

CITY OF SANTA CRUZ  
809 Center Street  
Santa Cruz, California 95060



**JOINT CITY COUNCIL - REDEVELOPMENT AGENCY AGENDA**

Regular Meeting

February 08, 2011

- |           |  |
|-----------|--|
| 1:00 P.M. | PHOTOGRAPHIC SESSION, COUNCIL CHAMBERS   |
| 2:30 P.M. | CLOSED LITIGATION SESSION, COURTYARD CONFERENCE ROOM                               |
| 3:00 P.M. | CONSENT, GENERAL BUSINESS AND PUBLIC HEARINGS, COUNCIL CHAMBERS                    |
| 5:00 P.M. | ORAL COMMUNICATIONS, COUNCIL CHAMBERS  |
| 7:00 P.M. | GENERAL BUSINESS, PUBLIC HEARINGS AND MATTERS OF PUBLIC INTEREST, COUNCIL CHAMBERS |

Council will receive e-mail regarding items on the agenda during the meeting at [citycouncil@cityofsantacruz.com](mailto:citycouncil@cityofsantacruz.com).

**Written correspondence and telephone calls received after 2:00 p.m. on the Monday immediately preceding a Council meeting may not have time to reach Councilmembers, nor be read by them prior to consideration of an item. Please make any communication to Councilmembers regarding Council meeting items prior to 2:00 p.m. Monday.**

Council meetings are cablecast on Comcast Channel 25.

Written material for every item listed in the open sessions is available for review at the Central Branch Library Reference Desk.

Time limits set by Council Policy are guidelines. Unless otherwise specified, procedures for all items, except those approved in one motion on the Consent Agenda, are:

- Oral staff report
- Public comment - 2 minutes each; maximum total time may be established by the Presiding Officer at the beginning of the item
- Council/Agency deliberation and action

**City Council Photographic Session**

**1:00 PM SESSION**

**Closed Litigation Session**

**2:30 PM SESSION**

A. Conference with Legal Counsel – Liability Claims (Government Code §54956.95).

1. Claimant: Stanley Dowling
2. Claimant: Mark Knapp (Keenan & Associates)

Claims Against: City of Santa Cruz

An oral report will be presented in the 3:00 p.m. Session (item 21).

**Joint City Council/Redevelopment Agency Meeting**

**3:00 PM SESSION**

**Call to Order**

**Roll Call**

**Pledge of Allegiance**

**Presiding Officer's Announcements**

**Statements of Disqualification**

**Additions and Deletions**

**Consent Agenda**

1. Minutes of the November 23, 2010 Regular City Council Meeting. (CC)  
Motion to approve as submitted.
2. Minutes of the November 23, 2010 Regular Redevelopment Agency Meeting. (CC)  
Motion to approve as submitted.
3. Minutes of the January 25, 2011 Regular City Council Meeting. (CC)  
Motion to approve as submitted.
4. Minutes of the January 25, 2011 Regular Redevelopment Agency Meeting. (CC)  
Motion to approve as submitted.
5. California Gray Whale – Resolution of Support. (CN)  
Resolution in support of the California Gray Whale and urging continued Federal protection and attention to this threatened species.
6. 2nd Annual Festival del Nopal (Cactus Festival) Event in Santa Cruz – City Co-Sponsorship in Name Only. (CN)  
Motion to co-sponsor, in name only, the 2nd Annual Festival del Nopal (Cactus) 2011 event to be held on Church Street in Santa Cruz.
7. Project Homeless Connect Event—City Co-Sponsorship in Name Only. (CN)  
Motion to co-sponsor, in name only, the March 22, 2011 Project Homeless Connect event at the Civic Auditorium without waiving any fees or charges.

**Consent Agenda (continued)**

8. 150th Birthday Celebration for Samuel Henry (Harry) Cowell – City Co-Sponsorship in Name Only. (CN)

Motion to co-sponsor, in name only, the Celebration of the 150th Birthday of Samuel Henry (Harry) Cowell which is organized by Friends of Cowell Lime Works.

9. Living Wage Rate Annual Prescription for 2011. (FN/CM)

Resolution upwardly indexing the prescribed minimum living wage rate by 1.2%, the amount which corresponds to San Francisco-Oakland-San Jose Area Consumer Price Index (CPI), for the period ending October 31, 2010 to become effective July 1, 2011.

