



DEPARTMENT OF  
FINANCE

BUDGET, POLICY &  
STRATEGIC PLANNING DIVISION

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CALIFORNIA

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February 14, 2003

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City Council  
Sacramento, California

Honorable Members in Session:

**SUBJECT: FY2002/03 General Fund Midyear Report**

**LOCATION AND COUNCIL DISTRICT:** Citywide

**RECOMMENDATION:**

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

- Adjusts the Fiscal Year 2002/03 Revenue and Expenditure Budgets for updated estimates;
- Authorizes the City Manager to adjust the Fiscal Year 2002/03 budget for all Council approved action taken in conjunction with the Midyear Review including use of the Administrative Contingency and Year-End Reserves to cover energy and operations costs associated with new facilities coming online during the balance of the FY2002/03 year;
- Reserves FY2000/01 and FY2001/02 Department savings amounts (carryover) and the \$2.4 million in additional franchise fee revenues allocated by Council for specific projects in June 2002 - pending more information regarding State budget impacts to City revenues; and
- Approves Principles for development of the Fiscal Year 2003/04 budget.

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

**FOR COUNCIL MEETING OF:** February 18, 2003

**SUMMARY:**

The Midyear Financial report addresses: 1) the fiscal condition of the current year and necessary adjustments, and 2) the recommended strategies for development of the FY2003/04 Proposed Budget. Following are some highlights of the report:

- General Fund revenues are projected to be \$2.8 million less than the current approved budget primarily due to reductions in sales tax and utility user tax revenues;

- General Fund capital and operating expenditures are on track for this fiscal year, although a number of departments face significant cost pressures due to new facilities (buildings and parks) coming online during the balance of the year;
- If needed, current fiscal year issues can be addressed at year-end with the use of the available fund balance and other reserves;
- FY2000/01 and FY2001/02 Department savings amounts (carryover) and the \$2.4 million in additional franchise fee revenues allocated by Council for specific projects in June 2002 are recommended to remain in reserve pending more information regarding pending State budget impacts to City revenues;
- The "sustainable budget" concept continues to be a top priority for prudent fiscal management;
- Principles for development of the Proposed FY2003/04 Budget are recommended as follows:
  - ✓ Continue with the sustainable budget concept
  - ✓ Complete commitments made (i.e. finish what we've started)
  - ✓ Pursue new revenue sources where appropriate
  - ✓ Use reserves, new revenues and departmental reductions in approximately equal proportions to fund a sustainable budget
  - ✓ Reallocate resources as necessary to fund growth and new initiatives
  - ✓ Evaluate new ways to do business to reduce costs
  - ✓ Continue to make strategic decisions affecting the City's financial position based on a longer term 5 year outlook which anticipates trends and creates maximum flexibility for the City to respond to the changing environment while protecting and maintaining service levels to the community.

## **BACKGROUND:**

The Midyear Financial Report is provided in order to update the City Council on major changes since the adoption of the Approved Budget. This report addresses the current financial condition of the General Fund, including department budgets, both for expenditures and revenues. This process allows the City Council to approve necessary adjustments to carry out the City's financial plan for the remainder of the fiscal year. Details are contained in the attached Midyear Review document (Attachment A).

The financial condition of the City's enterprise funds will be presented to Council in a separate report to be heard on March 11, 2003. The annual Department Profiles report will also be presented to City Council on March 11, 2003.

## **FINANCIAL CONSIDERATIONS:**

As has been discussed since last fall, the City's budget faces a number of financial uncertainties over the next 12 to 18 months. These include 1) continued weakness in the economy depressing revenue growth, particularly for sales taxes; and 2) the State Budget deficit estimated to be at \$26 to \$35 billion which could result in City revenue losses of \$16 - \$18 million annually. These

financial threats have an impact on the City's current financial outlook and will have a significant effect on the City's 2003/04 budget.

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

**POLICY CONSIDERATIONS:**

This report is consistent with existing policy and reflects the current financial condition of the General Fund.

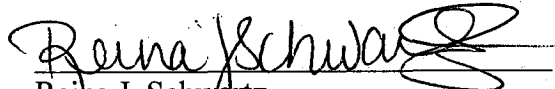
**ENVIRONMENTAL CONSIDERATIONS:**

CEQA does not apply to this report.

