

accounting class.

✓County's really on the shorts

By **BUD O'BRIEN**

In what is becoming routine these days, Santa Cruz County supervisors listened to more bad financial news Tuesday morning.

The supervisors were obviously not surprised at the "news" from County Administrative Officer George Newell that the continuing deterioration of the national economy, plus some disturbing developments in this county, means that the situation is even worse today than it appeared it would be when the budget for this fiscal year was adopted in June.

To compound the problems, the board also learned that the Public Works Department is running out of money in its efforts to repair storm-damaged roads and maintain existing ones.

Newell told the board that a number of factors makes it just about certain that the county will fall about \$5.7 million short of the income it had expected to receive when the budget was first drawn up in June.

And Public Works Director Don Porath told the board that the road money isn't coming in because the federal government is refusing to pay its share of the money for storm-damage projects "up front." That means, Porath said, that the county's got to put up the money to fund the projects, then go to the feds for reimbursement.

That creates what is known as a "cash flow" problem — meaning in this case that while, at least in theory, there's money earmarked for a particular project, the county can't get it until the project is completed. But somebody has to put up the money as the work progresses, and that somebody is the county.

Porath said that "to assist in relieving the cash flow shortage," he plans to lay off all temporary employees, to reduce the permanent staff by five and to disallow as much paid overtime as possible.

Not only that, Porath said, but the Federal Emergency Management Agency (FEMA) has informed the county that, contrary to what had been assumed, the 18-month deadline for obtaining FEMA money for disaster-caused repairs applies to the completion, not the beginning of the projects.

This puts an impossible burden on the county, Porath said, adding that without the approval by the voters next month of a special gasoline tax, there would be no way most of the projects could be completed within the time limit that FEMA is now setting.

Porath proposed, and the supervisors unanimously agreed, that the county work with Congressman Leon Panetta and lobby with other state and federal officials to obtain time extensions

on the FEMA deadline.

As for the general county budget, Newell said he would be returning to the board on Nov. 16 and again on Jan. 4 with specific recommendations as to where to cut back enough to account for the shortfall of \$5.7 million in revenues.

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Newell said there were

two general areas where the deficit is appearing: in the "net cost of department operations as a result of unrealized revenues, unanticipated increases in demands for services, and (court) trial costs"; and a

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County budget

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"projected deficit in general county revenues as a result of the sudden decline in interest rates, the continuing impact of the economic recession on economic activity, and a reduction in federal revenue sharing payments."

The root of the problem, Newell said, is in the general economic condition of the state and the nation and the county's lack of any reliable revenue source since the passage of Prop. 13.

He cited a "sudden decrease" in interest rates which reduced the county's earnings on investments, a dramatic increase in the delinquency rate of property tax payments, and new burdens placed on the county by the state.

"The county's delinquency rate on property tax payment is now 11 percent of the total levy and is one of the highest, if not the highest, in the state," Newell said.

Apart from those impacts on the county's financial structure, Newell said further stresses were imposed by "a long series of high-cost homicide trials, which have contributed significantly to the reduction in the county's cash reserves," and the storm disaster of last January, "which resulted in significant unbudgeted expenditures."

Newell said he would return on Nov. 6 to the board with recommendations for cutting \$1.8 million from the budget and again on Jan. 4 with recommendations for a \$3.9 million slash.