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City stung by state budget woes

Cuts in Watsonville's funding could reach \$3 million

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Watsonville could lose \$1.5 million to \$3 million because of some of the measures being considered in Sacramento to balance the state budget.

City Manager Steve Salomon told the City Council last night

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that the state is considering, among other things, making up for its shortfall by taking property tax and vehicle license fee funds away from cities and giving the money to schools and counties. That

would mean a loss of \$1.5 million to the city. The impact could go as high as \$3 million, Salomon estimated, depending on what other measures the state decides to take.

The city has been working on its budget for fiscal year 1992-93, which begins July 1. Salomon said he is proposing a \$51.6 million budget with a \$16.8 million General Fund. The General Fund, which covers most of the city's operating expenses, would be where the city would take the cut.

Salomon recommended a week's delay in the city's budget process

in the hope of getting a firmer idea of what the state may propose. A copy of the proposed city budget is expected to be completed by Friday. The first hearing on the budget is set for June 16.

Although the city is required by state law to have adopted a budget by the end of June, the state is under no such obligation. Eric Frost, the city's finance director, said the council may have to revise its budget in September, or whenever the state finalizes its budget.

Salomon proposes that the city freeze \$300,000 in capital expendi-

tures and review city personnel vacancies as they occur to see if they can remain temporarily or permanently vacant. Doing so saved the city \$350,000 last year, he said. "Depending on how severe this thing gets, we may have to do more than that," he said.

The city is not in the best financial situation as it is, he said. Projected revenues, including money from hotel and sales taxes, are down, Salomon said.

City Council members were angry at the news from the state.

"It's unfortunate that once

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again, the state is looking to solve its financial crisis on the backs of cities," said Councilman Todd McFarren.

"On a political level, we need to go to our local representatives and explain to them why it is that the city cannot take a \$1 million or \$1.5 million hit this year."

McFarren said he thought it was "highly inappropriate" for the state to look to cities like Watsonville, which have remained financially sound, and "penalize" them for it.

Over the past two years, the state has made changes that have siphoned money from cities to compensate for what it was no longer giving to counties. Those changes include allowing counties to charge cities for property tax administration, which costs Watsonville \$60,000 a year, and for jail

booking fees, at an annual cost to Watsonville of \$165,000; the loss of cigarette tax, at \$60,000 a year; lower reimbursements for police training; the loss of half of traffic fines, at \$40,000 a year; and the loss of the ability to claim certain state-mandated cost reimbursements.

Councilman Lowell Hurst suggested that everyone on the council send letters to Sacramento.

"The schools are in desperate shape and the state is in desperate shape and everyone is turning to the cities for a bailout," he said.

Hurst said that if the city loses money to the state, it will have to look at taking in more money by raising rates and fees or cutting services.

"I think everyone should be outraged," he said.

Mayor Oscar Rios suggested that council members rally their constituents against the proposed plans to "bail out on the backs of

cities and poor people." (The governor is proposing a 25 percent cut in welfare in addition to the redistribution of city money.)

Rios suggested that the council look at an alternative budget put together by the Coalition for Budget Fairness, a group of non-profit agencies, and Santa Cruz County staff. That budget suggests that the state's shortfall be covered by closing loopholes that benefit wealthy individuals and corporations. The recommendation has been endorsed by the county Board of Supervisors and was presented to a legislative subcommittee in Sacramento recently by coalition members and Supervisor Gary Patton. Last night, the council agreed to look at it.

Councilman Tony Campos suggested that the city place a newspaper ad to let Watsonville residents know what is happening, in an attempt to encourage people to put pressure on their state representatives.

The ad could say, "If you don't want your services cut, write a letter," Campos suggested.

Although other council members seemed to like Campos' idea, it wasn't formally adopted.