RESOLUTION NO. 2008-040

Adopted by the Sacramento City Council

January 22, 2008

AMENDING THE FY2007/08 APPROVED BUDGET

BACKGROUND

A. The Midyear Report (Exhibit A) provides City Council with an update on the current financial condition of the City's FY2007/08 budget.

B. The down turn of the real estate market continues to be a major drag on the local, state and national economy. Sales Tax and Utility Users Tax revenue growth has been and will continue to be suppressed.

C. Based on current trends, the five year forecast reflects virtually no revenue growth for the coming fiscal year and weak revenue growth over the next five years. Thus, the gap between revenues and expenditures will continue to grow unless measures to reduce expenditure growth are implemented.

D. The Midyear Report includes recommendations on adjustments to the Approved FY2007/08 budget 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. Amend the FY2007/08 adopted budget to include the Summary of Adjustments to the FY2007/08 Budget as detailed on Exhibit B.

Section 2. Authorize the Finance Director to implement the necessary adjustments as approved in Section 1 above.

Exhibits:

Exhibit A – FY2007/08 Midyear Report
Exhibit B – Summary of Technical Adjustments and Reclassifications

Adopted by the City of Sacramento City Council on January 22, 2008 by the following vote:

Ayes: Councilmembers Cohn, Fong, Hammond, McCarty, Pannell, Sheedy, Tretheway, Waters.

Noes: None.

Abstain: None.

Absent: Mayor Fargo.

Steve Cohn, Vice-Mayor

Attest:

Shirley Concolino, City Clerk

Exhibit A

City of Sacramento, California

FY2007/08 Midyear Budget Report

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Table of Contents

Section 1: Introduction

The FY2007/08 Midyear Budget Report is intended to provide the City Council with an update on the status of the current year budget and an overview of the five year budget horizon. As has been discussed in prior reports, the City is facing significant challenges in both revenues and expenditures. These issues, and recommendations relative to the continued implementation of the FY2007/08 budget, are outlined below.

Section 2: General Fund Financial Report

Economic/Revenue Outlook

The down turn of the real estate market continues to be a major drag on the local, state and national economy. The housing crisis has resulted in unprecedented numbers of mortgage foreclosures and reductions in property values in the City and the greater Sacramento region. It appears that recovery in sales volumes and market values is several years out. Over the last few months, the number of homes moving into foreclosure has outpaced the number of homes being sold. At the same time, the market value of homes being sold has continued to decline. The impact of fewer homes sales and lower sale prices is a significant reduction in Property Tax revenue growth. In addition, the lower sales levels will result in **reductions** in Property Transfer Tax and Supplemental Property Tax revenue.

The County Assessor has also begun the process of adjusting the tax roll value of properties where the market value has fallen below the tax roll value. These adjustments will further reduce Property Tax revenue growth. In essence, some of the extraordinary growth of the past several years is being taken back. This is a functional "right-sizing" of the tax roll.

Further weighing on the economic outlook is the decline in job growth and increasing unemployment in the region. In December the Sacramento Regional Research Institute reported that the 12 month growth rate slowed to only 0.5 percent, the lowest levels seen in over a decade. This is significant as changes in employment levels are often related to changes in consumer spending. Should job growth continue to decline, this could further impact the City's revenue results.

There is also weakness in the other two major tax revenues, Sales Tax and Utility Users Tax. With the deteriorating economic conditions in the City, the region, the State, and the nation, Sales Tax revenue growth has been and will continue to be suppressed. Utility Users Tax revenue growth has been impacted by a variety of factors including changes in telecommunications, cable television market share, mild weather, and the successful tax exemption program for lower income City residents.

