



City of Sacramento City Council

915 I Street, Sacramento, CA, 95814
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Meeting Date: 2/22/2011

Report Type: Staff/Discussion

Title: FY2011/12 Midyear Review and Budget Update

Report ID: 2011-00155

Location: Citywide

Recommendation: Adopt a City Council Resolution (1) amending the FY2010/11 Approved Budget as necessary to implement the City's financial plan for the remainder of the fiscal year; and (2) authorizing the Director of Finance to implement the approved budget adjustments.

Contact: Leyne Milstein, Director, (916) 808-8491, Department of Finance

Presenter: Leyne Milstein, Director, (916) 808-8491, Department of Finance

Department: Finance

Division: Finance

Dept ID: 06001011

Attachments:

- 1-Description/Analysis
- 2-Attachment 1a-Citywide CRCIP Projects
- 3-Attachment 1b-Districts CRCIP Projects
- 4-Resolution
- 5-Exhibit A - Technical Adjustments
- 6-Exhibit B - Reclassifications

City Attorney Review

Approved as to Form
Larry Duran
2/16/2011 4:08:52 PM

City Treasurer Review

Prior Council Financial Policy Approval or
Outside City Treasurer Scope
Russell Fehr
2/15/2011 2:58:15 PM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 2/15/2011 4:42:24 PM

Assistant City Manager: Patti Bisharat - 2/16/2011 3:31:50 PM

Description/Analysis

Issue: Council received a report on the City's financial outlook relative to the development of the FY2011/12 budget on February 1, 2010. The report included major assumptions relative to revenues and reductions necessary to regain fiscal sustainability in the coming years. The Midyear Review of the current year, FY2010/11, is intended to update the City Council on major changes since the adoption of the Approved Budget and includes recommendations necessary to implement the City's financial plan for the remainder of the fiscal year.

Staff has reviewed the major revenue assumptions included in the FY2010/11 budget and based on the most recent revenue results and trends, we expect that revenues in the General and Enterprise Funds will meet budgetary estimates. As such, no adjustments to citywide revenues are necessary at this time.

In addition, events subsequent to budget adoption in June have resulted in the identification of several expenditure and technical adjustments that are necessary in order to ensure the capacity to properly budget, record and account for required expenditures, or the need for additional expenditure authority. These recommendations are outlined below. In all cases, funding sources are included within the recommendation.

General Fund

- 1) The FY2010/11 Amended Budget, including subsequent agreements with the City's labor unions, resulting in the need for an additional \$2.2 million in midyear reductions. Council later provided direction to the City Manager to defer additional reductions with the use of the balance of Sheraton proceeds in the Parking Fund (6004). This item will provide the necessary legislative authority to transfer those resources to the General Fund.
- 2) The budget reductions over the last three fiscal years have resulted in the "unfunding" of 727.47 full-time equivalent (FTE) positions. The positions were initially "unfunded" instead of eliminated with the anticipation of eventually restoring positions as the budget stabilized. At this time, staff is recommending that Council eliminate all unfunded positions with the exception of the Deputy Chief in the Police Department. Unfunding of these positions will streamline position administration, recognizing that when the time comes for restoration, classifications and numbers of FTE will likely differ from the positions previously eliminated.
- 3) The County of Sacramento has raised the cost of elections. The cost of the November 2010 election exceeded the available budget by \$165,000. In prior years, unspent funding from the campaign finance reform budget would be utilized to cover costs above budget. However, these funds were redirected in the FY2010/11 budget to the restoration of a fire station brownout. Staff is recommending that the General Fund Administrative Contingency be utilized to cover costs not budgeted for the November 2010 election.
- 4) The City will be receiving \$3.6 million in the current fiscal year as a result of the settlement relative to the value of the City land in the Railyards. Staff is recommending Council approve the reservation of these funds for the FY2011/12 budget development consistent with the FY2010/11 Adopted Budget.
- 5) The budget of \$116,814 for reimbursements to the General Fund related to allocation of costs for the Office of Emergency Services was not included in the Approved Budget. Staff recommends increasing reimbursements to the General Fund by \$116,814 and increasing the General Fund Administrative Contingency in a like amount. Detailed reimbursements from non-general funds are included in Exhibit A of the resolution.

