CITY OF SAN DIEGO
FISCAL YEAR
2008 ANNUAL BUDGET

Mayor's Budget Message

THE CITY OF SAN DIEGO

Ladies and Gentlemen:

It is my pleasure to present the City's **Fiscal Year 2008 Annual Budget**. This budget continues the necessary fiscal reforms that I began in Fiscal Year 2007 under San Diego's new Strong Mayor form of government and addresses the significant fiscal initiatives laid out in the City's first Five-Year Financial Outlook.

The total City budget for Fiscal Year 2008 is $2.92 billion including $1.11 billion for General Fund operations. The budget is posted on the City's website at www.sandiego.gov for convenient access.

In Fiscal Year 2007, I released the first Five-Year Financial Outlook for the City. In the Five-Year Financial Outlook, I identified eight significant areas that must be addressed in order to restore or preserve the fiscal integrity of the City and/or meet our legal and operational obligations. The **Fiscal Year 2008 Annual Budget** includes these significant areas: funding for deferred maintenance and capital needs; funding for the City's ADA (Americans with Disabilities Act) obligations; funding for the City's new obligations under the Storm Water Runoff Permits; an advanced contribution for the employee pension plan; funding for retiree health (OPEB); funding for the City's General Fund reserves; and a contribution for the Public Liability Fund. A contribution to fund the Workers' Compensation Fund reserve, the eighth significant area, is identified for funding in the Five-Year Financial Outlook beginning in Fiscal Year 2009.

This budget reflects the hard choices you elected me to make in order to bring the City back to fiscal health. Funding for critical public services remains a priority and this budget includes multi-million dollar increases to both the Fire-Rescue and Police Departments' budgets.

The City has become more efficient. The streamlining and Business Process Reengineering that began last year will continue into Fiscal Year 2008 to examine and redesign virtually every process and system of City government. In the Fiscal Year 2008 Annual Budget, 629.71 positions or Full-Time Equivalents (FTE) and associated costs have been eliminated citywide as a result of intensive streamlining efforts. Service levels are not expected to be impacted through streamlining efforts and position reductions due to efficiencies. We will also be working to implement the Managed Competition reform that the voters approved in November 2006.

The release of the City's 2003 and 2004 Audits and the corresponding unqualified audit opinions was a milestone in moving the City forward in accessing the public credit markets to finance long-delayed infrastructure improvements. We expect that the fiscal years 2005, 2006, and 2007 audits will be completed before the end of Fiscal Year 2008.

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Although the Fiscal Year 2008 Annual Budget funds the seven of the eight significant areas presented in the Five-Year Financial Outlook while maintaining current programs and services, the updated Financial Outlook suggest that the Fiscal Year 2009 budget will require that the City re-examine services and service levels in order to achieve a balanced budget.

Thank you for your continued interest and attention.

Sincerely,

Jerry Sanders
Mayor