

Meeting Date: 2/11/2014

Report Type: Staff/Discussion

Report ID: 2014-00004

Title: Fiscal Year (FY) 2013/14 Midyear Budget Report (Continued from 02/04/2014)

Location: Citywide

Issue: The midyear review of the current fiscal year, FY2013/14, 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.

Recommendation: Pass a Resolution 1) amending the Fiscal Year (FY) 2013/14 Approved Budget as necessary to implement the City's financial plan for the remainder of the year; and 2) authorizing the City Manager to implement the approved budget adjustments.

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Presenter: John F. Shirey, City Manager, (916) 808-5704, Office of the City Manager; Leyne Milstein, Director of Finance, (916) 808-8491, Department of Finance

Department: Finance

Division: Budget Office

Dept ID: 06001411

Attachments:

- 1-Description/Analysis
- 2-Attachment 1 (Quarterly Report)
- 3-Attachment 2 (BIA Economic Activities)
- 4-Attachment 3 (Parking Revenue)
- 5-Attachment 4 (Measure U Implementation Update)
- 6-Resolution
- 7-Exhibit A (Technical Adjustments)
- 8-Exhibit B (Reclass Requests)
- 9-Exhibit C (FTE Adjustments)

City Attorney Review

Approved as to Form

Steve Itagaki

1/29/2014 5:23:53 PM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 1/29/2014 1:32:34 PM

Description/Analysis

Issue Detail: The FY2013/14 midyear review 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.

As outlined in the FY2012/13 Comprehensive Annual Financial Report (CAFR), the fiscal year ending June 30, 2013, resulted in one-time General Fund budgetary resources of \$10.45 million, the majority of which is the result of departmental savings and one-time revenues. The City Manager is recommending that these funds be used as follows:

Adjustments (\$ in millions)	Description
3.92	Identified departmental shortfalls
	\$2.17 million shortfall in the Fire Department related to increased costs for the Sacramento Regional Fire Emergency Communication Center (SRFECC) (\$570,000) and shortages in revenues from the Advanced Life Support (ALS) program (\$1.6 million) due to a significant reduction in transports.
	\$1.0 million shortage in the Public Works revenue budget to address projected shortfall in on-street parking enforcement collections.
	\$488,769 to the Police Department to cover the cost of police radio replacement due to changes in technology.
	\$190,000 to cover larger than expected enrollment in the City's account based health plan (ABHP) program.
	\$75,000 to support the transition of the Business Improvement Areas (BIAs) to actual revenues
2.50	Multi-year projects
	\$2.1 million to fund the move of the City's primary data servers out of the flood zone to the 911 dispatch center and establish the IT Primary Data Server Relocation (C07000200) capital project .
	\$400,000 to the Citywide Strategic Planning Project (I02000400) to address high priority citywide needs (e.g. labor negotiations, water protection lobbyist, information technology, etc.).
2.00	Other Post Employment Benefits (OPEB) Trust Fund
2.03	Economic Uncertainty Reserve (EUR)
10.45	Total Adjustments

As identified above, staff is recommending the addition of \$2.03 million to the General Fund Economic Uncertainty Reserve (EUR). This addition will bring the reserve to \$29.8 million or 8% of General Fund revenues. The City Council’s adopted goal for the EUR is 10% of General Fund revenues.

MIDYEAR ANALYSIS

A midyear review of department and fund activities has been prepared consistent with the Approved Budget Resolution (2013-0198). A review of the City's General Fund major tax revenues has been completed and no adjustments are necessary at this time. However, a review of department budgets has identified the need for the adjustments that are outlined below. In addition to the information provided below, the second quarter financial report is included as Attachment 1.

The City's enterprise funds (*Community Center, Parking, Solid Waste, Storm Drainage, Wastewater, and Water Funds*) are projected to end the year within budget. As such, there are no recommended budget adjustments for these funds. The departments responsible for managing these funds, Convention, Culture and Leisure (CC&L), General Services (DGS), Public Works (DPW), and Utilities (DOU), have indicated that any shortfall in revenues will be offset with expenditure controls and operational efficiencies.

The following provides details on the recommended midyear actions based on a review of department/program revenue sources, department expenditure projections, and identified project needs. Exhibit A provides a summary of recommended adjustments.

GENERAL FUND ADJUSTMENTS

Finance Department

Business Improvement Areas (BIAs): The five BIAs that the City collects assessments for (in conjunction with collecting the City's Business Operations Tax) have been over reimbursed by approximately \$440,000 since April 2009, the result of a reporting error in place since the implementation of the new business tax system. A summary of the services provided by the BIAs and the over-reimbursements is included in Attachment 2.

The over-reimbursement was discovered in December 2013, and the individual BIAs have been notified of this issue and are working to adjust their budgets for the remainder of the fiscal year. The City's BIAs operate on a small budget from self-assessed fees that support and promote the area. Given their already small operating margins, the BIAs are not in a position to repay the over-reimbursement and continue to deliver programs and services. Review of the BIAs' expenditures since April 2009 indicates that all expenditures were for public purposes. Therefore, staff recommends that City Council recognize these reimbursements as expenditures for a public purpose, not requiring repayment for over-reimbursements through October 2013 and authorize an additional \$75,000 to be allocated to the BIAs in order to minimize the hardship created by the transition to

managing operations within reduced resources for the remainder of the current fiscal year. These funds will be allocated on a proportional basis reflecting the four-year average over-reimbursement for each BIA. Staff has initiated the claims process to seek recompense from the contractor responsible for the development of the reports resulting in the over-reimbursement.

Fund Changes: The Finance Department changed the method of accounting for the maintenance activity associated with the Joe Serna, Jr. Cal EPA Headquarters Building in FY2012/13. The result of this change limits activity recorded in the Cal EPA Fund to the administrative fee collected from the State. As a result, the Cal EPA Fund revenue and expenditure budgets should be reduced to align with the actual revenue collected and the related expenditures in the fund.

Additionally, as a clean-up item, the department is requesting authority to create a new fund to be known as the Township 9 Community Facilities District (CFD) No. 2012-06 (Ordinance 2012-034) to track district revenues and expenditures.

Fire Department

Strike Teams: The strike teams have incurred higher than budgeted expenditures, but will be reimbursed by the State for deployment to 20 events throughout California during the summer and fall of 2013. As such, it is necessary to increase the revenue and expenditure budget for this program by \$667,272.

Advanced Life Support (ALS) Revenue: The Emergency Medical Services Division has identified a midyear shortfall of \$1.9 million in the ALS revenue budget. Two factors have been identified as the cause of the reduction in revenue collections: (1) a \$300,000 shortfall from the delay in implementing two additional medic units in the current fiscal year, and (2) a \$1.6 million decline resulting from reduced ALS transports, adjustments for residual revenue from the previous fiscal year, and adjustments to medical payments for motor vehicle accidents. The revenue loss cannot be absorbed within the current department budget without reductions in services and as such it is necessary to reduce department revenues. While the City is in the process of entering into contracts with Sacramento Metropolitan Fire District (Metro) for administration of the Ground Emergency Medical Transport (GEMT), we do not expect to receive any GEMT reimbursements in the current fiscal year.

SRFECC: The annual contribution to the SRFECC grew this year to exceed the budgeted amount by \$927,000. SRFECC has fully restored staffing and as such is providing the department with a higher level of dispatch services. Additionally, SRFECC is now budgeting for increased capital costs associated with the replacement of the dispatch system. It is necessary to increase department

expenditures because the department is unable to absorb the increase within the current department budget since ALS revenues have declined and reimbursements from GEMT are not anticipated in the current fiscal year.

The \$2.8 million imbalance in the department (\$1.9 million revenue shortfall and \$927,000 expenditures over budget) is proposed to be offset by the use of the department's prior years station fund carryover (\$319,000), savings in Measure U expenditures that can be reprogrammed to cover increased SRFECC costs (\$357,000), and a set aside from FY2012/13 year-end budgetary results of \$2.17 million. These funds will be transferred to the department at year-end as necessary to offset actual overspending in the department.

Department of General Services

Animal Care Low Income Spay/Neuter Program: Under City Code Section 9.44.215, certain portions of animal control penalty fees are dedicated to animal spay/neuter services for low-income families and individuals. To properly account for these revenues, authority is needed to adjust revenue and expenditures for this program.

Energy Rebates: Consistent with the City Council's efforts on energy conservation, staff recommends that utility rebates received be used to provide ongoing funding for energy efficiency projects. To account for these rebates and support energy improvement programming, authority is needed to adjust revenue and expenditure budgets for this purpose.

Department of Public Works

Parking Services: The Department has identified a midyear shortfall in the on-street parking enforcement revenue budget of \$1 million, resulting from a decrease in annual ticket citation volume. DPW is in the process of making operational changes that will improve future revenue projections; as such this adjustment is being requested only for FY2013/14. Additional information on parking revenues is included in Attachment 3.

OTHER FUND ADJUSTMENTS

Marina Fund (Fund 2608): Due to record low occupancy levels at the Marina, the California Department of Boating and Waterways (DBW) has agreed to a debt service payment of \$521,226 annually, which is a budgetary reduction of \$579,226. A long-term restructuring plan is under consideration by DBW. Staff recommends that the Marina debt expenditure budget be decreased by \$579,226 for FY2013/14 to reflect this reduction in the annual loan payment. This action reflects assumptions made in the Approved Budget; however, changes could not be

implemented until DBW officially acted to reduce the debt service payment. This action will increase fund balance, which is currently negative.

