FOR IMMEDIATE RELEASE
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FACT SHEET

FY09 Budget Week

MAYOR'S FY09 BUDGET CONTINUES REFORMS WHILE PROPOSING TRADE-OFFS TO MAINTAIN CORE SERVICES

$140 MILLION DEDICATED TO LONG-NEGLECTED OBLIGATIONS AS CITY REVENUES FLATTEN AND COSTS INCREASE

Mayor Jerry Sanders is delivering a balanced budget for the City's 2009 Fiscal Year that allows the City to continue providing essential core services while adding appropriate levels of funding for eight financial reform areas, all of which were ignored or under-funded by previous administrations. The Mayor's budget also permanently eliminates another 127 positions from the City's payroll, for a total of 795 positions, or 10.3% of all non-public safety jobs, eliminated since Sanders took office.

The new budget also accounts for the changing economic conditions that will affect the City in the coming year. It adapts to the lower revenue growth and increasing financial obligations the City will face in FY09. As the Mayor forewarned in January when he released the City's Five Year Financial Outlook (FYFO), this combination of conditions required budget trade-offs that will impact the delivery of some City services.

FY09 CITY BUDGET

The total budget for Fiscal Year 2009 is $3.29 billion. This includes $1.19 billion for General Fund operations and $1.53 billion for operation and activities in the City's other funds.

City Budget by Fund	FY07	FY08	FY09
General Fund	$1,021,203,098	$1,106,330,952	$1,188,639,430
Non General Fund	1,241,452,937	1,318,073,469	1,532,159,154
CIP	293,671,493	491,636,238	573,959,934
Total	**$2,556,327,528**	**$2,916,040,659**	**$3,294,758,518**

With the delivery of the FY09 budget, the Mayor has now provided three balanced budgets for the City. The rate of growth in General Fund expenditures has continued to decline dropping

from 8.3% in the current fiscal year (2008) to 7.4% in FY09.

GENERAL FUND EXPENDITURE GROWTH SUMMARY
FY 2008 – 2009

	FY 2008	FY 2009
Total General Fund Budget	$1,106,330,952	$1,188,639,430
Percent Change from previous year	8.3%	7.4%

MAYOR'S BUDGET INCLUDES FUNDING FOR CRITICAL OBLIGATIONS

Until Mayor Sanders took office, the City had neglected or under-funded a number of its long-term obligations. Left unaddressed, these obligations would have continued to grow further threatening the City's financial stability. Mayor Sanders ended those years of under-funding with his FY08 budget and will continue to address these critical needs in FY09 with an unprecedented $140.1 million contribution.

- **Funding the City's Pension System: $161.7 million.** The Annual Required Contribution was determined in the June 30, 2007 valuation conducted by the SDCERS actuary. This valuation applied the Entry Age Normal (EAN) method (calculating future actuarial liabilities beginning with the fiscal year 2007 valuation), a 20-year Unfunded Actuarial Liability (UAL) amortization period, and included $9.4 million in the ARC to eliminate negative amortization.

- **Capital Improvements and Deferred Maintenance: Project values of $109.1 million.** The Mayor is accelerating the City's effort to overcome its long list of deferred maintenance and capital improvement needs. He is dedicating a $31.6 million cash contribution and another $77.5 in financing for repairing deteriorating City facilities and the deferred maintenance needs of City streets and storm drains.

- **Americans with Disabilities Act (ADA) Improvements: $10 million.** The Mayor's budget for FY09 continues his commitment to allocate $10 million in each of the next five fiscal years for these federally mandated improvements. The projects to be funded in FY09 include additional curb cuts and improved access to public facilities. The Mayor intends to finance these projects through the sale of the City's underperforming real estate assets.

- **Storm Water System Improvements: $27.5 million.** The Mayor is dedicating $27.5 million to the public education and monitoring requirements contained in the City's storm water pollution prevention permit. These efforts are a critical part of the Mayor's commitment to increasing storm water pollution prevention activities throughout the City.

- **Funding a Retiree Healthcare Trust: $50 million.** On January 18, 2008 the City entered into an agreement with CalPERS Employer Retiree Benefit Trust to pre-fund expenses related to

post-employment healthcare benefits. The Mayor has included $50 million in funding in the FY09 budget: $23 million for the annual benefit costs or 'pay-as-you-go' and $27 million that will be applied to the unfunded retiree health liability. The Mayor's Five Year Financial Outlook projects the City will begin paying the full Annual Required Contribution for these costs in the FY 2010.

