



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2671
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Consent
February 23, 2010

Honorable Mayor and Members of the City Council, and
Honorable Chair and Members of the Redevelopment Agency

Title: FY2009/10 Midyear Budget Report

Location/Council District: Citywide

Recommendation: Adopt a **City Council Resolution** (1) approving the FY2009/10 Annual Asset forfeiture Expenditure Master Plan; (2) approving recommended adjustments to the FY2009/10 Approved Budget necessary to implement the City's financial plan for the remainder of the fiscal year; and (3) authorizing the Director of Finance to take certain actions to implement the necessary budget adjustments.

Contact: Leyne Milstein, Director of Finance, 808-8491

Presenters: Leyne Milstein, Director of Finance

Department: Finance

Division: Finance Administration

Organization No: 06001211

Description/Analysis:

Issue: The Midyear Report is provided in order to update the City Council on major changes since the adoption of the Approved Budget. This report addresses the current financial condition of the City's General Fund and Enterprise Funds for both revenues and expenditures and includes recommendations necessary to implement the City's financial plan for the remainder of the fiscal year. The major findings included in this report are:

- 1) As a result of the continuing decline in several of the City's major General Fund tax revenues, adjustments to the General Fund revenues are recommended to reflect a more accurate estimate of General Fund revenues.
- 2) The following resources have been identified to address projected revenue shortfalls in the FY2009/10 General Fund budget:

- a) \$11.34 million from FY2008/09 and FY2009/10 year end results.
- b) \$450,000 from the release of an FY2008/09 Board of Equalization liability.
- c) \$900,000 in unrecognized savings from mandatory non-represented furloughs.
- d) \$1.7 million held in State reimbursements (SB90) held in a designation for SB90 funds.
- e) \$785,000 remaining in the funding previously authorized for the City's Voluntary Separation Plan (VSP).

In addition to the resources identified above, departments' savings resulting from hiring and spending controls are anticipated to help in closing the fiscal year.

- 3) Revenues and expenses of the Enterprise Funds are also challenged as a result of the overall decline in the economy. Specific adjustments are recommended in Exhibit B and E as necessary to fully implement the FY2009/10 budget.

Policy Considerations: The Midyear Budget Report is consistent with Council's adopted budget principles to: maintain a fiscally sustainable, balanced budget; keep the Council informed on the fiscal condition of the City; and continue evaluation for efficiencies and effectiveness.

Environmental Considerations:

California Environmental Quality Act (CEQA): The ongoing operations funded under the FY2009/10 Budget are not subject to CEQA review. CEQA review for any project, which uses funds allocated within this report, has been or will be reviewed in conjunction with planning, design, and approval of each specific project as appropriate.

Sustainability Considerations: Not applicable.

Commission/Committee Action: Not applicable.

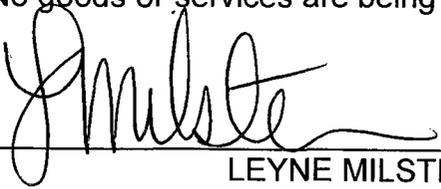
Rationale for Recommendation: The actions recommended in this report address the projected revenue and budget shortfalls in both the General and Enterprise funds in the current fiscal year.

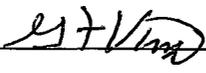
Financial Considerations: The FY2009/10 Midyear Budget Report reflects the City's continuing revenue challenges as well as the need for ongoing efforts to manage expenditures. As a result, staff is recommending the adjustments explained in Exhibit A and specified in Exhibits B, C, D and E to implement the FY2009/10 Approved Budget. Staff will continue to work with departments to meet budget goals for the remainder of the fiscal year.

As a follow up to the February 11th Budget Development Workshop, staff was asked to provide immediate follow-up on the use of Campaign Financing funds and the City Management and Planning Academies. Staff has confirmed that both the Management and Planning Academies were unfunded in the current budget, and the Midyear Report includes the reallocation of unspent Campaign Finance funds to cover the increased cost of City elections.

Finally, Pursuant to Resolution 90-271, the City Council must approve an Annual Asset Forfeiture Master Plan prior to the appropriation of funding. The annual plan is presented as Exhibit D.

Emerging Small Business Development (ESBD): No goods or services are being purchased under this report.

Respectfully Submitted by: 
LEYNE MILSTEIN
Director of Finance

Approved by: 
GUS VINA
Assistant City Manager

Recommendation Approved:

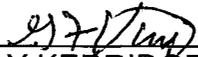
for 
RAY KERRIDGE
City Manager

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Attachment 1

RESOLUTION NO. 2010-XXXX

Adopted by the Sacramento City Council
February 23, 2010

**AMENDING THE FY2009/10 APPROVED BUDGET AND APPROVING
THE FY2009/10 ANNUAL ASSET FORFEITURE EXPENDITURE MASTER PLAN**

BACKGROUND

- A. The Midyear Report (Exhibit A) provides City Council with an update on the current financial condition of the City's FY2009/10 budget.
- B. The continued downward turn of the local, state, and national economy has significantly reduced the City's major General Fund tax revenues and overall revenue will continue to be depressed.
- C. Based on current trends, the five year forecast reflects virtually no revenue growth for the coming fiscal year and the next five years. Thus, the gap between revenues and expenditures will continue to grow absent measures to reduce expenditure growth and further enhance revenues.
- D. The Midyear Report includes recommendations on adjustments to the FY2009/10 Approved Budget necessary to implement the City's financial plan for the remainder of the fiscal year.
- E. Resolution 90-271 requires approval of an Annual Asset Forfeiture Expenditure Master Plan prior to appropriation of asset-forfeiture revenues.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

- Section 1. The FY2009/10 Annual Asset Forfeiture Expenditure Master Plan, as set forth in Exhibit D attached hereto, is hereby approved.
- Section 2. The FY2009/10 Approved Budget is hereby amended to include the Summary of Adjustments to the FY2009/10 Budget as detailed in Exhibits A, B, C, D and E, attached hereto.
- Section 3. The Director of Finance is authorized to implement the necessary adjustments as approved in Section 2 above.

