

City of Sacramento

Legislation Details (With Text)

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Title:
Fiscal Year (FY) 2019/20 Midyear Budget Report

File ID: 2020-00077

Location: Citywide

Recommendation:

Adopt a Resolution approving the FY2019/20 Midyear Budget Report

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Presenter: Tara Filipich, Budget Manager (916) 808-5078, Department of Finance

Attachments:

01-Description/Analysis
02-Measure U Implementation Update
03-Resolution
04-Exhibit A - FY2019/20 Midyear Report
05-Exhibit B - Budget and Staffing Adjustments
06-Exhibit C - Reclassification Requests
07-Exhibit D - Position Changes
08-Exhibit E - Amended FY2019/20 Measure U Programming
09-Exhibit F - Interfund Loan from the Risk Fund

Description/Analysis

Issue Detail: The FY2019/20 Midyear Budget Report (Midyear Report) is intended to update the City Council (Council) on major changes following budget approval and includes recommendations necessary to implement the City's financial plan for the remainder of the fiscal year. The Midyear Report provides detailed information on the changes summarized in this report and is included as Exhibit B.

After a review of citywide revenues (property tax, sales tax, enterprise fund general tax, and cable-commission fees), staff is recommending a \$12.9 million revenue increase. In response to Council discussions related to mission-critical programs and after working with the departments, an additional \$2.2 million (net) in expenditures is being recommended.

As presented in the FY2018/19 Comprehensive Annual Financial Report (CAFR), revenues and expenditures during fiscal year ending June 30, 2019, resulted in one-time General/Measure U Fund budgetary resources of \$27 million. Additionally, the Mayor has been working with the State Controller on the City's 2017 gas tax audit finding. On January 9, the Mayor was able to obtain a letter from the State Controller's Office confirming that the City (General Fund) is not required to repay \$2 million to the Gas Tax Fund.

The following table provides a summary of the changes in available fund balance.

General/Measure U Available Fund Balance	
Fund Balance (in 000s)	
FY2018/19 Available Fund Balance	13,367
FY2018/19 Year-end resources	27,029
FY2019/20 Revenues above Expenditures	25,880
FY2019/20 Midyear Revenue Adjustment	12,866
Release of Gas Tax Commitment	2,087
Subtotal Available Fund Balance	\$81,229
Approved Council Actions	
Expanding the Youth Pop-Up Program	(1,300)
General Plan Update Litigation	(80)
Implementation of the Tenant Protection Program	(100)
Janitorial Contract	(250)
Labor Agreements	(27,060)
Martin Luther King Jr./N. Sacramento Libraries	(75)
MLS Stadium Term Sheet	(174)
Natomas Aquatics Center Loan Repayment	(14,403)
Northgate/Gardenland Improvements	(1,868)
Youth Pop Ups	(56)
EUR Increase for Midyear expenses	(238)
Subtotal Council Actions	(\$45,604)
FY2019/20 Midyear	
Operating Budget Changes	6,520
Multi-Year Operating Project Changes	(8,680)
Subtotal Midyear Changes	(\$2,160)
Available Fund Balance	\$33,465

The following provides details on recommended General/Measure U Fund budget adjustments necessary to address departmental operational needs and critical equipment/capital improvements.

