



# 24

## **SECTION – 24** **Resolution**



**RESOLUTION NO. xxxx-xxx**

Adopted by the Sacramento City Council

June XX, 2011

**APPROVING THE FISCAL YEAR 2011/12  
OPERATING AND CAPITAL IMPROVEMENT PROGRAM BUDGETS  
FOR THE CITY OF SACRAMENTO**

**BACKGROUND**

- A. The City Manager is required to present a balanced budget to the Mayor and City Council no less than 60 days prior to the beginning of each fiscal year pursuant to Article 9, Section 111 of the City Charter.
  
  - B. The City of Sacramento, through the leadership and direction of the Mayor and City Council, has maintained a sustainable budget philosophy. Given this concept of fiscal sustainability, the Council adopted the following strategies and principles on February 22, 2011, for the development of the Fiscal Year (FY)2011/12 Proposed Budget:
    - 1. Budget Development Strategies
      - a. Alternative Service Delivery
      - b. Streamlining the Organization
      - c. Revenue Improvements
      - d. Planned Use of One-Time Reserves
  
    - 2. Fiscal and Organizational Principles
      - a. Develop a Sustainable Budget Plan
      - b. Balanced Budget for FY2011/12
      - c. Use One-Time Resources Strategically
      - d. Balance Layoff Impacts with Service Level Decisions
      - e. Address "Full Service" City Status
  
  - C. The City Manager released the FY2011/12 Proposed Operating Budget and the 2011-2016 Proposed Capital Improvement Program (CIP) (which includes the FY2011/12 CIP Budget) on April 29, 2011, for review and consideration.
  
  - D. The Mayor and City Council conducted hearings during the months of May and June 2011 related to the adoption of the City's FY2011/12 Operating and CIP Budgets.
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**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- A. The Summary of Changes in Appropriations, attached as Exhibit 1, and the Summary of Changes and Technical Adjustments, attached as Exhibit 2, are hereby approved.
- B. The FY2011/12 Operating and CIP Budgets, as defined in Section 2.1, are hereby approved (collectively the “Approved Budget”).
- C. The 2011-2016 CIP, which provides a comprehensive five-year plan for the City’s capital project expenditures, is hereby approved.
- D. Sections 1 through 16 below, which define the authority and responsibilities of the City Manager in implementing the Approved Budget, are hereby approved.
- E. The City Manager is authorized to incorporate final decisions of the City Council, and refine/add content, as may be needed to meet Government Finance Officers Association (GFOA) and California Society of Municipal Finance Officers (CSMFO) budgeting award application requirements, into the Proposed Operating and CIP Budgets in order to create the FY2011/12 Approved Operating Budget and 2011-2016 CIP.
- F. Exhibits 1 through 4, inclusive, are part of this resolution.

**SECTION 1. SCOPE**

- 1.1 This resolution defines the authority and responsibilities of the City Manager in implementing the Approved Budget of the City of Sacramento and supersedes Resolution 2010-388.

**SECTION 2. DEFINITIONS**

- 2.1 “Approved Budget” consists of the following documents:
  - (1) The “Operating Budget,” which is the FY2011/12 Proposed Operating Budget dated April 29, 2011, as amended by the City Council to incorporate the approved summary of changes in appropriations set forth in Exhibit 1, and the approved administrative and technical changes set forth in Exhibit 2 (the Approved Operating Budget is attached as Exhibit 3); and
  - (2) The “Capital Improvement Program Budget,” which is the FY2011/12 Proposed Capital Improvement Program (CIP) Budget dated April 29, 2011, as summarized in Schedule 4 of the FY2011/12 Operating Budget and detailed in the 2011-2016 CIP, as amended by the City Council to incorporate the Proposed CIP, the summary of changes in appropriations set forth

in Exhibit 1, and the approved administrative and technical changes set forth in Exhibit 2 (the Approved CIP is attached as Exhibit 4).