Fleet Fund (Fund 6501): In an effort to hold down rates for departments in recent years, Fleet Management used fund balance to “buy down” fleet rates. FY2013/14 rates were created using this same process. However, while the Fleet Fund ended FY2012/13 with positive operating results, those results were not sufficient to provide the necessary resources to balance the fund in the current year, given FY2013/14 fleet rates. Therefore, staff recommends transferring funding from the Fuel Management and Support Equipment (C13000100) capital improvement project (CIP) and existing fund balance to Fleet Fund operations. Fleet Funds (Fund 6501) in the Fuel Management and Support Equipment CIP were originally programmed for the Meadowview liquefied natural gas (LNG) station. This funding will be replaced with Solid Waste Funds (Fund 6007) currently programmed in the Solid Waste Facility Repair and Rehabilitation (Y14000900) CIP, which meets Proposition 218 requirements as the improvements at the Meadowview LNG station support the Recycling and Solid Waste Division. Additionally, to assist in bringing this fund into balance, authority to defund CIPs and align revenue and expenditures for replacement vehicles is needed.

North Natomas CFD 3 Fund (Fund 2230): An operational efficiency audit recommended that it would be more cost effective for the City to have DPR take over the maintenance of the I-5 Buffer and two conjunctive use drainage facilities in community and regional parks in North Natomas from DOU, as DPR performs similar duties for other locations within the city. These maintenance activities were transferred to DPR effective January 1, 2014, and the associated CFD funds are being transferred to DPR to support those activities. DPR is requesting 5.0 FTE positions in order to implement this program.

DOU resources (3.5 full-time equivalent [FTE] positions) previously performing these duties have been reassigned to the Sacramento Area Flood Control Authority, Underground Utility Marking, and Drainage Maintenance programs. DOU will continue to perform water quality maintenance in the remaining detention basins funded by the CFD. The associated labor costs will be covered within the existing budgets established for these programs.

Subdivision Landscaping Maintenance Fund (Fund 2205): Funding for streetscape maintenance was not fully expended in FY2012/13; staff is recommending the appropriation of \$185,276 from fund balance to provide the resources needed to continue the refurbishment and replacement of landscaping in various neighborhoods. DPW will focus on replacing irrigation systems and installing smart controllers to ensure efficient use of water, and where plant replacement is necessary, it is being done with drought tolerant materials.

Gas Tax (Fund 2002), Measure A Maintenance (Fund 2026), and Traffic Safety (Fund 2006) Funds: Staff analysis of the major transportation funds identified the need to realign funding sources among these three funds based on the following estimated changes in revenue projections: Gas Tax funds are projected to come in \$925,000 above budget, Measure A Maintenance funds are projected to come in \$525,000 below budget, and Traffic Safety funds are projected to come in \$400,000 below budget. Staff is recommending the realignment of revenues to reflect revised estimates. Additionally, reimbursable expenses have declined and the department is recommending reducing the Overlays and Seals FY2014 project (R15142000) expenditure budget and eliminating the related reimbursement (\$500,000) in the Concrete Maintenance Division.

RECLASSIFICATION REQUESTS AND STAFFING ADJUSTMENTS

Consistent with the Approved Budget Resolution, City Council authority is required to increase or decrease FTE positions except for positions fully funded by grants. A review of positions by several departments has identified the need to reclassify and modify several positions to achieve organizational efficiencies and better align resources with operational needs. The changes proposed are included in Exhibits B and C. The departments requesting changes will absorb the increased cost associated with the position changes, if any, within their existing budget or through the elimination of positions.

MEASURE U SALES TAX REVENUES AND PROGRAM IMPLEMENTATION UPDATE

Revenues: The City has received two quarters (4/2013-6/2013 and 7/2013-9/2013) of sales tax receipts since the inception of the additional half cent sales tax on April 1, 2013. To date, the collections have been erratic, the result of confusion over the applicability of the sales tax rate by non-city businesses. The City's sales tax consultant, MuniServices, is working with the State Board of Equalization (BOE) to reconcile and correct the over/under payments received by the City. We are currently estimating that receipts will be consistent with or slightly above budgeted revenues. However, until we are able to reconcile these errors with the BOE, staff is not recommending any adjustments to current year revenues as any payments received in error will have to be returned to the BOE.

The following provides a summary of the variances affecting the City's collections that are currently under review: (1) the City is erroneously receiving collections from businesses located within the county but not within the city limits; and (2) businesses with multiple locations appear to be remitting Measure U for non-city locations. Additionally, the taxability of internet transactions, and "business to business" and "business to government" sales are being reviewed as these purchases do not follow a cyclical pattern. Based on the analysis of these errors and

variables, staff will provide an update on Measure U collections and updated projections during the FY2014/15 budget hearings.

Program Implementation: The Approved Budget provided \$25.8 million in Measure U resources to restore programs and services in the Fire, Police, Parks and Recreation, and General Services Departments as well as to the Sacramento Public Library Authority as reflected in the following chart:

Description	Adjustments (\$ in millions)	FTE
Fire Department	8.57	32.00
Police Department	11.87	126.00
Parks and Recreation Department	4.73	72.95
General Services Department (Animal Control)	0.09	1.00
Sacramento Public Library Authority	0.50	-
Total Adjustments	25.76	231.95

An update on the status of the Measure U programs and services is included in Attachment 2. Based on the midyear review of these programs, staff is recommending the following adjustments to better align actual budgets with the level of programming that will be delivered in the current year.

Fire Department: The department has identified savings of approximately \$1.2 million due to delays in the hiring of new staff and in implementing the two additional medic units. When the budget was approved there was only enough Measure U funding to restore two-and-a-half of the remaining four browned-out companies. The “half” company was restored for a six-month period (July through December 2013). To provide continued funding for this company through the end of the fiscal year, staff is recommending the redirection of \$800,000 from the identified savings.

As discussed earlier in the report, the City’s costs for the SRFEC increased by almost \$1 million. To help offset this significant unbudgeted increase, staff is recommending the redirection of \$357,000 of the identified savings in the Fire Measure U programs for this purpose. The balance of the increase is proposed to be covered with FY2012/13 year-end results as reflected above. The FY2014/15 Proposed Budget will include ongoing funding for the increased costs as well as options for the restoration of the brownout that was scheduled to begin in January 2014.

Police Department: The first police academy was delayed until July 2013, leaving an estimated balance of \$482,000 in FY2012/13 Measure U resources. Since adequate funding is available in the FY2013/14 allocation for cadet salaries, it is

recommended these resources be reallocated to fund the cost of continuing expedited background investigations during FY2013/14.

MULTI-YEAR PROJECT APPROPRIATIONS

As part of the ongoing management of the CIP and multi-year operating projects (MYOP), a periodic review and reallocation of available financial resources is performed to continue providing capital and operational improvements in a timely and efficient manner.

Over the past 12 years the City has issued capital improvement reimbursement bonds (CIRBs) to finance needed infrastructure and capital improvements. These funds are restricted and can be used only for capital improvements consistent with the bond disclosure documents specific to each issuance. When the City issues debt, there is a reasonable expectation that the proceeds will be spent within three years. The remaining fund balance for the CIRB funds proposed to be used in this report are residual funds resulting primarily from interest earnings and unspent proceeds as a result of project savings.

As of January 2014, the available fund balance in the CIRB funds is approximately \$2 million. To ensure compliance with various federal tax requirements, it is important for the City to either allocate the remaining balances in these funds to eligible projects or make debt service payments. The following schedule reflects eligible priority CIPs that will result in future energy savings, address pending construction defects that resulted in litigation, and complete critical facility rehabilitation and replacements.

Program/Project	Project #	2002 CIRBs (3002)	2003 CIRBS (3003)	2006 CIRBs-A (3004)	2006 CIRBs-C (3006)	Total
Energy Conservation	C13001100					
911 Center & Kinney Substation					300,000	300,000
Crocker Art Museum	M13000100					-
Construction Litigation				101,643	223,357	325,000
City Facility Reinvestment (Deferred Maintenance)	C13900000					-
Cemetery Archives Roof		75,000				75,000
Central Library Carpet/Flooring		5,000	81,000		14,000	100,000
Central Library Waterproofing/Window Restoration			125,000			125,000
Crocker Art Museum Waterproofing/Skylight Waterproofing					175,000	175,000
Marina Roof/Mechanical			139,357	-	10,643	150,000
Total:		\$80,000	\$345,357	\$101,643	\$ 723,000	\$1,250,000

The midyear review of CIPs and MYOPs resulted in the recommendation to adjust and realign budgets in 13 projects, which includes the return of \$2.4 million from project budgets to fund balance. A summary of the proposed changes is included in Exhibit A.

Finally, the City's current practice is to include language to reset the City Manager's administrative authority in council reports modifying capital project budgets. The Approved Budget Resolution Section 10.10 provides the following authority:

Except as provided for in Section 10.9, the City Manager is authorized to increase or decrease project budget appropriations by not more than \$100,000 for each project. Appropriation changes exceeding \$100,000 in total for any project shall be submitted to the City Council for approval by resolution.

