892	2,309	3,078	2,227
FORECAST												
1988-89	2,263	3,198	3,376	2,312	3,258	2,867	2,352	3,108	2,940	2,607	3,364	2,439
1989-90	2,238	3,099	3,271	2,361	3,235	3,060	2,489	3,289	3,112	2,805	3,619	2,624
1990-91	2,390	3,309	3,493	2,526	3,462	3,275	2,668	3,525	3,334	3,018	3,895	2,824
1991-92	2,588	3,583	3,783	2,751	3,770	3,567	2,916	3,853	3,645	3,314	4,276	3,100
1992-93	2,844	3,938	4,157	3,023	4,142	3,918						
ANNUAL												
	CASH	JUL (-)	JUL (+)	NET	ADJ	REVENUE	GROWTH					
1980-81	18,806	(1,100)	1,050	(50)	18,756	-2.4						
1981-82	19,921	(1,050)	1,593	543	20,464	9.1						
1982-83	20,707	(1,593)	1,320	(273)	20,434	-0.1						
1983-84	23,881	(1,320)	1,561	241	24,122	18.0						
1984-85	26,816	(1,561)	1,890	329	27,145	12.5						
1985-86	29,262	(1,890)	2,160	270	29,532	8.8						
1986-87	30,276	(2,160)	2,127	(33)	30,243	2.4						
1987-88	32,426	(2,127)	2,263	136	32,562	7.7						
FORECAST												
1988-89	34,084	(2,263)	2,238	(25)	34,058	4.6						
1989-90	35,202	(2,238)	2,390	152	35,354	3.8						
1990-91	37,719	(2,390)	2,588	198	37,918	7.3						
1991-92	41,145	(2,588)	2,844	256	41,401	9.2						
1992-93	44,044				44,044	6.4						

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[illegible]

Note: Utility Users Tax rate was 9.0% prior Oct. 1, 1986, 8.5% until Oct. 1, 1987, and 8.0% until Oct. 1, 1988
The tax rate will be fixed at 7.5% after Oct. 1, 1988

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DEPARTMENT OF
FINANCE

ACCOUNTING DIVISION

CITY OF SACRAMENTO
CALIFORNIA

February 13, 1989
FAD:89083:MHS:LMH

CITY HALL
ROOM 12
915 I STREET
SACRAMENTO, CA
95814-2608

916-449-5676

MICHAEL H. STAMPER
ACCOUNTING OFFICER

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Comparison of Estimated Available Fund Balances at June 30, 1989,
FY89 Approved Budget versus Mid-Year Projection

SUMMARY

This report recommends that the Budget and Finance Committee direct the transmittal of the Comparison of Estimated Available Fund Balances at June 30, 1989, FY89 approved Budget versus Mid-Year Projection to the City Council for its information.

BACKGROUND

Each year during the month of February, the Department of Finance presents the Mid-Year Economic Forecast to the Budget and Finance Committee and to the City Council. This report, which is a component of the Mid-Year Economic Forecast, presents a comparison of estimated available fund balances at June 30, 1989 as reflected in the FY89 Approved Budget, Schedule 2, pp. 226-230, versus the Mid-Year Projection. Attachment I includes comparisons for the General Fund, Enterprise Funds and the Internal Service Funds.

The FY89 Approved Budget represents the City's comprehensive spending plan for operations, capital improvements and reserve adjustments together with the estimated revenues to fund the spending plan.

The Mid-Year Projection depicts the estimated status of available resources on a fund by fund basis at June 30, 1989 based upon recognized revenue and expenditure data through December 1988.

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The following briefly summarizes (in thousands) the Comparison of Estimated Available Fund Balances at June 30, 1989. FY89 Approved Budget versus Mid-Year Projection for the General Fund, Enterprise Funds and Internal Service Funds. Attachment I provides additional detail.

GENERAL FUND

FY 89 Approved Budget:	(\$ 910)
Mid-Year Projection:	(5,376)

Variance	(\$6,286)
	=====

The variance consists of the following:

- Beginning available fund balance (6/30/88) less than previously forecasted	(\$3,023)
- Projected revenues and transfers in less than estimated	(2,836)
- Projected expenditures greater than appropriations	(427)

Variance	(\$6,286)
	=====

WATER FUND

FY 89 Approved Budget:	\$ 506
Mid-Year Projection:	1,137

Variance	\$ 631
	=====

The variance consists of the following:

- Beginning available fund balance (6/30/88) less than previously forecasted	(\$1,726)
- Projected revenues and transfers in less than estimated	(759)
- Projected operating expenses less than appropriations	327
- Projected capital improvement expenses less than appropriations	2,789

Variance	\$ 631
	=====

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SEWER FUND

FY 89 Approved Budget:	\$799
Mid-Year Projection:	961

Variance	\$162
	=====

The variance consists of the following:

- Beginning available fund balance (6/30/88) less than previously forecasted	(\$215)
- Projected revenues and transfers in less than estimated	(107)
- Projected expenses less than appropriations	484

Variance	\$162
	=====

STORM DRAINAGE FUND

FY 89 Approved Budget:	\$1,198
Mid-Year Projection:	599

Variance	(\$ 599)
	=====

The variance consists of the following:

- Beginning available fund balance (6/30/88) less than previously forecasted	(\$1,246)
- Projected revenues and transfers in greater than estimated	838
- Projected operating expenses less than appropriations	229
- Capital improvement commitments subsequent to FY89 Approved Budget	(420)

Variance	(\$ 599)
	=====

SOLID WASTE FUND

FY 89 Approved Budget:	\$4,119
Mid-Year Projection:	3,710

Variance	(\$ 409)
	=====

The variance consists of the following:

- Beginning available fund balance (6/30/88) less than previously forecasted	(\$5,984)
- Projected revenues and transfers in greater than estimated	922
- Projected operating expenses greater than appropriations	(101)
- Projected capital improvement expenses less than appropriations	4,754

Variance	(\$ 409)
	=====

PARKING FUND

FY 89 Approved Budget:	\$ 897
Mid-Year Projection:	1,362

Variance	\$ 465
	=====

The variance consists of the following:

- Beginning available fund balance (6/30/88) greater than previously forecasted	\$1,398
- Projected revenues and transfers in less than estimated	(719)
- Projected operating expenses less than appropriations	730
- Capital improvement commitments subsequent to FY89 Approved Budget	(944)

Variance	\$ 465
	=====

COMMUNITY CENTER FUND

FY 89 Approved Budget:	\$ 771
Mid-Year Projection:	2,076

Variance	\$1,305
	=====

The variance consists of the following:

- Beginning available fund balance (6/30/88) greater than previously forecasted	\$1,439
- Projected revenues and transfers in less than estimated	(59)
- Projected operating expenses less than appropriations	61
- Capital improvement commitments subsequent to FY89 Approved Budget	(136)

Variance	\$1,305
	=====

GOLF FUND

FY 89 Approved Budget:	\$287
Mid-Year Projection:	480

Variance	\$193
	=====

The variance consists of the following:

- Beginning available fund balance (6/30/88) greater than previously forecasted	\$113
- Projected operating expenses less than appropriations	80

Variance	\$193
	=====

BOAT HARBOR FUND

FY 89 Approved Budget:	\$ 93
Mid-Year Projection:	(254)

Variance	(\$161)
	=====

The variance consists of the following:

- Beginning available fund balance (6/30/88) less than previously forecasted	(\$53)
- Projected revenues and transfers in greater than estimated	385
- Projected expenses greater than appropriations	(121)
- Increase in restricted cash requirements	(50)
	=====
Variance	(\$161)
	=====

FLEET MANAGEMENT FUND

FY 89 Approved Budget:	\$1,778
Mid-Year Projection:	3,617

Variance	\$1,839
	=====

The variance consists of the following:

- Beginning available fund balance (6/30/88) greater than previously forecasted	\$1,962
- Projected revenues and transfers in greater than estimated	1,336
- Projected operating expenses greater than appropriations	(544)
- Capital improvement commitments subsequent to FY89 Approved Budget	(915)

	\$1,839
	=====

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RISK MANAGEMENT FUND

FY 89 Approved Budget:	\$ 101
Mid-Year Projection:	2,432

Variance	\$2,331
	=====

The variance consists of the following:

- Beginning available fund balance	
(6/30/89) greater than previously forecasted	\$1,712
- Projected revenues and transfers in	
greater than estimated	590
- Projected expenses less than	
appropriations	29

Variance	\$2,331
	=====

FINANCIAL DATA/POLICY CONSIDERATION

Discussed in accompanying report.

MBE/WBE EFFORTS

No impact.

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Budget & Finance Committee
Page 8
February 21, 1989

RECOMMENDATION

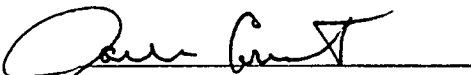
It is recommended that the Budget and Finance Committee direct staff to transmit the Comparison of Estimated Available Fund Balances at June 30, 1989, FY89 Approved Budget versus Mid-Year Projection to the City Council for its information.

