



Budget and Audit Committee Report

915 I Street, 1st Floor

Sacramento, CA 95814

www.cityofsacramento.org

File ID: 2019-00865

June 4, 2019

Consent Item 01

Title: Adoption of the Inclusive Economic Development Framework and Mayor/Council Budget Priorities for Fiscal Year 2019/20 [Oral Report]

Location: Citywide

Recommendation: Pass a Motion approving the Inclusive Economic Development Framework and Mayor/Council Budget Priorities and transmitting to the City Manager as direction for the Fiscal Year 2019/20 Budget.

Contact: Mayor Darrell Steinberg, (916) 808-5300, Office of the Mayor

Presenter: Mayor Darrell Steinberg, (916) 808-5300, Office of the Mayor

Attachments:

1-Inclusive Economic Development Framework and Mayor/Council Budget Priorities Memo

MEMORANDUM

TO: City Council

FROM: Mayor Darrell Steinberg

SUBJECT: Inclusive Economic Development Framework and Mayor/Council Budget Priorities

DATE: May 30, 2019

RECOMMENDATION

The purpose of this memo is to recommend that the City Council direct the City Manager to implement a long-term funding strategy for inclusive economic development and to allocate resources to the following Mayor/Council budget priorities outlined in this memo.

I. INTRODUCTION

As we began this new year, I called it the “year of breakthroughs” for our great City. Though we’ve had our share of challenges, we’ve also had many big successes together that continue to fuel our City’s momentum. In this breakthrough year we have finally kickstarted The Railyards in a very real way, committed over \$40M of transient occupancy tax (TOT) resources for transformative projects on our waterfront, and have made significant strides to dramatically increase shelter capacity for our homeless population. Additionally, at midyear, we made important investments in our youth and in our neighborhoods to begin fulfilling the promise of our Measure U vision.

Throughout my 23 years of elected service, I have often been required to vote for deep cuts to services that people both want and need. The Measure U debate is different, and a much better debate for our city. It is about opportunity and how best to sustain what our people want — not just for one year, but for the many years ahead.

I've seen the pattern repeat itself many times over the years: important constituencies tell their supporters that if a leader is pushing hard for a long-term vision there is no immediate commitment to restoring core services. Not so.

I strongly support the \$10 million investment in the City Manager's proposed budget to improve police and fire services.

Public safety is always the first priority for our city, but the only way to make our budget for those services more sustainable over time is to build a broader tax base through strategic economic development.

II. INCLUSIVE ECONOMIC DEVELOPMENT FRAMEWORK

We have a once in a lifetime opportunity. Now is the time for our City to act boldly to grow the pie and invest in all of our communities, many of which have been long neglected. If we continue with the status quo, we will eventually have to reduce core city services and lay-off employees, the last thing any of us ever want to do.

To avoid this outcome, it is critical that our City has the resources annually to fund our overall inclusive economic development vision. When I talk about inclusive economic development, I specifically mean investing real resources in the following categories:

- Underserved Neighborhoods and Commercial Corridors
- Affordable Housing
- Economic Development (Employment Incentives, Small Business, etc.)
- Youth/Community Empowerment Grants (Three-Year Grant Program)
- Arts and the Cultural Economy
- Active Transportation Safety Improvements

Fortunately, our City Manager has already invested over \$12M in his proposed budget for exactly these purposes. His budget puts in place the needed infrastructure through new staffing and lays the appropriate foundation for our inclusive economic development efforts moving forward. I strongly support these proposed additions, as they advance our City's broader economic agenda.

Building off our City Manager's proposed budget, we need a strategy that has a combination of annual resources and significant one-time capital resources to reach our collective goals. Outlined below is my two-pronged inclusive economic development approach:

1) Economic Opportunity Fund (Annual Resources)

We now have approximately \$50M of new resources each year from Measure U. With that in mind, this budget cycle we need to make a substantial on-going commitment to fund inclusive economic development. Over the next five years, we should direct the City Manager to fund \$200M (\$40M/year) for a new “Economic Opportunity Fund”.

To meet this commitment, not all of the funding needs to come from Measure U. The Innovation and Growth Fund (IGF) resources should be utilized for this purpose, as well as potentially some portion of “Year-End Resources” that we’ve fortunately seen over the past several fiscal years. Exactly how the City Manager meets this funding commitment annually should remain flexible.

The \$40M/year would include the roughly \$10M of on-going spending in the City Manager’s proposed budget, as well as any annual debt service payments for incremental bonding.

The \$200-million commitment over five years for job creation, youth and workforce development, affordable housing, and underserved neighborhoods is essential for our City to exponentially grow our tax base to support future investments in core city services.

2) Capital Funding (One-time Transformational Resources)

Our City lacks the capital to accomplish the many hopes and dreams our community rightfully deserves. I’ve spoken on several occasions over my tenure as Mayor about establishing a capital fund that would help us achieve many of our shared objectives.

At our last City Council meeting, Councilmember Hansen proposed a new, middle-ground approach to how the City should potentially approach bonding. Not only do I support his new approach, but I want to thank him for his leadership and thoughtfully crafted plan.

Under his approach, starting at the end of FY 19/20, we would consider an approximately \$7.5M increment for bonding and have the ability to consider another roughly \$7.5M increment in the following years. Bonding would only happen once specific projects are identified and approved by the City Council.

Any potential bonding for the capital funding would adhere to the following “fiscal health principles”:

Fiscal Health Principles

- a) Limit Debt Service at 6% of General Fund Revenue
 - Additional capacity created in general fund out-years
- b) Economic Uncertainty Reserve 10% of Total General Fund Including Measure U
 - This EUR goal should be phased in over time
- c) Pass General Fund Stress Test Before Bonding
 - City Treasurer’s Office to perform general fund stress test

As Councilmember Hansen proposed, the Capital Investment Programs would be broken up into the following three categories:

Capital Investment Programs

- a) Catalytic Housing Bond (Affordable Housing Gap Financing)
 - \$50M in FY 19/20; additional tranche of \$50M in FY 20/21 or later once initial funds are expended – **Goal \$100M**
- b) City Facilities Bond
 - \$25M in FY 19/20; additional tranche of \$25M in FY 20/21 or later once initial funds are expended– **Goal \$50M**
- c) Economic Development Bond
 - \$50M in FY 19/20; additional tranche of \$50M in FY 20/21 or later once initial funds are expended – **Goal \$100M**

The “Measure U Community Advisory Committee” and an “Inclusive Economic and Community Development Investment Committee” will have a significant role in providing oversight and making recommendations for both the Economic Opportunity Fund and the Capital Investment Programs.

I believe it is critical that we clearly direct the City Manager and the City Treasurer to implement both of these overall approaches during this budget cycle.

III. OUR CITY’S BUDGET PRIORITIES

This year we have the good fortune and opportunity to have approximately \$50M of overall resources still left to invest in our community. As in years past, all of you on the City Council

have identified many worthy investments that deserve strong consideration. After reviewing all of the projects and investments carefully, I would like to request that we fund and approve “early wins” that can be incorporated into the FY 19/20 Budget.

With that said, I recommend that we invest just under \$16M of resources (\$11M of which are considered inclusive economic development) across the following three categories:

1. Investing in our Youth

- a. **Sacramento Youth Pop-Ups** – Youth Pop-Ups meet a critical need of providing Sacramento’s youth safe spaces to engage in fun activities throughout the city. As a pilot, over 3,654 youth attended the Pop-Up events between February and March 2019. Sierra Health Foundation is the lead for a collaborative of 20 organizations to provide ten weekly Pop-Up events offering a mix of activities for 13 to 19-year-olds, along with some activities designed for younger siblings and families. Activities can include youth recreation and sports, learning activities, dances, arts and crafts, and more. The Pop-Ups will operate for a minimum of three hours per night and integrate the Youth Development Citywide Campaign Plan adopted by Council in December 2017.

The Pop-Ups will incorporate an in-school and out-of-school youth workforce development model to build the work skills of youth. Using a workforce development curriculum, Pop-Ups will identify youth for the program and have them attend weekly trainings at selected sites. The workforce youth will then receive a stipend while receiving training at the Pop-Up events. These resources will allow us to have Pop-Ups for the entire calendar year. *(This is a \$1.3M expenditure.)*

- b. **Youth Engagement and Summer Programming** – The continued development of our youth should include activities and programs outside of home and school. \$500,000 of funding will go to activities in South Sacramento such as summer camps, extending library and Meadowview pool hours, and continuing to fund both existing Summer Night Lights Programs for our youth. Outside of the South Sacramento area, \$100,000 should be utilized for the existing North Sacramento Summer Night Lights Program and \$50,000 should be used to extend the hours at the Colonial Heights Library. *(This is a \$650,000 expenditure.)*
- c. **North-Area Freedom Schools** – The CDF Freedom Schools model empowers youth to excel and believe in their ability to make a difference in themselves, their families, communities, country and world with hope, education and action. Rooted in the Mississippi Freedom Summer project of 1964, the CDF Freedom Schools

program is a summer literacy and cultural enrichment program designed to serve children and youth in grades K–12 in communities where quality academic enrichment programming is limited, too expensive, or non-existent.

The CDF Freedom Schools program enhances children’s motivation to read and makes them feel good about learning. At the same time, the program connects families to the right resources in their communities. Students also receive two nutritious meals and a snack daily, as well as a book each week to build their home libraries. *(This is a \$290,000 expenditure.)*

- d. **Kindergarten to College (K2C)- College Savings Program** – A college savings program for all students in the City of Sacramento is aligned with the Youth Development Citywide Campaign Plan and the Inclusive Economic Development Strategy. Research shows that children with even small college savings accounts will be up to three times more likely to attend college and four times more likely to graduate than those without an account.

This important work is being supported by a \$286,000 grant from the Student Aid Commission. A city funding allocation for the College Savings Program will support the cost for program administration to implement a city-wide college savings account, build needed partnerships with local school districts, parents, teachers and schools, and set the foundation for a full program rollout. Furthermore, this allocation will allow for funding of seed accounts for 700 kindergarteners within the City of Sacramento boundaries as well as covering the cost for marketing and outreach. *(This is a \$150,000 expenditure.)*

- e. **Fare Free Transit for Sacramento Youth** –This proposal will provide fare-free transportation for Sacramento’s youth in grades K-12 who live or attend school within the City of Sacramento. In partnership with Sacramento Regional Transit (Sac RT), this initiative will provide universal access to transit at no cost (all day, any day of the week, all year, any Sac RT transit (bus or rail) line). Sac RT and the City are partnering with local school districts to distribute stickers through schools and other alternative sites. This effort will increase equitable access across neighborhoods, boosting ridership, developing lifelong transit riders, reducing greenhouse gases, freeing up resources at RT usually going towards enforcement, increasing school attendance leading to better outcomes for youth and additional resources for school districts. *(This is a \$1 million expenditure.)*

- f. **Childcare Manager** – Funding should be allocated for a new Childcare Manager full-time equivalent (FTE) within the Economic Development Department that is responsible for creating and implementing policies to make it easier for childcare

providers to operate within the City of Sacramento. This position will support the economic and workforce development of the city by increasing the number of quality childcare options for families in Sacramento. *(This is an approximately \$100,000 on-going expenditure.)*

