

Request for loan official

By Modesto Fernandez
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The city of East Palo Alto, struggling in fiscal crisis, asked the East Palo Alto Sanitary District for a loan of \$400,000 at the district's board of directors meeting Thursday night.

East Palo Alto City Manager Stanley Hall and Mayor James E. Blakey asked for the loan, offering to pay the district 7 percent interest when it is repaid in December.

The board members, expressing their concern and the concern of their constituents, decided to study the proposal. They set no date for making a decision.

"I'm concerned about the city and the need to infuse it with money to help it in this crisis," board member Charlotte Becks said. "But on the other hand I must express the concern of some in the

district. They want to know what happened to the (city's) money? Is the (district's) money going to go the same way? What guarantees the loan? How can we be sure that the money returns to the district?"

East Palo Alto asked San Mateo County for a \$600,000 loan twice in the past month but was turned down.

The city, which needs \$600,000 to offset what Hall calls a "cash flow problem," will receive \$750,000 from the county in December as part of \$1.3 million the city expects to get in property taxes for the 1987-88 fiscal year.

Tony Horwath, one of the nine community members who attended the meeting Thursday night, asked the board not to give the loan until other agencies and groups join in to bail the city out of its difficulties.

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Horwath is among several landlords in the city who offered to help the city out of its financial difficulties in exchange for modification in the city's rent control law.

The city has also sought loans from banks to help it out of its problems.

Last Thursday the city asked the district, which serves 18,000 residents in parts of Menlo Park and East Palo Alto, for an unspecified loan.

The five-member board voted at that time to have a committee study the matter.

Board President Solomon Tucker appointed himself and director Roosevelt Cox Jr. to the committee.

Cox, along with director Dennis Scherzer, had initiated the idea of the district loaning the money to the financially troubled city.

"We should see this as an investment opportunity," Cox said.

The loan should be evaluated not just for the help it will provide the city but for the return on the district's investment, Cox said.

Tucker, Cox and the district's manager Ross Dandridge met with Hall and city attorney Tesfaye Tsadik Tuesday to work out some of the details of the loan, Tucker said.

Hall said the city will pay the district back \$407,000 in December, using money from the property tax funds due the city.

The city also will pay the estimated \$5,000 legal and financial

consultant fees to evaluate the loan and the city's ability to repay it, Hall said.

"The City Council has authorized me to write the check (for the fees)," Hall said.

However, as part of Hall's efforts to provide greater accountability and management of the city's finances, none of the city's money will be disbursed until it is cleared by the City Council at its next meeting.

Hall told the board that he had met individually with members of the council and was assured of their support.

"But if they vote against it then the offer is moot," Hall said.

Hall assured the five-member board that the city is carrying out various other measures to meet its financial difficulties.

Among these, Hall said, is a management salary cut of 10 percent.

Twenty part-time and temporary employees have been laid off, he said, and Monday he will announce plans for further layoffs of the city's staff.

City services have been modified to reduce the cost.

"It could mean that some city services like cleaning the streets would be done every other day instead of every day," Hall said.

But the city's offices will be open from 8 a.m. to 5 p.m. regardless, Hall said.

To assure the board that the city is making an attempt to reduce its cost, director Tucker asked that the city allow the board to see the city's current payroll and its projected payroll until December.

Hall said he will consider the request based on its relevance to the loan.