Respectfully submitted,



Michael H. Stamper
Accounting Manager

Recommendation Approved:



Jack R. Crist
Deputy City Manager

Attachment

February 21, 1989
All Districts

Contact Person:
Michael H. Stamper
Accounting Manager
449-5832

MID-YEAR REVIEW

ATTACHMENT 1

Page 1

PROJECTED RESOURCES, REQUIREMENTS AND CHANGES IN AVAILABLE FUND BALANCE

FOR THE FISCAL YEAR ENDING JUNE 30, 1989

(in thousands)

7/13/89

	-----General Fund-----			-----Water Fund-----			-----Sewer Fund-----			-----Storm Drainage Fund-----			-----Solid Waste Fund-----		
	Approved Budget	Projected	Variance Favorable (Unfav)	Approved Budget	Projected	Variance Favorable (Unfav)	Approved Budget	Projected	Variance Favorable (Unfav)	Approved Budget	Projected	Variance Favorable (Unfav)	Approved Budget	Projected	Variance Favorable (Unfav)
Current resources:															
Revenues															
Taxes	\$111,651	\$108,644	(\$3,007)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,631	\$2,530	(\$101)
Licenses & permits	3,453	4,057	604	0	0	0	0	0	0	0	0	0	0	0	0
Fines, forfeitures & penalties	1,803	2,076	273	0	0	0	0	0	0	0	0	0	0	0	0
Use of money & property	2,555	1,984	(\$571)	750	1,002	252	406	399	(\$7)	127	313	186	314	314	0
Intergovernmental	18,358	18,287	(71)	0	0	0	1,424	1,133	(291)	0	1,087	1,087	0	1,202	1,202
Charges for current services	10,864	11,363	519	19,028	18,272	(756)	4,886	5,081	195	10,424	10,405	(19)	18,389	18,404	15
Miscellaneous	1,420	984	(436)	640	385	(255)	165	161	(4)	392	216	(176)	729	606	(123)
Subtotal revenues	150,084	147,395	(2,689)	20,418	19,659	(759)	6,881	6,774	(107)	10,943	12,021	1,078	22,063	23,056	993
Operating transfers in	13,368	13,359	(9)	5	5	0	211	211	0	1,222	982	(240)	71	0	(71)
Internal service billings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other:															
SHRA LRT payment	2,000	0	(2,000)	0	0	0	0	0	0	0	0	0	0	0	0
N. Natomas assessment	0	2,000	2,000	0	0	0	0	0	0	0	0	0	0	0	0
Debt proceeds	1,987	1,849	(138)	0	0	0	0	0	0	0	0	0	0	0	0
Total current resources	167,439	164,603	(2,836)	20,423	19,664	(759)	7,092	6,985	(107)	12,165	13,003	838	22,134	23,056	922
Current requirements:															
Current operating expenditures:															
Employee services	130,617	131,975	(1,358)	6,939	6,796	143	2,208	2,167	41	4,234	3,943	291	9,892	9,724	168
Services & supplies	34,382	35,406	(1,024)	6,554	6,371	183	1,729	2,011	(282)	4,333	4,398	(65)	8,743	8,846	(103)
Equipment	921	1,001	(80)	204	203	1	204	204	0	405	404	1	208	208	0
Debt service	6,532	1,029	5,503	1,412	1,412	0	540	215	325	10	10	0	1,774	1,916	(142)
CIP labor/supply offset	(2,699)	(2,609)	(90)	(118)	(118)	0	0	(6)	6	0	(2)	2	(42)	(18)	(24)
Operating grant labor offset	(1,770)	(2,096)	326	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal current operating expenditures	167,983	164,706	3,277	14,991	14,664	327	4,681	4,591	90	8,982	8,753	229	20,575	20,676	(101)
Operating transfers out	0	3,383	(3,383)	205	205	0	1,288	1,039	249	98	98	0	176	176	0
Capital improvements	3,564	3,189	375	5,978	3,478	2,500	1,306	1,306	0	3,323	3,743	(420)	1,044	1,046	(2)
Other:															
CIP closures	0	0	0	0	(289)	289	0	(145)	145	0	0	0	0	(4,756)	4,756
Net fund balance reserve increases	0	696	(696)	0	0	0	0	0	0	0	0	0	0	0	0
Total current requirements	171,547	171,974	(427)	21,174	18,058	3,116	7,275	6,791	484	12,403	12,594	(191)	21,795	17,142	4,653
Excess (deficiency) of current resources over (under) current requirements	(4,108)	(7,371)	(3,263)	(751)	1,606	2,357	(183)	194	377	(238)	409	647	339	5,914	5,575
Available beginning fund balance (deficit)	5,018	1,995	(3,023)	1,257	(469)	(1,726)	982	767	(215)	1,436	190	(1,246)	3,780	(2,204)	(5,984)
Available ending fund balance (deficit)	\$910	(\$5,376)	(\$6,286)	\$506	\$1,137	\$631	\$799	\$961	\$162	\$1,199	\$599	(\$599)	\$4,119	\$3,710	(\$409)

MID-YEAR REVIEW

PROJECTED RESOURCES, REQUIREMENTS AND CHANGES IN AVAILABLE FUND BALANCE
FOR THE FISCAL YEAR ENDING JUNE 30, 1989

(in thousands)

Page 2

	-----Parking Fund-----			-----Community Center-----			-----Golf Fund-----			-----Boat Harbor Fund-----		
			Variance			Variance			Variance			Variance
	Approved	Projected	Favorable	Approved	Projected	Favorable	Approved	Projected	Favorable	Approved	Projected	Favorable
	Budget		(Unfav)	Budget		(Unfav)	Budget		(Unfav)	Budget		(Unfav)
Current resources:												
Revenues												
Taxes	\$0.	\$0.	\$0.	\$5,613	\$5,613	\$0	\$0.	\$0.	\$0.	\$0.	\$0.	\$0.
Licenses & permits	0	0	0	0	0	0	0	0	0	818	893	75
Fines, forfeitures & penalties	0	0	0	0	0	0	0	0	0	0	0	0
Use of money & property	432	196	(236)	159	219	60	196	196	0	98	71	(27)
Intergovernmental	194	0	(194)	0	0	0	0	0	0	0	0	0
Charges for current services	9,112	8,604	(508)	1,679	1,724	45	3,036	3,036	0	21	21	0
Miscellaneous	1	1	0	196	32	(164)	0	0	0	225	219	(6)
Subtotal revenues	9,739	8,801	(938)	7,647	7,588	(59)	3,230	3,230	0	1,162	1,204	42
Operating transfers in	0	0	0	0	0	0	0	0	0	0	21	21
Internal service billings	0	0	0	0	0	0	0	0	0	0	0	0
Other:												
Surplus increase	0	219	219	0	0	0	0	0	0	0	0	0
Debt proceeds	0	0	0	0	0	0	0	0	0	1,000	1,322	322
Total current resources	9,739	9,020	(719)	7,647	7,588	(59)	3,230	3,230	0	2,162	2,547	385
Current requirements:												
Current operating expenditures:												
Employee services	2,586	2,584	2	2,082	2,087	(5)	1,675	1,585	90	214	206	8
Services & supplies	5,156	4,379	777	2,656	2,340	316	904	913	(9)	438	459	(21)
Equipment	120	124	(4)	155	155	0	135	135	0	4	4	0
Debt service	1,025	1,070	(45)	1,653	1,903	(250)	114	114	0	14	122	(108)
CIP labor/supplv offset	0	0	0	0	0	0	0	0	0	0	0	0
Operating grant labor offset	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal current operating expenditures	8,887	8,157	730	6,546	6,485	61	2,828	2,747	81	670	791	(121)
Operating transfers out	478	478	0	3	3	0	1	1	0	31	31	0
Capital improvements	163	1,107	(944)	2,688	2,824	(136)	1,150	1,150	0	1,374	1,374	0
Other:												
CIP closures	0	0	0	0	0	0	0	1	(1)	0	0	0
Net fund balance reserve increases	0	0	0	0	0	0	0	0	0	0	50	(50)
Total current requirements	9,528	9,742	(214)	9,237	9,312	(75)	3,979	3,899	80	2,075	2,246	(171)
Excess (deficiency) of current resources over (under) current requirements	211	(722)	(933)	(1,590)	(1,724)	(134)	(749)	(669)	80	87	301	214
Available beginning fund balance (deficit)	686	2,084	1,398	2,351	3,800	1,439	1,036	1,149	113	6	(47)	(53)
Available ending fund balance (deficit)	\$992	\$1,362	\$465	\$771	\$2,076	\$1,305	\$287	\$480	\$193	\$93	\$254	\$161

MID-YEAR REVIEW

Page 3

PROJECTED RESOURCES, REQUIREMENTS AND CHANGES IN AVAILABLE FUND BALANCE

FOR THE FISCAL YEAR ENDING JUNE 30, 1989

(in thousands)

