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CITY OF SACRAMENTO  
CALIFORNIA

OFFICE OF THE  
CITY MANAGER

February 13, 1980

CITY HALL  
915 I STREET - 95814  
(916) 449-5704

City Council  
Sacramento, California

Honorable Members in Session:

SUBJECT: Resolution Establishing Budget Policies and Guidelines for 1980-81  
Fiscal Year

SUMMARY

The Council on February 5, 1980 directed the Budget and Finance Committee to further review the Council's proposed 1980-81 Budget Policy Resolution in light of one unresolved issue: the amount of Federal General Revenue Sharing Funds that ought to be utilized beyond the existing level (75% of annual allocation) to support the City's general government operations. The Committee, studied the matter, identified three (3) funding level alternatives (Exhibit II) but could not reach a decision at their February 12, 1980 meeting. The Committee finds that this issue requires full Council participation. The Council is asked to select one alternative, incorporate it into the Policy Resolution and thereafter adopt the Resolution.

BACKGROUND

Various 1980-81 budget policy matters have been reviewed with the Council over the past several weeks. The staff report of January 15, 1980 specifically summarizes and forecasts the City's 1980-81 financial budgetary situation. A proposed 1980-81 Budget Policy Resolution accompanied the report. The proposed Resolution has been amended on several occasions by the Council and Committee. Wording for all except Sections 3 and 8 have been mutually agreed upon by the Council and Committee (please refer to Exhibit I). Sections 3 and 8 require action by the full Council and, thereafter, adoption of the Final Policy Resolution.

The issue relative to Sections 3 and 8 center on how much additional Federal General Revenue Sharing Funds should be utilized to support the City general government operations.

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Currently, approximately \$4 million in Federal General Revenue Sharing is received by the City. \$3 million (75% of annual allocation) is utilized to support the City's general government operations and about \$1 million (25%) is used for capital improvements.

Staff foresees the need to increase this ratio from 75% to 100% for general operations support. If General Revenue Sharing Funds or some other source is not used to inject \$1 million into general operations, greater reductions in employees, services and supplies will occur beyond the \$5 million cuts anticipated due to the expected passage and impact of Jarvis II (Proposition 9) upon the City.

Discussion has centered on whether to increase the ratio to 100% or retain it at 75% or to leave it unspecified - at this time - between 75% and 100%. Accordingly, three (3) proposed alternatives for Section 3 and 8 have been identified (please refer to Exhibit II) and are summarized as follows:

Alternative A: Increase to 100% ✓

Alternative B: Unspecified level - between 75% & 100%

← Alternative C: Retain @ 75%

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RECOMMENDATION

It is recommended that the Council take action to select Alternative A, B or C set forth in Exhibit II and thereafter adopt the 1980-81 Budget Policy Resolution.

Respectfully submitted,

*William H. Edgar*

William H. Edgar  
Assistant City Manager

Recommendation Approved:

*Walter J. Slips*

Walter J. Slips  
City Manager

February 19, 1980

## 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 Government Fund Balance Analysis, a General Fund Revenue Forecast, and an Analysis and Calculations of the City's "Appropriation Limit" under the provisions of Proposition 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;

WHEREAS, Prudent financial planning requires that the City, anticipate the impact of the June 1980 Jarvis II State Income Tax Initiative.

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 that the June 1980 Jarvis II State Income Tax Initiative will be approved by the voters.

Section 2. That the City Council preliminarily anticipates the impact of the Jarvis II Initiative will be, at minimum, a loss of \$5 million in revenue to support the General Government Fund activities of the City.

Section 3. NOTE: WORDING FOR SECTION 3 TO BE INSERTED FOLLOWING COUNCIL'S SELECTION OF EITHER ALTERNATIVE WORDING A, B, OR C.

Section 4. That the City Manager is instructed to make the necessary reductions using the following priority listing of services as a general guideline:

Public Safety  
Enterprise  
Public Works  
Community Services  
Administrative/Support

Section 5. That the City Manager is instructed to prepare the remaining portion of the operating preliminary budget (s) such as the enterprise activities at a no-growth level, or less, depending upon whether the existing or proposed revenue sources support the related activities.