Section 4. The Director of Finance is authorized to reduce the General Fund revenue budget by \$17.557M as outlined in Exhibit A attached hereto.

Section 5. Exhibits A through E, inclusive, are part of this resolution.

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Exhibit B – FY2009/10 Midyear Operating Budget Adjustments

Exhibit C – Summary of Reclassifications

Exhibit D – FY2009/10 Asset Forfeiture Master Plan

Exhibit E – Department of Utilities CIP Adjustments

Exhibit A

City of Sacramento, California

FY2009/10 Midyear Budget Report

City of Sacramento
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Section 1: Introduction

The FY2009/10 Midyear Budget Report is intended to provide the City Council with an update on the status of the current year budget and an overview of the five year budget horizon. As has been discussed in prior reports, the City is facing significant challenges in both revenues and expenditures. These issues, and recommendations relative to the continued implementation of the FY2009/10 budget, are outlined below.

Section 2: General Fund Financial Report

National Economic Outlook

As the effects of the federal economic stimulus spread throughout the nation, job losses have leveled-off at least in the short run. Many economists are predicting a gradual recovery during calendar year (CY) 2010 but this hinges on several key factors: the return of private sector growth, a continued upturn in housing sales and construction, global economic recovery that will increase US exports, and finally a gradual increase in interest rates. Inflation could prove the most challenging as inflation fears could cause a relapse in the recovering economy. While these factors will play a key role in the national recovery several factors could hinder this effort. Four factors to watch are: a lack of private sector hiring, a spike in crude oil prices, another credit shock that reduces the supply of credit, and a collapse in the commercial real estate market that could further damage the capital position of many banks.

Local Economic Outlook

The City continues to feel the effects of the economic downturn through the credit crunch, continued foreclosures and growing unemployment. The table below illustrates historical unemployment levels and projections during CY 2010:

	As of 12/08	As of 12/09	Projected 2010
United States	7.2%	10.0%	10.0%
State of California	9.3%	12.4%	>13.0%
Sacramento County	8.7%	12.2%	>13.5%
City of Sacramento	10.2%	14.3%	>15.0%

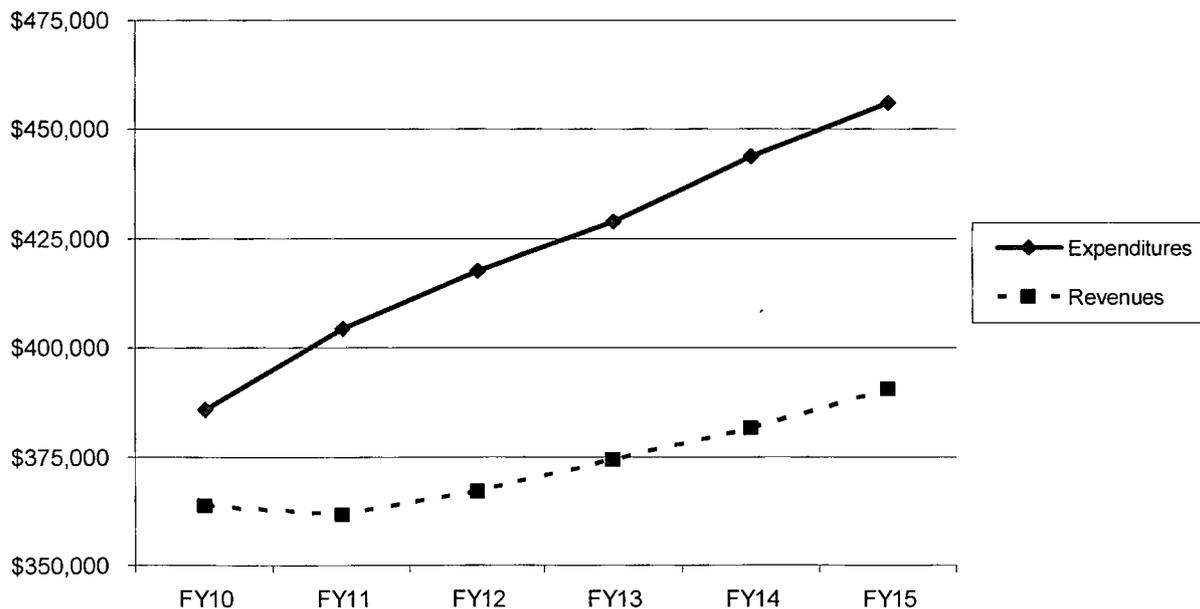
The continued contraction of the local economy has resulted in the further reduction in actual revenues across several of the City's major revenue sources. As the State's budget crisis worsens, additional furloughs, layoffs and pay reductions are imminent. Furloughs will continue to result in less sales tax collected in the downtown area, and layoffs and permanent pay reductions could result in additional foreclosures as well as a trickle down effect to other revenue categories.

Five Year Forecast

The five year forecast of the General Fund is an important fiscal planning tool. Under the sustainable budget policy of the Mayor and City Council, proposed fiscal actions are evaluated in a longer term, rather than a short term, context. The five year forecast is based on the current budget and projects future expenditures, revenues, and other funding sources over a multi-year horizon. Given that nearly three-quarters of expenditures are labor costs and nearly three-quarters of all funding is tax revenues, estimating future changes in these categories is the focus of the forecast, however all other expenditures and funding sources are also considered.

