



10

OFFICE OF THE  
CITY MANAGER

CITY OF SACRAMENTO  
CALIFORNIA

CITY HALL  
ROOM 109  
915 I STREET  
SACRAMENTO, CA  
95814-2684

916-449-5704

February 16, 1987

Budget and Finance Committee  
Sacramento, California

Honorable Members in Session:

**SUBJECT:** 1986-87 Midyear Review: Fund Balance Projections

**SUMMARY**

This report provides a Midyear fund balance projection and a 5-year fund balance projection for the General Fund as well as each of the Enterprise funds. The following briefly summarizes the overall position of each of the major funds which have been reviewed. Detail on each of these funds as well as the smaller funds which have been reviewed can be found in Attachments 1 through 5.

General Fund. The Midyear fund balance projections indicate that the General Fund will end 1986-87 with a fund balance of \$4.3 million. This is \$3.3 million over the Approved Budget estimate. Even though 1986-87 is projected to end on a positive note, the combination of the economic slow down, loss of Revenue Sharing and no new major revenue source results in a 5-year General Fund budget with limited growth. In the years 1989-90 and 1990-91, a reliance will be placed on the Reserve for Economic Uncertainty to maintain current program levels. In addition, carrying the entire \$4.3 million ending fund balance into 1987-88 is essential in maintaining current program levels over the 5-year projection period.

Water Fund. The Midyear projections indicate that the Water Fund will end the year with a fund balance that is approximately \$1.3 million less than anticipated. The largest single current year adjustment to this Fund has been the recent request for \$2 million to begin the Sacramento River Water Treatment Plant Modification. Future projections depict growth in operating costs exceeding operating revenue increases. In order to alleviate a decline in Net Operating Income a 5%-7% annual increase in user fees is indicated. Major capital expenditures for the expansion of the City's water treatment capacity have been included in the projections.

Solid Waste. The Midyear projection indicates that the Solid Waste Fund will end the year with \$608,151 more than anticipated. This change is due to

nearly \$300,000 in increased revenue and a like amount in operational savings. Even with the increase in projected fund balance annual rate increase of 5%-7% are projected for the Fund to meet its operational needs for the 5-year period. During this time the City will build and operate a transfer station, enter into a long term disposal agreement, close the current landfill, and complete the 90-gallon container conversion of residential collection.

Sewer Fund. The Midyear projections indicate no major change to the Sewer Fund's ending fund balance. Without taking into account the prospect of separating the combined brick sewer and storm drainage system in the central area the Fund will still require annual rate increases of 7%-9%.

Storm Drainage Fund. The Midyear projection indicate that this fund is perhaps the "healthiest" of all the utility enterprise funds due to the 1986-87 rate increase. The current rates were established to provide funds for a massive capital improvement program in this area. The Midyear projections verify the Fund's financial strength and ability to undertake the soon to be proposed capital program. Annual rate increases of 5-7% will meet anticipated capital and operational requirements.

Parking Fund. Midyear projections indicate that the Parking Fund will end the year with a balance that is \$225,669 more than anticipated. The single greatest impact on the future of Parking Fund is the pending development of the East End Garage. The projection period is characterized by positive but declining fund balances. The entire parking system is presently under study with results and recommendations expected in late summer. The financial future of this Fund will be re-examined at that time.

Risk Management Fund. The midyear projections indicate that the Risk Management Fund will end the year with a deficit of \$(3) million. The deficit is the result of adjusting reserve levels to match the actuarial report recommendations and are required because of dramatic increases in the estimated ultimate losses in worker's compensation. To help reduce the current deficit and provide funds for possible actuarial adjustments to the 1986-87 reserve levels, General Fund savings in insurance contributions will be transferred to the Risk Management Fund as a one-time fix. Another proposal to keep the deficit in check involves increasing the worker's compensation contribution rate from all City funds to the Risk Management Fund in the 1987-88 budget.

The detail of each of the fund balance projections is contained in the following attachments as well as a resolution adopting the Midyear Review updates and a status report on General Fund Contingency.

- Attachment 1 - General Fund
- Attachment 2 - Utility Enterprise Funds
- Attachment 3 - Culture and Leisure Funds
- Attachment 4 - Internal Service Funds
- Attachment 5 - General Fund Contingency

**RECOMMENDATION**

Staff requests that the Budget and Finance Committee recommend approval to the City Council of the attached resolution adopting the Midyear Review updates to the 1986-87 budget. The 5-year projections are for information only.

Respectfully Submitted,

*Ken Nishimoto*

KEN NISHIMOTO  
Acting Budget Officer

RECOMMENDATION APPROVED:

*Jack R. Crist*  
\_\_\_\_\_  
JACK R. CRIST  
Deputy City Manager

February 24, 1987  
All Districts

The City's revenue projections provide important information with respect to the fiscal situation of the City both in the current year and the projection period. However, the bottom line comes in which projected revenues are compared against projected expenditures, or put more broadly, when projected total resources are compared to projected total requirements. The result of such a comparison is a projection of General Fund balance.

General Fund resources include all General Fund revenues as well as transfers from other funds for non-enterprise direct operating program support and indirect operating program support for the enterprises. The major General Fund revenue sources are the Property Tax, Sales and Use Tax, Utility Users Tax, fines, permits, licenses and fees, investment income and intergovernmental revenues.

Transfers into the General Fund include Revenue Sharing, Gas Tax, Traffic Safety, and various operating grants. Transfers are made usually from funds with restricted use, but which can be used for otherwise general funded expenses. The result is a "freeing up" of equal amounts of General Funds which are not restricted.

**MIDYEAR ESTIMATES**

Table 1.1 provides an update of the current year ending fund balance projection as well as a five-year projection. The Approved 1986-87 general purpose budget is compared against the current midyear projection with the variance depicted in the third column. The ending fund balance for the current year is projected to increase by \$3,306,000. This is explained by a higher than anticipated beginning fund balance of \$1,315,000 and a projected savings of \$2,000,000 in expenditures. The lower expenditure projections can be partially attributed to the lower cost of goods due to relatively low rates of inflation. In view of the unusually high anticipated savings in Other Services and Supplies expenditures, staff will re-examine these expenditure projections in conjunction with the preparation for the 1987-88 Proposed Budget.

**RESERVE FOR ECONOMIC UNCERTAINTY**

In accordance with the resolution adopting the 1986-87 Approved Budget, the Reserve for Economic Uncertainty is restored to the 4% of current resources level (\$5.8 million). Maintaining this reserve becomes a key element in maintaining program levels in the projection years.

**ADMINISTRATIVE CONTINGENCY**

During the current year, approximately \$966,000 has been spent from the Administrative Contingency (See Table 5.1). The remaining balance is approximately \$50,000. It is recommended that \$500,000 be added to the Contingency to cover any unanticipated costs for the remainder of the year. If expenditures from Contingency are kept within the \$550,000, then the projected General Fund balance at June 30, 1987 should be approximately \$4.3 million. As can be seen in the projections, the \$4.3 million fund balance is quickly eroded

in the first year of projections to \$415,000 in 1987-88 and in two subsequent years there is a reliance on the Reserve for Economic Uncertainty to sustain program levels.

#### FORECAST ASSUMPTIONS

The forecast period (1987-88 through 1991-92) generally assumes no structural changes with respect to revenues and expenditures. The key assumptions used are listed below:

- o All currently approved positions are filled and total employee service costs grow by 3.0% each year.
- o To maintain current programs, Other Service and Supplies, and Equipment costs grow at a rate of 3.0% each year.
- o The Utility Users Tax rate will be reduced by .5 each year until such time as the rate returns to 5%.
- o The Reserve for Economic Uncertainty will be maintained at a level equal to 4% of resources. If this is not possible, then every effort will be made to restore the Reserve to the 4% level at the earliest possible opportunity.

In addition to the above basic assumptions, staff also included a limited number of program augmentations. Aside from the augmentations specified below, all other program and staffing levels are assumed to remain at the current 1986-87 levels.

- o With the adoption of the 1985-86 budget, the City Manager proposed a program to add 7 new police officer positions to the budget each year from 1986-87 through 1989-90. The 5-year general purpose projection assumes continued implementation of this program.
- o The projection includes the full year's costs of an engine company for Fire Station 11 and a truck company at Fire Station 7.
- o The projection includes changes to the Worker Compensation contribution rates to preclude further deficits to the Risk Management Fund.
- o As was the case in the 1986-87 budget, a number of proposed Capital Improvement Projects will be recommended for debt financing. The annual debt service for projects in 1987-88 estimated at \$600,000 per year.

## 5-YEAR OUTLOOK

Despite the 1986-87 year ending with an increase in a projected fund balance of \$3.3 million, the "subdued" pace of the City's economic growth as projected by Data Resources, Inc. (DRI) contributes in a 5-year General Purpose budget with limited growth. Current resources are projected to grow over the next 5-years at a rate of 3.16% to 4.05% annually. The 1986-87 Approved Budget contained growth rate assumptions of 4.04% to 6.90% over similar periods. The outlook at the time the 1986-87 budget was approved, was that a strong local economy will continue to keep revenues growing at the higher rate. In comparing the revenues projected in the approved Budget for 1987-88 to the 1987-88 revenues projected at midyear, the midyear revenues are lower by \$3,653,000. With the slowing of the economic growth rate, absorbing the loss of Revenue Sharing, the continued reduction in the Utility Users Tax Rate and no new major revenue source it is projected that current resources will not be able to keep pace with current requirements (see line labeled "Total Current Surplus (Deficit) on Table 1.1) until the year 1991-92.

Necessary Fixes. With the absence of any new major sources of revenue, it will be necessary to compensate for lower revenue growth as well as continuing to absorb the loss of Revenue Sharing, without impacting currently planned service levels, by relying on 1986-87 carry over fund balance and the Reserve for Economic Uncertainty. Carrying the 1986-87 fund balance over to 1987-88 will allow the City to not dip into the Reserve for Economic Uncertainty in 1987-88. The Reserve for Economic Uncertainty will be sorely needed in subsequent years as indicated on Table 1.1. In addition, operating expenditures will have to be maintained at a 3% growth which may be at or below the rate of inflation. Requirements above the 3% growth can only be met through the budgeted contingency or by a further reliance on the Reserve for Economic Uncertainty.

Minimal Operating Program Growth. Included in 1987-88 is \$2,000,000-\$2,500,000 to augment existing programs or to expand and or add new programs. This amount is over and above the funding for seven new police officers, and a full years operational costs of two new fire station companies are included. In 1986-87, program augmentations amounted to between \$4,500,000 and \$5,000,000. A portion of the amount (\$2,000,000-\$2,500,000) could be used to fund a portion of the Risk Management Fund deficit. To the extent that the subsidy to Light Rail is increased will reduce the funding for additional programs. Also included in the 1987-88 estimate is a program to eliminate the deficit in the Risk Management Fund. The program includes changes to the current contribution rate to insure that the deficit does not grow. The program, approved in 1985-86, to add 7 police officers per year is projected through 1989-90.

Minimal Capital Program. Minimal capital expenditures over the 5-year period are projected for pay-as-you-go Capital Improvement Program. The amounts available barely meet the needs of maintenance type projects. Debt financing will again be proposed for projects in 1987-88.

