Meeting Date: **3/10/2015**

Report Type: Staff/Discussion

Report ID: 2015-00264

City of SACRAMENTO **11**

City Council Report
915 I Street, 1st Floor
www.CityofSacramento.org

Title: Recommended Allocation of FY2013/14 Year-end Results

Location: Citywide

Recommendation: Pass a Resolution authorizing the City Manager to implement the approved budget adjustments.

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

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

Department: Finance
Division: Budget Office
Dept ID: 06001411
Attachments:
1-Description/Analysis
2-ABCD
3-eCAPS
4-Summer Night Lights
5-Resolution

City Attorney Review

Approved as to Form
Steve Itagaki
3/4/2015 2:22:04 PM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 3/4/2015 1:27:17 PM

James Sanchez, City Attorney Shirley Concolino, City Clerk Russell Fehr, City Treasurer
John F. Shirey, City Manager

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Description/Analysis

Issue Detail: 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 were the result of departmental savings and receipt of revenues above budget.

On February 10, 2015 the City Manager recommended the allocation of these funds to address Council initiatives, specifically previous Council direction and commitments and unfunded operational needs. At that time, Council directed the City Manager to further review those items proposed for funding and return to Council with a proposal that reflects only those items that require immediate funding (prior to June 30, 2015), with the remainder of the funds to be considered as part of the FY2015/16 budget development process.

The City Manager's revised recommendations are reflected in the chart below. Following is a detailed explanation and justification for each item proposed for funding.

Description	Project #	Adjustments ($in millions)
City Council Initiative		
Independent Budget Analyst		0.12
Employee/Retiree Benefits		
Account Based Health Plan		0.20
Facility / Multi-Year Project Needs		
Streetcar Project	S15131800	3.00
911 Facility Electrical Upgrades Necessary for Primary Data Center Relocation	F13000100	0.80
Efficiencies/Technology		
Emergency Radio Digital Upgrade[1]		4.23
Citywide Financial/Human Resources System (eCAPS) Upgrade	A07000600	1.50
Citywide Implementation of Contract Management System and Digital Signature	A07000700	1.50
	Total[2]	**11.35**

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

[2] On March 3, 2015 Council approved the use of $700K for ESC litigation.

Independent Budget Analyst: On January 6, 2015 the City Council voted for 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 $500,000 in ongoing funding needed in the FY2015/16 Proposed Budget.

Account Based Health Plan (ABHP): The ABHP is one strategy being used to in lower future healthcare costs. The FY2014/15 Approved Budget included $300,000 for new enrollees to the

program. As of December 31 enrollment had already exceeded the available budget and, based on estimated hiring for the remainder of the fiscal year, an additional appropriation of $200,000 is needed to fund this program for the remainder of the fiscal year.

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, including the use of $3 million of FY2013/14 year-end results:

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 recommendation in this report reflects Council's funding commitment as previously approved on January 13, 2015.

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.

With the relocation of the primary data center and the identified electrical and facility infrastructure deficiencies we are unable to achieve the necessary electrical redundancies for the City's mission critical emergency operations. Without full redundancy, there is significant operational risk to the following functions: 911 emergency response, police dispatch, the Emergency Operations Center and IT citywide. These deficiencies must be addressed as soon as possible to mitigate risk to these operations.

Emergency Radio Digital Upgrade: One-time resources of $4.23 million are requested to be committed to the acquisition and upgrade of the City's emergency radios. This represents the General Fund allocation of costs for this project. The total cost of this project is $5.47 million. 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 1,078 radios that still require full replacement, and another 1,078 radios that require software system upgrades. City staff has negotiated a 45% discount on radio purchases resulting in approximately $3.5 million in savings. This negotiated rate expires on March 31, 2015. 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. If the purchase is delayed beyond March 31st, replacement of these mission critical radios will cost the City an additional $2.4 million (the difference between the 25% and 45% discount).

Strategic Technology/Business Transformation: The Information Technology Department has coordinated the development of a citywide comprehensive Digital Strategy focusing on the delivery of streamlined, effective, secure and easily accessible innovation and technology services. The Digital Strategy is a prioritized multi-year action plan including specific initiatives to ensure that our investments in strategic business technologies are sound and deliver the highest possible value to the City and its constituents. The following are priority initiatives that will significantly increase efficiencies and reduce costs. Additional information on these projects is included in Attachments 1 and 2, including an explanation of the potential return on investment.

