

June 2, 2011



## **AGENDA**

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- Addressing the Long Range Structural Imbalance
- Restoration Funding Options

# Fixing the Structural Imbalance

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- Road Map to Structural Balance
  - Budget Strategy
    - Address \$62million Structural Imbalance
  - Labor Strategy
    - Align labor costs with budget strategy
  - Restructuring Strategy
    - Reduce organization to fit resources and prioritize for future 'rebuild'

# Where We've Been

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- Status of May 2010 Management Partners Recommendations:
  - Consolidation of Code/Development Services Department
  - Consolidation of Human Resources/Labor Relations
  - Addition of one ambulance unit in Fire
  - Implement letter notification system in Code
- Took action to increase Reserve
- Service Levels and Revenues not addressed



# Where We Are

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- Examples of recommendations included in Proposed FY2011/12 Budget:
  - Development of a multi-year utilities rate plan
  - IT Collaboration and Partnership Plan leveraging citywide IT resources
  - Hosted web solutions
  - Increased use of volunteers and youth to maintain neighborhood parks



# In FY12: Tactical Approach

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- **Reduce Costs**

- Additional consolidations/span of control
- Implement Operational Efficiencies
  - Consolidate copier contracts citywide
  - Revamp of take home vehicle policy as well as tech and vehicle allowances
  - Elimination/consolidation of boards/commissions; evaluate stipend payments

- **Increase Revenues**

- Beverage/Snack Vending Contract
- Citywide Lighting and Landscaping Assessment

# Why “Tactics” Aren’t Enough

## Five Year General Fund Forecast:

\$ in 000s	Proposed				
	FY2011/12	FY2012/13	FY2013/14	FY2014/15	FY2015/16
Total Revenues/Resources	362,180	365,294	372,108	377,812	384,691
Total Expenditures	362,155	377,031	395,069	396,585	398,312
Annual Operating Surplus/(Deficit)	25	(11,737)	(22,961)	(18,773)	(13,621)
<b>Cumulative Operating Results</b>	<b>25</b>	<b>(11,712)</b>	<b>(34,673)</b>	<b>(53,446)</b>	<b>(67,067)</b>

Structural Deficit:       $\uparrow$  \$39 M      +       $\uparrow$  \$23 M      =      \$63 M

Additional Potential Impacts to 5-Year Forecast:

- \* SAFER Grant positions: \$2.6m/yr after FY13
- \* Library MOE Restoration: \$0.5m/yr
- \* Increased Labor Costs post current contract periods
- \* Further use of “one-time” fixes

# Strategic Approach

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## Connecting the 3 Strategies:

*Budget* ↔ *Labor* ↔ *Restructuring*

- Establish Service Level Expectations
- Restructure the Organization to deliver on Service Expectations and realign Costs, especially Labor Costs, to a sustainable level
- Pursue the Revenues Necessary to Sustain Service Levels

## Policy Questions

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- **Redefine “Full Service City”**
  - What Services are “core” to the City of Sacramento, and what levels of service can we deliver to our communities?
- **Re-Establish Guidelines for Providing Service:**
  - Parameters for delivering services in the most cost effective manner: include internal consolidations, consideration of contracting in/out, franchising with the private sector as well as sharing service delivery with other local government agencies
- **Establish Revenue Options and Priorities**
  - Parameters to balance revenue needs with economic realities

# Restructuring: Recommended Principles

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To be used to identify where in the organization to focus:

- **Reengineer Processes:**
  - focus on customer service, efficient and effective service delivery, and use of technology and culture change
- **Restructure the Organization:**
  - Organize around the Processes, eliminate redundancy by clustering like functions, align functions with common missions
  - Flatten organization by raising span of control so decisions are made at lowest possible level using Span of Control Metrics



