



CITY OF SACRAMENTO
CALIFORNIA

OFFICE OF THE
CITY MANAGER

CITY HALL
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January 15, 1980

FILED
By the City Council
Office of the City Clerk

*referred to
Bud/Fin Comm.
JAN 15 1979*

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: 1980-81 BUDGET POLICY MATTERS

SUMMARY

This report is intended to summarize the Proposition 4 Calculation Analysis and the Preliminary Economic Report; transmit the Preliminary Financial Analysis and General Government Forecast; and seek City Council direction on a number of policy issues in order to assist the staff in preparing the 1980-81 Preliminary Operating Budget and Capital Improvement Budget.

It is important to keep in mind that this report has been prepared based upon the assumptions of continued general economic prosperity in the local economy. Any significant changes in national, state or local economic conditions may require revisions to the preliminary forecast.

After reviewing and discussing the information contained in this report, it is recommended that the City Council adopt the proposed resolution attached as Exhibit V which will serve as the foundation for the 1980-81 Preliminary Operating and Capital Budgets.

BACKGROUND

The detailed analysis and calculations of the City's "Appropriation Limit" under the appropriate provision of Proposition 4 (Gann Initiative) have been attached as Exhibit I. The conclusion of this analysis is that our "Appropriation Limit" is significantly higher than our anticipated expenditure level which could be reasonably supported by projected revenues to the City. In this regard the projected revenues to the City will effectively limit the expenditures growth of the City; not the "Appropriation Limit" under Proposition 4.

The Preliminary Economic Report for 1980-81 has been attached as Exhibit II of this report. Generally, we are assuming that the local economy will remain relatively strong while the national economy slips into a recession.

Exhibit III depicts the "Preliminary General Government Fund Analysis" through June 30, 1981 showing three (3) alternative possible outcomes; (a) Worst Case; (b) Best Possible Case; and (c) Probable Case.

Exhibit IV details the additional estimated City General Government revenue growth for the two fiscal years, 1979-80 and 1980-81. These growth estimates were used in the Exhibit III analysis. Overall, the City will likely realize an additional 4.1% (\$2.5 million) in 1979-80 and an additional 12.1% (4.1% + 8.0%) in 1980-81. This growth will be modified by significant budget policy matters as follows:

Policy Issues

A. Proposition 4 Spending Limitations on Local Government

The City staff's preliminary analysis of the recent Proposition 4 - Gann Initiative has been attached as Exhibit I and indicates that the limitation will not affect the City of Sacramento in fiscal year 1980-81.

B. Operating Budget Parameters

The City's budgeting goal continues to be an ongoing balance between operating revenues and operating expenditures. A review of Exhibit III Fund Balance Analysis (Probable Case) indicates that for fiscal year 1979-80, the General Government Fund Balance, inclusive of the Administrative Contingency Budget, will decline (Probable Case) from \$12.9 million at the beginning of the year to \$7.0 million at June 30, 1980.....a decline of approximately \$5.9 million.

A further erosion in fund balance (Probable Case) from \$7.0 million to \$6.3 million (before Jarvis II election) inclusive of the Administrative Contingency Budget can be anticipated in 1980-81 given the current revenue forecast, the anticipated expenditure increases for social security and unfunded pension costs, energy related costs, and known negotiated salary increases. Thus, the current General Government Fund Balance levels and projected revenue growth will support a hold-the-line, no growth budget assuming no additional positions and certain events discussed later in this report are consummated favorable to the City. This assumes that the estimated June 30, 1981 fund balance of \$6.3 million (prior to Jarvis II election) is the entire fund balance after transferring \$5.425 million from the Administrative Contingency and that during the 1980-81 budget year no actual significant expenditure of the Administrative Contingency is made throughout the year.

As a result, the City Manager has given department heads budget preparation instructions for the 1980-81 fiscal year which target budgets at the amended 1979-80 levels adjusted for social security increases, retirement unfunded liability, certain energy service cost increases, partially offset, by reduced one-time equipment purchases and election charges.

C. "Jarvis II" State Income Tax Initiative - June 1980

If the Jarvis II Initiative passes in June 1980, the State will recoup a portion of the State-wide income tax loss (the Initiative halves the State income tax) by invoking the so-called "deflator clause" of AB-8.....the post-Proposition 13 State Assistance to local government bill. The AB-8 deflator clause reads as follows:

"Under AB-8, the new Commission on State Finance (SB-165 Mills) has the responsibility for estimating revenues and surplus available for appropriation during 1980-81 and subsequent years. If the estimate is more than \$100 million less than \$20.6 billion for 1980-81, the entire amount of the difference, to the extent of available funds, will be reduced from state aid for education and local assistance. One-half of the reduction, to the extent of available funds, would be made in educational apportionments to school districts and community colleges, and the other half, to the extent of available funds, would be made in state subvention payments to local governments for the homeowner's exemption, the business inventory subvention, open space contracts, cigarette taxes and motor vehicle license fees."

The potential revenue loss to the City of Sacramento from the passage of the Jarvis II Initiative could be as high as \$8.0 million (Worst Case). The staff recommends no planning decision be made with respect to this Initiative until after the June 1980 ballot.