10. Tannery Arts Center – Authorization for the Executive Director to Execute a Grant Amendment with the Economic Development Administration of the U.S. Department of Commerce for the Tannery Working Studios/Digital Media Center Project and Other Actions to Facilitate the Rehabilitation of the Kron House. (ED)

Redevelopment Agency resolution authorizing the Executive Director to 1) execute a grant amendment with the Economic Development Administration of the U.S. Department of Commerce for the Tannery Working Studios and Digital Media Center Project, 2) advertise the Kron House Rehabilitation project for bid, 3) award a construction contract, in a form approved by the City Attorney, to the lowest qualified bidder, 4) sign the construction contract, 5) award and sign the Kron House construction management contract, in a form approved by the City Attorney, 6) approve Kron House construction contract change orders, so long as they do not exceed the Agency budget for the project, and 7) take other administrative actions as necessary to implement the grant amendment.

11. Comprehensive Annual Financial Report (CAFR) and Clean River, Beaches, and Ocean Special Parcel Tax – Measure E Fund Financial Report for FY 2010. (FN)

RECOMMENDATION: Motion to authorize the Finance Director to file with the City Clerk the Comprehensive Annual Financial Report and Clean River, Beaches, and Ocean Special Parcel Tax – Measure E Fund Financial Report for FY 2010.

**Consent Agenda (continued)**12. Liability Claims Filed Against City of Santa Cruz. (HR)

Motion to reject liability claims based on staff investigation: a) Stanley Dowling;  
b) Mark Knapp.

13. City's Classification and Compensation Plans and the FY11 Budget Personnel Complement – Human Resources and Parks and Recreation. (HR)

Resolution to amend the Classification and Compensation Plans and the FY11 Budget Personnel Complement by authorizing the Human Resources Department to increase the scheduled hours for the Seniors Program Coordinator position in response to receipt of donations from the Senior Computer Center Coordinating Council (SCCCC).

**End Consent Agenda****General Business**14. City Council Ad-Hoc Committee on Technology. (CN)

Resolution forming the City Council Ad Hoc Committee on Technology, authorizing staff time to assist the Committee, and affirming the designation of Councilmembers Bryant and Terrazas and Mayor Coonerty as the Council's delegates to the Committee.

15. Consolidation of Two City Departments, Elimination of Two Executive Positions and Related Changes to Personnel Classifications. (CM/HR)

Introduction for publication of an ordinance abolishing the Information Technology Department and creating an Administrative Services Department with Information Technology and Human Resources Divisions.

Resolution assigning the City Clerk function to the City Manager, as permitted by Section 802 of the City Charter.

Resolution amending the Classification and Compensation Plans to delete the positions of City Clerk, Principal Management Analyst, Assistant Human Resources Director, Risk and Safety Manager, Human Resources Assistant II, and Administrative Assistant III, and to add the classifications and positions of City Clerk Administrator, Administrative Services Director, Assistant to the City Manager, Chief Human Resources Officer, Chief Technology Officer, Principal Human Resources Analyst, Human Resources Technician, and Administrative Assistant II.

**General Business (continued)**

16. Agency Projects and Infrastructure Improvements – City/Agency Cooperation Agreement. (ED)

City Council resolution authorizing the City Manager to execute a Cooperation Agreement with the Redevelopment Agency, subject to the review and approval of the City Attorney, and make certain findings related thereto, through which the Agency will fund and implement certain projects, infrastructure improvements and affordable housing (including program delivery costs).

Redevelopment Agency resolution authorizing the Executive Director to execute a Cooperation Agreement with the City, subject to the review and approval of the Agency Attorney, and make certain findings related thereto, through which the Agency will fund and implement certain projects, infrastructure improvements and affordable housing (including program delivery costs).

17. For The Future Housing, Inc., a California Corporation – Loan Agreement. (ED)

Redevelopment Agency resolution authorizing the Executive Director to enter into a Loan Agreement, subject to approval by the Agency Attorney, with For The Future Housing, Inc., a California Corporation, in the amount of up to \$2,200,000 for the purposes of acquiring 110 Lindberg Street and constructing a 21-unit affordable housing project and certifying the Environmental Review process under CEQA for the proposed project.

Redevelopment Agency resolution transferring funds from the Agency's Housing Fund Balance and amending the FY 2011 budget in the amount of \$2,200,000.

18. Introduction of an Ordinance Amending Section 10.68.110 Pertaining to Bicycle Licenses. (PD)

Introduction of an Ordinance Amending Section 10.68.110 of the Santa Cruz Municipal Code pertaining to bicycle licenses to clarify the requirement that the license shall be affixed to the front of the seat tube of the licensed bicycle's frame.

19. City Nomination to County Latino Affairs Commission (CC)

Motion to nominate a County Latino Affairs Commissioner.

