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SECTION – 2 **Budget Overview**

APPROVED BUDGET OVERVIEW

The FY2015/16 Operating and Capital Improvement Program (CIP) Budgets were approved by the City Council on June 9, 2015. The Approved Budget totals \$951.6 million from all funding sources and supports 4,299.94 authorized full-time equivalent (FTE) positions. The General Fund totals \$404.1 million and 3,080.17 authorized FTE, and the Enterprise and other Funds total \$547.5 million and 1,219.77 FTE.

The City Council held five meetings during May and June to review and discuss the Proposed Budget. Following those discussions, the changes as summarized in the following charts were approved by the City Council.

Operating Budget Adjustments

Department	Fund Name (Number)	Revenue Adjustment	Expenditure Adjustment	Description
Community Development	General Fund (1001)	(120,000)	-	Remove from the General Fund revenue budget, should be in the Development Services Fund.
General Services	General Fund (1001)		(230,000)	Elimination of the Director as a result of restructuring the Department.
Information Technology	General Fund (1001)	-	40,000	OpenGov purchase.
Subtotal General Fund:		(120,000)	(190,000)	
Community Development	Development Services (2016)	120,000	-	Establish a Development Service Fund revenue budget, originally budgeted in the General Fund.
Subtotal Other Funds:		120,000	-	
Net Department Changes:		\$ -	\$ (190,000)	

Multi-year Project Appropriations

Project Name (Number)	Fund Name (Number)	Revenue Adjustment	Expenditure Adjustment	Description
Arts and Cultural Facilities Grant Program	Crocker Master Trust Fund (2604)	-	210,000	Revenue was budgeted; expenditure budget is required.
Digital Strategy (A07000700)	Development Services (2016)	-	103,767	Establish a Development Service Fund expenditure budget, originally budgeted in the General Fund.
Planning Technology Program (A21006400)	Development Services (2016)	-	16,233	Establish a Development Service Fund expenditure budget, originally budgeted in the General Fund.
Digital Strategy (A07000700)	General Fund (1001)	-	(103,767)	Remove from the General Fund expenditure budget; should be in the Development Services Fund.
Planning Technology Program (A21006400)	General Fund (1001)	-	(16,233)	Remove from the General Fund expenditure budget; should be in the Development Services Fund.
Utility Rate Assistance (I14130100)	General Fund (1001)	-	51,000	Funding to provide rate assistance to low-income customers for the Solid Waste rate increase approved for FY2015/16 and beyond.
Garcia Bend Bike Trail Planning Study (K15165000)	Measure U (2401)	-	341,000	Funding for the planning and design of a bike trail extension from the Pocket Canal to Garcia Bend Park.
Fire Measure U MYOP (I80120400)	Measure U (2401)	-	1,614,000	Funding to add a fire truck company to Station 43 beginning in January 2016 (\$1.414 million and 15.0 FTE) and increased funding for dual-role medics (\$200,000).
Park Maintenance Improvements (L19706000)	Measure U (2401)	-	2,000,000	Funding for Park Maintenance Improvements (\$1.55 million) and Park Infrastructure Assessment Study (\$450,000).
Parks Measure U MYOP (I80190400)	Measure U (2401)	-	1,570,000	Funding for 4th R (\$340,000) and Park Maintenance (\$1.23 million).

Multi-year Project Appropriations (continued)

Project Name (Number)	Fund Name (Number)	Revenue Adjustment	Expenditure Adjustment	Description
Police Measure U MYOP (I80110400)	Measure U (2401)	-	1,528,000	Funding (\$300,000) for FY2015/16 initial costs to bring on 15.0 FTE police officers (staffing costs are not anticipated until FY2016/17 due to existing vacancies), Gang Prevention Task Force (\$1 million) and Public Counter Staffing at Kinney (\$228,000 and 3.0 FTE).
District 5 Parks Improvement Assessment Program (L19001100)	Park Impact Fee (3204)		(30,000)	Eliminate the project as this will be completed under the citywide park assessment authorized under the Park Maintenance Improvement CIP (L19706000).
Net Multi-year Project Changes		\$ -	\$ 1,498,000	

Position Changes

Department / Fund Name	Job Classification	Union (Rep. Unit #)	FTE Change	Description
GENERAL SERVICES				
General	Director of General Services	N/A (20)	(1.00)	Restructuring
FIRE				
Measure U	Fire Captain	522 (05)	3.00	Station 43 Truck Company
Measure U	Fire Engineer	522 (05)	3.00	Station 43 Truck Company
Measure U	Firefighter	522 (05)	9.00	Station 43 Truck Company
Measure U	Firefighter (Paramedic)	522 (05)	12.00	Change ambulance staffing from single-role to dual-role.
Measure U	Staff Aide	N/A (09)	(12.00)	Change ambulance staffing from single-role to dual-role.
PARKS AND RECREATION				
General/Measure U	Accounting Technician	L39 (16)	1.00	Right-sizing operations
General/Measure U	Clerical Assistant	N/A (09)	(0.25)	Right-sizing operations
General/Measure U	Community Center Attendant I	L39 (03)	1.50	Right-sizing operations
General/Measure U	Custodian II	L39 (03)	4.20	Right-sizing operations
General/Measure U	Customer Service Assistant	L39 (16)	3.30	Right-sizing operations
General/Measure U	Customer Service Representative	L39 (16)	3.00	Right-sizing operations
General/Measure U	Human Services Program Coordinator	N/A (09)	(7.16)	Right-sizing operations
General/Measure U	Junior Plant Operator	L39 (04)	1.00	Right-sizing operations
General/Measure U	Park Maintenance Worker	L39 (03)	9.00	Provide additional park maintenance support through Measure U.
General/Measure U	Park Maintenance Worker I	L39 (03)	3.00	Provide additional park maintenance support through Measure U.
General/Measure U	Park Maintenance Worker II	L39 (03)	5.00	Provide additional park maintenance support through Measure U.
General/Measure U	Park Safety Ranger Assistant	SPOA (02)	2.00	Right-sizing operations
General/Measure U	Parks Supervisor	L39 (15)	1.00	Provide additional park maintenance support through Measure U.
General/Measure U	Program Coordinator	L39 (16)	10.45	Right-sizing operations
General/Measure U	Program Leader	L39 (16)	13.80	Right-sizing operations
General/Measure U	Recreation Aide	N/A (09)	(7.34)	Right-sizing operations
General/Measure U	Senior Recreation Aide	N/A (09)	(3.79)	Right-sizing operations

Position Changes (continued)

