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**SECTION – 1**

**BUDGET MESSAGE**





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May 1, 2008

Mayor and City Council  
Sacramento, California

Honorable Members in Session:

I respectfully submit the Fiscal Year 2008/09 Proposed Budget for the City of Sacramento. In October 2007, it became apparent that the decline in the real estate market was continuing and worsening, further depressing General Fund revenues. A significant gap between revenues and expenses in the City's General Fund budget would continue to grow over the next three to five years, absent efforts to reduce expenditures. At that time we began the process of planning for long-term strategies to close this gap.

Reductions in services and staffing are never easy, and the Proposed Budget reflects the best efforts to address the significant challenge of a \$58 million gap between estimated revenues and ongoing expenses while continuing to provide essential programs and services to the City's residents. The Proposed Budget is balanced and totals \$964.3 million from all funding sources and supports 5,294 authorized full time equivalent (FTE) positions. The General Fund totals \$420.3 million and 3,943 authorized FTE, with 338 FTE proposed to be unfunded. The Proposed Budget reflects the Council's direction to minimize impacts to public safety and maintain core services. The Proposed Budget includes General Fund reductions plans of 8% for public safety and reductions of 20% for most non-public safety activities.

The Proposed Budget includes the use of one-time funding to support on-going programs and staffing levels. It is essential that we develop and implement a multi-year plan to close the budget gap with **ongoing** measures including hiring controls, growing our revenues and departmental consolidations. Additional reductions in FY2009/10 and beyond are unavoidable because of the use of one-time funding and known cost increases in FY2009/10.

The use of one-time funding allows time for the development of budget reduction strategies which minimize impacts on service levels. The City must take a serious look at departmental consolidations which result in improved customer service, operational efficiencies and cost savings. Effective long-term budget planning must include holding operating expenditure increases to a level less than anticipated revenue growth to provide the capacity to address the long-term fiscal challenges of program restorations, rebuilding reserves, facility maintenance, the provision of new facilities and the funding of the retiree medical benefit. The upcoming budget hearings will require that difficult decisions be made in order to ensure the long-term financial stability of the City. It is critical that we maintain a longer term focus on the budget to return to fiscal sustainability and improved program and service delivery.

Respectfully Submitted,



RAY KERRIDGE  
City Manager