

Meeting Date: 5/12/2015

Report Type: Consent

Report ID: 2015-00463

Title: Development Stabilization Contingency Reserve (DSCR) and Development Services Fund Management Policy

Location: Citywide

Recommendation: Pass a Resolution: 1) repealing Resolution 99-077; 2) adopting the Development Stabilization Contingency Reserve (DSCR) and Development Services Fund Management Policy (attached as Exhibit A); 3) authorizing the transfer of the available fund balance to the DSCR during FY2014/15 year-end close based upon the audited financial results for FY2014/15; and 4) authorizing the budgetary move from the General Fund (1001) to Development Services Fund (2016) for the Planning Technology Program (A21006400).

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Presenter: Dawn Holm, Budget Manager, (916) 808-5574, Department of Finance

Department: Finance

Division: Finance

Dept ID: 06001011

Attachments:

- 1-Description/Analysis
- 2-Attachment 1_Resolution99-077
- 3-Attachment 2_Management of Activities in Fund 2016
- 4-Attachment 3_Resolution
- 5-Exhibit A_DSCR Policy

City Attorney Review

Approved as to Form
Kourtney Burdick
5/7/2015 9:43:15 AM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 5/4/2015 11:05:45 AM

Description/Analysis

Issue Detail: The Development Services Fund (DSF) was established on February 23, 1999 (Attachment 1), to account for major plan review and building permit projects, cyclical surplus plan review and building permit revenues, and environmental impact review projects. In 1999 the City Council authorized the transfer of General Fund budget surpluses, during periods of high building activity, in the Development Services Department to be transferred to the DSF. The intent was that the DSF would be drawn down in years of lower building activity.

Establishment of the DSF was supported by the Mayor's Development Oversight Commission report (July 20, 1999) and, more recently, establishment of a development fund was a recommendation by Management Partners in their July 2013 Operational Fee Study for Community Development (Recommendation #6).

Over time, these resources were used to fund ongoing workload, without an ongoing revenue stream. When the DSF could no longer support ongoing budgeted expenditures, the use of its funds was limited to the management of project activities.

In order to provide added clarity on the purpose of the DSF, staff recommends adopting a policy (Exhibit A) that clearly defines the objectives and fund uses. As of June 30, 2014, the DSF had \$1.7 million in available fund balance. It is recommended that the available fund balance be transferred to the DSCR. The purpose of the Development Stabilization Contingency Reserve (DSCR) will be to bridge gaps between projected and actual development related revenues in CDD.

Finally, staff is also recommending that the fees collected in support of the Planning Technology Program (A21006400) be moved from the General Fund (1001) and reported in the DSF (Fund 2016) to create consistency between the planning and building technology fees.

Policy Consideration: The proposed policy is consistent with the Mayor and Council's budget priority to adopt financially sound policies and procedures that are prudent and take into account long-term financial planning and stability.

Economic Impacts: None.

Environmental Considerations: None.

Sustainability: None.

Commission/Committee Action: The proposed policy was presented to the Budget and Audit Committee on May 5, 2015. The Committee approved a Motion to forward the policy to the City Council for adoption.

Rationale for Recommendation: Establishing policies and procedures for the DSF will ensure that adequate fund reserves will be available to address revenue shortfalls or an unforeseen recession in development activity.

Financial Considerations: Staff recommends that the Development Services Fund and Reserve Policy be established to clarify the intent and purpose of the fund as well as the management of activities in Fund 2016 (Attachment 3). Additionally, it is recommended that the available fund balance in Fund 2016 be transferred to the DSCR.

Local Business Enterprise (LBE): No goods or services are being purchased as a result of this report.

RESOLUTION NO. 99-077

ADOPTED BY THE SACRAMENTO CITY COUNCIL

FEB 23 1999

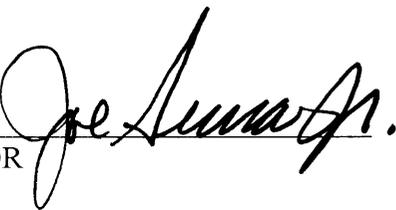
ON DATE OF _____

A RESOLUTION FOR CREATION OF A DEVELOPMENT SERVICES SPECIAL REVENUE FUND

WHEREAS, the Development Services Special Revenue Fund is established to account for major plan review and building permit projects, cyclical surplus plan review and building permit revenues, and environmental impact review projects.

1. THEREFORE, the City Manager is granted authority to appropriate Development Services expenditures in the Development Services fund equal to fees and deposits collected.
2. THEREFORE, the FY99 revenue budget is amended as follows:

General Fund	<281,174>
Development Services Fund	281,174



 MAYOR

ATTEST:



 CITY CLERK

4

FOR CITY CLERK USE ONLY

RESOLUTION NO.: 99-077

DATE ADOPTED: FEB 23 1999

Management of Activities in Fund 2016

Activity / Fee	Project Type	Description and Use	Fee Basis
Environmental Impact Review (EIR) Projects	Private Development (P2100xxxx)	EIRs for private development are managed in separate projects	This is based on the type of CEQA document required and project type. Resolution 99-077, deposits are received from applicant for EIRs.
Major Development Projects	Multi-Year Operating (I2100xxxx)	Development projects with building valuation in excess of \$50 million. Examples: high rise buildings, arenas, theaters are managed in separate projects	This is based on an adopted fee schedule based on the type of project. Resolution 99-077
Building Permit Technology Fee	Capital Improvement Project (CIP) (A21006400)	Fees collected are used to support technology systems and improvements	8% of the building permit or valuation Resolution 2008-195
Planning Permit Technology Fee	CIP (A21006600)	Fees collected are used to support technology systems and improvements	8% of the planning permit fee Resolution 2008-195
General Plan/Community Plan Update	Multi-Year Operating (I2200xxxx)	Fees collected are used to regularly update the City's General Plan	\$2.00 per \$1,000 of building valuation from the building permit Resolution 2008-225