Department / Fund Name	Job Classification	Union (Rep. Unit #)	FTE Change	Description
General/Measure U	Special Program Leader	N/A (09)	(1.36)	Right-sizing operations
General/Measure U	Staff Aide	L39 (TBD)	(15.29)	Right-sizing operations
General/Measure U	Typist Clerk II	L39 (16)	(1.00)	Right-sizing operations
General/Measure U	Utility Worker	N/A (09)	(2.00)	Right-sizing operations
4th R	Child Care Assistant	L39 (16)	(0.31)	Right-sizing operations
4th R	Program Coordinator	L39 (16)	(4.00)	Right-sizing operations
4th R	Program Developer	L39 (16)	(3.75)	Right-sizing operations
4th R	Program Leader	L39 (16)	19.80	Right-sizing operations
4th R	Recreation Aide	N/A (09)	(7.46)	Right-sizing operations
4th R	Typist Clerk III	L39 (16)	(1.00)	Right-sizing operations
START	Human Services Program Coordinator	N/A (09)	(24.00)	Right-sizing operations
START	Instructor	N/A (09)	(0.15)	Right-sizing operations
START	Program Coordinator	L39 (16)	33.15	Right-sizing operations
START	Program Leader	L39 (16)	41.85	Right-sizing operations
START	Program Supervisor	L39 (15)	(2.00)	Right-sizing operations
START	Special Program Leader	N/A (09)	(65.50)	Right-sizing operations
START	Tutor	N/A (09)	(0.50)	Right-sizing operations
START	Typist Clerk II	L39 (16)	(1.00)	Right-sizing operations
POLICE				
Measure U	Police Officer	SPOA (02)	15.00	Addition of officers
Measure U	Police Records Specialist II	L39 (16)	3.00	Reopen public counters at William J. Kinney Police Station
Total Change			37.19	

FY2015/16 Measure U Restorations

Voter approval of Measure U in November 2012 authorized an additional one-half cent transaction and use tax effective April 1, 2013. On June 11, 2013, the City Council adopted a six-year Measure U expenditure plan. The following chart reflects the programs and services funded by Measure U tax revenues approved by the City Council on June 9, 2015.

Measure U Restoration Plan

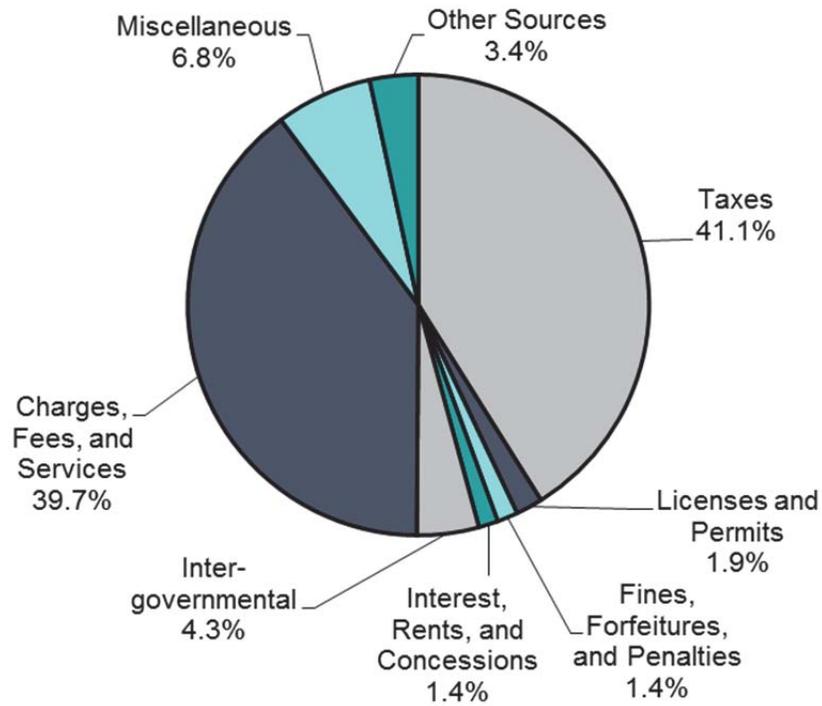
Measure U Revenues and Expenditures (in 000s)	Total FTE	FY16	FY17	FY18	FY19	FY20
BEGINNING FUND BALANCE		32,746	25,859	28,023	29,225	18,139
REVENUES		42,046	43,798	45,610	35,619	-
EXPENDITURES						
Fire Department						
SAFER Grant Retention	27.00	2,803	2,803	2,803	2,803	2,803
Fire Company Restorations	48.00	6,384	6,576	6,773	6,976	7,185
Fire Station 43	15.00	1,414	2,418	2,515	2,615	2,720
Two Medic Units - January 2014 <i>(partially offset by \$1.2 million in new revenues)</i>	12.00	692	715	738	762	788
Technology	4.00	456	470	484	498	513
Fiscal Support	2.00	192	198	204	210	216
Fire Prevention	1.00	147	151	156	161	165
Human Resources	1.00	96	99	102	105	108
Recruit Academy	-	-	-	-	-	-
Capital Investment	-	4,048	-	-	-	-
Fire Subtotal	110.00	16,232	13,429	13,774	14,130	14,499

Measure U Restoration Plan (continued)

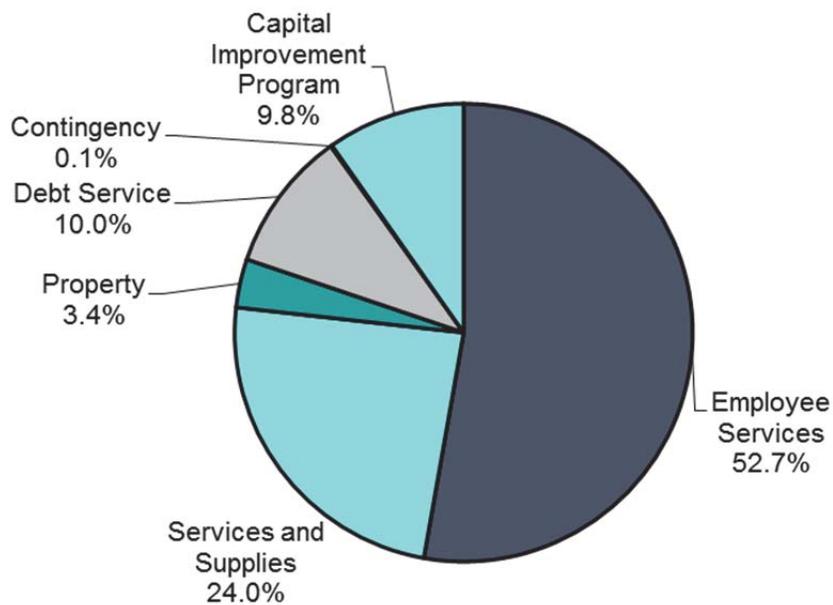
Measure U Revenues and Expenditures (in 000s)	Total FTE	FY16	FY17	FY18	FY19	FY20
Police Department						
COPS Hiring Program Match and Retention (CHP and CHRP)	60.00	5,483	5,483	5,483	5,483	5,483
COPS Hiring Program (CHP Match and Retention FY13 (New in FY15))	10.00	653	843	960	1,409	1,451
COPS Hiring Program (CHP) Match and Retention FY14 and 15 vehicles in FY16	15.00	920	1,094	1,361	2,072	2,134
Police Officers	15.00	300	525	1,665	1,800	1,872
Gang Prevention Task Force	-	1,000	-	-	-	-
Public Safety Counter (Kinney Station)	3.00	228	237	247	256	267
Field & Operations (12.0 new FTE in FY15)	61.00	6,316	7,564	8,087	8,404	8,656
Overtime	-	511	-	-	-	-
Investigations (2.0 new FTE in FY15)	8.00	1,201	1,254	1,283	1,292	1,331
Forensics	6.00	567	614	636	646	665
Communications	4.00	311	355	408	429	442
Crime Analysis	1.00	92	97	98	99	102
Hiring Pipeline	22.50	1,000	1,000	1,000	1,000	1,000
Fair & Impartial Policing Training	-	10	-	-	-	-
Capital Investment	-	-	-	-	-	-
Police Subtotal	205.50	18,592	19,066	21,228	22,890	23,404
Public Safety Total	315.50	34,824	32,495	35,002	37,020	37,903
Parks and Recreation Department						
Aquatics	34.00	1,764	1,817	1,871	1,928	1,985
Community Centers	21.80	1,104	1,137	1,171	1,206	1,243
Park Maintenance (includes Park Ranger)	47.00	3,757	3,570	3,686	3,808	3,932
Senior Programs	1.50	172	177	182	188	194
Teen Services (Hot Spots/Summer at City Hall)	4.15	390	402	414	426	439
Gang Prevention	1.00	100	103	106	109	113
Recreation	18.35	1,209	1,245	1,283	1,321	1,361
4th R	-	340	-	-	-	-
Capital Investment	-	4,250	-	-	-	-
Parks and Recreation Subtotal	127.80	13,086	8,451	8,713	8,986	9,266
MISCELLANEOUS RESTORATIONS						
Animal Control Officer	2.00	176	181	187	192	198
Capital Investment - Animal Control	-	-	-	-	-	-
Capital Investment - Garcia Bend Bike Trail Study	-	341	-	-	-	-
Library Restoration	-	506	506	506	506	506
Miscellaneous Subtotal	2.00	1,023	687	693	698	704
Total Measure U Restorations	445.30	48,933	41,633	44,408	46,705	47,873
ENDING FUND BALANCE	-	\$25,859	\$28,023	\$29,225	\$18,139	(29,734)

