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DEPARTMENT OF  
FINANCE

BUDGET DIVISION

CITY OF SACRAMENTO  
CALIFORNIA

BD:90010:KN:pc  
February 21, 1990

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

916-449-5845

Budget and Finance Committee  
Sacramento, California

Honorable Members in Session:

SUBJECT: 1989-90 MIDYEAR REVIEW  
FUND BALANCE PROJECTIONS

SUMMARY

This report provides a Midyear fund balance projection for the General Fund, as well as, each of the Enterprise and Internal Service funds. A five year projection is provided for the General and Enterprise funds. The following briefly summarizes the overall position of each of the major funds which have been reviewed. Detail on each of the funds reviewed can be found in Attachments 1 through 4.

General Fund

The Midyear projections have a very positive outlook for the current year as well as the next five years. The Midyear projections for the current year show that the General Fund will end the year with a \$3.4 million fund balance. This will allow for the restoration of the 1989-90 Budget reductions which included the elimination of 13 positions and also consideration of funding some other critical needs.

Solid Waste Fund

The midyear projections indicate that the Solid Waste Fund will end the year with a fund balance that is \$525,000 more than anticipated. This increase is due to an increase in the beginning fund balance as discussed in the report by the Accounting Division, and savings in current operations, partially offset by a negative variance in Charges for Current Services. Five-year projections indicate that rate increases averaging 8-10 percent may be required beginning in 1990-91 to meet operational requirements.

Water Fund

The midyear projections indicate an increase of \$1.2 million in the ending fund balance. The largest single current year adjustment is a \$439,000 increase for CIP project defundings (partially offset by overruns) during the first half of the year. Future projections show a negative fund balance starting at year-end 1992-93. Annual rate increases in the 5% range may be necessary to meet operational requirements and debt service payments on a water treatment plant.

Sewer Fund

According to midyear projections, the ending fund balance for the Sewer Fund will be \$166,000, or \$218,000 less than anticipated. The primary causes are a \$500,000 decrease in the beginning fund balance and an increase in current operations requirements, including under budgeted bad debt expense of \$270,000. The aging of the central city sewer system is a key issue for the fund. Staff will be evaluating various options to fund the reconstruction of the sewer system through user fee increases, assessment districts, and other alternatives not yet identified.

Storm Drainage Fund

The midyear projections show an increase in the ending fund balance for the Storm Drainage Fund of \$429,000, primarily due to interest revenue exceeding projections. Future rate increases of 5-7% will meet anticipated capital and operational requirements. Additional contributions towards levee improvements in Natomas or other flood protection activities have not been included.

Parking Fund

The midyear projections indicate an ending fund balance in the Parking Fund of \$2.9 million more than anticipated. Primary reasons are an increase of \$488,000 in beginning fund balance and a one-time deposit of \$2.1 million to the contingency from the 1989 COP proceeds. Future projections indicate a negative fund balance beginning in 1991-92, primarily as a result of debt service on the Civic Center Plaza Parking garage. Revenue increases in the 10-15% range over the next two years may be necessary.

Community Center Fund

An ending fund balance of \$1.8 million is projected for 1989-90. With the projected growth of the Transient Occupancy Tax and assuming full financing of the Community Center Expansion project, the financial projection for the fund is positive through the ten year forecast period.

Golf Fund

The 1989 - 90 fund balance projection for the Golf Fund is expected to be \$82,000. In order to expand the number of golf courses in the future, additional fee increases will be necessary to provide funding.

Sacramento Marina Fund

The Marina expansion project is almost complete. Debt service in the future will require annual fee increases above inflation rates to generate funds for repayment of these loans.

Risk Management Fund

The financial condition of the Risk Management Fund has made significant improvements over the past few years. The fund will end the 1989-90 fiscal year with a positive fund balance of \$2.6 million. Significant expenditures during the current fiscal year included a write-off of \$1.3 million, which was expected to be paid by the State to the City for Unemployment Insurance costs. The write off is recommended as a result of the State winning their appeal against the lower court's ruling that these were "mandated State costs" which must be reimbursed. This expenditure was offset however by higher than anticipated starting fund balance and high interest earnings.

Fleet Management Fund

The financial condition of the fund remains sound with a projected ending fund balance of \$3.8 million. In 1989-90, Fleet Management implemented 24-hour services at the new Rooney Police Facility and continued the 5-year underground storage tank replacement and remediation program.

## BACKGROUND

The term "fund balance" represents the total resources remaining in a particular fund after current expenditures for operations and capital improvements are subtracted from the combination of the current beginning balance and current resources. Fund balance is available for appropriation by the Council. The Midyear fund balance projections are updates to the fund balances that were adopted as part of the 1989-90 Approved Budget. Projections for the current budget year as well as for the next five years are provided. Updates for resources, which include revenue projections and changes to beginning fund balances, are provided in accompanying reports prepared by the Revenue Division and the Accounting Division. The expenditure projections are prepared by the Budget Division and are included as attachments to this report. The term "fund balance" as used in this report and in the attachments is "available fund balance" as defined in an accompanying report prepared by the Accounting Division.

Included within each of the fund balance projections is additional background information relating to that particular fund.

## FUND BALANCE PROJECTIONS

The detailed projections for each of the funds are included in the attachments as follows:

Attachment 1.....General Fund

Attachment 2.....Public Works Enterprise Funds

- A. Solid Waste
- B. Water
- C. Sewer
- D. Storm Drainage
- E. Parking

Attachment 3.....Culture and Leisure Funds

- A. Community Center
- B. Golf
- C. Sacramento Marina

Attachment 4.....Internal Service Funds

- A. Risk Management
- B. Fleet Management

### FINANCIAL

Included in the attachments are financial analyses of the current fiscal year and five year fund balance projections.

### POLICY CONSIDERATION

Policy issues related to each of the funds are included in the attached fund balance projection section.

### MBE/WBE IMPACTS

Not applicable.

### RECOMMENDATIONS

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 1989-90 budget. The five year projections are for information only. The recommended actions which are listed below are discussed in detail in the fund balance projection section of this report.

#### Summary of recommended actions:

1. Adopt Midyear adjustments to Administrative Contingency per the Midyear Revenue Budget and the 1988-89 actual ending available fund balance.
2. Approve the restoration of the 1989-90 expenditure reductions and positions eliminated as listed on Exhibit 1.
3. Authorize the Director of Finance to adjust the SCERS Unfunded liability contribution rate to match the contribution amount specified in the 1989-90 actuarial study.
4. Authorize the Director of Finance to write off the History Center Loan as uncollectible.
5. Adopt the Lighting and Landscape and Cost Allocation transfers of appropriations as listed on Exhibit 5, and recognize revenues for Landscape and Lighting District Assessments in the amount of \$3,060,000.

6. Authorize the Director of Finance to amend the 1989-90 Capital Improvement Budget to establish the project budgets that were approved under the 1989-90 Certificate of Participation (89 COP) and the appropriate operating budget adjustments to establish debt service expenditure budgets.
7. Approve the defunding of the Transfer Station Capital Improvement project by \$4,756,000 (YA11).
8. Amend the 1989-90 Capital Improvement Budget by defunding \$400,000 from the Marina Expansion Project (417-500-IA21-4820) related to the timing of the harbor flushing system.
9. Authorize the Director of Finance to Transfer \$1.34 million from the Risk Management available fund balance to the reserve for auto and general liability claims.

Respectfully submitted,



Ken Nishimoto  
Budget Manager

RECOMMENDATION APPROVED:



JACK R. CRIST  
Deputy City Manager

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

February 27, 1990  
All Districts

# RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

## RESOLUTION ADOPTING MIDYEAR ADJUSTMENTS TO THE CITY OF SACRAMENTO'S FISCAL YEAR 1989-90 APPROVED BUDGET

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

1. Adopt the adjustments to the 1989-90 Approved Budget Ending Available Fund Balance per the 1989-90 Midyear Revenue Budget and the 1988-89 actual ending available fund balance.
2. Approve the restoration of the 1989-90 expenditure reduction and positions eliminated as listed on Exhibit 1.
3. Authorize the Director of Finance to adjust the SCERS Unfunded liability contribution rate to match the contribution amount specified in the 1989-90 actuarial study.
4. Approve the Lighting and Landscape and Cost Allocation transfers of appropriation as listed on Exhibit 5, and recognize revenues for Landscape and Lighting District Assessments in the amount of \$3,060,000.
5. Authorize the Director of Finance to amend the 1989-90 Capital Improvement Budget to establish the projects that are included in the 1989 Certificate of Participation (89 COP) and the appropriate Operating Budget adjustment to establish debt service expenditure budgets.
6. Authorize the Director of Finance to write off the History Center Loan as uncollectible.
7. Amend the 1989-90 Capital Improvement Budget by defunding \$400,000 from the Marina Expansion Project (417-500-IA21-4820) related to the timing of the harbor flushing system.

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

8. Authorize the Director of Finance to Transfer \$1.34 million from the Risk Management available fund balance to the reserve for auto and general liability claims.
9. Amend the 1989-90 Capital Improvement Budget by defunding the debt portion of the transfer station capital improvement project (415-500-YA11-xxxx) by \$4,756,000.

\_\_\_\_\_  
MAYOR

ATTEST: .

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

\_\_\_\_\_  
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RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_



## TABLE OF CONTENTS

### Page

#### ATTACHMENT 1

General Fund . . . . .	112
------------------------	-----

#### ATTACHMENT 2

##### Public Works Enterprise Funds

A. Solid Waste . . . . .	132
B. Water . . . . .	136
C. Sewer . . . . .	139
D. Storm Drainage . . . . .	143
E. Parking . . . . .	146

#### ATTACHMENT 3

##### Culture and Leisure Funds

A. Community Center . . . . .	151
B. Golf . . . . .	155
C. Sacramento Marina . . . . .	159

#### ATTACHMENT 4

##### Internal Service Funds

A. Risk Management . . . . .	164
B. Fleet Management . . . . .	168

# ATTACHMENT 1

## GENERAL FUND

1989-90 Approved Budget

The 1989-90 Approved budget was balanced by using a variety of measures, including:

- o Expenditure reductions totalling \$2.6 million and the elimination of 13 positions (See Exhibit 1 for detail).
- o The implementation of new revenue sources totalling \$9.5 million. The new revenues included an in-lieu franchise fee (\$3.4 million), utility users tax on interstate and international telephone calls (\$1.5 million) and cable television (\$1.0 million), parking meter changes to quarters only (\$.5 million), lighting and landscaping charges (\$2.8 million), and other user fee increases (\$.3 million).
- o The freezing of the Utility User's Tax rate at 7.5% (\$1.3 million) to offset public safety expenditure increases.

The restoration of the eliminated positions and the expenditure reductions was established as a priority by the City Council for the 1989-90 budget year. The City Council directed the City Manager that there should not be any layoffs as a result of the positions being eliminated and that position reductions should be accomplished through attrition.

The Ending Fund Balance that was approved for the General Fund in the 1989-90 Budget was zero (\$0). This is consistent with City policy to appropriate available fund balance to administrative contingency. The administrative contingency started the year with \$1,021,000. This amount is separate from the Reserve for Economic Uncertainty which has a balance of \$7,353,000. The current balance in the administrative contingency is \$311,000 (See Exhibit 2). There have been no expenditures or transfers from the Reserve for Economic Uncertainty and it is at level approved in the 1989-90 Budget.

1989-90 Fund Balance Projection

## PROJECTION

The Midyear General Fund balance projection shows that the fund will end the year with a balance of \$3.4 million. The \$3.4 million represents less than two percent (2%) of General Fund expenditures. This ending projection is based on Midyear revenues and expenditures and does not include the addition of new programs or the restoration of the adopted expenditure reductions.

The \$3.4 million ending fund balance is a result of an improved beginning fund balance and improved forecasts for the beginning

balance, revenues and expenditures over the anticipated levels in the Approved Budget. The beginning balance is an actual change based on how the General Fund ended the 1988-89 year. The revenues and expenditures are projections based on a half year of actual experience.

These changes are depicted in the figure 1.