Current Year Status

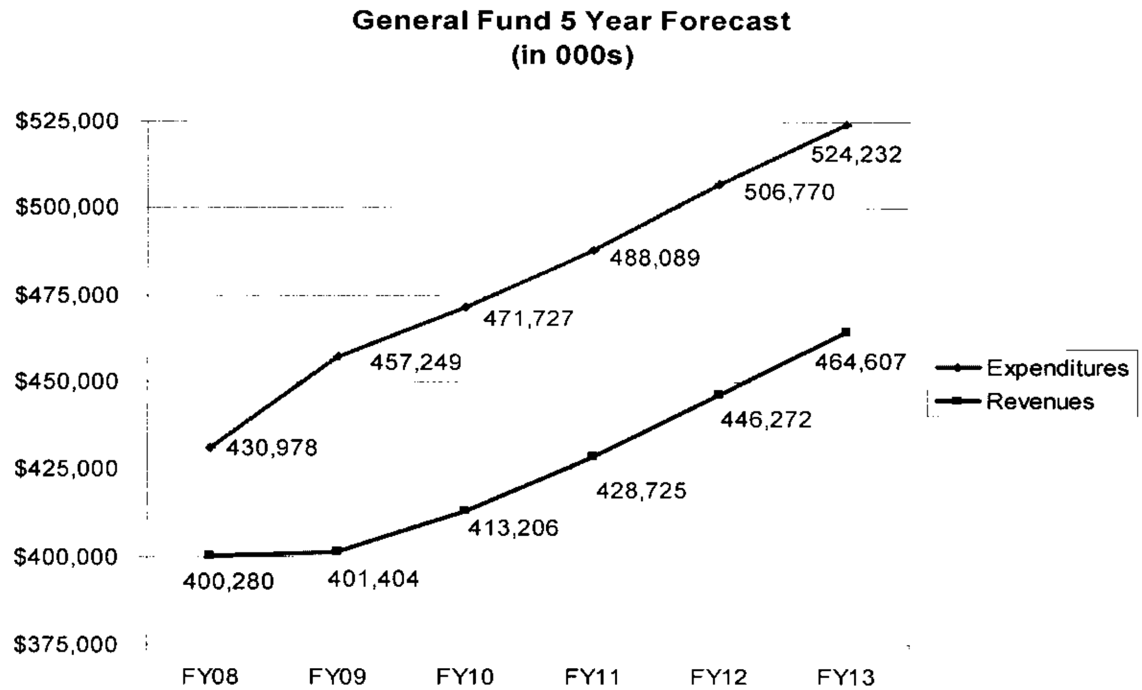
Overall General Fund actual revenue results for FY2006/07 were $4.3 million less than included in the Approved Budget. In the current year property tax revenues are expected to come in very close to the budgetary estimates. However, while Sales Tax revenue estimates in the FY2007/08 Approved Budget were revised downward to reflect the slowing growth, first quarter FY2007/08 Sales Tax results were 1.5% less than the prior year. This appears to indicate that the fall off in spending resulting from the housing crisis has not yet hit bottom, and in fact that budgeted sales taxes will not likely be realized. Considering this analysis in the context of the continued deterioration of the economy, staff is recommending using $2 million of the FY2006/07 year end results to offset anticipated Sales Tax shortfalls.

Staff will continue to monitor revenue results, but additional information on tax results will not be available until mid-March. However, based on current trends, the forecast reflects virtually **no revenue growth** for the coming fiscal year and weak revenue growth over the next five years. Thus, the gap between revenues and expenditures will continue to grow unless difficult measures to reduce expenditure growth are implemented.

Five Year Forecast

The five year forecast of the General Fund is an important fiscal planning tool. Under the sustainable budget policy of the Mayor and City Council, proposed fiscal actions are evaluated in a longer term, rather than a short term, context. The five year forecast is based on the current budget and projects future expenditures, revenues, and other funding sources over a multi-year horizon. Given that nearly three-quarters of expenditures are labor costs and nearly three-quarters of all funding is tax revenues, estimating future changes in these categories is the focus of the forecast. All other expenditures and funding sources are also considered.

