

A message from: Mayor Jerry Sanders



Today, I announced some very positive news with regard to our City's fiscal health and our agenda for reform at City Hall. For Fiscal Year 2007, the City's General Fund ended with a positive fund balance of approximately \$43.98 million. This comes as the result, largely, of better than expected revenues as well as a reduction in expenses.

In fulfillment of my goal to reform our reserve policies and incrementally raise them over the next 5 years, approximately \$14 million of that will be applied toward reserves, thereby bringing them to approximately \$66 million. This will raise our reserve levels to 6% with a goal of 8% within the next four years. The remaining amount is \$30 million.

Consistent with our reform agenda, my strong recommendation to the City Council will be to safeguard this cash. We will need it as we enter FY09 to close the anticipated budget gap.

I will issue an update to the City's Five Year Financial Outlook later this fall. All of our projections are being updated and we are now hard at work on making sure that this revision has all of the latest information. The last outlook we released reflected the fact that we would begin planning for FY09 with a potential deficit of \$96.3 million. Clearly, this \$30 million is capital that we must safeguard and use to cover long-term obligations.

As we seek to re-enter the capital markets, this is something that Wall Street will be keenly interested in: is the City of San Diego responsibly covering obligations that it made and does the City have sufficient reserves in case of unanticipated events? I have presented a plan for the reform of our financial practices. I am dedicated to its implementation.

Clearly, as reformers we need to show ourselves to be responsible stewards of taxpayer funds and fight the temptation to use these funds for anything other than covering our long-term obligations.

It is my recommendation that the \$30 million remain in our reserve account pending its proposed allocation by me for the FY09 budget. One of the most important reforms that I have brought to City Hall is to NOT use one-time revenues for on-going expenses.

Since this is one-time money revenue, I also want to make sure that these funds are allocated approximately and are not used to pay for on-going expenses. As a result, I will most likely allocate these funds to one-time expense categories such as our various reserve accounts that are woefully under-funded.

I look upon this news as a positive development but it will only remain that to the extent that we protect these funds and not allow them to be used for other purposes.