



REPORT TO COUNCIL City of Sacramento

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www. CityofSacramento.org

PUBLIC HEARING
June 17, 2008

**Honorable Mayor and
Members of the City Council**

Subject: Adoption of the FY2008/09 Operating and Capital Improvement Program (CIP) Budgets

Location/Council District: Citywide (All)

Recommendation: Conduct a public hearing and upon conclusion adopt a **Resolution** to approve the FY2008/09 City of Sacramento Operating and CIP Budgets.

Contact: Leyne Milstein, Budget Manager, 808-8491

Presenters: Leyne Milstein

Department: Finance

Division: Budget, Policy & Strategic Planning

Organization No: 1140

Description/Analysis:

Issue: This report transmits the FY2008/09 Operating and CIP Budgets for final adoption. The FY2008/09 Proposed Operating Budget and the 2008-2013 Proposed CIP were released to the City Council on May 1, 2008, as required by City Charter. Over the past several weeks, the Mayor and City Council have conducted budget hearings, and approved intent motions to adopt the proposed Operating and CIP budgets with adjustments as outlined in Exhibits 1-2.

The Operating Budget as revised by the City Council includes the use of one-time funding to support on-going programs and staffing levels, new revenues and reductions. Additional reductions in FY2009/10 and beyond are unavoidable because of the use of one-time funding, known cost increases in FY2009/10, and unknown potential impacts to the City's budget (see Attachment 1). To better position the City for addressing these issues it is essential that we continue to implement ongoing measures including hiring controls, growing our revenues and departmental consolidations.

Over the next year the City will take a serious look at departmental consolidations which result in improved customer service, operational efficiencies and cost savings. Effective long-term budget planning must include holding operating expenditure increases to a level less than anticipated revenue growth to provide the capacity to address the long-term fiscal challenges of program restorations, rebuilding reserves, facility maintenance, the provision of new facilities and the funding of the retiree medical benefit.

Policy Considerations: The FY2008/09 Proposed Budget is consistent with the City Council's Strategic Planning – Strategic Budgeting process.

Environmental Considerations: This report concerns administrative activities that will not have any significant effect on the environment, and that do not constitute a "project" as defined by the California Environmental Quality Act (CEQA) [CEQA Guidelines Sections 15061(b)(3); 15378(b)(2)].

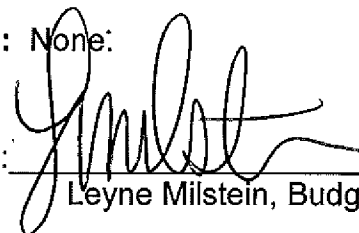
Financial Considerations: The FY2008/09 Proposed Budget, as amended by Council (Exhibits 1-2), reflects expenditures necessary to maintain staffing levels, and fund prior commitments. While the FY2008/09 budget is balanced, it is important to note that the FY2008/09 budget:

- Relies heavily on the use of reserves as overall net financing estimates are based on overall revenue growth that is significantly lower than in recent years; and
- Includes the release of reserves from the Economic Uncertainty Reserve. Over the long term, the use of budgetary reserves to balance the budget is not sustainable.

Should the financing picture not improve over the next six months, measures to curtail the growth in City expenditures will be necessary. Staff will continue to evaluate fiscal conditions over the early part of the fiscal year and will report back to the Council in October and January on the status of revenues and what steps may need to be taken depending on whether revenue results are greater or lower than anticipated.

Emerging Small Business Development (ESBD): None:

Respectfully Submitted by:



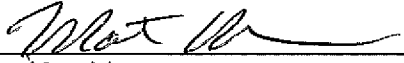
Leyne Milstein, Budget Manager

Approved by:



Marty Hanneman,
Assistant City Manager

Recommendation Approved:



for Ray Kerridge
City Manager

Table of Contents:

Report	Pg.	1-3
Attachments		
1 Future Fiscal Issues	Pg.	4
2 Reports Back Summary	Pg.	6
3 Resolution: FY2008/09 Budget	Pg.	7
Exhibit 1 – Augmentation Summary	Pg.	19
Exhibit 2 – Summary of Changes/Technical Adjustments	Pg.	20
Exhibit 3 – Approved Operating Budget	Pg.	22
Exhibit 4 – Approved Capital Budget	Pg.	23

Attachment 1**FUTURE FISCAL ISSUES****OTHER POST EMPLOYMENT BENEFITS (OPEB)**

Issue: The Governmental Accounting Standards Board (GASB) has set new standards which will go into effect for Fiscal Year 2007/08 and requires reporting of the cost of the retiree medical benefit on an accrued actuarial basis and to put forward a plan to fund the benefit. The City has been budgeting and reporting the cost of the retiree medical benefit on a pay-as-you-go basis.

An actuarial valuation report for the retiree healthcare plan as of June 30, 2007 has been prepared by an actuarial firm to determine the magnitude of these benefits that will be reported on the City's financial statements in the summer 2008. Based on this report, the unfunded liability is \$380 million that will be disclosed in the footnotes of the City's financial statements. The annual cost of funding the retiree medical benefit on the same basis as pension benefit, also known as the annual required contribution (ARC), is approximately \$31.5 million. The current pay-as-you-go cost in the Budget is approximately \$9.8 million. The difference between the ARC and the pay-as-you-go amount of \$21.5 million will be recorded as a liability on the City's financial statements. This information was communicated to City Council as part of the Midyear FY2007/08 Budget Council Report dated January 22, 2008.