Figure 1

General Fund \$ in millions			
Source	1989\90 Approved	1989\90 Midyear	Increase (Decrease)
Beginning Fund Balance	\$ .3	\$ 1.3	\$ 1.0
Resources	\$ 185.2	\$ 187.0	\$ 1.8
Expenditures	(\$ 185.5)	(\$ 184.9)	\$ .6 *
Projected Ending Bal	\$ .0	\$ 3.4	\$ 3.4
* Increase Expenditure Savings			

A summary of the Midyear changes to the Approved Budget are discussed as follows:

- o The 1989-90 Approved Budget projected the year to begin with a balance of \$.3 million. The year began with an actual balance of \$1.3 million. The increase in the Beginning Fund Balance is discussed in an accompanying report prepared by the Accounting Division.
- o The 1989-90 Approved Revenue Budget revenues totalled \$169 million. Based on a half year of actual collection experience and an updated economic forecast from the City's outside consultant, the revenues are estimated to increase by \$1.8 million, about 1%. The specific changes to the Approved Revenue Budget are discussed in an accompanying report prepared by the Revenue Division.
- o It is projected that total expenditures will be \$.6 million less than the approved budget amount. This expenditure savings is a result of adopting the unfunded liability contribution rate as recommended by the 1989-90 actuarial study. The recommended rates are shown on Exhibit 3. The Midyear departmental operating expenditure

projection indicates that the departments are adhering to their approved budget spending plan and are not showing significant overruns or savings.

#### RESTORATION OF THE BUDGET CUTS

As stated earlier in this report, the restoration of the 1989-90 budget cuts was established by City Council as a priority during this budget year. The Midyear fund balance is sufficient to fund the full restoration of the budgeted reductions and positions that were eliminated. The specific reductions and positions eliminated are shown on Exhibit 1. The financial impact of restoring the cuts is \$ 2.5 million. This would still leave a projected ending balance of \$ .9 million. The restoration of the Approved Budget reductions would bring the Departments back to the 1988-89 year funding level. The restoration of the cuts is critical to allow departments to provide services at prior year levels. The problem many departments are facing is that over the past three budget years, inflationary adjustments and service demand increases have not been adjusted in their operating budgets. This was due to prior year funding constraints. The departments have been maintaining service levels through economies, efficiencies and deferrals and eliminations of expenditures such as training, equipment upgrades and maintenance. The departments are feeling the strain of maintaining service levels and not being provided inflationary and service level budget adjustments. The restoration of the cuts would assist the departments from losing any more ground in trying to maintain services levels within a status quo budget at a time when inflation is increasing at 4% and population is increasing at a 2% rate.

The restoration of the full amount of the cuts is being recommended even though half of the year has past. This restoration will provide the departments with some latitude within their budgets. It is recommended that if departments have uses for the funds other than for the restoration of the cuts, the departments will be required to receive approval from the City Council. If the departments are unable to take advantage of the full amount of the restored cuts, the unexpended amounts will return to the General Fund Balance and will be available to the General Fund in the 1990-91 year.

#### HISTORY CENTER LOAN WRITE OFF

In October, 1984 the City Council approved a loan to Sacramento History Center, Inc. (Reso 84.884) in the amount of \$300,000. The purpose of the loan was to complete the exhibit installation at the History Center. The loan was to be repaid in two annual installments in October 1985 and 1986 at an interest rate of 10.0% per annum. To date no payments have been received. A financial analysis of the organization shows that the Sacramento History

Center, Inc. is not in a position to begin repayment of the loan in the near future. This issue is addressed in the external auditor's (Deloitte-Touche) management letter to the City prepared as part of the FY 89 audit.

It is the recommendation of the City's Finance Director that this loan can no longer be carried as an asset and should be written off as uncollectible. This recommendation is consistent with accepted governmental accounting practices. This action will leave the General Fund with a projected balance of \$600,000.

With this balance of \$600,000 and the \$300,000 balance in Administrative Contingency, a total of \$900,000 will be available to consider funding other priority requirements at Midyear. It is recommended that \$200,000 be set aside for unanticipated expenditures for the remainder of this fiscal year.

#### OTHER MIDYEAR REQUIREMENTS

A number of unmet funding needs have been identified in the context of the Approved Budget hearings and as issues have arisen during the course of the year. These known unmet funding needs are listed on Figure 2. This is not a comprehensive list of all unmet needs of the City.

Figure 2

UNMET NEEDS \$ (000)		
Items	Midyear Costs	Annual Costs
Building Maintenance Staff	275	525
Central Library Int. Design	190	n/a
City Attorney - Staff	25	60
Data Management	300	504
Meadowview Community Center (see below)		
Metro Arts Regranting	25	50
Neighborhood Services	88	267
Park Maintenance Staff	200	625
Personnel Dept. Staff	95	219
Police Athletic League	25	50
Rent Escrow Asst. Prog.(REAP)	92	280
Residential Care Ombudsman	13	52
Tree Trimming Program	200	500
Trees For Tomorrow	25	35
Total	1,554	3,167
Meadowview Community Center requirements are dependent on final land acquisition costs.		

Descriptions of the funding requirements listed above are included in Exhibit 4. All of the items listed will be considered in the context of the 1990-91 Proposed Budget. If members of the City Council would like to consider any of the items listed or other funding requirements at Midyear, staff can report back within a two to four week period with additional information and/or enabling action for implementation. There is a projected balance of \$700,000 to consider funding a portion of these requirements. This would still leave a balance \$200,000 to fund unanticipated expenditures for the remainder of the fiscal year.

#### FIVE YEAR PROJECTIONS

The General Fund has a positive outlook over the next five years. The new revenues that were adopted as part of the 1989-90 Budget provide a sound revenue base from which to fund new programs that have been either approved or identified as high priority by the City Council. These include the opening of the Central Library, operating and debt service costs on neighborhood community centers and a community library, and the acquisition of park lands as part of the South Natomas settlement. Included in the five year projections are funding for the restored budget cuts and maintenance of the Reserve for Economic Uncertainty at 4%. The 4% level for the 1989-90 year is based on the Approved resource level as opposed to Midyear resources. Even with the additional revenue sources, the projects must be phased in to insure a balance between funding existing programs and the funding of new programs. The new revenues approved in the 1989-90 Budget provide the General Fund will a "permanent" fix as shown on Figure 3, the five year General Fund balance projection.

#### MEASURE G

Included in the 1989-89 Budget was the freezing of the utility users tax rate at 7.5% as opposed to decreasing the rate a half percent to 7.0%. The City had adopted a policy to decrease the utility users tax rate one half percent each budget year until the rate was reduced from 9.0% to 5.0%. An advisory vote was taken in November of 1988 which was supported by the majority of the citizens to freeze the rate at 7.5% and use the increment in additional revenue to support public safety expenditure increases. The increment of revenue available for 1989-90 is \$1.5 million. The 1989-90 Budget included new public safety expenditures totalling in excess of \$3.0 million. Included in the \$3.0 million in additional expenditures are the costs associated with the South Area Police Substation (\$1.3 million), an increase in the overtime budget (\$.75 million) a new property warehouse (\$.4 million), staff for a Policy Unit (\$.1 million), the seven police officer program (\$.5 million ) and an additional animal control officer. \$1.3 million was approved to offset the additional public safety expenditures.

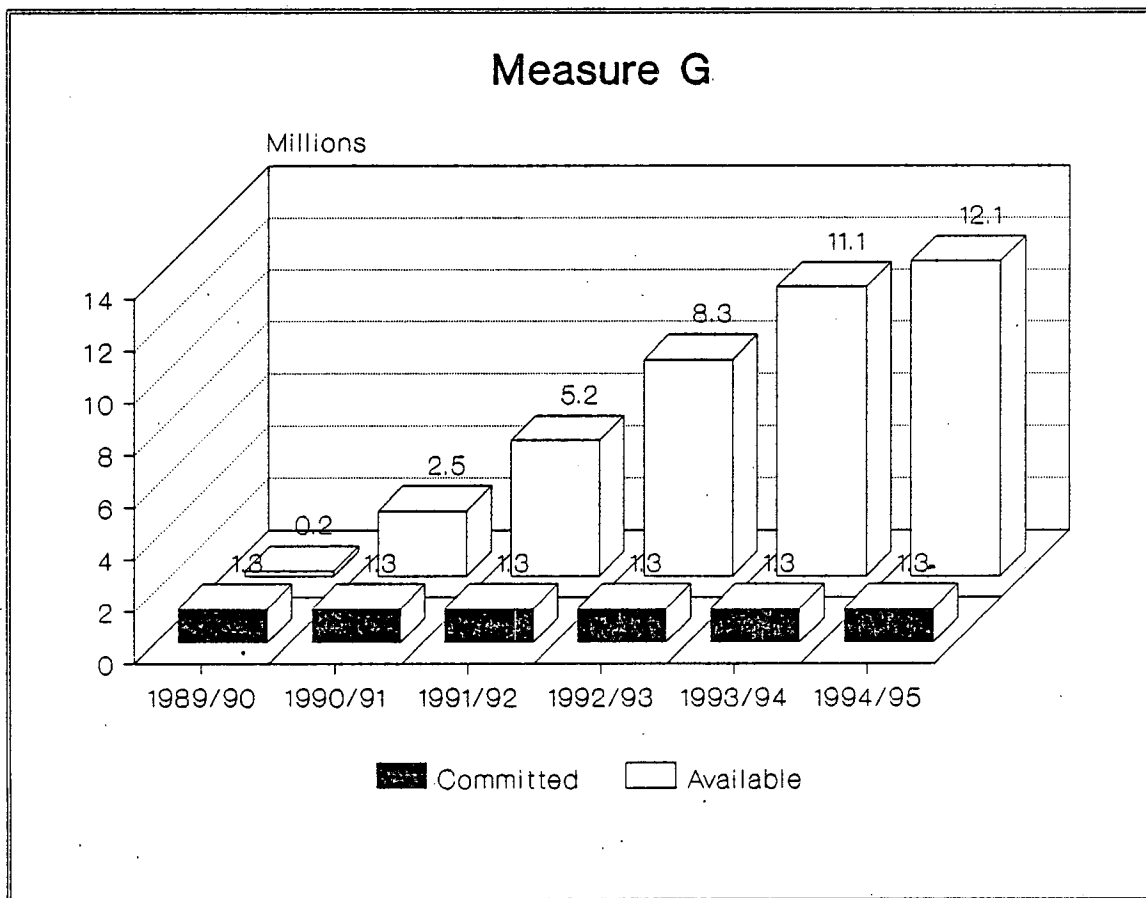
Figure 3

Five Year General Fund Projections						
	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95
	Midyear Estimates Estimates Estimates Estimates Estimates Estimates					
Beginning Fund Balance	1,351	601	419	1,969	5,108	7,565
Total Current Resources	186,634	201,803	217,667	231,828	244,417	258,729
Expenditures						
Operating Expenditures	181,974	189,844	199,089	207,180	215,711	224,548
Capital Improvement	1,503	1,000	1,000	1,000	1,000	1,000
Admin Contingency	0	1,000	1,000	1,000	1,000	1,000
Reserve for Econ Uncer	857	719	1,354	1,920	2,424	2,996
Measure G - New	184	2,521	5,208	8,268	11,158	12,125
Total Expenditures	184,518	195,084	207,651	219,368	231,293	241,669
Other Sources (Uses)						
Restore Cuts	( 2,566)	( 2,694)	( 2,829)	( 2,970)	( 3,119)	( 3,275)
History Ctr Loan Write Off	( 300)					
Central Library		( 4,120)	( 5,106)	( 5,125)	( 5,769)	( 6,000)
Sim Park		( 87)	( 91)	( 96)	( 101)	( 106)
Belle Cooleage			( 267)	( 335)	( 546)	( 553)
Clunie Community Center			( 173)	( 305)	( 305)	( 305)
Meadowview Community Center				( 278)	( 405)	( 405)
Natomas Park Lands Phase II				( 211)	( 422)	( 422)
Subtotal Other	( 2,866)	( 6,901)	( 8,466)	( 9,320)	( 10,667)	( 11,066)
Ending Fund Balance	601	419	1,969	5,108	7,565	13,559
Reserve For Econ Uncert	7,353	8,072	8,707	9,273	9,777	10,349
	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

The amount of revenue that will be available for public safety programs as a result of the advisory vote (Measure G) to freeze the Utility User's Tax rate at 7.5% is shown on Figure 4. This amount is adjusted for \$1.3 million appropriated in the 1989-90 Budget for on-going public safety programs.