- **Funding the City's General Fund Reserves: $6 million.** The City's new reserve policy calls for 6.5 percent of General Fund revenues to be held in reserve in FY09, climbing to 8% by 2012.

- **Funding General Liability Fund Reserves: $10 million.** The Mayor's FY09 budget includes $10 million in new funding for building the Public Liability Fund Reserve. This is in addition to the regular pay-as-you-go allocation of $18 million and brings the total budgeted amount to $28 million. The $10 million reserve consists of a $5 million contribution, which is consistent with the Five-Year Financial Outlook, as well as an additional $5 million to replace prior year reserves spent in Fiscal Year 2008.

- **Building the Workers' Compensation Fund Reserve: $5 million.** The Mayor is committed to establishing sufficient reserves to cover increases in Workers' Compensation Fund liabilities. By establishing an acceptable reserve level, the City will provide better protection against adverse impacts to General Fund services as a result of these liabilities. The Mayor's FY09 budget includes a regular contribution of $22 million as pay-as-you-go payment for workers' compensation claims and $5 million for the Workers' Compensation Fund Reserve.

MAYOR PRESERVES HOURS AND FUNDING FOR POPULAR CITY PROGRAMS

Hours of operation for the City's libraries and Park and Recreation centers will remain unchanged in FY09. Program funding for the Commission for Arts and Culture will be at the same level as this fiscal year. All three programmatic areas had been significantly cut back in the three fiscal years prior to Mayor Sanders taking office.

BUDGET ENHANCEMENTS SUPPORT CRITICAL PROGRAMS AND ONGOING REFORM EFFORTS

Mayor Sanders has added funding in the FY09 budget for critical programs and to continue important reforms to the City's financial and business management practices. These include:

- **City Auditor:** The Mayor's budget establishes a department and supports the appointment of an internal City Auditor. These actions will help ensure that the City's internal controls and financial practices are consistent with industry best-practices as well as the recommendations made in the Kroll Report. A total of 11 positions (5 new and 6 transfers), in addition to non-personnel expenses, will support internal audit functions.

- **City Comptroller:** The Mayor is adding two accountants to the City Comptroller's staff. These positions will work on the implementation of the work plan for Internal Controls over Financial Reporting (ICOFR) and develop standard policies and procedures for the entire City.

- **City Planning and Community Investment:** More than $1.1 million will be added to the FY09 budget to allow community plan updates to proceed in the Uptown-Greater North Park-Greater Golden Hill Community Plan Cluster. The Mayor is also adding a staff member to help planning groups remain in compliance with the Brown Act.

- **Library:** The FY09 budget includes nearly $196,000 for additional wireless access points, new self-check machines, and Assistive Technology workstations for patrons with special needs.

- **Park and Recreation:** Though the Park and Recreation Department will see a net reduction in personnel under the Mayor's budget, he has included funding for important new positions and supplies needed to support critical department activities. These include new irrigation pumps and other aquatic maintenance equipment, funds for new trees, playgrounds, turf and heavy maintenance activities.

The Mayor has also included funding to support full-year operation of Park and Recreation facilities that opened after the current fiscal year (2008) had begun and for the additional facilities scheduled to open in FY09. These include:

- Torrey Del Mar Neighborhood Park
- Thurgood Marshall Joint Use
- Stonebridge Neighborhood Park
- Florence Griffith Joyner Elementary School Joint Use
- Porter Elementary School Joint Use
- Laura Rodriguez Elementary School Joint Use
- Park De La Cruz (Phase II) 38th and Cherokee Point Park
- Teralta Park Comfort Station
- Additional Open Space Acreage – 100 Acres

The Park and Recreation Department plans to open the following facilities in Fiscal Year 2009.

- Carson Elementary School Joint Use
- Del Sur Neighborhood Park
- Mira Mesa Hourglass Field
- Fay Elementary School Joint Use
- La Mirada Elementary School Joint Use
- Additional Open Space Acreage – 200 Acres

The Mayor is also adding 13 positions to increase the City's Brush Management Program within the 1,180 acres of urban/wild land interface helping to ensure that our community is better prepared for future wildfires.