20. Council Meeting Calendar.

**General Business (continued)**

21. City Attorney Oral Report on Closed Session.
22. Council Memberships in City Groups and Outside Agencies.

**The City Council and the Redevelopment Agency will recess to the 5:00 p.m. Session**

**Joint City Council/Redevelopment Agency Meeting**

**5:00 PM SESSION**

**Call to Order**

**Roll Call**

**Joint City Council/Redevelopment Agency Oral Communications - 30 Minutes**

**The City Council will recess to the 7:00 p.m. Session.**

**Adjournment** — The Redevelopment Agency will adjourn from the regularly scheduled meeting of February 8, 2011 to the next regularly scheduled meeting on February 22, 2011, for a closed litigation session at 1:30 p.m. in the Courtyard Conference Room, followed by open sessions at the approximate hours of 3:00 p.m., 5:00 p.m. and 7:00 p.m. in Council Chambers.

## City Council Meeting

### 7:00 PM SESSION

#### Call to Order

#### Roll Call

#### Presentation - First 5 Santa Cruz County/Primeros 5 Santa Cruz County

#### General Business

23. Library Task Force Final Report on Fiscally Sustainable Service Models. (LB)

Motion to recommend adoption of a new library service model from the four options presented in the Final Task Force Report and to provide direction to the City Council's representatives to the Library Joint Powers Board (LJPB).

**Adjournment** — The City Council will adjourn from the regularly scheduled meeting of February 8, 2011, to the next regularly scheduled meeting on February 22, for a closed litigation session at 1:30 p.m. in the Courtyard Conference Room, followed by open sessions at the approximate hours of 3:00 p.m., 5:00 p.m. and 7:00 p.m. in Council Chambers.

#### Advisory Body Appointments

The following positions are vacant. Council will make appointments at a future meeting.

Latino Affairs Commission (County)	One (1) vacancy
Measure K Oversight Committee	Two (2) vacancies and one (1) reappointment
Sister Cities Committee	Two (2) vacancies

#### Advisory Body Direct Appointments

The following appointments are being made directly by Councilmembers under the authority of Measure K (Ordinance No. 2006-27) adopted by the City electorate at the November 2006 election, and are listed for reference and information. There will be no Council discussion or action.

Councilmember Bryant appointed Kirsten Attlesley to the Measure K Oversight Committee on February 1, 2011.



**Public Hearing:** If, in the future, you wish to challenge in court any of the matters on this agenda for which a public hearing is to be conducted, you may be limited to raising only those issues which you (or someone else) raised orally at the public hearing or in written correspondence received by the City at or before the hearing.

Any person seeking to challenge a City Council decision made as a result of a proceeding in which, by law, a hearing is required to be given, evidence is required to be taken, and the discretion in the determination of facts is vested in the City Council, shall be required to commence that action either 60 days or 90 days following the date on which the decision becomes final as provided in Code of Civil Procedure Section 1094.6. Please refer to code of Civil Procedure 1094.6 to determine how to calculate when a decision becomes "final." The 60-day rule applies to all public hearings conducted pursuant to the City's Zoning Ordinance, Title 24, Santa Cruz Municipal Code. The 90-day rule applies to all other public hearings.

### **City Council Agenda Legislative History Addendum**

No information was submitted.

City staff is responsible for providing the City Clerk with such documentation and information for the Legislative History Addendum. The information will be on file in the City Clerk's Department.

The Addendum is a listing of information specific to City Council business, but which does not appear on a Council meeting agenda. Such entities would include, but not be limited to:

- Court decisions
- Coastal Commission Appeals of City Council actions
- Closed Session Agreements/Settlements, which are public record
- Association of Monterey Bay Area Governments
- Local Agency Formation Commission

## ADDENDUM TO CITY COUNCIL AGENDA – FEBRUARY 8, 2011

**INFORMATION ITEMS PREVIOUSLY DISTRIBUTED TO CITY COUNCILMEMBERS**

(Copies available in the Central Branch Library at the Reference Desk)

City Clerk	Resignation of Jason Nortz from the Sister Cities Committee 1/24/11 (CC FYI 132)
Finance Department	Monthly Financial Reports for December 2010 1/25/11 (FN FYI 163)  Portfolio Management Report – Unpooled Cash and Investments as of December 31, 2010 1/26/11 (FN FYI 164)  Portfolio Management Report – Pooled Cash and Investments as of December 31, 2010 1/26/11 (FN FYI 165)
Fire Department	Emergency Tree Removal Permit Issuance at 201 West Cliff, Sea and Sand Inn 1/25/11 (PL FYI 028)
Parks and Recreation Department	Emergency Tree Removal Permit Issuance at 201 West Cliff, Sea and Sand Inn 1/25/11 (PL FYI 028)
Planning Department	Emergency Tree Removal Permit Issuance at 201 West Cliff, Sea and Sand Inn 1/25/11 (PL FYI 028)
Water Department	New Water Conservation Program 1/20/11 (WT FYI 038)

\* Report submitted jointly by departments.

