

Meeting Date: 2/10/2015

Report Type: Staff/Discussion

Report ID: 2015-00005

Title: Fiscal Year (FY) 2014/15 Midyear Budget Report

Location: Citywide

Recommendation: Pass a Resolution 1) amending the Fiscal Year (FY) 2014/15 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.

Contact: Leyne Milstein, Director of Finance, (916) 808-8491; Dawn Holm, Budget Manager, (916) 808-5574, Department of Finance

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 (Second Quarter Financial Report)
- 3-Attachment 2 (Measure U Revenue Forecast)
- 4-Attachment 3 (Measure U Implementation Update)
- 5-Resolution
- 6-Exhibit A (Budget and Staffing Adjustments)
- 7-Exhibit B (Reclassification Requests)

City Attorney Review

Approved as to Form
Gerald Hicks
2/4/2015 11:17:37 AM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 2/4/2015 10:34:55 AM

Issue Detail: The FY2014/15 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. The attached Resolution (Attachment 4) includes detailed information on the recommended adjustments by department (Exhibits A and B). Additionally, this report includes the City’s second quarter financial report (Attachment 1) providing operating department year-end projections and the current status of major General Fund revenues.

As outlined in the FY2013/14 Comprehensive Annual Financial Report (CAFR), the fiscal year ending June 30, 2014, resulted in one-time General Fund budgetary resources of \$17.395 million or 3.4% of the adopted General Fund expenditure budget. The majority of the savings are the result of departmental savings and receipt of revenues above budget. The City Manager is recommending that these one-time funds be used to address Council initiatives and unfunded operational needs:

| Description | Project # | Adjustments (\$in millions) |
|---|-----------|--------------------------------|
| City Council Initiative | | |
| Independent Budget Analyst | | 0.120 |
| Employee/Retiree Benefits | | |
| SCERS Social Security Offset Repayment | | 3.000 |
| Unfunded Retiree Medical Liability (OPEB) | | 1.000 |
| Account Based Health Plan | | 0.200 |
| Facility / Multi-Year Project Needs | | |
| Streetcar Project | S15131800 | 3.000 |
| 911 Facility Electrical Upgrades Necessary for Primary Data Center Relocation | F13000100 | 0.800 |
| ESC Litigation | I02000500 | 0.700 |
| LED Streetlights (additional phase) | C13001900 | 0.650 |
| Efficiencies/Technology | | |
| Emergency Radio Digital Upgrade ¹ | | 4.925 |
| Citywide Financial/Human Resources System (eCAPS) Upgrade | A07000600 | 1.500 |
| Citywide Implementation of Contract Management System and Digital Signature | A07000700 | 1.500 |
| Total: | | 17.395 |

¹ This is a commitment of fund balance and will require additional City Council action.

Independent Budget Analyst: On January 6, 2015 the City Council voted to add three positions for the Office of the Independent Budget Analyst and directed the City Manager to include funding for the remainder of FY2014/15 in the Midyear Budget report. It is estimated that recruitment and staffing costs for the remainder of the fiscal year will be approximately \$120,000, with a total estimated cost of \$500,000 to be included in the FY2015/16 Proposed Budget.

Sacramento City Employee Retirement System (SCERS) Social Security Offset Repayment:

The City has engaged an actuarial firm to review the accuracy of SCERS pension benefit calculations. The scope of the review includes recalculating the pension benefit amount for approximately 320 retirees who retired after January 1, 2005 to determine whether the social security offset provision was applied accurately. The scope also includes reviewing the application of the annual cost of living adjustment (COLA) and associated COLA banks for the retirees.

The actuarial review of the benefit calculations is expected to be completed by March 2015 and, as a result, the final determination of any overpayments or underpayments, and the resulting affect on the total pension liability, cannot be determined at this time. However, the City believes any repayment to the plan would be no more than \$3 million. Any amount unspent after the repayment has been finalized will go back to the General Fund.

Other Post-Employment Benefits (OPEB): As presented to the City Council on January 27, 2015, the City has \$1.2 billion 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, OPEB, is \$452 million.

In September 2013, consistent with best practices outlined by the Government Finance Officers Association (GFOA), the City Council authorized the establishment of an OPEB Trust. The balance of the trust as of December 31, 2014 was \$5.2 million. This report recommends adding an additional \$1 million from FY2013/14 General Fund results, bringing the trust to \$6.2 million.

Account Based Health Plan (ABHP): The ABHP is one strategy available in lowering future healthcare costs. The FY2014/15 Approved Budget included \$300,000 for new enrollees to the program. As of December 31 enrollment exceeded the available budget and based on estimated hiring for the remainder of the fiscal year an additional appropriation of \$200,000 is recommended.

Streetcar Project: On January 13, 2015 the City Council voted to reserve a total of \$7 million in City funds for the Downtown Riverfront Streetcar. The Council action identified the following funding sources for this project:

| Funding Sources | Amount (\$ in millions) |
|---|------------------------------------|
| Cal EPA Building Lease Revenue | 1.0 |
| Community Development Block Grant (pending availability) | 1.0 |
| Economic Development Fund | 2.0 |
| Fiscal Year 2014 Year-end (pending CAFR and Midyear Report) | 3.0 |
| Total: | 7.0 |

The recommended funding implements Council's January 13th direction.

911 Facility Electrical Upgrades: With the initiation of the relocation of the primary data center to the 911 Communication Center several electrical and potential water intrusion issues at the 911 Communication Center have been identified. In order to identify and quantify the scope of the electrical work that must be completed to support the data center relocation, an electrical system study is being prepared by a consulting engineer. The electrical study will be completed in early May. A water intrusion inspection is also underway to determine proposed solutions. Inspection reports along with the electrical study will provide options to improve the life safety and integrity of this essential facility.

Substantially modifying the electrical system and adding additional equipment to improve reliability and maintainability may be required. The electrical system and other facility issues could range from electrical system upgrades and water intrusion improvements that may require sealing the slabs and exterior walls. Additional solutions may include site improvements/sealing and modification of exterior metal flashings of the entire structure. Staff is estimating the cost of these improvements to be between \$500,000 and \$1.5 million. This report recommends adding \$800,000 to the 911 Dispatch Training Facility project (F13000100) to address these issues. General Service's staff will return to Council for approval of the improvements and to address any funding shortfalls when a detailed scope of work is available.

ESC Litigation: As a result of the City Council's approval of the preliminary non-binding term sheet for the Entertainment and Sports Center (ESC) project (I02000500), approximately \$700,000 is needed to cover current and future costs of litigation associated with this effort. This amount is in addition to the \$750,000 Council authorized on June 24, 2014, for outside legal counsel, depositions, testimony, court hearings, and legal brief costs. With this additional funding, the total General Fund cost related to litigation is approximately \$1.45 million.

LED Streetlights: The latest development in Light Emitting Diode (LED) technology has made it possible to convert the City's Type B street lights from the existing High Pressure Sodium (HPS) fixtures to the highly energy efficient LED technology. Most of the City's Type B street light fixtures, approximately 13,000, are at or near end of service life and will need to be replaced in the near future. Converting these street light fixtures to LED will reduce energy consumption by more than 50%. In addition, the City will save on future replacement and maintenance costs because the LED fixtures will last more than 20 years, approximately five times the life of the current HPS fixtures. This project will strategically convert 1,300 of the City's total portfolio of Type B fixtures to LED, leaving 11,700 to be replaced when additional funding is available. The total cost of this phase is estimated at \$650,000 and will take approximately six months. When completed, the City will save an estimated \$524,000 in energy cost and \$390,000 in maintenance and replacement cost over the life of the fixtures. The conversion will support the City's sustainability goals by reducing greenhouse gas emissions and 332,000 kWh annually.

This project is a continuation of the City's ongoing Street Light LED Conversion effort. Previously, the City allocated \$4.8 million toward converting all mast arm (cobra head) lights in

the City to LED. The proposed project above will further the City's goal toward converting all City street lights to energy efficient LED.

Emergency Radio Digital Upgrade: One-time resources of \$4.92 million are requested to be committed to the acquisition and upgrade of the City's emergency radios. The City of Sacramento along with a number of public safety and local government partner agencies (through a Joint Powers Authority (JPA)) utilize the Sacramento Regional Radio Communication System (SRRCS) for emergency and critical radio communication needs. The SRRCS is currently in the process of migrating to a digital standard that is fully compliant with federal regulatory Project 25 (P25) digital standards and necessary regional interoperability functions from the existing analog system. As part of the system transition from analog to digital, each radio that utilizes the SRRCS must be replaced or upgraded with the necessary software to enable radio operations on the new SRRCS infrastructure.

The upgrading/replacing of radios has been in process for several years; however, there are approximately 1,105 radios that still require full replacement, and another 1,105 radios that require software system upgrades. City staff has negotiated a 45% discount on radio purchases resulting in approximately \$3.5 million in savings. The standard discount rate is 25% using competitive bid/cooperative purchasing agreements. Other negotiated incentives include a free software upgrade for every new radio purchased and discounted labor rates for radio upgrades. Without the upgrade/replacement the City will no longer be able to utilize the SRRCS for emergency radio communications.

eCAPS Upgrade: One-time resources of \$1.5 million are recommended for the upgrade of the City's PeopleSoft Financial and Human Resources System, also known as electronic Citywide Accounting and Personnel System (eCAPS). The system has been in production for over seven years and like most software systems, upgrades are required on a regular basis to ensure continued technical support from PeopleSoft and to comply with government reporting requirements including, but not limited to, processing federal and state payroll changes (W2's and 1099's). In an effort for the City to maintain the level of support required for this critical administrative business system, an upgrade to the most recent PeopleSoft version, 9.2, needs to be performed in order to properly support financial, payroll, human resource, benefit, and budgetary systems.