- g. **Thousand Strong** – As we continue to build a high wage private sector economy, we must ensure that our kids are educated, trained and first in line for these high wage job opportunities. By providing skill-building training and year-round, paid internships, we will ensure that more youth are prepared for college and careers. To build a more talented workforce for the future, the City Manager is directed to provide funding to continue this student paid internship program. *(This is a \$774,000 expenditure.)*
- h. **Grant Union High School Pool Summer Operation** – Opening in March 2017, the Grant Union High School pool was the first public pool built within the last eight years for the Del Paso Heights community. To allow public access to this new amenity throughout the summer, the City Manager is directed to provide funding for the continued operation of the pool during the months when school is on recess. *(This is a \$40,000 expenditure.)*

2. **Enhancing Neighborhood Services and Citywide Economic Development**

- a. **Additional Funding for the Arts** – To augment the Arts and Culture budget by \$900,000 to ensure a more significant implementation of the City’s “Creative Edge” (Cultural Plan). The additional funding will provide support for Sacramento’s Arts Education Consortium and “Any Given Child” program, grants to artist initiated projects in each council district, renewal of the Creative Economy stimulus funding for entrepreneurial creatives, support for youth focused temporary projects in neighborhoods, and grants to support the Council’s cultural equity objectives for historically underserved nonprofits and neighborhoods. No new FTE’s are envisioned in this request for augmentation. In upcoming fiscal years, the City Manager should have an overall \$2.2M minimum base budget for Arts and Culture. *(This is an approximately \$900,000 expenditure.)*
- b. **Del Paso Heights Sports Complex** – The Del Paso Heights project is a partnership between the residents of Del Paso Heights, the City of Sacramento, and the Mutual Assistance Network (MAN). Building on under-utilized and undeveloped land surrounding the Robertson Community Center, the project proposes three baseball fields and soccer fields that would host local youth leagues and regional tournaments. The long-term cost of operation, maintenance, local hires and

running the Robertson Community Center would be covered by annual revenue the tournaments would produce.

The project has designs for phase one, which is the non-usable existing field at Robertson. Designs for phase two, which is two new fields on undeveloped land, are in development. A cost estimate and land survey for both phases has been completed. In addition, the project has been fully vetted through the residents of Del Paso Heights and is seen as an important step to rebuilding a once vibrant community. These resources fully fund phase one and two with project completion expected to be within the next fiscal year. *(This is a \$1.9 million expenditure.)*

- c. **LGBT Center Relocation** – The Sacramento LGBT Center is a vital cultural and social institution in our City, one clearly in need of a new, improved facility to house their important programming that serves LGBT community-members, youth, and seniors. Of particular importance to the City is the great work that the Center has done to serve people in the LGBT community that are homeless. This funding is for their relocation effort with a \$750,000 contribution to the capital campaign that will support their acquisition of a building to be their permanent home. *(This is a \$750,000 expenditure.)*
- d. **Iceland Ice Skating Rink Restoration** – Nine years ago, a fire almost destroyed the historic Iceland ice skating rink in North Sacramento. The restoration will include a new roof, reconstruction of the façade, including the iconic neon signage, and interior improvements. The restoration, when complete, will return Iceland to year around operation and provide a safe, family friendly recreational option for North Sacramento kids. Construction will begin in the Spring of 2020 with a grand re-opening in November 2020 to celebrate Iceland’s 80th Anniversary. *(This is a \$1.3 million expenditure.)*
- e. **Parks, Parkways, and Open Spaces** – Funds allocated towards public open spaces will support advances in underserved areas specifically focusing on undevelopable land under power line easements between Oki and Glenbrook open spaces. The improvements will provide the needed infrastructure that will allow a non-profit to operate an urban farm and develop a pedestrian pathway. Both of these developments will create activity in areas that have become dangerous caused by lack of presence in the space, which has led to an increase of illegal activities such as dumping, fires, and drug use. These new developed spaces will become hubs connecting neighbors and provide space to increase healthy activity and learning.