**MAYOR'S PROCLAMATIONS**

1. Proclaiming Thursday, January 20, 2011 as "Greg Archer Day" and asking the residents of the City to thank Greg for all that he does to make Santa Cruz a vibrant place to live and congratulate him on the publication of his first book.
2. Proclaiming February 1, 2011 as "Santa Cruz County 2-1-1 Day."

**MINUTES ARE UNOFFICIAL UNTIL APPROVED BY COUNCIL**

CITY OF SANTA CRUZ  
809 Center Street  
Santa Cruz, California 95060

**MINUTES OF A REGULAR JOINT CITY COUNCIL/  
REDEVELOPMENT AGENCY MEETING**

November 23, 2010

**2:00 P.M. SESSION**

Mayor Rotkin opened the Closed Litigation Session at 2:08 p.m. in a public session in the Courtyard Conference Room, for the purpose of announcing the agenda. No members of the public were present. Council closed the session to the public at 2:08 p.m. All Councilmembers were present. (See page 1331 for a report on closed session.)

**3:00 P.M. SESSION**

Mayor/Chair Rotkin called the meeting to order at 3:08 p.m. in the Council Chambers.

**Roll Call**

Present: Councilmembers/Members Lane, Mathews, Beiers, Madrigal, Robinson; Vice Mayor/Vice Chair Coonerty; Mayor/Chair Rotkin.

Absent: None.

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Staff: City Manager M. Bernal, Assistant City Manager T. Shull, City Attorney J. Barisone, Director of Finance J. Dilles, Director of Human Resources L. Sullivan, Director of Parks and Recreation D. Shoemaker, Director of Public Works M. Dettle, Assistant Director of Public Works/City Engineer C. Schneider, Parking Program Manager M. Granlund, City Clerk L. Brewer, Deputy City Clerk T. Graves.

**Pledge of Allegiance**

**Presentation** - Mayor's Proclamation Declaring November as Pancreatic Cancer Awareness Month – accepted by Jennifer Flanakin.

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JOINT CITY COUNCIL/  
REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2010  
3:00 P.M. SESSION

**Presentation** - 2010 Officer Jim Howes Community Service Award Presentation – presented by Retired Officer Jim Howes and Mayor Rotkin to Laura Kasa, Executive Director of Save Our Shores, and Deborah Elston of Santa Cruz Neighbors; and to Officers Jose Garcia and Joe Hernandez of the Santa Cruz Police Department.

**Presiding Officer's Announcements**

**Statements of Disqualification** – None.

**Additions and Deletions** – None.

**Joint City Council/Redevelopment Agency Oral Communications**

Pat Arnold spoke favorably of Tony Madrigal's work in the community, especially on the Coalition on Overcoming Racism. Ms. Arnold also announced the Third Annual Human Rights Fair at the Galleria.

Marilyn Garrett spoke about the negative health effects of EM radiation, and of her opposition to PG&E's SmartMeter Program.

Mike Tomasi spoke about peace and freedom.

Ed Davidson spoke about the red legged tree frog and its status as "threatened," not "endangered," and also decried the Santa Cruz Seaside Company's letter writing attacks on Councilmember Madrigal.

Marlin Granlund, Parking Program Manager, announced the Holiday Parking Program effective dates of December 8, 2010 through December 25, 2010.

Don Lane announced the Community Thanksgiving Dinner at the Civic Auditorium on Thursday, November 25, 2010 from Noon to 3:00 p.m.

JOINT CITY COUNCIL/  
REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2010  
3:00 P.M. SESSION

### **Consent Agenda**

Items 5 and 7 were removed from the Consent Agenda.

#### Action

Councilmember/Member Lane moved, seconded by Vice Mayor/Vice Chair Coonerty, to approve the remaining items on the Consent Agenda. The motion carried unanimously.

1. Minutes of the November 9, 2010 Regular City Council Meeting. (CC)

Motion carried to approve as submitted.

2. Minutes of the November 9, 2010 Regular Redevelopment Agency Meeting. (CC)

Motion carried to approve as submitted.

3. Funding for CPVAW Safety Skills and Self Defense Program. (CM/PD)

Resolution No. NS-28,293 was adopted transferring funds and amending the FY 2011 budget in the amount of \$5,000 to fund the CPVAW Safety Skills and Self Defense Program from the Police Department Asset Seizure/Youth Crime Prevention Fund.