- 2.2 “Base Budget” is the current year budget modified pursuant to labor agreements, one-time expenditures, citywide changes, and midyear changes.
- 2.3 “Budget Categories” reflect internal reporting structures based on established budgets:
- (1) “Department” or “Operating Unit” represents major budgetary groupings such as: Mayor and City Council; City Manager; City Attorney; City Clerk; City Treasurer; Convention, Culture & Leisure; Community Development; Economic Development; Finance; Fire; General Services; Human Resources; Information Technology; Parks & Recreation; Police; Transportation; Utilities; Projects; Debt Service; Non-Department; and Fund Reserves.
  - (2) “Dept ID” represents an organizational sub-unit within an Operating Unit.
  - (3) “Division” represents a roll-up of Dept IDs within an Operating Unit.
  - (4) “Account” is the primary accounting field in the budget used to describe the nature of the financial transaction.
  - (5) “Expenditure Class” is a categorical grouping of individual similar accounts for purposes of reporting expenditures (i.e., Employee Services, Other Services and Supplies, Property, Debt Service, Labor/Supply Offset, Contingency, and Operating Transfers).
- 2.4 “City Manager” means the City Manager or, if so designated, the Director of Finance.
- 2.5 “Current Budget” is the FY2010/11 Approved Budget, incorporating any subsequent appropriation increases, decreases, or transfers and adjustments as approved by the City Council or City Manager, as appropriate.
- 2.6 “Full Time Equivalent” (FTE) means the decimal equivalent of a position; e.g., one full-time position is 1.0 FTE and one quarter-time position is 0.25 FTE.
- 2.7 “Unfunded FTE” means a City Council authorized FTE without an associated labor budget. Unfunded FTE will remain vacant until funding has been approved for it by the City Council or City Manager, as appropriate.
- 2.8 Multi-Year Operating Projects (MYOP) are used to account for projects and activities that are multi-year in nature and are not capital improvement projects.
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**SECTION 3. AUTHORIZED STAFFING AND APPROPRIATIONS**

- 3.1 The City Manager is authorized to make any expenditure and resource adjustments to the Approved Operating Budget based on final City Council action to adopt the Approved Operating Budget.
- 3.2 The City Manager is authorized to establish the appropriations and FTE staffing as shown in Schedules 1A, 1B, 1C, 1D, and fund summaries, including transfers as shown on Schedule 2A and 2B as displayed in Exhibit 3.
- 3.3 The City Manager is authorized to revise any appropriation made in the Approved Budget where the revision is of a technical nature and is consistent with City Council intent.
- 3.4 The City Manager is authorized to adjust any appropriation made in the Approved Budget to reflect changes from amounts budgeted for updated labor, vehicle, energy, contingencies, cost plan, and risk management changes, such as retirement rates, payroll taxes, health benefits, fleet costs, and risk management costs from designated funds or reserves.
- 3.5 Following budget approval, the City Manager is authorized to revise indirect cost rates to be applied to hourly salary rates in order to achieve full cost recovery of services and is authorized to adjust the Operating Budget to reflect the indirect cost plan for FY2011/12.

**SECTION 4. APPROPRIATION INCREASES/DECREASES**

- 4.1 All appropriation changes (increases or decreases) in excess of \$100,000 to operating and capital budgets shall be approved by the City Council by resolution.
- 4.2 The City Manager is authorized upon completion of the audited financial statements for FY2010/11, to adjust FY2011/12 fund contingencies by the amount of net changes in available fund balance as determined by the City Council. These fund balance and appropriation changes shall be included and explained in the report to City Council accompanying the Comprehensive Annual Financial Report (CAFR).
- 4.3 Residual balances from unexpended debt proceeds will be reverted to the appropriate fund and utilized for the legal purposes as specified in the conditions of the debt issuance. The City Manager is authorized to establish appropriations and account for the expenditure of these unexpended proceeds.

