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CITY MANAGER

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February 4, 1997

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Sacramento Decisions Round 2: Developing the Proposed Budget

LOCATION AND COUNCIL DISTRICT: Citywide

RECOMMENDATION:

This report is for information only.

CONTACT PERSONS:

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FOR THE COUNCIL MEETING OF: February 4, 1997

SUMMARY:

This report provides more specific detail on the integration of the budget development process into Sacramento Decisions Round 2.

BACKGROUND:

Wrap-up of Round 1

On January 21, 1997 City Council was presented with the results of the community input gathered in Sacramento Decisions Round 1. Council accepted the report and directed staff to proceed with the Round 2 process. Earlier that same day, a community open house was held in the lobby of City Hall for residents and media to obtain a copy of the Round 1 final report and ask questions of staff and Professor Weeks. Following the Council presentation, copies of the Round 1 Final Report (Executive Summary) and a Project Update have been sent to hundreds of Sacramento residents. This mailing included all organizations and community groups that were part of the speakers bureau effort, neighborhood associations, workshop participants and volunteers, business-forum participants and other opinion leaders. Additionally, all city employees received a project update and notice of the report's availability with their January 28 paycheck.

Interest in this innovative process has expanded beyond the Sacramento area. So far more than 150 people have requested a copy of the results including municipalities and several non-profit organizations.

Developing the Budget

The results of the Sacramento Decisions process will provide a framework for long term solutions that can guide the City's budget deliberations for several years. This year Sacramento Decisions is the budget process for FY1997-98 and will be merged with the more traditional requirements and approach of developing and adopting a budget for the City. It should be noted that Sacramento Decisions only addresses the discretionary general fund component of the City's budget. Other funds within the City's budget will also be included in the overall process in the same manner as previous years.

This year, a two pronged approach is being used to develop budget strategies (Exhibit A). This approach incorporates two concurrent tracks: 1) a more traditional approach in which each department reviews its own programs, identifies various levels of service cuts and any possible new user fee revenues or efficiencies; and 2) a more creative effort involving Interdepartmental Systems Review in which interdepartmental teams analyze systems/business lines/functions and identify opportunities for efficiencies and cost savings that minimize service level impacts.

Strategies from both 'tracks' will be used to develop the proposed budget that will be presented to City Council and to the community through Round 2 of Sacramento Decision where we will solicit further public input.

The focus in developing the proposed budget for FY 1997-98 will be to use the proposals generated by the Interdepartmental efforts as much as possible in order to reduce the total deficit

amount that needs to be solved through service cuts. Due to the chronic and growing deficit amount, some level of service cuts will be necessary in order to balance the budget.

This emphasis on alternative cost savings through efficiencies and other means is consistent with what we heard from the community in Round 1 of Sacramento Decisions. The community expectation is that the City look at non-traditional areas such as privatization and consolidation in an effort to reduce costs while not reducing service levels. This requires the City to rethink service delivery options to make best use of our limited funding and consider difficult choices.

Additionally, by emphasizing alternative cost savings measures as part of the proposed budget, it will be necessary to 'buy time' for implementation and realization of savings since they will likely take longer to implement than traditional types of cuts. Staff will be identifying possible one time funding to provide for a 1-2 year implementation window as part of the mid-year budget report scheduled for February 11. A phase-in strategy for implementation of the cost reduction opportunities and any service cuts will be developed to include a broad work plan and benchmarks to assure timely implementation following Council adoption of the budget in June.

FINANCIAL CONSIDERATIONS

The recommendations of this report do not constitute added costs to the project. The project budget for the Sacramento Decisions process including producing, printing and distribution of the tabloid, developing and administering a survey, holding community workshops and conducting public education and outreach for both rounds was estimated at \$250,000 last September. The project is expected to remain within budget if Round 2 costs are similar to Round 1. Any process enhancements such as additional surveys or possibly a new tabloid distribution method would require an augmentation to the project budget.

In an effort to keep project costs down, staff has sent letters of inquiry and/or applications to nine foundations seeking grant funding for the project. We will report back to Council on the success of this effort.

ENVIRONMENTAL CONSIDERATIONS

Not applicable.

POLICY CONSIDERATIONS

Based on City Council direction, Sacramento Decisions is a community outreach effort that engages a broad spectrum of the community in evaluating the financial challenges facing the City of Sacramento and provides meaningful feedback to the City Council as part of the decision

making process. Sacramento Decision also serves as the general fund budget process for FY 1997-98. The recommendations contained in this report are consistent with past Council action and policy relative to the Sacramento Decisions project.

