



# City of Sacramento City Council

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**Meeting Date:** 1/31/2012

**Report Type:** Staff/Discussion

**Title:** Fiscal Year (FY) 2011/12 Midyear Budget Report

**Report ID:** 2012-00031

**Location:** Citywide

**Recommendation:** Pass a Resolution 1) amending the FY2011/12 Approved Budget as necessary to implement the City's financial plan for the remainder of the fiscal year; and 2) authorizing the Director of Finance to implement the approved budget adjustments.

**Contact:** Leyne Milstein, Finance Director (808-5574); or Dawn Holm, Budget Manager (808-5574)

**Presenter:** Leyne Milstein, Finance Director (808-8491), Finance Department

**Department:** Finance

**Division:** Budget Office

**Dept ID:** 06001411

## **Attachments:**

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- 1-Description/Analysis
- 2-Attachment 1-2nd Quarter Financial Report
- 3-Attachment 2-Resolution 2002-342.
- 4-Attachment 3-Deferred Maintenance Needs
- 5-Attachment 4-FY12 Midyear Resolution
- 6-Exhibit A-Summary of Adjustments
- 7-Exhibit B-Summary of Reclassifications

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### **City Attorney Review**

Approved as to Form  
Matthew Ruyak  
1/25/2012 2:34:22 PM

### **City Treasurer Review**

Reviewed for Impact on Cash and Debt  
Russell Fehr  
1/24/2012 6:17:13 PM

### **Approvals/Acknowledgements**

Department Director or Designee: Leyne Milstein - 1/25/2012 8:38:35 AM

## Description/Analysis:

**Issue:** The midyear review of the current fiscal year, FY2011/12, is intended to update the City Council on major changes since the adoption of the Approved Budget and includes recommendations necessary to implement the City's financial plan for the remainder of the fiscal year. In addition to the information provided below, the second quarterly financial report is included as Attachment 1.

As outlined in the FY2010/11 Comprehensive Annual Financial Report (CAFR), the fiscal year ending June 30, 2011, resulted in General Fund budgetary results of \$5.1 million, the majority of which is the result of expenditure savings. Staff is recommending that these funds be used to address the following identified budget shortfalls and project needs for FY2011/12:

- \$1.2 million to backfill General Fund revenue shortfalls;
- \$0.9 million for litigation related to utility user tax revenues;
- \$2.0 million to address one-time department expenditure issues:
  - Police: \$1 million to cover holiday pay budget shortfall;
  - Parks and Recreation: \$715,000 for unbudgeted utilities; and
  - Convention, Culture & Leisure: \$285,000 for Golf maintenance operations (payouts/bond counsel)
- \$1.0 million for identified project needs:
  - \$750,000 for unfunded deferred maintenance projects
  - \$250,000 to fund a multi-year project for innovation and technology (e.g. mobile apps)

Additionally, with the exception of the Studio for the Performing Arts project, the Tier I Community Reinvestment Capital Improvement Program (CRCIP) projects have been funded and are nearing completion. Therefore, staff is recommending that the \$3 million in General Funds set aside to fund projects be added to the General Fund Economic Uncertainty Reserve. The addition of \$3 million will bring the reserve to \$20.7 million or 5.75% of General Fund Revenues.

The following provides details on the recommended midyear actions based on a review of major revenue sources, department projections, and identified project needs (Exhibits A & B provide a summary of recommended adjustments).

### General Fund Revenues

Staff has reviewed the major revenue assumptions included in the FY2011/12 Approved Budget and based on the most recent revenue results and trends, is recommending the following adjustments to citywide revenues.

**Property Taxes:** The County Assessor's 2011 Annual report highlights the continued decline in property values. The 2011-12 Proposition 8 re-assessments reduced the value of 59,945 parcels or 39% of all parcels

within the city. In addition, there were 4,343 foreclosures or 3% of all parcels. The City's FY2011/12 approved budget assumed a 1% property tax decline for the main property tax roll valuation; however, once the valuations were finalized, an additional 3% reduction was realized, resulting in an additional reduction in property tax revenues of \$3.6 million.

**Sales & Use Tax:** The City has had four consecutive quarters of sales tax growth following a prolonged downturn in the economy that extended from FY2007/08 through FY2009/10. Based on the most recent sales tax results, current sales and use tax budget will be increased by \$2.8 million.

FY2010/11 Sales Tax True Up: The sales tax true-up payment received annually in September was not included in the initial FY2011/12 sales tax budget estimate as it is technically for the prior fiscal year. However, with the close of FY2010/11 and this midyear report, these revenues will be accounted for in the fiscal year in which they are actually received. With this permanent change in the accrual policy, this true-up payment will be included in the annual sales tax budget estimate beginning with FY2012/13. Based on the revenues received, staff is recommending that the miscellaneous revenue budget be increased by \$500,000.

**Business Operations Tax (BOT):** As federal regulations have tightened enforcement relative to the legality of medicinal marijuana dispensaries, there has been a decrease in locations citywide. At the beginning of FY2011/12 there were 33 locations and today there are 25. The initial BOT revenue estimate for medical marijuana dispensaries, reflecting the 4% approved rate, was \$1 million and will be reduced by \$250,000 to \$750,000 based on current information. Staff will continue to monitor these revenues as there is potential for additional closures during the remainder of the fiscal year which could negatively affect this revenue stream in both the current and next fiscal year.

**Transient Occupancy Tax (TOT):** TOT declined from a peak of \$3.5 million in FY2007/08 to a low of \$2.8 million in FY2009/10. The final TOT results for FY2010/11 reflected growth that the FY2011/12 budget did not anticipate. As such, the TOT revenue budget will be increased by \$500,000.

**State Motor Vehicle License Fee:** With the enactment of Senate Bill 89 (2011) the City will no longer receive State Vehicle License Fees revenue as this legislation diverted these funds to state law enforcement grants, a loss of \$1.1 million in revenue. The City's five-year projection has been updated to reflect the loss of this ongoing revenue stream.