TABLE 1.1

GENERAL PURPOSE  
5-YEAR FUND BALANCE PROJECTION  
SUMMARY OF REVENUES, APPROPRIATIONS AND CHANGES IN FUND BALANCES FOR FISCAL YEARS 1986-92

(\$ in 000's)	1986-87		VARIANCE		1987-88	1988-89	1989-90	1990-91	1991-92
	APPROVED	MIDYEAR	Favorable (Unfavorable)		ESTIMATE	ESTIMATE	ESTIMATE	ESTIMATE	ESTIMATE
BEGINNING FUND BALANCE (Deficit)	3,431	4,746	1,315	a	4,323	415	0	0	0
CURRENT RESOURCES:									
Revenues	133,166	132,231	( 935)	b	137,766	143,301	147,912	153,770	160,132
Operating Transfers In	13,240	12,771	( 469)	c	11,821	12,176	12,541	12,917	13,305
TOTAL Current Resources	146,406	145,002	( 1,404)		149,587	155,477	160,453	166,687	173,437
			- .96%		3.16%	3.94%	3.20%	3.89%	4.05%
CURRENT REQUIREMENTS									
Current Operations:									
Employee Services	112,843	111,776	1,067	d	115,584	119,052	122,623	126,302	130,091
Other Services & Supplies	32,264	29,661	2,603	e	32,551	32,497	33,472	34,476	35,511
Equipment	1,536	1,612	( 76)		1,660	1,710	1,761	1,814	1,869
Debt Service	3,597	3,597	0		2,910	2,969	3,674	3,680	3,690
CIP Labor/Supply Offset	( 2,257)	( 1,961)	( 296)		( 2,020)	( 2,080)	( 2,143)	( 2,207)	( 2,273)
Grant Offset		( 856)	856		( 1,000)	( 1,000)	( 1,000)	( 1,000)	( 1,000)
Additions to Reserves	0	754	( 754)	f	183	0	0	37	1,943
Transfers Out	98	54	44		0	0	0	0	
Administrative Contingency	0	500	( 500)	g	1,000	1,000	1,000	1,000	1,000
* Add'l 7 Police Officers/yr to 89-90	0	--	0	h	426	752	1,091	984	1,006
Subtotal Current Operations	148,081	145,137	2,944		151,295	154,900	160,479	165,087	171,836
			1.99%		4.24%	2.38%	3.60%	2.87%	4.09%
Capital Improvements:									
CIP Pay-as-you-go	2,038	2,038	0	i	2,000	1,000	1,000	1,000	1,000
CIP Debt Financed			0		200	400	600	600	600
Subtotal Capital Improvements	2,038	2,038	0		2,200	1,400	1,600	1,600	1,600
TOTAL Current Requirements	150,119	147,175	2,944		153,495	156,300	162,079	166,687	173,436
TOTAL CURRENT SURPLUS (Deficit)	( 3,713)	( 2,173)	( 4,348)		( 3,908)	( 823)	( 1,626)	0	0
OTHER FUND SOURCES (Uses)	1,299	1,750	451	j	0	408	1,626	0	
ENDING FUND BALANCE (Deficit)	\$1,017	\$4,323	\$3,306	k	\$415	\$0	\$0	\$0	\$0
Reserve for Economic Uncertainty	5,046	5,800	754		5,983	5,575	3,949	3,986	5,929
Percent of Current Resources	3.45%	4.00%			4.00%	3.59%	2.46%	2.39%	3.42%

## Footnotes to General Fund Balance Projections

---

- a. This is the expected 1985-86 ending fund balance. The changes will be detailed in the audited financial statements which will be soon released.
- b. The revenue changes are detailed in the midyear report on City revenues. (See preceding report)
- c. \$1.3 million in operating transfers-in have been reclassified as a grant offset or as a direct charge to the fund incurring the expense. Without the reclassification the net change to operating transfers is an increase of \$831,000.
- d. The higher salary savings are being generated from the 52 new positions which were added to the 1986-87 Approved Budget being filled at a slower than anticipated rate.
- e. The lower Service and Supply costs can partially be attributed to the low rate of inflation.
- f. This is the amount necessary to bring the Reserve for Economic Uncertainty to the 4% level.
- g. Estimated Administrative Contingency spending to the end of the year.
- h. This line assumes seven additional police officers being added in each year from 1987-88 through 1989-90.
- i. Pay-as-you-go refers to projects which are paid for out of available resources as opposed to debt financed projects.
- j. This is from CIP projects that were approved as "pay-as-you-go" but were later debt financed.
- k. This surplus is needed in fiscal year 1987-88 in order to offset the decline in the growth of revenues due to a slowing of the local economy and the loss of Revenue Sharing.

The City's enterprise funds operate much like commercial businesses. Each of these funds is expected to be self-supporting by recovering costs through the assessment of fees to those who use the service. This situation is quite different from the general purpose programs which require levying of Citywide taxes for their major form of support.

In this section, each of the five Public Works enterprise funds is analyzed. An analysis is included comparing Midyear 1986-87 projections to the 1986-87 Approved Budget. Included also is a 5-year forecast of revenues and fund balances. The analysis of each fund indicates any particular weaknesses, with comments on the need for any future studies or actions where appropriate.

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

- o Growth in user fees and charges has been assumed at the current level of growth in accounts unless otherwise noted. Rate increases have not been assumed in the fund balance projections.
- o Interest income assumes no significant changes in interest rates.
- 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 a rate of 4.5% per annum 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 of 5% 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 recently submitted five-year capital requests.

In each case where deficits arise in the fund balance projections based on the above assumptions and any others identified in the specific write ups, staff has identified the level of rate increase which would be required to bring the fund into balance. Any other program augmentations will probably require supplemental rate increases.

The following terms are used in connection with the enterprise fund projections:

Bond coverage. The bond covenants for revenue bonds (as applies to Water and Sewer bonds), require revenues to be maintained in excess of operating

expenditures by an amount at least equal to 30% of annual debt service. This is expressed as a ratio of 1.30. Such "net revenue" is required to provide security for the bondholder. For one year prior to the sale of new revenue bonds this "net revenue" should be maintained at 50% of annual debt service (a ratio of 1.5%).

Decrease in Long Term Liabilities. Principal portion of the debt service.

"Net change to retained earnings" is defined as operating expenses, (including interest expense on bonds and depreciation) versus net operating income (user fees, rents and concessions, and interest earned on investments including operating transfers). This shows the net earnings gain or loss.

Net Operating Income. This is a comparison of current operating revenues to current operating expenditures.

Other Changes to Working Capital. Included are beginning fund balance, depreciation, increase/decrease to restricted assets, CIP carry over, revenue bond surplus, etc.

Operating deficits (losses) in the enterprise funds are distinct indicators of emerging problems that may include the inability to maintain current service levels, insufficient funds to meet debt service requirements, or inadequate rates to achieve full cost recovery.

The Parking Enterprise is responsible for the maintenance and operations of seventeen parking facilities in the downtown area. Revenue from parking fees, commercial rental space and interest earnings are used to pay for operations, maintenance, capital improvements, debt service to the Parking Authority, and annual lease payments to SHRA. Revenues in excess of these costs are used for capital improvements in the Parking Enterprise. Growth in parking revenues is a function of downtown employment, population growth, and the health of the local economy.

1986-87 Fund Status

The projected ending balance for the current fiscal year is \$225,669 greater than anticipated in the Budget. (See Table 2.1) The improved condition of this Fund is due to a combination of expenditure savings and increased revenues, partially offset by a lower beginning fund balance.

FIVE YEAR FUND BALANCE PROJECTIONS

The assumptions that were made in developing the fund balance projections on Table 2.2 are as follows:

- o A 5% increase in hourly parking revenue for 1987-88. User revenue will then hold constant until the opening of the East End Garage in 1989-90.
- o East End Parking Garage capital costs of \$12.5 million will be debt financed in 1987-88. This project was originally budgeted for 1986-87 but will be reappropriated and rescheduled to 1987-88.

The fund projections indicate a positive Net Operating Income throughout the forecast period. The fund balance, however, declines in the out years due to the impact of debt service for the East End Garage. Based on the type of financing utilized for the East End Garage, the debt ratio from 1989-90 forward may be inadequate.

Rate Increase Required. Fund balance projections suggest the need for parking fee increases in order to absorb the impact of adding the East End Garage debt obligations. It should be noted that no other lot additions, expansions, renovations or repairs have been included in the projections after 1987-88. Should future decisions be made to expand the system or undertake significant improvements, associated rate adjustments will be required. Beginning in fiscal year 1987-88 it will be necessary to consider a possible subsidy for the initial four years of operation of the Hyatt Hotel Garage. Estimates of need are approximately \$275,000 per year. These costs have not been included in the financial projections.

Parking Study. A comprehensive study of central City parking needs and rates will be completed in August, 1987. The work program for this study incorporated a review of costs and revenues and should result in recommendations. The evaluation of these recommendations will require a reexamination of the financial projections for this Fund.

TABLE 2.1

=====	APPROVED	PROJECTED	VARIANCE
PARKING FUND VARIANCE STATEMENT	1986-87	1986-87	FAV(UNFAV)
=====	=====	=====	=====
Operating Revenues:			
User Fees and Charges	7,174,000	7,471,000	297,000
Lien Collections	0	0	0
	-----	-----	-----
Total Operating Revenues	7,174,000	7,471,000	297,000
	-----	-----	-----
Operating Expenses:			
Employee Services	( 2,638,000)	( 2,396,859)	241,141
Other Services and Supplies	( 4,386,000)	( 4,362,529)	23,471
	-----	-----	-----
Total Operating Expenses	( 7,024,000)	( 6,759,388)	264,612
	-----	-----	-----
NET OPERATING INCOME (LOSS)	150,000	711,612	561,612
	-----	-----	-----
Nonoperating Revenues (Expenses):			
Interest Income	1,016,000	1,174,180	158,180
Misc Income	0	195,000	195,000
Operating Transfers In (Out)	( 17,000)	( 31,450)	( 14,450)
	-----	-----	-----
Net Nonoperating Revenue (Expense)	999,000	1,337,730	338,730
	-----	-----	-----
Sources/Uses of Working Capital			
CIP and Equipment	( 14,711,000)	( 1,810,644)	12,900,356
Contribution of Assets			
Debt Service	( 20,000)	( 20,000)	0
	-----	-----	-----
Total Sources/Uses Working Capital	( 14,731,000)	( 1,830,644)	12,900,356
	-----	-----	-----
NET CHANGE TO WORKING CAPITAL BALANCE	( 13,582,000)	218,698	13,800,698
	-----	-----	-----
Beginning Working Capital Balance	1,068,000	837,502	( 230,498)
Encumbrances	0	58,469	58,469
	-----	-----	-----
ENDING WORKING CAPITAL BALANCE	( \$12,514,000)	\$1,114,669	\$13,628,669
	=====	=====	=====
Other Fund/Uses	13,403,000	0	( 13,403,000)
	-----	-----	-----
Net Total Available Resources	889,000	1,114,669	225,669
	=====	=====	=====

TABLE 2.2

PARKING FUND FINANCIAL HISTORY & PROJECTIONS	ACTUAL 1985-86	PROJECTED 1986-87	PROJECTED 1987-88	PROJECTED 1988-89	PROJECTED 1989-90	PROJECTED 1990-91	PROJECTED 1991-92
Debt Service	1,011,180	1,011,380	1,006,785	1,005,060	2,927,605	2,922,700	2,922,700
Debt Ratio :	1.87	2.15	1.74	1.83	.92	.84	.83
<b>Operating Revenues:</b>							
User Fees and Charges	\$6,109,000	\$7,087,000	\$7,316,000	\$7,316,000	\$8,383,000	\$8,383,000	\$8,667,000
Rents and Concessions	503,000	384,000	510,000	515,000	595,000	681,000	693,000
Total Operating Revenues	6,612,000	7,471,000	7,826,000	7,831,000	8,978,000	9,064,000	9,360,000
<b>Operating Expenses:</b>							
Employee Services	2,203,000	2,396,859	2,504,718	2,617,430	2,735,214	2,858,299	2,986,922
Other Services and Supplies	2,864,000	3,296,295	3,461,110	3,634,165	3,815,873	4,006,667	4,207,001
East End Garage Increment				0	398,700	416,642	435,390
Depreciation	400,000	404,000	408,040	412,120	416,242	420,404	424,608
Total Operating Expenses	5,467,000	6,097,154	6,373,867	6,663,716	7,366,029	7,702,012	8,053,921
NET OPERATING INCOME (LOSS)	1,145,000	1,373,846	1,452,133	1,167,284	1,611,971	1,361,988	1,306,079
<b>Nonoperating Revenues (Expenses):</b>							
Interest Income	548,000	608,000	481,000	481,000	481,000	481,000	481,000
Other Miscellaneous Income	195,000	195,000	( 180,000)	195,000	195,000	195,000	195,000
Interest Expense	( 468,000)	( 561,297)	( 469,784)	( 465,060)	( 431,480)	( 396,574)	( 359,025)
East End Garage Interest Expense		0	0	0	( 1,921,125)	( 1,921,125)	( 1,921,125)
Operating Transfers In (Out)	0	( 31,450)	0	0	0	0	0
Net Nonoperating Revenue (Expense)	275,000	210,253	( 168,784)	210,940	( 1,676,605)	( 1,641,699)	( 1,604,150)
NET CHANGE TO RETAINED EARNINGS	1,420,000	1,584,099	1,283,349	1,378,224	( 64,634)	( 279,711)	( 298,071)
<b>Change in Long-Term Liabilities:</b>							
Increase in Long-Term Liabilities		0	18,325,000				
Acquisition of Property/Plant/Equipment	( 1,605,000)	( 1,810,644)	(14,385,500)	( 156,125)	( 97,881)	( 101,775)	( 106,814)
Decrease in Long-Term Liabilities	( 485,000)	( 524,937)	( 510,000)	( 540,000)	( 575,000)	( 605,000)	( 645,000)
Other Changes to Working Capital	1,507,502	1,866,151	( 3,927,291)	1,197,678	2,296,019	1,978,907	1,417,029
NET WORKING CAPITAL BALANCE - ENDING	\$837,502	\$1,114,669	\$785,558	\$1,879,777	\$1,558,503	\$992,421	\$367,144

The Sewer Fund Enterprise is responsible for sewer maintenance activities which includes inspection, cleaning, repair and removal of stoppages in sanitary sewers, installing manholes, new services, cleanout and sewer main extensions; inspecting customer-owned grease interceptors; and monitoring discharges into the sewer system. The Sewer Fund operates and maintains forty-five (45) pumping stations. Portions of the City, particularly the developing northern region, are served by a County Sanitation District Collection System and thus there are no customers of the City's Sewer Enterprise Fund in these areas.

The Regional Sanitation District provides sewage treatment Citywide. The City performs all billing functions for the Regional Sanitation District for properties within our Municipal boundaries. The City's system also has an operational link to the Regional system for which we receive payment.

