

FY  
2017



1866

# Budget in Brief

## Adopted FY 2017 Budget

"This (FY 2017 Budget) document is the accumulation of years of accomplishments and challenges that have shaped the City of Santa Cruz to what it is today: a vibrant full-service city with a wealth of programs and services, strong leadership, an engaged citizenry, and an abundance of natural and cultural resources." - Martín Sergio Bernal, City Manager

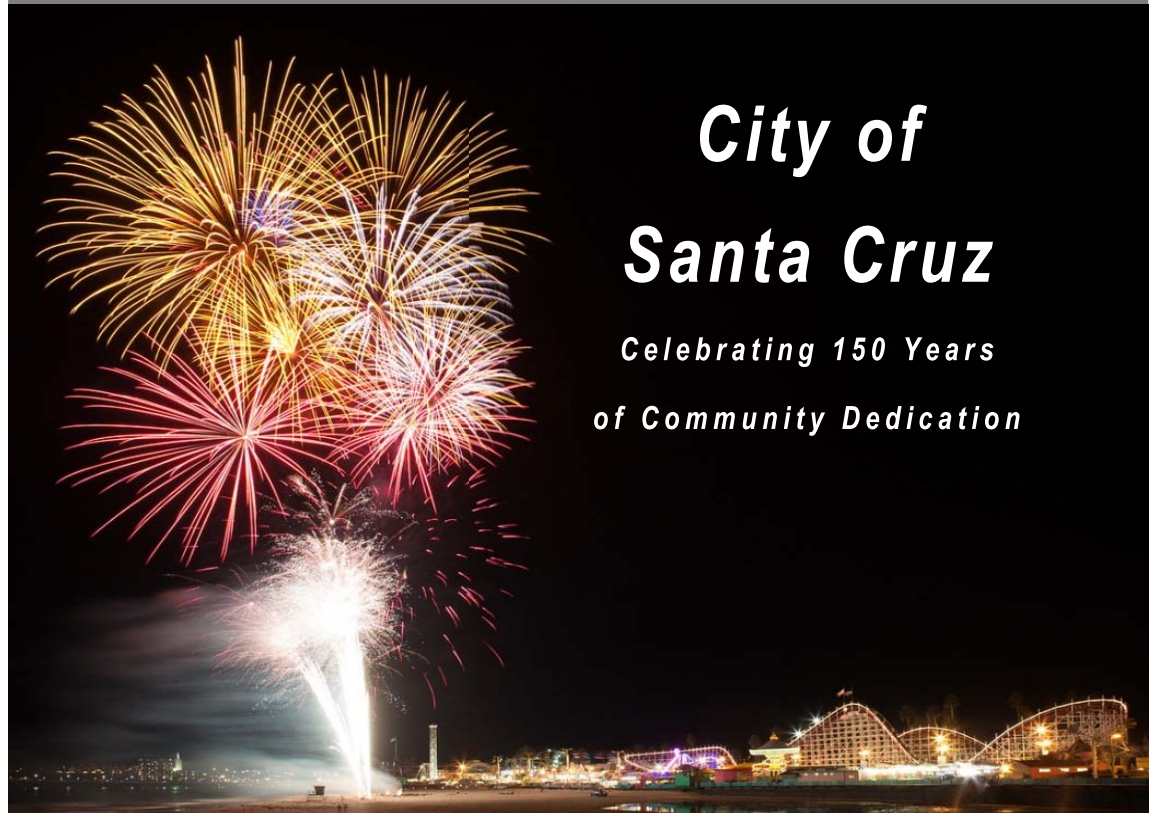
Contained herein are key financial indicators of the City's Adopted Fiscal Year 2017 Budget.



