

A vibrant, healthy, and resilient community for all.







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## TABLE OF CONTENTS

City Manager's Message	05
City Structure and Strategic Priorities	06
Revenue Sources	80
Expenditure Categories	09
The City's Departments at Work	10
Capital Improvement Program	15
Fund Balance and Net Position	16
Glossary	18

### **City's Financial Reports**

This report is meant to provide a high-level overview of the City of Santa Cruz's finances. The financial information in this report is from the City's <u>Annual Comprehensive Financial Report</u> (ACFR) for Fiscal Year (FY) 2024 and is presented in accordance with Generally- Accepted Accounting Principles (GAAP). Information about the City's budget can be found in the <u>FY 2025 Annual Budget document</u>.

Access the FY 2024 ACFR by scanning this QR code:



Access the FY 2025
Annual Budget by
scanning this QR code:





### Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

### City of Santa Cruz California

For its Annual Financial Report For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

Executive Director/CEO



## **Matt Huffaker**City Manager, City of Santa Cruz

I'm pleased to present the Popular Annual Financial Report (PAFR) for the City of Santa Cruz for the fiscal year ended June 30, 2024. The City of Santa Cruz continuously strives to provide the highest level of financial reporting and transparency. This document is the newest addition to our reporting series and was developed to provide a clear overview of our operations, services, and financial standing in an uncomplicated, understandable format that is inviting and easy to read. We are proud that last year, we earned the Award for Outstanding Achievement in Popular Annual Financial

Reporting from the Government Finance Officers Association (GFOA) with our first publication of this important document. In addition to providing an overview of City finances, the PAFR is an oppportunity to share information about important projects and activities as well as the City Council's strategic priorities and goals. This report contains simplified financial information from the City's Annual Comprehensive Financial Report (ACFR), which has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the GFOA for each of the last fifteen years.

As stewards of your tax dollars, our primary goal is to maintain a fiscally-sound City. It is our intent that this PAFR provides insight and a greater understanding of the financial activities and health of the City. I thank everyone who contributed to our many important accomplishments this year. Collectively, we are ensuring that Santa Cruz is a vibrant, healthy, and resilient community for all.

**Below:** Junior and Little Guards get ready for a great summer season during their first day of session at Cowell's Beach.





## **CITY OVERVIEW**

The City of Santa Cruz operates under the council-manager form of government. Members of the City Council are elected to four-year terms. The **Mayor** is elected at-large and the six **Councilmembers** represent a geographic district. The geographic districts of Santa Cruz are numbered on the map below. Find the corresponding district for any address within the City's boundaries by using this interactive map.



Access the interactive map by scanning this OR code:





**Fred Keeley** At-large Term: 2023-2026



Vice Mayor **Renee Golder** District: 6 Term: 2023-2026



Councilmember Sonja Brunner District: 2



Councilmember Shebreh Kalantari-Johnson District: 3 Term: 2025-2028



Councilmember **Scott Newsome** District: 4 Term: 2023-2026



Councilmember Susie O'Hara District: 5 Term: 2025-2028

**Left:** This organizational chart illustrates the role of residents, the Mayor and Councilmembers, and City staff.

## STRATEGIC PRIORITIES



2023-2028 Citywide Strategic Plan











The <u>City's strategic plan</u> establishes priority areas of focus for the City through 2028, highlights specific strategies that will be executed to achieve desired outcomes, and provides a framework to keep the public updated on the City's progress. The focus areas are: **fiscal sustainability and transparency**; **strong business communities and a vibrant downtown**; **housing**; **homelessness response**; **public safety and community well-being**; **natural and built infrastructure**; and **thriving organization**. Scan the QR code to the left to view the full text of the strategic plan.

## OUR VISION: A HEALTHY, VIBRANT, AND RESILIENT COMMUNITY FOR ALL.

The City's leaders recognize that community well-being is influenced by many factors, including the decisions by, and policies of, local government. This is why the City Council unanimously approved the **Health in All Policies (HiAP) policy** and approved implementing its recommendations in 2019. The three pillars of HiAP that the City considers central to its work are: **equity**; **public health**; and **sustainability**. All City Council agenda items explain the degree to which the recommendations contained in them support HiAP goals. Scan the OR code to the left to read more on Health in All Policies.

