



# City of Sacramento City Council

915 I Street, Sacramento, CA, 95814  
[www.CityofSacramento.org](http://www.CityofSacramento.org)

8

**Meeting Date:** 5/12/2011

**Report Type:** Staff/Discussion

**Title:** FY2011/12 Budget Update and Reports Back

**Report ID:** 2011-00432

**Location:** Citywide

**Recommendation:** Receive and file; approve process and parameters for the review of the FY2011/12 Proposed Budget.

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

**Presenter:** Leyne Milstein, Finance Director

**Department:** Finance

**Division:** Budget Office

**Dept ID:** 06001411

## **Attachments:**

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- 1-Description/Analysis
  - 2- Attachment 1
  - 3-Attachment 2
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## **City Attorney Review**

Approved as to Form  
Larry Duran  
5/9/2011 2:42:26 PM

## **Approvals/Acknowledgements**

Department Director or Designee: Leyne Milstein - 5/9/2011 12:52:43 PM

Assistant City Manager: Patti Bisharat - 5/9/2011 1:55:17 PM



## Description/Analysis

**Issue:** This report provides background and follow-up information on the FY2011/12 Proposed Budget.

### Budget Review Process and Parameters

On May 3, 2011 the Mayor and City Council considered and provided direction on the development of a process and parameters for the review of the FY2011/12 Proposed Budget. Staff is recommending that Council approve the following process and parameters for the review and consideration of the Proposed Budget:

- Process for Budget Review:
  - At end of each meeting, an intent motion will summarize direction to staff including:
    - Requested Reports Back
    - Areas of Reconsideration along with any direction on parameters for funding
    - Running cost tally of issues identified for reconsideration
- Parameters for Reconsideration of Cuts:
  - FY2011/12 actions need to be considered within a multi-year context; the budget process must be a continuous conversation (added 5/3)
  - The Reserve for Economic Uncertainty will not be used
  - One time cuts will not be used to replace permanent cuts
  - Any new revenue proposals will not be used until implemented
  - Any labor concessions will be used to mitigate reductions in that bargaining group only during the concession period

### Public Outreach

During the development of the FY2010/12 Proposed Budget the City conducted a citizen budget survey to seek input on cost cutting and budget development strategies. Over 900 survey responses were received, the results of which are summarized in the attached presentation (Attachment 1).

### Proposed Budget Background

The General Fund deficit for FY2011/12 was estimated to be \$39 million. The gap between ongoing revenues and expenditures has been closed with a combination of ongoing expenditure reductions (\$31.9 million), new revenues (\$2.4 million), and one-time funding/reduction strategies (\$4.6 million). The charts included in Attachment 1 provide information on the citywide expenditure reductions, new revenues and one-time funding strategies included in the Proposed Budget.

## **Report Back – Supplemental Budget Information**

At the May 3<sup>rd</sup> meeting staff was also asked to report back on the ability to develop a website where the community can obtain budget information, ask questions, and make recommendations. That site has been developed and can be accessed at the following web address: [www.cityofsacramento.org](http://www.cityofsacramento.org) and select the link under “Stay informed during the budget hearing process.”

Attachment 2 reflects the supplemental budget information (SBI) requested by Council at the May 3<sup>rd</sup> meeting as well as the current status of when this information will be provided to Council.

**Policy Considerations:** After three consecutive years of reductions, the City continues the monumental task of rightsizing the organization to achieve budget sustainability. This will necessitate difficult decisions that will require careful consideration of the proposed reductions. The proposed process and parameters for the review of the Proposed Budget will provide a structure for Council’s consideration of the staffing and program/service reductions necessary to get to a balanced budget.

**Environmental Considerations: California Environmental Quality Act (CEQA):** This report concerns administrative activities that will not have a significant effect on the environment, and that do not constitute a “project” as defined by CEQA Guidelines Sections 15061(b)(3); 153786(b)(2). CEQA review for any project, which utilizes funds allocated under the FY2011/12 CIP budget, has been or will be performed in conjunction with planning, design and approval of each specific project as appropriate.

**Sustainability:** There are no sustainability considerations applicable to the formation process and administration of a special district.

**Commission/Committee Action:** None.

**Rationale for Recommendation:** The severe economic downturn impacting the nation, State and City require that significant ongoing budget reductions be implemented in order to stabilize the City’s budget and continue the process of returning the General Fund budget to sustainability.

