

Redwood City Budget Update

News on Redwood City's current budget deficit and its strategy for recovery



June/July 2004

COUNCIL DELIBERATES BUDGET DEFICIT, MAKES REDUCTIONS

At its meeting of June 21st, 2004 the City Council grappled with the difficult issue of making necessary expenditure reductions in response to the \$9.2 million deficit for the 2004-2005 fiscal year (beginning July 1, 2004).

The Council approved the City Manager's recommended budget reductions in the amount of \$5.1 million (*see article at right*), and directed that an additional \$1 million in proposed expenditure reductions or new revenues be brought to the Council within three months. The Council also approved the use of reserve funds to close the remaining \$4.1 million gap.

While the required budget cuts are difficult and will mean a reduction in City services, it's critically important that the City adjust its spending to be in line with its revenues. Making the additional \$1 million cuts within the next three months will reduce the level of cuts necessary next year to address fiscal year 2005-2006's projected \$5.7 million deficit.

WHAT CAUSED REDWOOD CITY'S BUDGET DEFICIT?

Cities throughout California continue to suffer financial difficulties, and those in the Bay Area are suffering perhaps worst of all. For most of these cities, including Redwood City, the budget deficit has four basic causes: **1)** The overall slow economy and its local effects, including loss of sales tax and businesses leaving Redwood City; **2)** The trend to sell software electronically (non-taxable); **3)** Increases in our required PERS (Public Employee Retirement System) program contributions; and **4)** The continuing State takeaways of local funding. More detailed information describing these four underlying causes of Redwood City's budget deficit is available online at www.redwoodcity.org/budgetinfo

SUMMARY OF IMPACTS ON CITY SERVICES

Throughout preparation and deliberation of the 2004-2005 budget, City staff and the City Council worked diligently, creatively, and with utmost care in determining where cuts could be made with the least impact to the services on which our community depends. But with \$5.1 million in budget reductions (and the possibility of another \$1 million cut in the fall) there is an unavoidable effect on City services. Here is a summary of some of the more significant community impacts.

- A number of community contracts will be suspended resulting in wide and varied impact throughout the City, including reductions in community events and activities, conflict resolution services for the community, and economic development programs.
- One fire engine will be out of service for two "lower call volume" days per week, putting other nearby engine companies in a more active response role, while maintaining equity with the engine service reductions of nearby jurisdictions, which have automatic mutual aid agreements with the City.
- We will not be able to process many violations of the City's sign ordinance, and there will be delays in processing of building regulation issues.

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For More Information:

See the complete budget and related documents at www.redwoodcity.org/finance

Questions? Call 650-780-7300, or send an email to mail@redwoodcity.org

PROPERTY TAXES PROVIDE CRUCIAL REVENUE, BUT NOT AS MUCH AS YOU MAY THINK...

In Redwood City and throughout the peninsula, property values are among the highest in the nation. This of course produces its own set of benefits and problems – and it provides nearly \$20 million annually in revenue for the City. While this makes property tax the single largest revenue source for Redwood City, on a per-household basis it is really much less than most people realize.

A house that is assessed (*not* market value) at \$500,000, for example, pays 1% annually in property tax, or \$5,000. Of that \$5,000 in total property tax, Redwood City only gets 18%, or \$900, which goes into our general fund. The rest of the property tax goes to the County, the State, school districts, and special districts.

From the general fund, that \$900 that the City receives in property tax is utilized among City functions as follows (also showing each department's percentage of the City's general fund):

Police Department	\$318 (35.3%)	Fire Department	\$187 (20.8%)
Parks and Recreation	\$141 (15.7%)	Library	\$ 70 (7.8%)
Community Development	\$ 63 (7%)	Public Works	\$ 15 (1.7%)
Transfers – out (to non-general fund programs)	\$ 14 (1.6%)	Remaining 5 Depts. (City manager, clerk, attorney, finance, and HR)	\$ 90 (10%)

It may be a surprise to many that the City receives only this relatively small portion of your annual property tax – and, it illustrates the value that each household receives from that small percentage. Look at your own property tax bill and you can easily calculate the amount that goes to your City, and to the various City departments – we think you'll agree that the City is providing great value for your money.

Summary of Impacts on City Services (continued)

- The Schaberg and Fair Oaks branch libraries will each be closed one day per week (Schaberg on Fridays and Fair Oaks on Saturdays), the upgrade or replacement of public use computers at all libraries will be deferred indefinitely, and several positions will be eliminated thus reducing the level of customer service and the timely processing of library materials.
- City building maintenance and custodial services, and park landscape maintenance and will be noticeably reduced. While the City will aggressively pursue other means of addressing these needs, citizens will see a lower level of maintenance at all our parks.
- The Human Services Financial Assistance program will have less funding to grant to organizations providing a variety of human services programs, including senior, youth, affordable housing, disabled, and education.
- Fewer music, culture, and arts activities for the community will take place as a result of reduced funding for the Civic Cultural Commission.
- Three of the City's free summer drop-in programs at our parks were eliminated.
- Support staff reductions in the Police Department mean that it will take longer to produce reports, more use of voice mail for answering of business phone lines, and other administrative backlogs. Eliminating the positions of two community service officers, one sergeant, and one patrol officer will mean less flexibility in scheduling, less assignments to special events, and less time available for community oriented policing activities.