As reported in December, there is a substantial gap between on-going expenditures and revenues that must be closed in the FY2008/09 budget process as expenditures are growing at a rate significantly faster than revenues. The following graph illustrates the five year forecast of the current base budget expenditures as compared with estimated revenues:



As has been discussed previously, this base budget forecast indicates that without significant changes, ongoing expenditures will continue to exceed ongoing revenues over the five year horizon.

As outlined in December, efforts to close the gap in FY2008/09 and beyond will involve a variety of different measures aimed at reducing expenditures and increasing funding sources. Reserves are available to provide transition funding which will provide additional time for cost reduction measures to work. However, given the fact that labor costs represent the majority of General Fund expenditures, **the primary strategy has been and will be a reduction in staffing levels.** The City Manager has directed General Fund departments to prepare proposed net cost reductions of 10 percent and 20 percent. Potential impacts will be brought back to Council for consideration in March 2008.

The forecast also highlights the critical importance of the City's economic development efforts with an emphasis on increasing City revenue and employment of City residents and others within the region.

FY2007/08 Budget Status

As a result of the midyear review process, staff has identified three areas in the FY2007/08 budget that are presenting budgetary challenges. The following is a brief description of each of the identified issues and strategies to address these issues for the remainder of the fiscal year. To ensure that resources are available to address any outstanding issues at the close of the fiscal year, funds identified in the FY2006/07 Comprehensive Annual Financial Report (CAFR) must be set aside for this purpose.

Police Department

Current projections estimate that the Police Department will end the year with a shortfall of approximately $6.2 million (Exhibit A1). The shortfall is primarily due to unbudgeted service and supply and labor costs that were previously funded by salary savings. Salary savings have been drastically reduced as a result of aggressive and successful hiring efforts.

To address this shortfall the Police Department proposes a number of cost saving initiatives. These initiatives will reduce the Department's projected year end shortfall, with the goal of ending the fiscal year on budget. The Police Department will continue to closely monitor its operating budget and implement the necessary cost saving measures to address the remaining shortfall.

To reduce overages in services and supplies, the Department proposes to use funding from Externally Funded Programs (EFP's) and Asset Forfeiture for priority purchases. To prevent issues related to supplanting, EFP and Asset Forfeiture funds will be used for expenditures that are not specifically budgeted within the General Fund. In addition, the Department proposes to reduce advertising and consulting expenses. The total estimated savings from these options arel $973,607.

To address overages in labor costs the Police Department proposes to reduce, and in some instances, discontinue the use of non-career employees. (Non-career employees in classifications including Reserve Dispatchers, Reserve Property Assistants, Reserve Police Officer, and Reserve Police Records Specialist have been used to meet unfunded department needs.) The services provided by non-career employees will be reassigned or discontinued. The total estimated savings from these options is $1.1 million.

In addition to the items proposed, the Department has already taken steps to reduce the overage by implementing a sharp reduction in overtime expenditures and implementing internal hiring controls which are projected to alleviate the general fund of approximately $2.2 million.

Impacts

If implemented, these reductions will likely delay non-emergency report writing, taking and processing and the release of evidence and personal property. In addition, the proposed actions will shift the burden of services such as special event patrol and Police Officer training from Reserve Police Officers to full time sworn Police Officers. To the extent appropriate the Department will move sworn officers from non-essential services to minimize the impact of these actions.

As part of the Police Department's plan to address projected shortfalls the Department requests Council approval of the Asset Forfeiture Master Plan (Master Plan) for FY2007/08 (Exhibit A2). Council approval of the Master Plan is required in order for these resources to be appropriated. To the extent permissible by law the Police Department has identified a portion of this funding for purchases that are not currently budgeted within the General Fund.

Development Services Department (DSD)

The Development Services Department (DSD) is currently forecast to end the year with a shortfall of approximately $3.7 million (Exhibit A3). The shortfall is primarily due to the slowdown of the real estate/development markets and structural budget problems related to the department's inability to fully collect budgeted reimbursements. To address this shortfall DSD has already implemented a number of cost saving measures, and is proposing the following additional actions to further decrease the projected shortfall.

