

DEPARTMENT OF
ADMINISTRATIVE SERVICES

CITY OF SACRAMENTO
CALIFORNIA

BUDGET AND POLICY REVIEW

September 30, 1999

CITY HALL
ROOM 100
915 I STREET
SACRAMENTO, CA
95814-2684

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FAX 916-264-5755
TDD (ONLY) 916-264-7227

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: CAPITAL IMPROVEMENT PROGRAM

LOCATION AND COUNCIL DISTRICT: Citywide

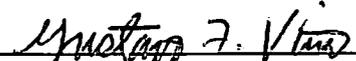
STAFF RECOMMENDATION:

The attached report concerning the City's Capital Improvement Program has been scheduled for two City Council Workshops in the evening on October 12, 1999 and October 26, 1999, respectively. This report is provided for public information. No action is requested on the item at this time.

CONTACT PERSON: **GUS VINA, 264-7138**
Budget/Finance Manager

FOR COUNCIL MEETING OF: October 5, 1999

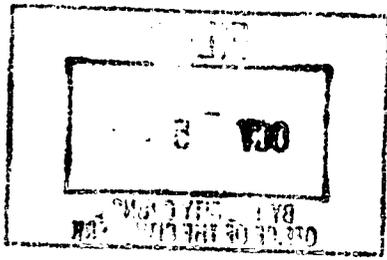
Respectfully Submitted,


Gustavo Vira
Budget/Finance Manager

RECOMMENDATION APPROVED:


ROBERT P. THOMAS
City Manager

Attachment: October 12, 1999 Staff Report





DEPARTMENT OF
ADMINISTRATIVE SERVICES
BUDGET AND POLICY REVIEW

CITY OF SACRAMENTO
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September 30, 1999

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City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Proposed General Fund Capital Improvement Program

LOCATION/COUNCIL DISTRICT: Citywide

RECOMMENDATION:

It is recommended that the City Council by resolution:

- Approve the General Fund Capital Improvement Program for Fiscal Years 1999-00 through 2001-02;
- Amend budgeted revenues for Fiscal Year 99-00 for Jail Booking Fees in the amount of \$2,264,000 and for one-time ERAF funds in the amount of \$1,155,000;
- Approve listing of capital improvement projects for Fiscal Year 1999-00 and appropriate \$17,962,000 for projects listed in Fiscal Year 99-00;
- Approve appropriations for the specified projects from the South Natomas Community Improvement Fund and the Facilities Benefit Assessment Fund.

CONTACT PERSONS: Gus Vina, Budget/Finance Manager, 264-7138
Ken Nishimoto, Director of Administrative Services Dept., 264-7205

FOR COUNCIL MEETING OF: October 12, 1999 (Evening Workshop)

SUMMARY:

The attached Proposed General Fund Capital Improvement Program (Exhibit "A") is divided into four sections as follows:

CIP Financing: This section identifies the use of cash and debt proceeds for the financing of the proposed projects and the necessary appropriations by fiscal year. Provided is the General Fund Five Year forecast both at the Summary and Detail level. The "CIP Appropriation Schedule" identifies the appropriations needed by fiscal year to fund the listed projects.

CIP Projects: This section includes (1) the proposed list of General Fund projects for Fiscal Years 1999-00 through 2001-02, (2) a listing of other funding sources for the proposed list used to leverage General Fund dollars and optimize projects, and (3) the proposed list by Major CIP Categories.

Other Funding Sources: This section provides a list of Community Development Block Grant projects, South Natomas Community Improvement Fund (SNCIF) projects, and Facilities Benefit Assessment Fund (FBA) projects. Additionally, this section identifies the necessary appropriations from the SNCIF and FBA accounts. The use of CDBG and Tax Increment funds in this section represents the collaborative efforts between SHRA and the City to leverage general fund dollars and to optimize capital projects.

(Note: The appropriations for all Year 2000 CDBG funds, including those referenced in the General Fund CIP, will be presented at the October 26th Council Workshop following the City CIP presentation and will return for Council action on November 2, 1999. Also in November, the Council will be presented with a recommendation to issue Redevelopment bonds for projects in Del Paso Heights, North Sacramento, Oak Park and the Army Depot).