Recent Developments: A City taskforce has been formed to gather facts and explore the City's options for dealing with the new accounting standard. The working group consists of representatives of the Finance Department, Human Resources, Labor Relations, and representatives from employee unions. Due to the City's current finances, it is the taskforce recommendation to continue to pay-as-you-go for the short term due to the current fiscal restraints on the City's budget.

Next Steps: This is a work in progress. The City's taskforce will continue to monitor what the State and other local agencies are doing and provide the Mayor and Council with periodic recommendations and updates.

UTILITY USERS TAX (UUT)

The UUT is the third largest source of discretionary tax revenue in the General Fund. The current UUT rate is 7.5% and applies to charges on electrical, natural gas, telephone (land line and cellular), and cable television services. In FY2006/07, the City received \$55.5 million in UUT revenue. This represents nearly a quarter of the total taxes collected and approximately 14% of General Fund revenue. As technologies for communication have evolved in recent years, the City has experienced a gradual erosion of revenue from the Utility User Tax for telecommunications-related services. As communication services continue to evolve from traditional land-line telephones to newer technologies, the erosion of this important General Fund revenue source will diminish the City's ability to maintain

existing service levels for many of its most important services including Police, Fire Protection, and youth programs.

Consideration of an updated ordinance, subject to voter approval, will ensure all communications users are treated fairly for tax purposes. It is anticipated that updating the ordinance definitions to include modern communications technologies within the tax base will likely result in some revenue increase. Therefore, in an effort to make this update revenue-neutral at this time, the proposed ordinance reduces the tax rate on communications users from 7.5% to 7%.

COUNTY OF SACRAMENTO

The County provides important public safety, health, and human assistance services to City residents and the City. The County is currently facing both a \$123 million projected funding gap in FY2009 and additional problems in future years. The County will hold, as is typically the case, its annual budget hearings near Labor Day after the State budget is adopted. While county budget reductions will have impact on city residents, it is not possible at this point to know what those impacts will be.

STATE OF CALIFORNIA

Since FY2004-05 the State of California has been operating with a structural budget deficit. The State has employed a variety of tactics to close this gap year to year, including shifting of revenues from local governments to the State, issuance of revenue obligation bonds, and expenditure reductions.

In response to the shift of local agency revenues to school funding Proposition 1A was approved by the voters in November 2004 and amends the California Constitution to prohibit the shift of property tax revenues from local governments with certain exceptions. Governor's Fiscal Year 2007-08 proposed budget, as amended in May 2007 provides continued funding for local governments. However, the State still remains in a deficit situation and modifications to the budget will continue to be made until the Legislature and the Governor reach agreement on a final budget package at the end of June. The State's inability to close its structural budget gap remains a concern to local governments and the City of Sacramento. To the extent that the State budget process results in reduced sources of funds available to the City, the City will be required to make adjustments to its budget. A more significant threat is the impact of State actions on the County and the consequent impact on City residents.

Attachment 2

Reports Back (RB)

To be Forwarded to the City Manager for Inclusion on the City Council's Follow Up Log

Hearing		Question	Responsible Department	Contact	Report Back Method
RB #	Date				
1	5/6	What are annual revenues from Code Depts Vacant Building Program? Will proposed reductions impact these revenues?	Code	Max Fernandez	5/20 Budget Hearing
2	5/6	Need more information on how PD and Fire will address their reductions.	PD/Fire	Chief Braziel, Chief Jones	6/5 Budget Hearing
3	5/6	Position reductions, high level vs low level.	Budget	Leyne Milstein	6/10 Budget Hearing
4	5/6	Can we use biofuels for vehicles other than Solid Waste?	GS	Reina Schwartz	5/20 Budget Hearing
5	5/6	ID opportunities to do more with volunteers?	HR	Geri Hamby	6/10 Budget Hearing
6	5/6	ED to outline strategy for next two years to increase property and sales tax.	ED	David Spaur	6/10 Budget Hearing
7	5/6	Is the City benchmarking energy and fuel usage within the City, encouraging the use of alternate modes of transportation such as carpooling and walking to staff meetings, and considering budget reduction targets tied to reductions in energy and fuel usage?	GS	Reina Schwartz	6/10 Budget Hearing
8	5/13	Clarify difference between General Fund and TI dollars (citywide versus downtown funding).	ED	David Spaur	6/10 Budget Hearing
9	5/13	Provide a list of partnership/non-profit reductions.	ED	David Spaur	6/10 Budget Hearing
10	5/13	Provide detail on consulting services reductions.	ED	David Spaur	6/10 Budget Hearing
11	5/13	Report back on the benefits of the City's involvement in the International Conference of Shopping Centers.	ED	David Spaur	6/10 Budget Hearing
12	5/27	What are the options, pros/cons of unfunding versus eliminating positions? Identify specific departments that will need to add FTE back quickly?	CMO/Budget	Leyne Milstein	6/10 Budget Hearing
13	5/27	What are options/alternatives to the proposed reductions in order to provide time for the Library to complete the performance audit?	Library/Budget	Anne Marie Gold	6/17 Budget Hearing
14	6/5	Provide additional explanation of Fire Department reduction proposal. Are there alternatives to the proposed reductions?	Fire/CMO	Chief Jones	6/12 Budget Hearing
15	6/10	Prioritize programs listed in Tier 2 or the Parks and Recreation Department's reduction proposal for consideration of re-funding.	Parks	Jim Combs	6/12 Budget Hearing
16	6/10	Provide information relating to the management of overtime.	CMO	City Manager's Office	TBD
17	6/10	What to the staff at the airport do? How much work does City Fire Department staff do at the airport?	Fire	Chief Jones	TBD
18	6/10	Did Pacific pay for all services or was there an adjustment related to an alternative property use?	Fire	Chief Jones	TBD
19	6/10	Sacramento Mediation Center budgetary location and funding source?	CMO	City Manager's Office	TBD

