

RESOLUTION NO. 2006-106

Adopted by the Sacramento City Council

February 7, 2006

AMENDING THE FY2005/06 APPROVED BUDGET

BACKGROUND

- A. The Midyear Report provides City Council with an update on the current financial condition of the City's General Fund and Enterprise Funds for both revenues and expenditures.
- B. The Midyear Report includes recommendations on adjustments to the Approved FY2005/06 budget necessary to fully implement the City's financial plan for the remainder of the fiscal year.
- C. The Midyear Report recommends the adoption of a Fees and Charges Policy and performance trend management system consistent with City Council direction.

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

Section 1. FY2005/06 General Fund Revenues are adjusted as follows:

Revenue Type	Approved Budget	Adjustment	Revised Estimate
Main Roll Property Taxes	111,085	(41,585)	69,500
Sales Tax in lieu		13,150	13,150
VLF in lieu		30,168	30,168
Transfer Tax	11,250	2,250	13,500
Totals	122,335	3,983	126,318

Section 2. The following reserve funds are released to fund the labor cost increases and to cover the short fall in the Triple Flip in lieu sales tax:

State Impact Reserve \$ 2.9 million
Labor Reserve \$ 2.7 million

Section 3. The following General Fund staffing and budget adjustments are approved in order to address critical needs:

- Increase staffing in the Revenue and Business Compliance Divisions by 5.0 FTE (2.0 FTE Code Enforcement Officer, 1.0 FTE Typist Clerk,

1.0 FTE Administrative Technician and 1.0 FTE Program Analyst) and augment the FY2005/06 operating budget by \$130,500 to support the taxicab enforcement plan.

- Increase staffing in the Mayor and Council's Office by 1.0 FTE (Special Assistant to the Mayor), and increase the FY2005/06 operating budget by \$45,000 to support a Special Assistant to the Mayor.
- Increase staffing in the Department of Transportation by 2.0 FTE (1.0 FTE Construction Inspector III, 1.0 FTE Associate Civil Engineer) and augment the FY2005/06 operating budget by \$92,409 to respond to the growing demand for construction traffic control management in the downtown area.

Section 4. The Finance Director is authorized to adjust the Fire Department Operations budget at the close of the fiscal year to allow unobligated station expense appropriations to be carried forward into the next fiscal year to allow for the use of station funds pursuant to the current fire labor contract.

Section 5. The City Manager is authorized to use Administrative Contingency and unutilized lease appropriations to accommodate costs associated with new facilities.

Section 6. Release of accumulated General Fund carryover is approved. The City Council approves establishing a CIP and appropriates \$14.6 million of the carryover to fund the Human Resources/Financial System Replacement. \$6.262 million is released to departments for uses outlined in Exhibit 1.

Section 7. Increase staffing in the 4th R program by 8.5 FTE (2.0 FTE Program Coordinator, 2.0 FTE Program Developer, 1.0 FTE Clerk II, 3.5 FTE Recreation Aide) and augment the FY2005/06 revenue and operating budgets by \$351,000 due to the sustained increased attendance at two 4th "R" locations.

Section 8. The FY2005/06 budget is amended to include the following technical adjustments to other funds:

- Reduce the Business Services Water Fund transfer budget by \$1,068,887.
- Reduce the Business Services Sewer Fund transfer budget by \$376,133.
- Reduce the Business Services Storm Drainage Sewer Fund transfer budget by \$692,754.

- Reduce the Solid Waste Fund Debt Service Budget to recognize savings in the amount of \$534,329 due to refunding of the Solid Waste 1999 Capital Improvement Bonds.
- Transfer \$106,497 from Marina Fund reserves to the operating budget to correct the cost plan allocation which was omitted from their expense budget.
- Defund \$215,000 from Marina Security Improvements (CIP IA76).

Section 9. The Fees and Charges Policy is adopted.

Section 10. The concept of Performance Trend Management is adopted. Staff is directed to continue to further refine the measures, identify associated warranties and begin to track the data related to these measures.

Exhibits

Exhibit 1 – General Fund Carryover

Exhibit 2 – FY2005/06 Midyear Report

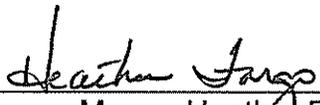
Adopted by the City of Sacramento City Council on February 7, 2006 by the following vote:

Ayes: Councilmembers Cohn, Fong, McCarty, Pannell, Sheedy, Tretheway, Waters, and Mayor Fargo.

Noes: None.

Abstain: None.

Absent: Councilmember Hammond.



Mayor, Heather Fargo

Attest:



Shirley Concolino, City Clerk

General Fund Carryover

Department	Department Carryover Available	Spending Request
Council Office	\$38,100	Office Technology, Process Automation & Content Management
City Manager	\$260,500	Succession Planning Support, Recruitment and Transition Costs, Office Technology, Professional Services Contract Support for Citywide Issues
City Attorney	\$404,900	Office Technology, Furniture/Office Improvements, Books, Staff Development
City Clerk	\$27,900	Office Technology, Process Automation & Content Management
City Treasurer	\$435,800	Automation Enhancement/E-payment, Predatory Lending/Consumer Education, Records Management System, Succession Planning, Consulting Services
Finance	\$983,300	Information Technology, Content Management, Office Improvements, Citywide Improvements, Consulting Services
Information Tech	\$296,900	Computer and Hardware purchases and maintenance
Human Resources	\$173,800	Information Technology, Furniture, Temporary Help
Labor Relations	\$60,000	Information Technology, Training, Furniture
Police	\$885,400	Vehicles for School Resource Officers, Phase I Police Firearms Training Facility, AV Equipment
Fire	\$785,200	Communication Equipment Replacement, Boats and Related Equipment & Professional Services
General Services	\$330,500	Establish a CIP for a 311 Call Center and appropriation of funds
Transportation	\$270,700	Central City Parking Master Plan, Consulting Services-Studies and Outreach
CC&L	\$95,100	Offset Revenue Shortfalls, Collection Conservation and Old Sacramento Programming
Parks and Rec	\$119,200	Consultant Services to Complete Two Capital Grant Funded Projects, Public Survey Consistent with Parks and Recreation Master Plan
Neighborhood Svcs	\$164,200	Office Technology, Process Automation & Content Management
Code Enforcement	\$612,600	Office Technology, Vehicles, Case Management System, Start up Costs for New Positions

Department	Department Carryover Available	Spending Request
Dev Services	\$232,000	Handheld computers
Economic Dev	\$86,400	Professional Services & Marketing
TOTAL	\$6,262,500	

General Fund Carryover

Department	Department Carryover Available	Spending Request
Council Office	\$38,100	Office Technology, Process Automation & Content Management
City Manager	\$260,500	Succession Planning Support, Recruitment and Transition Costs, Office Technology, Professional Services Contract Support for Citywide Issues
City Attorney	\$404,900	Office Technology, Furniture/Office Improvements, Books, Staff Development
City Clerk	\$27,900	Office Technology, Process Automation & Content Management
City Treasurer	\$435,800	Automation Enhancement/E-payment, Predatory Lending/Consumer Education, Records Management System, Succession Planning, Consulting Services
Finance	\$983,300	Information Technology, Content Management, Office Improvements, Citywide Improvements, Consulting Services
Information Tech	\$296,900	Computer and Hardware purchases and maintenance
Human Resources	\$173,800	Information Technology, Furniture, Temporary Help
Labor Relations	\$60,000	Information Technology, Training, Furniture
Police	\$885,400	Vehicles for School Resource Officers, Phase I Police Firearms Training Facility, AV Equipment
Fire	\$785,200	Communication Equipment Replacement, Boats and Related Equipment & Professional Services
General Services	\$330,500	Establish a CIP for a 311 Call Center and appropriation of funds
Transportation	\$270,700	Central City Parking Master Plan, Consulting Services-Studies and Outreach
CC&L	\$95,100	Offset Revenue Shortfalls, Collection Conservation and Old Sacramento Programming
Parks and Rec	\$119,200	Consultant Services to Complete Two Capital Grant Funded Projects, Public Survey Consistent with Parks and Recreation Master Plan
Neighborhood Svcs	\$164,200	Office Technology, Process Automation & Content Management
Code Enforcement	\$612,600	Office Technology, Vehicles, Case Management System, Start up Costs for New Positions
Dev Services	\$232,000	Handheld computers
Economic Dev	\$86,400	Professional Services & Marketing
TOTAL	\$6,262,500	

FY2005/06 Midyear Report

Insert

FY2005/06 Midyear Report

Attachment A

City of Sacramento, California
FY2005/2006 Midyear Report

City of Sacramento
915 I Street, 5th Floor
Sacramento, CA 95814
Phone 916-808-5845 ■ Fax 916-808-5755

Table of Contents

Section 1: Introduction.....	1
Section 2: General Fund Financial Report	4
Section 3: Other Funds Financial Report	12
Section 4: Fees and Charges Policy	31
Section 5: Performance Trend Management.....	33
Exhibit A – Revised Budget Cycle	35
Exhibit B – Fee Policy	36
Exhibit C – PTM Cycle	42
Exhibit D – Definition of Measure Types	43
Exhibit E – PTM Inventory	44

Section 1: Introduction

Overview

The Midyear Report has been prepared to evaluate the current fiscal condition of the City in the framework of the FY 2005/06 Approved Budget. This review allows the Mayor and City Council an opportunity to review any fiscal issues and act upon any budget and staffing adjustments necessary to implement the City's financial plan for the remainder of the current year. In addition, the Five Year Forecast for the General Fund has been updated to aid in the development of policy direction for the preparation of the FY 2006/07 Budget.

Budget Status

The FY2005/06 Approved Budget has been implemented within the context of the Mayor and City Council's policy of long term fiscal sustainability. One of the major uncertainties facing the City during the FY2005/06 budget development process was the resolution of labor agreements. As a result of this uncertainty, during the Budget hearings, the Mayor and City Council approved high priority budget augmentations which were made dependent upon the fiscal impact of labor negotiations. These augmentations addressed growing service demands in different program areas including after-school, teen centers, preschool, code enforcement, urban forest maintenance and restoration, library facility maintenance, parking enforcement, planning, development and utilities. With final labor agreements in place, settled within existing resources, these augmentations were implemented in late October 2005. The additional cost of the labor agreements will be met through the use of reserves previously set aside by the City Council specifically for this purpose. Future year labor costs will be addressed through the strategic use of reserves.

With the adjustments recommended in this report, the General Fund is balanced for the current fiscal year, including the cost of recently settled labor agreements. Over the next five years, expenditures will exceed revenues and future budgets will be balanced through the strategic use of one-time resources. Revenues and expenses of the Enterprise Funds are consistent with existing plans and only minor adjustments are necessary to fully implement Council's prior direction. Further action will be required in future years to ensure that revenues are at appropriate levels to accommodate the costs of the labor agreements and ongoing cost of service.

Changing Budget Process

A result of the Council's planning session in early January is the adoption of a revised budget cycle that provides the necessary opportunities for the Mayor and City Council to gather information, interact with staff and constituents, and provide essential policy direction necessary for budget development. Further, the revised process provides the Mayor and City Council the opportunity to tactically link the strategic plan with the appropriate financial resources, providing the strategic policy framework for the development of the proposed budget document. A graphic of the revised budget cycle is provided as Exhibit A.

Budget Development Objectives and Principles

The ongoing core of the Mayor and Council's budget philosophy continues to be sustainability. The City Council has adopted the following objectives and principles to support this philosophy:

Budget Objectives

- Develop a fiscally sustainable spending plan by July 1st
- Align the City Council's strategic plan with the budget
- Provide funding to deliver services and infrastructure to the community
- Communicate Council's vision to the community

Budget Principles

- Maintain a fiscally sustainable, balanced budget
- Use one-time resources strategically
- Identify return on investment and impacts; fiscal and social benefits
- Maintain a reserve for economic uncertainties
- Keep the City Council informed on the fiscal condition of the City
- Focus on incremental changes to staffing and spending
- Identify resources for top priorities and initiatives
- Continuous evaluation for efficiencies and effectiveness

Economic Outlook

The FY2005/06 Budget was developed in the context of strengthening national, statewide and local economies, local job growth, and a very strong local real estate market. These trends, coupled with continued population growth have provided extraordinary revenue growth from both sales and property taxes enabling the City to close the structural gap identified in FY2004/05 and address high priority service demands in FY2005/06.

The economic outlook for FY2006/07 budget development presents a somewhat mixed message thus far. While the latter half of 2005 saw a trend in declining job growth and a softening of the real estate market, results from early 2006 reflect a decrease in unemployment at the state and local levels, both positive indicators of an improving economy. Because real estate and job growth were key factors in the City's revenue growth over the past two years, performance of these indicators will be critical in the development of the FY2006/07 budget. Should these factors decline in the long-term, beyond the level anticipated in the Five-Year Forecast, spending adjustments may be needed to maintain a sustainable budget.

Section 2: General Fund Financial Report

Five Year Forecast

The five year forecast of the General Fund indicates that there is only limited capacity for real growth after base budget commitments, such as labor agreements, are fully funded.

