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DEPARTMENT OF
FINANCE

BUDGET, POLICY &
STRATEGIC PLANNING DIVISION

CITY OF SACRAMENTO
CALIFORNIA

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March 4, 2003

City Council
Sacramento, California

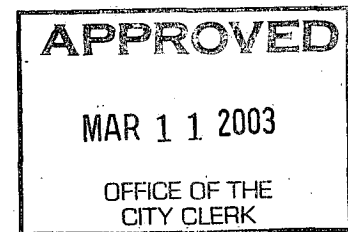
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Honorable Members in Session:

SUBJECT: FY2002/03 Enterprise Funds Midyear Report

LOCATION AND COUNCIL DISTRICT: Citywide

RECOMMENDATION:



It is recommended that the City Council approve the attached resolution which:

- Authorizes the City Manager to adjust revenues and expenditures per the 2002/03 Enterprise Funds Midyear Report.

CONTACT PERSON: Reina J. Schwartz, Budget, Policy & Strategic Planning Manager,
808-7195

FOR COUNCIL MEETING OF: March 11, 2003

SUMMARY:

The attached Midyear Report provides detailed information regarding the fiscal condition of the Enterprise Funds, specifically for the Water, Sewer, Drainage, Solid Waste, Parking, Community Center, Golf and Marina Funds. While the report addresses five year projection issues, current year highlights for each of those funds are as follows:

Water Fund

- Expenditures are on track
- Projected Fund balance lower than anticipated due to interest income losses
- Proposed 6% rate increases for FY04 & FY05

Sewer Fund

- Expenditures are on track
- Proposed 6% rate increases for FY04 & FY05

Storm Drainage Fund

- No rate increase proposed

Solid Waste Fund

- Expenditures are on track
- Fund anticipated to be balanced by FY05
- Proposed 6% overall solid waste rate increases for FY04 & FY05 (rates vary by individual service component)
- Lawn and Garden increases are proposed to be 18% for FY04 and 15% for FY05 in order for fee revenues to fully cover the cost of service (garbage service rates are substantially lower, leaving the overall rate increase for all solid waste services at 6%)
- Anticipated overall rate increases beyond FY06 should equal the rate of inflation (2-3%)

Parking Fund

- Expenditures are on track, slight savings will cover revenue issues
- Parking fee revenue is on track. Retail revenues are 10% lower than anticipated because of delays in leasing retail space at Memorial Garage
- Structural repair contract awarded and will lead to improved structures
- Will develop a comprehensive strategic parking plan spring 2003

Community Center Fund

- Expenditures are on track
- Transient occupancy tax is slightly better than budgeted but no anticipated improvement due to possible travel reductions for the rest of the fiscal year
- Last year to borrow from Risk is FY03, will start to repay in FY05

Golf Fund

- Expenditures are on track
- Golf rounds and revenue projections are being met
- FY2002 required \$567,000 less borrowing than authorized; FY04 is last year to borrow
- Future issues include construction of electric charging/storage facility at Bing Maloney and irrigation replacement at Arcade Creek and Bing Maloney

Marina Fund

- Marina currently has highest occupancy in ten years
- Expenditures are on track and very closely monitored
- Expect to cover FY02 year-end deficit of \$22,000 in FY03
- Will return to City Council with updated South Basin Plan as the fund continues to strengthen its service and financial base

Miscellaneous

- Recommendation that Council consider moving forward with multi-year proposed rate increases for utility and solid waste funds at the time of the FY2003/04 Budget
- Recommendation to appropriate \$2 million from Fleet Fund balance for additional General Fund vehicle purchases.
- Recommendation to restore Gas Tax funds advanced for the Truxel Interchange project.

BACKGROUND:

The Midyear Financial Report attached addresses the current financial condition of the City's Enterprise Funds, both expenditures and revenues. This process allows the City Council to approve necessary adjustments to carry out the the City's financial plan for the remainder of the fiscal year. This process also allows the City Council the opportunity to set policy direction for the preparation of the next fiscal year budget. Details are contained in the attached Enterprise Funds Midyear Review document (Attachment A).

This report contains information related to the City's Enterprise Funds which includes the Water, Sewer, Drainage, Solid Waste, Parking Community Center, Golf and Marina funds. An Enterprise Fund is defined as a fund used to account for operations, for which it is the stated intent, that the costs of the governmental entity or service to the general public on a continuing basis be financed or recovered primarily through fee and charge revenue. For each of the Enterprise Funds included in this report, there is program information, a five-year forecast for the fund and where appropriate, rate policy recommendations.

FINANCIAL CONSIDERATIONS:

The financial condition of each Enterprise Fund at Midyear FY2002/03 is described in detail in the Attached Enterprise Fund Midyear Review document (Attachment A).

POLICY CONSIDERATIONS:

This report is consistent with existing policy and reflects the current financial condition of the enterprise funds.

ENVIRONMENTAL CONSIDERATIONS:

CEQA does not apply to this report.

ESBD CONSIDERATIONS:

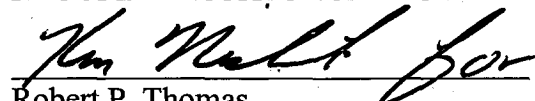
This report does not involve the purchase of goods and services.

Respectfully submitted,



Reina J. Schwartz
Budget, Policy & Strategic Planning Manager

RECOMMENDATION APPROVED:



Robert P. Thomas
City Manager

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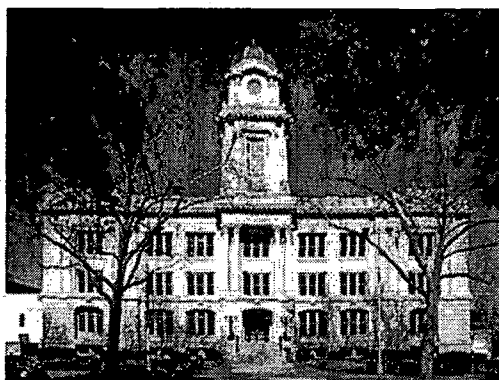
1. Attachment A – 2002/03 Enterprise Funds Midyear Review, pg. 5
2. Attachment B – Resolution Amending the 2002/03 Budget, pg. 30
3. Attachment C – Utilities Presentation Slides for Enterprise Funds Midyear Review,
pg. 31
4. Attachment D – Solid Waste Presentation Slides for Enterprise Funds Midyear Review,
pg. 38
5. Attachment E – Convention, Culture & Leisure Presentation Slides for Enterprise Funds
Midyear Review, pg. 46



CITY OF SACRAMENTO

Midyear Review 2002-03

Enterprise Funds March 11, 2003



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CITY OF SACRAMENTO, CALIFORNIA

2002-03 Midyear Review

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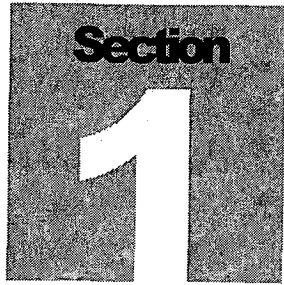
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Enterprise Funds – Midyear Report

A. Utility Rate Adjustments

The following table shows the past and future plans for utility rate adjustments for a typical single-family residence.

	ACTUAL RATE ADJUSTMENTS					ESTIMATED RATE ADJUSTMENTS				
	1998-99	1999-00	2000-01*	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Rate Increases										
Water	0%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Sewer Collection	0%	3%	4%	6%	6%	6%	6%	6%	6%	6%
Storm Drainage	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Solid Waste										
Garbage/Recycling	0%	5%	5%	5%	3%	1%	2%	3%	3%	3%
Lawn & Gardening/Street Sweeping	0%	5%	5%	5%	3%	18%	15%	3%	3%	3%
Composite% Inc.	0.0%	3.9%	4.1%	4.5%	3.8%	4.9%	4.9%	3.9%	3.9%	4.0%
Typical User Monthly Charge										
Water	14.14	14.99	15.89	16.84	17.85	18.92	20.06	21.26	22.54	23.89
Sewer Collection	8.19	8.44	8.78	9.31	9.87	10.46	11.09	11.75	12.46	13.21
Storm Drainage	11.31	11.31	11.31	11.31	11.31	11.31	11.31	11.31	11.31	11.31
Solid Waste										
Garbage/Recycling	13.97	14.67	15.40	16.17	16.65	16.82	17.07	17.58	18.11	18.65
Lawn & Gardening/Street Sweeping	5.75	6.04	6.34	6.66	6.89	8.13	9.35	9.63	9.92	10.22
	53.36	55.44	57.72	60.29	62.57	65.64	68.87	71.54	74.33	77.27

The anticipated proposed increases in utility and solid waste rates for FY2003/04 would result in a \$3 per month increase for a typical household (less than 5%).

This report recommends that Council consider moving forward with a proposal for a multi-year rate increase as part of the FY2003/04 Budget process. A multi-year (two years or more) rate increase would provide the utility and solid waste operations with improved stability and would provide rate payers with greater certainty regarding future rate increases.

Section
2

Water Fund

Revenue earned by the City of Sacramento for the purpose of providing water service to its customers is deposited in the Water Enterprise Fund. Revenues are derived from customer service fees, interest earnings, development fees, tap sales, and reimbursements from other entities for services performed by or paid by the Fund. Water Fund revenues are structured to cover the costs of providing water service to its customers which includes costs for water treatment, plant maintenance, water distribution system repair and maintenance, water conservation and education programs, water quality monitoring, related engineering services, customer service, the City-County Office of Metropolitan Water Planning, and a significant capital improvement program. Expenses of the Fund are summarized and reflected as operating costs, debt service, and capital improvement costs.

Issues facing the Water Fund include:

- Ongoing replacement of older water supply facilities to continue to provide a safe and reliable drinking water supply to the community and meet state and federal standards.
- Maintaining state and federal regulatory compliance.
- Expanding water treatment plant and transmission capacity to provide redundancy and accommodate future growth.
- Developing an aggressive water conservation program consistent with the Water Forum Agreement.
- Supporting regional, long-term water supply planning.
- Developing water wholesaling and wheeling agreements in support of effective regional water management.
- Maintaining the financial strength of the Fund for the purpose of meeting debt service requirements related to the rehabilitation and improvement of intake structures and treatment plants.
- Maintaining prudent reserves.

The following financial policies and guidelines are utilized by the Department of Utilities to ensure the fiscal viability of the Water Enterprise Fund:

- Water rate studies will be conducted at least every 5 years to ensure the long-term financial health and viability of the fund.

- Water rates will be reviewed annually to ensure that they meet operating, debt service, capital and legal requirements while avoiding significant one-year rate changes.
- As a matter of equity, rate changes will be spread uniformly across the rate base.
- The available fund balance (also referred to as the working capital reserve) will be maintained at a level that is at least equivalent to a minimum of 75 days of annual operating expenses.
- Sufficient net revenues (gross revenues minus operating and maintenance expenses) will be generated to exceed annual debt service payments by 30%, which provides a debt coverage ratio of 1.3 :1.
- Surplus available fund balance shall be used to mitigate future rate increases or supplement the approved Water Fund capital improvement program.