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPROVING THE FISCAL YEAR (FY) 2008/09 OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR THE CITY OF SACRAMENTO

BACKGROUND

- A. The City of Sacramento through the leadership and direction of the Mayor and City Council has maintained a sustainable budget philosophy;
- B. The Mayor and City Council have implemented a strategic planning process for the City of Sacramento focusing on economic development, public safety, safe and affordable housing, sustainability and livability, and culture and entertainment which includes a plan for funding high priority operating and capital needs;
- C. The City Manager is required to present a balanced budget to the Mayor and City Council no less than 60 days prior to the end of each fiscal year pursuant to Article 9 Section 111 in the City of Sacramento Charter;
- D. The City Manager released the FY2008/09 Proposed Operating Budget and the 2008-2013 Proposed Capital Improvement Program (CIP) (which includes the FY2008/09 Capital Improvement Program Budget) on May 1, 2008, for review and consideration; and
- E. The Mayor and City Council conducted hearings during the months of May and June 2008 related to the adoption of the City's FY2008/09 Operating and Capital Improvement Program Budgets.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- A. The FY2008/09 Operating and Capital Improvement Program Budgets, as defined in Section 2.1, are hereby approved (collectively, the "Approved Budget");
- B. The 2008-2013 Capital Improvement Program, which provides a comprehensive five-year plan for capital project expenditures, is hereby approved;
- C. Sections 1 through 16 below, which define the authority and responsibilities of the City Manager in implementing the Approved Budget, are hereby approved.

SECTION 1. SCOPE

- 1.1 This resolution defines the authority and responsibilities of the City Manager in implementing the Approved Budget of the City of Sacramento and supersedes Resolution 2007-404.

SECTION 2. DEFINITIONS

- 2.1 "Approved Budget" includes the following documents:
 - (1) The FY2008/09 Proposed Operating Budget dated May 1, 2008, as amended by the City Council and reflected in the summary of augmentations (Exhibit 1), the summary of changes to the approved operating and capital improvement program budgets (Exhibit 2), as well as administrative and technical changes necessary to implement City Council direction (an Approved Operating Budget that incorporates into the Proposed Budget the augmentations and changes set forth in Exhibits 1 and 2, and other administrative and technical changes shall be prepared by the City Manager and be attached hereto as Exhibit 3); and
 - (2) The FY2008/09 Proposed Capital Improvement Budget dated May 1, 2008, as summarized in Schedule 4 of the FY2008/09 Operating Budget and detailed in the 2008-2013 Capital Improvement Program (an Approved Capital Improvement Budget that incorporates into the Proposed Capital Improvement Budget the augmentations and changes set forth in Exhibits 1 and 2, and other administrative and technical changes shall be prepared by the City Manager and be attached hereto as Exhibit 4).
- 2.2 "Base Budget" means the current year budget modified pursuant to labor agreements, one-time expenditures, citywide changes and midyear changes.
- 2.3 "Budget Categories" reflect internal reporting structures based on established budgets:
 - (1) "Department" or "Agency" means: Mayor and City Council; City Manager; City Attorney; City Clerk; City Treasurer; Code Enforcement; Convention, Culture & Leisure; Development Services; Economic Development; Finance; Fire; General Services; Human Resources; Information Technology; Labor Relations; Neighborhood Services; Parks & Recreation; Planning; Police; Transportation; Utilities; Capital Improvement; Debt Service; Non-Department and Reserves.
 - (2) "Division" means a sub-unit of a department.
 - (3) "Activity" means a sub-unit of a division.
 - (4) "Expenditure Class" means Employee Services, Other Services and Supplies, Equipment, Debt Service, Labor Offset, Transfers and Capital Improvements.
- 2.4 "City Manager" means the City Manager or, if so designated, the Director of Finance or the Budget Manager.
- 2.5 "Current Budget" means the FY2007/08 Approved Budget, incorporating any subsequent appropriation increases, decreases or transfers and adjustments.

- 2.6 "eCAPS" means the electronic Citywide Accounting and Personnel System (eCAPS): New Enterprise Resource Management system implemented in 2007 and 2008 to manage all City financial, human resource, and payroll transactions.
- 2.7 "Full Time Equivalent (FTE)" means the decimal equivalent of a position; i.e. one full-time position is 1.00 FTE and one quarter-time position is 0.25 FTE.
- 2.8 "Organization" means a sub-unit of a department, division or activity.
- 2.9 "Unfunded FTE" means a City Council authorized FTE without an associated labor budget. Unfunded FTE will remain vacant until funding has been restored.

SECTION 3. AUTHORIZED STAFFING AND APPROPRIATIONS

- 3.1 The City Manager is authorized to make any expenditure and resource adjustments to the Approved Budget based on final City Council action to adopt the Budget.
- 3.2 The City Manager is authorized to establish the appropriations and FTE staffing as shown in Schedules 1A, 1B, 1C and fund summaries, including transfers as shown on Schedule 2 as displayed in Exhibit 3.
- 3.3 The City Manager is authorized to revise any appropriation made in the Approved Budget where the revision is of a technical nature and is consistent with City Council intent.
- 3.4 During budget deliberation and following budget approval, the City Manager is authorized to adjust any appropriation made in the Approved Budget to reflect changes from amounts budgeted for updated labor, vehicle, energy, contingencies and risk management changes such as retirement rates, payroll taxes, health benefits, fleet costs and risk management costs from designated funds or reserves.
- 3.5 Following budget approval, the City Manager is authorized to revise indirect cost rates to be applied to hourly salary rates in order to achieve full cost recovery of services and is authorized to adjust the operating budget to reflect the indirect cost plan for FY2008/09.
- 3.6 Upon adoption by the City Council of a 911 Emergency Communication System Fee, the budget reductions for the Police Department and Fire Department included in the FY2008/09 Budget shall be restored to the level supported through the fee.