The steps DSD has already taken to reduce the shortfall to $3.7 million include:

- A sharp reduction in labor expenditures by holding 19 budgeted positions vacant;
- A Phase I elimination of 8 budgeted employees (non-career) and 7 non-budgeted student interns; and
- A drastic reduction in supply and service expenditures, including the implementation of numerous 'best practice' initiatives. The estimated combined savings from these efforts are approximately $2 million.

To further reduce the projected shortfall DSD proposes to implement a Phase II layoff of 16 career positions for an additional savings of approximately $669,000. The layoff of these career employees will have an impact on customer service levels and will result in the elimination of Homeowners Night, a reduction in the number of MATRIX Team Leaders for certain product types, the elimination of GIS Spatial Modeling services, a 98% reduction in Regulatory Improvement work, and an anticipated slowdown in plan review time-lines from 15 to 20 days per cycle. DSD will also continue to hold an additional 5 positions vacant and drastically reduce supply and services expenditures for the remainder of the fiscal year. These reductions in labor expenses ($916,000) and services and supplies ($70,000) total $986,000.

In addition, DSD is creating new revenue and increasing service levels by beginning to perform some traffic studies in house, as opposed to using consultant labor. Further, the Department will return to Council next month (with the support of the Development Oversight Commission and stakeholder groups) to propose an increase in entitlement fees on commercial projects, an increase in technology surcharges, the standardization of a new hourly fee for general DSD services, and the reinstatement of a permit administration fee. The total forecasted increase in revenue from these proposals will total $966,000 over the remainder of the fiscal year.

Given these actions, DSD will end the year with an approximate shortfall of $1.9 million. DSD staff will continue to closely monitor the departmental budget and will implement further efficiencies and reductions to minimize the shortfall.

Fire Department

The Fire Department is projected to end FY2007/08 with a $4-5 million deficit. The Department has identified three major factors contributing to the anticipated overage. These issues are outlined below

First, for the first time in more than ten years, the Fire Department is at full staffing for sworn positions. Previously various non-budgeted labor expenditures were offset by salary savings from vacant positions. These expenditures included labor associated with salaries/benefits of recruits and instructors for the recruit academy; benefits associated with overtime, out-of-class, leave payouts, uniform allowance, and FLSA pay.

Secondly, positions added to the detail pool for Suppression were anticipated to pay for themselves through savings of overtime. Although savings have been realized, overtime expenditures are still over budget.

Finally, the Advanced Life Support (ALS) program revenues are trending lower than projected. This can be attributed to the transition of a new billing company and the change in health insurance providers increasing co-pays that are to be paid directly to the City.

The Fire Department has implemented a variety of measures to mitigate expenditures. Some of the steps taken by the department include:

- Reducing non-suppression related overtime (minimal impact to the department's training, outreach, participation in public events, and special projects – estimated savings is $100,000);
- Returning select sworn administrative personnel to suppression to reduce the need for overtime callbacks (this change in operations will have an impact on the ability to coordinate facilities/fleet, recruitment, community programs, oversight on safety regulations, delivery of services, and technical services) with estimated savings of $370,000;
- Postponing the January 2008 recruit academy until July 2008 (based on the current staffing of the Fire Department the delay should have minimal impacts on the ability to deliver services) with estimated savings of $800,000; and
- Evaluating revenue sources to determine if fees are at appropriate levels, and if fees are not, working on identifying and implementing appropriate adjustments (an ALS fee increase proposal is being brought forward under a separate report – this increase will generate approximately $1.5 million to offset the costs to deliver services).

The Fire Department will continue to evaluate programs and expenditures to identify issues and opportunities for savings to address the remaining shortfall.

Conclusion

We will continue to monitor budgets through the coming months. As noted above, in order to ensure that resources are available to address any outstanding issues at the close of the fiscal year, staff is recommending that with the exception of the recommendations below, the funds designated in the FY2006/07 CAFR remain set aside for this purpose.