**SECTION 5. STAFFING CHANGES**

- 5.1 Any increase or decrease, by department by fund, in FTE as authorized in the Approved Budget or any subsequent approval by the City Council or by the City Manager in accordance with this resolution, is subject to approval by the City Council, except for renewals or expansion of fully offset grants or externally funded programs (EFP) as specified in Section 5.2.
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- 5.2 Any existing positions which were approved based on the assumption of the City receiving a grant or other reimbursements, must have continued funding verified prior to filling the position. The City Manager is authorized to adjust staffing levels for renewals, expansions, or reductions to fully offset City Council approved grants or EFP. Grant/EFP positions shall be terminated upon completion or cancellation of the grant/EFP, unless specifically continued by a resolution that includes a source of replacement funding (see Section 11).
- 5.3 Any exempt management position adjustment made subject to the approval of the City Manager and subject to the adopted resolution covering unrepresented officers and employees approved by City Council, must have funding verified by the Budget Office prior to implementation.
- 5.4 Any reassignment of authorized FTE and employee services funding associated with the FTE within a department and within the same fund, may be made at the discretion of the Department Director with the approval of the City Manager as long as there is no net change to authorized FTE and funding levels.
- 5.5 All new job classifications or reclassifications (as identified in Exhibit 3, Schedule 8) are subject to classification review and approval by the Human Resources Director.
- 5.6 The City Manager is authorized to adjust staffing levels in the Police and Fire Training Academies based on projected vacancies.
- 5.7 The City Manager is authorized to increase Police Department staffing up to the original grant award of 35.0 Police Officer FTE positions, contingent upon the approval by the U.S. Department of Justice, Office of Community Oriented Policing Services (COPS), to modify the COPS Hiring Recovery Program (CHRP) grant to restore FTE positions previously eliminated due to budget reductions.

**SECTION 6. APPROPRIATION TRANSFERS FROM CONTINGENCY/RESERVE FUNDS**

- 6.1 The General Fund Economic Uncertainty Reserve for the City of Sacramento is \$14.3 million. This reserve will be maintained for the purpose of bridging a gap between projected revenue and expenditures during periods of significant revenue declines and/or expenditure growth. In order to report this reserve as a commitment of fund balance according to new governmental accounting standards (Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*), parameters for using the Economic Uncertainty Reserve must be established. The parameters under which the Economic Uncertainty Reserve may be used are as follows:
    - (1) The City Manager may recommend the use of the Economic Uncertainty Reserve when the gap between projected revenue and expenditures is greater than \$1 million.
    - (2) Any use of the Economic Uncertainty Reserve is subject to approval by the City Council.
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(3) These parameters may only be changed by the City Council by resolution.

- 6.2 The City Manager is authorized to make appropriation changes (increases or decreases) not exceeding \$100,000 from available fund balance. Appropriation changes (increases and decreases) in excess of \$100,000 are subject to approval by the City Council, except for payments to employees for vacation and sick leave termination, which may be approved by the City Manager.
- 6.3 The City Manager is authorized to make appropriation changes (increases or decreases) not exceeding \$100,000 from Administrative Contingency established in the General Fund, Water Fund, Sewer Fund, Solid Waste Fund, and/or Storm Drainage Fund. Appropriation changes (increases and decreases) in excess of \$100,000 are subject to approval by the City Council.
- 6.4 Transfers shall not be made from available fund balance or Administrative Contingency if the transfer will result in a negative balance.
- 6.5 Use of committed fund balance reserves is subject to approval by the City Council by resolution.
- 6.6 The City Manager is authorized to make annual loan repayments to the Risk Fund from the Convention Center Fund subject to the availability of funds. As of June 30, 2010, the Risk Fund loan to the Convention Center Fund totaled approximately \$6.9 million.

**SECTION 7. OTHER APPROPRIATION TRANSFERS**

- 7.1 Operating appropriation transfers within the same department and the same fund are subject to approval by the City Manager.
- 7.2 Appropriation transfers between two or more departments, up to and including \$100,000, are subject to approval by the City Manager. Such transfers in excess of \$100,000 are subject to approval by the City Council by resolution.