**Financial Considerations:** Budget sustainability requires that annual base operating costs must be held to a level below annual revenue growth. If the City is successful in efforts to implement ongoing reductions in expenditures in FY2011/12 and can minimize cost increases in the future the structural gap will be tightened, but not eliminated, as there are anticipated expenditure increases that will have to be addressed in future years.

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



Back to Table  
of Contents

May 12, 2011



## **AGENDA**

- \* Council's Budget Process
- \* Public Outreach
- \* Budget Information

# Council Process

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- At end of each meeting, an intent motion will summarize direction to staff including:
  - Requested Reports Back
  - Areas of Reconsideration along with any direction on parameters for funding
  - Running cost tally of issues identified for reconsideration

# Council Parameters

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- Parameters for Reconsideration of Cuts
  - FY2011/12 actions need to be considered within a multi-year context; the budget process must be a continuous conversation (added 5/3)
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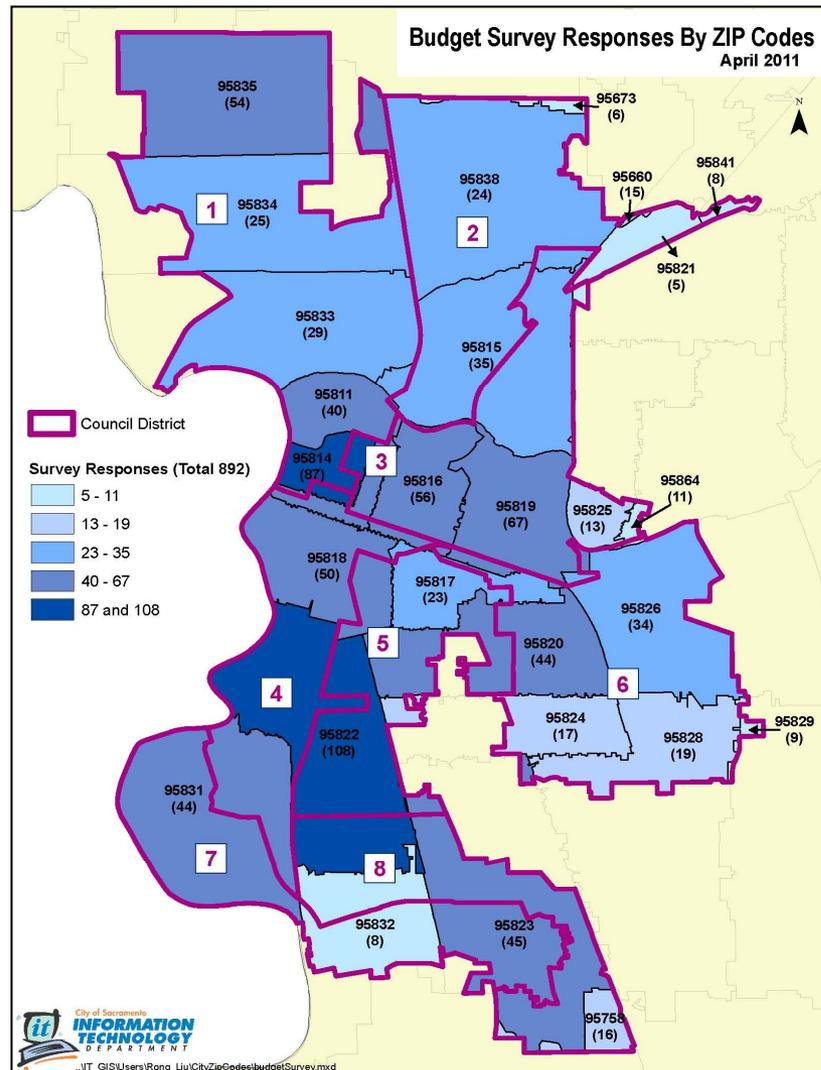
# Community Budget Survey Results

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- Survey conducted between 4/1 and 4/23
  - Available electronically and via hardcopy
  - 900+ responses received
  - Translated into Spanish
  - Results are informative, not statistically supported
- Modeled after the State's Budget Challenge effort
- Budget Open House held 4/9