**ESBD CONSIDERATIONS:**

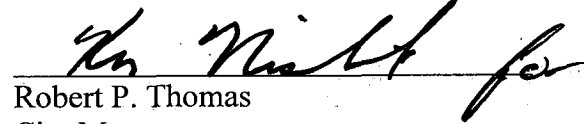
This report does not involve the purchase of goods and services.

Respectfully submitted,



Reina J. Schwartz  
Budget, Policy & Strategic Planning Manager

**RECOMMENDATION APPROVED:**

  
Robert P. Thomas  
City Manager

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CITY OF SACRAMENTO, CALIFORNIA

# 2002/03 Midyear Review

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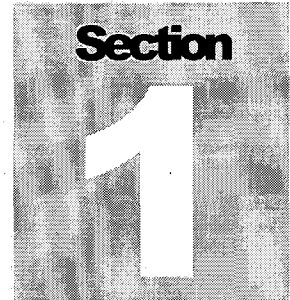
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## Section 1: General Fund Financial Report

### A. Budget Brief – Midyear Report

The Midyear Report has been prepared to evaluate the current fiscal condition of the City in regards to the 2002/03 Fiscal Year budget. The Midyear review process allows the City Council an opportunity to review operational issues and approve any adjustments necessary to carry out the City's financial plan for the remainder of the fiscal year. Additionally, the City's five-year General Fund projection is updated to assist in policy direction for the preparation of the 2003-04 Fiscal Year budget. The General Fund report is scheduled for February 18, 2003 and the Enterprise Funds, any special reports, and the annual Department Profiles document will be presented on March 11, 2003.

#### **BUDGET PHILOSOPHY:**

It continues to be the City's philosophy in budget development that the budget be a balanced and sustainable financial plan. Consistent with this approach, planned expenditures should not exceed available resources and ongoing costs should be funded through ongoing revenues. One-time expenditure opportunities will be pursued with one-time funding. Additionally, the City's Economic Uncertainty Reserve policy to reserve funds to absorb unforeseen revenue shortfalls and protect City operations from economic downturns will continue to be an objective.

#### **ECONOMIC OUTLOOK:**

While US, California, and Sacramento unemployment rates continued to increase through late 2002 (5.7%, 6.2%, and 5.0% respectively at Aug 2002) from late 2001 (4.9%, 5.4%, and 4.0% respectively at Aug 2001) levels when the latest recession occurred, this is to be expected according to the UCLA Anderson Forecast. Economic recoveries have two phases. In the first phase, where growth is good but not exceptional, unemployment continues to increase, however, at a slower rate. Only in the second phase, where growth becomes exceptional does unemployment trend downward. We are currently in the first phase, and will likely not enter the second phase of good to exceptional growth until business spending and investment picks up, although it has shown some signs of an early rebound in 4<sup>th</sup> Quarter 2002.

The UCLA Anderson Forecast expects that as long as consumer spending holds up until business spending increases, the nation will avoid another downturn or second dip recession in this cycle.

## B. Revenue Update

### GENERAL FUND REVENUE FINDINGS:

Real gross domestic product, considered the broadest measure of national output and growth, adjusted for inflation, grew at an annual rate of 2.4% in all of 2002 compared to a meager 0.3% increase in 2001. While improving, GDP remains volatile with growth in 4<sup>th</sup> Quarter 2002 up only 0.7% vs. 4.0% growth in 3<sup>rd</sup> Quarter 2002. As with the US, California and Sacramento should also experience mild growth going forward. Slight improvements in personal income and employment growth are projected for later this year, along with continued strength in residential housing construction.

Mid-year projections for 2002/03 revenues are approximately \$276.6 million, which is \$2.8 million (1%) under the approved budget.

The economic slowdown and rising unemployment has led to a decrease in taxable sales for the City of Sacramento, from \$5.035 billion in 3<sup>rd</sup> Qtr 2001 to \$5.006 billion in 3<sup>rd</sup> Qtr 2002 (latest available data). Since 4<sup>th</sup> Qtr 2002 taxable sales are also expected to be down from a year earlier, sales tax revenues are projected to be \$1.4 million below the \$62.4 million in the 2002/03 approved budget.