Citywide Implementation of Contract Management System and Digital Signature: The City of Sacramento is committed to working in an innovative digital environment to increase efficiency, eliminate redundancies, improve transparency and reduce costs. The Automated Bids, Contracts and Digital Signatures (ABCDs) program will develop consistent operating principles, processes, procedures, standards and technologies for the solicitation and management of contracts using legally binding digital signatures within the process, as appropriate. The recommended funding of \$1.5 million for the ABCD program will encompass the identification, acquisition and implementation of a comprehensive system that provides effective and efficient

management of citywide contract processing from solicitation of goods and services to contract creation, execution and management, including the use of digital signatures.

MIDYEAR ANALYSIS

A midyear review of department and fund activities has been prepared consistent with the Approved Budget Resolution (2014-0179). A review of department budgets has identified the need for the adjustments outlined below. In addition to the information provided below, the second quarter financial report is included as Attachment 1. Through the first half of the fiscal year the City has seen improvements in property transfer and supplemental taxes, sales tax and utility user tax revenues. Staff will be bringing forward an updated General Fund revenue forecast during the City Council revenue workshop in February which will be used to develop the FY2015/16 Proposed Budget.

The City's Enterprise Funds are projected to end the year within budget and there are no recommended budget adjustments for the Community Center, Solid Waste, Storm Drainage, Wastewater and Water Funds. However, with the lease of several parking garages to Sacramento Downtown Arena LLC (ArenaCo) as part of the ESC project, adjustments needed to align the Parking Fund are detailed below.

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

City Treasurer

The City Treasurer's Office (CTO) is responsible for the investment of over \$800 million in City cash, cash of client government entities and a \$300 million pension fund (SCERS). To keep up with an ever-more complex economic and investment environment the Treasurer is requesting an additional Investment Officer. The cost of the position will be offset by increasing the CTO FY2014/15 revenue budget to reflect higher than budgeted administrative revenues to offset the cost of the new position for a net zero change.

Citywide and Community Support

Fleet Carryover Commitment of Funds: As part of the FY2013/14 year-end close, staff reviewed the existing commitments of fund balance. This review resulted in the identification of a Fleet Carryover commitment (\$1.25 million) that was created from the review and realignment of resources within the various operating department fleet multi-year projects (MYOPs). It has been determined that with the exception of a shortfall in the Police MYOP of \$500,000, necessary for the replacement of patrol vehicles, this commitment of fund balance can be released. As such, staff is recommending that the fleet carryover be released and \$500,000 be budgeted in the Police MYOP and the remaining be budgeted in the General Fund Administrative Contingency to address increased labor costs associated with recently approved labor agreements and

replenish the Administrative Contingency for expenses incurred during the fiscal year (LED Streetlights, City Attorney labor costs and the SCERS audit).

General Fund Available Fund Balance: The FY2014/15 Approved Budget resulted in an available fund balance of \$1.776 million. This funding is necessary to cover the cost of the recently approved labor agreements. Staff is recommending that these funds be budgeted in the General Fund Administrative Contingency and then transferred to the various operating budgets affected by the agreements.

Community Development

Due to increasing construction activity and a projected increase in development in North Natomas, staffing resources will need to be added to continue to meet existing service levels. Costs for the additional 6.0 full-time equivalent (FTE) positions will be offset by revenue generated from fees collected.

Economic Development

Economic Development (ED) Fund Policy: On May 27, 2014, the City Council adopted the Economic Development Fund Policy. However, the approval did not include the authority to transfer proceeds from General Fund/Successor Agency land sales and the revenues from the 5th Street airspace lease to the fund. As the intent was to provide funding through these sources, the attached resolution includes the authority to transfer future land sale proceeds to the fund, unless otherwise specified. Economic Development staff will be returning to the City Council with Guidelines, and Process and Procedures for the use of the ED Fund.

5th Street Airspace Lease: On April 29, 2014, City Council accepted the transfer of Redevelopment Agency Successor Agency owned "Government Use Parcels." One of those parcels was the 5th Street airspace parcel, which is leased to SG Master Downtown Plaza LLC for \$1,467 per month. The attached resolution recommends that lease revenues received associated with this parcel be deposited into the ED Fund.

Fair Oaks and Howe Land Sale: On June 17, 2014 the City sold 3.12 net acres at the southwest corner of Fair Oaks Boulevard and Howe Avenue. Consistent with the ED Fund Policy the attached resolution recommends that these unobligated proceeds of \$2.5 million be committed to the B Street Theater Project.

Sacramento Army Depot Sale: On November 24, 2014 the City sold its interest in the former Sacramento Army Depot site for approximately \$9 million. The attached resolution recommends that these unobligated proceeds be deposited into the ED Fund. Prior to the sale, the City was responsible for payment of the energy and natural gas utilities and the billing of the property's tenants for their respective share of the utilities costs. The City is no longer responsible for payment and billing, and as such the related revenue and expenditure budgets are being reduced to reflect actual costs resulting from the sale of the property.

Fire

Hazardous Materials (HazMat) Team: Revenues associated with HazMat services are used to offset the cost of these services. The department is projecting an increase of \$160,000 in revenues for the current fiscal year related to HazMat services provided outside of the City's response area. As such, it is necessary to increase the revenue and expenditure budgets to offset the costs and recognize the reimbursements related to these responses.

Intergovernmental Transfer (IGT) Program: On December 16, 2014 Council authorized the department to enter into an agreement for the IGT program. This agreement requires the department to transfer \$7.6 million from the department's FY2014/15 operating budget to the State of California in order to receive reimbursements for medical transports. The motion as passed (Motion No. 2014-0308) directed that the entire anticipated reimbursement of \$12.5 million be set aside until FY2015/16 budget discussions. This report recommends that only revenues received in excess of the \$7.6 million transferred from the department's FY2014/15 operating budget be set aside for future discussion. Without this correction the department will be short \$7.6 million in resources for the current fiscal year.

Strike Teams: The strike teams have incurred expenses for this program and will be reimbursed by the State for deployment to 20 fires throughout California during the summer and fall of 2014. As such, it is necessary to increase the revenue and expenditure budget for this program by \$915,000 to reflect anticipated expenditures and revenues.

General Services

311 Call Center: Call volume has increased 275 percent from 2013 to 2014 for calls related to the Household Junk pickup and Water Conservation programs. These calls represent a substantial increase in workload affecting the ability to respond to other service requests, with an additional 28,000 requests for these two programs in 2014 compared to 2013. In 2014, 68,440 or 18% of the 367,975 calls to 311 were abandoned. Average time to answer calls is 3.5 minutes. These metrics are significantly below industry best practices (10 percent abandoned calls; 60-second answer time). The increased call volume associated with Water Conservation and Household Junk requests negated anticipated service improvements in 2014 when the 311 program saw a large increase in online service requests (47% increase) and in calls answered via the 311 automated phone system (70,000 additional calls). The request for 3.0 new FTE will allow city customers to benefit from the increased automation and efficiency by reducing hold and answer times due to the additional calls from the Household Junk and Water Conservation programs.

Contracted Services: The department has received revenue above budget in the amount of \$70,000 for staff support related to a variety of projects including solar, golf, library, and real estate right-of-way. Staff is recommending an adjustment for FY2014/15 to increase revenue and reduce reimbursements to reflect receipt of these revenues.

Sacramento Valley Station: Staff is recommending the establishment of a capital improvement project (CIP) for repair and maintenance at the Sacramento Valley Station (SVS). The SVS is entering the second phase of construction in which retail and office space will be built and the Amtrak operations

and office space will be relocated within the existing depot building. The SVS will remain open and fully operational during construction, but little or no lease revenue will be generated during this period to support the repair and maintenance of the depot building. The SVS Repair and Maintenance CIP will provide funding for this work. Funding in the amount of \$628,000 is available from the proceeds of the Railyards land purchase.

Parks and Recreation

Recreation Programs: A number of the department's fee based recreation programs have exceeded anticipated customer participation budgeted for the programs. As such, it is necessary to increase the revenue and expenditure budgets by \$196,000 in the Special Recreation Fund to reflect the growth in these programs.

Sutter's Landing Billboard Revenues: Billboard lease revenues at Sutter's Landing are dedicated to improvements for this park. The lease revenues from January through June 2015 in the amount of \$120,000 are proposed to be budgeted in the Sutter's Landing Project (L19167000).

Police

Through the first half of FY2014/15 the department is anticipating a year-end deficit of approximately \$2 million primarily due to increased overtime. Of the 101,000 hours of overtime estimated to be worked in FY2014/15, approximately 18,150 hours, or \$1.1 million, can be attributable to the restoration of public safety programs. For example, the establishment of core enforcement programs in each patrol district, court and report writing overtime for additional officers and call-out overtime for additional forensics positions. The department is estimating additional revenues of almost \$856,000, (outlined below) which can be used to offset a portion of the unfunded overtime costs. In addition, the department has identified Measure U savings (vacant positions) of approximately \$1.1 million that can also be used to offset these costs. These revenues and Measure U savings will fully offset anticipated overtime costs. This is discussed further in the Measure U section below.

Emergency Operations Center (EOC): The department does not have a dedicated position to support emergency management services. Without the addition of a position, the department will not be able to ensure continuity of government operations in the event of a major disaster, including the management of the EOC and response coordination. In addition, this position is necessary to complete advanced emergency preparedness plans and coordinate disaster preparedness exercises. Costs for the remainder of the fiscal year will be absorbed by the department with an estimated annual cost of \$120,000 to be included in the FY2015/16 Proposed Budget.

Dispatcher III: At the direction of the Public Employee Relations Board, the department was required to reinstate two Dispatcher IIIs to Supervising Dispatchers. The department does not have adequate position authority and long-term funding for the required reinstatements. Staff recommends the addition of two Supervising Dispatchers to address this requirement. Costs for the remainder of the fiscal year will be covered by vacancy savings with an estimated annual cost of \$192,000 to be included in the FY2015/16 Proposed Budget.

Senate Bill 90 – State Mandate Reimbursements and Supplemental Employment: The State of California reimburses local agencies for the provision of some mandated programs and services. The department anticipates exceeding revenue projections by \$856,000 due to unanticipated levels of Senate Bill 90 reimbursements from the State of approximately \$656,000 and an increase in revenues associated with contract services (supplemental employment) of \$200,000. Staff recommends a one-time increase in the department’s revenue budget and an increase to the department’s overtime/ supplemental employment expense budget of \$856,000 to offset overtime due to program restoration.