- **Public Safety:** Funding for the City's public safety departments will increase in the Mayor's FY09 budget. The Mayor has included more funding for the City's Police and Fire/Rescue Departments in each of the balanced budgets he has delivered since taking office.

PUBLIC SAFETY BUDGET ALLOCATIONS
FY 2007 - 2009

	FY 2007	FY 2008	FY 2009
Police and Fire-Rescue Budgets	$529,644,385	$572,279,793	$597,452,281

The Mayor's public safety budgets have consistently targeted adequate preparation for emergencies, improvements to information technology and essential equipment as priorities. For FY09, the Mayor will expand on these priorities to include funding for critical services related to fire prevention. The Mayor's budget will provide:

- Six Code Compliance Officers to help monitor and address brush and weed abatement on private property. The additional staff will help satisfy a key recommendation in the After-Action Report regarding the 2007 Wildfires.
- $2.3 million to fund operation and staffing of a second emergency services helicopter.
- $1,335,248 for new equipment and supplies for the Fire-Rescue Department.
- $894,161 for replacing aging mobile computer terminals and costs for new wireless modems used by all sworn Police officials.
- $7 million to pay for new recruits scheduled to graduate from the Public Safety Academy during FY09.

MAYOR INCLUDES BOND REPAYMENT FROM CCDC IN FY09 BUDGET

As part of his effort to appropriately allocate costs throughout the City system, Mayor Sanders is including a $5 million contribution to the PETCO Park debt service costs from the Centre City Development Corporation in the FY09 budget. The contribution comes after months of discussions and is the first of what will be annual contributions designed to reduce the City's costs for this obligation. Total debt service costs for PETCO Park are $11.3 million annually. CCDC's contribution to meeting those costs is expected to grow in coming years

MAYOR'S POSITION CUTS CONTINUE TO STREAMLINE CITY OPERATIONS

The 10,659.51 FTE positions included in the Mayor's FY09 budget represent a net reduction in the City's budget of 127.13 FTE positions from the Fiscal Year 2008. The net reduction is a result of eliminating 241 positions, both vacant and filled, and the addition of approximately 114 positions for mandated programs, new facilities, and facilities that received partial staffing last fiscal year.

Since all positions, whether filled or vacant, are funded in the City's budget, the permanent elimination of these positions provides an immediate savings to the City's budget.

The position cuts included in the FY09 budget are part of the Mayor's ongoing effort to streamline the City's bureaucracy and will help reduce the layers of management that have built up at the City over many years. The permanent elimination of 127.13 positions from the City's payroll will provide an annual savings of $10.6 million. This is in addition to the $50 million in permanent savings the Mayor has already established by cutting 668 positions in previous budgets.

FISCAL YEAR	POSITION CUTS
2007	38.00
2008	629.71
2009	127.13
TOTAL	**794.84**

The reduction of 794.84 positions represents 10.3% of all non-public safety employees.

MAYOR'S BUDGET BALANCES CUTS AND ADDITIONS FOR CRITICAL PROGRAMS

The Mayor began the preparation of the City's FY09 budget with the estimated $32 million deficit identified in the FYFO. This number grew by an estimated $20 million when public safety salary increases and other adjustments were factored in for a total estimated deficit of $52 million.

CATEGORY	AMOUNT
Deficit Identified in FY09 FYFO	$32 million
Public Safety Salary Increases	$14 million
Booking Fee Reduction from State	$3 million
Other Adjustments	$3 million
Total Estimated Deficit	**$52 million**

In order to balance the budget, the Mayor cut costs and employed new sources of revenues, as follows:

CATEGORY	AMOUNT
Department Funding Reductions	$33 million
CCDC Coverage of PETCO Bonds	$5 million
FEMA/OHS Reimbursement	$8 million
1B Funds from State	$6 million
Total Estimated Revenue	**$52 million**

The Mayor's budget continues to provide City residents with dependable core services. It also provides some City operations, such as the Police and Fire-Rescue Departments, with increased funding. In some cases, there may be service impacts coming as a result of reductions in staffing levels in certain City departments. When making cuts and program adjustments for the coming year, the Mayor looked to reducing the City's bureaucracy first, before recommending changes to public programs and services.

