

Capitola facing \$650,000 in budget cuts

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CAPITOLA — Poor financial practices will force the city to cut \$650,000 to balance next year's \$6 million general-fund budget.

Police, employee salaries and funding for community groups may suffer as the city tries to get back on solid financial ground.

The city had hoped to finish the fiscal year June 30 with about \$266,000 in reserve. It now anticipates a \$119,000 deficit when the term ends, and also expects a drop in revenues next year, including sales tax and interest.

It is a long way from the city that was envied for having deep pockets lined with sales-tax revenues from the Capitola Mall and numerous auto dealerships.

Under a proposal by City Manager Susan Westman, two vacant police positions would be left unfilled, two other jobs would be eliminated and all 67 city employees would take a 5 percent pay cut. One possibility is shortening the work week from 40 to 36 hours, she said.

"It's obviously going to affect us," said Police Chief Don Braunton of the possibility of losing two positions in a department with 15 patrol

officers and five sergeants. "I can't make any predictions."

His department, he said, will have to look at different ways to deploy its officers.

The council has made no budget decisions, including reducing employee paychecks, Councilwoman Stephanie Harlan said.

"We have to look at all of the proposals. The council has to make difficult choices to balance the budget this year. Personnel issues are a part of it, since personnel costs are such a large percentage of the city's budget. I'd hate to do

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Budget deficit looms

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it," she said.

Westman also proposed halving the city's support of community programs. This year, Capitola gave \$203,000 to more than 20 groups that serve children, disabled and elderly people.

The onus of balancing the city's budget rests on the five City Council members, who have scheduled budget hearings for the next four weeks.

Capitola faces these tough decisions after having to return \$385,000 to the Capitola Redevelopment Agency this year. This is the amount erroneously transferred from redevelopment accounts to the city during the fiscal year.

While the agency theoretically is a separate body, city employees work on redevelopment projects, and the City Council sits as the agency's board of directors.

Overall, city leaders admit Capitola still owes about \$1.5 million to the Redevelopment Agency from past years.

The troubles stem from a \$10.2 million bond issue in 1986. The funds were supposed to pay off two earlier debts and underwrite \$4.8 million in Redevelopment Agency projects.

A city probe, however, found that more than \$2 million in funds were spent on projects not listed in the original agreement. In addition, the city overstated charges to the agency, which works on pro-

jects in the 41st Avenue area.

City accountant Richard Stanbridge recently reported numerous errors and erroneous transactions that may indicate a lack of oversight or even intentional falsification of records. The moves had the net effect of shifting funds from the Redevelopment Agency to the city's general fund.

The city forwarded his report to the state Attorney General's Office to determine if criminal acts occurred.

The council has not said how it will pay the debt. A law firm recently hired by the city, however, said the money should be repaid as soon as possible.

One option is for the city to sell land at Wharf Road and Clares Street to the agency or to a private developer to raise money. The property was bought on behalf of the agency, but remains owned by

the city.

Adding to their difficulties, city officials anticipate that sales-tax revenues, the city's largest source of money, will remain flat.

City Treasurer Glenn Hanna, a critic of the city's finances for the past two years, urged council members to be conservative in their estimates.

Westman's projection of \$3.9 million in taxes is too high, he said. As a result, the council agreed to reduce that estimate to \$3.8 million.

The city Finance Advisory Committee, a group of residents and business owners, urged council members to look at linking employees' benefits to a percentage of the city's annual revenues. When revenues drop, workers would have to contribute a portion of their salary to maintain their benefit packages.