**Utility User Tax:** The City is currently litigating a claim that a portion of the Utility User Tax collected in prior years was wrongfully remitted to the City. Staff is working with the City Attorney's Office on this ongoing litigation and is recommending that \$900,000 be committed as a reserve in the event the City has to return revenues associated with this litigation.

**Billboard/Wireless Revenues:** To assist in closing the budget gap, the City Council redirected billboard and wireless/telecommunication lease revenues from district specific accounts to discretionary revenues during the FY2011/12 budget hearings. Based on the actions taken with the adoption of the budget, staff is recommending that the original policies and procedures for these revenues be repealed (Resolution 2002-342, Attachment 2) and that Council approve the direction of all future billboard and wireless revenues be budgeted as follows:

- a) for installations on General Fund properties/structures the revenues will be budgeted with all other discretionary General Fund revenues in the Non-Department section of the budget; and
- b) for installations on non-General Fund properties/structures the revenues will be split with 25 percent of all proceeds collected from this date forward allocated to the Department responsible for the facility/property where the installation is located and 75 percent allocated to the General Fund in Non-Department.

Additionally, as requested during the budget hearings, staff will return to Council for discussion of these revenues as part of the FY2014/15 budget development process.

The proposed \$1.2 million net reduction to General Fund revenues will serve as the base for the development of the FY2012/13 General Fund five-year forecast.

### **Department Projections**

In addition to the revenue adjustments proposed above, events subsequent to budget adoption in June have resulted in the identification of several expenditure and technical adjustments that are necessary in order to ensure the capacity to properly budget, record and account for required revenue and/or expenditures, or the need for additional revenue/expenditure authority. These recommendations are outlined below. In all cases, funding sources are included within the recommendation.

- 1) Convention, Culture and Leisure – Marina Fund: Due to occupancy levels at the Marina being at a record low, revenues are expected to be \$300,000 less than currently budgeted. Marina staff is already working with a bare minimum amount of expenses necessary to operate the facilities and therefore recommends the use of \$300,000 from the Marina Fund contingency to make up for unrealized revenues in order to maintain operations. Staff is working on options to reduce expenditures in FY2012/13 since this program is unsustainable.
- 2) Convention, Culture & Leisure – General Fund: The department is projecting to exceed their expenditure budget by \$285,000. As a result of the January 1, 2012 contracting out the maintenance of the City's golf courses 26 career employees were laid off. The payouts for these employees in addition to the first half of the fiscal year operations caused

a deficit for Golf. Staff is recommending a budget increase of \$285,000 from the budgetary results for the fiscal year which ended June 30, 2011 (FY2010/11) to address this shortfall.

- 3) Economic Development – Redevelopment Funds: The department is currently working to identify and address impacts related to the State’s recent action to eliminate redevelopment activities. At this time it is too soon to fully understand the financial implications this will have for the City. Staff will be presenting additional information on this issue to the City Council over the next few months. If budgetary and staffing adjustments are needed as a result of this action, staff will include information in a separate report and/or the third quarter financial report to Council.
- 4) Fire Department – General Fund: The department is projecting to exceed their expenditure budget by \$1.2 million resulting from the use of overtime to restore two browned-out fire companies until an academy could be staffed to fill the 27.0 FTE authorized with the Staffing for Adequate Fire and Emergency Response (SAFER) grant. Based on prior year and current advanced life safety (ALS) revenue projections, the Fire Department is projecting to exceed the current ALS revenue budget by \$1.0 million. The Department plans to mitigate a portion of the overspending with projected service and supply savings but will need authority to increase the ALS revenue budget by \$1 million to reflect higher than forecast revenues and a one-time increase to their overtime budget of \$1 million to reflect the expenditures for overtime. The outcome of these revenue and expenditure adjustments coupled with the department’s efforts to reduce expenditures should address the identified shortfall.
- 5) Parks and Recreation Department – General Fund: The department is projecting to exceed their expenditure budget by \$715,000 as a result of significant utility expenses, primarily in water and drainage for parks, which have exceeded the available budget over the last few years. The overspending for utilities is projected to be \$910,000 in the current fiscal year. The Department plans to mitigate a portion of the overspending with projected savings in labor and service and supplies. Staff is recommending a budget increase of \$715,000 from the FY2010/11 budgetary results to address this shortfall. This structural shortfall will be addressed in the development of the FY2012/13 budget.
- 6) Police Department – General Fund: The department is projecting to exceed their expenditure budget by \$2.6 million. The overspending is a result of current labor contracts which allow for hours to be paid for holiday accumulations in excess of a maximum amount. Each union has a recognized number of holiday hours ranging from 80-112 hours per fiscal year. All accrued holiday time in excess of the contract maximum is paid to the employee at the straight-time hourly rate each pay period. The Department has put measures in place to limit expenditures and is trying

to minimize the projected budget shortfall. However, staff is recommending a budget increase of \$1.0 million from the FY2010/11 budgetary results to address this issue if the Police Department is unable to achieve the needed savings. This structural shortfall will be addressed in the development of the FY2012/13 budget.

There are no recommended budget adjustments for the utility funds (water, wastewater, solid waste, and storm drainage) at midyear. The Utilities Department anticipates that any shortages in the revenue budgets will be offset with ongoing expenditure controls and operational efficiencies.

