

City of Santa Cruz

Budget in Brief

FY 2018 Budget

“While no doubt we are facing some major challenges, the future is filled with tremendous opportunities. Our charge is to take advantage of these opportunities to meet the needs of our community and further improve our quality of life. The Fiscal Year 2018 Annual Budget furthers the City’s Strategic Vision and Work Plan and hopefully will contribute to making the City of Santa Cruz an even more amazing place.” – Martin Bernal, City Manager

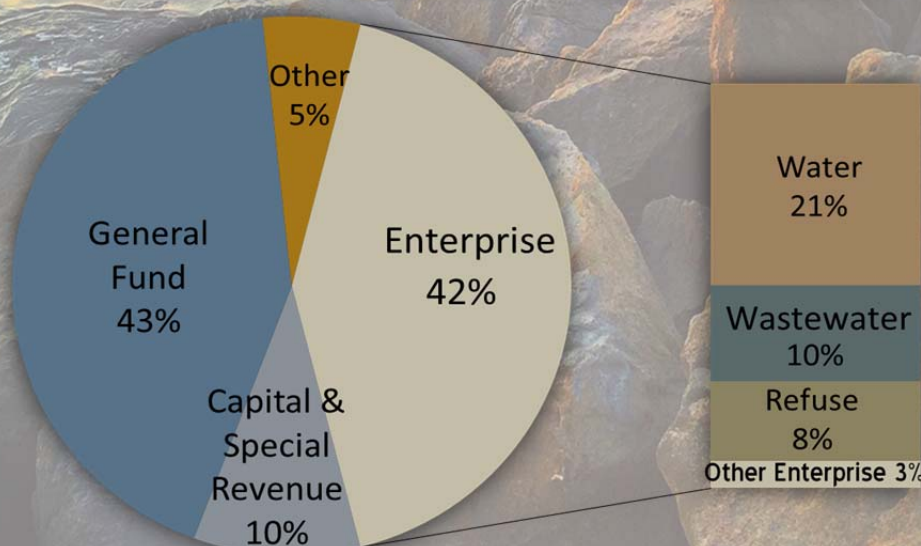
Contained herein are key financial indicators of the City's Fiscal Year 2018 Budget

Introduction

The annual operating budget document serves as the City’s statement of programs and services for the next fiscal year. This Budget in Brief is a snapshot of the General Fund budget.

The City of Santa Cruz is a full service City. As such, about half the City’s General Fund operations support public safety, road maintenance, and parks and recreation. The remaining functions 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.

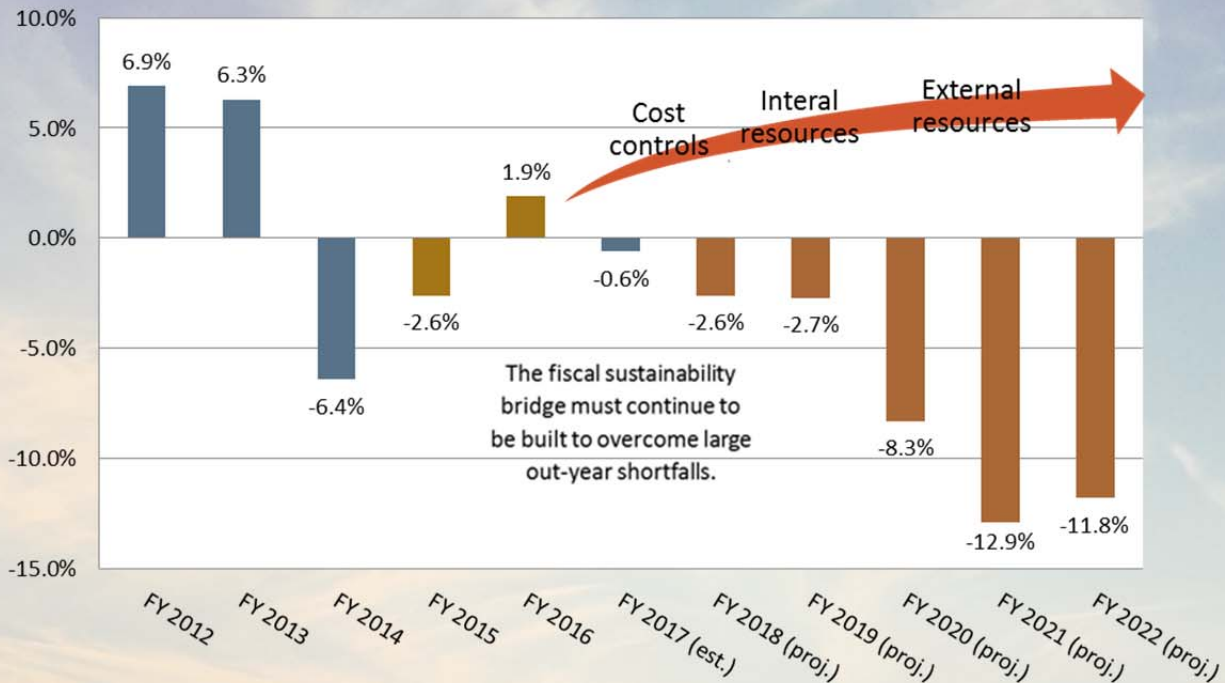
City of Santa Cruz Fiscal Year 2018 Budget - \$263.2 Million



