

SACRAMENTO

business
coalition

April 18, 2011

Mayor Kevin Johnson
City of Sacramento
915 I Street, Fifth Floor
Sacramento, California 95814

Subject: City of Sacramento Budget Planning and Actions

Dear Mayor Johnson,

As the City of Sacramento prepares its budget for FY 2011-2012, it is imperative that our elected leaders demand changes to municipal operations, with the goal of achieving long-term fiscal sustainability for our City.

The critical nature of the City's ongoing budget deficit has galvanized your business community to form a coalition of organizations that has identified the need for systemic changes in City operations. We believe their consideration is absolutely necessary for our future economic well-being.

While we understand that running a municipality is not directly akin to running a private business, recent economic conditions demand the need for public entities to consider operating models that are sustainable. The Sacramento region's economic outlook is unpromising in the near future. Therefore, it is necessary to take action now to position the City for a protracted financial recovery.

To date, many public jurisdictions have already opted to do business in ways not traditional for public entities in order to provide a high level of service while reducing long-term costs. They contract out for nonessential services at a lower cost and consolidate with other entities to reduce redundancy and increase efficiency. These business practices work in the private sector and have proven to work in the public sector as well.

Given that the City of Sacramento will experience ongoing budget challenges well into the future, it is with the utmost respect that the undersigned organizations and their respective boards of directors have adopted the following guiding principles and budget recommendations. We strongly encourage the Sacramento City Council to consider these guiding principles and adopt them as your own:

- Maintain a goal of achieving long-term fiscal sustainability for our City.
- Focus on strategies that can maintain viable service levels and reduce costs such as contracting out nonessential services and consolidation with other public entities.
- Avoid short-term budget fixes, if they don't improve ongoing operations.

BOMA – Sacramento

Del Paso Boulevard Partnership

Downtown Sacramento Partnership

Natomas Chamber

North State Building Industry Association

Power Inn Alliance

Rental Housing Association, Sacramento Valley

Sacramento Asian-Pacific Chamber

Sacramento Black Chamber

Sacramento Convention & Visitors Bureau

Sacramento County Taxpayers League

Sacramento Hispanic Chamber

Sacramento Hotel Association

Sacramento Metro Chamber

Stockton Boulevard Partnership/
Oak Park Business Association

The River District

- Maintain a focus on economic development to build economic vitality.
- Thoroughly vet tax and fee increases to avoid negative economic impacts.

In the coming months city staff, the Mayor, and Council should develop aggressive business plans and a structural reorganization that protects essential services without continued massive layoffs and the continued degradation of city services. We believe taking immediate steps to implement the following strategies will allow you to balance the City's annual operating budget.

Sacramento Business Coalition Budget Recommendations:

- Take action to implement multiple cost-reducing recommendations as proposed by Management Partners Incorporated Report: Citywide Financial and Operational Review dated April 2010.
- Changing service delivery models (i.e., functional consolidation with other public entities in the region), such as:
 - Emergency Dispatch Communication
 - Special Police operations (i.e., SWAT)
 - Major Crimes Investigation
 - Police property and evidence management
 - Animal Care Services
 - Park Maintenance
- Competitive sourcing for managed competition, such as:
 - Park Maintenance
 - Golf Course Operations and Maintenance
 - Convention Center Management and Operations
 - Fleet Body and Paint Shop
- Compensation changes across the entire organization, such as:
 - Pension reform, increasing employee contributions
 - Adjusting Health Insurance contributions
 - Phasing out of retiree Health Insurance
 - Conforming overtime calculation to federal and state law

Other recommendations that we believe are worth public discussion:

- Appropriately adjust and align City staff and management compensation levels with reduced City revenues and spans of control.
- Adequately and fairly address historically controversial “sacred cows” that are major drivers of increased operational costs (i.e., fire union work rules that require staffing engines with 4 personnel instead of 3 personnel).
- Reopening labor contracts with the goal of right sizing both short-term costs and long-term costs.
- Avoid multi-year labor contracts that restrain the City's ability to respond to any fiscal crises.

No doubt the City Council will face some difficult decisions in the coming months as it looks to address its ongoing budget deficit, but we strongly believe that much of the shortfall can be addressed with the above-mentioned action steps and guiding principles. We believe that by considering these recommendations and taking

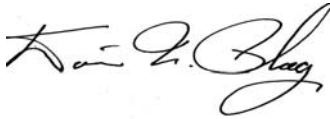
action, you will be able to protect essential services without continued massive layoffs of City staff and the continued degradation of City services.

The Sacramento business community needs our public entities to operate in an effective and efficient manner. We, the undersigned, are here to support your efforts and would encourage you to take the appropriate action to balance the City's operating budget while protecting essential services.

Sincerely,



BOMA – Sacramento



Del Paso Boulevard Partnership



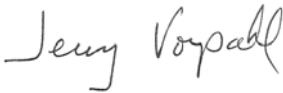
Downtown Sacramento Partnership



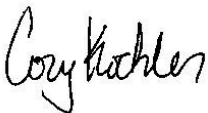
Natomas Chamber of Commerce



North State BIA



Power Inn Alliance



Rental Housing Association of Sacramento Valley



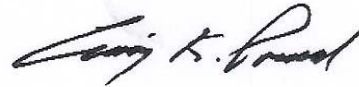
Sacramento Asian-Pacific Chamber of Commerce



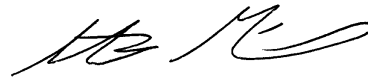
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The River District

cc: Interim City Manager
Sacramento City Councilmembers