Sewer service revenues are generated from a variety of service charges including user fees, development and connection payments, and reimbursement from the Regional Sanitation District for operational support.

#### 1986-87 Fund Status

The ending balance for the Sewer Fund is projected to be only \$14,695 less than anticipated in the Budget. (See Table 2.3) Anticipated expenditure savings and a higher Beginning Working Capital Balance offset the predicted low miscellaneous income. The under realized non-operating revenue is attributable to lower receipts from Regional Sanitation.

#### FIVE YEAR FUND BALANCE PROJECTIONS

The fund balance projections for the Sewer Fund are presented on Table 2.4. The assumptions included in developing these projections are:

- o User fees grow at the current rate of 1.6% annually.
- o Utility cost increases (included in Other Service and Supply costs) of 20% annually.
- o Development fees will be paid for 1260 EDU's annually.
- o Capital expenditure projections exceed the capital reserve levels established in the 1986-87 budget process.

Under these assumptions, the Sewer Fund shows a fund balance deficit in 1989-90 and a net operating loss one year earlier. The projected deficit is due in large part to relatively small revenue growth (1.6% per year) as compared to operational cost increases (6.3% per year). This situation creates a dependency on fund balances for the first two years and actual deficits thereafter.

Rate Increases Required. It is estimated that an annual user fee rate increase between 7% and 9% will be required to eliminate the deficits and to

reinstate a positive Net Operating Income. A fairly modest Capital Program has been included in the projection period. Any changes to these plans will require further rate adjustments.

Other Issues. An important issue, which is not addressed in the 5 year projection, is the replacement of the City's brick sewer system and the replacement of the combined sewer and storm system with separated systems. Cost estimates range from \$10 million to rebuild a combined system to upwards of \$100 million to separate the sewer and drainage systems. Compliance with discharge requirements mandated by Federal and State regulatory agencies may eventually dictate separate systems. This issue will also impact the Storm Drainage Fund.

TABLE 2.3

=====	APPROVED	PROJECTED	VARIANCE
SEWER FUND VARIANCE STATEMENT	1986-87	1986-87	FAV(UNFAV)
=====	=====	=====	=====
Operating Revenues:			
User Fees and Charges	4,435,000	4,435,000	0
Lien Collections	78,000	99,000	21,000
	-----	-----	-----
Total Operating Revenues	4,513,000	4,534,000	21,000
	-----	-----	-----
Operating Expenses:			
Employee Services	( 2,558,000)	( 2,583,283)	( 25,283)
Other Services and Supplies	( 2,036,000)	( 1,842,595)	193,405
	-----	-----	-----
Total Operating Expenses	( 4,594,000)	( 4,425,878)	168,122
	-----	-----	-----
NET OPERATING INCOME (LOSS)	( 81,000)	108,122	189,122
	-----	-----	-----
Nonoperating Revenues (Expenses):			
Interest Income	1,050,000	1,050,000	0
Misc Income	1,099,000	705,000	( 394,000)
Operating Transfers In (Out)	( 22,000)	( 78,126)	( 56,126)
	-----	-----	-----
Net Nonoperating Revenue (Expense)	2,127,000	1,676,874	( 450,126)
	-----	-----	-----
Sources/Uses of Working Capital			
CIP and Equipment	( 1,205,000)	( 1,254,800)	( 49,800)
Contribution of Assets			
Debt Service	( 537,000)	( 537,120)	( 120)
	-----	-----	-----
Total Sources/Uses Working Capital	( 1,742,000)	( 1,791,920)	( 49,920)
	-----	-----	-----
NET CHANGE TO WORKING CAPITAL BALANCE	304,000	( 6,924)	( 310,924)
	-----	-----	-----
Beginning Working Capital Balance	502,000	734,580	232,580
Encumbrances	0	63,649	63,649
	-----	-----	-----
ENDING WORKING CAPITAL BALANCE	\$806,000	\$791,305	( \$14,695)
	=====	=====	=====

TABLE 2.4

SEWER FUND FINANCIAL HISTORY & PROJECTIONS	ACTUAL 1985-86	PROJECTED 1986-87	PROJECTED 1987-88	PROJECTED 1988-89	PROJECTED 1989-90	PROJECTED 1990-91	PROJECTED 1992
Sewer (6-7 Room House Monthly Rate)	\$2.57	\$2.96	\$2.96	\$2.96	\$2.96	\$2.96	\$2.96
-Percent Increase	28.00%	15.00%	.00%	.00%	.00%	.00%	.00%
-Revenue Increase	1,013,880	581,100	0	0	0	0	0
Average Develop Fee Percent Increase	25.00%	.00%	.00%	.00%	.00%	.00%	.00%
Sewer Development Fee/EDU	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Debt Service Payment	530,620	537,120	537,944	540,633	536,760	539,240	536,000
Bond Coverage Ratio	1.59	3.47	3.26	2.78	2.23	1.20	.78
<b>Operating Revenues:</b>							
User Fees and Charges							
User Fees and Charges	3,621,000	3,874,000	3,912,740	3,951,867	3,991,386	4,031,300	4,071,613
Sewer Development Fees	0	126,000	126,000	126,000	126,000	126,000	126,000
Sewer Connection Fees	0	435,000	435,000	435,000	435,000	435,000	435,000
Sewer Revenue Bonds	0	537,000	537,000	537,000	537,000	537,000	537,000
Charges to Regional San	1,193,000	700,000	850,000	850,000	850,000	850,000	850,000
Miscellaneous	0	5,000	5,000	5,000	5,000	5,000	5,000
Lien Collections	130,000	99,000	99,000	99,000	99,000	99,000	99,000
Rents and Concessions	0	0	0	0	0	0	0
<b>Total Operating Revenues</b>	<b>4,944,000</b>	<b>5,776,000</b>	<b>5,964,740</b>	<b>6,003,867</b>	<b>6,043,386</b>	<b>6,083,300</b>	<b>6,123,613</b>
<b>Operating Expenses:</b>							
Employee Services	2,311,000	2,583,283	2,699,531	2,821,010	2,947,955	3,080,613	3,219,241
Other Services and Supplies	2,391,000	1,842,595	1,959,600	2,084,034	2,216,371	2,357,110	2,506,787
Depreciation	1,079,000	1,089,790	1,100,688	1,111,695	1,122,812	1,134,040	1,145,780
<b>Total Operating Expenses</b>	<b>5,781,000</b>	<b>5,515,668</b>	<b>5,759,818</b>	<b>6,016,739</b>	<b>6,287,137</b>	<b>6,571,763</b>	<b>6,871,807</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>( 837,000)</b>	<b>260,332</b>	<b>204,922</b>	<b>( 12,871)</b>	<b>( 243,751)</b>	<b>( 488,463)</b>	<b>( 747,794)</b>
<b>Nonoperating Revenues (Expenses):</b>							
Interest Income	419,000	513,000	449,000	404,713	319,232	0	0
Other Miscellaneous Income	199,000	0	0	0	0	0	0
Interest Expense	( 251,000)	( 237,120)	( 222,945)	( 208,320)	( 191,760)	( 174,240)	( 156,000)
Operating Transfers In (Out)	( 15,000)	( 78,126)	17,968	18,866	19,809	20,800	21,840
<b>Net Nonoperating Revenue (Expense)</b>	<b>352,000</b>	<b>197,754</b>	<b>244,023</b>	<b>215,259</b>	<b>147,282</b>	<b>( 153,440)</b>	<b>( 134,160)</b>
<b>Net Change to Retained Earnings</b>	<b>( 485,000)</b>	<b>458,086</b>	<b>448,944</b>	<b>202,388</b>	<b>( 96,469)</b>	<b>( 641,903)</b>	<b>( 881,955)</b>
<b>Increase in Long-Term Liabilities</b>							
CIP and Equipment	( 3,669,000)	( 1,254,800)	( 1,441,500)	( 1,480,375)	( 1,550,644)	( 1,447,326)	( 1,583,442)
Decrease in Long-Term Liabilities	( 20,000)	( 300,000)	( 315,000)	( 325,000)	( 345,000)	( 365,000)	( 380,000)
Other Changes to Working Capital	4,908,580	1,888,019	1,891,993	1,696,132	1,215,957	357,883	( 950,965)
<b>NET TOTAL AVAILABLE RESOURCES</b>	<b>734,580</b>	<b>791,305</b>	<b>584,437</b>	<b>93,145</b>	<b>( 776,156)</b>	<b>( 2,096,346)</b>	<b>( 3,796,362)</b>

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

1986-87 Fund Status

The Solid Waste Fund is projected to end the current fiscal year with a fund balance that is \$608,152 more than was anticipated in the Budget. (See Table 2.5 ) This improved fund status is attributable to greater revenues than anticipated which are in part offset by increased expenditures. As an example, the increased lien collection revenue is matched by increased bad debt expenses netting a revenue gain of \$130,000. The user fee revenues are a true net gain and are due to a slower 90-gallon container conversion than originally anticipated. Also projected for saving is the \$275,000 budgeted in this Fund in case tipping fees would need to be paid to another agency for excess landfill tonnage.

The apparent significant savings within Employee Services are artificial due to the inclusion of Risk Management charges within Employee Services in the budget and within Services and Supplies in the projections. The remaining over expenditure in Services and Supplies is offset by Certificate of Participation proceeds for the acquisition of 90-gallon containers.

FIVE YEAR FUND BALANCE PROJECTIONS

The fund balance projections for the Solid Waste Fund are presented on Table 2.6. The assumptions included in developing these projections are:

- o User fee revenue will decline at the rate of 2.9% annually during the 90 gallon container conversion program. Revenue decline results from converting the current average residential account with 1.4 cans curbside to a single 90 gallon container. When a backyard account is converted the revenue impact is greater yet. Normal revenue growth of 2.70% annually is projected beginning in the latter part of 1989-90.
- o No change in operational costs at the existing landfill through 1989-90. From 1990-91 forward it is assumed a disposal fee will be paid to the County.
- o \$375,000 per year for a four year period beginning in 1987-88 has been included to provide funds for a capital contribution in association with a long term disposal agreement.
- o Construction of a transfer station in 1987-88 at a cost of roughly \$4.7 million to be financed over a 20 year period. Operating costs have been added beginning with 1990-91.

- o 20,000 Automatic Lift Containers (90 gallon containers) to be acquired each year through a lease/purchase agreement until the residential conversion program is completed in 1989-90.
- o The phase out of 1 FTE per 2,500 Automatic Lift Containers put into service or 8 FTE per year during the conversion period.
- o No other change in existing service levels including neighborhood cleanups, litter abatement, street sweeping, and lawn and garden refuse collection. Included in this assumption is the status quo operation of the Vegetal Waste Facility.

The projections for this fund depict a negative fund balance from 1988-89 forward and actual net operating losses from 1990-91 forward. This is explained by the initiation of capital expenditures for the transfer and disposal of wastes several years in advance of the operational costs.

Rate Increase Required. Without annual rate increases in the 5% - 7% range the Fund will not be able to meet its operational requirements. Even though operational costs will decline with automated residential collection, increases due to debt service and disposal expenses will exceed the projected savings.

