

EYE ON SACRAMENTO

KEEPING WATCH ON LOCAL GOVERNMENT FOR SACRAMENTO'S FUTURE

Message from Eye on Sacramento Regarding the Blueprint

To: Members of the Sacramento City Council, Sacramento City Manager Howard Chan and the Residents of Sacramento

The Sacramento economy is humming with city tax revenues at record highs, increasing 16% in just the past two years, yet city politicians are asking Sacramento voters this fall to approve Measure U, a major \$100 million increase in the city's sales tax, representing almost 20% of the size of the city's general fund. Why?

Why is it that the average Sacramento family is paying \$800 more each year in higher city taxes and fees than it did in 2010, but core city services continue to deteriorate: streets are in poorer condition, parks are poorly maintained, quality-of-life crime is on the rise, street homelessness - a human tragedy – continues to expand, city utility services have been reduced, poverty in our community is increasing rapidly, with Sacramento recently ranked as having the 4th fastest growing poverty rate in the country, and we have fewer police officers on the street protecting our citizens than we did before the Great Recession despite increases in population?

Is this the “new normal” for Sacramento, for its residents to always pay higher and higher taxes and fees and to receive less in services?

Or is there another way, another path which Sacramento could take that would arrest the steady deterioration in the quality and quantity of our city's core services, without imposing ever higher tax burdens on our residents and businesses, particularly the burden of regressive sales tax hikes which are particularly punishing to our city's modest-income families, seniors on fixed incomes and the poor and homeless, people who lack the discretionary income to absorb them?

This report examines some of the underlying reasons why Sacramento has devolved into what we refer to as a “Pay More, Get Less” city. Our report is based on Eye on Sacramento's eight years of monitoring Sacramento city government, coupled with a government accounting and municipal labor cost expert's assessment of the city's rapidly increasing labor costs. The report prescribes a “Blueprint for a Post-Measure U Sacramento:” a 22-point action plan - or a la carte menu, if you will - for Sacramento city government and the citizens of Sacramento that will, if implemented over the next few years, reduce the city's general fund annual expenditures by well over \$125 million - *with no reduction in the levels of core public services upon which we all depend.*

In fact, full implementation of the Blueprint's recommendations *would free up substantially more resources* for the pursuit of high-priority city services and initiatives than the \$100 million Measure U sales tax hike that is being proposed by city politicians – but without inflicting the financial pain on Sacramento's most vulnerable residents that a major hike in the sales tax would cause.

We hope that our Blueprint will help spark a very public and extended conversation about the future direction of Sacramento and its municipal government, as well as the kind of city we want to be. Will it be a city that delivers the highest and best value for its citizens' hard-earned tax dollars while preserving and improving core public services, or will it be a city that serves the few at the ever growing (and increasingly unaffordable) expense of the many?

The Blueprint is intended to serve as a “first draft” of sound, prudent proposals for regaining citizen control over the City of Sacramento's troubled financial future. We strongly encourage you to contact us with your ideas for reining in city spending, improving city service levels and making city government more accountable to its citizens. Don't be surprised to find some of your ideas included in future editions of the Blueprint.

I want to express our deepest gratitude for the invaluable contributions of Ms. Marcia Fritz to this report. Her background, extensive experience and practical knowledge of the inner workings of municipal budgets and government labor practices has helped to immeasurably improve the quality and value of this report to Sacramento.

If you have any questions about the Blueprint, please don't hesitate to contact me or Ms. Lisa Garcia, Eye on Sacramento's Vice-President for Community Outreach (e-mail lisa@Eyeonsacramento.org; phone: (916) 397-7939).

Craig Powell, President
Eye on Sacramento
E-mail: craig@eyeonsacramento.org
Phone: (916) 718-3030

SUMMARY OF EYE ON SACRAMENTO'S COST-SAVINGS RECOMMENDATIONS

Below is a summary of Eye on Sacramento's recommendations for reducing expenditures by the City of Sacramento, as more fully detailed in EOS's report entitled "Blueprint for Post-Measure U Sacramento: Beyond Our 'Pay More, Get Less' City Government," issued on October 16, 2018. Please visit www.eyonsacramento.org to view or download the full report.