Public Works

Parking Division: In an effort to provide better service and meet the needs of a growing operation the Parking Division is requesting authority to convert three vacant positions to six 0.50 FTE positions. These positions will provide scheduling flexibility to ensure coverage of all beats without the use of overtime resulting from staff absences and special events. Increased efficiencies will also help reduce fatigue on existing staff.

MEASURE U SALES TAX REVENUES AND PROGRAM IMPLEMENTATION UPDATE

Revenues: There are several factors that have led to the original Measure U revenue receipts varying significantly from the original estimates. These include timing, the complexity of transactions and use taxes, a change in state law and erroneous payments due to jurisdictional confusion. A detailed explanation of these issues and the basis for a revised estimate of Measure U revenues is included as Attachment 2.

Based on this information and a review of the last four quarters of Measure U revenues, staff is recommending an increase in the Measure U revenue budget to more accurately reflect revised revenue estimates. Staff is also recommending that revenues in excess of budget be added to the annual reserve and that future strategies for the management of Measure U restorations, absent significant growth in base General Fund revenues to cover these costs, be discussed during the Council workshops planned for February 2015.

| Measure U Revenues and Expenditures (in 000s) | FY15 | FY16 | FY17 | FY18 | FY19 |
|--|---------------|---------------|---------------|---------------|---------------|
| REVENUES | | | | | |
| FY2014/15 Approved Budget | 31,824 | 33,097 | 34,421 | 35,798 | 27,922 |
| Proposed Adjustment | 9,685 | 8,949 | 9,377 | 9,812 | 7,697 |
| FY2014/15 Amended Budget | 41,509 | 42,046 | 43,798 | 45,610 | 35,619 |
| EXPENDITURES | | | | | |
| Fire Department | 11,704 | 11,553 | 12,016 | 12,503 | 13,013 |
| Police Department | 12,580 | 15,200 | 16,038 | 17,417 | 18,001 |
| Parks Department | 4,857 | 4,915 | 4,939 | 4,964 | 4,989 |
| Parks Midyear Adjustment | 158 | | | | |
| Library and Animal Control | 733 | 646 | 652 | 658 | 664 |
| Total Measure U Restorations | 30,032 | 32,313 | 33,645 | 35,541 | 36,666 |
| RESERVE | | | | | |
| Annual Reserve | 11,477 | 9,733 | 10,153 | 10,069 | (1,047) |

Program Implementation: The Approved Budget provided \$29.9 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.

An update on the status of the Measure U programs and services is included in Attachment 3. Based on the midyear review of these programs, staff is recommending the following adjustments as summarized below:

Fire: To fully restore fire engine and truck staffing, the department is working towards filling a large number of vacancies, the result of new positions added with Measure U resources and normal attrition. The department is currently not permanently funded for recruit academies and is anticipating exceeding the Measure U budget for the recruit academies by \$200,000 due to larger numbers of personnel going through the academies and the staff time required to conduct the academies this fiscal year.

In addition, the department has not yet implemented the additional two medic units authorized by the City Council and will have savings in the Measure U Medic Unit program. The Fire Chief has formed an Emergency Medical Services (EMS) Ad Hoc committee tasked to develop an actionable plan by the end of February 2015 for implementation of the two medic units. Staff is recommending the redirection of Measure U savings from the medic units to cover the additional costs of the recruit academies for the current fiscal year.

Parks and Recreation: Cabrillo Pool has been closed since FY2009/10 due to significant repair issues. In the current fiscal year, the department received \$292,000 in Proposition 1C grant funding to repair the pool. An additional \$80,000 in Measure U funds is being recommended to complete the first phase of the repair project. In addition, in order to open the pool for the 2015 swim season staff is recommending increasing aquatics staffing by 3.0 FTE and service and supplies in the amount of \$78,000.

Police: As detailed in the General Fund section above, the department anticipates a year-end expense budget deficit of approximately \$2 million primarily due to unbudgeted overtime. As outlined above, staff is recommending the use of year-end revenues and the redirection of Measure U resources to cover this shortfall.

The department anticipates having adequate Measure U vacancy savings in FY2014/15 to fund this requirement. However, the department does not anticipate having an equivalent level of vacancy savings in FY2015/16; therefore, additional Measure U resources may be required to continue this level of service.

OTHER FUND ADJUSTMENTS

Arts and Culture

Staff is recommending the establishment of the Arts and Culture Fund to provide funding for arts and cultural programming and capital projects. The Sacramento Metropolitan Arts Commission (SMAC)

supports the arts community and contributes to making the region a major cultural destination for citizens and visitors alike. Initial funding for the Arts and Culture Fund is recommended to come from the transfer of \$500,000 of the sales proceeds from the sale of the southwest corner of Fair Oaks Boulevard and Howe Avenue property (Resolution 2014-0207) currently in the General Fund administrative contingency. Funds would be utilized for arts organizations with small budgets in the form of stabilization grants, which would be distributed through SMAC and an associated MYOP. SMAC is developing guidelines for the award of these funds.

CalEPA

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.

Fleet

When the budget was approved there was only enough funding to equip 150 light duty vehicles with Remote Vehicle Analytics (RVA) GPS. Additional funding of \$300,000 is needed to equip all light duty vehicles with the RVA GPS. Staff is recommending the redirection of a portion of fuel savings resulting from lower gasoline prices to fund RVA GPS installation on remaining light duty vehicles with the exception of police patrol and undercover vehicles. Furnishing the remaining light duty vehicles with RVA GPS is anticipated to achieve ongoing operations and maintenance savings by improving driver behavior. The RVA GPS provides real time information on idling, speeding, hard cornering, sudden acceleration, accidents, unauthorized trips, path report and other telematics data. In addition, this will enable the departments to monitor real time utilization frequency to further reduce underutilized vehicles and identify equipment sharing opportunities between departments.

Marina

The Public Works Department worked with the California Department of Boating and Waterways (DBW) to reduce the City's annual debt service from \$1.1 million to \$521K based on the City's loan restructuring proposal. Marina Fund revenues have been on the decline, the result of reduced occupancy and fund balance was insufficient to make the \$1.1 million payment. The City made the reduced FY2014/15 payment to DBW in August 2014. Staff is recommending reducing the debt service budget by \$579,226 for FY2014/15 to reflect the reduction in the required payment.

Due to increased sales to both marina patrons and the general boating public, fuel and store sales are increasing. Providing these amenities to boaters is integral to the overall strategy to increase marina occupancy and improve fiscal returns. The fuel purchase expense and revenue budgets are recommended to be adjusted to reflect increased demand. While the expense budgets were adjusted downward in the Approved Budget, the revenue budget was not commensurately reduced. As such, the recommended adjustments will account for this anomaly.

Parking

The Parking Fund budget includes revenue and expenses for the Downtown Plaza Garages that were leased to ArenaCo. In accordance with the Arena Parking Management Agreement between the City and ArenaCo, the fund will be realigned to exclude the budgets for these garages. Additionally, the Parking Fund revenue budget will be augmented to record management fees collected. Lastly, parking revenues for all facilities excluding the Downtown Plaza Garages have exceeded budget for the last two fiscal years and the current year trend indicates actual revenue will exceed budget. Recommended revised revenues reflect these increases.

Parks: 4th R and Students Today Achieving Results Tomorrow (START)

The 4th R program had a deficit fund balance of \$147,000 at fiscal year-end 2014 primarily due to an unexpected facility improvement project at the Phoebe Hearst Elementary school site. In addition 4th R and START programs did not anticipate the increase in labor costs due to labor contracts approved in the current fiscal year. It is necessary to transfer budgetary resources in the amount of \$318,000 from the Special Recreation Fund to these funds to address projected shortfalls. Staff is working on strategies for the continued fiscal sustainability of these programs.

STAFFING ADJUSTMENTS AND RECLASSIFICATION REQUESTS

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 increase staffing to achieve organizational efficiencies and better align resources with operational needs. The following chart summarizes the positions recommended by fund and department; additional information is included in Exhibit A.

| Fund | Department | FTE | Prorated Cost |
|----------------------------------|---------------------------|--------------|-------------------|
| General | Mayor/Council | 3.00 | 120,000 |
| | City Treasurer | 1.00 | 89,621 |
| | Community Development | 6.00 | 219,530 |
| | General Services | 3.00 | 86,596 |
| | Human Resources | 1.00 | 16,647 |
| | Police | 3.00 | 179,864 |
| | General Fund Total | | 17.00 |
| Measure U | Parks and Recreation | 3.00 | 16,328 |
| Measure U Fund Total | | 3.00 | 16,328 |
| Storm Drainage | Utilities | - | 17,139 |
| Storm Drainage Fund Total | | - | 17,139 |
| Water | Utilities | 2.00 | 82,710 |
| Water Fund Total | | 2.00 | 82,710 |
| Grand Total | | 22.00 | \$ 828,435 |

Additionally, a review of existing positions within departments resulted in the need to study and potentially reclassify six positions in three departments. Exhibit B includes information on the positions to be studied.

MULTI-YEAR PROJECT APPROPRIATIONS

As part of the ongoing management of the Capital Improvement Program and Multi-Year Operating Projects, a periodic review and reallocation of available resources is performed to continue providing capital and operational improvements in a timely and efficient manner. The midyear review of CIPs and MYOPs includes a recommendation to adjust and realign budgets in 14 projects (one project has three funding sources).

| Type | Fund | # of Projects | Budgetary Adjustment |
|---------------------|----------------------------------|---------------|-----------------------|
| City Funds | | | |
| | General | 5 | 1,248,000 |
| | Crocker Master Trust | 1 | 210,000 |
| | Measure U | 1 | 80,000 |
| | N. Natomas Community Improvement | 2 | - |
| City Funds Subtotal | | | \$ 1,538,000 |
| RASA Funds | | | |
| | 2005 TAB Oak Park CIP Tax | 1 | (1,581,704) |
| | 2005 TAB Oak Park Tax Exempt | 2 | (3,271,249) |
| | Redevelopment Area Army Depot | 3 | (3,617,752) |
| | Redevelopment Area Oak Park | 1 | (65,598) |
| RASA Funds Subtotal | | | \$ (8,536,303) |
| Total | | 16 | \$ (6,998,303) |

A summary of the proposed changes is included in Exhibit A.