TABLE 2.5

SOLID WASTE FUND VARIANCE STATEMENT	APPROVED 1986-87	PROJECTED 1986-87	VARIANCE FAV(UNFAV)
<b>Operating Revenues:</b>			
User Fees and Charges	19,916,000	20,072,000	156,000
Lien Collections	0	666,000	666,000
<b>Total Operating Revenues</b>	<b>19,916,000</b>	<b>20,738,000</b>	<b>822,000</b>
<b>Operating Expenses:</b>			
Employee Services	( 9,549,000)	( 8,179,342)	1,369,658
Other Services and Supplies	( 7,955,000)	( 10,660,726)	( 2,705,726)
<b>Total Operating Expenses</b>	<b>( 17,504,000)</b>	<b>( 18,840,068)</b>	<b>( 1,336,068)</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>2,412,000</b>	<b>1,897,932</b>	<b>( 514,068)</b>
<b>Nonoperating Revenues (Expenses):</b>			
Interest Income	300,000	300,000	0
Misc Income	453,000	145,000	( 308,000)
Operating Transfers In (Out)	( 46,000)	( 14,754)	31,246
<b>Net Nonoperating Revenue (Expense)</b>	<b>707,000</b>	<b>430,246</b>	<b>( 276,754)</b>
<b>Sources/Uses of Working Capital</b>			
CIP and Equipment	( 1,878,000)	( 1,890,434)	( 12,434)
Contribution of Assets			
Debt Service	( 1,143,000)	( 1,271,069)	( 128,069)
Net COP Proceeds		1,470,000	1,470,000
<b>Total Sources/Uses Working Capital</b>	<b>( 3,021,000)</b>	<b>( 1,691,503)</b>	<b>1,329,497</b>
<b>NET CHANGE TO WORKING CAPITAL BALANCE</b>	<b>98,000</b>	<b>636,675</b>	<b>( 395,325)</b>
<b>Beginning Working Capital Balance</b>	<b>752,000</b>	<b>777,073</b>	<b>25,073</b>
<b>Encumbrances</b>		<b>44,404</b>	<b>44,403</b>
<b>ENDING WORKING CAPITAL BALANCE</b>	<b>\$850,000</b>	<b>\$1,458,152</b>	<b>\$608,152</b>

TABLE 2.6

SOLID WASTE FINANCIAL HISTORY & PROJECTIONS	ACTUAL 1985-86	APPROVED 1986-87	PROJECTED 1987-88	PROJECTED 1988-89	PROJECTED 1989-90	PROJECTED 1990-91	PROJECTED 1991-92
Average Increase in All Solid Waste Rates	28.00%	20.00%	.00%	.00%	.00%	.00%	.00%
Monthly Curbside Rate: 1 can	\$7.05	\$8.46	\$8.46	\$8.46	\$8.46	\$8.46	\$8.46
Monthly Backyard Rate: 1 can	\$14.00	\$16.80	\$16.80	\$16.80	\$16.80	\$16.80	\$16.80
Monthly 90 Gallon Rate	\$7.05	\$7.76	\$7.76	\$7.76	\$7.76	\$7.76	\$7.76
<b>Operating Revenues:</b>							
User Fees and Charges (MEMO ITEM ONLY)	\$15,043,556	\$17,564,000	\$17,064,000	\$16,564,000	\$16,300,807	\$16,740,929	\$17,192,934
Lien Collections	269,543	666,000	666,000	666,000	666,000	666,000	666,000
Vegetal Waste	4,120	0	0	0	0	0	0
Sidewalk Maintenance	0	0	0	0	0	0	0
Other Agency	46,331	30,000	30,000	30,000	30,000	30,000	30,000
Miscellaneous	38,411	141,000	35,000	35,000	35,000	35,000	35,000
Lawn & Garden Refuse Tax	2,452,504	2,478,000	2,530,000	2,580,000	2,630,000	2,682,000	2,735,000
<b>Total Operating Revenues</b>	<b>17,854,465</b>	<b>20,879,000</b>	<b>20,325,000</b>	<b>19,875,000</b>	<b>19,661,807</b>	<b>20,153,929</b>	<b>20,658,934</b>
<b>Operating Expenses:</b>							
Employee Services	8,895,885	8,179,342	8,427,604	8,569,917	8,707,971	8,590,830	8,977,417
Other Services and Supplies	7,888,329	10,660,726	9,723,762	10,209,950	10,720,448	9,774,470	10,267,194
Transfer Station/Sac County Increment			0	0	0	2,824,000	2,824,000
Depreciation	15,753	15,911	16,070	16,230	16,393	16,557	16,716
<b>Total Operating Expenses</b>	<b>16,799,967</b>	<b>18,855,979</b>	<b>18,167,436</b>	<b>18,796,097</b>	<b>19,444,811</b>	<b>21,205,856</b>	<b>22,222,533</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>1,054,498</b>	<b>2,023,021</b>	<b>2,157,564</b>	<b>1,078,903</b>	<b>216,996</b>	<b>(1,051,928)</b>	<b>(1,563,599)</b>
<b>Nonoperating Revenues (Expenses):</b>							
Interest Income	481,673	300,000	363,494	410,865	0	0	0
Other Miscellaneous Income	257,234	4,000	(138,680)	4,000	4,000	4,000	4,000
Interest Expense	(616,091)	(706,756)	(972,314)	(1,205,682)	(1,429,072)	(2,382,494)	(2,595,743)
Operating Transfers In (Out)	(106,317)	(14,754)	(14,754)	(14,754)	(14,754)	(14,754)	(14,754)
<b>Net Nonoperating Revenue (Expense)</b>	<b>16,499</b>	<b>(417,510)</b>	<b>(762,254)</b>	<b>(805,571)</b>	<b>(1,439,826)</b>	<b>(2,393,248)</b>	<b>(2,606,497)</b>
<b>NET CHANGE TO RETAINED EARNINGS</b>	<b>1,070,997</b>	<b>1,605,511</b>	<b>1,395,309</b>	<b>273,332</b>	<b>(1,222,830)</b>	<b>(3,445,176)</b>	<b>(4,170,096)</b>
Increase in Long-Term Liabilities	0	0	6,972,296	0	0	0	0
COP Proceeds	0	2,100,000	0	0	0	0	0
CIP and Equipment	(549,000)	(1,890,434)	(5,858,000)	(1,081,400)	(1,105,220)	(1,000,481)	(1,029,205)
Decrease in Long-Term Liabilities	(545,000)	(564,312)	(609,111)	(961,956)	(962,789)	(1,040,634)	(1,125,002)
Other Changes To Working Capital	800,076	207,387	(490,797)	1,425,927	(327,704)	(3,601,987)	(9,071,556)
<b>NET TOTAL AVAILABLE RESOURCES</b>	<b>777,073</b>	<b>1,458,152</b>	<b>1,409,697</b>	<b>(344,097)</b>	<b>(3,618,544)</b>	<b>(9,088,278)</b>	<b>(15,395,859)</b>

## Storm Drainage Fund

---

The Storm Drainage Enterprise is responsible for the maintenance and repair of the storm drainage system and 90 storm pumping stations. The Fund also pays for costs incurred by storm event pumping at Sumps 1 and 2, Pioneer Reservoir and the combined Wastewater Treatment Plant. Revenues required to fund these services are generated through the imposition of user fees. Storm Drainage assumed operational responsibility for the American River Flood Control District during the current fiscal year.

### 1986-87 Fund Status

The Storm Drainage Fund projections for the current fiscal year (Table 2.7), depict an end-of-year balance \$156,367 greater than anticipated at the time of Budget adoption. This positive status has been achieved in spite of a nearly \$1.2 million shortfall in Drainage Bond Fund capital budget that will be covered by this Fund. This offset was possible due to projected expenditure savings, an increase in non-operating revenue, and substantial change in the Beginning Working Capital Balance.

### FIVE YEAR FUND BALANCE PROJECTIONS

The fund balance projections are presented on Table 2.8. The following specific assumptions were used in developing these projections:

- o User fee revenue will continue to grow at the present rate of 2% annually.
- o No significant changes in Environmental Protection Agency discharge requirements, and therefore no resulting program or capital changes.
- o Utility cost increases (included in the Service and Supply costs) of 20% annually.
- o As of 1986-87 there are no Flood and Drainage Bond Funds available to support the Storm Drainage capital program.

The fund balance projection indicates a growing fund balance, however, the declining Net Operating Income is indicative of the user fee revenue growing at a slower rate than operating expenditures. The Capital Improvement Program assumptions used for the financial projections do not incorporate all the needs currently under review. Presently staff is developing a debt financing proposal for projects totalling between \$30 and \$40 million. This type of undertaking will obligate the Storm Drainage Fund to a minimum of \$3,000,000 per year in debt service payments during the 5 year projection period.

Rate Increases Required. The 1986-87 rate adjustments were made in anticipation of the pending capital requirements and the fund balances currently projected are overstated due to the fact that the projects have not yet been scheduled. In no case, however, do projected operating costs erode the funding reserved for the capital improvement program. User fees will require annual adjustments between 5% and 7% in order to meet anticipated capital and operational expenditures.

TABLE 2.7

=====	APPROVED	PROJECTED	VARIANCE
STORM DRAIN FUND FINANCIAL HISTORY & PROJECTIONS	1986-87	1986-87	FAV(UNFAV)
=====	=====	=====	=====
Operating Revenues:			
User Fees and Charges	8,388,000	8,309,000 (	79,000)
Lien Collections	99,000	135,000	36,000
	-----	-----	-----
Total Operating Revenues	8,487,000	8,444,000 (	43,000)
	-----	-----	-----
Operating Expenses:			
Employee Services	2,633,000	2,205,556	427,444
Other Services and Supplies	3,093,000	2,888,224	204,776
	-----	-----	-----
Total Operating Expenses	5,726,000	5,093,780	632,220
	-----	-----	-----
NET OPERATING INCOME (LOSS)	2,761,000	3,350,220	589,220
	-----	-----	-----
Nonoperating Revenues (Expenses):			
Interest Income	250,000	250,000	0
Misc Income		199,000	199,000
Operating Transfers In (Out)	499,000	418,449 (	80,551)
	-----	-----	-----
Net Nonoperating Revenue (Expense)	749,000	867,449	118,449
	-----	-----	-----
Sources/Uses of Working Capital			
CIP and Equipment	( 2,109,000)	( 3,377,274)	( 1,268,274)
Contribution of Assets		0	0
	-----	-----	-----
Total Sources/Uses Working Capital	( 2,109,000)	( 3,377,274)	( 1,268,274)
	-----	-----	-----
NET CHANGE TO WORKING CAPITAL BALANCE	1,401,000	840,395 (	560,605)
	-----	-----	-----
Beginning Working Capital Balance	38,000	750,636	712,636
Encumbrances		4,336	4,336
	-----	-----	-----
ENDING WORKING CAPITAL BALANCE	\$1,439,000	\$1,595,367	\$156,367
	=====	=====	=====

TABLE 2.8

STORM DRAIN FUND FINANCIAL HISTORY & PROJEC	ACTUAL 1985-86	PROJECTED 1986-87	PROJECTED 1987-88	PROJECTED 1988-89	PROJECTED 1989-90	PROJECTED 1990-91	PROJECTED 1991-92
Storm (6-7 Room House Monthly Rate)	\$2.16	\$4.32	\$4.32	\$4.32	\$4.32	\$4.32	\$4.32
-Percent Increase	16.00%	100.00%	.00%	.00%	.00%	.00%	.00%
-Revenue Increase	0	3,959,000	166,180	169,504	172,894	176,352	179,879
<b>Operating Revenues:</b>							
User Fees and Charges	4,350,000	8,309,000	8,475,180	8,644,684	8,817,577	8,993,929	9,173,807
Lien Collections	21,000	135,000	135,000	135,000	135,000	135,000	135,000
<b>Total Operating Revenues</b>	<b>4,371,000</b>	<b>8,444,000</b>	<b>8,610,180</b>	<b>8,779,684</b>	<b>8,952,577</b>	<b>9,128,929</b>	<b>9,308,807</b>
<b>Operating Expenses:</b>							
Employee Services	1,601,000	2,205,556	2,304,806	2,408,522	2,516,906	2,630,167	2,748,524
Other Services and Supplies	2,068,000	2,888,224	3,136,611	3,406,360	3,699,307	4,017,447	4,362,948
Depreciation	0	0	0	0	0	0	0
<b>Total Operating Expenses</b>	<b>3,669,000</b>	<b>5,093,780</b>	<b>5,441,417</b>	<b>5,814,882</b>	<b>6,216,213</b>	<b>6,647,614</b>	<b>7,111,472</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>702,000</b>	<b>3,350,220</b>	<b>3,168,763</b>	<b>2,964,801</b>	<b>2,736,365</b>	<b>2,481,315</b>	<b>2,197,336</b>
<b>Nonoperating Revenues (Expenses):</b>							
Interest Income	67,000	250,000	336,186	371,493	378,693	400,740	387,592
Miscellaneous Income	3,000	199,000					
Operating Transfers In (Out)	20,000	418,449	229,371	240,840	252,882	265,526	278,802
<b>Net Nonoperating Revenue (Expense)</b>	<b>90,000</b>	<b>867,449</b>	<b>565,557</b>	<b>612,333</b>	<b>631,575</b>	<b>666,266</b>	<b>666,394</b>
<b>CHANGE TO RETAINED EARNINGS</b>	<b>792,000</b>	<b>4,217,669</b>	<b>3,734,320</b>	<b>3,577,135</b>	<b>3,367,940</b>	<b>3,147,581</b>	<b>2,863,730</b>
Contributions of Assets	18,424,000		525,000	0	0	0	0
CIP and Equipment	(18,392,000)	( 3,377,274)	( 2,169,500)	( 2,764,125)	( 1,696,881)	( 3,355,775)	( 2,787,814)
Decrease in Long-Term Liabilities							
Other Changes To Working Capital	( 73,364)	754,972	1,595,367	3,685,187	4,498,196	6,169,255	5,961,061
<b>NET TOTAL AVAILABLE RESOURCES</b>	<b>750,636</b>	<b>1,595,367</b>	<b>3,685,187</b>	<b>4,498,196</b>	<b>6,169,255</b>	<b>5,961,061</b>	<b>6,036,977</b>

The City Water Enterprise is responsible for water production, water distribution and the monitoring of local water quality. It also plays a key role in the development and administration of the area's groundwater management plan.

Water Fund revenues include user fees, tap sales, and development fees. The use of these monies is restricted by bond covenants to the maintenance and operation of the water system, extensions and improvements to infrastructure, and the repayment of bond principal and interest costs.

#### 1986-87 Fund Status

The projected end of year balance for the current fiscal year is contrasted with the approved budget in Table 2.9. The Water Fund is projected to end the year with \$1,308,150 less than anticipated. The most significant changes include lower gas royalty receipts (miscellaneous income), a higher beginning balance and a \$2.5 million dollar adjustment to the Capital and Equipment expenditures. The recent request for \$2 million to begin the modifications at the Sacramento River Water Treatment is the major reason for the capital increase.

