



## REPORT TO COUNCIL City of Sacramento

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**PUBLIC HEARING**  
**May 19, 2009**

Honorable Mayor and  
Members of the City Council

**Title:** Fiscal Year (FY) 2009/10 Proposed Operating Budget Overview

**Location/Council District:** Citywide (All)

**Recommendation:** Review and discuss the FY2009/10 Proposed Operating Budget and adopt an intent motion providing direction for final budget adoption on June 16, 2009.

**Contact:** Leyne Milstein, 808-8491

**Presenters:** Marty Hanneman, Assistant City Manager; Leyne Milstein, Finance Director

**Department:** City Manager's Office, Department of Finance

**Division:** Budget, Policy and Strategic Planning

**Organization No:** 06001411

### **Description/Analysis:**

**Issue:** The FY2009/10 Proposed Operating and Capital Improvement Program Budget documents were delivered to the Mayor and City Council on May 1, 2009 in accordance with City Charter, Article IX, Section III which requires the City Manager to deliver budget recommendations to the Mayor and City Council no later than 60 days prior to the start of the new fiscal year. This report provides an overview of the FY2009/10 Proposed Budget.

**Budget Overview:** The FY2009/10 Proposed Budget for the City of Sacramento is balanced, totaling \$875.1 million from all funding sources. Proposed staffing for FY2009/10 includes 4,545 funded full time equivalent (FTE) positions citywide of which 3,180 FTE positions are funded from the General Fund. The General Fund portion of the Proposed Budget is \$385.9 million. The General Fund deficit is estimated to be \$50 million for FY2009/10. The Proposed Budget reduces



expenses by \$41.7 million, including the unfunding of 387 FTE, and the use of \$8.3 million in one-time resources to close the gap for the fiscal year.

The Proposed Budget was developed in the context of the Mayor and Council's Strategic Planning-Strategic Budgeting policies. In this context the City Manager has led proactive efforts to address the City's financial challenges in an open and transparent way. The Council provided policy direction at Budget workshops held in January and February 2009 and as a result of this process, the Proposed Budget reflects the Council's direction. Additionally, five community meetings were held to discuss the budget with interested residents. The programs and services included in the Proposed Budget reflect the City Council's commitment to keeping Sacramento a full service City, and maintaining the structural framework necessary to position the City when the economy recovers.

The gap between ongoing revenues and expenditures has been closed with a combination of ongoing expenditure reductions (\$36.7 million), new revenues (\$5.1 million), and one-time funding (\$8.3 million).

Budget Reductions: Given that labor costs account for nearly 85 percent of all expenses in the General Fund, one of the central strategies to close the gap between revenues and expenses in the FY2009/10 Proposed Budget is to minimize growth in the City's personnel costs. In order to do so, the City has asked labor unions to consider freezing salaries and step increases; and in the case of non-public safety employees, to take one furlough day per month for the fiscal year. In addition, all unrepresented employees will continue to furlough one day per month and will not be receiving cost of living adjustments (COLAs) in FY2009/10.

To date the City has successfully concluded negotiations with only one of the City's labor unions, the Sacramento Police Officer's Association (SPOA). SPOA members have agreed to a salary freeze in FY2009/10. As a result, the Proposed Budget does not include any additional reductions to the Police Department. However, because negotiations with most of the City's labor unions are still in process, the Proposed Budget reflects a "reduction only" proposal for all other departments (see Attachment 1), versus savings from any negotiated concessions. Should the negotiations prove to be successful, there could be an opportunity during the budget hearings to substitute labor savings for some of the proposed reductions.

Reduction proposals included different options such as increasing the level of cost recovery of fees and charges for programs and services, while others focused on preserving core department functions and reducing programs and services that did not reflect City Council priorities. These reductions are in addition to the 20 percent reduction that most departments sustained in the development of the current year budget.

It is important to remember that due to the significant reductions in property tax and sales tax revenues, even with salary freezes, extensive reductions in services and the use of one-time funding sources are necessary to balance the FY2009/10 Budget.

In addition to department specific operating reductions, the Proposed Budget reflects continuing efforts to reduce costs on a citywide basis, including reductions in internal service fund costs for fleet and workers' compensation that result in lower costs in nearly all funds citywide.

Budget Hearings: A series of public hearings and special reports will be heard by City Council during May and June, with final adoption of the Approved FY2009/10 Operating and Capital Improvement Budgets scheduled for June 16, 2009. A tentative hearing schedule is included as Attachment 2.

In response to questions received from the Mayor and City Council staff has prepared Supplemental Budget Information (SBI) which is included as Attachment 3 (SBI 1-19 as provided on February 24 and SBI 20-29 is new information). Staff will continue to provide additional SBI as additional information becomes available.

**Policy Considerations:** The Proposed Budget was developed in the context of the Mayor and Council's adopted Strategic Planning-Strategic budgeting model. To address an estimated General Fund deficit of \$50 million for FY2009/10, the Council provided policy direction in Budget Workshops held in January and February 2009.

The programs and services included in the Proposed Budget reflect the City Council's commitment to keeping Sacramento a full service City, and maintaining the structural framework necessary to position the City when the economy recovers. Overall, these reductions will likely result in numerous service level impacts, including increased response and processing time, reduced maintenance and program reductions citywide.

The City is clearly facing a substantial challenge in returning to a long-term structurally balanced General Fund budget. Successfully addressing this financial challenge will require increased flexibility, new ways of delivering programs and services, and extreme fiscal discipline. We have already taken many actions, including aggressively managing hiring, cutting and deferring expenses, moving towards full cost recovery of fee-supported services, and scrubbing all opportunities to identify unspent dollars to address the gap between revenues and expenditures. However, knowing that revenues will not recover to the level necessary to cover growing expenses in the next two years, and likely not even over the next five years, the deepening recession has made it impossible to close the budget shortfall solely through actions designed to make government more efficient. As such, the strategies implemented in the Proposed Budget are simply not enough to address the estimated budget shortfall in FY2010/11 and beyond.

Reflecting the direction provided by the Mayor and City Council at the budget development workshops, the City Manager's Office has identified several long term General Fund budget strategies that should be evaluated for implementation (see Attachment 4 for additional details):

- Alternative Revenue Options;
- Staffing and Labor Cost Reductions; and
- Financial/Operational Review

It is important to note that, in the case of citywide revenue increases these measures require voter approval, for which the earliest opportunity to place the measures on the ballot for consideration is June 2010.

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

**Rationale for Recommendation:** The severe economic downturn impacting the nation, State and City require that significant budget, staffing and service level reductions be put in place in order to stabilize the City's budget and continue the process of returning the General Fund budget to sustainability.

**Financial Considerations:** The Proposed Budget is balanced and the gap between revenues and expenditures has been closed with a combination of ongoing expenditure reductions (\$36.7 million), new revenues (\$5.1 million), and one-time funding (\$8.3 million). The FY2009/10 Proposed Budget totals \$875.1 million from all funding sources. The General Fund portion of the Proposed Budget is \$385.9 million. Proposed staffing for FY2009/10 includes 4,545 full time equivalent (FTE) positions citywide including 3,180 FTE authorized positions included in the General Fund, with 387 of those FTE proposed to be unfunded.

The downturn in the economy has led to a continuing decline in the City's major General Fund tax revenues, the City's main source of discretionary revenue. Based on current trends, the five year forecast reflects negative revenue growth for the coming fiscal year and minimal revenue growth over the next five years. Property, and Sales and Use Taxes are the City's two largest major revenue sources representing 62 percent of the City's discretionary revenues. These revenues are projected to decline by nearly 5 percent (-\$9.9 million) in FY2009/10 when compared to the FY2008/09 budget.

Budget sustainability and the fiscal capacity to address longer-term fiscal issues requires that annual base operating cost increases be held to a level below annual revenue growth. If the City is successful in efforts to implement ongoing reductions in expenditures in FY2009/10 and can minimize labor cost increases in the future the structural gap will be tightened, but not eliminated, as there are anticipated expenditure increases and continued revenue decline in FY2010/11 that will have to be addressed through expenditure reductions in other areas.

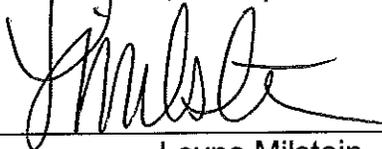
Further, the use of one-time resources to bridge the gap between revenues and expenditures defers, but does not eliminate the need to further reduce costs. In future years these reductions will be deeper and more difficult since many of the non-essential services are already proposed to be eliminated in FY2009/10. If further reductions are not made in FY2010/11 the cumulative deficit through FY2013/14 is estimated to be \$102 million.

While the budget is balanced in the sense that the various funding sources support proposed expenditures, there continues to be a structural gap between ongoing revenues and expenditures, currently closed through a combination of ongoing reductions, new revenues and the use of reserves and other one-time funding sources. As such, the Proposed Budget is somewhat fragile, requiring continued restraint on spending in order to preserve the delicate balance. The City's challenge for FY2009/10 is to effectively implement a multi-year plan to close the gap between revenues and expenses in the General Fund, with the outcome of achieving a fiscally sustainable budget.

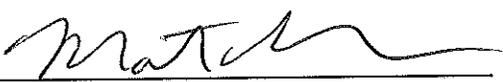
It is important to note that the Proposed Budget does not include adjustments that may be necessary as a result of State or County budget actions, nor any further decline in revenues that the City may experience during the fiscal year. As such, it may be necessary to make further budget adjustments after adoption of the FY2009/10 Budget to account for these potential impacts. Staff will continue to monitor revenues, the actions of the State and County budget processes, and provide updates to Council as additional information becomes available.

**Emerging Small Business Development (ESBD):** Not applicable.

Respectfully Submitted by:   
Dawn Holm, Principal Management Analyst

Approved by:   
Leyne Milstein, Finance Director

Recommendation Approved:

  
Ray Kerridge  
City Manager

*DK*

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# Attachment 1

## Department Reductions FY2008/09 and FY2009/10

The following table shows the cumulative impact of the FY2008/09 Approved Budget and the FY2009/10 Proposed Budget reductions.

Department	FY2008/09 Approved		FY2009/10 Proposed		Cumulative	
	Budget Reductions	Unfunded FTE	Budget Reductions	Unfunded FTE	Budget Reductions	Unfunded FTE
Mayor & Council	394,805	1.00	266,809	0.00	661,614	1.00
City Attorney	1,079,000	5.00	(183,825)	4.00	895,175	9.00
City Clerk	114,100	1.00	0	1.00	114,100	2.00
City Manager	701,739	2.00	597,000	2.00	1,298,739	4.00
City Treasurer	416,637	3.00	468,140	3.00	884,777	6.00
Code Enforcement	1,243,800	12.00	1,720,716	8.00	2,964,516	20.00
Convention, Culture & Leisure	823,000	4.00	1,355,363	3.36	2,178,363	7.36
Community Development	882,603	56.00	2,610,825	83.00	3,493,428	139.00
Economic Development	323,800	2.00	669,274	3.00	993,074	5.00
Finance	1,197,600	3.00	1,890,123	5.00	3,087,723	8.00
Fire	2,331,040	21.00	5,117,181	50.00	7,448,221	71.00
General Services	2,867,800	15.00	4,743,812	35.50	7,611,612	50.50
Human Resources	644,000	4.00	1,027,866	4.25	1,671,866	8.25
Information Technology	1,812,600	6.50	1,361,369	11.50	3,173,969	18.00
Labor Relations	165,960	0.00	40,000	1.00	205,960	1.00
Neighborhood Services	300,400	2.00	492,470	4.00	792,870	6.00
Parks & Recreation	4,966,247	46.01	8,297,002	144.70	13,263,249	190.71
Planning <sup>1</sup>	608,644	2.00	0	(2.00)	608,644	0.00
Police <sup>2</sup>	10,109,000	174.50	6,360,244	0.00	16,469,244	174.50
Transportation	1,015,448	0.00	2,576,098	25.95	3,591,546	25.95
Utilities	16,800	0.00	0	0.00	16,800	0.00
<b>Totals:</b>	<b>\$ 32,015,023</b>	<b>360.01</b>	<b>\$ 39,410,467</b>	<b>387.26</b>	<b>\$ 71,425,490</b>	<b>747.27</b>

<sup>1</sup> FY2009/10 Planning Department reductions are included in the Community Development and Finance Department.

<sup>2</sup> FY 2009/10 Police Department reductions reflect new revenues and the deferral of COLA and step increases for sworn personnel.

## Attachment 2

### City Council FY2009/10 Budget Hearing Schedule

Tuesday, May 19	FY2009/10 Proposed Operating Budget Five-Year Long-term Forecast/Strategy
Tuesday, May 26	Budget Update (if necessary)
Tuesday, June 2	CIP Budget Update (if necessary)
Tuesday, June 9	Utility Rate Hearing Budget Update (if necessary)
<b>Tuesday, June 16</b>	<b>Budget Adoption</b>
Thursday, June 18	Budget Adoption (if not adopted on June 16)

Note: Budget Meetings will be held in the City Council Chambers at 6:00 p.m.