In an effort to streamline capital project reports to Council, staff is recommending that the Approved Budget Resolution be amended to include the following additional language to 10.10:

The City Manager's administrative authority to adjust budgets for capital projects shall be reset after budgetary actions are authorized by the City Council.

Policy Considerations: This report is consistent with Council's direction and adopted budget principles to use one-time resources strategically, increase the General Fund EUR, maintain a fiscally sustainable balanced budget, and keep the Council informed on the fiscal condition of the City.

Other Post-Employment Benefits (OPEB) Update: As presented to the City Council on January 28, 2014, the City has \$985 million in unfunded long-term liabilities for post-employment benefits to be paid to retired employees and their survivors. These benefits include pensions, the retiree medical benefit, and payoff of leave balances upon separation or retirement. The unfunded retiree medical benefit is \$473 million. This is a \$33 million (7.5%) increase from the amount of \$440 million reported in the FY2012/13 Midyear report.

The Government Finance Officers Association recommends that governments develop a process to ensure the sustainability of OPEB they offer to their employees. This process includes determining an appropriate funding approach and recommends prefunding the obligations for OPEB once they have determined that the employer has incurred a substantial long-term liability. If employers make long-term investments to cover these obligations through a separate trust fund, it should result in a lower total cost for providing these benefits. Consistent with best practices, City Council authorized the establishment of a trust in September 2013

with an initial investment of \$2 million. This report recommends adding an additional \$2 million from FY2012/13 General Fund results. In addition, given the enormity of this unfunded liability and how fast it is growing, at a minimum the City has to eliminate this benefit for all new hires. Several bargaining units have already agreed to this change.

Economic Impacts: None.

Environmental Considerations:

California Environmental Quality Act (CEQA): The ongoing operations funded under the FY2013/14 Approved Budget are not subject to CEQA review. CEQA review for any project using within this report has been or will be reviewed in conjunction with planning, design, and approval of each specific project as appropriate.

Sustainability: 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 Other 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 revenue and expenditures. As a result, staff is recommending the adjustments outlined above and detailed in the attached Resolution, including Exhibits A, B, and C. Staff will continue to work with departments to meet budget goals for the remainder of the fiscal year.

Local Business Enterprise (LBE): No goods or services are being purchased under this report.

Attachments:

- Attachment 1 – Quarterly Financial Report
- Attachment 2 – BIA Overview and Fiscal Impact
- Attachment 3 – On-Street Parking Revenue Update
- Attachment 4 – Measure U Implementation Update
- Attachment 5 – Budget Resolution
 - Exhibit A – Adjustments
 - Exhibit B – Reclassification Requests
 - Exhibit C – FTE Adjustments

OVERVIEW

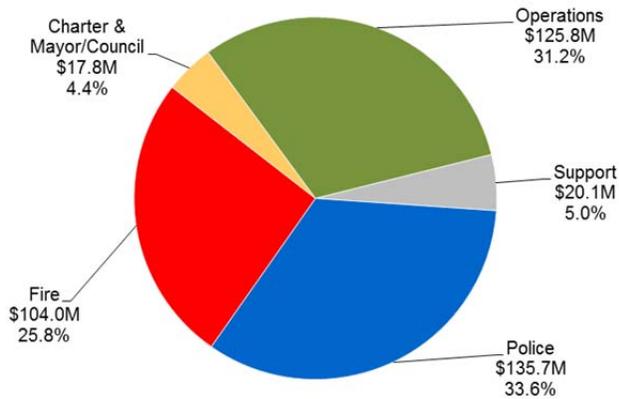
The FY2013/14 Approved Budget includes:

- \$838.6 million and 4,095.07 authorized full-time equivalent (FTE) positions (all funding sources)
- \$372.7 million and 2,896.17 FTE in the General Fund

GENERAL FUND

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

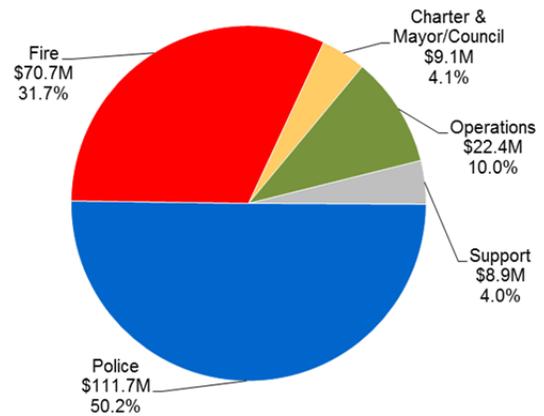
FY2013/14 Gross General Fund Expenditures
(expenditures excluding reimbursements and revenues)
\$403.4 Million



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

The graph below represents the City's net General Fund expenditure budget based on major departmental groupings.

FY2013/14 Net General Fund Expenditures
(expenditures less reimbursements and revenues)
\$222.8 Million



The second quarter is too early to identify major financial trends since the County of Sacramento distributes property taxes in January and May.

Staff received retirement cost estimates in late October that will be used to update the City's General Fund five-year forecast. This information is provided in the FY2013/14 Midyear Report to Council.

General Fund Financial Condition. Based on a review of the major revenue assumptions included in the FY2013/14 Approved Budget, staff has determined that no adjustments to the General Fund's major tax revenues are necessary at this time.

GENERAL FUND (\$ in '000s)

	Budget	YTD Actuals	Percent
Balance, Beginning of FY	-	-	
Revenues	372,560	123,650	33%
Expenditures	372,559	188,445	51%
Total:	1	(64,795)	

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

As shown above, General Fund expenditures have exceeded revenues over the first six months of the fiscal year. This is typical for the fund and indicates the cyclical cash flow pattern of revenues versus expenditures described in the Revenue section below.

Department Projections. Departments highlighted below are projecting a need for budget adjustments and further explanation is provided after the following charts.

Department revenue projections are summarized below.

GENERAL FUND DEPARTMENT REVENUES

Department	FY2013/14 Budget	YTD Actuals	QTR 2 Projected Year-End Variance
City Attorney	52,000	41,147	3,000
City Clerk	52,000	36,678	-
City Treasurer	2,725,000	357,506	-
Community Development	15,800,025	6,569,724	-
Convention, Culture & Leisure	1,564,707	1,030,860	(23,590) ¹
Economic Development	1,382,251	495,000	-
Finance	2,131,823	330,383	-
Fire	23,672,604	5,940,047	(1,919,423)
General Services	761,000	503,031	403
Human Resources	152,000	81,351	-
Parks and Recreation	1,161,766	949,936	-
Police	10,026,071	4,299,490	(574,128)
Public Works	14,882,104	5,999,181	(1,003,900)
Total General Fund:	74,363,351	26,634,334	(3,517,638)

¹ Projected revenue shortfalls will be offset by expenditure savings.

Department expenditure projections are summarized below.

GENERAL FUND DEPARTMENT EXPENDITURES

Department	FY2013/14 Budget	YTD Actuals	QTR 2 Projected Year-End Variance
Mayor/Council	3,120,285	1,405,417	-
City Attorney	3,937,001	1,798,545	143,957
City Clerk	1,212,060	595,287	-
City Manager	1,795,785	766,342	128,902
City Treasurer	1,874,251	815,241	347
Community Development	19,956,003	8,991,004	55,012
Convention, Culture & Leisure	4,694,186	2,037,578	23,590 ²
Economic Development	3,163,331	937,195	92,624
Finance	5,050,779	2,449,498	60,534
Fire	93,323,937	45,739,704	(927,000)
General Services	9,145,116	4,066,675	1,629
Human Resources	2,310,889	1,025,331	-
Information Technology	3,652,761	2,084,198	-
Parks and Recreation	14,304,094	11,181,896	-
Police	120,408,684	60,018,255	85,359
Public Works	5,027,490	11,177,492	(502,163)
Total General Fund:	292,976,652	155,089,658	(837,209)

² Projected Expenditure savings will be used to offset projected revenue shortfall.

The Fire, Police, and Public Works Departments have identified budgetary shortfalls as reflected in the prior charts; details are as follows:

Fire Department

The Fire Department is projecting \$1.9 million lower revenues due to fewer transports in their Advanced Life Support Program and the payment to the Sacramento Regional Fire Emergency Communications Center (a joint powers authority) increased by \$927,000 from previous years due to full staffing and anticipated infrastructure costs. In addition, the department's strike teams have incurred higher than budgeted expenditures for deployment to 20 events throughout California and will be reimbursed by the state. Budgetary actions to adjust revenues and expenditures are included in the FY2013/14 Midyear report.

Police Department

The Police Department is projecting an overall deficit due to the cost of required upgrades for officer radios of approximately \$489,000. Budget actions to increase expenditures are included in the FY2013/14 Midyear report. The recommended action will be sufficient to eliminate the deficit for FY2013/14.

Public Works Department

Public Works is projecting revenue shortfalls and expenditure overruns including \$1 million in the General Fund. There are four areas within the department that require budgetary adjustments: concrete maintenance, citations, parking meters, and traffic signs and markings. Recommendations to adjust revenues and expenditures are included in the FY2013/14 Midyear report.