4. Highway 1/9 Intersection Improvements – Fifth Amendment to Consultant Agreement and Budget Adjustment. (ED) (PW)

Redevelopment Agency motion carried to authorize the Executive Director to execute an amendment with BKF Engineers in the amount of \$184,830 for additional consulting engineering and environmental services for the Highway 1/9 Intersection Improvement project.

Redevelopment Agency Resolution No. 1511 was adopted transferring funds and amending the FY 2011 budget in the amount of \$23,000 from the Phase II budget of the HWY 1/9 Intersection Improvement Project to the current Phase I.

City Council Resolution No. NS-28,294 was adopted amending the FY 2011 budget to reduce the RDA funding and the appropriation by \$23,000 for the Phase II Hwy 1/9 Intersection Improvement Project.

**Consent Agenda (continued)**

5. FY 2010 Traffic Impact Fee Annual Report. (FN)

Assistant Director of Public Works/City Engineer C. Schneiter presented an oral report and responded to Council's questions.

SPEAKING FROM THE FLOOR IN OPPOSITION AND/OR EXPRESSING CONCERNS:

Micah Posner  
Frank Correa

SPEAKING FROM THE FLOOR IN SUPPORT AND/OR EXPRESSING CONCERNS:

Ron Pomerantz

Director of Finance J. Dilles and City Attorney J. Barisone presented oral reports and responded to Council's questions.

Councilmember Madrigal moved, seconded by Councilmember Beiers, to continue this item to a future evening session. The motion FAILED by the following vote:

AYES: Councilmembers Madrigal, Beiers.  
NOES: Councilmembers Mathews, Lane, Robinson; Vice Mayor Coonerty; Mayor Rotkin.  
ABSENT: None.  
DISQUALIFIED: None.

Action

Vice Mayor Coonerty moved, seconded by Councilmember Lane, to accept the FY 2010 Traffic Impact Fee Annual Report; and to make certain findings to: A) identify the purpose to which the fee is to be put; B) demonstrate a reasonable relationship between the fee and the purpose for which it is charged; C) identify all sources and amounts of funding anticipated to complete financing in incomplete improvements; and D) designate the approximate dates on which the funding is expected to be deposited into the appropriate account or fund, with the additional finding that it is not the Council's intention to take action on the allocation component at this time. The motion carried unanimously.

JOINT CITY COUNCIL/  
REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2010  
3:00 P.M. SESSION

**Consent Agenda (continued)**

6. Liability Claims Filed Against City of Santa Cruz. (HR)

Motion carried to reject liability claims a) Barbara Dyer, b) William Hartley and c) Jamal Kamli; and reject and deny late claim d) Keith Howard, based upon staff investigation.

7. Burke, Williams & Sorensen, LLP - Sole Source Contract. (HR)

Director of Human Resources L. Sullivan presented an oral report and responded to Council's questions.

SPEAKING FROM THE FLOOR IN OPPOSITION AND/OR  
EXPRESSING CONCERNS:

Doris Henry, SEIU  
Gary Klems, SEIU

Action

Councilmember Mathews moved, seconded by Mayor Rotkin, to adopt Resolution No. NS-28,295 authorizing and directing the City Manager to execute a sole source contract, in a form approved by the City Attorney, with Burke, Williams & Sorensen, LLP in the amount of \$150,000 for legal representation relating to employee and labor relations. The motion carried by the following vote:

AYES: Councilmembers Mathews, Lane, Robinson, Beiers;  
Vice Mayor Coonerty; Mayor Rotkin.  
NOES: Councilmember Madrigal.  
ABSENT: None.  
DISQUALIFIED: None.

8. City's Classification and Compensation Plans and the FY 2011 Budget Personnel Complement – Public Works Department. (HR)

Resolution No. NS-28,296 was adopted amending the Classification and Compensation Plans to delete both the classification and one position of Wastewater Facilities Lead Electrical/Instrumentation Technician and replace with a new classification and one position of Wastewater Facilities Instrumentation Technician I/II in the Public Works Department.

**Consent Agenda (continued)**

9. New Year's Eve Safety Enhancement Zone. (PD)

Resolution No. NS-28,297 was adopted authorizing a temporary safety enhancement zone for New Year's Eve downtown from 6:00 p.m. December 31, 2010 to 3:00 a.m. January 1, 2011, designating the geographic boundary of the temporary safety enhancement zone and increasing fines and penalties for certain Municipal Code violations within the zone.

10. 2010 State Mandated Court Construction Costs – Increase to Parking Citation Fines. (PW)

Resolution No. NS-28,298 was adopted modifying parking fines for parking violations by increasing fines as illustrated in Exhibit 1; and rescinding Resolution NS-28,028, amending the start date of the fee increase to January 1, 2011.