	-----Fleet Management-----			-----Risk Management-----		
	Approved Budget	Projected	Variance Favorable (Unfav)	Approved Budget	Projected	Variance Favorable (Unfav)
Current resources:						
Revenues						
Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0	0	0
Fines, forfeitures & penalties	0	0	0	0	0	0
Use of money & property	265	431	166	1,000	1,723	723
Intergovernmental	45	35	(10)	0	0	0
Charges for current services	25	115	90	895	895	0
Miscellaneous	273	382	109	2	6	4
Subtotal revenues	608	963	355	1,897	2,624	727
Operating transfers in	0	0	0	0	0	0
Internal service billings	12,840	13,171	331	27,065	26,928	(137)
Other:						
Offset to vehicle purchases	0	650	650	0	0	0
Surplus increase	0	0	0	0	0	0
Debt proceeds	0	0	0	0	0	0
Total current resources	13,448	14,784	1,336	28,962	29,552	590
Current requirements:						
Current operating expenditures:						
Employee services	3,756	3,680	76	649	664	(15)
Services & supplies	5,225	4,865	360	26,943	26,899	44
Equipment	5,667	6,647	(980)	12	12	0
Debt service	0	0	0	0	0	0
CIP labor/supply offset	0	0	0	0	0	0
Operating grant labor offset	0	0	0	0	0	0
Subtotal current operating expenditures	14,648	15,192	(544)	27,604	27,575	29
Operating transfers out	0	0	0	0	0	0
Capital improvements	283	1,198	(915)	0	0	0
Other:						
CIP closures	0	0	0	0	0	0
Net fund balance reserve increases	0	0	0	0	0	0
Total current requirements	14,931	16,390	(1,459)	27,604	27,575	29
Excess (deficiency) of current resources over (under) current requirements	(1,483)	(1,606)	(123)	1,358	1,977	619
Available beginning fund balance (deficit)	3,261	5,223	1,962	(1,257)	455	1,712
Available ending fund balance (deficit)	\$1,778	\$3,617	\$1,839	\$101	\$2,432	\$2,331



24

DEPARTMENT OF
FINANCE

REVENUE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
ROOM 104
915 I STREET
SACRAMENTO, CA
95814-2696

February 14, 1989
RA891008:MLM:ldm

916-449-5454

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: FISCAL YEAR 1988/89 MIDYEAR REVENUE PROJECTIONS

SUMMARY

This report presents the FY 1988/89 Midyear Revenue projections and requests the Budget and Finance Committee to recommend that the City Council approve the attached resolution amending the FY 1988/89 Approved Budget revenue projections.

BACKGROUND

The Midyear Revenue Projections are one element of the annual Midyear Review report that the Department of Finance prepares for the City Council. The annual Midyear Review provides data which serves as the base for developing the City Manager's annual budget.

The purpose of the revenue projection analysis is to determine necessary revisions, if any, to the projections used for funding the current year's expenditures. The Midyear Revenue Review facilitates the process of determining necessary adjustments, if any, that the City should make to maintain a balanced budget.

DISCUSSION

Exhibit I details the FY 1988/89 Approved Budget and Midyear Review revenue projections. The following is a summary, by fund affected, of the major changes from the revenue projections. Funds not listed are not projected to deviate by more than \$100,000.

GENERAL FUND

Total Revenue

Approved	\$150,084,000
Midyear	\$147,395,000

The midyear projection is \$2,689,000 (1.8%) lower than the Approved Budget projection. The estimating variance is distorted by the adoption of significant

fee increases recommended by the Final Report on a Fee and Charge Cost Analysis dated May 23, 1988 (prepared by the independent accounting firm of Arthur Young and Company). The fee increases adopted to date will result in approximately \$2,330,000 for FY 1988/89. The actual estimating error is \$5,019,000 (3.3%). The FY 1988/89 revenues will increase by 4.1% over FY 1987/88 rather than the 6.0% increase projected for the Approved Budget. The specific significant variances for the General Fund are discussed in the following paragraphs under this heading.

Taxes

Approved	\$111,651,000
Midyear	\$108,644,000

The midyear projection indicates a \$3,007,000 (2.7%) decrease in tax revenue from the Approved Budget. The utility users tax decrease of \$2,846,000 (10.0%) is attributable to lower than anticipated utility rate increases by SMUD and PG&E. The property tax decrease of \$666,000 (2.0%) and the real property transfer tax decrease of \$578,000 (15.3%) is thought to be caused by the elimination of the special capital gains income tax rate. It appears that property owners are holding on to their investments which decreases the assessed value growth rate and therefore reduces the property tax growth rate. These decreases were partially offset by higher than anticipated revenues from delinquent secured property taxes \$798,000 (39.0%) and sales taxes \$685,000 (2.1%). Both increases indicate that the local economy remains stable and is growing.

Licenses and Permits

Approved	\$3,453,000
Midyear	\$4,057,000

The midyear revenue projection is \$604,000 (14.9%) higher than the Approved Budget. Construction permit fee increases adopted during FY 1988/89 combined with stronger than anticipated commercial construction activity resulted in an increase of \$983,000 (54.1%) for construction permits. The increase was partially offset by less use by PG&E of City gas mains to transport gas which decreased franchise license fees by \$93,000 (15.4%), \$160,000 (88.9%) less than anticipated Cable TV construction permit fees, and the public's decision to utilize other parking alternatives rather than purchase midtown employee parking permits resulted in a \$300,000 (80.0%) decrease.

Fines and Forfeits

Approved	\$1,803,000
Midyear	\$2,076,000

The midyear projection is \$273,000 (15.1%) higher than the Approved Budget projection. A higher than anticipated increase in the number of parking

citations resulted in a parking fine revenue increase of \$265,000 (15.2%). The City has initiated negotiations with the County to utilize a private vendor (that specializes in parking citation collections) for collection of parking citations. Other jurisdictions utilizing private vendors for these collections have experienced increased revenues.

Use of Money

Approved	\$2,555,000
Midyear	\$1,984,000

The midyear projection is \$571,000 (22.3%) lower than the Approved Budget projection. The decrease is attributable to two factors. Effective July 1, 1988 the City's policy regarding allocation of the pooled investment earnings was changed. Previously, funds within the pools which had negative balances were not assessed an interest charge for the negative balance. The General Fund historically has experienced negative balances in the late fall due to the property tax cash flow cycle. Current law has made it impractical for the City to issue TRANS borrowings to offset the effect of the negative cash flow. Therefore, the General Fund must borrow cash from the investment pool. The interest penalty results in less net interest earnings. The second factor contributing to the decrease is the accelerated distribution of cash collections to the utility funds from the utility revolving fund. The utility revolving fund interest earnings are allocated to the General Fund. The new utility billing system (UCIS) posts cash collections from the utility revolving fund to the utility funds on a daily basis rather than biweekly. This has reduced the average daily balance of the utility revolving fund by approximately \$2,000,000 which represents a General Fund interest earning loss of \$150,000. The offset to the General Fund loss is increased interest earnings for the Utility funds.

Charges, Fees and Services

Approved	\$10,844,000
Midyear	\$11,363,000

The midyear projection is \$519,000 (4.8%) higher than the Approved Budget projection. Increased revenue from higher charges and fees adopted during FY 1988/89 offset a reduction of parking meter receipts. The increased parking fine revenue (see Fines and Forfeits) partially explains the lower than anticipated parking meter receipts.

Other Revenues

Approved	\$1,420,000
Midyear	\$984,000

The midyear projection is \$436,000 (30.7%) lower than the Approved Budget projection. The decrease resulted from lower than anticipated sales of City surplus property/equipment and the deferral of payment to the City of the initial proceeds from the SHRA sale of the 12th and G Street property.

OTHER GOVERNMENTAL FUNDSTraffic Safety Fund

Approved	\$1,053,000
Midyear	\$1,224,000

The midyear projection is \$171,000 (16.2%) higher than the Approved Budget projection. During the past two fiscal years, staff has been unable to accurately project traffic fine revenues due to the County's sporadic payment process. The County has revised its internal process which should result in more accurate City revenue projections.

Major Street Construction Fund

Approved	\$2,137,000
Midyear	\$3,000,000

The midyear projection is \$863,000 (40.4%) higher than the Approved Budget projection. The increase is due to significantly higher than anticipated commercial construction activity.

Assessment Bond Registration Fund

Approved	\$55,000
Midyear	\$209,000

The midyear projection is \$154,000 (280.0%) higher than the Approved Budget projection. The increase is due to an unanticipated major assessment district in the Natomas area.

SDIRS Fund

Approved	\$0
Midyear	\$258,000

The Special District Information and Reporting System (SDIRS) fund established in FY 1987/88 was not included in the Approved Budget projections. The fund's revenue source is from fees charged special districts for accounting for and reporting upon the financial status of the special districts.

Narcotics Task Force Fund

Approved	\$100,000
Midyear	\$367,000

The midyear projection is \$267,000 (267.0%) higher than the Approved Budget projection. The increase is due to higher than anticipated revenue from assets from property seized as a result of narcotic arrests.

Quimby Act Fund

Approved	\$1,169,000
Midyear	\$1,010,000

The midyear projection is \$159,000 (13.6%) lower than the Approved Budget projection. The decrease is attributable to lower than anticipated interest earnings. The City is spending the Quimby Act revenues at a faster rate which reduces the average daily cash balance available for investment.