General Fund Looking Forward

Primary General Fund Projection

Fiscal models continue to affirm the pattern of severe shortfalls beginning in FY 2020 and continuing through FY 2022, with recovery starting in FY 2022 towards balanced operations. Most concerning is these trends become worse when factoring in \$1.5 Million in currently unfunded annual capital demands.



The City of Santa Cruz is facing many of the same circumstances as other cities throughout California: Higher pension costs are being charged to make up for CalPERS losses; infrastructure maintenance and replacement costs are escalating; and growth is there, but slow.

By FY 2020, the City is facing a \$9.1 million gap, despite strong revenue growth, increasing to \$15.5 by FY 2022. Our goal is to reserve new revenue to offset large future gaps and to avoid reactive and immediate cuts in out-years.

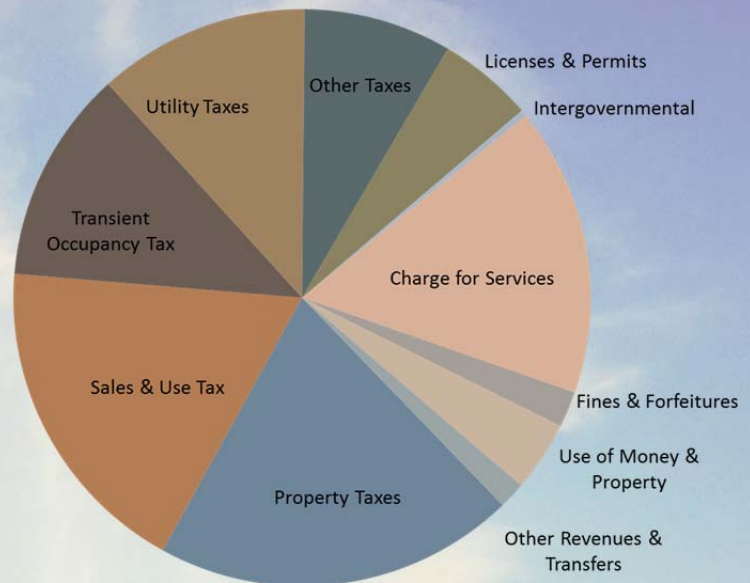
However, by FY 2023, the City looks to be painting a brighter fiscal picture. New hotels will be open, bringing a property tax and TOT boost; debt service will be paid off, freeing up General Fund expenditures; and CalPERS pension increases level out. By focusing on multiple solutions now, the City expects to bridge the fiscal gap.