**SECTION 8. UNSPENT APPROPRIATIONS AND ENCUMBRANCES**

- 8.1 All appropriations in the Operating Budget which remain unencumbered or unexpended on June 30, 2011, after adjustments resulting from Sections 4.2, 4.3, 10.4, 11.5, and 12.4 or as specifically provided for in Section 16, shall revert to the available fund balance of the respective funds. Any budgetary surplus in the General Fund, determined as part of the fiscal year end close process, will be reported in the CAFR as Assigned for Next Year's Budget or as specifically directed in a subsequent resolution.
  - 8.2 All unrealized investment gains determined and reported as part of the fiscal year end close process will be reported in the CAFR as Assigned for Unrealized Investment Gains because the resources are not available for appropriation.
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- 8.3 The City Manager is authorized to carry over unobligated appropriations and interest earned by the Ethel MacLeod Hart Trust (Fund 2503) in the prior year, and to transfer the accumulated resources to the Ethel MacLeod Hart Trust Multi-Year Project (I19120000), pursuant to the five-year recommendation of the Ethel MacLeod Hart Advisory Committee, in FY2011/12.
- 8.4 All purchase order commitments outstanding on June 30, 2011, and associated appropriations, are hereby continued.
- 8.5 Unobligated appropriations in existence on June 30, 2011 for fleet purchasing budgets (Accounts 474230 and 474240), shall be transferred to the Fleet MYOP. The City Manager is authorized to adjust carryover by department based on citywide fleet needs.
- 8.6 Unobligated appropriations in existence on June 30, 2011 for Fire Department station expenses (Account 481230), pursuant to the current Fire labor contract, shall be carried over to the next fiscal year.
- 8.7 Unobligated appropriations in existence on June 30, 2011 for the City Council discretionary accounts, shall be carried over to the next fiscal year.
- 8.8 Unobligated appropriations in existence on June 20, 2011 for the Arts Stabilization program funded by a portion of the General Fund allocation of the transient occupancy tax, shall be carried over to the next fiscal year.
- 8.9 The Rental Housing Inspection Program fees have been established to recover the costs of the program. The City Manager is authorized to carryover excess revenues for this program provided the full cost of the current year operations for the Rental Housing Inspection Program has been recovered.
- 8.10 The City Manager is authorized to decrease the General Fund (Fund 1001) revenue and expenditure budgets for contract services in the Police Department Operating Budget and establish a revenue and expenditure budget in the Police Department Contract Services Externally Funded Program (E11005200) in the EFP Fund (Fund 2703).
- 8.11 The City Manager is authorized to adjust the Convention, Culture and Leisure revenue budget for Theater Facility Fee revenues and the Theater Renovation project (M17100100) expenditure budget based on the actual fees collected, less any operating costs associated with delivering this service.

**SECTION 9. REVENUE BUDGET**

- 9.1 The FY2011/12 Revenue Budget is summarized in Exhibit 3, Schedule 6.
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- 9.2 Any increase or decrease greater than \$100,000 in estimated revenue to the Approved Budget by fund requires City Council approval.

**SECTION 10. CAPITAL IMPROVEMENTS**

- 10.1 Capital projects and/or appropriations shall be used for:
- (1) Repairs, maintenance, improvements, or acquisitions with a total cost of at least \$20,000 and a useful life that exceeds one fiscal year; and
  - (2) Community/Neighborhood projects as approved in separate resolutions by the City Council.
- 10.2 City Council approval is required for the establishment and/or cancellation (without completion) of a CIP, except as provided below:
- (1) Capital projects for internal City operations related to improvements and minor construction of existing City owned/occupied buildings may be established by the City Manager provided the total cost to deliver the project does not exceed \$100,000;
  - (2) Capital projects that have been approved in the Sacramento Housing and Redevelopment Agency's (SHRA) annual budget and are subject to the provisions of the Master Project Agreement between the City and SHRA as adopted by the City Council on December 18, 2001 (Resolution 2001-828), may be approved by the City Manager;
  - (3) Capital projects may be subdivided into separate sub-projects as needed to administer, manage, and deliver the original scope of the project, without further City Council action; and
  - (4) Credit projects established in accordance with Sacramento City Code (SCC) Chapter 18.18. For purposes of recording the asset of these already constructed projects, the City Manager is authorized to make all the necessary adjustments once the improvement is accepted by the City of Sacramento.
- 10.3 Capital appropriations shall be used solely for the originally approved project or projects except as provided for in this section.
- 10.4 Annually, completed or inactive projects will be closed, except for projects that have existing litigation or payment disputes. An inactive project is defined as one where transaction activity is less than \$1,000 over the prior three years. Closures are the responsibility of the designated project manager. The managing department and/or City Manager has the authority to process the necessary documentation to close inactive projects.
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- 10.5 All multi-year CIP projects in existence on June 30, 2011 shall be continued in FY2011/12, except as provided otherwise in Section 10.4. The FY2011/12 CIP Budget is summarized on Schedules 2 and 4 as displayed in Exhibit 3.
- 10.6 Unencumbered appropriations for all inactive projects, as defined in Section 10.4, will expire on June 30, following the third full year of the last appropriation to the project. Projects requiring continuing appropriations will require City Council action through programming within the CIP or through a separate appropriation to the project.
- 10.7 Each fiscal year, on June 30, the balance of each CIP project must be zero or have a positive balance by fund. Projects in excess of the budget from all funding sources (i.e., with a negative balance) shall be treated as follows:
- (1) If the project balance exceeds the budget by \$100,000 or less, the project account shall first be corrected within each fund and, second, any remaining negative balance shall be corrected by a transfer from the project manager's department Operating Budget (all transfers of \$100,000 or less shall be made as provided for in Section 6.2); or
  - (2) If the project balance exceeds the budget by more than \$100,000, the project account shall be submitted to City Council for approval by resolution of a corrective plan of action.
- 10.8 Except in the General Fund, the City Manager is authorized to transfer appropriations up to and including \$100,000:
- (1) From Project A to Project B if:
    - (a) Project A is complete and has savings; or
    - (b) Project A has not been completed and a revised project estimate confirms that there will be project savings upon completion;
  - (2) Between funding sources within a project if the total appropriation remains unchanged.
- 10.9 Upon completion and closure of a capital project, the City Manager is authorized to transfer any remaining project balance:
- (1) To the available fund balance of the respective fund, the Capital Projects Base Reserve in the Utilities CIP or, in the case of the General Fund, Administrative Contingency; or
  - (2) As provided for in Section 10.8.
- 10.10 Except as provided for in Section 10.9, the City Manager is authorized to increase or decrease project budget appropriations by not more than \$100,000 for each project. Appropriation
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changes exceeding \$100,000 in total for any project shall be submitted to the City Council for approval by resolution.