A five year forecast of the General fund is an important fiscal planning tool. Under the sustainable budget policy of the Mayor and City Council, proposed fiscal actions are evaluated in a longer term, rather than a short term, context. The five year forecast is based on the current budget and projects future expenditures, revenues, and other funding sources over a multi-year horizon. The Budget Office does a major update of the forecast twice each fiscal year, at the time of the Midyear Report and at the time of the preparation of the Proposed Budget.

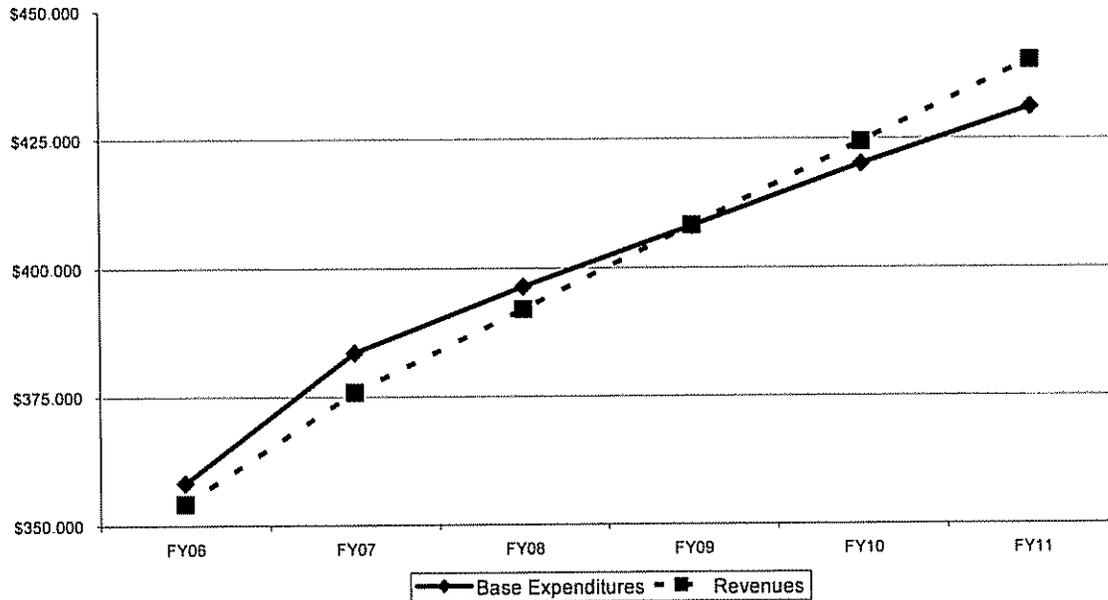
Given that nearly three-quarters of expenditures are labor costs and nearly three-quarters of all funding is tax revenues, estimating future changes in these categories is the focus of the forecast. All other expenditures and funding sources are also considered. On the expenditure side, the approval in the past year of multi-year agreements with the unions representing city employees allows for a high level of confidence in the accuracy of the multi-year projections. Other major expenditures, such as debt service and facility costs, may also be projected with accuracy.

It is more difficult to project future changes in revenues with the same high level of accuracy, particularly in the out years of the five year forecast. The three major tax revenues are property taxes, sales tax, and utility user tax. These taxes are derived from different types of economic activity within the City. Revenue estimates and collections are monitored continually with major reviews conducted quarterly. The tax revenue budget is typically adjusted at the Midyear Report based on the most current information. The revenue estimates included in the five year forecast are updated twice a year along with other aspects of the forecast.

Revenue growth, particularly in property taxes, has been very strong in recent years and should continue into FY2006/07. This growth has allowed the closure of the structural gap in the General Fund which emerged when retirement costs increases and sales tax growth slowed in the early years of this decade, and has allowed for high priority growth issues such as the addition of 100 police officers and firefighters. The recently approved labor agreements will result in significant expenditure increases in the base budget over the next five years.

The following graph illustrates the five year forecast of the current base budget.

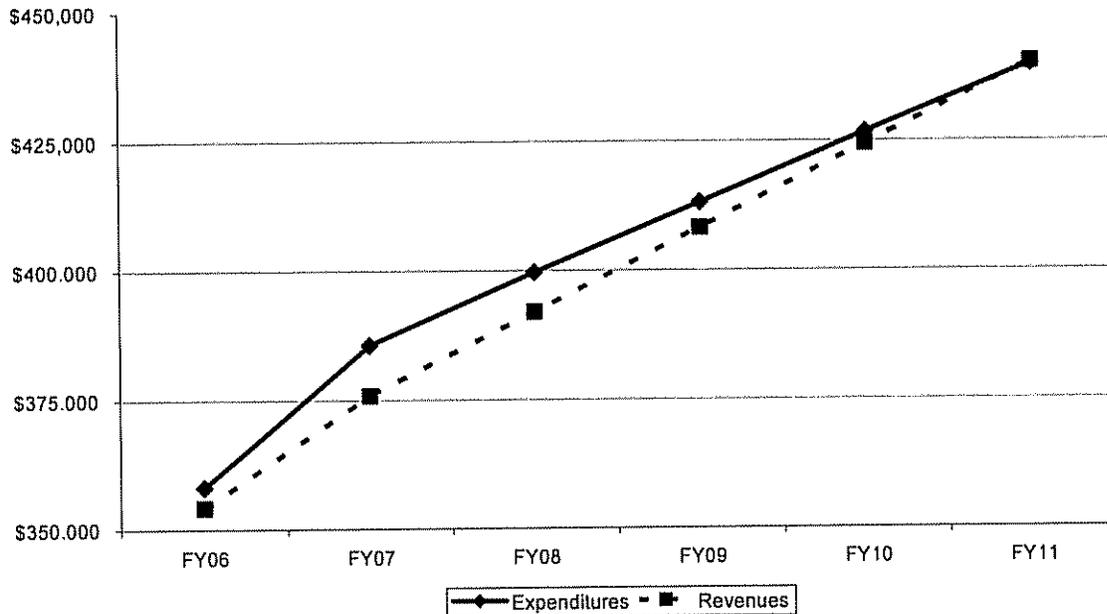
**General Fund 5 Year Forecast
Moderate Revenue Growth
Current Base Budget**



This base budget forecast indicates the on-going expenditures will exceed on-going revenues over the next two fiscal years, but growth in revenues will exceed expenditures closing this gap and providing some capacity for real budget growth in the out years of the five year period. Since the overall trend is positive, it is appropriate to use one-time financial resources such as fund balance and reserves to close the gap. The one-time resources available in the General Fund are more than sufficient to maintain current staffing and service levels.

Indeed, sufficient resources are available to provide for some limited real growth in the General Fund over the forecast period. Use of reserves other than the \$30 million Reserve for Economic Uncertainty provides some capacity for growth as illustrated in the following graph.

**Five Year Forecast
Moderate Revenue Growth**
(In thousands \$)



The capacity for real budget growth is very limited due to the known increases in labor costs and limited one-time resources.

Assumptions

Models, forecast, and budgets are based on assumptions. The revenue assumptions may be characterized as moderate. The local housing market will cool significantly with value growth being minimal and the number of sales decreasing. Other revenues will keep pace with inflation and population growth. The forecast does not include a recession, nor does it include an economic boom. The major assumptions upon which the five year forecast is based include:

- The labor agreements are fully funded.
- There is a one percent salary savings factor built into the budget to be generated by the time needed to fill vacant positions.
- There will be one percent annual growth in service and supply expenditures.
- Debt service expenditures are based on current debt issues and the planned Community Reinvestment Capital Improvement Program.
- Annual property tax growth rates will decrease from the current 14 percent to 5 percent over the 5 years.

-
- Supplemental property taxes and the property transfer tax will decrease from year to year.
 - Sales tax and utility tax growth will be a constant 4 percent, corresponding to the combined growth in population and inflation.
 - Departmental revenue budgets will be increased to align with actual results.

The assumptions will be evaluated against actual results on a regular basis.

Labor Cost Adjustments

At the time the Proposed Budget was being prepared and the budget hearings were being held, negotiations were on-going with most of the unions representing city employees. The Proposed and Approved budgets included 3 percent salary increases, no changes in medical insurance, and the new retirement rates from PERS. The annual Budget Resolution adopted by the Mayor and City Council granted to the City Manager the authority to adjust the Fiscal Year 2006/07 Approved Budget to fund the contracts ultimately approved with the unions. The labor cost adjustments for the General fund may be summarized:

Employee salary and benefits	\$8.1 million
Service partners (Library Authority, Zoo)	\$0.4 million
Retirement medical	<u>\$1.0 million</u>
TOTAL	\$9.5 million

Funding for the unrepresented employees was included in the Approved Budget.

Staff recommends that the additional funding for the labor agreements come from tax revenue adjustments and use of reserves.

Revenue Adjustments

The status of the General Fund revenues, both taxes and departmental revenues, is evaluated on a regular basis during a fiscal year. The revenue estimates included in the Proposed and Approved Budgets are finalized in March for a fiscal year that begins the following July. As time passes, new information becomes available. The Budget Division of the Finance Department performs a full review of actual tax revenue collections as compared to budget estimates. Departmental revenues are evaluated as part of the Midyear Report and in the preparation of the Proposed Budget.

Adjustments of the revenue budget typically occur in the Midyear Report. The revenue estimates for FY2006/07 were based on strong growth in main roll property taxes, moderate growth in sales tax and utility tax, and reductions in supplemental property taxes and the transfer tax. The State's backfill of sales tax and VLF due to the

Proposition 1A changes in revenue were included in with the normal main roll secured and unsecured property taxes.

Since March, the County has finalized the tax roll and tax allocations to taxing entities, and the State has issued new information regarding the in lieu sales tax and VLF allocations to the City. In addition, we have seven months experience in collection of the transfer tax.

Based on the new information, staff recommends the following revenue adjustments:

Revenue Adjustments
Dollars in Thousands

Revenue Type	Approved Budget	Adjustment	Revised Estimate
Main Roll Property Taxes	111,085	(41,585)	69,500
Sales Tax in lieu		13,150	13,150
VLF in lieu		30,168	30,168
Transfer Tax	11,250	2,250	13,500
Totals	122,335	3,983	126,318

The main roll property tax revisions are based on the county's tax allocation tables. The in lieu sales tax and VLF adjustments are based on information received from the State in October 2005.

Reserve Releases

Staff recommends that funds be released from two reserves to fund the labor cost increases in FY2005/06 and to cover a one-time short fall in the Triple Flip in lieu sales tax as follows:

Current Year Labor Costs	\$2.7 million
State Impact Reserve	\$2.9 million

In the CAFR for FY2004/05, \$12 million was set aside to cover future labor cost increases. These funds can be used to avoid making staffing or service level reductions in order to fund new costs resulting from the contracts. Staff recommends that \$2.7 million be released from this reserve to cover increased labor costs FY2005/06 resulting from the implementation of the labor contracts.

The State has also informed cities and counties of a one-time negative adjustment in Sales Tax in Lieu payments under the "Triple Flip" scheme. For FY2004/05, the first

year of the Triple Flip sales and property tax swap, the State changed the method for determining the property tax backfill of the ¼ cent sales tax shifted to the State. The State determined that the City was given \$2.9 million too much property tax backfill, but made that determination after the conclusion of the fiscal year. The State is making a negative adjustment to the FY2005/06 backfill allocations. This one-time revenue loss is included in the revenue adjustments listed above. In the FY2004/05 CAFR, \$2.9 million has been set aside as a Reserve for State Impacts. Staff recommends that this reserve be used to cover the revenue loss in FY2006/07.

General Fund Budget Adjustments

Minimal midyear budget and staffing adjustments in the General Fund are being recommended for Mayor and Council approval. These address critical needs and are reflective of Council direction. The recommended adjustments include:

- Increase staffing in the Revenue and Business Compliance Divisions by 5.0 FTE and augment the FY2005/06 operating budget by \$130,500 to support the taxicab enforcement plan. This would amount to \$346,000 on an annual basis. As a result of this action permitting and code enforcement activities can begin sooner than if this action had been included in the FY2006/07 budget process. The taxicab enforcement program will be supported through fees.
- Increase staffing in the Mayor and Council's Office by 1.0 FTE, and increase the FY2005/06 operating budget by \$45,000 to support a Special Assistant to the Mayor. The cost for the remainder of the fiscal year will be funded from the General Fund Administrative Contingency. Ongoing costs will be included in the FY2006/07 budget.
- Increase staffing in the Department of Transportation by 2.0 FTE and augment the FY2005/06 operating budget by \$92,409. This adjustment would amount to \$195,827 on an annual basis. These positions will respond to the growing demand for construction traffic control management in the downtown area. These positions will be 80% offset by fees and development charges.
- Provide authority for the Finance Director to adjust the Fire Department Operations budget (101-250-2532-4414) at the close of the fiscal year to allow unobligated station expense appropriations to be carried forward into the next fiscal year. This adjustment is pursuant to the current fire labor contract.