#### FIVE YEAR FUND BALANCE PROJECTION

The fund balance projections are presented on Table 2.10. The following specific assumptions were made in developing the projections:

- o User fee revenues will grow at the current rate of 2.3 % annually as a result of new users.
- o An average of 2,666 Equivalent Dwelling Units (EDU's) annually will pay the Water Development Fee at the recently established rate of \$1,500.
- o The largest water treatment plant capacity expansion costing \$43 million will be undertaken in 1988-89 with debt financing.
- o Utility cost increases (included in Service and Supply costs) to increase by 20% annually.

The Water Fund will experience widely fluctuating fund balances during the five year projection period due to the infusion of borrowed funds for plant expansion. The final two years are most indicative of a downward trend and the impact of plant expansion debt service. The first full debt service payment is made in 1991-92. If the table were to continue to 1992-93 and beyond, the Water Fund balance would in fact be negative.

An indication of fund problems is reflected in the continuous decline in Net Operating Income and eventual Net Loss projected from 1990-91 forward. This prediction indicates that the operating revenues will not keep pace with operating expenses. The significant decline between 1986-87 and 1987-88 is attributable in large part to the projection that Gas Royalty revenues will conclude in 1986-87.

Rate Increase Required. In order to reverse the declining trend in Net Operating Income and avoid future negative fund balances, annual fee increases ranging from 5% to 7% should be considered.

Water Treatment Expansion. Water treatment capacity expansion has been studied for the past year and recommendations for a two phased program are pending. The financial projections made here assume a \$4 million cash funded modification of the Sacramento Water Treatment Plant and the larger \$43 million American River Treatment Plant expansion project to be debt financed. The first phase expansion will meet the City's increased water requirements only. Completion of the second phase will permit consideration of wholesale water agreements with other agencies in addition to providing for future City growth.

In addition to the costs associated with the treatment plants, it will be necessary to undertake a program of enlarging the distribution system in order to carry the higher volumes produced. This will be a multi-year undertaking with total costs presently estimated at \$60 million. Since this aspect of the Water System is currently being studied, none of the costs have been included in future year projections.

TABLE 2.9

=====	APPROVED	PROJECTED	VARIANCE
WATER FUND VARIANCE STATEMENT	1986-87	1986-87	FAV(UNFAV)
=====			
Operating Revenues:			
User Fees and Charges	13,047,000	13,151,000	104,000
Lien Collections	270,000	380,000	110,000
Total Operating Revenues	13,317,000	13,531,000	214,000
Operating Expenses:			
Employee Services	( 5,740,000)	( 5,425,330)	314,670
Other Services and Supplies	( 5,003,000)	( 5,518,792)	( 515,792)
Total Operating Expenses	( 10,743,000)	( 10,944,122)	( 201,122)
NET OPERATING INCOME (LOSS)	2,574,000	2,586,878	12,878
Nonoperating Revenues (Expenses):			
Interest Income	1,205,000	1,205,000	0
Misc Income	1,045,000	405,000	( 640,000)
Water Develop Fees	678,000	754,000	76,000
Operating Transfers In (Out)	( 358,000)	( 405,582)	( 47,582)
Net Nonoperating Revenue (Expense)	2,570,000	1,958,418	( 611,582)
Sources/Uses of Working Capital			
CIP and Equipment	( 5,857,000)	( 8,375,049)	( 2,518,049)
Contribution of Assets			
Debt Service	( 1,395,000)	( 1,395,054)	( 54)
Total Sources/Uses Working Capital	( 7,252,000)	( 9,770,103)	( 2,518,103)
NET CHANGE TO WORKING CAPITAL BALANCE	( 2,108,000)	( 5,224,807)	( 3,116,807)
Beginning Working Capital Balance	7,394,000	9,188,702	1,794,702
Encumbrances	0	13,955	13,955
ENDING WORKING CAPITAL BALANCE	\$5,286,000	\$3,977,850	( \$1,308,150)
=====	=====	=====	=====

TABLE 2.10

WATER FUND FINANCIAL HISTORY & PROJECTIONS	ACTUAL 1985-86	PROJECTED 1986-87	PROJECTED 1987-88	PROJECTED 1988-89	PROJECTED 1989-90	PROJECTED 1990-91	PROJECTED 1991-92
Average Annual User Fees Percent Increase	7.00%	7.00%	.00%	.00%	.00%	.00%	.00%
6-7 Room House Monthly Rate	\$6.45	\$6.90	\$6.90	\$6.90	\$6.90	\$6.90	\$6.90
Average Develop Fee Percent Increase	10.00%	.00%	.00%	.00%	.00%	.00%	.00%
Net Development Fee	\$169	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Debt Service Payment	1,421,683	1,395,054	1,282,510	1,276,317	1,276,690	1,276,690	7,424,290
Bond Coverage Ratio	3.67	3.55	5.73	4.35	5.18	4.98	.81
<b>Operating Revenues:</b>							
User Fees and Charges	\$11,481,000	\$12,624,000	\$12,914,352	\$13,211,382	\$13,515,244	\$13,826,094	\$14,144,095
Lien Collections	160,000	380,000	380,000	380,000	380,000	380,000	380,000
Tap Sales (Water Connection)	375,000	527,000	538,000	549,000	560,000	571,000	582,000
Rents and Concessions	0	0	0	0	0	0	0
Gas Royalties	1,050,000	250,000	0	0	0	0	0
<b>Total Operating Revenues</b>	<b>13,066,000</b>	<b>13,781,000</b>	<b>13,832,352</b>	<b>14,140,382</b>	<b>14,455,244</b>	<b>14,777,094</b>	<b>15,106,095</b>
<b>Operating Expenses:</b>							
Employee Services	5,473,000	5,425,330	5,669,470	5,924,596	6,191,203	6,469,807	6,760,948
Other Services and Supplies	4,587,000	5,518,792	5,894,070	6,294,867	6,722,918	7,180,076	7,668,321
Depreciation	1,311,000	1,324,110	1,337,351	1,350,725	1,364,232	1,377,874	1,391,653
<b>Total Operating Expenses</b>	<b>11,371,000</b>	<b>12,268,232</b>	<b>12,900,891</b>	<b>13,570,187</b>	<b>14,278,352</b>	<b>15,027,757</b>	<b>15,820,922</b>
<b>Net Operating Income (Loss)</b>	<b>1,695,000</b>	<b>1,512,768</b>	<b>931,461</b>	<b>570,195</b>	<b>176,892</b>	<b>( 250,663)</b>	<b>( 714,828)</b>
<b>Nonoperating Revenues (Expenses):</b>							
Interest Income	1,344,000	1,205,000	915,467	664,634	895,905	1,050,421	1,150,338
Water Develop Fees	692,000	754,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Other Miscellaneous Income	175,000	155,000	162,000	( 1,031,000)	177,000	185,000	194,000
Interest Expense	( 641,000)	( 610,054)	( 579,498)	( 553,138)	( 525,873)	( 497,508)	( 6,615,618)
Operating Transfers In (Out)	( 213,000)	( 405,582)	( 69,000)	( 72,105)	( 75,350)	( 78,740)	( 82,284)
<b>Net Nonoperating Revenue (Expense)</b>	<b>1,357,000</b>	<b>1,098,364</b>	<b>4,428,969</b>	<b>3,008,391</b>	<b>4,471,682</b>	<b>4,659,173</b>	<b>( 1,353,564)</b>
<b>Net Change to Retained Earnings</b>	<b>3,052,000</b>	<b>2,611,132</b>	<b>5,360,431</b>	<b>3,578,586</b>	<b>4,648,574</b>	<b>4,408,510</b>	<b>( 2,068,392)</b>
<b>Increase in Long-Term Liabilities</b>							
Acquisition of Property/Plant/Equipment	( 4,307,000)	( 8,375,049)	( 9,083,000)	(43,074,505)	( 3,198,488)	( 3,345,652)	( 3,492,884)
Decrease in Long-Term Liabilities	( 785,000)	( 785,000)	( 690,000)	( 710,000)	( 735,000)	( 765,000)	( 1,515,000)
Other Changes to Working Capital	11,228,702	10,526,767	5,315,201	(15,186,644)	4,611,669	6,704,629	8,394,140
<b>Net Total Available Resources - Ending</b>	<b>\$9,188,702</b>	<b>\$3,977,850</b>	<b>\$902,632</b>	<b>\$3,247,437</b>	<b>\$5,326,755</b>	<b>\$7,002,487</b>	<b>\$1,317,864</b>

### ATTACHMENT 3      5-Year Culture and Leisure Enterprise Fund Balance Projections

The City's enterprise operations are financed and operated in a manner similar to private business enterprises — where the intent is that costs of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges. Within this concept, enterprises are required to compensate the General Fund for the value of the various General Fund services they receive (payroll, personnel, administrative support, facility maintenance, and so forth) and are required to pay an in-lieu property tax. Specific attention should focus on annual net income and fund balance levels in assessing the relative health of the operation. In this section, each of the City's four Culture and Leisure Enterprise Funds is analyzed. A 5-year forecast of revenues and fund balances is provided, as well as an analysis of financial trends covering the past years which have a bearing on Fund performance.

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

- o Growth in user fees and charges have been projected based upon anticipated operating and capital requirements of each Fund and the requirement to provide a prudent fund balance for each year of the projection.
- o Interest income assumes no significant changes in interest rates.
- o It is assumed that Employee Service costs will grow at a rate of 4.5% per annum for the full projection period. This allows for both salary adjustments and modest growth in personnel.
- o Service and supply and equipment costs generally have been assumed to grow at a rate of 5% per year. Again this provides for both an inflationary increase and for program growth.

The following terms are used in connection with each enterprise:

Net Income (Loss). Operating deficits (losses), or declining income levels in the Enterprise Funds are distinct indicators of emerging problems that may include the inability to maintain current service levels, insufficient funds to meet debt service requirements, inadequate capital investment, or inadequate rates to achieve full cost recovery.

Restricted Assets. Cash or other assets, the use of which is restricted by legal or contractual requirements. An example of a restricted asset is a sum set aside as part of a debt issue reserve.

Adjustments for Encumbrances/Carryovers. Accounting entries to deal with encumbrances (commitments related to unperformed contracts for goods or services) and carryovers (approved capital improvement project funds not fully spent in one year and carried over to the next year).

Fund Balance. The excess (deficit) of resources over expenditures. The expenditures include current operating expenses, debt service and capital outlays.

## Camp Sacramento Fund

---

The Camp Sacramento Enterprise operates and maintains the facility located in the Sierras, west of Lake Tahoe, along the Interstate 50 highway. Revenue to this Fund is derived from user fees paid by vacationers.

### 1986-87 Variance Statement

Table 3.1 provides a comparison of the 1986-87 Approved Budget revenues, expenditures and fund balance to the 1986-87 midyear projection. Significant variances in the Camp Sacramento Fund are:

- o Lower than anticipated participant revenues.
- o The 1985-86 Ending Fund Balance decreased from the Approved Budget due to lower than projected revenues in 1985-86.

### FIVE YEAR FUND BALANCE PROJECTION

The decrease in revenue in 1982-83 and 1983-84 reflects the closure of the Camp for repairs due to extensive snow damage. Table 3.2 provides historical as well as projections of fund balances from 1985-86 through 1991-92. This table is based on the following assumptions:

- o No change in the level of service being provided.
- o Fee increases of 5 percent annually beginning in 1988-89.
- o Employee service costs will increase 4.5 percent annually.
- o Other service and supply costs will increase 5 percent annually.
- o Capital improvements are based on department requests.
- o The facility will achieve full attendance by 1988-89.

Under these assumptions, the Fund will continue to experience significant net operating losses in each of the years presented in this report. Fee increases alone will not generate sufficient income to achieve a break-even operation or to restore fund balances to acceptable levels.

Fee increases above the levels suggested above will likely result in significantly lower attendance rates as the cost for vacationing at the facility approaches comparable accommodations closer to Lake Tahoe. This would result in lower revenue estimates than would be generated by the modest fee increases assumed above.

Beginning in 1986-87, a General Fund subsidy of \$98,000 was budgeted for the Camp Sacramento Fund. Based upon the projections provided here, it is anticipated that the Fund will end 1986-87 with a deficit of approximately

\$66,000. In order to keep the Fund solvent, annual General Fund subsidies ranging from \$233,000 in 1987-88 to \$78,000 in 1991-92 will be necessary.