Current Year Projection

The following chart provides a comparison of the 2002-2003 Approved Budget with a fiscal year end projection of Water Fund revenues and expenditures. The Water Fund is currently projected to end the fiscal year with an available fund balance of \$10 million, \$1.2 million more than what is reflected in the Approved Budget. The increase in the projected ending available fund balance is primarily associated with additional funds forecasted for developer-related fees from continued growth in North Natomas.

5 Year Projection

The following chart provides a five-year budget and rate forecast and includes the following assumptions:

- The customer base will grow approximately 1% annually with modest adjustments over future years related to development in North Natomas.
- Annual operating costs will rise by approximately 3-5% as a result of cost of living increases, inflation and implementation of Water Forum programs.
- Projections of future capital spending reflect a balance between modest future rate increases and a reasonable level of infrastructure repair and rehabilitation spending. Funding of infrastructure rehabilitation and improvements to meet master planning goals identified in the Utility Infrastructure Report has been incorporated into the forecast and will be distributed over a 20-year period.
- Annual debt service decreases from \$13.6 million in the current fiscal year to approximately \$13.1 million annually for the next 30 years. The level of debt service contributes to the need for rate increases over the next three to five years.
- In June 2002, the City Council approved a 6% rate increase. While the five-year rate strategy provides for rate increases in subsequent years, it precludes double digit increases in any year.

Summary

Key issues for the Water Fund include rehabilitating and expanding the City's water treatment facilities, resolving unmet infrastructure rehabilitation, replacement and improvement needs, and implementing Water Forum conservation programs in support of long-term regional planning. While the Water Fund faces some significant challenges over the next five years the fund will remain financially sound and able to meet those challenges with moderate rate increases over the next several years.

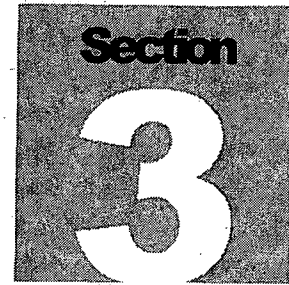
Water Fund (413)

Revenue and Expenditure Forecast

Dollars in Thousands

Source	'02-03 Budget	'02-03 Midyear	variance	03-04 Estimate	04-05 Estimate	05-06 Estimate	06-07 Estimate	07-08 Estimate
Projected Rate Increase				6%	6%	6%	6%	6%
Beginning Balance	13,495	8,178	(5,317)	10,047	11,234	11,094	10,702	10,686
REVENUE								
User Fees	36,552	37,900	1,348	40,576	43,440	46,507	49,791	53,306
Interest	7,000	7,000	0	4,000	2,000	2,000	2,000	2,000
Other	2,112	2,870	758	2,891	2,915	2,940	2,965	2,991
Total Revenues	45,664	47,770	2,106	47,467	48,355	51,447	54,756	58,297
EXPENDITURES								
Operating	28,847	29,474	627	31,883	33,559	35,286	36,566	37,902
Debt Service	13,629	13,629	0	13,140	13,140	13,146	13,149	13,130
CIP - Cash *	8,116	9,736	1,620	8,000	8,340	8,950	10,300	12,000
CIP - Financed	0	0	0	0	0	0	0	0
Total Expenditures	50,592	52,839	2,247	53,023	55,039	57,382	60,015	63,032
Other Funding Sources	255	6,938	6,683	6,743	6,543	5,543	5,243	5,243
ENDING BALANCE	8,822	10,047	1,225	11,234	11,094	10,702	10,686	11,194

* A separate report adjusting Water Fund CIPs will be brought forward by the Department of Utilities.



Sewer Fund

Revenue earned by the City of Sacramento for the purpose of providing sewer collection service to its customers is deposited in the Sewer Enterprise Fund. Revenues are derived from customer service fees, recovery of Sacramento Regional County Sanitation District (SRCSD)-related operation and maintenance costs paid for by the Fund, interest earnings, and connection charges. Sewer Fund revenues cover the cost of wastewater collection and maintenance, storage and treatment of wet weather combined sewage, installation of new services, the operation of 44 sanitary pumping stations, related engineering services, customer service, and the monitoring of discharge into the sewer collection system. Expenses of the Fund are generally divided among operating costs, debt service, and capital improvement costs.

The sewer system is a "contained system" in that very little expansion other than in-fill projects is possible. The City-operated sewer collection system serves approximately 60% of the City, primarily the central and older sections of the City. The SRCSD, through its County Sanitation District (CSD-1), serves the other areas of the City. The City's sewage is treated by the SRCSD while the City provides the SRCSD with billing and collection services for properties within the City service area.

The Sewer Fund presents unique challenges due to the system's minimal growth potential and the age and nature of the system's infrastructure. Issues facing the Fund include:

- Complying with increasingly stringent state and federal regulations.
- Rehabilitating the central City's combined sewer and storm drainage system (CSS) at the least possible cost to ratepayers.
- Continued rehabilitation of the City's separated sewer service area.
- Resolving the lack of growth in new services and the increasing cost for repair and reconstruction of the aging system that causes continual upward pressure on rates. This pressure is disproportionate compared to other City utilities.
- Maintaining the financial strength of the Fund for the purpose of raising sufficient capital to finance rehabilitation of the CSS. The Department of Utilities has negotiated agreements with other agencies for financial assistance with the CSS rehabilitation and has been awarded grants and received approval for several low-interest loans from the State Revolving Fund.
- Maintaining prudent reserves.

The following financial policies and guidelines are utilized by the Department of Utilities to ensure the fiscal viability of the Sewer Enterprise Fund:

- Sewer rate studies will be conducted at least every 5 years to ensure the long-term financial health and viability of the fund.
- Sewer rates will be reviewed annually to ensure that there is sufficient revenue to meet operating, debt service, capital, and legal requirements while avoiding significant one-year rate changes.
- As a matter of equity, rate changes will be spread uniformly across the rate base.
- The available fund balance (also referred to as the working capital reserve) will be maintained at a level that is at least equivalent to a minimum of 75 days of annual operating expenses.
- Sufficient net revenues (gross revenues minus operating and maintenance expenses) will be generated to exceed annual debt service payments by 30%, which provides a debt coverage ration of 1.3 : 1.
- Surplus available fund balance shall be used to mitigate future rate increases or to supplement the approved Sewer Fund capital improvement program.

Current Year Projection

The following chart provides a comparison of the 2002-2003 Approved Budget with a fiscal year end projection of Sewer Fund revenues and expenditures. The Sewer Fund is currently projected to end the fiscal year with an available fund balance of \$3.9 million, slightly more than the Approved Budget.

5 Year Projection

The following chart provides a five-year budget and rate forecast and includes the following assumptions:

- The customer base for the Sewer Fund will remain fixed with very little growth in the system other than in-fill projects.
- Annual operating costs will rise by approximately 3-4% as a result of cost of living increases and inflation.
- Projections of future capital spending in the Sewer Fund reflect a balance between modest future rate increases and a reasonable level of infrastructure repair and rehabilitation spending. There remains a significant amount of unmet infrastructure rehabilitation in the system.
- The City has borrowed approximately \$53 million over the last four years from the State Revolving Fund for the rehabilitation projects in the CSS with \$13 million to be repaid by the Sewer Fund.
- Annual debt service will increase to approximately \$1.1 million in FY 2006. This will contribute to an upward pressure on rates over the next five years.
- In June 2002, the City Council approved a 6% rate increase. While the five-year rate strategy provides for rate increases in subsequent years, it precludes double digit increases in any year.

Summary

An aging sewer system, increased regulatory requirements, the need to rehabilitate and finance the combined system, and relatively no growth in the customer base are key issues facing the Sewer Fund. While significant challenges confront the Fund, it is positioned financially to meet those challenges with moderate rate increases over the next several years.

Sewer Fund (414)

Revenue and Expenditure Forecast Dollars in Thousands

Source	'02-03 Budget	'02-03 Midyear	Variance	03-04 Estimate	04-05 Estimate	05-06 Estimate	06-07 Estimate	07-08 Estimate
Projected Rate Increase				6%	6%	6%	6%	6%
Beginning Balance	5,206	4,909	(297)	3,813	3,295	3,219	3,386	4,065
REVENUE								
User Fees	12,700	13,256	556	14,051	14,894	15,788	16,735	17,740
Interest	400	400	0	400	400	400	400	400
Other	1,192	1,249	57	1,247	1,245	1,243	1,240	1,238
Total Revenues	14,292	14,905	613	15,698	16,539	17,431	18,375	19,378
EXPENDITURES								
Operating	11,164	11,320	156	11,379	11,778	12,193	12,624	13,073
Debt Service	862	862	0	862	862	1,097	1,097	1,097
CIP - Cash	3,844	3,844	0	4,000	4,000	4,000	4,000	4,000
CIP - Financed	0	0	0	0	1,700	1,700	0	0
Total Expenditures	15,870	16,026	156	16,241	18,340	18,990	17,721	19,170
Debt Proceeds	0	0	0	0	1,700	1,700	0	0
Other Funding Sources	25	25	0	25	25	25	25	25
ENDING BALANCE	3,653	3,813	160	3,295	3,219	3,386	4,065	4,298

Section
4

Storm Drainage Fund

Revenue earned by the City of Sacramento for the purpose of providing storm drainage service to its customers is deposited in the Storm Drainage Enterprise Fund. Revenues are generated primarily from customer service charges and interest earnings. Storm Drainage Fund revenues cover the cost of storm drainage pumping operations, wet weather treatment and storage, collection system maintenance, related engineering services, flood plain management, customer service, and a significant capital improvement program. Expenses are divided among operating costs, debt service, and capital improvements.

Issues facing the Storm Drainage Fund include:

- Rehabilitating the central City's combined sewer and storm drainage system (CSS) at the least possible cost to ratepayers.
- Upgrading drainage service to areas outside of the CSS to meet citywide standards.
- Supporting regional flood control efforts.
- Improving drainage system reliability.
- Maintaining the financial strength of the fund for the purpose of raising sufficient capital to finance rehabilitation of the CSS. The Department of Utilities has negotiated agreements with other agencies for financial assistance with the CSS rehabilitation and has been awarded grants and received approval for several low-interest loans from the State Revolving Fund.
- Maintaining prudent reserves.
- Operating under Proposition 218 restrictions.

The following financial policies and guidelines are utilized by the Department of Utilities to ensure the fiscal viability of the Storm Drainage Fund:

- Storm Drainage rate studies will be conducted at least every 5 years to ensure the long-term financial health and viability of the Fund.
- Storm Drainage rates will be reviewed annually to ensure that they meet operating, debt service, capital, and legal requirements.
- The available fund balance (also referred to as working capital reserve) will be maintained at a level that is at least equivalent to a minimum of 75 days of annual operating expenses.
- Sufficient net revenues (gross revenues minus operating and maintenance expenses) will be generated to exceed annual debt service payments by 30%, which provides a debt coverage ratio of 1.3 : 1.

- Surplus available fund balance shall be used to mitigate future rate increases or supplement the approved Storm Drainage Fund capital improvement program.