General/Measure U Fund Midyear Augmentations/Changes

Department	Fund	Description	FTE	Expenditure Adjustment
City Attorney	General	Add staffing to effectively provide litigation services (1.0 FTE Senior Deputy City Attorney and 1.0 FTE Legal Secretary funded from existing resources in the Cannal Program. One Measure U position (1.0 FTE Paralegal related to SB1421 & AB748 will be deleted.	2.00	-
Public Works	General	Fund additional services for the Illegal Dumping program. Costs are offset by the increased in Enterprise Fund General Fund Tax revenues.	-	279,958
Debt Service/ Citywide and Community Support	Measure U	Return a portion of the \$7.5 million budgeted for the Mayor/Council Capital Investment Program debt service fund balance, the remaining \$0.7 million will be used to support real estate appraisals and debt issuance stress test study.	-	(6,800,000)
Subtotal:			2.00	(6,520,042)
Projects	Fund	Description	FTE	Expenditure Adjustment
Advanced Life Support Equipment Program(F12000200)	General	Restore funding for the ALS program to correct purchase of ambulances authorized with intergovernmental transfer (IGT) revenue in FY2016/17.	-	1,148,218
City Hall Space Efficiency Project (C15000800)	General	Increase funding to support buildout of office space for third floor of City Hall.	-	200,000
Citywide Litigation Project(I80310000)	General	Increase funding to support the City's ongoing need to address litigation.	-	500,000
Cool Storage for Film Archives (C15001200)	Measure U	Establish and fund a CIP to construct and outfit a temperature controlled room to preserve the City's film and photographic collections.	-	487,868
Family Unity, Education and Legal (FUEL) Network (I02000800)	Measure U	Increase funding to support ongoing activities, an additional \$250,000 in one-time funding is included in FY2020/21 forecast. This program will be re-evaluated during midyear FY2020/21.	-	250,000
FY2020 City Attorney's Office Measure U (I80030800)	Measure U	Transfer a position funded by Measure U (1.0 FTE) to General Fund to better align the work with the funding source.	(1.00)	(41,244)
FY2020 Police Measure U (I80110800)	Measure U	Increase funding to add Community Service Officer II positions (20.0 FTE), add positions to address the workload related to state-mandated public record release (4.0 FTE Media Production Specialist I), address over purchase a rescue vehicle, and establish an unmanned aerial systems unit.	24.00	5,009,894
Police Safety Equipment Program (F11100800)	Measure U	Funding to replace 185 portable radios that are at the end of their useful life.	-	1,000,000
Zoo Relocation Study (I02002100)	General	Increase funding for the Zoo Relocation Study.	-	125,000
Subtotal:			23.00	8,679,736
Total General/Measure U Fund Change			25.00	2,159,694

The following provides details on recommended non-General/Measure U Fund budget adjustments necessary to address departmental operational needs and critical equipment/capital improvements.

Convention and Cultural Services Department

The Department requested the addition of 1.0 FTE (Events Services Manager), which will be funded by the Community Center Fund (Fund 6010). This position is necessary to oversee the construction and operation of the convention-center complex as recommended in the study completed by Conventional Wisdom in 2019.

Natomas Basin Habitat Conservation Plan (NBHCP)

The NBHCP, adopted in 1997 and revised in 2003, was designed to promote biological conservation along with economic development and continuation of agriculture in the 53,341-acre Natomas Basin. The Natomas Basin is located in the northern portion of Sacramento County and the southern portion of Sutter County. The Natomas Basin Conservancy (TNBC) is the “Plan Operator” for the NBHCP. TNBC is an IRS section 501(c)(3) nonprofit public-benefit corporation that is independent of the City. TNBC is responsible for the acquisition, operation, and management of mitigation lands needed to meet the requirements of the NBHCP. All mitigation lands must be within the Natomas Basin.

In 2002, the City approved a no-interest line of credit with TNBC for up to \$4 million (Agreement No. 2002-523). At the discretion of the City, the line of credit may be used by TNBC to acquire habitat-mitigation lands in the Natomas Basin. The line of credit has not been used since originally approved in 2002. However, the TNBC is now requesting access to funds as land acquisition is of critical importance to the City’s compliance with the NBHCP and reduces the risk that planned development will be challenged because of insufficient mitigation lands to satisfy the NBHCP.

Staff is recommending that a \$2 million interfund loan from the Risk Fund to the General Fund be approved. These resources will be used to provide the funding necessary to fund the line of credit with TNBC. At an estimated Pool A rate of 2.20%, the estimated cost of accrued interest to the General Fund is approximately \$44,500 annually. Additional information on the interfund loan is included in Attachment F.

