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Politics + Government

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# City manager urges caution in spending

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In light of the recession, and state and federal budget problems, the city of Watsonville should leave vacant positions open and hold off on capital expenditures.

Those are the recommendations made by City Manager Steve Salomon in a report to the City Council. The city's financial situation will be discussed at the council's regular meeting tomorrow

night.

When the council was wrangling with its budget in June, Salomon recommended waiting until the fall on a number of items. One of the reasons Salomon wanted to wait was because the city was beginning labor negotiations with seven employee groups, and didn't know how much to budget for payroll. Contracts have been signed with five of the seven groups.

"While those costs are now known, the state's budget deficit

continues to worsen and there is no end in sight to the recession," Salomon said. "These last two items have a strong potential to have a negative impact on the city's financial situation."

The state's budget problems have been passed down to cities and counties. As a result, counties are now turning to cities to make up some of the difference. For example, the county now charges cities for the costs of booking in-

mates and for collecting property tax. Salomon said state cuts have cost the city more than \$300,000 for the past two years.

Salomon said it was too early to tell exactly what the effects of the recession would be on sales and property taxes, both of which go into the city's General Fund. But, he said, development revenues are likely to be down because of the sluggish building industry.

Because of the dim outlook,

Salomon again urges caution. He recommends outlays of only \$600,000 of the \$14 million in requests for capital improvements. Of that amount, \$230,000 comes out of the General Fund.

Salomon suggests looking at the matter again in a few months.

In June, the council received requests for 38 new staff positions. Five full-time positions were approved and budgeted. Salomon recommends that two of them, in

the public works department, not be filled because of the decline in revenue related to development. Salomon also had said he would consider adding some positions in the fall. He says they should go unfilled for now.

Salomon wants the council to consider charging fees relating to rebuilding after the earthquake. The city has lost approximately \$500,000 by waiving fees for such rebuilding, he said.