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 use 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. Procurement activities in the spring and implementation of the upgrade over the summer will ensure completion of the upgrade before

the transition of banking services anticipated at the end of the calendar year (City Treasurer is currently engaged in a request for proposals process for banking services) and prior to the implementation of systems such as the Automated Bids, Contracts and Digital Signatures (ABCDs) program outlined below.

Implementation of ABCDs: The City of Sacramento is committed to working in an innovative digital environment to increase efficiency, eliminate redundancies, improve transparency and reduce costs. The 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 one-time funding of $1.5 million includes 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.

The City is currently reviewing proposals to engage a contractor to provide the upfront business requirements and detailed process analysis necessary to move forward with the project. This effort is expected to begin in April 2015, requiring a significant amount of staff time to complete a business reengineering project of this magnitude. Workload associated with this project has been strategically positioned in terms of recurring annual workload to minimize overloading existing staff; ensuring staff are available to address ongoing workload while implementing this time and cost-saving initiative.

The current process is labor intensive, paper intensive, redundant, prone to error and slow. This initiative will have far reaching and direct savings in every department and in nearly all business units throughout the City. Waiting to implement this initiative will cost the city money and delay timely delivery of services.

Policy Considerations: This report is consistent with Council's direction and adopted budget principles to use one-time resources strategically and to maintain a fiscally sustainable balanced budget. As part of the Midyear Report Council requested program, staffing and cost information on the Summer Night Lights program. This information is included in Attachment 3.

Economic Impacts: None.

Environmental Considerations: None.

Sustainability: Not applicable.

Commission/Committee Action: This item was reviewed by the Budget and Audit Committee on February 9, 2015.

Rationale for Recommendation: The actions recommended in this report provide resources to address critical citywide needs.

Financial Considerations: The recommendations in this report are materially consistent with Council's adopted policy to use one-time funding for one-time purposes. These recommendations reflect prior City Council direction and provide the required infrastructure necessary (equipment, facilities and technology) to continue the delivery of mission critical programs and services in the most cost effective and efficient manner. While not one-time in nature, the Office of the Independent Budget Analyst is included in the recommended uses of these funds.

Approval of the recommendations included in this report, in addition to the funding previously approved by Council, will result in $5.345 million in one-time resources remaining for consideration during the FY2015/16 budget development process.

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

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Automated Bids, Contracts and Digital Signatures (ABCDs) Program

Background

The City's Digital Strategy identified the need to implement an automated, effective and efficient procurement and contract management solution. The ABCDs program is a high return cost-saving initiative. This initiative will significantly increase efficiencies for staff, vendors and customers, ultimately reducing costs over time. It is anticipated that the ABCDs program will do the following:

- Provide an easy-to-use step-by-step process for anyone doing business with the City
- Leverage innovative solutions to reduce workload and processing time, including legally compliant digital signatures for contract, permit and building plan approvals
- Transform current business processes, mitigating low value work activities and allowing the redeployment of resources to address increasing workload in areas where staff were severely reduced during the recession
- Streamline and automate the current processing of routine procurement and contract functions saving time for staff and vendors

Return on Investment

The ABCDs program will save time and leverage staff resources in the following ways:

- Significantly reduce the time staff spends processing contracts (based on averages - actuals will vary)
    - For example: work could be reduced by 10 hours per contract multiplied by $50 per hour x 2,000 contracts = $1 million ESTIMATED savings in staff time
        - It is important to note, however, that this estimate represents time in fragments of many individuals throughout the organization, and will not result in the elimination of positions.
        - Resources can be redirected to address existing and growing workload in a more timely and efficient manner
- Reduce the 3-6 month average time it takes to complete contracts from bid to execution by one to four weeks
- Eliminate the need for the printing of more than 200,000 pages each year (100 pages x 2,000 contracts x $.04 per page = $8,000 per year)
- Reduce errors in the contract process
- Increase transparency and accountability

Automated Bids, Contracts and Digital Signatures (ABCDs) Program

Timing

The City is currently reviewing proposals to engage a contractor to provide the upfront business requirements and detailed process analysis necessary to move forward with the ABCD project. This effort, the majority of the identified expense, is expected to begin in April 2015 and will require a significant amount of staff time to complete the work required to implement a business reengineering project of this magnitude. Completion of the business requirements and process analysis in the spring will ensure that the necessary framework has been established for this project and that sequencing of projects is optimized to be efficient and eliminate duplication of effort. Staff working on this project comes from a variety of disciplines, both technology and operational, as such, the workload associated with this project has been strategically positioned in terms of recurring annual workload to minimize overloading existing staff throughout the fiscal year. Ensuring staff is available to address ongoing workload remains a challenge given limited staff resources. As such, the current schedule for this project allows staff to address existing workload while implementing this time and cost-saving initiative.

