

City's financial reserves eroding

Watsonville is in good shape financially, but city officials aren't guaranteeing that things will stay that way.

"The (\$28.3 million) budget is balanced this year. However, we have exhausted some reserves to the extent they will not be available for future contributions to the general fund," City Manager John Radin said in a memo on his preliminary 1982-83 budget, delivered to the City Council Tuesday.

The council did not discuss the budget, but will do so at a later date.

The reserve fund decrease, Radin said, is mainly because the state has reduced its payments (collected from various taxes) to the cities. The general fund reserve (which does not include all the city's reserves) has slipped from \$400,000 to \$250,000 in the last three years, said Finance Director Chuck Comstock.

"It's obvious that Watsonville is a year or two behind other cities in the Monterey Bay area in reaching a fiscal problem," Radin said in his memo. "I believe that delay is due to the conservative fiscal policy of this and prior councils."

Radin warned that if the economy worsens, the city will have to consider reductions in service and generation of new revenue sources by next year. "This coming year will be the proof of the pudding," said Radin.

The budget does not call for any major increases or cutbacks in services or staff. (Within the last year, the city has added 13 workers.) The budget is up \$5.4 million from last year, including \$3.7 million for sewer plant construction and \$1.3 million for the planned extension of Ford Street and resurfacing of Kearney and West Beach streets.

The city received some good finan-

cial news Tuesday — a state Supreme Court decision indicates the city should be able to collect a tax to fund its employee retirement plan — something the courts have prohibited it from doing for the last three years.

The county has impounded \$443,000, the retirement tax collections for 1979-80, and the city has collected about \$1 million in the last two years, holding it in trust until the legal issue is settled.

In the meantime, the city was taking away from other funds (mainly capital improvements) to pay the retirement fund payments. If the city gets back what has been impounded and held in trust (as the court decision indicates it will), the money will go to replenish the capital improvement funds, said Comstock.