# Span of Control Metrics

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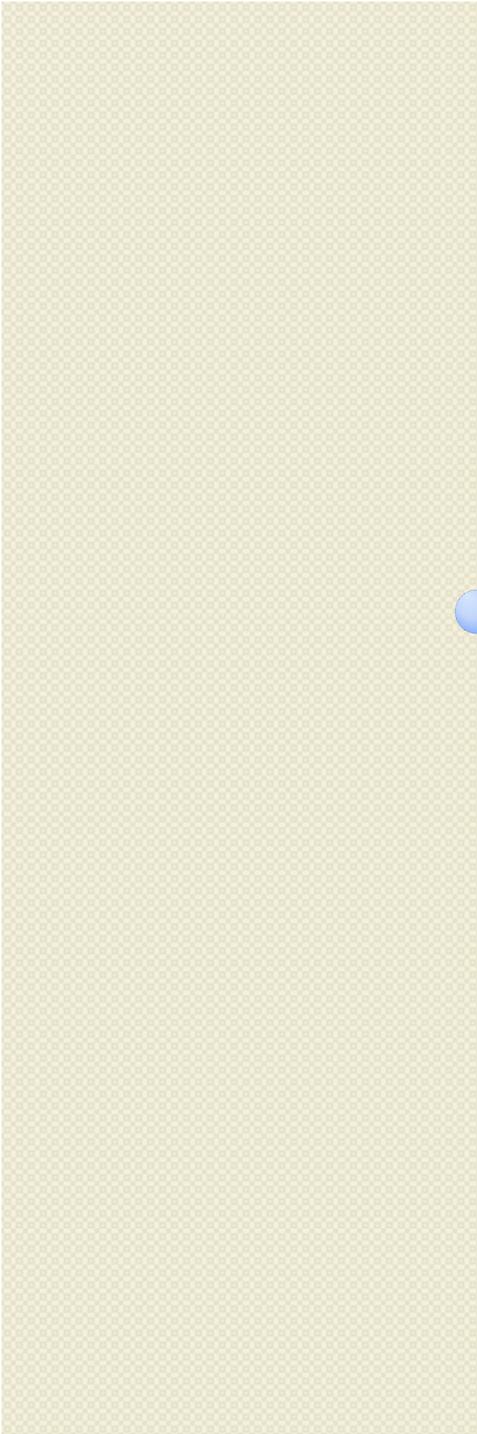
- **Span Determinants**
  - Mission of the organization
  - Type of service or product produced
  - Complexity and sensitivity of the work
  - Management style of the top executive(s)
  - Proximity of employees to each other and to their manager
  - Legal requirements
  - Consequence of error



# Recommended Direction to Staff

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- **Budget Resolution:**
  - 10% target level for Economic Uncertainty Reserve (EUR)
  - Parameters for EUR to have priority for unanticipated one-time funds
- **2012 Midyear Review:**
  - Redefine “Full Service City”
  - Establish Approach to Process and Organizational Restructuring
  - Additional cost reductions/one time funding options to pay for Restructuring
  - Quarterly progress reports on implementation



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## **Restoration Funding Options**

# Actions to Date

Meeting Date	Intent Motion Approved:	(\$ in 000's)	Deficit Correction
May 12, 2011	One time funding assumptions		\$4,600
	Additional Revenues		\$2,400
	Parks & Rec EXCEPT Community Center Closure		\$870
May 17, 2011	Comm Development Dept		\$1,329
May 24, 2011	Conv, Culture & Leisure EXCEPT for Golf Maint.		\$294
	Charter Offices/Mayor-Council		\$1,373
	Economic Development Dept		\$707
	Finance		\$592
	General Services Dept		\$1,547
	Human Resources Dept		\$240
	Information Technology		\$647
	Transporation Dept		\$480
	Utilities		n/a
	May 31, 2011	Sac Public Library	
	SCVB & SMAC		\$224
	Human Rights Fair Housing		\$19
	Sports Commission		\$10
			<u>\$16,124</u>

# Preview: June 7<sup>th</sup> Budget Hearing

	Impact on General Fund	
	<u>On-Going</u>	<u>One-Time</u>
Reopen Community Centers	-\$917,000	
Reconsider Golf Maintenance Contract	-\$552,000	
Reconsider Police Department Cuts	-\$12,197,000	
Reconsider Fire Department Cuts	-\$9,108,000	
Consider Augmentation to Arts Regranting	?	
<b>Total Costs:</b>	<b>-\$22,774,000</b>	<b>\$0</b>
Impose Furloughs on Unrepresented		\$2,200,000
Wireless/Billboard Revenues	\$417,500	
Mayor/Council: IBA Funding		\$395,000
SHRA Pass thru (estimate)	\$400,000	
<b>Total Resources:</b>	<b>\$817,500</b>	<b>\$2,595,000</b>
<b>TOTAL:</b>	<b>-\$21,956,500</b>	<b>\$2,595,000</b>