

# Layoffs forecast for Watsonville

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WATSONVILLE — The City Council will have to find new revenue if it hopes to avoid layoffs of city employees later this year, according to a recently released financial report from City Finance Director Terry Stigall.

The report will be considered by the City Council at its meeting tonight.

A combination of factors, triggered mainly by the Oct. 17 earthquake, has left the city on the brink of a financial chasm.

Sales-tax revenue is falling, property-tax receipts are taking a nose dive and the legal bill for a lawsuit which the city lost is still pending. The city could face a \$1.2 million deficit next year unless something is done.

The council would have to determine what employees, if any, would have to be laid off work if the shortfall is not made up. Police and

fire departments take the majority of money from the city's General Fund.

Costs for unreimbursed earthquake damage are estimated to be about \$600,000 for the General Fund, with \$1.4 million unreimbursed throughout the city's various enterprise funds which finance sewer, water and other public facilities, according to Stigall.

Stigall based his estimate on how much money the Federal Emergency Management Agency has paid back to the city for repairing such things as water mains and sewer lines.

As expected, sales-tax receipts for the post-quake time period are beginning to show a dramatic decline. The sales-tax revenue in February was \$113,800 — a drop of \$129,800 from 1989. In the next fiscal year, the sales tax is expected to fall by another \$400,000.

Also, property-tax transfers to

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the General Fund are beginning to take a nose dive. Stigall estimates property-tax receipts will drop by \$100,000 on an annual basis.

An unknown expense remains the legal bill for the district-election lawsuit. The \$1.5 million bill submitted by attorneys for the Mexican-American Legal Defense and Education Fund, which brought the suit on behalf of three Watsonville residents, is under consideration by a federal judge. A decision is expected soon.

The good news is that the 1989/90 fiscal year, which ends June 30, will close with the city in relatively good financial shape.

General Fund revenues for the fiscal year are projected to exceed budget estimates by \$54,000, Stigall said. This is because sales-tax intake before the earthquake was better than expected.

"We had some good growth with the new shops on Green Valley Road and other areas, and the downtown wasn't doing too bad, either," Stigall said. "But that was before the earthquake."

The unexpected boost came

about despite a shortfall of \$161,000 in a one-year utility users' tax. The 4-percent utility tax on water, gas, electricity, cable TV and phone service was overwhelmingly rejected by city voters last December in an advisory vote. It's slated to expire in June, unless the council overrides the voters' wishes and reinstates the tax.

The utility users' tax was estimated to bring in \$800,000 for nine months last year, although it will net the city only \$639,000. Part of the reduction can be attributed to the number of businesses and homes vacated after the earthquake.

Without an extension of the tax, or another source of revenue, the city will face a shortfall next year of well over \$1.2 million.

City Manager John Radin is recommending the city use money set aside for capital improvements to augment the General Fund, which mainly finances the police and fire departments.

Radin is also suggesting the city "seriously look at reinstating the utility users fee or we will be looking at a large reduction in service levels through the General Fund operation of the city."