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DEPARTMENT OF
FINANCE

CITY OF SACRAMENTO
CALIFORNIA

BUDGET AND POLICY REVIEW

CITY HALL
ROOM 100
915 I STREET
SACRAMENTO, CA
95814-2684

PH: 916-264-5845
FAX: 916-264-5755
TDD (ONLY) 916-264-7227

May 7, 2002

City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: RECOMMENDATIONS ON THE SACRAMENTO
METROPOLITAN CABLE TELEVISION COMMISSION AND
SACRAMENTO REGIONAL COUNTY SOLID WASTE
AUTHORITY ADDITIONAL REVENUES**

LOCATION AND COUNCIL DISTRICT: Citywide

STAFF RECOMMENDATION:

This report recommends that the City Council

- 1) approve the recommendation for allocation of the additional one-time revenues anticipated for fiscal year 2001/02 from the Sacramento Metropolitan Cable Television Commission and Sacramento Regional County Solid Waste Authority (SWA),
- 2) approve an intent motion that additional revenues anticipated for FY2002/03 from these same sources be designated for the expansion of the Utility User Tax Rebate Program, and;
- 3) reserve funding for the above recommendations pending the outcome of the November 2002 election.

CONTACT PERSONS: Gus Vina, Director of Finance, 264-7138
Reina Schwartz, Budget, Policy & Strategic
Planning Manager, 264-7195

FOR THE COUNCIL MEETING OF: May 21, 2002

SUMMARY:

This report provides background and recommendations on the use of additional revenues from the Sacramento Cable Television Commission and the Sacramento Regional County Solid Waste Authority (SWA). (See Attachment 4)

City Council
 Recommendations on the Sacramento Metropolitan Cable Television Commission and
 Sacramento Regional County Solid Waste Authority Additional Revenues
 May 7, 2002

BACKGROUND:

Sacramento Metropolitan Cable Television Commission Revenues

The Sacramento Metropolitan Cable Television Commission is a joint-powers authority whose members are the County of Sacramento and the cities of Citrus Heights, Folsom, Galt, Sacramento and Elk Grove. The Commission's governing board is a 10 member Board of Directors consisting of elected officials representing each of the member jurisdictions.

Cable fees are collected from local cable television providers based on a percentage of gross revenues. These cable fees are received by the Sacramento Metropolitan Cable Television Commission and distributed to its 'parent entities'. The City of Sacramento's distribution rate of 33.3% of total fees is based on population estimates.

Last year COMCAST, the largest local cable provider, was acquired by AT&T. As part of the transfer requirements, AT&T agreed to add 2.35% to the franchise fee rate of 2.65% bringing the rate to its current level of 5%. The existing increased fee is anticipated to result in approximately \$3.5 million in new revenue to the Cable Commission in FY2001/02. Below is a history of most recent years and anticipated revenues to the City from this source which are deposited into the General Fund:

	1999/00	2000/01	2001/02	2002/03
Base	\$400,000	\$400,000	\$400,000	\$400,000
Recreation Youth Programs & Equipment	\$150,000	\$150,000	\$150,000	\$150,000
Recreation CIP	\$ 74,000	\$139,000	0	0
Additional	0	0	\$1,428,000	\$1,183,000

Total revenues for FY2002/03 are projected to fall slightly below FY2001/02 as result of reduced cable company revenues due to increased competition and a recent federal ruling that franchise fees cannot be charged on cable modem services.

In 1998, the City Council approved the distribution of additional cable revenues for youth oriented programs and projects (see Attachment 1). During the FY2000/01 midyear report, the City Council reaffirmed the continued support of \$150,000 in the base recreation operating budget for youth oriented programs and the intent that additional revenues resulting from the increased franchise fee would be used to support youth oriented and cultural programs (see Attachment 2). During the FY2001/02 Budget hearings, the City Council reaffirmed that intent (see Attachment 3).

Based on current revenue projections, the City should receive approximately \$1.4 million in additional revenues from the Sacramento Cable Commission for FY2001/02 and \$1.2 million in FY2002/03.

City Council

Recommendations on the Sacramento Metropolitan Cable Television Commission and Sacramento Regional County Solid Waste Authority Additional Revenues
May 7, 2002

Solid Waste Authority Revenues

The Solid Waste Authority is a joint powers authority which includes the City of Sacramento, City of Citrus Heights and Sacramento County. The Solid Waste Authority regulates commercial garbage haulers countywide and coordinates regional planning for solid waste issues.