While no changes are recommended for facility costs as part of this midyear report, the Department of General Services is facing significant cost pressures related to bringing new facilities online. Thus, the midyear resolution includes authority for the City Manager to use Administrative Contingency and unutilized lease appropriations to

adjust department operating budgets at year-end if needed for the actual energy and operating costs of these new facilities.

Use of Carryover

At the end of FY2004/05 departmental savings totaled \$8.2 million. Pursuant to the FY2004/05 Comprehensive Annual Financial Report (CAFR), Council placed these savings in a Designation for Future Use, along with carryover from FY 2002/03 and FY2003/04. These savings, coupled with the remaining FY 2001/02 carryover funds previously released to departments total \$20.865 million. Consistent with Council direction, staff recommends that the Mayor and Council approve the release of all accumulated prior year carryover.

Specifically, staff recommends that Council establish a CIP (AB81) to fund the replacement of the Human Resources/Financial System and appropriate \$14.6 million of the carryover for this purpose. Finally, staff recommends that the remaining \$6.3 million of carryover be released to departments for one-time uses as specified in the table below:

General Fund Carryover

Department	Department Carryover Available	Spending Request
Council Office	\$38,100	Office Technology, Process Automation & Content Management
City Manager	\$260,500	Succession Planning Support, Recruitment and Transition Costs, Office Technology, Professional Services Contract Support for Citywide Issues
City Attorney	\$404,900	Office Technology, Furniture/Office Improvements, Books, Staff Development
City Clerk	\$27,900	Office Technology, Process Automation & Content Management
City Treasurer	\$435,800	Automation Enhancement/E-payment, Predatory Lending/Consumer Education, Records Management System, Succession Planning, Consulting Services
Finance	\$983,300	Information Technology, Content Management, Office Improvements, Citywide Improvements, Consulting Services
Information Tech	\$296,900	Computer and Hardware purchases and maintenance

2005/06 Midyear Report

Department	Department Carryover Available	Spending Request
Human Resources	\$173,800	Information Technology, Furniture, Temporary Help
Labor Relations	\$60,000	Information Technology, Training, Furniture
Police	\$885,400	Vehicles for School Resource Officers, Phase I Police Firearms Training Facility, AV Equipment
Fire	\$785,200	Communication Equipment Replacement, Boats and Related Equipment & Professional Services
General Services	\$330,500	Establish a CIP for a 311 Call Center and appropriation of funds
Transportation	\$270,700	Central City Parking Master Plan, Consulting Services-Studies and Outreach
CC&L	\$95,100	Offset Revenue Shortfalls, Collection Conservation and Old Sacramento Programming
Parks and Rec	\$119,200	Consultant Services to Complete Two Capital Grant Funded Projects, Public Survey Consistent with Parks and Recreation Master Plan
Neighborhood Svcs	\$164,200	Office Technology, Process Automation & Content Management
Code Enforcement	\$612,600	Office Technology, Vehicles, Case Management System, Start up Costs for New Positions
Dev Services	\$232,000	Handheld computers
Economic Dev	\$86,400	Professional Services & Marketing
TOTAL	\$6,262,500	

Section 3: Other Funds Financial Report

This section provides an overview of the recommended midyear adjustments to programs funded from funds other than the General Fund. There are several budget adjustments which require Mayor and City Council approval. In addition this section addresses the current fiscal condition of the City's enterprise funds.

Other Fund Budget Adjustments

4th R Fund

Increase staffing in the 4th R program by 8.5 FTE and augment the FY2005/06 revenue and operating budgets by \$351,000 due to the sustained increased attendance at two 4th "R" locations. Funding for the new positions and supplies will come from the 4th "R" Fund (474) from the fees charged to the parents whose children are served by the child care facilities. There is no cost to the General Fund to implement this adjustment.

Business Services Water Fund

Reduce the Business Services Water Fund transfer budget as it is over stated by \$1,068,887 due to a technical duplication error that was made as part of the FY2005/06 Budget process ($-\$2,708,691$ less $\$1,068,887 = -\$1,639,804$ revised amount). This correction will not impact spending or revenue levels.

Business Services Sewer Fund

Reduce the Business Services Sewer Fund transfer budget, as it is overstated by \$376,133 due to a technical duplication error that was made as part of the FY2005/06 Budget process ($\$1,219,465$ less $\$376,133 = \$843,332$ revised amount). This correction will not impact spending or revenue levels.

Solid Waste Fund

The FY2006/07 Solid Waste beginning fund balance is negative \$791,000. Part of the reason for the negative beginning fund balance is because Council-approved defunding of \$400,000 from three Solid Waste Capital Improvement Programs (YA06, YA36 and YB36) were not processed to realize the decrease in FY2004/05 obligations. These documents have since been processed in FY2005/06. In order to fix the remaining deficit of \$391,000 we recommend that the FY2005/06 Debt Service Budget be reduced to recognize savings in the amount of \$534,329 due to refunding of the Solid Waste 1999 Capital Improvement Bonds.

Business Services Storm Drainage Sewer Fund

Reduce the Business Services Storm Drainage Sewer Fund transfer budget, as it is overstated by \$692,754 due to a technical duplication error that was made as part of the FY2005/06 Budget process ($-\$217,171$ less $\$692,754 = -\$909,925$ revised amount). This correction will not impact spending or revenue levels.

Marina Fund

The Marina Fund will transfer \$106,497 from reserves to their operating budget to correct the cost plan allocation which was omitted from their expense budget. We also recommend that the Marina Fund defund \$215,000 from Marina Security Improvements (CIP IA76). This CIP will be funded from state loan revenues in FY2006/07.

Golf Special Revenue Fund

Golf is forecasting lower than budgeted revenues despite growth from actual prior year revenues. The Department of Convention, Culture and Leisure will adjust expenditures accordingly to address this shortfall.

Enterprise Funds Financial Report

Water Fund (413)

Revenue earned by the City of Sacramento for the purpose of providing water service to its customers is deposited in the Water Enterprise Fund. Revenues are derived from customer fees, interest earnings, development fees, tap sales, and reimbursements from other entities for services performed by or paid by the Fund. Water Fund revenues are structured to cover the costs of providing water service to its customers which includes costs for water treatment, plant maintenance, water distribution system repair and maintenance, water conservation and education programs, water quality monitoring, related engineering services, customer service, the City-County Office of Metropolitan Water Planning, and the Water Fund capital improvement program. Expenses of the Fund are summarized and reflected as operating costs, debt service, and capital improvement costs.

Issues facing the Water Fund include:

- Ongoing replacement of older water supply facilities to continue to provide a safe and reliable drinking water supply to the community and meet state and federal standards.
- Complying with AB 2572 by installing 100,000 water meters at a cost of approximately \$340 million over the next 20 years.
- Maintaining state and federal regulatory compliance.
- Developing an aggressive water conservation program consistent with the Water Forum Agreement.
- Supporting regional, long-term water supply planning.
- Developing water wholesaling and wheeling agreements in support of effective regional water management.
- Maintaining the financial strength of the Fund for the purpose of meeting debt service requirements related to the rehabilitation and improvement of intake structures and treatment plants.

The following financial policies and guidelines are utilized by the Department of Utilities to ensure the fiscal viability of the Water Enterprise Fund:

- Water rate studies will be conducted at least every 5 years to ensure the long-term financial health and viability of the fund.
- Water rates will be reviewed annually to ensure that they meet operating, debt service, capital and legal requirements while avoiding significant one-year rate changes.
- As a matter of equity, rate changes will be spread uniformly across the rate base.

-
- Surplus available fund balance shall be used to mitigate future rate increases or supplement the approved Water Fund capital improvement program.

Current Year Projection

The following chart provides a comparison of the FY2005/2006 Approved Budget with a fiscal year end projection of Water Fund revenues and expenditures. The Water Fund is currently projected to end the fiscal year with a balance higher than what is reflected in the Approved Budget. The increased fund balance is directly attributed to increased wholesale/wheeling revenue and year-end budget adjustments.

The Department of Utilities requests an adjustment to the FY2005/06 Water Fund Operating Budget to correct a technical duplication error that was made as part of the FY2005/06 Budget process. The Business Services transfer budget is over stated by \$1,069,000 ($\$2,709,000$ less $\$1,069,000 = \$1,640,000$ revised amount).

5-Year Projection

The following chart provides a five-year budget and rate forecast and includes the following assumptions:

- Annual operating costs will rise more than inflation as a result of cost of living increases, inflation, increased chemical, fleet, utility and sludge removal costs, and implementation of Water Forum programs.
- Projections of future capital spending reflect a balance between modest future rate increases and a reasonable level of infrastructure repair and rehabilitation spending. Funding of infrastructure rehabilitation and improvements to meet master planning goals identified in the Utility Infrastructure Report has been incorporated into the forecast and will be distributed over a 20-year period.
- Annual debt service will decrease by \$900 thousand dollars to \$12.3 million as a result of refunding of the Water Service Program Series 2001 CIRB A Revenue Bonds.

Summary

While the Water Fund faces some significant challenges over the next five years the fund will remain financially sound and able to meet those challenges with moderate rate increases over the next several years. Key issues for the Water Fund include complying with AB2572 by installing 100,000 water meters at a cost of approximately \$340 million over the next 20 years, resolving unmet infrastructure rehabilitation, replacement and improvement needs, and implementing Water Forum conservation programs in support of long-term regional planning.

Water Fund (413)
Revenue and Expenditure Forecast
Dollars in Thousands

Source	2005-06 Budget	2005-06 Midyear	Variance	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
Projected Rate Increase	9%			9%	8%	7%	6%	6%
BEGINNING BALANCE	6,139	6,139	0	11,544	8,120	5,924	4,348	4,179
REVENUE								
User Fees	47,080	49,482	2,402	54,925	60,418	65,855	71,124	76,813
Interest	1,250	1,250	0	1,250	1,250	1,250	1,250	1,250
Other	4,522	4,288	(234)	4,505	4,588	4,671	4,798	4,899
Wholesale/Wheeling	0	7,361	7,361	0	0	0	0	0
Development Fees	6,600	5,900	-700	4,000	3,000	2,000	2,000	2,000
Total Revenues	59,452	68,281	8,829	64,680	69,256	73,776	79,172	84,962
EXPENDITURES								
OPERATIONS								
Operating	37,350	38,729	1,379	41,253	43,443	45,643	47,888	49,715
Debt Service	13,183	12,254	(929)	12,209	12,200	13,156	13,132	13,115
CIP Meters	1,163	1,163	0	2,642	5,309	7,853	10,321	12,275
CIP	9,800	10,730	930	12,000	10,500	8,700	8,000	9,000
Total Expenditures	61,496	62,876	1,380	68,104	71,452	75,352	79,341	84,105
ENDING BALANCE	4,095	11,544	7,449	8,120	5,924	4,348	4,179	5,036

Notes:

- 1) Budget column is the Approved Budget. Midyear estimates column includes estimated labor costs per executed labor agreements
- 2) Forecast includes technical correction of rollup organization 3350 budget transfers

Sewer Fund (414)

Revenue earned by the City of Sacramento for the purpose of providing sewer collection service to its customers is deposited in the Sewer Enterprise Fund. Revenues are derived from customer service fees, recovery of Sacramento Regional County Sanitation District (SRCSD)-related operation and maintenance costs paid for by the Fund, interest earnings, and connection charges. Sewer Fund revenues cover the cost of wastewater collection and maintenance, storage and treatment of wet weather combined sewage, installation of new services, the operation of 44 sanitary pumping stations, related engineering services, customer service, and the monitoring of discharge into the sewer collection system. Expenses of the Fund are generally divided among operating costs, debt service, and capital improvement costs.

The sewer system is a "contained system" in that very little expansion other than in-fill projects is possible. The City-operated sewer collection system serves approximately 60 percent of the City, primarily the central and older sections of the City. The SRCSD, through its County Sanitation District (CSD-1), serves the other areas of the City. The City's sewage is treated by the SRCSD while the City provides the SRCSD with billing and collection services for properties within the City service area.

The Sewer Fund presents unique challenges due to the system's minimal growth potential and the age and nature of the system's infrastructure. Issues facing the Fund include:

- Complying with increasingly stringent state and federal regulations.
- Rehabilitating the central City's combined sewer and storm drainage system (CSS) at the least possible cost to ratepayers.
- Continued rehabilitation of the City's separated sewer service area.
- Resolving the lack of growth in new services and the increasing cost for repair and reconstruction of the aging system that causes continual upward pressure on rates. This pressure is disproportionate compared to other City utilities.
- Maintaining the financial strength of the Fund for the purpose of raising sufficient capital to finance rehabilitation of the CSS. The Department of Utilities has negotiated agreements with other agencies for financial assistance with the CSS rehabilitation and has been awarded grants and received approval for several low-interest loans from the State Revolving Fund.

The following financial policies and guidelines are utilized by the Department of Utilities to ensure the fiscal viability of the Sewer Enterprise Fund:

- Sewer rate studies will be conducted at least every 5 years to ensure the long-term financial health and viability of the fund.

-
- Sewer rates will be reviewed annually to ensure that there is sufficient revenue to meet operating, debt service, capital, and legal requirements while avoiding significant one-year rate changes.
 - As a matter of equity, rate changes will be spread uniformly across the rate base.
 - Surplus available fund balance shall be used to mitigate future rate increases or to supplement the approved Sewer Fund capital improvement program.