Total Approved City Budget: \$951.6 Million

Revenue

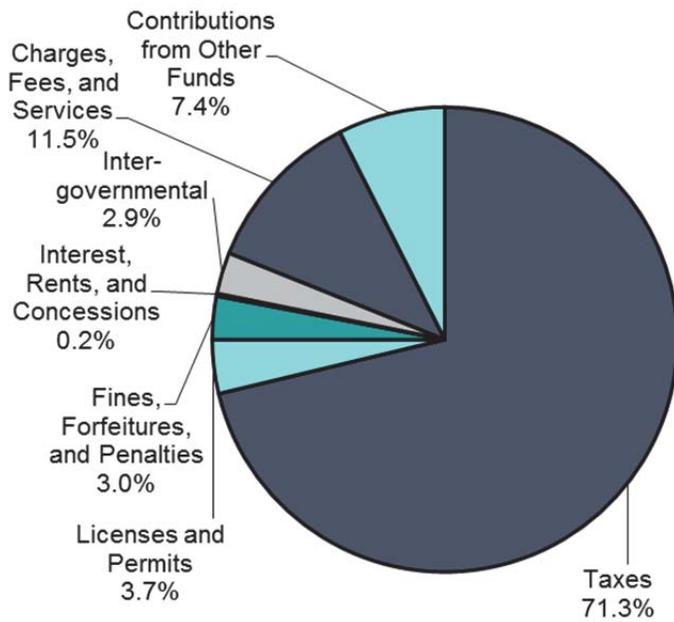


Expenditures

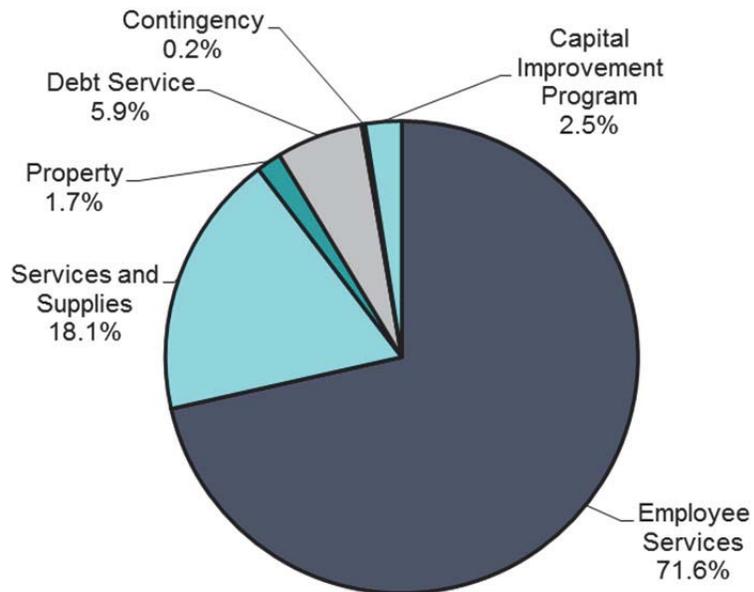


Total Approved General Fund Budget: \$404.2 Million

Revenue



Expenditures



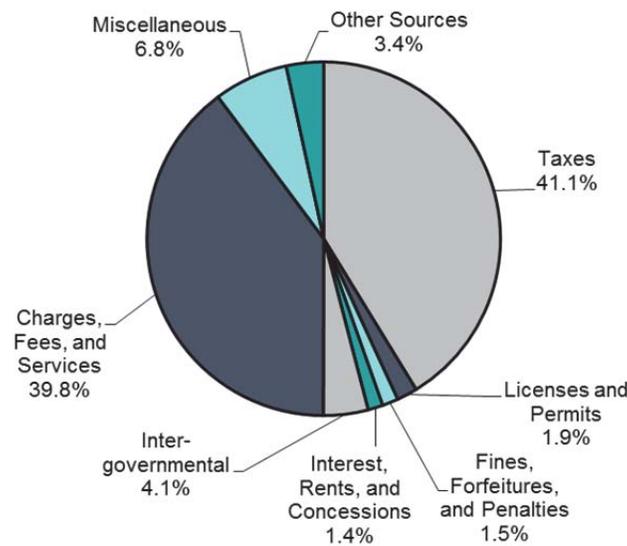
PROPOSED BUDGET OVERVIEW
(As written on May 1, 2015)

INTRODUCTION

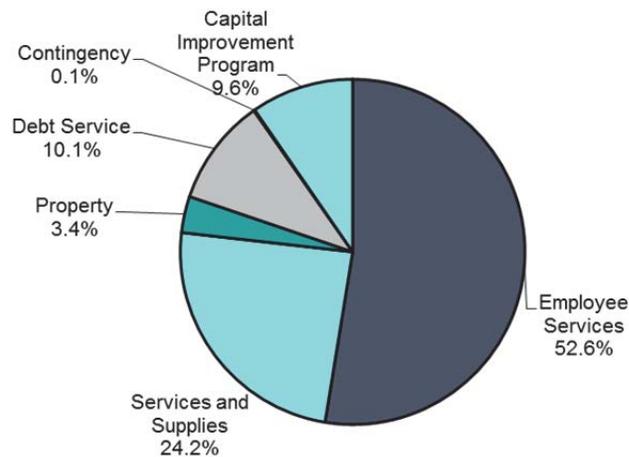
The FY2015/16 Proposed Budget (Budget) is balanced and reflects adopted Council priorities, City policies, goals and planning/programming guides. The Budget outlines resource allocation recommendations, including those involving staffing, technology, equipment, and program priorities.

The total Budget is \$940.5 million from all funding sources and supports 4,262.75 FTE positions. This includes \$403.8 million for General Fund operations and capital projects, and \$536.7 million for operations and capital projects for the City’s Enterprise Funds and other fund activities. The following charts provide a summary of the Budget:

Revenues



Expenditures



Note: The above charts do not include other sources and uses as represented in Schedules 2A and 2B.

