



City of Sacramento City Council

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915 I Street, Sacramento, CA, 95814
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Meeting Date: 2/12/2013

Report Type: Staff/Discussion

Title: FY2013/14 Budget Development and Measure U Principles, and the FY2012/13 Allocation of Measure U Resources

Report ID: 2013-00054

Location: Citywide

Recommendation: Pass a Resolution Approving the: (1) FY2013/14 Budget Development Principles; (2) Principles for the Use of Measure U Resources; and (3) Allocation of \$5 million in FY2012/13 Measure U Resources to restore critical program needs and to establish a reserve should revenues come in lower than anticipated.

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

Department: Finance

Division: Budget Office

Dept ID: 06001411

Attachments:

- 1-Description/Analysis
- 2-Attachment 1
- 3-Attachment 2
- 4-Resolution

City Attorney Review

Approved as to Form
Paul Gale
2/7/2013 8:39:05 AM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 2/6/2013 5:20:48 PM

Description/Analysis

FY2013/14 Budget Development Principles

As part of the annual budget process, the City Council considers and provides direction on principles and parameters for the development of the proposed budget. On January 24, 2012 the Council adopted budget development principles (*Attachment 1*) for the FY2012/13 Budget. Following are recommended principles for FY2013/14:

- Focus reductions on achieving permanent savings in order to reduce future year deficits
- FY2013/14 actions need to be considered within a multi-year context
- New revenues will not be counted as revenues until realized
- One-time resources should be used for one-time needs
 - Invest to increase efficiency, yield future year savings, and/or address the City's deferred maintenance backlog
- The Economic Uncertainty Reserve should be increased gradually to achieve the Council's goal of having a reserve equal to 10 percent of the General Fund revenue budget

These principles reflect best practices and are recommended for adoption to guide the development of the FY2013/14 Budget.

Principles for the Use of Measure U Resources

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. This report includes recommended principles for the use of Measure U resources as well as recommendations for the initial allocation of Measure U resources in the current year.

On January 15, 2013, Council considered draft principles to guide the allocation of Measure U resources. In light of the City's current continued financial challenges and the necessity to maximize 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.

Following are the Measure U Principles, as amended by Council on January 15, recommended for adoption (*a redline version is included as Attachment 2*).

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 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. The City Manager will prepare a transition plan to scale back the use of Measure U resources over time or identify alternate sources of funding for critical programs and services.
 8. Resources will be accounted for and reported separately in order to facilitate review by the Council and the Oversight Committee established by the ballot measure.

Recommendations for Allocation of Measure U in the FY2012/13 Budget

In FY2012/13 Measure U revenues are estimated at approximately \$5 million based on existing transaction volume and Board of Equalization sourcing rules with receipt of monthly revenues beginning in late June 2013. The recommendations for initial restoration of priority programs and services are consistent with the principles for the use of Measure U resources and will begin to address critical program needs and establish a reserve should revenues come in lower than anticipated. The chart below summarizes the funding recommendations with a detailed explanation following.

Proposed Measure U Restorations for FY2012/13	Recommended Adjustments
Fire: SAFER Grant Buyback	358,000
Fire: January 2013 Brown Out Restoration	975,000
Police: Field & Operations (<i>FY13 recruits & one-time costs</i>)	1,500,000
Parks and Recreation: Aquatics (<i>funding for 6 pools and 5 wading pools through 6/30/13</i>)	250,000
Parks and Recreation: Maintenance and Capital Investment (<i>fountains, picnic tables, irrigation</i>)	850,000
General Services: Animal Control Officer (<i>1.0 FTE</i>)	30,000
Sacramento Public Library Authority: Restoration to Maintenance of Effort	506,000
FY2012/13 Expenditures	4,469,000
Measure U Reserve	531,000
FY2012/13 Measure U Revenues	5,000,000