The current process is labor intensive, paper intensive, redundant, prone to error and lengthy. This initiative will have far reaching and direct savings in every department and in nearly all business units throughout the City. It will improve the contracting process to ensure fairness and transparency for local, small and large businesses engaging in commerce with the City. Waiting to implement this initiative will cost the city money and delay timely delivery of services.

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Electronic Citywide Accounting and Personnel System (eCAPS)

Summary

The eCAPS system has been in production for over seven years. Like most software systems, regular/periodic upgrades are required to ensure continued technical support from the vendor, in this case PeopleSoft, and to comply with government reporting requirements including, but not limited to, processing federal and state payroll and vendor reporting changes (W2's and 1099's). In order for the City to maintain the level of support required for this critical administrative business system, we must upgrade to the most recent PeopleSoft version, 9.2. This upgrade will provide the required support of financial, payroll, human resource, benefit and budgetary systems.

Return on Investment

Upgrade to the current software versions will allow the City to:

- Remain compliant with regulatory requirements
- Fully leverage new functions and features, including enhanced search functionality
- Increase staff productivity

In addition, the upgrade will enable the City to implement key business transformation projects identified in the Digital Strategy that will have significant and lasting impact on the City's ability to function efficiently and effectively. There are several new initiatives that depend on this upgrade to the existing environment such as:

- Automated Bids, Contracts and Digital Signatures (ABCDs)
- Paperless Accounts Payable (AP)
- Open Data
- Workforce Mobility and Productivity
- Asset Management and Work Order System Consolidation

Timing

Waiting to implement this upgrade will decrease staff productivity as workarounds will have to be developed to meet regulatory reporting requirements. In addition, without the upgrade the City will be limited in our ability to implement strategic initiatives identified as having extensive and lasting savings to the organization. It would also increase risk to the City and require technical re-work that could double the effort and costs for initiatives implemented in the current environment that will have to be migrated later.

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Sacramento Summer Night Lights

Background

Sacramento Summer Night Lights (SNL) is a violence and crime reduction program based on a similar program founded in Los Angeles that is now in its 7th year at 32 sites. The initial SNL program was launched in 2014 in the Mack Road/Valley Hi neighborhood. It ran for 14 weeks during the summer in one of the City's highest crime locations. The program was designed for youth and families, focusing on creating a safe environment to foster community togetherness and build trust. The program ran Thursday through Saturday nights, traditionally nights experiencing the highest crime calls. The 2014 SNL program offered activities for families and meals three nights each week. Organized sports, creative arts, parenting classes, healthy eating, peer-to-peer mentoring, and job creation for local youth were all integrated into the programming. The SNL program hired and trained teens and young adults from the local community at-risk for gang involvement and/or gang violence.

The 2014 SNL program was organized and partially funded by the Mack Road Partnership through its ReIMAGINE Mack Road Foundation (RMRF). The RMRF, a collaboration of interested parties, raised the budget of approximately $200,000. Partners and funders included Mack Road Partnership, Councilmembers Pannell and Fong, Sacramento Police Department, Elk Grove School District, Heal Zone, McDonalds Mack Road, the City of Sacramento's Economic Development Department, Bill and Judy Nunes and Kaiser Permanente.

When comparing 2013 versus 2014 crime indicators for the targeted area, results attributed to the program show residential burglary down 48%, business robberies down 50%, grand theft down 51%, simple assaults down 100% and zero homicides. (No formal evaluation was conducted to determine whether the SNL program brought about the reduction in crime.) Thirty-four jobs were created and 12 local at-risk youth were employed full-time during this program period.

After 6 years the Los Angeles program claims to have experienced a continued drop in gang-related crime in the 32 areas where the program has been offered. A 73% drop in gang-related crime, no homicides and about an 85% reduction in shots fired and aggravated assaults in those locations have been reported.

Proposed 2015 SNL Program

Following the apparent success of the 2014 program in the Mack Road/Valley High neighborhood, the collaborative headed by the RMRF was approached by leaders and community members from Oak Park and asked to consider expanding the program into Oak Park in 2015. At the same time community members from Del Paso Heights also indicated strong interest in establishing SNL in their area. Due to concerns about funding, the decision was made by RMRF to expand the program to one additional site in 2015 and Oak Park was selected. The Oak Park program would mirror the Mack Road program, operating Thursday

through Saturday for 14 weeks. The preferred location for the second site has been identified as the Oak Park Community Center (OPCC) and the program is expected to commence on Saturday, May 30 and end on Saturday, September 5.

