

Fresno mayor says up to 7.5% may be cut from next year's budget

By Denny Boyles / The Fresno Bee

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Mayor Alan Autry announced plans Wednesday to cut as much as 7.5% from next year's budget -- and possibly reduce or eliminate some employee raises -- as Fresno copes with the Valley's housing downdraft.

The slowdown in housing in part prompted Clovis officials to reduce this year's spending and consider additional cuts next year. County officials say other cities will be facing similar budget problems.

Fresno's current general fund budget is \$248 million and the city had expected its 2008-09 budget would reach \$260 million. Most of the added spending would be for cost of living increases in employee salaries and expenses such as fuel.

But Autry said he will ask city department heads to reduce their planned operating budgets by as much as 7.5% next year.

The cuts are necessary, Autry said, because as foreclosures have increased, property values have plummeted. That reduces property tax collections, or delays collections from bank-owned properties. The city has a \$16.1 million reserve, but Autry said he has no plans to use that money to make up the shortfall.

"This is not a crisis like a fire. It's a very tough situation, but that reserve is our safety net. Once it's gone, it's gone," Autry said.

Clovis officials already are using some reserves to make up for reduced revenues from both property and sales taxes, said Jeff Witte, assistant city manager in Clovis.

"It's likely that we'll be back before the council very soon to talk about some short-term budget issues," Witte said. "Whatever happens with property taxes next year, there will definitely be concerns here."

Fresno officials had already added \$5 million into reserves this year in the expectation that tax revenues would be lower. Autry said Wednesday he has asked department heads to plan for further cuts next year.

This is not the first time the city has braced for shortfalls.

In 2002, Autry asked department heads to plan for cuts of up to 15% in anticipation that state lawmakers would take money normally earmarked for cities. In the end, only a 2.5% cut was needed.

This time he has asked those same department heads to prepare for cuts that could range from 2.5% to 7.5%.

Fresno city finance officials have kept a close eye on the housing market in the past year, Assistant City Manager Bruce Rudd said. The city relies on property tax money for 25% of its discretionary spending for such things as police and fire salaries and road and park maintenance.

Typically, growth in property tax revenues covers rising city expenses. That's not expected to be the case this year, Rudd said.

No one is sure yet just how much property tax revenues will be hurt, said Fresno County Assessor Bob Werner.

"It all revolves around foreclosures," Werner said. "Once you have a lot of foreclosures on the market, it causes values to drop. As values drop, homeowners can request reassessments to lower their tax burdens. Our expectation is we will receive a lot of requests in January for reassessments."

If those reassessments lower tax bills, that would cause problems for local governments, Werner said. City and county budgets assume tax revenues will grow, not shrink. Werner said.

Still, Werner said, declines in some property values doesn't mean tax revenues will collapse.

"We've never seen an actual reduction in overall property values," Werner said. "Instead, what we're talking about is no longer seeing the double-digit growth that has become the norm. That's what has everyone worried."

In Fresno, some employee contracts reduce or eliminate raises when revenues dip, said City Manager Andy Souza. The Fresno Police Officers Association contract, for instance, calls for a 5% raise next year. If revenues shrink, that raise could be reduced to 1%.

"We said that if we go above the 3% raise we are comfortable with in good times, we need a trigger to reduce the raise in bad times," Souza said. "That trigger could come into play." The reporter can be reached at dboyles@fresnobee.com or (559) 441-6659.

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