



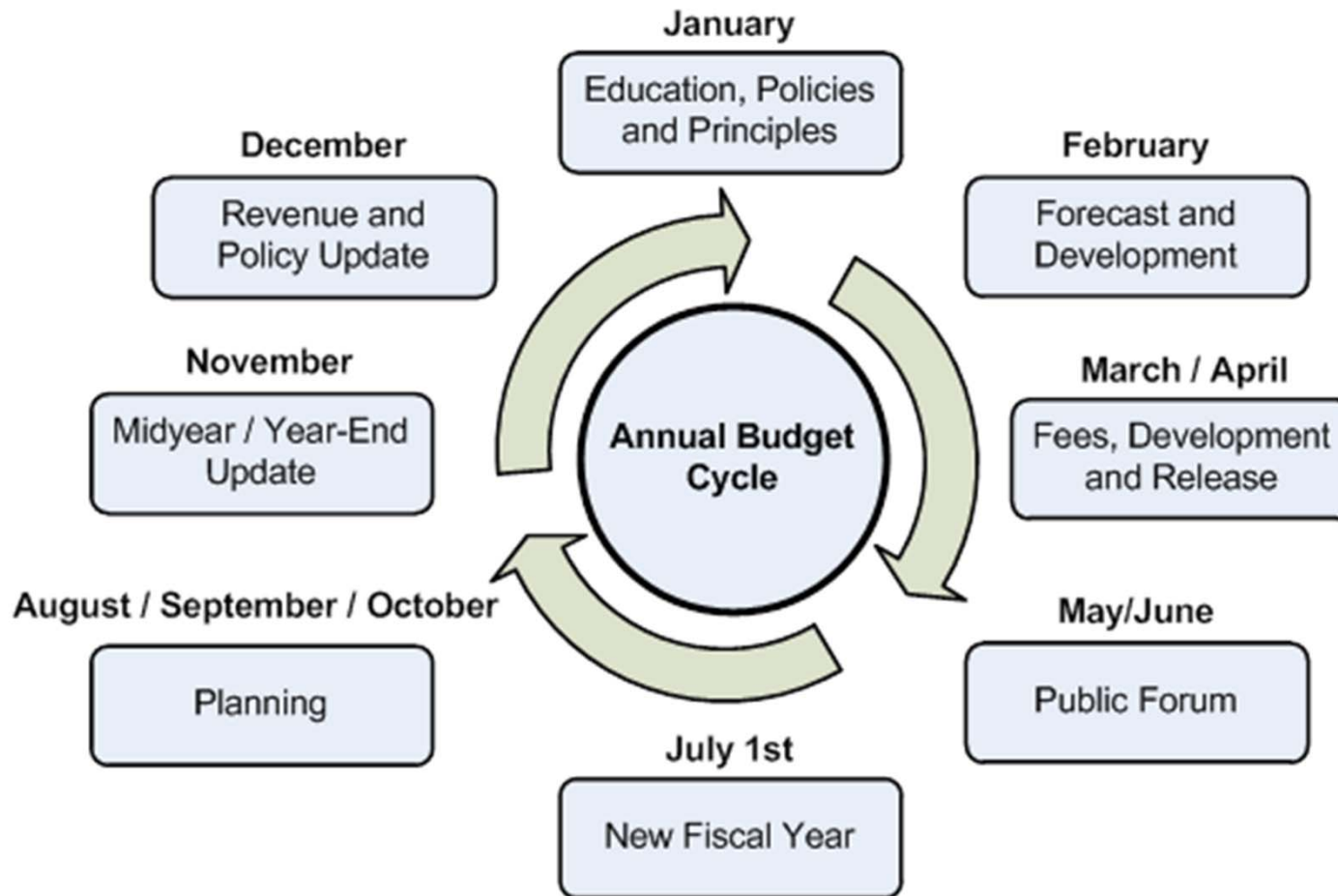
Budget 101

An Introduction to the City's Budget

What is a Budget?