SECTION 4. APPROPRIATION INCREASES/DECREASES

- 4.1 All increases or decreases in excess of \$100,000 to operating and capital appropriations shall be approved by the City Council by resolution.
- 4.2 The City Manager is authorized upon completion of the audited financial statements for FY2007/08 to adjust FY2008/09 fund contingencies by the amount of net changes in fund balance as determined by the City Council. These fund balance and appropriation changes will be included and addressed in the Comprehensive Annual Financial Report (CAFR).
- 4.3 Residual balances from unexpended debt proceeds will be reverted to the appropriate fund and utilized for the legal purposes as specified in the conditions of the "debt issuance."

The City Manager is authorized to establish appropriations and account for the expenditure of these unexpended proceeds.

SECTION 5. STAFFING CHANGES

- 5.1 Any increase or decrease, by department by fund, in FTE as authorized in the Approved or Amended Budget for a department must be approved by the City Council, except for renewals or expansion of fully offset grants as specified in Section 5.2 below.
- 5.2 Any existing positions which were approved on the basis of the City receiving a grant or other reimbursements must have continued funding verified prior to filling the position. The City Manager is authorized to adjust staffing levels and associated service and supplies for renewals or expansions of fully offset City Council approved grants. Grant funded positions shall be terminated upon completion or cancellation of the grant, unless specifically continued by a resolution that includes a source of replacement funding.
- 5.3 Any exempt management position adjustment made subject to the approval of the City Manager and subject to the Personnel Resolution covering Unrepresented Officers and Employees approved by City Council must have funding verified by the Budget Office prior to implementation.
- 5.4 Any reassignment of authorized FTE and employee services funding associated with these FTE within a department and within the same fund may be made at the discretion of the department head with the approval of the City Manager as long as there is no net change to authorized FTE and funding levels.
- 5.5 All new positions or job reclassifications (as identified in Exhibit 3, Schedule 8) are subject to classification review and approval by the Human Resources Director.
- 5.6 The City Manager has authority to add FTE to deliver the Community Reinvestment Capital Improvement Program (CRCIP) projects. All FTE shall be added only for the duration of the specific CRCIP projects (approximately 1-3 years) and will not result in a net change to funding levels.
- 5.7 The City Manager has authority to adjust staffing levels in the Police and Fire Training Academies based on projected vacancies.
- 5.8 Positions identified as "unfunded" shall remain vacant until the City Council approves a budget adjustment to fund the costs associated with these positions.
- 5.9 The City Manager is authorized to substitute unfunded positions within a department for alternate vacant positions in order to address operational needs within the department's approved budget.

SECTION 6. APPROPRIATION TRANSFERS FROM CONTINGENCY/RESERVE FUNDS

- 6.1 The General Fund Economic Uncertainty Reserve for the City of Sacramento is \$10.5 million. This reserve will be maintained for the purpose of absorbing unforeseen revenue losses and allowing continuation of Approved Budget program levels.

- 6.2 The City Manager is authorized to increase or decrease budget appropriations up to \$100,000 from undesignated fund balance or, in the case of the General Fund, Administrative Contingency. Budget appropriation increases and decreases in excess of \$100,000 must be approved by the City Council, except for payments to employees for vacation and sick leave termination, which must be approved by the City Manager.
- 6.3 Transfers shall not be made from undesignated fund balance or Administrative Contingency if the transfer will result in a negative balance.
- 6.4 Use of designated reserves must be approved by the City Council.
- 6.5 The City Manager is authorized to make annual loan repayments to the Risk Fund from the Convention Center fund subject to the availability of funds. As of May 1, 2008, the Risk Fund loan to the Convention Center totals approximately \$8.7 million.

SECTION 7. OTHER APPROPRIATION TRANSFERS

- 7.1 Operating appropriation transfers within the same department and the same fund must be approved by the City Manager.
- 7.2 Appropriation transfers between two or more departments, up to and including \$100,000, must be approved by the City Manager. Such transfers in excess of \$100,000 must be approved by the City Council by resolution.

SECTION 8. UNSPENT APPROPRIATIONS AND ENCUMBRANCES

- 8.1 All appropriations in the operating budget which remain unencumbered or unexpended on June 30, 2008, after adjustments resulting from Sections 4.2, 4.3, 10.2, 11.5, and 12.3 or as specifically provided for in Section 16, shall revert to the fund balance of the respective funds.
- 8.2 The City Manager is authorized to increase revenue and expenditures for the Ethel MacLeod Hart operating organization (4729), pursuant to the recommendation of the Ethel MacLeod Hart Advisory Committee, every five years beginning in FY2006/07. All unobligated appropriations and interest earned in the prior year are to be carried over to the next fiscal year.
- 8.3 All purchase order commitments outstanding on June 30, 2008, and associated appropriations are hereby continued.
- 8.4 Unobligated appropriations in existence on June 30, 2008, for fleet purchasing budgets (object codes 4236/4632) and department carryover (object code 4995) shall be carried over to the next fiscal year.
- 8.5 Unobligated appropriations in existence on June 30, 2008, for Fire Department station expense appropriations (101-250-2532-4414), pursuant to the current fire labor contract, shall be carried over to the next fiscal year.
- 8.6 Unobligated appropriations in existence on June 30, 2008, for the City Council discretionary accounts shall be carried over to the next fiscal year.