Last fall the Solid Waste Authority took action to distribute any surplus monies from the commercial franchise fee to member jurisdictions based on the tons of waste generated in each jurisdiction. The City's anticipated additional revenues are approximately \$1 million for FY2001/02 and \$1.2 million for FY2002/03.

Recommendations

The FY2001/02 Midyear Report included a list of issues that had either been previously discussed with Council, are continuing objectives or have been directed to staff for further analysis. The FY2001/02 midyear report identified the Cable and SWA revenues as a potential funding source in the FY2002/03 budget to fund these issues. Below is the funding status of the issues:

Issue	Funding Status
Park Maintenance	Some increased park maintenance staff included in FY2002/03 Proposed Budget
Internal Auditor	Funding and one FTE included in FY2002/03 Proposed Budget
South Area Permit Center	Pending funding
Infill Strategies/Policy	Funding for the Residential Infill Incentive Program included in FY2002/03 Proposed Budget
Deferred Maintenance	Adequate balance to continue projects through FY2002/03
Campaign Finance Reform	Pending funding
Community & Schools Partnership	Recommend use of FY2001/02 additional Cable Commission/SWA revenues
Grant Match Program	Pending funding
Natomas Staffing & Facilities	In progress
Security Measures	Funding for increased security at City Hall included in FY2002/03 Proposed Budget
Street Light Matching Program	Recommend use of FY2001/02 additional Cable/SWA revenues
Utility User Tax Rebate Program	Recommend use of FY2002/03 additional Cable Commission/SWA revenues for expanded rebate program
Street Sweeping	Resolve within the Solid Waste Fund
Information Technology Strategic Plan	Funding for replacement & upgrade of telephone and voicemail systems included in FY2002/03 Proposed Budget
Council Community Neighborhood Projects	Recommend use of FY2001/02 additional Cable/SWA revenues

City Council

Recommendations on the Sacramento Metropolitan Cable Television Commission and Sacramento Regional County Solid Waste Authority Additional Revenues
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One-time FY2001/02 Sacramento Metropolitan Cable Television Commission & Solid Waster Authority Revenues

For FY2001/02, the City anticipates receiving additional one-time revenues of \$2.4 million from these sources. Staff recommends the following distribution of these one-time funds. Some of the recommended uses represent a shift in policy away from dedicating additional cable revenues to youth and cultural programs.

- ♦ \$250,000 Park Maintenance Equipment
- ♦ \$400,000 - Support for the Community and Schools Partnership program for joint city/school district projects
- ♦ \$400,000 - Catch-up on Tree Maintenance
- ♦ \$400,000 - Support for the Street Light Matching Program
- ♦ \$900,000 - Support for Council Community Neighborhood Projects (\$100,000 per Council member)

Ongoing FY2002/03 Sacramento Metropolitan Cable Television Commission and Solid Waste Authority Revenues

Anticipated additional Cable and SWA revenues for FY2002/03 are approximately \$2.4 million. The FY2002/03 Proposed Budget recommends that the City Council designate the additional revenues from these sources to support the proposed expansion of the Utility User Tax (UUT) Rebate Program. The ongoing annual cost of the expanded program are estimated at \$2.5 million. A separate report on the specifics of the expanded UUT Program will be heard by Council in conjunction with this report.

Last November, the City Council directed the City Manager to develop an expanded UUT Rebate Program in order to include more low-income households. Funding of this program is the most significant ongoing program increase in the FY2002/03 Proposed Budget. Given the economic climate and the City's financial position, staff recommends that City Council designate the additional Cable and SWA revenues to support the increased program costs in FY2002/03 and beyond. Approval of this recommendation would change the intent approved by City Council last year to direct the Cable additional revenues to youth oriented and cultural programs.

Given the City's financial outlook, this report recommends that the Cable and SWA funding for all of the above recommendations be held in reserve pending the outcome of the State budget and the UUT Ballot issue.

FINANCIAL CONSIDERATIONS:

It is anticipated that the City should receive approximately \$1.4 million in additional one-time revenues from the Sacramento Cable Commission for FY2001/02 and \$1.2 million

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Sacramento Regional County Solid Waste Authority Additional Revenues
May 7, 2002

in FY2002/03. Cable Franchise Fees are considered a general fund revenue and are deposited into the City's General Fund. The revenues from the Solid Waste Authority are new revenues to the City due to a change in distribution of revenues. The City's anticipated additional revenues are approximately \$1 million for FY2001/02 and \$1.2 million for FY2002/03.