Citation I-5 Improvement Fund

Approved	\$59,000
Midyear	\$213,000

The midyear projection is \$154,000 (261.0%) higher than the Approved Budget projection. The increase is due to higher than anticipated development fees.

South Natomas Community Improvement Fund

Approved	\$230,000
Midyear	\$1,289,000

The midyear projection is \$1,059,000 (460.4%) higher than the Approved Budget projection. The increase is due to higher than anticipated development fees.

ENTERPRISE FUNDSParking Fund

Approved	\$9,739,000
Midyear	\$8,801,000

The midyear projection is \$938,000 (9.6%) lower than the Approved Budget projection. The decrease is due to lower projected parking fee revenues. The lower projected parking fee revenues are attributable to an assumption error in the forecasting model. Staff has reassessed the assumptions used in the forecast.

Water Fund

Approved	\$20,418,000
Midyear	\$19,659,000

The midyear projection is \$759,000 (3.7%) lower than the Approved Budget projection. The decrease is due to staff overestimating the residential growth rate by approximately 1.5%.

Sewer Fund

Approved	\$6,881,000
Midyear	\$6,774,000

The midyear projection is \$107,000 (1.6%) lower than the Approved Budget projection. The decrease is due to staff overestimating the residential growth rate by approximately 1.5%.

Solid Waste Fund

Approved	\$22,063,000
Midyear	\$23,056,000

The midyear projection is \$993,000 (4.5%) higher than the Approved Budget projection. The increase is the combined result of the unbudgeted recovery of \$1,202,000 from the vegetal waste treatment plant settlement offset by staff overestimating the residential growth rate by approximately 1.5% for the Garden Refuse Tax revenue and lower than anticipated prior year lien recoveries.

Storm Drainage Fund

Approved	\$10,943,000
Midyear	\$12,021,000

The midyear projection is \$1,078,000 (9.9%) higher than the Approved Budget projection. The increase is the combined result of higher interest income and recovery of costs from the State, offset by lower prior year lien recoveries. The higher interest income is due to higher than anticipated daily cash balances. The recovery of costs from the State was not budgeted due to the uncertainty of the date that the State would reimburse the City for costs for the 1986 flood and to repair the wharf in Old Sacramento damaged by water seepage. The lower prior year lien recoveries are due to a staff estimating error.

INTERNAL SERVICE FUNDSFleet Management Fund

Approved	\$608,000
Midyear	\$963,000

The midyear projection is \$355,000 (58.4%) higher than the Approved Budget projection. The increase is due to higher than anticipated interest income and the recovery of costs previously expensed. The costs recovered are gas purchases for the Boat Harbor which in turn sells the gas to the boating public.

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Risk Management Fund

Approved	\$1,897,000
Midyear	\$2,624,000

The midyear projection is \$727,000 (38.3%) higher than the Approved Budget projection. The increase is due to higher than anticipated daily cash balances which resulted in increased interest earnings.

POLICY CONSIDERATIONS

The financial policy implications of the recommended revenue estimate changes are discussed in an accompanying report.


MBE/WBE EFFORTS

None.

RECOMMENDATION

It is requested that the Budget and Finance Committee recommend that the City Council approve the attached resolution that amends the FY 1988/89 Approved Budget revenue estimates.

Respectfully submitted,


Michael L. Medema
Revenue Manager

RECOMMENDATION APPROVED:


JACK R. CRIST
Deputy City Manager

CONTACT PERSON: Michael L. Medema, Revenue Manager, 449-5724

Attachment

February 21, 1989
All Districts



24

DEPARTMENT OF
FINANCE

REVENUE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

February 14, 1989
RA891003:MLM:ldm

CITY HALL
ROOM 104
915 I STREET
SACRAMENTO, CA
95814-2696

916-449-5454

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: FIVE-YEAR REVENUE PROJECTION - ALL FUNDS

SUMMARY

This report transmits to the Budget and Finance Committee staff's five-year revenue projections for all City funds.

BACKGROUND

The five-year revenue projections provide data essential to long range planning as well as current fund balance projections. Together, these projections provide early indications of potential program expansions, the need for revenue increases and/or expenditure reductions.

Long range revenue projection is at best an art. The economic and policy assumptions are speculative, especially beyond one or two years. These projections should be viewed as an indication of the direction in which the various revenue sources will be moving rather than an exact prediction.

DISCUSSION

Staff assumes a status quo for tax, fee and charge rates structures, as well as continuance of current law for the five-year revenue projections. In addition, staff does not incorporate speculative or uncertain growth assumptions into the forecast.

This report does not include specific growth assumptions for the Natomas area due to the uncertainty of the growth schedule. The sales tax projections for the General Fund do not include an expected positive impact of the remodeling of Arden Fair or Downtown Plaza due to the speculative nature of the actual sales tax growth that may result. Staff does not know the actual retail outlets that will occupy these shopping centers or the amount of new City sales tax revenue that will result.

The five-year revenue projections for all City funds for FY 1989/90 through FY 1993/94 are summarized in Exhibit I. The City's General Fund growth rate ranges from 4.1% to 8.5% during the five-year forecast period. Although this growth range is modest compared to prior years, the growth range is respectable and indicates a healthy local economy.

The following schedule compares the 1988 and 1989 Midyear Review Five-Year Revenue Projections for the City General Fund. The negative adjustment of the New Revenue Impact column is shown to benchmark the 1989 midyear assumptions to the 1988 midyear assumptions. The 1988 midyear assumptions did not anticipate the significant new fee increases adopted during FY 1988/89 and the voter approved freeze on the annual .5% decrease of the utility users tax rate.

(\$ in thousands)

<u>FY</u>	<u>1988 Midyear</u>	<u>1989 Midyear</u>	<u>Increase <Decrease></u>	<u>New Revenue Impact</u>	<u>Actual Increase <Decrease></u>
1988/89	\$147,639	\$147,395	<\$ 244>	<\$ 617>	<\$ 861>
1989/90	159,498	157,124	< 2,374>	< 4,969>	< 7,343>
1990/91	172,116	168,365	< 3,751>	< 6,448>	< 10,199>
1991/92	185,463	182,613	< 2,850>	< 8,939>	< 11,789>
1992/93	199,761	194,891	< 4,870>	< 11,112>	< 15,982>
1993/94	NA	208,110	NA	NA	NA

The comparison clearly demonstrates that long-range forecasts should be viewed only as a planning tool. The forecasts are based upon fixed assumptions that may not be valid in future periods.

POLICY CONSIDERATIONS

The financial policy implications of the 1989 Five Year Revenue Projections are discussed in an accompanying report.

MBE/WBE EFFORTS

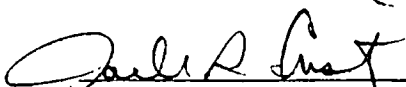
None.


RECOMMENDATION

It is recommended that the Budget and Finance Committee direct staff to transmit the attached five-year revenue projections to the City Council for its information.

Respectfully submitted,

RECOMMENDATION APPROVED:


JACK R. CRIST
Deputy City Manager


Michael L. Medema
Revenue Manager

Attachment

CONTACT PERSON: Michael L. Medema, Revenue Manager, 449-5724

All Districts
February 21, 1989

5year89 -- 2/15/89

EXHIBIT I

City of Sacramento
5 - YEAR REVENUE FORECAST 1989/94
\$ in thousands

	1983/84	1984/85	ACTUAL			1988/1989		FORECAST				
			1985/86	1986/87	1987/88	APPROVED	MIDYEAR	1989/90	1990/91	1991/92	1992/93	1993/94
GENERAL FUND												
Property Taxes	\$24,752	\$27,014	\$30,512	\$34,843	\$38,313	\$41,852	\$41,761	\$46,093	\$51,387	\$57,200	\$63,672	\$70,897
		9.1%	12.9%	14.2%	10.0%	9.2%	9.0%	10.4%	11.5%	11.3%	11.3%	11.3%
Sales and Use Taxes	24,125	27,149	29,532	30,243	32,565	33,373	34,058	35,354	37,918	41,401	44,044	46,856
		12.5%	8.8%	2.4%	7.7%	2.5%	4.6%	3.8%	7.3%	9.2%	6.4%	6.4%
Utility Users Taxes	16,298	19,531	21,916	23,564	25,287	28,477	25,631	24,759	24,905	25,362	23,910	22,332
		19.8%	12.2%	7.5%	7.3%	12.6%	1.4%	-3.4%	0.6%	1.8%	-5.7%	-6.6%
Utility Users Taxes - Public Safety	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,337	3,338	5,750	7,984	10,363
		N/A	N/A	N/A	N/A	N/A	N/A	N/A	149.7%	72.3%	38.9%	29.8%
Business Operations Taxes	2,280	2,587	2,824	2,824	2,933	3,268	3,083	3,249	3,451	3,696	3,992	4,311
		13.5%	9.2%	0.0%	3.9%	11.4%	5.1%	5.4%	6.2%	7.1%	8.0%	8.0%
Real Property Transfer Taxes	2,654	2,534	3,010	3,302	2,839	3,789	3,211	3,351	3,647	4,137	4,615	5,148
		-4.5%	18.8%	9.7%	-14.0%	33.5%	13.1%	4.4%	8.8%	13.4%	11.6%	11.5%
Residential Construc- tion Taxes	1,687	1,400	1,850	1,220	929	892	900	900	900	900	900	900
		-17.0%	32.1%	-34.1%	-23.9%	-4.0%	-3.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Licenses and Permits		3,145	3,329	3,476	3,225	3,453	4,057	5,080	5,125	5,195	5,406	5,450
		ERR	5.9%	4.4%	-7.2%	7.1%	25.8%	25.2%	0.9%	1.4%	4.1%	0.8%
Fines and Forefeits	1,071	1,165	1,386	1,250	1,668	1,803	2,076	2,300	2,359	2,407	2,452	2,497
		8.8%	19.0%	-9.8%	33.4%	8.1%	24.5%	10.8%	2.6%	2.0%	1.9%	1.8%
Use of Money	5,013	3,916	4,051	5,119	2,742	2,555	1,984	1,580	1,603	1,624	1,635	1,649
		-21.9%	3.4%	26.4%	-46.4%	-6.8%	-27.6%	-20.4%	1.5%	1.3%	0.7%	0.9%
Intergovernmental	10,060	13,102	15,526	19,312	17,225	18,358	18,287	18,626	19,503	20,450	21,468	22,567
		30.2%	18.5%	24.4%	-10.8%	6.6%	6.2%	1.9%	4.7%	4.9%	5.0%	5.1%
Charges, Fees and Services	6,898	7,288	8,710	8,207	10,735	10,844	11,363	12,892	13,014	13,294	13,595	13,899
		5.7%	19.5%	-5.8%	30.8%	1.0%	5.9%	13.5%	0.9%	2.2%	2.3%	2.2%
Other Revenues	877	1,159	1,285	848	3,130	1,420	984	1,603	1,215	1,197	1,218	1,241
		32.2%	10.9%	-34.0%	269.1%	-54.6%	-68.6%	62.9%	-24.2%	-1.5%	1.8%	1.9%
Total: GENERAL FUND	\$95,715	\$109,990	\$123,931	\$134,208	\$141,591	\$150,084	\$147,395	\$157,124	\$168,365	\$182,613	\$194,891	\$208,110
		14.9%	12.7%	8.3%	5.5%	6.0%	4.1%	6.6%	7.2%	8.5%	6.7%	6.8%

	1983/84	ACTUAL				1988/1989		FORECAST				
		1984/85	1985/86	1986/87	1987/88	APPROVED	MIDYEAR	1989/90	1990/91	1991/92	1992/93	1993/94
OTHER GOVERNMENTAL FUNDS												
Gas Taxes	\$4,805	\$4,532	\$6,903	\$5,849	\$4,950	\$4,947	\$4,933	\$4,943	\$4,961	\$4,980	\$4,999	\$5,020
		-5.7%	52.3%	-15.3%	-15.4%	-0.1%	-0.3%	0.2%	0.4%	0.4%	0.4%	0.4%
CDBG	1,690	2,403	2,461	196	142	926	926	0	0	0	0	0
		42.2%	2.4%	-92.0%	-27.6%	552.1%	552.1%	-100.0%	N/A	N/A	N/A	N/A
SHRA	2,051	1,507	506	(194)	2,084	226	198	0	0	0	0	0
		-26.5%	-66.4%	-138.3%	-1174.2%	-89.2%	-90.5%	-100.0%	N/A	N/A	N/A	N/A
Traffic Safety	1,360	1,281	1,064	1,036	1,209	1,053	1,224	1,224	1,224	1,224	1,224	1,224
		-5.8%	-16.9%	-2.6%	16.7%	-12.9%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Major Street Construction	2,644	2,985	3,214	2,900	2,284	2,137	3,000	3,000	3,075	3,151	3,230	3,311
		12.9%	7.7%	-9.8%	-21.2%	-6.4%	31.3%	0.0%	2.5%	2.5%	2.5%	2.5%
Revenue Sharing	5,204	4,926	5,396	1,058	0	0	0	0	0	0	0	0
		-5.3%	9.5%	-80.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Truxal Interchange	N/A	N/A	N/A	N/A	N/A	N/A	5	0	0	0	0	0
		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Downtown District Maintenance	N/A	N/A	47	49	45	49	49	51	53	55	57	59
		N/A	N/A	4.3%	-8.2%	8.9%	8.9%	4.1%	3.9%	3.8%	3.6%	3.5%
Old Sacramento Dist. Maintenance	N/A	N/A	47	64	55	62	62	64	67	69	72	75
		N/A	N/A	36.2%	-14.1%	12.7%	12.7%	3.2%	4.7%	3.0%	4.3%	4.2%
Assessment Bond Registration	58	76	52	27	59	55	209	54	54	54	54	54
		31.0%	-31.6%	-48.1%	118.5%	-6.8%	254.2%	-74.2%	0.0%	0.0%	0.0%	0.0%
Transportation Development	153	183	180	208	192	239	195	202	206	210	213	217
		19.6%	-1.6%	15.6%	-7.7%	24.5%	1.6%	3.6%	2.0%	1.9%	1.4%	1.9%
Pocket Area Trunk Sewer	67	248	115	85	87	80	87	87	88	88	88	88
		270.1%	-53.6%	-26.1%	2.4%	-8.0%	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%
Capital Grants	926	938	2,430	1,203	105	1,591	1,591	0	0	0	0	0
		1.3%	159.1%	-50.5%	N/A	N/A	1415.2%	N/A	N/A	N/A	N/A	N/A
Bridge Construction	123	53	135	115	96	43	61	61	52	32	32	32
		-56.9%	154.7%	-14.8%	-16.5%	-55.2%	-36.5%	0.0%	-14.8%	-38.5%	0.0%	0.0%
Operating Grants	615	866	965	1,661	0	2,821	2,821	0	0	0	0	0
		40.8%	11.4%	72.1%	N/A	N/A	N/A	-100.0%	N/A	N/A	N/A	N/A

	1983/84	1984/85	ACTUAL		1987/88	1988/1989		1989/90	FORECAST			
			1985/86	1986/87		APPROVED	MIDYEAR		1990/91	1991/92	1992/93	1993/94
OTHER GOVERNMENTAL FUNDS (Continued)												
Animal Acquisition	N/A	N/A	15	15	15	10	10	10	10	10	10	10
		N/A	N/A	0.0%	0.0%	-33.3%	-33.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Cable Fund	N/A	N/A	66	67	74	0	0	0	0	0	0	0
		N/A	N/A	1.5%	10.4%	-100.0%	N/A	N/A	N/A	N/A	N/A	N/A
SDIRS	N/A	N/A	N/A	N/A	N/A	N/A	258	54	54	54	54	54
		N/A	N/A	N/A	N/A	N/A	N/A	-79.1%	0.0%	0.0%	0.0%	0.0%
Citation I-5 Maintenance	N/A	N/A	N/A	40	15	73	116	56	53	53	0	0
		N/A	N/A	N/A	-62.5%	386.7%	673.3%	-51.7%	-5.4%	0.0%	-100.0%	N/A
Special Recreation	833	870	1,130	1,384	1,685	762	766	862	538	538	538	538
		4.4%	29.9%	22.5%	21.7%	-54.8%	-54.5%	12.5%	-37.6%	0.0%	0.0%	0.0%
Sports Complex	N/A	N/A	N/A	N/A	217	260	260	279	279	279	279	279
		N/A	N/A	N/A	N/A	N/A	19.8%	7.3%	0.0%	0.0%	0.0%	0.0%
Narcotics Task Force	N/A	N/A	N/A	9	259	100	367	318	319	319	319	319
		N/A	N/A	N/A	N/A	N/A	41.7%	-13.4%	0.3%	0.0%	0.0%	0.0%
Fariytale Town	178	205	237	377	403	471	471	646	683	723	766	811
		15.2%	15.6%	59.1%	6.9%	16.9%	16.9%	37.2%	5.7%	5.9%	5.9%	5.9%
Florin Road Storm and Sanitation	N/A	N/A	N/A	5	5	5	5	5	5	5	5	5
		N/A	N/A	N/A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Quimby Act	1,307	1,199	1,279	935	364	1,169	1,010	630	1,156	1,558	1,858	2,158
		-8.3%	6.7%	-26.9%	-61.1%	221.2%	177.5%	-37.6%	83.5%	34.8%	19.3%	16.1%
Flood and Drainage	290	300	167	162	174	119	118	118	118	119	119	119
		3.4%	-44.3%	-3.0%	7.4%	-31.6%	-32.2%	0.0%	0.0%	0.8%	0.0%	0.0%
Citation I-5 Improvement	N/A	N/A	41	44	13	59	213	57	57	57	0	0
		N/A	N/A	7.3%	-70.5%	353.8%	1538.5%	-73.2%	0.0%	0.0%	-100.0%	N/A
S. Natomas Community Improvement	350	469	397	288	65	230	1,289	314	314	314	0	0
		34.0%	-15.4%	-27.5%	-77.4%	253.8%	1883.1%	-75.6%	0.0%	0.0%	-100.0%	N/A
South Natomas Facility Benefit	N/A	N/A	N/A	5	4	0	4	4	4	4	4	4
		N/A	N/A	N/A	N/A	-100.0%	N/A	N/A	0.0%	0.0%	0.0%	0.0%
Sacramento History Center	N/A	366	104	22	23	21	24	24	24	24	24	24
		N/A	-71.6%	-78.8%	4.5%	-8.7%	4.3%	0.0%	0.0%	0.0%	0.0%	0.0%
S. Natomas I-5 Dev. Improvement	N/A	N/A	N/A	59	23	105	193	92	92	92	0	0
		N/A	N/A	N/A	-61.0%	356.5%	739.1%	-52.3%	0.0%	0.0%	-100.0%	N/A
Total: OTHER GOVERN- MENTAL FUNDS	\$22,654	\$23,407	\$26,951	\$17,669	\$14,647	\$17,613	\$20,465	\$13,155	\$13,486	\$14,012	\$13,945	\$14,401
		3.3%	15.1%	-34.4%	-17.1%	20.2%	39.7%	-35.7%	2.5%	3.9%	-0.5%	3.3%