Current Year Projection

The following chart provides a comparison of the FY 2002-2003 Approved Budget with the current projection of Storm Drainage Fund revenues and expenditures through June 30, 2003. The Fund is currently projected to end the fiscal year with an available fund balance of \$3.6 million, \$3 million less than what was reflected in the Approved Budget. The projected decrease in ending available fund balance is primarily due to unanticipated expenditures for potential drainage facilities and a decrease in beginning available fund balance because of capital improvement project appropriations and unrealized investment gains in the prior fiscal year.

5 Year Projection

The following chart provides a five-year budget and rate forecast and includes the following assumptions:

- Future growth in the system will approximate 1% annually with modest adjustments over future years related to development in North Natomas.
- Operating costs will rise by 3-4% annually resulting from cost of living increases and inflation.
- Although there has been no rate increase in the Storm Drainage Fund since 1996, no rate increases are projected in the near future. Based on current projections, the Storm Drainage Fund is able to adequately meet operating and debt service requirements.
- Projections of future capital spending in the Storm Drainage Fund reflect a reduction in funding levels. The reduction in available funds for the CIP program will continue to put the system further behind from meeting the infrastructure rehabilitation needs identified in the Utility Infrastructure Report.
- The City has borrowed approximately \$53 million from the State Revolving Fund for the rehabilitation projects in the CSS with \$40 million to be repaid by the Storm Drainage Fund.
- Annual debt service will increase to approximately \$4.1 million in FY 2005. This will contribute to a reduction in funding available for future capital improvement projects.
- No new, significant water quality regulations will be enacted.

Summary

The Storm Drainage Fund will face some challenging issues over the next several years. Key issues continue to include the financing of the rehabilitation of the combined system, maintaining a prudent level of funding for capital improvement rehabilitation and replacement, funding cost of living adjustments and increases in supplies and services, and the difficulty associated with raising rates in compliance with Proposition 218. Proposition 218 requires an affirmative majority vote by affected property owners or a two-thirds vote of the general electorate in order to increase storm drainage rates.

Storm Drainage Fund (425)

Revenue and Expenditure Forecast

Dollars in Thousands

Source	'02-03 Budget	'02-03 Midyear	variance	03-04 Estimate	04-05 Estimate	05-06 Estimate	06-07 Estimate	07-08 Estimate
Projected Rate Increase				0%	0%	0%	0%	0%
Beginning Balance	9,424	8,844	(580)	3,589	4,930	5,866	6,711	6,571
REVENUE								
User Fees	28,482	28,831	349	29,119	29,411	29,705	30,002	30,302
Interest	1,400	1,347	(53)	1,400	1,400	1,400	1,400	1,400
Other	426	385	(41)	171	165	158	151	145
Total Revenues	30,308	30,563	255	30,690	30,976	31,263	31,553	31,847
EXPENDITURES								
Operating	20,789	19,929	(860)	21,942	22,633	23,845	24,581	25,340
Debt Service	3,407	3,407	0	3,407	3,407	4,112	4,112	4,112
CIP – Cash	8,942	9,934	0	4,000	4,000	4,000	3,000	3,000
CIP – Financed	0	0	0	0	5,100	5,100	0	0
Total Expenditures	33,138	32,278	(860)	29,349	35,140	37,057	31,693	32,452
Debt Proceeds	0	0	0	0	5,100	5,100	0	0
Other Funding Sources	0	0	0	0	0	0	0	0
Total	0	0	0	0	5,100	5,100	0	0
OTHER OBLIGATIONS	0	3,540	3,540	0	0	0	0	0
ENDING BALANCE	6,594	3,589	(3,005)	4,930	5,866	6,711	6,571	5,966

Solid Waste Fund

The Solid Waste Fund is an enterprise fund that is financially responsible for the activities of collecting garbage, recycling, garden refuse, sweeping streets, removing illegally dumped materials from throughout the City and waste reduction. These solid waste collection activities serve three types of customers—residential, commercial and City facilities. Current issues facing the Solid Waste Fund include:

- The continuing need to adjust day-of-the-week service boundaries in order to provide service to the rapidly growing North Natomas area.
- The need to fund new equipment costs for new routes due to unprecedented growth in the city.
- The need to continue to provide quality customer service, despite growth, without additional labor costs.
- The need for a North Area Corporation Yard & Transfer Station to continue to provide quality service as the northern portion of the City continues to grow and improve the efficiency of the City's collection operation.

2002-03 Highlights

With the adoption of the 2002-2003 budget, the City Council approved a 3% rate increase to assure that the level of service provided to customers did not diminish despite growing costs in materials, supplies, labor and debt service costs.

The Solid Waste Fund gained additional revenues from new sources including a commercial services contract for \$250,000 with Sacramento Unified School District, \$50,000 from other local jurisdictions for use of the City's Household Hazardous Waste facility, and \$50,000 in additional reimbursements for street sweeping services.

In addition, the fund is expected to begin collecting additional revenues, projected to be approximately \$100,000 annually, as a result of a current audit of all utility accounts as part of the data clean-up phase of the utility billing replacement capital improvement project.

The chart that follows provides a comparison of the 2002-2003 Approved Budget with the current projection for Solid Waste revenues and expenditures. The Solid Waste Fund is anticipated to end fiscal year 2002-2003 with a balance of approximately \$2.7 million.

5 Year Projection

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

- After an initial two-year period with 6% residential user fee increases for all solid waste services combined, residential customers should only incur annual increases consistent with inflation (usually 2-3%).
- Lawn and garden fee increases are proposed to be 18% for FY2003/04 and 15% for FY2004/05 in order for fee revenues to fully cover the cost of service. Proposed rates for the garbage service component are substantially lower, leaving the overall rate increase for all solid waste services combined at 6%.
- Full annual debt service payments of approximately \$2 million per year for the construction of the Meadowview City Service Complex will continue.
- Annual projections include new revenues based on new commercial and residential customers.
- No changes in funding to other services and can replacement program.
- Offsetting revenues for all new equipment costs related to new routes.

The five-year projection shows that the Solid Waste Fund, with the approval of annual rate increases, averaging 4-5% overall, over the next five years, the fund will become balanced by 2004-2005. As a result of the 2001-2002 year-end actuals, the beginning fund balance for 2002-2003 was approximately \$2 million less than anticipated in the Spring of 2002 when the 2002-2003 budget was introduced.

Approved Rate Policy

Over the last several years, the rates for Solid Waste have been relatively stable with moderate rate increases annually. Future rate increases for the next five years, after fiscal year 2004-2005, should be no higher than the expected rate of inflation.

Summary

While the Solid Waste Fund faces some challenges in the upcoming years, the fund is well placed financially to deal with those challenges without rate spikes over the next several years.

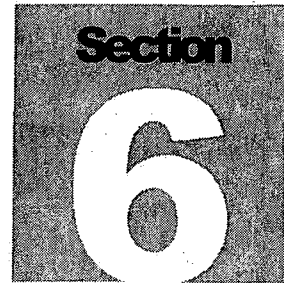
Solid Waste Fund – 5 Year Fund Balance Projection

Dollars in Thousands

Source	'02-03 Budget	'02-03 Midyear	variance	03-04 Estimate	04-05 Estimate	05-06 Estimate	06-07 Estimate	07-08 Estimate
Projected Rate Increase*	3%	N/A	N/A	6%	6%	3%	3%	3%
Beginning Balance**	9,413	6,202	(3,211)	2,767	1,812	2,306	3,319	4,876
REVENUE								
User Fees	34,777	33,884	(893)	36,417	38,602	39,860	41,156	42,491
Interest	1,000	425	(575)	375	380	400	425	980
Other	1,454	1,525	71	1,650	1,700	1,750	1,800	1,900
Total Revenues	37,231	35,834	(1,397)	38,442	40,682	42,010	43,381	45,371
EXPENDITURES								
Employee Services	12,384	11,860	(524)	12,756	13,074	13,401	13,736	14,080
Services & Supplies	22,922	22,493	(429)	23,380	23,848	24,325	24,812	25,308
Equipment	619	619	0	600	600	600	600	600
Transfers Out	499	500	1	500	500	500	500	500
Debt Service	1,990	1,990	0	1,999	1,999	1,999	1,999	1,999
Total Expenditures	38,414	37,462	(952)	39,235	40,021	40,825	41,647	42,486
Capital Improvements	1,807	1,807	0	262	367	372	377	382
Other Sources/(Uses)	0	0	0	100	200	200	200	200
Annual Surplus/(Loss)	(2,990)	(3,435)	(445)	(955)	494	1,013	1,557	2,702
ENDING BALANCE	6,423	2,767	(3,656)	1,812	2,306	3,319	4,876	7,578

*Overall rate increase (at fund level), rate change for each service will vary

**Includes rate stabilization reserve balance



Parking Fund

The City of Sacramento operates eight parking garages and four surface parking lots, including two surface lots operated on behalf of the Crocker Art Museum, with a total of over 8,580 parking spaces. The Parking Facilities Division also manages over 60,000 square feet of retail space at various City parking structures. It is an enterprise fund that is required to generate sufficient revenues to cover operational costs, maintain facilities in a quality manner and plan for future parking needs.

2002-03 Highlights

Parking Fund revenue are comprised of parking fees and rental income from the retail space within the parking facilities. Parking fees are expected to meet approved budget. Retail revenue is consistent with current agreements in place. Projected rental income for retail space is expected to be under budget by approximately 10% due to delays in leasing retail space in Memorial Garage.

Operating expenses are expected to end the year within budget. The Parking Facilities Division is proposing to initiate a pilot security program from April-June 2003. The pilot program will increase security services to a 24 hours/day, 7 days/week basis at select city owned parking structures. The additional security hours will increase level of security to the public, as well as the facility. In addition, 24-hour security will improve operation of the revenue control system.

Consistent with the City Council's adopted Strategic Plan initiatives, the Parking Facilities Division will initiate a process during the first 3 months of 2003 to develop a comprehensive strategic parking plan. A consultant will assist in preparing this study, which will include the evaluation of parking supply and demand in the downtown core, review of current and projected land use data, identification of potential sites for the construction of future parking structures, development of various financing strategies and to conduct public outreach meetings. The estimated cost for the study will be under \$200,000 and funding will come from the existing capital project for parking facilities development.

Five-Year Projection

Parking fee revenues are projected to increase an average of 2 percent over the next five years based on periodic rate adjustments. Rental income is based on current and anticipated leases. Labor expenses are projected to grow at 3 percent annually and non-labor costs at 1 percent.

