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Mayor Chuck Reed Releases Budget Message

Mayor unveils Fiscal Reform Guiding Principles designed to halt cuts and restore services to current levels before he leaves office; Proposal also outlines benefit changes that can minimize public safety layoffs this year

San José, Calif. - San José Mayor Chuck Reed today released his March Budget Message for the 2011-2012 fiscal year that outlines goals for closing the \$105 million budget gap and maintaining critical services. This year's message includes 15 Fiscal Reform Guiding Principles designed to halt cuts in future years and restore services to current levels before the end of Mayor Reed's term.

"The budget gap is so large that service reductions cannot be avoided in the upcoming year," Mayor Reed said. "However, my proposed Fiscal Reform Guiding Principles will put us on a path to restore our police force, keep our fire stations open, maintain our streets, and keep libraries and community centers serving our families."

[View the 15 Fiscal Reform Guiding Principles proposed by Mayor Reed](#) (page 2)

The City of San José is facing a projected \$105 million shortfall in its general fund for the fiscal year beginning July 1, 2011. This total is more than the budgets for San Jose's parks, libraries, community centers, and senior services combined. In addition, \$23 million in current programs were saved with one-time funding that will cease on July 1, and due to actions by the State of California, the City will likely lose \$10 million in Redevelopment funds that support general fund programs.

By 2015, the City of San José will need \$216 million in new revenue or cost savings to provide the services it provides today.

The Mayor's message calls on the City Manager to return to the City Council with recommendations (based on the Fiscal Reform Guiding Principles) for \$216 million in ongoing savings over the next four years. This would allow the City to restore services to the levels of January 1, 2011 and open the libraries, community centers, and fire stations built or under construction, as well as the police substation.

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The Mayor and City Council have already called on the city's 11 bargaining units to make concessions equaling a 10 percent reduction in total compensation. However, because these savings would only cover about 1/3 of this year's deficit, Mayor Reed's budget message directs the City Manager to explore retirement reforms, benefit changes, and organizational changes and efficiencies that can avoid the most drastic service cuts, particularly to public safety.

"Through a combination of concessions and other changes, we could cover most of the projected increase in costs in our public safety departments and minimize layoffs," Mayor Reed said.

Pension and benefit costs in the Police and Fire Departments will grow by approximately \$48 million next year. [View the potential benefit changes that could provide the cost savings needed to offset increases in public safety personnel costs](#) (pages 12 & 13).

The San Jose firefighters' bargaining unit has already agreed to concessions equal to 10 percent in total compensation (wages and benefits), as well as changes in staffing ratios. All other city bargaining units currently are in negotiations with the City.

The City Council will hold a public hearing Mayor Reed's Budget Message at its **Tuesday, March 15** meeting, both at the end of the afternoon session, then continued to the 7 p.m. evening session. The Council will then vote on the measure the following week on **Tuesday, March 22** during the 1:30 p.m. session.

Both meetings will be held at:

San José City Hall
Council Chambers
200 E. Santa Clara St.
San José, CA 95113

[Read Mayor Reed's March Budget Message online here](#)

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