



Office of the City Manager

DATE: February 3, 2011

TO: ALL EMPLOYEE BARGAINING GROUPS

FROM: Mark Scott, City Manager
Bruce Rudd, Assistant City Manager

SUBJECT: REQUEST FOR SUPPORT

Thank you for the opportunity to discuss our budget situation last Friday. As you know, we have both a cash flow and a financial health challenge affecting our General Fund. Our problems include:

- Nearly a \$6 million revenue shortfall in the current fiscal year and approximately \$15 million shortfall in FY12.
- No General Fund Emergency Reserve (and, in fact, negative fund balances in other funds that impact the General Fund).
- Zero balances in our Vehicle/Equipment Replacement Funds.
- Inadequate Risk Management Funds (for general liability, worker's compensation or litigations costs).
- Potential impacts from State budget cuts or transfers of costs to local governments.
- Significantly increasing health care and worker's compensation costs.
- Anticipated negative impacts on the City's credit rating if negative balances are not repaid and minimal operating reserves established.

Based on the above, we explained our concern that we need significant compensation concessions from all employee groups – and we need the concessions on an unconditional basis.

We ask that each bargaining group agree to the following:

- Effective March 1, 2011, a permanent 5% reduction in base salary for all employees. Future salary increases would be made from this lower base.
- A permanent change in the City's share of Medical Trust contribution from 80% to 70%, effective July 1, 2011. (This is in lieu of the previous discussion of a \$100/month reduction to the City's contribution.)

Taken together, these changes will save the City General Fund approximately \$1.67 million in FY11 and \$7 million in FY12 (and each future year). Additional savings will be realized in other funds, which will benefit the City's financial health (such as balance sheet, credit ratings, minimum reserve balances, infrastructure maintenance, etc.) and help maintain service levels and jobs.

We need considerably more than these savings to balance our budget and rebuild our balance sheet. However, this would go a long way and would allow us to avoid even more serious cuts in service levels and jobs.

We seek your response by the end of February. We understand that a March 1st implementation requires a quick turn-around, but we have little choice but to move expeditiously. We have to cut deeper with every month we delay.

As we discussed last week, Bruce and I are available to meet with you and/or your groups at your convenience, either at City Hall or in your workplace. We encourage and welcome your members' ideas and creativity on how to address our budget problems. We are already receiving good suggestions. At the same time, we need your approval of the above requests. Because we all rise or fall with the stability and reputation of the City of Fresno, we ask that all bargaining groups (all departments and all funds) share equally in this contribution.

We greatly appreciate your willingness to consider this vitally important issue. Thank you for your leadership and service.