Fire Department – SAFER Grant Buyback: On June 7, 2011, the City Council authorized (Resolution 2011-332) the acceptance of \$5.8 million in Staffing for Adequate Fire and Emergency Response (SAFER) grant funds from the federal government. The two-year grant became available in early May 2011, providing funding for 27.0 positions to staff the City's fire apparatus for two years. The funding will run out in early May 2013 without an extension. While the Fire Department will be requesting an extension for the use of this funding, we are recommending the allocation of \$358,000 in Measure U resources to cover the costs of the positions associated with the SAFER grant funds through the remainder of the fiscal year. Should an extension be approved, these funds will be returned to the Measure U reserve and proposed for future allocation.

Fire Department – January 2013, Brown Out Restoration: The FY2012/13 Approved Budget included the addition of a fourth rotating brown out scheduled to begin January 1, 2013. With the approval of Measure U in November 2012, the City Manager authorized the deferral of the scheduled brown out and is recommending the allocation of \$975,000 to cover the costs associated with keeping this company in service from January 1 through the remainder of the fiscal year.

Police Department – Field and Operations: Since 2007, staffing levels in the Police Department have been reduced by approximately 30 percent. To expedite the restoration of sworn staffing levels, we are recommending the allocation of \$1.5 million to allow the department to prepare for hiring additional officers. The funds will be used to cover the costs of background investigations, police cadet salaries, equipment and vehicles. The first Sacramento Police Department Academy since 2008 is scheduled to begin in July which will result in new police officers on the street by December 2013.

Parks and Recreation – Aquatics: Through the generosity of Save Mart Supermarkets, the City was able to keep six pools (*Clunie, Doyle, George Sim, Johnston, McClatchy, and Pannell Meadowview*) and five stand-alone wading pools open for summer 2012. Currently, there is no funding available for the operations of aquatic facilities for the coming summer swim season. Given the value of the City's aquatic facilities as a community recreational resource, as well as providing safe and affordable places for the City's youth, we are recommending the allocation of \$250,000 to fund the preparation for continued operations of the six pools and five wading pools for summer 2013. While this allocation will provide resources through June, additional funding recommendations to fund operations through the remainder of the swim season will be included in the FY2013/14 Proposed Budget.

Parks and Recreation – Maintenance and Capital Investment: Reductions to the park maintenance and operations budget over the last five years have significantly reduced service levels and capital investments in the City's park infrastructure. The department has identified irrigation system repairs/upgrades and other capital investments that will increase efficiency in service delivery and in some cases, reduce costs. Further, the department has identified critical unfunded infrastructure needs that will improve the users' overall park experience including sidewalk repair, drinking fountain replacement, picnic table/bench repairs, bike trail resurfacing/ repairs. To address these unfunded needs, \$850,000 in one-

time funds is recommended to begin efforts to reinvest in the City's deteriorating park infrastructure. These investments will provide immediate improvement/restoration of our parks infrastructure that will positively affect park users across the city.

General Services – Animal Control Officer: As a result of prior year budget reductions, animal control operations have been reduced while at the same time the population in the City (people and animals) has increased, reducing coverage across the City. The restoration of one animal control officer will provide resources to address critical public safety challenges including animal bites, animal cruelty, and rabies control.

Library – Restoration to Maintenance of Effort (MOE): The City's parcel tax for library services (originally approved by voters in 1996 and reauthorized in 2006) provides approximately \$4.5 million annually for library services. The voter approved measure includes an MOE that requires prior year reductions to library funding to be restored should the City's non-public safety general funded programs receive additional funding. Given the funding recommended for the Department of Parks and Recreation, funding of \$506,000 is recommended to be allocated to the library to partially restore funding to the required MOE level of \$7.9 million.

Finally, staff is recommending establishing a separate fund to account for the Measure U funds as well as amending the FY2012/13 budget to establish revenue and expenditure budgets for the \$5 million. The separate fund and discrete budgets will support the requirements for a separate accounting of these funds.

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.