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

In September 2013, consistent with best practices outlined by Government Finance Officers Association, the City Council authorized the establishment of an OPEB Trust. The balance of the trust as of November 30, 2014 was \$5.2 million and this report recommends adding an additional \$1 million from FY2013/14 General Fund results. This contribution in addition to the City’s efforts to eliminate or modify this benefit for all new employees reflects the Council’s commitment toward addressing the City’s unfunded liabilities.

Economic Impacts: None.

Environmental Considerations: None.

California Environmental Quality Act (CEQA): The ongoing operations funded under the FY2014/15 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: None.

Rationale for Recommendation: The actions recommended in this report address the adjustments necessary in both the General Fund 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 and B. 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.

OVERVIEW

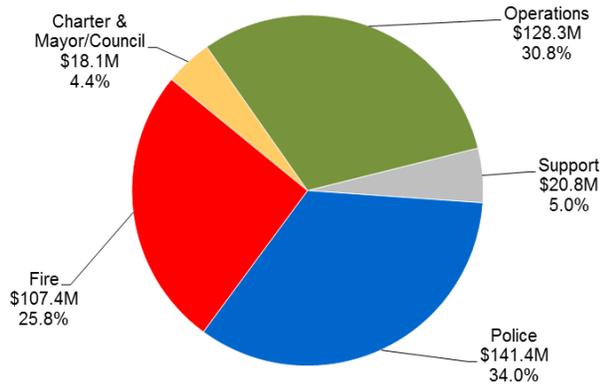
The FY2014/15 Approved Budget includes:

- \$873 million and 4,156.87 authorized full-time equivalent (FTE) positions (all funding sources)
- \$383 million and 2,942.07 FTE in the General Fund
- \$29.9 million and 324.95 FTE in Measure U restorations, which is the sales and use tax approved by the Voters of Sacramento in November 2012.

GENERAL FUND

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

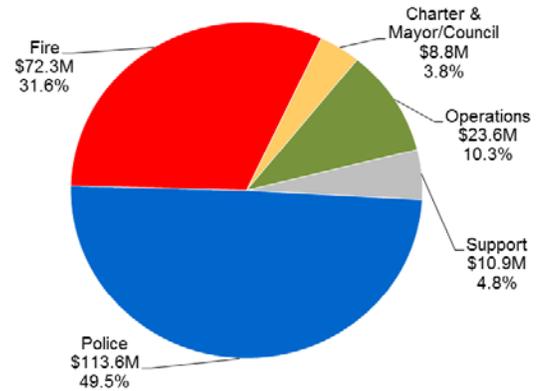
FY2014/15 Gross General Fund Expenditures
\$416 Million



- The Gross General Fund expenditure budget does not include revenues or reimbursements.
- Charter includes: City Attorney, City Clerk, City Manager, and City Treasurer.
- Operations includes: Community Development; Convention and Cultural Services; Economic Development; General Services; Parks & Recreation; and Public Works.
- Support includes: Finance, Human Resources, and Information Technology.
- Citywide Debt, Property Taxes, Insurance and Capital appropriations are not included in the graph above.

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

FY2014/15 Net General Fund Expenditures
\$229.2 Million



- The Net General Fund expenditure budget reflects operating department budgets less reimbursements and revenues.
- Citywide Debt, Property Taxes, Insurance and Capital appropriations are not included in the graph above.

General Fund Financial Condition. Based on a review of the major revenue assumptions included in the FY2014/15 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 FY15 | - | - | |
| Revenues | 385,213 | 144,756 | 38% |
| Expenditures | 383,437 | 206,628 | 54% |
| Total: | 1,776 | (61,872) | |

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

Department Projections. As detailed in the table below several General Fund departments have identified budgetary challenges. Recommendations for addressing these issues are included in the FY2014/15 Midyear Report.

GENERAL FUND DEPARTMENT REVENUES

| Department | FY2014/15 Budget | YTD Actuals | Projected Year-End Variance |
|----------------------------------|-------------------|-------------------|-----------------------------|
| City Attorney | 52,000 | 67,933 | 70,000 |
| City Clerk | 52,000 | 7,952 | - |
| City Treasurer | 2,875,000 | 39,601 | - |
| Community Development | 15,900,025 | 7,258,769 | - |
| Convention and Cultural Services | 933,409 | 507,859 | - |
| Economic Development | 1,382,251 | 709,502 | (775,000) |
| Finance | 1,733,551 | 294,683 | - |
| Fire | 22,740,271 | 10,398,737 | 1,075,000 ¹ |
| General Services | 761,000 | 392,769 | - |
| Human Resources | 152,000 | 81,908 | - |
| Parks and Recreation | 1,059,843 | 893,279 | 196,000 ¹ |
| Police | 10,184,130 | 3,951,695 | 856,000 ¹ |
| Public Works | 15,663,335 | 7,539,189 | 52,000 |
| Total General Fund: | 73,488,815 | 32,143,876 | 1,474,000 |

¹ Department projected revenue shortfalls will be offset by expenditure savings. Midyear Budget Report will include budget adjustments to align increased revenues with increased expenditures

GENERAL FUND DEPARTMENT EXPENDITURES

| Department | FY2014/15 Budget | YTD Actuals | Projected Year-End Variance |
|----------------------------------|--------------------|--------------------|-----------------------------|
| Mayor/Council | 3,341,543 | 1,535,763 | - |
| City Attorney | 3,975,565 | 1,848,917 | 276,000 |
| City Clerk | 1,205,051 | 538,380 | - |
| City Manager | 1,824,782 | 571,821 | 267,000 |
| City Treasurer | 1,820,062 | 871,808 | - |
| Community Development | 20,402,883 | 8,968,916 | 232,000 |
| Convention and Cultural Services | 4,480,259 | 2,142,421 | - |
| Economic Development | 3,265,827 | 1,169,673 | 775,000 |
| Finance | 4,876,393 | 2,404,726 | 87,000 |
| Fire | 95,188,945 | 48,413,918 | (1,075,000) ² |
| General Services | 8,621,351 | 4,534,838 | - |
| Human Resources | 2,858,813 | 1,238,266 | - |
| Information Technology | 5,362,936 | 3,778,223 | - |
| Parks and Recreation | 14,661,472 | 10,822,284 | (196,000) ² |
| Police | 119,941,244 | 63,011,003 | (856,000) ² |
| Public Works | 5,565,433 | 12,098,116 | 195,000 |
| Total General Fund: | 297,392,559 | 163,949,073 | (295,000) |

² Department expenditure shortfalls will be offset by additional revenues. Midyear Budget Report will include budget adjustment to align increased revenues with increased expenditures

Revenues. The City's top six revenue sources account for 71% 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 | 130,509 | 39,774 |
| Sales and Use Tax | 67,918 | 17,326 |
| Utility User Tax ³ | 58,982 | 25,411 |
| Business Operations Tax ³ | 8,827 | 4,618 |
| Public Safety Sales Tax | 4,586 | 1,707 |
| Transient Occupancy Tax ³ | 3,386 | 1,457 |
| Total: | 274,208 | 90,293 |

³ After the end of each month, businesses have 30 days to remit UUT, BOT, and TOT revenue to the City. After the 30-day remittance period, the City processes/reconciles the transactions over the following 10 days. The monthly reporting data is available by the 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 34% of all General Fund revenues. Revenues related to property taxes are affected by fluctuations in the real estate market, levels of new construction activity, and the corresponding changes to the tax roll. 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 FY2014/15 property taxes was received in December 2014. The first secured roll payment was approximately 5.8% higher than the same payment received in FY2013/14. As anticipated in the FY2014/15 Approved Budget, this increase is the result of fewer temporary reductions to the Proposition 13 tax roll values.

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. The City is currently projecting revenue to be in line with the FY2014/15 budget.

Utility User Tax (UUT). UUT at 15% is the City's third largest source of General Fund revenue. Measure O was approved by the voters on November 4, 2008, reducing the 7.5% tax rate to 7.0% on telecommunication services, but was 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 October 2014 is up approximately 3.5% when compared to the same period last year.

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 to date 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 to date is in line with the budget.

Transient Occupancy Tax (TOT). The current rate of 12% is charged to all guests of hotels, motels, inns, and bed and breakfasts within city limits. The General Fund portion of TOT revenues is equal to two percentage points of the 12% rate. The remaining TOT revenues collected are directed to the Community Center Fund. TOT represents approximately 1% of General Fund revenue. Revenue collected through November 2014 is up approximately 11.6% when compared to the same period last year, the result of higher occupancy and room rates.

Essential Services Protection Measure - Measure U. Measure U revenue collections have

been evaluated by MuniServices, the City's sales tax consultant. A revised forecast for the remaining term of the Measure U sales tax will be included in the FY2014/15 Midyear Report and staff will recommend revenue adjustments at that time.

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

| Key Economic Indicators | 12/2013 | 12/2014 |
|--|---------|---------|
| City Unemployment Rate (UR) | 9.0% | 7.3% |
| County UR | 7.7% | 6.2% |
| State UR | 8.3% | 6.7% |
| National UR <i>(12/2012 vs. 12/2013)</i> | 6.7% | 5.6% |
| CPI <i>(10/2012-12/2012 vs. 10/2013-12/2013)</i> | 1.23% | 1.25% |
| 30-Year Fixed Mortgage Rate | 4.46% | 3.86% |

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.

Ground Emergency Medical Transportation (GEMT). The GEMT program allows the City to recover costs associated with medi-cal transports. The GEMT Cost Report for FY2013/14 was submitted in November 2014 for an estimated reimbursement claim of \$702,000.

