

**1**

**SECTION – 1**  
**Budget Message**

*John F. Shirey*  
City Manager

*City Hall*  
915 I Street, Fifth Floor  
Sacramento, CA 95814-2604  
916-808-5704

July 1, 2016

Honorable Mayor and City Council  
Sacramento, California

Dear Mayor and Members of City Council:

I respectfully submit to you the Fiscal Year (FY) 2016/17 Approved Budget for the City of Sacramento. The total budget is \$978.4 million, including \$426.7 million for General Fund operations, \$480.3 million for enterprise and other fund operations, and \$71.4 million for the Capital Improvement Program. This budget will serve as the City's financial plan for the coming fiscal year and was developed in the context of City Council's adopted policies and priorities.

The budget includes the allocation of resources to address Council's priority initiatives and investment in key areas that will provide or enhance services and programs for the residents of Sacramento, including the expansion of programs and services to address critical needs in several operating departments and strategic one-time investments. The most notable achievement in this budget is funding that will bring the City's Economic Uncertainty Reserve (EUR) to 10% of annual General Fund Revenues, a goal of the City Council.

Funding is included for the following key initiatives:

- \$1.5 million to continue the City's efforts for critical local homeless programs including the Common Cents and rapid re-housing and employment programs, keep the Volunteers of America - A Street Shelter and Salvation Army Shelters open 24/7, and to fund 20 year-round women's beds at the Salvation Army Shelter.
- Funding to support the addition of 15 police officers added with the FY2015 U.S. Department of Justice, Office of Community Oriented Policing Services Hiring Program grant. Additionally, eight officers assigned to forensics will be transferred to patrol by restoring lower cost civilian forensic positions.
- Funding for the expansion of the ShotSpotter gunfire detection system and grant match funding for the implementation of the body-worn camera pilot program for police officers.
- Staffing for park safety will be increased to a total of 13 park rangers to address public safety issues in the City's parks compared to 9.5 rangers last year.

- 
- \$1.2 million to continue the work of the Mayor's Gang Prevention and Intervention Task Force, funding programs that provide youth and gang violence prevention and intervention services.
  - Staffing to support drinking water quality assurance testing and the implementation of safety and security measures in continued compliance with the Federal Clean Water Act and the State Water Code.
  - Implementation of a proactive approach to code enforcement that will increase compliance and reduce community blight by increasing code enforcement staffing, educating the community, and the Code Liaison program providing residents with quality customer service, information and assistance, and streamline the process of voluntary compliance by partnering with the public.
  - 311 Call Center improvements that will increase efficiency and cross-departmental team work, ultimately resulting in better service for Sacramento citizens and businesses.
  - Staffing dedicated to the redevelopment of key economic development opportunities in the Downtown Railyards and along the Sacramento riverfront to focus on expediting and removing barriers to development.
  - Funding to establish a Boys and Girls Club adjacent to the Valley Hi Library.
  - Funding for capital investments in Council District 2 (\$120,000), Council District 4 (\$60,000), and Council District 8 (\$60,000).
  - An additional position in the City Auditor's Office to enhance the City's internal audit process and increase response efforts on the City's whistleblower hotline tips.

This budget includes the allocation of \$23.6 million to address Council's priority initiatives and investment in key areas that will provide or enhance services and programs for residents. The ability to fund many of these initiatives is made possible with Measure U funds, for which we continue to be thankful to the citizens of Sacramento for their support.

I am pleased to report that the city continues to benefit from a strong economic recovery with revenues growing at a substantial rate, improving the fiscal outlook beyond what was thought possible at this same time last year. This provides much needed breathing room to focus on the restoration of core services while targeting investments reflecting Council's adopted priorities. However, over the long-term budget sustainability requires that revenues exceed expenditures on an annual basis, and we aren't quite there yet. As we move forward it is important to remember that the City faces several significant issues that will put pressure on available resources:

- Infrastructure needs for our facilities, roadways and utility systems continue to take a back seat to increased funding needs for delivering programs and services.

- 
- Labor negotiations for all but two of our employee groups will begin in early 2017 with those remaining beginning in 2018.
  - Retirement costs continue to grow, the result of changes the California Public Employees' Retirement System as implemented to ensure that the retirement benefits are funded at an appropriate level and the reality that the system has not met investment earnings requirements (which increases employer costs).
  - OPEB (other post-employment benefits) health benefits have an accrued liability of \$364.7 million, while there is only \$15.1 million (as of June 30, 2016) in the City's OPEB Trust to fund these benefits.

While the strategic use of fund balance provides a tool to bridge the gap, the use of one-time funding for ongoing expenses over the long-term is inconsistent with adopted budget policies and guidelines. As such, we will need to focus efforts on achieving a sustainable budget, by developing strategies to either reduce costs or increase revenues.

The budget process is never easy and I would like to thank Council for your leadership and commitment to budget sustainability and to all of those involved in developing this budget.

Respectfully submitted,



JOHN F. SHIREY  
City Manager