General Fund Budget Adjustments

Minimal midyear budget and staffing adjustments in the General Fund are being recommended for Mayor and Council approval. The adjustments being recommended address critical needs and are reflective of Council direction. The recommended adjustments include:

- Use $2 million in FY2006/07 results to offset a reduction in Sales Tax revenue estimates.

- Use $300,000 of FY2006/07 results to purchase equipment necessary to maintain the City's golf courses. Existing equipment is failing, and needs to be replaced to allow City golf course operations to remain competitive, reduce equipment repair costs and increase operational efficiencies. This funding is equal to the unused portion of the FY2006/07 General Fund subsidy to the golf program.

- Reclassify two positions to address operational needs. The cost of these changes are fully offset and will not impact the General Fund.

These adjustments are included in the Summary of Adjustments to the FY2007/08 Budget (Exhibit B).

Section 3: Other Funds Budget Adjustments

Revenues and expenses of the Enterprise Funds are generally consistent with existing plans and only minimal adjustments are necessary to fully implement Council's prior direction. This section provides an overview of the recommended midyear adjustments to programs funded from funds other than the General Fund. A summary of the Enterprise Fund budget adjustments and reclassifications requiring Mayor and City Council approval are detailed in the Summary of Adjustments to the FY2007/08 Budget (Exhibit B).

Reclassifications

The Utilities Department has identified positions that need to be reclassified as part the department's ongoing organizational restructuring. The resulting reorganization was necessary to accommodate changes in regulatory requirements, provide career paths, and increase department efficiencies.

Other Fund Budget Adjustments

Convention Center Fund (419)

Transient Occupancy Tax (TOT) revenues are tracking 3percent above the prior year. Associated revenue budgets are proposed to be increased by $800,000 to reflect this performance. A portion of this revenue is proposed to increase the repayment of the Risk Fund loan to the Community Center Fund from $1 million to $1.5 million.

Marina Fund (417)

Sacramento Marina berth fees and oil and gas revenues will be under budget by $378,000 due to the South Basin Expansion Project. The shortfall is proposed to be offset by appropriation of $378,000 from the Marina Fund contingency. In addition, operational reductions will be made to minimize additional impact on fund balance.

North Natomas Community Improvement Fund (780)

Establish the North Natomas Community Center capital improvement project (CIP), and appropriate $600,000 from North Natomas Community Improvement fund (Fund 780) to support the initial design of a new Community Center at the Town Center on Del Paso Road as identified in the North Natomas Community Plan. The Center is envisioned as a 25,000 square foot facility that will include multipurpose rooms and a kitchen facility. Funding is available from North Natomas Development Fees for the design element of the community center; the design of this facility will not have an impact on the General Fund. The operation of a new community center will result in future operating impacts (staffing, utilities and maintenance) that will be brought forward for discussion when funding is identified for the construction of this facility.

Externally Funded Programs (EFP)

Recognize revenues and authorize spending in the Los Rios Vocational Training EFP of $992,564 and the Asset Seizure EFPs totaling $791,997. This will provide the Police Department resources to purchase needed equipment. These funds are limited to expenses related to the implementation of the identified program and federal and State regulations.

Section 4: Pending Fiscal Issues

Other Post Employment Benefits (OPEB): New Accounting Standard for Retirement Medical Benefits: The City provides a medical insurance subsidy to retirees who have been career employees for ten years or more. The City has been budgeting and reporting the cost of the retiree medical benefit on a pay-as-you-go basis as have nearly all governmental providers in California of a similar benefit. Only the regular payments to the vested retirees are included in the Budget and reported in the City's Financial Statements. This contrasts with the budgeting and reporting of the pension benefit. With pensions, the long-term costs of providing the benefit for vested retirees and employees is calculated on an actuarial basis. The annual cost of fully providing the benefit is determined and included in the Budget and reported in the Financial Statements.

The Governmental Accounting Standards Board (GASB) has set new standards which will go into effect for FY2007/08 that require all state and local governments to report the cost of the retiree medical benefit in the City's annual financial statement on the same basis as the pension benefit, referred to as the accrued actuarial basis, and to put forward a plan to fund the benefit.

In anticipation of the implementation of this new standard, the City began working with an outside expert to develop actuarial estimates to determine the magnitude of these benefits that will be reported on the financial statements. A draft actuarial report was prepared in fall 2007. Based on this draft report, the unfunded accrued liability for retiree benefits is estimated to be $380 million. This total amount will be disclosed in the footnotes of the City's financial statements. The annual cost of funding the retiree medical benefit on the same basis as pension benefit, also known as the annual required contribution (ARC), is approximately $31.5 million. The current pay-as-you-go cost in the Budget is approximately $9.8 million. The difference between the ARC and the pay-as-you-go amount of $21.5 million will be recorded as a liability on the City's financial statements.

A City working group has been formed to gather facts and explore the City's options for dealing with the new accounting standard. The working group consists of representatives of the Finance Department, Human Resources, Labor Relations, and representatives from employee unions. Due to the City's current finances, it is the taskforce recommendation to continue to pay-as-you-go for the short term due to the current fiscal restraints on the City's budget.

The taskforce recognizes that there are some long term decisions that will have to be made that will include consideration of alternative funding options such as the issuance of pension obligation bonds or changes to the benefit plans. While the City will continue funding the retiree medical benefit on a pay-as-you-go basis on a short term basis, continuing with the status quo practice may present the City with a risk to its credit rating. The credit rating agencies have indicated that failing to fully fund the retiree medical benefit on an accrued actuarial basis could be an adverse factor in determining credit ratings, particularly if a significant number of local governments in California do fully fund the benefit on an actuarial basis. This is only one of several risks to the City's credit ratings. In the short run, the City's deteriorating budgetary situation and the likely development restrictions in the Natomas Basin are more significant risk to our credit rating.

In December 2006 Governor Schwarzenegger convened the Public Employee Post-Employment Benefits Commission (Commission) to study the statewide impact of these reporting standards. The Commission issued a report on January 7, 2008, "Funding Pensions and Retiree Health Care for Public Employees Report" (Report). The report estimates a statewide OPEB liability of $118 Billion which includes the State and all California public agencies collective liability. The State's unfunded accrued liability is estimated to be $47.9 billion. While the Report recommended that the State and public agencies identify and prefund the OPEB liability, the issue remains how the State and other public agencies will be able to do so in light of the many unmet services needs and the projected budget deficits. We see continuing pressure on State and local agencies to reduce benefits, raise employee contributions or close benefits to new employees to fund the liability.

This is a work in progress. The taskforce will analyze the Commission's report and the recommendations it includes in our next meetings, and will continue to monitor what the State and other local agencies are doing. In the on-going budget process the taskforce will provide the Mayor and Council with recommendations and updates.

Police Department Budget Reduction Worksheet

Projected Year End Shortfall		**(6,173,770)**
Service and Supply Options		
PC Licenses and Permits (EFP's and Asset Seizure)	898,657	
Los Rios Community College	37,950	
Advertising/Recruitment	25,000	
Technology Consulting	12,000	
Sub-Total	**973,607**	
Labor Options		
Reserve Dispatchers	12,000	
Reserve Property Assistants	20,000	
Reserve Police Officers -- Elimination	192,828	
Rental Vehicles	42,160	
Reserve Police Officers -- Reduction	49,000	
Background Assistants	269,000	
Security Officers	90,000	
Reserve Police Records Specialist	452,000	
Sub-Total	**1,126,988**	
Reductions Implemented		
Projected Future Attrition (Hiring Controls)	359,584	
Overtime Savings	1,900,000	
Sub-Total	**2,259,584**	
Revised Projected Year End Shortfall		**(1,812,591)**

Exhibit A2

FY2007/08
ASSET FORFEITURE EXPENDITURE MASTER PLAN

BACKGROUND

Asset Forfeiture Funds are generated by the Police Department as a result of the department's participation in the seizure or forfeiture of tangible property or cash resulting from successful drug trafficking investigations. Federal and State laws regulate the use of these funds and prohibit funds from being used to supplant funds that would otherwise be made available to programs.

