For Immediate Release:
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City Council Weighs Options to Solve a $10.5 Million Annual Budget Gap

Union City, CA – The COVID-19 crisis has dealt a devastating blow to Union City’s local economy and the City’s budget, with shelter-in-place restrictions causing substantial declines in sales tax, hotel tax, parking revenues, recreation program revenues, and property tax.

A ten-year financial forecast produced by an independent financial expert shows that the City can expect to deplete all of its $17 million General Fund reserves by June 30, 2023 if no additional funding sources are put in place or drastic service reductions are not made. Parts of this forecast will be shared with the City Council on July 28 and in full at a budget workshop on August 4, 2020.

Today, the City relies on critical funding streams from two voter-approved tax measures – a public safety parcel and a half-cent sales tax – both of which are set to expire in the near future, respectively in June 2021 and March 2025. The loss of both funding measures combined with a slow-paced economic recovery from COVID-19 means that the City will be faced with a $10.5 million annual deficit by Fiscal Year 2025/2026, or equivalent to approximately 15% of the City’s annual operating budget.

To help the City Council understand the scope of the problem, a staff report for the July 28th City Council meeting illustrates that a deficit of $10.5 million is equivalent to the cost of 90% of the contract with the Alameda County Fire Department; or, 39% of the Union City Police Department budget; or, 86% of the entire General Fund budgets of the Public Works Department, Community and Recreation Services Department, including Youth and Family Services, and the Economic and Community Development Department, combined.

Providing this type of fiscal analysis is key to helping the City Council weigh options regarding its placement of a measure on the November General Election ballot. The City Council will be provided options between adding a half-cent sales tax and a utility users’ tax. Revenue from a local funding measure would be used for essential services, including:

- Maintaining paramedic and fire protection services, 9-1-1 emergency response, and emergency and disaster preparedness programs, including for a public health crisis.
- Ensuring senior citizens receive support and access to food during the COVID-19 crisis and during the recovery.
- Maintaining street and pothole repair.
- Preserving youth violence prevention and drug and gang intervention programs to keep kids off the street and maintain community safety.
An ad hoc sub-committee consisting of Vice Mayor Duncan and Councilmember Patino have been working with staff to study the viability of ballot measures for the November General Election that would help address the long-term structural deficit to the City's General Fund.

Prior to the COVID-19 pandemic, Union City faced an ongoing long-term General Fund structural budget deficit of approximately $3.5 million annually. Major steps have been taken to tighten the City's fiscal belt and reduce spending, to address this deficit. These major steps include closing an underutilized fire station, freezing vacant positions, reducing library hours and community center hours, and eliminating community policing and school resource officers.

City Manager Joan Malloy states:

“The City Council has been very responsible and prudent these last few years about managing the City’s deficit. They have been persistent about maintaining a General Fund reserve of 20% of our annual operating budget and not using it to address the structural issues we faced before COVID-19. Their determination has ultimately bought us time in being able to plan our next steps and to educate the public. However, the reality of our situation displayed in our ten-year outlook shows that the cost of providing services exceeds the financial resources that are currently available to us now and long into the future. We have diligently shaved millions of dollars off the City’s budget in the last few years, so much so that we are operating a skeleton staff. At this point, it’s truly a matter of public choice on the path forward regarding what type of community the residents want to have.”

A link to the staff report for the July 28 Council meeting can be found at https://www.unioncity.org/199/City-Meetings-Video.

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