A substantial gap remains between ongoing expenditures and revenues that must be closed in the FY2010/11 budget process as expenditures continue to grow and revenues continue to decline. The following graph illustrates the five year forecast of the current base budget expenditures as compared with the estimated midyear revenues:

General Fund 5 Year Forecast
(in 000s)



Staff will continue to monitor revenue results, however based on current trends and information provided by the Sacramento County Assessor, the forecast reflects negative revenue growth for the coming fiscal year and weak revenue growth over the next five years. Thus, the gap between revenues and expenditures will continue to grow unless measures to reduce expenditure growth are implemented.

As outlined in the February 11, 2010 Budget Development Workshop, efforts to close the gap in FY2010/11 and beyond will involve a variety of different measures aimed at

reducing expenditures and increasing funding sources. The City Manager is coordinating the review of all City programs and services utilizing the strategy of Program Oriented Development (POD). This process will provide the opportunity to review and prioritize services and look at alternate models for service delivery including consolidation and contracting as well as options for changing levels of service for existing programs. It is important to note that, given the fact that labor costs represent the majority of General Fund expenditures; the FY2010/11 budget will likely continue to reflect a reduction in staffing levels as a primary strategy to reduce expenses.

FY2009/10 Midyear Revenue Revisions

The table below summarizes the recommended Midyear revenue adjustments. A detailed explanation for each revenue category is included below the table (dollars in '000's):

Revenue Type	Approved	Revised	\$ Change	% Change
Sales & Use Tax	45,825	39,662	(6,163)	-13%
Prop Transfer Tax	7,980	5,300	(2,680)	-34%
Utility User Tax	60,320	57,820	(2,500)	-4%
In-Lieu Sales Tax (Triple Flip)	16,380	14,333	(2,047)	-12%
Prop Tax Supplemental	3,948	1,948	(2,000)	-51%
Prop Tax Secured & Unsec	91,921	90,454	(1,467)	-2%
Transient Occupancy Tax	3,300	2,600	(700)	-21%
Total Midyear Revisions	229,674	212,117	(17,557)	-8%

Sales Tax

Sales tax revenue continues to decline across all economic segments. For the second consecutive year, projections for the current fiscal year are now below the most pessimistic forecast available when FY2009/10 budget estimates were developed during the spring of 2009. The City has experienced nine consecutive negative quarters (3rd quarter 2007 through 3rd quarter 2009) of adjusted sales tax collections. The 18.1% decrease during the 3rd quarter of 2009 vs. the 3rd quarter of 2008 marked our biggest decrease during the last three years.

Property Transfer Tax

Property values in the Sacramento area have been on a steady decline since 2005 and transaction activity through the first four months of FY2009/10 is down 33% compared to the same period in FY2008/09. The reduced activity combined with lower real estate values has severely affected the revenue stream. Transfer tax peaked during FY2004/05 at \$17.9M compared to the current year's projection of \$5.3M. An increase in property transfers (churning) is anticipated during the second half of FY2009/10 but additional activity won't compensate for the revenue loss from July to October of 2009.

Utility User Tax (UUT)

Through the first four months of FY2009/10 UUT revenue was down 4.3% compared to the same period in FY2008/09. However, a strong result in November brought our year-to-date shortfall to -1.3%. Additionally, a SMUD rate increase in January could increase year end results above the revised target.

In Lieu Sales Tax (Triple Flip)

The County has first priority on the In Lieu fund pool. After the County is “made whole”, the City receives its proportioned allotment. Unfortunately the City’s portion is percentage based and as the overall size of the pool continues to decrease, so does the City’s allotment.

Property Tax Supplemental

Supplemental Property Taxes are probably the most difficult property tax variable to gauge. Supplemental taxes are additional secured property taxes that are due when there is new construction or a property undergoes a change in ownership. The tax bill represents the tax due on the difference between the old and new values adjusted for the number of months left in the fiscal year. Over the past four fiscal years this revenue stream has declined from \$11M to the \$2M projected for the current fiscal year based on the reduced property churning level (turnover) and current property values.

Property Tax Secured & Unsecured

The FY2009/10 Approved Budget included a 6% reduction in property taxes. After meeting with the Sacramento County Assessor it was determined the final impact for the current fiscal year will be a 7.5% reduction. The additional 1.5 percent reduction is due to a back log of parcels being reassessed at values lower than what is currently included on the main secured property tax roll.

Transient Occupancy Tax (TOT)

The economic downturn has affected vacationers and businesses alike resulting in fewer hotel occupants for business and leisure trips. TOT collections are down 19.4% through November resulting in a revised projection \$700,000 lower than originally estimated. Additional adjustments to the Convention Center Fund are necessary to account for the decline in revenues. These adjustments are detailed in Section 3 of this report.

FY2009/10 General Fund Operating Department Updates

The midyear review of department budgets has identified five departments that are projecting budgetary issues. Following is a brief description of each of the identified issues and strategies to address these issues for the remainder of the fiscal year. The following resources are recommended to address outstanding issues at the close of the fiscal year (dollars in ‘000’s):

FY2010/11 Midyear Resources	
11.34	FY2009 CAFR Designation
0.45	Release of FY2009 Board of Equalization Liability
0.90	Additional Furlough Savings
1.70	Release of SB90 Designation at FY2010 Year End
0.79	Savings from VSP I
15.17	Million
2.39	FY2009/10 Operating Budget Savings
17.56	Million

In the event that sufficient expenditures savings are not realized the budget will require the use of additional one-time funds to close the gap. Staff will return to Council prior to the close of the fiscal year as additional revenue and expenditure information becomes available, if necessary.

