



A Guide to

THE CITY OF SACRAMENTO'S BUDGET PROCESS FY2004-2005

City Manager Robert P. Thomas, City of Sacramento

BALANCING THE BUDGET

Each year the City of Sacramento allocates funding to improve our neighborhoods and parks, to pave roads, and to operate a water and sewer infrastructure that is critical to our daily needs. The City also runs the Animal Care facility, supports art museums, sponsors visitor attractions and provides police, fire and emergency medical services.

During the budget process, important decisions are made about all public facilities and services. Choices impact spending on Code Enforcement, Parks Maintenance, Recreation and hundreds of other programs.

Your tax dollars go into the budget, and public input on how the money is spent is vital. This fact sheet is a guide to the budget process, including key dates and information sources.

THE BUDGET OUTLOOK

The City Council adopts a balanced budget every year by June 30. Because the budget is developed and approved through a lengthy public process, the City must estimate its revenues and expenses far in advance. The City Charter requires the City Manager to submit a proposed budget May 1 for adoption by June 30 of that year. The General Fund is the City's principal operating account supported primarily by taxes, such as property tax, sales tax and utility user tax.

The City Charter as well as State law restricts how some revenues may be generated and they specify what the City must spend the money on. These are called fee supported and special revenue funds.

For the upcoming FY2004/05 budget, City Manager Bob Thomas is proposing a balanced budget that continues to reflect a sustainable budget, which is a fiscal strategy adopted by the Mayor and City Council. The concept of a sustainable budget means on-going costs will not exceed on-going revenues, therefore a balanced budget can be achieved. This plan also allows for an economic reserve (essentially the City's savings account) that has grown from four percent to seven percent and currently totals \$25.5 million. While the City has been diligent in taking care of its own financial situation, other factors continue to present challenges. The results of a weak economy, reduced revenues, and the significant and still-to-be

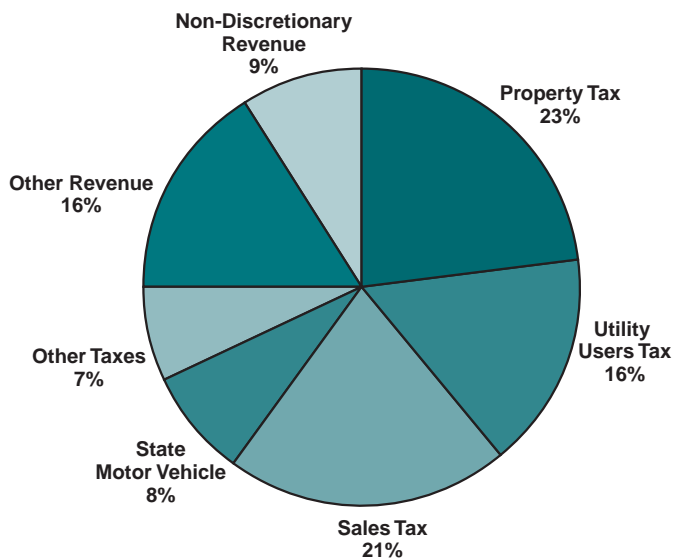
determined impacts on the County and State budgets have spilled into this year's budget process.

What is known today is that the City has planned a budget strategy that will restructure the organization, adopt operational efficiencies, and pursue new revenues such as fees and penalties to minimize cuts in public programs and services. What is *not* yet known is the State's budget final impact on the City, specifically vehicle license fee revenues and property tax revenues with a potential additional loss to City revenue.

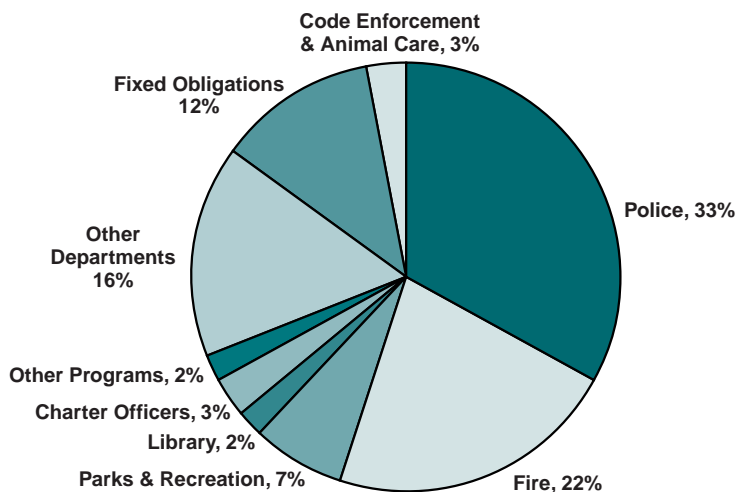
BALANCE THE FY2004/05 BUDGET WITH WHAT WE KNOW

The budget development process is a constant, year-round work in progress. Revenue projections and operating expenditures are frequently monitored to ensure a balanced budget at the end of every fiscal year. Any deviations from the City's financial forecast are immediately brought to the attention of the Mayor and City Council. As part of last year's budget process, a significant shortfall in the General Fund of \$25 million over the next two years was identified. This shortfall was largely attributed to a slow down in the economy, flat revenues, increased labor costs, worker's compensation, liability insurance and the probability of losing some or all of the vehicle license fees and other revenues being considered to shift local dollars back to the State.

