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Subject: MEA Comments Related to City Budget
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Attachments: [image001.png](#)
[Zucchet Agenda Item #5 -- Five Year Financial Outlook.pptx](#)
[Zucchet Agenda Item #3 -- Program Manager Position in ESD.pptx](#)

Honorable Mayor and Members of the City Council:

Thank you for considering these comments from MEA related to the City's structural budget deficit and the need for immediate action.

We respectfully reiterate our previous communications imploring the Mayor and Council to – simply put – raise revenue and reduce expenditures. Immediately.

Today is January 7, and more than six weeks have passed since the painfully narrow failure of Measure B was apparent. Right-sizing the City's budget based on this reality is not going to be easy, and time is of the essence. Yes an opaque "hiring freeze" was implemented in December – though with no corresponding service cuts to account for having fewer employees. But a number of other urgent and tough decisions need to be made (and implemented) on both the revenue and expenditure side of City finances as soon as possible.

Tackling these issues now will help prevent the need for even tougher choices in the future. On the revenue side, there is plenty of "low-hanging fruit" that must be implemented immediately and first. At the same time, service reductions also need to be considered and implemented. MEA finds itself in the odd position of advocating for service cuts as well, because if we don't get going now it is only going to get tougher and more impactful down the road both on City employees and the citizens we serve.

Attached for your reference are the slide decks from the presentations MEA made at the Budget Committee on December 11. Some of the high points of those recommendations include:

- **Start Now:** If the City acts now, with half of FY25 still in front of us, it will make the required cuts in FY26 less severe and allow for a longer path to structural balance.
- **Immediately Implement New Revenue Options:** Two years ago the IBA laid out a comprehensive analysis of revenue opportunities (IBA Report 22-31), some of which can be implemented immediately and administratively, including adjusting existing parking meter rates to match the market...why has this not already been done?
- **Freeze and Cut External Contracts:** Contracts that don't address the safety and security of employees and citizens should be cut along with the services associated with those

contracts. This year there are more than \$250 million in general fund external contract expenditures, and MEA continues to this day to get requests from the City for additional contracts with new vendors. At a minimum, this activity should be frozen (just like filling vacancies of critical positions has already been frozen), and MEA further suggests that the Council work with the IBA and DOF to identify opportunities to cut existing contracts.

- **Freeze and Cut Vacant Program Managers and Program Coordinators:** Please refer to the attached slide deck dedicated just to this topic. These classifications have grown at an absurd rate of more than 20 times that of the City's overall workforce in the last 10 years. They come with an outsized cost and questionable benefit to actual City services. Freezing and cutting vacant PM/PC positions could net savings in excess of \$10 million for the general fund over the next 18 months.
- **Services – Not Just Hiring – Need to be Cut:** Either the City's "hiring freeze" needs to be lifted or the services delivered by those employees also need to be cut immediately. Doing one without the other is unsustainable and unfair to both employees and the public we serve.
- **Stop Digging:** The City already lacks the resources and employees to properly deliver on existing service level expectations and – even if the City acts quickly on new revenue options – that is only going to get worse with the hiring freeze and needed service reductions. New spending proposals in the 5-year budget outlook send the message to the public that everything is okay. Everything is not okay.

At various times over the last 15 years MEA has demonstrated that some budget "deficits" were more a function of underestimating the City's major revenues than anything else. We offer no such good news for the current situation. While the precise size of the structural deficit for FY26 can be debated, there is no doubt that it is very significant.

Even if the Mayor and Council act (as you should) to implement full cost recovery for refuse pickup and implement other revenue generation measures as soon as possible, the City's structural hole will still likely exceed \$100,000,000. And that is with economic conditions and major tax revenues remaining generally positive. If those conditions deteriorate, this situation will only get worse, which further underscores the need to act with urgency sooner rather than later.

Thank you for your service and for your consideration of these ideas during these challenging budget times. MEA stands ready to further engage and support this process in whatever way we can. Please don't hesitate to reach out to me or Corinne Wilson on any budget issue moving forward.

--Mike



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