



REPORT TO COUNCIL City of Sacramento

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PUBLIC HEARING
June 9, 2009

Honorable Mayor and
Members of the City Council

Title: Report Back on FY2009/10 Budget Development

Location/Council District: Citywide (All)

Recommendation: Receive and provide direction.

Contact: Leyne Milstein, 808-8491

Presenters: Leyne Milstein, Finance Director

Department: Department of Finance

Division: Budget, Policy and Strategic Planning

Organization No: 06001411

Description/Analysis:

Issue: The budget hearing schedule provides opportunities to come back to Council periodically to provide information and receive direction relative to the development and adoption of the FY2009/10 Budget.

The development of the Proposed Budget represents the information known by departments and the City Manager based on current organizational needs. Since the release of the Proposed Budget additional information has become available that necessitates modifications to the proposed budgets for three departments. These adjustments are summarized below and will be included in the Proposed Budget Resolution, Summary of Changes (Exhibit 2), to be brought forward with the Budget Adoption Report currently scheduled for June 16, 2009.

Office of the City Auditor

The underlying intent of the Office of the City Auditor is to provide a catalyst for improving municipal operations and identifying opportunities for savings. This is

accomplished primarily through independent and objective audits of municipal departments, programs, and activities. The current reporting structure has the Office of the City Auditor reporting to the City Manager. In an effort to ensure the City Auditor's independence in auditing and reporting it was determined by the City Council on April 7, 2009 (Item 19) that the City Auditor should report directly to the Mayor and City Council. As such, the associated budget and staffing for the Office of the City Auditor will be moved to the Mayor and City Council budget.

City Treasurer

The continuing deterioration of national, statewide, and local fiscal conditions is requiring more intensive and complex monitoring, scrutiny, and adjustments to the City's investments, cash management, and debt management. To ensure that adequate staffing is available to address and monitor the current financial challenges the City Treasurer is requesting that one Treasury Analyst position currently proposed to be unfunded be restored. Investment revenues and department reimbursements will offset the cost of this position.

Code Enforcement

The department originally proposed the unfunding of a Program Manager position as reflected in the Proposed Budget. This position provides management support for business compliance activities as well development of the department master plan and annual strategic plans. Revenues generated from the business compliance activity including entertainment permits as well as overall department cost recovery efforts will offset the cost of this position, therefore, the department is requesting that this position be restored.

Supplemental Budget Information

Additional Supplemental Budget Information (SBI) provided by departments is included as Attachment 1.

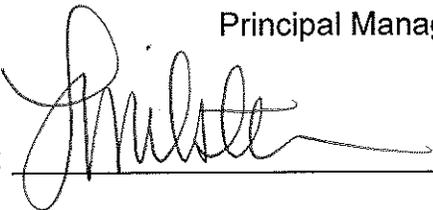
Environmental Considerations: This report concerns administrative activities that will not have any significant effect on the environment, and that do not constitute a "project" as defined by the California Environmental Quality Act (CEQA) [CEQA Guidelines Sections 15061(b)(3); 15378(b)(2)].

Rationale for Recommendation: This hearing provides Council the opportunity to consider and provide direction on any additional information related to budget development.

Financial Considerations: Further analysis of the financial considerations will be provided as information becomes available. Staff will continue to report back to the City Council as additional information becomes available relative to State, County, or any other factors that could impact the City's Budget.

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

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Supplemental Budget Information (SBI) List

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
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

Item	Question	Meeting	District	Department to Respond
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
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

Item	Question	Meeting	District	Department to Respond
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
30	What happens when the State takes \$12 million from our Risk Fund?	5/19/2009	2	Finance / HR
31	Requested more information on the balance between rep and unrep layoffs.	2/10/2009	6	Human Resources / City Manager's Office
32	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.	3/17/2009	2	Government Affairs
33	Please review the Parks report that the community submitted and return to Council with a report back and recommendations on the proposal.	5/19/2009	Mayor	Parks
34	Are the cuts being proposed in Parks proportional across all Parks and Recreation services - of the proposed cuts proportional among line staff, front line supervisors and managers?	5/19/2009	6	Parks
35	We need to re-look at our youth activities - we just had an adopt a park program in the City and we need to look at evaluating options from this program as we address the community proposal submitted.	5/19/2009	1	Parks
36	Can we get a report back on the 11 youth programs proposed for elimination/reduction in low income areas - are those proportional to higher income areas of the City?	5/19/2009	1	Parks
37	Have we looked at our non-profit partners to make sure that we aren't losing more value in services from the cuts proposed? What do we lose as a community by cutting \$28k in the City's Budget for Stanford Settlement in community investment/benefit?	5/19/2009	1	Parks

