

BAILOUT

Continued from A-1

school and special districts or to cities still in their first year of incorporation. East Palo Alto incorporated four years ago.

Nichols said it is common for school districts and even the county to issue notes in anticipation of tax money coming in and recommended that as the best course for East Palo Alto.

But Stanley Hall, East Palo Alto's new city manager, said that despite a crash program of pay cuts and layoffs that started last week, the situation is so direful, the city can't wait the 60 to 90 days it would take to issue the notes.

"We simply do not have that kind of time," said Hall, who gave himself a 10 percent pay cut immediately after he was hired.

Hall argued that the law shouldn't be read to "tell you what you can't do" and asked the supervisors to figure out a way to work around it. He asked for their endorsement of state legislation to make the loan legal.

Supervisor Anna Eshoo seemed astonished at that approach, given the urgency of the problem.

"I don't know how quickly you can get a bill through," she said. "... I would not call Sacramento a fast-track process, to be frank with you."

Before East Palo Alto's incorporation, questions were raised about whether the city had the tax base to support itself. But there was little explanation Tuesday for how the city got into its fiscal crisis or how bad it is.

Hall said he didn't know the reasons but noted that the city had hired an accounting firm to find out.

One woman, Constance French, told the supervisors that to ask why the city is in trouble, instead of throwing a rope, is like asking a drowning man why he doesn't know how to swim.

For East Palo Alto Bailout request is denied

By Janet McGovern
Times Tribune staff

The city has other options, including loans from Barclays Bank or First Interstate Bank, Blakey said.

Asked how much money the city has in reserves, Blakey said he didn't know.

The money that the city requested from the county — an advance on an estimated \$750,000 in property taxes due in December — is needed to get the city through what Councilwoman Barbara Mouton has called a "cash-flow" problem.

East Palo Alto is to receive about \$1.3 million in property taxes for the year, but only about \$750,000 is projected to come in by December, when the first installment payments are due. The remainder would be paid in April 1988, according to County Manager Dave Nichols.

Fox said the law allows loans to

Please see BAILOUT, A-12

East Palo Alto city officials went home empty-handed Tuesday after an appeal to the San Mateo County Board of Supervisors for an emergency loan of a minimum of \$600,000.

District Attorney Jim Fox informed the supervisors that he saw no way legally for the county to loan a city money, although he is receptive to receiving contrary legal opinions.

The best the county can do is to help East Palo Alto issue tax anticipation notes that would be backed by the city, not the county, according to Fox.

But East Palo Alto officials said they need the money now.

After the meeting, Mayor James Blakey said the city had applied to the county for a loan as the quickest way to get money.

"We obviously are drowning," French said and told the supervisors they should explore every way to bail out the city, just as the federal government bailed out Chrysler Corp. Laws, she added, are merely creations of "old white men."

Supervisor Eshoo took exception to the implication that the county hadn't helped East Palo Alto, noting that aid was extended to get the city through its first year.

"We can't just do what we feel like doing," she said. "We have to do it legally."

Board President Tom Nolan said the county wants to help and urged Nichols and to meet with Hall to help issue the tax anticipation notes, if the city decides to do that. Nichols is to report back on Sept. 1 with any new information on whether a legal way to make a loan or the status of the tax anticipation notes.

Supervisor Bill Schumacher also pointed out that East Palo Alto is not the only city that has had financial problems. Brisbane, which is now comparatively rich, nearly went bankrupt a few years ago and the Sheriff's Department had to take over when the police department closed, he said.

Joe and Tony Horwath, brothers and apartment owners who fought East Palo Alto's incorporation, told the supervisors that rent control is at the heart of the city's problems and can only get worse.

"The situation as I see it is that East Palo Alto is broke," Joe Horwath said. "No one wants to say that but I'll say it for you. The rea-

son for that needs to be examined before this body makes a decision to lend money."

Tony Horwath said East Palo Alto's "radical" form of rent control is causing apartments to lose value, which is reflected in assessments that lag behind those of neighboring cities.

The brothers urged the supervisors not to grant a loan unless East Palo Alto is required to work with landlords on their own housing proposal.

The county should "tighten the purse strings," Joe Horwath said. "... not make it easy for them to just come and pander you for additional funds."

Eshoo told the Horwaths that the proper forum for their ideas is the

East Palo Alto City Council. The meeting took a surprising twist later, however, in a related manner. The supervisors had been asked to approve an agreement under which the county would provide dispatching services to East Palo Alto.

The supervisors offered to table the three-year, \$300,000 contract for a week. Nichols said the county could help the city out by providing the service and then deducting payments from next April's property taxes.

But after a break in the meeting and a chat on the sidewalk with Hall, Nichols reported that Hall said to go ahead and approve the agreement. East Palo Alto wants to get started on a regular payment schedule, Nichols said.

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