### **Technical/Information**

- 1) The adoption of the FY2011/12 Approved Budget by Council authorized the establishment of separate budgets for each Council Office and the Mayor. The intent of this change was to allow each member the flexibility to staff their offices as needed to best serve their constituents. To fully implement this transition, staff is recommending authority to: (1) allow for the addition of non-budgeted positions which will be funded from the Mayor and Councilmember's existing operations budget; and (2) allow for the carryover of unobligated appropriations in existence on June 30, 2012, into the City Council operations budget into FY2012/13.
- 2) On September 27, 2011, the City Council adopted a resolution establishing a commercial Property Assessed Clean Energy (PACE) district. The PACE program will make voluntary contractual assessment financing available citywide to owners of commercial or industrial property who wish to install distributed-generation renewable-energy sources or energy-efficiency or water-conservation improvements. To properly account for the sources and uses of this program, staff is recommending the establishment of a special revenue fund to be called the PACE Program Fund.
- 3) Reclassifications are included as Exhibit B of the resolution. These recommendations are based on the following criteria: 1) Civil Service Board ruling; 2) Necessary to implement Council approved consolidations; and 3) Human Resources recommended changes to reflect appropriate classification for job duties.

The Department of Parks and Recreation has included reclassifications for 3.0 FTE. With four years of continued downsizing and impacts on staffing and service needs, the Department needs the reclassifications to provide stability in operations and appropriate staffing as follows:

- a) Operating Grant Fiscal/Accounting Support: Due to the loss of management level accountant positions in START and Recreation services, the remaining lower level Accounting Technician 1.0 FTE position is insufficient and needs to be reclassified to a Senior

Accounting Technician. There is no effect on the General Fund as the position is funded by the START Fund (Fund 2501).

- b) Program Supervisor Positions in Older Adult Services and Aquatics: Years ago the City collapsed specialized recreation Program Supervisor classifications into a few broad ones. This worked well in the hiring process and provided efficiencies. However, as the result of downsizing, the change unintentionally created service delivery issues with staff bumping across operations. Older Adult Services and Aquatics require specific knowledge and abilities at the supervisory level, and the City's risk and exposure would increase if a more "generalist" supervisor was placed in either position. The reclassification of 2.0 FTE Program Supervisor positions to an Aquatic Supervisor (1.0 FTE) and Older Adult Supervisor (1.0 FTE) will minimize risk and provide the needed stability for these programs.

### **Project Funding and Technical Adjustments**

The following summarizes changes and adjustments to existing multi-year projects (Capital Improvement Projects [CIPs], Externally Funded Projects [EFPs], Grants, and Multi-Year Operating Projects [MYOPs]):

- 1) The City established a Deferred Facility Maintenance Program (C13000500) in FY1999/00. The program is designed to address maintenance and safety corrections at more than 400 facilities and properties owned by the City. For the past two years the funding for this program has been decreased due to budget shortfalls. The current critical facility needs list totals \$1.52 million (see Attachment 3) and the program only has \$320,500 available. Staff is recommending that \$750,000 from the FY2010/11 budgetary results be appropriated to this project to address identified critical needs.
- 2) The Police Department has several Externally Funded Programs (EFPs) and Grant projects that have revenues and/or expenditures that have exceeded budgetary authority. The budget adjustments as outlined in Exhibit 1 are necessary to reflect actual revenues collected, close finalized grants and EFPs, and to improve the reporting of the department's supplemental employment program. Additionally, staff recommends that the City Manager's authority to adjust appropriation authority up to \$100,000 (City Council Resolution 2011-391) be reset for the three ongoing EFPs (Academy Activities, Los Rios Vocational Training, and FY11 Supplemental Employment). The recommended adjustments will not impact the General Fund.
- 3) In accordance with the City Manager's Performance Goals, specifically "Achieve financial stability in the General Fund," a Technology Innovation Program CIP is being proposed to support and fund creative business technology solutions that maximize citywide efficiencies and create General Fund savings. The purpose of the program will be to review and/or fund innovative solutions that show a return on investment (ROI)

directly benefiting the General Fund with additional potential benefits to City Enterprise Fund programs. The Technology Innovation Program will be administered under the direction and management of the Citywide IT Steering Committee (CITSC). Technology solution proposals submitted to the CITSC must meet all three (3) business criteria areas listed below:

- a) ROI efficiencies must have a direct impact to the General Fund. Specifically, initial investment must show a specific methodology with performance metrics that show a complete ROI within 3-5 years;
- b) Project proposals must show on going efficiencies and not just one-time savings; and
- c) Projects that benefit multiple funds and/or departments will be given priority consideration by the CITSC.

Staff is recommending the establishment of a Technology Innovation Program (I07000800) CIP with a budget of \$250,000 funded from FY2010/11 budgetary results.

- 4) To improve public access to information about City operations, staff is recommending the establishment of a multi-year project for the design, functionality enhancement, and improvement of the City's website. Funding for the MYOP (I07000900) will come from a one-time transfer from the Information Technology Department (IT) service and supply budget in the amount of \$100,000.

**Policy Considerations:** This report is consistent with Council's direction and 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 FY2011/12 Approved 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 adjustments necessary in both the General and Enterprise Funds to implement the City's financial plan for the remainder of the current fiscal year.

**Financial Considerations:** The midyear update reflects the City's continuing need for ongoing efforts to manage expenditures. As a result, staff is recommending the adjustments outlined above and detailed in Exhibits A and B.

Staff will continue to work with departments to meet budget goals for the remainder of the fiscal year.

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



### Quarterly Financial Report For Quarter Ending 12/31/11

#### OVERVIEW

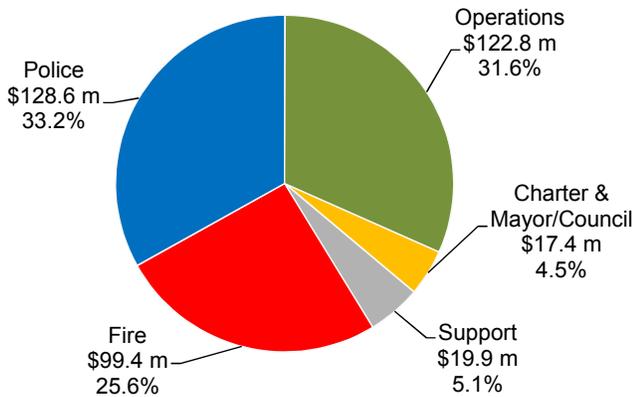
The FY2011/12 Adopted Budget includes:

- \$797 million and 4,083.23 authorized full time equivalent (FTE) from all funding sources;
- \$360.3 million and 2,796.48 FTE from the General Fund;
- \$34.4 million in ongoing reductions, including the elimination of 302.76 FTE positions; and
- \$4.6 million in one-time resources.