Convention, Culture & Leisure (CC&L) Department

The CC&L Administration Division budget for dredging expenses at Miller Park was inadvertently reduced by \$110,000 due to an issue in the conversion to eCAPS. Staff is recommending the budgetary authority in the General Fund be restored in order to ensure adequate resources are available to complete the dredging needed to operate the Miller Park boat ramp. This adjustment will be offset by the recommended adjustment below.

In FY2008/09, General Fund support for the Crocker Museum budget was reduced \$223,806, with a Council approved offset of \$111,903 from the Convention Center Fund (6010). In FY2009/10 the offset was also budgeted in the General Fund. Staff recommends reducing the budget in the General Fund by \$111,903. This will fully offset the adjustment recommended above.

Economic Development Department

The Economic Development Department is projecting to end the fiscal year with a \$471,000 deficit due to State cuts to redevelopment funds. The department's Downtown Division was budgeted to receive \$2.495 million in revenue; however, the department will only receive \$2.024 million for FY2009/10. The decrease in revenue will result in the loss of 1.0 FTE and a reduction in services and supplies in both the Downtown and Citywide Divisions for a total decrease of \$471,000 in order to address reductions in State cuts to redevelopment funds.

Parks and Recreation Department

The Parks and Recreation Department grant reimbursements for the School Crossing Guard program are currently budgeted \$160,388 less than the total grant award. The additional grant proceeds will be recognized and the General Funds currently budgeted for the program will be eliminated as a partial offset to identify cost increases listed in Exhibit B. In addition, the State of California eliminated grant funding for the Access Leisure and Agency on Aging programs. The elimination of grant funding will result in a reduction of \$681,816, 17 positions in the Access Leisure program, and \$40,969 in Aging programs. The department is also requesting the reclassification of one position to ensure the appropriate management/supervisory structure at Camp Sacramento.

Finally, unspent reimbursements from the FY2008/09 year end results of \$195,356 from the Neighborhood Parks Maintenance Community Facilities District (CFD) Fund (Fund 2233) need to be returned to that fund to correct an over budgeting of resources.

Police Department

The Sacramento Police Department (SPD) has been partnering with the Sacramento Housing and Redevelopment Agency (SHRA) to improve the quality of life in selected redevelopment areas. In FY2008/09, SPD entered into an Individual Project Agreement

(IPA) with the SHRA to provide police patrol services for the communities of Phoenix Park, New Helvetia, and River Oaks in the amount of \$354,958. In August 2009, the SPD recovered the full contract amount for services rendered and incorrectly deposited \$354,958 into the General Fund operating budget while expenditures were charged to three externally funded programs (EFPs), E11001500, E11002600, and E11003900. Accordingly, \$354,958 of the FY2008/09 General Fund year end results is recommended to be transferred to the appropriate externally funded program to offset the recognized program expenses.

Non-Departmental – Campaign Finance Reform Funding

The current Elections Budget of \$171,000 is insufficient to cover the cost of City elections. This is a direct result of a fee increase approved by the Board of Supervisors in 2008. To ensure that the City has an appropriate level of funding to cover the cost of future election services, the City Clerk is requesting authority to utilize the Campaign Finance Reform funding to pay for costs not covered in the Elections Budget. Additionally, staff is recommending that the language in the non-departmental section of the Approved Budget (pg. 248), under Campaign Finance Reform, be revised to include the payment of election costs as an approved use of these funds.

Section 3: Financial Status - Other Funds

This section provides an overview of the recommended midyear adjustments to programs funded from funds other than the General Fund. As stated earlier, the impact of the housing and credit crisis are also negatively impacting the City's Enterprise Funds and as such, adjustments to Enterprise Fund budgets are necessary to realign projected revenues and expenses in the current year. A summary of the Enterprise Fund budget adjustments and reclassifications requiring Mayor and City Council approval are detailed in Exhibits B and C.

Department of Utilities

The Department of Utilities (DOU) consists of the Water, Sewer, Drainage, and Solid Waste Funds. The continual and prolonged economic downturn has impacted the Department resulting in lower than anticipated revenues in the Water and Sewer funds in FY2008/09 ultimately impacting current year projections. Because the Department has been actively looking for, and implementing operational efficiencies, the funds are able to absorb the projected shortfall in revenues with specified savings in service and supplies expenditures. There will be no impact to the current levels of service with the adjustments proposed below for the Water and Sewer Funds.

Water Fund (6005)/Sewer Fund (6006)

The Water Fund (6005) and Sewer Fund (6006) are currently projected to end the year with unfavorable revenue variances of approximately \$1 million and \$850,000 respectively. To mitigate revenue shortfalls the Department has identified service and supply savings due to lower than anticipated bad debt expenditures and material costs.

Limited Term Full Time Equivalent (FTE)

The recently revised Water Conservation Ordinance (Ordinance 2009-050) establishing outdoor water use requirements were adopted on May 12, 2009, and went into effect on June 12, 2009. Water conservation and prohibiting water waste is important for maintaining and protecting the water supply during dry years and minimizing the City's carbon footprint by reducing the demand for water diversion and treatment. The City's efforts benefit California's river resources by reducing the region's surface water demand.

DOU is requesting the authorization to add two half-time limited term Waste Water Inspector positions to ensure compliance with these conservation efforts during the peak period of water usage of April through September on an ongoing annual basis. The costs for the limited positions will be absorbed by identified labor savings in the Department. City Council authority is required for the addition of two FTE positions (see Exhibit B).

Reclassifications

As part the department's ongoing organizational restructuring, DOU has identified positions to be reclassified to meet operational needs. The resulting reorganization was necessary to accommodate changes in regulatory requirements and increase department efficiencies. City Council authority is required for the reclassifications as proposed in Exhibit C.