## Attachment 3

### Supplemental Budget Information

Item	Question	Meeting	District	Department to Respond
1	Report back with a plan to free up some of the Transient Occupancy Tax revenues to the Visitors and Convention Bureau and the Metropolitan Arts Commission, and provide a history of actual, budget, and variance for 3 years.	1/20/2009	2	Finance / CCL
2	We divided the City Planning Department into 2 departments - Development Services and Long Range Planning. Each has its own department head and management ranks. Please report back on the savings we can realize by recombining these departments - especially now that the General Plan is nearing completion and development has slowed dramatically.	1/20/2009	2	City Manager
3	We have employees located in a number of buildings around the City. Please report back on all buildings the City owns or leases, what departments or divisions are housed in these buildings, how much of the building is currently in use and what portion vacant, the projected cost of maintenance and repairs to these buildings, and recommendations for moving some of the employees to the vacant spaces.	1/20/2009	2	General Services
4	There are a number of fees the City charges that do not come close to covering the actual costs. Please prepare a list of fees that do not cover the City's cost and recommendations for increasing them to do so.	1/20/2009	2	Finance
5	What is the actual revenue to the City from the Enterprise Funds - in particular, how much revenue are we getting from Golf (even though it is no longer an enterprise fund) and the Marina Funds?	1/20/2009	5	Finance
6	What is the savings on the consolidation of City buildings - Wouldn't it be cheaper to move people out of buildings and into City Hall as there is some open space and look into selling some of these other buildings? Also, since these buildings are assets, how many can we sell? With the staff relocations, we need to consider the Community as well as the operational needs when relocating staff.	1/20/2009	5	General Services
7	In the space on the 3rd floor that our new Mayor now occupies, who was supposed to go in that space and was there supposed to be a savings realized from staff using that space?	1/20/2009	8	City Manager / General Services
8	The \$50m - does this have a cushion at all? When State furloughs go in place we could really lose even more revenues - have we accounted for this? What is our plan if we are off in our estimates? Do we have the appropriate cushion if we under-projected?	1/29/2009	1 / Mayor	Finance
9	Looking at 311 data we are getting - is it possible for potential cost savings based on where the work is and shifting things?	1/29/2009	Mayor	General Services
10	An independent budget analyst should be looked into? What are the benefits of internal auditors and a budget analyst looking at our books?	1/29/2009	Mayor	City Manager / Finance
11	Request that the City Manager at the 2/24 meeting bring back a long term strategy / plan for discussion.	1/29/2009	Mayor	City Manager / Finance
12	Just a few years ago, we had only one Public Information Officer for the entire City. Please report back with a plan to consolidate the PIO function in one office and the cost savings that will result from doing so.	1/20/2009	2	City Manager

Item	Question	Meeting	District	Department to Respond
13	When is the last time the City faced property tax declines similar to this?	1/29/2009	3	Finance
14	Can we get a report back on the water rates? and Can we get an update on what the impact of not doing the rate increases is?	1/29/2009	1	City Manager
15	In regards to the utility funds and the bad debt is there something we can be doing to go after this bad debt before we lose it?	1/29/2009	1	City Manager
16	We would like a report back from CMO on who the internal auditor should report to - the City Manager's Office or Council. We discussed getting more auditors in place and possibly moving this unit to the Office of the City Council - can we get an update and have a discussion on what he is working on?	1/20/2009	4 / 2	City Manager
17	(1) What City departments are currently over budget and by how much? (2) Include a history of actual, budget, and variance for 3 years; and (3) Provide a breakdown of departments that are over budget and how the money was spent. <i>Note: when possible provide information relative to what is a labor item and included in a labor agreement and what isn't.</i>	1/20/2009	2	Finance
18	By department, how many positions are filled in the City presently and how many positions were filled last year?	1/20/2009	2	Human Resources / Finance
19	We want a report back on the staff to management ratios in each City department including organizational charts with management personnel clearly identified.	1/20/2009	2	Finance / Human Resources
20	(1) How many fire stations do we have now vs. 1968, (2) how many FTE now vs. 1968, (3) other options for reducing fire costs, and (4) is there an opportunity to file a claim with the State of CA for fire/ambulance response and approximately how much does responding to the State cost the City on a yearly basis? Provide a report back on the ability to use pass through money from SHRA to fund brown outs and with a "long term fix" for the brown outs - what does this delay in the brown outs mean?	2/10/2009	3	Fire / City Manager's Office
21	Budget Format: During the last budget briefing provided to the City Council, the format varied from department to department. Some departments reported the percentage of cuts they were taking; others did not. The City Manager advised the Council of a new "right-sizing" policy to determine what number of positions should be eliminated, yet only one departmental budget report - Development Services - even mentioned the concept. If this is a guiding policy, then it ought to be discussed in each department's report, including an explanation of the guidelines used to determine what the "right size" is.	3/17/2009	2	Finance Department
22	Is there an alternate option at the 35% reduction level to closing 3 community centers? (i.e. spreading reduced hours equally among all neighborhoods)	2/24/2009	1	Parks and Recreation
23	Can the five remaining parks in Natomas funded through Park Development Impact Fees (PIF) be constructed and what will the maintenance impact be?	2/24/2009	1	Parks and Recreation
24	Baseline Budgets for City Departments: I have requested information on departmental budgets for the last three fiscal years. I am particularly interested in the number of positions added to departmental budgets after the City budget was approved. I have received this information only for the Police, Fire, Code Enforcement, and Development Services Departments. I suspect that these added positions have been used to establish a higher baseline budget for City departments, and that subsequent fiscal year budget cuts were made from the higher baseline figure. It would be very helpful if the Council were provided this information for each City department, so that we can realistically assess the actual level of cuts each department has made.	3/17/2009	2	Finance Department

Item	Question	Meeting	District	Department to Respond
25	I think we need to look at what the President is recommending/suggesting - we need to do shared responsibility and all take a hit so we can keep as many people as possible. Can we look at some of our outsourcing to see what we can do (maybe CRCIP projects) internally by our staff?	1/29/2009	5	Development Services, General Services, and Transportation
26	Joint Powers Authorities Budgets: Last year, the City cut funding for the Human Rights Commission (a JPA on whose board I serve) by \$40,000. For an agency this small, this was a difficult cut to absorb. Please provide information on what other JPA funding cuts the City has made. This is an area where the City can likely save some money, but the Council needs to be assured that these cuts will not harm the core functions of these agencies.	3/17/2009	2	Finance Department
27	Transient Occupancy (TO) Tax Revenues: A report back with a plan to use TO tax revenues for general fund relief (all I've received to date is a history of how these revenues are used).	3/17/2009	2	Finance Department
28	City Fees and Charges: A report back on fees the City charges that do not cover the City's costs.	3/17/2009	2	Finance Department
29	The council needs to be involved in the reprogramming/reprioritization of the CIPs	1/29/2009	2	City Treasurer / City Manager

Pending				
	We have a JPA with the County in the Sacramento Housing & Redevelopment Agency. Please report back on the savings we can realize by withdrawing from the JPA and bringing the housing & redevelopment functions into an existing city department (Economic Development). Include a history of a history of actual, budget, and variance for 3 years.	1/20/2009	2	City Manager
	For the Police and Fire staff that take home City vehicles - Do the employees use any of their own money for gas and how much would we save if the employees paid for the gas on take home vehicles?	1/20/2009	8	City Manager
	What steps or measures are in place or consequences for departments that over-spend their budgets?	1/29/2009	Mayor	City Manager
	Requested a report back on promotions and process given the current layoff environment in Development Services.	2/10/2009	5	Human Resources / City Manager's Office
	Requested more information on the balance between rep and unrep layoffs in Development Services.	2/10/2009	6	Human Resources / City Manager's Office
	Would like a report back on the details of the proposed layoffs and management promotions in Development Services	2/10/2009	Mayor	Human Resources / City Manager's Office
	How much are we paying for memberships related to Economic Development - SACTO, SARTA, Metro Chamber, etc.? Region vs. City of Sacramento benefits.	2/24/2009	5	Economic Development
	How much are we paying for the various Chamber (Metro, Black, Hispanic & Asian) Memberships?	2/24/2009	8	Economic Development
	Are we looking at long-term strategies - we need to create a structurally balanced plan moving forward? I am as concerned about 2013 as I am about 2010 - we don't want to be in this situation year after year. What does a long-range four year projection look like? How will PERS/SCERS impact us down the road? If labor comes to the table now and we have to make concessions later how will that look? We need to be anticipatory.	2/24/2009	Mayor	City Manager / Finance
	What can we do to establish a 10% reserve	2/24/2009	Mayor	City Manager / Finance

Item	Question	Meeting	District	Department to Respond
	<p>Mandatory vs. Discretionary Programs and Expenditures: Please provide information that will assist the City Council in determining our budget cutting options by providing information about mandatory vs. discretionary programs and expenditures. For example, I assume the City has no choice but to comply with federal and state mandates, court rulings, and the provisions of the City Charter. However, there are many programs and expenditures that are required either by City Code or by resolutions enacted by the City Council that have not been codified. It is in these last two categories that there should be some room for the Council to exercise the option of suspending or discontinuing programs. It would be very helpful if this information were included in budget materials.</p>	3/17/2009	2	City Manager
	<p>Federal Stimulus Dollars and the City Budget: According to Congresswoman Matsui's Office, additional federal dollars will be flowing to the City from the recently enacted Comprehensive Appropriations bill. The Council needs a thorough briefing on the Federal Stimulus and Appropriations dollars, including the amounts the City is slated to receive; the conditions, if any, attached to these funds; and the likely impact on the City's budget. For example, per Rep. Matsui's office, we are to receive, along with the County of Sacramento, \$4.7 million to address the issue of homelessness (stimulus package) and \$200,000 for the Sacramento Police Department's Youth Gang Intervention/Prevention Program (appropriations bill). Council should be providing policy direction with regard to the stimulus dollars and receiving timely information with regards to federal dollars flowing from the appropriations measure and the pending federal budget. Without this information, it will be very difficult for the Council to make good decisions with regard to next year's budget.</p>	3/17/2009	2	Government Affairs
	<p>Public Information Officer (PIO) Savings: What cost savings can be realized from reducing the number of Public Information Officers in various departments and replacing them with one. (So far, all I've gotten is a job description for PIOs and an explanation of why we have so many of them; what I want is a dollar amount.)</p>	3/17/2009	2	City Manager / Government Affairs
	<p>Consolidation of Services: On the issue of combining Development Services and Long Range Planning into one department, and pulling the functions now performed by the Sacramento Housing and Redevelopment Agency into city government, I have been advised that staff is looking into these matters. Please try to provide this information in advance of the budget hearings.</p>	3/17/2009	2	City Manager

# Supplemental Budget Information – Item 1

**Question:**

We currently dedicate the Transient Occupancy Tax (TOT) revenues to the Visitors and Convention Bureau and the Metropolitan Arts Commission. We can use those revenues to alleviate the General Fund deficit. Please report back with a plan to free up some of these funds. Include a history of actual, budget and variance for 3 years.

**Response:**

The FY2008/09 Approved Budget dedicated \$696,560 for the Sacramento Metro Arts Commission (SMAC) and \$739,450 for the Sacramento Convention and Visitors Bureau (SCVB) from the Transient Occupancy Tax. Per City Code chapter 3.28 this funding can be used for usual and current expenses of the City, including but not limited to meeting operating expenses. The City Council has dedicated this funding to SMAC and SCVB since the early 90's. The City Manager will consider alternative funding options in the FY2009/10 Proposed Budget.

<b>Fiscal Year</b>	<b>Revenue Budget</b>	<b>Actual</b>	<b>Variance</b>
2005/06	\$17,640,000	\$18,495,189	\$855,189
2006/07	\$18,240,000	\$20,587,245	\$2,347,245
2007/08	\$19,800,000	\$21,023,451	\$1,223,451

**Background:**

The Transient Occupancy Tax (TOT) is imposed by cities and counties on guests at hotels, motels and inns who stay less than thirty (30) days in a single visit. This tax, also known as the room tax or bed tax, is based on the hotel/motel costs and collected by the hotel/motel operator at a prescribed rate. The tax is then remitted to the city or the county which imposed the tax.

The current TOT rate in the City of Sacramento is 12%. Chapter 3.28 of the City Code, established the uses of the TOT.

- 10% of revenues are to be used for the acquisition, construction, completion, operation, repair and maintenance of public assembly and convention halls including interest and principal payments on bonds issued to acquire the facilities.
- 2% of revenues are allocated to the General Fund for the usual and current expenses of the city, including but not limited to meeting operating expenses.

The current distribution of TOT revenues, based on the ordinance and resolutions approved by the City Council are:

10.0%	Community Center Fund
1.0%	General Fund
0.5%	Sacramento Arts Commission
0.5%	Sacramento Convention and Visitors Bureau
<b>12.0%</b>	<b>Total</b>

The FY2008/09 Approved TOT budget is \$21.3 million. Of that amount, \$17.8 million, or 10%, supports operation and debt service of the Convention Center, Community Theater and Memorial Auditorium operations. One percent or \$1.75 million is allocated to the General Fund to support ongoing programs and services<sup>1</sup>. The remaining 1% of TOT represents about \$1.75 million and has been allocated by the City Council to support the SMAC's Art Re-granting Program and Art Stabilization programs as well as the SCVB. City Council has committed this funding for SMAC and SCVB since the early 90's.

It is important to note that the slowing economy has had a significant impact on the TOT. Total collections to date indicate that this revenue could be 4% short of budget.

The following is a table showing the most recent collection trends in TOT:

Fiscal Year	Actual (\$ Millions)	Change from Prior Year
1998/99	12,793	
1999/00	13,841	8.2%
2000/01	15,786	14.0%
2001/02	15,762	-0.1%
2002/03	16,200	2.8%
2003/04	16,106	-0.6%
2004/05	17,238	7.0%
2005/06	17,640	7.3%
2006/07	18,240	11.3%
2007/08	19,800	2.1%
2008/09 (Budget)	21,257	1.1%

Other comparable City TOT rates and rate distributions are detailed below\*:

Cities by Similar Population	Population	Rate
San Jose	939,899	10%
San Francisco	764,976	14%
Sacramento	475,750	12%
Fresno	470,508	12%
Long Beach	466,520	12%

<sup>1</sup> Prior to FY2008/09 this funding had been directed back to the Convention Center fund to pay debt service. In the FY2008/09 Approved Budget these funds were retained in the General Fund to offset expenses.

Oakland	401,489	11%
Santa Ana	339,249	11%
Anaheim	333,249	15%

<b>Cities within Sacramento County</b>	<b>Rate</b>
Citrus Heights	12%
Elk Grove	12%
Rancho Cordova	12%
Galt	10%
Isleton	10%
Folsom	8%

	< 8%	8%	8.1-9%	9.1-10%	10.1-11%	11.1-12%	>12%	Total
<b>CA Cities</b>	41	58	29	211	10	33	12	394

\* Data provided from League of California Cities

## Supplemental Budget Information – Item 2

**Question:**

We divided the City Planning Department into two departments – Development Services and Long Range Planning. Each has its own department head and management ranks. Please report back on the savings we can realize by recombining these departments – especially now that the General Plan is nearing completion and development has slowed dramatically.