Figure 4



### POLICY ISSUES

The policy issues associated with the General Fund Midyear fund balance projections are related to the increase in the projected fund balance and its potential uses. An option is not to fund the restoration of the cuts as recommended and to fund other programs or carryover the savings to next year, however the restoration of the cuts at Midyear will provide the Departments with a sound foundation in developing their requirements for the 1990/91 Budget.

Other policy issues are; adjusting the Reserve for Economic Uncertainty based on Midyear Resources, negotiating a structured payment in lieu of writing off the History Center Loan, and adjusting the unfunded liability rate at Midyear. An option regarding the Reserve for Economic Uncertainty is to fund it at 4% of the Midyear resources. This would result in an additional \$100,000 transferred to the reserve. It has been past policy to establish this reserve at 4% of the Approved Budget resources and not Midyear resources.

An alternative to writing off the History Center loan as uncollectible, is to negotiate a structured payment.

Adjusting the unfunded liability at Midyear is consistent with the action taken during the prior Midyear. Adjusting the rate is an option. Prior to 1989 the rates were not implemented until the next budget year (one year lag).

#### CLEAN-UP ITEMS

1. Reclassification of the Lighting and Landscape Assessment as an offset to expenditure as opposed to direct revenue to the General Fund. This change has no net effect on the General Fund Balance. Proceeds will be brought into the General Fund as a "transfer" to the General Fund as opposed to direct revenue. This item will amend the Transfer Schedule (Exhibit 5) and recognize all of the revenues that will be recognized by the city.
2. The 1989 Certificate of Participation (89 COP) proceeds have been received. It is recommended that the 1989-90 Capital Improvement Budget be amended to reflect the projects that were included in the 89 COP.
3. Amend the appropriation transfer per the Adopted Cost Allocation Plan. The cost allocation plan was completed after the Budget was adopted. These are reimbursements to the General Fund from the Enterprise and Internal Service Funds for administrative support. These adjustments have been incorporated into the fund balance projections.

#### RECOMMENDATIONS

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

1. Adopt the adjustments to the 1989-90 Approved Budget Ending Available Fund Balance per the 1989-90 Midyear Revenue Budget and the 1988-89 actual ending available fund balance.
2. Approve the restoration of the 1989-90 expenditure reduction and positions eliminated as listed on Exhibit 1.
3. Authorize the Director of Finance to adjust the SCERS Unfunded liability contribution rate to match the contribution amount specified in the 1989-90 actuarial study.

4. Approve the Lighting and Landscape and Cost Allocation transfers of appropriation as listed on Exhibit 5, and recognize revenues from Landscape and Lighting District Assessments in the amount of \$3,060,000.
5. Authorize the Director of Finance to amend the 1989-90 Capital Improvement Budget to establish the projects that are included in the 1989 Certificate of Participation (89 COP) and the appropriate Operating Budget adjustment to establish debt service expenditure budgets.
6. Authorize the Director of Finance to write off the History Center Loan as uncollectible.

1989-90 APPROVED BUDGET REDUCTIONS

TITLE	FTE	NET REDUCTION
Mayor/Council		
Services & Supplies	.00	\$12,450
Typist Clerk	1.00	31,873
	-----	-----
Subtotal Mayor/Council	1.00	\$44,323
City Manager		
Services & Supplies	.00	\$53,550
	-----	-----
Subtotal City Manager	.00	\$53,550
City Attorney		
Outside Legal Services	.00	\$102,154
Graduate Legal Assistant	.48	18,965
	-----	-----
Subtotal City Attorney	.48	\$121,119
Finance		
Services & Supplies	.00	\$72,700
Account Clerk I	1.00	24,800
Code Enforcement Officer	1.00	36,182
Down Grade Acct/Aud I to Account Clerk	.00	5,796
Down Grade Acct/Aud III to Acct/Aud I	.00	19,253
	-----	-----
Subtotal Finance	2.00	\$158,731
Data Management		
Micro Testing & Services & Services & Supplies	.00	\$14,400
Hardware, Software, Equipment inc. PC Interface	.00	66,080
Work Stations	.00	33,806
Fundamental Training - Operations & Micro Workshops	.00	11,800
Additional Salary Savings	.00	48,072
Laser Printer - Backup	.00	31,800
	-----	-----
Subtotal Data Management	.00	\$205,958
Personnel		
Services & Supplies	.00	\$18,145
0.50 Typist Clerk	.50	14,327
Transfer Non-Retirement related Med. costs to Risk Mgmt.	.00	65,572
Reduce Overtime Budget	.00	1,000
	-----	-----
Subtotal Personnel	.50	\$99,044
General Services		
Services & Supplies	.00	\$116,000
	-----	-----
Subtotal General Services	.00	\$116,000

1989-90 APPROVED BUDGET REDUCTIONS

	FTE	NET REDUCTION
Public Works		
Services & Supplies	.00	\$230,000
Micro Specialist	1.00	43,981
Student Trainee & Board Members	1.62	11,501
Administrative Trainee	1.00	33,772
Admin. Assistant I	1.00	43,831
	-----	-----
Subtotal Public Works	4.62	\$363,085
Planning & Development		
Consultant Studies	.00	\$196,350
Services & Supplies	.00	2,000
	-----	-----
Subtotal Planning & Development	.00	\$198,350
Library		
Minimum at branches (8.00 FTE will be kept vacant)	.00	\$250,000
	-----	-----
Subtotal Library	.00	\$250,000
Parks & Community Services		
Services & Supplies	.00	\$121,250
Landscape & Arch. Tech.	1.00	40,914
Account Clerk II	1.00	33,260
Recreation Supervisor	1.00	46,950
Recreation Supervisor	1.00	43,500
	-----	-----
Subtotal Parks & Comm. Services	4.00	\$285,874
Management Positions		
Leave 9.00 FTE management positions vacant entire year	.00	\$689,000
	-----	-----
Subtotal Management Positions	.00	\$689,000
	-----	-----
TOTAL	12.60	\$2,585,034
	=====	=====

## 1989-90 General Fund Administrative Contingency

	Description	Amount	Balance	Authorized
	1989-90 Beginning Balance		1,021,000	
1	Fire Station Remodel Actuals higher than estimates	-25,200	995,800	Council
2	Purchasing Council - Request per Councilmember Serna	-20,000	975,800	Manager
3	Parks & Community Services North Area Field Office-Lease space	-40,459	935,341	Council
4	Final Payment Parkway Aquisition Payment was omitted in error from the 1989-90 CIP	-114,000	821,341	Council
5	City/County Hunger Commission	-18,250	803,091	Council
6	Anti-drug and gang initiative study	-75,000	728,091	Council
7	Demolition of the Personnel Building	-52,000	676,091	Council
8	Reimbursement Maint. K St Mall SHRA	56,144	732,235	Council
9	Meadowview Community Action Inc	-14,300	717,935	Council
10	Senior Citizen Center Expansion	-150,000	567,935	Pending
11	Relocation costs Evergreen Apts and the Shasta/Argus Hotels	-39,517	528,418	Council
12	K St Mall Sidewalk Treatment 12th and 13th Street	-18,500	509,918	Council
13	Police Department to increase eight Police Officer Patrol Overtime	-88,120	421,798	Council
14	Relocation of Front Street Watermain	-110,000	311,798	Pending
	Total	-709,202	311,798	

RESOLUTION NO. 90-001  
Adopted by the Administration, Investment  
and Fiscal Management Board of the  
Sacramento City Employees' Retirement System  
on January 8, 1990

A RESOLUTION ADOPTING CONTRIBUTION RATES  
FOR CITY CONTRIBUTIONS TO SACRAMENTO  
CITY EMPLOYEES' RETIREMENT SYSTEM  
FOR FISCAL YEAR 1989-90


BE IT RESOLVED BY THE ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD  
OF THE SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM:

WHEREAS, the Sacramento City Charter requires the Board to adjust  
City contribution rate after consideration of the report and  
recommendations of the System's actuary of record; and,

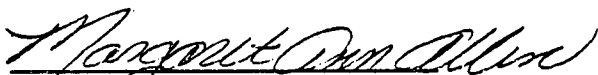
WHEREAS, the actuary's report for the period ending June 30, 1989  
has been submitted and accepted by the Board;

NOW, THEREFORE, BE IT RESOLVED that effective with the pay period  
which includes July 1, 1989, the following rates are adopted for fiscal year  
1989-90:

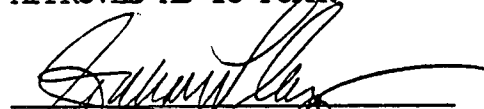
1. The City's contribution rate for normal cost is 6.1%  
of miscellaneous payroll and 17.1% of safety payroll.
2. The City's contribution rate for amortization of the  
unfunded actuarial accrued liability is 3.11% of  
miscellaneous payroll and 5.83% of safety payroll.
3. The members' current rate of contribution to the Equal  
Shares Plan and to former Charter Section 175.1 and 175.13  
remain unchanged.

  
David DeCamilla  
Chairperson

ATTEST:

  
Margaret Ann Allen  
Secretary to the Board

APPROVED AS TO FORM:

  
William P. Carnazzo  
Deputy City Attorney

MIDYEAR 1989-90  
UNMET NEEDS

Building Maintenance Staff

In order for the Facility Management Division to maintain the same level of service and maintenance to City Departments and public buildings, it is necessary to increase their building maintenance staff by six positions. With the opening in 1989-90 of the Sequoia Pacific Warehouse, Rooney Police substation, the Plaza Building and the additional facilities associated with the after school child care program, the existing staff is unable to keep up with the current demands. This results in delays in responding to requests and deferring routine maintenance. The estimated 1989-90 costs are \$275,000.

Central Library

The total cost of designing the furniture component of Central Library interior is \$261,017. Currently only \$74,476 has been appropriated for this project, leaving a shortfall of \$186,581. Because of this shortfall, only the first two phases of the contract have been awarded. These first two phases will be completed in late March of this year. Therefore, an additional \$186,581 is needed at this time if the design of the project is to be completed this year. Deferring the funding of this project until next year could delay the projected opening of the Library from July 1991 to October 1991 (3 months). This item does not encompass the unbudgeted operating requirements for the Central Library. A comprehensive report on the Central Library will be presented separately.

City Attorney

The City Attorney has identified a need for an addition attorney and a half time clerical position. The areas that need assistance are: eminent domain, drug house closure, Police Department work, environmental law, and civil rights employment cases. The 1989-90 cost is estimated at \$25,000.

Data Management

The Data Management Department is currently working on a Citywide Automation Master Plan that will be presented to this Committee in the next few months. A component of this plan will be a series of proposed expenditures that are necessary to meet the basic operating requirements of the Department. These expenditures include employee services of \$73,334 (4.0 FTE), hardware purchases of \$174,000, software in the amount of \$36,000, and maintenance contracts of \$12,780.



### Metro Arts Regranting

During the 1989-90 Proposed Budget Hearings, the City Council allocated \$25,000 for City art programs. At that time, the Budget and Finance Committee also requested that an additional \$25,000 be reviewed in the context of the Midyear review.

### Neighborhood Services

Additional staff is required to address the backlog of nuisance abatement complaints and to improve the level of citizen service. In addition, emphasis will be given to code enforcement at the neighborhood level and the development of community groups. Six additional staff positions are being requested. The 1989-90 cost is estimated at \$88,000.

### Park Maintenance Staffing

Developed parks in the City have increased by 160 acres since 1984. Recent developments include Glenbrook, Ninos Parkway, Pollack Ranch Park Mesa, Mesa Grande, Riverlake, and Parkway Oaks. No additional park maintenance staff has been added over this five year period. The annual cost of one park maintenance crew is approximately \$125,000. This \$200,000 figure listed in the exhibit would provide for additional labor to adequately maintain the City's park system.

### Personnel Department

The Personnel Department is requesting additional staff to meet the increased demands placed on their department. The City work force has increased 20% in the past five years, however the number of Personnel Analysts and Technicians available to handle the recruiting, testing, classification and pay needs of this increased work force has remained the same. Backlogs have continued to grow. This backlog has been raised as an issue with Local 39 as it relates to individuals working "out of class" or "limited term" pending an examination or classification study. The request is for two personnel analysts and three personnel technicians with an estimated 1989/90 cost of \$95,000.

### Police Athletic League, Sacramento (S.P.A.L)

The Sacramento Police Athletic League has been requested by a number of organizations to expand their programs. The request is to fund the cost of a full time executive director to manage the day to day operations and to direct the fund raising efforts. The additional funds raised would be used to expand programs to meet demands of the community. The request is for \$25,000 for the 1989-90.