- An estimate of income and expenditures for a set period of time
 - Serves as the financial plan for the City
 - Reflects the priorities and goals of Council
 - Establishes funding levels for City services
 - Changes throughout the fiscal year
 - Governed by federal, state and local law

Annual City Budget Cycle



How Big is the City Budget?

- Total Budget is \$873 million this fiscal year
- Includes:
 - \$378 million for General Fund Operations
 - \$451 million for Enterprise and other fund operations
 - \$44 million for capital improvements
 - \$5.1 million General Fund
 - 39.3 million Other Funds
- Over 300 individual funds

Key Terms

- **Fund:** “funds” segregated for specific purposes:
 - General Fund – general government
 - Debt Service Fund – payment of debt service
 - Enterprise Fund – internal “businesses” supported by ratepayers
 - Internal Service Funds (ISF) – provides services to all City departments and bills the various funds for services rendered.
 - Special Revenue Fund – specific revenue stream
 - Trust Funds – restricted to a specific purpose



Key Terms continued

- **Fund Balance:** resources available in the fund, the difference between assets and liabilities
- **Positions or Full-Time Equivalent (FTE):** An FTE of 1.0 means that the position is equivalent to a full-time workload of 2080 hours annually; while an FTE of 0.50 signals that the position is only half-time.
- **Reserves:** accumulated for use in emergency, restricted for specific uses (Council goal is 10% of General Fund revenues)
 - 10% in the current year would be \$38.5 million
 - As of 2/10/2014 EUR is \$33.7 million or 8.7% of GF revenues

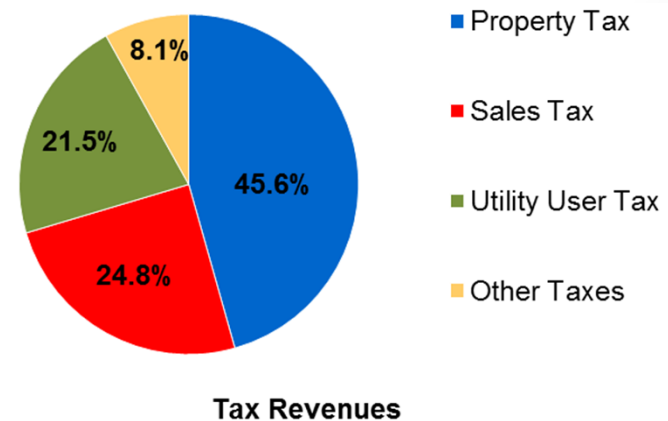
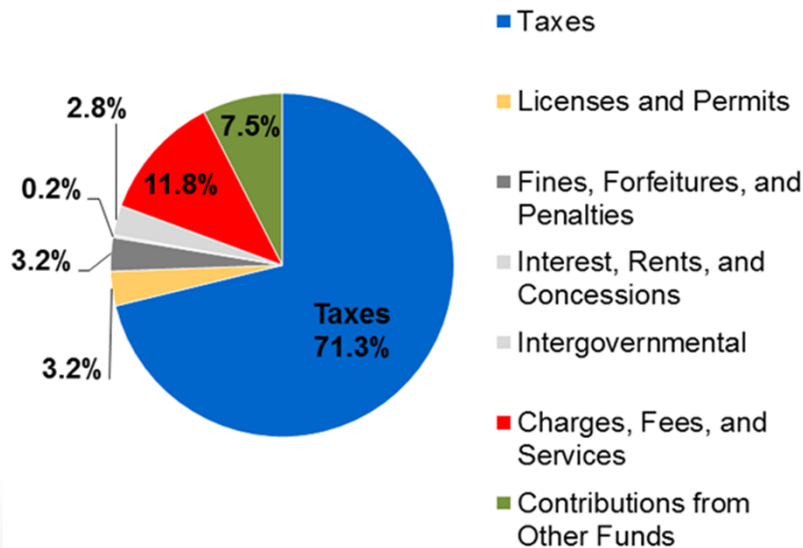
General Fund

Where Does General Fund Money Come From?