D. Levy of An Ad Valorem "Add On" Property Tax for Debt Service

As the Council is aware, Proposition 13 (Jarvis/Gann Initiative) allows local government to "Add On" to the ad valorem property tax for any General Obligation Debt Service outstanding approved prior to July 1, 1978. The City's General Obligation Bond Debt Service approximates \$900,000 annually,

In addition, recent legislation (AB-1978 Mello) allows charter cities to include voter approved (prior to July 1, 1978) retirement benefit funding within the Proposition 13 debt service add on category. The City's annual contribution to the Retirement System unfunded liability will approximate \$3.0 million for the City General Fund in fiscal 1980-81. Thus, the City could potentially increase property tax revenue yield by levying one or both of the above described "Add Ons" totaling \$3.9 million. The City staff recommends that the Council not levy these add on taxes until conditions are such that the levy is essential to maintain City services.

E. Use of General Revenue Sharing Federal Grant in Support of General Government Operations

It is the City's current policy to utilize a maximum of 75% (\$3.0 million) of its annual General Revenue Sharing allocation to support current operating costs with the balance for Capital Improvements. Given the anticipated decline in available General Government fund balances, the City staff recommends that 100% of General Revenue Sharing be used for operations in fiscal year 1980-81. The estimated Federal allocation for 1980-81 is \$4.0 million.

F. Use of Fund Balances

As was indicated in Section B above, the Operating Budget for fiscal year 1980-81 will preliminarily require, at minimum, use of \$.7 million in fund balance. Additional revenue requirements will be needed if the Jarvis II Initiative passes given the current budget level. If the City loses \$5.0 million for Jarvis II then \$5.7 million of fund balances will be used. If more AB-8 Deflator is required then additional general fund fund balances will be required. It is the City staff's recommendation that no other uses of fund balance are prudent at this time.

G. Salary and Employee Benefit Negotiations

Obviously, the City Council will be giving instructions to the City negotiating staff in the near future. Local 39 and a few other units are covered by two-year contracts calling for cost-of-living increases July 1, 1980 of from 6% to 9% depending upon prior year cost-of-living actual increases. It is important to note that in addition to the long-term impact of increased salaries, the cost associated with benefits is potentially significant. If, for example, compensation increases exceed actuarial assumptions, additional retirement unfunded liability will accrue.

H. Contributions Budgets

In light of the current declining General Government Fund Balances and the uncertainty surrounding the June 1980 State-wide Jarvis II Initiative, it is recommended by City staff that no funding for Contributions to Other Agencies be provided in the 1980-81 Budget and that the Budget for Contributions to Other Governmental Agencies and Entertainment and Advertising be generally maintained near the 1979-80 level.

I. Litigation Outstanding with Respect to the City's Real Property Transfer Tax

While this revenue source has been challenged in court as to its validity, the City staff has assumed that the City will prevail and no refunds will occur. Collection since inception approximates \$2.5 million.

J. Use of AB-8 State Assistance Funds

In the fiscal 1979-80 Budget, the City utilized \$1.4 million of AB-8 State Assistance for Capital Improvement Projects. The staff recommends this amount be utilized for operations in fiscal 1980-81.

K. 1979-80 Budget Amendments

The staff is in the process of re-evaluating our current budget with respect to vehicle operating costs. Preliminarily, the staff has concluded that the 1979-80 Budget is deficient by approximately \$1.0 million. A separate staff report on proposed budget amendments will be forthcoming.

CONCLUSION


We believe that the attached information projections are detailed enough to permit the City Council to adopt the attached resolution which will provide specific direction and guidelines to the staff in the preparation of the budget. Obviously, as the Budget and Finance Committee reviews the budget, additional staff work will be required to make final decisions.

The entire City staff is ready to assist the Budget and Finance Committee and the City Council in their deliberations.

Respectfully submitted,




Jack R. Crist
Director of Finance



William H. Edgar
Assistant City Manager

RECOMMENDATION APPROVED:



Walter J. Slips
City Manager

JRC/WHE/bb
Attachments

FA:80020

January 15, 1980
All Districts

ANALYSIS AND CALCULATIONS OF THE CITY'S "APPROPRIATION LIMIT"
UNDER THE PROVISIONS OF PROPOSITION 4 (GANN INITIATIVE)

The attached Flow Chart depicts an overview of the methodology used in implementing the intent of Proposition 4 as currently understood by the City staff.

Schedule 1 through 4 of Exhibit I represents the City staff's preliminary calculation of its spending limitation under the Gann Initiative - Proposition 4.

Schedule 1 separates revenues into "Proceeds of Taxes" versus "Nonproceeds of Taxes".

Schedule 2 derives so-called "Excess User Fees".

Schedule 3 details Debt Service which is exempt from limitation.

