

# Capitola's troubles go back decades

Capitola - 1990

**October 1973** — The Santa Cruz County grand jury indicts former Capitola City Manager Ryder Ray on 10 counts of embezzlement and falsifying records. Ray is accused of using city accounts to buy lumber, golf clubs and plumbing supplies for his personal use. The City Council includes Ron Graves and Mick Routh.

**Feb. 15, 1974** — Ryder Ray is sentenced to five years probation by a Santa Cruz County Superior Court judge after pleading guilty to six felony counts of embezzlement and falsifying records. Four counts are dismissed.

**May 15, 1979** — The city announces that Steve Burrell, a 31-year-old assistant city manager for the city of San Clemente, will become city manager.

**September 1981** — The Capitola Redevelopment Agency is established. The intent of the agency is to stimulate economic growth in the 41st Avenue area. The agency has been involved in the expansion of the Capitola Mall as well as traffic improvements in the area. While it is theoretically a separate body from the city, the City Council acts as the agency's board of directors, and the city manager serves as executive director.

**December 1982** — City Manager Steve Burrell is appointed city treasurer after longtime treasurer John Andersen, who had been elected, dies.

**August 1986** — The city issues \$10.2 million in certificates of participation, a form of lease-backed financing where public projects are financed by investors who purchase certificates entitling them to a share of government agency's "lease payments" for a project. The money is intended to pay off two earlier debts as well as pay for about \$4.9 million in projects, including several for the Redevelopment Agency.

**April 1988** — Capitola spends \$1.45 million to buy five acres at Wharf Road and Clares Street. It is one of the largest land purchases by the city in its history. City Manager Steve Burrell reports the city plans a park as well as seven units of low-income housing on part of the land. The City Council, which approved the purchase, is made up of Ron Graves, Mick Routh, Stephanie Harlan, Bob Bucher and Jerry Clarke.

**April 14, 1992** — Glenn Hanna is elected city treasurer by 22 votes after the post had been vacant for several years. Hanna was an early critic of the city's financial practices, pointing out numerous inconsistencies in accounting records. In the same election, Margaret Fabrizio is elected to the City Council for the first time and Mick Routh wins a sixth term.

**July 16, 1993** — At the urging of City Treasurer Glenn Hanna, Santa Cruz County District Art Danner reviews the 1986 certificates. Danner writes to Hanna that a criminal prosecution of Steve Burrell or other city officials is not warranted. His decision, he writes, was not an "endorsement" of any actions taken or not taken by city officials.

**Sept. 16, 1993** — Glenn Hanna writes to the City Council, acting as the Redevelopment Agency board of directors, telling them that Steve Burrell has been making year-end journal entries that transfer all of the agency's cash to the city.

**Oct. 14, 1993** — Acting as the Redevelopment Agency board, council members vote 3-2 to oust Glenn Hanna as finance officer for the agency. Members accuse him of mudslinging. Longtime Councilman Mick Routh says he supports the ouster because of Hanna's abrasive manner and inability to get along with city personnel.

**Oct. 28, 1993** — Steve Burrell, city manager for 14 years, announces he is leaving Capitola to become the top administrator in Hermosa Beach.

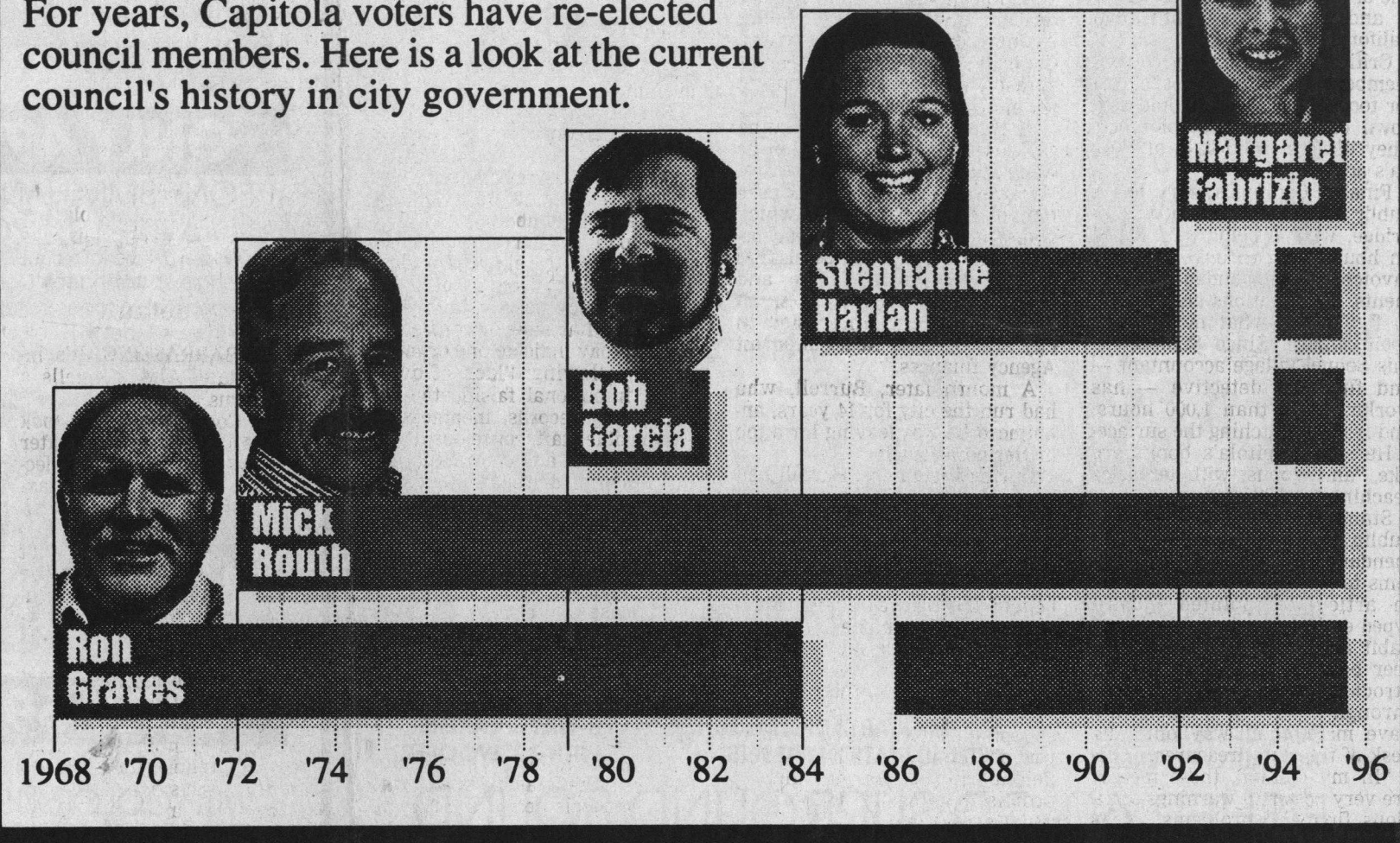
**Nov. 11, 1993** — A group of Capitola residents write to the City Council with questions about the Redevelopment Agency. "We are concerned that past questionable procedures will continue in the future," the group writes.