# Budget Survey Participation

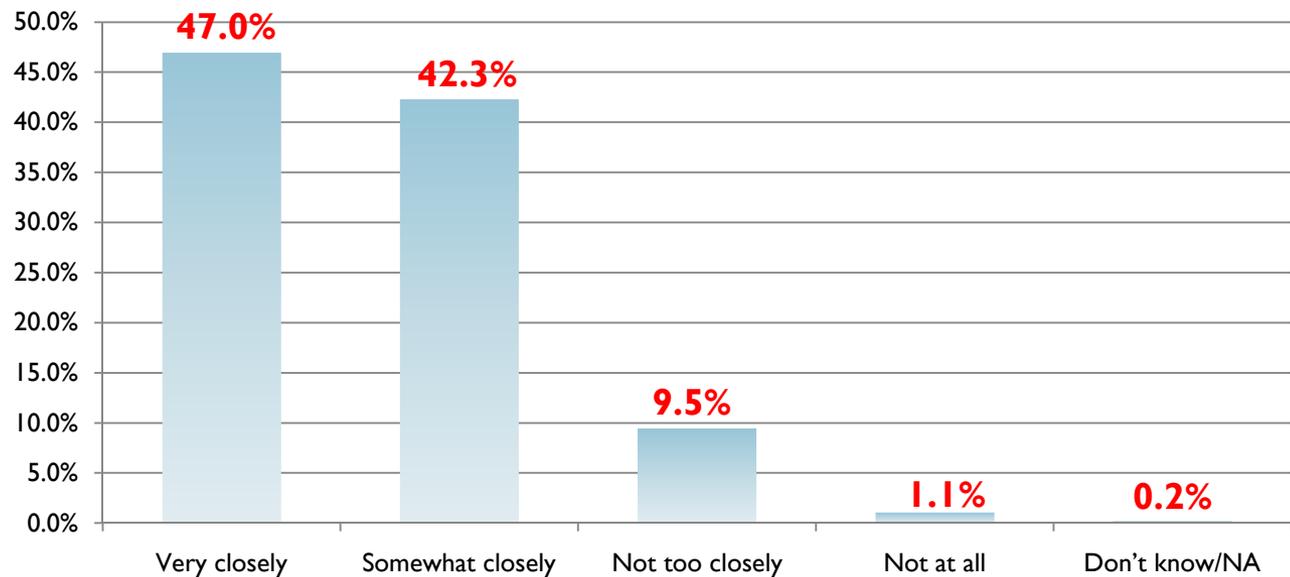
## I. What is your zip code?



# Budget Survey Results

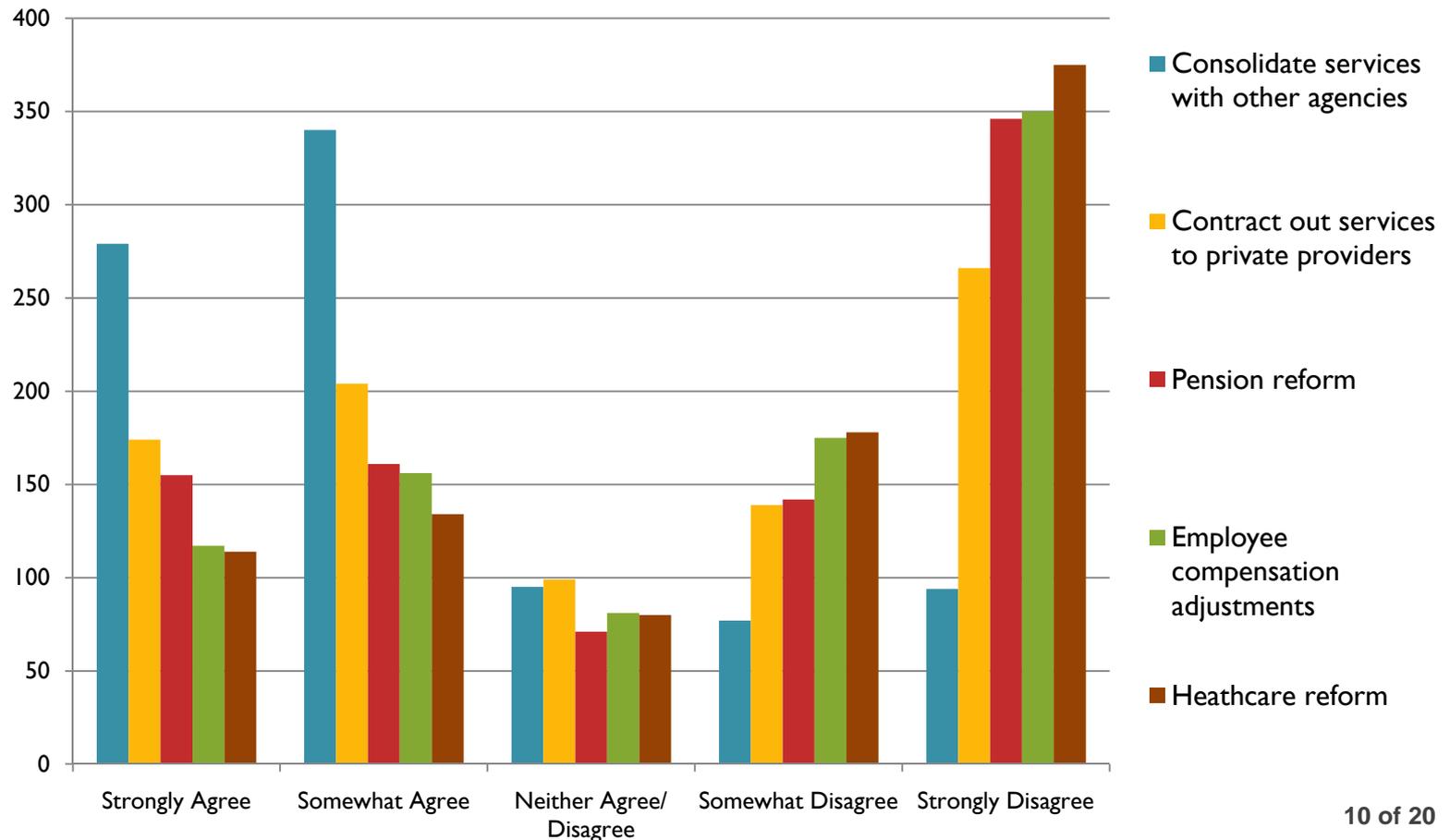
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## 2. How closely do you follow news about the City's annual budget?