Medical Marijuana. 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 October 31, 2013. March 2014 was the deadline for dispensaries to submit their phase two applications. The applications are being reviewed. There have been several appeals of approved conditional use permits. To allow for more time for the appeals process, an item was approved by City Council on November 25, 2014, to extend the deadline to May 31, 2015 for dispensaries that have filed a completed conditional use permit application by December 31, 2014.

Of the 31 applications submitted, 29 already have their conditional use permits, one appeal was heard by City Council on January 27th and denied, and one did not file for their conditional use permit by the deadline. There are currently 26 dispensaries operating and the 4% tax is trending slightly ahead of budget.

ENTERPRISE FUNDS

As detailed in the table below the Parking Fund will require adjustments to revenues and expenditures to reflect the changes associated with the implementation of the Entertainment and Sports Complex. Recommendations for addressing these issues are included in the FY2014/15 Midyear Report.

All other Enterprise Fund revenues and expenditures have been reviewed and are anticipated to come in within budget as reflected below:

ENTERPRISE FUND REVENUES

| Fund Name | Budget | YTD Actuals | Projected Year-End Variance |
|--------------------------------|--------------------|--------------------|-----------------------------------|
| Community Center | 25,605,000 | 9,337,031 | 0 |
| Parking | 17,883,633 | 7,236,237 | (3,233,133) |
| Solid Waste | 58,046,000 | 22,906,496 | 413,500 |
| Storm Drainage | 36,295,187 | 14,005,366 | 0 |
| Wastewater | 31,570,123 | 11,974,647 | 0 |
| Water | 96,357,721 | 39,531,881 | 0 |
| Total Enterprise Funds: | 265,757,664 | 104,991,658 | (2,819,633) |

ENTERPRISE FUND EXPENDITURES

| Fund Name | Budget | YTD Actuals | Projected Year-End Variance |
|--------------------------------|--------------------|--------------------|-----------------------------------|
| Community Center | 24,462,157 | 16,773,046 | 0 |
| Parking | 21,320,216 | 10,702,401 | 7,422,998 |
| Solid Waste | 51,995,154 | 20,672,547 | 1,398,154 |
| Storm Drainage | 34,528,429 | 16,428,241 | 0 |
| Wastewater | 24,064,833 | 11,525,712 | 0 |
| Water | 83,391,101 | 33,213,057 | 0 |
| Total Enterprise Funds: | 239,761,890 | 109,315,004 | 8,821,152 |

General Services Department

Solid Waste Division

Monthly rates for waste collection and recycling services have not been increased since July 1, 2010. To address increasing costs the Solid Waste Division initiated the required Proposition 218 notification process to increase rates. Additional information will be provided to the Budget and Audit Committee in February.

MEASURE U REVENUE FORECAST

There were several factors that led to the actual Measure U receipts varying significantly from the original estimates. These issues are explained below.

Timing

The initial \$27 million revenue estimate was provided by the City's sales tax consultant (MuniServices) in July 2012. The tax went into effect April 1, 2013. Economic factors improved substantially from 2012 to 2013, increasing the Sacramento Valley Region's sales tax by 5.2%. Actual receipts detailed below reflect the economic growth since 2012 and the current forecast includes modest future growth.

Additionally, the tax on internet sales was not included in the initial forecast as the law requiring the collection of this tax was not in effect until September of 2012. Further, the transition period for compliance with the collection of internet sales tax delayed the ability to forecast associated revenues. Internet sales taxes account for nearly \$1 million of current Measure U revenues.

Finally, sales tax revenues are received three months after the quarter ends (e.g. July-September is received in late December). Further, transaction detail is not available until the following month. This nearly four-month delay coupled with the jurisdictional boundary confusion explained below meant that the City did not have consistent/reliable data until March/April 2014. At that time, the State Board of Equalization (BOE) was continuing efforts to clean up erroneous payments and as such it was premature to adjust the forecast based on only one quarter of consistent/reliable data. Based on four quarters of consistent/reliable data staff is recommending revising the forecast to reflect increased receipts as further detailed below.

Capture Rate

Unlike the City's General Fund sales tax which is a point-of-sale based sourced tax ONLY, the Transaction and Use Tax (TUT) is a COMBINATION of point-of-sale and point-of-destination sourced receipts.

- TUT on vehicle sales is based on the address of vehicle registration (destination)
- TUT on sales shipped into the city on a seller's vehicle is based on the delivery address (destination)

The City has access to substantial data to base revenue estimates for the point-of-sale portion of the TUT. Prior to the implementation of Measure U the City did not have data on point-of-destination sales into the City, making estimates challenging.

The term capture rate is used to estimate the amount of tax attributable to point-of-destination sales. Initial estimates used an aggressive capture rate of 25% to account for this nuance based on our sales tax consultant's experience working with the majority of TUT agencies in California. The actual outside capture rate occurring in the City of Sacramento is 44%. The difference between the 25% and 44% capture rate equates to approximately \$6.1 million in additional annual revenue. Two main areas of sales driving the City's exceptional capture rate:

- New auto sales
- Business to Business/Government

New auto sales are approximately \$3.3 million higher than initial estimates. From the time of the initial estimate to the enactment of Measure U, new auto sales grew by over 40% or \$8.5 million in the region. Growth in new auto sales is due not only to pent-up demand coming out of the recession (people held onto their cars for longer periods of time) but the overall improvement in the economy. This rate of growth could not have been known, nor would it have been prudent to estimate continued growth based on the early quarters without additional trend information. Going forward, MuniServices expects new car sales to grow 2.5% to 5% over the next three years.

Business to Business/Government sales are approximately \$1.4 million higher than estimated. Businesses sales to the State are a large portion of the variance. It is difficult to predict the destination of State purchases as State agencies are located across the state and purchases may or may not impact Measure U based on point of delivery. To date, delivery into the City has substantially bolstered Measure U revenues.

Jurisdictional Boundary Confusion

Early on there was substantial collection of the tax from outside the city, that should not have been collected. Originally, there was close to \$4.5 million of over-collected TUT. Not knowing the timing of when it would be sorted out, we did not rely on receipts for the first few quarters until a solid base was established (see timing above). There continues to be a level of over-collection of what appears to be nearly \$1 million that has yet to be corrected. Future estimates may need to be revised downward should we see a reduction on an ongoing basis. Repayment of over-collections are dependent on reconciliation between the taxpayer and the BOE. The City and MuniServices have and will continue to make every effort to correct these types of occurrences as detailed information on new errors becomes available. As noted above, detailed information has already been provided to the BOE.

Conclusion

Substantial economic growth coupled with the introduction of an internet sales tax and a capture rate that far outpaces that of the majority of other city's transaction and use taxes has resulted in higher revenues than were initially estimated for Measure U. Based on the most recent four quarters of receipts we anticipate annual revenues of \$41.5 million for FY2014/15.

Summary of Measure U Cash Receipts by Quarter

| | |
|-----------|--------------|
| June 2013 | \$265,953 |
| Sept 2013 | \$10,075,830 |
| Dec 2013 | \$10,217,968 |
| Mar 2014 | \$10,625,882 |
| June 2014 | \$9,936,509 |
| Sept 2014 | \$10,656,545 |
| Dec 2014 | \$10,235,097 |