#### Residential Care Ombudsman

The purpose for the City's funds is to reduce the incidents of elder and adult-dependent abuse and neglect in licensed and unlicensed residential care facilities in the City of Sacramento. At the same time the Ombudsman is responsible for increasing the level of care for neglected residents of residential care facilities. The request is for \$12,500 to continue funding for the remainder of this fiscal year.

#### Rent Escrow Assistance Program

This program is being developed to improve the quality of local rental housing. The program has identified the need for additional staff which includes buildings inspectors, an attorney and support staff to identify substandard housing and to enforce the housing codes. In addition, funds for repairs and for relocating tenants will also be included. The 1989-90 cost is estimated at \$92,000.

#### Tree Trimming Program

An August 1989 report to the Budget and Finance Committee detailed a backlog in maintenance. A report regarding various tree trimming alternatives will be presented to this Committee in the near future. The \$200,000 funding level would provide for contractual tree trimming services to immediately address the backlog problem.

#### Trees for Tomorrow

Trees for Tomorrow is a special program of the Sacramento Tree Foundation. The goal of this program is to plant a million trees in the Capitol area in the next ten years. Ten thousand dollars (\$10,000) has been funded this current year to support the program. An additional \$25,000 is requested to match the amount contributed by the County of Sacramento.

TRANSFER AND APPROPRIATION ADJUSTMENTS

1. Reclassification of Lighting and Landscape District Expenditures

A. Amendment to Schedule 3 - Operating Transfers

<u>Department/Fund</u>	<u>In</u>	<u>Out</u>	
		<u>Direct</u>	<u>Indirect</u>
Public Works			
Public Works Admin. -- 3110			
General Fund			161,505
Landscape and Lighting Fund	161,505		
General Fund	260,000		
Landscape and Lighting Fund			260,000
Lighting and Signals -- 3125			
General Fund	2,035,905		
Landscape and Lighting Fund			2,035,000
Parks and Community Services			
Special Services -- 4542			
General Fund	222,600		
Landscape and Lighting Fund			222,600
Tree Services -- 4590			
General Fund	250,000		
Landscape and Lighting Fund			250,000

2. Amendment to Expenditure Budget to incorporate proceeds from the Landscape and Lighting District Assessment and to adjust the Cost Allocation Plan.

A. Landscape and Lighting District Expenditure Adjustments

General Fund (101)

SC96 Conduit Replacement	(53,000)
LE91 Park Rehabilitation	(400,000)

3110 Public Works Administration	
4258 Consultant Services	193,000

Landscape and Lighting District Fund (281)

SC96 Conduit Replacement	53,000
LE91 Park Rehabilitation	400,000

- B. Amend the appropriation transfer per the Adopted Cost Allocation Plan as displayed below:

	1989-90 <u>Estimate</u>	1989-90 <u>Final</u>	<u>Change</u>
Parking Fund	\$1,084,329	\$999,997	(\$84,332)
Water Fund	1,242,683	1,284,440	41,757
Sewer Fund	426,552	463,599	37,047
Solid Waste	1,844,355	1,919,631	75,276
Storm Drainage	1,139,717	1,239,788	100,071
Sacramento Marina	234,562	159,759	(74,803)
Golf	490,812	551,571	60,759
Community Center	316,329	291,024	(25,305)
Fleet Management	709,484	665,182	(44,302)
Risk Management	720,932	683,990	(36,942)

# ATTACHMENT 2

## PUBLIC WORKS ENTERPRISE FUNDS

SOLID WASTE  
SEWER  
PARKING

WATER  
STORM DRAIN

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

#### 1989-90 Budget Highlights

The major issues confronting the Solid Waste Fund include legislation and costs related to landfill closure, how to deal with long-term disposal of the City's waste stream, and the development of more efficient solid waste services. In addition, the City is planning to implement a major curbside recycling program in the near future to meet waste reduction goals.

In 1989-90 the rate increase for residential services was 3 percent. There was no increase to commercial accounts.

#### 1989-90 Midyear Projection

The attached table provides a comparison of the 1989-90 Approved Budget revenues, expenditures and available fund balances to the 1989-90 midyear projections. The ending fund balance is projected to be up by \$525,000. The reasons for the increase are:

- o The Beginning Fund Balance is up by \$.5 million. A discussion of the variance can be found in the report by the Accounting Division.
- o Current year Charges for Current Services are down by almost \$1 million, as reported by the Revenue Division.
- o Savings are projected in current operations from employee vacancies and from bad debt expenses which were less than budgeted.
- o Debt service was \$255,000 below budget due to a change in the accounting method for the 1987 Certificate of Participation for 90-gallon cans, as recommended by the external auditor.

It should be noted that current expenditures exceed current revenues by \$3 million if capital improvement projects are included. Included in the capital improvement projects is \$1.7 million for the closure of the 28th Street landfill in compliance with state regulations. The fund is in a positive position only because of the large beginning fund balance. Rate increases will be necessary to correct the imbalance.

Five-Year Fund Balance Projections

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

- o A growth rate of .665 percent in utility charges and 1.5 percent in the garden refuse tax.
- o A 4-6 percent inflation rate in employee services and services and supplies.
- o A reserve for replacement of 90-gallon cans to be initiated in 1990-91. The projections show this reserve funded at a level to replace 2 percent of cans each year.
- o No funds are shown for waste disposal options to the City landfill.
- o The costs of adding the curbside recycling and composting programs are not included in the projections. The operating and capital improvement impacts of these programs will be discussed in the context of the upcoming budget process.
- o The defunding of the debt portion of the transfer station is reflected in the projections.

The fund projections show a negative fund balance beginning in 1991-92. Future rate increases of approximately 8 - 10 percent annually may be required in the next several years to move the fund out of the negative position and to provide a 4 percent contingency reserve. This rate increase does not consider the impact of the recycling or composting programs.

Policy Considerations

Future rate increases will be required to keep the fund out of a negative position and to meet landfill closure requirements, to cover inflationary increases, and to provide for future waste disposal and recycling options. Current rates are insufficient to provide a reserve for replacement of 90-gallon cans at the end of their useful life. While projections include a small reserve for replacement of damaged cans, fully funding a replacement program would require additional rate increases over the next several years.

During the next few months, staff will be investigating the causes for the large revenue shortages in this fund. Underbilling accounts as well as the possible loss of commercial accounts are several of the causes under investigation.

Other Changes

The Capital Improvement Budget includes funds for a transfer station project (YA11). Several years ago the project budget contained \$4,756,000 for anticipated debt financing. The debt financing was not acquired and the capital improvement budget should be reduced accordingly. A total of \$265,000 remains appropriated in the project and has been encumbered for an environmental impact report on direct haul and its alternatives.

Recommendations

It is recommended that the City Council defund the debt portion of the transfer station project (YA11) by \$4,756,000. It is further recommended that the City Council amend the Solid Waste contingency to reflect the 1989-90 midyear review projection.



Solid Waste Fund \$ (000)								
	1989-90 Approved	1989-90 Midyear	Fav(Unfav) Variance	1990-91 Projected	1991-92 Projected	1992-93 Projected	1993-94 Projected	1994-95 Projected
Beginning Fund Balance (Deficit)	\$3,763	\$4,308	\$545	\$1,460	\$5	(\$2,210)	(\$4,912)	(\$8,589)
Current Resources:								
Revenues								
Taxes	2,562	2,532	( 30)	2,570	2,609	2,648	2,687	2,728
Licenses & Permits								
Fines, Forfeitures & Penalties								
Use of Money & Property	314	557	243	589	594	593	569	564
Intergovernmental								
Charges for Current Services	19,006	18,098	( 908)	18,224	18,351	18,479	18,607	18,737
Miscellaneous Revenue	637	626	( 11)	631	635	638	642	646
Subtotal Revenues	22,519	21,813	( 706)	22,014	22,189	22,358	22,505	22,675
Operating Transfers In	108	108	0	113	119	125	131	138
Internal Service Billings								
Total Current Resources	22,627	21,921	( 706)	22,127	22,308	22,483	22,637	22,813
Current Requirements								
Current Operations:								
Employee Services	10,230	9,927	303	10,489	10,909	11,345	11,799	12,271
Other Services & Supplies	9,063	8,935	128	9,471	10,039	10,642	11,280	11,957
Equipment	713	713	0	749	786	825	867	910
Debt Service	2,376	2,121	255	2,154	2,149	2,141	2,131	1,379
CIP Labor/Supply Offset	( 42)	0	( 42)	0	0	0	0	0
Transfers Out	138	96	42	101	106	111	117	123
Subtotal Current Operations	22,478	21,792	686	22,964	23,989	25,064	26,193	26,639
Capital Improvements:								
Public Facilities	2,977	2,977	0	499	414	0	0	0
Subtotal Capital Improvements	2,977	2,977	0	499	414	0	0	0
Total Current Requirements	25,455	24,769	686	23,463	24,403	25,064	26,193	26,639
Total Current Surplus (Deficit)	( 2,828)	( 2,848)	( 20)	( 1,335)	( 2,095)	( 2,582)	( 3,557)	( 3,827)
Defund Trnsfr Stn CIP		4,756	4,756					
Reverse Trnsfr Stn Proceeds		( 4,756)	( 4,756)					
Contrib to Reserve for Replacement Cans				( 120)	( 120)	( 120)	( 120)	( 120)
Ending Fund Balance (Deficit)	\$935	\$1,460	\$525	\$5	(\$2,210)	(\$4,912)	(\$8,589)	(\$12,536)

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

#### 1989-90 Budget Highlights

The major Water enterprise issue is the expansion of the treatment facilities and the water distribution system. A fee increase of 21 percent was approved in the 1989-90 budget.

#### 1989-90 Midyear Projection

The attached table provides a comparison of the 1989-90 Approved Budget revenues, expenditures and fund balances to the 1989-90 midyear projections. The ending fund balance is projected to be \$1.2 million greater than projected. The causes for the variation are:

- o An increase in the Beginning Fund Balance of \$169,000 as reported in the Accounting Division's section of the midyear report.
- o A savings of \$189,000 in employee services because of position vacancies.
- o An increase to the fund balance of \$439,000 for the net impact of capital improvement project defundings and contingency draws during the first half of the year.
- o An increase of \$105,000 in Water Development Fee revenue and \$279,000 in interest and lien revenue, as reported by the Revenue Division.

It should be noted that a large ending fund balance in 1989-90 was by design because it is critical to build the reserves so that debt financing for the water treatment plant expansion can be obtained.

#### Five Year Fund Balance Projections

The assumptions that were used in forecasting the five year fund balances were as follows:

- o A 1.5 percent growth rate for utility service charges.
- o A 4-6 percent inflation/growth rate for employee services and services and supplies.

- o Treatment plant debt financing will be issued in 1991-92.
- o Revenues for the sale of water to other agencies will begin in 1994-95.

The fund projections indicate a positive fund balance in 1990-91 and 1991-92 but dropping to a negative in the out years. The fund balances in future years are negative mostly because of the debt service payments related to water treatment plant expansion.

#### Policy Considerations

Future rate increases of approximately 5 percent for the next several years may be necessary to accumulate sufficient reserves for making debt payments on water treatment plant expansion and to maintain existing levels of operation. Any future program changes will also impact the rate picture.

#### Recommendations

It is recommended that the City Council amend the Water Fund contingency to reflect the 1989-90 midyear review projection.

