

EYE ON SACRAMENTO

KEEPING WATCH ON LOCAL GOVERNMENT FOR SACRAMENTO'S FUTURE

Dear Sacramento Resident,

On Tuesday evening at 6:00 p.m. the Sacramento City Council will vote on a plan that will **explode** city water and sewer rates over the next 15 years and **impose an effective lien of \$32,500 on the average Sacramento home.*** We have only one chance to stop it.

The Situation

The city's water and sewer pipes are in bad condition due to years of city mismanagement and chronic underinvestment. There is broad agreement on the work that needs to be done to fix the problem. But there is a huge disagreement over how to pay for the repairs. City staff wants the city to **borrow** 75% of the \$2.4 billion costs of repair, running up **\$1.8 billion of debt over the next several years at very high interest rates.**

That's exactly how our economy ended up in the mess it's in now: by borrowing beyond our means and running up massive interest costs. It's why governments at every level today are in such poor financial shape: they have been running up obligations that they (we) are unable to pay. Have our city leaders learned nothing from the near financial meltdown of 2008 and the Great Recession?

The Smart Way to Fix City Pipes

There is a **smart** way of paying for the repairs that involves lower debt, lower costs and **substantially lower utility rates**: let's pay for our pipe repairs on a "**pay-as-you-go**" basis out of current rate revenues to the greatest extent possible, reducing future rate hikes by approximately 40%. It may be old-fashioned (and it may not be profitable for Goldman Sachs, the city's bond underwriter), but it is the **prudent, responsible, less risky and far less expensive way** to fix our utility infrastructure woes. Yes, it will take a little more time. But, just as our chronic underinvestment in city infrastructure didn't happen in one year or even one decade, it will take some time to fix problems that have been decades in the making.

A "pay as you go" approach to fixing city pipes is supported by the Sacramento Business Coalition and the Sacramento County Taxpayers League, as well as local chambers of commerce such as the Metro Chamber, the Sacramento Rainbow Chamber, the Sacramento Black Chamber, the Sacramento Hispanic Chamber, the Sacramento Asian-Pacific Chamber of Commerce, the Natomas Chamber, the East Sacramento Chamber, the North Sacramento Chamber and many more groups.

The staff's proposal to borrow \$1.8 billion would expose Sacramento to much **greater risk**, particularly in any future economic downturns. High levels of utility debt have already driven two major U.S. cities into **bankruptcy** this past year, Harrisburg, PA and Birmingham, AL (Jefferson County). Let's not follow their bad example.

What Can You Do to Stop the City From Making a Multi-Billion Dollar Mistake?

You can send Mayor Kevin Johnson and each member of the city council an e-mail telling them that you **oppose** the high risk, high cost, high debt method of repairing city pipes and that you **support** a smarter "pay-as-you-go" approach. You can find the e-mail addresses (and phone numbers!) the Mayor and city council on the home page of Eye on Sacramento.

We also encourage you to show up at the **critical** city council meeting on this issue at 6:00 p.m. this Tuesday, March 27th at City Hall, 915 I Street, to show your support for a smart, lower cost solution for fixing our pipes.

For more information, please visit www.eyeonsacramento.org or call me.

Thank you!

Craig K. Powell, President
Eye on Sacramento
1620 35th Avenue, Suite K
Sacramento, CA 95822
Phone: (916) 403-0592
E-mail: Craig@eyeonsacramento.org
Website: www.EyeOnSacramento.org

* \$32,500 represents a typical Sacramento homeowner's projected payments towards the utilities repair program, including payments for \$1.8 billion of city borrowings and \$1.5 billion of associated interest expense.