



DEPARTMENT OF  
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FINANCE ADMINISTRATION

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June 9, 2005

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City Council  
Sacramento, California

Honorable Members in Session:

**SUBJECT: FY2005/06 BUDGET REPORTS BACK**

**LOCATION AND COUNCIL DISTRICT:** Citywide

**RECOMMENDATION:**  
For Council information.

**CONTACT PERSONS:** Gus Vina, Finance Director, 808-7318  
Russ Fehr, Budget Manager, 808-5832

**FOR COUNCIL MEETING OF:** June 14, 2005

**SUMMARY:**

The FY2005/06 Proposed Operating Budget and 2005-2010 CIP were released to the City Council on May 1, 2005. Over the past several weeks there have been a series of hearings to discuss these documents. During these budget hearings the Council has requested additional information on a variety of items. This report is intended to provide the information requested in order for the Council to move forward with Budget adoption on June 21, 2005 (evening meeting).

**COMMITTEE/COMMISSION ACTION:** N/A

**BACKGROUND INFORMATION:**

The information requested by the Council during the budget hearings is included within this section. The reports back requested are included as Attachments and organized as follows: Table of Contents of Reports Back (Attachment A), Budget Reports Back (Attachment B) and Future City Council Reports Back (Attachment C).

**FINANCIAL CONSIDERATIONS:**

The financial considerations for the issues identified in the report are discussed in the context of each of the individual report back items.

**ENVIRONMENTAL CONSIDERATIONS:**

CEQA does not apply to this report.

**POLICY CONSIDERATIONS:**

There are a number of policy considerations raised in the context of this report. In general terms, those issues are referred to and discussed in the context of each of the individual report back items. In all cases, recommendations are intended to be consistent with the City's Strategic Plan as well as reflecting sustainable budget concepts.

**ESBD EFFORTS:**

No goods or services are being purchased under this report.

Respectfully submitted,



Gus Vina  
Director, Department of Finance



Russ Fehr  
Budget, Policy & Strategic Planning Manager

**RECOMMENDATION APPROVED:**



ROBERT P. THOMAS  
City Manager

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## ATTACHMENT A

### Operating Budget Reports Back

#### 1. Finance – Property Tax Growth and Allocations (5/10/05, McCarty):

The City receives a share of the property tax imposed on parcels located within the City. Under Proposition 13, there are limits on the increase in tax roll property values and the basic property tax rate. The property tax rate is one percent of the assessed value on the County Assessor Tax Roll. The basis for determining property values for the tax roll is the acquisition value and not the current market value of property. Properties are valued at market value when there is a change of ownership, new construction, or improvement. Otherwise annual increases in assessed value are limited to two percent per year. Where there have not been changes or ownership, new construction, or improvements there is a very large difference between market value and tax roll value.

The City's shares property taxes collected within the City with the County, school districts, and the Sacramento Housing and Redevelopment Agency. The City's average share of tax collections is 24 percent. This and the other shares are calculated annually by the County Department of Finance on the basis of formula in state law and regulations. The shares ultimately derives from the City's pre-Proposition 13 tax rates as adjusted by the State's shifting of tax revenue between the City and schools (ERAF). The State performs audits of the county's property tax allocations on a periodic basis.

Not all property owners pay property taxes. Two major property owners in the City, the State and SMUD, have governmental exemptions, as does the Federal Government. This results in the City having one of the lowest per capita tax roll values of any major city in the State.

There has been unprecedented growth in tax roll values and property tax collections within the City in recent years. From FY 2003 to FY 2006 values have increased from \$23.4 billion to over \$30.1 billion, or \$6.7 billion. For FY 2006 the projected increase in tax roll values is \$3.7 billion, or 14 percent.

This growth is due to both the significant increase in property values within the City and the new construction within the City. When existing homes, businesses, and land are resold there typically is a large increase in tax roll value when the tax roll value is reset to market value. This type of growth is occurring in all parts of the City. The large amount of new construction is also increasing tax roll values. This construction is focused in North Natomas, but over 25 percent of new construction is happening in other parts of the City.