In September 2022, the City Council adopted **Climate Action Plan 2030**, which defined a number of measurable actions to reduce community-wide greenhouse gas emissions and to adapt to the impacts of climate change. The vision of this plan is to rapidly enact climate solutions that support and enhance a thriving and equitable community with robust active and public transportation; plentiful housing that is affordable, sustainable, and resilient; and healthy regenerative landscapes. Scan the QR code to the left to read the Climate Action Plan 2030.

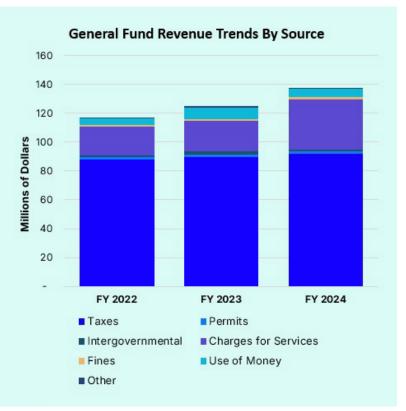
**Right:** A beautiful, clear day on West Cliff Drive.

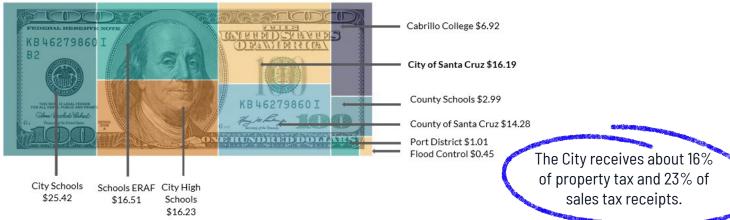
## **REVENUE SOURCES**

The core administrative and operational tasks of the City are paid for through the General Fund. Over 70% of General Fund revenue is generated by taxes. In FY 2024, the largest tax revenues were property taxes (31%, or \$28.6 million) and sales taxes (28%, or \$26.1 million). Tax revenues shown for the past three fiscal years have remained relatively stable, but in FY 2025, sales tax revenue will increase due to the passage of Measure L, which increased the sales tax rate from 9.25% to the cap of 9.75%.

The revenue from property and sales taxes charged within the City limits are shared by multiple agencies.

For example, every \$100 paid in property taxes is distributed as follows:

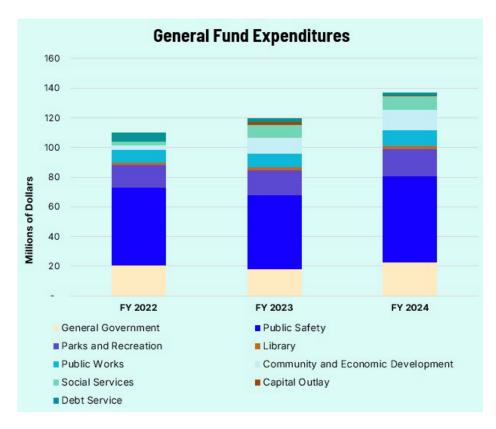




After the recent sales tax increase, every \$1 paid in sales tax is distributed as follows:



## EXPENDITURE CATEGORIES



Fiscal sustainability and transparency is a focus area within the City's strategic plan. The goal is to ensure that the City is on a strong trajectory, financial through planful investments and revenue development. One of the strategies identified to reach this goal is to identify and adopt short- and long-term service priorities and fund them with available resources.

The annual expenditures of the City represent the ongoing investment it is making in delivering services and supporting programs that enrich the City and its residents.

The chart to the left depicts categories of expenditures by department. The increase in social

42 cents of every dollar spent by the City in FY 2024 was dedicated to public safety.





services over the course of the past three years is due to an increase in homelessness response efforts. In FY 2022 and 2023, the City received state and federal COVID-related funding to subsidize these efforts. In FY 2024, these activities were funded by the General Fund.

There are 14 departments in the City of Santa Cruz dedicated to serving its citizens and ensuring the City remains vibrant, healthy, and resilient.

The following pages highlight the important work carried out by each department during FY 2024. Please visit our <u>City departments webpage</u> for more information, or scan the QR code to the left to navigate there.

## GENERAL GOVERNMENT AND SOCIAL SERVICES

### City Manager's Office and Homelessness Response

- \$15.5 M FY 2025 expenditure budget
- 23.25 full-time equivalent (FTE) positions

The **City Manager** is responsible for the overall administration of the City and for ensuring that City Council policies are carried out.