The Budget Process

This year the Mayor and Council embarked on an ambitious effort to refine the budget development process, including the formation of a Budget and Audit Committee (Committee) and holding several Council workshops and community meetings in order to educate the community and Council with regard to the City’s budget and focus attention on the financial challenges facing the City over the long-term. These activities culminated in Council’s adoption of the core budget policies and budget development guidelines which are outlined below, as well as priorities for the budget, reflecting policy and program concerns of the Council and community at large.

Core Budget Policies
City Council must adopt a balanced budget
The Economic Uncertainty Reserve is to be increased gradually to Council’s goal of 10% of the General Fund revenue
Unbudgeted one-time revenues from an unexpected source must go to the reserve
Unbudgeted one-time revenues from an expected source (surpluses) will be allocated at the discretion of the Mayor and City Council and may be dedicated to the reserve
Council can allocate other sources of revenue to the reserve at any time
Measure U
Restorations, not new programs
Resources will not be used to balance the General Fund Budget
Resources will not be used to increase employee compensation
Resources will be set aside for contingency funding, one-time expenses, and transition with expiration in March 2019
Economic Development Fund (to be renamed the Innovation and Growth Fund)
Directed new property taxes resulting from the dissolution of redevelopment to the fund
Directed proceeds from the sale of surplus General Fund properties to the fund
Fund is used to invest in projects and programs that will grow revenue
Budget Guidelines
Maintain a fiscally sustainable, balanced budget.
The Mayor and Council’s priorities, based on community input, should drive the budget creation.
Continue a community-based budget process where city residents are engaged and educated on budget processes and provide feedback on budget priorities.
Look for ways to grow the reserve beyond its current goal of 10% of revenues.
All budget actions must be considered in a multi-year context, with new revenues not counted or spent until realized. One-time resources should be used for one-time needs, not ongoing expenses.
Do not make spending decisions in isolation. Avoid spending money on one-off projects or without looking at the big picture. Understand long-term consequences and opportunity costs.
Keep Council informed on the fiscal condition of the city and conduct continuous evaluations for efficiencies and effectiveness.
The City must consistently look for opportunities to proactively grow revenues instead of simply being reactive.
Make every effort to identify private financing or federal and state grant opportunities before using City resources. Pursue new and enhance existing revenue sources.
Before new expenditures are made, identify return on investments and impacts; fiscal and social benefits.
Address unfunded long-term liabilities.
Remain a full-service city.

On April 7, 2015 the Budget and Audit Committee directed staff to return to Council with the following programmatic definitions and financial policies:

- Define Priority Neighborhoods
- Innovation and Growth Fund
- Measure U Resources and Reserve
- Unbudgeted Revenue
 - Ground Emergency Medical Transport (GEMT)
 - Intergovernmental Transfer (IGT)
- Year-end Results

These items will be brought forward for consideration and discussion in May and June.

Mayor and Council Priorities

In his State of the City address, the Mayor introduced the concept of “Sacramento 3.0,” the next generation of our city stating:

In Sacramento 3.0, the city is a hub of innovation, entrepreneurship, and technology. It's paperless, wireless, and cashless. In order to make this transition, we must focus on three “I's”: Innovation, Infrastructure and Inclusion. This means being innovative about new approaches to problems and ways to deliver city services, modernizing our city's infrastructure to ensure we have a strong foundation, and to become truly inclusive especially when it comes to making decisions about how taxpayer dollars are being allocated.

In addition, three overarching principles were identified that served to inform the development of priorities for the Budget and Sacramento 3.0:

Fiscal Responsibility - As our city enters into this phase of economic recovery, it's crucial to adopt financially sound policies and procedures that are prudent and take into account long-term impacts.

Growing the Economy and Jobs - The City is overly reliant on farming and the State Capitol. We have to shift and take the necessary steps to diversify the economy, our revenues and the job base. This means becoming the best city in the state to do business. By creating an environment that is friendly to entrepreneurship and business, we can create a larger tax base and more jobs.

Priority Neighborhoods - In order to ensure that our city is serving all citizens well, we need to ensure that services and programs are available in every neighborhood. In order to make this a reality, we will identify communities throughout the city that need special attention and resources to help equalize access for all residents.

Ultimately, the Mayor and Council adopted a comprehensive list of budget priorities, embodying the principles outlined above, reflecting five strategic focus areas: 1) Public Safety, 2) Economic Development, 3) Youth and Education, 4) Good Governance and 5) Quality of Life.

These collective Council objectives are woven throughout the FY2015/16 Budget, which allocates the resources necessary to achieve our shared vision. The Budget seeks to address the community's priority needs, while reaching forward to establish the framework necessary to become Sacramento 3.0. In addition, department sections of the budget include information on the City's efforts relative to the “3-I's,” Innovation, Infrastructure, and Inclusion.

While we are excited at the prospects additional funding opportunities provide, we must remain mindful of our operational capacity to balance the demands of existing program and service priorities and this new workload. With this in mind, decisions regarding recommended funding levels have been guided by the realities of what can actually be delivered during the fiscal year.

Mayor and Council Priority Budget Initiatives

On March 17, 2015, the Mayor presented recommendations for priority budget initiatives to the City Council which were subsequently adopted. Consistent with Council direction, the Budget reflects strategic investments focused primarily on one-time expenditures in order to address current critical needs and invest in projects with long-term benefits. The following chart summarizes recommendations for funding priority budget initiatives included in the Budget.

Priority Budget Initiatives	FTE	Proposed (\$ in millions)
Public Safety	22.50	9.46
Economic Development	-	2.29
Good Governance	-	1.84
Quality of Life	-	4.28
Total	22.50	\$ 17.87

Detailed information on each of the priorities as well as further explanation of current City efforts, next steps, funding, and staffing recommendations is provided below.

PUBLIC SAFETY

Body Camera Pilot

The Police Department has initiated a body camera pilot program to supplement existing in-car camera technology. The first phase of the pilot program will include an evaluation of different camera solutions, storage capacity requirements, policy implementation issues, and field units most appropriate to wear the devices. The pilot program will be funded out of existing Police Department resources.

Deploying the cameras department-wide will require a significant initial investment and result in ongoing cost to support additional technology staff to manage the program data. Staff is evaluating potential funding sources for this program including federal grant funds.

Sensitivity Training for Police Officers

Fair and Impartial Policing Training: This is a multi-day training course taught by Dr. Lorie Fridell of the Fair and Impartial Policing group. The course takes an innovative approach to implicit bias and its effects on policing, helping students recognize their conscious and implicit biases and teaching them how to implement unbiased behavioral responses. The total estimated cost of the training is \$40,100. The US Department of Justice will contribute \$6,300 to the training. The remaining balance of \$33,800 will be funded through a combination of Measure U (\$10,000) and existing Police Department resources (\$23,800).

Emotional Survival for Law Enforcement: This course is taught by Dr. Kevin Gilmartin, a behavioral scientist specializing in law enforcement-related issues. Dr. Gilmartin is the author of the book *“Emotional Survival for Law Enforcement”* and speaks to agencies around the country about the emotional and psychological effects of a law enforcement career. The course will help officers and family members understand how the pressures of a law enforcement career affect their lives. It also provides tools to achieve a healthy personal and professional life balance. The

point behind this training is that a healthy employee will perform better and treat citizens with more compassion. This course will be funded out of existing Police Department resources.

