

PROPOSED BUDGET RESOLUTION

**RESOLUTION ADOPTING THE APPROVED
BUDGET FOR THE CITY OF SACRAMENTO
FISCAL YEAR 2004/05 BUDGET**

SECTION 1. SCOPE

This resolution defines the authority and responsibilities of the City Manager in implementing the Approved Budget of the City of Sacramento, and supersedes Resolution 2003-412.

SECTION 2. DEFINITIONS

- 2.1 "Approved Budget" means the budget adopted by the City Council on June 22, 2004 for the 2004/05 fiscal year, per the attached exhibits, including subsequent transfers from Contingency Reserves to departments to implement labor agreements and transfers to account for employee service changes due to promotions, vacancies, merit increases and reallocations.
- 2.2 "Current Budget" means the 2003/04 Approved Budget, incorporating any subsequent appropriation increases, decreases or transfers.
- 2.3 "Expenditure Class" means Employee Services, Other Services and Supplies, Equipment, Debt Service, Labor Offset, Transfers, and Capital Improvements.
- 2.4 "Department" or "Agency" means Mayor/Council, City Manager, City Attorney, City Clerk, City Treasurer, Convention Culture & Leisure, Development Services, Finance, Fire, General Services, Human Resources, Information Technology, Labor Relations, Neighborhood Services, Parks & Recreation, Police, Transportation, Utilities, Capital Improvement, Debt Service, Non-Departmental and Reserves.
- 2.5 "Division" means a sub-unit of a department.
- 2.6 "Activity" means a sub-unit of a division.
- 2.7 "Organization" means a department, division, or activity.
- 2.8 "City Manager" means the City Manager or, if so designated, the Director of Finance, or the Budget Manager.
- 2.9 "Full Time Equivalent" means the decimal equivalent of a position; i.e., one full time position is 1.00 FTE and one quarter-time position is 0.25 FTE.
- 2.10 "Base Budget" means the current year budget modified per labor agreements, one-time expenditures and citywide charges.

SECTION 3. AUTHORIZED STAFFING AND APPROPRIATIONS

- 3.1 The City Manager is authorized to make any expenditure and resource adjustment to the Approved Budget based on final City Council action to adopt the Budget. This is to include adjustments to all Budget Schedules referenced in this resolution and on the attached schedule of changes (Exhibit 1).
- 3.2 The appropriations and Full Time Equivalent staffing as shown in Schedules 1A, 1B, 1C and fund summaries including transfers as shown in Schedule 2 are approved.
- 3.3 During budget deliberation and following budget approval, the City Manager is authorized to make adjustments for updated labor, vehicle, energy, contingencies and risk management changes such as retirement rates, payroll taxes, health benefit, fleet costs and risk management costs from designated funds or reserves.
- 3.4 Following budget approval, the Director of Finance is authorized to revise indirect cost rates to be applied to hourly salary rates in order to achieve full cost recovery of services. The Director of Finance is authorized to adjust the operating budget to reflect the indirect cost plan for Fiscal Year 2004/05.
- 3.5 Reclassification requests, as noted in the authorized position listings, require approval by the Human Resources Department in order for the new classification to be authorized.

SECTION 4. APPROPRIATION INCREASES/DECREASES

- 4.1 All increases or decreases in excess of \$100,000 to operating and capital appropriations shall be approved by the City Council by resolution.
- 4.2 The City Manager is authorized upon completion of the audited financial statements for FY2003/04 to adjust FY2004/05 fund appropriations by the amount of net savings/overruns as determined by the City Council. These carryover amounts will be included and addressed in the Midyear Financial Report.
- 4.3 The residual balances from unexpended debt proceeds will be reverted to the General Fund and utilized for the legal purposes as specified per 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 INCREASES/DECREASES

- 5.1 Any increase or decrease, by department by fund, in Full Time Equivalent (FTE) staffing levels as authorized in the Approved or Amended Budget for a department must be approved by the City Council.