Project Descriptions: This section includes project descriptions for Fiscal Years 1999-00 through 2001-02 plus "Future Projects" to be considered for funding at a later date and "Other Projects". "Other Projects" include projects where alternative funding sources are recommended, the project has been programmed, or the project has already been completed. This section of the report includes all projects that were inventoried in March 1999 plus all subsequent additions and modifications.

Staff's recommendation is to approve the projects listed in Fiscal Years 1999-00 through 2001-02. The City Council directed staff to create a financial strategy that provided maximum flexibility to respond to changes in the budget status. Staff has leveraged the use of available cash with necessary debt proceeds to develop the first three years of the CIP. Our ability to sustain an on-going General Fund CIP beyond these first three years will depend significantly on continued revenue growth, the outcome of funding for the Police Grants, and general economic conditions. Staff will monitor these conditions and will continue to work towards a "project prioritization" process that develops a fourth and fifth year for the General Fund CIP.

BACKGROUND:

For the first time in almost a decade, the City has the opportunity to reinvest in its capital improvement program through use of one-time funds. Several years ago, the City Council prudently set aside funds to defray continued deficits in the City's general fund budget. The City Council's intent was to prevent additional cuts in already reduced city services.

With the upturn in the current economy, the City's budget outlook has improved somewhat. This past spring, the City Council approved an infusion of one-time funds into the City's general fund capital program. Based on current projections, approximately \$18 million in one time General Fund money is available for capital projects. Depending on future budget conditions, approximately \$30 million in additional funds through debt financing could be available in future years for capital projects.

The financing strategy is a result of Council direction that a cautious approach be used in determining the balance of cash and debt used to pay for projects. In developing the General Fund capital improvement program financing plan, the strategy is to provide funding for the most critical projects and take advantage of available resources while maintaining flexibility to respond to changes in the City's budget situation.

In March, the City Council reviewed a preliminary inventory of potential projects to be considered for funding. This inventory was a compilation of projects from neighborhood meetings, City Councilmembers, severe needs or requirements identified by staff, Neighborhood Service Area Directors, approved Master/Long Range Plans and other sources. The inventory was a starting point for City Council to understand the scope and magnitude of the need.

Also in March, the City Council approved principles to provide guidance to staff in developing project priorities for the 1999-2004 General Fund Capital Improvement Program. These principles were:

- Balance overall community needs.
- Provide a base level of facilities throughout the community.
- Include business decision analysis to evaluate project priorities, alternatives and opportunities.
- Include opportunities for improved efficiency and service delivery in project evaluations.
- Include impacts (staff, equipment, etc.) and operating expenses in project evaluations.
- Leverage projects that provide opportunities for economic development and revitalization.
- Provide an on-going program for maintenance of existing facilities.

To assist in implementing these principles, consideration was given to communication from citizens in neighborhood meetings, contacts with staff, planning processes, communication with Councilmembers, City Council Meetings, Commission and Advisory groups, etc. Additional public testimony has been set for the October 12 and 26th, 1999 City Council Workshops. Extensive notification of the Council Workshops was distributed in September (see Exhibit "B").

The 1999-00 Approved Budget includes the use of \$18 million from the General Fund for Fiscal Year 1999-00 capital projects. It is estimated that \$16 million may be necessary to allow the City to replenish the reserves at the time when police grant funding is expected to expire and new operating costs are incorporated into the base budget due to new capital projects. The approved budget also identified an estimated \$20-40 million in loan proceeds for capital projects.

FINANCIAL CONSIDERATIONS:

The CIP financing strategy includes amending the 1999-00 budget to include expected revenues in the amounts of \$2,264,000 for Jail Booking Fees and \$1,155,000 in one-time ERAF. Potential uses of the one-time ERAF monies will be addressed at Mid Year. The first three years of the General Fund CIP will be funded using the existing reserve of \$13 million, the first two years of Jail Booking Fees revenue, \$30 million in debt proceeds, and available fund balance. If necessary, an additional \$16 million in debt proceeds will be provided to replenish reserves in FY 2001-02. The decision to issue additional debt proceeds will depend upon sustained revenue growth, continuation of booking fee revenues, other available state funds, and alternative funding for existing police grants.

The fiscal impacts to the General Fund will be approximately \$5.1 million in on-going costs, which includes \$3.6 million in debt service payments for financing \$46 million and \$1.5 million for new operating costs. Fluctuations in the interest rates that drive debt service payments will dictate the final amounts and the timing of the debt issuance. Economic conditions and anticipated revenue growth will need to be closely monitored over the next two years, prior to issuing the debt, to make sure that the estimated debt service payments can be absorbed into the general fund expenditures. The attached CIP document contains additional financial information.

ENVIRONMENTAL CONSIDERATIONS:

CEQA impacts will be reported on a per project basis as the capital projects are implemented.

POLICY CONSIDERATIONS:

Development of a project selection and priority setting process

Staff will continue to work on developing a systematic approach for selecting and prioritizing capital projects to be funded by the General Fund. A "Transportation Model" concept will be used so that project need is clearly identified and projects can compete given a set of rules and standards. The next step in this process will be to identify projects for Fiscal Years 2002-03 through 2003-04. General Fund projects will be reevaluated annually during the City's CIP process.

Community Schools Partnership Concept

Included in the proposed listing of projects is \$500,000 in seed monies to support the implementation of the Joint Use/Community Schools concept with local schools. Under this concept, the City will be developing agreements with each school district to expand the use of and access to school facilities by the community. The seed monies would provide for

equipment, maintenance and minor capital improvements to support this concept. As part of the implementation of the joint use concept, staff will return to Council with a process for allocation of these funds. The project list also includes significant capital projects for joint use improvements at Grant High School and Hiram Johnson High School funded at \$200,000 and \$380,000 respectively.

South Natomas Community Improvement Fund (SNCIF)

The attached General Fund CIP identifies the use of SNCIF funds for the South Natomas Community Center and Library project. Additionally, this report includes proposed appropriations for Land Acquisition, Park Development, Bikeways, and a traffic signal project from the SNCIF fund. Staff recommends appropriations totaling \$2,330,000 for these projects.

Other Funding Sources

Throughout the process of developing the General Fund project listing, a number of projects related to streetscape improvements were identified. Given limited General Fund resources and the fact that other funding is available for certain projects, streetscape projects are not being recommended for General Fund dollars. These projects appear under the "Alternative Funding Sources Recommended" section of the report and it is anticipated that these projects could compete for funding from Landscape and Lighting, Gas Tax, Measure A, etc.

Project Schedule

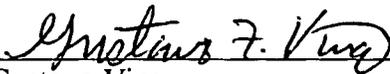
The General Fund CIP report includes the "CIP Appropriation Schedule" which identifies the necessary appropriations to fund the listed projects. The Public Works department will work on project schedules that take into account such things as resources available to complete the project, status of design for the project, program considerations, scope of the project, etc. Staff will provide a project schedule report to the City Council within 60 days.

Discussion and direction on the above issues is at the discretion of the City Council.

ESBD CONSIDERATIONS:

ESBD goals and considerations will be evaluated on a per project basis as the CIP is implemented.

Respectfully submitted,



Gustavo Vina
Budget and Finance Manager

RECOMMENDATION APPROVED:



Robert P. Thomas
City Manager

Attachments: Exhibit A
Exhibit B

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION APPROVING THE 1999-2002 GENERAL FUND CAPITAL IMPROVEMENT PROGRAM AND FINANCING STRATEGY

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO,
as follows:

- 1) Approve the General Fund Capital Improvement Program for FY1999-2002, and
- 2) Approve the FY1999-2000 General Fund Capital Improvement Program project list, and
- 3) Authorize the appropriation of \$17,962,000 to the FY1999-2000 General Fund Capital Improvement project list, and
- 4) Approve the appropriation of \$2,330,000 in South Natomas Community Improvement Funds and \$1,191,358 in the South Natomas Facilities Benefit Assessment Fund for specified project, and
- 5) Amend the FY1999-2000 revenue budget as follows:

101-XXX-XXXX-XXXX	\$3,419,000
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MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

7



September, 1999

PLEASE JOIN US AT

**CITY OF SACRAMENTO
CITY COUNCIL PUBLIC WORKSHOPS
on the
1999-2004 Proposed General Fund
Capital Improvement Program**

**OCTOBER 12th AND 26th, 1999
7:00 PM, CITY COUNCIL CHAMBERS, 915 I STREET**

The City of Sacramento has a long standing commitment to including a broad spectrum of our community in the decision making process. We are continuing in that commitment by asking for public participation in considering which capital improvement projects to fund with one time money that is currently available. There is a long inventory of deferred projects that are both critical and worthy but far exceed the amount we have available to spend. It's a case of difficult choices and tradeoffs to balance the many needs of our community. Council will be evaluating this inventory, hearing public testimony and determining which projects to fund at public workshops scheduled for October 12th and 26th.

Attached are materials that provide more detail and background on the City's capital improvement program. Additional detail on the specific projects being considered for funding will be available on October 4th. For a copy of this additional information or questions on the workshops, please contact the City of Sacramento Budget Office (264-5845).



September, 1999

**City of Sacramento
1999-2004 Proposed General Fund
Capital Improvement Program**

FACT SHEET

Like many cities across the country, the City of Sacramento has struggled with budget reductions over the past decade. This was due in large part to the cost and demand for city services increasing faster than revenues - creating a chronic budget 'gap'. This dollar gap has been within the 'General Fund' which comes primarily from general purpose taxes such as property taxes, sales tax and utility user taxes. These taxes are highly sensitive to economic conditions such as changing property values and consumer spending.

The General Fund is the main source of funding to pay for city services such as police, fire, park maintenance, recreation, animal control, etc. For many years now, the City of Sacramento has had to defer maintenance and postpone development of new facilities to support these services due to lack of funding.

For the first time in almost a decade, the City has the opportunity to reinvest in its capital improvement program through use of one time funds. Several years ago, the City Council prudently set aside funds to defray continued deficits in the City's general fund budget. The City Council's intent was to prevent additional cuts in already reduced city services.

With the upturn in the current economy, the City's budget outlook has improved somewhat. This past spring, the City Council approved an infusion of one time funds into the City's neglected general fund capital program. Based on current projections, approximately \$18 million in one time General Fund money is available for capital projects over the next three years. Depending on future budget conditions, approximately \$30 million in additional funds through debt financing could be available in future years for capital projects.

The City Council has directed that a cautious approach be used in determining the balance of cash and debt used to pay for projects. In developing the General Fund capital improvement program financing plan, the strategy is to provide funding for the most critical projects and take advantage of available resources while maintaining flexibility to respond to changes in the City's budget situation.

In March, the City Council reviewed a preliminary inventory of potential projects to be considered for funding. This inventory was a compilation of projects from neighborhood meetings, City Councilmembers, severe needs or requirements identified by staff, Neighborhood Service Area Directors, approved Master/Long Range Plans and other sources. The inventory was a starting point for City Council to understand the scope and magnitude of the need. This preliminary inventory included over 72 projects totaling over \$292 million.

At the March meeting, the City Council approved principles to provide guidance to staff in developing a proposal for the 1999-2004 General Fund Capital Improvement Program. These principles were:

- Balance overall community needs.*
- Provide a base level of facilities throughout the community.*
- Include business decision analysis to evaluate project priorities, alternatives and opportunities.*
- Include opportunities for improved efficiency and service delivery in project evaluations.*
- Include impacts (staff, equipment, etc.) and operating expenses in project evaluations.*
- Leverage projects that provide opportunities for economic development and revitalization.*
- Provide an on-going program for maintenance of existing facilities.*

Since that time, staff has been working on refining the scope and costs of the projects on the inventory. Additional projects have been added to the inventory. Using the principles adopted by City Council and other evaluation tools, staff will be recommending a list of projects for funding over the next 5 years. City Council will be considering this recommendation, hearing public testimony and providing direction at two public workshops scheduled for October 12 and 26 at 7 p.m. in the City Council Chambers, 915 I Street.



September, 1999

**City of Sacramento
1999-2004 Proposed General Fund
Capital Improvement Program**

FREQUENTLY ASKED QUESTIONS

⇒ What is a capital improvement?

Capital improvements are major projects undertaken by the City that are generally not recurring and are either: 1) a project, facility, or equipment that will cost \$10,000 or more and last longer than five (5) years; or 2) long-range plans or studies of capital projects, facilities or equipment that will cost \$10,000 or more. This generally includes any project requiring a debt obligation and any project involving the acquisition of land.

⇒ What is the Capital Improvement Program?

The Capital Improvement Program (CIP) is a comprehensive five-year plan for capital project expenditures. The program is a guide for identifying current future infrastructure requirements and becomes the basis for determining annual capital budget expenditures. Funds included within the Capital Program include: General Fund; enterprise funds such as Golf, Drainage, Water and Parking; and restricted use funds such as Measure A, Quimby and capital grants. The Proposed General Fund Capital Improvement Program will be considered by City Council at public workshops scheduled for October 12th and 26th at 7:00 p.m. at City Council Chambers. The 1999-2004 Capital Program for all other funds was approved by City Council in June during the annual budget hearings.

⇒ **What is the General Fund?**

The General Fund is used to account for City money that is not required legally or by sound financial management to be accounted for in another fund. Major general purpose taxes such as property taxes, sales tax and utility user taxes are the main source of General Fund monies. The General Fund is the main source of funding for city services such as police, fire, park maintenance, recreation, animal control, etc.

⇒ **Why does the City suddenly have money to spend?**

The taxes that are the major source of monies for the General Fund are very sensitive to changes in economic conditions. In past years, based on sound financial practice, the City Council had set aside a reserve amount to balance the budget and protect against any additional cuts in city services. Due to the current sustained improvement in the economy, the City's long term budget outlook is much improved over previous years and these reserves may not be needed. Given this, the City Council believes the timing is right to put an infusion of funds into the long neglected General Fund capital program. There are still some unknowns out in the future which could impact the budget situation. To guard against these, City Council has directed that the financing of these projects be a balance of cash and debt that allows flexibility to respond to changes in the budget situation.

⇒ **How do projects get into the capital improvement process?**

Projects for consideration in the capital program come from a variety of sources:

Citizens

- ✓Neighborhood Meetings
- ✓Contact with Staff
- ✓Planning Processes
- ✓Contact with Councilmembers
- ✓City Council Meetings
- ✓Commissions and Advisory Groups

Mayor/City Councilmembers

- ✓Forward to staff ideas of citizens
- ✓Forward to staff own ideas

City Staff

- ✓Identify severe need
- ✓Identify maintenance requirements
- ✓Identify projects as part of planning processes

Public testimony and ideas will be heard on the 1999-2004 Proposed General Fund Capital Improvement Program at public workshops scheduled for October 12th and 26th at 7:00 p.m. in the City Council chambers.

⇒ **How are priority projects determined?**

Projects of high priority would include:

Public Safety Concern

Examples include water main break, flooding, collapsing roof or other emergency maintenance.

Legal Mandate with Potential for Immediate Legal Challenge

Examples include compliance with the Americans with Disabilities Act.

Liability or Risk Issues

Example would be replacement of old playground equipment.

Greater Community Benefit

Example would be a citywide project that provides benefit to the entire community.

Additional considerations when prioritizing projects would include consistency with approved long range/master plans, improvement goals and City Council policy and direction.

⇒ **How can I get involved?**

There are a number of ways to get involved. Some opportunities are:

- *Attend the public workshops scheduled for October 12th & 26th.*
- *Call and ask for the additional project information available on October 4.*
- *Attend neighborhood association meetings.*
- *Call your City Councilmember's office.*
- *Call your Neighborhood Services Area Director.*
- *Attend City Council meetings.*

For more information or questions, please contact the City of Sacramento Budget Office at 264-5845.