10.11 Community/Neighborhood projects and appropriations established with one-time funding sources under Resolution 2000-682 (11/21/00), 2001-765 (11/20/01), 2003-412 (6/17/03), 2004-551 (6/29/04), 2006-367 (5/23/06), and associated staff reports, are governed by the following procedures:

- (1) Savings of up to \$50,000 due to lower than expected costs or the securing of alternative funding sources, may be administratively reprogrammed into other projects within the same City Council District, at the request of the City Council District Office and with the approval of the City Manager; or
- (2) Savings above \$50,000 to be reprogrammed requires City Council approval by resolution.

10.12 Measure A Sales Tax (Funds 2001 and 2005) and New Measure A Construction/Projects (Funds 2023, 2025, and 2026) expenditure and revenue budgets can be loaded into the City's financial system prior to Sacramento Transportation Authority (STA) Board approval. Work on CIP projects in these funds is done prior to receiving funding. Project funding/appropriations shall be as follows:

- (1) The City Manager is authorized to enter the revenue/expenditure budgets as reflected in the Approved Budget (revenues) and CIP Budget (expenditures);
- (2) The City Manager is authorized to enter expenditure/revenue budgets prior to STA Board approval; and
- (3) STA Board approval is required for all Measure A reallocations. In cases where the City Council takes action on recommended Measure A reallocations prior to STA Board action, City Council approval shall be contingent on STA Board approval.

10.13 Projects funded by the following reimbursable funds are included within the Operating and CIP Budgets for planning purposes: Grant Funds (Funds 3702, 3703, and 3704), SHRA Community Development Block Grants (Fund 2700), and SHRA Tax Increment (Fund 3701). Work on CIP projects funded by these sources is done prior to receiving funding, and project funding/authorization for these projects shall be as follows:

- (1) Funds 2700, 3701, 3702, 3703, and 3704: Expenditure and revenue budgets will not be loaded into the City's financial system until agreements (Program Supplements/E-76's, Individual Project Agreements (IPA), Cooperative Agreements, etc.) have been executed between the City and the funding authority.
  - (2) Funds 3703 and 3704: The City of Sacramento is eligible to receive federal and/or state funding for certain transportation projects through the California Department of
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Transportation (Caltrans). Master Agreements, Program Supplemental Agreements, Fund Exchange Agreements, and/or Fund Transfer Agreements must be executed with Caltrans before such funds can be claimed. The Mayor and/or City Manager are authorized to execute all Master Agreements, Program Supplemental Agreements, Fund Exchange Agreements, Fund Transfer Agreements, and any amendments thereto with Caltrans.