Parking Fund – 5 Year Fund Balance Projection

Dollars in Thousands

	<u>2002-03</u> <u>Budget</u>	<u>2002-03</u> <u>MidYear</u>	<u>Variance</u>	<u>2003-04</u> <u>Estimate</u>	<u>2004-05</u> <u>Estimate</u>	<u>2005-06</u> <u>Estimate</u>	<u>2006-07</u> <u>Estimate</u>	<u>2007-08</u> <u>Estimate</u>
BEGIN FUND BALANCE	\$ 2,390	2,390	-	\$ 2,485	\$ 2,203	\$ 2,260	\$ 2,618	\$ 3,170
REVENUES								
Parking Fees	15,454	15,454	-	15,763	16,078	16,400	16,728	17,062
Interest Income	760	760	-	775	791	807	823	839
Real Property Rental	931	835	(96)	1,040	1,122	1,238	1,242	1,256
Miscellaneous	1	1	-	1	1	1	1	1
TOTAL REVENUES	17,146	17,050	(96)	17,579	17,992	18,446	18,794	19,158
EXPENDITURES								
Employee Services	2,718	2,622	(96)	2,800	2,884	2,970	3,059	3,151
Services & Supplies	6,407	6,407	-	6,470	6,535	6,602	6,667	6,734
Equipment	-	-	-	-	-	-	-	-
Expense Offsets/Transfers	1,065	1,065	-	1,065	1,065	1,065	1,065	1,065
Subtotal-Operations	10,190	10,094	(96)	10,335	10,484	10,637	10,791	10,950
Debt Service	3,573	3,573	-	3,573	3,573	3,573	3,573	3,573
Capital Improvements	3,288	3,288	-	3,953	3,878	3,878	3,878	3,878
TOTAL EXPENDITURES	17,051	16,955	(96)	17,861	17,935	18,088	18,242	18,401
CURRENT SURPLUS/(DEFICIT)	95	95	-	(282)	57	358	552	757
ENDING FUND BALANCE	\$ 2,485	\$ 2,485	-	\$ 2,203	\$ 2,260	\$ 2,618	\$ 3,170	\$ 3,927

Community Center Fund

The Community Center Fund finances the operation, debt service requirements and capital improvement program for the Sacramento Convention Center, Memorial Auditorium, and Community Center Theater. The major challenges include maintaining successful financial performance as an enterprise fund, optimizing facility utilization through aggressive marketing, maintaining the facility to industry standards, and stimulating hotel market demand to generate Transient Occupancy Tax (TOT) revenues.

A Business Plan guides the management of the Convention Center Complex. The Plan establishes operational goals, benchmark success indicators, and strategies against which the performance of the Center can be measured. A new Business Plan was recently presented to and accepted by Council.

2002-03 Highlights

The impact of the September 11th tragedy, coupled with the slowdown in the economy, continues to have a significant impact on the travel and hospitality industry nationwide and California in particular. Despite this trend, Transient Occupancy Tax collections in Sacramento for FY 2002 were nearly the same as the prior year. Sacramento outperformed such travel destinations as San Francisco and San Diego who saw sharp drops in their collections. For this year, Citywide TOT collections through December 2002 are 2.9% percent higher than goal for the first half of the year.. While this news is encouraging, no change in TOT from the Approved Budget level is being recommended at this time. Collections will continue to be closely monitored.

User fees are being lowered from \$6.2 million to \$5.9 million consistent with 2002 Business Plan Update presented earlier this year. The Mid-Year amount represents a 4% increase over FY01 actual receipts. The Business Plan reflected the impact of new competition in Performing Arts venues such as the Mondavi Center, the Cove at Cal Expo, and the Auto West Amphitheater. In addition, Sacramento is experiencing competition from typically higher priced destinations such as San Francisco, San Diego and Long Beach, who have dropped prices to attract the tradeshows and conferences that traditionally come to Sacramento. The Convention Center has been and will continue to be impacted by the limit on travel and meetings for all State government agencies. However, the Sacramento Convention Center is expected to perform at the level presented in the 2002 Business Plan Update.

Debt service savings from the recently completed Citywide debt refinancing will offset the proposed revenue decrease. All other expenses are expected to remain within the Approved Budget.

In 1997, to maintain the financial integrity of the Community Center Fund, the City Council approved the use of the Risk Management Fund to provide an annual loan, if needed, to offset any year-end deficit. The loan draw for FY 03 is projected to be \$480,000, \$31,000 less than anticipated. This is the final year of expected borrowing, resulting in a total borrowing since 1997 of \$7.0 million—approximately \$5.0 million less than was originally projected.

Five-Year Projection

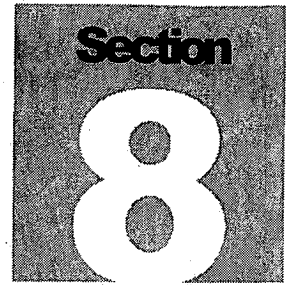
TOT revenues are projected to grow by an average of 4 percent annually over the next five years— a conservative projection. User fees are expected to grow an average of 5 percent during the same time and include proposed rate increases in FY 2004. Operating expenses are projected to grow annually at 3 percent. Capital projects will continue to focus on facility maintenance and meeting industry standards.

It is expected that repayment of the inter-fund loan will begin in FY 05. A 4 percent operating reserve will also be established beginning in FY 05 budget as the Fund's performance improves.

Community Center Fund – 5 Year Fund Balance Projection

Dollars in Thousands

	2002-03 Budget	2002-03 Mid-Year	Variance	2003-04 Estimate	2004-05 Estimate	2005-06 Estimate	2006-07 Estimate	2007-08 Estimate
BEGIN FUND BALANCE	\$ 50	\$ 50	-	\$ 50	\$ 530	\$ 581	\$ 1,470	\$ 2,038
REVENUES								
Transient Occupancy Tax	13,490	13,490	-	14,003	14,703	15,438	15,747	16,219
Interest Income	754	754	-	975	1,069	1,172	1,285	1,285
User Fees	6,204	5,900	(304)	6,517	6,917	7,293	7,439	7,662
Other Revenue	1,349	1,349	-	1,400	1,470	1,544	1,575	1,622
TOTAL REVENUES	21,797	21,493	(304)	22,895	24,159	25,447	26,046	26,788
EXPENDITURES								
Employee Services	4,387	4,387	-	4,519	4,654	4,794	4,938	5,086
Services & Supplies	6,322	6,322	-	6,646	6,827	7,028	7,207	7,433
Equipment	90	90	-	90	90	90	90	90
Expense Offsets/Transfers	(191)	(191)	-	(196)	(202)	(208)	(214)	(221)
Subtotal—Operations	10,608	10,608	-	11,059	11,369	11,704	12,021	12,388
Debt Service	10,810	10,475	(335)	10,476	10,474	10,476	10,476	10,478
Capital Improvements	890	890	-	880	810	910	1,000	1,000
Other Fund Uses	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	22,308	21,973	(335)	22,415	22,653	23,090	23,497	23,866
CURRENT SURPLUS/(DEFICIT)	(511)	(480)	31	480	1,506	2,357	2,549	2,922
AVAILABLE FUND BALANCE	(461)	(430)	31	530	2,036	2,938	4,019	4,960
Reserve for Operations					(455)	(468)	(481)	(496)
Interfund Transfer (Loan Repay)	511	480	(31)	-	(1,000)	(1,000)	(1,500)	(2,000)
ENDING FUND BALANCE	\$ 50	\$ 50	-	\$ 530	\$ 581	\$ 1,470	\$ 2,038	\$ 2,464



Golf Fund

Capital City Golf is an enterprise fund that manages the Haggin Oaks, Bing Maloney, and Bartley Cavanaugh Golf Courses operations. William Land Golf Course is operated by Sacramento Area Youth (SAY) Golf, a 501(c)3 non-profit organization.

2002-03 Highlights of operations

In June 2002, City Council adopted the financial workout strategy for the Golf Fund that included the target of a minimum 5% annual revenue growth in order for operations to remain status quo. Management continues to closely monitor expenses and revenues and reports quarterly to the full City Council with financial performance information. The Mayor appointed a City Council Ad-Hoc Golf Committee to work with Capital City Golf and provide oversight.

The Golf Fund ended FY 2002 requiring \$567,000 less in borrowing than previously authorized. This was a combination of higher than projected revenues of \$134,000 and lower than expected expenses of \$433,000. Greens fees and concession revenues are adjusted at Mid-Year to reflect 5 percent growth from last year as approved by the City Council last June. Through January 2003, greens fee revenues have increased 6.5 percent and rounds 9.1 percent over the same time last year. Capital City Golf is expected to meet its expense budget. Payment of the debt service on the Bing Maloney Executive Course will be completed this year.

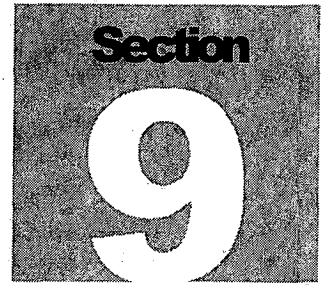
Five-Year Projection Summary

The 5-year financial scenario reflects a 5% projected annual revenue growth for greens fees and concessions. Labor expenses grow by 3% and non-labor costs by 1% annually. Future issues include construction of an electric charging/storage facility at Bing Maloney Golf Course and replacement of the irrigation systems at Arcade Creek and Bing Maloney-18 golf courses.

Golf Fund – 5 Year Fund Balance Projection

Dollars in Thousands

	<u>2002-03</u> <u>Budget</u>	<u>2002-03</u> <u>Mid-Year</u>	<u>Variance</u>	<u>2003-04</u> <u>Estimate</u>	<u>2004-05</u> <u>Estimate</u>	<u>2005-06</u> <u>Estimate</u>	<u>2006-07</u> <u>Estimate</u>	<u>2007-08</u> <u>Estimate</u>
BEGIN FUND BALANCE	\$ -	\$ -	-	\$ 99	\$ 228	\$ 53	\$ -	\$ 139
REVENUES								
Greens Fees	4,017	4,095	78	4,300	4,515	4,741	4,978	5,226
Concessions	1,797	1,818	21	1,894	1,973	2,054	2,139	2,227
Interest	75	75	-	100	100	100	100	100
Registrations	30	30	-	30	30	30	30	30
Irrigation Surcharge	217	217	-	217	217	217	217	217
Miscellaneous	113	113	-	115	117	119	122	124
TOTAL REVENUES	6,249	6,348	99	6,656	6,952	7,261	7,586	7,924
EXPENDITURES								
Employee Services	2,740	2,740	-	2,822	2,907	2,994	3,084	3,176
Services & Supplies	2,922	2,922	-	2,964	3,007	3,049	3,092	3,135
Equipment	50	50	-	50	50	50	50	50
Expense Offsets/Transfers	(84)	(84)	-	(84)	(84)	(84)	(84)	(84)
Subtotal-Operations	5,628	5,628	-	5,752	5,880	6,009	6,142	6,277
Debt Service	1,261	1,261	-	1,150	1,150	1,208	1,208	1,208
Capital Improvements	60	60	-	60	60	60	60	60
(Capital Borrowing)/Debt Service	37	37	-	37	37	37	37	37
Other (Sources)/ Uses	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	6,986	6,986	-	6,999	7,127	7,314	7,447	7,582
CURRENT SURPLUS/(DEFICIT)	(737)	(638)	99	(343)	(175)	(53)	139	342
AVAILABLE FUND BALANCE	(737)	(638)	99	(244)	53	0	139	481
Interfund Advance (Repay)	737	737	-	472	-	-	-	-
ENDING FUND BALANCE	\$ -	\$ 99	99	\$ 228	\$ 53	\$ -	\$ 139	\$ 481



Marina Fund

The Sacramento Marina is a 553-berth marina located on the Sacramento River at Miller Park. The Marina is a full service, 7-day-a-week operation that includes a fuel dock, concessions, security gates, and parking. Under a lease arrangement, the Marina also provides space for a boat brokerage business for rentals and sales of new and used boats and the sale of marine-related merchandise. In exchange, the Marina receives a percentage of the gross revenue generated by the boat broker. The Marina operates as an enterprise fund in which revenues must offset costs.