WATER FUND \$ (000)								
	1989-90 Approved	1989-90 Midyear	Fav(Unfav) Variance	1990-91 Projected	1991-92 Projected	1992-93 Projected	1993-94 Projected	1994-95 Projected
Beginning Fund Balance (Deficit)	\$1,163	\$1,332	\$169	\$3,363	\$5,701	\$702	( \$1,141)	( \$2,581)
Current Resources:								
Revenues								
Taxes								
Licenses & Permits								
Intergovernmental								800
Fines, Forfeitures & Penalties								
Use of Money & Property	974	1,161	187	1,162	1,143	1,137	1,139	1,139
Charges for Current Services	21,733	21,838	105	22,168	22,493	22,823	23,158	23,497
Miscellaneous Revenue	385	492	107	504	510	516	523	529
Subtotal Revenues	23,092	23,491	399	23,834	24,146	24,476	24,820	25,965
Operating Transfers In	133	133	0	140	147	154	162	170
Internal Service Billings								
Total Current Resources	23,225	23,624	399	23,974	24,293	24,630	24,982	26,135
Current Requirements								
Current Operations:								
Employee Services	7,447	7,258	189	7,548	7,850	8,164	8,491	8,830
Other Services & Supplies	8,149	8,158	( 9)	8,647	9,166	9,716	10,299	10,917
Equipment	257	274	( 17)	288	302	317	333	350
Debt Service	1,455	1,441	14	1,450	1,451	1,263	1,423	1,416
Water Treatment Plant Debt Svc					5,500	5,500	5,500	5,500
CIP Labor/Supply Offset	( 118)	( 112)	( 6)	( 151)	( 157)	( 163)	( 170)	( 177)
Transfers Out	56	28	28	29	31	32	34	36
Subtotal Current Operations	17,246	17,047	199	17,812	24,144	24,830	25,910	26,873
Capital Improvements:								
Public Facilities	4,985	4,985	0	3,824	5,148	1,643	511	511
Water Treatment Plant Debt Issue					55,000			
Subtotal Capital Improvements	4,985	4,985	0	3,824	60,148	1,643	511	511
Total Current Requirements	22,231	22,032	199	21,636	84,292	26,473	26,421	27,384
Total Current Surplus (Deficit)	994	1,592	598	2,338	( 59,999)	( 1,843)	( 1,440)	( 1,249)
Other Fund Sources (Uses):								
CIP Closures/Additions								
CIP Defunds/Overruns		439	439					
Water Treatment Plant Proceeds					55,000			
Ending Fund Balance (Deficit)	\$2,157	\$3,363	\$1,206	\$5,701	\$702	( \$1,141)	( \$2,581)	( \$3,830)

The Sewer Fund enterprise is responsible for sewer maintenance, installation of new services, and monitoring discharges into the sewer system. The enterprise operates 45 pumping stations. The sewer system is best described as a "contained system" with little growth potential outside of infill projects. The County's Sanitation District Collection System presently serves growth areas to the north and south. The Regional Sanitation District provides sewage treatment citywide. The City performs all billing functions for the Regional Sanitation District for properties within the municipal boundaries.

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

#### 1989-90 Budget Highlights

The major sewer issue continues to be the repair and reconstruction of older sewer lines. A rate increase of 11 percent was approved in 1989-90 for the enterprise. This increase funded 9 additional positions for increased maintenance and repair of the aging sewer system.

#### 1989-90 Midyear Projection

The attached table provides a comparison of the 1989-90 Approved Budget revenues, expenditures and fund balances to the 1989-90 midyear projection. The ending fund balance is projected to be down by \$218,000. The reasons for the variance are:

- o The Beginning Fund Balance is down by \$.5 million, as reported by the Accounting Division.
- o Charges for Current Services are down by \$47,000, as reported by the Revenue Division.
- o Operating Transfers In reflect \$50,000 of funds expected to be reimbursed by the Pocket Sewer Maintenance Assessment Fund. This reimbursement is for salaries and supplies related to work done in the Pocket area on sewer lines.
- o Expenditures in Other Services and Supplies are exceeding projections by \$358,000. This is due to underbudgeting of bad debt expense by \$270,000 (Regional Sanitation District bad debt charged to the Sewer Fund was not budgeted), utility rate increases, and small overruns in several other supply categories.
- o Under "Other Sources and Uses" is an addition to the fund balance of \$615,000. The defunding of a sewer reconstruction project during the current year (\$1.5 million) and the offset by uses of the contingency funds (\$885,000) resulted in a boost to the Sewer Fund.

Five-Year Fund Balance Projections

The assumptions used in forecasting the five year projections are as follows:

- o A .5% growth rate for service revenues to reflect the "contained system".
- o A 4 percent growth rate in employee services and 3 percent in services and supplies.
- o Sewer permit revenue is expected to remain fairly constant throughout the 5-year projection period.
- o The Capital Improvements section reflects the reserve of Sewer Development fee revenue for future development activity.
- o The full scope of the combined sewer/storm system replacement costs are not included in the projections, although some funds are budgeted to replace miscellaneous deteriorated downtown sewers. The cost to replace the downtown system is estimated at \$80 - \$100 million and \$300 million for separation of the storm and sewer system.

The fund projections indicate that the current year fund balance will end at \$166,000. A negative fund balance is forecast in the next year and continues to grow in each year thereafter. This can be attributed to the slower growth rate of this type of "contained system" than anticipated, the substantial preventive maintenance needs addressed by capital projects, higher utility and bad debt costs, and inflationary growth in expenditures with no comparable revenue growth shown in the projections.

The Public Works Department is expected to propose a Capital Improvement Project for the combined sewer system replacement issue. This project would have a substantial impact on the Sewer Fund rates since the cost for reconstruction of the downtown system will be approximately \$80 - 100 million and the cost of separating the sewer and storm system \$300 million.

Policy Considerations

The projected ending fund balance of \$166,000 is below the recommended 4 percent reserve level of \$287,000; however, this should be sufficient to see the fund through year-end.

The aging of the central city sewer system is a key issue facing the city Council. Studies of the system have revealed problems with leakage, infiltration, and insufficient capacity. Staff will be evaluating various funding options to address the problems, including increased user fees, assessment districts, or other alternatives to be identified. If the most immediate sewer reconstruction needs were funded solely by user fees, rate increases in the range of 30-60 percent would be required in 1990-91.

Recommendation

It is recommended that the City Council amend the Sewer Fund contingency to reflect the 1989-90 midyear review projection.

SEWER FUND \$ (000)								
	1989-90 Approved	1989-90 Midyear	Fav(Unfav) Variance	1990-91 Projected	1991-92 Projected	1992-93 Projected	1993-94 Projected	1994-95 Projected
Beginning Fund Balance (Deficit)	\$938	\$449	( \$489)	\$166	( \$1,804)	( \$4,067)	( \$6,568)	( \$9,377)
Current Resources:								
Revenues								
Taxes								
Licenses & Permits								
Fines, Forfeitures & Penalties								
Use of Money & Property	392	349	( 43)	350	345	343	344	344
Intergovernmental	1,137	1,137	0	1,169	1,198	1,227	1,267	1,302
Charges for Current Services	5,621	5,574	( 47)	5,600	5,626	5,655	5,681	5,708
Miscellaneous Revenue	161	131	( 30)	132	133	133	134	135
Subtotal Revenues	7,311	7,191	( 120)	7,251	7,302	7,358	7,426	7,489
Operating Transfers In		50	50	50	50			
Total Current Resources	7,311	7,241	( 70)	7,301	7,352	7,358	7,426	7,489
Current Requirements								
Current Operations:								
Employee Services	2,606	2,685	( 79)	2,791	2,903	3,019	3,139	3,265
Other Services & Supplies	2,335	2,693	( 358)	2,774	2,857	2,943	3,031	3,122
Equipment	388	387	1	406	427	448	470	494
Debt Service	569	560	9	564	560	556	561	560
CIP Labor/Supply Offset			0					
Transfers-Net	1,174	1,161	13	1,219	1,280	1,344	1,411	1,482
Subtotal Current Operations	7,072	7,486	( 414)	7,754	8,026	8,309	8,613	8,923
Capital Improvements:								
Public Facilities	653	653	0	1,437	1,509	1,469	1,543	1,543
Reserve for Development CIP	140		140	80	80	80	80	( 320)
Subtotal Capital Improvements	653	653	0	1,517	1,589	1,549	1,623	1,223
Total Current Requirements	7,725	8,139	( 414)	9,271	9,615	9,858	10,236	10,146
Total Current Surplus (Deficit)	( 414)	( 898)	( 484)	( 1,970)	( 2,263)	( 2,501)	( 2,810)	( 2,657)
Other Fund Sources (Uses):								
CIP Defunds/Overruns		615	615					
Ending Fund Balance (Deficit)	\$384	\$166	( \$218)	( \$1,804)	( \$4,067)	( \$6,568)	( \$9,377)	( \$12,034)



The Storm Drainage enterprise is responsible for the maintenance and repair of the storm drainage system and operation of ninety storm pumping stations. The enterprise assumed operational responsibility for the American River Flood Control District pumping stations in 1987-88 and in 1988-89 began support of the Sacramento Area Flood Control Agency. The Fund also pays for costs incurred by pumping at Sumps 1 and 2, Pioneer Reservoir and the combined Wastewater Treatment Plant. User fees are the primary source of revenue to this Fund.

#### 1989-90 Budget Highlights.

The major issues facing the Storm Drainage enterprise were flood control projects, such as levee stabilization and flood protection. To meet these needs, a user fee increase of 45 percent was imposed. The rate increase went towards a significant increase in flood-protection related capital improvement projects, support of the Sacramento Area Flood Control Agency, and the addition of eight positions in the Storm Drainage division and three positions in the Development Services section of the Public Works Department.

#### 1989-90 Midyear Projection

The attached table provides a comparison of the 1989-90 Approved Budget revenues, expenditures and fund balances to the 1989-90 midyear projection. The projected ending fund balance has increased by \$429,000. The primary reasons for the variation are as follows:

- o The Beginning Fund Balance is up by \$158,000 due primarily to interest revenue above projections. Overruns in supplies and services and employee services were offset by equipment and CIP savings. The details are covered in the report by the Accounting Division.
- o Current year revenues are up by \$390,000 primarily due to a large cash balance accruing interest earnings, as reported by the Revenue Division.
- o Services and Supplies are projected to exceed the budget by \$117,000 because of utility costs overruns. Savings in employee services and transfers offset the projected overrun.
- o Other Sources and Uses reflect a net \$144,000 drain on the fund balance due to various uses of contingency funds which exceeded capital improvement project defundings.

Five-Year Fund Balance Projections

The assumptions used in forecasting the five year projections are as follows:

- o A 2 percent growth rate for storm drainage service.
- o A 4-6 percent inflation/growth rate for employee services and supplies and services.
- o City support for the Sacramento Flood Control Agency is increased in 1990-91 from \$750,000 to \$940,000 for administration costs. The support costs are discontinued in 1991-92 since the Agency is expected to be self-supporting at that time.
- o Projected costs for the combined sewer/storm drainage system replacement are not factored into the projection. The cost of separating the two systems is estimated at \$300 million.
- o The 1990-91 level of capital improvement funding is maintained throughout the projection period as this is the level supported by user rates.

The fund projections show a fund balance below the recommended 4 percent contingency level in 1990-91, partially because of the increase for the Sacramento Flood Control Agency and also because no rate increases are shown even though expenditures are inflated 4-6 percent. A rate increase of 5-7 percent may be required in 1990-91.

Policy Considerations

Rate increases in the range of 5-7 percent may be required to maintain a constant level of capital improvement funding and sufficient fund reserves. Any program augmentations will also need to be reflected in rate changes. Should the City make any contributions toward levee improvements in Natomas, or other flood protection activities, additional rate increases will be required.

The Storm Drainage Division staff have issued a Request for Proposal for a consultant to study the storm drainage rate structure. The study may eventually result in new criteria for rate-setting.

Recommendations

It is recommended that the City Council amend the Storm Drainage Fund contingency to reflect the 1989-90 midyear review projection.