- 5.2 Any existing positions which were approved on the basis 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 or expansions of fully offset grants. Grant funded positions shall be terminated upon completion or cancellation of the grant unless specifically continued by resolution including a source of replacement funding.
- 5.3 Any exempt management position adjustment made subject to the approval of the City Manager and subject to the Personnel Resolution covering Unrepresented Officers and Employees approved by City Council must have funding verified by the Director of Finance or the Budget Manager prior to implementation.
- 5.4 Any reassignment of authorized FTE and employee services funding associated with these FTE within a department and within the same fund may be made at the discretion of the department head 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 positions or job reclassifications are subject to classification review and approval by the Human Resources Director.
- 5.6 The City Manager has authority to adjust staffing levels in the Police and Fire Training Academy based on projected vacancies.

SECTION 6. APPROPRIATION TRANSFERS FROM CONTINGENCY/RESERVE FUNDS

- 6.1 The Reserve for Economic Uncertainty will be \$25.5 million for FY2004/05. This reserve will be maintained for the purpose of absorbing unforeseen revenue losses and allowing continuation of Approved Budget program levels.
- 6.2 Appropriation transfers from fund balance contingency funds up to and including \$100,000 may be approved by the City Manager. Such transfers in excess of \$100,000 shall be approved by the City Council by resolution, except for payments to employees for vacation and sick leave termination, which may be approved by the City Manager.
- 6.3 No Reserve transfer shall be made from any fund, which would create a negative undesignated fund balance in the fund, or in the case of the General Fund, in the Administrative Contingency.
- 6.4 Release to unobligated fund balance the following amounts previously designated by the City Council:
 - (1) \$4,775,000 from funds previously reserved for savings in the Utility Tax Rebate program and un-needed reserves from RACS and the Old Sacramento ADA (boardwalk) project.

SECTION 7. OTHER APPROPRIATION TRANSFERS

- 7.1 Any operating appropriation transfers within the same department must be approved by the City Manager or the Manager's designee.
- 7.2 Appropriation transfers between two or more departments up to and including \$100,000 may be approved by the City Manager or the Manager's designee. Such transfers in excess of \$100,000 shall be approved 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, 2004, after adjustments resulting from Section 4.2, 4.3 and 9.2 or as specifically excluded in Section 11, shall revert to the fund balance of their respective funds.
- 8.2 All purchase order commitments outstanding on June 30, 2004 are hereby continued.

SECTION 9. CAPITAL IMPROVEMENTS

- 9.1 All multi-year capital improvement projects in existence on June 30, 2004 shall be continued in the 2004/05 fiscal year except as provided in sections 9.8 and 9.10. The FY2004/05 Capital Improvement Budget is hereby adopted as summarized on Schedule 2 and Schedule 4.
- 9.2 Each fiscal year, at June 30, the balance of each capital improvement project must be zero or have a positive balance by fund. Projects in excess of the budget from all funding sources by \$100,000 or less shall, first, be corrected within each fund and, second, be corrected by a transfer from the operating budget organization of the project manager. All transfers of \$100,000 or less shall be made as provided for in Section 6.2.

Projects in excess of budget from all funding sources by more than \$100,000 shall be submitted to City Council for approval of a corrective plan of action.
- 9.3 All capital improvement projects shall be approved by the City Council. Capital projects may be subdivided for administrative convenience into separate sub-projects without further Council action. The cancellation (without completion) of a capital project must also be approved by the City Council.
- 9.4 Except in the General Fund, the Director of Finance is authorized to transfer appropriations totaling \$50,000:
 - (1) From Project A to Project B if:
 - a) Project A is completed and has savings; or

b) Project A is not 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.

Transfers affecting any one project that exceed \$50,000 in total shall be subject to the provisions of 6.2 and 9.2.

9.5 Except as provided for in Section 9.9, upon completion and closure of a capital project, the Director of Finance is authorized to transfer any remaining project balance to:

- (1) the fund balance contingency; or
- (2) as provided for in Section 9.4.

Fund balance for the Utilities Program capital projects is the equivalent to the capital projects base reserve for each fund.

9.6 Capital appropriations shall be used solely for repairs, maintenance, improvements or acquisitions with a total cost of at least \$10,000.

9.7 Capital appropriations shall be used solely for the originally approved project or projects except as provided in this section. Annually, completed or inactive projects will be closed except due to 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 Finance Director has the authority to process the necessary documentation to close inactive projects.