The City Manager is authorized to transfer matching funds as specified in the approved CIP from the state and federal Grant Match Program (T15007200) and to enter the revenue/expenditure budgets as reflected in the grant agreement, provided that the amount is not more than \$100,000 different from what was reflected in the Approved CIP Budget which authorized the project funding. Project agreements that exceed \$100,000 difference from the anticipated budget shall be submitted to the City Council for approval by resolution.

- 10.14 The CIP Budget may include "Credit Projects." Credit projects are established to account for turnkey parks, infrastructure, and other improvements provided by a developer in accordance with Council approved finance plans or fee programs and in exchange for City fee credits. Credit projects are contracted, constructed and accepted in accordance with SCC Chapter 18.18. In an effort to provide a reflection of credit project activity, outstanding credit project agreements are listed in the CIP Budget as funded by Developer Credit/Obligations (Fund 9501), together with a description and estimated value, but without timing since that is frequently unknown.
- 10.15 The CIP Budget (Exhibit 4) includes projects that are directly supported by user and developer fees. The City Manager is authorized to adjust department revenue budgets and CIP expenditure budgets for projects directly supported by fees based on the actual fees collected, less any operating costs associated with delivering the service.

## **SECTION 11. OPERATING GRANTS AND EXTERNALLY FUNDED PROGRAMS (EFP)**

- 11.1 City Council approval is required for the establishment and/or cancellation (without completion) of an operating grant/EFP, except as follows:
- (1) Where the operating grant/EFP is under \$100,000 and does not require any of the following:
    - (a) Any increase or decrease, by department by fund, in FTE staffing levels as authorized in the Approved Budget or by any subsequent approval by the City Council or by the City Manager in accordance with this resolution; or
    - (b) Matching funds from City resources; or
    - (c) Any ongoing service or funding by the City.
  - (2) The City Manager is authorized to establish operating grants/EFP in excess of \$100,000, and to authorize spending and allocation of resources in advance of formal agreements in
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response to governmental requests for public safety assistance related to disasters and national security risks. The Department responding to these events shall report to the City Council within 60 days of receiving formal program documents from the requesting governmental agency(s) to obtain approval to enter into agreements and accept reimbursements.

- 11.2 The City Manager is authorized to adjust staffing levels and associated service and supplies, in accordance with Section 5.2, for renewals or expansions of fully offset grants previously approved by City Council.
  - 11.3 If the grantor of a grant/EFP requires City Council action, as a condition of funding the grant/EFP, then establishment of the grant/EFP shall require approval by the City Council regardless of the grant amount.
  - 11.4 Operating grants/EFP appropriated in the Approved Budget do not require additional City Council approval to be expended upon receipt of such grants or funds for EFP.
  - 11.5 All multi-year operating grant/EFP budgets in existence on June 30, 2011, shall be continued in FY2011/12.
  - 11.6 The City Manager is authorized to adjust revenue and expenditure budgets for renewals, up to the amount previously approved by City Council, and augmentations up to \$100,000 of fully offset grants and externally funded programs.
  - 11.7 Youth and Federally funded parks and recreation grant expenditure and revenue budgets can be loaded into the City's financial system based on the prior year award prior to receipt of signed agreements. Project funding/appropriations shall be adjusted based on the final grant agreement. In the event the grant is not renewed or is changed by more than \$100,000, the managing department must return to the City Council for corrective action.
  - 11.8 Each fiscal year, on June 30, the balance of each grant/EFP budget must be zero or have a positive balance by fund. Grants/EFP in excess of the budget from all funding sources (i.e., with a negative balance) shall be treated as follows:
    - (1) If the project balance exceeds budget by \$100,000 or less, the project account shall first be corrected within each fund and, second, any remaining negative balance shall be corrected by a transfer from the project manager's department Operating Budget (all transfers of \$100,000 or less shall be made as provided for in Section 6.2); or
    - (2) If the project balance exceeds budget by more than \$100,000, the project account shall be submitted to City Council for approval by resolution of a corrective plan of action.
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**SECTION 12. MULTI-YEAR OPERATING PROJECTS**