2016

## City of Santa Cruz

*Celebrating 150 Years  
of Community Dedication*



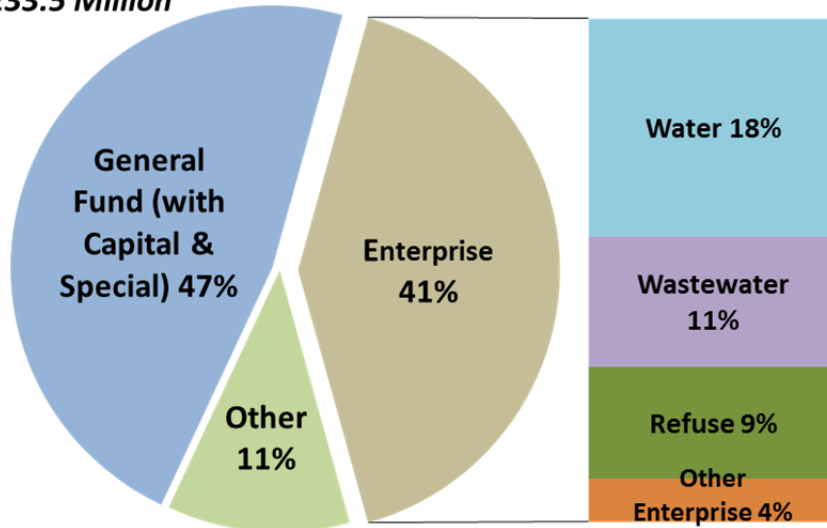
Adopted Budget  
City of Santa Cruz  
FY 2017



## Budget by the Numbers

As a full-service City, the City's discretionary General Fund operations are about half of the City's total operations. Primary General Fund activities include public safety, road maintenance and parks and recreation. The remaining operations are fee-for-service Enterprise operations, such as water, waste water and refuse, or other funds with restricted uses, such as gas, clean river & beaches and parks taxes and liability programs.

### Fiscal Year 2017 *Proposed* Budget \$233.5 Million



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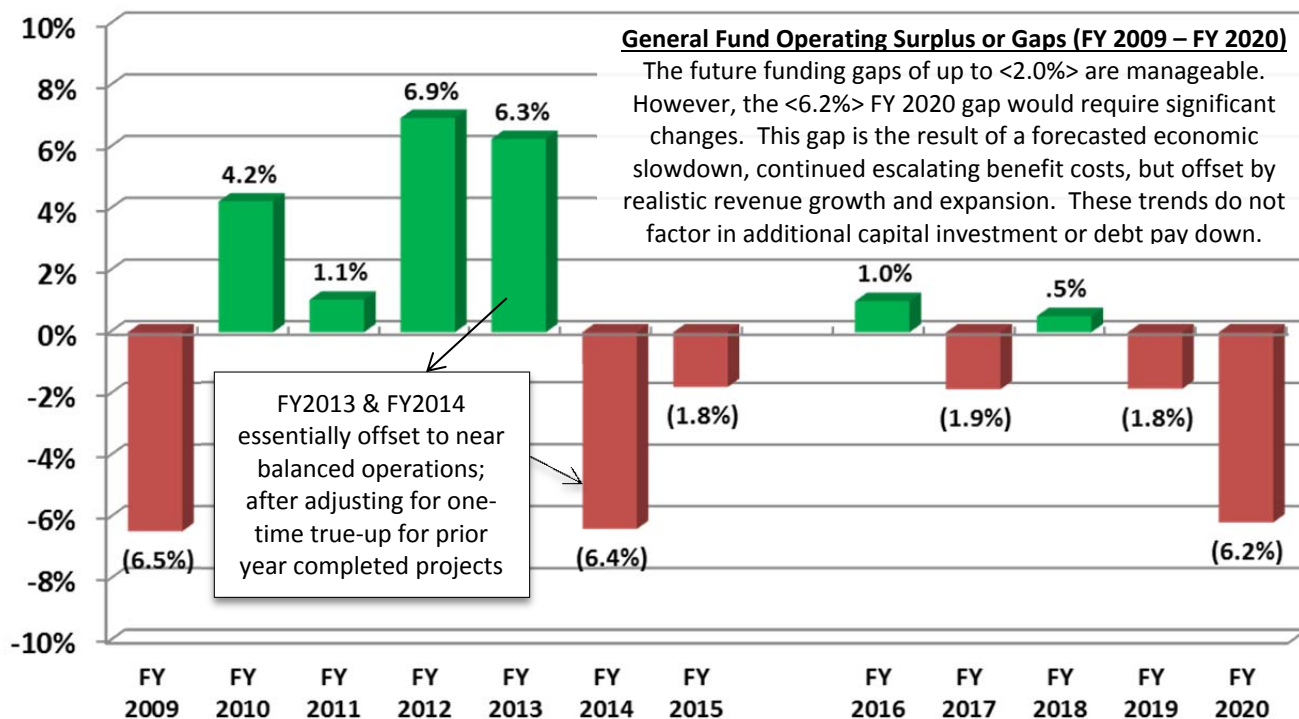
Financial budgets are only part of the City's diverse story.

