

4% utility tax OK'd after all in Watsonville

By LANE WALLACE
STAFF WRITER

Watsonville residents will pay a 4 percent utility tax to balance the city's budget in the coming fiscal year, the City Council decided yesterday afternoon.

The council's action ended two months of haggling over how to balance a proposed budget that was so far in the red that the council would either have to raise taxes, dip into reserves, or reduce services and cut staff to balance it.

Laying off employees and cutting services were never seriously considered, but just about every other possibility was. In talks last month, the council decided to dip into various reserve accounts to cut the deficit in the proposed \$13 million budget by more than \$400,000, leaving about \$400,000 still to make up.

In the end, the council voted for the 4 percent tax, which City Manager John Radin estimated will cost \$77 per household a year. The first \$34 of each household's utility bill will be exempt from the tax. The utility companies will collect the tax, then pay the city.

The tax is for one year, and the council said it would put a measure on the November ballot asking voters if the tax should be continued. By law, the vote would be advisory and not binding on the council.

Radin said the city wouldn't be able to start collecting the utility

tax until September, after all the billing procedures are changed.

He estimated the tax would bring in \$750,000 to \$800,000 for the fiscal year, which begins in July.

The tax revenue won't last long: \$420,000 will be used to make up the deficit in the current proposed budget, and most of the remainder is expected to go for employee raises.

The council hasn't decided on raises yet, but if it gives the same 4 percent it gave last year, the cost would be \$240,000. That would leave \$90,000 to \$140,000, which Radin said would go to help boost the city's dwindling reserves.

The 4 percent tax was approved on a 4-3 vote, with Tony Campos, Rex Clark, Joe Marsano and Vido Deretich in favor and Gwen Carroll, Dennis Osmer and Mayor Betty Murphy opposed.

The swing vote was Campos, who earlier had voted against Clark's proposal for a 4 percent tax after a long discussion Tuesday night. Campos said then that 4 percent wasn't enough and held out unsuccessfully for a tax rate of at least 4 1/4 percent.

Campos said he'd still like to see a higher tax, but agreed yesterday to the 4 percent rate.

Clark, who pushed hard for the tax Tuesday, renewed his effort yesterday and made the motion for the tax.

After complimenting city workers for doing a "damn fine job" under trying circumstances, Clark said, "I suspect this monkey business we've been going through the last two or three months is a real downer to them."

As for the public's perspective, Clark said, "We must look like a bunch of horse's asses to them. We can't make up our minds."

Murphy, Carroll and Osmer stuck to their previous stances that the council shouldn't impose a tax without first going to a vote of the people.

Osmer pushed for balancing the budget by dipping into the reserve for the city dump budget, then going to the voters in November for a tax that would be

earmarked for maintaining police and fire services, which would require a two-thirds vote for passage.

"We do have some alternatives, Osmer said, charging that the utility tax is a "great burden on industry."

In a version of the utility tax proposed last month, industrial firms that use large amounts of power would pay more than \$20,000 a year. That proposal sparked a protest by some of the city's largest companies.

Under the version passed, the maximum tax on a business is \$8,000.

Deretich, manager of a cold-storage plant, said he talked to representatives of several major firms before the vote was taken.

"They don't like it, but they're not fighting it," he said.

After the vote was taken yesterday, Lee Haskin of the S. Martinelli and Co. apple cider company told the council, "We are begrudgingly consenting," and expressed hope that the tax would stop after a year.

"I hope the council realizes the ripple effect," he said. "This has a tremendous effect on industry."

REFERENCE