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# CITY OF SACRAMENTO

## DEPARTMENT OF FINANCE

BUDGET DIVISION

June 11, 1985  
FA: 85263:BM:KMF

Budget and Finance Committee  
Sacramento, California

Honorable Members in Session:

**SUBJECT:** 5-Year Financial Impact of Various Alternatives to Augment Police Department

### SUMMARY

This report summarizes the 5-year financial impact of various alternatives to augment the Police Department by a total of 50 police officers in 1985-86 as proposed by the Budget and Finance Committee on June 4, 1985.

### BACKGROUND

On June 4, 1985, the City Manager recommended that the \$1,480,000 in General Fund employee service savings be used to augment the Proposed Budget as shown in Table 1. Included in the proposal was the addition of 17 police officers.

During the hearing, the Committee proposed instead, that a total of 50 officers be added to the Police Department by using some combination of the COP Reserve, Reserve for Economic Uncertainty, and the Risk Management Reserves. Staff was then directed to prepare a financial analysis of the proposal.

### DISCUSSION

In reviewing the various funding alternatives, Staff prepared 5-year financial projections of the effects of adding various numbers of Patrol Officers. Projections detailed in Exhibit A through F reflect a "with" and "without" Revenue Sharing assumption of termination in October 1986. It also assumes that General Fund revenue and reserves would be used to fund the new positions.

TABLE 1  
 MANAGER'S RECOMMENDED GENERAL FUND AUGMENTATIONS  
 (\$'s in 000's)

DEPT	PROJECT	FTE	COST
<b>PUBLIC SAFETY</b>			
POLICE	Police Officers	17.00*	935
POLICE	Dispatchers for Communications Center	3.00	78
FIRE	New Radio Channel For Fire		79
CIP FIRE	Fire Station 6,9,12,-Replace Apparatus Doors		16
DP	Geo-Coding Coordinator	1.00	29
	<b>SUBTOTAL</b>	<b>21.00</b>	<b>\$1,137</b>
<b>PUBLIC WORKS AND DEVELOPMENT</b>			
PW	Augment Pavement Repair Program	3.00	122
PW	Animal Control Officer	1.00	40
P&D	Economic Development Coordinator	1.00	57
	<b>SUBTOTAL</b>	<b>5.00</b>	<b>\$219</b>
<b>CULTURE AND LEISURE</b>			
LIBRARY	Children's Librarian	1.00	31
LIBRARY	Additional Hours at Central	3.00	57
LIBRARY	Increase Book Purchases		16
	<b>SUBTOTAL</b>	<b>4.00</b>	<b>\$104</b>
<b>GENERAL GOVERNMENT</b>			
CIP GS	Energy Conservation Program		20
	<b>TOTAL</b>	<b>30.00</b>	<b>\$1,480</b>

\* This 17.00 FTE is in addition to the 8.25 FTE proposed in the budget. Total new employees, however, will be 22. (3.25 FTE result from full year funding of positions added at Midyear.)

During the June 4th hearing the Budget and Finance Committee proposed that the Risk Management reserves be utilized as a funding source for new Police positions along with a reduction in the Reserve for Economic Uncertainty. As stated in the staff report titled "Options for Reducing the Utility Users Tax" (dated June 3, 1985), use of Risk Management reserves source should be strictly a last resort for various reasons including: (1) It is a one-time source of revenue, (2) rising insurance

costs in all probability will require the City to increase its retention levels, not decrease them, and (3) it may have a serious negative impact on the City's bond rating which is particularly significant in light of the \$50 million of debt scheduled to be financed over the next five-years. The City Attorney has also recommended against such use of the Risk Management reserves -- See Exhibit H. Use of the Reserve for Economic Uncertainty also has the disadvantage of being a one time resource.

The following lists each of the 5-year forecast alternatives that have been evaluated, the details of which can be found in Exhibits A through G.