The collective efforts of the SNL team resulted in the request for a presentation before City Council and recognition of the SNL program on December 16, 2014 at the City Council meeting. At that time, Councilmember Schenirer requested funding consideration for the 2015 SNL program at Mack Road / Valley Hi and expansion to Oak Park in the amount of $400,000 (Attachment A). However, the Mack Road Partnership Board of Directors has committed to provide $25,000 in funding (the same as last year). The Elk Grove School District will provide in-kind food for the Mack Road program (estimated at $40,000) and possibly an equal amount for Oak Park. This would reduce the City's contribution by $65,000 - $105,000 depending on the level of the Elk Grove School District contribution. The RMRF will continue to coordinate the overall program hiring an SNL Program Manager and site supervisors for both Mack Road and Oak Park (Attachment B).

Questions/Concerns

Funding: 2014 program funding was the result of a combination of fundraising, community support and limited financial support from the City. Funding of $300-$400,000 would be a new and substantial addition to the City's budget.

Location: While the 2015 Mack Road location appears to be planned for private property controlled by the Mack Road Partnership, there are a number of logistical issues and opportunity costs to be addressed should the OPCC be selected as a location for the program. OPCC is a very active center and many of the current programs and activities may be incompatible with SNL. Some programs could not be run concurrently and as such, may need to be cancelled in order to accommodate the SNL program.

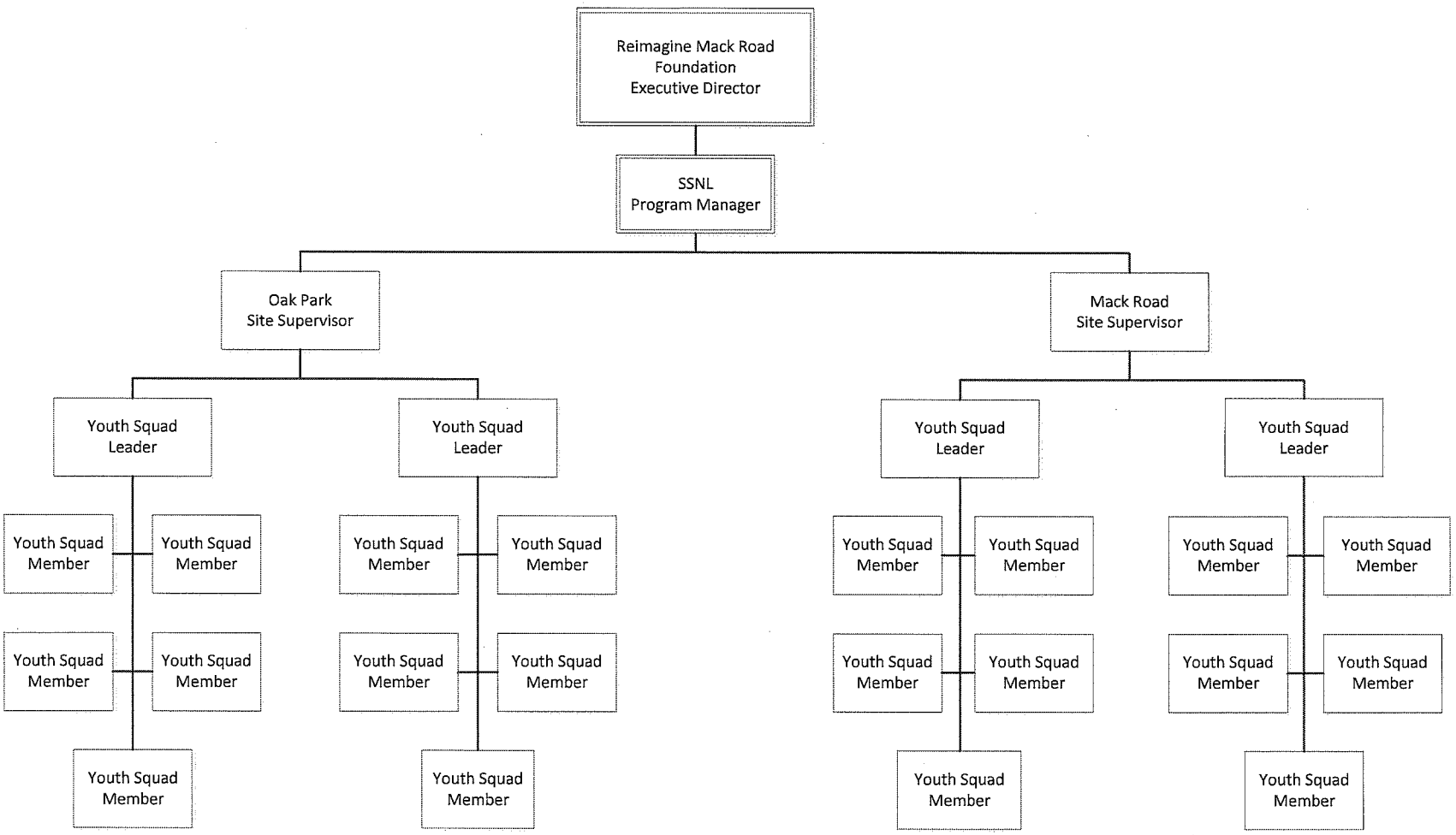
In addition, based on past averages, it is expected that the Center could incur $4-$5K in lost rental revenue and in excess of $2,500 in additional staff costs to have staff available to facilitate the program. Also, since the Oak Park program will be on City property and could be City funded, there may be additional requirements imposed on purchasing, food handling, risk management that need to be considered and addressed.

