

For Immediate Release
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San José Releases Proposed Budgets ***Balanced Budget Proposals for City and Redevelopment*** ***Agency focus on maintaining essential services***

San José – The City of San José and the San José Redevelopment Agency today released proposed budgets closing a projected \$58.1 million General Fund deficit for the City, and reducing the Redevelopment Agency's proposed budget from \$170 million last year to \$82 million. The Agency will present a two-year spending plan in August, when more information on tax increment revenue is available.

The City Council and Redevelopment Agency Board will hold several days of budget study sessions in May, and two public hearings — the first on Tuesday, May 17, and a final public hearing on Monday, June 13. A final budget will be adopted on June 21.

City Budget

The 2005-2006 Proposed Operating Budget reflects difficult decisions necessitated by the sustained economic downturn. Contingency plans are also included to account for additional shortfalls that could occur as a result of ongoing negotiations with public safety unions.

The City's \$2.35 billion 2005-2006 Proposed Operating Budget successfully closes a \$58.1 million General Fund shortfall through a combination of ongoing reductions and the strategic use of reserves, and one-time dollars. The recommendations include the elimination of 140 positions, 78 of them filled.

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With each year of continued budget reductions, certain strategies that were successfully utilized in the past become less effective. The hiring freeze in place since 2002 has reduced expenditures, but fewer vacancies are in positions matching the skills of displaced employees. There are also fewer opportunities to use one-time funding and reserves, although these strategies are being recommended as available.

The proposed operating budget focuses resources on core functions and Council priorities, directing resources toward essential services, basic infrastructure requirements, economic development opportunities and maintaining the City's strong commitment to neighborhoods.

"The proposed budget successfully closes a \$58 million shortfall, but not without significant reductions in nearly every service area provided by the City," said City Manager Del D. Borgsdorf. "While this proposed budget contains difficult choices for our City Council, it would have been worse if not for the many City employee bargaining groups who joined with the management team to accept a zero percent pay increase this year."

The City will continue to pursue opportunities to develop partnerships with community organizations in order to preserve services to residents while cutting costs for the City.

Redevelopment Agency Budget

The Agency is submitting a one-year budget at this time due to uncertainty with respect to the amount of tax increment revenue to be received in July 2005. The Agency's Proposed Capital Budget provides funding to support four months of estimated expenditures for on-going programs and lease arrangements. After tax revenue data is available and assessed, the Agency will submit an amended Capital Budget for Fiscal Year 2005-2006, new proposed capital projects, a Two-Year Capital Improvement Program, and a Five-Year Forecast for consideration by the Board.

"Despite reductions in our capital program, we're confident that we can continue to fund projects already underway and complete them," said Harry Mavrogenes, Executive Director of the Redevelopment Agency.

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"As a result of the Council's careful setting of priorities for redevelopment investments, we will be able to move key projects to their next stages, which will help stimulate the economy, create jobs, and provide real benefits to our community as they come on line."

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NOTE: A Fact Sheet on the City of San José's 2005-2006

Proposed Operating Budget is available upon request.