**Response:**

The City Manager's Office is currently working on a proposal to combine the Development Services Department and the Planning Department. Information included in the February 24, 2009 workshop materials for these departments is based on each department reducing their net budgets by 35% which is similar to other non-public safety departments. Final recommendations including efficiencies and cost savings from the consolidation of these departments are included in the City Manager's Proposed Budget released on May 1, 2009.

## Supplemental Budget Information – Item 3

**Question:**

We have employees located in a number of buildings around the City. Please report back on all buildings the City owns or leases, what departments or divisions are housed in these buildings, how much of the building is currently in use and what portion vacant, the projected cost of maintenance and repairs to these buildings and recommendations for moving some of the employees to vacant spaces.

**Response:**

The City of Sacramento owns in excess of 400 buildings and structures. Recently, staff completed a space utilization assessment of downtown facilities including City Hall, 300 Richards, and 921 10th Street. In reviewing space alternatives at these locations, staff recommended to City Council in the FY2008/09 Midyear Budget Report (approved on February 10, 2009) to move over 100 staff from 921 10th Street into vacant space at City Hall and 300 Richards, resulting in savings of \$165,000 annually starting FY2009/10. The move of staff will be complete by summer, once all staff have been relocated 921 10<sup>th</sup> Street will be closed.

Staff will continue to look at cost saving options associated with consolidating staff, vacating properties, and potential disposition of properties.

## Supplemental Budget Information – Item 4

**Question:**

There are a number of fees the City charges that do not come close to covering the actual cost. Please prepare a list of fees that do not cover the City's cost and recommendations for increasing them to full cost recovery.

**Response:**

The Budget Office and operating departments, in coordination with the consulting firm MGT of America is conducting a comprehensive review of user fees within the Code Enforcement, Finance, Fire, and Police Departments. The primary goals of the study are to define the costs to provide fee-related services, identify existing fees that should be adjusted to recover costs, and determine opportunities for new fees.

The completed analysis will be submitted to the City Council along with the Citywide Fees and Charges Report in late March 2009. This report will also include proposals to adjust other department fees as appropriate and consistent with the City Council's adopted Fees and Charges Policy with the goal of moving toward full cost recovery.

## Supplemental Budget Information – Item 5

**Question:**

What is the actual revenue to the City from the Enterprise Funds – in particular, how much revenue are we getting from Golf (even though it is no longer an enterprise fund) and the Marina Fund?

**Response:**

The following chart represents the revenue, budget and actual, from the Enterprise Funds and the Golf Fund for FY2007/08.

<b>Fund Description</b>	<b>Fund #</b>	<b>Revenue Budget</b>	<b>Revenue Actual *</b>
Community Center	6010	24,289,386	26,205,106
Golf	2603	6,924,140	6,239,892
Marina	6009	1,575,852	2,911,260
Parking	6004	39,513,546	42,359,210
Sewer Development Fees	6006	20,878,081	22,842,047
Solid Waste	6007	51,179,764	52,911,783
Storm Drain	6011	37,417,043	36,746,851
Water	6005	70,724,840	70,520,935
<b>Total</b>		<b>252,502,652</b>	<b>260,737,084</b>

\*2008 unaudited results

## Supplemental Budget Information – Item 6

### Question:

What is the savings on the consolidation of City buildings - wouldn't it be cheaper to move some people out of buildings and in to City Hall as there is some open space and look into selling some of these other buildings? Also since these buildings are assets, how many can we sell? With the staff relocations we need to consider the community as well as the operational needs.

### Response:

The City of Sacramento owns in excess of 400 buildings and structures. Recently, staff completed a space utilization assessment of downtown facilities including City Hall, 300 Richards, and 921 10th Street. In reviewing space alternatives at these locations, staff recommended to City Council in the FY2008/09 Midyear Budget Report (approved on February 10, 2009) to move over 100 staff from 921 10th Street into vacant space at City Hall and 300 Richards, resulting in savings of \$165,000 annually starting FY2009/10. Staff will continue to look at cost saving options associated with consolidating staff, vacating properties, and potential disposition of properties.

## Supplemental Budget Information – Item 7

**Question:**

In the space on the 3rd floor that our new Mayor now occupies, who was supposed to go in that space and was there supposed to be a savings realized from staff using that space?

**Response:**

On May 22, 2007 City Council adopted Resolution No. 2007-309 accepting the Downtown Space Plan. This plan placed the Department of Transportation, Parking Division on the 3rd floor of City Hall, occupying space formerly occupied by the Building Department permit counter. This plan was not fully implemented due to budget restrictions. The Department of Transportation, Parking Division is now moving to 300 Richards and no further space planning has been completed regarding the 3rd floor of City Hall. Savings will be realized through moves from 921 10th Street that are currently underway.

## Supplemental Budget Information – Item 8

**Question:**

The \$50m – does this have a cushion at all? When State furloughs go in place we could really lose even more revenues – have we accounted for this? What is our plan if we are off in our estimates? Do we have the appropriate cushion if we under-projected?

**Response:**

The \$50 million estimated shortfall does not include flexibility for further revenue decline. Further reduction of revenue estimates will require additional expenditure reductions to realign revenues with expenses or the use of one-time resources to close the gap.

## Supplemental Budget Information – Item 9

**Question:**

Looking at 311 data we are getting - is it possible for potential cost savings based on where the work is and shifting things?

**Response:**

The Department of General Services will report back to City Council during the FY2009/10 budget hearings in May 2009 regarding potential cost savings after coordinating with the various City departments where potential savings exist and obtaining agreement from those departments prior to making recommendations to Council.

## Supplemental Budget Information – Item 10

**Question:**

An Independent Budget Analyst should be looked into. What are the benefits of internal auditors and a budget analyst looking at our books?

**Response:**

The proposed role of an Independent Budget Analyst in a “Strong Mayor” model would be to provide analysis and advice to City Council on all legislative items that have a financial and policy impact to the City. This structure/role is similar to that of the State of California’s Legislative Analyst Office (LAO). In this structure, the Governor’s Department of Finance prepares the budget, and the LAO serves as the Independent Budget Analyst on behalf of the State Legislature.

On behalf of the City Council, the Independent Budget Analyst could provide detailed research and analysis including the preparation of reports with specific recommendations that are in addition to, or an analysis of, the work completed by the Budget Office on behalf of the Mayor.

This differs from the role of an Internal Auditor, which is typically to provide the City Manager, Mayor, and City Council with independent oversight of City activities, operations, services, and programs. This oversight is accomplished primarily through the performance examinations conducted in accordance with Generally Accepted Government Auditing Standards and culminates in a formal audit report. The objective is to improve efficiency and effectiveness in city government.

The tables below provide a comparison of the current staffing and associated costs for the City of Sacramento as compared to the City of San Diego which currently has funded all three components of a Budget Office, an Independent Budget Analyst as well as an Internal Auditor.

<b>Sacramento</b>		
<u>Title</u>	<u>FTE</u>	<u>Budget</u>
City Auditor	2.0	\$0.3 million
Budget Office	8.0	\$1.3 million

<b>San Diego</b>		
<u>Title</u>	<u>FTE</u>	<u>Budget</u>
Independent Budget Analyst	11.0	\$1.8 million
City Auditor	11.0	\$1.7 million
Budget Office	30.0	\$4.3 million

The capacity for additional analytical resources relative to fiscal policy development and implementation can be valuable to an organization. However, this capacity requires extensive resources that can be duplicative of those already provided by the City's Budget, Policy and Strategic Planning Division.

## Supplemental Budget Information – Item 11

**Question:**

Request that the City Manager at the 2/24 meeting bring back a long term strategy / plan for discussion.

**Response:**

The long-term strategy must be focused on “Rightsizing” the organization to align expenditures with revised revenues, maintaining a prudent reserve and ensuring adequate resources to continue as a full service City. On a structural level, these efforts will include and are not limited to reorganizations, consolidations and implementing operational efficiencies when possible. Operationally, rightsizing will ultimately redefine the programs and services the City delivers, and the associated service levels as we realign our programs and services with resources. Finally, the long-term strategy will reflect efforts to maximize our resources through increased cost recovery and enhanced revenues where appropriate. This long term strategy will be the focus of the City Manager’s Proposed Budget and the May-June Budget Hearings.

## Supplemental Budget Information – Item 12

### Question:

Just a few years ago, we had only one Public Information Officer for the entire City. Please report back with a plan to consolidate the PIO function in one office and the cost savings that will result from doing so.

### Response:

The City Manager's Office has a Citywide Public Information Officer (PIO) responsible for providing support to the City Manager's Office and Mayor/Council Office on media issues as well as providing citywide coordination with all department PIO/media contacts to assure consistency in information and communication to the media and public. As the majority of City Departments do not have a PIO, the Citywide PIO in coordination with department PIOs provides support and assistance to departments that do not have a PIO.

The Police and Fire Departments have sworn staff assigned to public information responsibilities and serving as the media contact for public safety issues. In addition, there are currently five department PIO positions (Parks & Recreation, Transportation, Utilities, Economic Development/Long Range Planning and General Services) that have a responsibility for working with and coordinating media responses. These positions have a wide variety of duties and responsibilities in addition to responding to media calls and/or providing positive media opportunities for the City. Examples of other duties and responsibilities include: supervising IT staff, monitoring and analyzing legislative issues specific to the department, managing committees and commissions, organizing special events and dedications, keeping public information current on the website, dealing with and following up on citizen complaints, managing communications to department employees, and developing information materials to promote City programs, services and events.

In the last five years, the number of positions responsible for public information in the departments has increased by five (one position is currently vacant and the Police Department added an additional full time PIO). In most cases, these were existing positions that were reclassified. The addition of department PIOs was in response to Council's interest in better marketing City programs and events, providing better information on 'how to do business' in the City, and to be more proactive in providing current information on City services.

## Supplemental Budget Information – Item 13

**Question:**

When is the last time the City faced Property Tax declines similar to this year?

**Response:**

The historical Property Tax graph presented at the January 29<sup>th</sup> Budget Development Workshop was a countywide view. Prior to the reductions coming in the budget year, the City's property tax roll has not been negative since Proposition 13 reformulated property tax setting a 1% cap in 1978. In 1993 and 1994 the City experienced Property Tax revenue loss due to the Education Relief Augmentation Fund shift, the property tax shift from the City to schools.

The significant reductions in the Assessor's roll are unprecedented. The County has recently provided preliminary Countywide Proposition 8 reduction information and impacts on the City's Property Tax revenues will be considered during the FY2009/10 budget development process and included in the City Manager's Proposed Budget.

## Supplemental Budget Information – Item 14

### Question:

Can we get a report back on the water rates? Can we get an update on what the impact of not doing the rate increases is?

### Response:

Staff is recommending that a water rate adjustment be proposed that would be effective July 1, 2009. In December, Council closed the Water Rate hearing without increasing water rates. In accordance with State law, the Utilities department must notify all parcel owners and bill payers of a proposed rate adjustment 45 days before a rate hearing. As both Council and the Rate Advisory Commission will be holding public hearings on the proposed rate adjustment, staff is targeting to send out the proposed rate adjustments (218 notification) to residents in early April as the notice is required to be sent 45 days prior to the hearing.

While the Department of Utilities continues to find efficiencies in its operation, costs continue to rise. With no rate increase last year, City of Sacramento customers continued to pay the same rate while the costs to provide those services continued to rise. The primary cost drivers for water service are labor, utilities, fuel and chemicals which all continue to rise anywhere from 7% to 30% per year. The increases are dictated by Council approved labor contracts and rate increases the department incurs from other entities such as SMUD and chemical companies. The impact of not approving the water rates in FY2008/09 is that several projects in the water meter program have been delayed. Moreover, the economic recession has added an additional expense to the Water Fund in bad debt. This is projected to create an unbudgeted expenditure of approximately \$1,700,000 for FY2008/09 and continue as an expense of at least that amount in FY2009/10. Rate adjustment proposals for FY2009/10 will need to address the increased costs for FY2008/09 and FY2009/10, as well as the deficits carried forward.

## Supplemental Budget Information – Item 15

**Question:**

In regards to the utility funds and the bad debt is there something we can be doing to go after this bad debt before we lose it?

**Response:**

In FY2008/09, the Water Fund has posted approximately \$1,000,000 as bad debt. Typically, the Department of Utilities has a lien process in which a Special Assessment transfers delinquent accounts to the County Property Taxes and the City is made whole for these amounts. However, when a foreclosure occurs, the lien is generally released as the City's lien takes a junior position to the bank's deed of trust, and the delinquent amount is written-off creating bad debt expense.

## Supplemental Budget Information – Item 16

**Question:**

We would like a report back from CMO on who the internal auditor should report to - the City Manager's Office or Council. We discussed getting more auditors in place and possibly moving this unit to the Office of the City Council - can we get an update and have a discussion on what he is working on?

**Response:**

The Internal Auditor presented a draft work plan to the City Council on February 17, 2009 and will present additional information at the February 24<sup>th</sup> Council meeting. The following information outlines the reporting structure of several large California cities for Council's consideration.

**Top 12 CA Cities with Internal Audit Departments & Reporting Structures**

<u>Rank</u>	<u>City</u>	<u>2009 Population (in thousands)</u>	<u>2009 Budget (in millions)</u>	<u>Internal Audit Dept. Size</u>	<u>Reports To</u>
1	Los Angeles	4,046	6,818	22	City Controller - Elected
2	San Diego	1,337	3,127	10	City Council
3	San Jose	989	3,278	14	City Council
4	San Francisco	825	6,531	25	Audit Controller - Elected
5	Long Beach	494	2,345	20	City Auditor - Elected
6	Fresno	489	1,160	4	Budget Manager
7	Sacramento	476	966	2	City Manager
8	Oakland	420	1,070	7	City Auditor - Elected
9	Anaheim	347	1,326	8	City Manager
10	Riverside	306	822	3	City Manager
11	Stockton	291	386	6	City Council
12	Modesto	211	319	1	City Council

**Recap of Elected or Reports to:**

City Council	4
Elected Controller/Auditor	4
City Manager	3
Other	1
<b>Total</b>	<b>12</b>

# Supplemental Budget Information – Item 17

**Question:**

(1) What City Departments are currently over budget and by how much? (2) Include a history of actual, budget, and variance for 3 years; and (3) Provide a breakdown of departments that are over budget and how the money was spent.