In addition, the City Council directed \$3.36 million to the Economic Uncertainty Reserve (EUR), bringing the total to \$17.7 million. In August Council approved the expenditure of \$459,118 from the EUR to assist the Parks and Recreation Department with the transition of community centers to non-profit partners.

The following graph represents the City's Gross General Fund expenditure budget based on major departmental groupings:

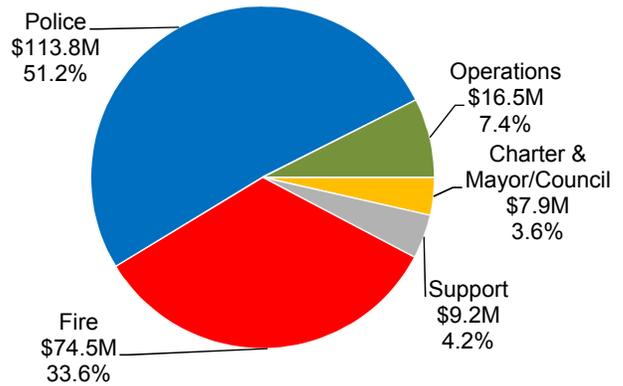
**FY2011/12 Gross General Fund Expenditures**  
\$388.1 Million



- Charter includes: City Attorney; City Clerk; City Manager; and City Treasurer.
- Operations includes: Community Development; Convention, Culture & Leisure; Economic Development; General Services; Parks and Recreation; and Transportation.
- Support includes: Finance; Human Resources; and Information Technology.

The following graph represents the City's Net General Fund expenditure budget based on major departmental groupings:

**FY2011/12 Net General Fund Expenditures**  
(expenditures less reimbursements and revenues)  
\$221.9 Million



As reflected in the chart below, the continuing budget gap expected over the next two fiscal years is \$24.5 million. Closing the gap will continue to require changes to the way we conduct the business of the City and the programs and services we are able to offer. These changes are necessary and inevitable if the City is to regain fiscal sustainability.

**GENERAL FUND FORECAST (in '000s)**

	Approved FY2011/12	FY2012/13	FY2013/14
Total Revenues/Resources	363,644	362,946	368,521
Total Expenditures	363,619	378,898	392,976
Annual Operating Surplus/(Deficit)	25	(15,952)	(24,455)
<b>Cumulative Operating Results</b>	<b>25</b>	<b>(15,952)</b>	<b>(40,407)</b>

#### GENERAL FUND

**General Fund Financial Condition.** With 50% of the year complete, General Fund revenues are at 36% of projections and expenditures are at 50%. One reason for the large variance in revenues is due to the nature and timing of the receipt of property taxes, the largest single General Fund revenue source. Additionally, some expenditures are seasonal and as such, will reflect higher levels of expenditures in the summer months and lower expenditures during the remainder of the fiscal year.



# City of Sacramento

## Quarterly Financial Report For Quarter Ending 12/31/11

The following chart reflects budget and actual expenditures for all activities in the General Fund (department operations, capital projects, debt services, etc.).

General Fund (\$ in '000s)			
	Budget	YTD Actuals	Percent
Balance, Beginning of FY	-	-	
Revenues	360,279	129,579	36%
Expenditures	360,254	181,719	50%
Total:	25	(52,140)	

As shown above, the General Fund balance at the end of the second quarter is negative. This is typical for the General Fund and indicates the cyclical cash flow pattern of revenues versus expenditures described in the Revenue section below.

**Revenues.** The City's top six revenues account for over 70% of total General Fund revenues. By focusing on these revenue sources, we can begin to see the trend of our revenue position for the fiscal year. However, since many revenues are not received on a monthly basis, it is difficult to evaluate actuals to date as a percent of budget. In these cases, it will be important to utilize any and all information on each revenue source to evaluate the potential revenue variance. Additional information relative to the analysis of a particular revenue source is provided in the descriptions below if available.

### TOP GENERAL FUND REVENUES (in '000s)

Revenue Type	Budget	YTD Actuals
Property Tax	126,426	37,537
Utility User Tax*	58,398	24,847
Sales Tax	55,978	19,892
Business Operations Tax*	9,007	3,933
Public Safety Sales Tax	4,850	1,816
Transient Occupancy Tax*	2,599	1,278
<b>Total:</b>	<b>257,258</b>	<b>89,303</b>

\* After the end of each month, businesses have 30 days to remit UUT, BOT, and TOT revenue to the City. After the 30 day remittance period, the City processes/reconciles the transactions over the following 10 days. The monthly reporting data is available by the 15<sup>th</sup> of the month (45 days after the reporting period ends).

**Economic Indicators.** The following chart reflects key economic indicators utilized by staff in projecting General Fund revenues.

Key Economic Indicators	12/2010	12/2011
City Unemployment Rate (UR)	14.8%	12.8%
County UR	12.7%	10.9%
State UR	12.5%	11.1%
National UR (Dec/10 vs. Dec/11)	9.4%	8.5%
CPI (10/2010-12/2010 vs. 10/2011-12/2011)	1.27%	3.29%
30-Year Fixed Mortgage Rate	4.71%	3.96%

**Property Tax.** Property taxes are the largest General Fund revenue source, accounting for approximately 34% of all General Fund revenues. Revenues related to Property Taxes are affected by fluctuations in the real estate market, levels of new construction activity, and the corresponding changes to the tax rolls. The majority of current secured property tax revenues are received in mid-December and mid-April, while the balance of current secured and current unsecured, supplemental, and miscellaneous property tax revenues are received in late January and late May.

