



City of Sacramento

FY2011/12 PROPOSED BUDGET OVERVIEW

The Fiscal Year (FY 2011/12) Proposed Budget for the City of Sacramento is balanced and addresses a \$39 million budget gap in the General Fund. This shortfall, as well as the continuing budget gaps expected in FY 2012/13 and FY 2014/15 will require fundamental changes to the way the City conducts business and the programs and services delivered. These changes are necessary and inevitable if the City is to regain fiscal sustainability.

The total budget proposed for FY 2011/12 is \$812 million. This includes \$362 million for General Fund operations and capital projects, and \$450 million for the operation and capital projects for the City's Enterprise Funds and other fund activities. The proposed budget eliminates an estimated 250 positions in the General Fund as part of closing the \$39 million deficit for FY2011/2012. The proposed budget recommends the elimination of a total of 366 positions across all funds which includes loss of grant funding and implementation of prior year reductions.

The projected gap is the result of both expenditure increases, and decreases in major tax revenues used to support General Fund programs and services. The chart below outlines the major drivers of the General Fund budget deficit:

(\$ in 000)	FY2010/11	FY2011/12	Deficit
Revenues	362,787	353,526	(9,261)
Labor	342,056	362,200	(20,144)
Service and Supplies	92,551	97,924	(5,373)
Capital Improvement Program	69	4,290	(4,221)
			(38,999)

- Major General Fund tax revenues continue to be affected by the ongoing recession. Property taxes continue to decline, while sales tax is expected to remain flat based on FY2009/10 actual results.
- Increased labor costs reflect the renegotiated labor contracts, required payments to the Public Employee Retirement System (PERS) and the addition of staffing for the new fire station in Natomas.
- Increased expenditures for services and supplies reflect the one-time deferral of replacement fleet in the FY2010/11 Approved Budget. Replacement of vehicles for the Police and Fire Departments constitute the majority of these costs.
- Funding for the Capital Improvement Program (CIP) reflects the necessary replacement to maintain essential public safety equipment including ambulances, fire trucks, defibrillators and fire station generators. Also included is funding for deferred maintenance of City assets.

The projected gap equates to nearly a 20% reduction in discretionary costs in the General Fund. The FY2011/12 Proposed Budget closes the budget gap and continues a multi-year effort to right-size the organization in order to achieve a sustainable budget.



BUDGET BALANCING

Achieving a sustainable General Fund budget for FY 2011/12 will require difficult decisions about which programs and services are funded and at what level. Since FY 2008/09, the Council has implemented numerous corrective actions, including cutting 900 positions and deferring maintenance expenses, moving toward full cost recovery of fee-supported services, and implementing efficiencies (e.g. department consolidations).

The General Fund totals \$362 million and 2,777 authorized FTE. The proposed budget closes the \$39 million budget gap comprised of program and service reductions including:

Strategies	\$ in millions
Labor Reductions (250.9 FTE)	27.1
Service & Supply/CIP Reduction	4.8
Increased Revenues	2.4
Use of One-time Funding	4.6
	38.9

MAJOR GENERAL FUND BUDGET IMPACTS

The Police, Fire and Park and Recreation Departments represent the bulk of the General Fund budget. (For specifics on all the departments' reductions, see the Proposed Budget document.) The major reductions proposed in these departments include:

Police

- Elimination of 167 FTE of which 98.0 are Sworn (including 35 FTE related to the potential loss of grant funding). This reduction will result in the loss of the special units in order to protect patrol as much as possible.

Fire

- A net reduction of 49 FTE includes staffing for one company at Station 43 but increases the number of company brownouts to 6 (currently there are 2) and require reduction in staffing to two more fire companies to 3-person crews. The number of brownouts may be mitigated if the Council approves the SAFER Grant.

Parks and Recreation

- All but 3 Community Centers will be closed, and all but 3 swimming pools will be closed starting the summer of 2012
- Significant reductions to youth and senior programs

OTHER PROGRAMS

Utility Funds

The budgets for Water, Sewer, Drainage, and Solid Waste do not include any rate adjustments or significant budget proposals. A multi-year rate strategy and recommendations from the efficiency audits will be brought back to City Council in late summer.