**Response:**

1. The FY2008/09 Midyear Report presented to the City Council on February 10, 2009 identified four departments projecting General Fund budgetary deficits totaling \$2.775 million: City Treasurer’s Office (\$375,000); Development Services (\$1 million); Fire (\$300,000); and Police (\$1.1 million). Midyear actions approved by the City Council have addressed these issues.

2/3. The following chart provides details on departments that exceeded their general fund operating budget in the past two fiscal years, broken down by major expenditure categories (labor, services and supplies, and offsets/reimbursements). In FY2005/06 no departments exceeded their general fund operating budget. The information provided for FY2007/08 has not yet been finalized and updated information will be included in the Comprehensive Annual Financial Report (CAFR) which will be presented to the City Council in March 2009.

		Expenditure Budget	Expenditure Actuals	Expenditure Variance	Revenue Variance	Net Results
<b>FY2007/08 (Unaudited)</b>						
Police	Labor	126,590,855	127,224,564	(633,709)		
	Services/Supplies	13,816,380	14,493,761	(677,381)		
	Offsets/Reimbs	(9,149,848)	(9,038,229)	(111,619)		
		<u>131,257,387</u>	<u>132,680,096</u>	<u>(1,422,709)</u>	<u>835,502</u>	<u>(587,207)</u>
Fire	Labor	80,308,952	81,695,138	(1,386,186)		
	Services/Supplies	11,989,558	12,264,659	(275,101)		
	Offsets/Reimbs	(316,769)	(606,390)	289,621		
		<u>91,981,741</u>	<u>93,353,407</u>	<u>(1,371,666)</u>	<u>(599,251)</u>	<u>(1,970,917)</u>
Code Enforcement	Labor	7,700,798	7,346,658	354,140		
	Services/Supplies	1,957,086	2,060,952	(103,866)		
	Offsets/Reimbs	(415,648)	(132,238)	(283,410)		
		<u>9,242,236</u>	<u>9,275,372</u>	<u>(33,136)</u>	<u>(118,078)</u>	<u>(151,214)</u>
Development Services	Labor	23,337,497	20,816,047	2,521,450		
	Services/Supplies	3,271,213	2,152,331	1,118,882		
	Offsets/Reimbs	(4,613,286)	(2,458,920)	(2,154,366)		
		<u>21,995,424</u>	<u>20,509,458</u>	<u>1,485,966</u>	<u>(4,455,960)</u>	<u>(2,969,994)</u>

FY2009/10 Proposed Operating Budget Overview

May 17, 2009

		Expenditure Budget	Expenditure Actuals	Expenditure Variance	Revenue Variance	Net Results
<b>FY2006/07</b>						
Police	Labor	119,368,436	122,707,429	(3,338,993)		
	Services/Supplies	16,216,094	25,707,520	(9,491,426)		
	Offsets/Reimbs	(9,966,655)	(19,184,995)	9,218,340		
		<u>125,617,875</u>	<u>129,229,954</u>	<u>(3,612,079)</u>	<u>751,868</u>	<u>(2,860,211)</u>
Fire	Labor	77,281,035	79,860,057	(2,579,022)		
	Services/Supplies	14,694,112	12,332,679	2,361,433		
	Offsets/Reimbs	(1,287,398)	(1,459,081)	171,683		
		<u>90,687,749</u>	<u>90,733,655</u>	<u>(45,906)</u>	<u>(1,787,159)</u>	<u>(1,833,065)</u>
Code Enforcement	Labor	7,454,511	7,311,458	143,053		
	Services/Supplies	2,327,206	2,661,491	(334,285)		
	Offsets/Reimbs	(594,534)	(625,750)	31,216		
		<u>9,187,183</u>	<u>9,347,199</u>	<u>(160,016)</u>	<u>(221,127)</u>	<u>(381,143)</u>
Development Services	Labor	21,655,333	20,538,973	1,116,360		
	Services/Supplies	4,286,397	4,307,004	(20,607)		
	Offsets/Reimbs	(4,930,662)	(861,390)	(4,069,272)		
		<u>21,011,068</u>	<u>23,984,587</u>	<u>(2,973,519)</u>	<u>(1,503,894)</u>	<u>(4,477,413)</u>

# Supplemental Budget Information – Item 18

**Question:**

By Department, how many positions are filled in the City presently and how many positions were filled last year?

**Response:**

		FY2007/08		FY2008/09	
		Authorized Positions	Vacant Positions* (As of 2/5/2008)	Funded Authorized Positions	Funded Vacant Positions* (As of 2/6/2009)
General Fund	Mayor/Council	29.00	-	28.50	1.00
	City Manager	24.00	1.00	24.00	3.00
	City Attorney	58.00	4.50	53.00	5.00
	City Clerk	13.00	-	12.00	2.00
	City Treasurer	18.00	2.00	15.00	2.00
	Finance	99.50	6.00	74.50	2.50
	Technology	73.00	-	66.50	2.00
	Human Resources	36.00	1.00	32.00	1.00
	Labor Relations	9.00	-	9.00	-
	Police	1,271.86	70.15	1,095.36	26.00
	Fire	653.00	6.00	634.00	16.50
	General Services	187.50	21.50	187.50	15.50
	Transportation	297.00	18.00	377.70	29.11
	Neighborhood Services	15.00	1.00	13.00	1.00
	CC&L	112.62	12.50	109.62	-
	Economic Development	24.00	6.00	25.00	4.00
	Parks & Recreation	623.35	18.85	514.90	26.50
	Code Enforcement	106.50	8.00	94.50	7.50
	Development Services	246.50	26.00	165.50	27.00
	Planning	33.00	2.00	32.00	2.00
<b>Total - General Fund</b>		<b>3,929.83</b>	<b>204.50</b>	<b>3,563.58</b>	<b>173.61</b>
START	Parks & Recreation	166.00	5.00	164.50	-
Parking	Transportation	59.25	8.25	59.25	8.75
Water Fund	Utilities	259.25	25.25	259.00	16.00
Sewer	Utilities	80.25	5.00	72.50	0.50
Solid Waste	Utilities	193.00	10.48	193.00	11.00
Marina	CC&L	7.80	-	7.80	-
Community Center	CC&L	93.15	11.03	93.15	5.50
Storm Drainage	Utilities	204.50	12.50	212.50	11.42
4th R Program	Parks & Recreation	146.49	23.00	146.49	14.50
Fleet Management	General Services	99.00	8.00	104.00	8.00
Risk Management	Human Resources	18.00	-	18.00	2.00
Worker's Comp	Human Resources	20.00	-	20.00	1.00
Water Planning	Utilities	4.00	-	4.00	-
<b>Total - Non General Fund</b>		<b>1,350.69</b>	<b>108.51</b>	<b>1,354.19</b>	<b>78.67</b>
eCAPS		24.00	-	24.00	-
<b>GRAND TOTAL</b>		<b>5,304.52</b>	<b>313.01</b>	<b>4,941.77</b>	<b>252.28</b>

\* Seasonal positions are generally not included. In FY2007/08, previously unfunded positions are not included.

## Supplemental Budget Information – Item 19

**Question:**

We want a report back on the staff to management ratios in each City department including organizational charts with management personnel clearly identified.

**Response:**

The following chart provides a break down of: (1) current staff to management ratios based on FY2008/09 General Fund full time equivalent (FTE) positions; and (2) the 429.01 FTE positions identified for reduction in the FY2009/10 Budget as proposed in the February 24, 2009 workshop report.

	Management / Professional	Executive / Administrative Support	Represented	Total
<b>FY2008/09 General Fund Total FTE/Staffing by Classification Group</b>				
Public Safety	92.00 4.78%	60.00 3.12%	1,773.86 92.11%	1,925.86
All Other	416.20 12.87%	166.50 5.74%	1,439.03 81.39%	2,021.73
<b>Total GF FTE:</b>	<b>508.20</b> 12.87%	<b>226.50</b> 5.74%	<b>3,212.89</b> 81.39%	<b>3,947.59</b>
<b>FY2009/10 FTE Reduction Proposal</b>				
Public Safety	0.00 0.00%	0.00 0.00%	117.00 100.00%	117.00
All Other	49.50 15.86%	63.00 20.19%	199.51 63.94%	312.01
<b>Total GF FTE Reduction:</b>	<b>49.50</b> 11.54%	<b>63.00</b> 14.68%	<b>316.51</b> 73.78%	<b>429.01</b>

Detailed department organization charts are not currently available; when these charts are available they will be forwarded to the City Council as an addendum to this item.

## Supplemental Budget Information – Item 20

### Question:

1) How many fire stations do we have now vs. 1968, (2) how many FTE now vs. 1968, (3) other options for reducing fire costs, and (4) is there an opportunity to file a claim with the State of CA for fire/ambulance response and approximately how much does responding to the State cost the City on a yearly basis? (5) Provide a report back on the ability to use pass through money from SHRA to fund brown outs and with a "long term fix" for the brown outs - what does this delay in the brown outs mean?

### Response:

- 1) We do not have documentation related to the number of Fire Stations in 1968.
- 2) 1968 FTE Count = 450 (includes 9 positions for "dispatchers" and 4 positions for Mechanics, all of which are now provided by other means) FY2008/2009 FTE Count = 634
- 3) Further reduction of response personnel.
- 4) File a Claim with the State of CA - Response provided on 2/24/09 by CAO "... A City may not impose cost recovery upon the state for fire services provided to state facilities..."

Cost of Response to State facilities - Currently we do not have an "identifier" in our dispatch records system for all State buildings and would be able to provide only a partial list related to costs for Fire response. Ambulance response to a State Building would be billed as any other Ambulance response.

5) Report Back Pass through funds:  
Council suggested using the pass through funding available from the Sacramento Housing and Redevelopment Agency (SHRA) to offset the costs associated with the delay of the implementation of the second brown out included in the FY2008/09 budget. However, funding was identified as part of the FY2007/08 year end process and was set aside by Council for this purpose as part of the presentation and action on the FY2007/08 Comprehensive Annual Financial Report.

The FY2009/10 Proposed Budget includes the pass through of funding from SHRA to the City of Sacramento. This revenue will provide funding of approximately \$1.4 million in the proposed budget and \$700K in FY2010/11.

## Supplemental Budget Information – Item 21

**Question:**

Budget Format: During the last budget briefing provided to the City Council, the format varied from department to department. Some departments reported the percentage of cuts they were taking; others did not. The City Manager advised the Council of a new “right-sizing” policy to determine what number of positions should be eliminated, yet only one departmental budget report – Development Services – even mentioned the concept. If this is a guiding policy, then it ought to be discussed in each department’s report, including an explanation of the guidelines used to determine what the “right size” is.

**Response:**

The following chart summarizes the reductions included in the FY2008/09 Amended and the FY2009/10 Proposed Budget by department, by dollar value and FTE.

Department	FY2008/09 Approved		FY2009/10 Proposed		Cumulative	
	Budget Reductions	Unfunded FTE	Budget Reductions	Unfunded FTE	Budget Reductions	Unfunded FTE
Mayor & Council	394,805	1.00	266,809	0.00	661,614	1.00
City Attorney	1,079,000	5.00	(183,825)	4.00	895,175	9.00
City Clerk	114,100	1.00	0	1.00	114,100	2.00
City Manager	701,739	2.00	597,000	2.00	1,298,739	4.00
City Treasurer	416,637	3.00	468,140	3.00	884,777	6.00
Code Enforcement	1,243,800	12.00	1,720,716	8.00	2,964,516	20.00
Convention, Culture & Leisure	823,000	4.00	1,355,363	3.36	2,178,363	7.36
Community Development	882,603	56.00	2,610,825	83.00	3,493,428	139.00
Economic Development	323,800	2.00	669,274	3.00	993,074	5.00
Finance	1,197,600	3.00	1,890,123	5.00	3,087,723	8.00
Fire	2,331,040	21.00	5,117,181	50.00	7,448,221	71.00
General Services	2,867,800	15.00	4,743,812	35.50	7,611,612	50.50
Human Resources	644,000	4.00	1,027,866	4.25	1,671,866	8.25
Information Technology	1,812,600	6.50	1,361,369	11.50	3,173,969	18.00
Labor Relations	165,960	0.00	40,000	1.00	205,960	1.00
Neighborhood Services	300,400	2.00	492,470	4.00	792,870	6.00
Parks & Recreation	4,966,247	46.01	8,297,002	144.70	13,263,249	190.71
Planning <sup>1</sup>	608,644	2.00	0	(2.00)	608,644	0.00
Police <sup>2</sup>	10,109,000	174.50	6,360,244	0.00	16,469,244	174.50
Transportation	1,015,448	0.00	2,576,098	25.95	3,591,546	25.95
Utilities	16,800	0.00	0	0.00	16,800	0.00
<b>Totals:</b>	<b>\$ 32,015,023</b>	<b>360.01</b>	<b>\$ 39,410,467</b>	<b>387.26</b>	<b>\$ 71,425,490</b>	<b>747.27</b>

<sup>1</sup> FY2009/10 Planning Department reductions are included in the Community Development and Finance Department.

<sup>2</sup> FY 2009/10 Police Department reductions reflect new revenues and the deferral of COLA and step increases for sworn personnel.

The concept of rightsizing our budget represents the holistic need to realign revenues and expenditures on an on-going basis in order to bring the budget back into balance. Although the term was not used specifically in each department's proposals, all of the proposals included in the workshops and the Proposed Budget reflect department's efforts to "rightsized" programs and services within available resources.

The FY2009/10 Proposed Budget includes the reorganization of the Development Services and Planning Departments into the new Community Development Department. In addition to creating this new structure, the department also went through a process of realigning its programs and services to address the significant reduction in department revenues based on the substantial decline in development in the City. This realignment, in addition to the City's reduction effort has resulted in a reduction well beyond the 35% reductions of most operating departments.

The reductions included in the Proposed Budget reflect Council's adopted budget development principles and priorities with an overall commitment to keeping Sacramento a full service City, and maintaining the structural framework necessary to position the City when the economy recovers.