SECTION 9. FY2008/09 REVENUE BUDGET

- 9.1 The FY2008/09 Revenue Budget is summarized in Exhibit 3, Schedule 6.
- 9.2 Any increase or decrease greater than \$100,000 in estimated revenue, to the adopted revenue budget by fund requires City Council approval.
- 9.3 The City Manager is authorized to adjust revenues for renewals and augmentations of fully offset grants.

SECTION 10. CAPITAL IMPROVEMENTS

- 10.1 Capital projects and/or appropriations shall be used for:
 - (1) Repairs, maintenance, improvements or acquisitions with a total cost of at least \$20,000 and a useful life that exceeds one fiscal year; and
 - (2) Community/Neighborhood projects and appropriations as approved by the City Council.
- 10.2 City Council approval is required for the establishment and/or cancellation (without completion) of a capital improvement project, except as provided below:
 - (1) Capital projects for internal City operations related to improvements and minor construction of existing City owned/occupied buildings can be established by the City Manager provided the total cost to deliver the project does not exceed \$100,000;
 - (2) Capital projects that have been approved in the Sacramento Housing and Redevelopment Agency's (SHRA) annual budget and are subject to the provisions of the Master Project Agreement between the City and SHRA as adopted by the City Council on December 18, 2001 (Resolution 2001-828), can be approved by the City Manager; and
 - (3) Capital projects may be subdivided for administrative convenience into separate sub-projects, as may be needed to manage and deliver the original scope of the project without further City Council action.
- 10.3 Capital appropriations shall be used solely for the originally approved project or projects except as provided for in this section. Annually, completed or inactive projects will be closed, except due to payment disputes. An inactive project is defined as one where transaction activity is less than \$1,000 over the prior three years. Closures are the responsibility of the designated project manager. The managing department and/or City Manager have the authority to process the necessary documentation to close inactive projects.
- 10.4 All multi-year capital improvement projects in existence on June 30, 2008, shall be continued in FY2008/09 except as provided in Section 10.3. The FY2008/09 CIP Budget is summarized on Schedules 2 and 4 as displayed in Exhibit 3.

- 10.5 Unencumbered appropriations for all inactive projects as defined in Section 10.3 above will expire on June 30 following the third full year of the last appropriation to the project. Subject projects requiring continuing appropriations will require City Council action through programming within the CIP or through a separate appropriation to the project.
- 10.6 Each fiscal year, on June 30, the balance of each capital improvement project must be zero or have a positive balance by fund. Projects in excess of the budget from all funding sources by:
 - (1) \$100,000 or less shall, first, be corrected within each fund and, second, be corrected by a transfer from the operating budget organization of the project manager. All transfers of \$100,000 or less shall be made as provided for in Section 6.2; or
 - (2) more than \$100,000, shall be submitted to City Council for approval of a corrective plan of action.
- 10.7 Except in the General Fund, the City Manager is authorized to transfer appropriations totaling \$100,000:
 - (1) From Project A to Project B if:
 - (a) Project A is completed and has savings; or
 - (b) Project A is not completed and a revised project estimate confirms that there will be project savings upon completion;
 - (2) Between funding sources within a project if the total appropriation remains unchanged.
- 10.8 The City Manager is authorized to increase or decrease project budget appropriations by not more than \$100,000 for each project. Appropriation changes exceeding \$100,000 in total for any project shall be submitted to the City Council for approval.
- 10.9 Community/Neighborhood projects and appropriations established with one-time funding sources under Resolution 2000-682 (11/21/00), 2001-765 (11/20/01), 2003-412 (6/17/03), 2004-551 (6/29/04), 2006-367 (5/23/06) and associated staff reports are governed by the following procedures:
 - (1) Savings of up to \$50,000 due to lower than expected costs or the securing of alternative funding sources can be administratively reprogrammed into other projects, within the same City Council District, at the request of the City Council District Office and with the approval of the City Manager; or
 - (2) Savings above \$50,000 to be reprogrammed requires City Council approval.
- 10.10 Upon completion and closure of a capital project, the City Manager is authorized to transfer any remaining project balance to:

- (1) Undesignated Fund Balance, the Capital Projects Base Reserve for Utilities Program capital projects or, in the case of the General Fund, Administrative Contingency; or
 - (2) As provided for in Section 10.7.
- 10.11 Measure A Sales Tax (Funds 201 and 207) and New Measure A Construction (Fund 291) expenditure and revenue budgets can be loaded into the City's financial system prior to Sacramento Transportation Authority (STA) Board approval. Work on capital projects in these funds is done prior to receiving funding; project funding/appropriation shall be as follows:
- (1) The City Manager is authorized to enter the revenue/expenditure budgets as reflected in the Approved Budget (revenues) and Capital Improvement Budget (expenditures);
 - (2) STA Board approval is required for all Measure A reallocations. In cases where the City Council takes action on recommended Measure A reallocations prior to STA Board action, City Council approval shall be contingent on STA Board approval; and
 - (3) The City Manager is authorized to enter expenditure/revenue budgets prior to STA Board approval.
- 10.12 Projects funded by the following reimbursable funds are included within the Operating and Capital Budgets for planning purposes: Grant Funds (Funds 248, 511, and 512), SHRA Community Development Block Grants (Fund 205) and Tax Increment (Fund 206). Work on capital projects funded by these sources is done prior to receiving funding and project funding/authorization for these projects shall be as follows:
- (1) Funds 205, 206, 248, 511 and 512: Expenditure and revenue budgets will not be loaded into the City's financial system until actual agreements (Program Supplements/E-76's, Individual Project Agreements (IPA), Cooperative Agreements, etc.) have been entered into between the City and the funding authority.
 - (2) Funds 511 and 512: The City of Sacramento is eligible to receive federal and/or state funding for certain transportation projects through the California Department of Transportation (Caltrans). Master Agreements, Program Supplemental Agreements, Fund Exchange Agreements and/or Fund Transfer Agreements must be executed with Caltrans before such funds can be claimed. The Mayor and/or City Manager are authorized to execute all Master Agreements, Program Supplemental Agreements, Fund Exchange Agreements, Fund Transfer Agreements and any amendments thereto with Caltrans.
- The City Manager is authorized to transfer matching funds as specified in the approved CIP from the state and federal Grant Match Program (TX01/T15007200) and to enter the revenue/expenditure budgets as reflected in the grant agreement, provided that the amount is not more than \$100,000 different from what was reflected in the Approved CIP which authorized the project funding. Project agreements that exceed \$100,000 difference from the anticipated budget shall be submitted to the City Council for approval.