The City is responsible for the safety of its residents and visitors and enhancing the quality of life of our community. The data below provides some key indicators of our community's health and diversity.

	Santa Cruz Population	64,632	As the County seat and visitor destination, we serve a much greater day-time population
	UCSC Student Population	17,866	Equivalent to the City of Pacific Grove's population
	Total employment	33,100	Equivalent to the City of West Hollywood's population
	Paved Streets we maintain	136 miles	Equivalent to the number of miles to University of Davis
	Parks acreage we maintain	1,704	Equal to 7,473 Santa Cruz Warriors' arenas
	Santa Cruz General Obligation Bond Rating	AA+	Equal to the United States Bond Rating

## General Fund Projection

*Projections are based on expected outcomes incorporating past trends and future known events (not the maximum authorized budget).*

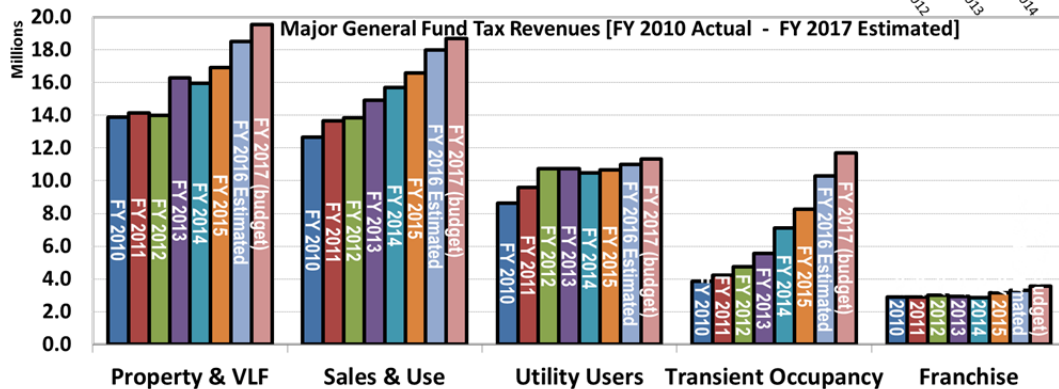
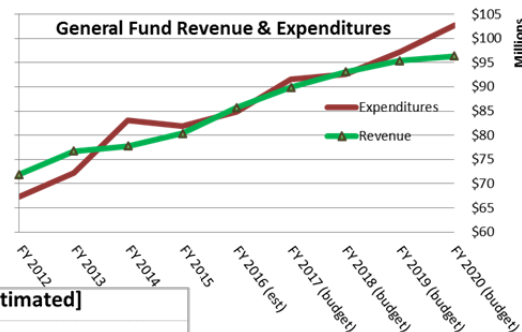


*California's fiscal structure for municipalities remains broken and the prior demise of redevelopment has only exacerbated the situation.*

General Fund expenditure growth will continue to be driven largely by increases in core costs and lower levels of staffing vacancies, not through position or program expansions. Our robust revenue growth is not likely to continue. Our forecasts include lower growth rates due to a likely economic slowdown.