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

TOP GENERAL FUND REVENUES (in '000s)

Revenue Type	Budget	YTD Actuals
Property Tax	119,325	37,213
Sales and Use Tax	65,305	29,210
Utility User Tax ³	58,982	24,699
Business Operations Tax ³	8,919	3,714
Public Safety Sales Tax	4,843	3,334
Transient Occupancy Tax ³	3,287	937
Total:	260,661	99,106

³After 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 15th of the following month (45 days after the reporting period ends).

City's Major Revenue Sources

Property Tax. Property taxes are the largest General Fund revenue source, accounting for approximately 32% 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, current unsecured, supplemental, and miscellaneous property tax revenues are received in late January and late May.

The first apportionment of the City's FY2013/14 property taxes was received in December 2013. The first secured roll payment was approximately \$1.3 million or 4% higher than the same payment received in FY2012/13. This increase can be attributed to fewer temporary reductions due to Proposition 8 assessments.

Sales and Use Tax. Sales and Use Taxes make up approximately 18% of General Fund revenue. 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, 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 first true-up payment for this fiscal year was received in December. Sales tax was up statewide 3.4%, comparing the third quarter of 2013 to the third quarter of 2012, while Sacramento increased 6.3%. Wholesale construction and business-to-business sales were the largest contributors to the City's sales tax increase.

Utility User Tax (UUT). UUT is 16% of the General Fund revenue and is the City's third 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 through the November 2013 period is down approximately 1% when compared to the same period last year. This decrease in UUT can be attributed to decreases in wireless communications collections.

Other City Revenue Sources

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% of General Fund revenues. Revenue collected is in line with the budget.

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. This tax represents approximately 1% of General Fund revenue. Revenue collected is in line with the budget.

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 percentage points 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. Revenue collected is in line with the budget.

Essential Services Protection Measure - Measure U. Voter approval of Measure U in November 2012 authorized the implementation of an additional one-half cent transaction and use tax effective April 1, 2013. The City has received two quarters of sales tax receipts since inception. To date, the collections have been erratic, the result of confusion over the applicability of the sales tax rate by non-City businesses. Staff will have final numbers for these quarters once they have been corrected and reconciled with the State Board of Equalization. Staff is estimating that the corrected receipts will be consistent with or slightly above budgeted revenues. Additional information on the Measure U Sales Tax Revenues and on the programs funded with these resources is included in the FY2013/14 Midyear report.

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

Key Economic Indicators	12/2012	12/2013
City Unemployment Rate (UR)	11.7%	9.0%
County UR	9.8%	7.7%
State UR	9.8%	8.3%
National UR (12/2012 vs. 12/2013)	7.8%	6.7%
CPI (10/2012-12/2012 vs. 10/2013-12/2013)	1.87%	1.23%
30-Year Fixed Mortgage Rate	3.35%	4.46%

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 Assembly Bill 678: Medi-Cal Ground Emergency Medical Transport (GEMT). In August 2013, the California Department of Health Care Services (DHCS) along with a committee of California fire personnel conducted a training session to review the GEMT claim process. Subsequently, the State established a GEMT website with the requirements, forms, due dates and other pertinent information. Below are some of the base requirements to participate in the GEMT program:

- Enter into a Provider Participation Agreement (PPA) with DHCS which requires the City to enter into an agreement with Sacramento Metropolitan Fire District (Metro).
- Agree to reimburse DHCS for its allocated share of the administrative costs associated with overseeing the program. (The provider's allocated administrative share will be collected by Metro on behalf of DHCS and is anticipated to be a flat fee per transport.)
- Enter into an agreement with Metro authorizing it to pay DHCS. In addition, the agreement will require the City to pay an administrative fee to Metro for their services (one percent of gross reimbursements).
- Complete an Annual Participation Survey, indicating intention to participate in the specified fiscal year's GEMT reimbursement program.

The GEMT program is retroactive to January 30, 2010, and staff has filed claims for FY2009/10 (reimbursement is only available for the last five months of the fiscal year) and FY2010/11 in December 2013. The total amount of the reimbursement claim for both of these periods is approximately \$2 million. Claims for FY2011/12 and FY2012/13 will be filed by early February 2014. The total amount of reimbursement for both of these periods is anticipated to be much less due to the significant number of Medi-Cal patients transferred to Medi-Cal HMO providers. Medi-Cal HMO patient transports are not eligible for reimbursement under the GEMT program. GEMT reimbursements are not expected to be received in the current fiscal year.

Medical Marijuana. Federal enforcement action on the City of Sacramento dispensaries has decreased. A few dispensaries have reopened in their original locations; however, it is still difficult for the dispensaries to relocate and meet all of the City's sensitive use requirements. On October 1, 2013, the City Council amended the City Code (Ordinance 2013-0024) making it easier for dispensaries to relocate. The ordinance became effective November 1, 2013; it is too soon to know the impact. Dispensaries have until March 31, 2014 to submit their phase two permit applications. Even with a little over half of the dispensaries operating, the 4% tax is trending ahead of budget. This revenue stream will be watched closely given the unknown level of federal enforcement action.

ENTERPRISE FUNDS

Enterprise Fund revenues and expenditures are reflected below:

ENTERPRISE FUND REVENUES

Fund Name	Budget	YTD Actuals	Projection
Community Center	23,861,000	8,993,535	23,861,000
Parking	17,891,738	9,479,469	17,891,738
Solid Waste	59,013,000	27,012,011	58,408,830 ¹
Storm Drainage	35,435,206	13,648,774	35,435,206
Wastewater	28,467,753	13,164,185	28,467,753
Water	96,062,689	46,414,536	96,062,689
Total Enterprise Funds:	\$260,731,386	\$118,712,510	\$260,127,216

ENTERPRISE FUND EXPENDITURES

Fund Name	Budget	YTD Actuals	Projection
Community Center	21,571,337	12,679,146	21,571,337
Parking	17,197,692	7,057,159	17,004,787
Solid Waste	52,152,244	19,653,566	50,307,439 ¹
Storm Drainage	33,609,911	15,891,794	33,609,911
Wastewater	21,570,218	9,663,032	21,570,218
Water	72,708,068	26,857,794	72,708,068
Total Enterprise Funds:	\$218,809,470	\$91,802,491	\$216,771,760

¹ Department projected revenue shortfalls will be offset by expenditure savings.

Business Improvement Areas (BIAs) Overview and Fiscal Impact

Expenditures of BIA funds such as general promotion of business activities, promotion of public events, decoration of public places, and furnishing of music in public places are intended to promote economic revitalization and physical maintenance of the business district in order to create jobs, attract new businesses, and prevent erosion of the business district.

BIA revenues are collected by the City at the same time businesses pay their City Business Operations Tax. These revenues are transmitted to the BIAs monthly. The following summarizes the public purpose activities of the respective BIAs and the over reimbursement of BIA revenues.

Del Paso Boulevard BIA

Primary expenditures are for security coordination, image enhancement, and advertising.

Special events include:

- Recognition of New Businesses
- Carnival, Smoke & Fire (BBQ Competition)
- GOOD market – sale of handmade products, food truck items, local clothing line
- Pancake Breakfast

Downtown Plaza BIA

Primary expenditures are for community and center events designed to drive traffic and sales to retailers such as sponsorships of annual Pacific Rim Street Festival, Concerts in the Park, Downtown Ice Rink, and Santa Parade as well as weekly weekend music entertainment free to mall patrons. The BIA coordinates marketing efforts with Downtown Sacramento Partnership (DSP) in order to promote downtown and center businesses.

Special events include:

- Holiday Décor
- Pacific Rim Street Festival
- DSP Ice Rink Sponsorship
- DSP State of Downtown Luncheon
- Live Music Entertainment
- Santa Parade

Franklin Boulevard BIA

Develop a Community Economic Development Strategic Plan that assesses existing conditions of public transportation and the North Franklin District Business Association's ("District") circulation patterns (e.g., bus, light rail, parking, biking, pedestrian infrastructure); access to jobs, affordable housing, health care, and basic neighborhood services (e.g. bank, post office); assess education and public infrastructure needs; and address deterrents to business retention and attraction. The results of the assessments will inform the strategies and recommendations for improvements to the District and ultimately provide a road map for implementation.

Special events include:

- Annual Hispanic Parade
- Annual Membership Meeting
- Business Walk

Old Sacramento BIA

Special events include:

- St. Patrick's Day Parade
- Holiday Programming
- Theatre of Lights
- Mardi Gras
- Gold Rush Days

Stockton Boulevard BIA

Primary expenditures are for retail promotion activities, events, banners, marketing, etc. Special events/community pride projects include neighborhood association support, street clean-up, public safety appreciation, and others. Funds are also used to service garbage cans in BIA boundaries (purchase, installation, and maintenance) and Regional Transit shelter lighting.