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

General Fund 2018 Budget

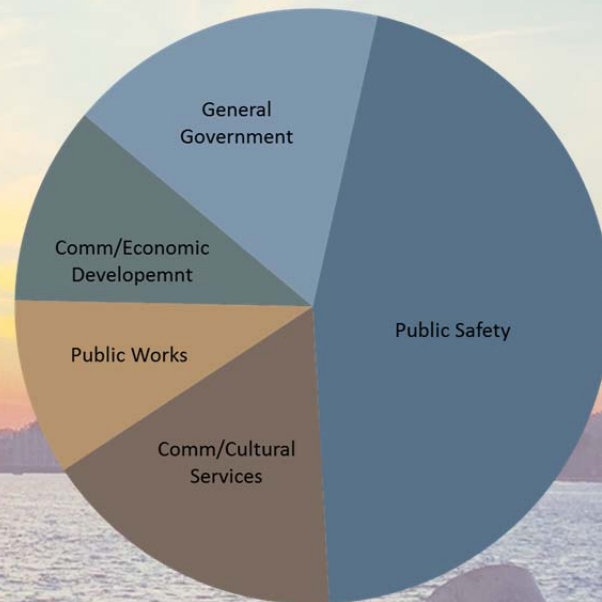
Revenues (in Millions)

Property Taxes	\$21.00
Sales & Use Tax	18.99
Transient Occupancy Tax	12.29
Utility Taxes	12.32
Other Taxes	8.59
Licenses & Permits	5.54
Intergovernmental	0.35
Charge for Services	16.84
Fines & Forfeitures	2.08
Use of Money & Property	4.10
Other Revenues & Transfers	1.30
	<hr/>
	\$103.40



Expenditures (in Millions)

General Government	
City Council	\$0.43
City Manager	5.61
City Attorney	1.05
Human Resources	1.79
Finance	4.18
Information Technology	4.82
Other	6.53
Public Safety	
Police	27.74
Fire	17.31
Community/Cultural Services	
Parks and Recreation	14.93
Library (City)	1.53
Public Works	
Public Works	9.50
Community/Economic Development	
Planning and Community Dev.	7.05
Economic Development	3.63
	<hr/>
	\$106.10



General Fund Revenues and Expenditures Trend

General Fund Revenues and Expenditures



Expenditure growth is outpacing revenue growth. The City has several revenue boosting projects in the upcoming years, including three new hotels, fiber-optic cable to all parcels project and a new basketball arena for the Santa Cruz Warriors D-League basketball team.

Other new resource highlights include:

The Water Enterprise fund will be issuing debt to fund core water system improvements.

Funding for road repairs will get two new revenue funding sources. The 2016 Regional Transportation Commission's Measure D will bring approximately \$1.1 million to the City. And the Governor approved the Road Repair and Accountability Act that is expected to bring an additional \$550,000 in FY 2018 and funding for FY 2019 could be another \$800,000.

The State will begin allowing retail sales of cannabis in January 2018. The City could potentially tap into that revenue source and generate additional sales tax over \$50,000 annually.

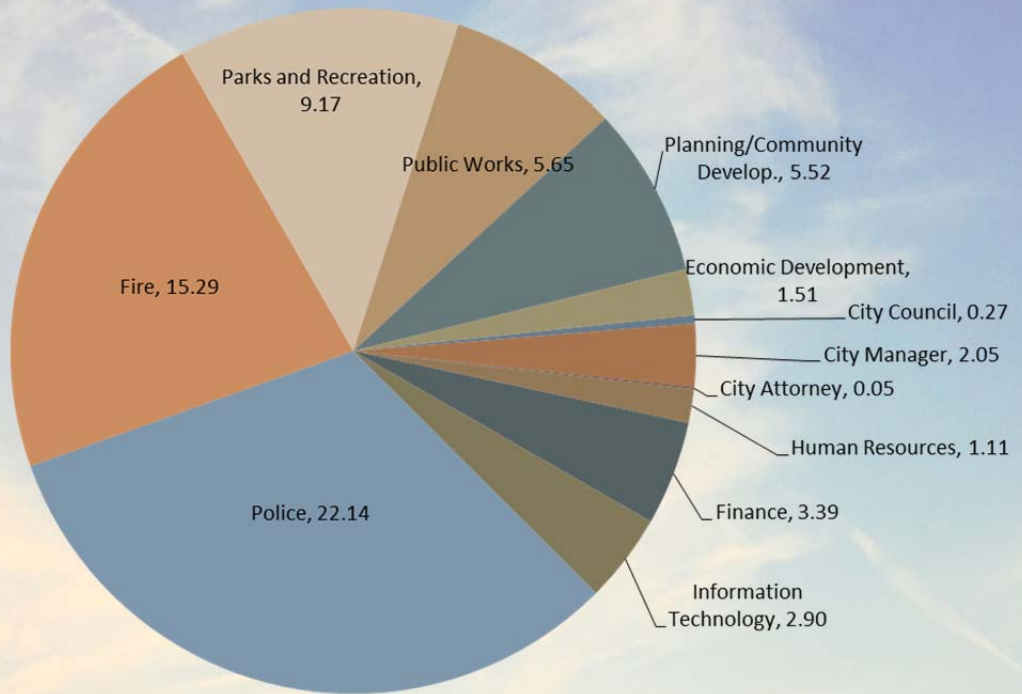
An additional \$500,000 could be generated with the Unified Fee Schedule approved by City Council.