## Supplemental Budget Information – Item 22

### Question:

Is there an alternate option at the 35% reduction level to closing 3 community centers? (i.e. spreading reduced hours equally among all neighborhoods)

### Response:

The Department of Parks and Recreation's Community Center section includes **16 total facilities** including: 10 community centers (large and small) and 6 clubhouses. The current 35% reduction for the Department of Parks and Recreation includes a reduction to the Community Centers budget of \$1,247,800. This includes reduction in staffing costs, services and supplies, electricity and other utilities, custodial costs and charges related to facility maintenance.

The **CURRENT 35% REDUCTION PROPOSAL** includes the closure of five facilities including 3 community centers and 2 clubhouses. The recommendation was meant to provide the least amount of impact to the community by optimizing operations and hours across the City of Sacramento at the remaining **11 facilities** (7 community centers, 4 clubhouses). These facilities would be open a maximum of 4 days per week by reducing the total cost to keep a community center open for full operations. A week is defined as weekdays, Monday through Friday, during which time the facility offers full staffed operations.

Staff has done an analysis of possible alternative scenarios to the current proposal.

**OPTION A:** Option A would *maximize number of days open* by reducing offered programs at community centers and clubhouses in exchange for keeping facilities open for the maximum number of days possible. Facilities would primarily be available for rentals and leisure enrichment classes.

The proposal: eliminates all Fall and Spring Seasonal Programs for youth, teens and older adults; reduces and adjusts hours of operations (8 am – 8 pm to 11 am – 8 pm); adds 10 – 12 Blackout Days Per Year when all centers would be completely closed including to rentals; closes all clubhouses except for rental purposes; eliminates staffing/support for the Las Palmas Gymnasium, and keeps a total of **10 facilities** (10 community centers, 0 clubhouses) open and accessible to the public a maximum of 4 days per week.

**OPTION B:** Option B would *maximize the number of facilities open* by reducing the number of total days community centers and clubhouses are open to the public.

The proposal: includes the rotation of staffing where feasible to keep all community centers open; reduces days of operation at all community centers one or two additional days depending on community center size and complexity of operations; closes 2 clubhouses, and keeps a total of **14 facilities** (10 community centers, 4 clubhouses) open and accessible to the public a maximum of 3 days per week.

## Supplemental Budget Information – Item 23

### Question:

Can the five remaining parks in Natomas funded through Park Development Impact Fees (PIF) be constructed and what will the maintenance impact be?

### Response:

Currently, the North Natomas Planning Area has a total of 185.5 acres of neighborhood parks and 233.1 of community parks. The City Council approved service level goal is 5.0 acres of parkland per 1,000 residents. The North Natomas Planning Area as of April 2009 was the City's only planning area that met and exceeded the service level goal with a current total of 9.3 acres per 1,000 residents. The South Natomas Planning Area currently has 3.2 acres per 1,000 residents, with a deficiency of 1.8 acres per 1,000 residents.

Currently, there are park development impact fees available to construct five undeveloped parks: River Birch, Valley Oak, Dogwood, Wild Rose in North Natomas and Oakbrook in South Natomas. These sites would add an additional 31 acres of parkland resulting in an approximate annual cost of \$332,000 to maintain. Beginning the development of these projects in Fiscal Year 2009/10, staff anticipates that full development of these sites would be complete in approximately 18-24 months with the acreage coming on line in FY2011/12.

Currently, parks across the City are being maintained at Level 3 which is considered the baseline park maintenance level. Maintenance at this level is the lowest acceptable level to achieve citizen satisfaction. Core tasks are regularly completed; litter can be found in the parks, but is regularly picked up; restrooms are serviced daily; turf is in generally good condition, but there are some seasonal issues with brown spots and tall grass; graffiti and vandalism is remediated within 24 hours; there is little or no flower planting; weeds in shrub beds occur from time to time; customer complaints are minimal. In the proposed FY2009/10 budget for the Park Operations Division of the Department of Parks and Recreation, staffing is being reduced from a total of 146.50 FTE to 84.50 FTE which is a 42% reduction in staffing. As a result, the citywide maintenance level would drop from Level 3 to a maintenance standard between Level 2 and Level 1 across the City as staffing and crews would be redistributed to provide a consistent level of maintenance service to all City parks.

After analysis, to take advantage of favorable construction costs in the current economic environment, staff is recommending that these five park sites be constructed, with the projects beginning in early FY2009/10, and the additional acreage coming on-line by FY2011/12. With the additional acreage coming on line in FY2011/12 and the citywide redistribution of staff complete, it would be necessary for existing crews in the North and South Natomas areas to take on the additional 31 acres. This would result in an even further reduced level of maintenance for parks primarily in North Natomas to Level 1, the lowest measured level of maintenance. Staff anticipates that customer complaints would increase and that maintenance performed would largely be prioritized by calls for service and safety concerns.

## Supplemental Budget Information – Item 24

### Question:

Baseline Budgets for City Departments: I have requested information on departmental budgets for the last three fiscal years. I am particularly interested in the number of positions added to departmental budgets after the City budget was approved. I have received this information only for the Police, Fire, Code Enforcement, and Development Services Departments. I suspect that these added positions have been used to establish a higher baseline budget for City departments, and that subsequent fiscal year budget cuts were made from the higher baseline figure. It would be very helpful if the Council were provided this information for each City department, so that we can realistically assess the actual level of cuts each department has made.

### Response:

Attached are summary schedules 1A Current Operations – Appropriations by Operating Unit and 1B Staffing by Department for the FY2006/07 Approved Budget, FY2007/08 Approved Budget, the FY2008/09 Approved Budget and the FY2009/10 Proposed Budget. This provides the information requested respectively on FY2004/05 through FY2007/08 actuals and FY2008/09 Approved and Amended Budgets for both expenditures and FTE.

Pursuant to the annual budget resolution, all FTE must be approved by the City Council, with the exception of FTE associated with increases in fully offset grants for which revenues and expenditures have already been approved by Council (because these positions are fully offset, the baseline budget will not increase).

Yes, any positions approved by Council subsequent to budget adoption that are not fully offset (reimbursement are increased annually for fully offset positions so as not to increase the baseline General Fund budget) ultimately increase the baseline for that department. This is why all FTE MUST be approved by Council, so that all of the financial implications related to the additional FTE can be considered by Council.

**Schedule 1A**  
**Current Operations – Appropriations by Operating Unit (in 000's)**

Operating Unit Type Operating Unit Name	FY2007/08 Actuals	FY2008/09 Approved	FY2008/09 Amended	FY2009/10 Proposed	Change Proposed/Amended
<b>Charter Office</b>					
City Attorney	7,480	6,538	6,753	6,982	229
City Clerk	1,616	1,509	1,550	1,447	(104)
City Manager	4,373	3,528	3,951	4,039	89
City Treasurer	2,407	1,896	2,111	2,089	(22)
Mayor Council	3,460	3,417	3,510	3,124	(386)
<b>Sub-Total : Charter Office</b>	<b>19,335</b>	<b>16,887</b>	<b>17,875</b>	<b>17,681</b>	<b>(194)</b>
<b>Operating Departments</b>					
Code Enforcement	9,681	10,706	10,770	10,568	(202)
Community Development	22,442	20,842	21,088	12,905	(8,183)
Convention, Culture & Leisure	29,266	27,887	27,848	27,198	(650)
Economic Development	5,089	5,328	5,444	4,752	(691)
Finance	9,915	8,349	8,736	8,568	(168)
Fire	92,482	97,865	98,350	100,081	1,731
General Services	67,014	59,075	59,085	55,660	(3,426)
Human Resources	32,942	30,779	30,928	29,474	(1,454)
Information Technology	11,676	10,414	10,668	9,316	(1,352)
Labor Relations	1,156	1,084	1,130	1,074	(57)
Neighborhood Services	1,479	1,335	1,366	962	(404)
Parks and Recreation	54,132	45,051	45,156	38,802	(6,354)
Planning	3,525	2,984	3,132	0	(3,132)
Police	131,906	132,277	132,928	130,282	(2,646)
Transportation	41,510	47,168	47,643	48,145	502
Utilities	142,423	147,130	146,908	165,334	18,426
<b>Sub-Total : Operating Departments</b>	<b>656,636</b>	<b>648,271</b>	<b>651,178</b>	<b>643,119</b>	<b>(8,059)</b>
<b>Others</b>					
Debt Service	71,496	86,117	99,429	70,459	(28,970)
Fund Reserves	208,311	185,179	186,078	166,676	(19,402)
Non-Departmental	75,155	46,717	47,884	38,893	(8,991)
<b>Sub-Total : Others</b>	<b>354,962</b>	<b>318,013</b>	<b>333,391</b>	<b>276,028</b>	<b>(67,363)</b>
<b>GRAND TOTAL (Gross):</b>	<b>1,030,933</b>	<b>983,172</b>	<b>1,002,444</b>	<b>936,829</b>	<b>(65,615)</b>

**Schedule 1B  
Staffing by Department (In Full Time Equivalents)**

Operating Unit Type Operating Unit Name	FY 2007/08 Actuals	FY 2008/09 Approved	FY 2008/09 Amended	FY 2009/10 Proposed	Change Proposed/Amended
<b>Charter Office</b>					
City Attorney	68.00	63.00	53.00	49.00	(4.00)
City Clerk	13.00	12.00	12.00	11.00	(1.00)
City Manager	24.00	22.00	24.00	24.00	0.00
City Treasurer	18.00	16.00	15.00	12.00	(3.00)
Mayor Council	29.00	28.50	28.50	28.50	0.00
<b>Sub-Total Charter Office</b>	<b>142.00</b>	<b>130.50</b>	<b>132.50</b>	<b>124.50</b>	<b>(8.00)</b>
<b>Operating Departments</b>					
Code Enforcement	106.50	94.50	94.50	89.00	(5.50)
Community Development	246.50	165.50	165.50	106.50	(59.00)
Convention, Culture & Leisure	213.57	209.57	209.57	206.21	(3.36)
Economic Development	24.00	25.00	25.00	22.00	(3.00)
Finance	123.50	98.50	98.50	75.50	(23.00)
Fire	653.00	634.00	634.00	582.00	(52.00)
General Services	266.50	291.50	293.50	257.00	(36.50)
Human Resources	74.00	70.00	70.00	65.75	(4.25)
Information Technology	73.00	66.50	66.50	54.00	(12.50)
Labor Relations	9.00	9.00	9.00	8.00	(1.00)
Neighborhood Services	15.00	13.00	13.00	9.00	(4.00)
Parks and Recreation	935.84	825.89	825.89	678.69	(147.20)
Planning	33.00	32.00	32.00	0.00	(32.00)
Police	1,271.86	1,096.36	1,096.36	1,091.36	(5.00)
Transportation	356.25	436.95	436.95	424.00	(12.95)
Utilities	741.00	741.00	741.00	752.00	11.00
<b>Sub-Total Operating Departments</b>	<b>5,162.52</b>	<b>4,809.27</b>	<b>4,811.27</b>	<b>4,421.01</b>	<b>(390.26)</b>
<b>GRAND TOTAL:</b>	<b>5,304.52</b>	<b>4,939.77</b>	<b>4,943.77</b>	<b>4,545.51</b>	<b>(398.26)</b>

**Schedule 1A**  
**Appropriations by Department**  
**In Thousands (000s)**

Department Type Department Name	FY 2006/07 Actuals	FY 2007/08 Approved	FY 2007/08 Amended	FY 2008/09 Approved	Change Amended/Approved
<b>Charter Offices</b>					
City Attorney	7,632	7,301	7,539	6,538	(1,001)
City Clerk	1,530	1,584	1,619	1,509	(110)
City Manager	3,678	4,097	4,258	3,528	(730)
City Treasurer	2,882	2,243	2,467	1,896	(571)
Mayor/Council	3,442	3,352	3,468	3,417	(51)
<b>Sub-Total Charter Offices:</b>	<b>19,164</b>	<b>18,577</b>	<b>19,351</b>	<b>16,888</b>	<b>(2,463)</b>
<b>Operating Department</b>					
Code Enforcement	9,782	9,771	9,754	10,706	952
Convention, Culture and Leisure	26,692	27,408	27,432	27,887	455
Development Services	21,878	22,255	22,438	20,842	(1,596)
Economic Development Department	2,853	5,066	5,123	5,328	205
Finance	10,625	10,036	10,289	8,349	(1,940)
Fire	91,681	92,125	92,232	97,865	5,633
General Services	58,435	58,702	58,712	59,075	363
Human Resources	32,672	32,424	32,587	30,779	(1,808)
Information Technology	11,003	11,859	12,060	10,414	(1,646)
Labor Relations	1,236	1,162	1,207	1,084	(123)
Neighborhood Services	1,713	1,488	1,502	1,335	(167)
Parks & Recreation	52,239	53,989	53,994	45,051	(8,943)
Planning Department	4,020	2,981	3,613	2,984	(629)
Police	126,263	130,453	130,784	132,277	1,493
Transportation	39,573	40,673	40,573	47,168	6,595
Utilities	131,095	138,617	138,484	147,130	8,646
<b>Sub-Total Operating Department:</b>	<b>621,760</b>	<b>639,009</b>	<b>640,784</b>	<b>648,274</b>	<b>7,490</b>
<b>Other</b>					
C/Co Ofc Wtr Planning	524	-	520	-	(520)
Debt Service	72,616	69,209	70,709	86,117	15,408
Fund Reserves	251,380	180,635	227,089	185,179	(41,910)
Non-Departmental	54,601	50,405	48,976	46,717	(2,259)
Inter-Departmental Cost Plan	-	-	-	(12,547)	(12,547)
<b>Sub-Total Other:</b>	<b>379,121</b>	<b>300,249</b>	<b>347,294</b>	<b>305,466</b>	<b>(41,828)</b>
<b>GRAND TOTAL:</b>	<b>1,020,045</b>	<b>957,835</b>	<b>1,007,429</b>	<b>970,626</b>	<b>(36,801)</b>