Use of Force Simulator: The Police Department recognizes the importance and responsibility of using any level of force in a judicious manner. Simulators use the latest technology to provide virtual interactive, use of force training. The simulators assist both new and in-service personnel in learning use of proper tactics, communication and sound judgment in a variety of situations. The simulators can also be used to educate members of the public on the unique challenges in the use of force by law enforcement. The Police Department will fund this training from existing resources.

Recruiting a Diverse Police Force

The Police Department has developed a Hiring Pipeline Program to transition young adults from, criminal justice academies, cadet programs, local community colleges and universities to careers in law enforcement. The criminal justice academies are located at four area high schools (John F. Kennedy, Hiram Johnson, Grant Union, and C.K. McClatchy) and focus on career technical education programs designed to prepare students for academic and professional success. The Cadet Program is administered by the Department and is designed to develop young adults (Ages 14-20) into productive, responsible citizens through leadership training, team building, and hands-on activities while inspiring their pursuit of a law enforcement career. Of the more than 500 students aged 13-18 in the Criminal Justice Academy and Cadet Programs, approximately 74% are members of minority groups and 55% are female. The Hiring Pipeline Program will fund 22.5 positions within three classifications (Student Trainee, Reserve Community Officer, and Limited Term Community Service Officer). These 22.5 FTE will equate to 40 to 60 part-time personnel. The Budget includes an additional \$1 million for this program.

Community Policing

Increasing staffing levels to two police officers per 1,000 residents will require substantial new ongoing resources. With Measure U resources and federal grant funding, the City has been able to retain/restore 154 sworn FTE. In FY2014/15 the Police Department added 15 additional police officers with receipt of the FY2014 U.S. Department of Justice, Office of Community Oriented Policing Services Hiring Program. Money to continue funding these 15 officers as federal funds diminish has been included in the Budget.

Security Cameras

The Police Department has launched a new initiative to expand its use of video technology in an effort to prevent and reduce crime. Ten Police Observation Devices (PODS) equipped with surveillance cameras and some with license plate readers (LPR) have been affixed to city street light standards at various locations across the City.

While the primary goal of these devices is to serve as a highly visible crime deterrent, recorded video can also be reviewed for potential evidence if a crime occurs. The LPR technology is able to quickly scan license plates and alert officers that a vehicle associated with a missing person or criminal activity is in the area. PODS are clearly marked with a police logo and a flashing blue light to maximize its effect as a crime prevention tool. The camera systems within these devices are directed at public areas around intersections. The Department is purchasing an additional ten PODS that will be installed over the next few months.

Fire and Emergency Medical Services Master Plan

The Fire Department is developing a new Master Plan (Plan). Existing staff and documents prepared by previously contracted consultants will be utilized in this effort, with the exception of a Standards of Cover (SOC) report. The Plan will include input and recommendations provided by stakeholders, auditors and consultants previously retained by the City that have identified opportunities to reduce costs, increase revenue, enhance operational efficiency and working conditions, and foster sustainability. The Plan is intended to serve as a roadmap to guide management decision-making, resource prioritization and allocation, and prudent and necessary growth activities over the next three years. The SOC will require additional consultant expertise, and funding of \$150,000 is included in the Budget for the Department to contract for these services.

ECONOMIC DEVELOPMENT

Central City Strategic Plan

Combining the Central City Master Plan priority with the Downtown Housing Initiative priority offers an extraordinary opportunity to realize economies of scale and reduce redundancies. The goal of the combined Central City Strategic Plan initiative is to develop a targeted strategic plan focusing on areas of opportunity inclusive of the housing initiative and providing key policy direction for further sustainable development in the central city.

Development of additional housing in the Central City has been a long-term goal of the City. While a modest amount of new housing has been produced in the Central City over the last decade, the progress has been slow. This is primarily due to market place imbalance between the cost of producing urban housing and what the market is willing to pay. With a few exceptions, public subsidies have been required to provide economically feasible development. With the dissolution of redevelopment, and no new source of funding for subsidies available, the City is seeking other means to help balance market dynamics and provide economic feasibility.

Measures the City can take to support development of housing in the central city include streamlining the regulatory process to reduce development timelines, uncertainties, risks, and costs. Reduction of uncertainty and risk may come in the form of a programmatic Environmental Impact Report, infrastructure studies, market viability analysis, and streamlined development processes. Additionally, new economic incentives will be explored, including those for infill development, which could help close the financial gap. The City is currently in the process of reviewing city development impact fees and will bring a proposal to Council this summer. Funding of \$2.1 million, based on a preliminary cost analysis, is included in the Budget to fund this initiative.

Railyards as an Innovation District

Staff will initiate/coordinate discussions with the Railyards developer, Greater Sacramento, City departments and offices and other interested parties to explore implementing an urban innovation district encompassing the Railyards development. Development in the Railyards will include a courthouse and possibly a major medical campus and soccer stadium within close proximity of an expanded regional transportation center. Coordination of how these uses will work together and what type of development would support and complement these uses and attract investment and people is essential.

New infrastructure planned such as the streetcar and a new bridge connecting the Railyards to West Sacramento will provide an impetus for growth. Initial discussions and concept/visioning work will not require a capital expenditure or consultant contract and can be accomplished with existing resources in FY2015/16.

Downtown Railyards Soccer Stadium

Sacramento remains a strong contender to secure a Major League Soccer (MLS) expansion franchise. As a condition of securing an MLS franchise, a state of the art stadium would be privately financed and constructed in the Downtown Railyards, subject to approval of planning entitlements and environmental review. To remove potential barriers and prepare a site for expedited development, it would be beneficial to complete predevelopment work, including entitlements and environmental review, in advance. The Railyards developer and Sacramento Republic owners would lead the predevelopment and entitlement efforts and pay for predevelopment costs including environmental review costs.

Streetcar

On January 13, 2015, the City Council voted to reserve \$7 million in City funds for the Downtown Streetcar. The Council action identified the following funding sources for this project, including the use of \$3 million of FY2013/14 year-end results:

Funding Sources	Amount (\$ in millions)
Cal EPA Building Lease Revenue	1.0
Community Development Block Grant <i>(pending availability)</i>	1.0
Economic Development Fund	2.0
Fiscal Year 2014 Year-end Results	3.0
Total	7.0

On March 17, 2015 Council appropriated \$3.0 million of FY2013/14 year-end resources to the streetcar project.

Performing Arts Theater Taskforce (PATT)

The PATT is working with Webb Associates on a Feasibility Study to determine the space needs and operational model for a new performing arts center for Sacramento. The new facility would be state-of-the-art, providing performance space for Sacramento’s Philharmonic, Opera, Ballet, and Broadway series as well as a venue for smaller theater companies. The PATT will be making recommendations on this project to Council. Additional resources will be required to continue staff support of the center, required research, regional collaboration and communication with the community. These next steps will be funded out of existing Convention and Cultural Services Department resources.

Greater Sacramento Area Economic Council (Greater Sacramento)

Greater Sacramento is the region’s new economic development organization. Its mission is to retain, attract, grow and create sustainable businesses and jobs throughout the six-county region. Greater Sacramento is led by chief executives from some of the region’s largest organizations and operates in partnership with local government to strengthen the region’s job-creating capacity. Greater Sacramento will play an important role as the City’s partner to create new jobs and foster prosperity that benefits the citizens and businesses of Sacramento alike. Funding for the City’s membership dues to Greater Sacramento is included in the Budget for \$188,000 which includes an increase of \$130,000 in order for the City to pay the full assessment.