Unlike consumer spending on retail goods, housing prices and development activity has remained strong the past few years. Property taxes and development related taxes should exceed the 2002/03 approved budget by approximately \$0.75 million.

Utility user tax (UUT) revenues are projected to be \$2.0 million under the \$50 million projected in the 2002/03 approved budget. While electric and gas related UUT revenues are essentially flat in the current year, cable and telecommunications related revenues are down 6% and 19% respectively. While cable is most likely experiencing increased competition from satellite based programming, telecommunication company revenues have suffered from increased consumer use of wireless packaged minutes and IP based phone calling.

#### Midyear Revenue adjustments are as follows:

- ✓ Sales and Use Tax – a decrease of \$1.4 million from budget, or 2.2%
- ✓ Utility Users Tax – a decrease of \$2.0 million from budget, or 4.0%
- ✓ Residential Development Property Tax – an increase of \$0.65 million over budget, or nearly 75%

## **FIVE-YEAR REVENUE PROJECTIONS:**

Various economic forecasters (UCLA Anderson Forecast and Global Insight DRI) are anticipating that national, state, and local economies will begin to recover later this year. The consensus view is that we are currently in an early recovery phase, which includes weak growth and rising unemployment, which will most likely continue through early 2003. By the 3<sup>rd</sup> Qtr 2003 national GDP growth should continue to see slight increases going forward, with unemployment beginning to trend downward. Both the Statewide and Sacramento region should also see their respective unemployment rates beginning to drop in late 2003 going into 2004, while percentage increases in personal income and population should experience mild growth.

Five-year revenue projections anticipate that the City of Sacramento will experience an approximate 2.0% average annual increase in total general fund revenues through 2007/08, unless the State eliminates the Motor Vehicle License Fee backfill obligation and/or decides to discontinue reimbursement of other items, such as the current Booking Fees subvention. A potential revenue loss of \$16 to \$18 million per year would be realized from the impact of these two items alone.

The three primary categories of general fund revenue include Major Taxes (Property, Sales, Utility User, Business Operations, etc), Operating Department Revenues, and Other Revenues (Franchise Fees, Interest, etc). By category, Major Taxes are anticipated to increase at an average of 3% over the next five years. Operating Department revenues are expected to remain flat at best, possibly trending downward slightly. Other revenues are projected to increase at an average annual rate of almost 1%. These projections are before any impact from potential State cuts.

Additional information regarding current year revenues and revenue adjustments can be found in Exhibit A.

## C. Midyear Adjustments

### FISCAL AND PROGRAM UPDATE:

Until this fiscal year, the City had been enjoying healthy economic conditions that had allowed for growth and improvements in service delivery to the community as well as implementation of long overdue capital improvements. While a leveling out of this growth was anticipated, it has come more quickly than anticipated and will impact the City's budget as we move forward with the development and implementation of next year's budget.

More specifically, the City faces a number of financial uncertainties over the next 12 to 18 months. These include 1) continued weakness in the economy depressing revenue growth, particularly for sales taxes; and 2) the State Budget deficit estimated to be at \$26 to \$35 billion. These financial threats have an impact on the City's current financial outlook and will have a significant effect on the City's 2003/04 budget.

### FISCAL YEAR 2002/03 IMPACTS AND FISCAL ACTIONS

While the City's fiscal plan continues to support the objectives outlined in the approved budget for delivering City services, there are adjustments necessary to both the expenditure and revenue budgets.

The current year projected revenues are expected to fall short by approximately \$2.8 million as discussed in the Revenue Message section of this report. Current year expenditures are estimated to decrease by \$493,000 as a result of savings achieved through refinancing some City debt obligations. The net reduction in General Fund resources is \$2.3 million.

In the context of the overall General Fund budget, the \$2.3 million potential shortfall represents less than 1 percent of our resources. Because of this, staff does not recommend any specific action with respect to reducing expenditures to address the potential shortfall. If the \$2.3 million shortfall does occur, the 5-year projection (shown later in this report) shows that the City can cover that minor shortfall through available reserves (e.g. unobligated ending fund balance).