### IN FY 2024, THE WORK OF THE CITY MANAGER'S OFFICE RESULTED IN:

- The City receiving a \$4 M grant to serve unhoused individuals by providing them with transition services and interim housing
- The development of a 50-Year Community Vision, which launched the creation of a West Cliff 5-Year Roadmap
- Applications for over \$30 M in grant funding for climate- and resiliencyrelated work





**Left:** A <u>weekly update</u> is available to all residents to receive helpful news from the City Manager's Office. Scan the QR code below to view current and past udpates.

### Administrative Services: Finance

- \$5.6 M FY 2025 expenditure budget
- 35.0 FTE positions

### **Human Resources**

- \$2.2 M FY 2025 expenditure budget
- 14.0 FTE positions

### Information Technology

- \$6.9 M FY 2025 expenditure budget
- 26.0 FTE positions

**Finance** manages the City's financial operations in accordance with industry standards and established fiscal policies.

The mission of the **Human Resources** (HR) department is to cultivate an inspiring and fulfilling environment that attracts and engages a talented workforce.

The **Information Technology** (IT) department provides technology services to support City departments and the community through online platforms.

### IN FY 2024, THE WORK OF THE CITY'S ADMINISTRATIVE SERVICES RESULTED IN:

- The development of a long-range financial plan
- The processing of 4,563 applications for City jobs
- The completion of a request for proposal (RFP) for a new Enterprise Resource Planning (ERP) application



**Above:** The Homelessness Response Team working together on clean-up efforts on Coral Street.

## **PUBLIC SAFETY**

### **Fire Department**

- \$26.9 M FY 2025 expenditure budget
- 70.0 full-time equivalent (FTE) positions

The **Fire** Department (SCFD) was established as a paid department in October, 1894. In addition to responding to structure fires, wildland fires, and medical emergencies, SCFD has trained rescue swimmers who perform water rescues throughout the county.

### **DID YOU KNOW?**

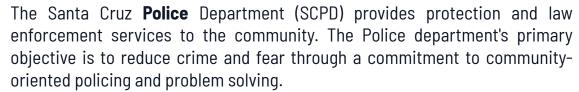
- The Santa Cruz Fire Department worked with the Prospect Heights Neighborhood to become the first Firewise Community in the county.
- Responding to over 10,000 calls for service each year makes the Santa Cruz Fire Department one of the busiest in the county.

**Right:** Fire fighters work together to train on how to descend the bluffs along the westside of Santa Cruz to perform a rescue.



### **Police Department**

- \$35.1 M FY 2025 expenditure budget
- 138.0 FTE positions



### IN FY 2024, THE WORK OF THE SCPD RESULTED IN:

- The hiring of 21 police officers, facilitated by the hiring of a recruitment manager and reestablishment of a police recruitment team
- Expanded wellness facilities and services for staff and their families
- The development of an Integrated Crisis Response Team, ready to be called on in FY 2025



**Left:** The SCPD implemented an unmanned aircraft system program in FY 2024.

## **PARKS AND RECREATION**

#### **Parks and Recreation**

- \$19.1 M FY 2025 expenditure budget
- 87.5 full-time equivalent (FTE) positions
- 41,681 hours of temporary staff support

The **Parks and Recreation** department contributes to the vitality and health of the community by offering a diverse portfolio of recreation programs and managing a robust, world-class system of parks, beaches, open spaces, and urban forest.

### DID YOU KNOW?

- 96% of City residents are within a 10-minute walk to a park.
- Over 110,000 people participated in department programs, classes, and events in FY 2024.
- Department staff steward 1,729 acres of parkland and 9,752 street trees.



Left: The London Nelson Community Center enjoyed record-breaking attendance at the Fungus Fair in 2024.



**Above:** Families enjoy the snow at the Wharf's Winter Snow pile!

## **LIBRARY**

### Santa Cruz Public Library System

- \$14.4 M FY 2025 expenditure budget for the JPA and \$2.4M budget for the City of Santa Cruz library branches
- 115.08 FTE positions throughout all branches

The **Santa Cruz Public Library** (SCPL) System / Joint Powers Authority (JPA) oversees a network of ten neighborhood branches, the Live Oak Annex, a bookmobile, and an online digital library. SCPL serves children, teens, and adults with innovative programming, professional services, and community facilities that spark imagination and support discovery.

### IN FY 2024, THE WORK OF THE SCPL RESULTED IN:

- The opening of the newly-constructed Aptos Branch Library
- Increased participation in the Library's Summer Reading Program by 46% and increased teen participation in Library programming by 31%



**Above:** SCPL gives every Santa Cruz community member the opportunity to learn through educational resources.

## COMMUNITY AND ECONOMIC DEVELOPMENT

### Economic Development and Housing

- \$8.8 M FY 2025 expenditure budget
- 19.0 full-time equivalent (FTE) positions

The **Economic Development and Housing** department's mission is to increase and support viable, sustainable, and innovative economic and housing activities throughout the City.