- 10.13 The Capital Budget has been amended over the past few years to include "Credit Projects." Credit projects are established to account for turnkey parks, infrastructure and other improvements provided by a developer in exchange for City fee credits. These projects are identified by an alpha-numeric alpha-numeric project number. In an effort to provide a more accurate reflection of proposed spending by fund, these projects are identified in the CIP as funded by Developer Credit/Obligations (Fund 999). At the time these improvements are accepted by the City of Sacramento, the projects and related appropriations will be recorded in the appropriate City fund.
- 10.14 The CIP (Exhibit 4) includes projects that are directly supported by user and developer fees. The City Manager is authorized to adjust department revenue budgets and CIP expenditure budgets for projects directly supported by fees based on the actual fees collected, less any operating costs associated with delivering the service.

SECTION 11. OPERATING GRANTS AND EXTERNALLY FUNDED PROGRAMS

- 11.1 City Council approval is required for the establishment and/or cancellation (without completion) of an operating grant/externally funded program, except as follows:
- (1) The operating grant/externally funded program is under \$100,000 and does not require any of the following:
 - (a) Any increase or decrease, by department by fund, in FTE staffing levels as authorized in the Approved or Amended Budget; or
 - (b) Matching funds from City resources; or
 - (c) Any ongoing service or funding by the City.
 - (2) The City Manager is authorized to establish operating grants/externally funded programs and authorize spending and allocation of resources in advance of formal agreements in response to governmental requests for public safety assistance related to disasters and national security risks. The Department responding to these events shall report to the City Council within 60 days of receiving formal program documents from the requesting governmental agency(s) to obtain approval to enter into agreements and accept reimbursements.
- 11.2 As noted in Section 5.2, the City Manager is authorized to adjust staffing levels and associated service and supplies for renewals or expansions of fully offset grants previously approved by City Council.
- 11.3 If the grantor for a grant/externally funded program requires City Council action, then the grant/externally funded program shall require approval by the City Council regardless of the grant amount.
- 11.4 Operating grants/externally funded programs appropriated in the Approved Budget do not require additional City Council approval to be expended upon receipt of such grants or funds for externally funded programs.
- 11.5 All multi-year operating grant/externally funded program budgets in existence on June 30, 2008, shall be continued in FY2008/09.

SECTION 12. MULTI-YEAR OPERATING PROJECTS

- 12.1 Multi-Year Operating Projects are used for:
- (1) Economic Development Assistance, and Development Programs (i.e. Inclusionary Housing, and Infill); and
 - (2) Planning, audit, and other consultant studies that will take more than one fiscal year to complete.
- 12.2 City Council approval is required for the establishment and/or cancellation (without completion) of a multi-year operating project.
- 12.3 Unobligated appropriations in existence on June 30, 2008 for all existing multi-year operating projects shall be carried over to the next fiscal year.
- 12.4 Multi-year operating project appropriations shall be used solely for the originally approved program or study. Annually, completed or inactive multi-year operating projects will be closed. An inactive project is defined as one where transaction activity is less than \$1,000 over the prior three years. Closures are the responsibility of the designated project manager. The managing department and/or City Manager have the authority to process the necessary documentation to close inactive projects.
- 12.5 Each fiscal year, on June 30, the balance of each multi-year operating project must be zero or have a positive balance by fund. Projects in excess of the budget from all funding sources by:
- (1) \$100,000 or less shall, first, be corrected within each fund and, second, be corrected by a transfer from the operating budget organization of the project manager. All transfers of \$100,000 or less shall be made as provided for in Section 6.2; or
 - (2) more than \$100,000, shall be submitted to City Council for approval of a corrective plan of action.
- 12.6 The City Manager is authorized to increase or decrease project budget appropriations by not more than \$100,000 for each project. Transfers that exceed \$100,000 in total for any project shall be submitted to the City Council for approval.

SECTION 13. IN-LIEU PROPERTY TAXES AND IN-LIEU FRANCHISE FEE

- 13.1 An in-lieu property tax and in-lieu franchise fee are hereby imposed on the Community Center, Parking and Sacramento Marina funds in the amounts provided in Schedule 3 as displayed in Exhibit 3. The City Council finds that the in-lieu property tax as detailed in Schedule 3 represents the property tax revenue, which would be received by the General Fund if the real and personal property owned by these enterprises were taxable under private ownership. The in-lieu franchise fee as detailed in Schedule 3 represents the franchise fees which would be received by the City from private entities as a rental or a toll for the use of City streets and rights of way.