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			ACTUAL			1983/1989		FORECAST				
	1983/84	1984/85	1985/86	1986/87	1987/88	APPROVED	MIDYEAR	1989/90	1990/91	1991/92	1992/93	1993/94
ENTERPRISE FUNDS												
Parking	6.721	6.525 -2.9%	7.355 12.7%	7.984 8.6%	8.218 2.9%	9.739 18.5%	8.801 7.1%	8.746 -0.6%	8.971 2.6%	9.637 7.4%	10.046 4.2%	10.711 6.6%
Water	13.060	13.930 6.7%	15.278 9.7%	15.907 4.1%	16.041 0.8%	20.418 27.3%	19.659 22.6%	19.816 0.8%	20.011 1.0%	20.183 0.9%	20.374 0.9%	21.396 5.0%
Sewer	8.452	7.981 -5.6%	5.562 -30.3%	5.966 7.3%	6.233 4.5%	6.881 10.4%	6.774 8.7%	6.793 0.3%	6.803 0.1%	6.801 0.0%	6.806 0.1%	6.823 0.2%
Solid Waste	14.403	14.744 2.4%	18.593 26.1%	20.769 11.7%	21.690 4.4%	22.063 1.7%	23.056 6.3%	22.115 -4.1%	22.397 1.3%	22.681 1.3%	22.971 1.3%	23.262 1.3%
Boat Harbor	419	462 10.3%	506 9.5%	550 8.7%	643 16.9%	1,162 80.7%	1,204 87.2%	1,215 0.9%	1,227 1.0%	1,241 1.1%	1,255 1.1%	1,269 1.1%
Golf	2,245	2,383 6.1%	2,478 4.0%	2,994 20.8%	3,245 8.4%	3,230 -0.5%	3,230 -0.5%	3,215 -0.5%	3,219 0.1%	3,251 1.0%	3,272 0.6%	3,266 -0.2%
Community Center	5.073	5.518 8.8%	5.488 -0.5%	6.523 18.9%	7.420 13.8%	7.647 3.1%	7.588 2.3%	8.186 7.9%	8.895 8.7%	9.862 10.9%	11.067 12.2%	12.281 11.0%
Camp Sacramento	1,407	452 -67.9%	180 -60.2%	224 24.4%	222 -0.9%	0 -100.0%	0 N/A	0 N/A	0 N/A	0 N/A	0 N/A	0 N/A
Storm Drainage	N/A	N/A N/A	4.441 N/A	9.014 103.0%	10.612 17.7%	10.943 3.1%	12.021 13.3%	11.064 -8.0%	11.198 1.2%	11.333 1.2%	11.468 1.2%	11.605 1.2%
Total: ENTERPRISE FUNDS	\$51.780	\$51.995 0.4%	\$59.881 15.2%	\$69.931 16.8%	\$74,324 6.3%	\$82.083 10.4%	\$82,333 10.8%	\$81.150 -1.4%	\$82.721 1.9%	\$84.980 2.7%	\$87.259 2.7%	\$90.613 3.8%
INTERNAL SERVICE FUNDS												
Fleet Management	386	599 55.2%	1,196 99.7%	704 -41.1%	1,016 44.3%	608 -40.2%	963 -5.2%	935 -2.9%	961 2.8%	975 1.5%	992 1.7%	1,009 1.7%
Risk Management	787	2.495 217.0%	1.131 -54.7%	1.130 -0.1%	1.369 21.2%	1.897 38.6%	2.624 91.7%	1.733 -34.0%	1.746 0.8%	1.757 0.6%	1.755 -0.1%	1.755 0.0%
Total: INTERNAL SERVICE FUNDS	\$1.173	\$3.094 163.8%	\$2.327 -24.8%	\$1.834 -21.2%	\$2.385 30.0%	\$2.505 5.0%	\$3.587 50.4%	\$2.668 -25.6%	\$2.707 1.5%	\$2.732 0.9%	\$2.747 0.5%	\$2.764 0.6%
TOTAL: ALL CITY REVENUE	\$171.322	\$188.486 10.0%	\$213.090 13.1%	\$223.642 5.0%	\$232.947 4.2%	\$252.285 8.3%	\$253.780 8.9%	\$254.097 0.1%	\$267.279 5.2%	\$284.346 6.4%	\$298.842 5.1%	\$315.888 5.7%



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DEPARTMENT OF
FINANCE

BUDGET DIVISION

CITY OF SACRAMENTO
CALIFORNIA

February 21, 1989
89018:KN:ldc

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)

- (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.

(4) Debt finance cash funded capital improvement projects (\$.5 million).

Included in the 1988-89 Capital Improvement Budget are the following funded projects: Animal Control Expansion, Sim Park Community Center Expansion, Belle Coolege Library and the Meadowview Community Center. It is recommended that the cash portion be included in the upcoming debt issue, thereby freeing up \$.5 million of General Fund appropriations (see Attachment D).

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

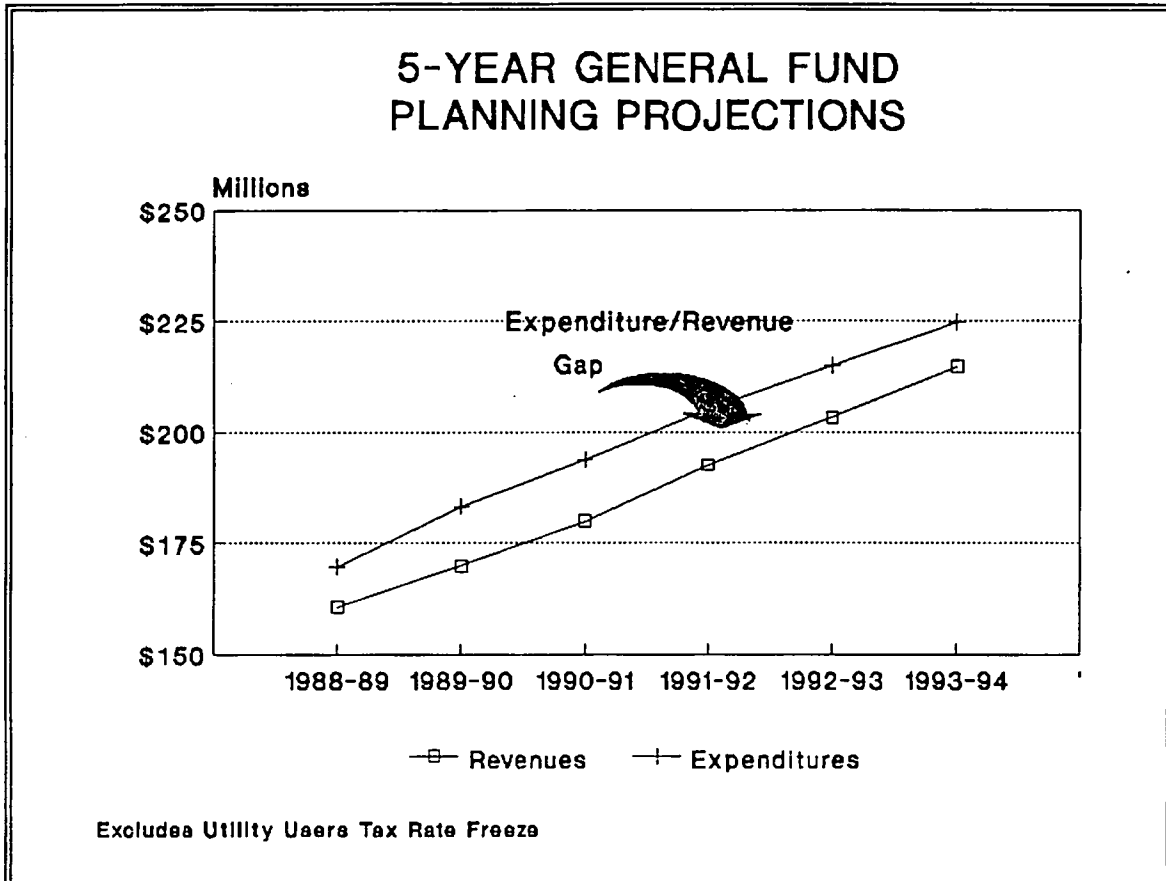
o **Wait until the end of the year and make adjustments in the 1989-90 budget.**

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 Cooleedge 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.