The Marina's average occupancy rate (percentage of berths filled) for the first six months of 2002-03 is 94 percent—which is 2 % higher than last year. Over the past three years, occupancy has averaged 90 percent annually and typically is highest in the summer months.

A Marina Business Plan has been completed. Its findings and recommendations were approved by the Marina Advisory Council and brought to the City Council for approval as part of last years' Mid-Year review. The Plan identifies two revenue development opportunities to stabilize and enhance the Marina Fund. The first was to implement an increase in berthing fees—the first in 10 years—to reflect operational cost increases, such as utilities and security. This has been implemented. The second was a major capital improvement initiative to rehabilitate the 40-year old deteriorating South Basin docks. This would involve reconfiguring the berth sizes to reflect market demand and ensure higher annual occupancy rates. Funding for this project would come from a State Department of Boating & Waterways (DBW) Loan. Staff is currently refining the projections and estimates and will report back to Council with a revised plan this fiscal year.

2002-03 Highlights

Mid-Year revenues are expected to meet budget. Revenue categories have been reoriented to reflect actual experience. Operating expenses are expected to end the year at budgeted levels.

Five-Year Projection

The five-year expense and revenue forecast reflects implementation of the Marina Business Plan and will be adjusted as needed when the revised South Basin is brought to City Council. The South Basin report also will address overall funding to ensure that the fund does not end any year in a negative position. Revenues reflect expected berth occupancy levels before, during and after the South Basin reconfiguration. Revenue from South Basin operations is expected to decline by as much as 50 percent during construction but increase above

current levels after the improvements are completed. Berth fee increases, reflecting the growth in CPI, are included every two years, beginning in FY 05, in order to keep the Marina competitive.

Operating expenses are expected to grow annually to reflect labor increases (3%) and non-labor operating costs (1%).

Marina Fund – 5 Year Fund Balance Projection

Dollars in Thousands

	2002-03 <u>Budget</u>	2002-03 <u>Mid-Year</u>	<u>Variance</u>	2003-04 <u>Budget</u>	2004-05 <u>Estimate</u>	2005-06 <u>Estimate</u>	2006-07 <u>Estimate</u>	2007-08 <u>Estimate</u>
BEGIN FUND BALANCE	\$ -	\$ (22)	\$ (22)	\$ 80	\$ 139	\$ 60	\$ (58)	\$ 128
REVENUES								
Berth Rentals	1,222	1,222	-	1,222	1,222	1,222	1,379	1,379
Proposed South Basin upgrade effect					(200)	(200)		
Interest	38	38	-	38	38	38	38	38
Rental—Real Property	40	15	(25)	15	15	15	15	15
Gas and Oil Sales	250	275	25	275	275	275	275	275
Miscellaneous	45	45	-	45	45	45	45	45
TOTAL REVENUES	1,595	1,595	-	1,595	1,395	1,395	1,752	1,752
EXPENDITURES								
Employee Services	331	331	-	341	351	362	373	384
Other Services & Supplies	778	778	-	786	714	742	785	758
Equipment	-	-	-	-	-	-	-	-
Operating Transfer Out/(In)	(106)	(106)	-	(106)	(106)	(106)	(106)	(106)
Subtotal—Operations	1,003	1,003	-	1,021	959	998	1,052	1,036
Debt Service—Marina Expansion	465	465	-	465	465	465	465	465
Capital Improvement Projects	25	25	-	50	50	50	50	50
Debt Service—South Basin upgrade	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,493	1,493	-	1,536	1,474	1,513	1,567	1,551
CURRENT SURPLUS/(DEFICIT)	102	102	-	59	(79)	(118)	185	201
ENDING FUND BALANCE	\$ 102	\$ 80	(22)	\$ 139	\$ 60	\$ (58)	\$ 128	\$ 329

Miscellaneous Adjustments

Fleet General Fund Replacements - \$2,000,000

This report recommends appropriation of \$2 million in bond fund reimbursement (originally "fronted" by the General Fund to the Fleet Fund for purchase of fire trucks) from Fleet Fund balance for additional General Fund vehicle purchases to partially address the current replacement backlog.

Gas Tax - \$1,200,000

Restore Gas Tax funds advanced for the Truxel Interchange project, due to cash flow constraints at the time of the project.

AMENDED

APPROVED
MAR 1 1 2003
OFFICE OF THE
CITY CLERK

RESOLUTION NO. 2003-119

ADOPTED BY THE SACRAMENTO CITY COUNCIL

MAR 1 1 2003

ON DATE OF: _____

**RESOLUTION AMENDING THE 2002-03 OPERATING BUDGET
OF ENTERPRISE AND OTHER FUNDS**

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

The City Manager is authorized as follows:

1. Adjust Fiscal Year 2002-03 Enterprise Fund Revenues (in thousands)

Fund	Revenue		2002-03 BUDGET	2002-03 MIDYEAR	Change from Approved
413	36xx	Water fund other revenue	2,112	2,870	758
414	360x	Sewer fund user fees	12,700	13,256	556
419	36xx	Community Center - user fees	6,204	5,900	(304)

2. Adjust Fiscal Year 2002-03 Enterprise Fund Expenditure Appropriations to the following amounts (in thousands):

Fund	Expense		2002-03 BUDGET	2002-03 MIDYEAR	Change from Approved
413	42xx	Water fund operating expense	28,847	29,474	627
413	4999	Water fund fund balance	8,822	8,953	131
414	42xx	Sewer fund operating expense	11,164	11,320	156
414	4999	Sewer fund fund balance	4,909	5,309	400
419	45xx	Community Center - debt service	10,810	10,475	(335)
419	other	Community Center - loan transfer	(461)	(430)	(31)

3. Appropriate \$2 million from Fleet Fund balance for additional General Fund vehicle purchases.

Fund	Expense		Incr/<Decr>
420	46xx	Fleet Fund Equipment Purchases	2,000
420	Reserves	Fleet Fund - Other Use (Equipment Reserve)	(2,000)

4. Adjust the Fiscal Year 2002-03 Budget to reflect all City Council actions approved in conjunction with the Enterprise Fund Midyear Review.

MAYOR

ATTEST

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: 2003-119

DATE ADOPTED: MAR 1 1 2003

Attachment B
 Amended
 2003-119

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____
 RESOLUTION AMENDING THE 2002-03 OPERATING BUDGET
 OF ENTERPRISE AND OTHER FUNDS

APPROVED
 MAR 1 1 2003
 OFFICE OF THE
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Fund	Expense		Incr/<Decr>
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420	Reserves	Fleet Fund - Other Use (Equipment Reserve)	(2,000)

4. Restore Gas Tax Funds advanced for the Truxel Interchange project.

5. Adjust the Fiscal Year 2002-03 Budget to reflect all City Council actions approved in conjunction with the Enterprise Fund Midyear Review.

 MAYOR

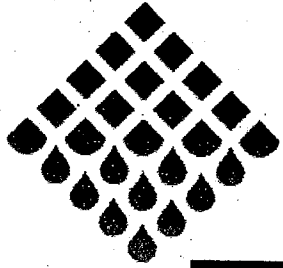
ATTEST

 CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

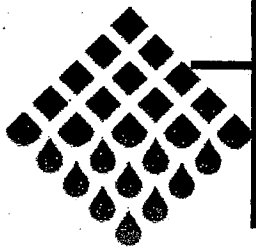
DATE ADOPTED: _____



Department of Utilities

FY 2002-03 Midyear Review

March 11, 2003



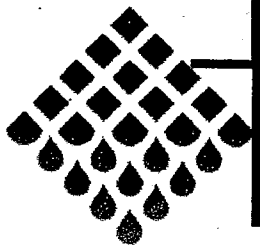
Water Fund - Issues

- Replacement of older facilities
- Regulatory compliance
- Water Conservation education



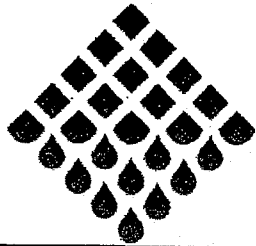
Sewer Fund - Issues

- Rehabilitation of older facilities
- Increased regulatory requirements
- Limited growth in customer base
- Debt service



Storm Drainage Fund - Issues

- Rehabilitation of combined system
- Upgrading system to meet standards
- Debt service
- No increase in rates since 1996



Water Fund (413) - Forecast

(\$ in 000)

Source	02-03 Budget	02-03 Midyear	Chg	03-04 Estimate	04-05 Estimate	05-06 Estimate	06-07 Estimate	07-08 Estimate
Projected Rate Increase				6%	6%	6%	6%	6%
BEGINNING BALANCE	13,495	8,178	(5,317)	10,047	11,234	11,094	10,702	10,686
REVENUES								
User Fees	36,552	37,900	1,348	40,576	43,440	46,507	49,791	53,306
Interest	7,000	7,000	0	4,000	2,000	2,000	2,000	2,000
Other	2,112	2,870	758	2,891	2,915	2,940	2,965	2,991
Total Revenues	45,664	47,770	2,106	47,467	48,355	51,447	54,756	58,297
EXPENDITURES								
Operations	28,847	29,474	627	31,883	33,559	35,286	36,566	37,902
Debt Service	13,629	13,629	0	13,140	13,140	13,146	13,149	13,130
CIP – Cash	8,116	9,736	1,620	8,000	8,340	8,950	10,300	12,000
CIP – Financed	0	0	0	0	0	0	0	0
Total Expenditures	50,592	52,839	2,247	53,023	55,039	57,382	60,015	63,032
Other Funding Sources	255	6,938	6,683	6,743	6,543	5,543	5,243	5,243
ENDING BALANCE	8,822	10,047	1,225	11,234	11,094	10,702	10,686	11,194

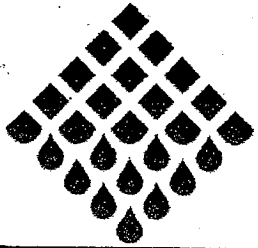
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Sewer Fund (414) – Forecast

(\$ in 000)