Full Projected Budget for Mack and OP 2015

Ordinary Income/Expense	
Income	
Direct Public Support	
Required Corporate Contributions	400,000.00
Total Direct Public Support	400,000.00
Total Income	400,000.00
Expenses	
Contract Services	
Opening & Closing Events, Food Prep and monitoring	
Live Bands & Other Entertainment	
Program Evaluation	
Total Contract Services	33,000.00
Facilities and Equipment	
Equip Rental and Maintenance, Fuel, Generator	
Stadium Lights, Car and Truck Rentals,	
Portapotties, Facility Fees	
Total Facilities and Equipment	24,365.00
Operations	
PROGRAMS & Activities	
Basketball Program, cooking demos, DJs,	
Fashion Shows, Classes and workshops,	
Exercise & Physcial Exercise programs	
Printing and Copying, Banners, Signs,	
Business Cards or stationary,Flyers	
Arts and crafts, Charcoal, Fireworks, Food	
Games, Pop ups, tables, chairs, Papergoods	
ice, cups, etc	
Total Operations	118,500.00
Other Types of Expenses	
Advertising Expenses (Video)	2,500.00
Program Evaluation Expenses	20,000.00
Unexpected Expenses	10,000.00
Total Other Types of Expenses	32,500.00
Payroll Expenses	
Youth Squad Stipends	130,000.00
Site Supervisors Stipends	16,000.00

Program Manager Salary (year round)	40,000.00
Stipends for occasional help	5,000.00
Total Payroll Expenses	191,000.00
Total Expense	**399,365.00**
Income over Expense	**635.00**

SSNL Organizational Chart



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Attachment 4

RESOLUTION NO. 2015-XXXX

Adopted by the Sacramento City Council

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

BACKGROUND

A. 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. The CAFR was adopted on February 10, 2015 (Resolution 2015-00006).

B. The City's FY2014/15 Midyear Budget Report was prepared and presented to the City Council on February 10, 2015. This report included recommendations for midyear adjustments to revenues and expenditures and also included recommendations for the use of FY2013/14 year-end results.

C. The City Council heard and considered the recommendations in the February 10, 2015 midyear report and requested that actions on the FY2013/14 year-end results be continued until additional information and analysis could be provided.

D. The City Council adopted Resolution 2015-0038 approving the midyear budget adjustments and directed staff to return to City Council for further discussion on the use of the FY2013/14 year-end results.

E. On March 3, 2015 the City Council authorized the use of $700,000 of the FY2013/14 year-end results for additional legal expenses associated with the Entertainment and Sports Center Term Sheet Litigation.

F. The remaining $16.695 million in FY2013/14 year-end results are one-time resources which, consistent with Council adopted policy, should be programmed for one-time purposes. While not one-time in nature, the Office of the Independent Budget Analyst is included in the recommended uses of these funds and ongoing funding will be included in the FY2015/16 Proposed Budget. The remaining recommendations in the staff report and in the chart below address critical one-time equipment, technology, and infrastructure replacements and investments.

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

Section 1 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		0.12
Employee/Retiree Benefits		
Account Based Health Plan		0.20
Facility / Multi-Year Project Needs		
Streetcar Project	S15131800	3.00
911 Facility Electrical Upgrades Necessary for Primary Data Center Relocation	F13000100	0.80
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