Current-Year Projection

The following chart provides a comparison of the FY2005/2006 Approved Budget with a fiscal year end projection of Sewer Fund revenues and expenditures. The Sewer Fund is currently projected to end the fiscal year at a higher fund balance than anticipated in the Approved Budget. The higher fund balance is directly attributed to projected increase in revenue associated with user and developer related fees, and year-end budget adjustments.

The Department of Utilities requests an adjustment to the FY2005/06 Sewer Fund Operating Budget to correct a technical duplication error that was made as part of the 2005-06 Budget process. The Business Services transfer budget is over stated by \$376,000 (\$1,219,000 less \$376,000 = \$843,000 revised amount).

5-Year Projection

The following chart provides a five-year budget and rate forecast and includes the following assumptions:

- The customer base for the Sewer Fund will remain fixed with very little growth in the system other than in-fill projects.
- Annual operating costs will rise substantially more than inflation as a result of cost of living increases, inflation, and increased fleet costs.
- Projections of future capital spending in the Sewer Fund reflect a balance between modest future rate increases and a reasonable level of infrastructure repair and rehabilitation spending. There remains a significant amount of unmet infrastructure rehabilitation in the system.
- The City borrowed approximately \$53 million from the State Revolving Fund for rehabilitation projects in the CSS; \$13 million will be repaid from the Sewer Fund.

Summary

An aging sewer system, increased regulatory requirements, the need to rehabilitate and finance the combined system, and relatively no growth in the customer base are key issues facing the Sewer Fund. While significant challenges confront the Fund, it is

positioned financially to meet those challenges with moderate rate increases over the next several years.

Sewer Fund (414)
Revenue and Expenditure Forecast
Dollars in Thousands

Source	2005-06 Budget	2005-06 Midyear	Variance	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
Projected Rate Increase				6%	6%	6%	6%	6%
BEGINNING BALANCE	5,191	5,191	0	4,294	3,063	1,863	1,198	1,242
REVENUE								
User Fees	16,536	16,453	(83)	17,605	18,837	20,155	21,567	22,645
Interest	290	290	0	300	300	300	300	300
Other	1,134	1,316	182	1,021	1,036	1,051	1,067	1,083
Development Fees	0	800	800	800	800	800	800	800
Total Revenues	17,960	18,859	899	19,726	20,973	22,306	23,734	24,828
EXPENDITURES								
OPERATIONS								
Operating	12,900	13,379	(479)	14,076	14,750	15,420	16,119	16,732
Debt Service	881	881	0	881	881	881	881	881
CIP	5,496	5,496	0	6,000	6,542	6,670	6,690	7,173
Total Expenditures	19,277	19,756	(479)	20,957	22,173	22,971	23,690	24,786
ENDING BALANCE	3,874	4,294	420	3,063	1,863	1,198	1,242	1,284

Notes:

- 1) Budget column is Approved Budget Midyear estimates column includes estimated labor costs per executed labor agreements
- 2) Forecast includes technical correction of rollup organization 3350 budget transfers.

Storm Drainage Fund (425)

Revenue earned by the City of Sacramento for the purpose of providing storm drainage service to its customers is deposited in the Storm Drainage Enterprise Fund. Revenues are generated primarily from customer service charges and interest earnings. Storm Drainage Fund revenues cover the cost of storm drainage pumping operations, wet weather treatment and storage, collection system maintenance, related engineering services, flood plain management, customer service, and the Storm Drainage Fund capital improvement program. Expenses are divided among operating costs, debt service, and capital improvements.

Issues facing the Storm Drainage Fund include:

- Rehabilitating the central City's combined sewer and storm drainage system (CSS) at the least possible cost to ratepayers.
- Upgrading drainage service to areas outside of the CSS to meet citywide standards.
- Supporting regional flood control efforts.
- Improving drainage system reliability.
- Operating under Proposition 218 restrictions.

The following financial policies and guidelines are utilized by the Department of Utilities to ensure the fiscal viability of the Storm Drainage Fund:

- Storm Drainage rate studies will be conducted at least every 5 years to ensure the long-term financial health and viability of the Fund.
- Storm Drainage rates will be reviewed annually to ensure that they meet operating, debt service, capital, and legal requirements.
- Surplus available fund balance shall be used to mitigate future rate increases or supplement the approved Storm Drainage Fund capital improvement program.

Current-Year Projection

The following chart provides a comparison of the FY2004/2005 Approved Budget with a fiscal year end projection of Storm Drainage Fund revenues and expenditures. The Fund is currently projected to end the fiscal year with an available fund balance higher than what was projected in the Approved Budget. The higher fund balance is directly attributed to increases in revenue from growth in the North Natomas area.

The Department of Utilities requests an adjustment to the FY2005/06 Storm Drainage Fund Operating Budget to correct a technical duplication error that was made as part of the FY2005/06 Budget process. The Business Services transfer budget is over stated by \$692,754 (\$217,171 less \$692,754 = \$909,925 revised amount).

5-Year Projection

The following chart provides a five-year budget and rate forecast and includes the following assumptions:

- Future growth in the system will approximate 2 percent annually with modest adjustments over future years related to development in North Natomas.
- Operating costs will rise substantially more than inflation as the result of cost of living increases, inflation, and increased fleet and utility costs.
- Although there has been no rate increase in the Storm Drainage Fund since 1996, no rate increases are projected in the near future. Based on current projections, the Storm Drainage Fund will meet its primary obligations by curtailing the Capital Improvement Program.
- Projections of future capital spending in the Storm Drainage Fund reflect a reduction in funding levels. The reduction in available funds for the CIP program will continue to put the system further behind from meeting the infrastructure rehabilitation needs identified in the Utility Infrastructure Report.
- The City has borrowed approximately \$53 million from the State Revolving Fund for the rehabilitation projects in the CSS with \$40 million to be repaid by the Storm Drainage Fund.
- No new, significant water quality regulations will be enacted.

Summary

The Storm Drainage Fund will face some challenging issues over the next several years. Key issues continue to include the financing of the rehabilitation of the combined system, maintaining a prudent level of funding for capital improvement rehabilitation and replacement, funding cost of living adjustments and increases in supplies and services, and the difficulty associated with raising rates in compliance with Proposition 218. Proposition 218 requires an affirmative majority vote by affected property owners or a two-thirds vote of the general electorate in order to increase storm drainage rates.

**Storm Drainage Fund (425)
Revenue and Expenditure Forecast
Dollars in Thousands**

Source	2005-06 Budget	2005-06 Midyear	Variance	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
Projected Rate Increase								
BEGINNING BALANCE	15,727	15,770	43	12,845	9,937	6,872	2,447	1,998
REVENUE								
User Fees	30,457	31,558	1,101	32,189	32,833	33,490	34,159	34,843
Interest	735	735	0	735	735	735	735	735
Other	801	788	(13)	788	794	802	811	818
Development Fees	0	0	0	0	0	0	0	0
Total Revenues	31,993	33,081	1,088	33,712	34,362	35,027	35,705	36,396
EXPENDITURES								
OPERATIONS								
Operating	26,538	27,399	(861)	27,907	29,019	30,124	31,265	32,165
Debt Service	3,442	3,442	0	3,442	3,442	3,442	3,442	3,442
CIP	5,165	5,165	0	5,271	4,966	5,886	1,447	1,000
Total Expenditures	35,145	36,006	(861)	36,620	37,427	39,452	36,154	36,607
ENDING BALANCE	12,575	12,845	270	9,937	6,872	2,447	1,998	1,787

Notes:

- 1) Budget column is Approved Budget Midyear estimates column includes estimated labor costs per executed labor agreements
- 2) Forecast includes technical correction of rollup organization 3350 budget transfers

Solid Waste Fund (415)

The Solid Waste Fund is an enterprise fund that is financially responsible for the activities of collecting garbage, recyclables and garden refuse; sweeping streets; removing illegally dumped materials from throughout the City; and waste reduction. These solid waste activities serve three types of customers - residential, commercial and City facilities.

Issues facing the Solid Waste Fund include:

- The continuing need to adjust day-of-the-week service boundaries in order to provide service to the rapidly growing North Natomas area.
- The need to fund new equipment costs for new routes due to unprecedented growth in the city.
- Continue to provide quality customer service, despite growth, without additional labor costs.
- The need to obtain long term financing rather than the current short term yearly financing for container purchases to lock in low interest rates.

Current Year Projection

The following chart provides a comparison of the FY2005/2006 Approved Budget with a fiscal year end projection of Solid Waste revenues and expenditures. The Solid Waste's beginning fund balance is negative \$791,000. Part of the reason for the negative beginning fund balance is because at last year's Midyear (FY2004/05), council approved defunding \$100,000 from the Landfill Site Closure Project (YA06), \$130,000 from the Landfill Gas Control Project (YA36), and \$170,000 from the Groundwater Remediation Project (YB36) for a total CIP reduction of \$400,000; however the documents were never processed to realize the reduction. These documents have been processed in FY2005/06. To fix the remaining deficit of \$391,000, the Department of Utilities requests that the FY2005/06 Debt Service Budget be reduced to recognize savings in the amount of \$534,000 due to refunding of Solid Waste's 1999 Capital Improvement Bonds. With these adjustments, the Solid Waste Fund is currently projected to end the fiscal year with a fund balance higher than what is reflected in the Approved Budget.

5-Year Projection

The following chart provides a five-year budget and rate forecast and includes the following assumptions:

- Future growth in the system will approximate 2 percent annually with modest adjustments over future years related to development in North Natomas and the development of the city's North Area Corp Yard.
- Operating costs will rise substantially more than inflation as the result of cost of living increases, inflation, and increased fleet and tipping costs.
- Annual debt service will decrease by \$534,000 to \$2 million as a result of refunding of Solid Waste's 1999 Capital Improvement Bonds.

Summary

While the Solid Waste Fund faces some challenges in the upcoming years, the fund is positioned financially to meet those challenges with moderate rate increases over the next several years.

Solid Waste Fund (415) Revenue and Expenditure Forecast Dollars in Thousands

Source	2005-06 Budget	2005-06 Midyear	Variance	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
Projected Rate Increase	4.70%	N/A	N/A	3%	3%	3%	3%	3%
BEGINNING BALANCE	0	(791)	791	69	1,190	2,296	2,994	3,868
REVENUE								
User Fees	42,121	42,277	(156)	44,007	46,207	48,517	50,943	53,490
Interest	100	100	0	102	107	112	118	123
Other/Misc.	1,746	1,395	351	1,779	1,798	1,819	1,840	1,850
Other Sources (Uses)	0	1,500	(1,500)	1,500	1,500	1,500	1,500	1,500
Total Revenues	43,967	45,272	(1,305)	47,388	49,612	51,948	54,401	56,963
EXPENDITURES								
OPERATIONS								
Operating	41,165	42,377	(1,212)	43,504	45,414	47,312	49,290	51,141
Debt Service	2,436	2,068	368	2,391	2,715	3,561	3,860	3,816
CIP	367	367	0	372	377	377	377	377
CIP Defunding	0	(400)	400	0	0	0	0	0
Total Expenditures	43,968	44,412	(444)	46,267	48,506	51,250	53,527	55,334
ENDING BALANCE	(1)	69	(70)	1,190	2,296	2,994	3,868	5,497

Notes.

- 1) Budget column is Approved Budget. Midyear estimates column includes estimated labor costs per executed labor agreements

Parking Fund (412)

The City of Sacramento operates eight parking garages and four surface parking lots, including two surface lots operated on behalf of the Crocker Art Museum, with a total of over 8,518 parking spaces. The Parking Facilities Division also manages over 60,000 square feet of retail space at various City parking structures. It is an enterprise fund that is required to generate sufficient revenues to cover operational costs, maintain facilities in a quality manner, and plan for future parking needs.

FY2004/05 Highlights

- The remaining retail space at Memorial Garage was filled with the opening of BYUTI Salon and Spa in October 2005.
- The Scheidt & Bachmann revenue control system was fully installed and accepted by the City in December of 2004.
- Projects that were initiated in FY2004/05 include the Garage Attendant Booth Upgrade, Mechanical & Electrical Equipment Repair, Garage Video Surveillance, and the Central City Parking Master Plan.

Five Year Projection

Based on FY2004/05 actual revenues, parking fee revenues are projected to increase an average of 1 percent for FY2005/06 and FY2006/07 and 2 percent from FY2007/08 thru FY2009/10. Rental income is based on current and anticipated leases. Labor expenses are projected to grow at 3 percent annually and non-labor costs at 1 percent.