Departmental spending is generally on track for this fiscal year. While no changes are recommended to department budgets as part of this midyear report, it should be noted that several departments are facing significant cost pressures related to bringing new facilities (buildings and parks) online. For example, more than one park per month is projected to open over the next year. The actual costs that will occur in FY2002/03 will depend on project completion dates and partial year costs for new facilities and services, all of which are difficult to forecast precisely in the startup year. The attached Resolution authorizes the City Manager to use Administrative Contingency and year-end reserves to adjust department budgets at year-end if needed for the energy and operating costs of these new facilities.

**2002/03 MIDYEAR REVIEW**

These recommendations are consistent with the policy for use of the reserves and maintenance of a sustainable budget. The development of the budget for Fiscal Year 2003/04 will need to address ongoing funding issues related to the economic downturn and pending fiscal actions by the State.

In addition to these issues, it is recommended that FY2000/01 and FY2001/02 Department savings amounts (carryover) and the \$2.4 million in additional franchise fee revenues allocated by Council for specific projects in June 2002 remain in reserves - pending more information regarding potential State budget impacts to City revenues

**BUDGET ADJUSTMENTS SUMMARY:**

The revenue and debt service adjustments described above are shown below. In addition to those changes, there are three other budget adjustments that need to be made at Midyear. Those changes have a net zero effect on the General Fund and are shown below as well.

**Revenues – Sales Tax**

-\$1,400,000 Reduce sales tax estimate due to sluggish economy.

**Revenues – Utility User Tax**

-\$2,000,000 Reduce utility user tax projection due to lower revenues associated with the telecommunications industry.

**Revenues – Residential Development Property Tax**

\$650,000 Increased property-related taxes related to development.

**Debt Service**

-\$493,000 Reduce General Fund Debt service expenditure budget by \$493,000 to reflect lower costs due to bond refinancing.

**Reserves – General Fund (transfer funds)**

\$0 No net cost to the General Fund. Appropriation from already designated reserves to Public Works for the Project delivery assessment (\$100,000) and to non-department for anticipated litigation costs (\$500,000).

**Realign funding for police services in the Richards Boulevard area**

\$0 No net cost to the General Fund. Improved cost accounting in Economic Development will increase Merged Downtown Redevelopment support in an amount sufficient to redirect General fund resources to support police services in the Richards Boulevard area (\$180,000).

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## D. Use of Carryover

For the last two years, departments have prudently managed their budgets generating savings totaling \$10 million. The total amount for each of the two years represents less than 2 percent of total departmental budgets in that fiscal year.

In 000's		
Department	FY01 Carryover	FY02 Carryover
Mayor/Council	\$1	\$15
City Manager	\$300	\$207
City Attorney	\$892	\$372
City Clerk	\$81	\$115
City Treasurer	\$686	\$682
Finance	\$329	\$683
Information Technology	\$72	\$51
Human Resources	--	\$483
Labor Relations	--	--
Police	\$1,596	--
Fire	\$130	\$585
Public Works	\$321	\$86
Convention, Culture & Leisure	\$76	\$59
Economic Development	--	\$26
Parks and Recreation	--	--
Neighborhood Services	\$246	\$790
Planning & Building	\$552	\$532
<b>Totals</b>	<b>\$5,282</b>	<b>\$4,686</b>

Given the uncertainties with the local economy and with the State budget, staff recommends that the carryover amounts shown above continue to be held in reserve for the departments that generated the savings.

## E. FY2003/04 Budget Development Approach

Similar to what was reported at Midyear last year, our local economy continues to be sluggish. Specifically, we anticipate that the current reduced estimates of sales tax and utility user tax revenues are likely to continue in the coming year. While this year's shortfall estimated at \$2.8 million represents only one percent of our overall resources, if the projected decline continues into next year, the revenue shortfall will continue to grow. Additional detail and explanation of revenue shifts is included in the "Revenue Message" section earlier in this report.

In addition to the current state of the economy, the City's budget could be impacted by State budget decisions due to the State's projected budget shortfall of \$26 to \$35 billion. The State impact to the City's budget could be \$16 - \$18 million if the State decides to discontinue payment of the Motor Vehicle Fee backfill and the current Booking Fee subvention.

In addition to the potential direct reduction of State revenues in FY2003/04, the State Budget also proposes significant reductions in Redevelopment funding. Given the aggressive, successful redevelopment effort in the City, the proposed cuts in Redevelopment funding could have a devastating impact, reducing tax increment funding and potentially impacting the General Fund if tax increment revenues are not sufficient to meet existing redevelopment bond requirements.