Innovation and Growth Fund

The Innovation and Growth Fund (Fund), formerly the Economic Development Fund, is the City’s primary funding source for investing in public-private partnerships to boost the City’s economic base and job growth. The Fund is capitalized through the sale of surplus property and other one-time sources and the City’s share of property tax revenue that formerly went to

redevelopment activities. The Fund is specifically targeted to projects and programs that provide a significant return on investment and impact on the City. Updated guidelines will be presented to the Council for consideration in May.

Natomas Site Reuse

In late 2016 after the Kings new downtown arena opens, Sleep Train Arena in Natomas will no longer function as the region's primary entertainment and sports center. The Kings will own the 84 acres under and around Sleep Train Arena as well as the adjacent 100 acres. As the owners of the property, the Kings have expressed their desire to secure the highest and best economic reuse of the site as soon as possible. The Kings have also expressed their commitment to complete outreach and analysis over the next year to determine the best economic reuse, market feasibility, required planning entitlements, environmental review and timing. To ensure the reuse plans serve the City's best interests, key consultants with expertise in land use economics may be retained as needed for their special knowledge and guidance. At the appropriate time, staffing needs associated with this workload will be evaluated in the Community Development and/or Economic Development Departments.

YOUTH AND EDUCATION

Summer Night Lights

The Summer Night Lights (SNL) program is a violence-reduction program in locations disproportionately impacted by violence. Summer Night Lights provides positive summer programming for youth and families, hires and trains young adults from the community who are at-risk for gang involvement and/or gang violence, and focuses on inter-generational activities that foster a safer community. The City Council approved \$400,000 in funding to implement the program in the Oak Park and Valley Hi communities. The City Council approved an additional \$200,000 to develop a similar program in the Del Paso Heights community.

Mayor's Gang Prevention Task Force

In 2011, the Mayor formed a Gang Prevention Task Force consisting of city leaders, law enforcement, education, and faith and community leaders. This task force created a strategic plan intended to shift the paradigm toward a comprehensive service approach by multiple entities that would likely be more successful than enforcement-centered or standalone efforts. The Task Force ceased meeting more than a year ago. Given initiatives currently underway and proposed for funding in the Police Department, funding for additional Task Force work has not been recommended.

Solutions City Initiative

Solutions City is a partnership of employers, educators, and service organizations, led by the Mayor and the Starbucks Coffee Company, to build career on-ramps for veterans and youth (individuals 16-24 years old not working or in school). Solutions City seeks to leverage existing job training and employment programs with new commitments from employers in the Sacramento region to hire returning veterans and opportunity youth. The goal is to build a coalition of employers that collectively commits to hire 1,000 veterans and/or opportunity youth by the end of 2015. This program is proceeding with private resources and has shown early success.

In support of the Solutions City initiative, the Sacramento Police Department will launch its "Hiring Pipeline" described above to help transition opportunity youth towards a career in law enforcement. The program endeavors to hire up to 50 individuals, most of which would be young adults wishing to pursue a career in law enforcement, but may not yet have the requisite

age or academic qualifications. The goal of this program is to develop a sustainable pool of young, diverse applicants to fill various vacancies within the Police Department. These positions will be available following the adoption of the Fiscal Year 2015/16 budget.

Youth and Education Department – Study Feasibility

The Department of Parks and Recreation is cataloging the City investment in children and youth ages 0-17 including type of service funded and source of funding. The assessment includes services explicitly targeted to children and youth (childcare) and to families when eligibility is tied to the presence of children in the family. The study will compare Sacramento with other cities for best practices, alignment of services and quality of services for youth. Additional funding for this effort is not required this next fiscal year.

GOOD GOVERNANCE

OpenGov

The City's award-winning and nationally recognized open data portal promotes openness, transparency, and accountability. The current site provides easy access to high-value city government data. The City currently provides access to financial data and information through this portal. We continue to expand the number of data sets and ways that individuals can easily look at and use City information. For publication on May 2015, is the development of easier to read graphs and charts for financial data. Given the robust content of our open data portal and work currently in progress by City staff to deliver user friendly graphs and charts we are not recommending additional funding for this initiative.

Cell Tower Revenues

The Budget includes the redirection of all cell tower revenues on an equal share basis to the Mayor and City Council operations budgets. Each budget was increased by \$18,628 for a total allocation to each district and the Mayor of \$62,222.

Economic Uncertainty Reserve

The City Manager remains committed to achieving the Council's 10% EUR goal. As of July 1, 2015, the EUR will be approximately 8.6% of General Fund revenues. Consistent with current efforts, recommendations for funding the EUR will be considered as funding is identified.

Other Post-employment Benefits (OPEB)

On April 7, 2015, the Finance Department presented five options to address the City's unfunded OPEB (i.e. retiree medical benefits) liability to the Budget and Audit Committee as follows:

- Employees contributing to the OPEB trust
- Reduce or eliminate the OPEB benefit for active employees
- Cap the benefit for fire employees at the same level as police and miscellaneous employees
- Remove retirees from the City's health benefit premium pool
- Establish Retirement Health Savings Accounts for employees to save for retirement health care

The committee directed staff to work with the City's outside actuary to place dollar values on each of the options for consideration and to survey comparable cities regarding actions taken to date to address their unfunded OPEB liabilities. Staff will present this information for consideration and adoption by the City Council as it becomes available.

A \$1 million contribution to the OPEB Trust Fund is included in the Budget. In addition, for the first time ever, this contribution has been included annually over the term of the five-year forecast.

Long-Term Liabilities Report

The long-term financial liabilities of the City present ongoing budgetary and debt-capacity challenges now and into the future. Over time, the costs of these obligations will take up increasing shares of the annual budget. The City’s long-term liabilities, as of June 30, 2014, are as follows:

Liability Type	Value (\$ in millions)
Employee Benefits	\$1,166
Other Costs	\$115
Debt	\$985
Total	\$2,276

The City has almost \$1.2 billion in unfunded long-term liabilities for post-employment benefits to be paid to those who worked for the City (and their beneficiaries). These benefits include pensions, OPEB, and payoff of leave balances upon retirement or separation. The difference between the total liability and actual funding set aside is the unfunded liability. On an actuarial basis, the total long-term liability for pension and retiree medical benefits is approximately \$3.1 billion, but only \$2 billion has been set aside to fund those benefits.

A summary of the City’s liabilities for post-employment benefits, as of June 30, 2014, and recommendations for Council action are included in the chart below:

Plan	Unfunded Liability (\$ in millions)	Funding Ratio	Recommendations
PERS Safety	378	72%	Adopt proposed pension funding policy
PERS Misc.	237	74%	Adopt proposed pension funding policy
SCERS	60	84%	Adopt proposed pension funding policy
Retiree Medical	452	1%	Consider options presented to address OPEB unfunded liability
Comp Absences	39	0%	Staff Task Force underway to address leave programs and practices
Total	1,166	63%	

Staff developed and presented two proposed policies to the Budget and Audit Committee on April 7, 2015, to address pension and risk management funding. These policies document best practices the City currently follows in prudently managing its pension and risk management liabilities. Risk Management liabilities are the largest component of the Other Costs category of the City’s long-term liabilities. These policies will be presented to Council for consideration during the Budget workshops.