## General Fund Revenue

Our revenue growth has been the strongest in Sales and Transient Occupancy Taxes, after isolating the Property Tax growth of the former RDA dissolution and factoring in one-time property tax receipts from Prop 1A recoveries (restoration of assessed values on properties previously lowered by the County Assessor).



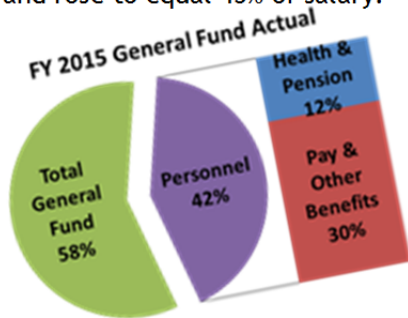
*Two of our largest three tax revenues (sales and transient occupancy taxes) are very much susceptible to the ups and downs of the overall, consumer spending driven economy.*

## General Fund Trends

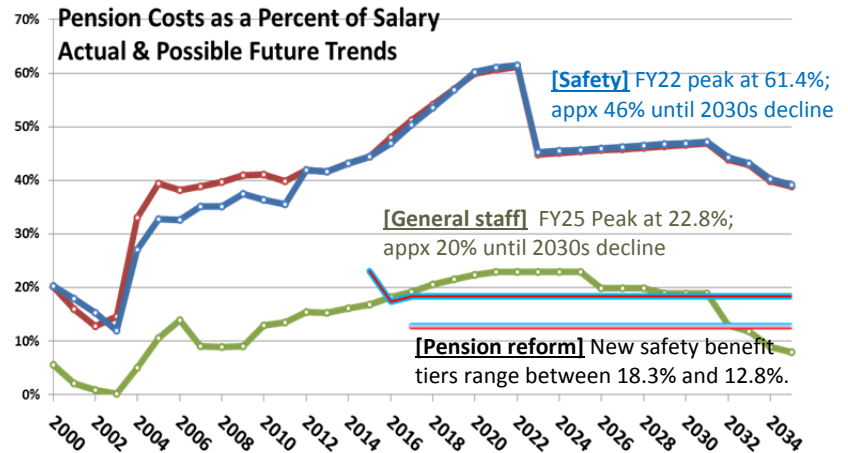
Health and Pension growth will continue to consume a disproportionate amount of new, available resources.

The table on the right presents a probable trend line of pension rates for the City of Santa Cruz. The steep projected increases include a large component to recover for system losses during the Great Recession.