The City's budget may also be impacted by financial challenges occurring at the County of Sacramento. There are a number of programs that are jointly funded by the City and the County. If the County makes reductions to those programs, they will have an impact on the City's budget as well as on the services the City can provide.

In addition to the impacts discussed above, there are a number of challenges to address in the development of the 2003/04 fiscal year budget, including:

- Park maintenance
- Deferred maintenance on facilities
- Fleet operations
- Rising retirement, health care and Worker's Compensation costs
- Existing structural imbalance in the General Fund
- Campaign Finance Reform
- Natomas staffing and facilities
- Security measures

It is the combination of all these issues that creates tremendous uncertainty as we begin to develop strategies for the preparation of next year's budget. Principles for developing the FY2003/04 Budget are recommended as follows:

## 2002/03 MIDYEAR REVIEW

- Continue with the sustainable budget concept
- Complete commitments made (i.e. finish what we've started)
- Pursue new revenue sources where appropriate
- Use a mix of reserves, new revenues, and reductions in approximately equal proportions to fund a sustainable budget
- Reallocate resources as necessary to fund growth and new initiatives
- Evaluate new ways to do business to reduce costs

## F. Five-year Forecast

<b>FIVE-YEAR GENERAL FUND FORECAST</b>						
(dollars in thousands)						
	FY02/03 APPROVED	FY02/03 MIDYEAR	FY03/04 ESTIMATED	FY04/05 ESTIMATED	FY05/06 ESTIMATED	FY06/07 ESTIMATED
<b>Beginning Fund Balance</b>	\$6,682	\$6,787	\$1,137	\$3,237	\$2,898	\$1,267
<b>Revenues</b>						
Taxes	\$182,686	\$180,114	\$185,474	\$191,541	\$197,824	\$204,335
Department Operating Revenues	\$45,203	\$45,203	\$46,446	\$47,421	\$48,417	\$49,434
All other (VLF, interest etc.::)	\$51,458	\$51,280	\$51,569	\$52,125	\$52,733	\$53,320
<b>Total Revenues</b>	<b>\$279,347</b>	<b>\$276,597</b>	<b>\$283,489</b>	<b>\$291,088</b>	<b>\$298,975</b>	<b>\$307,089</b>
<b>Expenditures</b>						
Department Operating	\$279,592	\$276,742	\$287,436	\$294,471	\$305,759	\$315,083
Capital & Other Expenditures	\$12,296	\$12,296	\$17,354	\$17,215	\$15,745	\$13,815
<b>Total Expenditures</b>	<b>\$291,888</b>	<b>\$289,038</b>	<b>\$304,791</b>	<b>\$311,686</b>	<b>\$321,504</b>	<b>\$328,898</b>
<b>Surplus/(Deficit)</b>	<b>(\$12,541)</b>	<b>(\$12,440)</b>	<b>(\$21,301)</b>	<b>(\$20,598)</b>	<b>(\$22,529)</b>	<b>(\$21,809)</b>
<b>Other Sources/Uses</b>						
Reserves/Other	\$9,352	\$6,789	\$9,686	\$0	\$0	\$0
Department Cuts for Structural Imbalance	\$0	\$0	(\$13,716)	(\$20,260)	(\$20,898)	(\$21,378)
<b>ENDING FUND BALANCE</b>	<b>\$3,493</b>	<b>\$1,137</b>	<b>\$3,237</b>	<b>\$2,898</b>	<b>\$1,267</b>	<b>\$837</b>

### 5-Year General Fund Conclusions at Midyear:

- A. Projected revenue shortfall of \$2.8 million is due to slowdown in economy and competition in the telecommunications industry.