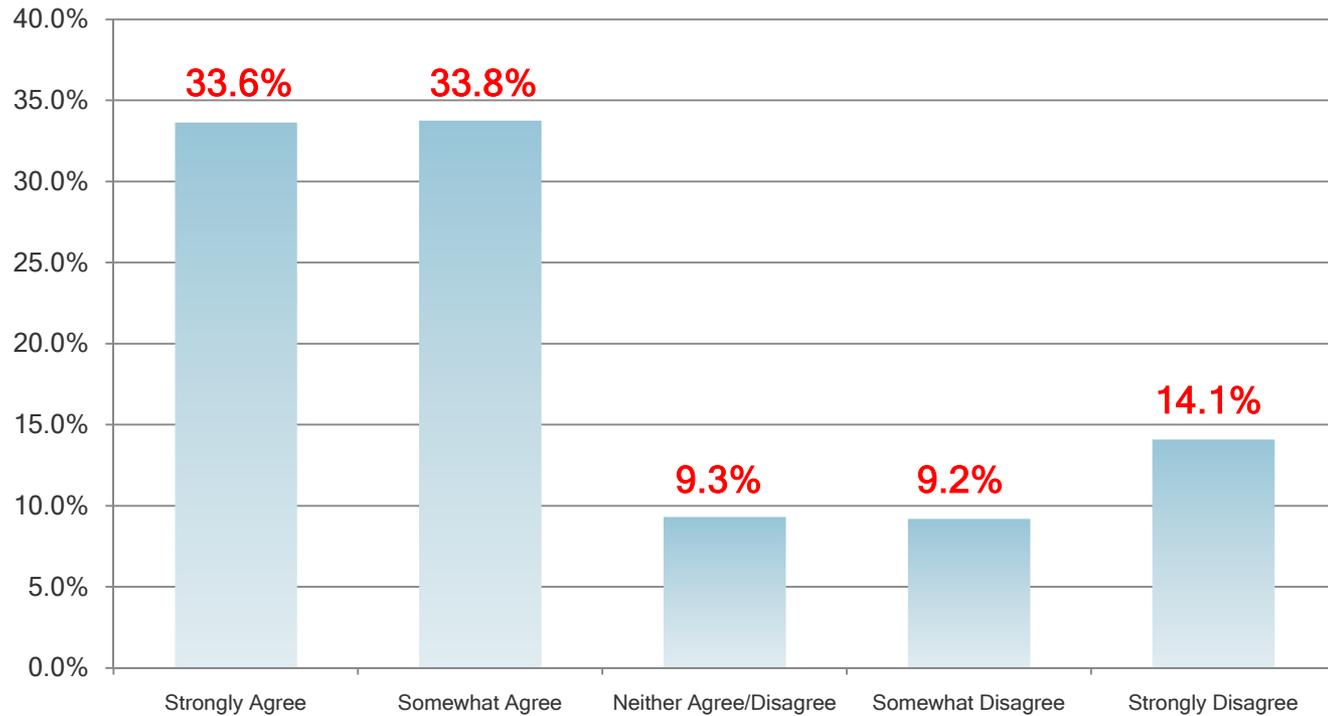
# Budget Survey Results

## 3. Rank your level of support for the following cost cutting strategies:



# Budget Survey