- 12.1 Multi-year operating projects are used for:
- (1) Economic Development Assistance and Development Programs (e.g., Inclusionary Housing, Infill and Low-Income Fee-Waiver programs);
  - (2) Planning, audit, and other consultant studies that will take more than one fiscal year to complete; and
  - (3) Other projects and activities that are multi-year in nature and are not capital improvement projects.
- 12.2 City Council approval is required for the establishment and/or cancellation (without completion) of a multi-year operating project.
- 12.3 Unobligated appropriations in existence on June 30, 2011 for all existing multi-year operating projects, shall be carried over to the next fiscal year.
- 12.4 Multi-year operating project appropriations shall be used solely for the originally approved program or study. Annually, completed or inactive multi-year operating projects will be closed. An inactive project is defined as one where transaction activity is less than \$1,000 over the prior three years. Closures are the responsibility of the designated project manager. The managing department and/or City Manager have the authority to process the necessary documentation to close inactive projects.
- 12.5 Each fiscal year, on June 30, the balance of each multi-year operating project must be zero or have a positive balance by fund. Projects in excess of the budget from all funding sources (i.e., with negative balances) shall be treated as follows:
- (1) If the project balance exceeds budget by \$100,000 or less, the project account shall first be corrected within each fund and, second, any remaining negative balance shall be corrected by a transfer from the project manager's Operating Budget(all transfers of \$100,000 or less shall be made as provided for in Section 6.2); or
  - (2) If the project balance exceeds budget by more than \$100,000, the project account shall be submitted to City Council for approval by resolution of a corrective plan of action.
- 12.6 The City Manager is authorized to increase or decrease project budget appropriations by not more than \$100,000 for each project. Transfers that exceed \$100,000 in total for any project shall be submitted to the City Council for approval by resolution.
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**SECTION 13. IN-LIEU PROPERTY TAXES AND IN-LIEU FRANCHISE FEE**

- 13.1 An in-lieu property tax and in-lieu franchise fee are hereby imposed on the Community Center (Fund 6010), Parking (Fund 6004), and Sacramento Marina (Fund 6009) funds in the amounts provided in Schedule 3 as displayed in Exhibit 3. The City Council finds that the in-lieu property tax as detailed in Schedule 3 represents the property tax revenue, which would be received by the General Fund if the real and personal property owned by these enterprises were taxable under private ownership. The in-lieu franchise fee as detailed in Schedule 3 represents the franchise fees which would be received by the City from private entities as a rental or a toll for the use of City streets and rights-of-way.

**SECTION 14. APPROPRIATION LIMITS**

- 14.1 The appropriation limit and the appropriations subject to the limit are hereby amended pursuant to Article XIIIB of the California Constitution for FY2011/12 as detailed in Schedule 5 as displayed in Exhibit 3.

**SECTION 15. MIDYEAR FINANCIAL REPORT**

- 15.1 The City Council shall be provided a Midyear Financial Report including a revised estimate of the financial condition of all funds, revised estimated revenues and expenditures, and recommendations for eliminating any projected fund deficits.
- 15.2 The City Council shall act on any projected fund deficits as part of the fiscal year end close process.

**SECTION 16. MISCELLANEOUS CONTROLS/CONSIDERATIONS**

- 16.1 No expenditures by fund at the department level shall exceed the Approved Budget as amended by any subsequent approval by the City Council or by the City Manager in accordance with this resolution.
- 16.2 Subject to approval by the City Manager and pursuant to the sections governing transfers and appropriations, projected deficiencies in any department by fund shall be corrected by:
- (1) Reducing expenditures in the department (e.g., freezing vacant positions, restricting purchase orders, etc.); or
  - (2) Making an appropriation transfer from administrative contingency and/or available fund balance subject to the provisions of Section 6.
- 16.3 The City Manager is authorized to:

- (1) Adjust budgets to reflect all required debt service payments pursuant to the official statements;
- (2) Adjust revenue and expenditure budgets in the Special Revenue funds based on the actual revenues collected, less any operating costs associated with delivering this service;
- (3) Establish and adjust budgets for private development activities managed in multi-year operating projects, that are fully offset by development fees; and
- (4) Adjust multi-year project budgets in the current year based on previous actions of the City Council.
- (5) Establish and adjust budgets for multi-year operating projects (MYOPs), Externally Funded Projects (EFPs) and Operating Grants as reflected on Schedule 9.
- (6) Establish a MYOP for department fleet replacement operations which currently cross fiscal years and transfer the budgeted replacement amounts from the respective operating budgets to the MYOP for better management and tracking of replacement activities which cross fiscal years.
- (7) Establish four new funds (Funds 6205, 6206, 6207 and 6211) to account for grants and other reimbursable projects funded by various external sources (federal government, state government, sponsors, etc.), related to Utilities (Water, Sewer, Solid Waste and Storm Drainage respectively) services. These funds will be consolidated with their respective utility funds for external financial reporting. Project appropriations budgeted in these funds must be matched by a revenue budget supported by an agreement with an external funding source.

16.4 In all staff reports that come before the City Council, net budgetary impacts on all funds shall be stated clearly and concisely, including indirect impacts, so that the Councilmembers have a full understanding of the financial considerations and impacts of their decisions.

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- Exhibit 2 – Summary of Changes and Technical Adjustments
- Exhibit 3 – Approved Operating Budget
- Exhibit 4 – Approved Capital Budget

**SUMMARY OF CHANGES IN APPROPRIATIONS**

**Proposed Operating Budget Adjustments**

Department	Fund(s)	Revenue Adjustment	Expenditure Adjustment	Net Change	Funded FTE Change	Description
City Manager	General (1001)	\$ -	\$ -	\$ -	1.00	Add 1.0 FTE Staff Aide to the City Manager's Office to facilitate the railyards development to be funded from the Railyards project (E02000100).
Utilities	Water (6005)	\$ -	\$ -	\$ -	-	Authorize the change in classification status of 1.0 FTE Administrative Analyst from limited term to permanent.

**Proposed Multi-Year Project (CIP, EFP & MYOP) Adjustments**

Project Number	Project Name	Description / Scope
E02000100	Railyards Project Management	Establish a MYOP for the facilitation of project development including: affordable housing, financing, real property transactions, and remediation; and provide federal and state advocacy for funding of Railyards projects, including the City's capital projects, as well as private development infrastructure and housing.
Z14006000	Treatment Plant Rehabilitation Design	Transfer \$1.5 million from this project to the Water Fund contingency (6005) to adjust for funding authorized by the City Council in April 2011.

**Note:** This Exhibit reflects additions/changes not included in the Proposed Budget document and will be modified to reflect changes authorized by Council prior to Budget Adoption.

**FY2011/12 SUMMARY OF CHANGES AND TECHNICAL ADJUSTMENTS  
TO THE PROPOSED OPERATING AND CIP BUDGETS**

Exhibit 2 reflects changes from Proposed to Approved  
This Exhibit will be provided with Budget Adoption

**Note:** This Exhibit will be modified to reflect changes authorized by Council prior to Budget Adoption.

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Insert

FY2011/12 Approved Operating Budget

Insert

Approved 2011-2016 Capital Improvement Program

## **KEVIN JOHNSON**

Mayor

## **ANGELIQUE ASHBY**

Councilmember, District 1

## **SANDY SHEEDY**

Councilmember, District 2

## **STEVE COHN**

Councilmember, District 3

## **ROBERT KING FONG**

Councilmember, District 4

## **JAY SCHENIRER**

Councilmember, District 5

## **KEVIN MCCARTY**

Councilmember, District 6

## **DARRELL FONG**

Councilmember, District 7

## **BONNIE J. PANNELL**

Vice Mayor

Councilmember, District 8

## **CITY OF SACRAMENTO FACTS**

- The City of Sacramento was founded in 1849 and is the oldest incorporated city in California.
- In 1920, city voters adopted a Charter (municipal constitution) and a City Council/City Manager form of government.
- The City is divided into eight districts.
- Elected members of the City Council serve a four-year term.
- The Mayor is elected by all voters in the City. In 2002, voters approved a measure for the Mayor to serve full-time. All other Councilmembers are elected by district and serve part-time.
- The Mayor and other Councilmembers have an equal vote in all matters.
- The City of Sacramento currently encompasses approximately 99 square miles.
- The current estimated population is 486,189.