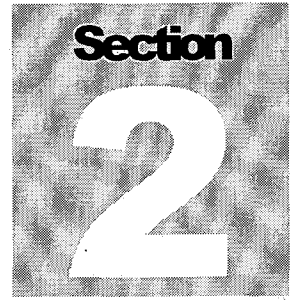
**2002/03 MIDYEAR REVIEW**

- B. May need to use \$2.4 million from available ending fund balance to cover revenue shortfalls if they materialize.
- C. Economic Uncertainty Reserve is projected to be at \$22 million or nearly seven percent of resources.
- D. Department reductions of approximately five percent may be required beginning as early as next fiscal year in order to address the existing structural imbalance between revenues and expenditures unless the economy grows more quickly than anticipated.
- E. The five-year projection shown above does not include estimates for new facilities operations or programs that will be needed due to growth, particularly in the North Natomas area.

## G. Five-year Forecast with Potential State Budget Impacts

The budget imbalance for the State of California is estimated at \$26 to \$35 billion over the next 18 months. Traditionally the State has looked to local government to share in helping balance their budget during difficult economic times. Due to the uncertainties in what could become necessary budget balancing decisions, the City is anticipating budget reductions related to the Motor Vehicle License Fee (VLF) revenues or other state revenue sources. The City currently receives more than \$16 million out of its total \$24 million from this State backfill. The table below shows the impact of losing the VLF backfill from the General Fund.

<b>FIVE-YEAR GENERAL FUND FORECAST - WITH POTENTIAL STATE IMPACT</b>						
(dollars in thousands)						
	FY2002/03 APPROVED	FY2002/03 MIDYEAR	FY2003/04 ESTIMATED	FY2004/05 ESTIMATED	FY2005/06 ESTIMATED	FY2006/07 ESTIMATED
<b>Beginning Fund Balance</b>	\$6,682	\$6,787	\$1,136	(\$14,233)	(\$32,915)	(\$57,447)
<b>Revenues</b>						
Taxes	\$182,686	\$180,114	\$185,474	\$191,541	\$197,824	\$204,335
Department Operating Revenues	\$45,203	\$45,203	\$46,446	\$47,421	\$48,417	\$49,434
All other (VLF, interest etc...)	\$51,458	\$51,280	\$51,569	\$52,125	\$52,733	\$53,320
Potential Loss of State Revenues	\$0	\$0	(\$17,470)	(\$18,343)	(\$19,261)	(\$20,224)
<b>Total Revenues</b>	<b>\$279,347</b>	<b>\$276,597</b>	<b>\$266,019</b>	<b>\$272,745</b>	<b>\$279,714</b>	<b>\$286,865</b>
<b>Expenditures</b>						
Department Operating	\$279,592	\$276,742	\$287,436	\$294,471	\$305,759	\$315,083
Capital & Other Expenditures	\$6,670	\$6,670	\$12,424	\$13,222	\$15,745	\$13,815
Proposed FY03 additions	\$5,626	\$5,626	\$4,930	\$3,993	\$3,639	\$3,387
<b>Total Expenditures</b>	<b>\$291,888</b>	<b>\$289,038</b>	<b>\$304,791</b>	<b>\$311,686</b>	<b>\$325,143</b>	<b>\$332,285</b>
<b>Current Year Surplus/(Deficit)</b>	<b>(\$12,541)</b>	<b>(\$12,440)</b>	<b>(\$38,771)</b>	<b>(\$38,941)</b>	<b>(\$45,429)</b>	<b>(\$45,419)</b>
Other Sources/Use of Reserves	\$9,352	\$6,789	\$9,686	\$0	\$0	\$0
Department Reductions for Structural Imbalance only	\$0	\$0	\$13,716	\$20,260	\$20,898	\$21,378
<b>ENDING FUND BALANCE - WITH POTENTIAL STATE IMPACT</b>	<b>\$3,493</b>	<b>\$1,136</b>	<b>(\$14,233)</b>	<b>(\$32,915)</b>	<b>(\$57,447)</b>	<b>(\$81,488)</b>



## **Section 2: Exhibits and Resolutions**

**Exhibit "A" – General Fund Revenue**

**Resolution**

## Exhibit "A"

**Exhibit A: FY 2002/03 MIDYEAR REVIEW – General Fund Revenue**

Total FY 2002/03 General Fund operating revenues are projected to be \$276.6 million or \$2.8 million (1%) less than budget at fiscal year end. Total revenue collections are estimated as follows:

General Fund (\$ in 000's)	FY 2001/02 Actual	FY 2002/03 Budget	FY 2002/03 Estimate	Change from Approved
<b>TAXES</b>				
Property Taxes - Current Secured	47,467	50,330	49,366	(964)
Property Taxes - Current Unsecured	2,835	2,793	2,946	153
Property Taxes - Delinquent	91	0	0	0
Property Taxes - Supplemental	2,342	1,500	2,437	937
Debt Service Tax Override	22	0	0	0
<b>SUBTOTAL PROPERTY TAXES</b>	<b>52,757</b>	<b>54,623</b>	<b>54,749</b>	<b>126</b>
Sales & Use Tax	55,677	58,300	57,000	(1,300)
Sales & Use Tax/.5% Public Safety	3,839	4,050	3,950	(100)
Business Operations Tax	5,953	5,980	5,980	0
Real Property Transfer Tax	7,964	6,185	6,185	0
Utility User Tax	48,652	50,000	48,000	(2,000)
Residential D.V. Property Tax	1,251	850	1,500	650
Transient Occupancy Tax	2,633	2,698	2,750	52
<b>SUBTOTAL TAXES</b>	<b>178,726</b>	<b>182,686</b>	<b>180,114</b>	<b>(2,572)</b>
LICENSES AND PERMITS	14,455	13,663	13,663	0
FINES AND FORFEITS	4,526	4,688	4,375	(313)
USE OF MONEY	4,411	2,850	3,757	907
INTERGOVERNMENTAL REVENUES	35,691	36,606	35,848	(758)
CHARGES, FEES, AND SERVICES	24,751	22,189	22,189	0
OTHER REVENUES	1,805	752	481	(271)
OTHER RESOURCES				
Enterprise Funds/General Tax	12,059	12,360	12,532	172
In-Lieu Franchise Fee	2,885	2,960	2,937	(23)
In-Lieu Property Tax	692	701	701	0
<b>TOTAL GENERAL FUND</b>	<b>280,001</b>	<b>279,455</b>	<b>276,597</b>	<b>(2,858)</b>

**APPROVED**

FEB 18 2003

OFFICE OF THE  
CITY CLERK

**RESOLUTION NO. 2003-078**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

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

**RESOLUTION AMENDING THE 2002/03 OPERATING BUDGET**

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

- The Finance Director is authorized to adjust Fiscal year 2002/03 General Fund Revenues (in thousands):

Dept	Revenue		2002/03 BUDGET	2002/03 MIDYEAR	Change from Approved
750	3108	Sales Tax	\$62,350	\$60,950	(\$1,400)
750	3112	Utility Users Tax	\$50,000	\$48,000	(\$2,000)
750	3120	Residential Dev Property Tax	\$850	\$1,500	\$650

**(\$2,750)**

Covered By  
(\$2,750)

Net adjustment to fund balance if needed

- The Finance Director is authorized to adjust the FY2002/03 General Fund Budget for corrections/augmentations as follows (in thousands):

Dept	Obj		Expense Incr/(Decr)	Reserve & Revenue Incr/(Decr)
210	41xx	Richards Boulevard Police Services	\$180	
440	xxxx	Economic Development Revenue		(\$180)
720	4389	Reduce Debt Service Budget Due to Refunding	(\$493)	
310	4258	Augment Public Works budget for Project Delivery Assessment	\$100	
		Release From Reserves		(\$100)
750	4251	Augment Non-Department for Anticipated Litigation Costs	\$500	
		Release From Reserves		(\$500)
		Total	\$287	(\$780)
		Net Decrease of Expenses	(\$493)	

**FOR CITY CLERK USE ONLY**

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

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

3. FY2000/01 and FY2001/02 Department savings amounts (carryover) and the \$2.4 million in additional franchise fee revenues allocated by Council for specific projects in June 2002 will remain in reserves - pending more information regarding potential State budget impacts to City revenues.
4. The City Manager is authorized to use Administrative Contingency and year-end reserves to adjust department budgets at year-end if needed due to energy and operating costs associated with new facilities/parks.
5. The Proposed FY 2003/04 Operating and Capital Budgets are developed following the Principles approved on this date by Council.