**Schedule 1B  
Staffing by Department  
(In Full Time Equivalents)**

Department Type Department Name	FY 2006/07 Actuals	FY 2007/08 Approved	FY 2007/08 Amended	FY 2008/09 Approved	Change Amended/Approved
<b>Charter Offices</b>					
City Attorney	58.00	58.00	58.00	58.00	0.00
City Clerk	13.00	13.00	13.00	13.00	0.00
City Manager	20.00	24.00	24.00	24.00	0.00
City Treasurer	17.00	18.00	18.00	18.00	0.00
Mayor/Council	29.00	29.00	29.00	29.50	0.50
<b>Sub-Total Charter Offices:</b>	<b>137.00</b>	<b>142.00</b>	<b>142.00</b>	<b>142.50</b>	<b>0.50</b>
<b>Operating Department</b>					
Code Enforcement	94.00	92.00	106.50	106.50	0.00
Convention, Culture and Leisure	207.57	212.57	213.57	213.57	0.00
Development Services	242.50	246.50	246.50	221.50	-25.00
Economic Development Department	17.00	24.00	24.00	27.00	3.00
Finance	118.50	121.50	123.50	101.50	-22.00
Fire	651.00	651.00	653.00	655.00	2.00
General Services	263.50	286.50	288.50	306.50	20.00
Human Resources	75.00	74.00	74.00	74.00	0.00
Information Technology	68.00	73.00	73.00	73.00	0.00
Labor Relations	9.00	9.00	9.00	9.00	0.00
Neighborhood Services	16.00	15.00	15.00	15.00	0.00
Parks & Recreation	929.97	924.79	935.84	871.90	-63.94
Planning Department	38.00	33.00	33.00	34.00	1.00
Police	1,264.66	1,271.86	1,271.86	1,270.86	-1.00
Transportation	349.75	356.25	356.25	436.95	80.70
Utilities	732.00	741.00	741.00	741.00	0
<b>Sub-Total Operating Department:</b>	<b>5,076.45</b>	<b>5,131.97</b>	<b>5,162.52</b>	<b>5,157.28</b>	<b>-5.24</b>
<b>GRAND TOTAL:</b>	<b>5,213.45</b>	<b>5,273.97</b>	<b>5,304.52</b>	<b>5,299.78</b>	<b>-4.74</b>

**Schedule 1A**  
**Appropriations by Department**  
**In Thousands (000s)**

Department Type Department Name	FY 2005/06 Actuals	FY 2006/07 Approved	FY 2006/07 Amended	FY 2007/08 Approved	Change Amended/Approved
<b>Charter Offices</b>					
City Attorney	7,738	7,175	7,613	7,301	(312)
City Clerk	1,499	1,494	1,522	1,584	82
City Manager	2,864	3,364	3,636	4,097	461
City Treasurer	2,591	2,273	2,871	2,243	(628)
Mayor/Council	3,246	3,328	3,366	3,352	(14)
<b>Sub-Total Charter Offices:</b>	<b>17,938</b>	<b>17,634</b>	<b>19,008</b>	<b>18,577</b>	<b>(431)</b>
<b>Operating Department</b>					
Code Enforcement	7,919	9,603	9,780	9,771	(9)
Convention, Culture and Leisure	24,438	25,582	26,460	27,408	948
Development Services	21,228	21,216	21,669	22,255	586
Economic Development Department	2,816	2,874	2,874	5,066	2,192
Finance	11,056	9,678	10,621	10,036	(585)
Fire	83,359	89,944	91,247	92,125	878
General Services	44,713	50,831	51,349	58,702	7,353
Human Resources	35,509	32,597	32,612	32,424	(188)
Information Technology	10,723	10,773	10,828	11,859	1,031
Labor Relations	1,048	1,177	1,223	1,162	(61)
Neighborhood Services	1,717	1,545	1,709	1,488	(221)
Parks & Recreation	47,438	49,859	51,971	53,989	2,018
Planning Department	-	3,059	3,661	2,981	(680)
Police	119,239	122,212	126,047	130,453	4,406
Transportation	37,650	37,218	39,352	40,673	1,321
Utilities	119,699	126,432	130,884	138,617	7,733
<b>Sub-Total Operating Department:</b>	<b>568,550</b>	<b>594,580</b>	<b>612,287</b>	<b>639,009</b>	<b>26,722</b>
<b>Other</b>					
C/Co Ofc Wtr Planning	479	-	524	-	(524)
Debt Service	61,964	68,037	71,479	69,209	(2,270)
Fund Reserves	140,987	165,970	184,592	180,635	(183,675)
Mountain Valley Library	-	-	-	-	-
Non Appropriated	-	-	-	-	-
Non-Departmental	41,076	49,400	55,447	50,405	(1,975)
Parking Authority	-	-	-	-	-
<b>Sub-Total Other:</b>	<b>244,506</b>	<b>283,407</b>	<b>312,042</b>	<b>300,249</b>	<b>(188,444)</b>
<b>GRAND TOTAL:</b>	<b>830,994</b>	<b>895,621</b>	<b>943,337</b>	<b>957,833</b>	<b>(162,153)</b>

**Schedule 1B  
Staffing by Department  
(In Full Time Equivalents)**

Department Type Department Name	FY 2005/06 Actuals	FY 2006/07 Approved	FY 2006/07 Amended	FY 2007/08 Approved	Change Amended/Approved
<b>Charter Offices</b>					
City Attorney	57.00	57.00	58.00	58.00	0.00
City Clerk	13.00	13.00	13.00	13.00	0.00
City Manager	16.00	19.00	20.00	24.00	4.00
City Treasurer	17.00	17.00	17.00	18.00	1.00
Mayor/Council	29.00	29.00	29.00	29.00	0.00
<b>Sub-Total Charter Offices:</b>	<b>132.00</b>	<b>135.00</b>	<b>137.00</b>	<b>142.00</b>	<b>5.00</b>
<b>Operating Department</b>					
Code Enforcement	82.00	94.00	94.00	92.00	-2.00
Convention, Culture and Leisure	203.57	206.57	207.57	212.57	5.00
Development Services	258.50	231.50	242.50	246.50	4.00
Economic Development Department	17.00	17.00	17.00	24.00	7.00
Finance	97.50	118.50	118.50	121.50	3.00
Fire	623.00	651.00	651.00	651.00	0.00
General Services	259.50	263.50	263.50	286.50	23.00
Human Resources	75.00	75.00	75.00	74.00	-1.00
Information Technology	62.00	68.00	68.00	73.00	5.00
Labor Relations	8.00	9.00	9.00	9.00	0.00
Neighborhood Services	16.00	16.00	16.00	15.00	-1.00
Parks & Recreation	895.81	903.22	929.97	924.79	-5.18
Planning Department	-	32.00	38.00	33.00	-5.00
Police	1,206.66	1,212.66	1,264.66	1,271.86	7.20
Transportation	339.75	344.75	349.75	356.25	6.50
Utilities	727.00	732.00	732.00	741.00	9.00
<b>Sub-Total Operating Department:</b>	<b>4,871.29</b>	<b>4,974.70</b>	<b>5,076.45</b>	<b>5,131.97</b>	<b>55.52</b>
<b>GRAND TOTAL:</b>	<b>5,003.29</b>	<b>5,109.70</b>	<b>5,213.45</b>	<b>5,273.97</b>	<b>60.52</b>

**Schedule 1A  
Appropriations by Department  
In Thousands (000s)**

Department	2004/05 Actuals	2005/06 Approved	2005/06 Amended	2006/07 Approved	Change More/(Less) Approved/Amended
<b>Charter Offices:</b>					
Mayor/Council	3,046	3,144	3,246	3,328	82
City Manager	2,167	2,578	2,864	3,364	500
City Attorney	6,263	7,016	7,738	7,175	(563)
City Clerk	1,357	1,456	1,499	1,494	(5)
City Treasurer	1,902	2,133	2,591	2,273	(318)
<b>Total Charter Offices</b>	<b>14,735</b>	<b>16,327</b>	<b>17,937</b>	<b>17,634</b>	<b>(303)</b>
<b>Operating Departments:</b>					
Finance	10,766	9,966	11,056	9,678	(1,378)
Information Technology	8,880	9,867	10,723	10,773	50
Human Resources	33,496	35,144	35,509	32,597	(2,912)
Labor Relations	918	944	1,048	1,177	129
Police	105,034	115,727	119,239	122,212	2,973
Fire	73,180	77,005	83,359	89,944	6,585
General Services	83,709	43,275	44,713	50,831	6,118
Utilities	70,605	113,140	119,699	126,432	6,733
Transportation	31,798	35,938	37,650	37,218	(432)
Neighborhood Services	0	1,588	1,717	1,545	(172)
Cultural Services	23,708	23,907	24,438	25,562	1,124
Economic Development	0	2,460	2,816	2,874	58
Parks & Recreation	40,950	45,025	47,436	49,859	2,423
Code Enforcement	8,313	6,314	7,919	9,603	1,684
Development Services	21,204	20,749	21,228	21,216	(12)
Planning Department	0	0	0	3,059	3,059
<b>Total Operating Departments</b>	<b>512,561</b>	<b>541,049</b>	<b>568,551</b>	<b>594,581</b>	<b>26,030</b>
<b>Other:</b>					
Fund Reserves	(1,914)	137,172	140,987	165,970	24,983
Debt Service	65,615	63,449	61,964	68,037	6,073
Non-Departmental	41,368	40,865	41,073	49,200	8,127
Mountain Valley Library	543	0	0	0	0
Parking Authority	10,590	0	0	0	0
C/Co Ofc Wtr Planning	501	0	479	0	(479)
Non Appropriated	36,916	0	0	0	0
<b>Total Other</b>	<b>153,619</b>	<b>241,486</b>	<b>244,503</b>	<b>283,207</b>	<b>38,704</b>
<b>City Grand Total</b>	<b>680,915</b>	<b>798,862</b>	<b>830,991</b>	<b>895,422</b>	<b>64,431</b>

**Schedule 1B  
Staffing by Department  
(In Full Time Equivalents)**

Department	2004/05 Actuals	2005/06 Approved	2005/06 Amended	2006/07 Approved	Change More/(Less) Approved/Amended
<b>Charter Offices:</b>					
Mayor/Council	28.00	28.00	29.00	29.00	0.00
City Manager	16.00	16.00	16.00	19.00	3.00
City Attorney	53.00	53.00	57.00	57.00	0.00
City Clerk	13.00	13.00	13.00	13.00	0.00
City Treasurer	17.00	17.00	17.00	17.00	0.00
Total Charter Offices	<u>127.00</u>	<u>127.00</u>	<u>132.00</u>	<u>135.00</u>	<u>3.00</u>
<b>Operating Departments:</b>					
Finance	120.50	95.50	97.50	118.50	21.00
Information Technology	62.00	62.00	62.00	68.00	6.00
Human Resources	75.00	75.00	75.00	75.00	0.00
Labor Relations	8.00	8.00	8.00	9.00	1.00
Police	1,189.36	1,193.36	1,206.66	1,212.66	6.00
Fire	609.00	620.00	623.00	651.00	28.00
General Services	457.05	255.00	259.50	263.50	4.00
Utilities	497.00	722.00	727.00	732.00	5.00
Transportation	332.50	331.75	339.75	344.75	5.00
Neighborhood Services	0.00	15.00	16.00	16.00	0.00
Cultural Services	203.57	203.57	203.57	206.57	3.00
Economic Development	0.00	15.00	17.00	17.00	0.00
Parks & Recreation	841.28	842.28	895.81	903.22	7.41
Code Enforcement	86.13	65.00	82.00	94.00	12.00
Development Services	252.00	235.00	258.50	231.50	(27.00)
Planning Department	0.00	0.00	0.00	32.00	32.00
Total Operating Departments	<u>4,733.39</u>	<u>4,738.46</u>	<u>4,871.29</u>	<u>4,974.70</u>	<u>103.41</u>
City Grand Total	<u>4,860.39</u>	<u>4,865.46</u>	<u>5,003.29</u>	<u>5,109.70</u>	<u>106.41</u>

## Supplemental Budget Information – Item 25

### Question:

I think we need to look at what the President is recommending/suggesting - we need to do shared responsibility and all take a hit so we can keep as many people as possible. Can we look at some of our outsourcing to see what we can do (maybe CRCIP projects) internally by our staff?

### Response:

Since 2008, various departments have been moving typically outsourced work back in-house in an effort to create efficiencies. In the departments of General Services, Planning, and Transportation the following work has been moved in-house:

**General Services** – Construction and Project Management, Boiler Maintenance, Fire Testing, and Landscape Maintenance.

**Planning** - Municipal Service Reviews, Housing Element implementation, Shovel Ready Sites specific planning, absorption studies for various financing plans.

**Transportation** - Traffic Studies, Traffic Modeling, some traffic counts, some Development Engineering, and Programmed block tree pruning.

## Supplemental Budget Information – Item 26

**Question:**

Joint Powers Authorities (JPA) Budgets: Last year, the City cut funding for the Human Rights Commission by \$40,000. For an agency this small, this was a difficult cut to absorb. Please provide information on what other JPA funding cuts the City has made. This is an area where the City can likely save some money, but the Council needs to be assured that these cuts will not harm the core functions of these agencies.

**Response:**

Following are the funding reductions included in the FY2009/10 Proposed Budget for the City's partner agencies where the City has discretion to adjust funding:

	Approved FY07/08	Approved FY08/09	Proposed FY09/10	FY09/10 Savings
Sacramento Metro Arts Commission	\$814,450	\$660,560	\$528,448	\$132,112
Sacramento Convention and Visitor's Bureau	\$859,450	\$739,450	\$591,560	\$147,890
Human Rights Fair Housing Commission	\$145,000	\$116,100	\$92,880	\$23,220
Sacramento Public Library	\$9,481,100	\$9,064,585	\$7,921,710	\$1,142,875
<b>Total</b>				<b>\$1,446,097</b>

Funding for the Sacramento Metro Arts Commission, the Sacramento Convention and Visitor's Bureau and the Human Rights Fair Housing Commission was reduced by 20 percent in the Proposed Budget. Funding for the Sacramento Public Library was reduced by 15 percent, the maximum reduction allowable pursuant to the Maintenance of Effort requirements of the citywide assessment for library services. An addition of \$267,800 was included in the Proposed Budget to fund half of the costs required to open the two new expanded libraries and using \$250,000 in City Library fund reserves held by the Library JPA to fund the balance of these new costs for the fiscal year.