Results

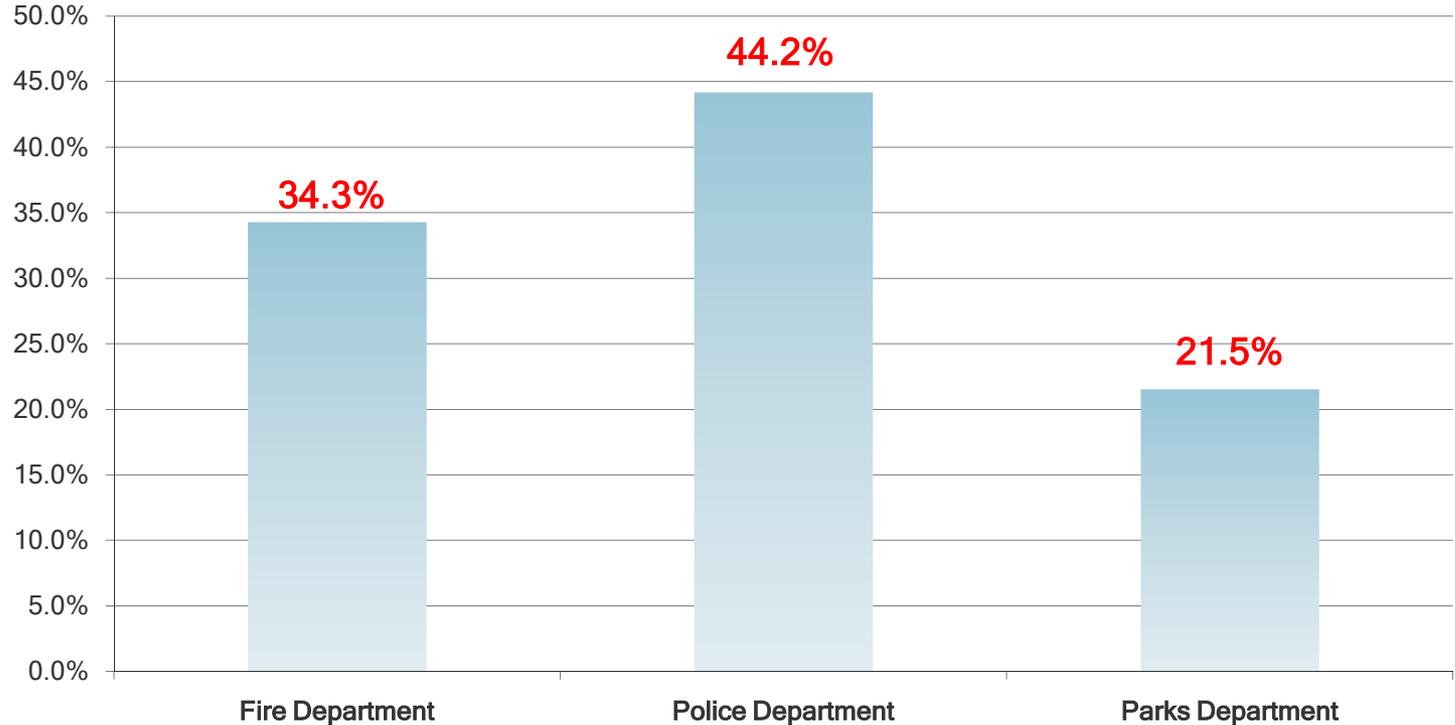
4. "I am willing to pay more through increased taxes or fees to protect a particular service from budget cuts."