\_\_\_\_\_  
MAYOR

ATTEST:

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

\_\_\_\_\_  
**FOR CITY CLERK USE ONLY**

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

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



# FY2002/03 General Fund Midyear Review

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February 18, 2003

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Attachment C

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# General Fund Midyear Financial Report

## February 18, 2003

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- ✳ **Economic Update**
- ✳ **Threats to the Sustainable Budget**
- ✳ **Fiscal Overview**
- ✳ **Midyear Recommendations**
- ✳ **Budget Principles for FY2003/04**  
**Budget**

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# Enterprise Fund Midyear Review & Department Profiles - March 11, 2003

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## ✳ **FY2002/03 Financial Overview of Enterprise Funds**

- ◆ **Revenue Update**
- ◆ **Five-year Forecasts**

## ✳ **Department Profiles**

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# Economic Update

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✦ **Current Economic Outlook**

✦ **Stock Market Outlook**

**By City Treasurer, Tom Friery**

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# Threats to the Sustainable Budget

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- ✱ **Weak economy – reduced sales tax and utility user tax revenues**
- ✱ **State Budget deficit - \$16 - \$18 million revenue loss annually**
- ✱ **County budget problems may affect jointly funded programs**
- ✱ **Cost increases related to growth and new facilities**

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# FY2002/03 Fiscal Overview

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- ✦ **Department expenditures and revenues on track**
- ✦ **Sales tax revenues: -\$1.4 million**
- ✦ **UUT revenues: -\$2.0 million**
- ✦ **Property-tax related revenues: +\$0.65 million**
- ✦ **Savings from refinancing debt: +\$0.5 million**
- ✦ **Net reduction in General Fund budget: -\$2.3 million**

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# Midyear Recommendations

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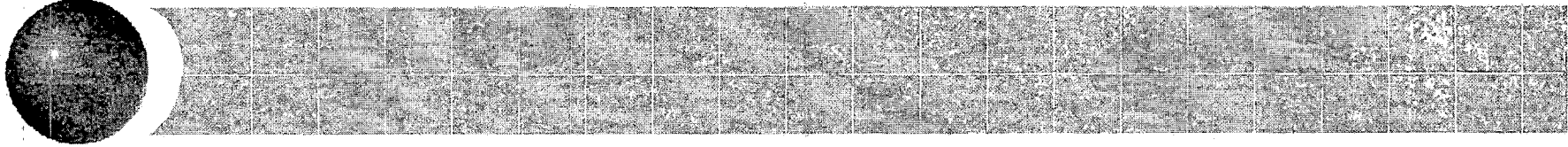
- ✱ **No major budget adjustments at Midyear**
- ✱ **Short-term fixes until State impact is known – use Administrative Contingency and year-end reserves if needed**
- ✱ **Hold FY01 & FY02 Department savings until FY04 Budget process**
- ✱ **Hold \$2.4 million in Franchise Fee revenues allocated in June 2002**

# Principles for Development of the FY2003/04 Budget

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- ✱ **Complete commitments already made**
- ✱ **Pursue new revenues where appropriate**
- ✱ **Use reserves, new revenues, and reductions to fund a sustainable budget**
- ✱ **Reallocate resources as necessary to fund growth and new initiatives**
- ✱ **Evaluate new ways to do business to reduce costs**

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# *The City Treasurer's Office*

## *ART or SCIENCE?*

<b>BONDS</b>	<b>07-01-02</b>	<b>02-13-03</b>	<b>Performance % change</b>
<b>2 year</b>	<b>2.82</b>	<b>1.55</b>	<b>+2.32%</b>
<b>5 year</b>	<b>4.00</b>	<b>2.84</b>	<b>+4.91%</b>
<b>10 year</b>	<b>4.78</b>	<b>3.87</b>	<b>+6.69%</b>
<b>30 year</b>	<b>5.47</b>	<b>4.80</b>	<b>+9.13%</b>



# *The City Treasurer's Office*

## *ART or SCIENCE?*

### *Performance of Select Stock Indices*

	<b>07-01-02</b>	<b>02-13-03</b>	<b>Change (%)</b>
<b>Dow Jones (INDU)</b>	<b>9109</b>	<b>7749</b>	<b>-14.92%</b>
<b>Nasdaq (CCMP)</b>	<b>1403</b>	<b>1277</b>	<b>-9.00%</b>
<b>S &amp; P 500 (SPX)</b>	<b>968</b>	<b>817</b>	<b>-15.61%</b>