Summary of Over Reimbursement to the BIAs (4/2009-10/2013)

BIA Name	Paid	Due	Over Reimbursed
Del Paso	\$ 217,845	\$ 175,053	\$ 42,792
Downtown Plaza	\$ 475,806	\$ 395,203	\$ 80,603
Franklin	\$ 203,837	\$ 172,530	\$ 31,307
Old Sacramento	\$ 901,029	\$ 662,522	\$ 238,507
Stockton	\$ 277,371	\$ 229,076	\$ 48,295

On-Street Parking Revenue Update

During the most recent recession, many cities experienced a rapid decline in parking citation issuance. According to Inglewood Citation Management Services (ICMS), the City's citation processor, their top 10 customers experienced a decline of written citations from FY2009/10 to FY2013/14 by an average of 23% (see Table 1: ICMS Top Issuance Trends). During that same period, Sacramento experienced a 20% decline in citations issued (see Table 2: City of Sacramento Issuance Trend). Although we have seen a recent increase in citations issued, current budget projections indicate that revenues will still fall short of the budgeted revenue amount. This decrease is attributed to lower than expected citation issuance caused by the recent economic downturn, resulting in fewer violation occurrences. It is recommended that the citation revenue budget be decreased by \$1 million (from \$8.98 to \$7.98 million) to realign the budget with projected revenue.

The Parking Division will introduce the following operational changes to streamline effectiveness and modernize its parking assets which will result in improved revenues:

1. Replace eleven obsolete AutoVu License Plate Recognition systems to streamline parking enforcement activities.
2. Create a Relief Parking Enforcement Officer classification to ensure all enforcement beats are covered during staff absences without the use of overtime.
3. Hire 6.0 FTE Parking Enforcement Officers to improve overall service levels and response times.
4. Procure up to 6,000 wireless credit card-enabled smart parking meters allowing for increased meter uptime and acceptance of more payment options to improve the customer experience.
5. Streamline the Citation Review process from eight months to 90 days.

The next six months will be critical to restoring and improving the components of the parking enforcement operations which will increase efficiency.

Table 1

Inglewood Citation Management Services (ICMS)
Top Issuance Trends FY2009 – FY2013

ICMS Top Issuance Trends

Agency	FY 2009	FY 2010	FY2011	FY 2012	FY2013	Total Issuance Between FY09 - FY13
Sacramento	223,850	232,161	197,073	181,644	178,085	1,012,813
Alameda	28,729	26,886	22,054	21,012	22,215	120,896
Alhambra	55,020	45,583	43,236	46,861	41,307	232,007
Burbank	65,074	57,233	53,357	53,766	51,512	280,942
Compton	39,196	29,840	31,596	19,706	19,358	139,696
Hawthorne	46,330	46,728	36,379	39,670	43,932	213,039
Inglewood	65,929	65,540	57,150	54,854	58,142	301,615
Palo Alto	50,041	42,629	40,528	41,950	43,878	219,026
South Gate	25,461	21,645	21,206	19,869	17,983	106,164
San Diego	430,199	477,611	449,285	443,613	434,962	2,235,670
Stockton	31,315	25,971	14,972	13,841	14,154	100,253
Total Issuance by Fiscal Year	1,061,144	1,071,827	966,836	936,786	925,528	4,962,121

Table 2

City of Sacramento Parking Citation Issuance Trend FY2009-FY2013
(Issuance from July 1, 2009 – June 30, 2013)

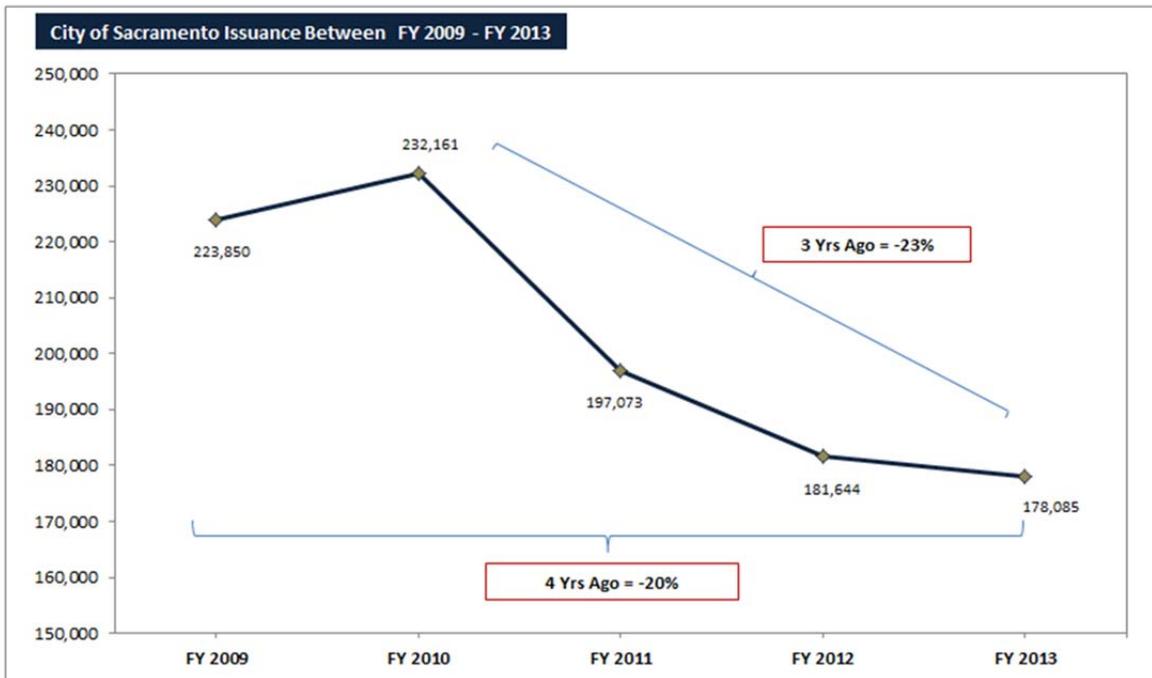
Between fiscal years 2009 and 2013, citation issuance for the City of Sacramento has declined by 20% or 45,765 citations. Peak declines were between fiscal years 2010 and 2011 with a decrease of 15%. The rate of decline has improved since fiscal year 2011.

Total Rate of Diminishing Issuance between FY 2009 and FY 2013

Issuance		
Year	Total Issuance	Average Monthly Issuance
FY 2009	223,850	18,654
FY 2010	232,161	19,347
FY 2011	197,073	16,423
FY 2012	181,644	15,137
FY 2013	178,085	14,840

Total Rate of Change Per Fiscal Year		
Year	Change in Issuance	Rate of Change
FY 2010 v FY 2009	8,311	4%
FY 2011 v FY 2010	-35,088	-15%
FY 2012 v FY 2011	-15,429	-8%
FY 2013 v FY 2012	-3,559	-2%

Total Rate of Change Compared to FY 2009		
Year	Change in Issuance	Rate of Change
FY 2010 v FY 2009	8,311	13%
FY 2011 v FY 2009	-26,777	-4%
FY 2012 v FY 2009	-42,206	-12%
FY 2013 v FY 2009	-45,765	-13%



Measure U Implementation Update

FY2013/14 MEASURE U RESTORATIONS	Approved Budget (in 000s)	Authorized FTE	FTE Hired to Date	Purpose of Restoration	Status of Restoration
FIRE DEPARTMENT					
Recruit Academy	570	-	-	To provide funding for a fire recruit academy which will train future personnel to fill emergency response positions (firefighters).	The April 2013 Academy graduated firefighters in September 2013. The 12.0 FTE are equivalent to staffing a fire engine or truck company - See Fire Company restoration January 2014 below. A new academy started in November 2013 and will graduate recruits in April 2014.
Fire Company Restoration - January 2013	1,380	12.00	12.00	To ensure fire personnel are consistently available to respond to emergencies in an effective time period.	Graduates from the September 2013 recruit academy filled fire company vacancies allowing for this restoration.
Fire Company Restoration - April 2013	1,652	-	-	To ensure fire personnel are consistently available to respond to emergencies in an effective time period.	Positions staffed with overtime until hired.
January 2014 Brownout - Engine 1 Restoration for half of a year	826	-	-	To provide funding for a planned browned out station through December 2013. Funding for the remainder of the fiscal year is to be addressed with the midyear budget report.	This brownout was avoided and staffing was provided through the use of overtime.
Fire Prevention	165	1.00	1.00	To restore a Senior Fire Prevention Officer to provide oversight of workload and increase overall productivity.	Permit inspections have increased by 50% since the position was filled in September 2013.
Fiscal Support	204	2.00	1.00	To provide fiscal support to personnel in a timely and responsive manner.	Partial restoration with the hire of 1.0 FTE to address efficiency and operational effectiveness within the Fiscal Division. The additional position will be filled in early February 2014.
Human Resources	100	1.00	1.00	To conduct employee misconduct complaint investigations.	Staff hired in December 2013 so program restoration is in process.
Technology	479	4.00	1.00	To provide employees specifically trained for Fire to address Fire's technology projects.	The supervising position has been hired and will perform engineering tasks and monitor the overall health of technology for Fire. It is anticipated that the additional positions will be filled by the end of the fiscal year.
Two Medic Units - January 2014	690	12.00		To add two ambulances to help address workload issues and calls within the City response that are currently being covered by other entities.	The program has not been restored and has been deferred to FY2014/15 as the department is still in the process of studying alternative staffing options for this restoration.