The compensated absence liability consists of accrued vacation, accrued holidays, compensated time off, and a portion of accrued sick leave. Staff along with a task force of union representatives is researching policies and best practices used to address this category of long-term liabilities.

The City's debt consists primarily of fixed-rate bonds, loans and leases. The outstanding principal debt is the long-term liability; future interest payments are not included. Through FY2020/21, approximately \$40 million per year in principal will be paid, reducing the long-term liability by a like amount. The City is currently working on refinancing debt to provide savings through lower fixed interest rates without extending repayment schedules.

Independent Budget Analyst (IBA)

Funding for three positions has been included in the proposed budget. As is recommended in the "On the Horizon - Future Fiscal Challenges" section of the Budget Overview, the City Manager is recommending that the IBA and the Budget and Audit Committee focus their efforts on opportunities to address the challenges to the City's long-term fiscal sustainability. As a recognized Council priority, it is important that the City begin to address these liabilities to avoid more drastic budget actions that will have to be taken in future years.

311 Call Center

As a result of the increased call volume related to Household Junk Pickup and Water Conservation, three positions were added to the 311 budget at Midyear FY2014/15. The positions were filled in April 2015 and will be fully trained and taking calls by the beginning of FY2015/16. Adding these positions to the overall 311 staffing will shorten wait times for callers during peak hours and provide for faster processing of non-phone requests (email, mobile app).

FTE for City Auditor's Office

There are many competing priority requirements for increased staffing in nearly all departments that are not being addressed in this Budget. In light of future budget challenges indicated by the forecast and in order to hold down administrative expenses over the long-term funding for additional staff is not recommended.

QUALITY OF LIFE

Homelessness Initiative

Homelessness is one of the most pressing challenges all large cities face. With the City's two-year investment of \$1 million to launch the Common Cents program, Sacramento has made significant progress towards creation and implementation of a common "front door" into the homeless system of care. Common Cents has coordinated the efforts of homeless and mental health outreach service providers throughout the City, with each of them using a common assessment tool to direct people to appropriate services and align housing resources based on the vulnerability of the homeless person. With this robust coordinated entry system now in place, Sacramento is now in need of a coordinated exit system consisting of a variety of housing options to meet the needs of the homeless population in the city.

To this end, an additional \$500,000 in one-time funding is included in the Budget for the Housing Solutions Program (HSP), which will allow Sacramento Steps Forward (SSF), partnering with an experienced non-profit, to house and/or provide supportive services to people assessed through Common Cents. This flexible program will allow SSF to structure the assistance offered based on the individual's needs and resources. For those persons or families needing brief services and support, the HSP will provide housing location services, short-term rental assistance as well as case management support (e.g., budgeting, employment, mental health) as appropriate for the particular person or family. For those persons who will need longer term assistance, permanent supportive housing is the most appropriate model. Rather than create new permanent supportive housing, which is expensive and time intensive, the HSP will help SSF strategically use the existing stock of permanent supportive units. The HSP will

provide housing location services and short-term rental assistance for persons currently in permanent supportive housing programs who no longer need the intensive level of supportive services offered and are ready to live more independently. In doing this, the HSP will free up existing permanent supportive housing units for some of the most vulnerable persons identified in Common Cents.

Annual funding of \$500,000 for homeless programs has been included over the term of the five-year forecast. The funding for this effort will be budgeted in the new Homeless Housing Initiative (102000200) multi-year project. Without this adjustment, previous ongoing funding for this initiative would have run out in December 2016.

Income Inequality Taskforce

This is a significant undertaking that would require substantial one-time funding for staff and consultants to complete the technical elements, requisite analysis, set up the program, complete outreach, establish the law and set up an office to administer the ongoing program as the subject matter is far outside the knowledge or capacity of current city departments. Ongoing funding would be needed for staffing, office and systems for monitoring and enforcement. Given the volume of initiatives currently underway and those proposed for funding in the Budget, funding for this initiative is not recommended at this time.

Green Initiative

The goal of the Facilities Energy Efficiency Project is to replace end-of-life equipment in City facilities with energy efficient equipment thereby saving on energy costs and reducing greenhouse-gas emissions. The City's contractor, Siemens, has delivered a preliminary assessment for 57 buildings and facilities (Community Centers, Pools, Libraries, Public Safety and Enterprise Facilities) operated by the City. Phase II of the Investment Grade Assessment to develop and deliver a Self-Funding Energy Efficiency Project Plan to the City.

This Plan will include the exact facility improvement measures for each facility, project specific costs and energy savings along with the cash-flow model that supports the self-funding nature of the project. The energy savings will be guaranteed by Siemens. Improvements would be financed with energy cost savings from these improvements supporting the debt-service requirements with the goal of making this a cash-flow neutral or cash-flow positive project for the City's General and Enterprise funds.

In an effort to begin funding these improvements the FY2013/14 Midyear included \$300,000 in residual bond funds for energy efficiency improvements at the 911 Center and William J. Kinney Police Substation. Funding of \$365,000 is included in the Budget to fund the Investment Grade Assessment/Final Project Development (\$275,000 General Fund, \$90,000 Community Center Fund).

LED Lighting

The Central City is characterized by the Central Business District (CBD), public and civic amenities, and residential neighborhoods and commercial areas in Midtown. Street lighting in these areas varies widely with some sections lacking street lights while others have legacy street lighting systems which were not designed for high pedestrian activity. Addressing lighting needs in the Central City in a comprehensive way through a Central City Lighting Master Plan will enhance the creation of walkable districts and neighborhoods that feel safe and welcoming. This will enhance Downtown as a destination, improve livability, and provide infrastructure to support the development of additional residential units in the Central City.

An initial phase of implementation will occur in the CBD. Staff from Public Works, Economic Development, the Police Department, and the Downtown Sacramento Partnership surveyed the CBD and identified sections where the street lights did not adequately address lighting needs at the pedestrian level. Three main corridors which serve as major links between employment centers, residential developments and major attractions such as the Entertainment and Sports Center will be the focus of phase one of the project: L Street (between 7th and 9th Streets); J Street (between 7th and 9th Streets); and 7th Street (between L and I Streets). The initial phase will also include the installation of street lights in the “Handle” district (bounded by 18th Street, 19th Street, L Street and Capitol Avenue) of Midtown where the property owners have raised the majority of the funds necessary for the project.

Funding for this project has been identified through 2015 Community Development Block Grant funds and General Fund resources that remain from the Greyhound Relocation Project. An additional \$650,000 is included in the Budget for the completion of this initial phase.

The Central City lighting project will complement the City’s efforts to upgrade existing streetlights citywide. In September 2014 the City Council approved \$4.9 million (Resolution 2014-0329) to convert 9,226 City streetlights (the mast-arm fixtures) from inefficient high intensity discharge (HID) lamps to LED lights. Converting the City’s existing streetlights to LED is anticipated to save the City \$360,000 in energy costs annually, reduce equipment replacement costs, and reduce energy usage by five million kWh annually.

Parks and Recreation Services

The Budget includes several recommendations to address issues in the overall park system which has fallen behind in general maintenance and upkeep including \$2 million in one-time CIP funding for park repairs and \$1.2 million in General and Measure U funding for delivery and stabilization of park maintenance and recreation programming. The capital funding will provide resources for a citywide pool assessment since all City pool surfaces are nearing the end of their useful lives (L19706000) and improvements to irrigation systems, sidewalks, furnishings, restrooms, and playground equipment (L19706000).

