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San José Releases Proposed Budgets

Balanced budget proposals for City and Redevelopment Agency focus on maintaining core services

San José – The City of San José and the San José Redevelopment Agency today released proposed budgets recommending service reductions that will close a projected \$70 million General Fund deficit for the City, and for the Redevelopment Agency highlighting a one-year Capital Improvement Program and Operating budget for 2004-2005 reflecting no new projects.

The City Council and Redevelopment Agency Board will hold several days of budget study sessions in May followed by two public hearing—the first on Monday, May 10, and a final public hearing on Monday, June 14. A final budget will be adopted on June 22.

City Budget

The 2004-2005 Proposed Operating Budget includes reductions necessary to address lower revenues resulting from the prolonged and severe regional and statewide economic downturn that began in 2001. The proposals also contain contingency plans to address additional shortfalls that could occur as a result of State budget actions expected later this year.

The City's \$2.4 billion *2004-2005 Proposed Operating Budget* successfully closes a \$70 million General Fund shortfall through a combination of reduced service levels, use of reserves, and fee increases. The recommendations include the elimination of 285 positions, 185 of them filled.

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The proposed operating budget focuses resources on core functions and Council priorities, and ensures the City's ability to continue providing high quality services in those core service areas even as the number and range of services are reduced.

"We have restructured and rethought how we deliver City services to ensure that we use our resources as effectively as possible," said City Manager Del Borgsdorf in releasing the budget. "In doing so we have maintained San José's commitment to the sound budgeting principles that have helped San José maintain the highest bond rating of any large City in California."

The City's "One-Voice" effort highlights several of these new approaches, as does the reorganization of the Strong Neighborhoods Initiative and the new "hub" concept put forth as a more efficient model for managing the City's community centers.

A number of strategies used to balance last year's budget such as the elimination of vacancies, the transfer of one-time funding, and the sale of surplus property were less available as balancing strategies this year, which means residents are more likely to experience meaningful service reductions.

Redevelopment Agency Budget

Despite recessionary challenges and no growth in projected tax revenues, the Redevelopment Agency's proposed FY 2004-05 Capital Budget primarily reflects a carryover of funds to continue projects underway, ongoing commitments and priorities set by the Agency Board to stimulate the economy.

Later this year, the Agency will submit a proposed FY 2004-05 Capital Budget and Five-Year Capital Improvement Program once information including the tax increment forecast and the State's Educational Revenue Augmentation Fund (ERAF) allocation is known. The ERAF payment would reduce the Agency's ability to produce affordable housing, make neighborhood improvements, and assist economic recovery.

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“Our budget is based on the best information we have to date,” said SJRA Interim Executive Director Harry Mavrogenes. “Stimulating the economy through a strong commitment to job creation, affordable housing, and neighborhood improvements continues to be our top priority. Unfortunately, if the State continues to take more dollars from local government, many of our projects and programs including housing and job creation are at risk.”

Through aggressive cost cutting measures, including a ten percent workforce reduction earlier this year and the reductions in contract work, the Agency successfully reduced its proposed Operating Budget by nearly 20%, or more than \$5 million.

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