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SECTION – 1
Budget Message



OFFICE OF THE
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August 1, 2012

Honorable Mayor and City Council
Sacramento, California

Dear Mayor and Members of City Council:

This letter transmits the Approved Budget as Amended through July 31, 2012, (Approved Budget) for Fiscal Year (FY) 2012/13. The Approved Budget is balanced and totals \$1.059 billion from all funding sources, supporting 4,002.99 Full-Time Equivalent (FTE) positions. This includes \$368.2 million for General Fund operations and capital projects, and \$690.6 million for the operation and capital projects for the City's Enterprise Funds and other fund activities. Citywide, \$306.6 million is budgeted for capital improvement projects. The Approved Budget does not include use of the General Fund Economic Uncertainty Reserve (EUR). The current balance in the EUR is \$20.2 million, approximately 5.5 percent of estimated FY2012/13 General Fund revenues.

The Proposed Budget included the elimination of 286.15 Full-Time Equivalent (FTE) positions. As I stated during the budget hearings the better way to address the budget deficit, rather than reducing staff and program service levels, is for all employees to begin paying the employee share of retirement contributions. As a result of successful negotiations between the City and the Sacramento City Exempt Employees Association (SCXEA), Sacramento Firefighters Local 522 (Local 522), and Stationary Engineers Local 39 (Local 39) bargaining units, 143.8 Full-Time Equivalent (FTE) positions were restored as a result of employees in these bargaining units agreeing to pay the full share of the employee retirement contribution to CalPERS in FY2012/13.

Additionally, as a result of the generosity of Save Mart Supermarket's sponsorship of the Save Our Pools campaign the City was able to restore funding for 12 swimming pools and 5 wading pools in FY2012/13. Save Mart matched the community's generous donations of \$500,000 dollar-for-dollar resulting in raising the \$1 million needed. This kind of generosity and the spirit of the community is truly an extraordinary accomplishment for our community.

The budget also includes revenues and expenditures associated with the Water and Wastewater Fund three-year rate increases that were approved on March 27, 2012. These funds will provide a solid plan of investment in our utility infrastructure. A major component of the utility investment plan is the rehabilitation and upgrade of the Sacramento River and Fairbairn water treatment plants (\$150

million), which will provide approximately 1,875 construction jobs. These infrastructure investments are essential to the City's economic development efforts to make Sacramento an attractive location for businesses.

The reality is that while we have made substantial progress, our financial position is still not secure. We will have more difficult decisions to make in FY2013/14 as the City's budget challenges will continue with the General Fund facing an additional estimated \$7.4 million deficit, not including possible increases to employee retirement costs due to lower investment earning assumptions projected by CalPERS.

Budget sustainability and the fiscal capacity to address longer-term fiscal issues require a permanent ongoing realignment of revenues and expenditures. As we focus on making those difficult decisions today, we are building a framework for fiscal sustainability for our future. Our management team continues to find ways to economize and to provide services in more efficient and effective ways. The City will continue to provide programs and services our residents need, but perhaps not all that they want. Determining where that dividing line is drawn is the challenge before the City Council. I look forward to working with you to meet these challenges.

Respectfully submitted,



JOHN F. SHIREY
City Manager