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DEPARTMENT OF
FINANCE

FINANCE ADMINISTRATION

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November 10, 2003

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Report Back on Savings from Hiring Controls

LOCATION AND COUNCIL DISTRICT: Citywide

RECOMMENDATION:

This report is for City Council information.

CONTACT PERSON(S): Reina Schwartz, Budget, Policy & Strategic Planning
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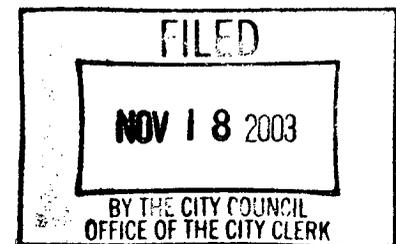
FOR MEETING OF: November 18, 2003

SUMMARY:

This report provides the City Council with an update on budget savings projected due to the institution of hiring controls effective with the FY2003/04 Approved Budget. Based on one quarter's experience, the City is on track to meet the General Fund goal of \$13 million in savings this fiscal year. It is critical, however, that the hiring controls be maintained in order to remain on track.

COMMITTEE/COMMISSION ACTION:

None.



BACKGROUND:

The City's Approved FY2003/04 Budget included General Fund savings of \$8 million associated with the implementation of hiring controls which restrict the filling of vacant positions. In September 2003, after the State adopted its budget, Council approved increasing the needed savings from hiring controls from the original \$8 million to \$13 million in order to cover a projected one-time \$5 million loss in State revenues. Increasing the required savings from hiring controls also allowed the City to maintain its existing \$22 million Reserve for Economic Uncertainty to absorb any additional revenue losses or unanticipated expenses.

Staff has been tracking vacant positions since the fiscal year began and has projected the level of savings that could be achieved based on year-to-date spending patterns. Since the beginning of the fiscal year, the City has had approximately 8 to 8.5 percent of all positions vacant. Citywide, this translates to approximately 350 vacant positions at any given time, about 250 of those funded by the City's General Fund. Those vacancies span a wide range of classifications and levels in the organization and affect nearly all departments.

FINANCIAL CONSIDERATIONS:

As described above, the City's FY2003/04 General Fund budget was ultimately balanced based on achieving savings from hiring controls of \$13 million. Based on year-to-date spending on labor costs, combined with a projection of anticipated labor costs for the rest of the year, staff estimates that the City will achieve the needed \$13 million in savings. It should be noted that this estimate is based only on 3 months worth of data and hiring controls must be maintained during the entire fiscal year in order to achieve the savings required.

POLICY CONSIDERATIONS:

The City Council has been committed to a sustainable budget policy for many years now. While poor financial conditions put additional pressure on keeping a sustainable budget, the City continues to adhere to this philosophy. Overall, the State and County budget reductions do not result in a significant, ongoing impact to the City.

ENVIRONMENTAL CONSIDERATIONS:

Not applicable.

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ESBD CONSIDERATIONS:

Not applicable.

Respectfully submitted,



Reina J. Schwartz
Budget, Policy & Strategic Planning Manager

FOR CITY COUNCIL INFORMATION:



ROBERT P. THOMAS
City Manager