

For Immediate Release:

August 21, 2003

Contact:

**David Vossbrink, (408) 277-3515
Communications Director**

San José Council to Rebalance City and Redevelopment Budgets

*Staff recommendations reflect impacts of
state budget and continuing recession*

San Jose ---- San José city and redevelopment staff have proposed additional steps to keep the city's budgets in balance in response to reduced revenues as the result of the recent adoption of the state budget and lower property assessments that reflect the prolonged recession.

The city council will hold a public hearing on the city administration's budget recommendations at its regular meeting next Tuesday, August 26. It could take action on staff budget proposals as early as the following week on September 2, after another public hearing and discussion.

"When we approved our balanced city budgets in June, we anticipated that we would have to reopen them this summer after the actions of the Legislature to meet the California budget crisis," said Mayor Ron Gonzales.

"Then just last month we learned that redevelopment property tax revenues were going to be substantially lower than projected, which means we must now reconsider all of our projects and programs to set new priorities for limited resources."

The mayor directed the city administration to come back with specific recommendations in August that will balance the city and redevelopment budgets while protecting vital services and community investments.

"After we hear comments and discussion from staff, public and councilmembers at our meetings in the next two weeks, the city council will have to make more tough budget decisions," said Gonzales. "We face many hard choices that will reduce, delay, or eliminate good projects and programs that benefit our residents."

[more]

Assessed property values in San José redevelopment areas have declined approximately 10 percent this year, compared to the projections of no change made by the redevelopment agency in the budget adopted by the city council on June 10.

As a result, tax increment revenue from San José redevelopment areas in the coming year will drop from the \$187 million originally projected by the Redevelopment Agency to an estimated \$167 million.

The state recent budget also requires redevelopment agencies throughout California to contribute local property taxes to help the state's fiscal crisis. The amount of the San José loss to the state is approximately \$10 million.

In addition, the impact of the state budget on the San José General Fund is a loss of more than \$10 million in revenue this year that had been anticipated in the city's June budget. The General Fund pays for basic public services including police, fire, parks, and libraries.

The San José city manager's recommendations regarding the General Fund are now posted on the city's website: **http://www.ci.san-jose.ca.us/cty_clk/agenda.htm**

The San José Redevelopment Agency staff recommendations for rebalancing the redevelopment budget will be posted on the agency's website on Friday, August 22:
<http://www.sjredevelopment.org/agendas.htm>

#