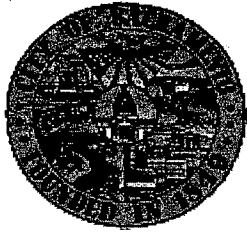
Source	02-03 Budget	02-03 Midyear	Chg	03-04 Estimate	04-05 Estimate	05-06 Estimate	06-07 Estimate	07-08 Estimate
Projected Rate Increase				6%	6%	6%	6%	6%
BEGINNING BALANCE	5,206	4,909	(297)	3,813	3,295	3,219	3,386	4,065
REVENUES								
User Fees	12,700	13,256	556	14,051	14,894	15,788	16,735	17,740
Interest	400	400	0	400	400	400	400	400
Other	1,192	1,249	57	1,247	1,245	1,243	1,240	1,238
Total Revenues	14,292	14,905	613	15,698	16,539	17,431	18,375	19,378
EXPENDITURES								
Operations	11,164	11,320	156	11,379	11,778	12,193	12,624	13,073
Debt Service	862	862	0	862	862	1,097	1,097	1,097
CIP – pay as you go	3,844	3,844	0	4,000	4,000	4,000	4,000	4,000
CIP – financed	0	0	0	0	1,700	1,700	0	0
Total Expenditures	15,870	16,026	156	16,241	18,340	18,990	17,721	19,170
Debt Proceeds	0	0	0	0	1,700	1,700	0	0
Other Funding Sources	25	25	0	25	25	25	25	25
ENDING BALANCE	3,653	3,813	160	3,295	3,219	3,386	4,065	4,298



Storm Drainage Fund (425) - Forecast

(\$ in 000)

Source	02-03 Budget	02-03 Midyear	Chg	03-04 Estimate	04-05 Estimate	05-06 Estimate	06-07 Estimate	07-08 Estimate
Projected Rate Increase				0%	0%	0%	0%	0%
BEGINNING BALANCE	9,424	8,844	(580)	3,589	4,930	5,866	6,711	6,571
REVENUES								
User Fees	28,482	28,831	349	29,119	29,411	29,705	30,002	30,302
Interest	1,400	1,347	(53)	1,400	1,400	1,400	1,400	1,400
Other	426	385	(41)	171	165	158	151	145
Total Revenues	30,308	30,563	255	30,690	30,976	31,263	31,553	31,847
EXPENDITURES								
Operations	20,789	19,929	(860)	21,942	22,633	23,845	24,581	25,340
Debt Service	3,407	3,407	0	3,407	3,407	4,112	4,112	4,112
CIP – pay as you go	8,942	9,934	0	4,000	4,000	4,000	3,000	3,000
CIP – financed	0	0	0	0	5,100	5,100	0	0
Total Expenditures	33,138	32,278	(860)	29,349	35,140	37,057	31,693	32,452
Debt Proceeds	0	0	0	0	5,100	5,100	0	0
Other Funding Sources	0	0	0	0	0	0	0	0
Total	0	0	0	0	5,100	5,100	0	0
OTHER OBLIGATIONS	0	3,540	3,540	0	0	0	0	0
ENDING BALANCE	6,594	3,589	(3,005)	4,930	5,866	6,711	6,571	5,966



Midyear Review 2002–2003

SOLID WASTE FUND

March 11, 2003

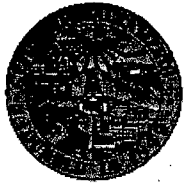
Department of
PUBLICWORKS
Solid Waste Division

Attachment D



Solid Waste Fund 2002-2003 Midyear Projections

- ✓ “Worst Case” Scenario of Net Projected Change of Additional \$400,000 Needed from Reserves
- ✓ Projected Use of \$3.4 Million of Fund Balance
- ✓ Decrease of Fund Balance by Approximately \$2 Million as a Result of 2001-2002 Actuals



Solid Waste Fund

Key Future Financial Impacts

- 1) Challenges and Needs Related to City's Growth
- 2) Alternative Disposal Sites
- 3) Growing Need for Daily North and South Area Crews to Remove Illegal Dumping



Solid Waste Fund

Key Future Financial Impacts

- ✓ Challenges and Needs Related to City's Growth
 - ❑ Purchasing Equipment
 - ❑ Adjusting Routes
 - ❑ Staffing & Technology Needs



Solid Waste Fund

Key Future Financial Impacts

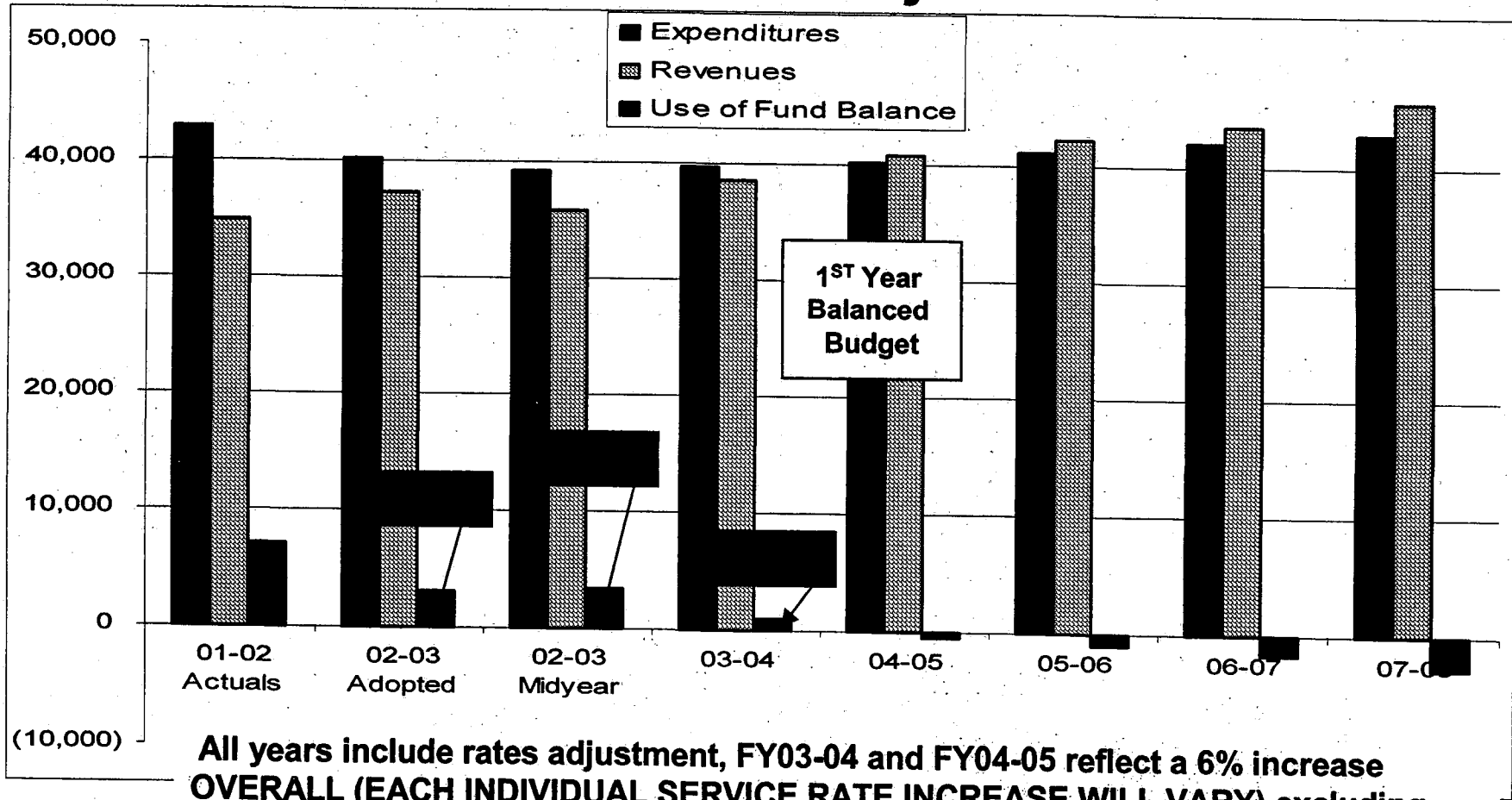
- ✓ Alternative Disposal Facilities
 - ❑ North Area Transfer Station and Corporation Yard
 - ❑ Green Waste Facility

- ✓ Growing Need for Daily North and South Area Crews to Remove Illegal Dumping
 - ❑ Daily Challenges to Resources (Not Staffed or Funded to Have Daily Crews Without Impact to Other Services)



Solid Waste Fund 5-Year Projection

(\$ in 1,000s)



All years include rates adjustment, FY03-04 and FY04-05 reflect a 6% increase OVERALL (EACH INDIVIDUAL SERVICE RATE INCREASE WILL VARY) excluding commercial garbage rates and a 3% OVERALL for all other years.

Department of
PUBLICWORKS
Solid Waste Division

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Solid Waste Fund
**Current & Future
Cost Saving & Revenue Enhancing Measures**

- ✓ Commercial Services
 - Roll-Off Revenues Increased by About 30%
 - SCUSD Contract
- ✓ Upcoming Neighborhood Clean-Up Pilot Program
- ✓ Use Agreements and Reimbursements from Surrounding Jurisdictions for Use of Household Hazardous Waste Facility



Solid Waste Fund
**Current & Future
Cost Saving & Revenue Enhancing Measures**

- ✓ New Rates Structure
 - Exploring Feasibility of “New Service” Fee to Off-Set Cost of New Equipment Related to Growth
 - New Multi-family and Commercial Street Sweeping Rates Structure

- ✓ Ongoing Audit of Accounts to Ensure Proper Billing of All Accounts

Parking Fund

- Parking revenues on target
- Retail rental revenue slightly lower due to delay in leasing space
- Major maintenance projects underway
- Enhanced security pilot program underway
- Initiate strategic planning effort- Spring 03

Department of Convention, Culture and Leisure



Attachment E

PARKING FUND

FY 03 Mid-Year Expense and Revenue Summary

(in \$ 000's)	2002-03 Budget	2002-03 Mid-Year	Variance
BEGIN FUND BALANCE	2,390	2,390	-
REVENUES			
Parking Fees	15,454	15,454	-
Interest--Operating Funds	760	760	-
Real Property Rental	931	835	(96)
Miscellaneous	1	1	-
TOTAL REVENUES	17,146	17,050	(96)
EXPENDITURES			
Operating Expenses	10,190	10,094	(96)
Debt Service	3,573	3,573	-
Capital Improvement Projects	3,288	3,288	-
TOTAL EXPENDITURES	17,051	16,955	(96)
CURRENT SURPLUS/(DEFICIT)	95	95	-
END FUND BALANCE	2,485	2,485	-

Community Center Fund

- TOT outperforming national hospitality slowdown
- Projections reflect 2002 Business Plan Update
- Stable event business
- Savings from Citywide debt refinancing
- Final year of borrowing with repayment beginning in FY 05

Department of Convention, Culture and Leisure



COMMUNITY CENTER FUND

FY 03 Mid Year Expense and Revenue Summary

(in \$ 000's)	2002-03 Budget	2002-03 Mid-Year	Variance
BEGIN FUND BALANCE	50	50	0
REVENUES			
Transient Occupancy Tax	13,490	13,490	0
Interest Income	754	754	0
User Fees	6,204	5,900	(304)
Other Revenue	1,349	1,349	0
TOTAL REVENUES	21,797	21,493	(304)
EXPENDITURES			
Operating Expenses	10,608	10,608	0
Debt Service	10,810	10,475	(335)
Capital Improvements	890	890	0
TOTAL EXPENDITURES	22,308	21,973	(335)
CURRENT SURPLUS/(DEFICIT)	----- (511)	----- (480)	----- 31
AVAILABLE FUND BALANCE	(462)	(431)	31
Reserve for Operations			
Interfund Transfer (Loan Repay)	512	481	(31)
ENDING FUND BALANCE	50	50	0

