

Austere days ahead for city finances: Radin

By JENNIFER KOSS
STAFF WRITER

It's showdown time in Watsonville. Residents are faced with a reduction of services such as police and fire protection unless they agree to pitch more tax monies into the city's empty coffers, according to City Manager John Radin.

The proposed 1988-89 budget of \$36.7 million has been balanced only by denying more than \$1 million worth of requests from various city departments and depleting the city's reserves, Radin wrote in his introduction to the preliminary budget.

Items cut from the budget

include \$752,210 in capital requests such as a new fire-training tower, \$300,000 from a \$500,000 liability-insurance fund and \$104,675 from the operating accounts of various departments — basically a belt-tightening procedure, said Chuck Comstock, administrative services director/assistant city manager.

Without the cuts, the budget would have been in the red, according to Radin and Comstock.

"Although we are presenting a budget that has been balanced," Radin warned, "we must recognize the fact that in reality we have a General Fund deficit of \$1,150,000 and the

Sales Tax Reserve Fund is depleted."

Sales-tax reserves have been used to balance the city's General Fund for the past three years, Radin wrote in his report. The reserves have also been used to replenish the Workers Compensation Fund and the city's Self-Insurance Liability Fund.

"Past practices of balancing the budget from reserves cannot continue since reserves are now depleted," Radin wrote. "We must recognize the problem at hand and implement appropriate measures to keep the City of Watsonville fiscally sound."

Even with the cuts and with \$617,611 in Sales Tax Reserve Fund monies, another \$532,816 had to be transferred for the first time from the Equipment Replacement Fund, Radin wrote. Only \$156,789 now remains for equipment replacement.

The first study session on the budget will be held at 7 p.m. Thursday in the City Council chambers at City Hall.

Radin pointed to the Redevelopment Agency as the single biggest cause of the depletion of the Sales Tax Reserve Fund.

"More than \$2.6 million was spent on the Downtown Project over the past two years," he

wrote.

Other factors contributing to the drain on the fund were expenditures on unbudgeted items, Radin said, such as the city's purchase for \$225,000 of the Michoacan restaurant next to City Hall. (The building, closed for some time, was torn down after the city bought it.)

The 1988-89 budget is nearly \$14 million smaller than last year's budget, Radin wrote. That's because construction is nearly completed on the city's sewer-plant expansion, though the project is running about nine months behind schedule and is not expected to be completed until September, he said.

Comstock said the city's cost for the ocean-outfall project — part of the plant expansion — dropped to \$2 million in the 1988-89 budget from last year's \$9 million, and the budget category including the cost of equipment for the expansion dropped from \$7.7 million to \$1.6 million.

Still, the city will have a tough time balancing the budget next year if new funding sources are not found, Comstock said. The city will be hard-pressed to maintain its existing level of services, let alone replace aging equipment or make any improvements, he said.

See CITY page 2 ►

Radin said the city has several options for raising more money, including bond issues, assessment districts or fees such as utility-user taxes.

Utility taxes could cover everything from cable TV to PG&E to the phone bill, Comstock said. Although Radin mentioned in his report a 5 percent franchise fee that the council imposed on the Sanitation Department for the first time last year, which added \$92,000 to the city's General Fund, Comstock said the council would probably seek voter approval on any additional fees.

That leaves it up to residents to decide the lesser of two evils: more taxes or fewer services.

As Radin wrote, "The financing techniques that are being discussed will impact the Watsonville resident's tax bill, and will not be a popular issue. However, the demand to provide more services for less money is not possible."