



City of Gilroy

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City Budget Status and Reduction Options Under Review

The City of Gilroy has recently been presented with significant budgetary challenges which will have a serious negative effect on service delivery and employment through all city departments.

In response to these budget impacts, Gilroy City Administrator Tom Haglund will be presenting recommendations to the City Council which will have to be considered as a way out of this financial crisis. The magnitude of the projected shortfall is on the order of \$6 million dollars in FY09 and \$7 million in FY10. All aspects of the problem, and all identifiable solutions, are being studied and reviewed. All options are on the table, including staff layoffs at all levels and in all departments, capital project cutbacks or postponements, materials and supplies reductions, and program and service cuts and reductions.

The recent national and global economic downturn, coupled with the collapse of the credit markets, has seriously impacted city finances in three major areas:

Downward projection of General Fund Revenues of \$1.8-\$2.2 million for FY09

Downward projection of Impact Fund Revenues

Collapse of the Auction Rate Securities (ARS) Market- Potential expenditure of \$43 million to temporarily repurchase certificates of participation issued in 2003 for the new police station, Sunrise fire station, the sports park and corporation yard. This item alone reduces the City's liquidity from \$60 million to \$17 million.

The City Administrator's staff report and recommendations to the City Council will be released to the council, employees and public on Friday, October 31st. A special City Council Meeting will be held on Wednesday, November 5th at 6:00 p.m. to discuss and possibly take action on these issues. This meeting will be open to the public and televised on Channel 17 and streamed on the City website. Departmental meetings with all City employees are being held to keep them apprised of the situation.

More Follows

The City Council will have the final say regarding the timing, depth and breadth of the layoffs, cuts and reductions outlined above. This situation has developed recently and rapidly, and the fluidity of the national and global economic crisis is ever changing and unpredictable. This makes a detailed, firm response all the more difficult, but necessary nonetheless. It can be expected that the known challenges and possible responses outlined above are not short-term and may require modification and adjustments as conditions warrant.

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