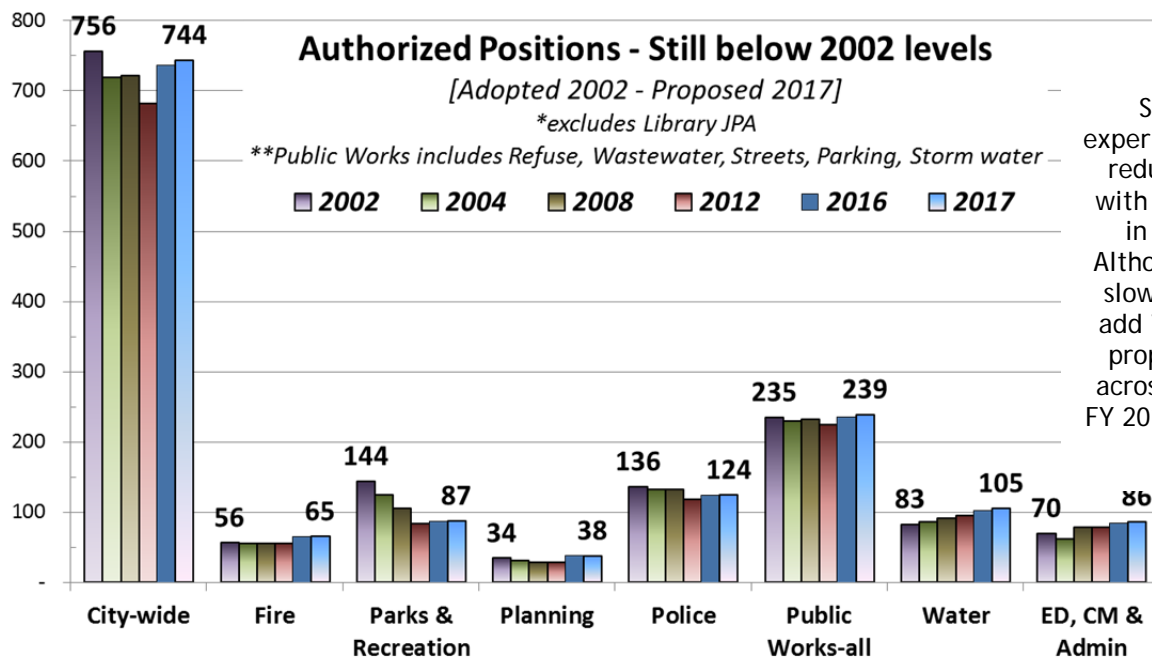
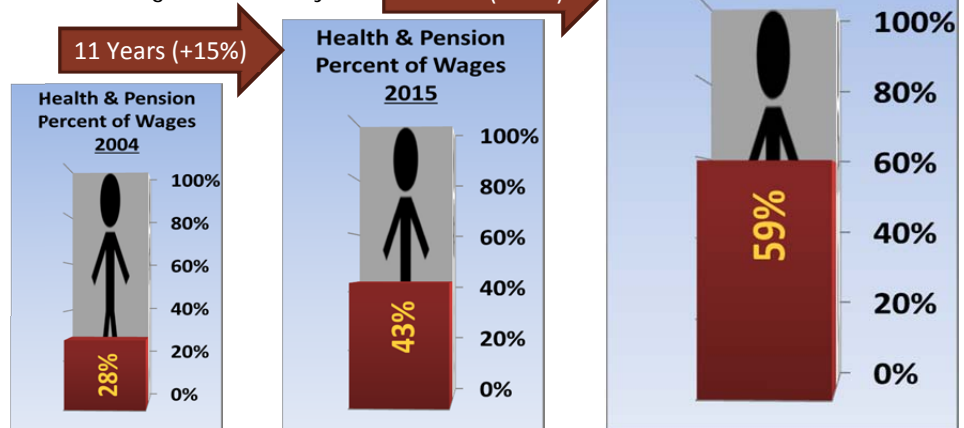
The Pie Chart below presents the audited FY 2015 allocation of Personnel and other General Fund operating costs. Health and Pension costs alone consumed 12% of the entire General Fund budget; and rose to equal 43% of salary.



*As the City transitions from reacting to the Great Recession into recovery, fiscal sustainability will remain a challenge.*








From 2004 through 2015, health and pension costs have grown by \$9.2 million. Based on likely growth, by 2020 these costs will grow by another \$9.5 million; reaching 59% of salary.



Since 2002, the City experienced a decade plus of reductions in work force, with the biggest reductions in Parks & Recreation. Although recovery has been slow, the City was able to add 7.25 FTE positions and proposes to add 7.58 FTE across all operations to the FY 2016 and FY 2017 Budgets respectively.