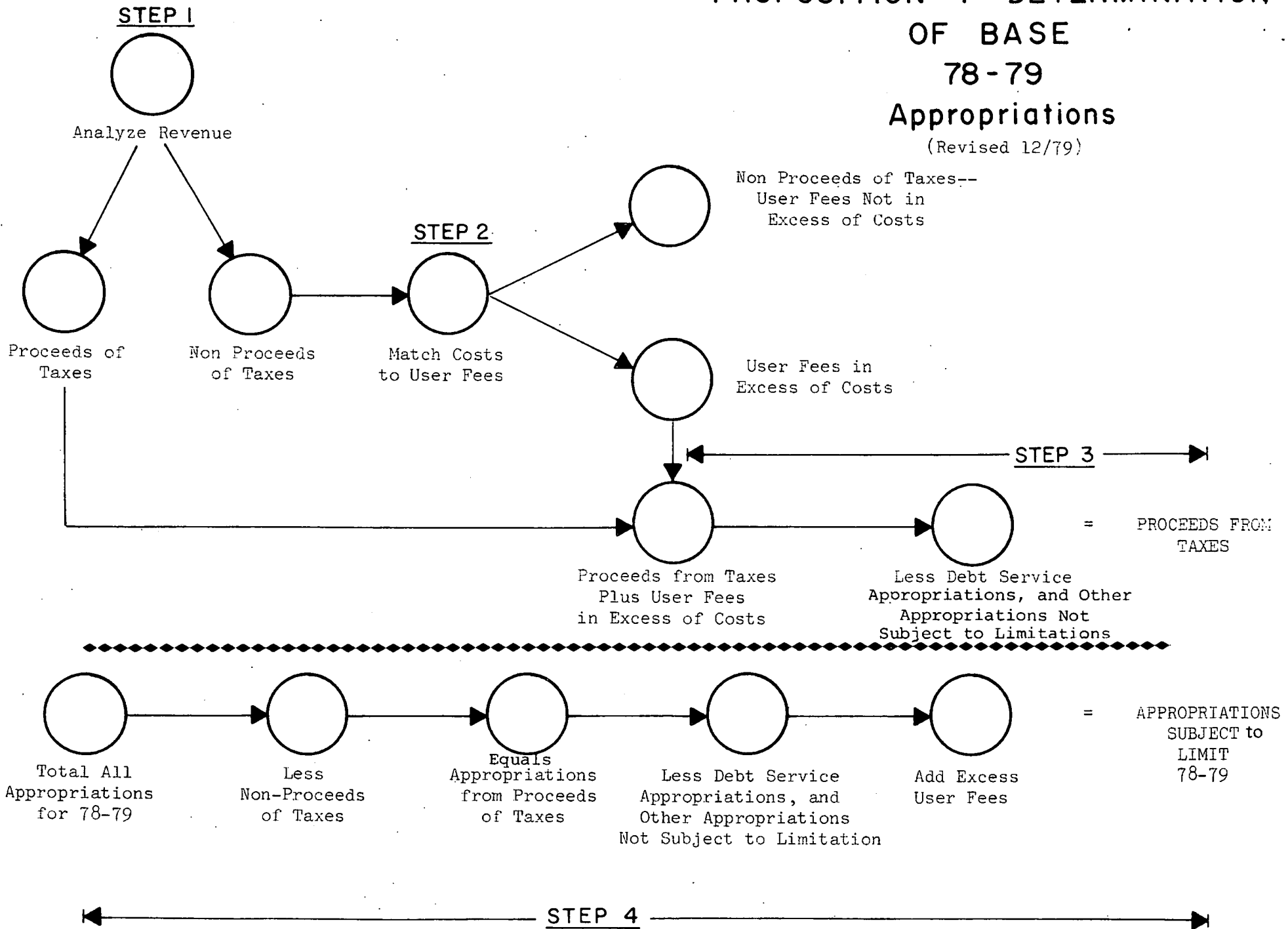
Schedule 4 derives the base year "Appropriation Subject to Limit".

If the reader compares Schedule 1 "Proceeds of Taxes" (\$54.1 million) in 1978-79 to Schedule 4 "Appropriations Subject to Limit" (\$86.0 million), one can conclude that had Proposition 4 applied to 1978-79 (Note: effective date of Proposition 4 is July 1, 1980) the City of Sacramento's spending limit was well in excess of its Proceeds of Taxes. Thus, the real limiting factor is revenues rather than the spending limitation.

The City staff will be required to monitor the City Budget in relation to the spending limitation requirements to assure continued compliance with the law.

PROPOSITION 4 - DETERMINATION OF BASE 78-79 Appropriations

(Revised 12/79)



SCHEDULE 1

CITY OF SACRAMENTO
 SCHEDULE TO CATEGORIZE REVENUE
 FOR THE FISCAL YEAR ENDED 6-30-79

	<u>Proceeds From Taxes</u>	<u>Non Proceeds From Taxes</u>
<u>TAXES</u>		
Property Taxes	\$ 9,453,169	\$
Sales and Use Taxes	17,248,236	
Transient Lodging Taxes	1,899,981	
Franchises	289,612	
Utility User Taxes	5,108,019	
Business License Tax	1,568,306	
Real Property Transfer Tax	1,376,394	
Admission Tax	48,479	
Residential Park Development Tax	1,316,684	
Bridge Construction Tax	178,628	
Major Street Construction Tax	1,379,286	
 <u>LICENSES AND PERMITS</u>		
Construction Permits		1,940,436
Animal Licenses		138,814
Bicycle Licenses		11,341
Parking (Meters and Lots)		3,270,646
Other Licenses and Permits		83,784
 <u>FINES, FORFEITS AND PENALTIES</u>		
Vehicle Code Fines		702,055
Misdemeanor and Parking Violations		485,868
 <u>REVENUE FROM OTHER AGENCIES</u>		
State Alcoholic Beverage License Fees	207,509	
State Motor Vehicle In Lieu Tax	4,303,291	
State Gasoline Tax	2,877,359	
State Homeowners Property Tax Relief	936,117	
State Business Inventory Property Tax Relief	440,054	
State Trailer Coach In Lieu	86,591	
Cigarette Taxes	1,005,254	
State Hiway Carriers Business License Tax	38,020	
State Off Hiway M.V. License	5,945	
State Gas Tax Recovery	63,111	
Other In Lieu Taxes	7,412	
Abandoned Vehicle Abatement	1,620	
State Grants Recreation and Parks	975,717	
State Bail Out Funds	5,967,776	
Other State Grants	436,591*	
County and Other Agencies Support		1,418,403
Federal Grants		14,409,515

*Specific grants for capital expenditures are "non-proceeds" of taxes.

	<u>Proceeds From Taxes</u>	<u>Non Proceeds From Taxes</u>
<u>CHARGES FOR CURRENT SERVICES</u>		
Subdivision Map Processing	\$	\$ 72,409
Rezoning Fees		32,695
Variance Fees		14,605
Appeal Fees		2,690
Sale of Maps and Publications		20,612
Police Services		91,883
Fire Report Fees		1,642
Plan Check Fees		275,698
Animal Shelter Fees		19,744
Street, Sidewalk, Curb Repair		242,639
Weed Abatement and Lot Cleaning		104,867
Library Fees and Charges		37,310
Swimming Pool Fees		38,285
Park and Recreation Fees and Charges		367,995
Zoo Admissions		336,972
Development - Street Signs		52,150
Development - Trees		136,725
Cemetery Fees & Charges		2,500
Demolition Charges		30,080
E.I.S. Fees		17,102
Archives Review Board Fees		984
Compliance Fee		2,420
Special Assessment Fees		3,137,655
Art Gallery Admissions		15,200
Water Service Charges		7,312,630
Sewer Service Charges		4,782,188
Waste Removal Charges		5,503,075
Lawn and Garden Service Charges		2,013,956
Golf Fees and Charges		887,909
Community Center Charges		839,373
Boat Harbor Charges		222,623
Fleet Management Internal Service Charges		4,536,806
Risk Management Internal Service Charges		7,322,178
 <u>REVENUE FROM USE OF PROPERTY & MONEY</u>		
Investment Earnings	2,500,030	2,819,183
Rental of Real Property and Equipment		84,675
Concessions and Rents		584,249
Gain on Sale of Bonds		3,179
Interest on Assessments		1,976,740
Miscellaneous Reimbursements & Recoveries		1,482,565
	<hr/>	<hr/>
TOTAL CITY REVENUE	\$59,719,191	\$67,887,053
PERCENTAGE	46.8%	53.2%
Less debt service appropriations and other appropriations not subject to limitations	<u>(\$5,627,602)</u>	
INTEREST DISTRIBUTION:	\$54,091,589	
Based on percentage of proceeds and non proceeds of taxes to total revenue		
Non Proceeds	\$ 65,067,870 (53%)	
Proceeds from Taxes	<u>57,219,161 (47%)</u>	
Total	\$122,287,031	

CITY OF SACRAMENTO
SCHEDULE TO MATCH USER FEES TO COSTS
FOR THE FISCAL YEAR ENDED 6-30-79

<u>User Fee Revenue by Function and Account</u>	1 User Fee Collections	2 Costs Associated With User Fees	3 Excess of User Fees Over Costs
GENERAL GOVERNMENT:			
Bicycle License	\$ 11,341	\$	\$
Zoning Fees	32,695	↓	
Subdivision Fees	72,409	↓	
Sale of Maps & Publications	20,612	↓	
Filing and Certification Fees	2,690	↓	
Plan Checking Fees	275,698	↓	
Variance Fees	14,605	↓	
Concessions & Rents	82,548	↓	
Other User Fees	104,290	↓	
	<u>\$ 616,888</u>	<u>\$ 7,113,068</u>	<u>\$ -0-</u>
PUBLIC SAFETY:			
Animal License	\$ 138,814	\$	\$
Animal Shelter Fees & Charges	19,744	↓	
Special Police Department Services	91,883	↓	
Special Fire Department Services	1,642	↓	
Weed and Lot Cleaning	104,867	↓	
	<u>\$ 356,950</u>	<u>\$32,232,516</u>	<u>\$ -0-</u>
PUBLIC HEALTH:			
Cemetery Fees & Charges	\$ 2,500	\$ 2,500	\$ -0-
PUBLIC WORKS:			
Construction Permits	\$1,940,436	\$	\$
Parking (Meters)	774,040	↓	
Development Charges - Signs & Trees	188,875	↓	
Engineering Fees - Special Permits	3,137,655	↓	
Streets, Sidewalk and Curb Repair	242,639	↓	
Demolition Fees & Charges	30,080	↓	
	<u>\$6,313,725</u>	<u>\$13,756,548</u>	<u>\$ -0-</u>
PARKS AND RECREATION:			
Swimming Pool Fees	\$ 38,285	\$	\$
Recreation Programs	367,995	↓	
Zoo Admissions	336,972	↓	
	<u>\$ 743,252</u>	<u>\$ 9,873,790</u>	<u>\$ -0-</u>
LIBRARY AND CULTURAL LIBRARY FEES:			
Library Fees	\$ 37,310	\$	\$
Art Gallery Admissions & Sales	15,200	↓	
Concessions & Rents	157,804	↓	
	<u>\$ 210,314</u>	<u>\$ 2,699,193</u>	<u>\$ -0-</u>

	1	-	2	=	3
<u>User Fee Revenue by Function and Account</u>	<u>User Fee Collections</u>		<u>Costs Associated With User Fees</u>		<u>Excess of User Fees Over Costs</u>
<u>ENTERPRISE FUNDS</u>					
Water Fees and Charges	\$7,321,290		\$ 6,269,762		\$1,051,528
Sewer Fees and Charges	4,785,278		5,352,775		
Waste Removal Fees & Charges	5,503,225		5,369,853		133,372
Lawn & Garden Fees & Charges	2,013,956		2,134,675		
Golf Fees & Charges	1,043,708		1,044,967		
Parking Fees & Charges	2,672,804		2,188,466		484,338
Community Center Fees & Charges	997,177		1,849,857		
Boat Harbor Fees & Charges	222,623		167,922		<u>54,701</u>
Total Excess					<u>\$1,723,939</u>

CITY OF SACRAMENTO
SCHEDULE OF DEBT SERVICE APPROPRIATIONS
FOR DEBT THAT EXISTED ON 1/1/79

General Fund G.O. Bonds	\$ 919,941	
Water Revenue Bonds	1,425,045	
Sewer Revenue Bonds	534,342	
Waste Disposal Revenue Bonds	99,655	
Parking Authority Revenue Bonds	1,036,080	
Community Center Authority Revenue Bonds	1,376,625	
Computer Lease-Purchase Payment	197,580	
Boat Harbor Long Term Loan	38,334	
	TOTAL	\$5,627,602

CITY OF SACRAMENTO
SCHEDULE TO CALCULATE APPROPRIATIONS SUBJECT TO LIMIT
FOR THE FISCAL YEAR ENDED 6-30-79

Total All City Appropriations (Per Final Amended Budget) ⁽¹⁾	\$157,773,028
LESS:	
1) Non Proceeds of Taxes (per Schedule 1) ⁽²⁾	\$67,887,053
2) Debt Service Appropriations (per Schedule 3)	<u>5,627,602</u>
	<u>73,514,655</u>
	84,258,373
Add - Excess User Fees (per Schedule 2)	<u>1,723,939</u>
Appropriations Subject to Limit - 78-79 Base Year	<u>\$ 85,982,312</u>

(1) Includes appropriations made to internal service funds.

(2) Includes internal service fund collections from other city departments.



CITY OF SACRAMENTO

DEPARTMENT OF FINANCE

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TELEPHONE (916) 449-5736JACK R. CRIST
DIRECTOR OF FINANCEFRANK MUGARTEGUI
ASSISTANT DIRECTOR

January 11, 1980

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: 1980-81 PRELIMINARY ECONOMIC REPORT

SUMMARY

Each year at this time the staff provides the Council with a general economic forecast of the City for the coming year. The general forecast serves as a basis for planning the following fiscal year's Operating and Capital Budgets. The forecast is based on local bank forecasts tempered by special knowledge the staff has obtained during the course of the year.

Fiscal year 1980-81 should be viewed for budget planning purposes with optimism tempered by the knowledge that the Sacramento economy is expected to prosper while the national economy generally slips into a recession. Inflation at both the national and local level will continue at unacceptable levels. Also, energy related concerns will impact the City. Finally, the local construction activity will remain strong leading a generally strong local economy.

Following by major category is the 1980 local government forecast.

Inflation

The inflation rate for 1979 averaged 11%. For 1980, the rate will range between 9½% and 11%. This rate will once again be sensitive to changes in OPEC oil price increases as well as continued deregulation of domestic oil prices.

Interest Rates

Interest rates in general will peak early in 1980 and then begin a general decline. Short term rates will decrease more than long-term rates which will remain relatively high until uncertainty related to inflation is removed.

Unemployment

Nationally, the unemployment rate will increase from a 1979 average of 5.9% to somewhere between 7% and 8%. In California, the unemployment rate will also edge up but not as high as the national level.....perhaps a .5 percentage point below the national rate. Sacramento's economy should parallel the State assuming no further restrictions of government employment.

Population Growth

Population growth in the tri-County metropolitan area will continue at a more rapid rate than for California as a whole.....perhaps resulting in Sacramento becoming the fastest metropolitan growth area in the State. Population will increase for the area approximately 2% in 1980, from 985,000 to 1,005,000.

Construction and Housing

While housing starts are predicted to decline 8% in 1980 for the metropolitan area, no evidence of such decline has yet surfaced within the Sacramento City limits. Number of building permits issued through November 1979 compared to the same time in the prior year shows a 5% increase. In addition, dollar volume of permits issued is up a striking 41% (\$277.9 million in 1979 versus \$197.2 million in 1978).

Finally, transfers of existing housing stocks within the City (as determined by the City Real Property Transfer Tax) through December 1979 indicate no decline in turnover of existing housing:

	<u>1978</u>	<u>1979</u>
5-month average turnover rate:	728 parcels	857 parcels

Personal Income

Personal income in Sacramento is projected to increase somewhere between 9% and 12% in 1980 with the average household approximating \$19,300 to \$19,800.

Retail Sales

Retail sales in Sacramento is projected to increase 10% in 1980, barely keeping pace with inflation. This growth is tempered by an anticipated 10% decline in new car sales.

CONCLUSION


Overall, the Sacramento economy will experience growth and prosperity in 1980 while the national economy slides into economic recession. This growth will be spurred by the State's leading population growth rate, new construction and a continued healthy retail sales sector. The only major uncertainty for Sacramento is the impact of the State-wide Jarvis II Initiative on the local government sector. In any case, should Jarvis II pass, the major impact would not be felt until late in 1980 or early in 1981.

Respectfully submitted,



Jack R. Crist
Director of Finance

For Council Information:



Walter J. Slips
City Manager

JRC/bb

January 15, 1980
All Districts

PRELIMINARY GENERAL GOVERNMENT FUND ANALYSIS
(Worst, Probable, and Best Possible Case)

The Preliminary General Government Fund Balance Analysis attempts to give the Council a feel for what the City General Government financial position will be at the end of fiscal year 1980-81 given the current Preliminary Revenue Estimate (Exhibit IV), the known expenditure increases for 1980-81 such as known negotiated salary increases, required social security and pension cost increases, and certain assumptions concerning "other budget action items" such as the impact of the so-called "Jarvis II" Initiative to be voted on in June 1980.

The analysis depicts three (3) possible results with the most likely or probable being presented between the two extreme situations. The assumptions surrounding this analysis are more fully discussed in the 1980-81 budget policy matters letters.

The conclusion from reviewing Exhibit III is that the so-called "other budget actions" will have a significant and dramatic impact on the end of year (June 30, 1981) carryover fund balance.

Finally, the Council should be aware of the fact that the projections included herein are very preliminary in nature and will require further refinement during the budget planning process. The first such refinement will come after the six-month, mid-year 1979-80 budget review. In this regard, the budget calendar calls for more refined June 30, 1980 fund balance forecasts to be issued by staff in mid-February 1980.

GENERAL GOVERNMENT ANALYSIS¹⁴
 (General, AB-8 State Assistance, and General Revenue Sharing Funds)

	Worst	Probable	Best Possible
1979-80 Beginning Fund Balance (Unaudited)	\$13,121,812	\$13,121,812	\$13,121,812
Audit adjustment per Annual Financial Statement	<u>(210,601)</u>	<u>(210,601)</u>	<u>(210,601)</u>
Beginning Fund Balance (Audited)	<u>12,911,211^{1,2}</u>	<u>12,911,211^{1,2}</u>	<u>12,911,211^{1,2}</u>
Revenues	61,016,000 ³	63,526,000 ³	63,526,000 ³
Transfers	1,264,000	1,264,000	1,264,000
Expenditures	(71,939,332) ⁴	(70,939,332) ⁴	(70,739,332) ⁵
Budget Amendments	(1,750,000) ⁷	(1,750,000) ⁷	(1,750,000) ⁷
Capital Improvements	(3,459,875)	(3,459,875)	(3,459,875)
Transfer Administrative Contingency to General Fund	<u>5,425,000⁷</u>	<u>5,425,000⁷</u>	<u>5,425,000⁷</u>
Estimated Ending Fund Balance	<u>3,467,004⁸</u>	<u>6,977,004⁸</u>	<u>7,177,004⁸</u>
1980-81 Starting Fund Balance (Estimated)	3,467,004 ⁸	6,977,004 ⁸	7,177,004 ⁸
Revenues	66,000,000 ³	68,576,000 ³	68,576,000 ³
Transfers	1,264,000	1,264,000	1,264,000
Expenditures	(73,000,000) ⁶	(73,000,000) ⁶	(73,000,000) ⁶
Unfunded Retirement Liability	(1,200,000) ⁹	(1,000,000) ⁹	(1,000,000) ⁹
Negotiated Salary Increases	(6,000,000) ¹⁰	(5,000,000) ¹⁰	(5,000,000) ¹⁰
Approved Social Security Increases	(180,000)	(150,000)	(150,000)
Reduced Expenditures for Unemployment Insurance	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Estimated Fund Balance (subtotal)	<u>(9,148,996)</u>	<u>(1,832,996)</u>	<u>(1,632,996)</u>
Other Budget Actions			
Debt Service Add-On Over Ride Tax/Unfunded Liability	-0-	-0-	3,900,000
Potential Loss of Real Property Transfer Tax	(3,000,000) ¹²	-0-	-0-
Transfer Supplemental Retire. Contribution to General Fund	-0-	-0-	2,000,000
Transfer Reserve for Waste Removal Transfer Station	-0-	-0-	2,000,000
Potential Savings from Close-out of Capital Improvements			
Three (3) Swimming Pools	(200,000)	(200,000)	1,000,000
Sacramento History Center Reserve	(3,000,000)	-0-	1,000,000 ¹³
City Hall Renovation	-0-	-0-	500,000
Communication Master Plan	-0-	-0-	600,000
Memorial Auditorium	-0-	-0-	500,000
Old Sacramento Parking Garage	(3,000,000)	-0-	-0-
Potential Renewal of Anti-Recessionary-Cyclical Funds	-0-	420,000	420,000
Percentage of General Revenue Sharing for Operations Increased	-0-	1,000,000	1,000,000
Portion of FY 1979-80 AB-8 Fiscal Assistance used for Capital Improvements	-0-	<u>1,439,000</u>	1,439,000
Transfer Administrative Contingency to General Fund	<u>5,425,000</u>	<u>5,425,000</u>	<u>5,425,000</u>
6-30-81 Ending Fund Balance (estimated) Before Consideration of the June 1980 State-wide Election	<u>(12,923,996)</u>	<u>6,251,004</u>	<u>13,151,004</u>
Other Budget Actions			
AB-8 Funds Deflator and Reduction of Admin. Contingency	<u>(8,000,000)¹¹</u>	<u>(5,000,000)¹¹</u>	<u>1,000,000¹¹</u>
6-30-81 Ending Fund Balance (estimated) After Consideration of the June 1980 State-wide Election	<u>\$(20,923,996)</u>	<u>\$ 1,251,004</u>	<u>\$ 19,151,004</u>

FOOTNOTES TO GENERAL GOVERNMENT FUND BALANCE ANALYSIS

- ¹ Agrees to Page 22 - General Fund Balance Sheet, 1978-79 Audited Financial Statements:
- | | |
|---|---------------------|
| Reserve for negotiated salary increases | \$ 8,844,000 |
| Reserve for future contingencies | <u>4,067,211</u> |
| | <u>\$12,911,211</u> |
- ² Excludes "Cash Basis Working Capital Reserve" of \$1.0 million.
- ³ Revenue Summary Detailed on Exhibit IV attached.
- ⁴ \$71,939,332 represents columns #10, 11, 12, 13, 14, 15, 17 of the FY 79-80 Fund Balance Chart (Page B-4 & B-5 of Final Budget) - General Fund line.
- ⁵ Item #4 above (\$71,939,332) less \$1.0/\$1.2 million of estimated additional budget expenditure savings.
- ⁶
- | | |
|--|--------------------------------|
| \$71,939,332 | |
| (400,000) Reduce Equipment one-time purchase | |
| 1,750,000 Budget amendments | |
| (290,000) Election reductions | |
| <u>\$72,999,332</u> | Rounded to <u>\$73,000,000</u> |
- ⁷
- | | |
|---|--------------------|
| Administrative Contingency before 79-80 Budget amendments | \$5,425,000 |
| 79-80 Budget amendments requiring use of Admin. Contingency | <u>(1,750,000)</u> |
| Net Administrative Contingency Budget at end of FY 79-80 | <u>\$3,675,000</u> |
- ⁸ Estimated available balance 7-1-80 including Administrative Contingency Budget.
- ⁹ In accordance with 1976 Ballot Measure E - escalating funding requirement through 1983.
- ¹⁰ Cost of 9% salary increase 7/1/80 (General Government only):
- | |
|---|
| Salary and wages \$75.0 million X 80% = \$60.0 mil. X 10% = \$6.0 million |
| Salary and wages \$75.0 million X 75% = \$55.0 mil. X 9% = \$5.0 million |
| No assumed increase as a result of fire incentive plan. |
- ¹¹ Assuming the June 1980 "Jarvis II" Initiative passes, the AB-8 deflator clause will affect local government following is an excerpt from a State Legislative Counsel Analysis:
- The Effects of Jarvis on the Deflator
- "Under AB-8, the new Commission on State Finance (SB-165 - Mills) has the responsibility for estimating revenues and surplus available for appropriation during 1980-81 and subsequent years. If the estimate is more than \$100 million less than \$20.6 billion for 1980-81, the entire amount of the difference, to the extent of available funds, will be reduced from state aid for education and local assistance. One-half of the reduction, to the extent of available funds, would be made in educational apportionments to school districts and community colleges, and the other half, to the extent of available funds, would be made in state subvention payments to local governments for the homeowners' exemption, the business inventory subvention, open space contracts, cigarette taxes and motor vehicle license fees."
- ¹² Potential loss of Real Property Transfer Tax (cumulatively) as a result of current lawsuit in progress.
- ¹³ Assuming transfer from Revenue Sharing to General Fund of possible released Revenue Sharing Funds such as the Sacramento History Center.
- ¹⁴ Includes only that portion of general government revenues and expenditures necessary to forecast the June 30, 1981 available fund balance.

1979-80 AND 1980-81 REVENUE SUMMARY
GENERAL FUND

	Final 79-80 Budget	Revisions Up (Down)	Amended 79-80 Estimate	% Change	Increase (Decrease)	Estimated 80-81	% Change
Property Tax	\$11,490,000	10,000	\$11,500,000	0.1%	\$1,700,000	\$13,200,000	14.8
Sales Tax	19,100,000	500,000	19,600,000	2.6%	2,150,000	21,750,000	11.0
Business License	1,600,000	-0-	1,600,000	0	-0-	1,600,000	0
Real Property Transfer Tax	1,500,000	500,000	2,000,000	33.3	-0-	2,000,000	0
Utility User Tax	5,300,000	400,000	5,700,000	7.5	700,000	6,400,000	10.9
Construction Permits	1,900,000	300,000	2,200,000	15.8	-0-	2,200,000	0
Assessment District Fees	3,600,000	(300,000)	2,700,000	(10.0)	-0-	2,700,000	0
Interest on Investments	800,000	600,000	1,400,000	75.0	-0-	1,400,000	0
Motor Vehicle In Lieu Funds	4,500,000	500,000	5,000,000	11.1	500,000	5,500,000	10.0
Reimbursements From Other Funds	3,300,000	(300,000)	3,000,000	(-9.1)	-0-	3,000,000	0
Other General Fund Revenues	<u>8,526,000</u>	<u>300,000</u>	<u>8,826,000</u>	<u>3.5</u>	<u>-0-</u>	<u>8,826,000</u>	<u>0</u>
TOTAL GENERAL FUND	<u>\$61,016,000</u>	<u>\$2,510,000</u>	<u>\$63,526,000</u>	<u>4.1%</u>	<u>\$5,050,000</u>	<u>\$68,576,000</u>	<u>8.0%</u>

RECAP OF ADDITIONAL GENERAL FUND RESOURCES:

79-80	\$ 2,510,000	4.1%
80-81	<u>5,050,000</u>	<u>8.0%</u>
	<u>\$ 7,560,000</u>	<u>12.1%</u>

RESOLUTION NO.

Adopted by The Sacramento City Council on date of

RESOLUTION ESTABLISHING BUDGET POLICIES AND GUIDELINES FOR 1980-81 FISCAL YEAR

WHEREAS, the City Council and the Budget and Finance Committee have been presented with a budget policy memorandum together with a Preliminary Economic Report, a General Fund Balance Analysis, a General Fund Revenue Forecast, and an Analysis and Calculations of the City's "Appropriation Limit" Under the provisions of Prop. 4 (Gann Initiative);

WHEREAS, the "preliminary" fiscal year 1980-81 financial analysis indicates the rise in municipal revenues together with carryover available fund balances will support a no growth budget given no significant changes in local economic conditions and/or level of Federal and State subventions to the City.

NOW THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

- Section 1. That the City Council endorses the general concept of preparing the fiscal 1980-81 preliminary budget(s) assuming a no growth budget defined as the amended 1979-80 budget adjusted for known cost increases such as social security, unfunded pension costs, and anticipated energy and employee service cost increases.
- Section 2. That the City Council endorses the general concept of making no budget planning decisions with respect to the affect of the June 1980 Jarvis II State Income Tax Initiative until after the June 1980 election. It is simply acknowledged that a loss of State subvention revenues will occur if the initiative passes.
- Section 3. The City Council also expresses its support of the City Manager's budget instructions which require the departments to prepare alternative budgets at reduced levels in the event that circumstances require that they be implemented.
- Section 4. That the City Council indicate its intention to not levy an add-on ad valorem property tax for either general obligation debt service or local retirement pension costs until conditions are such that the add-on levy is absolutely necessary to maintain City services.
- Section 5. That the City Council endorse the concept of utilizing a 100% maximum of Federal General Revenue Sharing Funds to support general government operations.
- Section 6. That the City Council intends to maintain an unappropriated available General Fund Balance approximately equal to 7% of General Government expenditures (\$5.4 million) (subject to change after the June 1980 State-wide election), in addition to the \$1.0 million "cash basis reserve" required for dry period working capital financing; and that the City intends to use at minimum \$.7 million of carryover fund balance to balance the 1980-81 Operating Budget.
- Section 7. That the 1980-81 funding for the Contributions to Other Governmental Agencies as well as Entertainment and Advertising be maintained at near the 1979-80 level and that the Contributions to Other Agencies budget be eliminated.



- SECTION 8. That the City Council formally approves the closure of the AB-8 State Assistance Fund effective June 30, 1980 with all future receipt of revenues from this source to be considered as General Fund Revenue.
- Section 9. That any revenue growth of Transient Occupancy Tax in excess of that required to operate the Community Center on a self-supporting basis be considered first for Community Center Capital Improvement Projects before allocation to other purposes.
- Section 10. That the City Council does not intend to approve any new or expanded programs beyond the amended 1979-80 budget level unless cost savings can be demonstrated.
- Section 11. That generally, General Government fees or charges will not be increased in accordance with Council resolutions related to cost-of-living acceleration provisions. However, separate recommendations for fee increases may be presented with respect to specific revenue sources.
- Section 12. That the City Manager is directed to prepare a report and related budget amendments necessary to correct the current Fiscal 1979-80 Budget deficiencies (estimated at \$1.0 million) related to vehicle operating costs for gas and oil.
- Section 13. That this resolution shall become effective immediately upon its passage and adoption.

MAYOR

ATTEST:

CITY CLERK



CITY OF SACRAMENTO

OFFICE OF THE CITY CLERK

915 I STREET
CITY HALL ROOM 203

SACRAMENTO, CALIFORNIA 95814
TELEPHONE (916) 449-6426

LORRAINE MAGANA
CITY CLERK

MEMORANDUM

TO: BUDGET AND FINANCE COMMITTEE

FROM: LORRAINE MAGANA, CITY CLERK *LM*

SUBJECT: REFERRAL OF ITEM NO. 38, AGENDA OF JANUARY 15, 1980

DATE: JANUARY 17, 1980

Pursuant to Council action, the following subject matter is referred to your committee for hearing, report and recommendation: 1980-81 Budget Policy Matters.

cc: City Manager