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BY THE CITY COUNCIL
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CITY MANAGER

CITY OF SACRAMENTO
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May 1, 1997

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City Council
City of Sacramento

Honorable Members in Session:

SUBJECT: Transmittal of the Interim Proposed Budget

LOCATION: Citywide

RECOMMENDATION: For information and discussion

CONTACT PERSON: Betty Masuoka, Deputy City Manager, 264-5738

FOR COUNCIL MEETING OF: May 6, 1997

SUMMARY:

This report (1) transmits the Proposed Interim Budget to the City Council as required by the City Charter and (2) presents the following updates and issues to Council for their information and deliberation over the next two months:

SACRAMENTO DECISIONS BUDGET PROCESS. Status report on process, framework for the Proposed Budget Addendum, and tentative hearing schedule for the budget.

PROPOSED BUDGET - MAJOR ISSUES. Overview of the major issues contained in the Interim Proposed Budget.

FY 97-98 DEFICIT. Re-verification of the anticipated deficit for FY97-98 if no corrective action is undertaken, and outlook for legislative changes affecting revenues.

BUDGET ADDENDUM PREVIEW - EFFICIENCIES/REORGANIZATIONS. Overview of the major reorganization efforts that are underway, details of which will be contained in the Budget Addendum to be released on June 3, 1997.

SACRAMENTO DECISIONS BUDGET PROCESS.

This year, *Sacramento Decisions* is the Budget Process. With City Council's direction, staff has conducted this broad-based community outreach, education and research program to create a community dialogue about the City's budget and determine the community's spending and service priorities. These priorities will help shape the City's budget. The major components of this process are summarized below.

Sacramento Decisions - Round I. The first round, which began in October 1996 and finished in December, provided us direction and insight into the community's priorities. The thousands of Round 1 respondents spread the cuts across all programs, not targeting any for elimination or total protection, telling us our customers like the mix of services we deliver. They were even willing to make some nominal cuts to public safety, which constitutes 82% of the discretionary General Fund budget, to preserve other services.

Sacramento Decisions - Round II. Staff used the first round input to create a draft budget that consists of \$11 million in service cuts and approximately \$3 million in citywide cost savings on issues like fleet, workers' compensation and administration costs - specific budget strategies. This draft budget was forwarded to the community in April 1997 for further public review and comment.

Efficiency Efforts. The program cuts recommended by the community in Round 1 were used to develop a draft budget for further review by the community and forwarded to all City departments as budget reduction targets. In response to community feedback from Round 1, City management is encouraging the use of efficiencies to reduce costs as opposed to service cuts whenever possible. Not only are individual departments exploring efficiency possibilities, four teams are charged with working across department lines to save money by sharing resources, introducing new technology, eliminating duplication, consolidating functions and examining the privatization of some programs.

City Manager's Budget Addendum. The City Manager's Proposed Budget Addendum will be released on June 3, 1997. This key document will take the input from the above efforts and shape them into a comprehensive recommendation from the City Manager. It will seek to balance efficiency/reorganization efforts with service reductions as reflected by the Community. It will also take into account recommendations by staff with respect to how to best provide service to the community.

Adoption of FY97-98 Budget. By June 30th, the City Council is required by the Charter to adopt the Budget for FY 97-98.

PROPOSED BUDGET - MAJOR ISSUES.

General Fund. The final community input from Sacramento Decisions and the work being done by staff on efficiencies are integral pieces of information that will largely shape the City Manager's final budget recommendations. Because this information will not be available until mid- to late May, final budget recommendations cannot yet be developed. That is why this FY 1997-98 Proposed Budget is called an "Interim" Proposed Budget. It is a work in progress and does not contain final recommendations on how to balance the budget. Instead, final budget recommendations will be outlined in a budget addendum that will be submitted to Council the first week in June.

Utility Enterprises. No rate increases will be proposed for the enterprise funds this year. We also propose keeping those rates as close to zero as possible in future years.

Solid Waste. The Solid Waste Fund proposed budget includes a \$1.6 million reduction in expenditures required as a result of reduced revenue receipts due to 1) rate reductions in FY 97, and 2) the decision to open commercial garbage collection to competition from private funds. Expenditure reductions include elimination of three vacant General Helper positions no longer needed due to reductions in the number of commercial accounts serviced by the City; reduction in division overtime due to rerouting efficiencies and operational changes; reduced budget for fleet and expenditures for consultant contracts; and, elimination of the need for service payments of \$450,000 on prior purchases of recycling and collection equipment funded through certificates of participation. Additional reductions will be phased in during 1998-99 to ensure the Solid Waste Fund budget remains healthy over the next several years.

Capital Improvement Program Budget. The Interim Proposed Budget document includes a Summary Schedule of FY 1998 capital funding by program and funding source. Details on projects included within program summary totals will be presented to Council during budget hearings in May.

FY 97-98 DEFICIT.

The deficit for FY 1997-98 is still estimated to be \$11 million to \$14 million.

EFFICIENCIES/REORGANIZATIONS.

A series of reorganizations and mergers of departments will be proposed in the City Manager's Proposed Budget Addendum. These proposals are intended to further the effort to streamline City operations by broadening the responsibility areas of managers in the City organization. With

fewer resources at all levels, staff must look for more streamlined approaches to deliver service. A summary of the significant reorganizations which are currently being evaluated is summarized below.

City Manager's Office. All program units currently residing in the City Manager's Office will be transferred to one of the operating departments.

Downtown Department. Staff is evaluating options to place a focus on the economic development, redevelopment and operational issues specific to the downtown area.

Planning/Neighborhood Services. The departments of Planning and Development, and Neighborhood Services will be merged into one department.

Public Works. With more than 700 positions, Public Works is the second largest department in the City. Restructuring plans include consolidating eight operating divisions into four.

FINANCIAL/POLICY CONSIDERATIONS:

The Interim Proposed Budget contains significant fiscal and policy issues which will be discussed during the budget hearings. The Interim Proposed Budget is a balanced budget as will be the City Manager's Proposed Budget Addendum.

ATTACHMENTS

1. Budget Hearing Schedule

Respectfully Submitted,


WILLIAM H. EDGAR
City Manager

Attachment 1
BUDGET HEARING SCHEDULE
 (Tentative: Subject to Change)

DATE:	BUDGET TOPICS:	
MAY 6	Afternoon	* Overview of Interim Proposed Budget * Cable Commission Revenue Report * Marina Report Back
MAY 13	Afternoon	* L&L Assessment Annual Report and Hearing Setting
	Evening	* Golf Fund Report Back
MAY 20	Afternoon	*
MAY 27	Afternoon	* Capital Budget * Utilities Hearing and CIP Budget * CCOMWP
JUNE 3	Evening	* Sacramento Decisions Round 2 Results
		* Overview of City Manager's Budget Addendum
JUNE 11 (Wednesday)	Evening	*
JUNE 17	Evening	* L&L Assessment District Public Hearing
JUNE 18 (Wednesday)	Evening	*
JUNE 24	Afternoon	*
	Evening	* Adoption of the FY97-98 Budget