Allocation for capital improvements to youth and recreation facilities will fund retrofits and increase available play spaces in South Sacramento. Infrastructure improvements to Granite Regional, Mae Fong and Tahoe Tallac Parks as well as the George Sims and Tahoe Park pools will support disadvantaged communities. *(This is a \$1.6 million expenditure.)*

- f. **Winn Park Historic Building Renovation** – The historic art deco building, which sits in the center of Winn Park has sat vacant for over a decade. The building was originally designed and used as a fire dispatch center, and most recently served as an extension of the City’s IT Department. In 2017, the city allocated \$600,000 for renovations and enhancements that would bring the building up to current day standards. The extensive improvements needed for the interior, lack of utility hook-ups and inadequate ADA access require an additional investment of \$600,000 to render the building usable. Once completed, the building will attract new tenants to program and activate the space and surrounding park, bringing vibrancy and creating a gathering place for the community. *(This is a \$600,000 expenditure.)*
- g. **Mayors’ Commission on Climate Change** – This is a Joint Initiative led by the Sacramento and West Sacramento Mayors to become model cities for combatting climate change, ensuring the safety of our residents, and positioning our communities to take advantage of the transition to a clean energy economy that is already occurring. We need robust local and regional action to combat climate change and we will only succeed if we work together towards a common vision. This funding will continue the Commission’s work in the upcoming fiscal year. *(This is a \$150,000 expenditure.)*
- h. **Sacramento Zoo Relocation Study** – In 1927, the Sacramento Zoo initially opened on a 4-acre site and expanded to its current 14.8 acres in 1968. The zoo was first accredited by the Association of Zoos and Aquariums (AZA) in 1975. Since that time, the AZA’s standards have shifted to require larger exhibit areas with an emphasis on public education and animal enrichment. Due to this pressure from increasing AZA standards for animal care, the zoo can no longer exhibit many larger animals that were once housed in Sacramento. To maintain accreditation, the zoo needs to address exhibit requirements and animal management guidelines. The zoo will be required to change its core focus and the species it exhibits if the location remains within the current Land Park site. It is doubtful that this shifted focus will be economically viable. An option is to consider a larger location for relocation with opportunities to expand in the future.

The next steps in the planning process will be to undertake an in-depth feasibility assessment of the prequalified sites that best meet the criteria and analyze the key economic aspects of the sites, along with development of a funding and phasing plan. The economic feasibility study, including a business operations and investment analysis, is estimated to cost \$150,000 and take about six months to complete. *(This is an approximately \$150,000 expenditure.)*

- i. **Fairytale Town Expansion** – Play is critical for the health of children, families and communities. Fairytale Town is a valued community asset, which serves thousands of youth annually in our underserved areas, and is one of the top five attractions in our region drawing more than 250,000 visitors a year. \$600,000 of funding is to support Fairytale Town’s half-acre expansion. Within the new footprint we will add a Story Center building for play-based literacy activities, an outdoor classroom, a new admission building, more playsets, new restrooms as well as improved lighting, and a new perimeter fence and perimeter sidewalk. This funding request represents ten percent of the total project budget and will support infrastructure elements such as fencing, sidewalks, and restrooms. Funds received will leverage additional funds from individuals, corporations and foundations.

Additionally, \$9,000 of funding will be utilized to bring “Pop-Up Adventure Play Days” into all eight City Council Districts with a focus on our most underserved neighborhoods. With this funding each District will have two Pop-Up Adventure Play Days. *(This is a \$609,000 expenditure.)*

3. **Increasing Transportation Opportunities**

- a. **Sacramento River Parkway Bike Trail** – Beginning in 1969, the City of Sacramento through numerous actions of the City Council has planned for but not fully developed a bike trail along the Sacramento River in the Pocket/Greenhaven community. Currently one-third of the bike trail is developed. Funding has been secured for the acquisition of the needed easements, environmental clearances, permitting and design work for the “middle third” of the trail. The funding requested is for the “final third” segment’s environmental planning, design, permitting and to continue the easement acquisition for this class 1 bike facility. When completed, over 60% of the residents in Pocket/Greenhaven will be ½ mile or less from a class 1 bike trail.

