

June 10, 2010

The Honorable Kevin Johnson
Mayor, City of Sacramento
915 I Street Sacramento, CA 95814



metrochamber

SACRAMENTO METROPOLITAN
CHAMBER OF COMMERCE

Subject: City of Sacramento Budget and Fiscal Challenges

Mayor Johnson:

As you are well aware, the City of Sacramento is facing unprecedented budget and financial challenges in the coming years. The challenges you face are not unique and in fact, most jurisdictions around this great state are facing the similar challenges – decreased revenues due to the continued weak economic conditions, increasing costs due to long-standing labor agreements and pension programs and the public outcry for continuing the same level of service as you did several years ago. The stark reality is: the system that we have relied upon for decades to provide municipal services is broken and it needs to be fixed.

I am sure there will be a long and heated debate about how to fix the budget and financial problems. This debate needs to encompass both the short term and the long term challenges. Unfortunately, you do not have the benefit of years to debate this nor significant financials reserves to keep operating as you have in the past.

In the private sector, the approach most organizations take to immediately balance their budgets is to quickly reduce costs through lay-offs, reduced hours of service and implement acceptable reductions of levels of service to the customer. Over the longer term, most successful organizations ultimately look upon financial crisis as an opportunity to implement new innovative and creative solutions to change the way they run their business. **I believe now is the time for the public sector to take this same approach.**

From the business communities' point of view, government entities (cities, counties, state and federal) are designed to be service providers, not an employment centers. Let the private sector be the employment center who create jobs and resulting revenue for the city to offer required services. To that end, you must encourage your staff to look at new creative ways of reducing operating costs, both short and long term through innovate cost reductions and service delivery.

On Thursday, June 10, 2010, city staff will bring forward recommended budget cuts for fiscal year 2010-11. Many of these cuts will be unprecedented and will be unpopular. You will hear lots of personal, emotional and moving testimony as to why you shouldn't make the tough decisions. I am confident that this does not make the job any less complicated.

The facts are simple, if you don't make the tough decisions today, the decisions you will be making in the future will be even more difficult and some of those decisions will be made for you -- as you will be left with no other alternatives. We encourage you and support the City Council in demonstrating courageous, thoughtful leadership in resolving the current budget crisis.

The Sacramento Metro Chamber and its 75 member Board of Directors, more than 1,000 employers and more than 100,000 employees in the City of Sacramento encourage you close your 2010-11 budget gap. We stand ready to work with you in the future to balance future year's budgets.

Sincerely,

Matthew R. Mahood
President and CEO

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StoneBridge Properties

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Perry-Smith LLP

PRESIDENT & CEO
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