Future pension costs and obligations could be offset with the Council approved investment trusts for pensions. These trusts have the potential to generate an additional \$200,000 annually.

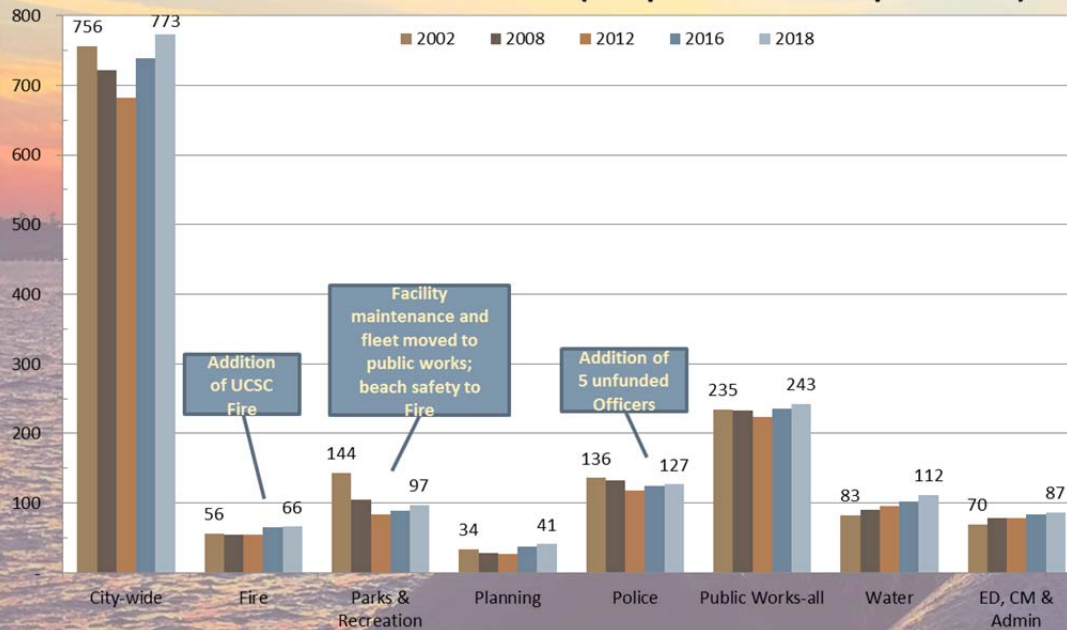
General Fund 2018 Salary Allocation & Positions

Salaries comprise nearly 65% of the General Fund Budget. The graph to the right breaks down the salaries. Public Safety makes up the majority of the expenditures. Parks and Recreation, followed by Public Works and Planning /Community Development, make up about a quarter of the budget. General Government salaries total the final quarter.

