

Budget cuts may result in jump in fees

By BOB SMITH

Capitola businesses will be paying more next year if state legislators continue to grab local funds in an effort to balance the state budget this year.

Capitola councilmen are seriously considering raising the business license fees charged city businesses as well as the fees collected from home builders for planning department application and building permits.

Dog owners will also pay higher fees according to the proposal made by Councilman Robert Bucher May 25 at the city council's first study session on a proposed \$2.7 million budget.

Bucher, a building contractor working throughout Santa Cruz County, said Capitola's license and permit charges are far below the comparable fees in the other surrounding jurisdictions. Business licenses should be doubled, Bucher said, and the same should apply to building, plan check and street opening permits.

"Everything here is so cheap in comparison to what is paid in other towns," Bucher complained. "Fees here are a quarter of what you pay elsewhere."

The newly-elected city councilman added that fees in other cities continue to rise while they remain fairly static in Capitola.

In his business, he added, "it is just a pass-through to the buyer anyway."

Bucher's suggestion to raise business fees got a favorable but cautious response from the other councilmembers.

Councilman Jerry Clarke said business licenses should be sliding scale, with high volume businesses paying more than a professional office, for example, because of the traffic generated by each.

Mayor Ron Graves said he didn't want to balance the city budget on the backs of the businessman. "I would hate to go out of this budget session feeling we are offsetting our losses by raising fees and not

tightening our belts.

"I have no problem raising our fees," Graves added, "but I don't see it as a cure-all."

City Manager Steve Burrell warned that fees could be raised "to the point of overkill. We may get less activity for higher fees.

Bucher said his proposal wasn't intended to balance the city budget. "I didn't want to balance the budget but the fees are so low."

Bucher made his suggestions at the end of a three-hour budget review in which Burrell said the city will probably lose another \$100,000 in tax revenue, thanks to the state legislature's attempts to balance the state budget next year by grabbing money that cities has traditionally relied on. The state legislature last year, Burrell said, took away the cities' and counties' share of the alcoholic beverage control fees for "one year" but the legislators haven't even considered living up to their promise of restoring the

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fees this year.

This year, the state has already cut Capitola's share of the motor vehicle licensing fees, distributed to cities and counties on a population basis, from \$155,000 this year to only \$58,745 in the next fiscal year and the League of California Cities is now warning the cities that the state will probably take the remainder before it is through balancing the state budget this month.

Also on the "block" is \$46,000 in cigarette taxes and \$5,000 in state reimbursements for training police officers.

"The cigarette tax is a tax that has come to the cities for years and years. Now the state is trying to balance their budget through reverse bailout (taking money from the cities to balance the state budget.)

Burrell told the councilmembers that nothing was

untouchable for the state legislatures, including the local government share of the state sales tax collections.

"Anything they can get their hands on — they can pull back," he warned.

Altogether, Burrell thinks Capitola could lose \$93,000 in revenue next fiscal year to the state beyond what the budget already forecasts.

But if the legislature starts tampering with the sales taxes or property taxes, or if the economy continues to sag into a depression, then the losses could go much higher.

The city could absorb the loss of the cigarette and motor vehicle in-lieu taxes, Burrell said, without major consequences to the services it now provides.

Burrell thinks he's been quite conservative in estimating a 6½ to 7 percent increase in the city's sales tax collections.

"I'm generally more optimistic than that but you can't find any optimistic economists to listen to these

days.

"Still, I think we'll make more than this," Burrell added, referring to the \$1,251,542 sales tax revenue forecast in next year's budget.

"But if we have to reduce our budget by \$193,000 or \$250,000, then it is going to affect people."

Burrell is now recommending that the city delay any non-essential capital outlay expenditures until January, 1983.

The city could also implement a hiring freeze if the economy doesn't pick up by September, and not fill any vacant positions that occur in the city's work force.

It's not a panic situation in any case, Burrell said. "We have enough reserve and cushion so that if we have to drop into a lower level of spending, we can do it over a three to six months period. It is not that alarming right now."

The council will hold another budget study session

Thursday at 7 p.m. in the upstairs conference room of City Hall. The meetings are open to the public.

Among the departments that are scheduled to be discussed Thursday night are the police department and public works department budgets.

Last week, the council reviewed the operating budgets for the City Council, City Clerk, City Treasurer, City Manager and City Attorney.

Councilmen said they were generally satisfied with the amounts proposed for each of the departments discussed last week, but were unhappy with the performance of City Attorney Richard Manning — particularly his tardiness at City Council meetings.

Manning, partner in the Scotts Valley-based law firm of Dawson, Manning and Rose, receives a \$21,000 retainer from the city, and while councilmen aren't publicly considering firing him, they want a written agreement with Manning about his duties and job performance.