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OFFICE OF THE  
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- Section 6. That the City Manager is instructed to prepare a separate report regarding budget additions which could be restored in priority order in the event circumstances justify their reinstatement.
- Section 7. 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 8. NOTE: WORDING FOR SECTION 8 TO BE INSERTED FOLLOWING COUNCIL'S SELECTION OF EITHER ALTERNATIVE WORDING A, B, OR C.
- Section 9. That the City Council intends to maintain an unappropriated available General Government Fund Balance approximately equal to 7% of General Government expenditures (\$5.4 million) which is 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.
- Section 10. That the 1980-81 funding for the Contributions to Other Governmental Agencies, Entertaining and Advertising, and Contributions to Other Agencies be established, at a maximum, at \$200,000 for all of the activities related to these budget units.
- Section 11. That the City Council formally approves the closure of the AB-8 State Assistance Fund effective June 30, 1980 and that all future receipt of revenues from this source to be considered as General Government Fund Revenue.
- Section 12. That any revenue growth from the Transient Occupancy Tax, in excess of that required to operate the Community Center on a self-supporting basis and the Convention Bureau, be considered first for total repayment of the debt to the General Fund and then for Capital Improvements with direct benefit activities related to the source of the revenue.
- Section 13. That the City Council does not intend to approve any new or expanded programs beyond the amended 1979-80 budget service level unless cost savings can be demonstrated.
- Section 14. That generally, General Government fees or charges may be increased in accordance with the demonstrated need for the increases and the existing costs of activities related to the revenues subject to City Council approval.
- Section 15. That with specific reference to the "Lawn and Garden Excise Tax", the City Manager is instructed to prepare a report and recommendation regarding the legal and administrative feasibility of converting the existing "Excise Tax" to a "User Fee". This report and recommendation is to be submitted to the City Council prior to the presentation of the 1980-81 Preliminary Budget.
- Section 16. 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.

Section 17. That this resolution shall become effective immediately upon its passage and adoption.

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MAYOR

ATTEST:

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CITY CLERK

Three alternatives for Section 3 and 8 of Proposed 1980-81 Budget Policy Resolution relative to amount of Federal Revenue Sharing Funds to be used to support General City Government Operations.

ALTERNATIVE A: (Increase to 100%)

Section 3. That the City Manager is instructed to prepare the General Government portion of the 1980-81 Preliminary Budget (s) at a minimum level of \$5 million below the existing (1979-80) service level costs as adjusted for certain known cost increases.

Section 8. That the City Council endorse the concept of utilizing up to 100% of Federal General Revenue Sharing Funds to support general government operations.

ALTERNATIVE B: (Unspecified Level Between 75% and 100%)

Section 3. That the City Manager is instructed to prepare the General Government portion of the 1980-81 Preliminary Budget (s) at a minimum level of \$5 million below the existing (1979-80) service level costs, as adjusted for certain known cost increases; however, this amount will be proportionally increased as a result of General Revenue Sharing resources not being increased beyond that level which has existed in the past for support of General Government operations.

Section 8. That the City Council endorse the concept of utilizing additional resources of Federal General Revenue Sharing Funds beyond that level which has existed in the past to support General Government operations.

ALTERNATIVE C: (Retain @ 75%)

Section 3. That the City Manager is instructed to prepare the General Government portion of the 1980-81 Preliminary Budget (s) at a minimum level of \$5 million below the existing (1979-80) service level costs, as adjusted for certain known cost increases; however, this amount will be proportionally increased as a result of General Revenue Sharing resources not being increased beyond that level (75% of annual allocation) which has existed in the past for support of General Government operations.

Section 8. That the City Council endorse the concept of not utilizing additional resources of Federal General Revenue Sharing Funds beyond that level (75% of annual allocation) which has existed in the past to support General Government operations.