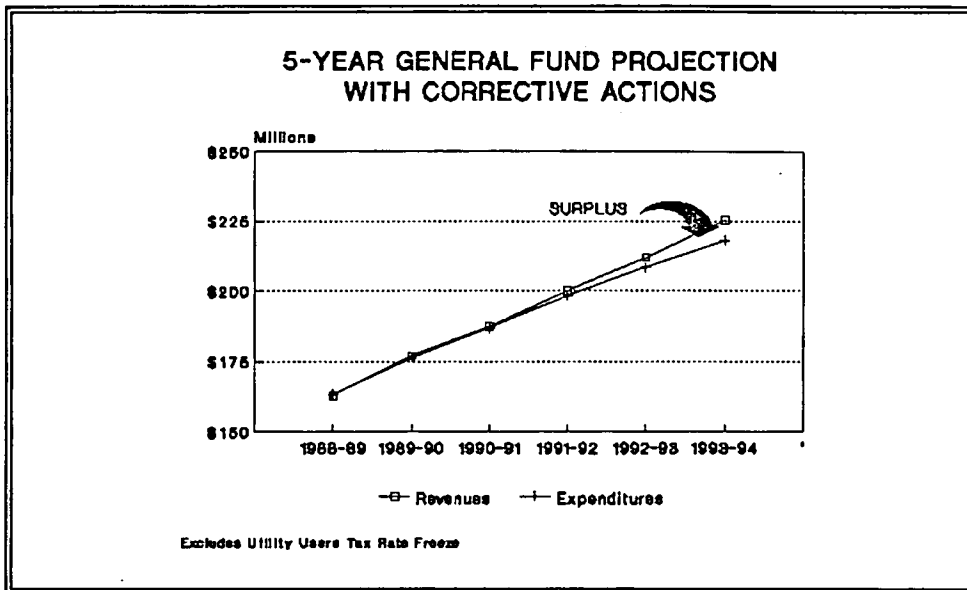
The City Manager's Proposed 1989-90 Budget will identify expenditure reductions necessary to close this gap, as well as, present revenue options. If the situation is corrected with permanent expenditure reductions or revenue increases in the 1989-90 budget year, the annual ending balance will not go 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.

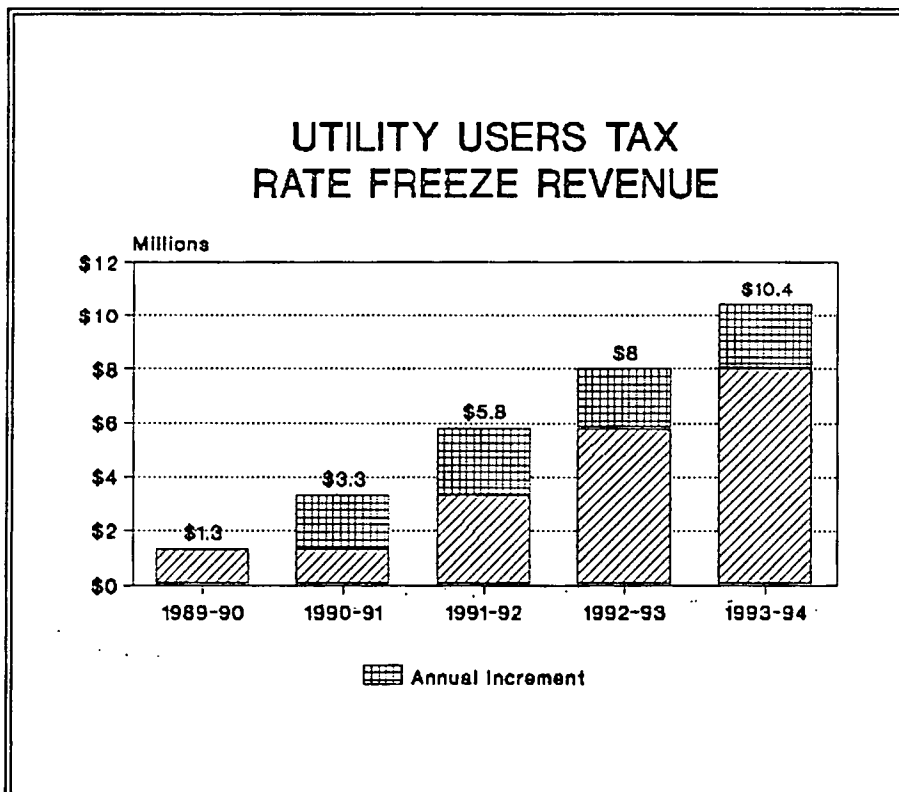
Exhibit 6



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.

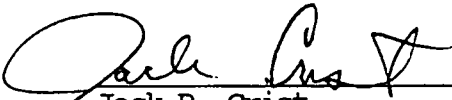
- 24
10. Approve additional funding for the Human Rights Commission in the amount of \$5,000.
 11. Authorize the City Manager to transfer \$77,400 from the General Fund Administrative Contingency Fund (101) and \$69,949 from the Major Street Construction Fund (209) to the Redevelopment Agency of the 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

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 \$77,400 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

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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

RESOLUTION NO. 89-147

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

APPROVED
BY THE CITY COUNCIL

FEB 21 1989

OFFICE OF THE
CITY CLERKRESOLUTION 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.

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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

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	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 psycological 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
10 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

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	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

Total Police	0	70,000

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	

Total Fire	648,800	

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

Total Public Works	655,265	380,000

Planning & Development:		
1 Weed abatement contract reduction		120,630
2 Delay implementing Geographic Identification System		131,631
3 Credit for fee increase	114,078	

Total Planning & Development	114,078	252,261

Library:		
1 Salary savings	349,550	
2 Service & supplies savings	30,000	

Total Library	379,550	0

Parks & Community Services:		
1 Fee Increases	128,384	
2 K Street Mall maintenance-reimbursement from SHRA		61,000
3 Salary savings	236,132	75,000
4 Other Savings		100,000

Total Parks & Community Services	364,516	236,000

TOTAL GENERAL FUND	2,628,826	1,269,921
=====		

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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)

	101	-----ENTERPRISE FUNDS-----							
		413	414	425	415	412	419	418	417
	GENERAL	Water	Sewer	Storm Drain	Solid Waste	Parking	Community Center	Golf	Boat Harbor
Beginning Fund Balance (Deficit)	\$5,018	\$1,257	\$982	\$1,436	\$3,780	\$686	\$2,361	\$1,036	\$6
Current Resources:									
Revenues									
Taxes	111,651				2,631		5,613		
Licenses & Permits	3,453								818
Fines, Forfeitures & Penalties	1,803								
Use of Money & Property	2,555	750	406	127	314	432	159	194	98
Intergovernmental	18,358		1,424			194			
Charges for Current Services	10,844	19,028	4,886	10,424	18,389	9,112	1,679	3,036	21
Miscellaneous Revenue	1,420	640	165	392	729	1	196		225
Subtotal Revenues	150,084	20,418	6,881	10,943	22,063	9,739	7,647	3,230	1,162
Operating Transfers In	13,368	5	211	1,222	71				
Internal Service Billings									
Total Current Resources	163,452	20,423	7,092	12,165	22,134	9,739	7,647	3,230	1,162
Current Requirements									
Current Operations:									
Employee Services	130,617	6,939	2,208	4,234	9,892	2,586	2,082	1,675	214
Other Services & Supplies	34,382	6,554	1,729	4,333	8,743	5,156	2,656	904	438
Equipment	921	204	204	405	208	120	155	135	4
Debt Service	6,532	1,412	540	10	1,774	1,025	1,653	114	14
CIP Labor/Supply Offset	(2,699)	(118)			(42)				
Operating Grant Labor Offset	(1,770)								
Operating Transfers Out		205	1,288	98	176	478	3	1	31
Subtotal Current Operations	167,983	15,196	5,969	9,080	20,751	9,365	6,549	2,829	701
Capital Improvements:									
General Government	1,044								
Public Safety	1,954								
Public Facilities/Development	430	3,478	1,306	3,591	1,044	13,717	2,813		
Culture & Leisure	211							1,150	1,374
Subtotal Capital Improvements	3,639	3,478	1,306	3,591	1,044	13,717	2,813	1,150	1,374
Total Current Requirements	171,622	18,674	7,275	12,671	21,795	23,082	9,362	3,979	2,075
Total Current Surplus (Deficit)	(8,170)	1,749	(183)	(506)	339	(13,343)	(1,715)	(749)	(913)
Other Fund Sources (Uses)	3,987					13,554			1,000
Approved Ending Balance	\$835	\$3,006	\$799	\$930	\$4,119	\$897	\$646	\$287	\$93
Midyear Adjustment	(89)	(1,869)	162	(331)	(409)	465	1,430	193	140
Midyear Available Balance	746	1,137	961	599	3,710	1,362	2,076	480	233

