

✓ WATSONVILLE-GENERAL-1990-

STM 6-13-91 MB

Record sales put Watsonville on stronger fiscal footing

By Bob Johnson
Special to the Mercury News

Despite the vacant lots and construction sites on Main Street that serve as grim reminders of the Loma Prieta earthquake, Watsonville appears to be in surprisingly good fiscal health.

Retail sales in Watsonville are up substantially from pre-earthquake levels. The city figures to receive \$16 million over the next six years from the earthquake relief sales tax approved by the voters in November. A utility tax adopted two years

ago remains in place, as do changes adopted last year to make the water, sewer and solid-waste disposal services self-sufficient.

The result is a budget proposal by City Manager Steve Salomon that calls for rate increases to pay for water conservation, recycling and sewage projects, but does not include any general tax increase or substantial reduction in city services.

"We're looking pretty good compared to other jurisdictions," said Mayor Todd McFarren after Salomon presented his

budget to the city council Tuesday. "The state is \$16 billion in the hole, the federal government is \$1 trillion in the hole, and other jurisdictions in our area are looking at \$1 million deficits. We should feel relatively lucky."

Watsonville enjoyed record-setting sales in the past fiscal year, and expects to shatter that record next year. City Finance Director Terry Stigall has projected that retail sales will exceed \$35 million in the fiscal year beginning July 1. Stigall called his sales forecast "conservative."

Downtown sales are expected to begin their revival with the October opening of the new Ford's department stores, the city's largest retailer.

The result of Watsonville's good fortune is a proposed \$15.3 million general fund budget. A new youth center, the city contribution toward a performing arts hall at the high school and a downtown parking structure will all be financed from the earthquake relief sales tax. Salomon routinely rejected requests from department heads for increased staff, but there are no

proposed layoffs or hiring freezes, and the proposed budget comes in balanced.

A modest increase in sewer fees is suggested to finance a \$100,000 pilot project in secondary treatment at the wastewater plant.

A 12 percent increase in water rates is also recommended, largely to cover the cost of new efforts at water conservation.

A 12 percent increase in trash pickup rates is suggested to pay the start-up costs of a state-mandated recycling program.