

Watsonville looking at red ink by June

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WATSONVILLE — The weakened economy has resulted in lower-than-expected revenues for the city of Watsonville, which is projecting a \$325,000 budget deficit at the end of June.

In a mid-year budget review, city Finance Director Eric Frost said the revenues have declined in sales taxes, city-user fees and development fees.

For instance, in the all-

important sales-tax category, Watsonville budgeted for \$3.6 million in revenue for 1991-92, Frost said. Based on sales-tax revenues of \$1.5 million as of Dec. 31, he now expects sales tax to total about \$3.2 million, a reduction of \$400,000.

However, the projected deficit is only \$325,000 since some revenue categories are up, Frost said. Property-tax revenue, for instance, is projected to be \$2.5 million, more than \$100,000 over what was budgeted.

Although the projected deficit

appears sizable, it is tiny, compared to Watsonville's overall \$56 million budget.

Nevertheless, Frost is recommending that the City Council hold off on some proposed expenditures in the general fund to keep a balanced budget. The general fund, which stands at \$15.7 million, is used primarily for day-to-day city operations, including the Police, Fire and Planning departments.

"The city needs to act in a responsible manner by reining in expenditures to meet current-year

revenues," Frost said in a memo to the council. "In other words, the General Fund needs to live within its income. By following this simple rule, the city will remain in a fiscally solvent position."

Thanks to sound planning last year by City Manager Steve Salomon, the council froze capital expenditures during budget time. Then late last year, council members authorized some expenditures, leaving about \$600,000 frozen. Frost said the council can now release "all but \$325,000 of capital

expenditures and keep the budget in balance."

In addition, Frost said, lower interest rates on investments will cost the city about \$100,000. Thanks in part to the economy, less building is taking place, so that building-fee revenues are projected at \$122,000 instead of the budgeted \$140,000.

One revenue category that is up is the city's utility tax. Because of higher utility bills, that category is up some \$260,000 from a budgeted \$1.8 million, Frost said.