

City manager still trying for loan

East Palo Alto continues its drive

By Janet McGovern
Times Tribune staff

East Palo Alto's city manager maintained confidence Wednesday that he can show San Mateo County officials a legal way to advance \$600,000 to bail his city out of financial problems.

City Manager Stanley Hall, who was hired only a week ago, was turned down by the Board of Supervisors Tuesday for an immediate advance of "\$600,000 minimum" on property tax payments due the city in December.

But Hall expressed confidence Wednesday that he can present a plan and a legal way for the cash.

advance to go through, which he said has precedent in California. "My plan is to go back and meet with the county staff people in order to identify how we can accomplish the goals we want to accomplish," he said.

Hall, who worked for the cities of Richmond and Seaside and the Port of Oakland before going to work for East Palo Alto, said he has "available information to me on how matters like this might be addressed."

San Mateo County District Attorney Jim Fox said his staff checked the Constitution and the California Government Code for authority to make a loan and found none. An

exception would have been allowed if the cash crunch had occurred in East Palo Alto's first year of incorporation.

East Palo Alto incorporated four years ago.

Hall hinted that language could be found in the "investment" section of the state government code but would not elaborate.

"What does he want us to do?" Fox asked. "Invest in East Palo Alto?"

Hall also would "neither confirm nor deny" a statement by Mayor James Blakey that the city was seeking loans from Barclays Bank

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and First Interstate Bank but had turned to the county as the quickest way to get the money.

"I will not comment on that question," Hall said.

Hall said the city has "in excess of \$200,000" in reserves, which will not be touched under any circumstances. "If I'm the last employee in East Palo Alto, that's what's going to happen," he said.

The \$600,000 the city wants is an advance of about \$1.3 million in property taxes the city expects to receive in 1987-88. The first installment, due in December, should total about \$750,000, with the remainder due the following April.

Hall said the \$600,000 does not represent outstanding bills but is needed to "get on-line to fund existing funds and also to handle our existing operations."

Noting that he was still learning the scope and cause of the city's problems, Hall said he is studying where to recommend layoffs from the 110-person workforce. The council is to receive that report on Sept. 8.

The city has to meet a payroll of \$104,000 every two weeks, although that has been reduced by \$5,000 because of a 10 percent reduction in management salaries approved last week, Hall said.

The budget, "pegged at \$6.3 million," will also be revised, he said.

Asked what would happen if East Palo Alto declared bankruptcy, Fox said it would be adjudicated in federal court and the county might be a creditor.

An election to disincorporate would likely follow. The county would not automatically take over city functions.

However, the sheriff, by law, has

general enforcement powers to step in anywhere in the county, whether a police department exists or not, if the situation warrants, according to Fox. The sheriff's office covered East Palo Alto before incorporation.

"The level of service, obviously, would have to be determined," Fox said.

At Tuesday's Board of Supervisors meeting, county manager Dave Nichols suggested as the best course that East Palo Alto should issue tax anticipation notes backed by the city, not the county. He said the county has borrowed money against future taxes itself and offered the help of his staff.

But Hall said East Palo Alto couldn't wait the 60 to 90 days it would take to complete the paperwork and get the money.

Hall repeated his position Wednesday that the city needs money now. Issuing the tax anticipation notes "will not be an alternative that we can avail ourselves of to the resolution of this problem."

Despite Fox's opinion, Hall does not regard the door as having been closed. The Board of Supervisors did not turn him down outright but asked Nichols for a report back on Sept. 1 after his staff meets with Hall on the tax anticipation notes and other ideas.

"We are unaware of any legal authority for the county to accede to the request of the city of East Palo Alto," Fox told the board Tuesday.

Fox said Wednesday that he would be happy to be enlightened by Hall of legal ways to make the loan. But "to the best of our information, and we are advising our client — the Board of Supervisors — accordingly, they do not have the authority to make a loan to East Palo Alto or any other governmental entity."

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