TABLE 3.1

1986-87 CAMP SACRAMENTO VARIANCE STATEMENT

	1986-87 Approved	1986-87 Midyear	Variance: Favorable (Unfavorable)
<b>REVENUES</b>			
User Fees and Charges	\$240,000	\$207,000	( \$33,000)
Interest Income	3,000	3,000	0
Other Miscellaneous Income	3,000	3,000	0
<b>Total Revenues</b>	<b>246,000</b>	<b>213,000</b>	<b>( 33,000)</b>
<b>EXPENSES</b>			
Employee Services	79,732	81,498	( 1,766)
Other Services and Supplies	202,545	202,545	0
Capital Improvement Projects	65,000	65,000	0
<b>Total Expenses</b>	<b>347,277</b>	<b>349,043</b>	<b>( 1,766)</b>
<b>NET INCOME (LOSS)</b>	<b>( 101,277)</b>	<b>( 136,043)</b>	<b>( 34,766)</b>
General Fund Transfer In	98,000	98,000	0
Prior Ending Fund Balance	6,000	( 10,172)	( 16,172)
Adjustments for Encumbrances/Carryovers	0	( 17,399)	( 17,399)
<b>ENDING FUND BALANCE</b>	<b>2,723</b>	<b>( 65,614)</b>	<b>( 68,337)</b>

TABLE 3.2

CAMP SACRAMENTO FINANCIAL HISTORY/PROJECTIONS	ACTUAL   1985-86	MID-YEAR 1986-87	PROJECTED 1987-88	PROJECTED 1988-89	PROJECTED 1989-90	PROJECTED 1990-91	PROJECTED 1991-92
Average Increase in Camp Fees	.00%	.00%	.00%	5.00%	5.00%	5.00%	5.00%
Weekly Adult Rate	\$182.00	\$182.00	\$182.00	\$191.10	\$200.66	\$210.69	\$221.22
<b>REVENUES</b>							
User Fees and Charges	\$172,553	\$207,000	\$220,000	\$231,000	\$242,550	\$254,678	\$267,411
Interest Income	5,235	3,000	0	0	0	0	0
Other Miscellaneous Income	2,052	3,000	3,000	3,000	3,000	3,000	3,000
Insurance Settlement	0	0	0	0	0	0	0
Total Revenues	179,840	213,000	223,000	234,000	245,550	257,678	270,411
<b>EXPENSES</b>							
Employee Services	71,030	81,498	85,165	88,998	93,003	97,188	101,561
Other Services and Supplies	146,659	202,545	212,672	223,306	234,471	246,195	258,504
Capital Improvement Projects	0	65,000	92,000	0	0	0	40,000
Total Expenses	217,689	349,043	389,838	312,304	327,474	343,383	400,066
NET INCOME (LOSS)	( 37,849)	( 136,043)	( 166,838)	( 78,304)	( 81,924)	( 85,705)	( 129,654)
General Fund Transfer In	0	98,000	233,000	78,000	82,000	86,000	130,000
Prior Ending Fund Balance	28,077	( 10,172)	( 65,614)	548	245	321	616
Adjustments for Encumbrances/Carryovers	( 400)	( 17,399)	0	0	0	0	0
ENDING FUND BALANCE	( 10,172)	( 65,614)	548	245	321	616	961

## Community Center Fund

The Community Center provides facilities for business, recreation, entertainment, and educational purposes, including: conventions, banquets, trade shows, seminars, concerts, performing arts attractions, lectures and other public events. The facilities within the Community Center complex include the Exhibit Hall, Activity Building,, a 2,436 seat Theater and the currently closed Memorial Auditorium (4,551).

The primary source of income to the Community Center Fund is the Transient Occupancy Tax (T/O Tax). This is a 10% tax on the cost of hotel/motel rooms for stays of 30 days or less. This is not revenue generated by the Center, but rather it is revenue earmarked by City Code solely for Community Center use (see Sections 41.20 - 41.35). The T/O tax is expected to grow at a minimum of 10% per year.

A major project underway at the Community Center is the rehabilitation, reconstruction and reuse of the Sacramento Memorial Auditorium. The Memorial Auditorium was closed in February 1986 due to structural, fire protection and safety deficiencies. A task force developed several alternatives for reuse of the Auditorium; a theater or a multi-use facility each costing approximately \$13 million.

The Community Center is also planning the expansion of the Community/Convention Center by constructing a 100,000 square foot exhibit hall. The costs of the expansion are projected at approximately \$40 million, with annual debt service of \$5 million, starting in fiscal year 1991-92.

### 1986-87 Variance Statement.

The ending balance for the Community Center Fund is \$518,000 greater than anticipated in the budget. (See Table 3.3) Income from building rental and T/O tax revenue exceeded expectations. Also, savings in employee services due to a management reorganization and employee turnover contributed to the increase in ending fund balance.

### FIVE YEAR FUND BALANCE PROJECTIONS

Table 3.4 provides historical and projected information on fund balances through 1991-92. The projection assumes:

- o Transient Occupancy Tax revenues will increase 10% each year.
- o The Exhibit Hall expansion project from EIR to move in will take approximately 45 months. Debt service of \$5 million and operating expenditures will begin in fiscal year 1991-92.
- o No debt service has been included in the projections for the Memorial Auditorium pending a City Council decision on the method of financing.
- o Operating expenditures related to Memorial Auditorium appear in the projections beginning 7/1/88.

- o The remaining principal on the Scofield Building will be paid off by the Community Center fund in 1987-88.

The fund balance projections indicate the Fund is growing, primarily due to increased T.O Tax revenues and is growing at a level sufficient to support the debt service on the Exhibit Hall expansion.

TABLE 3.3

COMMUNITY CENTER VARIANCE STATEMENT	APPROVED 1986-87	PROJECTED 1986-87	VARIANCE FAV(UNFAV)
Operating Revenues:			
User Fees/Rents	1,197,000	1,300,000	103,000
Total Operating Revenues	1,197,000	1,300,000	103,000
Operating Expenses:			
Employee Services	( 1,755,000)	( 1,592,000)	163,000
Other Services and Supplies	( 2,036,000)	( 1,913,000)	123,000
Total Operating Expenses	( 3,791,000)	( 3,505,000)	286,000
NET OPERATING INCOME (LOSS)	( 2,594,000)	( 2,205,000)	389,000
Nonoperating Revenues (Expenses):			
Misc Income	34,000	116,000	82,000
T/O Tax Revenue	4,480,000	4,586,000	106,000
Operating Transfers In (Out)	( 15,000)	0	15,000
Net Nonoperating Revenue (Expense)	4,499,000	4,702,000	203,000
Sources/Uses of Working Capital			
CIP and Equipment	( 148,000)	( 151,000)	( 3,000)
Debt Service	( 1,387,000)	( 1,387,000)	0
Total Sources/Uses Working Capital	( 1,535,000)	( 1,538,000)	( 3,000)
NET CHANGE TO WORKING CAPITAL BALANCE	370,000	959,000	589,000
Beginning Working Capital Balance	369,000	291,000	( 78,000)
Encumbrances		7,000	7,000
ENDING WORKING CAPITAL BALANCE	\$739,000	\$1,257,000	\$518,000

TABLE 3.4

COMMUNITY CENTER FINANCIAL HISTORY/PROJECTIONS	(\$ IN 000'S)						
	ACTUAL 1985-86	PROJECTED 1986-87	PROJECTED 1987-88	PROJECTED 1988-89	PROJECTED 1989-90	PROJECTED 1990-91	PROJECTED 1991-92
<b>OPERATING REVENUES</b>							
User Fees and Charges	210	274	275	291	301	312	326
Rents and Concessions	923	1,026	1,074	1,111	1,145	1,205	1,250
<b>Total Operating Revenues</b>	<b>1,133</b>	<b>1,300</b>	<b>1,349</b>	<b>1,402</b>	<b>1,446</b>	<b>1,517</b>	<b>1,576</b>
<b>OPERATING EXPENSES</b>							
Employee Services	1,620	1,592	1,664	1,754	1,832	1,915	2,271
Other Services and Supplies	1,549	1,913	3,168	2,612	2,722	2,528	3,635
Equipment		100	60	93	96	99	133
Operating Transfers Out							
<b>Total Operating Expenses</b>	<b>3,169</b>	<b>3,605</b>	<b>4,892</b>	<b>4,459</b>	<b>4,650</b>	<b>4,542</b>	<b>6,039</b>
<b>NET OPERATING INCOME(LOSS)</b>	<b>( 2,036)</b>	<b>( 2,305)</b>	<b>( 3,543)</b>	<b>( 3,057)</b>	<b>( 3,204)</b>	<b>( 3,025)</b>	<b>( 4,463)</b>
<b>Nonoperating Revenues(Expenses):</b>							
Transient Occupancy Tax	4,224	4,586	5,045	5,549	6,104	6,714	7,386
Interest Income	103	82	72	72	72	72	72
Dividend Income	( 55)	34	36	39	41	44	48
Debt Service-Principal and Interest	( 1,092)	( 1,387)	( 1,389)	( 1,389)	( 1,387)	( 1,408)	( 6,401)
Capital Improvement Projects		( 51)	( 147)	( 22)			
CIP-Conv Ctr Expansion			( 40,457)				
Bond Proceeds			40,457				
<b>Net Nonoperating Revenues(Expenses)</b>	<b>3,180</b>	<b>3,264</b>	<b>3,617</b>	<b>4,249</b>	<b>4,830</b>	<b>5,422</b>	<b>1,105</b>
<b>NET CHANGE TO FUND BALANCE</b>	<b>1,144</b>	<b>959</b>	<b>74</b>	<b>1,192</b>	<b>1,626</b>	<b>2,397</b>	<b>( 3,358)</b>
Beginning Fund Balance	507	291	1,257	1,349	2,541	4,167	6,564
Encumbrances/Carryovers (Net)	( 1,360)	7	18				
<b>ENDING FUND BALANCE</b>	<b>291</b>	<b>1,257</b>	<b>1,349</b>	<b>2,541</b>	<b>4,167</b>	<b>6,564</b>	<b>3,206</b>

The Boat Harbor Enterprise is responsible for the operations and maintenance of the harbor located in Miller Park. The revenue to the Boat Harbor Fund is derived principally from slip rental fees and fuel sales. The sharp increase in revenues and expenses in fiscal year 1987-88 reflects the anticipated mid-year completion of the harbor expansion.

1986-87 Variance Statement

Table 3.5 provides a comparison of the 1986-87 Approved Budget revenues, expenditures and fund balance to the 1986-87 mid-year projection. Significant variances in the Boat Harbor Fund are:

- o The increase in other miscellaneous income represents the payment of \$1,032,000 from the Solid Waste Division for the cost of transporting dirt from the Marina Expansion project site to the landfill to be used to close the landfill.
- o The 1985-86 Ending Fund Balance increased due to lower than anticipated operating expenditures.

FIVE YEAR FUND BALANCE PROJECTION

Table 3.6 provides historical data as well as projections of fund balances from 1985-86 through 1991-92. This table is based on the following assumptions:

- o By mid-year in 1987-88 the 280 new berths will be ready to occupy and will be 95 percent leased.
- o Annual fee increase of 5-10 percent.
- o Employee service costs will increase 4.5 percent annually.
- o Other service and supply costs will increase 5 percent annually.
- o Capital improvements are based on department requests.
- o Debt service payments related to the expansion project will begin in 1988-89.

The Harbor Expansion project, which will add approximately 280 new berths to the existing 280 berth marina, is being funded by a series of loans from the California State Department of Boating and Waterways totalling \$6.7 million. As part of the loan agreements, the Boat Harbor Fund must establish a minimum restricted fund reserve and maintain competitive berthing rates. The annual fee increases reflected here are required in order for the Fund to meet the annual debt payments and to comply with the loan conditions.

The projected capital improvement program for the Fund includes amounts

accumulated annually for the periodic replacements of worn and damaged docks and for harbor dredging. Also anticipated is a grant from Boating and Waterways for construction of additional parking to accommodate the expanded harbor operations.

The Fund is projected to realize increasing fund balances during this time, while servicing the debt on the harbor expansion loans, accumulating the required restricted reserve, and providing for future improvements and maintenance to the harbor.