2. **Finance – Transfer Tax Rates (5/10/05, Mayor):**

The real property transfer tax is imposed only at the time real estate is sold. The tax rate for Sacramento County is \$1.10 per \$1,000, or 0.111 percent. This rate is set in state law. Increasing the county rate would require both state approval of legislation and voter approval. Within the City of Sacramento, the County collects its full rate and the City collects its rate of \$2.75 per \$1,000, or 0.275 percent.

For all the other cities within the County, the \$1.10 rate is split equally between the city in which the property being sold is located and the County. This means the county's effective tax rate is \$1.10 with the City of Sacramento and the Unincorporated Area and is one-half that in the other six cities.

In recent years cities and counties have explored going to the Legislature to get the rate cap raised. For example, doubling the rate would mean only an overall 0.11 percent increase in the overall cost of purchasing property. The cost of purchasing a \$300,000 home would increase by \$333. Real estate brokers, homebuilders, developers, and their statewide and local associations have actively opposed these efforts.

The City of Sacramento was able to have a separate tax rate which layers upon the county's rate due to the city's charter status and the fact the action was taken prior to approval of the various initiatives requiring voter approval for new cities or tax rate increases.

3. **Parks – Natural Resource Coordinator Position (5/24/05, Mayor):**

The City's on-staff Natural Resource Specialist is in a position shared with and paid for by the Sacramento Area Flood Control Agency (SAFCA), assigned to the Advance Planning Section of the Park Planning, Design and Development Division. The City benefits greatly from the unique expertise of such a Specialist, which includes:

- Habitat restoration, protection and management of natural resources
- Land Use/development planning in context of endangered species, environmental regulation and water quality
- Environmental permitting and compliance (CEQA, NEPA, ESA, etc.)

The current responsibilities of this position include:

- 1) Coordination between SAFCA and City on floodway and resource management programs in the region, including Ueda and Lower Dry Creek Parkway, Sacramento Riverfront and Lower American River
- 2) Participation in landscape and habitat level natural resource planning and management initiatives in City, including planning for open space, interpretive signage, habitat restoration, mitigation, environmental review, endangered species issues, etc.
- 3) Coordination on natural resource and open space issues in City and County General Plan Update and other advance planning projects (e.g. Natomas Joint Vision; Community Plan Updates; Parks and Recreation Master Plan Implementation)
- 4) Assistance with grant application and project implementation where natural resources expertise is needed

4. **Parks – Open Space Inventory (Component of Park's Master Plan) (5/24/05, Trethaway):**

The extent of open space owned or controlled by the City as part of the public Parks and Recreation System is included in the *2005-2010 Parks and Recreation Master Plan*, which includes acres in neighborhood, community and regional parks; parkways; open space; and public golf courses in the City limits. This information is organized by Community Planning Areas in the Plan's Appendix D, available at the following web address: [www.cityofsacramento.org/parksandrecreation/masterplan/pdf/appendices.pdf](http://www.cityofsacramento.org/parksandrecreation/masterplan/pdf/appendices.pdf)

In addition, Table 28 in Appendix D shows the total acres of facilities of other local providers (County and State) that are considered to meet the City's acreage Service Level Goals. The Master Plan does not include an inventory of open space under private ownership or lands owned or controlled by entities other than the City, County or State (such as independent local land conservancies).

5. **Parks – Spray Features in Parks (5/24/05, Pannell):**

The plan to replace all of the City's old "stand alone" wading pools is complete. City Council action approved the plan to incorporate wading pools into existing swimming pool complexes where possible. In addition, stand alone wading pools currently exist in four locations: Bertha Henschel, Mama Marks, Robertson and William Land Parks. Funding which was originally set aside to replace three wading pools with water spray features was needed to finish the addition of the new wading spray pools within the swimming pool complexes. In addition, the project budgets for water spray features were under-estimated by staff at the time who did not realize the extent to which County Health regulations and water conservation measures would need to be incorporated into the design of the water spray features.

Staff was able to construct one water spray feature at Gardenland Park because the least amount of funding for the wading pools was utilized in that Planning Area and the Sacramento Housing and Redevelopment Agency contributed additional funding to the project. The total project cost was approximately \$350,000. Originally, staff had estimated under \$100,000 for the water spray features.