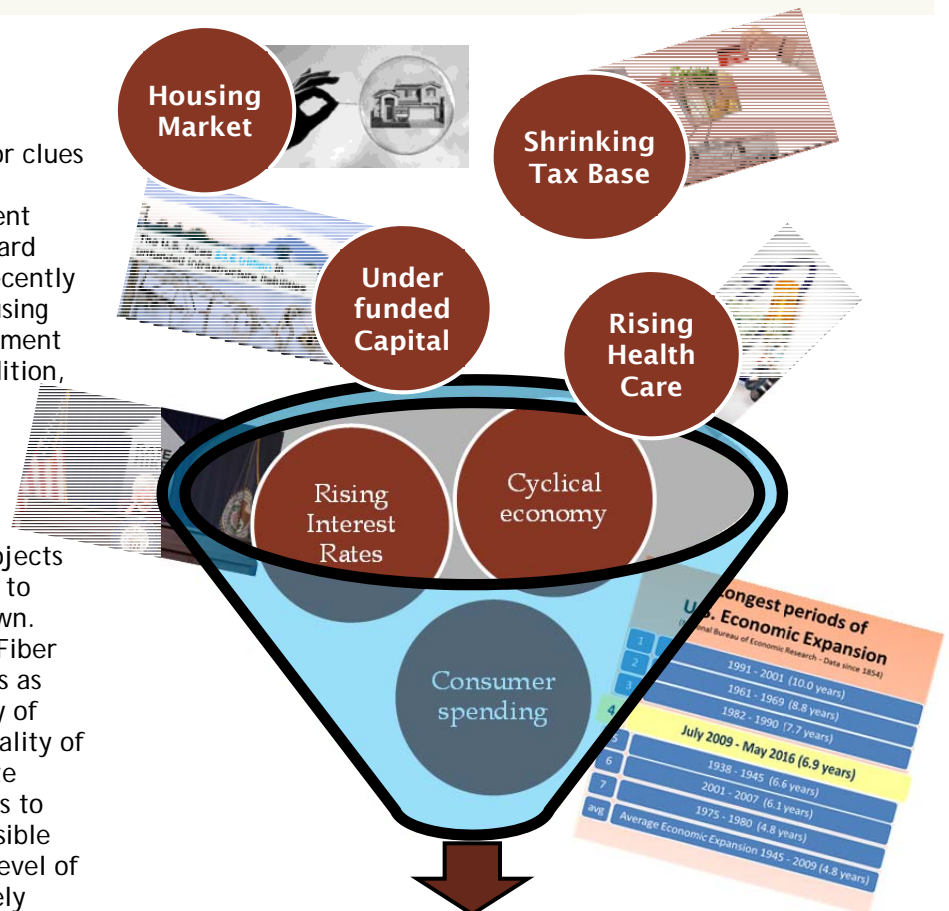
## City's Financial Indicators

	General Fund reserve (months)	2.0	Funding range is 2 – 3 months
	Proposed FY2017 Capital Funding	\$37.3 million	Proposed level covers only 11% of unfunded projects
	Unfunded Capital – City Wide	\$274.6 million	Ideal level of unfunded projects is \$ -0-
	Funded ratio of Safety & Miscellaneous PERS Retirement	81.0% & 80.9%	Target funding range is 85% – 90%
	Road Condition Index	60	Target minimum index is 70

## Looking forward

It is always wise to look at data points for clues as to what may come. There are many indicators that time is ticking on our current economic expansion, from continued upward pressure on health care costs and more recently oil prices, to an ever increasing “hot” housing market and the Federal Reserve’s commitment to continue to raise interest rates. In addition, the current economic expansion has extended to be the fourth longest in our Nation’s history.

Appropriately, with these indicators in mind, the City has actively engaged in projects and initiatives to leverage local resources to build a bridge through a potential slowdown. Projects like a City controlled ubiquitous Fiber project can have strong economic benefits as well as improving our community’s quality of life. To that, the City has leveraged a Quality of Life City Council subcommittee to evaluate possible large scale infrastructure projects to enhance our community and research possible funding mechanisms; while reducing the level of unfunded projects. The City is also actively engaged in higher density housing projects while leveraging a regional task force to address the shortage of affordable work force housing. Read the City Manager’s Budget Message for more about the City’s efforts.



## How much longer will recovery last?