



Issue Date: July 29, 2009
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Recently Adopted City Budget to Be Revised in Light of Approved State Budget State Budget Takes \$2.9 Million from the City's General Fund and Redevelopment Agency

On Monday, the City Council reported on the then-proposed State budget actions and their impacts to the City's recently approved FY 2009-2010 budget.

The City's \$41 million budget, which was approved on July 20 in accordance with the municipal code, is comprised of an \$18.3 million General Fund, \$13.4 million in special funds and \$9.3 million in enterprise funds. The City Council also approved a \$10.5 million budget for its Redevelopment Agency.

The budget process, which included numerous City Council and budget ad-hoc committee meetings, eliminated a projected \$3.2 million General Fund deficit through a series of efficiency cuts, hiring freezes and the lay-offs of 21 part-time staff. "The process showed that the General Fund, which is nearly half of the City's budget, relies a great deal on sales and property tax revenues," said Mayor Steven Veres.

Those revenues have taken a significant hit from the rise in home foreclosures, a general decline in property values, and the closure and downsizing of two local auto dealerships.

Unlike the City's other funds which are use-restricted and self-sustaining, the General Fund pays for ongoing critical services like public safety, recreational programming and street maintenance. "Trying to close a \$3.2 million budget gap was extremely difficult for the City, and now the State of California has jeopardized our ability to deliver the quality services that our constituents deserve," said Veres.

"Although we've been preparing for the State's take-away of our local revenues through Proposition 1A, the final State budget places a serious strain on our General Fund and Redevelopment Agency. Through the guise of Proposition 1A, the State will be taking approximately 8% or nearly \$350,000 from the City's General Fund."

The City's Redevelopment Agency will also lose nearly \$2.6 million (i.e., \$2.1 million this fiscal year and \$500,000 next fiscal year) through the State's supplemental Education Revenue Augmentation Fund (ERAF). The revenue loss will no doubt slow the City's revitalization efforts in its six redevelopment project areas.

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City of San Fernando News Release

Page 2 of 2

In total, the State will take \$2.9 million from the City's General Fund and Redevelopment Agency of which \$350,000 is considered a repayable loan. The biggest hit will occur when the Redevelopment Agency makes its first \$2.1 million ERAF payment before May 10, 2010.

"The economic uncertainties we face today are painfully shared by other California cities, counties and redevelopment agencies. Nevertheless, as a community, we are determined to weather this severe budget storm by making prudent financial decisions that keeps the City around for another 100 years," said Veres.

The adopted City budgets can be found on the City's Web site: www.sfcity.org/budget

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