SECTION 14. APPROPRIATION LIMITS

- 14.1 The appropriation limit and the appropriations subject to the limit are hereby amended pursuant to Article XIII B of the California Constitution for FY2008/09 as detailed in Schedule 5 as displayed in Exhibit 3.

SECTION 15. MIDYEAR FINANCIAL REPORT

- 15.1 The City Council shall be provided a Midyear Financial Report including a revised estimate of the financial condition of all funds, revised estimated revenues and expenditures, and recommendations for eliminating any projected fund deficits.
- 15.2 The City Council shall act on any projected fund deficits as part of the fiscal year end close process.

SECTION 16. MISCELLANEOUS CONTROLS/CONSIDERATIONS

- 16.1 No expenditures at the department level shall exceed the Approved or Amended Budget, by fund.
- 16.2 The City Manager is authorized to modify the content of the Overview Section of the FY2008/09 Proposed Budget in order to refine and add content as may be needed to meet Government Finance Officers Association (GFOA) application requirements for excellence in reporting.
- 16.3 Subject to approval by the City Manager and pursuant to the sections governing transfers and appropriations, projected deficiencies in any department by fund must be corrected by:
- (1) Reducing expenditures in said department (i.e. freezing vacant positions, restricting purchase orders, etc.); or
 - (2) An appropriation transfer from administrative contingency and/or fund balance subject to the provisions of Section 6.
- 16.4 The City Manager is authorized to:
- (1) Adjust budgets to reflect all required debt service payments pursuant to the official statements;
 - (2) Adjust budgets in the Special Revenue funds for appropriations required based on the action/direction of the City Council relative to capital projects, transfer requirements and the availability of funds;
 - (3) Establish and adjust budgets for private development activities managed in multi-year operating projects, that are fully offset by development fees;
 - (4) Adjust budgets in the Capital Project funds for the current year based on previous actions of the City Council for projects on a multi-year basis; and
 - (5) Adjust appropriations and make adjustments to the City's financial and personnel structure as necessary to complete the conversion of the City's current systems to

the electronic Citywide Accounting and Personnel System (eCAPS), provided the overall appropriations by fund, department, capital improvement project (CIP), and total staffing as approved by the City Council remain unchanged.

- 16.5 In all staff reports that come before the City Council, net budgetary impacts on all funds will be stated clearly and concisely, including indirect impacts, so that the Councilmembers have a full understanding of the financial considerations and impacts of their decisions.

MAYOR

ATTEST:

CITY CLERK

Exhibits

- Exhibit 1 – Augmentation Summary
- Exhibit 2 – Summary of Changes/Technical Adjustments
- Exhibit 3 – Approved Operating Budget
- Exhibit 4 – Approved Capital Budget

Exhibit 1

SUMMARY OF PROPOSED BUDGET AUGMENTATIONS

General Fund

Department	Fund	Net Cost	FTE	Description
Parks and Recreation	General (101)		1.50	Add 1.50 FTE Park Safety Officer (Program Coordinator classification) for \$112,000 to be offset by increased youth and adult athletic field use fees and increased picnic area reservations fees.
Total		\$ -	1.50	

Enterprise, Special Revenue and Internal Service Funds

Department	Fund	Net Cost	FTE	Description
Planning	North Natomas (780)	442,000	-	Adjust multiyear operating project budgets to reflect administrative expenses and scheduled transportation agreements.
Planning	North Natomas (780)	350,000	-	Adjust reimbursements to the General Fund to reflect administrative expenses already included in the Planning Department's operating budget.
Utilities	Water (413)	1,330,043	-	Increase the service and supply budget for cost of living adjustments by \$1,120,043 and increase the corrective maintenance budget (previously funded through CIP ZB31/Z14000100 by \$210,000.
Utilities	Sewer (414)	55,344	-	Increase the service and supply budget for cost of living adjustments.
Utilities	Solid Waste (415)	1,428,096	-	Increase the service and supply budget for cost of living adjustments.
Utilities	Storm Drainage (425)	225,196	-	Increase the service and supply budget for cost of living adjustments by \$140,136 and increase the budget for ongoing maintenance costs for hardware and software by \$85,060.
Total		\$ 3,830,679	-	