While these revenues have increased over recent years, they are potentially volatile due to their link to changing technology and increased competition. This report recommends that the Cable and SWA funding for the above recommendations be held in reserve pending the outcome of the State budget and the UUT Ballot issue.

POLICY CONSIDERATIONS:

The recommendations in this report are consistent with the City Council's sustainable budget policy and direction to expand the UUT Rebate Program. The recommendations for use of the one-time FY2001/02 and the on going FY2002/03 Cable Commission and Solid Waste Authority additional revenues represent a shift in policy from prior Council action on the use of these funds.

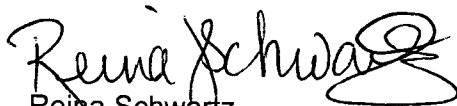
ENVIRONMENTAL CONSIDERATIONS:

Not applicable.


ESBD EFFORTS:

No goods or services are being purchased under this report.

Respectfully submitted,



Reina Schwartz
Budget, Policy & Strategic
Planning Manager



Gustavo Vina
Director of Finance

RECOMMENDATION APPROVED:



ROBERT P. THOMAS
City Manager

RESOLUTION NO. 98-527

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF OCT 20 1998

**RESOLUTION DESIGNATING EXCESS DISTRIBUTIONS
FROM THE SACRAMENTO METROPOLITAN CABLE
TELEVISION COMMISSION FOR A YOUTH DEVELOPMENT
FUND AND ESTABLISHING ALLOCATION GOALS, CRITERIA
AND METHODS.**

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

1. Annual distributions from the Sacramento Metropolitan Cable Television Commission (SMCTC) in excess of guaranteed minimums, as defined by the SMCTC, are hereby targeted for youth purposes through what is to be known as the Youth Development Fund.
2. Annual allocations from the Youth Development Fund are to occur in the following manner: The first \$100,000 will be appropriated to the Recreation budget to enhance and expand present youth programs and services delivered by the City through partnerships with other organizations that enhance city youth recreation programs. The second \$50,000 will be appropriated to the Recreation budget for equipment that supports youth facilities and family oriented special events. Remaining annual revenues to the Youth Development Fund will be appropriated to a continuing master project capital improvement project for youth development purposes and allocated through the annual Capital Improvement Program based on the recommendations of Parks and Recreation staff, the Youth Commission and the CAC. Expenditure budgets will match revenue budgets at all times and be based on estimates provided by the SMCTC. At the close of each fiscal year, expenditure and revenue budgets will be adjusted to actual revenue.
3. The expenditures of funds allocated to the Recreation budget will be made at the discretion of Recreation staff provided that expenditures are consistent with the following goals and allocation criteria:

For Youth Programs and Services

- Goals:
- To reinvest, re-establish and maintain effective City services for youth.
 - To foster positive and mutually beneficial relationships between City and other youth serving organizations.
 - To effectively reach the greatest number of youth.
 - To provide youth from diverse backgrounds the opportunity to learn about and interact with others from different cultures.

98-527

RESOLUTION No.
OCT 20 1998 (6)

- Criteria:
- Utilize partners who will leverage funds.
 - Maintain flexibility to respond to changing needs and opportunities.
 - Utilize partners who provide additional services to City programs.
 - Mutually beneficial to the City and the organization.

For Equipment

- Goal:
- To reinvest, re-establish and maintain effective City equipment for youth.
 - To effectively reach the greatest number of youth.
- Criteria:
- Useful on a City-wide basis.
 - Demonstrated need for new or replacement.
 - For youth or family-oriented events.

4. Capital project expenditures will be consistent with the following goals and allocation criteria:

- Goal:
- To reinvest, re-establish and maintain effective City facilities for youth.
 - To create new or expanded facilities for youth.
 - To support positive and mutually beneficial relationships between City and other youth serving organizations.
- Criteria:
- Funding will be for one-time general seed money or for equipment, capital improvements or start-up operating costs.
 - Match funding or in-kind support must be readily available.
 - Future leveraging of the funds will be preferred whether in the form of revenues, grants, donations or in-kind support.
 - Funding maintains public health and safety standards; complies with all laws and mandates or corrects non-compliance; reduces maintenance costs; maintains professional standards for existing parks and recreational facilities; has offsetting revenues, fees or grants; constructs new facilities.

JOE SERNA, JR.

MAYOR

ATTEST:

VALERIE BURROWES

CITY CLERK

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RESOLUTION NO.: 98-527
DATE ADOPTED: OCT 20 1998

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Proposals are now under review to allocate future operational and capital costs of the program to departments generating the cost. At this time staff recommends that future capital costs be incurred by the project generating the cost. Recommendations on the allocation of future operational costs will be brought forward as part of the fiscal 2001-02 budget process.