11. Implementation of Deferred Water Rate Increase. (WT)

Motion carried to ratify the 5% water rate increase scheduled to take effect on January 1, 2011.

**End Consent Agenda**



JOINT CITY COUNCIL/  
REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2010  
3:00 P.M. SESSION

### General Business

Note: This item was considered out of agenda order.

12. In-Home Supportive Services Workers' Livable Wage – Resolution of Support. (CN)

SPEAKING FROM THE FLOOR IN SUPPORT, AND/OR EXPRESSING CONCERNS:

Nora Hochman, Coalition for a Living Wage  
Mike Tomasi

Action

Councilmember Mathews moved, seconded by Councilmember Madrigal, to adopt Resolution No. NS-28,299 supporting In-Home Supportive Service workers and urging the provision of a livable wage for these valued workers. The motion carried unanimously.

13. Ordinance Amending Section 1.01.010 and Adding Section 1.01.035 Pertaining to Repealing of Outdated Codes Adopted by Reference and Granting Publication Authority to Code Publishing Company. (CC)

Action

Councilmember Robinson moved, seconded by Vice Mayor Coonerty, to introduce for publication Ordinance No. 2010-24 amending Section 1.01.010 and adding Section 1.01.035 pertaining to repealing of outdated codes adopted by reference and granting publication authority to Code Publishing Company. The motion carried unanimously.

### Public Hearings

Note: Item 14 was continued to the meeting of December 14, 2010 at 3 p.m. There was no written material for this item.

14. Residential Rental Inspection Program Fees. (PL)

A new Department of Planning and Community Development Fee Schedule creating fees for the Residential Rental Inspection Program, and rescinding Resolution No. NS-28,171.

**Public Hearings (continued)**

15. Ordinance No. 2010-23 - Ordinance Amending Building Regulations Contained in Title 18 of the Santa Cruz Municipal Code and Adopting the California Code of Regulations Title 24, 2010 Building Standards Codes and Other Codes and Standards to Establish Minimum Requirements to Safeguard Public Health, Life, Safety and General Welfare. (PL)

Mayor Rotkin opened the public hearing at 4:35 p.m.

There was no public comment.

Mayor Rotkin closed the public hearing at 4:35 p.m.

Action

Councilmember Robinson moved, seconded by Councilmember Lane, to pass Ordinance No. 2010-23 for final adoption. The motion carried unanimously.

**General Business**

16. Tobacco Retailer License Fee. (CN)

SPEAKING FROM THE FLOOR IN SUPPORT AND/OR EXPRESSING CONCERNS:

Kathleen Hofvendahl-Clark, Tobacco Coalition  
Jairo Hernandez, Pajaro Valley Prevention Services  
Al Richards, County Drug & Alcohol Commission

Action

Vice Mayor Coonerty moved, seconded by Mayor Rotkin, to direct staff to research and assess the implications of a Tobacco Retailer License Fee in the City of Santa Cruz and to return to the City Council at an upcoming meeting with a draft ordinance or other recommendation. The motion carried unanimously.

JOINT CITY COUNCIL/  
REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2010  
3:00 P.M. SESSION

**General Business (continued)**

17. Council Meeting Calendar

The City Council reviewed the meeting calendar attached to the agenda and revised as necessary.

18. City Attorney Oral Report on Closed Session.

A. Conference with Legal Counsel – Liability Claims (Government Code §54956.95).

1. Claimant: California State Automobile Association
  2. Claimant: USAA Casualty Insurance Company
  3. Claimant: AMCO Insurance Company
  4. Claimant: Barbara Dyer
  5. Claimant: William Hartley
  6. Claimant: Jamal Kamli
  7. Claimant: Keith Howard
- Claims Against: City of Santa Cruz

Claims 1-3 were authorized for settlement. Claims 4-7 were not discussed. Mayor Rotkin noted for the record that claim 7. was denied both on its merit and because it was late.

B. Conference With Legal Counsel - Anticipated Litigation (Government Code §54956.9).

Initiation of Litigation by City (Government Code §54956.9(c)).

1 case was discussed. Council took no reportable action.

C. Appointment of City Employee (Government Code Section 54957)

Appointment of City Clerk.

Council discussed the appointment of the City Clerk, but took no reportable action.

19. Council Memberships in City Groups and Outside Agencies.

The Presiding Officer provided Councilmembers with the opportunity to update Council and the public regarding City Groups and Outside Agencies.

**At 4:58 p.m. the City Council and Redevelopment Agency recessed to the 7:00 p.m. session.**

CITY OF SANTA CRUZ  
809 Center Street  
Santa Cruz, California 95060

**MINUTES OF A JOINT CITY COUNCIL/  
REDEVELOPMENT AGENCY MEETING**

November 23, 2010

**7:00 P.M. SESSION**

Mayor/Chair Rotkin called the meeting to order at 7:05 p.m. in Council Chambers.