MBE/WBE

Not applicable. No goods or services are being purchased.

Respectfully submitted,



Betty Masuoka
Deputy City Manager

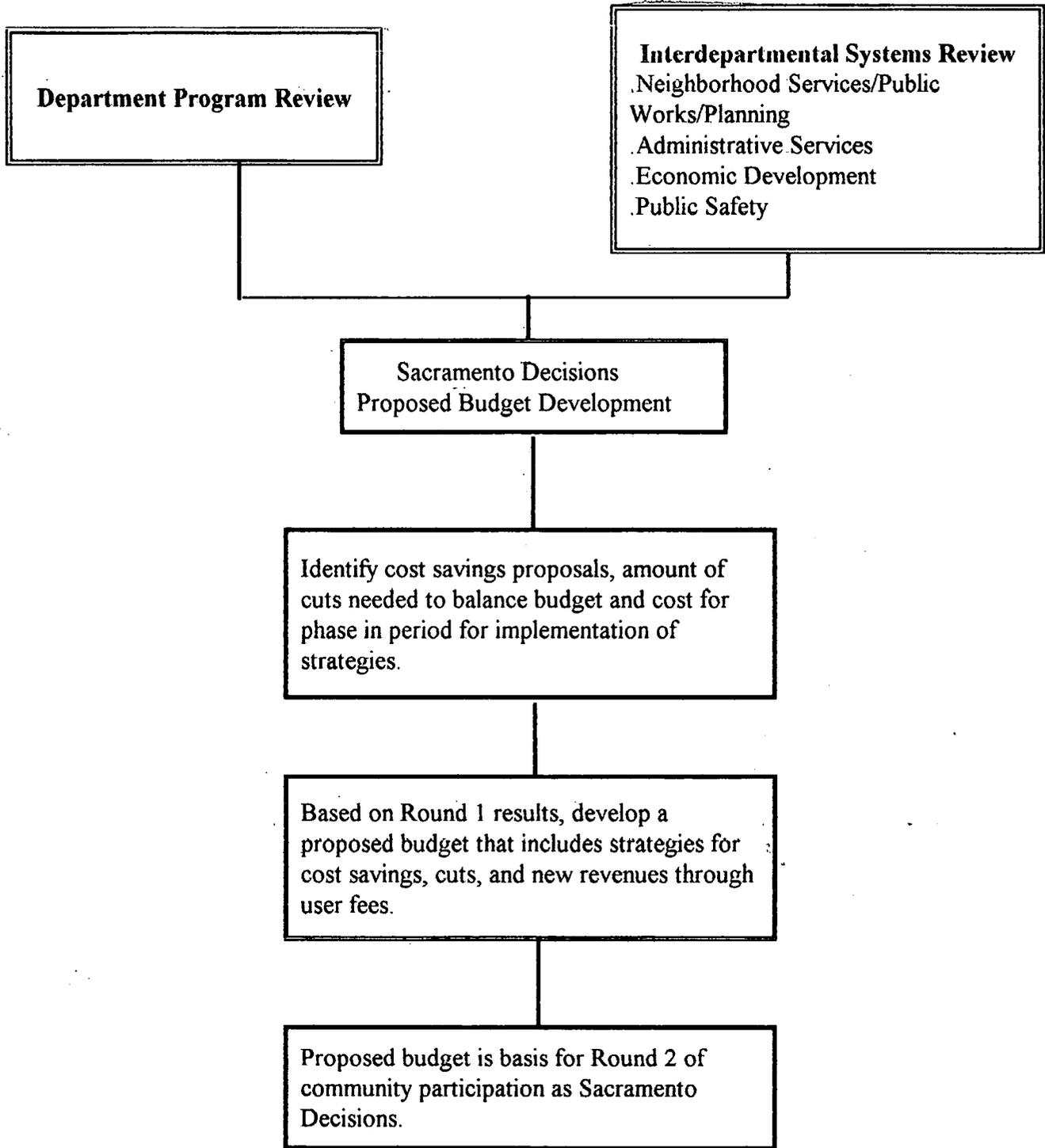
Approved:



for

WILLIAM H. EDGAR
City Manager

FY1997-98 BUDGET DEVELOPMENT PROCESS



From: Valerie Burrowes
To: Lynne Halsted, Nancy Allen
Subject: AGENDA ADDITION

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===NOTE=====1/29/97==5:24pm==

Afternoon Staff Reports

Sacramento Decisions Round 2:
Developing the Budget

report should be in sometime tomorrow
morning (Thursday) you can pick up the
recommendation when it arrives.

done