

East Palo Alto budget

No time wasted on cuts

By Mary T. Fortney
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The East Palo Alto City Council faced its financial crisis head-on Thursday night and took four major steps to correct the problem.

They were:

- Approving a 10 percent cut in the salaries of top management.
- Hiring an accounting firm to get hard data on the city's operation and suggest improvements.
- Deciding to borrow \$800,000 to \$800,000 to tide the city over until an estimated \$1.3 million in property tax revenues are turned over to East Palo Alto in December.
- Authorizing a study to identify permanent staff positions that might be subject to layoff.

The city's fiscal problems reached a crisis stage in the past month when overspending by city departments created cash-flow difficulties. About 20 part-time and temporary employees were dismissed immediately.

At the same time, the city was

dealing with then acting city manager James White, who was being investigated for allegedly giving himself two salary increases and for charging more than \$3,000 in staff lunches to city credit cards.

White has since been dismissed from his job, and a new city manager, Stanley H. Hall, began work Wednesday.

Hall, attending his first City Council meeting as city manager, started off by volunteering to take a 10 percent cut in his \$57,500 salary. He also proposed that the salaries of department heads, including public works, police chief, community service and redevelopment, also be cut 10 percent. No time limit was set on the reduction.

The council approved the cuts with a 4-1 vote, with Councilman Warnell Coats dissenting. Coats explained he didn't feel it fair to punish the managers.

Coats proposed instead that the City Council cut the \$300 monthly stipend paid to members. This was

Please see CUTS, A-10

CUTS

Continued from A-1

approved unanimously, but the cut was limited to two months only.

The city's request for a loan is on the agenda for the San Mateo County Board of Supervisors meeting Tuesday. The city also may approach banks for the money.

The council voted unanimously to pay \$9,380 to Harvey M. Rose Accounting Corp. of San Francisco for an operating audit of the city's departments. The firm will report in about six weeks, and will make suggestions for putting operations on a more sound basis.

Part of the city's financial problems are blamed on lack of effective management during White's tenure as acting city manager from December to this month.

Councilman John Bostic declared the city shouldn't have authorized payment for projects, among them the \$128,000 repaving of Ravenswood High School, when there was a shortage of money.

Coats stressed the basic problem is not misuse of money but mismanagement.

"There's no system, and has never been a fiscal system in place that guarantees checks and balances and brings information the council needs to the council," he said.

For instance, he said, the city paid out \$46,000 in the past year on claims against the city, even though the council had denied most of the claims. But there was a provision that the city staff could pay claims under \$5,000 without council approval, and these added up.

The city also had not effectively monitored legal expenses, Coats said, noting payments to the city attorney amounted to \$127,000 in the past 12 months.

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