



## **Press Release**

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### **CITY PREPARES FOR IMPACTS FROM ECONOMIC DOWNTURN**

Grass Valley has made great strides over the past decade in improving the community through exceptional public safety, prudent financial management, improvements to public infrastructure and balanced economic growth and development. These advances were made at a time when the city was experiencing a steady economy and a growing demand for new or expanded services. However, the economic slowdown being experienced on a state and national level is also being felt by the city. Revenues from sales and property taxes are flat while the costs of such items from gasoline to construction materials to employee benefits are increasing.

City departments are working together to deal with projected budget shortfalls for the current fiscal year 2007-2008 and in the years ahead. For example, the General Fund revenues received by the City increased from \$7.6 million in FY03-04 to \$11.4 million in FY06-07. Fifty percent of the City's General Fund comes from sales tax. Though revenues increased, the cost of providing service also grew, particularly to fund the services needed with the recent annexation of the Glenbrook Basin. As an example, the costs of providing public safety protection grew from \$4.7 million to \$6.3 million in the same three year timeframe.

The national and state economic slowdown requires the continuing commitment to fiscal prudence by the city to help ensure balanced budgets. The State of California with its fiscal crises will also affect cities as the State reduces revenues traditionally given to cities. Within this fiscal year (2007-2008), the revenues have slowed to a point where the city does not have sufficient funds to match our expenditures by fiscal year's end. As a result, the city must reduce expenses and do more with less and continue efforts to improve efficiencies in all our operations while at the same time protecting critical services for our community. Grass Valley will continue to make smart investments that make our neighborhoods stronger, our city safer, and our economy prosperous for the future of our community.

City departments have been asked to lower their current fiscal year expectation and also reduce their 2008-2009 budget requests. Departments are analyzing how services would be impacted if their bottom line is reduced. Approximately three-quarters of the city's expenditures are labor, and the bulk of the city's growing expenses are attributed to negotiated labor contracts. The city has already ordered an immediate hiring freeze to assist with balancing the current budget. These approaches are similar to what a number of communities have put into place to address this economic downturn.

The City Council is committed to ensuring fiscal stability and responsibility while at the same time maintaining the city's services. The City Council will be holding workshops in early April 2008 to review the budget and determine our priorities for the upcoming year. All efforts to solve a looming budget shortfall from a slowing

economy and state takeaways will be explored. The bottom line is the budget has to balance.