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DEPARTMENT OF
PUBLIC WORKS

CITY OF SACRAMENTO
CALIFORNIA

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OFFICE OF THE DIRECTOR

916-449-5283

March 21, 1989

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Funding for Start-Up Costs for the Sacramento Transportation Sales Tax Fund

SUMMARY

The recent passage of Measure A is expected to generate over \$9 million annually for new capital improvement projects. Although the new sales tax will be collected starting April 1, 1989, the City will not receive revenues until the next fiscal year (July or August). In order to implement some of the sales tax funded projects in the early part of the 1989-90 fiscal year, it is necessary that start-up costs be incurred this year. This will require a short-term loan from the General Fund to finance the initial costs. If start-up activities are delayed until next year, the first Measure A projects will not start construction until the winter or spring of 1990.

BACKGROUND

In order to proceed with the planning, design and delivery of the \$9 million in new capital improvement projects, it is necessary to begin to hire new staff, acquire additional supplies and equipment and, where projects are ready for construction, to let contracts so that the work can proceed in a phased, efficient manner. It is anticipated that \$306,682 is needed this fiscal year to begin the start-up work as follows:

Street Division Staffing and Equipment	\$ 33,765
Engineering Division Staffing and Equipment	152,917
Norwood Avenue Widening Project	90,000
Pocket Road and Greenhaven Drive Signal	15,000
Elder Creek and Sunrise South Signal	<u>15,000</u>
	\$306,682

Each of the above funding requests will be the subject of a separate report to this committee. A report requesting a Senior Engineer position in the Street Division and a report requesting funding for the Norwood Avenue Widening Project are scheduled on the same agenda as this report. A report from the Engineering Division detailing their operating needs for this fiscal year will be presented in the next few weeks. A report on the traffic signal projects will be presented in May.

FINANCIAL

In order to provide seed money to the Sacramento Transportation Sales Tax Contingency Reserve from which funds can then be appropriated to specific capital projects and operating budgets, it is recommended that a normal loan in the amount of \$306,682 be arranged from the General Fund to the Sacramento Transportation

Budget and Finance Committee
Funding for Start-Up Costs for the
Sacramento Transportation Sales Tax Fund
March 21, 1989
Page 2

Sales Tax Fund. This would involve a transfer of cash from the General Fund to the Sacramento Transportation Sales Tax Fund and the recognition of a loan receivable in the General Fund. Since the terms of the loan call for repayment within one year, it will be classified as a current asset and therefore will have no impact on General Fund available resources.

The first installment of funds from the County from Measure A is expected in July 1989 and is expected to total \$619,000. Similar installments will be received by the City every month thereafter. It is recommended that the loan to the Sacramento Transportation Sales Tax Fund be repaid with interest in one payment, with the first installment no later than September 30, 1989. The interest rate applied to the loan will be the rate earned by Pool A over this period. This will insure that the General Fund is fully reimbursed for the loan.

MBE/WBE

There are no MBE/WBE impacts connected with the internal loan of funds requested in this report. MBE/WBE issues associated with the projects to be undertaken with sales tax money will be addressed in the individual project reports.

POLICY CONSIDERATIONS

This request is consistent with the stated policy of not using the General Fund Contingency Reserve for purposes not approved in the mid-year review.

RECOMMENDATION

It is recommended that the Budget and Finance Committee forward to the City Council, with its recommendation for approval, the attached resolution which authorizes a short-term advance of \$306,682 to the Sacramento Transportation Sales Tax Fund from the General Fund for the purpose of beginning work on the sales tax eligible capital improvement program.

Respectfully submitted:

for Reginald Johnson
Melvin H. Johnson
Director of Public Works

Recommendation Approved:

Jack R. Crist
Jack R. Crist
Deputy City Manager

March 21, 1989
ALL DISTRICTS

Contact Person:

Bill Farley, 449-2013
Administrative Services Officer

BF:jg:ow
startup.bf

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

**A RESOLUTION AUTHORIZING A SHORT TERM LOAN
TO THE SALES TAX FUND**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. In order to begin work on the sales tax-eligible capital improvement program, a short term advance of funds from the General Fund to the Sacramento Transportation Sales Tax Fund Contingency Reserve (201-710-7012-4999) in the amount of \$306,682 is hereby authorized. This amount shall be repaid in one payment not later than September 30, 1989 with a rate of interest equal to the Pool A rate of interest for the period.

MAYOR

ATTEST:

CITY CLERK

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