Funding for other partner agencies such as the Local Agency Formation Commission and the Sacramento Council of Governments is based on budgets established by those agencies, which our Councilmembers serve on and vote to approve annual budgets. The City is obligated to pay our proportional share of the costs of the particular entity.

## Supplemental Budget Information – Item 27

**Question:**

Transient Occupancy (TO) Tax Revenues: A report back with a plan to use TO tax revenues for general fund relief.

**Response:**

The current TOT rate in the City of Sacramento is 12%. Chapter 3.28 of the City Code established the uses of the TOT as specified below.

- 10% of revenues are to be used for the acquisition, construction, completion, operation, repair and maintenance of public assembly and convention halls including interest and principal payments on bonds issued to acquire the facilities.
- 2% of revenues are allocated to the General Fund for the usual and current expenses of the city, including but not limited to meeting operating expenses.

Prior to FY2008/09 one percent of the General Fund allocation had been directed back to the Convention Center fund to pay debt service. In the FY2008/09 Approved Budget these funds were retained in the General Fund to offset expenses. The FY2009/10 Proposed Budget continues to capture one percent or \$1.7 million to the General Fund to support ongoing programs and services.

The remaining 1% of TOT has been allocated by the City Council to support the Sacramento Metro Arts Commission’s (SMAC’s) Art Re-granting Program and Art Stabilization Programs as well as the Sacramento Convention and Visitor’s Bureau (SCVB). Budgeted expenditures for these programs have been reduced over the past two fiscal years, and the FY2009/10 Proposed Budget further reduces contributions to these organizations by 20 percent. The General Fund captures the benefit of the revenue remaining after the arts programs are funded. For FY2009/10 the remaining one percent of TOT is split as follows:

SMAC	\$528,448
SCVB	\$591,560
General Fund	\$598,892
<hr style="border: 0.5px solid black;"/>	
Total	\$1,718,900

As a result, in the FY2009/10 Proposed Budget the General Fund will receive approximately two-thirds of the two percent currently allocated in the City Code, or \$2.3 million. Further reductions to these programs would provide additional revenues to the General Fund. Any further reallocation of the 10%/2% split or change to the rates requires voter approval.

## Supplemental Budget Information – Item 28

### Question:

A report back on fees the City charges that do not cover the City's costs.

### Response:

Departments are currently updating the public database and final changes won't be submitted until 6/15/09. After the database is updated we will review the data and report back on the cost recovery of Fees and Charges across all departments.

The City continues to move towards full cost recovery of all impact/development fees, service fees, regulatory fees, rental fees and penalties/fines. The cost recovery goal includes direct and indirect costs for all fees and charges.

The User Fee Study completed in March of 2009 focused on four departments with a significant impact on the General Fund. The User Fee Study increased cost recovery for Police (71%), Fire (98%), Finance (71%) and Code Enforcement (70%). The cumulative cost recovery for these departments increased from 60% to 75%. This equates to additional General Fund revenue of \$995K.

There are certain scenarios where full cost recovery is not in the best interest of the community. Some fees are established at lower levels to permit lower income groups to participate in services that they might not otherwise be able to afford.

A consideration of community-wide benefit versus specific benefit should be considered for certain services. The issue of who is the recipient versus who is the service driver should also be considered. For example, Code Enforcement activities benefit the community as a whole, but the service is driven by the individual or business owner that violates the City code.

Elasticity of demand is a factor in pricing certain City services: increasing the price of some services results in a reduction of demand for those services, and visa versa.

Pricing services can encourage or discourage certain behaviors. An example of this would be to establish a high false alarm fee (approved for Police and Fire) to encourage homeowners and business owners to fix the circumstances which cause false alarms.

## Supplemental Budget Information – Item 29

**Question:**

The council needs to be involved in the reprogramming/reprioritization of the Capital Improvement Projects (CIPs).

**Response:**

The City Manager's Office and the City Treasurer are working on a citywide evaluation and status report on all CIPs. A report for Council consideration on the reprogramming and reprioritization of available resources within existing CIPs will be brought forward when completed.

## Attachment 4

# Long Term General Fund Budget Strategies

### Alternative Revenue Options

As major discretionary tax revenues decline and residents continue to demand additional programs and services, staff has been asked to identify potential opportunities to grow citywide revenues to offset the costs of programs and services. Three such proposals are outlined below:

- Public Safety Assessment – The City continues to work on developing Police and Fire Master Plans that will create a ten year blueprint for each department’s operational and infrastructure needs. Implementing the Master Plans will require new funding to address these needs. Other California cities have adopted local public safety funding measures to increase officer staffing levels, reduce rising crime trends, acquire life saving communication tools, and fund rehabilitation/replacement of aging facilities. The City will be considering a Public Safety Initiative that is suitable for funding the needs identified in our Master Plans.
- Parking Assessment – The City Council adopted the Central City Parking Master Plan (CCPMP) in September 2006. One of the 80+ recommendations of the CCPMP included exploring the possibility of a commercial parking surcharge (parking tax). More specifically, it was recommendation 7.4.3 which reads “Consider a parking surcharge on all commercial parking to provide funding for increased enforcement and promotion of alternative modes.” This specific recommendation made it to the final report based on intense discussion during one of our *many* CCPMP stakeholder group meetings. The stakeholders strongly advocated the implementation of a parking tax as a way of generating additional revenue for the City to increase parking enforcement, and to help achieve various planning objectives, which included increasing the use of alternative modes of transportation. While there are many strategies for implementing a parking tax, the most common approach is to levy a tax on parking operations based on gross revenue. Some of the cities that currently have a parking tax include:

Los Angeles, 10%	Oakland, 10%
Miami, 27.8%	Pittsburgh, 37.5%
New Orleans, 12%	San Francisco, 25%
New York, 18.5%	Santa Monica, 10%

If the City were to pursue a general tax, a simple majority vote of the Council is required to place the measure on the ballot and a simple majority of the electorate is required to implement a parking tax for general purpose expenditures.

- **Business Operations Tax Modernization** – The City's Business Operations Tax (BOT) was adopted in 1984 and was adjusted in 1991. It has remained unchanged since. Consequently the BOT's contribution to the General Fund has diminished as the share of General Fund revenues derived from this revenue has declined from 2.19% in FY2003/04 to 1.76% in FY2007/08. Annually the City collects approximately \$7 million in BOT revenue.

General law and charter cities in California are authorized to levy a tax on business activity. The tax may be fixed based on a per unit basis, or may be based on the number of employees, gross receipts, net business income, and/or the number of rental units (for landlords). There appears to be no consistent structure amongst municipalities across the state. However, in comparable cities such as Berkeley, Long Beach, Oakland, San Diego and San Jose the minimum tax is greater. The maximum and rate charged also tend to be greater.

If the City were to adjust our taxing criteria, the estimated revenues that could be generated are as follows:

- Minimum tax from \$30 to \$50 = \$384,000 increase;
- Maximum tax from \$5,000 to \$10,000 = \$940,000 increase; and
- Increase the tax rate from 0.0004 to 0.0005 = \$1.875 million increase.

These changes are estimated to generate an additional \$3.2 million for the City's General Fund. A majority vote of the Council is required to place the measure on the ballot and a majority electoral vote is required to implement changes to the BOT.

It is important to note that, in the case of citywide revenue increases these measures require voter approval, for which the earliest opportunity to place the measures on the ballot for consideration is June 2010.

### **Staffing and Labor Cost Reductions**

Although wage freezes can slow the growth of payroll overall, such steps will not be enough to achieve the longer term savings in the City's employment costs that the City's financial situation requires. Ultimately, achieving a balance between the employment needs of workers and the City's ability to continue to provide key services to the public requires an actual reduction in the per-employee cost of wages and benefits or the reallocation or redeployment of existing labor.

Toward that end, the City should study opportunities that that will further reduce labor costs as part of the overall strategy to reduce the expenditure side of the budget deficit. Such strategies could include: alternative staffing models for labor intensive programs

and services; changes in health benefit plans to reduce costs in both the short and long-term, relief from current and future pension liability by imposing higher levels of contributions by existing employees towards future pension benefits and consideration of a two tiered benefit package offering an alternate benefit package for future employees. These strategies reflect comprehensive efforts to lower overall costs to maximize the opportunities to retain as many employees as possible, to enhance our opportunities related to City programs and services.

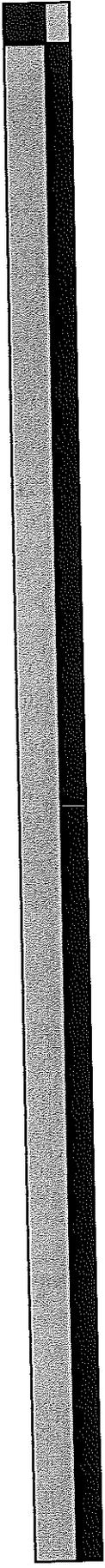
### **Financial/Operational Review**

As the City works to identify cost savings and right-size the organization to meet reduced revenue trends, an independent financial/operational review could offer additional recommendations for cost-savings, efficiencies and improved service to citizens. This type of review would be distinct from the formal audit processes the City conducts (e.g. required annual financial attestation performed in accordance with Generally Accepted Accounting Principles and internal audit examinations performed in accordance with Generally Accepted Government Auditing Standards). The City also anticipates the management audit would prioritize recommendations yielding the greatest potential for cost savings and/or revenue enhancements. Procurement of audit services will require the development and issuance of a request for proposals designed to solicit proposals from a broad array of experienced audit/performance review related consulting services. The cost of a citywide operational review will depend on the scale and focus of the scope of work desired by Council. Funding would need to be identified to pay for the cost of contracted services.

# FY2009/10 Proposed Operating Budget Overview

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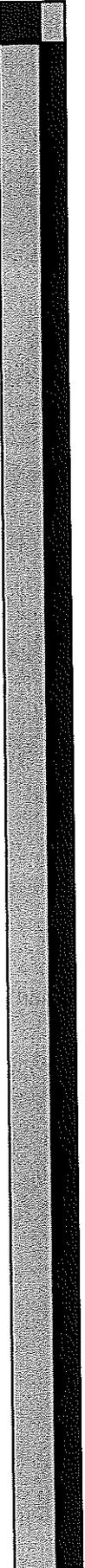
Attachment 5  
May 19, 2009



# FY2009/10 Proposed Budget

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- The budget is balanced
  - On-going reductions (\$36.7 m)
  - New revenues (\$5.1 m)
  - One-time resources (\$8.3 m)
- Reduction only budget with exception of SPOA
- Continued negotiations could further reduce reductions



# Context - Budgetary Challenges

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## □ Economic Conditions Beyond the City's

### Control:

- Real estate market
  - Declining taxable sales
  - Rising unemployment
- Rising cost of doing business
- Lack of revenue growth resulting in growing funding gap