General Fund FY 2018 Salaries (in Millions)



Authorized Positions (Adopted 2002 - Adopted 2018)



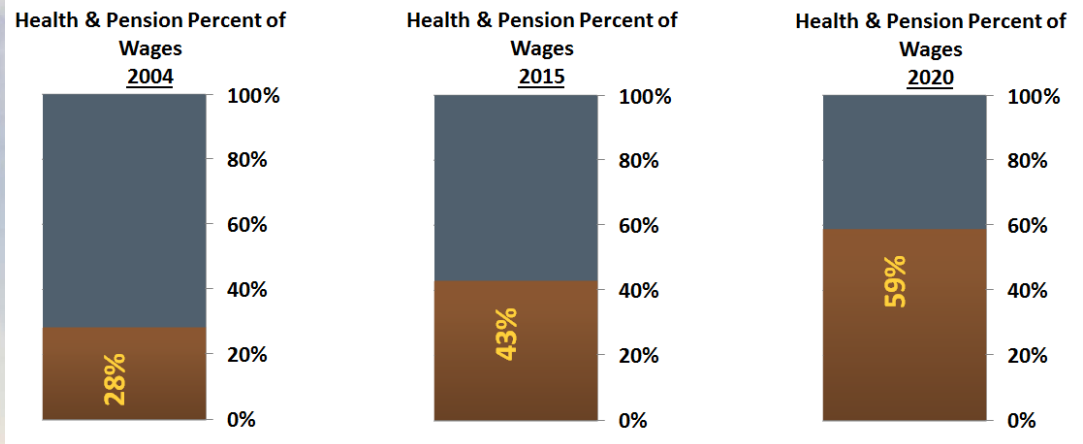
Since 2002, the City experienced a decade plus of reductions in the workforce, with the biggest reductions in Parks and Recreation. Although recovery has been slow, the City was able to add 14.50 FTE positions in 2017 and proposes to add 20.25 more to the 2018 General Fund budget.

*Authorized Budgetary Positions excludes the separate Santa Cruz Public Libraries JPA

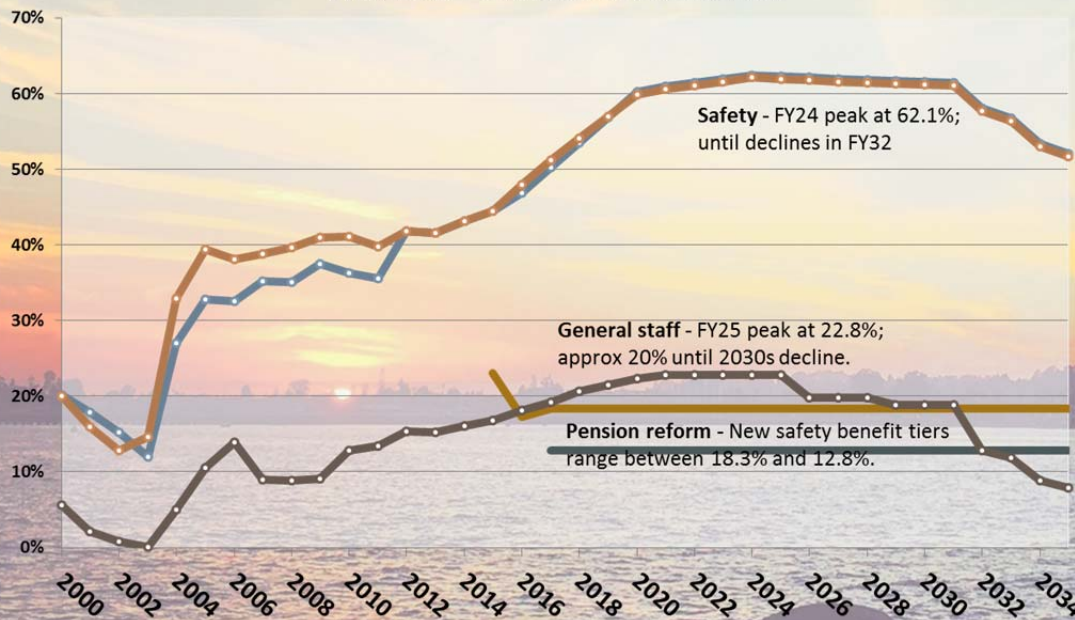
**Public Works includes Refuse, Wastewater, Streets, Parking & Storm water

General Fund Health & Pension

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.



Pension Costs as a Percent of Salary Actual & Possible Future Trends



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

The table to the left represents 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.