FY2013/14 MEASURE U RESTORATIONS	Approved Budget (in 000s)	Authorized FTE	FTE Hired to Date	Purpose of Restoration	Status of Restoration
Additional Medic Revenues (General Fund)	(300)	-	-	The revenue from the Advanced Life Support (ALS) would be used to offset the Measure U costs of the two additional Medic Units.	The anticipated revenues from the two new medics have been proposed to be removed for FY2013/14 as the program has been deferred until FY2014/15.
SAFER Grant Buyback	1,503	-	-	This funding will enable the Fire Department to protect the SAFER grant-funded positions by fulfilling required grant retention requirements.	The department is on track to meet all retention requirements and anticipates expending the grant retention funding in FY2014.
Grant Retention for Future Years	1,300	-	-	Additional funding was identified to be held in reserve to address future year grant retention requirements.	N/A - funding is for future years.
Fire Subtotal	8,569	32.00	16.00		

POLICE DEPARTMENT

Field & Operations	4,467	34.00	10.00	To allow for increased crime prevention, intervention, proactive deployment, and ability to respond to crimes in process. Also, to allow for specialty units to increase response to gang activity, resolve traffic complaints, address citizen concerns, conduct parolee intervention, follow-up on highly sensitive investigations and train officers.	The department has continued recruiting, background checks, and training employees. During this period of hiring, over 2,250 background investigations were started (1,909 applicants did not meet minimum qualifications), 341 background checks were completed and a total of 99 career and non-career employees were hired. Of the 99, a total of 38 career Police Officers were hired. Twenty-eight were placed in remaining General Fund vacancies due to attrition and the balance of 10 were for Measure U vacancies. The department anticipates filling all remaining vacancies during FY2014/15. The additional 10 Police Officers have allowed the department to increase gang and traffic enforcement operations.
Additional Field & Operations Support Previously referred to as Police Officers (Cadets) - January 2014	604	15.00	-	To provide additional support to Field & Operations identified above.	The department anticipates filling these vacancies during FY2014/15.
Investigations	716	6.00	-	To increase the ability to follow-up on violent felony crimes and investigation of felony crimes.	The department anticipates filling these positions during the end of FY2013/14 and beginning of FY2014/15, pending the completion of field training by the recent academy graduates and adequate staffing in Field & Operations. The additional personnel added to Field & Operations have been utilized to expand Gang Enforcement Teams (GET) and Crime Suppression Teams until Investigations can be fully staffed.

FY2013/14 MEASURE U RESTORATIONS	Approved Budget (in 000s)	Authorized FTE	FTE Hired to Date	Purpose of Restoration	Status of Restoration
Forensics	300	6.00	4.00	To provide the department with the ability to shift sworn officers, who currently perform this function, back onto the streets and increase capacity to conduct forensic investigations including latent fingerprint examinations/identifications.	The department anticipates filling these vacancies by the end of FY2013/14.
Communications	200	4.00	-	To allow for the continued expansion of the pilot program to receive cellular 911 calls, reduce wait times, provide more rapid response, and a higher level of customer service.	The department anticipates filling these vacancies by the end of FY2013/14. Seven Dispatcher Recruits have been hired and are currently in the dispatcher academy. These seven will be placed in existing general fund dispatcher vacancies.
Crime Analysis	100	1.00	1.00	To conduct integrated crime analysis to be merged with patrol functions and investigative elements to improve effectiveness in public safety.	The department has given a conditional job offer to a crime analyst and will finalize upon completion of the background process.
Required Retention for COPS Hiring and Recovery Program (CHRP and CHP) Grants	2,734	60.00	60.00	To protect CHRP and CHP grant funded positions by fulfilling required grant retention requirements. Currently 27 of the 60 grant funded positions are in retention.	The department is on track to meet all retention requirements and anticipates expending the grant retention funding in FY2013/14.
Previously referred to as COPS' Universal Hiring Program Retention					
Grant Retention for Future Years	2,749	-	-	Additional funding was identified to be held in reserve to address future year grant retention requirements.	N/A - funding is for future years.
Police Subtotal	11,870	126.00	75.00		
Public Safety Subtotal	20,439	158.00	75.00		

PARKS AND RECREATION DEPARTMENT

Aquatics: includes the Junior Lifeguard program, \$50,000 in additional revenues & YMCA savings [\$86,000]	1,558	27.00	27.00	To open City swimming pools and wading pools and restore related services that include swim lessons, teams and lifeguard training.	Eleven of the twelve City-owned swimming pools and five wading pools were open during the swim season.
Community Centers/Teen Services: Hot Spots and Summer at City Hall	1,100	22.95	22.95	To provide safe activities for youth and restore community center operations to 4 to 5 days a week at Oak Park (OP), Mims Hagginwood (MH), George Sim (GS), Pannell Meadowview (PM) and South Natomas (SN) centers.	(1) Hot Spots are operating at three centers - OP, GS and PM; (2) Youth sports and Kids Camps are operating at five centers - OP, MH, GS, PM and SN; (3) The "tweener" club (ages 12-17) operates at GS; (4) Prime Time Teen program is operating at GS and PM Centers; (5) Middle School Sports for grades 6-8 operates at OP, SN, PM, GS and MH; and (6) Neighborhood Hot Spots have started for hot spots outside the community centers.

FY2013/14 MEASURE U RESTORATIONS	Approved Budget (in 000s)	Authorized FTE	FTE Hired to Date	Purpose of Restoration	Status of Restoration
Park Maintenance	1,600	21.00	16.00	To restore services that include frequency of restroom cleaning, trash pickup, weeding, and to lower response times for irrigation repairs.	Additional staff hired in the fall of 2013. In the process of acquiring sufficient vehicles and equipment to fully implement service levels.
Senior Programs (Assistance, Referral, and More for Seniors [ARMS] and Caring Neighborhoods)	172	1.00	1.00	To restore services that support the safety and independence of older adults in the community.	There are extended Senior Center hours, ARMS will be restored now that the Hart Senior Center has been reopened (January 2014) and Caring Neighborhoods is in the planning phase.
Gang Prevention	50	1.00	1.00	To provide administrative and fiscal support for gang violence prevention programs.	Position has been filled to provide these support services.
Capital Investment - Parks	250	-	-	To provide funding for projects to bring park infrastructure up to code. Focus is on critical water safety projects.	Identification and planning of projects took place in October 2013. The repair and replacement activity will begin in spring 2014 and will be completed by summer 2014.
Parks and Recreation Subtotal	4,730	72.95	67.95		
MISCELLANEOUS					
Animal Control Officer	85	1.00	-	To enhance animal enforcement and field services.	The department has not yet filled this position. It is anticipated that the position will be filled in March 2014.
Library Restoration	506	-	-	Restore library funding to the maintenance of effort (MOE) funding level required by the voter approved library parcel tax.	Library funding has been restored.
Miscellaneous Subtotal	591	1.00	-		
Total Measure U Restorations	25,760	231.95	158.95		

RESOLUTION NO. 2014-XXXX

Adopted by the Sacramento City Council

**AMENDING THE FISCAL YEAR (FY) 2013/14
APPROVED BUDGET**

BACKGROUND

- A. The FY2013/14 Approved Budget was adopted on June 11, 2013. 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 this review, several budget adjustments and technical corrections are necessary in order to ensure the City does not overspend budgetary resources, and has the capacity to address identified critical needs, and operational improvements and efficiencies.
- B. The City's FY2012/13 Comprehensive Annual Financial Report (CAFR) was prepared presenting the City's financial condition and the results of its activities for the fiscal year ending June 30, 2013. The CAFR financial statements were audited, as required by the City Charter, by an independent public accounting firm. The General Fund's FY2012/13 year-end results provided \$10.45 million in resources to address the City's budget requirements outlined in the FY2013/14 Midyear Report.
- C. Exhibits A, B, and C include the recommended adjustments to the FY2013/14 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 summary of changes in appropriations (Exhibit A), position reclassifications (Exhibit B), and position adjustments (Exhibit C) which are a part of this resolution are hereby approved.
- Section 2 The City Manager is authorized to release \$10.45 million from FY2013/14 General Fund budgetary results, and amend/establish revenue and expenditure budgets, and open capital projects as necessary for the following programs/projects:

Program/Project	CIP #	Allocation (in millions)
IT primary servers to 911 dispatch center	C07000200 ¹	2.10
Unfunded retiree medical liability (OPEB)		2.00
On-street parking revenue shortfall		1.00
Police radio replacement		0.49
City Manager's Strategic Planning Project	I02000400	0.40
Account Based Health Plan (ABHP) enrollment (above budget)		0.19
BIA transition to actual revenue		0.08
Economic Uncertainty Reserve		2.03
	Subtotal:	8.28
Designation to Set Aside & Fix at Year End as Needed²		
ALS revenue shortfall		1.60
Fire Comm Center staffing/capital replacement		0.57
	Midyear Designation:	2.17
	Total:	10.45

¹Establishes new project.

²The \$2.17 million designation will be transferred as needed at year-end to address department shortfalls. Any remaining funds shall be transferred to the EUR.

