

A message from:

Mayor Jerry Sanders



Yesterday, I detailed the extent of the City's financial crisis.

As I said yesterday, for years, the City has been doing the equivalent of living paycheck to paycheck, at a level far above our means. Simultaneously, City leaders continued to amass enormous long-term obligations that they were not able to meaningfully address. What the City did is fairly simple: it fully charged 8 credit cards and in some case, was not able to even make the minimum payments on those credit cards. That kind of destructive behavior must change - and it must change within this next budget cycle - because without meaningful and drastic change, the City will be in great peril.

I cannot and will not be part of an organization that decides to rack up debt without expecting that those obligations will not one day become due. The financial markets and more importantly, our citizens expect us to honor our past obligations.

Yesterday, we gave an extensive presentation on the problem side of the equation. As you heard, in FY08 alone, the City will have a budgetary deficit of at least \$87 million, if we address the long-term obligations that have been ignored. This number will increase as the years go on.

The reason why I say "at least" is because this deficit number does not include any pay increases but those previously negotiated by the past administration.

Separately, on Thursday, I will detail the long-term needs of our water and wastewater systems - needs that will require an investment of \$1.4 billion over the next several years: \$800 million for the wastewater system and \$600 million for the water system.

The critical underpinning of my 5 year financial plan is that the City should meaningfully address and fund 8 long-ignored critical financial obligations as part of our yearly budget: a more substantial contribution to the pension liability; increasing funding for our reserves so that they get to 8% of the General Fund; funding a trust fund for retiree health; meaningfully funding our deferred maintenance and capital needs; complying with our storm water system needs; complying with the requirements of the Americans with Disabilities Act; and adequately funding our Public Liability Fund and Workers Comp Fund.

I have said it before and I will say it again: the City has tried to be all things to all people and it has failed miserably. We have gotten ourselves into financial hot water. But as you know now, addressing these historically ignored problems will mean budgetary deficits.

Today, we announced the partial solutions that we will propose to address the deficit. Admittedly, this is a work in progress. More work and analysis will

continue through the presentation of my FY08 budget proposal in April of next year. This problem is so big that the solutions will not be easy. It will require incredible sacrifices by everyone, including those by our City employees and their labor unions, and tough decisions by the City Council.

When I took office, trust in the City government was at an all time low. Part of that I think is due to the perception that City government is bloated. My mission then will be to restore our citizens' trust by reforming City government from the inside out, by making it leaner and more efficient. Only if these reforms work will our citizens ever support any future revenue increases.

I want to make clear that I am not supporting any tax increases because I do not think that our government deserves that vote of confidence at this point in time.

We have to prove to taxpayers first that we have gotten our financial house in order before we can even consider asking for more of their hard earned money. The financial plan that I propose therefore does not include any tax increases.

My proposal includes the elimination of 709 positions over this fiscal year and FY08. That is approximately 9% of all of the employees under my control excluding public safety members of the police, fire and lifeguard services. In FY09 and FY10, it is my proposal to eliminate an additional 250 positions for a total of 959 positions. This is approximately 12% of all the employees in the mayoral departments, again excluding public safety members of the retirement system.

Additionally, I am proposing a number of reforms aimed at maximizing our resources such as debt refinancings, releasing encumbered funds and finding a better way to leverage our real estate assets. We have listed - but not budgeted - any savings from managed competition because we do not yet have a history with this practice. But clearly, I expect us to realize savings from managed competitions. I just did not feel that it was responsible to assume any savings at the present time.

Even with all of these savings, as you can see, we still have budgetary deficit of at least \$24.6 million in FY08 - and it grows in future years. As I said, we will be working on closing this gap in anticipation of my FY08 budget proposal. I will present a balanced budget.

It will clearly not be easy. I would expect the gap to be closed by a combination of factors: further reductions in force, making government work in a smarter, leaner and more efficient manner and a reduction in services.

It would be irresponsible - and dishonest - for me to stand up here and tell our citizens that their services may not be impacted. They may very well be impacted, by necessity not by design. What I will say to our citizens is that for way too long the City tried to be all things to all people.

It pretended that it could provide a level of service far above its means and continue to incur massive long-term obligations such as an expensive pension system. That kind of a proposition is not one that I can support - nor

should our citizens.

That they will get by understanding and buying into my proposal is a government that we can afford.

Click the following link to see a copy of my Five Year Financial Outlook:

http://www.sandiego.gov/mayor/pdf/five_year_plan_11_15.pdf