STORM DRAINAGE FUND \$ (000)								
	1989-90 Approved	1989-90 Midyear	Fav(Unfav) Variance	1990-91 Projected	1991-92 Projected	1992-93 Projected	1993-94 Projected	1994-95 Projected
Beginning Fund Balance (Deficit)	\$1,527	\$1,685	\$158	\$1,460	\$285	( \$195)	( \$897)	( \$1,841)
Current Resources:								
Revenues								
Taxes								
Licenses & Permits								
Fines, Forfeitures & Penalties								
Use of Money & Property	314	696	382	715	722	722	722	722
Intergovernmental		0	0	0	0	0	0	0
Charges for Current Services	15,276	15,187	( 89)	15,491	15,801	16,117	16,439	16,768
Miscellaneous Revenue	215	312	97	307	314	320	327	333
Subtotal Revenues	15,805	16,195	390	16,513	16,837	17,159	17,488	17,823
Operating Transfers In	1,148	1,148	0	1,205	1,266	1,329	1,395	0
Internal Service Billings								
Total Current Resources	16,953	17,343	390	17,718	18,103	18,488	18,883	17,823
Current Requirements								
Current Operations:								
Employee Services	4,691	4,615	76	4,800	4,992	5,191	5,399	5,615
Other Services & Supplies	6,155	6,272	( 117)	6,838	6,309	6,687	7,088	7,514
Equipment	338	338	0	355	373	391	411	431
Debt Service	57	34	23	36	36	36	35	35
CIP Labor/Supply Offset			0					
Transfers Out	228	185	43	194	204	214	225	236
Subtotal Current Operations	11,469	11,444	25	12,223	11,913	12,520	13,158	13,831
Capital Improvements:								
Public Facilities	5,980	5,980	0	6,670	6,670	6,670	6,670	6,670
Subtotal Capital Improvements	5,980	5,980	0	6,670	6,670	6,670	6,670	6,670
Total Current Requirements	17,449	17,424	25	18,893	18,583	19,190	19,828	20,501
Total Current Surplus (Deficit)	( 496)	( 81)	415	( 1,175)	( 480)	( 702)	( 945)	( 2,678)
Other Sources/Uses:								
CIP Defund/Overruns		( 144)	( 144)					
Ending Fund Balance (Deficit)	\$1,031	\$1,460	\$429	\$285	( \$195)	( \$897)	( \$1,841)	( \$4,519)

The Parking Fund enterprise is responsible for the operation and maintenance of 16 parking facilities in the downtown area. Revenue from parking fees, retail rental space, and interest earnings are used to pay operating expenses, maintenance, capital improvements to the garages, debt service to the Parking Authority, and annual lease payments to the Sacramento Housing and Redevelopment Agency for Agency owned/City operated garages. Growth in parking revenues is a function of downtown employment, population growth, and the overall health of the local economy.

#### 1989-90 Budget Highlights

A major undertaking in the Parking enterprise in 1989-90 is the debt financing, design, and construction of the Civic Center Plaza Garage. In addition, the structural repairs and maintenance of the existing garages comprise a large portion of the current budget. Parking rate increases ranging from 10 to 20 percent were approved in the 1989-90 budget.

#### 1989-90 Midyear Projection

The attached table provides a comparison of the 1989-90 Approved Budget revenues, expenditures and fund balances to the 1989-90 midyear projections. The ending fund balance is projected to be \$2.9 million more than the budgeted amount. The primary cause for the variation is an expected one-time deposit to the contingency from the 1989 Certificate of Participation (COP) proceeds. This is shown in the "Other Sources and Uses" section of the table. A total of \$21.1 million was borrowed of which \$19 million is planned to go towards the Civic Center Garage capital improvement project. The remaining \$2.1 million will be temporarily placed into the Parking Fund contingency reserve to help pay for the debt service on the COP which will begin in 1990-91. It is this \$2.1 million which caused the major portion of the fund balance increase. The deposit is of a one-time nature and is intended to be used toward debt service in 1990-91. In the next fiscal year (1991-92) the \$2.1 million will be returned to the capital improvement project budget.

Other variations between the Approved Budget and the Midyear projection are as follows:

- o Current Resources show a decrease in revenue from parking fees but an increase in interest revenue, as reported by the Revenue Division.
- o Savings were realized in the Maintenance and Repair expenditure category but there was an overrun in debt service for the unbudgeted debt on \$5.8 million borrowed from the Community Center Fund in 1988-89. The loan was to have been returned earlier than January 1990 which would have negated the need for the Parking Fund to make a debt payment. The reason for the delay was that the 1989 COP (which was to replace the borrowed funds) was issued later than anticipated.

It should be noted that the Parking Fund would be in a negative position were it not for a large beginning fund balance and the one-time deposit from the 1989 COP. The ongoing revenue amounts are exceeded by the ongoing expenditures. In 1989-90, the revenues are \$10.4 million as compared with operating expenditures of \$10.9 million. The fund will not be able to sustain this imbalance over the long run without corrective action of parking fee increases.

#### Five Year Fund Balance Projections

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

- o A 2 percent growth in vehicles parked short-term and adjustments for lot openings and closings.
- o A 4-6 percent inflation/growth rate for operating expenditures.
- o Civic Center Plaza Garage debt service payments begin in 1989-90, however, capitalized interest is used to make the payments in this year and also to reduce the expense to the fund in 1990-91. Annual principal and interest will be approximately \$2.5 million.
- o Structural repair and ongoing maintenance costs of \$1.5 million per year have been budgeted in the operating expenses in 1990-91. In 1991-92 the major structural repairs should be completed. Ongoing maintenance is budgeted at \$500,000 per year.
- o Both revenue and operating expenditures for Lot A are included in the projections through the five-year period because the terms and conditions of the sale of the lot are not yet known. Under current time schedules, the sale of Lot A is anticipated for May 1991 at which time the outstanding bonds will be defeased. The sale is expected to have a favorable impact on the fund assuming full price is received for the lot.
- o In 1991-92, \$2.1 million must be returned to the Civic Center Garage project. The funds borrowed in the 1989 COP will be used to make the first debt service payment on the COP. Rate increases will be necessary to return the funds to the project.

The fund projections indicate a negative fund balance beginning in 1991-92 due to three key factors: i) the full debt service on the Civic Center garage and operating costs begin in 1991-92, ii) the operating expenditures are currently exceeding the current revenue amounts and, iii) the expenditures include a 4-6 percent inflation/growth factor whereas the revenues are projected at a 2 percent growth rate.

Policy Considerations

Rate increases in the parking fee structure will be necessary to maintain existing operations and to service the debt on the Civic Center Garage. Average revenue increase in the 10-15 percent range may be necessary in the next fiscal year. This was the range reported to Council during the 1989-90 budget hearings.

Several high priority goals for the City are the Transportation System Management Plan and developing alternative transportation modes. A key policy decision facing the Council is to identify the financial responsibility of the fund toward these goals.

Recommendations

It is recommended that the City Council amend the Parking Fund contingency to reflect the 1989-90 midyear review projection.

Parking Fund \$ (000)								
	1989-90 Approved	1989-90 Midyear	Fav(Unfav) Variance	1990-91 Projected	1991-92 Projected	1992-93 Projected	1993-94 Projected	1994-95 Projected
Beginning Fund Balance (Deficit)	\$1,577	\$2,065	\$488	\$3,322	\$2,003	( \$2,073)	( \$3,514)	( \$4,677)
Current Resources:								
Revenues								
Taxes			0					
Licenses & Permits								
Fines, Forfeitures & Penalties								
Use of Money & Property	196	438	242	346	532	513	513	513
Intergovernmental	194	194	0	194	194	194	194	194
Charges for Current Services	9,955	9,337	( 618)	10,244	10,481	11,158	11,881	12,078
Miscellaneous Revenue	1	400	399	400	664	928	928	928
Subtotal Revenues	10,346	10,369	23	11,184	11,871	12,793	13,516	13,713
Operating Transfers In								
Internal Service Billings								
Total Current Resources	10,346	10,369	23	11,184	11,871	12,793	13,516	13,713
Current Requirements								
Current Operations:								
Employee Services	3,266	3,271	( 5)	3,402	3,538	3,679	3,827	3,980
Other Services & Supplies	6,365	5,878	487	6,231	5,605	5,941	6,297	6,675
Equipment	225	228	( 3)	239	251	264	277	291
Debt Service	1,069	1,006	63	1,002	1,004	1,005	1,001	996
Civic Ctr Debt Service		321	( 321)	979	2,477	2,474	2,473	2,470
Transfers - Net	159	149	10	156	164	172	181	190
Civic Ctr Operating Costs					322	507	532	559
Subtotal Current Operations	11,084	10,853	231	12,009	13,361	14,043	14,588	15,161
Capital Improvements:								
Public Facilities	411	411	0	494	486	191	91	91
Civic Center Garage					2,100			
Subtotal Capital Improvements	411	411	0	494	2,586	191	91	91
Total Current Requirements	11,495	11,264	231	12,503	15,947	14,234	14,679	15,252
Total Current Surplus (Deficit)	( 1,149)	( 895)	254	( 1,319)	( 4,076)	( 1,441)	( 1,163)	( 1,539)
Other Fund Sources (Uses)								
Civic Ctr Garage Proceeds		21,100	21,100					
Civic Ctr CIP Project		( 18,948)	( 18,948)					
Refund 87 COP Loan		( 5,855)	( 5,855)					
Defund 87 COP portion of CIP		5,855	5,855					
Ending Fund Balance (Deficit)	\$428	\$3,322	\$2,894	\$2,003	( \$2,073)	( \$3,514)	( \$4,677)	( \$6,216)

# ATTACHMENT 3

## CULTURE & LEISURE ENTERPRISE FUNDS

COMMUNITY CENTER  
GOLF  
SACRAMENTO MARINA



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

This enterprise fund has two major revenue sources: rental/service fees and the Transient Occupancy Tax (TO Tax). The TO Tax is a tax charged in the cost of a hotel/motel room within the city limits. The 10% tax is earmarked by City Code for the Community Center use. Two major capital improvement projects facing the Community Center are the Community Center Expansion and the Memorial Auditorium Rehabilitation.

#### 1989-90 Approved Budget

The Approved Budget provided funds to add a new box office in Old Sacramento in the existing Visitors Center. Funding was also included to develop a walking/driving tour program through Sacramento's historic and significant sites. Both of these programs are anticipated to begin this spring.

Other funded programs include Sacramento Area Commerce and Trade Organization (\$100,000), Old Sacramento Management Board (\$55,000), and the Downtown Cultural District study (\$35,000).

#### 1989-90 Available Fund Balance Projection

As detailed on the adjoining exhibit, the Community Center Fund is projected to end the 1989-90 fiscal year with a balance of \$1,779,000. This is \$812,000 higher than was projected in the 1989-90 Approved Budget. The reasons for the change in the projection are:

- o The beginning available fund balance, as reported by the Accounting Division, is \$422,000 higher than anticipated.
- o Revenues, as reported by the Revenue Division, are \$403,000 higher than anticipated. This is divided between a projected increase of \$262,000 in Transient Occupancy Tax and \$201,000 in increased interest earnings.

#### Ten Year Fund Balance Projections

A detailed projection of the financial status of the Community Center Fund through fiscal year 1999-2000 is provided in the following exhibit. This projection indicates that the resources of the fund are adequate to service the debt on the Community Center Expansion project, while maintaining prudent available fund balance levels.

The key assumptions used in the projection are outlined below:

- o Transient Occupancy Tax is projected to grow at a rate of 10% per year throughout the forecast period. For the five year period of 1985-86 to 1989-90, TO Tax grew at an average of 11.6% per year.
- o Interest earnings (Use of Money and Property) are projected to increase substantially as fund balance grows prior to the initiation of debt service payments on the expansion project.
- o Generally, operating revenues and expenses are projected to grow at 6% per year. This reflects increased activity at the Community Center facilities based upon recent trends in usage and the opening of the expanded exhibit hall in early 1994.
- o A debt issue of \$8,000,000 is projected for 1990-91. This will provide: \$1,500,000 for continuing the Memorial Auditorium Renovation project through the construction drawing phase; \$1,570,000 for the Community Center Expansion project for land acquisition; and \$4,930,000 to replace cash used to finance the preliminary phases of the two projects. This will increase available fund balance in 1990-91. This is necessary in order to accumulate a sufficient reserve of funds to service the debt on the expansion.
- o A debt issue of \$70,000,000 in mid 1991-92 will complete the financing for the expansion project. The payments for this debt will begin in mid 1994-95, upon completion of the construction of the expanded facility.
- o Full financing for the Memorial Auditorium Renovation project is not included in this projection.

The projection illustrates that the Community Center Fund remains solvent while servicing the debt on the Community Center Expansion project. It is necessary to build available fund balance for the next several years in anticipation of meeting future debt service payments. Fund balance reaches its lowest point in 1999-2000. After that point, increasing TO Tax and operating revenues will exceed the costs of both the operating expenses and the debt payments, resulting in increasing fund balances.

Policy Discussion

The policy items implied in the above projection assumptions are: the continuation of the Community Center Expansion project to completion; continuing the Memorial Auditorium Renovation through construction drawings, with a decision on construction funding to be made at a later time; and accumulation of fund balances in order to service the debt from the expansion project.

Recommendation

It is recommended that the City Council amend the Community Center Fund administrative contingency to reflect the 1989-90 mid-year review projection.