- Section 3 The City Manager is authorized to reduce Fleet Fund capital projects by up to \$200,000 as needed to address fleet operating budget shortfalls at year end.
- Section 4 The City Manager is authorized to establish a new accounting fund to be known as the Township 9 CFD No. 2012-06.
- Section 5 The Crocker Art Museum expansion project (M13000100) contracts with construction and design consultants shall be increased as follows: (1) Increase contract authority with MC2 up to and including \$200,000; and (2) Increase contract authority with Ivey Engineering up to and including \$200,000.
- Section 6 The City Manager is authorized to record over reimbursements to the Del Paso Boulevard, Downtown Plaza, Franklin Boulevard, Old Sacramento, and Stockton Boulevard Business Improvement Areas (BIAs) as payments for public purpose activities. Additionally, the City Manager is authorized to provide an additional \$75,000 to be allocated to the BIAs to minimize hardship during the transition period. Effective July 1, 2014, only actual revenues collected for each BIA shall be remitted as payments to the BIAs. The City Manager is authorized to pursue and resolve claims related to the overpayment of collected assessments to BIAs and budget any funds recovered in the General Fund administrative contingency.
- Section 7 The City Manager is authorized to reduce the revenue and expenditure budgets in the Cal EPA Fund to align the budget with actual revenue collected and associated expenditures.

Section 8 The use of previously authorized Measure U Funds in the Police and Fire Departments is authorized for the continuation of background investigations, the restoration of a brownout from January to June 2014, and to cover increased costs at the Sacramento Regional Fire Communication Center (SRFCC).

Section 9 The FY2013/14 Budget Resolution (2013-0198), is modified as follows:

Section 8.4: Unobligated appropriations in existence on June 30, 2013, for the Fire Department station expenses (Account 481230) pursuant to the current Fire labor contract, ~~shall~~ **may** be carried over to the next fiscal year.

Section 8.10 (new): The City Manager is authorized to increase the revenue (Account 391320) and fleet replacement expenditure (Account 474210) budgets in the Fleet Fund (Fund 6501) upon completion of audited financial statements to allow the continued purchasing of prior year funded replacement vehicles.

Section 10.10: Except as provided for in Section 10.9, the City Manager is authorized to increase or decrease project budget appropriations by not more than \$100,000 for each project. Appropriation changes exceeding \$100,000 in total for any project shall be submitted to the City Council for approval by resolution. **The City Manager's administrative authority to adjust budgets for capital projects shall be reset after budgetary actions are authorized by the City Council.**

Section 10.15: The 2013-2018 CIP Budget (Schedule 4, Exhibits 4 and 5) includes projects that are directly supported by user and developer fees, **and utility rebates**. The City Manager is authorized to adjust department revenue budgets and CIP expenditure budgets for projects directly supported by fees **and rebates** based on the actual fees **and rebates** collected, less any operating costs associated with delivering the service.

Section 17.3(6) (new): The City Manager is authorized to adjust the spay/neuter revenue account (Account 341380, Program 13006) in the Department of General Services operating budget and increase the Animal Care Low Income Spay/Neuter Program (I13000600) multi-year operating project expenditure budget in the General Fund (Fund 1001) to reflect 50% of the penalty fees collected per City Code Section 9.44.215(D).

Exhibits:

Exhibit A – Midyear Budget Adjustments

Exhibit B – Reclassification Requests

Exhibit C – FTE Adjustments

Budget Adjustments

Department	Fund Name (Number)	Revenue Adjustment	Expenditure Adjustment	Description
Convention, Culture and Leisure - Marina	Marina (2608)	-	(579,226)	Reduce expenditure budget to reflect reduced occupancy which is being offset by a reduction in debt service paid to the State of California.
Fire	General (1001)	667,272	667,272	Increase revenue and expenditure budgets to reflect increase reimbursements for fire strike teams.
Parks and Recreation	North Natomas CFD 3 (2230)	-	315,000	Transfer of funding and maintenance responsibilities from the Utilities Department to Parks and Recreation for maintenance of various North Natomas Parks. Funding will cover operational costs including the addition of 5.0 FTE in the Parks and Recreation Department.
Public Works	Subdivision Landscaping Maintenance (2205)	-	185,276	Increase the streetscape maintenance budget to continue refurbishment and replacement of landscaping in various neighborhoods.
Public Works	Measure A (2026)	500,000		Reduce the Concrete Maintenance Division capital project reimbursements resulting in additional funding for maintenance operations.
Public Works	Gas Tax (2002)	925,000	925,000	Increase Gas Tax revenues based on higher than budgeted revenues and adjust the department reimbursements to reflect the use of Gas Tax in lieu of Measure A and Traffic Safety revenues.
Public Works	Measure A (2026)	(525,000)	(525,000)	Reduce Measure A revenues and adjust the reimbursements to reflect the use of Gas Tax in lieu of Measure A revenues.
Public Works	Traffic Safety (2006)	(400,000)	(400,000)	Reduce Traffic Safety revenues and adjust the reimbursements to reflect the use of Gas Tax in lieu of Traffic Safety revenues.
Utilities	North Natomas CFD 3 (2230)	-	(315,000)	Transfer of funding from the Utilities Department to Parks and Recreation for maintenance of various North Natomas parks.
Net Department Changes:		\$ 1,167,272	\$ 273,322	

Multi-Year Project Appropriations

Project Name (Number)	Fund Name (Number)	Revenue Adjustment	Expenditure Adjustment	Description
Capital Project Changes				
Assessment District (AD) Basin 141 Improvements (W14140100)	Sunset Meadows AD Maintenance (2220)	-	1,600,000	Transfer funding source from CFD 97-01 Construction Fund 3333 to Sunset Meadows AD Maintenance Fund 2220 for the AD Basin 141 Improvement Project (consistent with Resolution 2013-0125).
Assessment District (AD) Basin 141 Improvements (W14140100)	CFD 97-01 Construction (3333)	-	(1,600,000)	Transfer funding source from CFD 97-01 Construction Fund 3333 to Sunset Meadows AD Maintenance Fund 2220 for the AD Basin 141 Improvement Project (consistent with Resolution 2013-0125).
City Facility Reinvestment Program (C13900000)	2002 (Fund 3002), 2003 (Fund 3003), & 2006 CIRBs (3006)	-	625,000	Increase project budget to provide funding needed for critical facility investments at the City Cemetery (roof), Central Library (flooring/windows), Crocker Art Museum (waterproofing), and the Sacramento Marina (roof & mechanical).
Crocker Expansion Project (M13000100)	2006 CIRBs (3004) & 2006 CIRBs (3006)	-	325,000	Increase project budget to cover litigation expenses related to construction defects.
Energy Conservation Measures (C13001100)	2006 CIRBS (3006)	-	300,000	Increase project budget to provide funding for energy conservation measures at the City's 911 Dispatch Center and the Kinney substation.
Franklin Boyce Park Ph 2 (L19118200)	Quimby Act (2508)	-	100,000	Transfer from the Meadowview Regional Park Acquisition project to the Franklin Boyce Park Phase 2 project.
Fuel Management and Support Equipment (C13000100)	Fleet (6501)	-	(555,000)	Transfer funding from the project to fund balance, project to be funded with Solid Waste funds.
Fuel Management and Support Equipment (C13000100)	Solid Waste (6007)	-	555,000	Transfer funds from Y14000900 to C13000100 to fund the Meadowview LNG fuel station project.
Meadowview Regional Park Acquisition (L19004200)	Quimby Act (2508)	-	(100,000)	Transfer from the Meadowview Regional Park Acquisition project to the Franklin Boyce Park Ph 2 project (corrects Resolution 2013-0331 which stated the remaining balance was \$89,000 and should have been \$189,000).
North Natomas CC (B13001000)	N.Natomas Improvement (3201)	-	(600,000)	Cancel project and return budget to fund balance.
Overlay and Seal FY14 (R15142000)	Measure A (2026)	-	(500,000)	Reduce expenditure budget to provide additional maintenance funding for the Concrete Maintenance Division.
Parking Facilities Development (V15710000)	Parking (6004)	-	(1,500,000)	Reduce project budget and return funds to fund balance.
Solid Waste Facility Repair & Rehab (Y14000900)	Solid Waste (6007)	-	(555,000)	Transfer funds from Y14000900 to C13000100 to fund the Meadowview LNG fuel station project.
Externally Funded Program Changes				
Supplemental Employment (E11005211)	Externally Funded (2703)	183,436	183,436	Increase revenue and expenditure budget to reflect increased external funding.
Measure U Multi-Year Program Changes				
FY14 Fire Measure U (I80120200)	Measure U (2401)	-	(690,000)	Reduce Measure U funding in the FY14 Fire Measure U multi-year project and return to fund balance based on a delay in implementing the two additional medic units until FY2014/15.
Net Multi-Year Project Changes:		\$ 183,436	\$ (2,411,564)	