- Taxes
- Charges, Fees and Services
- Contributions from Other Funds
- Intergovernmental
- Licenses and Permits
- Fines, Forfeitures and Penalties
- Other Sources

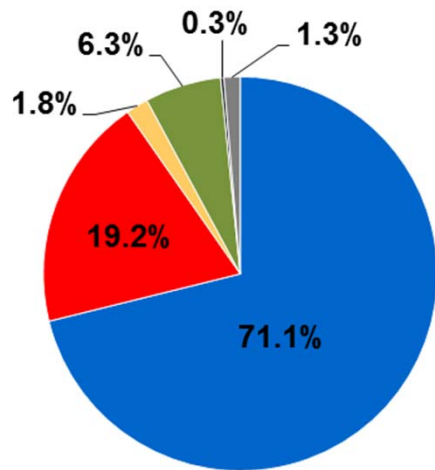
\$ in millions

\$274.2
45.6
29.0
10.9
12.5
12.2
0.8



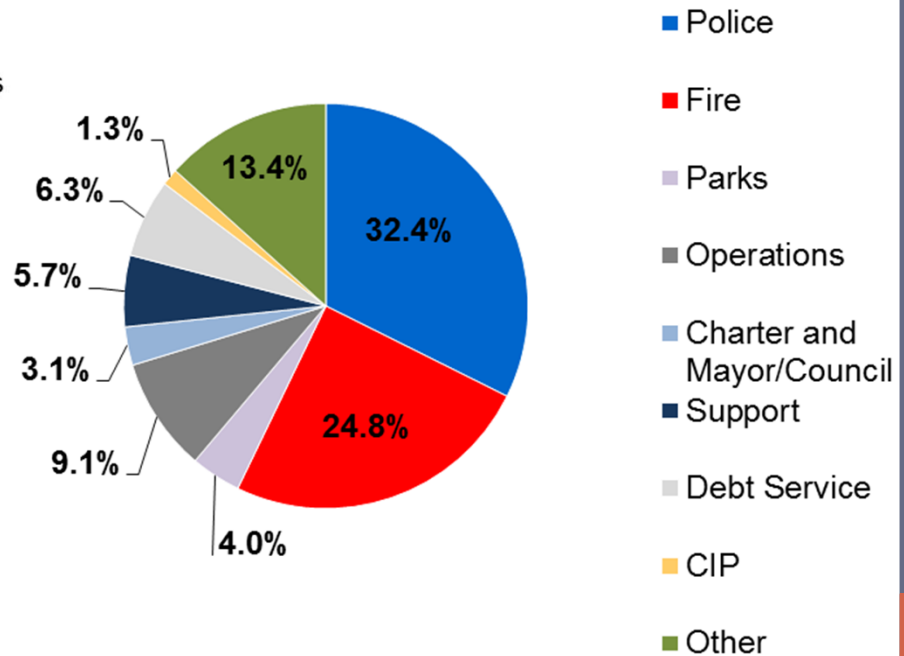
What Does the General Fund Pay For?

Expenditures
\$383.1 million



- Employee Services
- Services and Supplies
- Property
- Debt Service
- Contingency
- CIP

Expenditures by Program
\$383.1 million



- Police
- Fire
- Parks
- Operations
- Charter and Mayor/Council
- Support
- Debt Service
- CIP
- Other

Key Drivers of GF Expenses

- Salaries
- Rising Employer PERS Rates
- Rising Healthcare Costs
- Service/Contract Inflation Increases

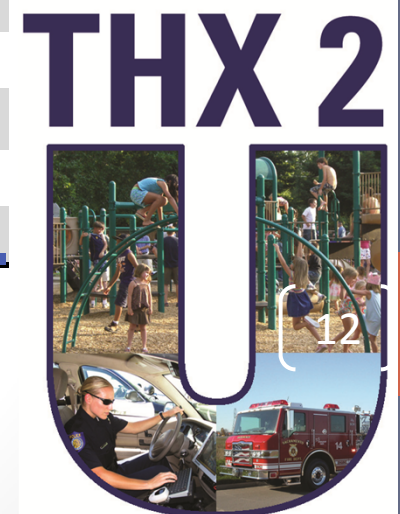


The Effect of the Recession

- Closed \$243 million in cumulative deficits over seven fiscal years (FY07/08-FY13/14)
 - \$119.3 million in labor reductions (vacant positions and layoffs)
 - \$78.9 million in one-time funding
 - \$30.1 million in other reductions/increased cost recovery
 - \$12.2 million in new/increased revenues
 - \$4.2 million in Measure U resources to retain grant funded public safety positions