**Roll Call**

Present: Councilmembers/Members Lane, Mathews, Beiers, Madrigal, Robinson; Vice Mayor/Vice Chair Coonerty; Mayor/Chair Rotkin.

Absent: None.

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Staff: City Manager M. Bernal, Assistant City Manager T. Shull, Deputy City Attorney C. Cassman, Acting Director of Planning and Community Development A. Khoury, City Clerk L. Brewer, Deputy City Clerk T. Graves.

**Joint City Council/Redevelopment Agency Oral Communications**

Norma Jean Tasker spoke about The Carnation Café at Loudon Nelson Center.

Nereida Robles spoke in support of Councilmember Madrigal.

Victor Bonderos spoke in support of Councilmember Madrigal.

Marvel Armijo spoke in favor of Councilmember Madrigal.

Joan Laskin thanked the Council for sponsoring Festival de Nopales, and spoke in support of Councilmember Madrigal.

Tomas Alejo spoke in support of Councilmember Madrigal.

JOINT CITY COUNCIL/  
REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2009  
7:00 P.M. SESSION

**Joint City Council/Redevelopment Agency Oral Communications  
(continued)**

Celia Montesino spoke in support of Councilmember Madrigal.

Alex spoke in support of Councilmember Madrigal.

Barbara Hayes spoke in support of Councilmember Madrigal.

Annaliese Cube spoke about Jingle Bell Rock at 8:00 a.m. on December 12, 2010, and encouraged all residents to attend.

Jessica Roja spoke in support of Councilmember Madrigal.

Santito Gomes spoke in support of Councilmember Madrigal.

**General Business**

20. Residential Rental Inspection and Maintenance Ordinance Checklists.  
(PL)

Assistant Director of Planning and Community Development A. Khoury presented an oral report and responded to Council's questions.

**SPEAKING FROM THE FLOOR IN OPPOSITION AND/OR  
EXPRESSING CONCERNS:**

Harold Griffith  
Candace Bradfield  
Nick Volaich  
Claire Sanders  
Michelle Nicely  
An unidentified woman  
Elia Volaich  
Anthony Silveira

**SPEAKING FROM THE FLOOR IN SUPPORT AND/OR EXPRESSING  
CONCERNS:**

Josh Howard  
Gretchen Regenhardt

**General Business (continued)**

20. Residential Rental Inspection and Maintenance Ordinance Checklists.  
(PL) (continued)

Action

Vice Mayor Coonerty moved, seconded by Councilmember Robinson, to adopt Resolution No. NS-28,300 adopting the Residential Rental Inspection and Maintenance Ordinance checklists. The motion passed by the following vote:

AYES: Councilmembers Mathews, Lane, Robinson, Beiers;  
Vice Mayor Coonerty; Mayor Rotkin.  
NOES: Councilmember Madrigal.  
ABSENT: None.  
DISQUALIFIED: None.

Note: Council recessed at 8:39 p.m. and reconvened at 8:50 p.m.

Note: Written material was provided prior to the meeting for item 21.

21. Community Programs Committee -- Affirmation of Social Services Strategic Allocation Funding Framework and Funding Principles. (CN)

SPEAKING FROM THE FLOOR WITH CONCERNS:

Taylor Bancroft	Katherine Johnson
Tom Helman	Karen Delaney
Robin Haas	Clay Kempf
Kathy Huntly	Carolyn Coleman
Bob Rey	Harvey
Gloris Ploss	

Action

Vice Mayor Coonerty moved, seconded by Councilmember Robinson, to endorse the allocation methodology, funding principles, funding parameters and funding cycle and process recommended by the City Council Community Programs Committee. The motion carried unanimously.

JOINT CITY COUNCIL/  
REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2009  
7:00 P.M. SESSION

**General Business (continued)**

21. Community Programs Committee -- Affirmation of Social Services Strategic Allocation Funding Framework and Funding Principles. (CN)  
(continued)

Action

Councilmember Beiers moved, seconded by Councilmember Madrigal, to change the title of Funding Principle 6 from "Make a Systemic and Long-Term Difference" to "Make a Measurable Difference." The motion carried by the following vote:

AYES: Councilmembers Lane, Mathews, Beiers, Robinson;  
Vice Mayor Coonerty.  
NOES: Mayor Rotkin.  
ABSENT: None.  
DISQUALIFIED: None.