Changes in Fund Balance

Fund Name	Fund Number	Change	Description
2002 CIRBS	3002	(80,000)	Transfer to the City Facility Reinvestment Program (C13900000).
2003 CIRBS	3003	(345,357)	Transfer to the City Facility Reinvestment Program (C13900000).
2006 CIRBS - Series A	3004	(101,643)	Transfer to the Crocker Expansion Project (M13000100) for current litigation.
2006 CIRBS - Series C	3006	(723,000)	Transfer to the Energy Conservation Measures Program (C13001100), Crocker Expansion project for litigation, and the City Facility Reinvestment Program (C13900000).
CFD 97-01 Construction	3333	1,600,000	Transfer funding source from CFD 97-01 Construction Fund 3333 to Sunset Meadows AD Maintenance Fund 2220 for the AD Basin 141 Improvement Project (consistent with Resolution 2013-0125).
Fleet	6501	555,000	Increase fund balance based on a reduction in C13000100.
Marina	2608	579,226	Increase fund balance based on reduced debt service expenses.
Measure U	2401	690,000	Increase fund balance based on the delayed implementation of two additional medic units for the Fire Department.
North Natomas Improvement	3201	600,000	Increase fund balance based on the cancellation of the North Natomas Community Center project (B13001000).
Parking	6004	1,500,000	Increase fund balance based on a reduction in V15710000.
Subdivision Landscaping Maintenance	2205	(185,276)	Transfer to the Public Works Department for streetscape maintenance to continue refurbishment and replacement of landscaping in various neighborhoods.
Sunset Meadows AD Maintenance	2220	(1,600,000)	Transfer funding source from CFD 97-01 Construction Fund 3333 to Sunset Meadows AD Maintenance Fund 2220 for the AD Basin 141 Improvement Project (consistent with Resolution 2013-0125).
Net Fund Balance Changes:		\$ 2,488,950	

RECLASSIFICATION REQUESTS

all requests are subject to Human Resources approval

Dept ID	Budgeted Classification	Union (Rep. Unit)	Proposed Reclassification	Union (Rep. Unit)	FTE
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Economic Development

18001021	Economic Development Manager	SCXEA (01)	Senior Development Project Manager	SCXEA (01)	1.00
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Finance

06001241	Utility Service Inspector (UPNY)	L39 (16)	Claims Collector	L39 (16)	1.00
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Fire

12001331	Administrative Officer	SCXEA (01)	Fire Battalion Chief	522 (05)	1.00
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General Services

13001221	Equipment Mechanic II	IAMAW (12)	Senior Equipment Serviceworker	IAMAW (12)	1.00
13001541	Associate Architect	WCE (11)	Associate Electrical Engineer	WCE (11)	1.00
13001541	Senior Engineer	SCXEA (01)	Senior Architect	SCXEA (01)	1.00
13001561	Supervising Architect	SCXEA (01)	Supervising Engineer	SCXEA (01)	1.00
13001711	Integrated Waste Collections Superintendent	SCXEA (01)	Program Analyst	SCXEA (14)	1.00
13001711	Program Analyst	SCXEA (14)	Program Specialist	SCXEA (01)	1.00
13001711	Support Services Manager	SCXEA (01)	Integrated Waste Planning Superintendent	SCXEA (01)	1.00

Human Resources

08001111	Senior Staff Assistant	SCXEA (10)	Personnel Technician	SCXEA (10)	1.00
08001211	Personnel Technician	SCXEA (10)	Program Analyst	SCXEA (14)	1.00
08001321	Senior Staff Assistant	SCXEA (10)	Personnel Technician	SCXEA (10)	1.00

Information Technology

07001011	Administrative Technician	SCXEA (10)	Program Analyst	SCXEA (14)	1.00
07001041	GIS Specialist III	L39 (17)	IT Supervisor	SCXEA (01)	1.00

Parks and Recreation

19001311	Park Maintenance Worker I	L39 (03)	Administrative Analyst	SCXEA (14)	1.00
19001311	Park Maintenance Worker I	L39 (03)	Community Garden Coordinator	L39 (03)	1.00
19001311	Park Maintenance Worker II	L39 (03)	Horticultural Specialist	L39 (03)	1.00

Police

11001061	Police Clerk III	L39 (16)	Emergency Communications Manager	SCXEA (01)	1.00
11001381	GIS Specialist I	L39 (17)	Principal Applications Developer	SCXEA (01)	1.00

Public Works

15001021	IT Support Specialist II	L39 (16)	Senior Department Systems Specialist	L39 (16)	1.00
15001111	Accounting Technician	L39 (16)	Accountant Auditor	SCXEA (01)	1.00
15001111	Engineering Technician III	L39 (16)	Accountant Auditor	SCXEA (01)	1.00
15001211	Department Systems Specialist II	L39 (16)	Senior Department Systems Specialist	L39 (16)	1.00
15001621	Associate Planner	L39 (17)	Senior Engineering Technician	L39 (16)	1.00
15001921	Program Analyst	SCXEA (14)	Administrative Analyst	SCXEA (14)	1.00
15001931	Traffic Worker I	1176 (08)	GIS Systems Specialist I	L39 (17)	1.00

Utilities

14001061	Sanitation Worker I	L39 (03)	Staff Aide - Management	SCXEA (01)	1.00
14001061	Storekeeper	L39 (16)	Program Analyst	SCXEA (14)	1.00
14001071	Supervising Engineer	SCXEA (01)	Staff Aide - Management	SCXEA (01)	1.00
14001211	Secretary	L39 (16)	Senior Staff Assistant	SCXEA (10)	1.00
14001311	Secretary	L39 (16)	Senior Staff Assistant	SCXEA (10)	1.00
14001351	Program Analyst	SCXEA (14)	Senior Department Systems Specialist	L39 (16)	2.00
14001421	Utilities Operations & Maint. Serviceworker	447 (07)	Utility Locator	447 (07)	1.00
14001421	Utilities Operations & Maint. Serviceworker	447 (07)	Utility Operations & Maint. Specialist	447 (07)	2.00
14001451	Construction Inspector II	L39 (16)	Program Analyst	SCXEA (14)	1.00
14001461	Utilities Operations & Maint. Serviceworker	447 (07)	Utility Locator	447 (07)	1.00
14001611	Stores Administrator	SCXEA (14)	Administrative Officer	SCXEA (01)	1.00
14001631	Account Clerk II	L39 (16)	Staff Aide - Billing	L39 (16)	4.00

Union	Rep Unit #	Represented Unit
1176	08	Auto, Marine, and Specialty Painters, Local 1176
447	07	Plumbers & Pipefitters, Local 447
522	05	Sacramento Firefighters, Local 522
BLT	06	Sacramento - Sierra Building and Construction Trades Council
IAMAW	12	International Association of Machinists and Aerospace Workers
L39	03	Stationary Engineers, Local 39 (Operations and Maintenance)
L39	04	Stationary Engineers, Local 39 (Plant Operators)
L39	15	Stationary Engineers, Local 39 (General Supervisory)
L39	16	Stationary Engineers, Local 39 (Office & Technical)
L39	17	Stationary Engineers, Local 39 (Professional - Miscellaneous)
N/A	09	Non-Career
N/A	20	Executive Management
N/A	21	Mayor/Council Support
N/A	22	Executive Management Support
N/A	CC	Mayor/Council
SCXEA	01	Sacramento City Exempt Employees Association (Exempt Management)
SCXEA	10	Sacramento City Exempt Employees Association (Confidential/Administrative)
SCXEA	14	Sacramento City Exempt Employees Association (Exempt Management Support)
SPOA	02	Sacramento Police Officers Association
WCE	11	Western Council of Engineers

Midyear FTE Adjustments

Department	Fund (#)	Budgeted Classification	Union (Rep. Unit)	FTE Adjustments	Description
General Fund Corrective Actions					
Convention, Culture & Leisure	General (1001)	Arts in Public Spaces Specialist	SCXEA (01)	(1.00)	Reduction in labor and elimination of CIP reimbursements.
General Services	General (1001)	Program Specialist	SCXEA (01)	1.00	Increase labor and CIP reimbursements to offset labor costs.
Parks & Recreation	General (1001)	Human Services Program Coordinator	Non-Career (09)	(0.50)	Reduction of positions to offset costs of reclassifications.
	General (1001)	Irrigation Technician	L39 (03)	1.00	Transfer of funding and maintenance responsibilities from the Utilities Department to the Parks and Recreation Department for maintenance of various North Natomas Parks.
	General (1001)	Park Maintenance Worker	L39 (03)	2.00	
	General (1001)	Park Maintenance Worker II	L39 (03)	2.00	
	General (1001)	Youth Aide	Non-Career (09)	(1.50)	Reduction of positions to offset costs of reclassifications.
Police	General (1001)	Police Clerk II	L39 (16)	(2.00)	Organizational restructure and reduction of positions to offset costs of FTE changes including reclassifications.
	General (1001)	Student Trainee (Most Majors)	Non-Career (09)	1.00	
Public Works	General (1001)	Parking Enforcement Officer	L39 (03)	-	For staffing flexibility, change one Parking Enforcement Officer 1.0 FTE position to two 0.5 FTE positions.
Other Funds Corrective Actions					
Utilities	Water (6005)	Customer Service Assistant	L39 (16)	(0.50)	Consolidation of vacant part-time positions for a full-time grant specialist to pursue grant funding opportunities for the department's capital improvement program and mitigate the impact of funding the improvements on rate payers.
	Water (6005)	Typist Clerk I	L39 (16)	(0.50)	
	Water (6005)	Program Specialist	SCXEA (01)	1.00	
FTE Adjustments:				2.00	