- 6) To correct for excess reimbursements to the General Fund, staff is recommending a transfer of \$195,356 from the General Fund Administrative Contingency to the Neighborhood Park Maintenance Fund (2233).

Other Funds

- 1) Parks and Recreation currently manages the Ethel MacLeod Hart Trust in the annual operating budget. Staff recommends that the revenue and expenditure activity be transferred to a multi-year operating project effective for FY2011/12. The change to a multi-year project will provide better tracking of the revenue and expenditures for the five-year activity plan approved by the Ethel MacLeod Advisory Committee.
- 2) The Department of Utilities has been actively pursuing grants particularly for capital projects, such as the water meter program. Staff recommends the establishment of four new grant funds for the Utility Enterprise Funds to allow for better tracking of the sources and uses of the grants.

Technical/Information

- 1) On May 23, 2006, the City Council authorized the issuance of approximately \$150 million in capital improvement revenue bonds, authorized funding the CRCIP Tier I Projects (Attachment 1a) and adopted policy directives. The current status of the CRCIP Tier I projects as well as the Mayor/Council projects (Attachment 1b) is included with this report. Staff will continue to work with departments and our external partners to finalize the remaining balances and will report back to the City Council when this information is available.
- 2) Reduce the Police Department General Fund operating budget (revenue and expenditure budgets) by \$1.785 million and establish revenue and expenditure budgets in the Police Contract Services project (E11005200), Externally Funded Program Fund (2703) in a like amount. This transfer will improve the department's ability to track police officer off-duty services provided to outside agencies, private establishments and non-profits.
- 3) At the request of Council, staff will work with the Mayor/City Council Operations Manager to allocate Council District specific and Mayor's Office budgets to create an efficient administrative structure for distribution and tracking of funds.
- 4) Reclassifications are included as Exhibit B of the resolution. These recommendations are based on the following criteria: 1) Civil Service Board ruling; 2) Necessary to implement Council approved consolidations; 3) Human Resources determination based on appropriate classification for job duties; and 4) the Police Department's needs relative to the predictive model Recovery Plan initiative.
- 5) The implementation of the predictive model Recovery Plan requires the following staffing adjustments within the Police Department. Delete vacant 1.00 Administrative Analyst and 1.00 Police Records Specialist I. Add 1.00 GIS Specialist and 1.00 Applications Developer. These adjustments will be funded with existing resources within the Police Department and will not impact the General Fund.
- 6) Appropriations in the amount of \$2,016,882 of North Natomas Community Improvement Fund (3201) were inadvertently created in prior fiscal years to the Freeway Land Phase 1 Project (W14004100) and need to be reduced. The Project has sufficient remaining appropriations for the next two to three years.

There are no recommended budget adjustments for the utility funds at midyear. The Department anticipates that any shortages in the revenue budgets for the water, sewer, and solid waste and drainage funds will be offset with ongoing expenditure controls and operational efficiencies.

Policy Considerations: The Midyear Report is consistent with Council's direction and adopted budget principles to: maintain a fiscally sustainable, balanced budget; keep the Council informed on the fiscal condition of the City; and continue evaluation for efficiencies and effectiveness.

Environmental Considerations: California Environmental Quality Act (CEQA): The ongoing operations funded under the FY2010/11 Budget are not subject to CEQA review. CEQA review for any project, which uses funds allocated within this report, has been or will be reviewed in conjunction with planning, design, and approval of each specific project as appropriate.

Sustainability: Not applicable

Commission/Committee Action: Not applicable

Rationale for Recommendation: The actions recommended in this report address the adjustments necessary in both the General and Enterprise Funds in necessary to implement the City's financial plan for the remainder of the current fiscal year.