Measure U Restorations

Measure U Revenues and Expenditures (in 000s)	FY15	FY16	FY17	FY18	FY19
REVENUES					
FY2014/15 Approved Budget	31,824	33,097	34,421	35,798	27,922
Proposed Adjustment	9,685	8,949	9,377	9,812	7,697
FY2014/15 Amended Budget	41,509	42,046	43,798	45,610	35,619
EXPENDITURES					
Fire Department	11,704	11,553	12,016	12,503	13,013
Police Department	12,580	15,200	16,038	17,417	18,001
Parks Department	4,857	4,915	4,939	4,964	4,989
Parks Midyear Adjustment	158				
Library and Animal Control	733	646	652	658	664
Total Measure U Restorations	30,032	32,313	33,645	35,541	36,666
RESERVE					
Annual Reserve	11,477	9,733	10,153	10,069	(1,047)



General Fund Forecast

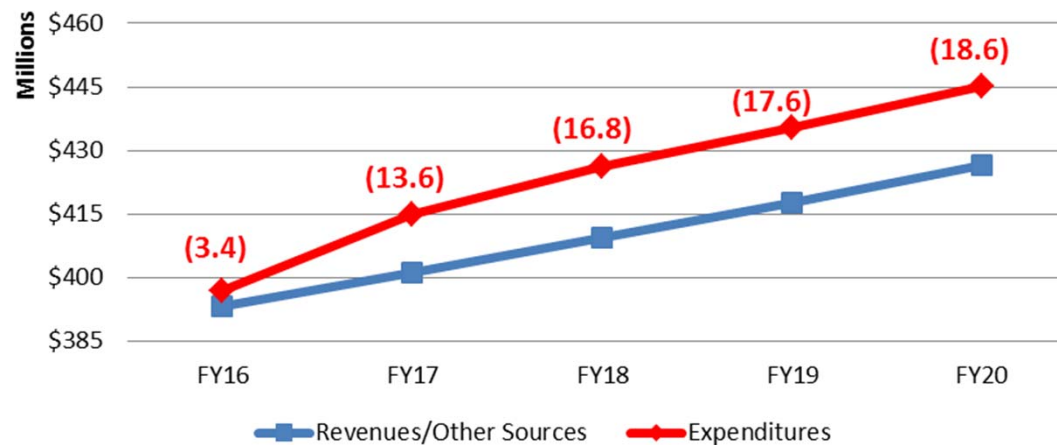
- Point in time projection of revenues and expenditures based on:



- Historical revenue trends
- Changes in law/circumstances
- Economic updates
- Information from County Assessor



Five-Year GF Forecast



GENERAL FUND FORECAST	FY2014/15 PLAN	FY2015/16 PLAN	FY2016/17 PLAN	FY2017/18 PLAN	FY2018/19 PLAN	FY2019/20 PLAN
Revenues	385,319	393,318	401,233	409,404	417,851	426,586
Expenditures	383,542	392,034	403,730	412,483	421,722	431,472
Fund Balance (Revenues - Expenditures)	1,777	1,284	(2,497)	(3,079)	(3,871)	(4,886)
SPOA Arbitration Decision	(1,247)	(2,238)	294	1,590	1,590	1,590
Local 39 Contract	1,336	2,300	3,727	3,727	3,727	3,727
Local 522 Contract	1,796	4,643	7,109	8,390	8,390	8,390
Cost of Union Proposals	1,885	4,705	11,130	13,707	13,707	13,707
GF Forecast with Union Agreements	(108)	(3,421)	(13,627)	(16,786)	(17,578)	(18,593)
Loss of Measure U Revenues	0	0	0	0	(1,047)	(45,610)
GF Grand Total with Measure U	(108)	(3,421)	(13,627)	(16,786)	(18,625)	(64,203)