### IN FY 2024, THE WORK OF THE ECONOMIC DEVELOPMENT AND HOUSING DEPARTMENT RESULTED IN:

- The start of construction on 128 affordable housing units, a new METRO transit station, and commercial spaces for Pacific Station North
- The processing of 18 permanent parklet permits for outdoor dining



**Left:** Construction of Pacific Station South, a seven-story, mixed-use building featuring commercial and residential amenity space, a medical clinic, and 70 affordable housing units, was

completed in FY 2024.

**Right:** Building inspector (circled in red) completing inspection at River Row on Front Street.

### Planning and Community Development

- \$8.7 M FY 2025 expenditure budget
- 35.0 FTE positions

# The **Planning and Community Development** department conducts plan review, issues permit for construction, and inspects new and remodeled structures. It also facilitiates green building practices, coordinates and develops the City's sustainability programs, responds to code-compliance issues, ensures safety of rental housing through inspections, and provides excellent service



### IN FY 2024, THE WORK OF THE PLANNING AND COMMUNITY DEVELOPMENT DEPARTMENT RESULTED IN:

at its public counter.

- The City exceeding 5th Cycle Regional Housing Needs Allocation (RHNA) targets for all income categories, something achieved by only 6% of jurisdictions in the state
- The facilitation of permits or inspections for over 3,600 housing units, including over 1,050 affordable units, from preliminary application to construction completion
- The issuance of 1,800 building permits, 96% of which were completed within established timelines

## **PUBLIC WORKS**

#### Public Works -General Fund

- \$13.6 M FY 2025 expenditure budget
- 66.0 full-time equivalent (FTE) positions

The **Public Works** department's primary objective is to efficiently deliver its array of municipal services in a safe, professional, sustainable, and cost-effective manner to residents, businesses, and visitors of Santa Cruz.

### IN FY 2024, THE WORK OF THE PUBLIC WORKS DEPARTMENT RESULTED IN:

- The Fleet Division generating 4,918 work orders, completing 89 smog certifications, and maintaining over 600 assets
- Over 1,000 tons of riprap being replaced along the coastline of West Cliff Drive to repair damage from winter storms
- The awarding of over \$6.5 M in grant funding for transportation projects



**Left:** A recently-completed segment of the Santa Cruz County Coastal Rail Trail is enjoyed by children and adults alike.

## **ENTERPRISE FUNDS**

### Utilities: Resource Recovery

- \$29.3 M FY 2025 expenditure budget
- 98.5 FTE

### Storm water

 \$1.8 M FY 2025 expenditure budget

#### Wastewater Treatment

- \$52.0 M FY 2025 expenditure budget
- 57.8 FTE

#### Water

- \$82.1 M FY 2025 expenditure budget
- 126.25 FTE

Expenditures for activities described on pages 10-13 are paid for out of governmental funds, and primarily the General Fund, which serves as the main operating fund of the City. Proprietary funds, or enterprise funds, operate in a manner similar to that of a private business and are supported by rate revenue. The City has four municipal utilities (water, wastewater, stormwater, and refuse) and a parking enterprise that make up its proprietary funds.

### DID YOU KNOW?

- Thanks to conservation, plumbing code changes, and water-efficient appliances and landscapes, Santa Cruz water customers use less water now than 40 years ago.
- 52% of the material brought into the Resource Recovery Facility is diverted from disposal.
- 2.9 billion gallons of wastewater was treated last year.
- Parking Services maintains 2,182 Downtown and 449 Wharf paid parking spaces.

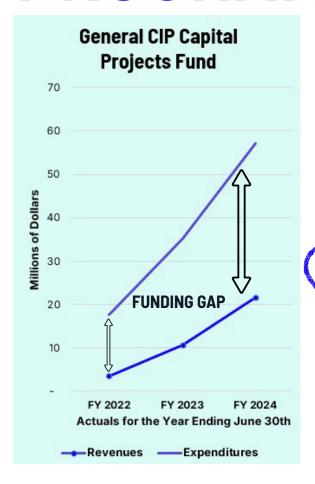
### **Parking**

- \$7.7 M FY 2025 expenditure budget
- 51.1 FTE



**Above:** The Water Distribution crew working to repair a water main on Mission Street.

## CAPITAL INVESTMENT PROGRAM



Large-dollar, nonrecurring projects that are for the purpose of constructing, purchasing, improving, replacing, or restoring assets with a multi-year asset life are a part of the City's Capital Investment Program, or CIP. Descriptions and funding details on these projects can be found in the <u>FY 2025 Annual Budget</u>, starting on page 251.