Measure U Restoration Plan FY2014/15

| Measure U Revenues and Expenditures (in 000s) | Total FTE ¹ | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 |
|---|------------------------|--------------|---------------|---------------|---------------|---------------|---------------|----------------|
| REVENUES | | 4,820 | 27,000 | 41,509 | 42,046 | 43,798 | 45,610 | 35,619 |
| FIRE DEPARTMENT | | | | | | | | |
| SAFER Grant Retention | 27.00 | - | 1,503 | 2,803 | 2,803 | 2,803 | 2,803 | 2,803 |
| January 2013 Brownout - Restoration | 12.00 | 690 | 1,380 | 1,761 | 1,849 | 1,942 | 2,039 | 2,141 |
| Fire Company Restoration - April 2013 | 12.00 | 314 | 1,652 | 1,761 | 1,849 | 1,942 | 2,039 | 2,141 |
| Fire Company Restoration | 12.00 | - | 1,626 | 1,761 | 1,849 | 1,942 | 2,039 | 2,141 |
| Fire Company Restoration - May 14, 2014 | 12.00 | - | 190 | 1,761 | 1,849 | 1,942 | 2,039 | 2,141 |
| Two Medic Units - January 2014 <i>(partially offset by revenues)</i> | 12.00 | - | - | 457 | 505 | 590 | 680 | 774 |
| Technology | 4.00 | - | 249 | 437 | 441 | 446 | 450 | 455 |
| Fiscal Support | 2.00 | - | 142 | 169 | 171 | 172 | 174 | 176 |
| Fire Prevention | 1.00 | - | 160 | 140 | 141 | 143 | 144 | 146 |
| Human Resources | 1.00 | - | 55 | 94 | 95 | 96 | 97 | 98 |
| Recruit Academy | - | 78 | 777 | 560 | - | - | - | - |
| Sacramento Regional Fire Emergency Communications | | | 357 | - | - | - | - | - |
| Grant Retention for Future Years | - | - | 1,300 | - | - | - | - | - |
| Fire Department Subtotal | 95.00 | 1,082 | 9,391 | 11,704 | 11,553 | 12,016 | 12,503 | 13,013 |
| POLICE DEPARTMENT | | | | | | | | |
| COPS Hiring Program (CHP) Match and Retention FY13 (<i>New in FY15</i>) | 10.00 | - | - | 557 | 648 | 743 | 1,219 | 1,304 |
| COPS Hiring Program Retention FY09 (CHRP) and FY11 (CHP) | 60.00 | - | 2,734 | 4,862 | 5,483 | 5,483 | 5,483 | 5,483 |
| Field & Operations (<i>12.0 new FTE in FY15</i>) | 61.00 | 274 | 5,553 | 4,075 | 6,951 | 7,605 | 8,413 | 8,811 |
| Overtime | - | - | - | 1,105 | - | - | - | - |
| Investigations (<i>2.0 new FTE in FY15</i>) | 8.00 | - | 716 | 556 | 1,142 | 1,173 | 1,206 | 1,241 |
| Forensics | 6.00 | - | 300 | 512 | 539 | 571 | 606 | 643 |
| Communications | 4.00 | - | 200 | 317 | 339 | 363 | 388 | 415 |
| Crime Analysis | 1.00 | - | 100 | 96 | 98 | 100 | 102 | 104 |
| Grant Retention for Future Years | - | - | 2,749 | 500 | - | - | - | - |
| Police Department Subtotal² | 150.00 | 274 | 12,352 | 12,580 | 15,200 | 16,038 | 17,417 | 18,001 |
| Public Safety Total | 245.00 | 1,356 | 21,743 | 24,284 | 26,753 | 28,054 | 29,920 | 31,014 |
| PARKS DEPARTMENT | | | | | | | | |
| Aquatics | 34.00 | 274 | 1,558 | 1,732 | 1,740 | 1,749 | 1,758 | 1,767 |
| Community Centers | 18.30 | - | 808 | 832 | 836 | 840 | 845 | 849 |
| Park Maintenance (<i>includes Park Ranger</i>) | 22.00 | - | 1,600 | 1,766 | 1,730 | 1,739 | 1,747 | 1,756 |
| Senior Programs | 1.50 | - | 172 | 194 | 195 | 196 | 197 | 198 |
| Teen Services (<i>Hot Spots/Summer at City Hall</i>) | 4.15 | - | 292 | 311 | 313 | 314 | 316 | 318 |
| Gang Prevention | 1.00 | - | 50 | 100 | 100 | 101 | 101 | 102 |
| Capital Investment | - | - | 850 | 80 | - | - | - | - |
| Parks Department Subtotal | 80.95 | 274 | 5,330 | 5,015 | 4,915 | 4,939 | 4,964 | 4,989 |
| MISCELLANEOUS RESTORATIONS | | | | | | | | |
| Animal Control Officer | 2.00 | - | 85 | 227 | 140 | 146 | 152 | 158 |
| Library Restoration | - | 506 | 506 | 506 | 506 | 506 | 506 | 506 |
| Miscellaneous Subtotal | 2.00 | 506 | 591 | 733 | 646 | 652 | 658 | 664 |
| Total Measure U Restorations | 327.95 | 2,136 | 27,664 | 30,032 | 32,313 | 33,645 | 35,541 | 36,666 |
| ANNUAL RESERVE | | 2,684 | (664) | 11,477 | 9,733 | 10,153 | 10,069 | (1,047) |
| Prior Year Carryover | | | | | | | | |
| Cumulative Reserve | | 2,684 | 2,020 | 13,497 | 23,230 | 33,383 | 43,451 | 42,404 |

¹14.0 new FTE are included in the FY2014/15 Proposed Budget for the Police Department

²The Police Department will be requesting Council authority during the budget hearings to carryover \$744,000 from FY13 to FY14 to allow for new officer costs (vehicles and equipment).

Measure U Implementation Update

| FY2014/15 MEASURE U RESTORATIONS | Approved Budget (in 000s) | Authorized FTE | FTE Hired to Date | Purpose of Restoration | Status of Restoration |
|---|---------------------------|----------------|-------------------|---|---|
| FIRE DEPARTMENT | | | | | |
| Recruit Academy | 360 | - | - | To provide funding for a fire recruit academy which will train future personnel to fill emergency response positions (firefighters). | The July 2014 Academy graduated 19 recruits in January 2015. Twelve of the positions were funded by Measure U. |
| Fire Company Restoration - January 2013 | 1,761 | 12.00 | 12.00 | To ensure fire personnel are consistently available to respond to emergencies in a reasonable period. | Brown out averted with the availability of Measure U Funding. |
| Fire Company Restoration - April 2013 | 1,761 | 12.00 | 12.00 | To ensure fire personnel are consistently available to respond to emergencies in a reasonable period. | Overtime was used until the September 2013 recruit academy graduated. |
| Fire Company Restoration | 1,761 | 12.00 | 12.00 | 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. | Overtime was used until the April 2014 recruit academy graduated. |
| Fire Company Restoration - May 2014 | 1,761 | 12.00 | | To ensure fire personnel are consistently available to respond to emergencies in an effective time period. | Overtime was used until the January 2015 recruit academy graduated. |
| Fire Prevention | 140 | 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 | 169 | 2.00 | 2.00 | 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 2015. |
| Human Resources | 94 | 1.00 | 1.00 | To conduct employee misconduct complaint investigations. | Program has been restored with staff hired in December 2013. |
| Technology | 437 | 4.00 | 2.00 | 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 use of technology by Fire. One of the two Application Developer positions has been filled. Recruitment of the other positions is underway. |
| Two Medic Units - January 2014 | 657 | 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. |
| SAFER Grant Buyback | 2,803 | 27.00 | 27.00 | This funding will enable the Fire Department to protect the SAFER grant-funded positions by fulfilling required grant retention requirements. | The 27.0 FTE continue to be filled. |
| Grant Retention for Future Years | - | - | - | 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 | 11,704 | 95.00 | 69.00 | | |

| FY2014/15 MEASURE U RESTORATIONS | Approved Budget (in 000s) | Authorized FTE | FTE Hired to Date | Purpose of Restoration | Status of Restoration |
|--|---------------------------|----------------|-------------------|---|---|
| POLICE DEPARTMENT | | | | | |
| Field and Operations | 5,180 | 61.00 | 35.00 | To allow for increased crime prevention, intervention, proactive deployment, and ability to respond to crimes in progress. 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, conducting background checks and training employees during this period of hiring. The department has filled 35 of the 61 positions with full-time Police Officers. The department anticipates hiring enough recruits to fill the remaining 26 vacancies by end of FY2015/16. The additional 35 positions have allowed the department to increase gang and traffic enforcement operations. One-time salary savings of \$1.1 million is being reallocated to fund sworn and civilian overtime. |
| Additional Field and Operations Support Previously referred to as Police Officers (Cadets) - January 2014 | | | | To provide additional support to Field & Operations identified above. | This item was rolled into Field and Operations as part of the FY2014/15 budget process. |
| Investigations | 556 | 8.00 | 6.00 | To increase the ability to follow-up on violent felony crimes and investigation of felony crimes. | The department has filled 6 of the 8 positions and anticipates filling the remaining vacancies by the end of FY2015/16. The additional 6 positions have allowed the department to increase follow-up and investigation of felony crimes, expand Gang Enforcement Teams and Crime Suppression Teams until Investigations can be fully staffed. |
| Forensics | 512 | 6.00 | 6.00 | 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 and identifications. | Positions are filled and are implementing program objectives. |
| Communications | 317 | 4.00 | 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. | Positions are filled and are implementing program objectives. |
| Crime Analysis | 96 | 1.00 | 1.00 | To conduct integrated crime analysis to be merged with patrol functions and investigative elements to improve effectiveness in public safety. | Position is filled and is implementing program objectives. |
| Required Retention for COPS Hiring and Recovery Program (CHRP and CHP) Grants - FY2011 Previously referred to as COPS' Universal Hiring Program Retention | 4,862 | 60.00 | 60.00 | To protect CHRP and CHP grant funded positions by fulfilling required grant retention requirements. | The department is on track to meet all retention requirements and anticipates expending all grant retention funding in FY2014/15. |

| FY2014/15 MEASURE U RESTORATIONS | Approved Budget (in 000s) | Authorized FTE | FTE Hired to Date | Purpose of Restoration | Status of Restoration |
|--|----------------------------------|-----------------------|--------------------------|--|--|
| Required Retention for COPS Hiring and Recovery Program (CHRP and CHP) Grants - FY2013 Previously referred to as COPS' Universal Hiring Program Retention | 557 | 10.00 | 10.00 | To fund grant match requirements. Focus on gun violence. | Positions are filled and are implementing program objectives. |
| Grant Retention for Future Years | 500 | N/A | N/A | 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 | 12,580 | 150.00 | 122.00 | | |
| Public Safety Total | 24,284 | 245.00 | 191.00 | | |
| PARKS AND RECREATION DEPARTMENT | | | | | |
| Aquatics: includes the Junior Lifeguard program | 1,654 | 31.00 | 31.00 | To open City swimming pools and wading pools and restore related services that include swim lessons, teams and lifeguard training. | Eleven of twelve City-owned swimming pools and five wading pools were open during the 2014 swim season. In Summer 2014 Mangan and Oki pools were restored to full time operation. Repair of the 12th swimming pool, Cabrillo, is underway and it is anticipated the pool will be open for the Summer 2015 swim season. |
| Community Centers/Teen Services: Hot Spots and Summer at City Hall | 1,143 | 22.45 | 22.45 | 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. Continue "Summer at City Hall" program after grant funds expire. | Teen "Hot Spot" programs are operating at three community centers (OP, GS and PM) and at Rio Tierra, Martin Luther King and Samuel Jackman schools; youth sports and "Kids Camp" are operating at five centers (OP, MH, GS, PM and SN); the "Tweener" Club (ages 12-17) operates at GS; the "Prime Time Teen" program operates at five centers (OP, MH, GS, PM and SN), and middle school sports programs (ages 11-14) operate at five centers (OP, MH, GS, PM and MH). "Summer at City Hall" was conducted with Measure U funds this past summer. Beginning Summer 2015, the program is to increase from 80 to 100 teens. |
| Park Maintenance and Park Safety Services | 1,766 | 22.00 | 18.00 | To restore services that include frequency of restroom cleaning, trash pickup, weeding, and to lower response times for irrigation repairs. A Park Safety Officer was added with the Fiscal Year 2014/15 budget. | Nearly all park maintenance positions have been filled, with the last four in the recruitment process. Vehicles and equipment have been secured. The new Park Safety Officer position has been filled. |
| Senior Programs (Assistance, Referral, and More for Seniors [ARMS] and Caring Neighborhoods) | 194 | 1.50 | 1.50 | To restore services that support the safety and independence of older adults in the community. | In addition to extended hours at the Hart Senior Center in midtown, the "ARMS" (Assistance, Referrals, and More for Seniors) and Caring Neighborhoods programs are in operation. |
| Gang Prevention | 100 | 1.00 | 1.00 | To provide administrative and fiscal support for gang violence prevention programs. | Position has been filled to provide these support services. |
| Parks and Recreation Subtotal | 4,857 | 77.95 | 73.95 | | |

| FY2014/15 MEASURE U RESTORATIONS | Approved Budget (in 000s) | Authorized FTE | FTE Hired to Date | Purpose of Restoration | Status of Restoration |
|---|----------------------------------|-----------------------|--------------------------|---|---|
| MISCELLANEOUS | | | | | |
| Animal Control Officer | 227 | 2.00 | - | To enhance animal enforcement and field services. | Job offers, contingent upon background checks, have been made for both positions. |
| 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 | 733 | 2.00 | - | | |
| Total Measure U Restorations | 29,874 | 324.95 | 264.95 | | |