Parking Fund (412)
Revenue and Expenditure Forecast
Dollars in Thousands

Source	2005-06 Budget	2005-06 Midyear	Variance	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
BEGINNING BALANCE	640	640	0	680	1,344	1,656	1,650	1,822
REVENUE								
Parking Fees	16,184	15,387	(797)	15,540	15,849	16,164	16,485	16,813
Interest – Operating Funds	411	411	0	411	411	411	411	411
Real Property Rental	1,352	1,306	(46)	1,429	1,441	1,483	1,519	1,552
Miscellaneous	0	0	0	0	0	0	0	0
Total Revenues	17,947	17,105	(842)	17,381	17,701	18,058	18,416	18,776
EXPENDITURES								
OPERATIONS								
Employee Services	3,336	3,216	(120)	3,312	3,412	3,514	3,620	3,728
Other Services & Supplies	7,193	7,193	0	7,265	7,338	7,411	7,485	7,560
Equipment	0	0	0	0	0	0	0	0
Operating Transfer Out/(In)	1,376	1,351	(25)	1,064	1,064	1,064	1,064	1,064
Subtotal-Operating Expenses	11,905	11,760	(145)	11,641	11,813	11,989	12,169	12,352
Debt Service	3,577	2,817	(760)	3,575	3,575	3,575	3,575	3,575
Subtotal-Other Uses	3,577	2,817	(760)	3,575	3,575	3,575	3,575	3,575
Total Expenditures	15,482	14,577	(905)	15,216	15,388	15,564	15,744	15,927
Current Surplus/(Deficit)	2,465	2,528	63	2,164	2,313	2,494	2,672	2,849
Other Uses/CIP	2,488	2,488	0	1,500	2,000	2,500	2,500	2,500
ENDING BALANCE	617	680	63	1,344	1,656	1,650	1,822	2,171

Marina Fund (417)

The Sacramento Marina is a 547-berth marina located on the Sacramento River at Miller Park. The Marina is a full service, 7-day-a-week operation that includes a fuel dock, security gates, and parking. The Marina also provides space for a boat brokerage business for sales of new and used boats. The Marina operates as an enterprise fund in which revenues from berth rentals, fuel sales and rent offset costs of operation, debt service and capital improvements.

The Marina's average occupancy rate (percentage of berths occupied) for the first four months of FY2005/06 (July-October 2005) is 97 percent. Over the past three years, occupancy has averaged over 95 percent annually and is typically higher in the summer months.

A Marina Business Plan was approved by the City Council in FY2001/02. Two key policy decisions were implemented. The first was annual adjustments in berthing fees to reflect operational cost increases and finance the planned renovations. The second is a major capital improvement initiative to replace the 40-year old deteriorating South Basin docks. This would involve reconfiguring the berth sizes to reflect market demand and ensure higher annual occupancy rates. To date, the City Council has approved an application to the State Department of Boating & Waterways (DBAW) for a loan of up to \$7.5 million for the project and a proposed design. \$6.9 million of the loan has been approved by DBAW and project design is anticipated to begin this fiscal year with construction to begin in late 2006.

FY2005/06 Highlights

FY2005/06 labor is expected to increase by an additional 2 percent to reflect the impact of approved labor agreements. A technical adjustment is also being recommended to align the Marina Fund with the FY2005/06 Approved Budget. Revenues are lowered to reflect the City Council approved action to include the security surveillance system capital project as part of the South Basin project.

5-Year Projection

The five year expense and revenue forecast reflects the financial analysis prepared for the State loan acceptance. Revenues reflect expected berth occupancy levels before and during the South Basin reconfiguration (85%-95%) and after construction (95%). The South Basin will remain open during construction operations, expected for calendar year 2006, but may experience a berth fee revenue loss of up to 15 percent during that time. Berth fees are expected to increase 6 percent annually for the next 4 years and 3 percent in the years thereafter. Operating expenses are expected to increase annually

by 5 percent for labor and 2-4 percent for non-labor costs. Interest only payments for the South Basin loan will begin in FY2005/06.

Marina Fund (417)
Revenue and Expenditure Forecast
Dollars in Thousands

Source	2005-06 Budget	2005-06 Midyear	Variance	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
BEGINNING BALANCE	434	591	157	542	493	591	514	498
REVENUE								
Berth Rentals	1,345	1,345	0	1,390	1,579	1,779	1,885	1,942
Interest	18	18	0	7	16	25	24	23
Utilities	32	32	0	32	32	32	32	32
Real Property Rental	12	12	0	12	12	13	13	15
Gas and Oil Sales	275	275	0	275	275	275	275	275
Miscellaneous	81	26	(55)	26	26	26	26	26
Total Revenues	1,763	1,708	(55)	1,742	1,940	2,150	2,255	2,313
EXPENDITURES								
OPERATIONS								
Employee Services	402	410	8	431	452	475	498	523
Services & Supplies	685	685	0	700	729	759	781	797
Operating Transfer Out/(In)	(106)	0	106	0	0	0	0	0
Subtotal- Operations	981	1,095	114	1,130	1,181	1,234	1,279	1,321
Current Debt Service	465	465	0	465	465	465	465	465
SB Debt Service	146	146	0	146	146	478	478	478
CIP	5,915	5,700	(215)	1,075	50	50	50	85
Other	0	0	0	0	0	0	0	0
Total Expenditures	7,507	7,406	(101)	2,816	1,842	2,227	2,272	2,349
Current Surplus/(Deficit)	(5,745)	(5,699)	46	(1,074)	98	(77)	(17)	(36)
Other Fund Sources/(Uses)	5,650	5,650	0	1,025	0	0	0	0
ENDING BALANCE	339	542	203	493	591	514	498	462

Community Center Fund (419)

The Community Center Fund finances the operation, debt service requirements and capital improvement program for the Sacramento Convention Center, Memorial Auditorium, and Community Center Theater. The Center's goals include maintaining successful financial performance as an enterprise fund, optimizing facility utilization through aggressive marketing, maintaining the facility to industry standards, and stimulating hotel market demand to generate Transient Occupancy Tax (TOT) revenues.

FY2005/06 Highlights

The significant increase in the beginning balance in Community Center Fund at the start of the fiscal year reflects a combination of better than expected actual TOT and user fee collections last year of over \$600,000 and actual expense savings of over \$150,000.

Transient Occupancy Tax, (TOT) collections are nearly 6.2 percent over prior fiscal year's performance and slightly ahead of budgetary projections. User Fees are consistent with last year's actual collections and are expected to meet budget. Expenses are projected to be 2 percent above budgeted levels to reflect the full-year impact of recently approved labor agreements. The revenues, along with better than expected performance at the end of the last fiscal year, will absorb the additional expenses and allow the Community Center Fund to end this year with a positive fund balance.

In 1997, to maintain the financial integrity of the Community Center Fund, the City Council approved the use of inter-fund loans, if needed, to offset any year end deficit. Since 1997, total borrowing has been just over \$7.5 million – approximately \$4.5 million less than originally authorized. Re-payment of the inter-fund loan begins this year.

Five-Year Projection

TOT revenues are expected to grow by 3 percent annually over the next five years. During that same time, User Fees will grow from 2-4 percent annually. Labor costs will grow by 4-5 percent during this time and non-labor costs by 1 percent. Repayment of the inter-fund loan will continue throughout and likely beyond the next five years.

Community Center Fund (419)
Revenue and Expenditure Forecast
Dollars in Thousands

Source	2005-06 Budget	2005-06 Midyear	Variance	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
BEGINNING BALANCE	43	800	757	658	684	839	901	985
REVENUE								
Transit Occupancy Tax	14,727	14,727	0	15,169	15,624	16,093	16,575	17,073
Interest Income	705	705	0	720	730	740	750	780
User Fees	6,213	6,213	0	6,480	6,589	6,769	6,956	7,095
Other Revenue	1,473	1,473	0	1,517	1,562	1,609	1,658	1,707
Total Revenues	23,118	23,118	0	23,886	24,505	25,211	25,939	26,655
EXPENDITURES								
OPERATIONS								
Employee Services	5,330	5,463	133	5,623	5,904	6,170	6,448	6,738
Services & Supplies	6,613	6,613	0	6,785	6,838	6,914	6,984	7,049
Equipment	90	90	0	150	150	150	150	150
Expense Offsets/Transfers	136	136	0	143	150	157	165	174
Subtotal- Operations	12,169	12,302	133	12,701	13,043	13,391	13,747	14,110
Current Debt Service	10,458	10,458	0	10,458	10,458	10,458	10,458	10,458
CIP	400	400	0	500	600	800	900	1000
Other Fund Uses	0	0	0	0	0	0	0	0
Total Expenditures	23,027	23,160	133	23,659	24,101	24,649	25,105	25,568
Current Surplus/(Deficit)	91	(42)	(133)	227	405	562	834	1,086
AVAILABLE FUND BALANCE	134	758	624	884	1,089	1,401	1,735	2,071
Interfund Transfer (Loan Repay)	(100)	(100)	0	(200)	(250)	(500)	(750)	(1,000)
ENDING BALANCE	34	658	624	684	839	901	985	1,071

Section 4: Fees and Charges Policy

In order to ensure the fiscal stability of the City's budget, it is essential that Departments establish fees that provide the appropriate level of cost recovery. The implementation of a fees and charges policy and the associated annual process to review and update fees will provide a mechanism to make certain that fees and charges reflect the City's costs, as appropriate, to provide programs and services.

The attached Fee Policy, Exhibit B, provides guidelines for annual fee adjustments for certain fee categories as part of the budget process. The Fee Policy guidelines include the range of cost recovery for services and recommendations regarding the frequency with which fees should be increased to stay current.

As part of the FY2006/07 budget development process, departments will be reviewing their fees and evaluating the need to adjust fees consistent with the recommended Fee Policy. Proposed new fees or fee increases will be presented to the City Council in the coming months. Following is a brief overview of some of the fee adjustments departments are currently working on:

Police Department

The Police Department is planning to increase the existing fees related to fingerprinting, pawn/secondhand/junk dealers, card room operation, firearms dealers, and Letters of Public Convenience or Necessity. None of these fees have been adjusted since 1996, however the labor, supplies and equipment costs for supporting them has risen to the point where the City is no longer recovering costs sufficiently.

City Clerk

The Office of the City Clerk is updating its fee schedule to delete fees for services that are no longer provided, as well as adjusting some fees to reflect the actual cost of service. For example, the fee for subscription to a hard copy of the agenda is being eliminated as the document is provided free via the Internet. Another example is reducing the charge for a CD/DVD/VHS tape to reflect the current cost of the media.

Development Services

Development Services is working on an analysis and review by our stakeholders to re-structure the fees for the development process. The department will be focusing on building and planning fees for FY2006/07 as building fees have not been raised since 1998 and only select Planning fees have been increased in recent years.

The reorganization of the development and long range planning/visioning functions of the department currently in progress presents the opportunity to revise the fee structure currently in place. Currently, fees for services have been mixed with General Fund supported services and the distinction between the two has been less clear. The consolidation of the development review functions will demonstrate the actual cost to provide those services necessary to process development applications. Therefore, the information on cost will provide the nexus for what the reasonable fees should be to provide the services.

Convention, Culture & Leisure/Parks and Recreation

The Convention, Culture & Leisure Department and the Department of Parks & Recreation will be proposing a fee for launching a boat at the City-owned Garcia Bend and Miller Park boat launching facilities. The daily fee being proposed is \$8; an annual fee of \$80 is also proposed, as well as a discounted annual fee of \$40 for low income seniors (over 65 and on Medi-Cal) and low income people (having an Electronic Benefits Transfer card issued by the County Department of Health and Human Services). The fee would assist in cost recovery for the silt removal and other operational costs for the launch ramps which have increased significantly in recent years.

Staff recommends Council approve the attached Fees and Charges Policy. The Fee Policy is consistent with the City of Sacramento's budget objectives and principles, specifically to ensure that the City is fiscally responsible in the development, funding and operation of its programs and services. Annual review, updating and adjustment of fees will be integrated into the budget process.

Section 5: Performance Trend Management

Overview

Performance Trend Management (PTM) is a system of ongoing monitoring and reporting of program/service accomplishments, particularly progress toward pre-established goals. PTM, as a comprehensive system allows us to focus on whether a program has achieved its objectives, expressed as measurable performance standards. This information can be used as a management information tool to assist with planning and decision making related to accountability, risk assessment, resource allocation and budget decisions for departments, the City Manager, Mayor and City Council. PTM in this context may include, but is not limited to the use of workload indicators, studies and analysis, best practices and warranties.

The information provided through the PTM process will allow the Mayor, City Council and departments:

- To measure program and service performance relative to identified service level warranties.
- To improve and streamline management decision making.
- To allocate resources effectively and efficiently.
- To make strategic planning and budgeting more meaningful and related to daily activities.
- To be accountable to our customers and taxpayers.

It is important to note that PTM is different than the current workload measures presented in the annual budget ("Trends"). In the past, the "Trends" reported in the annual budget stood alone and therefore do not allow for the comparison to goals, expectations or standards. This information will assist in making more informed decisions relative to program management and delivery as well as budgeting and policy decision making.

Process

Exhibit C is a model of the PTM cycle, demonstrating the continuous nature of this system relative to the collection and analysis of information to be used by program managers and decision makers regarding budgeting, resource allocation and strategic policy direction.

Over time it is expected that departments will work to refine and increase the number of their performance measures with the goal of developing a valid and reliable

performance measure for each program activity. During this first PTM cycle the measures will be collected on a fiscal year basis and reported on during the annual budget process.