Pursuant to Resolution No.90-271 adopted by the Sacramento City Council the Sacramento Police Department is submitting its asset forfeiture expenditure master plan for FY2007/08.

Federal guidelines specifically prohibit projecting revenue from forfeited property until after funds are awarded. The Police Department requests authority to spend $2,616,582 in asset forfeiture revenue which was received prior to January 1, 2008. Dependent upon the fund source and in compliance with State and Federal regulations, these revenues were received in the following Police Department externally funded programs within fund 2703: E11002700, E11002800, E11002900, E11003200 and E11003300. Per State guidelines, state awards connected with Department of Justice cases shall maintain15% of gross revenues set aside in fund E911002900 for programs to reduce drug abuse and gang activity through programs which involve educators, parents, youth, and law enforcement officers.

FY2007/08 EXPENDITURE PLAN

1. From externally funded programs E11002700, E11002800, E11003200, and E11003300 the Chief of Police is requesting approval to expend an amount up to, but not exceeding, $2,259,145 for the express purpose of procuring equipment or devices useful in the interdiction of narcotic and gang related crimes, ballistic protection, improvements to interview rooms, the County's Criminal Justice Information System access fees, and maintaining, operating, and improving the Police Department's fleet of aircraft. Such expenditures shall be in compliance with State and Federal laws regulating their use.

2. From fund number E911002900 the Chief of Police is requesting approval to expend an amount up to, but not exceeding $357,438 for the express purpose of programs to combat drug abuse and diversion of gang activities. These programs shall involve youth and may involve parents, educators, community based organizations, and local law enforcement officers. Such expenditures shall be in compliance with State and Federal laws regulating their use.

3. The Chief of Police is requesting the designation of $1.6 million from Fund 255/2703 of Asset Forfeiture attribution to be held in reserve for the express purpose of replacing the Department's In Car Camera (ICC) system and aging aircraft which will require replacement in FY200708 or future years. These funds are in the externally funded programs E11002800 and E11003300.

FINANCIAL CONSIDERATIONS

The total amount of this expenditure plan is $2,616,582, which includes uncommitted amounts of previously accepted funding. These funds are to be spent entirely from existing Asset Forfeiture funds within Fund 255/2703 (Externally Funded Programs). No General Fund revenues are included in this request.

Authorization is requested to amend the budget for Asset Forfeiture Funds in all applicable ledgers including project child & parent, project revenue, and organization and appropriation.

Interest	361010-50000-2703-55000000-900-E11002700	$ 3,048
	361010-50000-2703-55000000-900-E11002800	87,492
	361010-50000-2703-55000000-900-E11002900	18,545
	361010-50000-2703-55000000-900-E11003200	2,615
	361010-50000-2703-55000000-900-E11003300	90,208
State Grants	334010-50000-2703-55000000-900-E11002800	$ 452,160
	334010-50000-2703-55000000-900-E11002900	74,765
Federal Grants	331030-50000-2703-55000000-900-E11003300	40,624
	331030-50000-2703-55000000-900-E11003200	22,540
Total Revenue		$791,997
Services & Supplies		
	4#####-50000-2703-55000000-900-E11002700	$ 3,048
	4#####-50000-2703-55000000-900-E11002800	539,652
	4#####-50000-2703-55000000-900-E11002900	93,310
	4#####-50000-2703-55000000-900-E11003200	25,155
	4#####-50000-2703-55000000-900-E11003300	130,832
Total Services & Supplies		$791,997
Fixed Assets	47####-50000-2703-55000000-900-E11003300	$1,290,000
	4#####-50000-2703-55000000-900-E11003300	(1,290,000)
	47####-50000-2703-55000000-900-E11002800	310,000
	4#####-50000-2703-55000000-900-E11002800	(310,000)
		$ 0