Staff is currently working with a new design team on a prototype which will be much less expensive and still meet design requirements. Muir Park is currently being designed for this type of water spray feature. In addition, two other City parks are currently in line for replacement of the original wading pools: Hagginwood Park and Hopkins Park. Those projects are currently in the 2004 Parks and Recreation Programming Guide as unfunded projects. In addition, the *2005-2010 Parks and Recreation Master Plan* recommends one water spray feature per 15,000 population (in addition to the swimming pool complexes). This equates to a citywide deficiency of 22 water spray features. Staff will keep the City Council apprised of the new design and cost estimates for water spray features.

6. **Fire/Development Services – Designation of Station 4 as a Historical Landmark (5/24/05, Cohn):**

The process to designate Fire State Number 4 as a historic site is in progress. The Design Preservation Review Board evaluated and endorsed the recommendation to make the designation in December 2004. The request will now be brought to the Mayor and City Council for approval after the summer recess. Initially the request to use Station 4 as a museum after the station is replaced was linked with the historical site designation effort. These are now separate issues with a report back on the use of Station 4 as a museum scheduled for a later date.

**7. Finance – Fees and Charges:**

As part of the evaluation of current fees, an inventory of existing city fees was completed and provided to the Mayor and City Council at the Midyear hearing on March 8, 2005. Department of Finance staff has since drafted a *Fees and Charges Policy* including guidelines for annual fee adjustments for certain fee categories in the budget process. The draft Fee Policy guidelines include the range of cost recovery for services and recommendations regarding the frequency with which fees should be increased to stay current with costs for services, including the associated labor costs, and supplies. Over the next six months Department of Finance staff will work with departments to finalize the Fee Policy and develop the best process for keeping the “fee report” current. Staff will return to Council for adoption of the final Fees and Charges Policy at Midyear. Proposed new fees or fee increases will be presented to the City Council during the Proposed 2006/07 Budget hearings next May and June.

**ATTACHMENT B**  
**Future City Council Reports Back**

<b><u>FY2005/06 Proposed Budget</u></b>	
<b><u>Reports Back due after July 2005 Council Recess</u></b>	
<b>Department</b>	<b>Description (Date Requested, Requester)</b>
CC&L	Community Center Theater Improvements (5/24/05)
Fire	Diversity in Hiring (5/24/05, McCarty)
Fire	Work with Los Rios Community College District on holding paramedic classes at Sacramento City College (5/24/05, Waters)
Fire	Alternative (satellite) sites for classes (5/24/05, Mayor)
Fire	Replacement of Fire Stations (5/24/05, Cohn)
Fire/Dev. Services	Reuse of Station 4 as a Museum (5/24/05, Cohn)
Police	Bring forward a report on the Cool in the Pool Program (5/24/05, Cohn)
Police	Police Presence in Downtown (5/24/05, Cohn)
Police	Violence and Nuisance Response (5/24/05, Cohn)
General Services	Roll out Strategy for the 311 Call Center (6/7/05)
Department of Utilities, Solid Waste Division	Community outreach efforts (automated e-mails, magnets, flyers, etc) related street sweeping route information, and ways to reduce garbage and garden refuse costs (6/7/05, Sheedy)
Department of Utilities, Solid Waste Division	Multi-Family Recycling efforts (6/4/05, Cohn)
Department of Utilities	Diversity Plan (6/7/05, Hammond)
Department of Utilities, Solid Waste Division	Percentage of waste disposed in "garbage" containers that could be recycled (6/7/05, Cohn/McCarty)



**FY2005/06 Proposed Budget**

**Reports Back due after July 2005 Council Recess**

<b>Department</b>	<b>Description (Date Requested, Requester)</b>
Transportation, Parks and General Services	Deferred Maintenance efforts citywide (facilities, bridges, park facilities, infrastructure, lighting, etc.) – what programs and funding are in place and where are there gaps (6/7/05, Cohn)
Development Svcs., Parks and Transportation	Citywide L&L increase to fund medians and regional parks (6/7/05, Mayor)