The estimated annual cost savings of each recommendation set forth below assumes the full phase-in of the recommendation, which in some instances will require multi-year phase-in periods. The following terms in this summary have the following meanings: CCS = Current Cost Savings; AFC = Avoided Future Cost; RE = Revenue Enhancement.

While most of the cost savings recommendations would benefit the city's general fund, a number of them will also generate major savings in the budgets of the city's various enterprise funds, particularly items that involve general or citywide labor cost savings. But even savings in enterprise funds can redound to the benefit of the general. For example, by canceling the Convention Center expansion project, the convention center fund would burn up an estimated \$13 million less per year in city hotel taxes. Those hotel tax revenue savings could – and should – be transferred to the general fund, rather than used almost entirely to subsidize an ill-advised expansion of the Convention Center.

Recommendation #1: ***Require All City Employees Pay 50% of Pension Costs (CCS): \$30 million***

Recommendation #2: ***Eliminate "Release Time" Payments to Police Union Officials Who Perform No Police Work (CCS): \$1.4 million***

Recommendation #3: ***Eliminate City's Duplicative Defined Contribution Retirement Plan (CCS): \$3.1 million***

Recommendation #4: ***Eliminate Paid Time Off Cash-Outs (CCS): \$7.77 million***

Recommendation #5: *End Supplemental Pay for Educational Attainment (CCS): \$2.65 million*

Recommendation #6: *Phase-Out City's Obsolete and Unnecessary Retiree Health Care Benefit (CCS): \$28.28 million*

Recommendation #7: *Reduce Paid Holidays From 14 to 10 to Match Federal Employees' Holidays (CCS): \$4.95 million*

Recommendation #8: *Cancel Convention Center Expansion (CCS): \$13 million*

Recommendation #9: *Recover Portion of Training Costs from Early Departing Officers (CCS): \$1.4 million*

Recommendation #10: *Repeal Recently Adopted Ordinance That Gave Construction Trades Union a Monopoly on Future City Projects (AFC): \$10 million*

Recommendation #11: *Reduce Staffing on Fire Engines from Four to Three Firefighters (CCS): \$9.95 million*

Recommendation #12: *Shift Current City Homeless Policy to Transformational, Clinical Care Model (CCS): \$10 million*

Recommendation #13: *Avoided Future Operating Subsidies by Withdrawing from Streetcar Project (AFC): \$4 million*

Recommendation #14: *Use "Managed Competition" Model to Outsource or Improve Management of Sacramento Convention Center (CCS): \$5 million*

Recommendation #15: *Cap Future Operating Subsidies of Power House Science Center Project (AFC): \$30 million*

Recommendation #16: *Increase General Revenue By Demanding State of California Make “In Lieu Property Tax” Payments for City Services (RE): \$15 million*

Recommendation #17: *Fund Park Maintenance Funds by Increasing in Large Park User Fees (RE): \$400,000*

Recommendation #18: *Outsource Basic Park Maintenance (CCS): \$7 million*

Recommendation #19: *Engage Nonprofits to Manage Recreation Centers and Pools (CCS): \$2.8 million*

Recommendation #20: *Reduce Mayor/Council Staffing to 2013 Levels (CCS): \$1.4 million*

Recommendation #21: *Adopt Policy of Using “Single Role” Paramedics in City Ambulances (CCS): \$6 million*

Recommendation #22: *Redirect the “Redevelopment Dividend” From the Innovation & Growth Fund to the General Fund (CCS): \$5 million (Estimated Annual Average Over Next 10 Years)*

<i>Total Annual Current Cost Savings (CCS)</i>	<i>\$139.70 million</i>
<i>Total Avoided Future Costs (AFC)</i>	<i>\$ 34.00 million</i>
<i>Total Revenue Enhancements (RE)</i>	<i><u>\$ 25.40 million</u></i>

TOTAL ESTIMATED ANNUAL SAVINGS	\$199.10 million
---------------------------------------	-------------------------