Convention, Culture and Leisure**Convention Center Fund (6010)**

TOT revenues are forecasted to end the year short of the current budget. As a result the Convention Center fund will offset this projected shortfall with \$200,000 from fund balance.

In FY2008/09, the General Fund support for the Crocker Museum was reduced by \$223,806, with a Council approved offset of \$111,903 from the Convention Center Fund (6010). In FY2009/10 the offset was erroneously budgeted in the General Fund. Staff recommends increasing the budget from the Convention Center Fund by \$111,903 at this time to correct this error.

Police Department**Police Department – Annual Asset Forfeiture Expenditure Master Plan (2703)**

Asset Forfeiture Funds are generated by the Police Department as a result of the department's participation in the seizure or forfeiture of tangible property or cash resulting from successful drug trafficking investigations. Federal and State laws regulate the use of these funds and prohibit funds from being used to supplant funds that would otherwise be made available to programs. Pursuant to Resolution No.90-271 the City Council must approve an Annual Asset Forfeiture Master Plan prior to the appropriation of funding. The annual plan is outlined in Exhibit D.

Section 4: Pending Fiscal Issues

California Public Employee Retirement System (CalPERS)

CalPERS has notified its members that as a result of the investment loss at the end of FY2009/10, it will require local government employers to increase contributions in FY2011/12 to cover these losses. Increases in contributions for the City are estimated at approximately \$4 million in FY2011/12 and increasing by an additional \$4 million for each of the next four fiscal years. The City will be required to continue the additional \$16 million contribution increase for the following 26 years. This is in addition to annual rate adjustments. Final increases related to the offset of prior year losses will be provided by CalPERS for FY2011/12 in the coming months.

Sacramento City Employees' Retirement System (SCERS)

There will be a large increase in the City's employer contribution to the closed SCERS pension plan in FY2010/11. This pension plan was closed to new members in 1977. In the early 1980s safety employees in the SCERS pension plan were moved to CalPERS after voters approved a change to the City Charter. There are currently approximately 1,600 retirees and 100 active members of SCERS.

In the fiscal year ending June 30, 2009, the loss to the SCERS pension fund was approximately 16.2 percent. The actuary retained by SCERS to perform the annual study of the system informed the pension board (Administrative, Investment, Finance, Management, or AIFM) that the City's employer contribution for FY2010/11 will increase to \$10.5 million; and increase of \$7 million from the current level of \$3.5 million.

Advancing City Funds to Externally Funded Projects

Many cities' capital projects are funded from external sources such as gas tax, Sacramento Transportation Authority (STA) allocations, Proposition 42 sales tax, state bonds, and state federal grants. With the relatively high cash balances of recent years, the City has had the capacity to advance funds to projects and wait for the reimbursement from the external funding source. The practice has always been done in a very careful and deliberative way and has been used sparingly.

With lower cash balances in Treasury Pool A, the City must be even more careful in advancing cash to projects ultimately paid for with external funds, particularly state bond funds. Some state bond issues from which the City is to receive project funds have not yet been sold. It is not an issue of the State holding the funds; the funds are literally not available. It may be years before some bond issues are actually sold.

Cash Flow Borrowing

Many jurisdictions, including many cities, the State, and Sacramento County issue annual short term notes for cash flow purposes. This form of financing is known as Revenue Anticipation Notes (RANs) or Tax Revenue Anticipation Notes (TRANs). In essence, the borrowing is against the cash surplus in the positive cash months to cover the negative cash months. This is a common practice. The City will be compelled to resort to cash flow borrowing as soon as FY2010/11. Reserves and fund balances will be so depleted by use in the budget that beginning cash balances at the start of a fiscal year will be insufficient to support the first six months of negative cash flow.

Section 5: Capital Improvement Project (CIP)/ Multi-Year Operating Project Changes

Adjustments to Capital Improvement Program and Multi-Year Project Budgets

City Utilities Program

As part of the ongoing management of the Utilities CIP, a periodic review and reallocation of the available financial resources are made in order to provide capital improvements in a timely and efficient manner. This process results in recommended budget adjustments on a project-by-project basis to ensure the ability to continue progress on priority projects.

As part of the DOU's ongoing CIP management program, adjustments are proposed to reallocate funding from existing projects that have realized savings to other projects that are ready to proceed but lack sufficient appropriations. As part of this year's adjustments, DOU is also recommending the creation of six new projects. Four of these projects replace aging sewer infrastructure that will help assure compliance with State regulations. The additional project added to the Water Fund furthers the City's commitment to water conservation and conjunctive use of ground water. A drainage project has been added to begin rehabilitation of a drainage ditch to help prevent flooding in the southeast portion of the City.

In addition, the department recommends that certain projects be closed as CIP projects and reopened as Multi-Year Operating Program projects as the identified projects are program-focused and do not generate tangible assets. This will ensure that the CIP remains focused on tangible assets and that long term operating projects are not overlooked in the budgeting process. The department is recommending that \$350,000 in plumbing supplies included in the approved FY2009/10 operating budget be transferred to the Water Meter Replacement Program operating project (I14010500) in order to ensure funding for the replacement of aging water meters.

Finally, the Utilities Department recommends that Water Funds (Fund 6005) collected and budgeted for development related projects be transferred to the Water Development Impact Fee Fund (Fund 6001). The use of a separate fund for the collection and budgeting of these fees will allow the City to better track the sources and uses of the specific funds. This transfer is a technical adjustment, totaling \$12.3 million, will have no net impact to the projects or to the fund balances.

All Utilities recommended adjustments to CIPs and Multi-Year Operating projects are included in Exhibit E.