WHERE DOES THE MONEY FOR THE GENERAL FUND COME FROM?



HOW IS THE MONEY IN THE GENERAL FUND SPENT?



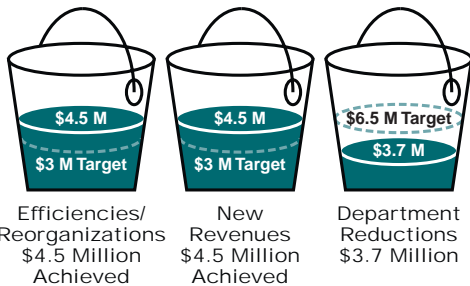
Total FY2004/05 Proposed Budget: \$329 Million

FY2004/05 – 2005/06 BUDGET STRATEGY

- Fix the General Fund structural imbalance of \$25 million over next two years
- Implement SOAP (Sacramento's Organizational Assessment Project) to:
 - Produce savings through **efficiencies**
 - Look at ways to increase **revenue**
 - Consider **reductions** in departmental staff, service and programs

What is proposed for FY 2004/05 that begins July 1, 2004?

First year fix: \$12.5 million
Actual target achieved: \$12.7 million



Specific recommendations in each of these categories are summarized below:

Reorganizations/Efficiencies

- City Manager — Transfer Assistant City Manager position to new Development Services Department.
- City Treasurer — Reorganize and reduce the number of business units for improved efficiency.
- Convention, Culture & Leisure — Achieve efficiencies through sharing of equipment among divisions.
- Finance — Consolidate Procurement Division and Office of Small Business Development and consolidate a portion of the Central Stores function with Fleet inventory management.
- Information Technology — Remove Municipal Fire alarm system. After an initial year investment of \$563,000, this project will save nearly \$400,000 annually in unnecessary maintenance costs.
- Parks and Recreation — Transfer a position from the General Fund to the START fund to improve operations.
- Police — Reorganize positions to take advantage of dedicated funding sources for specific programs such as the Tow Program and the Emergency Vehicle Operations Center (EVOC). Reorganize management duties across the department.
- Transportation — Improve efficiency to provide additional funding from outside

sources. Also, begin a program to provide concrete maintenance services in-house to achieve additional administrative efficiencies.

- Utilities — Reduce General Fund contribution for City Operator program.

New Revenues

- City Treasurer — Achieve additional fee revenues from managing investments for the City's retirement system.
- Convention, Culture and Leisure — Increase fees for Archives operations.
- Development Services — Implement additional recovery of costs from Planning fees and implement a fee to cover costs associated with updating the City's General Plan.
- Finance — Increase audits; implement a fee for processing Business Operations Tax certificates and increased fee for returned checks.
- Neighborhood Services — Increase fees for code enforcement compliance.
- Parks and Recreation — Increase plan check fees associated with development and recognize additional recreation revenue.
- Transportation — Implement a Residential Parking Permit fee to increase the level of service related to residential permit parking in order to reduce fraud and abuse and help protect preferred parking benefits for residents.

Reductions

- City Attorney — Reduce funding for technology-related capital expenditures.
- City Clerk — Reduce funding for contract support for the City's online campaign filing program.
- City Manager — Reduce operating budget expenses.
- Convention, Culture and Leisure — Reduce outreach and marketing, reduce cultural awards grants and reduce support to Old Sacramento.
- Finance — Eliminate one Special Projects Manager position.
- Human Resources — Eliminate career development support and reduce one additional management position.
- Information Technology — Eliminate two positions; reduce funding for training; reduce consulting expenses.
- Labor Relations — Continue to hold Labor Relations Manager position vacant.
- Mayor/Council — Reduce operations budget by \$80,000.
- Neighborhood Services — Reduce Neighborhood Service area administrative and support staff.

- Parks and Recreation — Reduce support for Special Events; reduce consulting support; reduce Special Program Leader work hours by 30 minutes per day; reduce park maintenance services by approximately 3-4 hours per week.
- Police — Eliminate some staffing support for report-writing; eliminate equestrian and marine units.

HOW TO PARTICIPATE IN THE BUDGET DECISIONS

The City Council has established a schedule for discussing the budget proposal and receiving public input. These two documents are available online at www.cityofsacramento.org or at the Office of the City Clerk, City Hall, 730 "I" Street, Suite 211. The schedule is subject to change and should be verified with the City Clerk, at 916-808-5799. All meetings are held in the Council Chamber at City Hall, 730 "I" Street, first floor.

For information contact: Liz Brenner, Public Information Officer, City Manager's Office 808.1406 or lbrenner@cityofsacramento.org.



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