Financial Considerations: The Midyear Update reflects the City's continuing need for ongoing efforts to manage expenditures. As a result, staff is recommending the adjustments outlined above and detailed in Exhibit A of the resolution.

Staff will continue to work with departments to meet budget goals for the remainder of the fiscal year.

Emerging Small Business Development (ESBD): No goods or services are being purchased under this report.

Community Reinvestment Capital Improvement Projects (CRCIP)

CRCIP Project	Total CRCIP Funding *	Project Description / Status Update
Under Construction		
California Indian Heritage Center (CIHC)	\$ 300,000	City has paid for CEQA and related studies in partnership with SAFCA. Appraisals pending on private property intended to be acquired for American River Parkway, to be used as outdoor experiential facility of CIHC. City involvement will be done by June 2011.
Crocker Art Museum Expansion	\$ 29,000,000	Project "Notice of completion "was filed with County on January 12, 2011. Total CRCIP funding includes a \$12 million bridge loan and an up to \$10 million line of credit from the Studio for Performing Arts (<i>line of credit is not included in the total</i>). Museum opened to public October 10, 2010, classrooms are still in progress.
District 2 Improvements	\$ 7,500,000	Park, street lighting, and infrastructure improvements are under construction. Park improvements and shade canopies have been completed at four parks, streetlights have been constructed for the Del Paso/Grove and Dixieanne neighborhoods and the Dixieanne Green street has been constructed.
District 3 Improvements	\$ 1,000,000	Ben Ali neighborhood street lighting has been completed. The design and construction of a public park on property owned by the Twin Rivers School District is underway.
Oak Park Community Center Phase II	\$ 1,000,000	As authorized by the City Council on February 9, 2010, the Design-Build package for a 2,750 square foot addition to the Gym (meeting rooms, kitchen, offices, etc.), Americans with Disabilities Act (ADA) improvements, realignment of 9 th Avenue, signalization, and offsite improvements is in process of being finalized. Construction is scheduled to begin late September 2011.
Valley Hi/North Laguna Library	\$ 17,500,000	Project is complete and open to public. Few minor improvements are scheduled to be completed by mid. April 2011.
Grant Projects in Progress		
Children's Theater of CA (CTC-B Street)	\$ 1,000,000	City funds have been granted, construction scheduled to commence first quarter of 2013.
Sacramento Unity Center	\$ 2,000,000	Finalizing CA Department of State Architecture permit.
Project on Hold		
Studio for the Performing Arts (Studios)	\$ 14,000,000	Project is on hold until fundraising requirements have been accomplished. Project funding includes a \$5 million bridge loan. Up to \$10 million of the CRCIP funds for this project may be used for the Crocker Expansion project, for up to five years.
Completed and/or Cancelled CRCIP Projects		
Animal Shelter Cattery Building	\$ 1,500,000	Facility has been completed and is open.
Discovery Museum (Gold Rush Exhibit)	\$ 500,000	Improvements focused on telling the story of the City and County of Sacramento as well as addressing infrastructure problems. Project is complete.
District 1 Improvements (Charter Performing Arts)	\$ 500,000	Theater is complete.
District 1 Improvements (Alkali Flat)	\$ 500,000	Alkali Flat Boys & Girls Club outdoor play area completed.
District 1 Improvements (Stanford Teen Center)	\$ 500,000	Stanford Settlement Teen Center completed.
Economic Development - Haggin Oaks	\$ 6,400,000	Project complete and Mel Rapton Honda opened in Spring 2009.
Fairytale Town Fencing & Walkways	\$ 500,000	Fairytale Town improvements have been completed.
George Sim Community Center	\$ 7,475,000	Project is complete. Grand opening was celebrated on September 26, 2009.
Granite Regional Park	\$ 1,666,667	Skate park, dog park with small dog area, soccer field and additional enhancements have been completed.
Intermodal Transportation Facility	\$ 3,000,000	Property acquisition is complete and CRCIP funded studies have been completed.
Memorial Auditorium Improvements	\$ 3,053,000	Waterproofing, lighting and landscaping complete. Roof repair and restroom renovations complete. Rigging upgrade in construction.
North Natomas Regional Park	\$ 1,666,666	Dog park, bike trails and landscaping through and around the park have been completed.
Robbie Waters Pocket-Greenhaven Library	\$ 12,700,000	Facility has been completed and is open to public.
Sacramento Zoo Veterinary Hospital	\$ 1,200,000	Construction has been completed and the hospital is open.
Sierra 2 Restroom/Access Improvements	\$ 175,000	CRCIP funded ADA improvements are complete. Additional improvements related to the CDBG and General Fund allocations through the CRCIP process are underway.
S. Natomas Community Center	\$ 400,000	The rose garden and a concession kitchen have been completed.
Sutters Landing Regional Park	\$ 1,666,667	Dog park and river access were completed on May 18, 2009.

* Total funding does not include District CRCIP contributions

CRCIP District Projects

Project Name	Status	Budget
Chuckwagon Park	Completed	\$ 60,738
Fort Natomas @ Jefferson Park	Completed	\$ 25,000
Jefferson Park Playground Improvements	Completed	\$ 70,000
N. Natomas Regional Park Devevelopment	Completed	\$ 75,000
Northgate Park-Appraisal	Completed	\$ 1,000
Regency Park Phase 2	Completed	\$ 80,000
ROCA Monument Signs	Active	\$ 34,927
Sister Cities Signage	Active	\$ 2,002
South Natomas Rose Garden	Active	\$ 40,000
Train Horn Quiet Zones	Active	\$ 25,000
Trash Can Improvements on K St	Active	\$ 53,000
District 1 Total:	\$	466,667
CD2 APP - Woodlake Park	Completed	\$ 12,000
Community Neighborhood Funding (CNF) District 2	Active	\$ 138,747
Del Paso Boulevard CCTV	Completed	\$ 22,442
Dixieanne Tot Lot - APP	Completed	\$ 3,000
FY07/08 Street Seals	Completed	\$ 7,391
Hagginwood Park	Completed	\$ 35
Hagginwood Park PSIP Tier III	Active	\$ 4,965
Mama Marks Park	Completed	\$ 2,000
North Pointe Park	Completed	\$ 3,000
Norwood & Fairbanks Signal	Active	\$ 93,349
Rio Linda/Main Feasibility	Completed	\$ 102,750
Robertson Park Improvements	Completed	\$ 9,215
Robla Sign Monuments	Completed	\$ 42,773
Train Horn Quiet Zones	Active	\$ 25,000
District 2 Total:	\$	466,667
Arden Wy Streetscape Masterplan	Completed	\$ 100,000
Community Neighborhood Funding (CNF) District 2	Active	\$ 51
Marshall Park	Completed	\$ 300,000
Marshall Park Lighting Improvements	Completed	\$ 40,884
Mckinley Park Rose Garden Master Plan	Active	\$ 24,783
Washington Park Infill Streetlight	Completed	\$ 949
District 3 Total:	\$	466,667
Community Neighborhood Funding (CNF) District 2	Active	\$ 40,667
D4 Park Signs	Active	\$ 50,000
Fremont Park Improvements	Active	\$ 20,000
Land Park Amphitheater	Active	\$ 25,000
Landpark Restrooms-Renovation	Completed	\$ 61,000
Roosevelt Park Face Lift	Active	\$ 50,000
Sacto River Parkway Planning	Active	\$ 20,000
Zoo - Giraffe Barn	Completed	\$ 200,000
District 4 Total:	\$	466,667
24th Street & Glen Ellen	Active	\$ 127,160
Community Neighborhood Funding (CNF) District 2	Active	\$ 72,840
Ethel Phillips School Improvements	Active	\$ 200,334
Florin Road Medians - Phase 2	Completed	\$ 66,333
District 5 Total:	\$	466,667
59th and T Street Landscaping	Completed	\$ 15,000
Camelia Park Phase	Active	\$ 39,571
CD6 Park Improvements	Completed	\$ 303,530
D6 -Neighborhood Sign	Completed	\$ 108,566
District 6 Total:	\$	466,667
Bill Conlin Youth Sports Complex Phase 3	Active	\$ 270,000
D7 Pocket Library at Sojourner Truth Park	Active	\$ 196,667
District 7 Total:	\$	466,667
Florin Road Medians - Phase 2	Completed	\$ 355,466
Franklin Boyce Park	Active	\$ 19,902
Franklin Boyce Park - APP	Active	\$ 406
Meadowview Fence Replacement	Active	\$ 90,893
District 8 Total:	\$	466,667
South Natomas Rose Garden	Re-Activeed	\$ 44,400
Southside Park Lake Improvements	Completed	\$ 100,000
Southside Park Lake Improvements Phase 2	Completed	\$ 100,000
Valley Hi-North Laguna Library	Active	\$ 222,267
Mayor Total:	\$	466,667

RESOLUTION NO. 2011-XXXX

Adopted by the Sacramento City Council

AMENDING THE FY2010/11 APPROVED BUDGET

BACKGROUND

- A. The FY2010/11 Approved Budget was adopted on June 22, 2010. Annually, staff undertakes a Midyear Review of revenues and expenditures to ensure the continued validity of the adopted budget and to recommend any adjustments necessary to implement the City's financial plan for the remainder of the current fiscal year.
- B. Revenues in the General and Enterprise Funds are expected to meet budgetary estimates. As such, no major adjustments to citywide revenues are necessary at this time.
- C. Additional Council action is required to implement Council direction subsequent to budget adoption and to address other identified issues. Exhibit A includes the recommended adjustments to the FY2010/11 Approved Budget that are necessary to implement the City's financial plan for the remainder of the fiscal year.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1 The FY2010/11 Approved Budget is hereby amended to include the Summary of Adjustments to the FY2010/11 Budget as detailed in Exhibits A and B attached hereto.
- Section 2 Elimination of 726.47 FTE positions that were unfunded as part of the budget reductions for the past three fiscal years, excluding 1.0 FTE unfunded Deputy Chief position in the Police Department, is hereby approved.
- Section 3 The Director of Finance is authorized to establish four new grant funds for the Utility Enterprise Funds to allow for better tracking of the sources and uses of the grants.
- Section 4 The Director of Finance is authorized to implement the necessary adjustments as approved in Sections 1 through 3 above.
- Section 5 The Interim City Manager is directed to work with the Mayor/City Council Operations Manager to allocate Council District specific and Mayor's

Office budgets to create an efficient administrative structure for distribution and tracking of funds.

Section 6 Exhibits A and B, inclusive, are part of this resolution.

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Exhibit A – FY2010/11 Midyear Operating Budget Adjustments

Exhibit B – Summary of Reclassifications

Exhibit A

Summary of Technical Adjustments

FY2010/11 Midyear Operating Budget Adjustments

Department	Fund(s)	Revenue		Expenditure		Description
		Adjustment	Adjustment	Adjustment	Adjustment	
City Clerk	General Fund (1001)	\$ -	\$ 165,000	\$ 165,000		Transfer \$165,000 from General Fund Administrative Contingency to City Clerk - Election Budget to cover costs for November 2010 election.
Non Department	General Fund (1001)	\$ -	\$ (165,000)	\$ (165,000)		Transfer \$165,000 from General Fund Administrative Contingency to City Clerk - Election Budget to cover costs for November 2010 election.
Parks and Recreation	Neighborhood Park Maintenance Fund (2233)	\$ -	\$ 195,356	\$ 195,356		Transfer \$195,356 from General Fund Administrative Contingency to the Neighborhood Park Maintenance Fund to cover a prior year excess reimbursement to the General Fund.
Non Department	General Fund (1001)	\$ -	\$ (195,356)	\$ (195,356)		Transfer \$195,356 from General Fund Administrative Contingency to the Neighborhood Park Maintenance Fund to cover a prior year excess reimbursement to the General Fund.
Non Department	General Fund (1001)	\$ 3,600,000	\$ 3,600,000	\$ -		Direct the Railyard settlement to the General Fund Reserve for FY2011/12 budget.
Non Department	General Fund (1001)	\$ -	\$ 2,200,000	\$ 2,200,000		Transfer remaining Sheraton Proceeds in Parking Fund (6004) to the General Fund in lieu of midyear reductions.
Fund Reserves	Parking Fund (6004)	\$ -	\$ (2,200,000)	\$ (2,200,000)		Transfer remaining Sheraton Proceeds in Parking Fund to the General Fund (1001) in lieu of midyear reductions.
Police	General Fund (1001)	\$(1,785,000)	\$ (1,785,000)	\$ -		Transfer \$1,785,000 in appropriation and revenue authority from the Police Department General Fund (1001) operating budget to the Police Contract Services project (Project: E11005200, Fund: 2703).
Police	Externally Funded Programs (2703)	\$ 1,785,000	\$ 1,785,000	\$ -		Transfer \$1,785,000 in appropriation and revenue authority from the Police Department General Fund (1001) operating budget to the Police Contract Services project (Project: E11005200, Fund: 2703).
Police	General Fund (1001)	\$ -	\$ -	\$ -		Delete vacant 1.0 Administrative Analyst and 1.0 Police Records Specialist I. Add 1.0 GIS Specialist and 1.0 Applications Developer. These adjustments will be funded with existing resources within the Police Department and will not impact the General Fund.
City Manager - Office of Emergency Planning	General Fund (1001) / Interdepartmental Service Fund (1002)	\$ -	\$ 116,814	\$ 116,814		To adjust the cost plan reimbursement by \$116,814 for the Office of Emergency Planning to the following Enterprise Funds: Parking Fund (6004) \$6,112, Water Fund (6005) \$42,458, Sewer Fund (6006) \$5,411 Waste Fund (6007) \$18,946, Marina Fund (6009) \$935, Convention Fund (6010) \$7,231, Storm Drainage Fund (6011) \$16,036, Fleet Fund (6501) \$6,024, Risk Fund (6502) \$12,443 and Worker Comp Fund (6504) \$1,218.

2010-2015 Capital Improvement Program (CIP) / MY Operating Project Adjustments

Project	Project Name	Fund	Change	Description
Ethel MacLeod Hart Trust	I19120000	2603	\$ -	Establish a multi year (MY) operating project for the revenue and expenditure five year activity plan to be effective for the FY2011/12 budget period.
Freeway Land Phase 1	W14004100	3201	\$ (2,016,882)	Reduce appropriations that were inadvertently created in FY2008/09 and FY2009/10. Project has sufficient remaining appropriations for the next 2 to 3 years.

Exhibit B

Summary of Reclassifications

All Requests are Subject to HR Approval

Op Unit	Budgeted Classification	Proposed Reclassification	FTE
Community Development			
21000	Department Systems Specialist I	Sr. Department Systems Specialist	1.00
21000	Geographic Information System Specialist II	Applications Developer	1.00 a
21000	Staff Services Administrator	Program Analyst	1.00
General Services			
13000	Equipment Mechanic II	Equipment Service Worker	1.00
13000	Storekeeper	Fleet Service Coordinator	5.00
Parks and Recreation			
19000	Program Developer	Staff Aide Represented	7.00
19000	Program Coordinator	Staff Aide Represented	7.00
19000	Program Supervisor	Staff Aide Represented	2.00
Police			
11000	IT Support Specialist II	Applications Developer	1.00 a
Treasurer			
5000	LAN Administrator	Systems Engineer	1.00
Utilities			
14000	Utilities Field Services Service Worker	Asst. Water Cross Connection Control Specialist	2.00

a - The proposed reclassification results in a change from a represented position to an unrepresented position.