



COUNCIL AGENDA: 3/23/10
ITEM: 9.4

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Ash Kalra

SUBJECT: SEE BELOW

DATE: March 22, 2010

Approved

Date

3/22/10

**SUBJECT: APPROVAL OF THE FY 2010-2011 MAYOR'S MARCH
BUDGET MESSAGE**

RECOMMENDATION:

Approval of the Mayor's March Budget Message with the recommendation outlined in a memorandum from Councilmember Chu dated March 22, 2010, and with the following additional amendments:

- 1) The City Manager shall be directed to continue discussions with the bargaining units to seek a total of 10% in cost savings. At the bargaining table, this should include the long standing Council directive to achieve 5% in ongoing savings. An additional 5% should be sought with a more flexible approach in discussions with the bargaining groups. The City Manager is directed to organize a meeting with representatives from the City's bargaining units to discuss any proposals that they have to help resolve the budget shortfall that are equal to the additional 5% sought by the City. Proposals can include ongoing strategies, one-time strategies, concessions, revenues, changes in operations, or any other strategy that achieves the goal of cost savings.
- 2) The City Manager shall provide a report to the entire City Council indicating her analysis of all proposals put forth by the bargaining units and recommendations regarding the most promising.

BACKGROUND:

I want to thank the Mayor and his staff for preparing a budget message which offers a myriad of strategies for the City Manager to analyze in order for us to close a significant budget gap. Although I do not agree that all of the options proposed for analysis will realize significant cost savings, I do feel that the majority of them appear promising and the breadth of the list provides ample opportunity for further discussion as we review the limited options for cost reductions or savings.

However, I believe one of the directives, although it rings of fiscal responsibility, actually does not provide a pragmatic approach for us to maintain city services for our residents. Over 4 months ago, the Council agreed to request a 5% ongoing reduction from all bargaining units.

Since then, our budget deficit has deepened and the likelihood for significant revenues or dramatic cost savings from increased efficiencies or scaled back service does not seem promising. The suggestion that, with approximately 90 days before we must vote on the FY 2010-2011 budget, we double what we expect from bargaining units from 5% to 10% in concessions sounds like a fiscally responsible solution. On paper and in the paper, it seems like the right thing to do when there are so many residents who are jobless and so many who rely on city services at risk of severe cuts or elimination. However, it lacks creativity given the reality of our bargaining position and the flexibility we are allowing our staff and bargaining partners.

To elaborate on this point, consider what the Council can actually do to effectuate a 10% in ongoing savings from the bargaining units. After we make efforts to reach agreement, if the Council feels there is little choice and all room for bargaining has been exhausted, contract terms can be imposed. So, we can just force our employees to take a 10% cut. If only it were that simple. The reality is that only approximately a quarter of city employees are subject to such implementation for our upcoming fiscal year. Two of the City's largest bargaining units have closed contracts so we are compelled to honor the contract and cannot impose any different terms. Sworn public safety employees have contracts subject to arbitration. Given the fact we have never succeeded in achieving great success in arbitration and the fact this is the first time we would seek cuts in wages and benefits across the board, it is highly unlikely an arbitration decision would achieve anywhere near 10% in ongoing savings.

So, if we hold our ground, we can potentially impose on a minority of our employees the 10% the Mayor has indicated he is seeking. If that is done, any chance of bargaining units with closed contracts to open their contracts to try and save services and avoid layoffs would be next to impossible to expect. By pushing bargaining units into the corner, we are on the verge of sending our city budget over a cliff which will lead to dramatic layoffs and major service cuts to our residents. Our residents have been very clear that they do not want cuts to public safety or dramatically reduced library hours. It is now the time to take the steps necessary to allow for flexibility to achieve the 10% we need to save jobs and much needed services.

The recommendation I put forth continues the Council directive to achieve 5% in ongoing savings from all bargaining units. Additionally, it clearly states an overall goal of achieving 10% in total savings. The additional 5% can only be achieved by working with the bargaining units to determine how we can create additional cost savings. Would I prefer ongoing savings? Absolutely. However, if other creative strategies, including one time savings, creative furloughs or other mechanisms can help achieve the goal, I think it is our responsibility to allow for the space for those discussions to occur. It is easy to say just lay them off if they do not agree. I cannot bear to think of the impact those service cuts will have on our residents. And, I refuse to stand idly by while we contemplate pushing forward such an inflexible approach.

We can double what we demand from our employees and stand firm for the next three months. However, I believe that will lead to a disastrous outcome which all of our residents will feel in a profound manner. I believe in a different approach. An approach that continues to gather public input on what neighborhood priorities are while doing everything we can to preserve them. By asking our employees to help get us to the 10%, we are much more likely to achieve success. Our employees serve the community well. Last year, many voluntarily gave back compensation in order to preserve jobs and service to our residents. I believe they will do it again. But, they will only do it if we work with them and do not force their hand. With dramatic service cuts to the community as a realistic outcome, I would rather bring their creativity to the table than press forward with an unrealistic, inflexible approach.