At the present time, the known requirements for the installation of backflow devices are for eighteen devices in Park irrigation systems. These irrigation systems are scheduled for improvements as part of the Park Irrigation Maintenance project (PN:LS01). However, the budget does not include the cost of the backflow devices.

The cost of the devices is estimated at \$5,000 each including installation of both the device and a water meter. This cost is a significant reduction from a potential cost of \$10,400 each due to the assistance of the Department of Utilities in arranging for a private firm interested in field testing devices. The firm will supply and guarantee the devices free of charge. The City's costs are for installation and a meter.

To fund the total additional cost of \$90,000, it is recommended that the Park Irrigation Project be augmented by \$90,000 from the Reserve for CIP established as part of the fiscal 1999-2000 year end closing process.

B. Cable Funding

OBJECTIVE:

This report is intended to reaffirm the distribution of current cable revenues to the Recreation operating budget to support youth oriented programs including the purchase of equipment that supports youth facilities and special events. This report also gives City Council an update on additional potential revenues from cable franchise fees and recommends that City Council adopt the intent motion of directing any additional revenues to youth oriented and cultural programs, projects and activities.

RECOMMENDATIONS:

This report recommends that the City Council

- 1) reaffirm the distribution of current cable revenues and approve the continued support of \$150,000 a year for youth oriented programs, equipment and special events equipment in the Recreation operating budget, and
- 2) adopt an intent motion to direct any new revenues received from the Cable Commission distribution to support youth oriented and cultural programs, projects and activities.

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BACKGROUND/SUMMARY:

The Sacramento Metropolitan Cable Television Commission is a joint-powers authority whose members are the County of Sacramento and the Cities of Citrus Heights, Folsom, Galt, Sacramento and Elk Grove. The Commission's governing board is a 10 member Board of Directors consisting of elected officials representing each of the member jurisdictions.

Cable fees are currently collected from local cable television providers at a rate of 2.65% of gross revenues. These cable fees are received by the Sacramento Metropolitan Cable Television Commission and distributed to its 'parent entities'. The City of Sacramento's distribution rate of 34% of total fees is based on population estimates. This revenue is designated as general fund revenue and is deposited into the General Fund. Below is a history of most recent years revenues from this source:

Fiscal Year	Revenue to City
2000-01 (estimated)	\$673,480
1999-00	\$623,593
1998-99	\$577,901

The current distribution for cable revenues received by the City is \$400,000 to General Fund Base Revenue and \$150,000 to Recreation base operating budget. In 1998-99, the revenue remaining after this 'base' allocation was deposited into a capital project created to support youth related projects. In the subsequent years, excess revenues have been credited to the General Fund fund balance.

Recently, ATT acquired the largest local cable provider, COMCAST. As part of the transference agreement, ATT agreed to add a 2.35% franchise fee to the current cable fee. This increase is anticipated to result in approximately \$3.5 million in new revenue to the Cable Commission. While the increase takes effect in March, 2001 the budgeting of the new revenues will be considered by the Board of Directors as part of the Commission's FY02 budget.

It's unknown at this time what the City's share of the new revenues will be. In October 1998, the City Council approved that a portion of revenues beyond the general fund base revenue be targeted for youth oriented programs. The Council at that time also approved goals and criteria to guide the programming of the funds. This report recommends that City Council take action to target any new revenues from the Cable Commission distribution to support youth oriented and cultural programs, projects and activities.

If Council approves the recommendations of this report, staff will report back when a distribution decision is made by the Cable Commission. At that time, Council will have an opportunity to revisit the goals and criteria previously adopted for programming of youth funds, develop goals and criteria for cultural funding and give staff direction in developing a programming plan for City Council consideration.

RESOLUTION NO. 2001-338

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF MAY 29 2001

**RESOLUTION SUPPORTING THE SACRAMENTO CABLE COMMISSION
POLICY OF FUNDING TO GRANTEEES AND DISTRIBUTION OF
REVENUES TO PARENT ENTITIES**

WHEREAS, the City Council of the City of Sacramento supports the current policy of the Sacramento Cable Commission to return revenues to the parent entities, and

WHEREAS, the City Council also supports the Sacramento Cable Commission in providing an annual base of funding for education, information and entertainment programming that is evaluated based on priorities and criteria, and

WHEREAS, the City of Sacramento has many needs that remain unfunded in serving its residents, and

WHEREAS, the City Council has determined that new revenues received from the Sacramento Cable Commission would be directed to support youth oriented and cultural programs,

Now, therefore, be it resolved by the City Council of the City of Sacramento:

The City Council supports the Sacramento Cable Commission action of:

- 1) Establishing a base annual funding to PEG grantees of \$1,195,806
- 2) Establishing a cap of \$200,000 in funding for consideration of additional funding requests from grantees
- 3) Distribution of remaining revenues (less the Administrative/Regulatory budget and MetroCable budget) to parent entities.