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

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	OTHER GOVERNMENTAL FUNDS-----CONTINUED							
	202-04,247	205	206	208	209	636-39,232	640	235/243
	Gas Taxes	CDBG	SHRA	Traffic Safety	Major St. Construct	Assessmt Funds	Florin Assmt Dis	TDA/Bikeway
								240 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
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
Midyear Adjustment								
Midyear Available Balance	342	0	0	42	107	134	55	134
								999

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

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	-----OTHER GOVERNMENTAL FUNDS-----									CONTINUED
	249	250	248	565	794	795	798	228-9	710	737
	Bridge	Operating	Capital	Citation	Citation	S.Natomas	S.Natomas	Maint	Quimby	1965
	Construct	Grants	Grants	1-5 Maint	1-5 Impr	Cap Impr	1-5 Devlpr	Assmt	Act	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								
Equipment										
Debt Service										
CIP 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

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

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	OTHER GOVERNMENTAL FUNDS-----CONTINUED							
	585	571	573	579	589	251	590	252
	Sutter	Special	Sports		Fairytale	Animal	Art In	Cable
	Park	Recreation	Complex	Narcotics	Town	Acquistion	Pub Pls	TV Fran
	-----	-----	-----	-----	-----	-----	-----	-----
Beginning Fund Balance (Deficit)	\$72	\$122	\$53	\$21	\$299	\$15	\$133	\$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
Operating Transfers In								
Internal Service Billings								
	-----	-----	-----	-----	-----	-----	-----	-----
Total Current Resources	0	762	260	100	471	10	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	0
Capital Improvements:								
General Government								
Public Safety								
Public Facilities/Development								
Culture & Leisure					229			
	-----	-----	-----	-----	-----	-----	-----	-----
Subtotal Capital Improvements	0	0	0	0	229	0	0	0
	-----	-----	-----	-----	-----	-----	-----	-----
Total Current Requirements	0	752	260	100	600	25	133	0
	-----	-----	-----	-----	-----	-----	-----	-----
Total Current Surplus (Deficit)	0	10	0	0	(129)	(15)	(133)	0
Other Fund Sources (Uses)								
	-----	-----	-----	-----	-----	-----	-----	-----
Approved Ending Balance	\$72	\$132	\$53	\$21	\$170	\$0	\$0	\$9
Midyear Adjustment								
	-----	-----	-----	-----	-----	-----	-----	-----
Midyear Available Balance	72	132	53	21	170	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	796	797	811	420	421
	Sacramento	S Natomas	Sac	Assmt Dist	Fleet	Risk
	Theater	FBA	Hist Fund	Reserve	Managemnt	Managemnt
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
Debt Service						
CIP 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



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OFFICE OF THE
CITY TREASURERTHOMAS P. FRIERY
TREASURERDONALD E. SPERLING
ASSISTANT TREASURERCITY OF SACRAMENTO
CALIFORNIA

February 15, 1989

800 TENTH STREET
SUITE ONE
SACRAMENTO, CA
95814-2688916-449-5318
OPERATIONS916-449-5168
INVESTMENTS &
ADMINISTRATION916-448-3139
DEX TRANSCEIVERCity 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 Cooleage 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. SLIPS
City ManagerFebruary 21, 1989
Districts 3, 4, 6, 7, 8

General Fund 5-Year Planning Projections

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	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 Cooleedge			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%

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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.

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

24

PARKING FUND

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

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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 Projected	1990-91 Projected	1991-92 Projected	1992-93 Projected	1993-94 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

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 Projected	1990-91 Projected	1991-92 Projected	1992-93 Projected	1993-94 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.

Exhibit SD1

STORM DRAIN FUND

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

SOLID WASTE FUND

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)	<u>\$1,294</u>	<u>(\$391)</u>	<u>(\$2,375)</u>	<u>(\$4,780)</u>	<u>(\$8,108)</u>

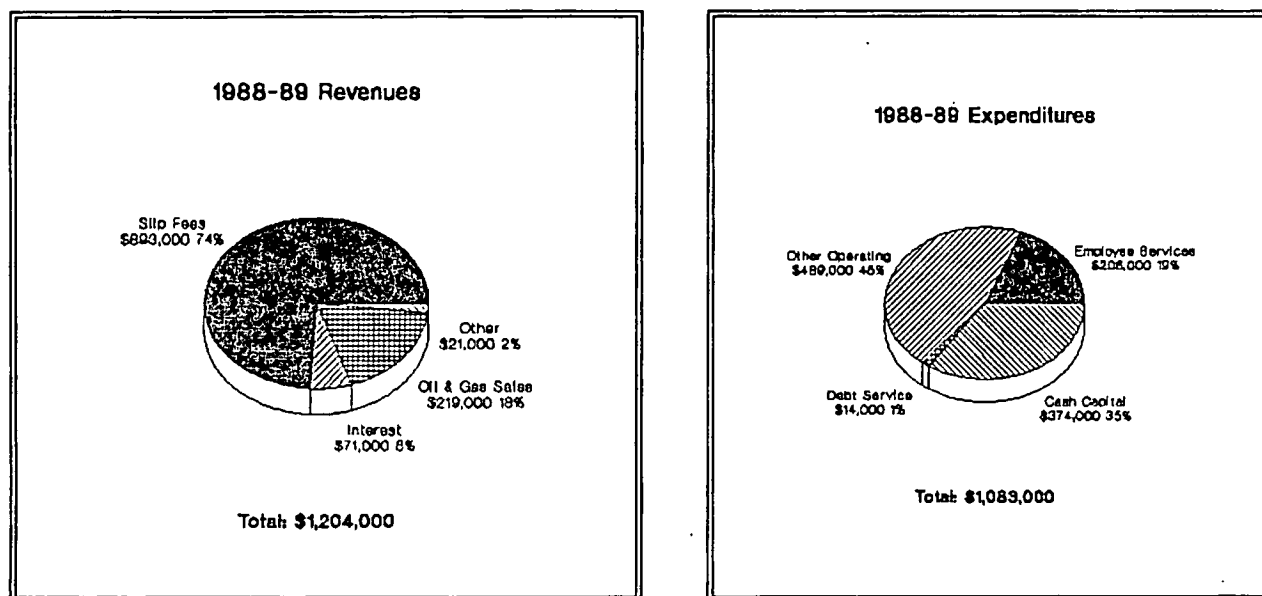
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BOAT HARBOR FUND

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

BOAT HARBOR FUND

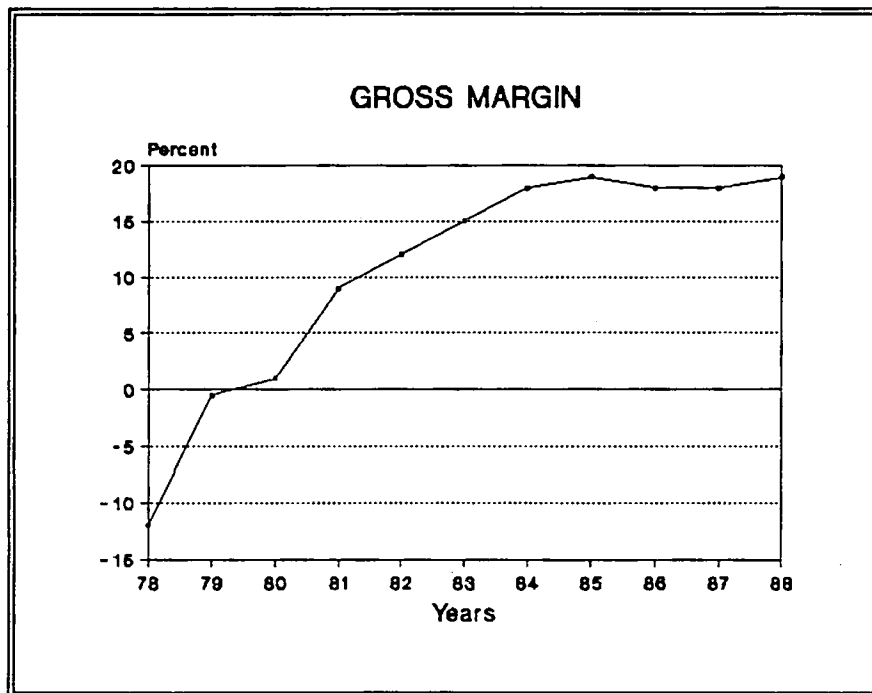
average slip fee condition. Notice that it is necessary to start to accumulate available resources to cover the full impact of the debt service in 1992-93. This accumulated balance buffers the future debt service increases.

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)	245	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

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.

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.

- 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 CDP	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