The first apportionment of the City's FY2011/12 property taxes was received in December 2011. The 2011 Proposition 8 assessments reduced the value of 59,945 parcels or 39% of all parcels within the City. In addition, there were 4,343 foreclosures or 3% of all parcels. The City's FY2011/12 approved budget assumed a 1% property tax decline for the main property tax roll valuation; however, once the valuations were finalized an additional 3% reduction was realized.

**Utility User Tax (UUT).** UUT is 16% of the General Fund revenue and is the City's second largest source of General Fund revenue. Measure O was approved by the voters on November 4, 2008, and reduced the 7.5% tax rate to 7.0% on telecommunication services but expanded to include Voice over Internet Protocol (VoIP), text messaging and many other previously excluded technologies. The 7.5% tax rate continues to be in effect for gas, electric, and cable services. Revenue collected is in line with the budget through the November 2011 period.

**Sales and Use Tax.** Sales and Use Taxes make up approximately 15.5% of General Fund revenue. The sales tax is imposed on all retailers for the privilege of selling tangible personal property in the state, whereas the use tax is imposed on the purchase for storage,



**Quarterly Financial Report  
For Quarter Ending 12/31/11**

use, or other consumption of tangible personal property purchased from any retailer. The City receives monthly apportioned payments and a true-up payment for the prior period at the end of each quarter.

The City has had four consecutive quarters of sales tax growth following a prolonged downturn in the economy that extended from FY2007/08 through FY2009/10. Based on the most recent sales tax results we are increasing the budget by \$2.8 million for FY2011/12.

**Business Operations Tax (BOT).** Business Operations Taxes are remitted annually by individuals and businesses that commence, transact, engage in or carry on any business, trade, profession, calling, occupation, or gainful activity in the City. Business Operations Taxes make up approximately 2.5% of General Fund revenues. BOT revenue will be reduced by \$250,000 based on tightening federal regulations regarding the legality of medical marijuana dispensaries.

**Public Safety Sales Tax.** On November 2, 1993, California voters enacted Proposition 172, which established a permanent statewide half-cent sales tax for support of local public safety functions in cities and counties. Public Safety Sales Tax represents approximately 1% of General Fund revenue. Revenue collected through the November 2011 period is approximately 10% below the anticipated budget and will be monitored during the second half of the fiscal year.

**Transient Occupancy Tax (TOT).** The current rate of 12% is charged to all transient guests of hotels, motels, inns, and bed and breakfasts within City limits. The General Fund portion of TOT revenues is equal to 2% of the 12% rate of total TOT revenues. The remaining TOT revenues collected are for use by the Community Center Fund. TOT represents approximately 1% of General Fund revenue. The final TOT results for FY2010/11 reflected a recovery that the FY2011/12 budget did not anticipate. Based on the most recent data, the FY2011/12 TOT budget will be increased at midyear.

**Revenues to Watch.** The following revenues are subject to state and/or federal legislation, and enforcement. Staff will continue to monitor and provide updates to the City Council on these revenues as well as pending legislation that may affect City revenues.

**California Medi-Cal: Ground Emergency Medical Transport Assembly Bill (AB 678).** Historically, Medi-Cal has not kept up with inflation or the cost of healthcare, and current Medi-Cal rates do not cover the operating cost of a typical ambulance transport. These non-reimbursed costs are subsequently absorbed by the General Fund and paid for by the taxpayers. This new law provides for a 50% federal match to local agencies who provide Medi-Cal ground emergency medical transportation services less state administrative expenses. AB 678 was signed by the Governor on October 2, 2011. It is still too early to know the timing of additional revenues associated with the federal reimbursement. Staff will continue to monitor and provide updates.

**Medical Marijuana.** Current federal law enforcement efforts to curtail the sale of medical marijuana may negatively affect budgeted revenue. Prior to recent federal intervention revenues were tracking on budget; however, receipts have since diminished. Staff will continue to monitor and provide updates.

**Expenditures.** Department operating costs are summarized below:

GENERAL FUND EXPENDITURES			
Department	Budget	YTD Actuals	Projected Year End Variance
Mayor/Council	3,930,755	1,462,159	-
City Attorney	3,060,778	1,529,932	1,538
City Clerk	1,101,590	413,796	-
City Manager	1,991,621	942,516	135,237
City Treasurer	1,881,672	1,031,377	4,373
Community Development	19,369,515	9,098,140	31,370
Convention, Culture & Leisure	4,712,687	3,751,334	(302,938)
Economic Development	3,155,469	1,256,420	-
Finance	4,184,270	1,387,734	191,760
Fire	95,323,249	46,673,831	(1,191,803)
General Services	9,609,986	5,537,399	-
Human Resources	2,483,899	1,129,973	-
Information Technology	4,850,667	2,871,236	-
Parks and Recreation	11,311,970	8,448,770	(715,000)
Police	114,205,730	58,332,387	(2,552,990)
Transportation	6,388,609	8,090,329	1,139,559
Total General Fund: \$287,562,467 \$151,957,333 (\$3,258,894)			

The FY2011/12 Midyear Budget Report includes adjustments for the departments that are projecting deficits (highlighted above). Details on the projected deficits are as follows:



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**Convention, Culture & Leisure.** The Department has transferred Golf maintenance to a private contractor as approved by the City Council on October 25, 2011. As a result of the January 1, 2012, contracting out of the City's Golf courses, 26 career employees were laid off. The leave payout for these employees, in addition to the first half of the fiscal year operations deficit, has resulted in a deficit for the Golf program.