Item	Question	Meeting	District	Department to Respond
38	The fully funded parks in Natomas need to be built and I understand the maintenance reduction across the board but to drop them all the way to the lowest level seems unfair.	5/19/2009	1	Parks
39	Provide more information on the balance between rep and unrep layoffs in Development Services.	2/10/2009	5 / 6	Human Resources / City Manager's Office
40	Would like a report back on the details of the management promotions in Development Services	2/10/2009	Mayor	Human Resources / City Manager's Office
41	How much are we paying for the various Chamber (Metro, Black, Hispanic & Asian) Memberships?	2/24/2009	8	Economic Development
42	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
43	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
44	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
Pending				
	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
	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
	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.	3/17/2009	2	City Manager

Item	Question	Meeting	District	Department to Respond
	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.)	3/17/2009	2	City Manager / Government Affairs
	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.	3/17/2009	2	City Manager
	Staff have been calling indicating that the cuts amongst line and management - I need to know the salary cuts - are we moving management into other positions and keeping the salaries the same? How much have management salaries factored into the proposed cuts vs. line staff cuts.	5/19/2009	2	CMO / Finance
	County JPAs - what is the County doing with this and what is the impact to us?	5/19/2009	2	Finance
	Could we get an update from the County Assessor on where we are currently? We have received reports indicating 4% to 56% moving forward and can do more work on this and report back.	5/19/2009	Mayor	Finance

Note: Highlighted Items on the list were delivered to the City Council during previous Budget Hearings.

Supplemental Budget Information – Item 43

Question:

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.

Response:

A discussion of long-term strategies was included in the overview section of the Proposed Budget on pages 18-20. Additionally, these strategies were discussed at the City Council's May 19, 2009 Budget Hearing.

As stated in SBI 11, 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 44

Question:

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 and redevelopment functions into an existing City department (Economic Development). Include a history of actual, budget and Variance for 3 years.

Response:

1. The primary purpose for the JPA is to enable the constituent entities to benefit from access to common staff and to create an independent public agency for the purpose of providing staff services in carrying out the housing and redevelopment functions within the respective jurisdictions of the City and County. The JPA is comprised of the following members, all of whom are governed by either the City Council or the Board of Supervisors:
 - i. Redevelopment Agency of the City of Sacramento
 - ii. Redevelopment Agency of the County of Sacramento
 - iii. Housing Authority of the City of Sacramento
 - iv. Housing Authority of the County of Sacramento
2. SHRA represents no direct or indirect cost to the City's general fund. A withdrawal by the City from the JPA will not improve the City's general fund budget.
3. Beginning with the current 2008-09 fiscal year, the City has elected to receive all statutory pass through payments from eligible redevelopment project areas. This represents the limit for which tax increment can be used to fund general government activities.
4. Through an IPA with the City, SHRA pays for the staffing costs of the Downtown Economic Development Department for the redevelopment work performed in the Merged Downtown, River District and Railyards redevelopment project areas.
5. SHRA revenues are comprised exclusively of special revenue funds that carry specific regulations and restrictions on their use. The funds cannot be used to pay for the cost of general government activities.
6. Since the Agency represents no cost to the City's General Fund, there is no budget to actual data available with respect to the cost of the Agency to the City.

7. A withdrawal by the City from the JPA will trigger dissolution of the JPA and all delegated activities of the JPA would revert to the delegating authority for operation, management, monitoring and reporting.
8. A withdrawal by the City will eliminate the efficiency of a staffing model that shares the costs of administration to serve the cooperative interests of both the City and County of Sacramento. For example, the Agency administers several joint project areas adopted by both the City and County of Sacramento.
9. All Agency personnel are employees of the Housing Authority of the City of Sacramento; consequently, upon dissolution, all employees and their associated pension and post employment medical benefits become obligations of the City of Sacramento functioning as the Housing Authority of the City of Sacramento.