**Jan. 17, 1994** — Santa Cruz County Auditor-Controller Gary Knutson writes to City Manager Susan Westman that he has "observed many discrepancies that raise questions about the accountability of redevelopment agency funds." Knutson, who withheld more than \$400,000 in taxes for sev-

eral weeks while reviewing city books, notes that bond money spent on behalf of the agency has been reported to be \$4.3 million, \$3.4 million and \$3.1 million. He recommends that the city prepare a revised financial report to show all financing sources.

## Longevity in Capitola government

For years, Capitola voters have re-elected council members. Here is a look at the current council's history in city government.



Chris Carothers/Sentinel

**February 1994** — Susan Westman, the city's planning director, is named city manager by the City Council after serving in the post on an interim basis since Steve Burrell departed. She is selected out of 208 applicants.

**Feb. 2, 1994** — City Treasurer Glenn Hanna writes to the City Council that \$800,000 is unaccounted for by then-City Manager Steve Burrell in the accounting of Redevelopment Agency expenditures that he presented at a meeting the previous November.

**June 1994** — The Santa Cruz County Grand Jury criticizes the city for loose financial management. "No two sets of numbers provided to the grand jury, the auditor-controller and the public were the same," said the group's annual report. "Very few docu-

ments provided had any dates or names on them to indicate when and by whom they were prepared." The jury also says the Redevelopment Agency does not have an adequate public hearing process for its financial decisions. The jury, however, says there was nothing to support a finding of intentional wrongdoing. Still, it recommends that the agency be monitored for at least three years.

**Jan. 26, 1995** — City officials report that the city misspent more than \$2 million from the 1986 bond deal. The city paid \$1.45 million to buy property at Wharf Road and Clares Street, \$700,000 to buy the Monterey Avenue park site and about \$266,000 to pay other debts. These projects were not among those listed in the bond agreement. At the same time, \$2 million in projects that should have been completed were not done.

**March 23, 1995** — The city is served with a notice of default on the 1986 bonds by Meridian Trust Company. This meant the city was being warned it violated the agreements of the loan.

**April 13, 1995** — Mayor Margaret Fabrizio delivers a state of the city address, warning residents of the possibility of cuts in city services. The city's finances are under review, and early findings show the city owing money to the Capitola Redevelopment Agency.

**April 19, 1995** — City Accountant Richard Standridge reports finding a consistent pattern of errors, erroneous transactions and overcharges to the Redevelopment Agency by the city. "The net effect was, generally, to shift agency cash to the city's general fund," he writes. The pattern, he continues, may indicate one or more of the following: "lack of oversight; intentional falsification of accounting records; ineptness of responsible staff; conscious disregard for legal and contractual requirements; disregard or ignorance of reasonable, appropriate accounting principles, standards and procedures."

**April 27, 1995** — City requests state Attorney General Dan Lungren to determine whether any criminal or civil action should be taken against any party, including

past and present city officials and employees.

**May 5, 1995** — The City Council agrees that Capitola must pay about \$1.5 million to the Redevelopment Agency to replace money that had been shifted from the agency to the city over the past years.

**May 16, 1995** — City Manager Susan Westman and the City Council discuss the need to cut \$650,000 from the city's \$6 million general fund budget during the 1995-96 fiscal year. The city anticipates finishing the current term on June 30 with no reserves as well as drops in other revenue next year, including sales tax and interest.

**June 1, 1995** — The city revises its budget outlook and says about \$500,000 in services need to be cut from the 1995-96 budget.

**June 5, 1995** — The state Attorney General's Office announces that the Santa Cruz County District Attorney Art Danner has jurisdiction on the Capitola finance investigation.