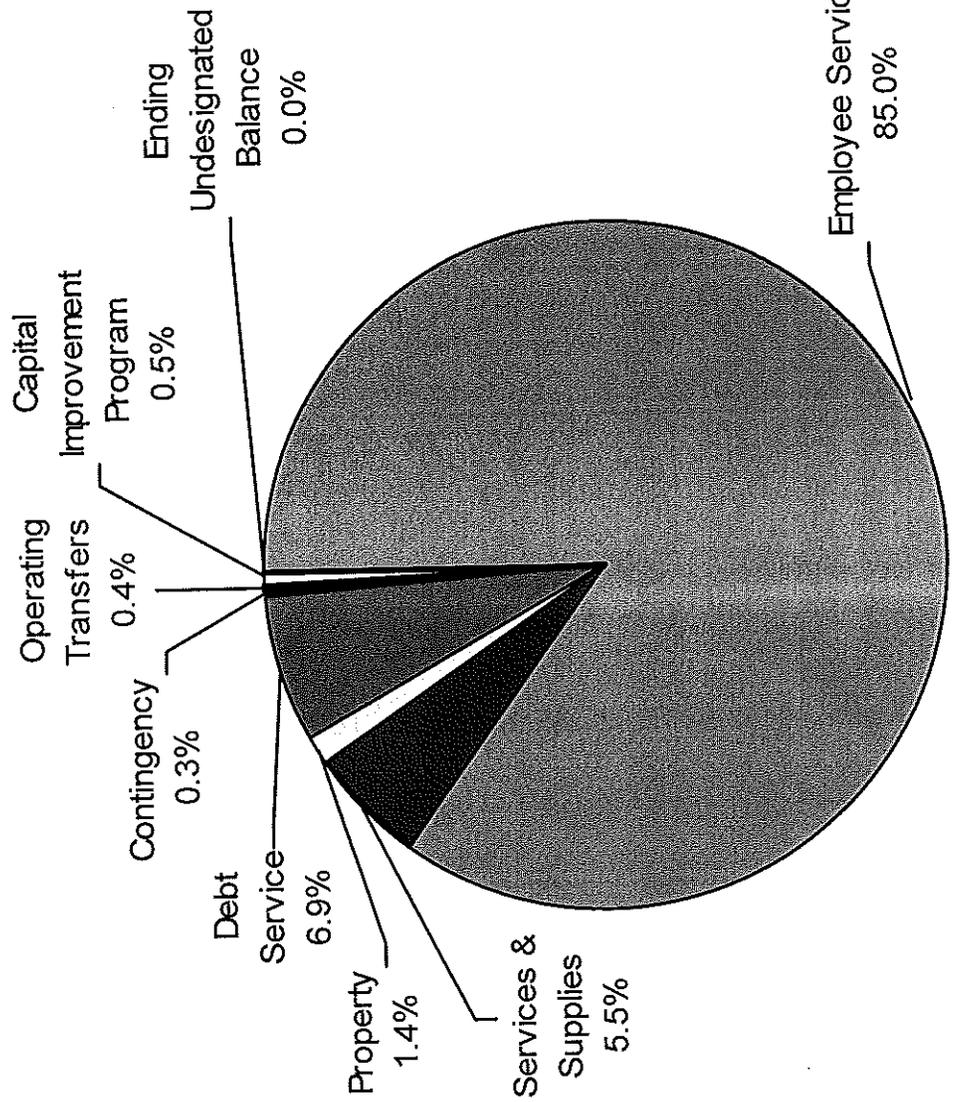


# Summary Facts and Figures

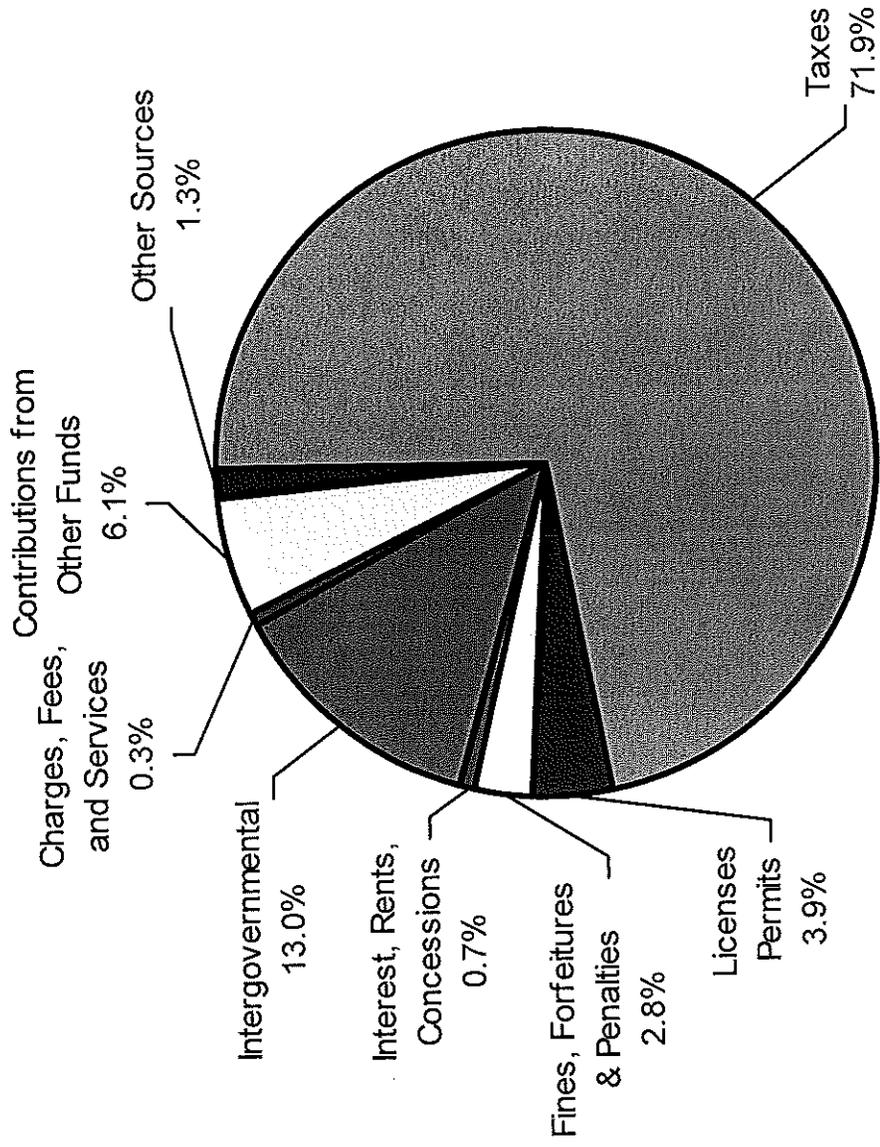
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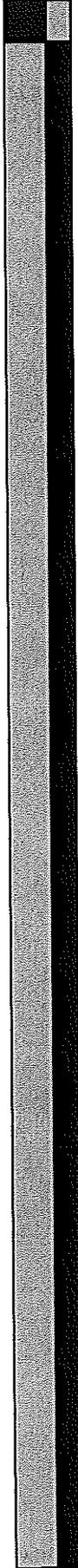
- Overall Budget \$875.1 million
  - 4,545 FTE
- General Fund \$385.9 million
  - 3,180 FTE
  - 387 FTE proposed to be unfunded

# General Fund Expenditures - \$385.9 m



# General Fund Resources - \$385.9m

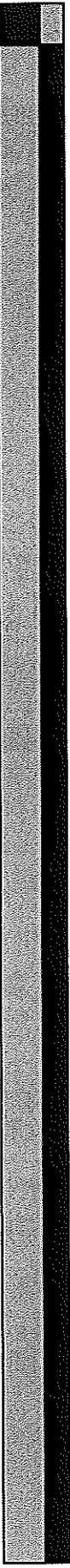




## Non-General Fund Operations

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- City Enterprise Fund are also challenged as a result of the economic crisis
  - Adjustments necessary in all funds as operating cost increases continue to outpace revenue growth
- Utilities Department budget and rate hearing scheduled for June 9th



# Use of One-Time Resources

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- \$8.3 million of overall funding gap closed with the use of one-time funding
- Use of one-time funding defers but does not eliminate the need for further reductions
- Continued reductions necessary in FY2010/11
  - Given prolonged economic downturn and known expenditure increases, funding gap will continue to grow



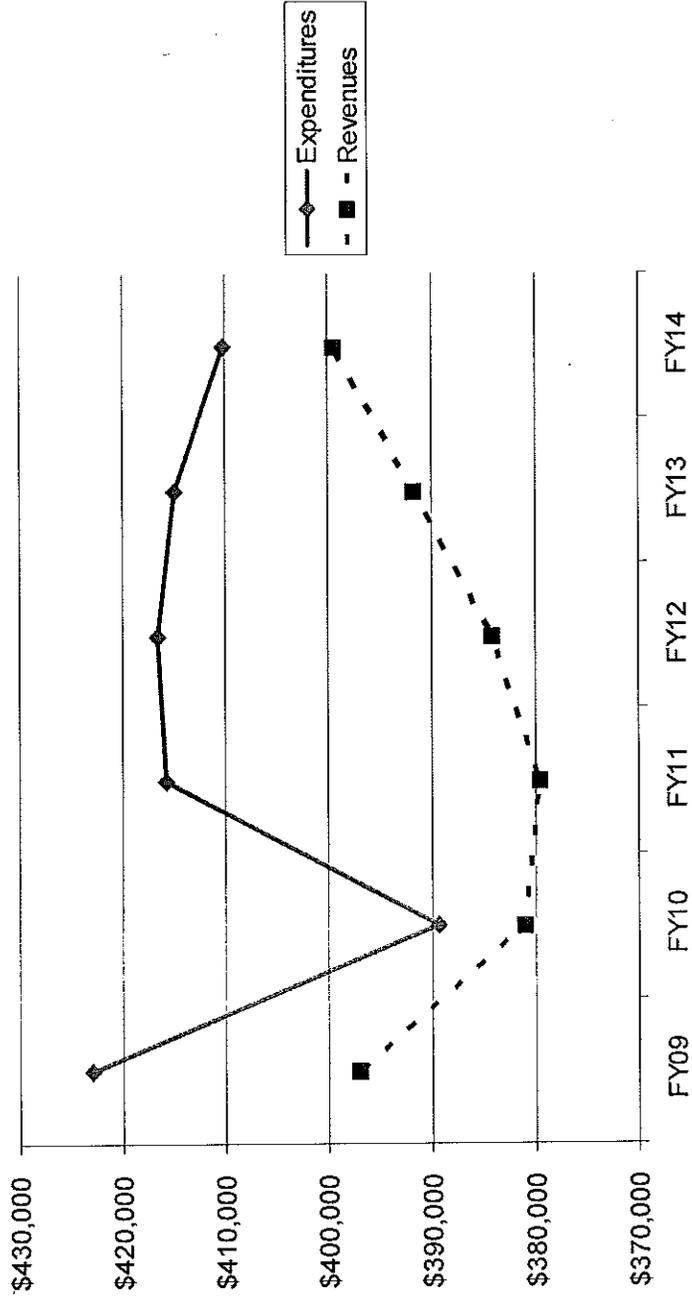
# Five Year Forecast

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- Impact of economic conditions on the City's revenue
  - Property tax
    - Value of City's main roll continues to decline
      - Foreclosures
      - Proposition 8 reductions
  - Sales tax
    - Consumer confidence continues to decline while unemployment continues to rise

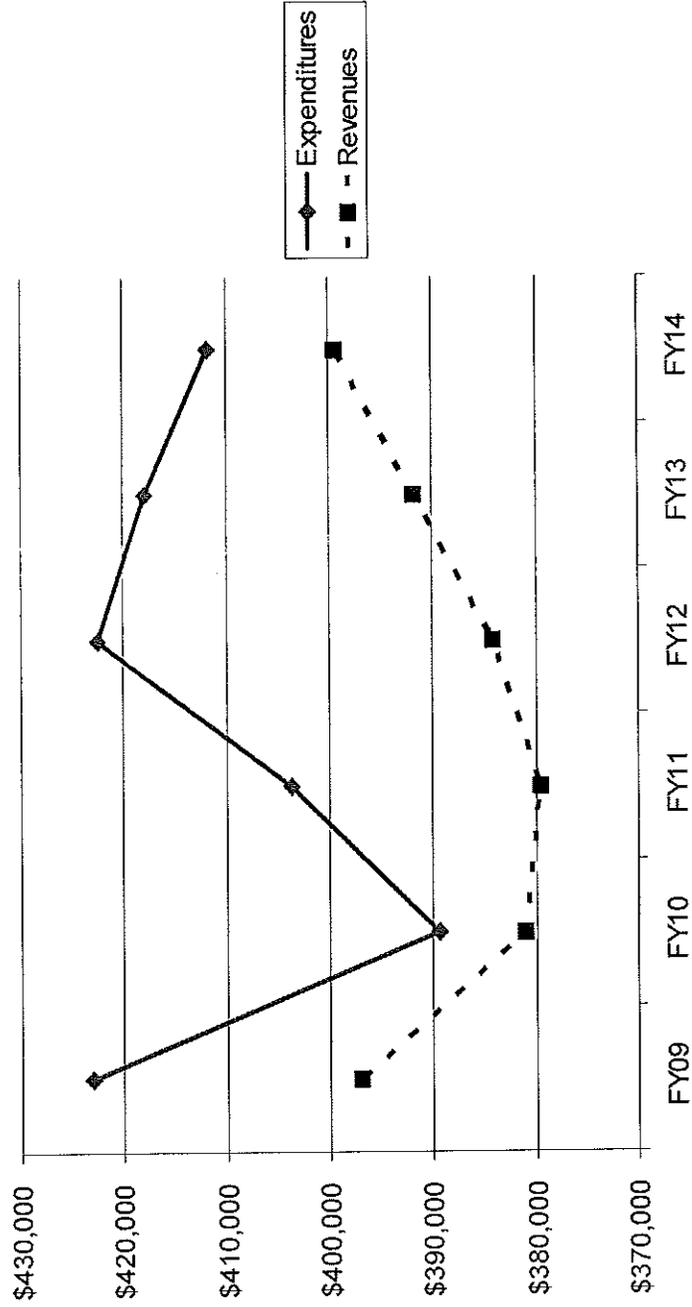
# Five Year Forecast (Cont.)

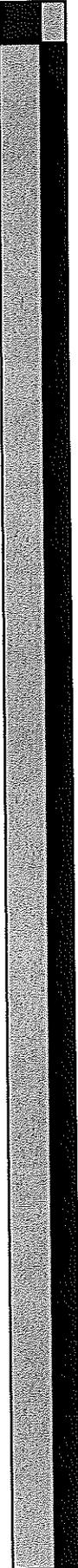
Proposed Budget General Fund 5 Year Forecast  
(in 000s)



# Five Year Forecast (Cont.)

Revised General Fund 5 Year Forecast  
(in 000s)

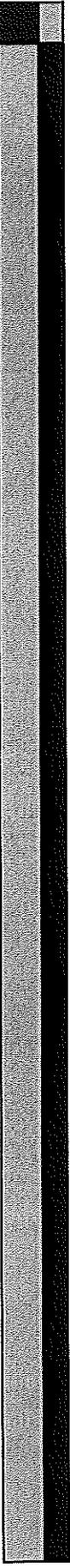




# Short Term Uncertainty

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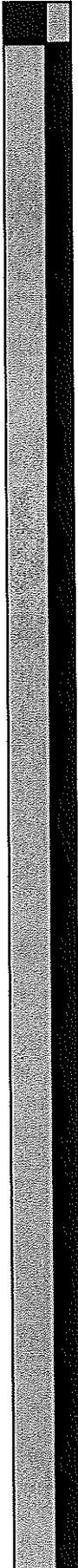
- County budget action
  - Impacts on City residents and operations
- State budget action
  - Outcome of statewide election could impact local government
    - Proposition 1A - approximately \$8 million
    - Could require another round of State budget adjustments with the outcome long after City budget adoption



# Multiyear Plan

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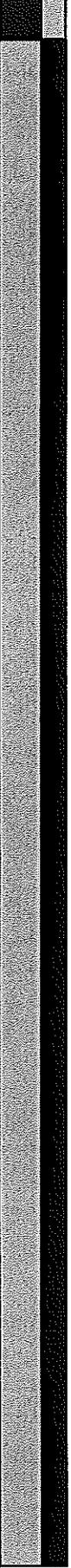
- The City **MUST** align ongoing revenues and expenditures
  - Funding ongoing programs with one-time resources is not sustainable
- \$41.7 million of funding gap closed in FY2009/10
- \$8.3 million deferred to FY2010/11
  - Gap will grow to \$30 million as revenues continue to decline and expenses increase in FY2010/11
  - Will continue to require significant staffing and service level reductions



# Long Term Strategies

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- Alternative Revenue Options
  - Public Safety Assessment
  - Parking Assessment
  - Business Operations Tax Modernization
- Staffing and Labor Cost Reductions
- Financial/Operational Review



# Conclusion

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- Hearings continue in May and June
  - 5/26 tentative to provide update on negotiations
  - 6/2 Capital Improvement Program
  - 6/9 Utility Rate Hearing
  - 6/16 Budget Adoption
- Multi-year challenge requires
  - Increased flexibility
  - New ways of delivering programs and services
  - Extreme fiscal discipline