**Fire.** The Staffing for Adequate Fire and Emergency Response (SAFER) grant allows for the hiring of 27.0 new FTE to restore two browned-out fire companies. To restore the browned-out fire companies on July 1, 2011, the Department authorized the use of overtime to staff these companies until a Fire Recruit Academy could be conducted. The SAFER grant is for new staff and does not provide reimbursement for overtime. The use of overtime to restore the brown-out prior to the availability of grant funding will result in an approximate expenditure overage of \$2 million in FY2011/12. The Department completed a lateral academy in August for six of the new SAFER positions. A recruit academy has been completed and the Department is anticipating bringing 18 firefighters on line in January 2012.

Based on a midyear review of budget to actuals, an additional \$1 million in revenues is projected from the Advanced Life Safety (ALS) program, which will be used to offset the costs associated with SAFER overtime. The Department is implementing additional measures to minimize the projected budget shortfall.

**Parks and Recreation.** The Department has incurred significant utility expenses, primarily in water and drainage for parks, which have exceeded budget over the last few years. The overspending for utilities is projected to be \$910,000 in the current fiscal year. However, the Department plans to mitigate a portion of the overspending with projected savings in labor and service and supplies so that the net projected deficit is \$715,000.

**Police.** The Department's projected deficit of \$2.6 million is composed of unfunded employee services benefits, additional overtime because of staffing reductions, unfunded information technology expenses, and unexpected reductions in grant and contract service reimbursements. The deficit will be partially offset by anticipated labor savings.

**ENTERPRISE FUNDS**

**Revenues.** Enterprise Fund revenues are on target for the current year with the exception of the Marina Fund.

**Marina Fund.** Due to occupancy levels at the Marina being at a record low, revenues are expected to be \$300,000 less than currently budgeted. The Marina Fund Revenue shortfall will be addressed with a one-time transfer from fund balance in the current year.

**Expenditures.**

Enterprise Fund expenditures are on target for the current year as reflected below:

ENTERPRISE FUNDS EXPENDITURES			
Fund Name	Budget	YTD Actuals	Projected Year End Variance
Community Center	24,599,344	12,498,992	459,735
Marina	1,735,453	1,097,126	92,123
Parking	16,945,896	8,438,284	-
Solid Waste	55,064,492	23,872,335	3,341,768
Storm Drainage	36,776,427	16,553,809	1,465,529
Wastewater	18,356,057	8,301,707	829,340
Water	63,958,979	31,353,686	1,444,340
Total Enterprise Funds:	\$217,436,648	\$102,115,939	7,632,835



# AMENDED RESOLUTION NO. 2002-342

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF JUN - 4 2002

## RESOLUTION TO REPEAL RESOLUTION NO. 97-552 AND RE-ESTABLISH POLICIES AND PROCEDURES FOR THE UTILIZATION OF REVENUES FROM THE GRANTING OF REVOCABLE PERMITS FOR WIRELESS TELECOMMUNICATION FACILITIES ON CITY OWNED FACILITIES/PROPERTY

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

The Council policies and procedures for utilization of revenues from granting of revocable permits for wireless telecommunication facilities adopted on September 30, 1997 (Resolution 97-552) are hereby repealed and replaced as follows:

- 1) Effective July 1, 2002 and provided no City bond indenture provisions prohibit the shift of such revenues, the following shall apply to existing and new revocable permits for private wireless telecommunications installations on city-owned facilities/property for allocation of the proceeds from these permits:
  - a) All proceeds shall be used for the specific project/program as approved by the City Council when a revocable permit for wireless telecommunication facilities on a City owned facility/property is granted.

If a specific project/program is not identified at the time a revocable permit was/is granted the proceeds shall be allocated as follows:

- i. For installations on non City Park equipment/properties 25% of all proceeds collected from this date forward will be allocated to the Department responsible for the facility/property where the wireless telecommunication device is located and 75% will be allocated to Neighborhood Enhancement Programs/Projects on or near the facility or property for which a permit has been granted in collaboration and concurrence with the Councilmember within whose district the facility is located; and

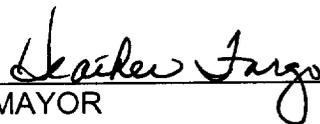
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FOR CITY COUNCIL USE ONLY

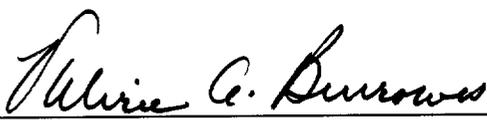
RESOLUTION NO.: 2002-342

DATE ADOPTED: JUN - 4 2002

- ii. For installations located in City Parks 100% of all proceeds collected from this date forward will be allocated to Neighborhood Enhancement Programs/Projects on or near the facility or property for which a permit has been granted in collaboration and concurrence with the Councilmember within whose district the facility is located.
- 2) Neighborhood Services Department (NSD) in consultation with the Finance Department will coordinate with the Council District to reallocate the subject revenue for specific Neighborhood Enhancement Programs, subject to consultation with the Department ultimately responsible for implementing the "enhancement". Should the Department, which is ultimately responsible for implementing the "enhancement", not have the staffing capacity to implement the enhancement, then the money will be held for these purposes until the City Council appropriates funds to retain sufficient staffing capacity to implement the "enhancement".
- 3) Finance Department staff shall submit an annual report to the City Council on the agreements in place, revenues generated by these agreements including the available balance for each facility/location, what appropriations have been made, and whether or not any of the funds are subject to prior Council allocation for a specific program/project or bond indebtedness. In addition, a quarterly report including the same information shall be provided to each Councilmember for agreements within their district.

  
MAYOR

ATTEST:

  
CITY CLERK

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RESOLUTION NO.: 2002-342

DATE ADOPTED: JUN - 4 2002



**Top Unfunded Deferred Maintenance Needs** (November 2011)  
Citywide General Fund Deferred Maintenance Backlog = \$29 million

<b>Facility</b>	<b>Current Issues</b>	<b>Estimated Costs*</b>
Main Library Galleria Dome	skylights are leaking / past useful life	\$ 150,000
Coloma HVAC	past useful life / maintenance issue	\$ 75,000
Hart Senior Center HVAC and Roof	equipment on roof and roof is leaking, need new equipment & roof	\$ 400,000
Robertson HVAC	past useful life / maintenance issue	\$ 85,000
Clunie Fire Alarm Panel	out dated, doesn't meet current standard (Fire wants separate system)	\$ 175,000
Pannell Comm Ctr Fire Alarm Panel	out dated, inability to get parts to fix due to age of system	\$ 150,000
Cemetery Archives Roof	historical copper clad roof, leaks and can't be fixed	\$ 60,000
Martin Luther King Library Roof	past useful life / patches no longer working	\$ 80,000
Old Sac Steamers Building	stairs need to be replaced due to dangerous conditions, excessive dry rot	\$ 75,000
Pool Building roofs (Southside,Glen Hall,McClatchy)	old single ply roofs with patches, need to be replaced	\$ 120,000
Renfree Field Electrical service,Sports Lights	vandalism, no lighting or electrical remaining	\$ 150,000
<b>Top Unfunded Deferred Maintenance Needs Total:</b>		<b>\$ 1,520,000</b>

*\*These are rough estimates, until work is started the full costs will not be known due to unforeseen site conditions*

**RESOLUTION NO. 2012-XXXX**

Adopted by the Sacramento City Council

**AMENDING THE FISCAL YEAR (FY) 2011/12  
APPROVED BUDGET****BACKGROUND**

- A. The FY2011/12 Approved Budget was adopted on June 21, 2011. Annually, staff undertakes a Midyear Review of revenues and expenditures to ensure the continued validity of the adopted budget and to recommend any adjustments necessary to implement the City's financial plan for the remainder of the current fiscal year. Based on staff's review, several budget adjustments and technical corrections are necessary in order to ensure that the City doesn't overspend its budgetary resources, and can address identified improvements, efficiencies and critical needs.
- B. To assist in closing the City's budget shortfall, the City Council redirected billboard and wireless/telecommunication lease revenues to the General Fund during the FY2011/12 budget hearings. Based on the actions taken with the adoption of the budget, staff is recommending that the original policies and procedures for these revenues be repealed (Resolution 2002-342).
- C. On April 18, 2006, the City Council approved the Community Reinvestment Capital Improvement Program (CRCIP) project list and funding plan. The funding for this project included \$3 million in General Funds. As a result of interest earnings on the capital revenue improvement bonds (CIRBs) that were issued for this program as well as construction savings resulting from a favorable bid climate, there were adequate bond proceeds to deliver the Tier I projects as approved by Council. With the exception of the Studio for the Performing Arts project, the Tier I CRCIP projects are nearing completion and these funds are no longer needed for the identified projects.
- D. On September 27, 2011, the City Council adopted a resolution establishing a commercial Property Assessed Clean Energy (PACE) district. The PACE program will make voluntary contractual assessment financing available citywide to owners of commercial or industrial property who wish to install distributed-generation renewable-energy sources or energy-efficiency or water-conservation improvements. Proper accounting for the sources and uses of this program requires the establishment of a new special revenue fund.
- E. The City's FY2010/11 Comprehensive Annual Financial Report (CAFR) was prepared to present the City's financial condition and the results of its activities for the fiscal year ended June 30, 2011. The CAFR financial statements were audited, as required by the City Charter, by an independent public accounting firm. The General Fund's FY2010/11 year end results provided \$5.1 million in resources

to address the City's budget requirements outlined in the FY2011/12 Midyear Report.

- F. Exhibits A and B include the recommended adjustments to the FY2011/12 Approved Budget that are necessary to implement the City's financial plan for the remainder of the fiscal year.

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

- Section 1 The FY2011/12 Approved Budget is hereby amended to include the Summary of Adjustments to the FY2011/12 Budget as detailed in Exhibits A and B attached hereto.
- Section 2 The Director of Finance is authorized to release \$4.2 million from FY2010/11 budgetary results, and appropriate as summarized on Exhibits A & B.
- Section 3 The Director of Finance is authorized to release \$900,000 from FY2010/11 budgetary results, and establish a reserve to be used for potential Utility User Tax litigation.
- Section 4 The Director of Finance is authorized to transfer \$3 million from the Community Neighborhood Funding (D01000000) capital improvement project to the General Fund Economic Uncertainty Reserve.
- Section 5 The Director of Finance is authorized to establish the PACE Program Fund.
- Section 6 The Director of Human Resources is authorized to establish non-budgeted positions for the Mayor and District Offices which will be funded from the existing operations budgets.
- Section 7 The Finance Director is authorized to carryover unobligated appropriations in existence on June 30, 2012, in the City Council operations budgets into FY2012/13.
- Section 8 Resolution 2002-342 establishing the original policies and procedures for wireless/telecommunications is repealed.
- Section 9 Future billboard and wireless revenues shall be budgeted as follows:
- a) for installations on General Fund properties/structures the revenues will be budgeted in the General Fund in Non-Department; and
  - b) for installations on non-General Fund properties/structures the revenues will be split with 25 percent of all proceeds collected from this date forward allocated to the Department responsible for the

facility/property where the installation is located and 75 percent allocated to the General Fund in Non-Department.

Section 10 Staff shall return to Council for discussion on the disposition of Billboard and Wireless/Telecommunication revenues as part of the FY2014/15 budget development process.

Section 11 The Director of Finance is authorized to implement the necessary adjustments as approved in Sections 1 through 10 above.

Section 12 Exhibits A and B, inclusive, are part of this resolution.

**Table of Contents:**

Exhibit A – FY2011/12 Midyear Operating Budget Adjustments

Exhibit B – Summary of Reclassifications

## Exhibit A Summary of Adjustments

### FY2011/12 Midyear Operating Budget Adjustments

Department	Fund(s)	Revenue Adjustment	Expenditure Adjustment	Net Change	Description
<b>General Fund Revenue Adjustments</b>					
Non Department	General Fund (1001)	\$(3,615,954)	\$ -	\$(3,615,954)	Reduce the Property Tax budget based on the 3% reduction realized in valuations.
Non Department	General Fund (1001)	\$ 2,776,340	\$ -	\$ 2,776,340	Increase the Sales & Use Tax budget based on four consecutive quarters of sales tax growth.
Non Department	General Fund (1001)	\$ (250,000)	\$ -	\$(250,000)	Reduce the Business Operations Tax (BOT) budget based on tightened federal regulations and enforcement of medical marijuana dispensaries.
Non Department	General Fund (1001)	\$ 500,000	\$ -	\$ 500,000	Increase the Transient Occupancy Tax (TOT) budget based on the final TOT results for FY2010/11.
Non Department	General Fund (1001)	\$(1,100,000)	\$ -	\$(1,100,000)	Decrease the State Motor Vehicle License Fee budget based on the passage of Senate Bill 89 which diverts these revenues from cities to fund state law enforcement grants.
Non Department	General Fund (1001)	\$ 500,000	\$ -	\$ 500,000	Establish a miscellaneous revenue budget to reflect the sales tax true-up payment received annually in September.
<b>Net Revenue Change:</b>				<b>\$(1,189,614)</b>	FY2010/11 budgetary results will be used to decrease General Fund revenues by \$1.2 million.

### Department Corrective Actions

Convention, Culture & Leisure	General Fund (1001)		\$ 285,000	\$ 285,000	Increase the expenditure budget to cover leave payouts and operational deficits associated with contracting out golf operations.
Information Technology	General Fund (1001)		\$ (100,000)	\$(100,000)	
Police	General Fund (1001)	\$ -	\$ 1,000,000	\$ 1,000,000	Increase the expenditure budget for the Police Department to address accrued holiday leave payouts associated with existing labor contracts.
Parks & Recreation	General Fund (1001)	\$ -	\$ 715,000	\$ 715,000	Increase the utility expenditure budget for expenses, primarily in water and drainage for parks, that have exceeded budget over the past few years.
Fire	General Fund (1001)	\$ 1,000,000	\$ 1,000,000	\$ -	Increase the Fire Department revenue budget based on projected actual revenues received in excess of budget and a one-time increase to the expenditure budget to offset overtime costs associated with the SAFER Grant.
<b>Net Expenditure Change:</b>				<b>\$ 1,900,000</b>	FY2010/11 budgetary results will be used to increase General Fund expenditures to cover department shortfalls of \$1.9 million.

### Enterprise Fund Corrective Actions

Convention, Culture & Leisure	Marina Fund (6009)	\$ (300,000)	\$ -	\$ -	Reduce Marina revenues due to reduced occupancy levels.
Fund Reserves	Marina Fund (6009)	\$ -	\$ (300,000)	\$ -	Decrease available fund balance based on reduced revenues.
<b>Net Enterprise Fund Change:</b>				<b>\$ -</b>	

### FY2011/12 Midyear Adjustments to Existing Projects

Project	Project Name	Fund Name (Number)	Revenue Budget	Expense Budget	Change	Description
<b>Capital Improvement Projects (CIPs)</b>						
C13000500	Deferred Maintenance Project	General Fund (1001)	\$ -	\$ 750,000	\$ 750,000	Funding to address critical deferred maintenance facility repairs/improvements.
<b>Externally Funded Projects (EFPs)</b>						
E11002200	Academy Activities 7/07-6/11	EFP Fund (2703)	\$ 441,359	\$ 441,359	\$ -	Adjust revenue and expense budgets to actuals. Reset CM \$100K Authority.
E11002500	Los Rios Vocational training	2703	\$ 438,249	\$ 438,249	\$ -	Adjust revenue and expense budgets to actuals. Reset CM \$100K Authority.
E11003600	Regional Transit Patrol	2703	\$ (504,890)	\$ (504,890)	\$ -	Adjust revenue and expense budgets to actuals.
E11004800	Regional Transit Patrol 7/10-6/11	2703	\$(1,295,493)	\$(1,295,493)	\$ -	Adjust revenue and expense budgets to actuals. Reset CM \$100K Authority.
E11005200	FY11 Supplemental Employment 7/10-6/11	2703	\$ 419,021	\$ 419,021	\$ -	Adjust revenue and expense budgets to actuals.
<b>Grants</b>						
G11005620	IECGP 08 4/09-6/10	2703	\$ (190,320)	\$ (190,320)	\$ -	Adjust revenue and expense budgets to actuals.
G11007000	Citizens' Option 7/09-6/12	2703	\$ (246,564)	\$ (246,564)	\$ -	Adjust revenue and expense budgets to actuals.
G11008700	Citizens' Option 7/10-6/13	2703	\$ (102,144)	\$ (102,144)	\$ -	Adjust revenue and expense budgets to actuals.
<b>Multi-Year Operating Projects</b>						
I07000800	Technology Innovation Project	1001	\$ -	\$ 250,000	\$ 250,000	Funding to improve efficiencies and maximize the use of technology.
I07000900	Website Restructuring Project	1001	\$ -	\$ 100,000	\$ 100,000	Funding to improve public access to information about City operations.
<b>Net Project Change:</b>				<b>\$1,100,000</b>	FY2010/11 budgetary results will be used to increase General Fund projects reflected above.	



**Exhibit B**

**SUMMARY OF RECLASSIFICATION REQUESTS**

All Requests are Subject to HR Approval

<b>Op Unit</b>	<b>Budgeted Classification</b>	<b>Proposed Reclassification</b>	<b>FTE</b>
<b>Parks and Recreation</b>			
19000	Accounting Technician	Senior Accounting Technician	1.00
19000	Program Supervisor	Aquatics Supervisor	1.00
19000	Program Supervisor	Older Adults Supervisor	1.00