RESOLUTION NO. 2015-XXXX

Adopted by the Sacramento City Council

**AMENDING THE FISCAL YEAR (FY) FY2014/15
APPROVED BUDGET**

BACKGROUND

- A. The FY2014/15 Approved Budget was adopted on June 10, 2014. 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 FY2013/14 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, 2014. The CAFR financial statements were audited, as required by the City Charter, by an independent public accounting firm. The General Fund's FY2013/14 year-end results provided \$17.395 million in resources to address the City's budget requirements outlined in the FY2014/15 Midyear Report.
- C. Exhibits A and B include the recommended adjustments to the FY2014/15 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 budget and staffing adjustments (Exhibit A), and position reclassifications (Exhibit B) which are a part of this resolution are hereby approved.
- Section 2 The City Manager is authorized to amend/establish revenue and expenditure budgets, open capital projects, and fund commitments as necessary for the following programs/projects from FY2013/14 General Fund budgetary results:

| Description | Project # | Adjustments (\$in millions) |
|--|-----------|--------------------------------|
| City Council Initiative | | |
| Independent Budget Analyst | | 0.120 |
| Employee/Retiree Benefits | | |
| SCERS Social Security Offset Repayment | | 3.000 |
| Unfunded Retiree Medical Liability (OPEB) | | 1.000 |
| Account Based Health Plan | | 0.200 |
| Facility / Multi-Year Project Needs | | |
| Streetcar Project | S15131800 | 3.000 |
| 911 Facility Electrical Upgrades Necessary for Primary Data Center Relocation | F13000100 | 0.800 |
| ESC Litigation | I02000500 | 0.700 |
| LED Streetlights (additional phase) | C13001900 | 0.650 |
| Efficiencies/Technology | | |
| Emergency Radio Digital Upgrade ¹ | | 4.925 |
| Citywide Financial/Human Resources System (eCAPS) Upgrade | A07000600 | 1.500 |
| Citywide Implementation of Contract Management System and Digital Signature | A07000700 | 1.500 |
| Total: | | 17.395 |

¹ This is a commitment of fund balance and will require additional City Council action.

- Section 3 The acceptance of up to \$7,632,134 in reimbursements received from the State of California for the Intergovernmental Transfer (IGT) Program in the FY2014/15 Fire Department Budget to cover the amount transferred to the State of California as required for participation in the program is authorized. Any funds collected in excess of the amount transferred shall be brought forward to the City Council for discussion during the budget development process as funds are determined to be available for appropriation.
- Section 4 The California Wellness Foundation project (G12900000) was cancelled without being completed and shall be closed.
- Section 5 The Department of General Services is authorized to carryover up to \$300,000 in available unspent appropriations in the fleet fuel accounts (462020), excluding the Fleet Fund, at the close of FY2014/15 to equip 150 light duty vehicles with Remote Vehicle Analytics (RVA) GPS is authorized.
- Section 6 Establish an Arts and Culture Fund to provide funding for arts and cultural programming and capital projects. Transfer \$500,000 from the City's sale of property at the southwest corner of Fair Oaks Boulevard and Howe

Avenue (Resolution 2014-0207) from the General Fund Administrative Contingency to the Arts and Culture Fund.

- Section 7 Staff will return to the City Council with policies, guidelines, and procedures for the use of the Arts and Culture Fund prior to any use of the fund.
- Section 8 Future proceeds from General Fund and Redevelopment Agency Successor Agency surplus land sales, unless otherwise specified, shall be deposited in the Economic Development Fund (Fund 2031).
- Section 9 The unobligated proceeds from the sale of the Sacramento Army Depot site (\$9,069,236), and the lease revenue for the 5th Street airspace parcel (\$1,467 per month), will be deposited in the Fund 2031.
- Section 10 The unobligated proceeds from the sale of the southwest corner of Fair Oaks Boulevard and Howe Avenue (\$2.5 million) shall be transferred from the General Fund Administrative Contingency and committed to the B Street Theater Project.

Exhibits:

- Exhibit A – Midyear Budget Adjustments
- Exhibit B – Reclassification Requests

Budget and Staffing Adjustments

| Department | Fund Name (Number) | FTE Change | Revenue/ Reimbursement Adjustment | Expenditure Adjustment | Description |
|--------------------------------|--------------------|--------------|-----------------------------------|------------------------|--|
| City Treasurer | General (1001) | 1.00 | 89,621 | 89,621 | Add a 1.0 FTE Investment Officer to keep up with an increasingly complex economic and investment environment. Increase services and supplies by \$27,000 (\$4,000 one-time). The full cost of the position (\$189,990) will be included in the FY2015/16 Budget. |
| Community Development | General (1001) | 6.00 | 219,530 | 219,530 | Add staff to maintain service levels as development increases (1.0 Customer Service Rep, 1.0 Building Inspector II, 1.0 Building Inspector III, 2.0 Junior Planner, and 1.0 Accounting Technician). The full cost of these positions (\$563,197) will be included in the FY2015/16 Budget. |
| Economic Development | General (1001) | - | (775,000) | (775,000) | Eliminate the revenue and expenditure budgets for the Army Depot as this property has been sold. |
| Fire | General (1001) | - | 915,000 | 915,000 | Increase revenue and expenditure budgets for strike teams to reflect reimbursements for deployments. |
| Fire | General (1001) | - | 160,000 | 160,000 | Increase revenue and expenditure budget to reflect actual revenues received, which are used to offset the cost of providing Haz Mat services. |
| General Services | General (1001) | 3.00 | 85,596 | 85,596 | Add staff to 311 operations (1.0 Specialist, 2.0 Customer Service Agents, and convert 1.0 FTE Customer Service Agent into two 0.50 FTE Customer Service Agents) to address increased call volume related to the drought and household junk program. The costs of these positions will be reimbursed by the appropriate enterprise funds and the full cost of these positions (\$230,922) will be included in the FY2015/16 Budget. |
| General Services | General (1001) | - | 70,000 | 70,000 | Increase revenue and decrease reimbursements to recognize revenue received from agencies outside the City. |
| Human Resources | General (1001) | 1.00 | - | - | Eliminate a Human Resources Manager and create two support positions (1.0 Administrative Analyst and 1.0 Senior Staff Assistant) to maximize resources and efficiencies. The net increase of these positions (\$44,392) will be included in the FY2015/16 Budget. |
| Mayor and City Council | General (1001) | 3.00 | - | - | Add positions to the Office of the Independent Budget Analyst (1.0 Independent Budget Analyst and 2.0 Staff Aides), funding for the remainder of FY2014/15 will be provided through the use of FY2013/14 year-end results as requested by the City Council on January 6, 2015. The estimated cost of this office (\$500,000) will be included in the FY2015/16 Budget. |
| Parks and Recreation | General (1001) | - | 196,000 | 196,000 | Increase revenue and expenditure budgets for recreation programs that have exceeded budgeted enrollments. |
| Parks and Recreation | General (1001) | - | 120,000 | - | Increase the Parks and Recreation revenue budget and the Sutter's Landing CIP expenditure budget, for lease revenues received at Sutter's Landing Park from January through June 2015. |
| Police | General (1001) | 1.00 | - | - | Add a position for the City's Emergency Operations Center (Police Lieutenant) and reduce the professional services line by \$96,944. The net increase of this position (\$119,547) will be included in the FY2015/16 Budget. |
| Police | General (1001) | 2.00 | - | - | Add staff to the Communication Center (2.0 Supervising Dispatchers) per recent Public Employees Relations Board decision. Savings from vacancies in the unit will be used to fund these positions for the remainder of the year. The full cost of these positions (\$192,145) will be included in the FY2015/16 Budget. |
| Police | General (1001) | - | 856,000 | 856,000 | Recognize SB90 and supplemental employment revenues received in FY2014/15 and increase the expenditure budget to cover increased overtime costs on a one-time basis. |
| Public Works | General (1001) | - | - | - | Adjust parking enforcement staffing to allow for greater flexibility and coverage by converting three 1.0 full-time career Parking Enforcement Officer positions into six 0.50 FTE Parking Enforcement Officer positions. |
| Citywide and Community Support | General (1001) | - | - | 750,000 | Increase Administrative Contingency by reducing the commitment of funds for fleet replacement. |
| Citywide and Community Support | General (1001) | - | - | 1,775,842 | Increase Administrative Contingency by reducing the General Fund available fund balance to cover increased labor costs (\$1.885 million) associated with the implementation of new labor agreements. The additional cost of the contracts is available in Administrative Contingency. |
| General Fund Subtotal: | | 17.00 | 1,936,747 | 4,342,589 | |