RESOLUTION NO. 2015-

Adopted by the Sacramento City Council

Development Stabilization Contingency Reserve (DSCR) and Development Services Fund Management Policy

BACKGROUND:

- A. On February 23, 1999 (Resolution 99-077), the City Council approved the establishment of the Development Services Fund to account for major plan review and building projects, cyclical surplus plan review and building permit revenues, and environmental impact review projects.
- B. On July 20, 1999, the Mayor's Development Oversight Commission supported the use of the Development Services Fund.
- C. In FY2003/04 the Development Services Fund was used to support ongoing operations. As a result, transfers to the fund were eliminated and operations were managed in the General Fund.
- D. On July 23, 2013, the City Council adopted (Resolution 2013-0556) the Community Development Operational Fee Study report by Management Partners (Recommendation #6), which approved the use of the Development Services Fund to support baseline staffing levels, completion of multi-year projects, and ongoing training during fluctuating economic cycles.
- E. Establishing policies and procedures for the Development Services Fund will ensure that adequate fund reserves will be available to address revenue shortfalls or an unforeseen recession in development activity.

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

Section 1. Resolution 99-077 is repealed.

Section 2. The DSCR and Development Services Fund Management Policy (Exhibit A) is approved.

Section 3. The City Manager is authorized to transfer the available fund balance in Fund 2016 to the DSCR during FY2014/15 year-end close based upon the audited financial results for FY2014/15.

Section 4. The City Manager is authorized to move the Planning Technology Program (A21006400) from the General Fund (1001) to the Development Services Fund (2016) to maintain consistency with the Building Technology Program and the Development Services Fund and Reserve Policy during FY2014/15.

Exhibit A**Development Stabilization Contingency Reserve (DSCR) and Development Services Fund Management Policy****I. PURPOSE**

The purpose of the DSCR and the Development Services Fund (Fund 2016) is to ensure the prudent management of development funds for the public and the City of Sacramento. The DSCR will be used to bridge gaps between budgeted and actual development revenues in the Community Development Department (CDD) during periods of significant revenue decline.

2. BACKGROUND

The Development Services Fund was established on February 23, 1999 (Reso 99-077), to account for major plan review and building permit projects, cyclical surplus plan review and building permit revenues, and environmental impact review projects. In 1999 the City Council authorized the transfer of General Fund budget surpluses, during periods of high building activity, in the Development Services Department to be transferred to the Development Services Fund. The intent was that the Development Services Fund would be drawn down in years of lower building activity. Over time, these resources were used to fund ongoing workload, without an ongoing revenue stream. When the Fund could no longer support ongoing budgeted expenditures, the authority to carryover surpluses was removed from the annual budget resolution.

A sustainable funding plan for CDD building and planning operations is necessary for the department to be responsive to the economic climate. Establishing a DSCR Policy for Fund 2016 and Management Guidelines will provide the department resources during a downturn in development activity and time to react to those changes.

3. POLICY

The DSCR shall be established as set forth below and any changes to the policy will be presented to and approved by the City Council.

- (a) The DSCR goal is one year's worth of building, building plan check, and current planning revenues.
- (b) The DSCR will be initially funded with the available fund balance upon completion of the FY2014/15 audited financial statements for Fund 2016.
- (c) Beginning with FY2014/15 actual year-end revenues in excess of budget from CDD's Building Inspection, Building Plan Check, Customer Service/Permit Counter, and Planning Operations, provided that the net year-end results (revenue and expenditure budget variance) of CDD are positive, will be transferred to the DSCR.

- (d) The DSCR will only be used to bridge gaps between projected and actual development-related revenues in CDD during periods of significant revenue shortfalls.

4. MANAGEMENT OF ACTIVITIES IN FUND 2016

The fund shall be used for the management of development activities, when those activities are intended to be fully offset by revenues as described below and summarized in Attachment I.

- (a) Environmental impact review or planning review in fully reimbursable projects (P2100xxxx)
 - i. Revenues and expenditures must balance upon closure
 - ii. Shortfalls in completed projects where recovery efforts are unsuccessful will be covered by a transfer from the DSCR so that the project may be closed with balanced revenues and expenditures
- (b) Major development projects (I21xxxxxx) when building valuation is in excess of \$50 million, to be adjusted annually according to the Consumer Price Index (e.g., high rise buildings, arenas, theaters in fully reimbursable projects)
 - i. Revenues and expenditures must balance upon closure
 - ii. Funds remaining in a completed project will be transferred first to the DSRC until the Reserve level is attained, then to the department's General Fund operating budget
 - iii. Shortfalls in completed projects will be covered by a transfer from the DSCR so that the project may be closed with balanced revenues and expenditures
- (c) Citywide Development Activities (funding provided by a % fee on all permits/plan reviews)
 - i. Technology for building or planning permitting systems: (e.g., Accela, CitizenServe, or eCAPS) to be managed in the separate capital projects (A21xxxxxx)
 - ii. General Plan and Community Plan updates: To be managed in a multi-year projects (I22xxxxxx) with separate child projects for the various plans/updates