Exhibit	Alternative
A	Proposed Budget Only - With Revenue Sharing
B	Proposed Budget Only - Without Revenue Sharing
C	Proposed Budget with 25* Officers and Other Recommended Augmentations - With Revenue Sharing
D	Proposed Budget with 25* Officer and Other Recommended Augmentations - Without Revenue Sharing
E	Proposed Budget with 50 Officers - With Revenue Sharing
F	Proposed Budget with 50 Officers - Without Revenue Sharing
G	Proposed Budget with 25* Officers Plus 7 More/Year (Total 53) Plus Other Recommended Augmentations - Without Revenue Sharing

\* The 25 includes the 3 FTE added to fully fund positions added midyear.

Analysis of these alternatives revealed a number of significant trends. First of all, with or without Revenue Sharing, the City will probably be looking at a no growth budget during 1986-87 and 1987-88. Therefore, it is important to concentrate on the highest priority programs when looking at augmentations in 1985-86, otherwise they will have to wait until at least 1988-89.

A second trend that emerged is that in order to fund significant numbers of police officers, or any other positions, only a minimal Administrative Contingency can be maintained. The Administrative Contingency represents the funds which can be used throughout the year to implement new, or augment existing programs (e.g., add a Bicycle Coordinator position or augment the Communications Center with 9 Dispatchers), to fund other unanticipated items (such as new grants that require matching funds) or deal with expenditure overruns (as occurred with the 13th and I building). Over the past several years, an average of \$2.5 million has been spent annually for such reasons. Therefore, with the minimal Administrative Contingencies which are being projected (between \$300,000 in Exhibit D, and \$1,500,000 in Exhibit F, in 1985-86 and in 1986-87) there will be severe limits on the number of midyear augmentations which can be made -- particularly adjustments with on-going costs (such as personnel augmentations).

A third trend is that without Revenue Sharing the 5-year CIP will have to be pared back to minimize the impact on the operating budget. This will be most apparent in 1986-87 when the CIP is projected to be somewhere in the range of \$325,000 (Exhibit F) to \$2,400,000 (Exhibit B). This is in comparison to the \$4,918,000 which is currently estimated for 1986-87. A reduction of the CIP to \$325,000 would cause a delay in most of the major projects scheduled for that year due to a contractual agreement committing to the Cooleage Park & Library Acquisition and Development (\$257,000). Other major projects which had been scheduled for that year are Police Mobile Digital Terminals (\$250,000), Police Mini Computer Acquisition (\$350,000), and Animal Control Center (\$300,000). The 1986-87 CIP reduction to \$325,000 occurs under the alternative where 50 additional police officers are phased in during 1985-86.

A fourth item is that under each alternative where police officers are added without Revenue Sharing it is necessary to use up the Reserve for Economic Uncertainty to fund on-going programs. This coupled with a minimal Administrative Contingency and zero projected fund balances significantly reduces the General Fund's ability to absorb either significant revenue losses or unanticipated expenditures.

#### **RECOMMENDATION**

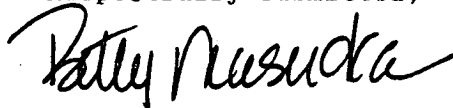
The City Manager's recommendation is to fund an additional 25 FTE police officer positions in 1985-86 (including the full year continuation of 3 police officer FTE) as well as the other items proposed on Table 1. In addition, it is also recommended that a program be approved to add at least an additional 7 police officers per year beginning in 1986-87 for a total of 53 new officers by 1989-90. This package of recommendations is represented by Exhibit G, and is being proposed as an alternative to the tentatively approved motion to add 50 new police officers in 1985-86 (Exhibits E and F).

Staff recommendation is based on the need to maximize services throughout the City with emphasis on Public Safety and at the same time maximize the financial stability of the General Fund in light of the uncertainty surrounding the continuation of Revenue Sharing. Other advantages of this recommendation are:

1. It funds areas of significant need throughout the City, but with a heavy emphasis on Police.
2. It reduces the need to immediately fund required support positions in the Police Department and in Fleet Management. This is particularly important because the projections indicate that there are no funds available for such support staff.
3. It minimizes the potential of layoffs in future years if and when Revenue Sharing is cut.
4. It allows for a speed up in the hiring plan if Revenue Sharing is maintained or other resources become available.

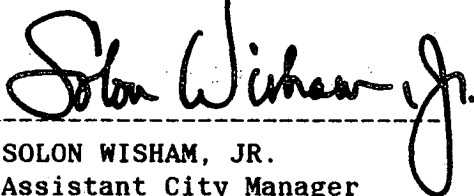
If the proposal to add 50 officers in 1985-86 is preferred, the non-police officer augmentations listed on Table 1 are not recommended for funding. This is because the CIP budget and Reserve for Economic Uncertainty cannot prudently absorb the further reductions that would be required.

Respectfully submitted,



BETTY MASUOKA  
Budget Officer

RECOMMENDATION APPROVED:



SOLON WISHAM, JR.  
Assistant City Manager

**EXHIBIT A**

**PROPOSED BUDGET ONLY -- WITH REVENUE SHARING**

**Assumptions:**

- o Operating Budget adopted as in Proposed Budget document
- o 5-year CIP adopted as in the Proposed Budget
- o Reserve for Economic Uncertainty fully funded during 5-year period
- o No reduction in Revenue Sharing
- o Fire Station 11 staffed in 1986-87, no other program growth
- o Regional Transit funded at \$1,500,000/year beginning in 1986-87

**Results:**

- o Inadequate Administrative Contingency, particularly in 1985-86. Historical spending of Administrative Contingency has been about \$2.5 million/year. The \$409,000 proposed for 1985-86 effectively precludes midyear program augmentations and could require layoffs/freezes to compensate for any significant midyear cost overruns.
- o The first year for program augmentations would be 1988-89.
- o COP defunded in 1986-87

(\$'s in 000's)	1984-85 APPROVED	1984-85   MIDYEAR	1985-86 PROPOSED	1986-87 ESTIMATE	1987-88 ESTIMATE	1988-89 ESTIMATE	1989-90 ESTIMATE
BEGINNING FUND BALANCE	547	4,278	10	1,480	615	26	1,258
<b>RESOURCES:</b>							
Revenues	107,934	106,310	117,364	126,418	137,505	150,534	164,700
Operating Transfers In	16,283	16,263	20,028	20,829	21,662	22,529	23,430
<b>TOTAL CURRENT RESOURCES</b>	<b>124,217</b>	<b>122,573</b>	<b>137,392</b>	<b>147,247</b>	<b>159,167</b>	<b>173,063</b>	<b>188,130</b>
<b>REQUIREMENTS:</b>							
Operating Costs	120,712	119,894	131,183	139,900	148,190	156,997	166,177
Administrative Contingency	138	1,750	409	1,400	1,500	2,000	2,500
Add to Econ Uncertainty Reserve	0	1,068	559	395	495	556	603
RT Operating Subsidy	0	0	0	1,500	1,500	1,500	1,500
CIP Appropriations	3,824	4,129	3,771	4,918	8,071	10,778	1,267
<b>TOTAL REQUIREMENTS</b>	<b>124,674</b>	<b>126,841</b>	<b>135,922</b>	<b>148,113</b>	<b>159,756</b>	<b>171,831</b>	<b>172,047</b>
<b>ENDING FUND BALANCE (DEFICIT)</b>	<b>\$90</b>	<b>\$10</b>	<b>\$1,480</b>	<b>\$615</b>	<b>\$26</b>	<b>\$1,258</b>	<b>\$17,341</b>
Economic Uncertainty Reserves	3,850	4,918	5,477	5,872	6,367	6,923	7,525
% of Resources	3.09%	4.03%	4.00%	4.00%	4.00%	4.00%	4.00%

**EXHIBIT B**

**PROPOSED BUDGET ONLY -- WITHOUT REVENUE SHARING**

**Assumptions:**

- o Operating Budget adopted as in Proposed Budget document
- o 1985-86 CIP adopted as in the Proposed Budget
- o Revenue Sharing eliminated in October 1986
- o Reserve for Economic Uncertainty fully funded
- o COP reserve totally defunded in 1986-87
- o Fire Station 11 staffed in 1986-87, but no other program augmentations
- o Regional Transit subsidy funded at \$1,500,000/year beginning in 1986-87.

**Results:**

- o 5-year CIP budget reduced by \$1,134,000 with significant reductions in 1986-87 (-\$2,518,000) and 1987-88 (-\$5,071,000)
- o Inadequate Administrative Contingency during forecast period based on historical spending levels
- o No further program augmentations until 1989-90

(\$'s in 000's)	1984-85 APPROVED	1984-85 MIDYEAR	1985-86 PROPOSED	1986-87 ESTIMATE	1987-88 ESTIMATE	1988-89 ESTIMATE	1989-90 ESTIMATE
BEGINNING FUND BALANCE	547	4,278	10	1,480	0	0	0
<b>RESOURCES:</b>							
Revenues	107,934	106,310	117,364	126,418	137,505	150,534	164,700
Operating Transfers In	16,283	16,263	20,028	16,721	16,116	16,761	17,431
<b>TOTAL CURRENT RESOURCES</b>	<b>124,217</b>	<b>122,573</b>	<b>137,392</b>	<b>143,139</b>	<b>153,621</b>	<b>167,295</b>	<b>182,131</b>
<b>REQUIREMENTS:</b>							
Employee Service	120,712	119,894	131,183	139,900	148,190	156,997	166,177
Add to Admin Contingency	138	1,750	409	589	493	751	1,500
Add to Econ Uncertainty Reserve	0	1,068	559	230	438	547	593
RT Operating Subsidy	0	0	0	1,500	1,500	1,500	1,500
CIP Appropriations	3,824	4,129	3,771	2,400	3,000	7,500	11,000
<b>TOTAL REQUIREMENTS</b>	<b>124,674</b>	<b>126,841</b>	<b>135,922</b>	<b>144,619</b>	<b>153,621</b>	<b>167,295</b>	<b>180,770</b>
<b>ENDING FUND BALANCE (DEFICIT)</b>	<b>\$90</b>	<b>\$10</b>	<b>\$1,480</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,361</b>
Economic Uncertainty Reserves	3,850	4,918	5,477	5,707	6,145	6,692	7,285
% of Resources	3.11%	4.03%	4.00%	4.00%	4.00%	4.00%	4.00%

**EXHIBIT C**

**PROPOSED BUDGET WITH 22 OFFICERS PLUS  
OTHER RECOMMENDED AUGMENTATIONS -- WITH REVENUE**

**Assumptions:**

- o Operating Budget adopted as in Proposed Budget including the addition of 22 new police officers as well as the other augmentations proposed in Table 1.
- o 1985-86 CIP adopted as in the Proposed Budget.
- o Reserve for Economic Uncertainty fully funded.
- o COP Reserve totally defunded in 1985-86.
- o Fire Station 11 staffed in 1986-87, but no other future program augmentations.
- o Regional Transit subsidy funded at \$1,500,000/year beginning in 1986-87.

**Results:**

- o 5-year CIP total unaltered, but some projects moved to later years.
- o Inadequate Administrative Contingency, particularly in 1985-86 through 1987-88. Does not allow for the funding of on-going programs.
- o No further program augmentations possible until 1988-89.

(\$'s in 000's)	1984-85 APPROVED	1984-85 MIDYEARI	1985-86 PROPOSED	1986-87 ESTIMATE	1987-88 ESTIMATE	1988-89 ESTIMATE	1989-90 ESTIMATE
BEGINNING FUND BALANCE	547	4,278	10	117	0	32	679
<b>RESOURCES:</b>							
Revenues	107,934	106,310	117,822	125,960	137,505	150,534	164,700
Operating Transfers In	16,283	16,263	20,028	20,829	21,662	22,529	23,430
<b>TOTAL CURRENT RESOURCES</b>	<b>124,217</b>	<b>122,573</b>	<b>137,850</b>	<b>146,789</b>	<b>159,167</b>	<b>173,063</b>	<b>188,130</b>
<b>REQUIREMENTS:</b>							
Operating Costs	120,712	119,894	131,183	139,900	148,190	156,997	166,177
Administrative Contingency	138	1,750	750	822	880	2,000	2,500
Add to Econ Uncertainty Reserve	0	1,068	559	395	495	556	603
RT Operating Subsidy	0	0	0	1,500	1,500	1,500	1,500
CIP Appropriations	3,824	4,129	3,771	3,075	6,784	10,000	5,175
*17 Additional Police Officers	0	0	935	775	821	871	992
*Additional Requests	0	0	545	439	465	493	523
<b>TOTAL OPERATING REQUIREMENTS</b>	<b>124,674</b>	<b>126,841</b>	<b>137,743</b>	<b>146,906</b>	<b>159,135</b>	<b>172,417</b>	<b>177,469</b>
<b>ENDING FUND BALANCE (DEFICIT)</b>	<b>\$90</b>	<b>\$10</b>	<b>\$117</b>	<b>\$0</b>	<b>\$32</b>	<b>\$679</b>	<b>\$11,339</b>
Economic Uncertainty Reserves	3,850	4,918	5,477	5,872	6,367	6,923	7,525
% of Resources	3.11%	4.03%	4.00%	4.00%	4.00%	4.00%	4.00%



**EXHIBIT D**

**PROPOSED BUDGET WITH 25\* OFFICERS PLUS OTHER  
RECOMMENDED AUGMENTATIONS -- WITHOUT REVENUE SHARING**

**Assumptions:**

- o Operating Budget adopted as in Proposed Budget including the addition of 25\* new police officers as well as the augmentations proposed in Table 1.
- o 1985-86 CIP adopted as in the Proposed Budget plus augmentations proposed in Table 1.
- o COP Reserve totally defunded in 1986-87.
- o Fire Station 11 staffed in 1986-87 but no other future program augmentations.
- o Regional Transit subsidy funded at \$1,500,000/year beginning in 1986-87.
- o Revenue Sharing eliminated in October, 1986.

**Results:**

- o 5-year CIP total reduced by \$8,334,000, with a severe reduction in 1986-87 (\$4,918,000 to \$500,000). This could result in the delay of some or all of the major projects scheduled for that year: Mobile Digital Terminals (\$250,000), Police Mini Computer (\$350,000), Animal Control Facility (\$300,000), Cooledge Park/Library (\$257,000).
- o Inadequate Administrative Contingency during forecast period precluding any significant midyear adjustments. May require layoffs/freezes to compensate for unanticipated program overruns.
- o Reserve for Economic Uncertainty inadequately funded in 1986-87 and 1987-88. Could make it more difficult to absorb any significant revenue losses.
- o No further program augmentations possible until 1989-90.

\* The 25 includes the 3 FTE added to fully fund positions added midyear.

(\$'s in 000's)	1984-85 APPROVED	1984-85 MIDYEARI	1985-86 PROPOSED	1986-87 ESTIMATE	1987-88 ESTIMATE	1988-89 ESTIMATE	1989-90 ESTIMATE
BEGINNING FUND BALANCE	547	4,278	10	567	0	0	0
RESOURCES:							
Revenues	107,934	106,310	117,822	125,960	137,505	150,534	164,700
Operating Transfers In	16,283	16,263	20,028	16,721	16,116	16,761	17,431
<b>TOTAL CURRENT RESOURCES</b>	<b>124,217</b>	<b>122,573</b>	<b>137,850</b>	<b>142,681</b>	<b>153,621</b>	<b>167,295</b>	<b>182,131</b>
REQUIREMENTS:							
Operating Costs	120,712	119,894	131,183	139,900	148,190	156,997	166,177
Administrative Contingency	138	1,750	300	534	445	819	1,500
Add to Econ Uncertainty Reserve	0	1,068	559	( 400)	0	1,615	593
RT Operating Subsidy	0	0	0	1,500	1,500	1,500	1,500
CIP Appropriations	3,824	4,129	3,771	500	2,200	5,000	9,000
*17 Additional Police Officers	0	0	935	775	821	871	992
*Additional Requests	0	0	545	439	465	493	523
<b>TOTAL REQUIREMENTS</b>	<b>124,674</b>	<b>126,841</b>	<b>137,293</b>	<b>143,248</b>	<b>153,622</b>	<b>167,294</b>	<b>180,285</b>
=====							
ENDING FUND BALANCE (DEFICIT)	\$90	\$10	\$567	\$0	\$0	\$0	\$1,846
=====							
Economic Uncertainty Reserves	3,850	4,918	5,477	5,077	5,077	6,692	7,285
% of Resources	3.11%	4.03%	4.00%	3.56%	3.30%	4.00%	4.00%

**EXHIBIT E**

**PROPOSED BUDGET WITH 50 OFFICERS - WITH REVENUE SHARING**

**Assumptions:**

- o Operating Budget adopted as in Proposed Budget including 50 new police officers and Fleet Management personnel necessary to service the new vehicles.
- o New officers are phased in, 23 in September and 27 in February.
- o Augmentations proposed in Table 1 are not funded.
- o COP Reserve totally defunded in 1985-86.
- o Fire Station 11 staffed in 1986-87 but no other future program augmentations.
- o Regional Transit subsidy funded at \$1,500,000/year beginning in 1986-87.

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 No

**Results:**

- o 5-year CIP program fully funded but many projects pushed back to 1989-90.
- o Inadequate Administrative Contingency in 1985-86 may require layoffs/~~freezes~~ to compensate for unanticipated program overruns.
- o No further program augmentations until 1989-90.

(\$'s in 000's)	1984-85		1985-86	1986-87	1987-88	1988-89	1989-90
	APPROVED	MIDYEARI	PROPOSED	ESTIMATE	ESTIMATE	ESTIMATE	ESTIMATE
BEGINNING FUND BALANCE	547	4,278	10	677	0	0	0
<b>RESOURCES:</b>							
Revenues	107,934	106,310	117,822	125,960	137,505	150,534	164,700
Operating Transfers In	16,283	16,263	20,028	20,829	21,662	22,529	23,430
<b>TOTAL CURRENT RESOURCES</b>	<b>124,217</b>	<b>122,573</b>	<b>137,850</b>	<b>146,789</b>	<b>159,167</b>	<b>173,063</b>	<b>188,130</b>
<b>REQUIREMENTS:</b>							
Operating Costs	120,712	119,894	131,183	139,900	148,190	156,997	166,177
Administrative Contingency	138	1,750	340	1,500	2,500	2,000	2,500
Add to Econ Uncertainty Reserve	0	1,068	559	395	495	556	603
RT Operating Subsidy	0	0	0	1,500	1,500	1,500	1,500
CIP Appropriations	3,824	4,129	3,771	2,055	4,238	9,632	9,109
*45 Additional Police Officers	0	0	1,223	2,003	2,124	2,251	2,565
*Additional Requests	0	0	0	0	0	0	0
*Fleet Personnel	0	0	107	113	120	127	135
<b>TOTAL REQUIREMENTS</b>	<b>124,674</b>	<b>126,841</b>	<b>137,183</b>	<b>147,466</b>	<b>159,167</b>	<b>173,063</b>	<b>182,589</b>
<b>ENDING FUND BALANCE (DEFICIT)</b>	<b>\$90</b>	<b>\$10</b>	<b>\$677</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,541</b>
Economic Uncertainty Reserves	3,850	4,918	5,477	5,872	6,367	6,923	7,525
% of Resources	3.11%	4.03%	4.00%	4.00%	4.00%	4.00%	4.00%

**EXHIBIT F**

**PROPOSED BUDGET WITH 50 OFFICERS -- WITHOUT REVENUE SHARING**

**Assumptions:**

- o Operating Budget adopted as in Proposed Budget document.
- o 1985-86 CIP adopted as in Proposed Budget.
- o A total of 50 new police officers phased in during 1985-86; 23 in September and 27 in February.
- o 3 Fleet Management personnel are added to maintain the additional police cars.
- o COP Reserve totally defunded in 1985-86.
- o Regional Transit subsidy funded at \$1,500,000/year beginning in 1985-86.
- o Fire Station 11 staffed in 1986-87, but no other program growth.

**Results:**

- o 5-year CIP reduced by \$11,769,000 with major reductions in 1986-87 and 1987-88. As in alternative 4, almost all major projects would need to be delayed until 1988-89.
- o Inadequate funding of the Administrative Contingency, particularly in 1985-86 through 1988-89, with the possible consequence of layoffs/freezes to compensate for cost overruns.
- o Use of the Reserve for Economic Uncertainty to fund on-going programs during 1986-87 through 1988-89. This reduces the General Fund's ability to absorb major revenue losses.
- o Inadequate resources to provide funding for any new programs during the projection period.

(\$'s in 000's)	1984-85 APPROVED	1984-85 MIDYEAR	1985-86 PROPOSED	1986-87 ESTIMATE	1987-88 ESTIMATE	1988-89 ESTIMATE	1989-90 ESTIMATE
BEGINNING FUND BALANCE	547	4,278	10	617	0	0	0
<b>RESOURCES:</b>							
Revenues	107,934	106,310	117,822	125,960	137,505	150,534	164,700
Operating Transfers In	16,283	16,263	20,028	16,721	16,116	16,761	17,431
<b>TOTAL CURRENT RESOURCES</b>	<b>124,217</b>	<b>122,573</b>	<b>137,850</b>	<b>142,681</b>	<b>153,621</b>	<b>167,295</b>	<b>182,131</b>
<b>REQUIREMENTS:</b>							
Operating Costs	120,712	119,894	131,183	139,900	148,190	156,997	166,177
Administrative Contingency	138	1,750	400	456	747	1,420	1,945
Add to Econ Uncertainty Reserve	0	1,068	559	( 1,000)	0	0	2,808
RT Operating Subsidy	0	0	0	1,500	1,500	1,500	1,500
CIP Appropriations	3,824	4,129	3,771	325	940	5,000	7,000
*45 Additional Police Officers	0	0	1,223	2,003	2,124	2,251	2,565
*Additional Requests	0	0	0	0	0	0	0
*Fleet Personnel	0	0	107	113	120	127	135
<b>TOTAL REQUIREMENTS</b>	<b>124,674</b>	<b>126,841</b>	<b>137,243</b>	<b>143,298</b>	<b>153,621</b>	<b>167,295</b>	<b>182,130</b>
<b>ENDING FUND BALANCE (DEFICIT)</b>	<b>\$90</b>	<b>\$10</b>	<b>\$617</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Economic Uncertainty Reserves	3,850	4,918	5,477	4,477	4,477	4,477	7,285
% of Resources	3.11%	4.03%	4.00%	3.14%	2.91%	2.68%	4.00%

**EXHIBIT G**

**PROPOSED BUDGET WITH 25 OFFICERS PLUS 7 MORE/YEAR (TOTAL 53)  
PLUS OTHER RECOMMENDED AUGMENTATIONS -- WITHOUT REVENUE SHARING**

**Assumptions:**

- o Operating Budget adopted as in Proposed Budget document.
- o A total of 25 FTE officer positions added in 1985-86 (including the 3 FTE added to fully fund positions added midyear) as well as the other augmentations proposed in Table 1.
- o 7 officers added in each year thereafter beginning in 1986-87.
- o COP Reserve fully defunded in 1986-87.
- o 1985-86 CIP adopted as proposed.
- o Regional Transit subsidy funded at \$1,500,000/year beginning in 1986-87.

**Results:**

- o 5-year CIP reduced by \$9,284,000 with a major reduction in 1986-87.
- o Inadequate funding of the Administrative Contingency throughout the projection period. Would effectively preclude midyear program augmentations and could result in layoffs/freezes to compensate for major unanticipated expenditures.
- o Use of the Reserve for Economic Uncertainty to fund on-going programs in 1986-87 and 1987-88. This reduces the General Fund's ability to absorb major revenue losses.
- o Inadequate resources for any other program augmentations during the forecast period.

(\$'s in 000's)	1984-85 APPROVED	1984-85 MIDYEAR	1985-86 PROPOSED	1986-87 ESTIMATE	1987-88 ESTIMATE	1988-89 ESTIMATE	1989-90 ESTIMATE
BEGINNING FUND BALANCE	547	4,278	10	567	0	0	0
<b>RESOURCES:</b>							
Revenues	107,934	106,310	117,822	125,960	137,505	150,534	164,700
Operating Transfers In	16,283	16,263	20,028	16,721	16,116	16,761	17,431
<b>TOTAL CURRENT RESOURCES</b>	<b>124,217</b>	<b>122,573</b>	<b>137,850</b>	<b>142,681</b>	<b>153,621</b>	<b>167,295</b>	<b>182,131</b>
<b>REQUIREMENTS:</b>							
Operating Costs	120,712	119,894	131,183	139,900	148,190	156,997	166,177
Administrative Contingency	138	1,750	300	669	675	1,185	1,472
Add to Econ Uncertainty Reserve	0	1,068	559	( 1,086)	( 687)	1,397	2,184
RT Operating Subsidy	0	0	0	1,500	1,500	1,500	1,500
CIP Appropriations	3,824	4,129	3,771	750	2,000	4,000	8,000
*17 Additional Police Officers	0	0	935	775	821	871	992
*Addition of 7 Officers/year	0	0	0	301	657	852	1,283
*Additional Requests	0	0	545	439	465	493	523
<b>TOTAL REQUIREMENTS</b>	<b>124,674</b>	<b>126,841</b>	<b>137,293</b>	<b>143,248</b>	<b>153,622</b>	<b>167,294</b>	<b>182,131</b>
<b>ENDING FUND BALANCE (DEFICIT)</b>	<b>\$90</b>	<b>\$10</b>	<b>\$567</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Economic Uncertainty Reserves	3,850	4,918	5,477	4,391	3,704	5,101	7,285
% of Resources	3.11%	4.03%	4.00%	3.08%	2.41%	3.05%	4.00%

# CITY OF SACRAMENTO



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EXHIBIT "H"

June 13, 1985

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City Council  
Sacramento, CA 95814

Re: Risk Management Reserve Funds

Dear Council Members:

I strongly recommend against use of Risk Management Reserve Funds for any other purposes. These funds are for payment of workers' compensation and auto and general liability costs. We need all the reserve funds we have. The expenses in the workers' compensation area are increasing dramatically. Also, excess liability insurance premiums have increased about 700% or 800% since last year. In addition, we may have to raise our self-insured retention level during the next budget year. This would necessitate more reserve funds, not less. Finally, state legislation and court decisions are increasing costs in both the workers' compensation and liability areas. Recent state legislation increased workers' compensation benefits substantially. Court decisions in both areas are imposing greater liability standards on local government.

As an example, workers' compensation costs for fiscal year 1983-84 were approximately \$3.4 million. For fiscal year 1984-85, the costs were approximately \$4.1 million. It is projected that during fiscal year 1985-86, the City will need more than \$4.8 million to pay for the workers' compensation program.

A few months ago, the City obtained an independent audit to examine the Risk Management Reserve Funds. The audit criticized the City for having insufficient reserves. This has been corrected recently so that reserves are at an appropriate level. However, any reduction in these reserve funds will put the City at severe risk in meeting its obligations in the workers' compensation and liability areas.

Sincerely,

JAMES P. JACKSON  
City Attorney

JPJ:rmm