Golf Fund

- Rounds and revenue performance exceeding 5% goal
- Intrafund borrowing expected to be less
- Office lease with Northern California Junior Golf Association
- Bing E9 debt service completed in FY 03

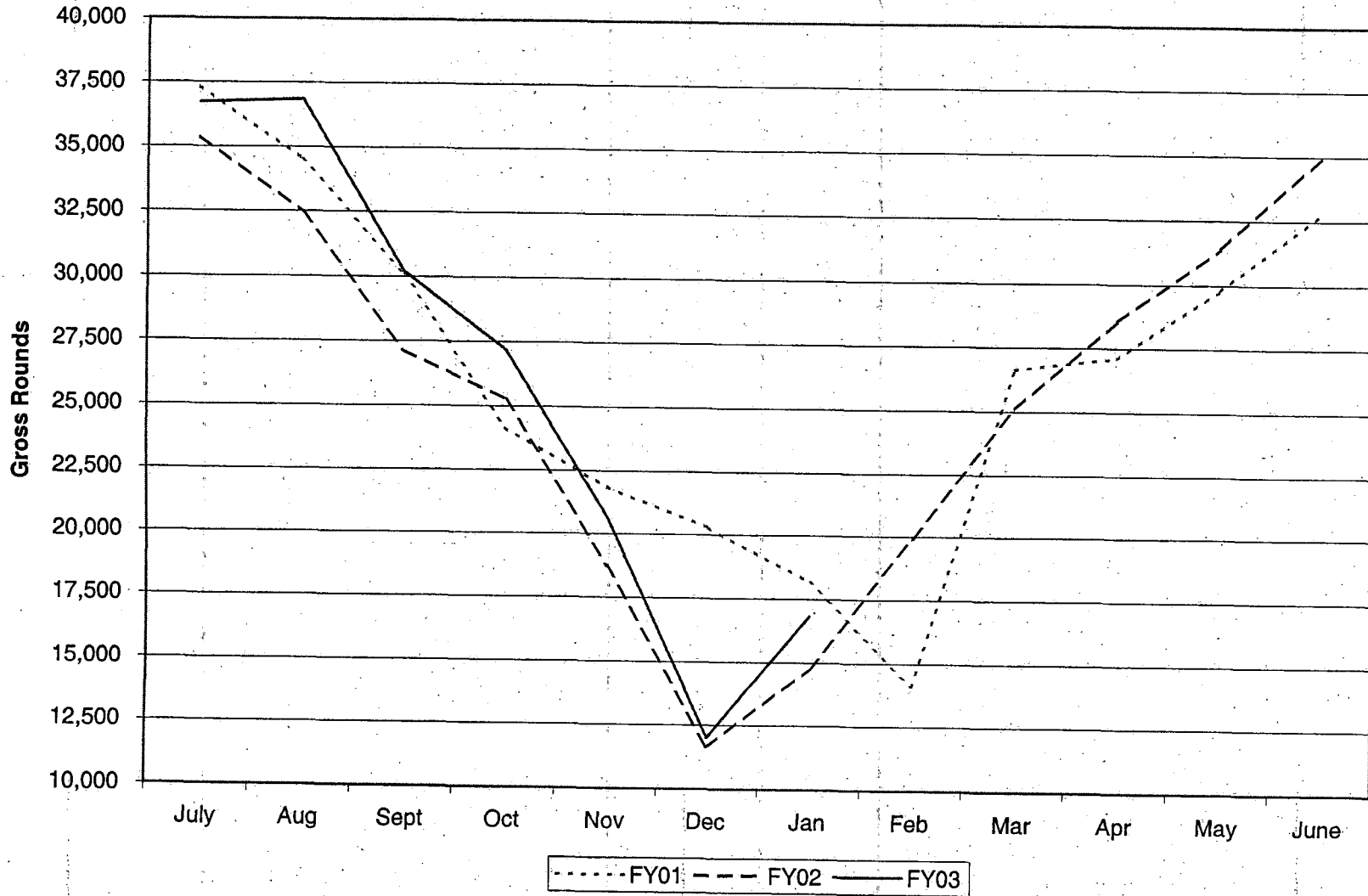


GOLF FUND

FY 03 Mid-Year Expense and Revenue Summary

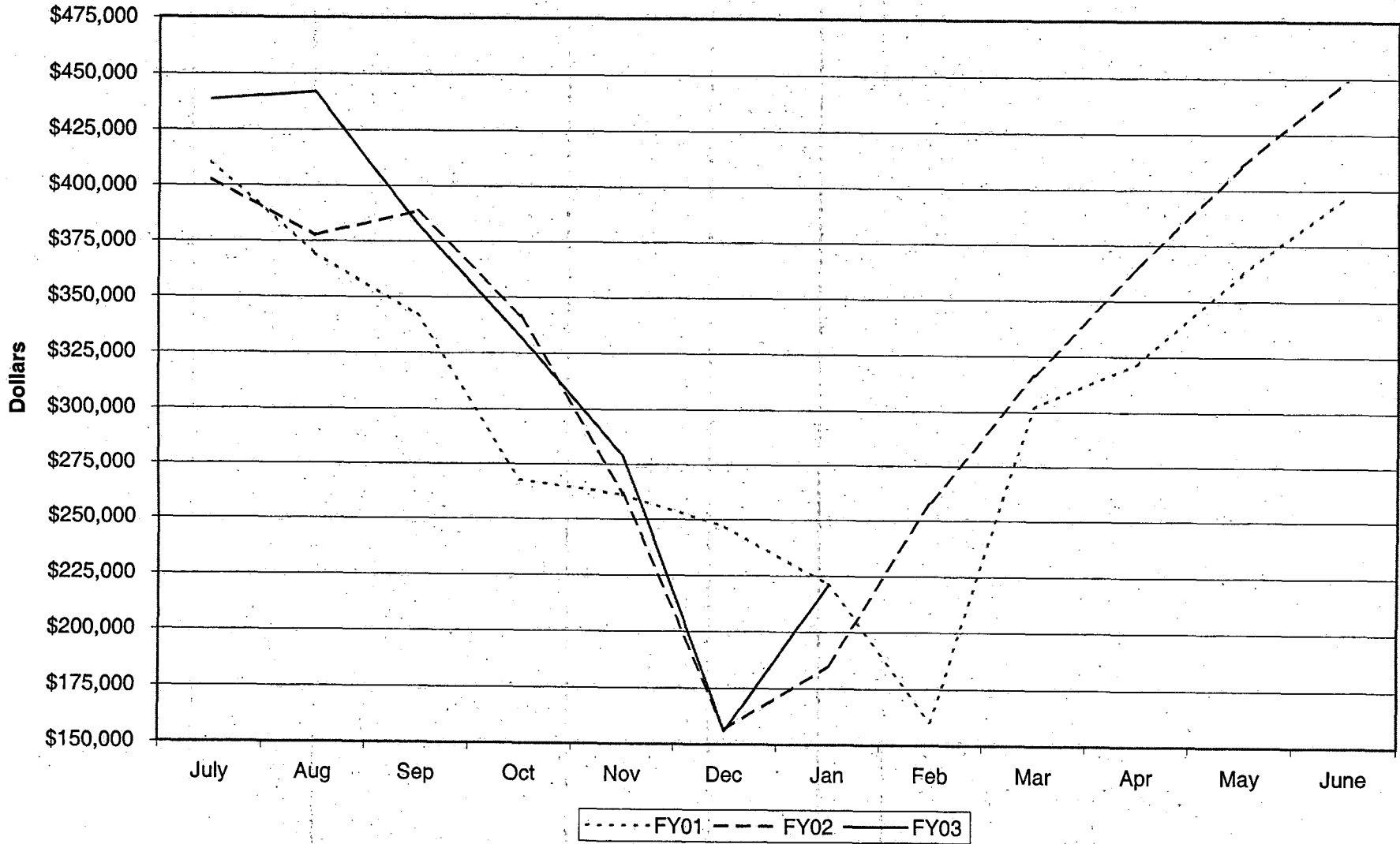
(in \$ 000's)	2002-03	2002-03	
	<u>Budget</u>	<u>Mid-Year</u>	<u>Variance</u>
BEGIN FUND BALANCE	\$ -	\$ -	-
REVENUES			
Greens Fees	4,017	4,095	78
Concessions	1,797	1,818	21
Interest	75	75	-
Registrations	30	30	-
Irrigation Surcharge	217	217	-
Miscellaneous	113	113	-
TOTAL REVENUES	6,249	6,348	99
EXPENDITURES			
Operating Expenses	5,628	5,628	-
Debt Service	1,261	1,261	-
Capital Improvements	60	60	-
(Capital Borrowing)/Debt Service	37	37	-
TOTAL EXPENDITURES	6,986	6,986	-
CURRENT SURPLUS/(DEFICI	(737)	(638)	99
AVAILABLE FUND BALANCE	(737)	(638)	99
Interfund Advance (Repay)	737	737	-
ENDING FUND BALANCE	\$ -	\$ 99	99