9.8 Unencumbered appropriations for all inactive projects as defined in section 9.7 above will expire on the June 30 following third full year of the last appropriation to the project. Subject projects requiring continuing appropriations will require Council action through programming within the Capital Improvement Program or through amendment to the Program.

9.9 Measure A Sales Tax (fund 201) expenditure and revenue budgets can be loaded into the City's financial system prior to Sacramento Transportation Authority (STA) Board approval. Work on capital projects in this fund is done prior to receiving funding and project funding/authorization shall be as follows:

- (1) The Finance Director is authorized to enter the revenue/ expenditure budgets as reflected in the Approved Budget (revenues) and Capital Improvement Budget (expenditures).

- (2) STA Board approval is required for all Measure A reallocations. In cases where the Council takes action on recommended Measure A reallocations prior to the STA Board action, Council approval shall be contingent on ultimate STA Board approval.
- (3) The Finance Director is authorized to enter expenditure/revenue budget adjustments prior to Sacramento Transportation Authority (STA) Board approval in accordance with Sections 6.2 and 9.4.

9.10 Projects funded by the following reimbursable funds: Grant Funds (funds 248, 511 and 512), SHRA Community Development Block Grants (fund 205) and Tax Increment (fund 206) are included within the Operating and Capital Budgets for planning purposes. Work on capital projects funded by these sources is done prior to receiving funding and project funding/authorization for these projects shall be as follows:

- (1) Funds 205, 206, 248, 511 and 512: Expenditure and revenue budgets will not be loaded into the City's financial system until actual agreements (Program Supplements/E-76's, Individual Project Agreements/IPA, etc.) have been entered into between the City and the funding authority.
- (2) Funds 511 and 512: The City of Sacramento is eligible to receive Federal and/or State funding for certain Transportation projects through the California Department of Transportation (Caltrans). Master Agreements, Program Supplemental Agreements, Fund Exchange Agreements and/or Fund Transfer Agreements need to 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.

Once the agreements are approved, the Finance Director is authorized to enter the revenue/expenditure budgets as reflected on the agreement paperwork, provided that the amount of the agreement is not more than \$100,000 different from what was reflected in the Approved CIP which authorized the project. Project agreements more than \$100,000 different from the anticipated budget shall be submitted to City Council for approval of a budget augmentation.

9.11 The Capital Budget has been amended over the past few years to include "Credit Projects." Credit projects are established to account for turnkey parks, infrastructure and other improvements provided by a developer in exchange for City fee credits. Effective with the 2003-2007 Approved CIP these projects were identified by using an alpha-numeric alpha-numeric (L1L1) project number. In an effort to provide for a more accurate reflection of proposed spending by fund, these projects are reflected in the Capital Improvement Program (CIP) as funded by Developer Credit/Obligations (fund 999). At the time these improvements are accepted by the City of Sacramento the projects and related appropriations will be recorded in the appropriate City fund.

9.12 Projects and appropriations established as part of the Neighborhood Community funding under Resolution 2000-682 (11/21/00), 2001-765 (11/20/01) and 2003-412 (6/17/03) 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 alternate funding sources can be administratively reprogrammed into other projects within the same District, at the request of the Council District Office and with the approval of the Director of Finance.
- (2) Savings above \$50,000 to be reprogrammed will require City Council approval.

9.13 The final adopted Capital Budget is amended to include the following:

- (1) Add a capital project for Voice Over Internet Protocol (VoIP) equipment replacement to be funded from VoIP billings to Departments in the FY2003/04 Budget, as follows:

101-130-1333-42XX	(\$100,000)
101-500-AB66-4463	\$100,000

- (2) Add a capital project for the Citywide Fiber project to be initially funded with lease revenues from other public entities in the FY2004/05 Budget, as follows:

101-750-7119-3XXX	(\$50,000)
101-500-AB71-4258	\$25,000
101-500-AB71-4443	\$25,000

SECTION 10. OPERATING GRANTS

10.1 All operating grants over \$100,000 shall be approved by the City Council.

10.2 All operating grants under \$100,000 shall be approved by the City Council if:

- (1) Any increase or decrease, by department by fund, in Full Time Equivalent (FTE) staffing levels as authorized in the Approved or Amended Budget is requested; or
- (2) Matching funds from City resources are required; or
- (3) Accepting the grant creates an expectation for ongoing service or funding by the City.