Capital Improvement Program Budget Overview

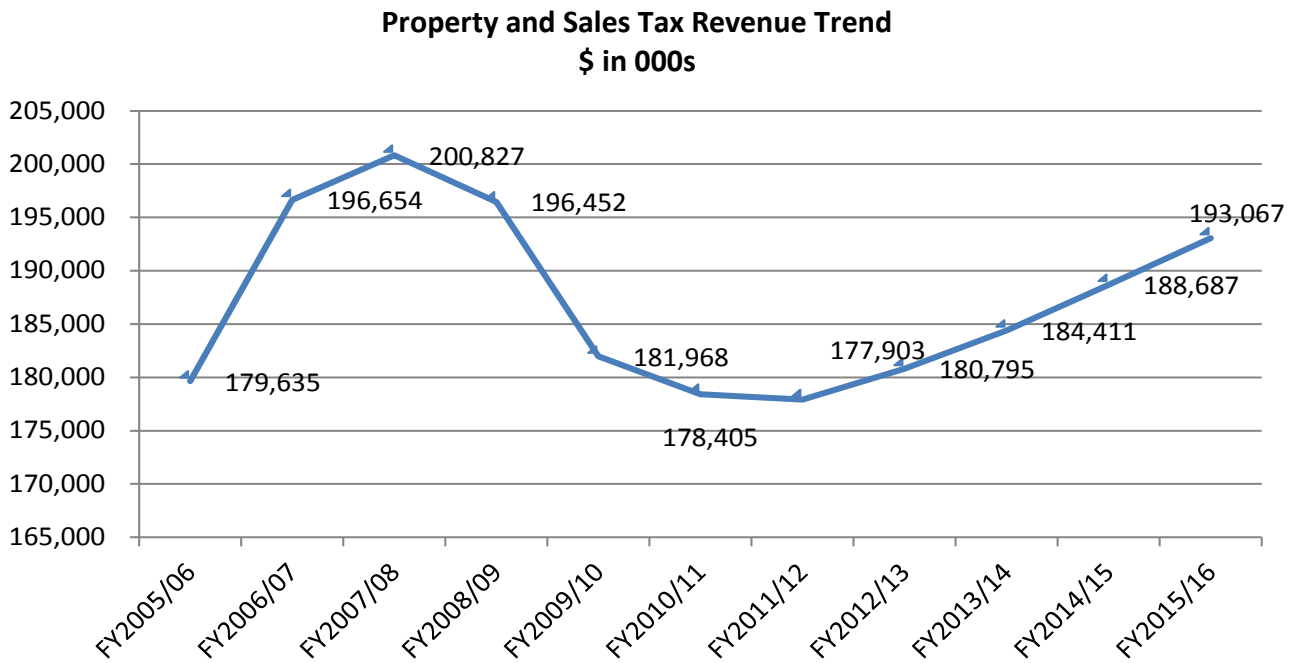
The FY2011/12 Proposed Capital Improvement Program (CIP) Budget for the City of Sacramento totals \$56.5 million and includes funding for 157 citywide programs and projects. The General Fund portion of the Proposed CIP Budget is \$3.3 million.



ECONOMY AND FIVE YEAR FORECAST

As the U.S. economy slowly recovers from its deep national recession, projections from the UCLA Economic Forecast suggest the state's economic recovery will be slow and unemployment will remain above 10% through the end of 2012. A local forecast from the California State University Sacramento (CSUS) predicts continued weakness in the local housing market resulting from excess supply. This excess supply reduced housing prices and resulted in lower assessed values upon which property taxes are derived. Because of the housing market's effect on property and sales tax revenues, the CSUS forecast expects local governments to remain under financial strain until the housing market improves.

City General Fund tax revenues, especially property taxes and sales taxes, have experienced significant declines in recent years as compared to pre-2006 levels:



FUTURE OUTLOOK

While the Proposed Budget closes the gap for the coming fiscal year, over the next five years the structural deficit persists, growing to a peak of \$23 million in FY2013/14. The following chart reflects the ongoing deficit in the General Fund, and the growth over the five-year forecast period:

\$ in 000s	Proposed				
	FY2011/12	FY2012/13	FY2013/14	FY2014/15	FY2015/16
Total Revenues/Resources	362,180	365,294	372,108	377,812	384,691
Total Expenditures	362,155	377,031	395,069	396,585	398,312
Annual Operating Surplus/(Deficit)	25	(11,737)	(22,961)	(18,773)	(13,621)
Cumulative Operating Results	25	(11,712)	(34,673)	(53,446)	(67,067)

The projected peak deficit, in addition to the \$39 million gap addressed in the Proposed Budget, reflects a structural gap of \$62 million (\$39m+\$23m) that must be addressed on a permanent on-going basis, in order to move past what have become perpetual reduction efforts and move forward with the business of the City.

FY2011/12 BUDGET HEARING SCHEDULE

AS OF APRIL 29, 2011 (SUBJECT TO CHANGE)

Please check the City of Sacramento's website for current information.

www.cityofsacramento.org

Tuesday, May 3	Proposed Budget Transmittal (Evening)
Thursday, May 12	Proposed Budget Kickoff (Evening)
Tuesday, May 17	Budget Hearing (Afternoon)
Tuesday, May 17	Budget Hearing (Evening)
Tuesday, May 24	Budget Hearing (Afternoon)
Tuesday, May 24	Budget Hearing (Evening)

Tuesday, May 31	Budget Hearing (Evening)
Thursday, June 2	Hold for Hearing if Necessary (Evening)
Tuesday, June 7	Budget Hearing (Evening)
Thursday, June 9	Hold for Hearing if Necessary (Evening)
Tuesday, June 14	Budget Hearing (Evening)
Tuesday, June 21	Budget Adoption (Evening)