# Budget Survey Results

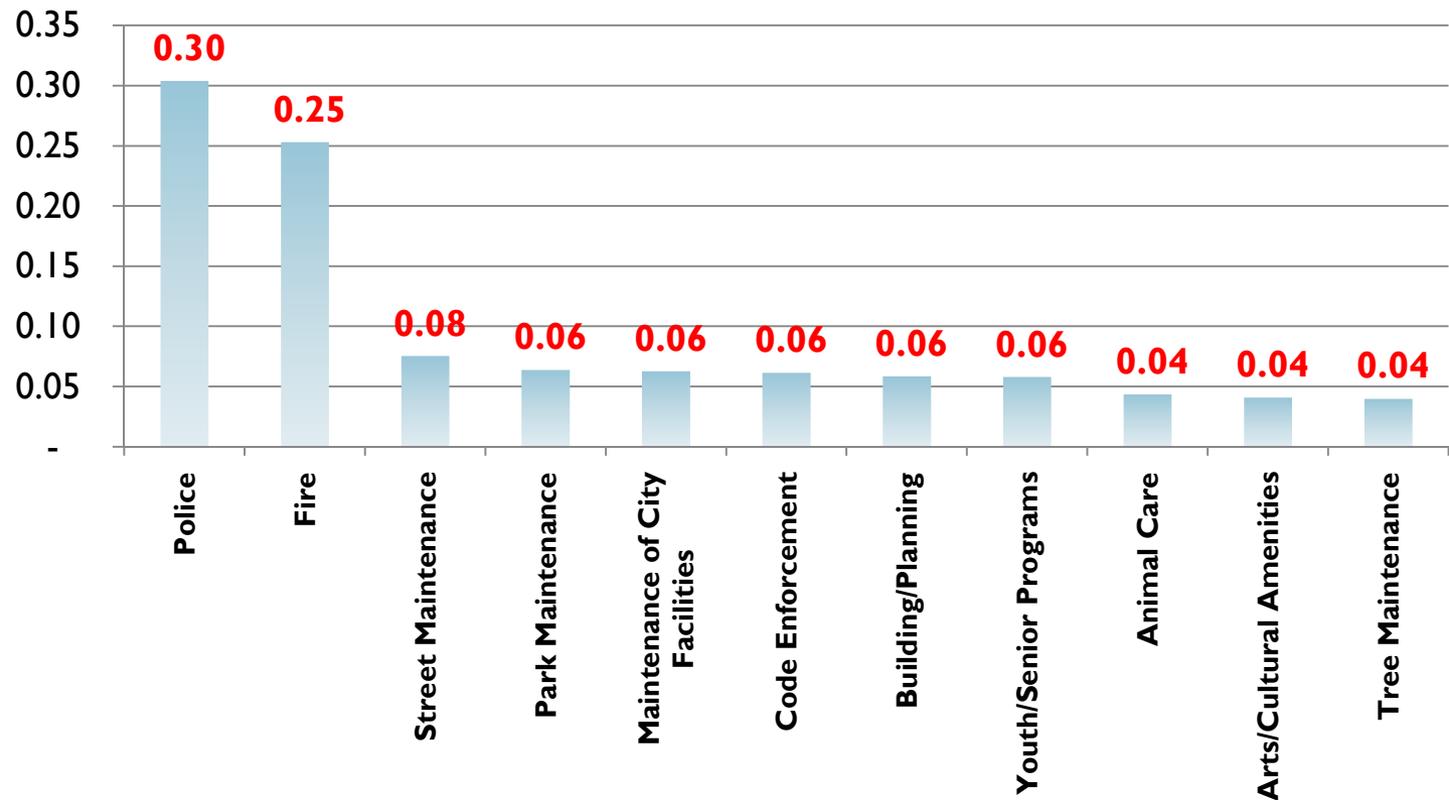
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5. Which one or more of the following services are you willing to pay increased taxes or fees for? (Select one or more)