10.3 If a granting authority requires City Council action then the grant shall require approval by City Council regardless of the grant amount.

- 10.3 Operating grant funds appropriated in the Approved or Amended Budget do not require additional Council approval to be expended upon receipt of such grant or grants.
- 10.4 All multi-year operating grant budgets in existence on June 30, 2004 shall be continued in the 2004/05 fiscal year.

SECTION 11. MISCELLANEOUS CONTROLS

- 11.1 No expenditures at the department level shall exceed the Approved or Amended Budget, by fund.
- 11.2 Subject to approval by the Director of Finance and pursuant to the sections governing transfers and appropriations projected deficiencies in any department by fund must be corrected by:
 - (1) reducing expenditures in said department (e.g. freezing vacant positions, restricting purchase orders, etc.); or
 - (2) an appropriation transfer from Contingency Reserve funds, subject to the provisions of Section 6.
- 11.3 The Director of Finance is hereby authorized to:
 - (1) adjust budgets to reflect all required debt service payments per the official statements;
 - (2) adjust budgets in the Special Revenue funds for appropriations required based on the action /direction of the Council relative to capital projects, transfer requirements and the availability of funds;
 - (3) adjust budgets in the Capital Project funds for the current year based on the previous action of Council for projects on a multi-year basis; and
 - (4) adjust budgets in the Multi-Year Non-Capital Project Agency for the current year based on the previous action of Council for programming on a multi-year basis.
- 11.4 Appropriations in existence on June 30, 2004 for the Inclusionary Housing Program, Infill Program and the Economic Development Assistance Program shall be continued in the 2004/05 fiscal year.
- 11.5 Appropriate \$563,000 in non-department (101-750-7113-XXXX) for establishment of a Multi-Year Operating Organization to provide funds for the removal of the Municipal Fire Alarm System in FY2005 and FY2006.

SECTION 12. MIDYEAR FINANCIAL REPORT

- 12.1 City Council shall be provided a Midyear Financial Report including a re-estimate of the financial condition of all funds, including prior year actual fund balances, re-estimated revenues and expenditures, projected ending fund balances or deficits, and recommendations for eliminating any projected fund deficits.
- 12.2 The City Council shall act on any projected fund deficits prior to the close of the Fiscal Year.

SECTION 13. CONTINGENCY LITIGATION/PROPERTY MITIGATION RESERVE

- 13.1 The Contingent Litigation/Property Mitigation Reserve is maintained annually to cover possible costs associated with outstanding litigation or property mitigation. Transfers from this Reserve to the operating budget may be approved by the City Manager.

SECTION 14. IN-LIEU PROPERTY TAXES AND IN-LIEU FRANCHISE FEE

- 14.1 An in-lieu property tax and in-lieu franchise fee are hereby imposed on the Community Center, Parking, Golf, and Sacramento Marina funds in the amounts provided in Schedule 3 of the FY2004/05 Approved Budget. The 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 on 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 15. APPROPRIATION LIMITS

- 15.1 The appropriation limit and the appropriations subject to the limit are hereby amended pursuant to Article XIII B of the California Constitution for FY2004/05 as detailed in Schedule 5.

SECTION 16. FY2004/05 REVENUE BUDGET

- 16.1 The FY2004/05 Revenue Budget is hereby adopted as summarized in Schedule 6 of the Approved Budget document.
- 16.2 Any increase or decrease greater than \$100,000 to the adopted revenue budget by fund requires City Council approval.
- 16.3 The City Manager is authorized to adjust revenues for renewals and augmentations of fully offset grants.

SECTION 17. MISCELLANEOUS CONSIDERATIONS

17.1 In all staff reports that come before the City Council, the bottom line impacts on all funds will be stated clearly and concisely including indirect impacts so that Council Members have a full understanding of the financial consideration impacts of the decisions.

MAYOR

ATTEST:
