



City of Sacramento City Council

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Meeting Date: 1/15/2013

Report Type: Staff/Discussion

Title: Draft Measure U Principles

Report ID: 2013-00049

Location: Citywide

Recommendation: Consider and adopt on February 12, 2013.

Contact: Leyne Milstein, Director, (916) 808-8491, Department of Finance

Presenter: Leyne Milstein, Director, (916) 808-8491, Department of Finance

Department: Finance

Division: Budget Office

Dept ID: 06001411

Attachments:

1-Description/Analysis

City Attorney Review

Approved as to Form
Grace Arupo
1/8/2013 2:22:25 PM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 1/8/2013 10:04:26 AM



Description/Analysis

Issue: Voter approval of the City of Sacramento Essential Services Protection Measure - Measure U in November 2012 authorized the implementation of an additional one-half cent transaction and use tax effective April 1, 2013. We anticipate receipt of monthly revenues beginning in late June 2013. In FY2012/13 Measure U revenues are estimated at approximately \$5 million based on existing transaction volume and Board of Equalization sourcing rules. Annual revenues beginning in FY2013/14 are estimated to be approximately \$27 million.

Given that we have not yet been able to close the gap between revenues and expenditures in the General Fund on an ongoing basis; significant work remains to bring the General Fund to structural balance. Further, the reality of the \$234 million in General Fund expenditure reductions already implemented over the last six years means that the resources provided by Measure U will not come close to fully restoring the programs and services that were in place prior to the beginning of the recession.

While the Measure U funds will provide the resources to protect vital services and begin to restore, on a limited basis, some programs and services, it is important to recognize and understand the financial reality that our community's needs and priorities continue to eclipse available resources. To that end, recommendations for the use of Measure U resources must maximize the value of the investment.

In some cases, it may no longer make sense to simply restore programs/services with the same organizational structure and/or delivery system as they were when they were eliminated. Rather, our fiscal position necessitates that we utilize these limited resources judiciously, embracing the opportunity in many cases to change the way we do business and to address needs in a different way. For example, an alternative to the operation of community centers might be to offer youth programming later in the evenings when at risk youth are more likely to be in need of something constructive to do.

The consideration of the allocation of Measure U resources must also reflect the explicit nature of the question posted to voters:

"To restore and protect essential public safety services, including 9-1-1 response, police officers, gang/youth violence prevention, fire protection/emergency medical response, and other essential services including park maintenance, youth/senior services, and libraries, shall the City enact a one-half cent sales tax for six years with all revenue legally required to stay in the City's General Fund, none for the State, with independent annual financial audits and citizen oversight?"

Taking into consideration the City's current continued financial challenges and the necessity to maximize Measure U resources, the City Manager is proposing the following draft principles to guide the allocation of Measure U resources. These principles were designed to reflect the intent of the measure as well as to embrace the opportunity to adapt the City's programs and services to leverage the value of the investment to the community.

Principles for the Use of Measure U Funds

1. Resources will be allocated to the protection and restoration of City programs/ services specifically enumerated in the Measure U ballot question as follows:
 - a. essential public safety services including:
 - i. 9-1-1 response
 - ii. police officers
 - iii. gang/youth violence prevention
 - iv. fire protection/emergency medical response
 - b. other essential services including:
 - i. park maintenance
 - ii. youth/senior services
 - iii. libraries
2. Resources will not be allocated for new programs/services/facilities.
3. Restorations may not look/operate in the same manner as those that were eliminated in order to take advantage of effective and efficient means of program/service delivery wherever possible.
4. Resources will not be used to balance the base General Fund budget, except where funds would provide for the protection of programs/services specifically included in the Measure U ballot question as identified above.
5. Resources will not be used to increase current employee compensation.
6. Resources will be set aside annually to be used for the following:
 - a. Contingency funding should revenues fall short of estimates
 - b. One-time funding for one-time expenses related to the delivery of the restored programs/services
 - c. Funding to transition programs and services in FY2019/20 when Measure U resources will no longer be available
7. Resources will be accounted for and reported separately.

Policy Considerations: After six consecutive years of reductions, the City continues the task of rightsizing the organization to achieve budget sustainability. This continues to necessitate difficult decisions that will require careful consideration of options for reducing expenditures. The proposed principles for the use of Measure U resources will provide a common framework to ensure consistency with the intent of the measure as well as maximizing the value of these resources.

Economic Impacts: None

Environmental Considerations:

California Environmental Quality Act (CEQA): CEQA review for any project, which utilizes funds approved by Council, 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 affecting 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: Recommendations for the use of revenues that are anticipated to be received in the current fiscal year will be included in the FY2012/13 Midyear Budget Report, currently scheduled for Council consideration on January 29. Recommendations for FY2013/14 will be included in the FY2013/14 Proposed Budget which will be released by May 1, 2013.

Emerging Small Business Development (ESBD): Not applicable.