As part of the Midyear Budget process, departments identified between three and five activities/programs/services to measure. In addition, departments are working to assign a warranty to each selected service to ensure that the City is adequately meeting service level demands. Exhibit D is list of performance trend definitions

Upon Council approval of the PTM concept and initially identified activities and measures, departments will continue to further refine the measures, identify associated warranties and begin to track the data related to these measures. These measures and associated data will be reported as part of the annual budget process. In addition, these measures will provide valuable information that can be used throughout the annual budget cycle to evaluate programs and services and inform policy decisions.

Staff recommends Council approve the attached PTM inventory, Exhibit E, and direct departments to continue to refine their performance measure, assign warranties and to collect the data associated with these identified measures.

Exhibit A – Revised Budget Cycle

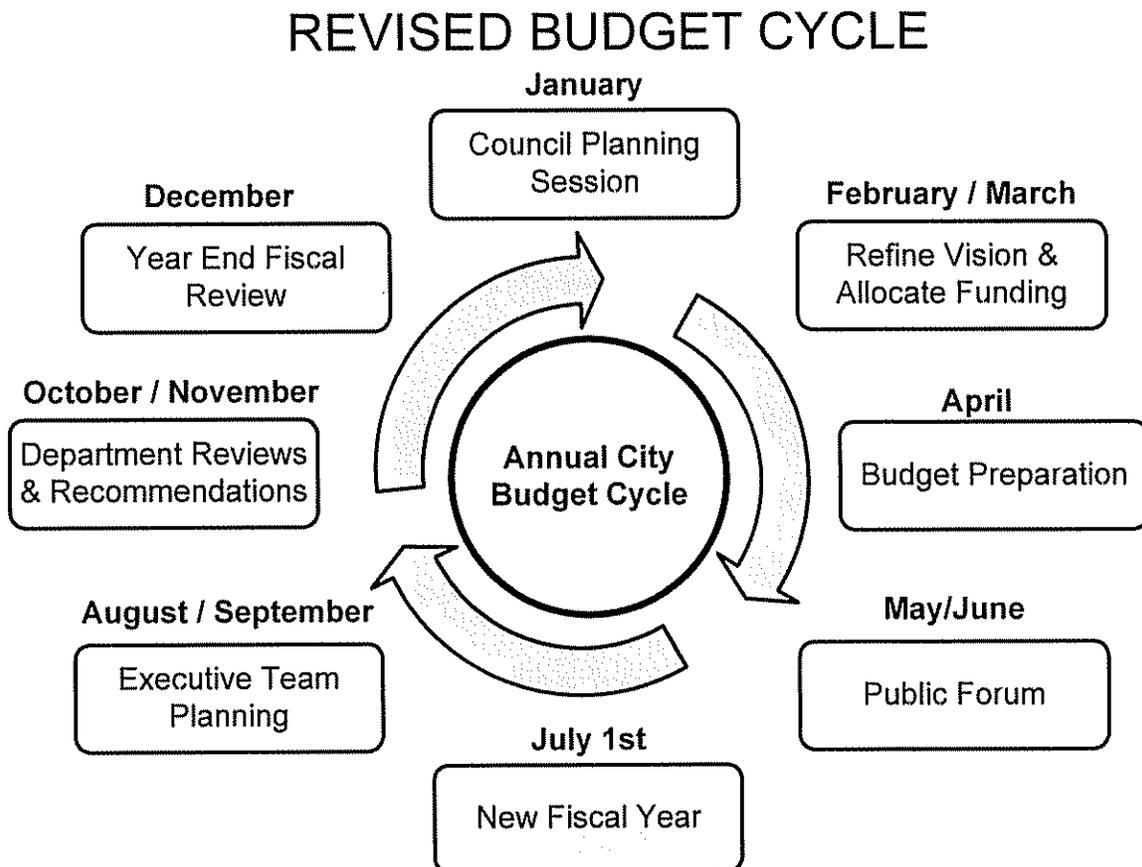


Exhibit B – Fee Policy

CITY OF SACRAMENTO FEES AND CHARGES POLICY

The City of Sacramento has the ability to determine the extent to which fees should be used to fund City facilities, infrastructure and services.

There are five main categories of fees that the City currently implements¹:

- ✓ **Impact/development fees** are typically one-time charges levied by the City against new development to generate revenue for the construction of infrastructure and capital facilities needed to offset the impacts of the new development.
- ✓ **Service fees** are charges imposed on persons or property that are designed to offset the cost of providing a government service. Sometimes these services are elective, such as fees for processing voluntary development permit applications, or providing service/recreation programs, while other service fees are not, such as mandatory service fees for trash or utility services. Such fees are typically reasonably related to the cost of providing the service for which the fee is imposed. Otherwise, the fee may constitute a special tax for which voter approval is required by Propositions 13, 62, and 218.
- ✓ **Regulatory fees** are imposed to offset the cost of a regulatory program, such as business regulatory fees, or to mitigate the past, present or future adverse impact of a fee payer's operations. While payment of a regulatory fee does not necessarily provide any direct benefit from payment of the fee, there must be a "nexus" between the activity and the adverse consequences addressed by the fee. Common examples of regulatory fees include inspection fees and business license fees designed to reimburse a local agency for the cost of monitoring the business and enforcing compliance with City code.
- ✓ **Rental fees** are charged for the rental of public property and include the rental of real property, parking spaces in a public parking lot, or the rental of community facilities such as a recreation or community room or picnic area. Rental fees are not subject to the general rule that the fee must bear a direct relationship to the reasonable cost of providing the service for which the fee is charged, however, rental fees must be fair and reasonable.
- ✓ **Penalties/Fines** payment required for non-compliance or failure to adhere to specific rules and/or requirements.

¹ League of California Cities Website: Spring Meeting May 13-15, 1998 Laurence S. Wiener, Esq City Attorney of Beverly Hills and Westlake Village *THE CITY ATTORNEY'S ROLE IN EVALUATING FEE STUDIES*.

This document sets forth guidelines for:

- Establishing cost recovery goals;
- Determining the categories of cost recovery levels in which to categorize/organize fees;
- Methods for determining which category a fee falls under; and
- Establishment and modification of fees and changes.

A. Cost Recovery Goals

In setting user fees and cost recovery levels, the following factors will be considered²:

- 1) The amount of a fee should not exceed the overall cost of providing the facility, infrastructure or service for which the fee is imposed. In calculating that cost, direct and indirect costs may be included. That is:
 - Costs which are directly related to the provision of the service; and,
 - Support costs which are more general in nature but provide support for the provision of the service. For example, service fees can include reimbursement for the administrative costs of providing the service. Development fees can include the cost of administering the program to construct public facilities that are necessary to serve new development.
- 2) The method of assessing and collecting fees should be as simple as possible in order to reduce the administrative cost of collection.
- 3) Fees should be sensitive to the "market" for similar services.

In addition, in setting enterprise fund fees and cost recovery levels, the following factors will be considered:

- 4) The City will set fees and rates at levels which fully cover the total direct and indirect costs, including operations, capital outlay and debt service of the enterprise programs.
- 5) The City will review and adjust enterprise fees and rate structures as required to ensure that they remain appropriate and equitable.

B. Categories of Cost Recovery Levels in Which to Categorize/Organize Fees

There are five categories of cost recovery levels in which to classify fees:

² Government Finance Officers Association Website, Best Practices in Public Budgeting. City of San Luis Obispo: User Fee Cost Recovery Goals, 2005

1. **Enterprise:** Full direct and indirect cost recovery (100% of total costs) for enterprise services such as water, sewer and solid waste, as well as impact/development fees.
2. **High:** Full direct cost recovery (81-100% of total costs).
3. **Medium:** Recovery between 41-80% of direct costs.
4. **Low:** Recovery between 0-40% of direct costs.
5. **Other:** Fees based on market, geography, assessment, project specific, legal limits or specific Council policy.

The City may choose, for policy reasons, to set fees at less than full recovery. For example, fees based on market, geography, assessment, project specific, statutory/legal limits or specific Council policy. In some cases, the City will acknowledge that a subsidy is acceptable, or even necessary to ensure program access and viability.

C. Methods for Determining Which Category a Fee Falls Under

Implementation of higher cost recovery levels is appropriate under the following conditions (up to 100% of the cost of the service or program):

- The service is regulatory in nature (i.e. building permits, plan check fees);
- The service is similar to services provided through the private sector;
- Other private or public sector alternatives could or do exist for the delivery of the service; and
- The use of the service is specifically discouraged (i.e., police responses to disturbances or false alarms might fall into this category).
- The service or facility is a specialized use that could be provided at a lower cost if not for specific nature or service (i.e. lighted fields).

Lower cost recovery levels are appropriate under the following conditions:

- There is no intended relationship between the amount paid and the benefit received. (It is likely that some recreation and human service programs fall into this category as it is expected that these programs will be subsidized by funds);
- Collecting fees is not cost-effective or will significantly impact the accessibility to the service;
- The service is non-recurring, generally delivered on a peak demand or emergency basis, cannot be planned for and is not readily available from a private sector source (i.e. public safety services);

-
- Collecting fees would discourage compliance with regulatory requirements and adherence is primarily self-identified, and as such, failure to comply would not be readily detected by the City.

Other:

- Market pricing requires that there be a direct relationship between the amount paid and the level and cost of the service received or a direct relationship to actual prices being charged for the service in the current market.
- Legal specifications and/or limitations to the amount that is charged.
- Adopted Council Policy setting specific fee.

Factors to Consider

The extent to which the total cost of service should be recovered through fees depends upon the following factors:

- ✓ The nature of the facilities, infrastructure or services;
- ✓ The nature and extent of the benefit to the fee payer;
- ✓ The effect of pricing on the demand for services; and
- ✓ The feasibility of collection and recovery.

The chart below reflects these factors and the potential options for higher or lower cost recovery³:

³ Government Finance Officers Association Website, Best Practices in Public Budgeting, City of Fort Collins, CO: User Fee Policies. 2005

	The Nature of the Facilities, Infrastructure or Services	The Nature and Extent of the Benefit to The Fee Payers	Effect of Pricing on the Demand for Services	Feasibility of Collection and Recovery
Higher Cost Recovery	In the case of fees for facilities, infrastructure and proprietary services ⁴ , total cost recovery may be warranted.	When a particular facility or service results in substantial, immediate and direct benefit to fee payers, a higher percentage of the cost of providing the facility or service should be recovered by the fee.	Because the pricing of services can significantly affect demand, full cost recovery for services is more appropriate when the market for the services is strong and will support a high level of cost recovery.	In the case of impact fees, which can be collected at the time of issuance of a building permit, ease of collection is generally not a factor.
Lower Cost Recovery	In the case of governmental services ⁵ , it may be appropriate for a substantial portion of the cost of such services to be borne by the City's taxpayers, rather than the individual users of such services.	When a particular facility or service benefits not only the fee payer but also a substantial segment of the community, lower cost recovery is warranted.	If high levels of cost recovery affect accessibility to or negatively impact the delivery of services to lower income groups, this should be considered based on the overall goals of the program being implemented.	Some fees may prove to be impractical for the City to utilize if they are too costly to administer.

⁴ Proprietary services are those which are provided for the benefit and enjoyment of the residents of the City

⁵ Governmental services are those which are provided by the City for the public good such as regulating land use, maintaining streets, and providing police and fire protection

D. Establishment and Modification of Fees and Charges

Fees will be reviewed and updated on an ongoing basis as part of the annual budget process to ensure that they keep pace with changes in the cost-of-living as well as changes in methods or levels of service delivery. At the beginning of the budget process each department will submit a list of proposed adjustments to their section of the master fee schedule. Each service must be assigned a target cost recovery level as defined above.

Maintaining competitive status and comparability with other cities should be considered when determining new fee levels. Those fees that are proposed for adjustment should be benchmarked against neighboring jurisdiction fee schedules or appropriate service markets. The benchmark analysis should be taken into consideration when making final pricing decisions.

However, the City may choose, for policy reasons, to set fees at less than full recovery. For example, fees based on market, geography, assessment, project specific, statutory/legal limits or specific Council policy. As stated above, in some cases, the City will acknowledge that a subsidy is acceptable, or even necessary to ensure program access and viability. Where appropriate, fees that have not been increased in some time should have increases phased in over several years to avoid 'sticker shock' increases.

If a particular fee is not adjusted in the budget process, to the extent feasible and/or appropriate, it should be increased bi-annually by a CPI factor to keep pace with inflation. For CPI adjustments the City will use the Employee Cost Index for State and Local Government Employees, Total Compensation as published by the Bureau of Labor Statistics. Bi-annually, the Finance Department shall determine the percentage change in this index and apply the increase or decrease to the master fee schedule, rounding up to the nearest whole dollar. Certain fees are exempt from an index adjustment, such as fees set by the State of California, percentage based fees or those that have been identified as inappropriate for indexed fee increases (i.e. feasibility or fees that are based on market for services). Exempt fees are noted in the master fee schedule. Council may consider fee issues outside of the annual budget process on a case by case basis.