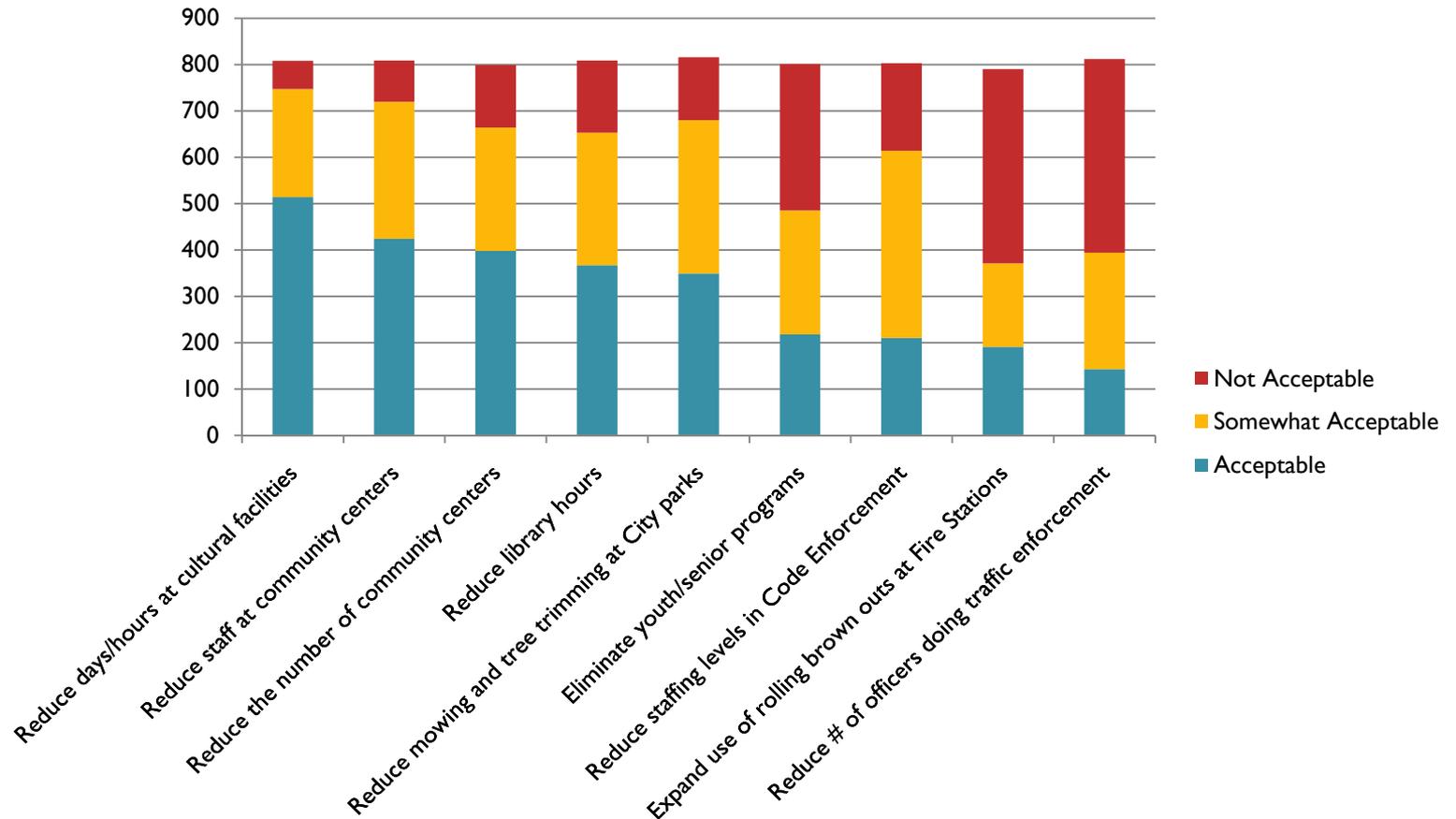
# Budget Survey Results

## 6. How would you spend a budget dollar on city services?



# Budget Survey Results

## 7. How acceptable or unacceptable would cuts be to the following services/programs?



# Budget Survey Results

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- Summary
  - Over 400 recommendations/considerations
- Common themes include:
  - Minimize cuts to public safety functions
  - Pursue efficiencies (e.g. consolidate, privatize, service delivery levels, flatten organization)
  - Reduce labor costs
  - Attract new business/economic development
  - Explore new revenues

# Budget Web Information

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- All budget information consolidated on one web page including the proposed budget, staff reports, presentations, hearing schedules, etc.
- Budget information clearly linked on the City's homepage at: [www.cityofsacramento.org](http://www.cityofsacramento.org)
- Community can provide comments and ask questions through e-comments.
- Staff is developing FAQs that will be added to the budget web page and updated regularly.
- Community is notified through Gov-delivery when budget information is updated.

# Budget Assumptions

One-Time Funding (\$ in millions)	Source
2.0	Redirect Railyards Parcel B sale proceeds to retain 20 police officers.
1.0	Use excess bond proceeds and interest earnings to offset debt service expenses.
1.0	Reduce deferred maintenance funding (\$500K) and suspend funding for Americans with Disabilities Act (ADA) projects (\$500) in the CIP.
0.5	Use remaining Sheraton sale proceeds authorized in the FY2010/11 Approved Budget to offset a portion of costs associated with the addition of ten police officers.
0.1	Use of Arts Stabilization designation to offset costs for the arts re-granting program.
<b>4.6</b>	<b>Subtotal One-Time Funding</b>
Ongoing Operational Change	Source
2.2	Adjusts City's fleet replacement schedule to increase mileage by 20% for all non-public safety vehicles/equipment.
<b>6.8</b>	<b>Total</b>

# FY2011/12 Additional Revenues

(\$ in 000's)	FY2011/12 Additional Revenues (000's)
1,000	Medical marijuana BOT. Voters approved a BOT measure that authorizes the City Council to set a maximum rate up to 4%. Proposed budget assumes 4% effective July 1, 2011.
480	Electronic billboard revenues (2/3 of total) allocated to the General Fund (1/3 allocated to district accounts) per Council Resolution 2010-662.
550	Sales Tax increased 1% based on most recent FY2010/11 actual results.
773	Community Development Department revenue adjustment based on increased permit and enforcement activity.
592	Finance Department increased revenue based on the addition of two revenue collectors increase the collection rate on delinquent payments to the City.
(1,000)	Fire Department Revenue reduction due to the repeal of the Fire Cost Recovery program.
<b>2,395</b>	<b>Total</b>

# Budget Hearing Schedule

As of 5/5/11 (Subject to Change)

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- Thursday, May 12th
  - Summary of Reductions
  - Community Survey
  - Parks & Rec
- Tuesday, May 17th (Aft.)
  - CC&L
  - Community Development
- Tuesday, May 17th (Eve)
  - Police
- Tuesday, May 24th (Aft.)
  - Transportation, Utilities, Support, Ec. Dev, Gen Svcs, Charter Offices
- Tuesday, May 24<sup>th</sup> (Eve)
  - Fire
- Tuesday, May 31<sup>st</sup>
  - Library, Partner Agencies
  - Fees & Charges
- Thursday, June 2<sup>nd</sup>
  - Options
- Tuesday, June 7<sup>th</sup>
  - CIP
- Tuesday, June 14<sup>th</sup>
  - Finalize Reductions
- Tuesday, June 21<sup>st</sup>
  - Adopt Budget



## Attachment 2

### Supplemental Budget Information Log

Item	Question	Meeting	District	Status
1	List of revenue options?	5/3	6	5/12 and 6/2 Budget Hearings
2	Can we develop a website where community can get budget information, ask questions, and make recommendations?	5/3	5	5/12 Budget Hearing
3	Identify the components of the \$20m labor increase?	5/3	1	5/17 Budget Hearing
4	What would the budget look like if we didn't cut public safety?	5/3	6	5/17 Budget Hearing
5	What is the break out of the \$222.1m discretionary GF by department: \$ and %?	5/3	6	5/17 Budget Hearing
6	Prior four year reductions by departments \$ and FTE?	5/3	6	5/17 Budget Hearing
7	How many of 250 FTE are vacant?	5/3	8	5/17 Budget Hearing
8	How to better describe how we get to \$222.1?	5/3	1	5/17 Budget Hearing
9	How to show value of union concession over time?	5/3	1	5/17 Budget Hearing
10	Economic development opportunities to grow our revenues?	5/3	Mayor	5/24 Budget Hearing
11	How to and how long to get to beyond a 10% reserve?	5/3	Mayor	5/24 Budget Hearing
12	Over last 4 years how much cut and how has that impacted jobs growth?	5/3	Mayor	5/24 Budget Hearing
13	What is oversight and consequences on overspending?	5/3	Mayor	6/2 Budget Hearing
14	Are there efficiencies and/or consolidations that could provide additional savings?	5/3	Mayor	6/2 Budget Hearing
15	Are there savings if we were to close the Public Safety Center on Freeport Blvd and consolidate staffing at other City facilities?	5/3	1, 6,7	TBD
16	Why can't we change cost allocation to save PS?	5/3	1	TBD