

# City budget up 8 percent, but balanced

By STEVE SHENDER

City Manager John Radin released the 1983-84 city budget today. And Radin's accompanying budget message indicates that while the city is tiptoeing along the edge of a yawning financial abyss that has swallowed neighboring government agencies, it hopes to leap the pit entirely by 1985-86.

Radin's proposed \$30.9 million budget for the coming fiscal year is up \$2.6 million (eight percent) over last year's budget, and is \$550,000 in excess of the city's projected 1983-84 revenues. But the budget will be balanced nonetheless, according to the city manager.

In his budget message to the City Council, Radin stated that the gap between income and expenditures would be closed out of money the city received after winning a legal battle with County Auditor-Controller Art Merrill, and from rent payments on city-owned buildings. Radin said that \$350,000 of the revenue shortfall would be made up out of funds released to the city after it won its court battle with Merrill over Watsonville's employee retirement tax. Another \$200,000 would come from rents, he said.

The city manager said today that the city had been using general-fund money to make employee retirement payments for the last several years, while the retirement-tax revenues were impounded by Merrill. (The auditor-controller contended that continued collection of the funds after 1978 violated Prop. 13.) Now, Radin said, the city is paying itself back, and using the fruits of its legal victory to balance its budget.

Radin said today that about another \$350,000 in freed retirement tax revenues will be available to balance the budget in fiscal 1984-85. After that, he said, it is expected that new residential, industrial and commercial development in town will result in \$400,000 to \$500,000 additional tax revenues annually. That, Radin said, should assure that the city will be able to remain on a sound financial footing for some years to come.

In his message to the council, the city manager noted that had the rental income and previously collected retirement tax receipts not been available to balance the budget, the "city would have been faced with service reductions and layoffs of as many as 20 employees." As things stand, Radin stated, "all services of the city are projected to remain approximately at their current levels."

Radin said that 13 new employees had been added to the city payroll over the last 14 months and noted that the new positions would cost the city \$281,617 in the coming fiscal year. The city manager said that while the city is "not at the point of putting a freeze on hiring" yet, "we will discourage new personnel additions for 1983-84."

In his message to the council, Radin also recommended that the city attorney's job be made a full-time position. He said the change would save money, compared to the current arrangement, under which City Attorney Don Haile works for the city on a contractual basis.

In addition, Radin said he would ask the council to consider a "two-tier" retirement system to reduce city pension costs. With a "two-tier" system, Radin explained today, newly hired employees would be placed under a less costly retirement plan than city workers already on the payroll.

The council will hold four "study sessions" on the budget in the next three weeks. The first session is set for next Thursday at 7 p.m. and is open to the public. A formal public hearing on the budget will be held June 28.