Examples of potential impacts include longer wait times to check out library materials due to the reduction of 22 positions in the Library Department. Because of the reduction of 58 positions in the Park and Recreation Department, impacts there will be more wide-spread and include the elimination of overnight camping at the Kummeyaay Campground and the reduction of park ranger patrols. While the City will maintain a year-round schedule of pool operations, only the Ned Baumer pool will be open all twelve months of the year. All other City pools will now follow an 8.5 months staggered schedule.

MAYOR'S BUDGET MAKES HISTORY BY INCLUDING PERFORMANCE MEASURES

For the first time in history, the City's budget document includes performance measures and information about existing workloads for each City department. The new data will let taxpayers know how their money is being spent and what can be expected from those expenditures. Mayor Sanders included the new information to assist in the decision-making process and to continue his commitment to improving transparency and accountability at the City.

CITY'S FINANCIAL STABILITY CONTINUES TO IMPROVE WITH MAYOR'S BUDGETS

Since taking office, Mayor Sanders has accomplished a continuing series of improvements and reforms to the City's financial management practices. These fiscal accomplishments include:

- ✓ Streamlining city operations to save over $50 million annually and eliminating 670 staff positions.
- ✓ Additional personnel savings of $10.6 million coming from the elimination of 127.13 net FTE positions is planned for the year ahead. The 794.84 positions eliminated in total from FY2007 to FY2009 represent 10.3% of all non-public safety employees.
- ✓ Accounted for hundreds of phantom positions in the City's budget.
- ✓ Created the Five-Year Financial Outlook that forced greater funding for long-ignored obligations and set a financially sound schedule for paying off the City's pension debt.
- ✓ Secured a settlement with the Securities Exchange Commission after a lengthy investigation.
- ✓ Instituted tough new financial controls recommended by the independent Kroll report on city finances.
- ✓ Completed the long-delayed Comprehensive Financial Reports for the 2003, 2004, 2005 and 2006 fiscal years to help restore the city's credit rating and ability to finance critical infrastructure improvements.
- ✓ Dedicated over $100 million to long-deferred maintenance and infrastructure projects - an increase of over 4,000%.
- ✓ Crafted and implemented a $1.4 billion plan to repair the City's dilapidated water and sewer infrastructure.

- ✓ Developed and implemented the City's first Recycling and Construction and Demolition Debris Ordinances, which will extend the useful life of our landfills and recycle millions more tons of material.

- ✓ Increased funding for storm water pollution prevention efforts by 85%.

- ✓ Increased equipment funding for the San Diego Fire-Rescue Department by 60% (with more funding planned in Fiscal Year 2009) and raised pay for police officers to more competitive levels so the city can recruit and retain qualified officers.

- ✓ Established a retiree healthcare trust fund so this $900 million obligation would be honestly addressed, not just passed on to future generations.

- ✓ Saved over $1 million in the past year by reducing the number of insurance plans and insurers offered to City employees.

- ✓ Won approval for a ballot proposition requiring voter approval for any future pension benefit increases.

- ✓ Proposed a new retirement plan that lowers the City's financial risks, reduce pension costs and eliminate excessive perks.

- ✓ Secured voter approval for Managed Competition; moving forward with 26 city functions targeted for potential efficiencies and savings.

- ✓ Re-organized the Real Estate Assets Department to monitor and make better use of surplus city property to benefit taxpayers including a plan to sell $100 million over next five years.

- ✓ Refinanced the PETCO Park bonds saving the City $3.7 million annually.

- ✓ Established the City's first-ever set of Performance Measurements for inclusion in the Fiscal Year 2009 budget.

- ✓ Appointed the City's first ever Chief Financial Officer and a new City Internal Auditor.

- ✓ Implemented a five point safeguard plans for ratepayer funds used by the City's Water and Sewer systems.

- ✓ Successfully lobbied state and national leaders to give our region close to <u>$1 billion in new funds</u> for emergency preparedness, transportation infrastructure and environmental projects. Prior to the Mayor taking office, the City was virtually absent from the corridors of power in Sacramento and Washington, D.C.

- ✓ Accomplished all of the above without raising taxes.