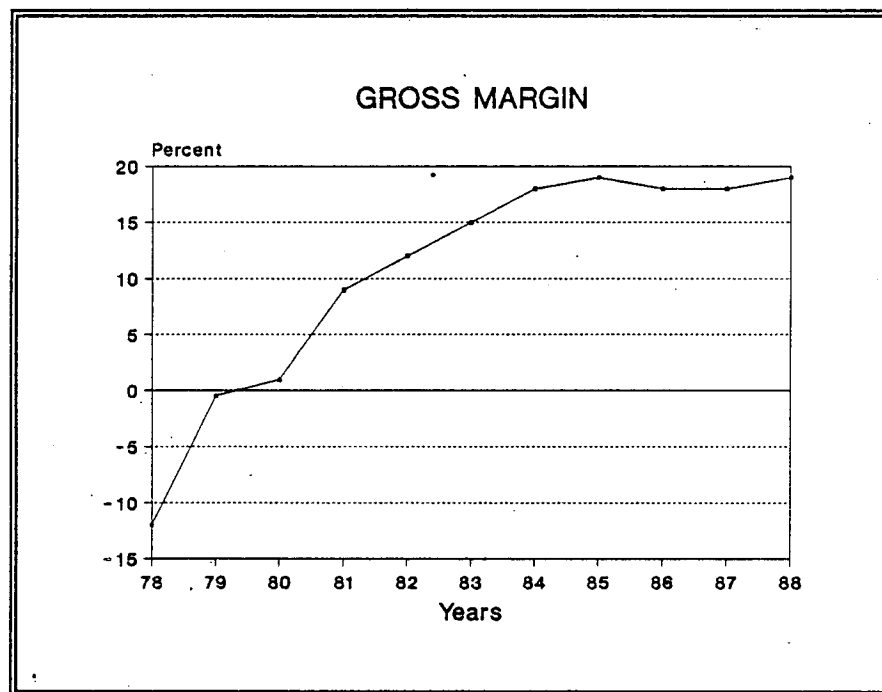
COMMUNITY CENTER FUND  
(\$ 000)

COMMUNITY CENTER FUND	1989-90 Approved	1989-90 Midyear	1990-91 Projected	1991-92 Projected	1992-93 Projected	1993-94 Projected	1994-95 Projected	1995-96 Projected	1996-97 Projected	1997-98 Projected	1998-99 Projected	1999-00 Projected
Beginning Available Fund Balance	\$1,050	\$1,472	\$1,779	\$8,296	\$10,110	\$12,571	\$15,286	\$15,355	\$11,787	\$8,648	\$5,684	\$3,630
Current Resources:												
Revenues												
Taxes	6,199	6,461	7,107	7,817	8,600	9,459	10,405	11,446	12,590	13,849	15,234	16,757
Use of Money & Property	220	421	377	644	794	975	1,072	950	715	502	326	221
Charges for Current Services	1,679	1,647	1,700	1,650	1,697	1,749	1,799	1,907	2,021	2,143	2,271	2,407
Miscellaneous Revenue	198	170	172	176	179	182	187	198	210	223	236	250
Expansion Revenue						912	2,424	2,569	2,724	2,887	3,060	3,244
Subtotal Revenues	8,296	8,699	9,356	10,287	11,270	13,277	15,887	17,070	18,260	19,603	21,127	22,880
Operating Transfers In												
Total Current Resources	8,296	8,699	9,356	10,287	11,270	13,277	15,887	17,070	18,260	19,603	21,127	22,880
Current Requirements												
Current Operations:												
Employee Services	2,233	2,110	2,237	2,371	2,513	2,664	2,824	2,993	3,173	3,363	3,565	3,779
Other Services & Supplies	3,277	2,850	3,021	3,202	3,394	3,598	3,814	4,043	4,285	4,542	4,815	5,104
Equipment	77	385	100	100	100	100	100	100	100	100	100	100
Debt Service - Current	1,442	1,697	1,971	1,971	1,971	1,971	1,971	1,971	2,184	2,771	2,770	2,766
Expansion Operations						1,399	1,977	2,096	2,221	2,355	2,496	2,646
Debt Service - Expansion			390	780	780	780	5,083	9,386	9,386	9,386	9,386	9,386
Subtotal Current Operations	7,029	7,042	7,719	8,424	8,758	10,512	15,768	20,588	21,349	22,517	23,132	23,780
Capital Improvements:												
Memorial Auditorium Renovation	1,300	1,300	1,500									
Comm. Center Maintenance	50	50	50	50	50	50	50	50	50	50	50	50
Community Center Expansion		5,855	1,570	70,000								
Subtotal Capital Improvements	1,350	7,205	3,120	70,050	50	50	50	50	50	50	50	50
Total Current Requirements	8,379	14,247	10,839	78,474	8,808	10,562	15,818	20,638	21,399	22,567	23,182	23,830
Total Current Surplus (Deficit)	( 83)	( 5,548)	( 1,483)	( 68,187)	2,461	2,715	69	( 3,568)	( 3,139)	( 2,964)	( 2,054)	( 950)
Other Fund Sources (Uses)		5,855	8,000	70,000								
Ending Available Fund Balance	\$967	\$1,779	\$8,296	\$10,110	\$12,571	\$15,286	\$15,355	\$11,787	\$8,648	\$5,684	\$3,630	\$2,680

154

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

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



In the early eighties, fees were increased to provide working capital to implement a ten year master plan. A major emphasis of this master plan is reinvestment into the current courses to prevent the deterioration from the heavy annual usage. The capital projects included green and irrigation rehabilitation of the various courses.

The funding levels of the early eighties provided capital for the maintenance of the current courses but limited funding for additional capital expansion projects. As previously reported to Council, a 1986 feasibility study by William Sherman Company, Golf Course Consultants, determined that the Sacramento metropolitan

area is short of meeting the playing demand for 18-hole golf courses by 13 courses. Two 18-hole courses are being considered by the City. The Golf Fund has acquired property from the Regional Sanitation treatment plant to develop the first 18-hole course. This fund is also exploring the feasibility of an 18-hole course at the Hansen Ranch site in the north area.

1989-90 Fund Balance Projection. The exhibit below compares the midyear projections relative to the 1989-90 Approved Budget. The available fund balance is expected to increase by \$82,000. This figure is a result of the combination of an increase in fee (\$144,000) and interest revenue (\$55,000) which was partially offset by a lower than projected prior year surplus (\$136,000).

Golf Fund (\$000)	Approved 1989-90	Midyear 1989-90	Favorable (Unfavorable)
Beginning Available Balance	\$480	\$344	(\$136)
Revenues	3,625	3,824	199
Operating Costs	3,273	3,255	18
Capital Costs	787	787	0
Ending Available Balance	\$ 45	\$127	\$82
	=====	=====	=====

Five Year Available Fund Balance Projections. The five year forecast (next page) projects this fund's revenue and expenditures over the next several years. For discussion purposes, the model assumes 5% inflation and a 2% increase due to growth. The capital costs include the construction costs of a new course. The revenue figures are adjusted to cover these expenditures.

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

Golf Fund						
(\$000)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
Beginning Fund Balance	\$344	\$127	\$344	\$625	\$439	\$208
Green Fees - 18 M-F	9.50	10.50	11.50	12.50	13.50	14.50
18 S-S	10.50	11.50	12.50	13.50	14.50	15.50
Sr/Jr	6.50	7.00	8.00	9.00	10.00	11.00
Revenues						
Interest	214	235	260	260	219	200
User Fees						
Current	3,100	3,420	3,740	4,060	4,380	4,700
South City				600	640	680
Hansen Development						
Concessions	510	542	560	620	644	770
Total Current Resources	3,824	4,197	4,560	5,540	5,883	6,350
Current Requirements						
Employee Services	1,744	1,866	1,997	2,136	2,286	2,446
Other Services & Supplies	1,294	1,385	1,482	1,585	1,696	1,815
Equipment	100	107	114	123	131	140
South City Operating				600	642	687
Hansen Operating Costs						
Debt Service Bing Maloney	117	117	117	117	117	117
Debt Service South		60	60	810	810	810
Debt Service Hansen						
Subtotal Cur. Operations	3,255	3,535	3,770	5,371	5,682	6,015
Capital Improvements:						
So Area Development	476	100	6,000			0
Hansen Development	50	50	100	100	100	100
Haggin Development	50	50	100	100	100	100
Other	210	245	310	154	232	135
Subtotal CIP	786	445	6,510	354	432	235
Total Current Requirements	4,041	3,980	10,280	5,725	6,114	6,250
Total Current Surplus	( 217)	217	(5,720)	( 185)	( 231)	100
Other Fund Sources (Uses)	0	0	6,000	0	0	0
Ending Fund Balance (Deficit)	\$127	\$344	\$625	\$439	\$208	\$308

The Golf Fund provides a recreational service which is sensitive to market forces. Currently the demand for golfing in this area and at City courses is strong. It is anticipated that 493,000 rounds of golf will be played on city courses. The chart below summarizes a survey of greens fees taken during the Proposed Budget process in May 1989. As with all surveys, courses vary in the facilities and services.

Survey of Area Golf Course Fees as of May 1989		
	<u>Weekday</u>	<u>Weekend</u>
Sacramento City Proposed	\$9.50	\$10.50
Sacramento City May 1989	8.50	9.50
Sacramento County	9.50	11.00
Roseville	6.50	7.50
Riverbend	12.00	14.00
Dry Creek	11.00	20.00
Plumas Lake	12.00	15.00
Stockton	7.00	8.00
Davis	7.00	8.00

Since this survey in May 1989 the County has raised its fees to \$11.00 and 14.00 ostensibly to provide funds for their new Cherry Island Course.

Recommendation. It is recommended that the Committee amend the Approved Budget with the current Midyear projections.



The Sacramento Marina is a 560 berth marina located on the Sacramento River at Miller Park. It is the only off-stream marina in the area. The Marina operates as an enterprise fund in which revenues must offset the full cost of this program. The Marina is the smallest of the City's eight enterprise funds with fee revenues totaling approximately \$920,000.

Policy Discussion. Capital expenditures in this fund have doubled the size of the Marina. The final portion of the capital plan, which includes the Harbor Administrative Office, landscaping, lighting, and parking, is expected to be completed this year. These capital expenditures were primarily financed from low interest loans totaling \$8.05 million from the California State Department of Boating and Waterways. The loan repayment commences this fiscal year 1989-90 at \$294,000 and will rise to a maximum of approximately \$560,000 per year in fiscal year 1992-93.

The introduction of debt to finance the improvements to the Marina dramatically changed the fiscal strategies of this fund. The current strategy of this fund is to price fees above operating costs to accumulate funds to offset debt service payments. As noted above, since the Marina slip revenues are \$920,000 each 1% increase in rates generates only \$9,200. Therefore, if rates are not spread over a period of years, sizeable rate increases would be required to generate funds to cover the debt service requirements. Due to this situation, the loan covenants require that the average berth fee rise to \$6.00 per foot per month by July 1, 1992 to assure repayment of the loan.

Unlike the Public Works enterprise funds (Water Sewer, etc), the Marina enterprise fund provides a leisure time service which is more elastic in its demand curve. Therefore, these fees have to be consistent with market conditions. Currently, the demand for the Marina's slips is strong. The Marina's covered berths are filled year round and open berths are nearly filled with the exception of a few vacancies in the winter months. The following exhibits lists the various marinas in the area and the prices charged at the time of our last rate increase. As with all surveys each marina has different facilities and services which makes simple comparisons difficult.

Marina Rate Comparison as of May 1989 (\$ per foot per month)			
		<u>Covered</u>	<u>Open</u>
Riverbank	Sacramento	\$7.32	\$5.82
Delta Bay Club	Isleton	7.00	6.00
Oxbow	Isleton	6.07	
Riverview	Sacramento	6.00	5.00
Sacramento Marina (North Basin)	Sacramento	5.65	4.50
Sacramento Marina (South Basin)		5.10	3.30
Freeport	Freeport	5.50	5.00
Cliff's	Freeport	5.50	4.50
Spindrift	Isleton	5.31	4.50
Delta	Rio Vista	5.10	3.93
Outrigger	Rio Vista	5.04	
Lighthouse	West Sacramento	5.00	4.50
B & W	Isleton	4.50	3.75
Perry's	Isleton	4.17	3.00
Alamar	Sacramento	4.00	4.00
Metro	Sacramento	4.00	4.00

1989-90 Approved Budget. The Approved Operating Budget for this fund was basically status quo with the exception of an increase in utility costs. The Capital Budget included the harbor flushing system which is the last component of the expansion.