| Department | Fund Name (Number) | FTE Change | Revenue/ Reimbursement Adjustment | Expenditure Adjustment | Description |
|--------------------------------|--|-------------|-----------------------------------|------------------------|---|
| Citywide and Community Support | Measure U (2401) | - | 9,685,000 | - | Increase the revenue budget based on estimated FY2014/15 revenues related to the City's transactions and use tax receipts. |
| General Services | CalEPA (2801) | - | (7,701,630) | (7,701,630) | Reduce revenue and expenditure budgets related to the management of the CalEPA building to reflect the actual revenues and expenditures (\$172,370) incurred within the fund. |
| General Services | Solid Waste (6007) | | - | 28,835 | Increase reimbursements for 311 services based on increased call volume related to the household junk program. |
| Parks and Recreation | Measure U (2401) | 3.00 | - | 78,000 | Add aquatics staff for the reopening of Cabrillo Pool (0.40 Pool Manager, 0.35 Assistant Pool Manager, 1.10 Senior Lifeguard, 0.90 Lifeguard, and 0.25 Cashier) and \$45,712 for pool supplies. The full cost of these positions (\$97,965) and supplies (\$57,000) will be included in the FY2015/16 Budget. |
| Parks and Recreation | 4th R (6012) / Special Recreation (2504) | - | 209,000 | 209,000 | Transfer Special Recreation funds to 4th R to address the deficit fund balance (\$147,000) and to cover increased labor costs (\$62,000) from recent labor agreements. |
| Parks and Recreation | START (2501) / Special Recreation (2504) | - | 109,000 | 109,000 | Transfer Special Recreation funds to the START Program to cover increased labor costs. |
| Public Works | Parking (6004) | - | (4,498,325) | (2,727,424) | Reduce revenue and expenditure budgets related to the leasing of the downtown plaza garages to the Sacramento Downtown Arena LLC (ArenaCO). |
| Public Works | Parking (6004) | - | 1,960,000 | - | Increase revenues based on management fees earned and increased parking garage revenues based on FY2013/14 actuals and current year trends. |
| Public Works | Marina (2608) | - | 21,000 | (515,226) | Reduce debt service from \$1.1 million to \$579,226 based on loan restructuring with the State of CA Department of Boating and Waterways, and increase revenues and expenditures to account for the increase in fuel and store inventory sales. |
| Utilities | Water (6005) | 2.00 | 74,322 | 74,322 | Add staff for the Water Meter Program (2.0 Utility Service Workers) to expedite installation of meters, to be funded by increased capital project reimbursements. The full cost of these positions (\$138,868) will be included in the FY2015/16 Budget. |
| Utilities | Water (6005) | - | - | 56,761 | Increase reimbursements in the Department of General Services for 311 services based on increased call volume related to the drought. |
| Utilities | Water (6005) | - | - | - | Replace 1.0 Customer Service Representative with 1.0 Claims Collector to increase delinquent utility account collections. |
| Utilities | Storm Drainage (6011) | - | - | - | Replace 1.0 Engineering Technician III with 1.0 Program Analyst to better align job duties. |
| Other Funds Subtotal: | | 5.00 | (9,826,633) | (10,388,362) | |

Multi-Year Project Appropriations

| Project Name (Number) | Fund Name (Number) | Revenue Adjustment | Expenditure Adjustment | Description |
|---|----------------------------------|--------------------|------------------------|---|
| Capital Project Changes | | | | |
| MLK Jr Boulevard Improvements (T15098500) | 2005 TAB Oak Park CIP Tax (8315) | - | (1,581,704) | Cancel Project and return funds to fund balance as the project is not eligible for use of these funds; alternative funding has not been identified. Staff will continue to work with City Council to reprogram the remaining redevelopment bond proceeds. |
| Broadway MLK (T15036100) | 2005 TAB Oak Park TE (8316) | - | (283,003) | Project is under construction and an alternative funding source has been identified. Staff will continue to work with City Council to reprogram the remaining redevelopment bond proceeds. |
| MLK Jr Boulevard Improvements (T15098500) | 2005 TAB Oak Park TE (8316) | - | (2,988,246) | Cancel Project and return funds to fund balance as the project is not eligible for use of these funds; alternative funding has not been identified. Staff will continue to work with City Council to reprogram the remaining redevelopment bond proceeds. |
| Sacramento Valley Station (SVS) (C13000340) | General (1001) | - | 628,000 | Create a capital improvement project for repair and maintenance at the SVS, and establish an expenditure budget utilizing resources from the railyards land purchase settlement. |
| Sutter's Landing (L19167000) | General (1001) | - | 120,000 | Increase the Sutter's Landing project budget based on billboard lease revenues for January through June 2015. |
| Cabrillo Pool (L19111300) | Measure U (2401) | - | 80,000 | Provide additional funding needed to restore Cabrillo Pool; \$292,000 already budgeted in grant funds. |

| Project Name (Number) | Fund Name (Number) | Revenue Adjustment | Expenditure Adjustment | Description |
|---|--------------------------------------|--------------------|------------------------|---|
| 14th Avenue Extension (T15098600) | Redevelopment Area Army Depot (8324) | - | (2,182,913) | Project is not eligible for use of these funds; the City is pursuing federal grants for the project. Staff will continue to work with City Council to reprogram the remaining redevelopment bond proceeds. |
| Fruitridge Streetscape (T15036300) | Redevelopment Area Army Depot (8324) | - | (1,116,879) | Project is not eligible for use of these funds; the City has secured federal grants for the project. Staff will continue to work with City Council to reprogram the remaining redevelopment bond proceeds. |
| Sim Center Signal Crossing (T15105700) | Redevelopment Area Army Depot (8324) | - | (317,960) | Cancel Project and return funds to fund balance as the project is not eligible for use of these funds; alternative funding has not been identified. Staff will continue to work with City Council to reprogram the remaining bond proceeds. |
| MLK Jr Boulevard Improvements (T15098500) | Redevelopment Area Oak Park (8313) | - | (65,598) | Cancel Project and return funds to fund balance as the project is not eligible for use of these funds; alternative funding has not been identified. Staff will continue to work with City Council to reprogram the remaining redevelopment bond proceeds. |

Multi-year Project Changes

| | | | | |
|--|---|---|--------------------|--|
| Arts and Cultural Facilities (I17000200) | Crocker Master Trust (2604) | - | 210,000 | Establish expenditure budget for arts organizations using available fund balance. This fund receives revenues from parking lots X & Y. |
| Police Department Fleet (I06013110) | General Fund (1001) | - | 500,000 | Release fleet carryover to cover the cost of replacing pursuit vehicles not included in the FY2014/15 budget. |
| Technology Innovation Project (I07000800) | General Fund (1001) | - | (91,558) | Transfer excess resources from the Technology Innovation Project to the Webgrant Restructuring Project. |
| Webgrant Restructuring Project (I07000900) | General Fund (1001) | - | 91,558 | Transfer excess resources from the Technology Innovation Project to the Webgrant Restructuring Project. |
| Gateway Park @ Truxel PFF CR3131 (J22200000) | N. Natomas Community Improvement (3201) | - | (150,000) | Cancelling project; redirect funds to I22200100. |
| North Natomas Admin Control (I22200100) | N. Natomas Community Improvement (3201) | - | 150,000 | Increase project budget with a transfer from J22200000. |
| Net Multi-year Project Changes: | | - | (6,998,303) | |

Changes in Fund Balance

| Fund Name | Fund Number | Change | Description |
|------------------------------------|-------------|---------------------|---|
| Crocker Master Trust | 2604 | (210,000) | Provide expenditure budget for I17000200. |
| General Fund | 1001 | (1,775,842) | Transfer the available fund balance in the General Fund to Administrative Contingency to cover the recently approved labor contracts. |
| Marina | 2608 | 536,226 | Increase fund balance based on the reduced debt service payment to the State of CA Boating and Waterways based on loan restructuring discussions. |
| Measure U | 2401 | (158,000) | Provide funding to restore Cabrillo Pool aquatics staff. |
| Parking | 6004 | 189,099 | Increase fund balance based on additional revenues and adjustments related to the downtown arena. |
| Special Recreation | 2504 | (318,000) | Provide funding to address 4th R and START program shortfalls. |
| Water | 6005 | (56,761) | Increase reimbursements for 311 services based on increased call volume related to the drought. |
| Solid Waste | 6007 | (28,835) | Increase reimbursements for 311 services based on increased call volume related to the household junk program. |
| RASA-Redevelopment Area Oak Park | 8313 | 65,598 | Review of RASA projects identified ineligible projects, funds are being returned. |
| RASA-2005 TAB Oak Park CIP Tax | 8315 | 1,581,704 | Review of RASA projects identified ineligible projects, funds are being returned. |
| RASA-2005 TAB Oak Park TE | 8316 | 3,271,249 | Review of RASA projects identified ineligible projects, funds are being returned. |
| RASA-Redevelopment Area Army Depot | 8324 | 3,617,752 | Review of RASA projects identified ineligible projects, funds are being returned. |
| Net Fund Balance Changes: | | \$ 6,714,190 | |

Release of Committed Fund Balance

| Fund Name | Fund Number | Change | Description |
|---|-------------|-----------------------|---|
| General Fund | 1001 | (1,250,000) | Release the commitment of funds related to fleet replacement. |
| General Fund | 1001 | (628,000) | Release the commitment of funds related to the railyards land settlement. |
| Net Release of Committed Fund Balance: | | \$ (1,878,000) | |

Reclassification Requests (in Full-time Equivalents)

all requests are subject to Human Resources approval

| Department | Budgeted Classification | Union (Rep. Unit #) | FTE |
|------------------------------|--|--------------------------------|------------|
| Community Development | | | |
| | Media & Communications Specialist | SCXEA (01) | 1.00 |
| | Chief of Housing & Dangerous Buildings | SCXEA (01) | 1.00 |
| Fire | | | |
| | Fire Assistant Chief | SCXEA (01) | 1.00 |
| Utilities | | | |
| | DOU Ops and Maintenance Serviceworker | 447 (07) | 3.00 |

| Union | Rep. Unit # | Represented Unit |
|--------------|--------------------|--|
| 447 | 07 | Plumbers & Pipefitters, Local 447 |
| 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) |