Midyear Review

The midyear review included an analysis of all operating departments and funds. Recommendations for staffing changes, net-zero revenue and expenditure adjustments, multi-year-project budget adjustments, and other minor corrective actions are detailed in the Midyear Report. Exhibits B through E provide additional detailed information on these changes.

Policy Considerations: This report is consistent with the Council’s direction to keep the Council informed on the City’s fiscal condition.

Economic Impacts: None

Environmental Considerations:

California Environmental Quality Act (CEQA): This report concerns administrative activities and government fiscal activities that do not constitute a “project” as defined by the CEQA Guidelines and thus are not subject to CEQA (14 Cal. Code Regs. §§ 15060(c)(3), 15378(b)(2), and 15378(b)(4)). CEQA review for any project that uses funds allocated in this report has been or will be performed in conjunction with planning, design, and approval of the project as appropriate.

Sustainability: Not applicable.

Commission/Committee Action: The FY2019/20 Midyear Report was presented to the Budget and Audit Committee (Committee) on Tuesday, January 28, 2020. The Committee discussed the report and voted to forward it to Council.

Rationale for Recommendation: The actions recommended in the Midyear Report address the adjustments necessary to implement the City’s financial plan for the remainder of the current fiscal year and provide additional resources for mission-critical programs and services.

Financial Considerations: The Midyear Report includes changes to the current budget resolution, as well as future resolutions, necessary to clarify authority and establish the authority needed to manage grants, reconcile year-end revenues with associated expenditures, accept funding from community partners for the City’s efforts on homelessness, authorize an interfund loan, and to address potential funding shortfalls in the START Fund.

The five-year General/Measure U Fund forecast has been updated to reflect the following:

- FY2018/19 year-end adjustments
- Council actions after budget adoption
- Revenue changes based on current estimates
- Department augmentations and changes

FY2019/20 Midyear Forecast

(updated 01/21/2020)

5-Year Forecast		FY2019/20	FY2020/21	FY2021/22	FY2022/23	FY2023/24
General (G) and Measure U (MU)		Amended	Project	Project	Project	Project
Revenues (includes \$12.9m in Midyear Adjustments)						
Revenues		621,938	635,137	647,601	658,449	671,3
Other Sources		23,006	16,000	1,000	2,000	2,25
Total Revenues/Res		644,944	651,137	648,601	660,449	673,5
Expenditures (not include Midyear Adjustments)						
Department Operating, Debt and MYOPs		579,021	595,015	613,037	632,674	646,0
Capital Projects		23,989	10,235	10,672	10,710	10,8
Other Uses						
Total Expenditures		603,010	605,250	623,709	643,384	656,8
FIIR Contribution of Expenses, adjusted for approved		2,541	2,926	3,332	3,422	3,40
Net Resources (less expenditures)		22,681	42,662	21,560	13,643	13,10
One-Time Resources						
FY2018/19 Year-End Resources (General Fund)		32,283	-	-	-	-
FY2018/19 Year-End Resources (Measure U Fund)		18,711	-	-	-	-
Return of Gas Tax Revenues (General Fund)		2,087	-	-	-	-
Total Resources Available		75,761	42,662	21,560	13,643	13,10
Expenditure Changes Since Approved						
Labor Agreements		27,060	35,587	38,625	38,625	38,62
Council Authorized General Fund Expenses		7,080	1,000	1,000	1,000	1,00
Council Authorized Measure U Expenses		1,400				
Midyear General Fund Augmentations		2,253	563	568	573	578
Midyear Measure U Augmentations		(93)	2,775	2,555	884	888
Total Changes		47,700	39,925	42,748	41,082	41,09
Revised Forecast		33,465	2,736	(21,188)	(27,439)	(27,8)

Local Business Enterprise (LBE): No goods or services are being purchased under this report.