

*Press Release*  
*Office of Mayor Chuck Reed*

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**Statement from Mayor Reed on 29% Drop in Sales Tax Revenue**

*SAN JOSE* – The State Board of Equalization today confirmed that San José’s sales tax revenue for the January-March quarter dropped by 29 percent, or \$10.9 million, over the same quarter last year, creating an immediate shortfall in the current year budget.

The news comes as Mayor Chuck Reed and the San José City Council holds the final public hearing on next year’s city budget tonight at 7 p.m., with the City Council vote on the 2009-2010 budget to be held Tuesday, June 16 at the 1:30 p.m. Council meeting.

City officials previously had prepared for a drop of 10 percent, or \$3 million, in sales tax income for the quarter. Sales tax revenues for the quarter totaled \$26.2 million, compared with an amount of \$37.1 million last year.

Mayor Reed released the following statement regarding this latest information:

Today’s news is a clear sign that economic recovery is taking longer than we all hoped. San José has prudently budgeted for a significant decline in sales tax revenue, however our bad scenario wasn’t bad enough. This bad news creates a \$7 million hole in this year’s budget.

Prudent cities, like our own families, set aside funds for a rainy day. Today is just such a day. I recommend that the City Council use reserve funds to cover this additional shortfall before the end of the fiscal year.

At the same time, we must also prepare for what’s down the road. The State of California is in fiscal failure and threatening to take millions in local revenues. After seven straight years of deficits, reserves alone cannot close next year’s shortfall.

We are making tough choices. My Budget Message, released on June 5, closes an \$84 million shortfall and saves critical programs that were on the chopping block – fire stations, traffic enforcement, the police mounted unit, the park ranger program, library hours, and community centers. However, there are still many cuts in services and staffing that we will have to make.

I am renewing my call for our City employees to agree to take true zeroes this year – no wage increases, no step increases, no merit increases to help with our fiscal crisis.

Leadership starts at the top, and I want to thank the City Manager, City Attorney, City Clerk, City Auditor, and City Council members who have all agreed to forego raises and take a 3.75 percent pay cut in recognition of these tough economic times. I want to thank the members of CAMP and ABMEI for making concessions to give up raises and take furloughs to address this budget crisis.

San José employees work hard and are committed to serving the residents of this great city. In times like these, we must pull together.