FY2015/16 Program and Service Improvements

In addition to the recommendations addressing Council priorities, the Budget includes funding to expand programs and services to address critical needs in several operating departments and investment in the City’s technology infrastructure to further efforts to implement streamlined workflow and efficiencies. A summary of the General Fund program and service improvements included in the Budget is provided below.

FY2015/16 Program and Service Improvements

Department/ Program	Description	Revenue/ Offset Adjustment	Expenditure Adjustment	Net Cost	FTE Change
City Attorney	Increase staffing to address increased land use and development activity, and labor negotiations. Additionally, an existing position is being converted from the Redevelopment Agency Successor Fund to the General Fund.	-	170,886	170,886	2.00
City Clerk	Increase employee services to address retention, merit and equity issues (\$20,000) and the service and supply budget (\$30,000) to fund technology enhancements for automated board and commission application process; and automated chamber voting with on-line action results of council meetings.	-	50,000	50,000	0.00
City Treasurer	Increase staffing to assist with increased regulatory demands. Revenues are being increased based on a review of prior and current year revenues. These additional revenues will help offset the requested position as well as other General Fund adjustments.	580,000	103,564	(476,436)	1.00
Community Development	Increase and realign staffing to address increased development activity while maintaining existing service levels.	627,756	627,756	-	5.00
Convention and Cultural Services	Realign the existing budget in Old Sacramento to assist in the transition to a new management model.	-	-	-	(1.00)
Finance	Increase staffing to assist with increase workload related to the Budget and Audit Committee, the Office of the Independent Budget Analyst, and the transfer of management and oversight of the Sacramento City Employees Retirement System (SCERS) from Human Resources to Finance.	-	194,105	194,105	2.00
Fire	Increase staffing to provide oversight and direction with logistics, major projects, and the increased financial reporting associated with the Ground Emergency Transport (GEMT) and Intergovernmental Transfer (IGT) reimbursement programs. Additional revenues are being used to cover the costs of the Fire Master Plan and the increases in Public Safety CIP expenditures.	485,485	485,485	-	2.00
General Services	Increase staffing in Animal Care Services to address increased adoptions, improve animal care, meet demand for customer service, and to pursue shelter funding through grants and donations.	-	475,462	475,408	6.00
General Services	Increase staffing in Facility Maintenance to address the growth in facility maintenance requests with a primary focus on roof maintenance and repair to be funded through a reduction in budgeted contract services.	232,206	232,206	-	2.00
Information Technology	Increase staffing to address system security infrastructure, data security backup, and support the Digital Strategies CIP (A07000700). The Digital Strategy program serves as the framework for how the City delivers unified and effective technology services internally and to the community. This program is funded in the 2015-2020 CIP.	-	351,091	351,091	3.00
Parks and Recreation	Adjust staffing at Camp Sacramento due to increased attendance along with more complex regulations and procedures. The increased labor cost is being offset by the elimination of two non-career positions and increased program fees.	51,276	51,276	-	0.62
Police	Increase the department's overtime budget to reflect reimbursable overtime related to outside employment and grants. This will be offset by revenues/reimbursements.	1,170,000	1,170,000	-	0.00
Police	Increase staffing to expedite employment background investigations for Police, Fire and other City departments.	-	164,000		2.34

FY2015/16 Program and Service Improvements (continued)

Department/ Program	Description	Revenue/ Offset Adjustment	Expenditure Adjustment	Net Cost	FTE Change
Police	Add a Police Officer position funded through AB 767, via the Sacramento Area Vehicle Theft Reduction Unit. The law requires the funds received to be used for the prevention, investigation, and prosecution of vehicle theft crimes. This position will aid in rebuilding the unit to previous levels so that auto theft in the City can continue to decline and additional prevention strategies can be implemented.	105,539	105,539	-	1.00
Public Works	Realign existing positions to oversee policy, planning, governmental affairs, special projects, and to provide increased department-wide support. The increased labor costs will be offset by an increase in Gas Tax and CIP Reimbursements.	172,921	172,921	-	(1.25)
Total		\$ 3,425,183	\$ 4,354,291	\$ 765,054	24.71

As reflected above the additional expenses have been offset by increased revenues or cost recovery whenever possible.

On the Horizon – Future Fiscal Challenges

Although there is good news relative to revenue growth, it is imperative that our residents, Council and staff keep in mind the challenges that lie ahead. These are the familiar topics: increasing labor costs and liabilities competing with Council and community needs and priorities.

Benefit expenses and liabilities continue to absorb considerable resources and as the forecast indicates, related expenditure growth absent corresponding growth in revenues, will result in deficits. The cost of benefits has grown to \$108.5 million in the General Fund, consuming 27 percent of total General Fund resources. This challenge is not just a General Fund issue as costs in the Enterprise Funds continue to grow, as well...

Consistent with direction of the Budget and Audit Committee, options to address the City’s costs and liabilities associated with provision of other post-employment employee benefits (OPEB) will be considered by Council during the budget hearings in May and June.

It is important to remember that the majority of our employees are covered by labor contracts that will expire in June of 2017 (Sacramento Police Officer’s Association and Stationary Engineers Local 39) and June of 2018 (Sacramento Firefighter’s Association). With the exception of \$3.2 million that has been budgeted in the Citywide and Community Support Department in FY2015/16 for pending negotiations with the Sacramento City Exempt Employees Association (SCXEA), Western Council of Engineers (WCE) and Auto, Marine, and Specialty Painters (Local 1176), no additional funding for future labor agreements has been included over the term of the forecast.

In developing shorter-term budgetary plans, it is also important to plan for long-term financial issues. That is why, for example, the Budget includes an ongoing contribution to the City’s OPEB Trust. But we must do more. As a recognized Council priority, it is important that the City begin to address these liabilities to avoid more drastic budget actions that will have to be taken in future years. It is recommended that future efforts of the Budget and Audit Committee and the IBA focus on addressing these challenges to the City’s long-term fiscal sustainability.

Performance Measurement

When the City Manager was appointed in 2011 he identified a goal of being “The Best Managed City in California.” As such, the City is implementing a citywide performance management program to continue the pursuit of this goal.

What is performance management? For the City’s purposes, it is a method of measuring the success of its programs and activities in achieving outcomes that reflect public priorities. The establishment and evaluation of performance metrics and business improvement activities will serve to inform operational and strategic decision-making throughout the organization. As a management tool, it will aid in evaluating how well programs are doing—where we are strong and where we need to focus on improvement. Having a performance management program in place is an important aspect of being a transparent and accountable city.

In 2014, the City launched phase one of its performance management program with the following departments: Community Development, General Services, Information Technology, Parks and Recreation, Police, and Public Works. These departments have drafted performance measures for their respective operations and have begun data collection and reporting activities. This effort is dynamic in nature and will continue to evolve as this program gets underway.

Earlier this year, phase two of the program kicked-off with the following departments: Convention & Cultural Services, Economic Development, Finance, Fire, Human Resources, and Utilities. Later this calendar year, the third and final phase of the program will be launched with the City Charter Offices: City Attorney, City Clerk, City Manager, and City Treasurer.

Included in the department sections of the Budget are key performance measures. Going forward, performance measures will continue to be refined to reflect those that provide the best measures of outcomes and are most relevant to the public.