TABLE 3.5

1986-87 BOAT HARBOR FUND VARIANCE STATEMENT

	1986-87 Approved	1986-87 Midyear	Variance: Favorable (Unfavorable)
<b>REVENUES</b>			
Slip Fees (existing berths)	\$314,000	\$314,000	\$0
Gas & Oil Concessions	142,000	145,000	3,000
Interest/Dividend Income	49,000	49,000	0
Other Miscellaneous Income	34,000	1,067,000	1,033,000
<b>Total Revenues</b>	<b>539,000</b>	<b>1,575,000</b>	<b>1,036,000</b>
<b>EXPENSES</b>			
Employee Services	182,313	182,464	( 151)
Other Services and Supplies	295,129	306,113	( 10,984)
Debt Service Payments	14,302	14,302	0
Capital Improvement Projects	3,060,000	4,177,000	( 1,117,000)
Loan Proceeds	( 3,000,000)	( 3,000,000)	0
<b>Total Expenses</b>	<b>551,744</b>	<b>1,679,879</b>	<b>( 1,128,135)</b>
<b>NET INCOME (LOSS)</b>	<b>( 12,744)</b>	<b>( 104,879)</b>	<b>( 92,135)</b>
Prior Ending Fund Balance	103,000	234,519	131,519
Adjustments for Encumbrances/Carryovers	0	4,850	4,850
<b>ENDING FUND BALANCE</b>	<b>90,256</b>	<b>134,490</b>	<b>44,234</b>

TABLE 3.6

BOAT HARBOR FINANCIAL HISTORY & PROJECTIONS	ACTUAL 1985-86	MID-YEAR 1986-87	PROJECTED 1987-88	PROJECTED 1988-89	PROJECTED 1989-90	PROJECTED 1990-91	PROJECTED 1991-92
Average Increase in Slip Fees:							
Old Marina Berths	13.40%	9.46%	13.22%	9.72%	9.90%	7.77%	4.29%
New Marina Berths				2.51%	1.85%	5.61%	3.52%
Average Marina-Wide Berth Rate (per foot/month)	\$3.60	\$3.85	\$4.53	\$4.92	\$5.33	\$5.79	\$6.28
<b>REVENUES</b>							
Slip Fees (existing berths)	\$286,874	\$314,000	\$355,512	\$390,053	\$428,667	\$461,961	\$481,788
Gas & Oil Concessions	143,645	145,000	166,000	245,000	257,250	270,113	283,618
Slip Fees (new berths)	0	0	257,934	528,831	538,592	568,789	588,833
Interest/Dividend Income	46,849	49,000	86,800	109,100	126,744	137,256	141,214
Other Miscellaneous Income	26,877	1,067,000	223,000	42,000	43,000	48,000	51,000
<b>Total Revenues</b>	<b>504,245</b>	<b>1,575,000</b>	<b>1,089,246</b>	<b>1,314,984</b>	<b>1,394,253</b>	<b>1,486,119</b>	<b>1,546,453</b>
<b>EXPENSES</b>							
Employee Services	163,353	182,464	230,675	241,055	251,703	263,238	275,084
Other Services and Supplies	202,290	306,113	424,419	525,640	551,722	579,518	608,494
Debt Service Payments	13,539	14,302	14,302	221,970	420,835	538,222	538,219
Operating Transfers In (Out)	0	0	0	0	0	0	0
Capital Improvement Projects	251,653	4,177,000	1,895,000	114,000	50,000	105,000	105,000
Loan Proceeds	( 2,000,000)	( 3,000,000)	( 1,652,000)	0	0	0	0
<b>Total Expenses</b>	<b>( 1,369,165)</b>	<b>1,679,879</b>	<b>912,396</b>	<b>1,102,665</b>	<b>1,274,659</b>	<b>1,485,978</b>	<b>1,526,797</b>
<b>NET INCOME (LOSS)</b>	<b>1,873,410</b>	<b>( 104,879)</b>	<b>176,850</b>	<b>212,319</b>	<b>119,594</b>	<b>141</b>	<b>19,657</b>
Increase in Restricted Assets	0	0	( 150,000)	( 50,000)	( 50,000)	( 50,000)	( 100,000)
Prior Ending Fund Balance	87,450	234,519	134,490	161,340	323,660	393,253	343,394
Adjustments for Encumbrances/Carryovers	( 1,726,341)	4,850	0	0	0	0	0
<b>ENDING FUND BALANCE</b>	<b>234,519</b>	<b>134,490</b>	<b>161,340</b>	<b>323,660</b>	<b>393,253</b>	<b>343,394</b>	<b>263,050</b>

The Golf Enterprise operates five golf courses at three locations: The Haggin Oaks facility has two 9-hole courses and one 18-hole course; the Bing Maloney facility has one 18-hole course, and the William Land facility has one 9-hole course. This program is responsible for the operation, maintenance, and groundskeeping duties of these facilities. The Golf Fund derives its revenues from green fees and pro shop, coffee shop and golf cart concessions from the City's five municipal golf facilities.

1986-87 Variance Statement

Table 3.7 provides a comparison of the 1986-87 Approved Budget revenues, expenditures, and fund balance to the 1986-87 midyear projection. Significant variances in the Golf Fund are:

- o The midyear projection includes the addition of the Bing Maloney 9-hole golf course expansion to the fund's capital program and the offsetting debt proceeds.
- o The 1985-86 ending fund balance increased due to closure of completed capital projects (remaining project funds are returned to fund balance) and lower than anticipated operating expenditures.

FIVE YEAR FUND BALANCE PROJECTION

Table 3.8 provides historical data as well as projections of fund balances from 1985-86 through 1991-92. The table is based on the following assumptions:

- o Annual fee increase of 5-10 percent.
- o Employee service costs will increase 4.5 percent annually.
- o Other service and supply costs will increase 5 percent annually.
- o Capital improvements are based on department requests.
- o Debt service payments related to the 9-hole expansion project at Bing Maloney will begin in 1987-88.
- o The 9-hole expansion project at Bing Maloney will become operational at the beginning of the 1988-89 fiscal year.

High costs related to the reconditioning of the courses due to the intense level of play, equipment replacement, debt service payments for the Bing Maloney expansion, and proposed development of new facilities place a heavy strain on the fund's working capital. Moderate annual fee increases are needed to assure the fund's financial stability over the next five years.

The development of the 9-hole golf course at Bing Maloney will provide long-term positive cash flows to the Fund beginning in the third year of operation, 1990-91. Although the Fund's projected capital improvement program includes

annual accumulations for the development of new golf courses, the financial impact of such expansions has not been fully evaluated and its feasibility is uncertain.

The operation is currently involved in a study to evaluate alternative uses for surplus golf property located at Haggin Oaks. At this time it is premature to project the impact this may have on the Fund.

TABLE 3.7

1986-87 GOLF FUND VARIANCE STATEMENT

	1986-87 Approved	1986-87 Midyear	Variance: Favorable (Unfavorable)
<b>REVENUES</b>			
User Fees and Charges	\$2,100,000	\$2,100,000	\$0
Rents & Concessions	260,000	260,000	0
Interest Income	93,000	93,000	0
<b>Total Revenues</b>	<b>2,453,000</b>	<b>2,453,000</b>	<b>0</b>
<b>EXPENSES</b>			
Employee Services	1,331,855	1,373,175	( 41,320)
Other Services and Supplies	798,750	798,700	50
Equipment	112,761	98,152	14,609
Debt Payments	40,273	40,273	0
Operating Transfers Out	22,000	0	22,000
Capital Improvement Projects	672,000	1,642,344	( 970,344)
Proceeds from Debt Issue	0	( 935,000)	935,000
<b>Total Expenses</b>	<b>2,977,639</b>	<b>3,017,644</b>	<b>( 40,005)</b>
<b>NET INCOME (LOSS)</b>	<b>( 524,639)</b>	<b>( 564,644)</b>	<b>( 40,005)</b>
Adjustments for Encumbrances/Carryovers	0	( 6,045)	( 6,045)
Prior Ending Fund Balance	569,000	866,634	297,634
<b>ENDING FUND BALANCE</b>	<b>44,361</b>	<b>295,945</b>	<b>251,584</b>

TABLE 3.8

GOLF FUND FINANCIAL HISTORY & PROJECTIONS	ACTUAL   1985-86	MID-YEAR   1986-87	PROJECTED   1987-88	PROJECTED   1988-89	PROJECTED   1989-90	PROJECTED   1990-91	PROJECTED   1991-92
Average Increase in Greens Fees	( 8.12%)	5.00%	5.00%	10.00%	10.00%	5.00%	5.00%
18-Hole Green Fee (weekdays)	\$7.00	\$7.35	\$7.72	\$8.49	\$9.34	\$9.81	\$10.30
Average Green Fee Per Round of Golf	\$4.71	\$4.98	\$5.44	\$5.86	\$6.38	\$6.70	\$7.03
Total Rounds Played	429,819	422,000	405,000	446,720	451,392	456,531	459,358
<b>REVENUES</b>							
User Fees and Charges	\$2,022,308	\$2,100,000	\$2,205,000	\$2,425,500	\$2,668,050	\$2,801,453	\$2,941,525
Rents & Concessions	287,679	260,000	270,400	281,216	292,465	304,163	316,330
Bing Maloney Expansion				192,720	211,292	248,626	261,058
Interest Income	168,359	93,000	65,685	74,725	79,690	88,676	100,510
Other Misc. Income (Net of Expense)	110		100	100	100	100	100
Total Revenues	2,478,456	2,453,000	2,541,185	2,974,261	3,251,597	3,443,018	3,619,523
<b>EXPENSES</b>							
Employee Services	1,324,710	1,373,175	1,434,968	1,499,541	1,619,521	1,692,399	1,768,557
Other Services and Supplies	694,631	798,700	838,635	880,567	947,095	994,450	1,044,172
Equipment	83,697	98,152	103,060	108,213	113,623	119,304	125,270
Bing Maloney Expansion				100,500	106,530	112,922	119,697
Debt Payments	40,273	40,273	115,450	117,900	119,928	116,525	118,125
Operating Transfers Out							
Capital Improvement Projects	91,576	1,642,344	150,000	340,000	348,000	355,000	355,000
Proceeds from Debt Issue		( 935,000)					
Total Expenses	2,234,887	3,017,644	2,642,112	3,046,721	3,254,697	3,390,600	3,530,821
NET INCOME (LOSS)	243,569	( 564,644)	( 100,927)	( 72,460)	( 3,100)	52,417	88,702
Increase in Restricted Assets			( 60,000)				
Adjustments for Encumbrances/Carryovers	( 160,855)	( 6,045)					
Prior Ending Fund Balance	783,920	866,634	295,945	135,018	62,558	59,457	111,875
ENDING FUND BALANCE	866,634	295,945	135,018	62,558	59,457	111,875	200,576

The City currently has two Internal Service funds, the Fleet Management Fund and the Risk Management Fund. Internal service funds operate as a business to serve the needs of the rest of City government, rather than the public at large. Each City department is billed by the internal service fund relative to the amount of service it uses. The internal service funds' annual earnings are reinvested by replacing assets or reducing costs to the departmental users.

DESCRIPTION

The Fleet Management Fund is responsible for the maintenance and repair of over 1,500 pieces of the City's vehicular equipment. As an internal service fund, the various other departments make monthly payments to the Fleet Management Fund equal to the cost of operating the equipment, plus an amount to replace the existing equipment at the end of its useful life. Operating expenses include fuel, oil, parts, repair, maintenance, and administrative overhead. Table 4.2 illustrates the projected transfers to the Fleet Management Fund for fleet rental charges.

ANALYSIS

The purpose of the fund balance in this internal service fund is to provide for rate stability and to allow a cushion in the event of unplanned equipment failure. The Fleet Management Fund attempts to stabilize rates which helps the various other departments determine their operating requirements. However, stability of rental rates may conflict with the need for funds to cover volatile expenses incurred by the fund. This fund tends to have expense fluctuations in two significant areas, fuel and vehicle replacement. Over the past few years fuel prices have fluctuated widely, however, the available fund balance has cushioned the departmental users from the effect of fuel price instability. Additionally, this fund's replacement cycle can vacillate from year to year due to the composition of the replacement schedule. In any one year more costly items, such as fire or garbage trucks, may be up for replacement. Without a fund balance, rates would have to be raised in one year and lowered the next to accommodate for such changes. Similarly, fleet staff may determine that certain types of vehicles are experiencing abnormally high repair costs. In certain instances, it is cost effective to replace vehicles before the end of their useful life if other vehicles can be operated more effectively. Fund Balance gives the Fleet Management Fund the flexibility to make cost effective decisions without a disruptive effect on the user departments.

Table 4.1 summarizes the projected 1986-87 financial condition of the fund. The current year fund balance is expected to climb to \$2.3 million as compared with the budgeted fund balance of \$1.7 million. The primary cause for the increase in the projected fund balance over the ending fund balance is fuel savings as fuel prices have continued at low levels.

The Table shows miscellaneous revenue up \$1 million, however, this is not a net increase to the fund because the \$1 million is offset by an increase in the Equipment line for previously unbudgeted new vehicles.

The rental rates for 1987-88 are expected to remain fairly constant as compared with 1986-87. Some equipment replacement and other anticipated expense increases will be absorbed by the fund balance, thereby reducing the size of the fund balance.

Table 4.1

## 1986-87 FLEET MANAGEMENT SUMMARY

(\$ in 000's)	1986-87 Approved	1986-87 Midyear	Variance: Favorable (Unfavorable)
Beginning Fund Balance (Deficit)	\$ 2,986*	\$ 3,146	\$ 160
Current Resource:			
Revenues			
Use of Money & Property	300	570	270
Miscellaneous Revenue	200	1,286	1,086
	<u>500</u>	<u>1,856</u>	<u>1,356</u>
Subtotal Revenue	500	1,856	1,356
Internal Service Billings	11,794	11,601	(193)
	<u>12,294</u>	<u>13,457</u>	<u>1,163</u>
Total Current Resources	12,294	13,457	1,163
Current Requirements			
Current Operations:			
Employee Services	3,220	3,114	106
Other Services & Supplies	5,172	4,364	808
Equipment	4,577	6,081	(1,504)
Debt Service			
Operating Transfers Out	30	84	(54)
	<u>12,999</u>	<u>13,643</u>	<u>(644)</u>
Subtotal Current Operations	12,999	13,643	(644)
Capital Improvements	612	612	0
	<u>612</u>	<u>612</u>	<u>0</u>
Subtotal Capital Improvements	612	612	0
Total Current Requirements	13,611	14,255	(644)
Total Current Surplus (Deficit)	<u>(1,317)</u>	<u>(798)</u>	<u>519</u>
Other Fund Sources (Uses)			
-Ending Fund Balance (Deficit)	<u>\$ 1,669</u>	<u>\$ 2,348</u>	<u>\$679</u>

\* Fund balance excludes the value of supply parts inventory.

Table 4.2

PROJECTED 1986-87 FLEET RENTAL CHARGES BY FUND  
(IN 000'S)

---

General	\$ 5,948
Parking	57
Water	494
Sewer	400
Solid Waste	4,147
Golf	204
Community Center	12
Risk Management	3
Camp Sacramento	4
Storm Drainage	332
	<hr/>
	\$11,601

## Risk Management Fund

The Risk Management Fund was established in 1977 to consolidate the City's insurance programs. This fund administers programs for comprehensive automobile and general liability, property loss, crime coverage, worker's compensation, employee group benefits, and unemployment insurance. With the exception of employee group benefits, the City self-insures its exposures. Self-insured means that the City sets aside sufficient funds to cover a certain level of risk. The City augments the self-insured program with the purchase of excess coverage from underwriters to guard against catastrophic losses for which it would be a financial burden to attempt to self-insure.

### ANALYSIS

Of primary concern within the Risk Management Fund is the large deficit in the fund balance. As shown in Table 4.3, the beginning fund deficit projected for 1986-87 was \$(667) thousand and was revised to \$(4.4) million as the result of an actuarial study reporting an underfunding of worker's compensation. The increase in the reserves was necessary because of dramatic increases in the estimated ultimate loss in worker's compensation. The reasons cited in the actuarial report for the rise in ultimate losses are:

- o Large worker's compensation benefit level increases, enacted in January 1983 which had led to: a) initial case reserves becoming inadequate for new occurrences following the benefit changes and, b) higher utilization of worker's compensation benefits following the substantial increases in benefits payable.
- o The continuing emergence of reported losses for old accident periods.
- o The growth in the cost of vocational rehabilitation programs.

In 1986-87, the ending fund deficit is projected at \$(3) million. This deficit will be addressed in the upcoming budget by increasing the contributions made by other funds to the Risk Management Fund. See Table 4.4 for the current worker's compensation contribution by fund. It should be noted that most of the deficit is due to underfunding of the Incurred But Not Reported (IBNR) reserves. IBNR are accidents which have occurred but have not yet been reported or valued. Since the IBNR reserves are established for potential future claims the likelihood of realizing all the projected losses in one year, barring a major occurrence, are slim. Therefore, the elimination of the deficit could reasonably be accomplished through a phased-in approach.

The comparison of budget to midyear projections shows that Other Services and Supplies expenses are down by approximately \$2 million. The variance is the result of unspent insurance contributions. The insurance contribution is a flat amount per employee for such benefits as health, dental, life insurance,

and deferred compensation. The maximum insurance benefits per employee is the basis for the budget. However, many employees cannot or do not opt for benefits that use up their maximum allotment, thereby resulting in a savings to the City.

The General Fund portion of insurance contributions, estimated at \$1.5 million, will be transferred into the Risk Management Fund as a one-time fix to: i) reduce the current Fund deficit and, ii) provide funds for anticipated increases to required reserve levels when the actuarial evaluation for 1986-87 is completed.

Categorized under Other Fund Sources (Uses) is \$640,000 budgeted for excess auto and general liability coverage. The City has been unable to procure this insurance and intends to place the \$640,000 in an auto and general liability self-insured retention reserve. Without liability insurance the City faces uncovered exposures relative to catastrophic incidents. Sacramento is working with other public entities to help solve this problem by forming insurance pools. One positive change on the insurance front is Proposition 51, passed by the voters in 1986, which limits the financial liability for non-economic "pain and suffering" damages to the percentage the public entity is responsible for in each occurrence. Before passage of Proposition 51, a city could pay 100% of a case judgment even if it were only 10% responsible for the occurrence.

In summary, the City is taking steps to reduce the Risk Management Fund deficit. First, the full budgeted General Fund amount for insurance contributions will be transferred to the Risk Management Fund so that budgetary savings can be applied against the deficit. Also, in the 1987-88 budget the contributions made by all City funds should be increased.

The City should also continue to seek insurance coverage for its excess general and auto liability insurance. The \$640,000 supplement to the self-insured retention reserve should help the City obtain adequate coverage.

Table 4.3

## 1986-87 RISK MANAGEMENT FUND SUMMARY

(\$ in 000's)	1986-87 Approved	1986-87 Midyear	Variance: Favorable (Unfavorable)
Beginning Fund Balance (Deficit)	\$ (667)	\$ (4,376)	\$ (3,709)
Current Resource:			
Revenues			
Use of Money & Property	1,000	1,000	0
Miscellaneous Revenue	20	77	57
Subtotal Revenue	1,020	1,077	57
Internal Service Billings	20,718	20,176	(542)
Total Current Resources	21,738	21,253	(485)
Current Requirements			
Current Operations:			
Employee Services	560	502	58
Other Services & Supplies	20,829	18,712	2,117
Equipment	0	4	(4)
Debt Service			
Operating Transfers Out			
Subtotal Current Operations	21,389	19,218	2,171
Capital Improvements	0	0	0
Subtotal Capital Improvements	0	0	0
Total Current Requirements	21,389	19,218	2,171
Total Current Surplus (Deficit)	349	2,035	1,686
Other Fund Sources (Uses)	(640)*	(640)	0
-Ending Fund Balance (Deficit)	\$ (958)	\$ (2,981)	\$(2,023)

\* Budgeted premium for excess liability coverage. No insurance will be purchased this year. Risk Management intends to add the \$640K into the auto and general liability self-insured retention reserve account.

Table 4.4

Worker's Compensation Contributions By Fund (In 000)  
Projected 1986-87 Levels

---

General	\$4,175,047
Water	269,098
Sewer	139,250
Solid Waste	505,906
Storm Drainage	110,013
Parking	120,626
Golf	63,037
Boat Harbor	9,094
Camp Sacramento	2,755
Community Center	52,004
Fleet Management	161,304
Mt. Valley Library System	2,351
Risk Management	1,728
	<u><u>\$5,612,213</u></u>

This is a status report on the General Fund Contingency. Upon adoption of the 1986-87 budget, a General Fund Contingency of \$1,017,000 was established. As of February 24, 1987, a net total of \$966,019 has been expended from the General Fund Contingency. The remaining balance is \$50,981. Table 5.1 details the year-to-date transfers from the General Fund Contingency. With the \$500,000 increase to contingency that is recommended in the Midyear Review, the total available General Fund Contingency for the remainder of 1986-87 will be \$550,981.

TABLE 5.1  
 STATUS REPORT  
 GENERAL FUND CONTINGENCY  
 -THROUGH FEBRUARY 24, 1987

DESCRIPTION	AMOUNT	OFFSET	NET	EFFECTIVE	AUTH
Approved Budget	\$1,017,000		\$1,017,000	07/01/86	CC *
LESS:					
Transfer to Metro Arts for Symphony	( 30,000)		( 30,000)	07/01/86	CC
Morey Terrace Street Abandonement	( 20,000)		( 20,000)	07/15/86	CC
Extension of Swimming Pool Season -Fees	( 12,120)	2,500	( 9,620)	07/29/86	CC
Jedidiah Smith Soccer Field	( 14,000)		( 14,000)	07/29/86	CC
O'Neil Soccer Field	( 41,000)		( 41,000)	07/29/86	CC
Installation of Pathfinder Tiles	( 9,936)		( 9,936)	08/05/86	CC
Sacramento Theatre Co. Loan Fees	( 900,000)				
-Loan Proceeds		890,000			
-County Contribution		5,000	( 5,000)	08/12/86	CC
Science Center & Junior Museum	( 193,934)				
-County Contribution		76,367			
-Admission/Sales		41,200	( 76,367)	08/12/86	CC
Acquisition of Bishop Property	( 176,910)		( 176,910)	08/12/86	CC
Commercial Plan Checking Consultants	( 200,000)				
-Fees		200,000	0	08/12/86	CC
Retired and Transferred Employee Benefit Increase	( 11,941)		( 11,941)	08/12/86	CC
Abandoned Vehicle Abatement Program					
-Planning/Development	( 99,954)				
-Police	( 21,145)				
-Parking Fines		37,500	( 83,599)	08/26/86	CC
Morey Terrace No. 2	( 2,500)		( 2,500)	09/02/86	CC
Computer Equipment-Mayor/Council	( 4,100)		( 4,100)	07/15/86	CM *
Projector for Training-Data Mgmt	( 8,175)		( 8,175)	07/15/86	CM
HazMat Equipment-Fire	( 9,000)				
-State Contract Reimbursement		9,000	0	07/22/86	CM
Augmentation to CIP Project- CA41	( 15,500)		( 15,500)	09/12/86	CM
25-Year Service Award Pins	( 11,500)		( 11,500)	09/02/86	CM
Journeylevel Plumber's Certification	( 33,500)				
-Revenue		56,000	22,500	10/14/86	CC

DESCRIPTION	AMOUNT	OFFSET	NET	EFFECTIVE	AUTH
Volunteer Recruitment-Training/Cost Recovery Analysis -Revenue from UPARR Program	( 37,065)	37,065	0	10/21/86	CC
Additional necessary funding (Jedi- diah Smith & O'Neil soccer fields -Reimbursement	( 10,000)	74,500	64,500	11/05/86	CC
Old Sacto Sign District	( 25,000)		( 25,000)	10/28/86	CC
County Parking Facility-APP		2,000	2,000	10/14/86	CC
Office Space-Bercut	( 139,015)		( 139,015)	10/14/86	CC
Typist Clerk-Mayor/Council Office	( 16,500)		( 16,500)	12/02/86	CC
Weapon Conversion	( 202,800)		( 202,800)	11/25/86	CC
Traffic Control-William Land Park	( 1,000)		( 1,000)	12/02/86	CC
Implementation Plan-Outdoor Art Prog	( 7,000)		( 7,000)	12/16/86	CC
Temporary Firefighter Replacement	( 92,706)		( 92,706)	01/27/87	CC
N. Natomas Infrastructure Design	( 50,924)		( 50,924)	01/27/87	CC
Closure of CIP Bishop Prop Land Acq	( 1,443)		( 1,443)	01/30/87	CM
Closure of CIP Coloma Ctr Off Remod	154		154	01/13/87	CM
Closure of CIP Bikeway Crossing	1,059		1,059	01/09/87	CM
To net excess appropriation from CIP Land Park Comm Ctr	304		304	12/30/86	CM
BALANCE AS OF 02-24-87			----- \$50,981 =====		

\* CC = City Council, CM = City Manager

# RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

## **A RESOLUTION ADOPTING MIDYEAR ADJUSTMENTS TO THE CITY OF SACRAMENTO'S FISCAL YEAR 1986-87 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. Based upon the actual prior year fund balance as reported in the Midyear Review, the appropriated General Fund balance is increased by \$623,000 of which \$500,000 will be allocated to the Administrative Contingency. The Reserve For Economic Uncertainty is restored to the four percent (4%) level (\$5,800,000).
2. In accordance with the findings during the review of the status of all City funds, funding deficits are to be corrected as follows:
  - 2.1 \$758,000 in Gas Tax Fund (203) will replace Traffic Safety Funds (208) in the Street Division of the Public Works Department as a source of funding to the operating budget.
  - 2.2 \$1,183,459 of Flood and Drainage Bond Fund (737) Capital Projects (See Exhibit A) will be transferred to the Storm Drainage Fund (425).
  - 2.3 \$536,578 be transferred between organizations as listed below to accommodate the current remodeling and relocation of offices. No increase in General Fund appropriations is required.

From the following operating budgets:

City Mgr/Other Fund		
Transfers	101-0300-4375	\$(130,000)
City Mgr/Special Services	101-0300-4287	130,000
Cable Franchise Fees	252-0300-4375	130,000
Finance/Admin./Furniture	101-1110-4630	25,000
Public Works/Admin/Moving	101-3110-4268	1,250
Public Works/Admin/Furniture	101-3110-4630	7,500
City Clerk/Furniture	101-0700-4630	25,000
Gen Serv/Fac Mgt/Fac		
Maintenance Requests	101-1936-4242	9,328
General Ins/Termination	101-7030-4119	200,000
Misc. Prior Year Furniture		
Purchase Orders		138,500
		<u>536,578</u>
		<u>\$536,578</u>

To the following Capital Projects:

City Hall Remodel/Basement	101-CA06-4820	\$198,450
City Hall Remodel/1st Floor	101-CA16-4820	66,668
City Hall Remodel/1st Floor	252-CA16-4820	130,000
City Hall Remodel/Public		
Works Offices	101-CA01-4820	3,400
City Hall Remodel/City		
Council & City Clerk	101-xxxx-4820	125,750
City Hall Remodel/Contingency	101-xxxx-4820	12,310
		<u>536,578</u>
		<u>\$536,578</u>

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK