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**HEADLINE:** San Jose Mayor urges deeper pay cuts to save jobs

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**BODY:**

San Jose Mayor Chuck Reed called Friday for city workers to accept steeper cuts in pay and benefits to avoid massive layoffs as the city struggles to close a \$116.2 million budget shortfall in the next budget year by the end of June.

In his March budget message, a 27-page policy guide for the city manager that the City Council will consider Tuesday, Reed said that despite some indications of a slow economic recovery, "the realities of our present situation" ... are grave."

"By sharing the pain," Reed continued, "we can save jobs."

The South Bay AFL-CIO Labor Council, which represents 110,000 unionized workers and is now led by Reed's former mayoral rival Cindy Chavez, said in a response Friday that the mayor's message merely detailed well-known problems.

"His strategy for meeting these challenges, however, is not described and perhaps has not yet been developed," the labor council statement said. "We are eager to hear his plan for leading the nation's 10th-largest city through its financial crisis. In the meantime, we intend to continue working with the community to develop strategies to address our serious budget problems."

San Jose's money woes long predate Reed's four-year term and the current recession, which began with the bursting of the housing bubble and resulting market crash in late 2008. The city is confronting its ninth straight year of budget deficits.

The reason for the red ink, Reed said, is that the city's average employee costs have shot up 64 percent since 2000, more than three times the 18 percent growth in revenues and more than double the inflation rate, even though the full-time workforce has shrunk 6 percent to about 6,600.

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Last fall, with the projected deficit still under \$100 million, the council called for employees to cover a third of the gap through concessions. The rest would be covered by new revenues and service reductions or restructuring.

But Reed said the city's worsening financial outlook meant employees must agree to reduce compensation 10 percent, twice what they were asked in the fall, to cover half the deficit. Otherwise, he said, the city will have to cut more than 500 jobs.

"This, in my view, is unacceptable," Reed said.

So far, no workers have agreed to cuts. Reed specifically called on police officers and firefighters to agree to cuts, noting that many other workers are reluctant to offer concessions otherwise.

He added that with no concessions from officers and firefighters, other departments would have to be cut by half. City parks officials already are delaying registration for the summer aquatics program, saying budget cuts threaten their ability to provide it this year.

Reed noted that a city survey found that residents favor by wide margins cuts in city worker compensation instead of service reductions or new taxes. He said a number of possible concessions are on the table and urged City Manager Debra Figone to continue seeking them in negotiations with the unionized workforce.

Those include suspending automatic "step increase" raises, paying more for health care and eliminating some perks such as sick-leave cash-outs for retirees.

With the deficit threatening 100 jobs on the 1,400-member police force, Reed urged the manager to consider civilianizing some desk work and limiting patrol reductions. But he supported keeping the elementary school crossing guard program and the consolidation of the city's gang prevention efforts, which are now spread among 22 community groups.

Reed also called for city and redevelopment staff to reduce travel, and he urged the administration to make headway toward the possible sale of the city's money-losing Hayes Mansion conference center and Rancho Del Pueblo golf course, as well as selling the city's municipal water utility.

Reed said his budget message "presents us choices."

"We can lead San Jose into a healthy fiscal state," he said, "or we can maintain business as usual and continue to cut services and lay off valued employees."

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## San Jose City Council approves mayor's budget

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Posted: 06/14/2011 08:24:01 PM PDT

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Ten percent pay cuts from city workers -- including a last-minute deal with police -- helped ease San Jose's layoff toll as a divided City Council voted Tuesday to approve Mayor Chuck Reed's budget proposals for closing a \$115 million shortfall.

But because employee concessions saved just \$39 million, 100 cops and hundreds of other city workers will still have to be laid off to bridge San Jose's 10th straight budget deficit.

The 7-4 council vote after four hours of debate showed divisions on the council over how to save more police jobs amid an alarming spike in homicides. The number of killings -- 27 so far this year -- is running at more than double the city's rate over the past decade.

Voting no on the budget were council members Ash Kalra, Kansen Chu, Xavier Campos and Pete Constant. All cited frustration that their ideas for cutting spending elsewhere to save a few more police jobs didn't win the support of their colleagues.

"Our budget says the public safety of the people of San Jose is an afterthought at best," said Constant, a retired cop and normally solid Reed ally.

Constant proposed doubling the mayor's proposed cuts to council office budgets and cutting library spending to spare more cops. But the rest of the council, including the three other dissenters, wouldn't go along with Constant's proposal. And Kalra, Chu and Campos weren't able to garner enough council support for their ideas, either, whether it was taking

a different swipe at their office budgets or using funds for a possible ballot measure on pensions.

Ultimately, only Reed's proposal secured majority

approval. Councilwoman Nancy Pyle called the budget blueprint "thoughtful," saying it "reflects the priorities of our residents."

Reed bristled at the suggestion that public safety isn't a priority in his budget. Noting that funding for basic services is down 7 percent, he said his budget raises public safety spending, already the city's largest category, 1 percent while cutting everything else 10 percent. Four newly built libraries will sit mothballed for lack of staffing, he pointed out.

"We're squeezing everybody and everything," Reed said. "It is a sad day in San Jose. But we have to do this to close this gap."

Added Councilwoman Rose Herrera: "There's something in this to make everyone unhappy."

San Jose will see its total budget shrink from \$2.8 billion to \$2.5 billion. The general fund budget, which supports basic services such as police and fire protection, parks, libraries and roadwork, will dwindle about 14 percent from \$954 million to \$819 million.

Including the elimination of unfilled jobs, the municipal workforce will shrink about 9 percent by some 500 positions to about 5,300. From a high of 7,500 a decade ago, staffing is down 29 percent to levels last seen in the mid-1980s.

Among the highlights:

- The 1,220-officer Police Department will lose about 180 positions, with about 100 officers being laid off -- the first police layoffs in the

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city's history.

- The Fire Department, which now has about 650 firefighters, will see 49 jobs cut last year restored, thanks to a \$15 million, two-year federal fire staffing grant. That will allow the city to keep or restore three engine companies, including one at the airport that city officials had targeted for outsourcing.
- Branch libraries, now open 4 1/2 days a week, will lose half a day of operation, but will not be reduced to three days a week as had been initially proposed.
- Main community centers will see weekly hours cut from 63 to 59 a week. Nutrition programs for the elderly will continue at the 13 centers.
- **The city will outsource graffiti abatement and explore selling Rancho del Pueblo golf course.** Reed said that years ago he would have bet the city would close all its libraries and community centers before laying off a cop, but that residents have made it clear they don't want those programs cut to cover rising costs of unionized city worker pensions, a key deficit driver. "The unions must share in the belt-tightening," said Phil Henderson, 64, speaking on behalf of 400 elderly residents in support of the Evergreen Senior Center. Reed said the downsizing shows the need for controversial fiscal reforms that he plans to seek council approval for next week as the budget is finalized. Reed has proposed a ballot measure, possibly for November, aimed at shrinking pension benefits for current and future employees. He also wants the city to explore new tax measures. "We have cut and cut and cut," Reed said. "Ten years of cutting has cut our services way more than they should be." The Police Department, already among the most thinly staffed big-city police forces, has shrunk from a high of 1,395 two years ago to the current 1,220. But without the deal approved Tuesday by police union members that cuts officer salaries 10 percent for at least a year, the city would have had to lay off 156 more cops. "Regardless of the 10 percent cut, we are losing over 100 officers," police Chief Chris Moore said. "They are some of our youngest and best, and we are losing some of the future of this Police Department. So it's not a good day. But it could have been a lot worse." Whether the 10 percent pay cut extends more than a year -- an early sticking point -- will be decided by an arbitrator

under the approved contract. Among other terms, it allows the city to outsource police patrols at the airport to the Santa Clara County Sheriff's Office and to replace 20 officers doing some desk work with lower-paid civilian staffers. The deal also includes provisions to discuss reforming pensions, including an optional reduced retirement benefit -- and contribution -- suggested by the police. Some of Tuesday's spending debate centered on whether some of the money the city would spend on a ballot measure could be used to save some police jobs. But Herrera and others said the city needs a ballot measure to fix its chronic budget imbalance because employee costs continue to outpace revenues. The city already faces a shortfall of at least \$78 million next year. "Everyone in this room," Herrera said, "would like to get to a day when we're not in this Groundhog Day." **Staff Writer Sean Webby contributed to this report. Contact John Woolfolk at 408-975-9346. The 1,220-officer Police Department will lose about 180 positions; about 100 officers will be laid off.**

**The Fire Department, with about 650 firefighters, will offer jobs to the 49 firefighters laid off last year. Branch libraries, now open 4 1/2 days a week, will be open only four days. Community centers will see hours cut from 63 to 59 a week. Senior nutrition programs will continue at the 13 centers. The city will outsource graffiti abatement and explore Rancho del Pueblo golf course**



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