Exhibit A3

Development Services Budget Reduction Worksheet

Reductions Already Implemented			
	Holding 22 FTE Vacant	1,228,643	
	Services and Supply/Equipment Reductions	780,915	
		2,009,558	
Projected Shortfall			**(3,708,808)**
	Reductions in Labor Expenses		
	Elimination of 16 FTE	668,633	
	Holding additional 5 FTE Vacant	242,677	
	Decrease MATRIX Leads	5,000	
		916,310	
	Reductions in Services & Supplies and Others		
	Eliminate Student Interns Contract	40,000	
	Eliminate Home Owners Night	21,000	
	Eliminate MATRIX Newsletter	6,000	
	Eliminate Coffee and Water Service	2,400	
	Cancelation of Subscriptions and Memberships	825	
	Sub-Total	**70,225**	
	Increases in Revenues		
	Increase Entitlement Fees*	485,000	
	Increase Planning and Building Technology Surcharge*	230,000	
	Reinstate Building Permit Administration Fee	170,000	
	In House Traffic Studies	70,517	
	Standardize Departments Hourly Rate*	10,000	
	Sub-Total	**965,517**	
	Total Corrective Actions	**1,952,052**	
Projected Year End Shortfall			**(1,756,756)**

* DSD will return to Council with follow-up report.

Exhibit B

Summary of Technical Adjustments

FY2007/08 Midyear Operating Budget Adjustments

Department	Fund	Change	Description
Non-Department	General Fund 101/1001	(2,000,000)	Reduce budgeted Sales Tax revenues by $2 million to be offset by a release from FY2006/07 year end results.
Convention, Culture and Leisure	General Fund 101/1001	300,000	Appropriate $300,000 of FY2006/07 year end results to fund critical equipment needs.
Transportation	Major Street Construction 209/2007	(3,000,000)	Reduce revenue by $3,000,000 due to decreased permits issued and a continued downward economic trend.
Transportation	To Be Determined	7,536,411	Establish a fund for Proposition 1B (Local Street and Road Account) and budget revenue in fund contingency These funds will be programmed with the 2009-14 CIP process.
Convention, Culture and Leisure	Marina Fund 417/6009	(378,000)	Reduce revenue by $378,000 due to the construction of the South.Basin Renovation Project. Offset shortfall with an appropriation of $378,000 from fund balance. Reductions of expenses will be made to minimize impact.
Convention, Culture and Leisure	Community Center Fund 419/6010	800,000	Increase revenue and expense budgets by $800,000 to increase loan repayments ($500,000) and fund balance ($300,000).
Asset Forfeiture Masterplan	Externally Funded Programs 255/2703	791,997	Adopt Asset Forfeiture Masterplan and increase revenue and expenditure budgets by $791,997.
Los Rios Program	Externally Funded Programs 255/2703	992,564	Increase revenue and expenditure budgets by $992,564.

2007-2012 Capital Improvement Program

Project	Fund	Change	Description
N. Natomas Community Center	N. Natomas Fund 780/3201	600,000	Appropriate $600,000 from fund balance for the initial design of the facility.

FY2007/08 Midyear Reclassifications

Organization	FTE	Existing Classification	Proposed Reclassification
City Attorney (0500)	1.00	Legal Staff Assistant	Senior Legal Staff Assistant
Development Services (4811)	1.00	Sr. Management Analyst	Program Manager
Utilities (3352)	1.00	Customer Service Rep	Customer Service Specialist
Utilities (3351)	1.00	Sr. Accounting Technician	Accounting Technician
Utilities (3352)	1.00	Typist Clerk II	Typist Clerk III