Parks and Recreation Program

4th R Shade Structures (L19803100): Staff has determined that this is a low priority project given recent staffing reductions in the Park Planning and Development Division. Therefore, staff is recommending that the project be cancelled without completion and that the unspent \$173,572 be returned to the 4th R Fund (6012) fund balance.

Section 6: Conclusion

Given the significant impact of the current economic decline on the City's operating budget, it is critical that we continue to monitor revenues and expenditures citywide and be prepared to implement additional adjustments if necessary to balance the Approved Budget.

The necessary adjustments to realign revenues and expenditures are outlined in Exhibits B, D and E. Given these budgetary challenges and adjustments necessary to simply realign revenues and expenses in the current year, minimal staffing adjustments as outlined in Exhibit C are also being recommended for Mayor and Council approval.

Exhibit B
Summary of Technical Adjustments

FY2009/10 Midyear Operating Budget Adjustments

Department	Fund(s)	Revenue Adjustment	Expenditure Adjustment	Net Change	Unfunded FTE Change	Funded FTE Change	Description
Convention, Culture & Leisure	Convention Center Fund (6010)	\$ -	\$ 111,903	\$ 111,903	-	-	Council approved FY09 reduction for Crocker and corresponding offset from fund 6010.
Convention, Culture & Leisure	General Fund (1001)	\$ -	\$ (111,903)	\$ (111,903)	-	-	Council approved FY09 reduction for Crocker and corresponding offset from fund 6010.
Convention, Culture & Leisure	General Fund (1001)	\$ -	\$ 110,000	\$ 110,000	-	-	Budgetary authority for Marina dredging expenses missing due to conversion to eCAPS.
Convention, Culture & Leisure	Convention Center Fund (6010)	\$ (200,000)	\$ 200,000	\$ -	-	-	Transfer up to \$200,000 from fund balance to offset TOT revenue shortfall.
Economic Development	General Fund (1001)	\$ (471,000)	\$ (471,000)	\$ -	1.00	(1.00)	Reduce service and supply budgets in Citywide and Downtown Development, and reduce Citywide staffing by 1.0 FTE to address reductions in State cuts to redevelopment funds.
Parks and Recreation	General Fund (1001)	\$ (40,969)	\$ (40,969)	\$ -	-	-	Grant reimbursements for the Agency on Aging Grant were reduced by the State of California. Adjust appropriate grant operating budgets by \$40,969.
Parks and Recreation	General Fund (1001)	\$ (681,816)	\$ (681,816)	\$ -	17.00	(17.00)	Grant reimbursements for Access Leisure were reduced by the State of California. Adjust appropriate grant operating budgets by \$681,816. Seventeen positions funded by the grant will be eliminated.
Parks and Recreation	General Fund (1001)	\$ -	\$ (160,388)	\$ (160,388)	-	-	Increase grant reimbursements from the Crossing Guard Grant by \$160,388. Additional General Funds will be transferred to the General Fund contingency.
Non Department	General Fund (1001)	\$ -	\$ 160,388	\$ 160,388	-	-	Transfer \$160,388 to the General Fund Administrative Contingency due to greater than expected Crossing Guard Grant reimbursements.
Parks and Recreation	Neighborhood Park Maintenance Fund (2233)		\$ (195,356)	\$ (195,356)	-	-	Transfer \$195,356 from the General Fund FY2008/09 fund balance to the Neighborhood Park Maintenance Fund. The reimbursement was over budgeted during the previous fiscal year.
Parks and Recreation	General Fund (1001)		\$ 195,356	\$ 195,356	-	-	Transfer \$195,356 from the General Fund FY2008/09 fund balance to the Neighborhood Park Maintenance Fund. The reimbursement was over budgeted during the previous fiscal year.
Police	General Fund (1001)	\$ -	\$ 354,958	\$ 354,958	-	-	Transfer \$354,958 from the FY2008/09 General Fund year end results to three externally funded programs (EFPs) (E11001500, E11002600, and E11003900) to offset recognized program expenses.
Non Department	General Fund (1001)	\$ -	\$ (389,000)	\$ (389,000)	-	-	Authorize the use of FY2008/09 year end results to address Police, and Parks and Recreation prior year General Fund issues.
Utilities	Water Fund (6005)	\$ (1,000,000)	\$ (1,000,000)	\$ -	-	-	Water Fund shortfalls will be offset with savings in service and supplies related to water production.
Utilities	Water Fund (6005)	\$ -	\$ -	\$ -	-	1.00	Add two 0.50 FTE for implementation of the Water Conservation Ordinance. These positions will be limited term from (April - September). Costs related to these positions will be absorbed by department labor savings.
Utilities	Water Fund (6005)	\$ -	\$ (350,000)	\$ -	-	-	Transfer \$350,000 in plumbing supplies from the Utilities operating budget to the Water Meter Replacement operating project (114010500).
Utilities	Sewer Fund (6006)	\$ (850,000)	\$ (850,000)	\$ -	-	-	Sewer Fund shortfalls will be offset with savings in service and supplies related to sewer production.

2009-2014 Capital Improvement Program (CIP) / MY Operating Project Adjustments

Project	Project Name	Fund	Change	Description
I14010500	Water Meter Replacement Program	Water Fund (6005)	\$ 350,000	Transfer \$350,000 in from the Utilities operating budget to the Water Meter Replacement Program (I14010600).
L19803100	4th R Shade Structures	4th R Fund (6012)	\$ 75,000	Cancel the 4th R Shade Structure capital project due to budget and staffing reductions. Funding will be returned to 4th R fund balance.

