



Ladies and Gentlemen:

It is my pleasure to present the final version of the City's 2007 Fiscal Year budget. This is the first budget prepared under San Diego's new "strong mayor" form of government and reflects a number of fundamental changes from budgets prepared over previous years.

This is the first budget in recent memory that accurately and completely accounts for expenditures and revenues. It is the first in many years that addresses critical accounting procedures for both personnel and non-personnel expenses. In addition, the Fiscal Year 2007 Annual Budget includes the legally required contribution to fund the employee pension plan.

This budget, a refinement of the one I submitted to the City Council earlier this year, benefits from a number of events that have helped push the City forward after many years of financial mismanagement. As I requested in January, outside auditors have provided us with details regarding the use of our water and wastewater fund accounts. These audit results included recommendations for tighter accounting and a series of reimbursements to these funds. Both are included in this version of the budget.

This version of the budget also benefits from our new understanding of what the broader financial management and credit reporting agencies require from the City. Unlike the budgets created over the previous three years, this budget includes honest, transparent and supportable documentation of its financial assumptions and accounting procedures.

This is also the first budget in many years that provides increased funding for the City's deferred maintenance needs, a multi-million dollar infusion for Police and Fire departments and increases to the City's rainy-day reserves.

This budget is the cornerstone for my financial recovery plan. It gives us an accurate picture of our current condition and starts the process of even greater reforms at City Hall.

Over the next three years we will examine and redesign virtually every process and system of City government. We will be making the City more efficient by streamlining our operations and reducing unnecessary staff positions. We will also be working to implement the Managed Competition reform I have proposed for the November ballot this year. Taken together, each of these changes will give us the tools needed to create a new model of effective government for San Diego.

As these reforms come into place we will be able to restore both the credibility and credit-worthiness of our City. We will be able to return to the public credit markets early next year allowing us to gain funding for critical and long-delayed infrastructure improvements like upgrades to our water, wastewater and street systems. We will also be able to create a budget forecast for the next five years, the first time in history that the City will have a realistic financial forecast of that length.

I look forward to working with each of you as we continue to the process of rebuilding our City. I am asking everyone to stay engaged in this process and to provide me with input as we move forward. This is a critical moment in our City's history and we can only succeed by working together.

Thank you for your continued interest and attention.

Sincerely,

A handwritten signature in black ink that reads "Jerry Sanders". The signature is written in a cursive, flowing style.

Jerry Sanders
Mayor