As depicted in the chart to the left, CIP project expenditures are outpacing CIP revenues. This is in part due to

The average funding gap since FY 2022 for CIP has been \$12.8 M.

projects such as efforts to stabilize and repair damage to West Cliff Drive resulting from the 2023 storms that are awaiting grant reimbur-

sement from Federal Emergency Management Agency (FEMA) and Federal Highway Administration (FHWA).

Projects listed below that support the City's Climate Action and/or Adaptation Plan are noted with an asterisk (\*).

### Sampling of Projects Completed in FY 2024:

c212201- Type 1 Fire Engine put into service c301913- Beach Street Restrooms

c302238- Harvey West Park Infrastructure Improvements\*

c401207- San Lorenzo River Pump Station 2

c402215- HSIP 10 Unsignaled Crossing Improvement Project

e602401- San Lorenzo River Levee Emergency Repairs

c401511- Scenic Street Sewer Rehabilitation

c701606- Newell Creek Dam Inlet/Outlet Replacement

c702203- Beltz 12 Phase I Ammonia Removal Improvements\*

### Sampling of Projects Beginning in FY 2025:

c512501- Wharf Resilience Improvements\*

c512402- ED IIG Parks and Paseos

c302503- Grant Park Playground Renovation

c302507- Harvey West Ballfield Upgrades and Repairs

c402307- Installation of solar photovoltaic at Harvey West Park ballfield

c402508- Recreational Vehicle Sanitary Disposal Station

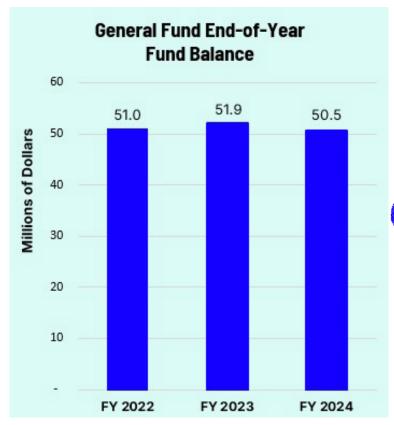
c402512- Resource Recovery Facility Enclosed Flare Installation

c402502- High Street Sewer Upsizing- Phase I

c402507- Pacific Beach Roundabout Enhancements\*

c402502- Beltz Water Treatment Plant Filter Replacement

## **FUND BALANCE**



RESERVES of the General Fund

There are five different classifications of fund balance, based on the constraints placed on how the resources can be spent and the sources of those constraints. They are non-spendable, restricted, committed, assigned, and unassigned.

The City's stabilization reserve requirement is equivalent to two-months of the current year's General Fund operating expenditure adopted budget. \$9.9 M of this reserve is in the restricted portion of fund balance and the remainder is unassigned.

Restricted funds have constraints imposed by law, the federal government, debt covenants, and/or external parties, such as grantors. The restricted portion of fund balance represents the balance in the City's Section 115 trusts that are available to be used to cover pension costs. The unassigned portion of fund balance are emergency funds that can only be used in unforeseen and nonrecurring events.

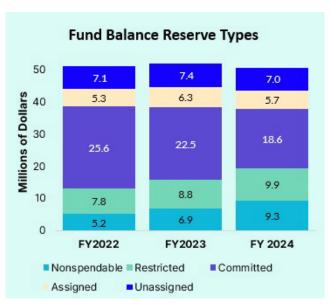
Fund balance is the difference between assets, liabilities, deferred inflows, and deferred outflows of resources. The fund balance of the General Fund is a key measure of the City of Santa Cruz's overall financial health.

The General Fund's fund balance in FY 2024 is roughly equal to its amount in FY 2022.

The ending fund balance of the General Fund was \$50.5 M at the end of FY 2024.

Below: Riprap and infill walls are carefully installed at four sections on West Cliff Drive.