HEATHER FARGO

MAYOR

ATTEST:

VALERIE BURROWES

City Clerk

FOR CITY CLERK USE ONLY

RESOLUTION NO.: 2001-338

DATE ADOPTED: MAY 29 2001

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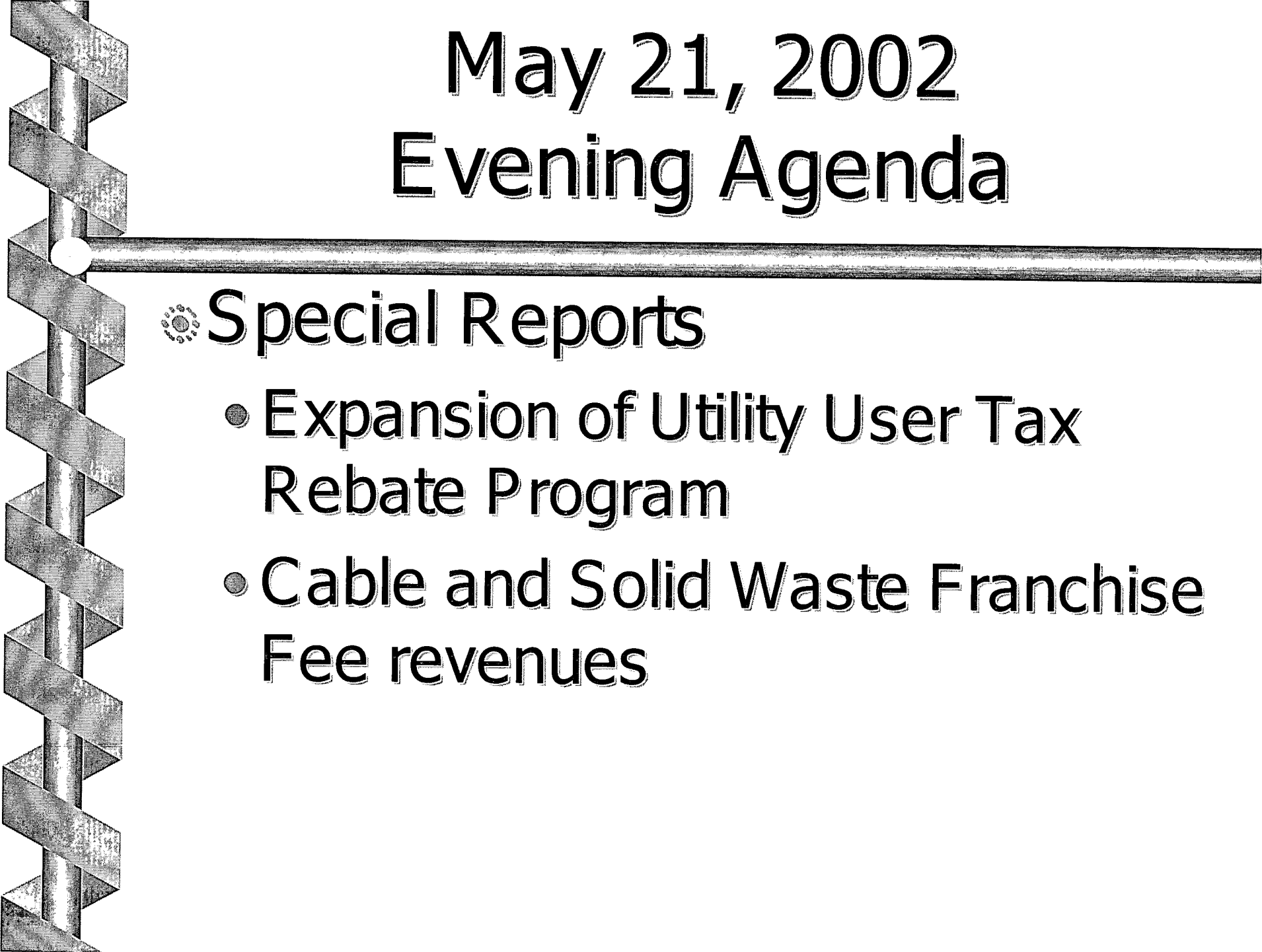


City of Sacramento

FY2002/03 Proposed Budget Special Report: Proposed Uses of Additional Cable and Solid Waste Authority Franchise Fee Revenues

May 21, 2002

Attachment 4



May 21, 2002 Evening Agenda

Special Reports

- Expansion of Utility User Tax Rebate Program
- Cable and Solid Waste Franchise Fee revenues

Cable Commission Revenues (dollars in thousands)

	<u>1999/00</u>	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>
<u>Base</u>	\$400	\$400	\$400	\$400
<u>Recreation Programs & Equip</u>	\$150	\$150	\$150	\$150
<u>Rec/Youth CIP</u>	\$74	\$139	\$0	\$0
<u>Additional</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,428</u>	<u>\$1,183</u>
Total	\$624	\$689	\$1,978	\$1,733



Cable Commission Revenues

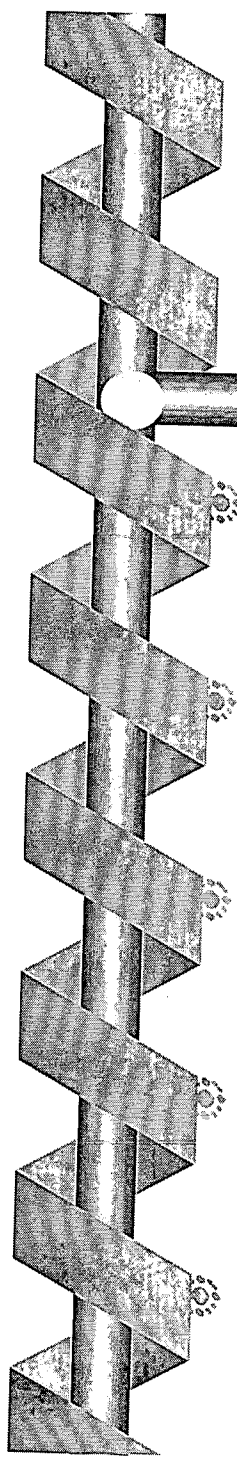
- Additional Cable Commission Franchise Fee revenues expected beginning in FY2001/02
 - FY2001/02 \$1.4 million
 - FY2002/03 \$1.2 million
- Prior Council intent to use additional Cable revenues for youth and cultural programs



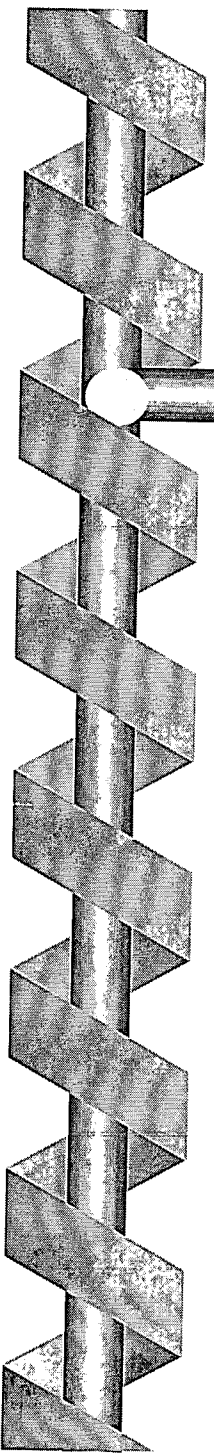
Solid Waste Authority (SWA) Franchise Fee Revenues

- Solid Waste Authority assesses 8% franchise fee on commercial garbage haulers in Sacramento County; revenues are returned to member jurisdictions
- Estimated Revenues:
 - FY2001/02 \$1 million
 - FY2002/03 \$1.2 million

Recommendation: One-time Uses FY2001/02 Cable and SWA Revenues



\$250,000	Park Maintenance Equipment
\$400,000	Community & Schools Partnership
\$400,000	Tree Maintenance Catch-up
\$400,000	Street Light Matching Program
\$900,000	Council Community Neighborhood Projects (\$100,000/district)



Recommendation: Ongoing Uses FY2002/03 Cable and SWA Revenues

- ☼ \$2.4 million from these sources to fund the proposed expansion of the Utility User Tax Rebate Program.
- ☼ Hold funding in reserve pending the outcome of the State budget deliberations and the proposed UUT ballot measure.