Every five to seven years the City should conduct a comprehensive cost of service analysis to ensure fees and charges are set appropriately. Generally, fees may be adjusted based on supplemental analysis whenever there have been significant changes in the method, level or cost of service delivery. For example, changes in processes and technology change the staff time required to provide services to the public. A cost of service study will identify and quantify these changes.

Exhibit C – PTM Cycle

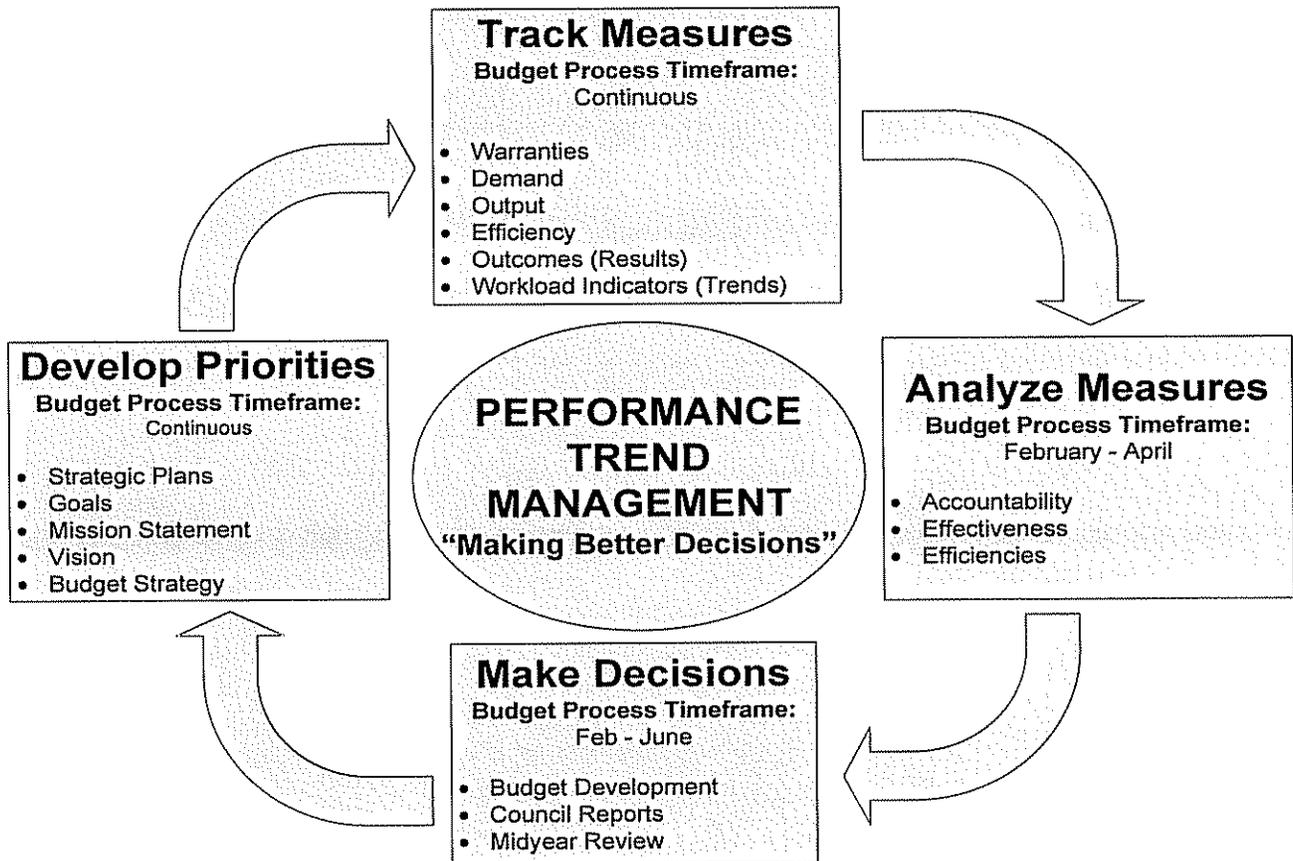


Exhibit D – Definition of Measure Types

Demand – Demand measures represent the amount of service requested by or anticipated from customers of the activity. Demand is a driver of workload, however, in conjunction with output, can reveal gaps in supply and demand.

Output – Units of service/products provided or people served as a result of the activity/program focusing on the level of activity in a particular program. Workload measures are a common data reported as output.

Efficiency – Measures the unit cost of an output, the ratio, or comparison, of outputs per unit of input and/or the ratio of outputs per unit of time. These ratios provide information about the productivity and cost effectiveness of a particular service or program.

Outcome (Result) – Measures the impact that an activity has on the public. An outcome reflects the desired result of the service being delivered.

Warranty - This is a specific service level goal for an identified activity/program/service.

Performance Trend Management

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
City Attorney				
Activity 1 Demand	City Attorney Criminal Prosecution of City Code violations	Cases Referred	The total number of citations referred to City Attorneys Office.	TBD
Efficiency	Criminal Prosecution of City Code violations	Complaints Filed Compared to Referrals Received	The total number of complaints filed compared to the total number of referrals received.	TBD
Outcome	Criminal Prosecution of City Code violations	Percentage of Referrals Handled (Filed or Rejected)	The percentage of referrals filed compared to the number of referrals rejected.	TBD
Output	Criminal Prosecution of City Code violations	Cases Rejected	The total number of criminal cases rejected.	TBD
Output	Criminal Prosecution of City Code violations	Complaints Filed	The total number of criminal complaints/citations filed with the court.	TBD

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Activity 2	City Attorney			
Demand	Contract Review and Response	Contracts Submitted for Review	The total number of contracts submitted to the City Attorneys Office for review.	TBD
Efficiency	Contract Review and Response	Contract Review Time	The percentage of contract reviews completed within 5 business days.	TBD
Outcome	Contract Review and Response	Percent of Clients Reporting Timely Contract Review	The percentage of clients that received timely service.	TBD
Output	Contract Review and Response	Contracts Reviewed	The total number of contracts reviewed.	TBD
<i>City Clerk</i>				
Activity 1	Clerk			
Efficiency	Agreement Processing	Time to Process Documents	The total staff time necessary to process an agreement.	1:05 hours

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Efficiency	Agreement Processing	Cost to Process Each Document	The total labor cost necessary to process an agreement.	\$28.24 each document
Outcome	Agreement Processing	Customer Satisfaction	The satisfaction of customers receiving services from the City Clerk.	3.5 to 4.0 based on 1 - 5 rating scale
Output	Agreement Processing	Agreements Processed	The total number of agreements and supplemental agreements approved by the City Council and City Manager.	1,599 agreements
Activity 1 Demand	Vehicle Abatement	Calls for On-street Abatement Received	The total number of calls requesting on-street vehicle abatement.	TBD
Efficiency	Vehicle Abatement	Vehicles Abated by City	The total number of vehicles abated by City compared to compliance by owners.	TBD

Code Enforcement

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Outcome	Vehicle Abatement	Average Response Time	The average time for case resolution.	7 working days
Output	Vehicle Abatement	On-street Vehicles Abated	The total number of on-street vehicles abated.	TBD
Convention, Culture and Leisure				
Activity 1 Output	Marina Berth rentals	Monthly / Annual Occupancy	The percentage of berths occupied of total available.	100% in peak season / 95% in off-season OR Maintain and improve occupancy
Activity 2 Output	Golf Public golf	Revenue	The annual revenue received from green fees, concessions and other golf-related programs.	3 percent growth from prior year
Activity 4 Output	Old Sacramento Retail sales	Gross Sales	The total amount of sales of goods and services by Old Sacramento merchants.	3 percent growth from prior year

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
-----------------	--------------------------	---------------------	-----------------------	----------

Department of Utilities

Activity 1 Demand	Administration Customer Service	Customer Service Questionnaires	The total number of "Good" or "Excellent rating" on Customer Service Questionnaires.	TBD
Efficiency	Customer Service	Employee Response Time to Poor Ratings	The average time it takes to respond to one bad rating.	TBD
Outcome	Customer Service	Customer Service Questionnaires	The percentage number of "Good" and "Excellent" Ratings on Customer Service Questionnaires.	90% of ratings
Output	Customer Service	Questionnaires Received	The total number of Customer Service Questionnaires Received.	TBD
Activity 2 Demand	Field Services Field Services Response	Service Calls Received	The total number of service calls received.	TBD

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Efficiency	Field Services Response	Average Cost	The average cost of an employee to respond to a service call.	TBD
Outcome	Field Services Response	Percent of Service Calls Completed	The percentage of service calls completed on first visit.	TBD
Output	Field Services Response	Service Calls Completed	The total number of service calls completed on first visit.	TBD
Activity 3 Demand	Solid Waste Solid Waste Collection	Number of Service Requests	Total number of requests for missed trash service.	<1% missed collections
Efficiency	Solid Waste Collection	Number of Missed Service Requests Completed by "Kick Truck"	The average cost of collecting missed services.	\$15.35 per collection

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Outcome	Solid Waste Collection	Percentage of Trash Service Not Missed	The percentage of trash cans that are not missed.	>99% not missed
Output	Solid Waste Collection	Number of Completed Service Requests	The total number of completed missed service requests.	TBD
Activity 4 Demand	Solid Waste VCLG (Voluntary Containertized Lawn and Garden)	Number of Homes Scheduled for Implementation (By Council District)	The total number of homes scheduled for implementation into the VCLG (Voluntary Containertized Lawn and Garden) program by Council District.	20,000 homes
Efficiency	VCLG (Voluntary Containertized Lawn and Garden)	Reduction of "Loose-in-the street" Lawn and Garden Routes	The percentage reduction in the number of lawn and garden routes that are collected loose-in-the-street.	TBD
Outcome	VCLG (Voluntary Containertized Lawn and Garden)	Percentage of Homes Implemented as Scheduled	The percentage of homes implemented into the VCLG (Voluntary Containertized Lawn and Garden) program as scheduled.	>90% on schedule

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Output	VCLG (Voluntary Contaminized Lawn and Garden)	Number of Homes Implemented (By Council District)	The total number of homes annually implemented into VCLG (Voluntary Contaminized Lawn and Garden) program by Council District.	20,000 homes
Activity 5 Demand	Solid Waste Appointment Based Neighborhood Cleanup (ABNCU)	Number of ABNCU (Appointment Based Neighborhood Cleanup) Service Requests (By Council District)	The total number of appointments requested.	TBD
Efficiency	Appointment Based Neighborhood Cleanup (ABNCU)	Cost per ABNCU (Appointment Based Neighborhood Cleanup) Service Requests Completed in Service Area	The average cost for ABNCU (Appointment Based Neighborhood Cleanup) collection per service area	\$17.61 per service area
Outcome	Appointment Based Neighborhood Cleanup (ABNCU)	Percentage of ABNCU (Appointment Based Neighborhood Cleanup) Service Requests Completed	The percentage of residents participating in ABNCU (Appointment Based Neighborhood Cleanup) program compared to collection capacity	20% participation
Output	Appointment Based Neighborhood Cleanup (ABNCU)	Number of ABNCU (Appointment Based Neighborhood Cleanup) Service Requests Completed	The total number of appointments completed on scheduled service date.	19,600 appointments
Activity 6	Solid Waste			

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Demand	Illegal Dumping	Solid Waste Illegal Dumping Collection Service Requests	The total number of illegally dumped piles reported to Solid Waste for collection.	TBD
Efficiency	Illegal Dumping	Cost per Illegal Dumping Collection	The average cost for illegal dumping collection.	\$200.00 per collection
Outcome	Illegal Dumping	Percentage of Collections Provided	The percentage of illegal dumping collections provided within targeted service level.	>90% within targeted service levels
Output	Illegal Dumping	Number of Illegal Dumping Collections	The total number of illegal dumping collections provided.	1-8 days for collection (based on when illegal dumping is reported)

Development Services

Activity 1 Administration
Demand DSD Council Reports

Council Reports Timeframe
The total number of reports not turned in on time.
TBD

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Efficiency	DSD Council Reports	DSD Council Reports Turned in on Time to Budget	The total number of reports turned in on time to budget.	TBD
Output	DSD Council Reports	DSD Council Reports	The total number of DSD Council reports turned in per fiscal year.	TBD
Activity 2 Demand	Building Inspection Requests	Daily Building Inspection Requests	The total number of building inspections requested daily.	TBD
Efficiency	Building Inspection Requests	Building Inspections Performed Within 24 Hours of Request	The total number of inspections considered complete within 24 hours after request.	TBD
Outcome	Building Inspection Requests	Percentage of Building Inspection Requests Performed Within 24 hours of Request	The percentage of building inspection requests performed within 24 hours of request.	98% building requests performed within 24 hours

62

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Output	Building Inspection Requests	Building Inspections Performed Daily	The total number of inspections performed by DSD staff each day.	TBD
Activity 3 Demand	Long Range Planning Changes to General and Community Plans	Requested Changes to the Existing General and Community Plans	The total number of requested plan amendments approved between updates.	TBD
Efficiency	Changes to General and Community Plans	Number of General and Community Plan Amendments	The number of Plan amendments per year in the period between Plan updates is less than the number of Plan amendments approved in the prior period between updates.	# = < prior years
Output	Changes to General and Community Plans	Approved Changes to the General and Community Plans	The total number of plan amendments approved between updates.	TBD
Activity 4 Demand	Development Engineering & Finance Commercial Plan Checks	Maps Submitted for Approval on an Annual Basis.	The total number of maps submitted for approval on an annual basis.	TBD