In conjunction with this project, Sacramento Area Flood Control Agency (SAFCA) and the Army Core of Engineers (ACOE) will be improving the levees within the Pocket/Greenhaven community. There are cost savings as well as reduction of

construction impacts on the neighborhood that would be realized by the timing of this funding. *(This is approximately a \$2.03 million expenditure.)*

- b. **Pedestrian Infrastructure, Crossings and Lighting** – Much like our City’s cyclists, our pedestrians should be provided with safe and easily navigable walking paths and routes. Funding allocated for pedestrian crossing improvements and additional streetlights will provide increased pedestrian safety areas with a high propensity of pedestrian and vehicle traffic. The implementation of these crossings and lighting will mitigate safety concerns by improving visibility and slowing down vehicular traffic. Specifically, funding should be allocated to the pedestrian improvements within Council District 6 as there are current safety concerns. *(This is a \$600,000 expenditure.)*
- c. **Capitol Mall Transportation Improvements** – In partnership with the Sacramento Area Council of Governments (SACOG) and the Capitol Area Development Authority (CADA), our City is reimagining one of our City’s most iconic corridors. Funding will be used to advance the planning process of a Capitol Mall makeover. These resources will plan for Capitol Mall having more events, making it safer for non-car users, and having better overall traffic flow. *(This is a \$150,000 expenditure.)*
- d. **Neighborhood and Schools Ped/Bike Safety Study & Implementation Planning** – The Pocket/Greenhaven community developed an approved street network design that empathized vehicular travel including multiple driveway cuts along major roads. The schools, once neighborhood serving, now have at least 40% of their student body from outside the community. The combination of road/community design and concentrated job centers lead to excessive speeding and constant pedestrian and bike conflicts. The purpose of the funding is to comprehensively plan pedestrian and bike improvements that will slow traffic and decrease pedestrian/bike vehicular conflicts with an emphasis on increasing alternative modes of transportation. There will be a focus on school sites as well as travel corridors with the goal of integrating alternative modes of travel/transportation.

This investment in community outreach and planning will enable the community to address changed circumstances in school use, travel patterns and the evolving needs of neighborhood residents. By laying the groundwork for increasing the share of alternative transportation modes of travel, this study helps to implement the City’s Vision Zero and Climate Change policies. *(This is a \$635,000 expenditure.)*

The projects that were not identified as “early wins” will be forwarded to the Measure U Community Advisory Committee and Inclusive Economic and Community Development Investment Committee for review and future consideration, along with the approximately \$34M of remaining resources. These projects could potentially be funded by these remaining resources later this year or by the future bond proceeds from our three Capital Investment Programs. I believe it is important that we hold off on spending any additional resources until both Committees have been able to fully vet these priorities and that we stay true to the process we laid out together.

I would like to request that both Committees come back to the City Council in late August or early September with proposed metrics, outcomes, and potential recommended investments for us to consider. Projects such as the North Sacramento Library as just one example, should strongly be considered for funding at that time. Other public facility projects would make great candidates for our City Facilities Bond.

IV. CONCLUSION

This year’s budget is not just any regular City budget. It’s about setting a sustainable new course for the next five years that makes a fundamental commitment to invest back into our community. With our new Measure U resources and this bold new investment framework in place, I truly believe we will make a significant positive impact on every key issue we face, from building affordable housing to investing in underserved communities.

I’m excited to be your Mayor during this tremendous period of growth and am thankful to have the opportunity to work alongside all of you. I especially want to thank our City Manager Howard Chan, as well as our entire Department of Finance team. They have done excellent work throughout this budget process and deserve our sincere appreciation and gratitude. Though this budget cycle has been challenging to say the least, I believe we will reflect back on this time and be proud of what we accomplished together.

Thank you for your consideration and commitment to our city.

Sincerely,



Darrell Steinberg

Mayor, City of Sacramento