General Fund Budget Reality

- General Fund expenditures continue to exceed revenue growth in future fiscal years
- Measure U provides relief, but:
 - Must consider “fiscal cliff” in FY2019/20
- Long-term liabilities will continue to grow:
 - Pensions
 - Retiree Medical



Enterprise Funds

Enterprise Funds

- Water Fund
 - Wastewater Fund
 - Storm Drainage Fund
 - Solid Waste Fund
 - Parking Fund
 - Community Center Fund
-
- Proposition 218 (1996) included specific requirements (voter approval of taxes) and limitations on the use of fees from Utility Enterprise Funds:
 - Fees for General Governmental Services Prohibited
 - Fee for Service Provided Only
 - Fee not to Exceed Cost of Service
 - Fee not to Exceed Proportional Cost



Enterprise Funds (continued)

- Storm Drainage
 - Last rate increase was in 1996
 - Currently no capital replacement program in place
 - Evaluating opportunities to adjust rates within the next 18 months
 - Inadequate infrastructure for 10-100 year storm events
- Wastewater
 - Much of infrastructure has exceeded its lifecycle
 - Moving from 650-year replacement cycle to 100-year
 - Will need rate adjustments (FY2016/17)



Enterprise Funds (continued)

- Water
 - Much of infrastructure has exceeded its lifecycle
 - Moving from 400-year replacement cycle to 100-year
 - Will need rate adjustments (FY2016/17)
- Solid Waste
 - Rates have not been increased since July 1, 2010
 - Required Proposition 218 rate payer notification process to increase rates has been initiated
 - Recommendations will be provided to the Budget and Audit Committee

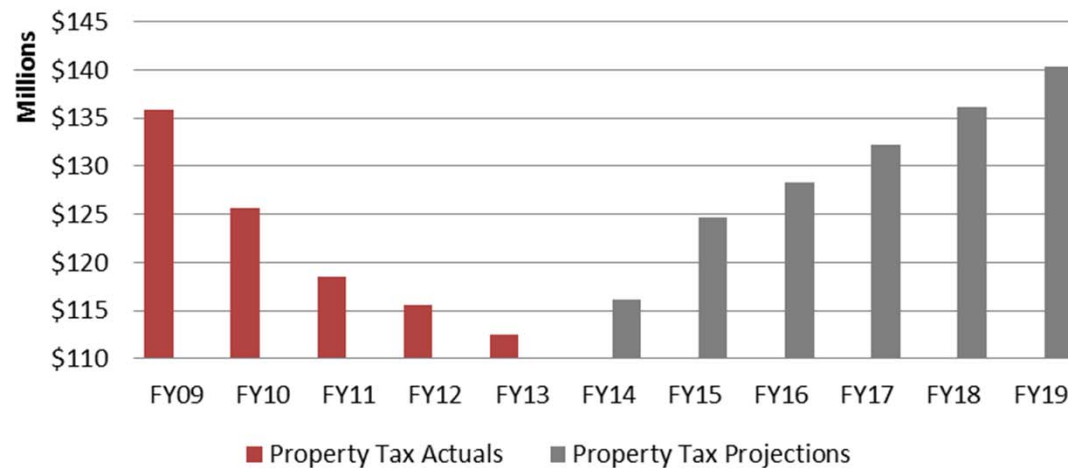


Major Tax Revenue Trends

Property Tax

- Largest single general revenue source
- Per Proposition 13:
 - 1% of the assessed value
 - Adjusted annually by CPI, no more than 2%

Property Tax Revenue



Where do Property Taxes Go?

- Estimated allocation of **\$1** of property taxes in the City of Sacramento.
- City gets approximately **23¢** for each property tax dollar paid for the Proposition 13 assessment (exclude special assessments).



