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SECTION – 1

BUDGET MESSAGE



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Mayor and City Council
Sacramento, California

Honorable Members in Session:

I am respectfully transmitting the Approved Budget for Fiscal Year (FY) 2008/09 for the City of Sacramento. The adoption of the FY2008/09 budget represents months of effort to implement what will ultimately be the first of many steps towards closing the gap between revenues and expenses in the General Fund, in order to regain fiscal sustainability for the City.

The Approved Budget is balanced and totals \$965.6 million from all funding sources and supports 5,300 authorized full time equivalent (FTE) positions. The General Fund totals \$423.9 million and 3,945 authorized FTE, with 3,585 FTE funded and 360 FTE unfunded.

This fiscal year, the City faced a \$58 million deficit. The Proposed Budget addressed the deficit with a combination of reduced expenses (\$32.5 million), increased reimbursements from other sources (\$2.6 million), increased revenues (\$3.7 million) and utilizing \$19 million in one-time funds from the Economic Uncertainty Reserve. The Mayor and City Council were prudent in their efforts to establish a reserve for economic uncertainties, the use of which will provide time to implement long-term reduction strategies.

During the course of the budget hearings, the Council adopted a number of amendments to the Proposed Budget which are detailed in the Overview Section of this document. The Approved Budget includes the restoration of funding for the Department of Parks and Recreation (\$600,000) the Sacramento Public Library Authority (\$360,000) and the Fire Department (\$2.7 million), resulting in the use of an additional \$3.6 million in one-time funding, leaving a balance of \$10.5 million in Economic Uncertainty Reserve funds. Overall, the General Fund reductions included in the Approved Budget will likely result in lower service levels, however, core services are being maintained and funded.

Additional reductions in FY2009/10 and beyond are inevitable. The use of one-time funding to support ongoing programs and staffing levels in the Approved Budget and known cost increases in FY2009/10 will result in future budget shortfalls. As such, it remains essential that the City continue to focus efforts to close the budget gap with ongoing measures. Effective long-term budget planning must include realigning expenses to revenues on an ongoing basis and holding operating expenditure increases to a level less than anticipated revenue growth. This strategy should eventually provide the capacity to begin to address the service demands of a growing city, rebuild reserves, and provide funding for facility maintenance and the funding of the retiree medical benefit.

As we all recognize, reductions in services and staffing are never easy. However, I believe that we have an obligation to the residents of the City to ensure fiscal sustainability. Our work on the City's

budget remains an ongoing effort. Staff is already working to develop options for FY2009/10 budget development and Council will receive updates and be asked for feedback throughout the year. It was an enormous challenge to adopt a budget that balances services and resources and I would like to thank the City Council, City employees and the citizens of Sacramento for their efforts in developing this budget.

Respectfully Submitted,



RAY KERRIDGE
City Manager