1989-90 Fund Balance Projections. This fund is relatively stable in both revenues and expenditures. Modest increases in beginning available fund balance (\$56,000) and higher interest revenues (\$43,000) offset the higher cost of security (\$19,000), capital cost related to the dock replacement in the older south basin (\$35,000), and additional provisions related to debt expense accrued in the current fiscal year but payable in the next fiscal year (\$115,000).

SACRAMENTO MARINA (\$ 000)	Approved 1989-90	Midyear 1989-90	Favorable (Unfavorable)
-----	-----	-----	-----
Beginning Fund Balance	\$233	\$289	\$56
Revenues	1,270	1,313	43
Operating Costs	1,032	1,131	1
Capital Improvements	500	535	(35)
Other Fund Sources (Uses)	350	465	(115)
Ending Available Balance	\$321	\$271	(\$50)
	=====	=====	=====

Five Year Available Fund Balance Projections. The following exhibit projects revenues and expenditures over the next five years. For discussion purposes, the model assumes 4% annual

inflationary increase and a 1% real growth in operating expenditures. The slip fee revenue is adjusted to cover the operating costs and to set aside funds for the future debt service payments. Annual rate increases over the cost of inflation are needed to meet future costs.

The five year financial forecast of this fund demonstrates the depletion of accumulated fund balances as the debt service payments increase. The balance continues to decline over the five year period. After this time the full cost of the Marina is incorporated into the current fee schedule and therefore rates can stabilize. The rates need to increase only to the level of costs associated with inflation since the debt service payments do not increase.

The five year projection indicates that surplus funds will not be available in the near term. Continuous review of this fund is necessary over the next five years to quickly respond to unanticipated financial changes.

Cleanup Items. The Approved Capital Budget included \$400,000 for a harbor flushing system which was to be financed by proceeds from a California Boating and Waterway's loan. The formal request and receipt of the loan proceeds will not occur until the next fiscal year. Therefore, this capital project should formally be defunded for this fiscal year and reappropriated in next year's capital plan.

Recommendation. It is recommended that the harbor flushing capital project be defunded.

SACRAMENTO MARINA (\$ 000)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
Marina Slip Fee						
South Basin Open Berth	3.45	3.73	4.02	4.33	4.65	4.93
South Basin Covered Berth	5.30	5.72	6.18	6.65	7.14	7.57
North Basin Open Berth	4.70	5.08	5.48	5.89	6.34	6.72
North Basin Covered	5.85	6.32	6.82	7.34	7.89	8.36
Average	5.29	5.72	6.17	6.64	7.13	7.56
Percent Rate Increase	.00%	8.00%	8.00%	7.50%	7.50%	6.00%
Beginning Available Balance	289	271	229	161	128	117
Revenues						
Interest	133	135	135	136	136	50
User Fees						
Existing	929	1,003	1,084	1,165	1,252	1,327
New	0	0	0	0	0	0
Oil & Gas	229	240	252	265	278	292
Other	22	23	24	25	26	27
Total Current Resources	1,313	1,401	1,495	1,591	1,692	1,697
Current Requirements						
Operating Expenditures:						
Employee Services	221	232	244	256	269	282
Other Services & Supplies	594	619	646	673	702	731
Equipment	4	4	4	5	5	5
Debt Service - Principal	35	95	133	159	168	176
Debt Service - Interest	259	333	375	368	360	352
Debt Service - Water Quality					35	35
Transfers Out	33	35	36	38	40	42
Subtotal Cur. Operations	1,146	1,318	1,438	1,499	1,578	1,624
Capital Improvements:						
Dredging	25	25	25	25	25	25
Dock Replacement	110	75	75	75	75	75
Marina System	400	0	0	0	0	0
Subtotal CIP	535	100	100	100	100	100
Total Current Requirements	1,681	1,418	1,538	1,599	1,678	1,724
Total Current Surplus	( 368)	( 17)	( 43)	( 8)	14	( 27)
Other Fund Sources (Uses)	350	( 25)	( 25)	( 25)	( 25)	( 25)
Ending Available Balance	\$271	\$229	\$161	\$128	\$117	\$65

# ATTACHMENT 4

## INTERNAL SERVICE FUNDS

RISK MANAGEMENT  
FLEET MANAGEMENT

## BACKGROUND

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, workers 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.

## 1989-90 APPROVED BUDGET

The mid-year review of expenditures shows that in general expenditures are following budgeted levels with two exceptions. During the current year an appeal of a lawsuit filed by the City against the State for reimbursement of expenditures related to state-mandated unemployment insurance was decided in favor of the State. The City had been carrying the \$1.28 million claim as a receivable (money due to be received by the City) over the past few years since it had won the original trial. This means that the full amount was included in the Risk Management Fund resources. Now that the court case has been decided, the receivable will be eliminated thereby reducing the available fund balance by \$1.28 million.

The second significant change in expenditures is the addition of 8.0 positions to the Personnel Department and .5 FTE to the Data Management Department to handle the new worker compensation regulations that were effective on January 1, 1990. This will increase expenditures in the current year by \$224,774. In addition there is a new CIP for acquisition of a management information system for this program.

## 1989-90 FUND BALANCE PROJECTIONS

Beginning Fund Balance for 1989-90

During the 1989-90 Fiscal Year the Risk Management fund was projected to start the year with a positive fund balance of \$2.4 million. The actual starting fund balance based on the recently completed audit is \$3.4 million. This is a dramatic turn around from the start of 1987-88 Fiscal Year when the fund balance had a deficit of \$3.4 million. The turn around of \$6.8 million during the past two years is attributed to the following events:

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* New actuarial estimates of accrued claims:	\$4.8 million
* One time contributions from various funds:	.9 million
* Higher than anticipated interest earnings:	.7 million
	-----
TOTAL:	\$6.4 million

Clearly the most significant event was the change in actuarial estimates for outstanding claims. The actuary that performed the new risk assessment used trends on actual claim payments during the past two years in determining the appropriate amount of reserves. The previous actuary used data from before 1987 to establish reserves for all years.

The one time contributions from various funds totalled \$895,000. This contribution was part of the 1988-89 budget and was necessary at that time to move the fund from a deficit to a surplus.

Higher interest earnings was the last factor contributing to this dramatic recovery. In 1988-89 it was anticipated that \$1.7 million would be earned on investments. The actual earnings were \$2.4 million.

#### Ending Fund Balance for 1989-90

The Risk Management Fund is projected to end the year with a fund balance of \$2.75 million compared to a budgeted amount of \$2.4 million. The \$1.28 million that was lost in the case against the State, and the addition of staff in the Personnel Department was more than offset by the increased starting fund balance and increased interest earnings in the current year of \$861,000. Table 1 provides a detailed schedule of expenditures and revenues of the Risk Management Fund.

#### POLICY DISCUSSION

The projected fund balance for the end of 1989-90 is \$2.62 million. The standard reserve is 4% of current revenues or \$1.28 million. Staff recommends that the difference of \$1.34 million be set aside in the City's self insurance reserve for auto and general liability. The current reserve is \$3 million compared against the City's exposure of \$10 million. This contribution will increase the City's protection against unforeseen events that are not part of standard risk projections.

Table 1

RISK MANAGEMENT FUND  
(Dollars in 000's)

	1989-90 BUDGET	1989-90 MIDYEAR	CHANGE
STARTING BALANCE	2,461	3,432	971
CURRENT RESOURCES			
REVENUES			
USE OF MONEY	1,727	2,588	861
CHARGES FOR CURRENT SERVICES		0	0
MISCELLANEOUS	6	33	27
SUBTOTAL	1,733	2,621	888
OPERATING TRANSFERS IN			
INTERNAL SERVICE BILLINGS	29,432	29,432	0
TOTAL CURRENT RESOURCES	31,165	32,053	888
CURRENT REQUIREMENTS			
OPERATING EXPENDITURES			
EMPLOYEE SERVICES	698	923	225
SERVICES & SUPPLIES	30,446	30,446	0
Eliminate Receivable from State	0	1,275	1,275
EQUIPMENT	60	60	0
SUBTOTAL	31,204	32,704	1,500
CAPITAL IMPROVEMENTS	0	130	130
OPERATING TRANSFERS OUT	29	29	0
TOTAL CURRENT REQUIREMENTS	<u>31,233</u>	<u>32,863</u>	1,630
CURRENT EXCESS/(DEFICIENCY)	( 68)	( 810)	( 742)
ENDING BALANCE	2,393	2,622	229



RECOMMENDATION

It is recommended that Council direct the Director of Finance to transfer \$1.34 million from the available fund balance to the reserve for auto and general liability claims.

The Fleet Management operation is responsible for the maintenance and repair of the City's 1700 pieces of vehicular equipment. Fleet Management has operated as an Internal Service Fund since 1973-74. All the City activities make monthly payments to the Fleet Management Fund equal to the costs of operating the vehicular equipment they use, plus the depreciation on that equipment. These payments generate funds for the on-going replacement of existing vehicles. All new vehicles are paid for first by the user activity, then added to the Fleet inventory. All record keeping, cost accounting information and monthly billings are provided by an in-house data processing unit. The Fleet Management's budget includes funds for the purchase of all replacement vehicles, fuel, oil, parts, outside repair, and any equipment-related expenses at each of its locations.

#### 1989-90 Approved Budget

The Approved Budget included funding for staffing the Fleet operation at the Rooney Police Facility which opened in October 1989. This facility has a 24-hour Fleet operation on-site to service the 175 vehicles for the facility.

Also included in the budget is the continuation of the 5-year underground storage tank replacement and remediation program and a methanol fuel testing program using eight vehicles acquired from the California Energy Commission.

#### 1989-90 Available Fund Balance Projection

The Fleet Management Fund is projected to end 1989-90 with an available fund balance of \$3,773,000, an increase of \$1,898,000 over the Approved Budget estimate. This is detailed in the adjoining exhibit. The reasons for the change in the projection are:

- o The beginning available fund balance, as reported by the Accounting Division, is \$1,831,000 higher than anticipated.
- o Savings in the purchase price of replacement vehicles and fuel savings will result in a net reduction of \$146,000 in operating costs.
- o The Capital Improvement Program was amended by \$215,000 to provide funding for the first phase of the South Area Corporation Yard expansion.

The available fund balance for Fleet Management is used to maintain stability in annual rental rate charges and replacement vehicle scheduling. In this way, the Fund is able to absorb some of the excess operating costs or unplanned or extraordinary purchases rather than dramatically raising and lowering the annual rental

rates to each of the other funds.

Annual operating budget savings in equipment and fuel purchases over the last two years has resulted in higher than anticipated available fund balance. The projected available fund balance was taken into consideration in planning for long range equipment replacement and in preparing the 1990-91 rental rates.

Recommendation

There are no actions required by the City Council.

FLEET MANAGEMENT  
(\$ 000)

FLEET MANAGEMENT FUND	1989-90 Approved	1989-90 Midyear	VARIANCE
Beginning Available Fund Balance	\$4,474	\$6,305 *	\$1,831
Current Resources:			
Revenues			
Taxes			0
Licenses & Permits			
Fines, Forfeitures & Penalties			
Use of Money & Property	432	432	0
Intergovernmental	0	10	
Charges for Current Services	121	121	0
Miscellaneous Revenue	382	393	11
Subtotal Revenues	935	956	21
Operating Transfers In			
Internal Service Billings	13,055	13,462	
Total Current Resources	13,990	14,418	428
Current Requirements			
Current Operations:			
Employee Services	4,163	3,963	( 200)
Other Services & Supplies	5,379	5,242	( 137)
Equipment	6,402	6,885	483
Subtotal Current Operations	15,944	16,090	146
Capital Improvements:			
Underground Fuel Tank Replacement	607	607	0
Exhaust Hoses/Reels Replacement	38	38	0
So. Area Corp. Yard Expansion	0	215	215
Subtotal Capital Improvements	645	860	215
Total Current Requirements	16,589	16,950	361
Total Current Surplus (Deficit)	( 2,599)	( 2,532)	67
Other Fund Sources (Uses)			
Ending Available Fund Balance	\$1,875	\$3,773	\$1,898

\* Beginning Available Fund Balance includes value of inventory (\$723,000)