Golf Gross Rounds FY 01 to FY 02 to FY03



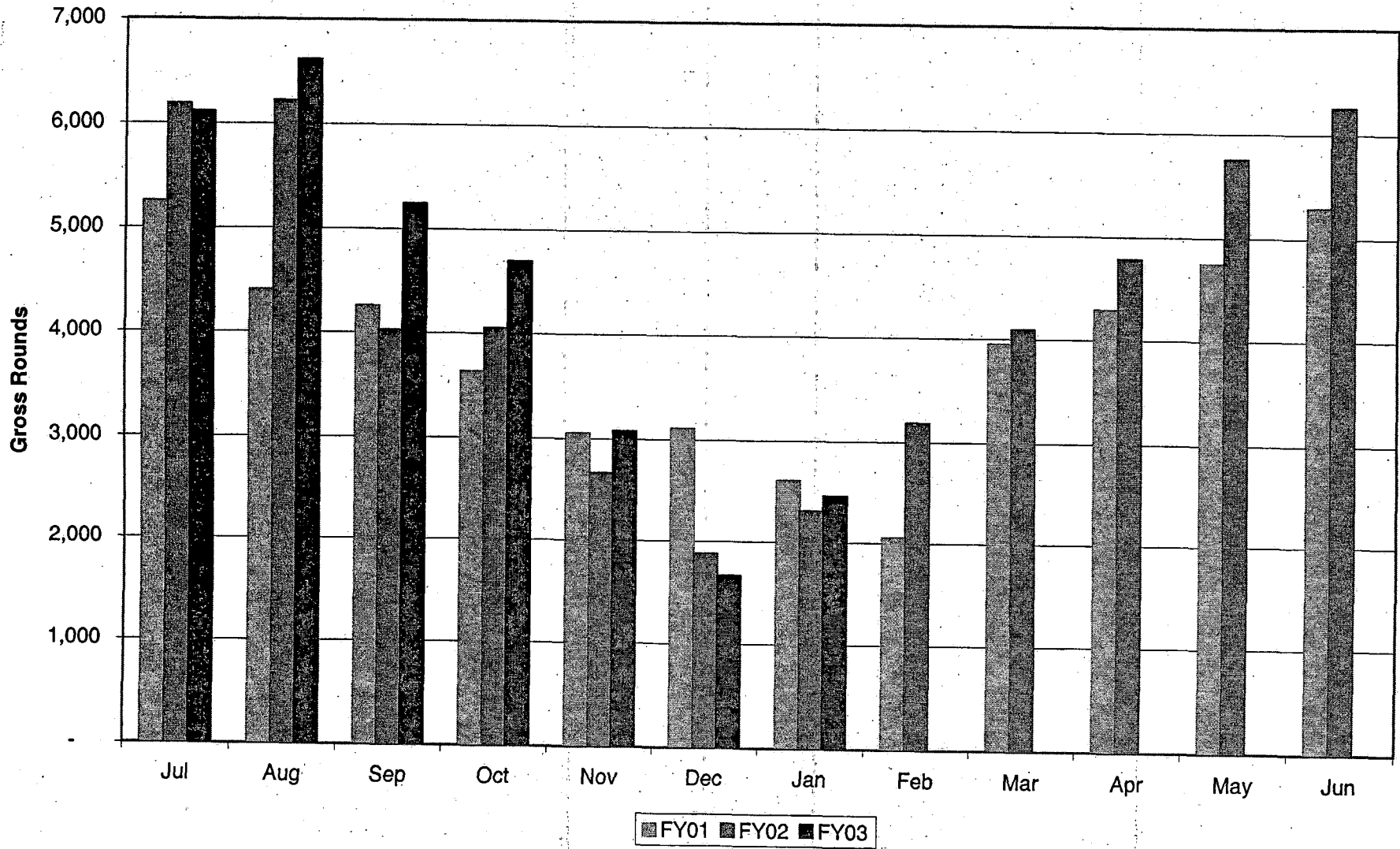
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Net Green Fee Revenue FY01 to FY02 to FY03

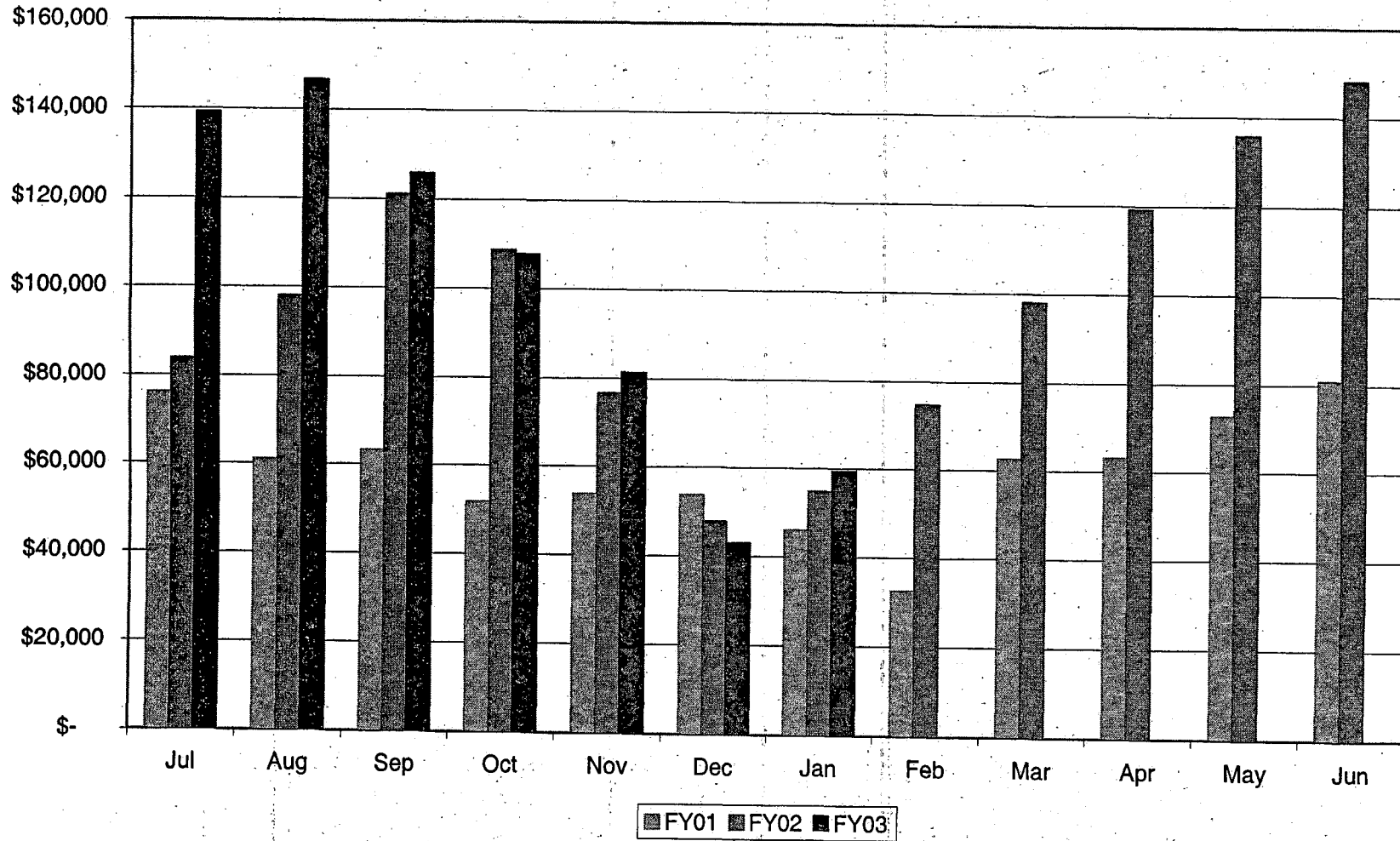


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Mackenzie Gross Rounds Comparison FY01 to FY02 to FY03



MacKenzie Net Revenue Comparison FY01 to FY02 to FY03



Marina Fund

- Expenses and revenues within budget
- Berth occupancy highest in last 10 years
- Successfully completed City's first organic weed control program
- South Basin Renovation Plan Update – Spring 2003

Department of Convention, Culture and Leisure



MARINA FUND

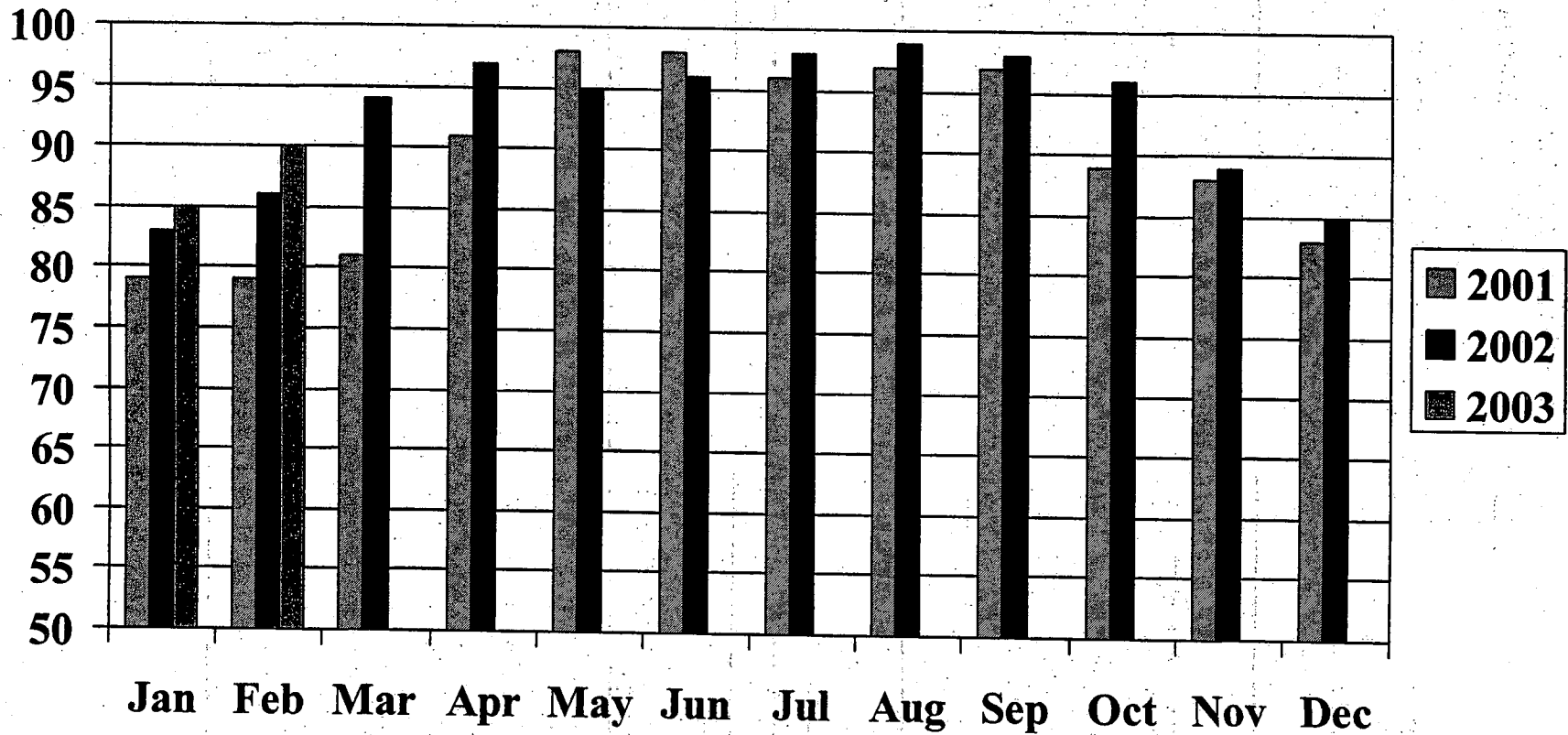
FY 03 Mid-Year Expense and Revenue Summary

(in \$ 000's)	2002-03 Budget	2002-03 Mid-Year	Variance
BEGIN FUND BALANCE	\$ -	\$ (22)	\$ (22)
REVENUES			
Berth Rentals	1,222	1,222	-
Interest	38	38	-
Rental--Real Property	40	15	(25)
Gas and Oil Sales	250	275	25
Miscellaneous	45	45	-
TOTAL REVENUES	1,595	1,595	-
EXPENDITURES			
Operating Expenses	1,003	1,003	-
Debt Service	465	465	-
Capital Improvement Projects	25	25	-
TOTAL EXPENDITURES	1,493	1,493	-
CURRENT SURPLUS/(DEFICIT)	102	102	-
ENDING FUND BALANCE	\$ 102	\$ 80	(22)



ORGANIC WEED CONTROL
PROGRAM PARTICIPANT

SACRAMENTO MARINA BERTH OCCUPANCY (THRU FEBRUARY 2003)



Average 90.16%

Covered 99.75%

Uncovered 63.95%

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