Prop 8 Property Tax Reduction

- In FY2008/09 County Assessor began reducing assessed property values
 - At the peak, 60% of the city's parcels were reduced
 - Loss of \$12 million in property tax revenue annually
- Will see growth as assessed value continues to increase

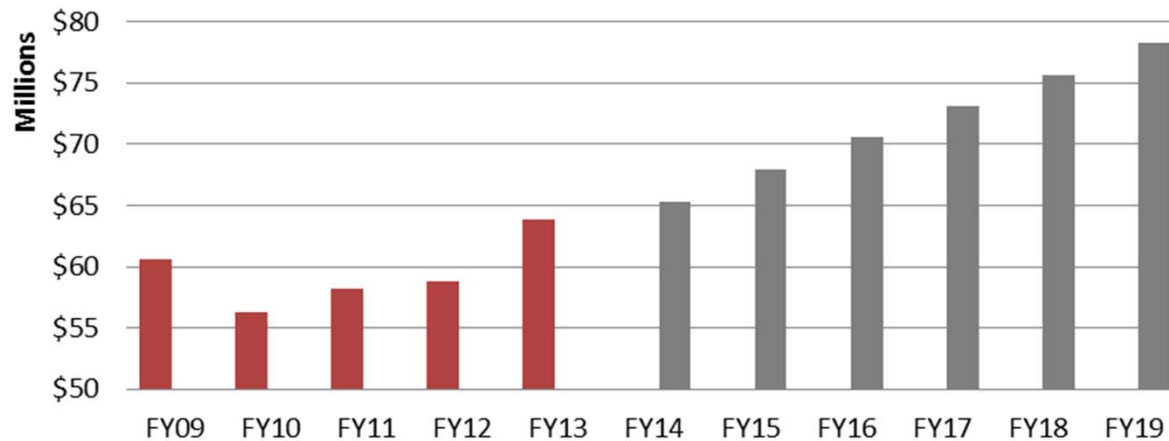
Sales Tax

- **1 cent** of every 8.5¢ paid per dollar sale in Sacramento goes to City government

New Sales	City Sales Tax
\$ 100,000	\$ 1,000
\$ 1,000,000	\$ 10,000
\$ 10,000,000	\$ 100,000
\$ 100,000,000	\$ 1,000,000



Sales Tax Revenue



Priorities

It's All About Priority Setting...

Internal

- Revenues vs Expenditures
- Short-term vs Long-term
- One-time vs Ongoing
- Operating vs Capital



- Administration vs Services
- Department vs Department
- Public Safety vs Everything Else

and Competing Priorities...

External

- Economy
- Community Pressure/Wants
- Other Governments
- Media



Council Budget Actions

Council's Budget Policies

- **Budget Development** (R2014-0179, 6/10/2014)
 - Focus reductions on achieving permanent savings in order to reduce future year deficits.
 - Actions need to be considered within a multi-year context.
 - New revenues will not be counted or spent until realized.
 - Use one-time resources for one-time needs.
 - Invest to increase efficiency, yield future year savings, and/or address the City's deferred maintenance backlog.
 - The Economic Uncertainty Reserve (EUR) to be increased gradually to Council's goal of 10 percent of the General Fund revenue budget.

Recent Council Decisions

- **Unbudgeted Revenues to the Reserve** (R2012-0248, 06/19/2012)
- **Measure U Uses** (R2013-0045, 2/12/2013)
 - Restorations, not new programs
 - Resources will not be used to balance the General Fund Budget or to increase employee compensation
 - Resources will be set aside for contingency funding, one-time expenses and transition with expiration in 2019
- **Economic Development Fund**
 - Directed new property taxes resulting from the dissolution of redevelopment to the Fund (R2013-0198, 6/11/2013)
 - Directed \$300K annually to Science Center (R2014-371, 11/14/2014)
 - Directed proceeds from the sale of surplus General Fund properties to the Fund (R2015-TBD Midyear, 2/20/2015)
- **Streetcar Funding Assignment** (Council Motion, 1/13/2015)