**FY2008/09 SUMMARY OF CHANGES AND TECHNICAL ADJUSTMENT
TO THE PROPOSED OPERATING AND CIP BUDGETS**

FY2008/09 OPERATING BUDGET ADJUSTMENTS

Department	Fund	Net \$ Change	Authorized FTE Changes	Unfunded FTE Change	Funded FTE Change	Description
City Clerk	General (101)	-		1.00	(1.00)	1.00 FTE Deputy City Clerk is unfunded.
City Treasurer	General (101)	-		(1.00)	1.00	Restore the Assistant City Treasurer FTE previously marked as unfunded. This will provide continuity in the investment business functions during this transitional period under the leadership of a newly appointed City Treasurer. The costs of this position (\$201,834) will be funded within the City Treasurer's proposed budget.
Finance	General (101)	-		(6.00)	6.00	1.00 FTE Accounting Clerk II is funded; 2.00 FTE Customer Service Representative is funded; 2.00 FTE Senior Accountant Auditor is funded; 1.00 FTE Special Projects Manager is funded
Fire	General (101)	\$2,316,332		(25.00)	25.00	Increase the Fire Department budget by \$2.7 million and fund 25 FTE based on Council's action on June 12, 2008 to include a rotational work force reduction of 1.5 companies (1 company starting 7/15/08 and 1 company starting 1/1/09).
General Services	General (101) / Fleet (420)	-			-	Transfer an Info Tech Support Specialist I from Org 3112 to Org 3259. Transfer an Info Tech Support Specialist II from Org 3259 to Org 3112.
General Services	General (101)	-		-	-	Change the identified unfunded position of Customer Service Supervisor (1.0 FTE) to Customer Service Representative (1.0 FTE). The change in labor costs as a result of the staffing changes will be offset by an adjustment to the service & supply budget so that the net effect to the general fund is zero.
General Services	General (101)	-			-	Transfer an info Tech Support Specialist I from Org 3112 (Fund 101) to Org 3259 (Fund 420). Transfer Info Tech Support Specialist II from Org 3259 (Fund 420) to Org 3112 (Fund 101).
Information Technology	General (101)	-		0.50	(0.50)	Change the identified unfunded positions from 6.0 to 6.5 and change the classification of 4.0 unfunded positions as a result of approved Voluntary Separation Program (VSP) participants. The change in labor costs as a result of the staffing changes will be offset by an adjustment to the service & supply budget so that the net effect to the general fund is zero.
Non-Department	General (101)	(\$100,000)				Establish a salary savings reduction to offset the restoration of Fire Department operating budget.
Parks and Recreation	General (101)	\$50,000			-	Adjust the General Fund revenue budget in Recreation Administration by \$50K to record revenue from Pepsi Corp to recover costs for the City's Capital Sprint Program. Expense already budgeted in proposed.
Parks and Recreation	General (101)	-	(0.31)			Delete 0.31 FTE Program Leader position for the Triple R program rightsizing
Parks and Recreation	General (101)	-	(2.82)			Delete 2.82 FTE Senior Recreation Aide positions for the Triple R program rightsizing
Parks and Recreation	General (101)	\$600,000		(10.67)	10.67	Increase the Parks and Recreation budget by \$600,000 and fund 10.67 FTE based on Council's action on June 12, 2008 to restore identified Tier II reduction measures.
Parks and Recreation	General (101)	-		0.40	(0.40)	Unfund 0.40 FTE Clerical Assistant
Parks and Recreation	General (101)	-		0.03	(0.03)	Unfund 0.03 FTE Arts and Crafts Specialist
Parks and Recreation	General (101)	-		2.40	(2.40)	Unfund 2.40 FTE Program Leader
Parks and Recreation	General (101)	-		5.51	(5.51)	Unfund 5.51 FTE Recreation Aide
Parks and Recreation	General (101)	-		3.00	(3.00)	Unfund 3.00 FTE Program Coordinator
Parks and Recreation	General (101)	-		0.25	(0.25)	Unfund 0.25 FTE Student Trainee
Parks and Recreation Police	General (101)	-	2.53			Increase FTE related to receipt of CalGRIPS grant. Resolution 2007-835 established revenue and expense budgets; however, the resolution did not include the augmentation of FTE to be reimbursed by the grant.
Police	General (101)	-			4.00	Reduce the total number of Unfunded FTE by 4.00 FTE (1.00 FTE Forensic Investigator II, 1.00 FTE Police Clerk II, 1.00 FTE Program Analyst and 1.00 FTE Supervising Forensic Investigator) for purposes of consistency and accuracy.
Resolution	All	-			-	Add the following language to the FY2008/09 Budget Resolution: Section 5.9: The City Manager is authorized to substitute unfunded positions within a department for alternate vacant positions in order to address operational needs within the department's approved budget.
Transportation	General (101)	-			-	Transfer a Special Projects Engineer from Org 3435 to Org 3491. Transfer a Street Construction Laborer from Org 3492 to Org 3435. No funding source change.
Utilities	Sewer (414)	\$90,000			-	Adjustment for vehicle traps (Regulatory)
Utilities	Storm Drainage (425)	\$90,000			-	Adjustment for vehicle traps (Regulatory)
Utilities	Water (413)	\$272,000			-	Adjustment for repayment of SMUD back bill
Utilities	Water (413)	\$162,000			-	Adjustment for vehicle traps (Regulatory)
Utilities	Water (413)	(\$2,325,120)			-	Reduce water revenue commensurate with the proposed rate increase that has been postponed.

FY2008/09 OPERATING BUDGET - SCHEDULE 8 CHANGES

Organization	Original Classification	Revised Classification	Proposed Reclassification	FTE
General Services	Equipment Maintenance Supervisor	Equipment Body Mechanic II	Fleet Management Technician	1.00
Information Technology	IT Support Specialist I	remove request	none	-
Transportation	Street Construction Laborer	no change	Senior Engineer	1.00
Transportation	Secretary	no change	Senior Architect	1.00

FY2008/09 CAPITAL BUDGET ADJUSTMENTS

Program	Fund	CIP	Net \$ Change	Description
Utilities	Water (413/6005)	Z14005400	\$1,462,000	Increase funding for the South Sacramento 3mg Reservoir Project
Utilities	Water (413/6005)	Z14010001	(\$50,000)	Reduce funding for the RWM Project Management
Utilities	Water (413/6005)	Z14010003	(\$50,000)	Reduce funding for the RWM Retrofit Project
Utilities	Water (413/6005)	Z14010011	(\$215,000)	Reduce funding for RWM PR 4 PR3A So Land Park Project
Utilities	Water (413/6005)	Z14010012	(\$215,000)	Reduce funding for RWM Retro 5M1 City Farms Project
Utilities	Water (413/6005)	Z14010013	(\$215,000)	Reduce funding for RWM 7M4 Pocket Project
Utilities	Solid Waste (415/6007)	Y14000600	(\$200,000)	Reduce funding for Solid Waste Vehicles

Exhibit 3

Insert

FY2008/09 Approved Operating Budget

Exhibit 4

Insert

Approved 2008-2013 Capital Improvement Program