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 structural balance.

The proposed budget and Measure U Principles provide a framework for the development of the Proposed Budget that reflects the goals and outcomes shared with Council earlier this month. These principles will provide the structure and discipline necessary to regain fiscal sustainability and begin the process of restoring critical City services.

Financial Considerations: 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. The allocation of funding recommended in this report begins the restoration of critical City services and the reinvestment in our community. Staff will continue to monitor General Fund revenues and will return to Council should actual revenue receipts exceed estimates.

Recommendations for the allocation of annual Measure U revenues will be included in the FY2013/14 Proposed Budget which will be released by May 1, 2013.

Emerging Small Business Development (ESBD): None

Attachment 1

FY2012/13 Budget Development Principles

- Develop a 2-year sustainable budget plan
 - FY13 actions need to be considered within a multi-year context
- Use one-time resources strategically
- Reductions should be made to achieve permanent savings and not temporary or one-time savings
- Any new revenue proposals will not be counted as revenues until realized
- Reserve for Economic Uncertainty will be protected and increased gradually

Attachment 2

Redline Revision of 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. **The City Manager will prepare a transition plan to scale back the use of Measure U resources over time or identify alternate sources of funding for critical programs and services.**
8. Resources will be accounted for and reported separately **in order to facilitate review by the Council and the Oversight Committee established by the ballot measure.**

Attachment 3

RESOLUTION NO. 2013-XXXX

Adopted by the Sacramento City Council

APPROVING THE FY2013/14 BUDGET DEVELOPMENT PRINCIPLES, PRINCIPLES FOR THE USE OF MEASURE U RESOURCES, AND THE FY2012/13 ALLOCATION OF MEASURE U RESOURCES

BACKGROUND

- A. Budget Development principles have been adopted by the Council at the beginning of the annual budget process in order to establish the framework for developing and discussing the City's proposed budget for next fiscal year.
- B. Voter approval of the 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, and the establishment of an Oversight Committee. 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
- C. On January 15, 2013, draft principles for the use of Measure U resources were presented to City Council. The principles have been modified to reflect Council direction.
- D. Measure U resources are to be used for the restoration and protection of essential public safety and other essential City services.

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

- Section 1 The FY2013/14 Budget Development Principles as reflected below are approved:
 - Focus reductions on achieving permanent savings in order to reduce future year deficits
 - FY2013/14 actions need to be considered within a multi-year context
 - New revenues will not be counted as revenues until realized
 - One-time resources for one-time needs
 - Invest to increase efficiency, yield future year savings, and/or address the City's deferred maintenance backlog

- The Economic Uncertainty Reserve should be increased gradually to achieve the Council's goal of having a reserve equal to 10 percent of the General Fund revenue budget

Section 2 The Measure U Principles as reflected below are approved:

1. Resources will be allocated to the protection and restoration of City programs/services specifically enumerated in the Measure U ballot question as follows:
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 - i. 9-1-1 response
 - ii. police officers
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7. The City Manager will prepare a transition plan to scale back the use of Measure U resources over time or identify alternate sources of funding for critical programs and services.
8. Resources will be accounted for and reported separately in order to facilitate review by the Council and the Oversight Committee established by the ballot measure.

Section 3 The Director of Finance is authorized to establish a separate fund to account for Measure U resources.

Section 4 The Director of Finance is authorized to amend the FY2012/13 Approved Budget to include the following Measure U allocations for the restoration of programs and services:

Proposed Measure U Restorations for FY2012/13	Recommended Adjustments
Fire: SAFER Grant Buyback	358,000
Fire: January 2013 Brown Out Restoration	975,000
Police: Field & Operations <i>(FY13 recruits & one-time costs)</i>	1,500,000
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Measure U Reserve	531,000
FY2012/13 Measure U Revenues	5,000,000

Section 5 The Director of Human Resources is authorized to add 1.0 FTE Animal Control Officer to the Department of General Services.