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Contacts:
Michelle McGurk, (408) 655-7332 (cell)
David Low, (408) 499-8328 (cell)

Mayor Reed Releases June Budget Message

Proposal includes recommendations to restore public safety positions and keep libraries open 4 days/week; Mayor also outlines strategies to address \$78 Million deficit in FY 12-13

San José, Calif. – Mayor Chuck Reed today released his June Budget Message, which included his final recommendations for closing the City of San Jose’s \$115 million budget deficit in the upcoming fiscal year and preliminary strategies designed to avoid further service cuts in 2012.

Most prominently, Mayor Reed’s budget message includes recommendations to:

- Keep San Jose’s 18 branch libraries open four days per week (the City Manager’s proposed budget included a reduction to three days per week).
- Restore 49 firefighter positions via funds from the federal SAFER grant.
- Rehire police officers from any increase in sales tax receipts and federal COPS grants.
- Restore park rangers, crossing guards, code enforcement officers and funding for senior wellness programs.

“San José’s dire fiscal situation leaves us with very few options,” Mayor Reed said. “However, preserving public safety must remain our first priority, and we must work to find ways to restore positions and services we’re losing. Additionally, we must preserve library services as they provide a safe place for our youth and a vital resource for residents seeking work during these tough times.”

The June Budget Message outlines the Mayor’s final recommendations to the City Manager’s Proposed Operating Budget, which closes a \$115 million budget gap through a combination of one-time revenues, employee concessions, new service delivery models and efficiencies, and significant service reductions. Altogether, approximately 600 positions will be eliminated.

The cuts would have been even deeper if the City had not achieved a 10% reduction in total compensation from all city employees, including the City Council and executive management, which generated \$39 million in General Fund savings. This morning, the City reached a tentative agreement with the San Jose Police Officers Association, which if ratified, will save the jobs of 156 police officers.

“I want to thank our entire workforce for giving up ten percent in total compensation,” Mayor Reed said. “I realize that it is a significant sacrifice for our employees, but it has allowed us to save hundreds of jobs and critical services throughout the community.”

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Mayor Reed's budget message also outlines strategies for avoiding even deeper cuts to core city services in the 2012-2013 fiscal year, during which the City is already projecting a \$78 million General Fund deficit. In addition to retirement reform - which the City Council will be discussing again on June 21 – the Mayor's proposal directs the City Manager to begin analyzing cost-saving opportunities that could be implemented in 2012, including:

- Selling real estate assets, such as Old Fire Station 1, the E Parking Lot at Old City Hall, and Rancho Del Pueblo golf course, and using additional one-time funding sources.
- Contracting out additional services, such as Real Estate, Park Maintenance, Accounting/Payroll, and Worker's Compensation.
- Polling to explore the feasibility of taking potential revenue measures to the voters.
- Implementing other elements of the City Manager's fiscal reform plan, including changing policies and practices related to the Supplemental Retiree Benefit Reserve payments, sick leave cash-outs, Workers Comp, vacation cash-outs, overtime, and retiree healthcare.

“As dire as this year's cuts are, next year will be even worse if we do not take immediate action to get control of the rising costs of retirement and benefits,” the Mayor said.

Fiscal year 2011-2012 is the tenth straight year of General Fund deficits experienced in San Jose. Approximately half of the upcoming year's deficit was due to increased retirement costs, which will reach \$250 million. By 2016, these costs are projected to reach \$400 million and could jump to \$650 million if actuarial assumptions are adjusted to reflect modern conditions.

The Mayor's June Budget Message is posted online at:

http://www.sanjoseca.gov/mayor/news/memos/11June/JuneBudgetMessage_06032011.pdf

Critical Upcoming Dates

- **Monday, June 13:** The City Council will hold a public hearing on the Mayor's June Budget Message and the City Manager's Proposed Operating Budget.
- **Tuesday, June 14:** The City Council will vote on the recommendations outlined in the Mayor's June Budget Message.
- **Tuesday, June 21:** The City Council will vote on the final budget for the 2011-2012 fiscal year as well as the proposed retirement reforms discussed on May 24.

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