Exhibit C
Summary of Reclassifications

SCHEDULE 8
SUMMARY OF RECLASSIFICATION REQUESTS
All Requests are Subject to HR Approval

Dept ID	Budgeted Classification	Proposed Reclassification	FTE
Parks and Recreation			
19001651	Program Supervisor	Staff Aide (Management)	1.00 a
Utilities			
14001411	Meter Reader	Water Conservation Representative	1.00
14001411	Meter Reader	Water Conservation Representative	1.00
14001411	Meter Reader	Water Conservation Representative	1.00
14001411	Meter Reader	Water Conservation Representative	1.00
14001411	Meter Reader Supervisor	Water Conservation Supervisor	1.00
14001461	Utilities Field Services Lead Worker	Staff Aide (Limited Term)	1.00 a
14001351	Customer Service Specialist	Department Systems Spec I	1.00

a - The proposed reclassification results in a change from a represented position to an unrepresented position.



Exhibit D
FY2009/10 Asset Forfeiture Expenditure Master Plan

**FY2009/10 ASSET FORFEITURE
EXPENDITURE MASTER PLAN**

BACKGROUND

Asset Forfeiture Funds are generated by the Police Department as a result of the department's participation in the seizure or forfeiture of tangible property or cash resulting from successful drug trafficking investigations. Federal and State laws regulate the use of these funds and prohibit funds from being used to supplant funds that would otherwise be made available to programs.

Pursuant to Resolution No.90-271 adopted by the Sacramento City Council the Sacramento Police Department is submitting its asset forfeiture expenditure master plan for FY2009/10.

Federal guidelines specifically prohibit projecting revenue from forfeited property until after funds are awarded. The Police Department requests authority to spend \$773,910 in asset forfeiture revenue which was received since the last approved Asset Forfeiture expenditure plan and prior to January 1, 2010. Dependent upon the fund source and in compliance with State and Federal regulations, these revenues were deposited in the City's Externally Funded program fund (Fund 2703) in the following Police Department externally funded programs: State Asset Forfeiture (E11002800, E11002900) and Federal Asset Forfeiture (E11003200, E11003300). Per State guidelines, state awards connected with Department of Justice cases shall maintain 15% of gross revenues set aside in E11002900 for programs to reduce drug abuse and gang activity through programs which involve educators, parents, youth, and law enforcement officers.

FY 2009/10 EXPENDITURE PLAN

1. The Chief of Police is requesting approval to expend an amount up to, but not exceeding, \$710,764 for the express purpose of procuring equipment or devices useful in the interdiction of narcotic and gang related crimes, ballistic protection, the County's Criminal Justice Information System access fees, replacing the department's In Car Camera (ICC) system, mobile computing devices and related video storage systems, and maintaining, operating, and improving the Police Department's fleet of aircraft from the following externally funded programs: State Forfeiture (E11002800), Federal Forfeiture-Department of Treasury (E11003200), and Federal Forfeiture-Department of Justice (E11003300). Such expenditures shall be in compliance with State and Federal laws regulating the use of these funds.

2. The Chief of Police is requesting approval to expend an amount up to, but not exceeding \$63,146 for the express purpose of programs to combat drug abuse and diversion of gang activities from externally funded program State Forfeiture Drug/Gang Education (E11002900). These programs shall involve youth and may involve parents, educators, community based organizations, and local law enforcement officers. Such expenditures shall be in compliance with State and Federal laws regulating their use.

FINANCIAL CONSIDERATIONS

The total amount of this expenditure plan is \$773,910. These funds are to be spent entirely from existing Asset Forfeiture funds within Fund 2703 (Externally Funded Programs). This request will not impact the General Fund. Staff is recommending the following revenue and expenditure adjustments be made to the various asset forfeiture programs:

Project Name/Number	Fund Source	Revenues	Expenditures
State Asset Forfeiture (E11002800)	State Grants	405,719	405,719
State Asset Forfeiture (E11002900)	State Grants	63,146	63,146
Federal Asset Forfeiture (E11003200)	Federal Grants	132,167	132,167
Federal Asset Forfeiture (E11003300)	Federal Grants	172,878	172,878
Total Revenue/Expenditure Adjustment:		\$773,910	\$773,910

Exhibit E
Utilities Capital Improvement Program Adjustments

Utilities Capital Improvement Program (CIP)/ Externally Funded Programs

The FY2009/10 Utilities CIP is amended to include the following new projects:

Project Number Project Name

X14010050	Capital/L Alley 17th-18th Sewer/Water Replacement
X14010051	R/S St Alley Sewer 23rd to 24th
X14010052	T Street Alley Sewer 19th to 21st
X14010053	Sump 2 MCC Replacement, Ph 2
Z14009600	Conjunctive Use - Groundwater Wells
W14005000	PG&E Ditch Improvements

The following New Multi-Year Operating Program Projects shall be established:

Project Number Project Name

I14010100	Flood Control Planning
I14010200	FY10-FY14 National Pollutant Discharge Elimination System Storm Water Program
I14010300	Sacramento River Source Water
I14010301	Sacramento River Keep Our Waters Clean Program
I14010400	American River Source Water
I14010401	American River Keep Our Waters Clean Program
I14010500	Water Meter Replacement Program
I14010600	Water Service Failure Replacement Program

The City Manager is authorized to adjust the following appropriations in the Water Fund:

Project Number	Project Name	Fund	Change
X14010050	Capitol/ L Alley 17-18 Swr/Wtr Rep	6005 Water Fund	125,000
Z14000500	Water Supply Master Plan	6005 Water Fund	75,000
Z14000600	Sac Rvr Source Wtr	6005 Water Fund	(64,390)
Z14000601	Sac Rvr - Kowc Program	6005 Water Fund	(30,000)
Z14001100	Amr Rvr Source Wtr	6005 Water Fund	(10,430)
Z14001101	Amer Rvr - Kowc Program	6005 Water Fund	(25,000)
Z14001501	Distribution Flushing Program	6005 Water Fund	(130,000)
Z14002400	Sac Rvr Wtr Reliab Study	6005 Water Fund	(150,000)
Z14003200	Cameras At Reservoirs	6005 Water Fund	(225,976)
Z14003800	T-Main Rpl 13Th St H-Q St	6005 Water Fund	(1,000,000)
Z14004400	T-Main Rpl 6Th St I-Q St	6005 Water Fund	(700,000)
Z14004800	Fwtp Mechanical Dewatering	6005 Water Fund	(437,375)
Z14005000	T-Main Jibboom St Steel Mn	6005 Water Fund	2,584,000
Z14005100	T-Main 45Th St, R-X Sts	6005 Water Fund	(300,000)
Z14005400	So Sac 4Mg Reservoir	6005 Water Fund	125,000
Z14005600	Main Ave Tm Blckrk-Rio Lin	6005 Water Fund	(1,800,000)
Z14006000	Tp Rehab Design	6005 Water Fund	1,500,000
Z14006100	Pipe Cond Assessmt	6005 Water Fund	(200,000)
Z14006900	Dist Sys Pressure Monitoring	6005 Water Fund	(200,000)
Z14007600	North B St - Swtp To 18Th St	6005 Water Fund	(350,000)
Z14008100	Auto Water Meter Read	6005 Water Fund	(775,000)

Z14009100	Lower Ar Study Program	6005 Water Fund	(200,000)
Z14009300	Ami : Meter Reading	6005 Water Fund	775,000
Z14009600	Conjunctive Use - Gw Wells	6005 Water Fund	385,000
Z14000700	Base Cip Reserve - Water	6005 Water Fund	42,351
I14010300	Sac Rvr Source Wtr	6005 Water Fund	64,390
I14010301	Sac Rvr - Kowc Program	6005 Water Fund	30,000
I14010400	American Rvr Source Water	6005 Water Fund	10,430
I14010401	American River - Kowc Program	6005 Water Fund	25,000
I14010600	Water Service Failure Replacement Program	6005 Water Fund	857,000
Total Water Fund 6005			-

The City Manager is authorized to adjust the following appropriations in the Sewer Fund:

Project Number	Project Name	Fund	Change
W14004200	Inventory & O&M Mgmt Ctr	6006 Sewer Fund	113,155
X14000100	Sewer Sys Rehabilitation	6006 Sewer Fund	(100,000)
X14000500	Base Cip Reserve - Sewer	6006 Sewer Fund	(200,000)
X14002700	Rehab Project 2008	6006 Sewer Fund	(126,000)
X14010022	Css Improvemnt Plan Update	6006 Sewer Fund	125,000
X14010024	Sump 2 Mcc Replacement	6006 Sewer Fund	(735,000)
X14010025	Cwtp Mcc E Replacement	6006 Sewer Fund	(100,000)
X14010038	Css Miscellaneous	6006 Sewer Fund	(100,000)
X14010050	Capitol/ L Alley 17-18 Swr/Wtr	6006 Sewer Fund	155,000
X14010051	R/S Alley Sewer 23Rd To 24Th	6006 Sewer Fund	190,000
X14010052	T Street Alley Swr 19Th-21St	6006 Sewer Fund	42,845
X14010053	Sump 2 Mcc Replacement-Ph 2.	6006 Sewer Fund	735,000
Total Sewer Fund 6006			-

The City Manager is authorized to adjust the following appropriations in the Storm Drainage Fund:

Project Number	Project Name	Fund	Change
W14000400	Flood Control Planning	6011 Drainage Fund	(220,000)
W14000900	Basin 31 Dtentr 65Th Bdwy	6011 Drainage Fund	(180,255)
W14002600	Sump 157 Electrical Rehab	6011 Drainage Fund	(210,326)
W14003300	Sump 157 Trashracks	6011 Drainage Fund	150,000
W14003403	Sump 65 Electrical Rehab	6011 Drainage Fund	(111,450)
W14003405	Sump 112 Electrical Rehab	6011 Drainage Fund	120,000
W14004200	Inventory & O&M Mgmt Ctr	6011 Drainage Fund	203,678
W14004600	Fy10-Fy14 Npdes Stormwater Prgm	6011 Drainage Fund	(1,000,000)
W14005000	Pg&E Ditch Improvements	6011 Drainage Fund	28,353
X14010024	Sump 2 Mcc Replacement	6011 Drainage Fund	(25,000)
X14010053	Sump 2 Mcc Replacement Ph 2	6011 Drainage Fund	25,000
I14010100	Flood Control Planning	6011 Drainage Fund	220,000
I14010200	Fy10-Fy14 Npdes Stormwater Prgm	6011 Drainage Fund	1,000,000
Total Storm Drainage Fund 6011			-

Water Development Fund

The City Manager is authorized to defund unspent Water Funds (6005) budgeted for development related projects and transfer the funding to the Water Impact Fund (6001) to better track resources.

Project Number	Project Name	Fund	Change
Z14006700	Whls Wheelng Conn Fee Impv	6005 Water Fund	(12,307,000)
Z14000500	Water Supply Master Plan	6001 Water Impact	75,000
Z14005000	T-Main Jibboom St Steel Mn	6001 Water Impact	646,000
Z14005400	So Sac 4Mg Reservoir	6001 Water Impact	375,000
Z14006000	Tp Rehab Design	6001 Water Impact	1,500,000
Z14006700	Whls Wheelng Conn Fee Impv	6001 Water Impact	9,711,000
Total			-