## NET POSITION: PROPRIETARY FUNDS

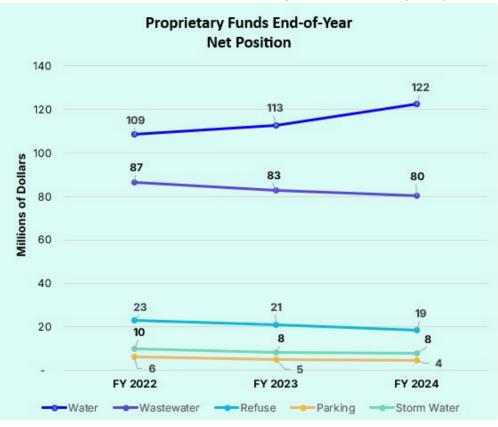
Equity in proprietary funds is reported as net position. As with governmental fund balance, the change in net position is the difference between revenues and expenditures during the year.

### OVERVIEW OF NET POSITION CHANGES IN FY 2024

The Water funds saw an increase in net position of \$9.5 M. Much of that was due to increased charges for services, as water rates increased this past fiscal year.

The Wastewater funds saw a decrease in net position of \$2.5 M, which was largely due to increased personnel costs and inflationary increases in the costs of services and supplies.

The Refuse funds





**Above:** The Beltz Well 12 site. This well will be upgraded with full Aquifer Storage and Recovery facilities starting in FY 2025.

similarly had a \$2.4 M reduction in net position, which was also attributable to rising personnel, services, and supplies costs.

The Parking funds experienced a reduction in net position of \$0.4 M. This is a much smaller decrease in net position than the fund saw in FY 2022 and FY 2023 because new rates at meters and in garages were in effect for a portion of FY 2024.

The Stormwater funds saw a \$0.4 M decrease in net position as well. Even though FY 2024 expenditures were less than FY 2023 expenditures, thev still exceeded overall revenues, resulting in a decrease in net position. The total change in net position for all proprietary funds in FY 2024 was an increase of \$4.0 M.

### **GLOSSARY**

**Budget** - A financial plan for a specified period of time that matches projected revenues and planned expenditures to municipal services, goals, and objectives.

**Capital Investment Program (CIP) -** A multi-year program (plan) for maintaining, replacing and acquiring new and existing public facilities and assets.

**Department -** A major organizational unit of the City that has been assigned overall management responsibility for an operation or a group of related operations within a functional area.

**Expenditure -** The outflow of funds paid or to be paid for assets, goods, or services, regardless of when the invoice is actually paid. This term applies to all funds.

**Fiscal Year -** The beginning and ending period for recording financial transactions. The City has specified July 1 to June 30 as its fiscal year.

**Fund Balance -** Also known as financial position, fund balance for the governmental fund types is the excess of fund assets over liabilities and represents the cumulative effect of revenues and other financing sources over expenditures and other financing uses. Fund balance is a similar (although not exact) concept as Net Position in the enterprise funds.

Fund - An accounting entity that records all financial transactions for specific activities or

government functions. The six generic fund types used by the City are: General Fund, Special Revenue, Debt Service, Capital Projects, Enterprise, and Internal Service Funds.

**General Fund -** The primary operating fund of the City, all revenues that are not allocated by law or contractual agreement to a specific fund are accounted for in the General Fund. Except for subvention or grant revenues restricted for specific uses, General Fund resources can be utilized for any legitimate governmental purpose.

**Governmental Funds -** Funds generally used to account for tax-supported activities. The City utilizes four different types of governmental funds: the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

**Net Position -** The "economic resources" measurement focus and the accrual basis of accounting used to account for the assets, liabilities, and expenses of the City's proprietary funds. **Operating Budget -** The portion of the budget that pertains to daily operations and delivery of basic governmental services.

**Proprietary Fund -** A fund used to account for business-like activities that are considered self-supporting and are similar to private-sector businesses.



**Above:** The 2024 National Public Works Week Touch-a-Truck event included opportunities for community members to sit in a variety of vehicles, honk the horns, and turn on sirens and lights.

**Reserve -** An account used to indicate that a portion of a fund's balance is legally restricted for a specific purpose and is, therefore, not available for general operations.

**Revenue -** All amounts of money received from external sources, such as taxes and charges for services.

















- Facts About Santa Cruz:
   Prior to the arrival of the Spanish, the area was home to the Awaswas nation of the Ohlone people
- Incorporated as a town in 1866; received its first City charter in 1876
- The current-day population is 62,776, with a per capita personal income of \$88,581
- The 2024 unemployment rate was 5.4%
- The top employer in the City's limits in 2024 was the University of California, Santa Cruz