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Efficiency	Commercial Plan Checks	Map Review 1st cycle in Maximum of 15 Working Days	The total number of days for each 1st cycle review.	TBD
Outcome	Commercial Plan Checks	Completed Maps Through 1st Cycle Review Within 15 Working Days	The percentage of maps completed through 1st cycle review within 15 working days.	50% maps completed
Output	Commercial Plan Checks	Number of Maps Through 1st Cycle	The total number of maps through 1st cycle within specified 20 working days.	20 working days
Activity 5 Demand	Customer Service Public Counter	Customers Visiting the DT and NPC Public Counters	The average number of customers visiting the DT and NPC public counters in an eight hour period.	TBD
Efficiency	Public Counter	Wait Time Under 20 Minutes	The number of customers called to counter to be served within 20 minutes of registration at counter.	TBD

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Outcome	Public Counter	Percent Wait Time Under 20 Minutes	The percentage of customers called to counter to be served within 20 minutes of registration at counter.	75% customers services within 20 minutes
Output	Public Counter	Customers Served at the DT and NPC Public Counters	The average number of customers served at the DT and NPC public counters in an eight hour period.	TBD
Fire				
Activity1 Demand	Prevention Fire Development Service Inspections	Inspection Requests Scheduled	The total number of inspections scheduled.	TBD
Efficiency	Fire Development Service Inspections	Inspection Cost per square foot for Selected Typical Inspections	The average cost of a selected typical inspection per square foot of building space.	TBD
Outcome	Fire Development Service Inspections	Inspections Performed Within Customer Service Levels for Response	The percentage of inspections performed within customer service levels for response.	TBD

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Output	Fire Development Service Inspections	Inspections initiated	The total number of inspections initiated.	TBD
Activity2 Demand	Prevention Fire Code Enforcement Unit/Complaints	Priority 1 Complaints Received	The total number of Priority 1 complaints received.	TBD
Efficiency	Fire Code Enforcement Unit/Complaints	Average Cost per Complaint	The average cost of priority 1 complaints.	TBD
Outcome	Fire Code Enforcement Unit/Complaints	Priority 1 Inspections	The percentage cost of priority 1 inspections initiated within customer service level for response.	TBD
Output	Fire Code Enforcement Unit/Complaints	Number of Complaints Inspected	The total number of complaints inspected.	TBD
Activity3	Prevention			

66

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Demand	Fire Annual Inspection Unit/ State Mandated Inspections	Occupancies Matching State Definition of Mandated Inspection	The total number of occupancies matching state definition of mandated inspection.	TBD
Efficiency	Fire Annual Inspection Unit/ State Mandated Inspections	Cost per Square Foot for Inspection Type	The average cost per square foot for each inspection type.	TBD
Outcome	Fire Annual Inspection Unit/ State Mandated Inspections	Mandated Annual Inspections	The percent of mandated annual inspections completed within year.	TBD
Output	Fire Annual Inspection Unit/ State Mandated Inspections	Occupancies Matching State Definition of Mandated Inspection	The percent of occupancies matching state definition of mandated inspection that were initiated.	TBD

General Services

Activity 1 Business Operations
Demand City Operator

Call Processing
The percent of calls abandoned. Calls
answered by a live body vs. IVR.

TBD

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Outcome	City Operator	Customer Satisfaction	The number of customer survey respondents showing "Good" or "Excellent" service 80% of the time. Customer satisfaction scoring based on survey measures	80% "good" or "excellent" service
Activity 2 Efficiency	Animal Care Services Customer Service	Field Staff Response Times	The response time from the time call is taken to the arrival of staff on scene.	Emergency - within 30 - 60 minutes of dispatch Routine - within 30 minutes to 6 hours of dispatch
Output	Customer Service	Customer Service Calls Handled by Animal Care Services	The Percent of dropped or abandoned calls handled by Animal Care Services.	16% dropped or abandoned calls
Activity 3 Efficiency	Facilities Project Fulfillment	Corrective Work Orders	The average age of corrective work order from date of request to date of initiation.	90 days
Outcome	Project Fulfillment	Backlog	The total size of corrective work backlog.	10% improvement from baseline each year
Activity 4	Fleet			

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Efficiency	Fleet Management	LEVA/Alternative Fuel Units	The percentage of LEV/alternative fuel units	100% for light duty units (< 14,000 lb. gvwr) 50% for heavy duty units (> 14,000 lb. gvwr)

Outcome	Fleet Maintenance	Available Uptime	The percentage of time fleet vehicles are available.	95% available
---------	-------------------	------------------	--	---------------

IT

Activity 1 Demand	Technical Support Services City Technology Help Desk	Technology Support Calls	The total number of support requests received.	12,000 Requests
-------------------	---	--------------------------	--	-----------------

Activity 2 Outcome	Technical Support Services City Technology Desk Top Support	Support Requests Resolved	The percentage of support requests resolved	85% resolved
--------------------	--	---------------------------	---	--------------

Neighborhood Services

Activity 1	Neighborhoods
------------	---------------

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Demand	Customer Service: Information Referrals	Inquiries Received	The total number of inquiries made to NSD staff that should be referred to other departments and entities for resolution.	TBD
Output	Customer Service: Information Referrals	Number of Referrals Made by NSD Staff	Number of referrals to other departments and entities made by NSD staff in response to customer inquiries.	TBD
Activity 2 Demand	Neighborhoods Community Participation	Number of NSD Assisted Events	The total number of events and meetings sponsored by NSD or in which the department has significantly assisted, such as general plan update town hall forums.	TBD
Outcome	Community Participation	Percent Increase in Participation	The percent increase in participation by various neighborhood associations in: area leadership and neighborhood advisory group City Management Academy; NRT's; and other meetings and special events.	TBD
Output	Community Participation	Participation in NSD Assisted Events	The total number of participants who attend special events and meetings sponsored by NSD.	TBD
Activity 3	Neighborhoods			

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Demand	Diversity	Strategies and Resources used to Address the City's Linguistic and Cultural Diversity	The total number and types of methods by which NSD staff encourages participation by community members of differing abilities, from differing cultures, and who speak languages other than English.	TBD
Outcome	Diversity	Accessible Locations	The percent of NSD-sponsored meetings and events that are held in accessible locations.	TBD
Output	Diversity	Meetings Held with Translators Present	The total number of meetings held with translators.	TBD

Parks and Recreation

Activity 1	Department Parks and Recreation	Customers Satisfied with Parks, Recreation Facilities, and Street and Park Trees	The percent of respondents to telephone survey that responded "Somewhat satisfied" or "Extremely satisfied" to the question "Overall, how satisfied are you with public parks, recreation facilities and City street and park trees."	85% satisfaction
Activity 10	Urban Forest Tree Services	Tree Service Requests Received Annually	The total number of tree service requests received annually by the Urban Forest Division, includes: pruning, removal, permitting, and right-of-way requests.	TBD

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Output	Tree Services	Tree Service Requests Completed Annually	The total number of tree service requests completed annually by the Urban Forest Division, includes: pruning, removal, permitting, and right-of-way requests.	TBD
Activity 2 Output	Marketing and Special Events Reservation Services	Reservation and Registration Transactions	The total number of park reservation and enrichment class registration transactions processed via the central Class Registration System, excluding special events held in parks (festivals, parades, rallies, etc).	TBD
Activity 3 Efficiency	Park Maintenance Irrigation	Gallons of Water Used for Irrigation per acre of Parkland	The average amount of water used to water an acre of parkland, not including water used for restrooms, drinking fountains, other non-irrigation uses; initial pilot will include a representative set of City parks to be determined prior to July 1, 2006.	TBD
Activity 4 Output	Park Maintenance Recycling in Parks	Tons of Recyclables Collected Annually in City Parks	The number of tons of recyclable materials collected by Park Maintenance annually in City Parks, excluding non-recyclable waste placed in recycling barrels.	TBD
Activity 5 Output	PPDD Advance Planning	Park and Open Space Acres per 1,000 Population	The total number of developed and undeveloped park system acres, including: city-owned parks and open space; public golf courses; 40% of existing public school sites; State and County lands within city limits.	13 acres per 1,000 population
Activity 6	PPDD			

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Outcome	Park System Development	Projects Completed Within Original Timeline	The percent of projects completed by original deadline, including master planning, park development, and park renovations.	TBD
Activity 7 Efficiency	Recreation & Human Services All Recreation and Human Service Division programs	Annual Volunteer Hours as FTE Equivalent	The number of FTE's deferred by use of volunteer services; includes volunteers from all Recreation and Human Service Division programs that use volunteers.	TBD
Activity 8 Outcome	Recreation & Human Services Summer Community Center Programs	Perception of Safety	The percent of 6-12-year-olds that participated in a summer community center program who marked "A whole bunch" or "A lot" in answer to the question "How much did you feel safe" on their program evaluation.	TBD
Activity 9 Outcome	Recreation & Human Services Summer Community Center Programs	Customer Service	The percentage of parents of 6-12-year-olds that participated in a summer community center program who marked "Extremely agree" or "Very much agree" in answer to the question "I would recommend this program to others who have children"	TBD

Police

Activity 1 Records

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Demand	Police Records	Request for Copies of Police Reports	The total number of requests for copies of police reports.	TBD
Efficiency	Police Records	Response Time to Request for Copies of Police Reports (public & insurance)	The average number of days to fill request for copy of police report.	60 days
Outcome	Police Records	Customer Satisfaction	The increase in customer satisfaction due to reduced response time.	TBD
Outcome	Police Records	Production of Documents Necessary for Loss Recovery & Insurance Claims	The percent increase in time to produce documents necessary for loss recovery & insurance claims.	60 days
Output	Police Records	Requests for Copies of Police reports Filled	The total number of requests for copies of police reports filled.	TBD

Activity 2 Office of Operations

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Demand	Non-Emergency Response by Police Officers & Non-Sworn CSOs	Non-emergency Report Calls	The total number of non-emergency report calls received.	TBD
Efficiency	Non-Emergency Response by Police Officers & Non-Sworn CSOs	Field Response Time to Non-Emergency Report Calls	The average number of minutes for patrol officer or non-sworn CSO to respond to non-emergency report calls.	137 minutes
Outcome	Non-Emergency Response by Police Officers & Non-Sworn CSOs	Customer Satisfaction Due to Reduced Response Time	The increased customer satisfaction due to reduced response time.	TBD
Outcome	Non-Emergency Response by Police Officers & Non-Sworn CSOs	Increased Accuracy & Timeliness in Crime Reporting & Response	The percent increase in timely crime reporting & response.	TBD
Output	Non-Emergency Response by Police Officers & Non-Sworn CSOs	Responses to Non-Emergency Report Calls	The total number of responses to non-emergency report calls	TBD

Activity 3 Office of Operations

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Demand	Non-Emergency Response by Police Officers & Non-Sworn CSOs	Non-Injury Collision Calls Including Hit and Run Calls	The total number of non-injury collision calls including hit and run calls.	TBD
Efficiency	Non-Emergency Response by Police Officers & Non-Sworn CSOs	Field Response Time to Non-Injury Collision Calls Including Hit and Run Calls	The average number of minutes for patrol officer or non-sworn CSO to respond to non-injury collision calls including hit and run calls.	50 minutes
Outcome	Non-Emergency Response by Police Officers & Non-Sworn CSOs	Increased Customer Satisfaction Due to Reduced Response Time	The increased customer satisfaction due to reduced response time.	TBD
Outcome	Non-Emergency Response by Police Officers & Non-Sworn CSOs	Reduced Traffic Hazards and Delay	The percent increase in timely response which results in reduced traffic hazards and delays.	TBD
Output	Non-Emergency Response by Police Officers & Non-Sworn CSOs	Responses to Non-Injury Collision Calls Including Hit and Run Calls	The total number of responses to non-injury collision calls including hit and run calls.	TBD

Transportation Department

Activity 1 Street Services

Type of Measure	Activity/Program/Service	Performance Measure	Definition of Measure	Warranty
Outcome	Street Resurfacing	Streets in Good Condition	The percentage of streets in good condition. All streets have a Pavement Quality Index (PQI) that ranges from 1 (worst) to 10 (best). Streets rated above 7.0 are generally considered in good condition.	69% of streets
Output	Street Resurfacing	Street Resurfacing Completed	The total number of lane miles of street resurfacing completed.	186 lane miles
Activity 2 Efficiency	Engineering Services Transportation CIP Delivery	Project Delivery Cost	The total design and construction management cost as a percent of construction cost.	TBD
Output	Transportation CIP Delivery	Dollar Value of Projects put in Service Annually	The total dollar value of construction contracts awarded.	TBD
Activity 3 Output	Parking Services AutoVu (Automated License Plate Recognition System) Parking Enforcement	Number of Cars Booted	The total number of cars booted.	50 cars booted