

# Money Woes —Too Much and Too Little

BY DAVID JOHNSTON  
Times Staff Writer

When California voters passed Proposition 13 last June they created a major problem for the town of Fairfax—how to avoid going out of business.

City Manager Rodney H. Brown says most of the 32 municipal employees of Fairfax, a Marin County bedroom community, are looking for other work, because they expect the city government will go out of business by next summer.

When the California Legislature passed a law to bail out local governments strapped for money because of Proposition 13, it created a major problem for the city of Manhattan Beach, a Los Angeles coastal suburb—how to give back as much as \$1 million in extra money city fathers did not expect to have, do not want to keep and do not want to spend.

The impact of Proposition 13 on Fairfax and on Manhattan Beach is the tale of two cities, one facing extinction as a government entity and the other, after severely tightening its belt, temporarily bloated with unwanted cash.

What is happening to these two communities, which represent extreme cases of Proposition 13's effects, is illustrative both of the problems created when, in one sudden move, voters slashed their property-tax bills by more than half and of the relative responses some cities have devised to the measure.

One evening last June, after Proposition 13 was overwhelmingly approved by California voters, Fairfax employees got together for an "Irish wake for the demise of local government."

The wake was a bit premature for the town of Fairfax, born in 1911, had not yet died. But the city employees were certain its lifelong fi-

social anemia would become terminal under the loss of property-tax revenues mandated by the Jarvis initiative.

Three veteran sergeants on the town's 11-man police force, the best paid in Marin County, quit on before election day and took new jobs as patrolmen for the Bay Area Rapid Transit District. All three pay raises when they switched

"We've got two men per shift for the work, assuming no one's sick or on vacation, and two men for each shift, which means if they go out there's no one to respond to a call for help," Brown said, ticking off the challenges, as he calls them, of running a city government for 8,000 people with almost no money.

"My secretary's leaving in a few days and another secretary's leaving at Friday. We can't get anyone to do the building inspector's job and being done on a contract basis half price."

The Fairfax business district is so small that it includes just one movie theater and three gas stations.

Originally the town cut close to \$300,000 from a budget of slightly more than \$1 million, Brown said. However, state bail-out funds, federal money to pay six worker-trainees, and some one-time only grants restored all but about \$18,000 of the budget. However, the city is restricted on how the grant and federal money is used, so fire and police services have had to be cut and the city's already-low employee pay level frozen.

The city has run on such a tight financial basis for years that it had no reserves to speak of and for years had deferred street, drainage and other maintenance work.

Sir Francis Drake Blvd., the busy street which connects San Rafael, San Anselmo and Fairfax, is being torn up and repaved along its short run along the edge of Fairfax' tiny downtown. The city has saved its gasoline tax revenues for as many years back as city hall veterans can recall to raise enough money to finance this simple project.

Last March, Russell Lesser, a Long Beach accountant, took office as a Manhattan Beach city councilman.

Lesser believed Proposition 13 would pass. He said he and others were also worried that the measure's language would be interpreted as providing no property-tax revenue for the city.

So they set out to create a new city budget without the \$2.7 million in property-tax revenues the city had been getting.

The costs of running the city's six operating departments (water, refuse, recreation, community, fire and police) were determined and revenues allocated to them roughly in proportion to their share of the costs.

This left no funds for the city's overhead or staff services, which in-

will have \$1 million extra left.

The city cannot further delay the start of overhead charges because of cash-flow problems, officials said. The first installment of property-tax payments is not due until December and state bail-out checks will come at intervals over the next nine months. So the city needs to raise cash now to tide it over until the other revenue is available. "The problem is how to (then) give it back," Mayor Mike Sweeney said in the Manhattan Beach hardware store he has run for years.

Fairfax has no place to turn for revenues, City Manager Brown said. It has few businesses to tax. It cannot raise fees, as Manhattan Beach did, because another agency provides water, and garbage service is by a private firm under franchise.

"We are talking about cutting essential services," said Brown, who has recommended his own job be eliminated to save money.

Police Chief Charles Grasso, a lifelong Fairfax resident, said he is worried about street lighting being cut in half, saving the city \$20,000 annually, but risking lawsuits from citizens assaulted or injured on dark streets.

Thompson, the Manhattan Beach city manager, says his city has managed so far largely because "we're pretty much a full-service city" which provided a mechanism for imposing the overhead charge and because the city's business district generates about \$1 million in sales-tax revenues for the city annually.

Brown hopes he can find some way to buy time to organize Fairfax residents to take over some jobs as volunteers, such as maintaining parks, that city employees traditionally handled.

"If the Legislature keeps bailing cities out with the surplus, have we really accomplished the objective of Proposition 13—the objective being for each community to determine how it wants to function and what services it wants with the reduced taxes?" Brown asked.

CALIF-  
ELECTIONS-  
1978

PAMPHLET

Continued from Third Page

cludes the city manager, city attorney, City Council and certain other municipal operations. These overhead costs were then charged to the operating departments on roughly the same basis as direct costs were determined and revenues distributed.

The total overhead came to \$1.8 million. To raise this amount the city adopted an "overhead administrative charge," which began appearing as a separate item on water and refuse bills in September. The total overhead charge for residential customers, which appears as a separate item, amounts to \$2.49 on refuse bills and \$9.95 on water bills. Businesses pay more depending on their volume of water and refuse service.

"We could have just sent everyone a monthly bill for overhead administrative costs," City Manager David Thompson said. "But it was easier to just tack it on to the water bills we already send out."

That left nearly \$1 million to be made up and the City Council did this by cutting, including \$252,000 from reserves, \$162,000 from custodial and other maintenance work, \$68,000 from public works and \$74,000 from capital improvements. The Recreation Department was placed on a fee system to cover all costs, saving another \$190,000.

The figures balanced and the city was ready to move ahead, with no property-tax revenues, and a city staff smaller than it had in 1966-67, even though it now has 10 more police officers than it did 12 years ago.

Then the Legislature passed the bail-out law. Thompson estimates Manhattan Beach will get as much as \$600,000 in unexpected cash from the state this fiscal year as a result.

In addition, Proposition 13 was interpreted by the courts to include cities among the government agencies sharing in the 1% property tax. And the city now expects \$700,000 this fiscal year in property-tax revenues.

Faced with this flood of unexpected cash, the city delayed imposing the overhead charges for water and garbage pick-up for two months, at a cost of \$300,000. It still

L.A. TIMES  
SUNDAY, OCT. 1, 1978  
PART II