Action

Councilmember Lane moved, seconded by Mayor Rotkin, to replace the 5% set-aside funding methodology recommendation of the Allocation Methodology (Bullet 2) with "The Council adopts the principle that Community Programs will have administrative costs and that staff will propose these costs at budget time, with the understanding that costs should be minimum in the first year and then be ongoing." The motion carried by the following vote:

AYES: Councilmembers Lane, Beiers, Madrigal, Robinson;  
Mayor Rotkin.  
NOES: Councilmember Mathews; Vice Mayor Coonerty.  
ABSENT: None.  
DISQUALIFIED: None.

Action

Councilmember Lane moved, seconded by Councilmember Madrigal, to change the grant minimum to \$5,000 with no reference to indexing a percentage to the Community Programs General Fund budget. The motion carried by the following vote:

AYES: Councilmembers Lane, Beiers, Madrigal, Robinson;  
Vice Mayor Coonerty, Mayor Rotkin.  
NOES: Councilmember Mathews.  
ABSENT: None.  
DISQUALIFIED: None.

**General Business (continued)**

21. Community Programs Committee -- Affirmation of Social Services Strategic Allocation Funding Framework and Funding Principles. (CN)  
(continued)

Action

By consensus, the Council directed the Committee to explore oversampling of the City of Santa Cruz for future Community Assessment Project surveys.

Action

By consensus, the Council adopted the following Funding Principles:

1. Align with the Strategic Framework by funding only programs that directly address at least one of the Highlighted Results in the Strategic Framework. Programs addressing more than one Highlighted Result will be encouraged.
2. Leverage Resources by applying City funds to match Federal, State and private funds, and by broadening the range of funding sources.
3. Move Toward Service Collaboration by funding programs that reduce fragmentation and promote effectiveness of existing services through collaboration and coordination, making services more accessible and comprehensive.
4. Promote Inclusion by funding programs and activities that are responsive to, and reflective of, the needs of our diverse community.

**Adjournment** — At 11:58 p.m., the Redevelopment Agency adjourned from the regularly scheduled meeting of November 23, 2010 to the next regularly scheduled meeting on December 14, 2010, for a closed litigation session at 1:30 p.m., in the Courtyard Conference Room, followed by open sessions at the approximate hours of 3:00 p.m. and 7:00 p.m. in Council Chambers.



JOINT CITY COUNCIL/  
REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2009  
7:00 P.M. SESSION

**Adjournment** — At 11:58 p.m., the City Council adjourned from the regularly scheduled meeting of November 23, 2010, to the next regularly scheduled meeting on December 14, 2010, for a closed litigation session at 1:30 p.m., in the Courtyard Conference Room, followed by open sessions at the approximate hours of 3:00 p.m. and 7:00 p.m. in Council Chambers.

Approved

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Tom Graves  
Interim City Clerk

Approved

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Michael Rotkin  
Mayor

**MINUTES ARE UNOFFICIAL UNTIL APPROVED BY COUNCIL**

CITY OF SANTA CRUZ  
809 Center Street  
Santa Cruz, California 95060

**MINUTES OF A REGULAR REDEVELOPMENT AGENCY MEETING**

November 23, 2010

**3:00 P.M. SESSION**

Mayor/Chair Rotkin called the meeting to order at 3:08 p.m. in the Council Chambers.

**Roll Call**

Present: Councilmembers/Members Lane, Mathews, Beiers, Madrigal, Robinson; Vice Mayor/Vice Chair Coonerty; Mayor/Chair Rotkin.

Absent: None.

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Staff: City Manager M. Bernal, Assistant City Manager T. Shull, City Attorney J. Barisone, Director of Finance J. Dilles, Director of Human Resources L. Sullivan, Director of Parks and Recreation D. Shoemaker, Director of Public Works M. Dettle, Assistant Director of Public Works/City Engineer C. Schneider, Parking Program Manager M. Granlund, City Clerk L. Brewer, Deputy City Clerk T. Graves.

**Pledge of Allegiance**

**Presentation** - Mayor's Proclamation Declaring November as Pancreatic Cancer Awareness Month – accepted by Jennifer Flanakin.

**Presentation** - 2010 Officer Jim Howes Community Service Award Presentation – presented by Retired Officer Jim Howes and Mayor Rotkin to Laura Kasa, Executive Director of Save Our Shores, and Deborah Elston of Santa Cruz Neighbors; and to Officers Jose Garcia and Joe Hernandez of the Santa Cruz Police Department.

**Presiding Officer's Announcements**

**Statements of Disqualification** – None.

**Additions and Deletions** – None.

REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2010  
3:00 P.M. SESSION

### **Joint City Council/Redevelopment Agency Oral Communications**

Pat Arnold spoke favorably of Tony Madrigal's work in the community, especially on the Coalition on Overcoming Racism. Ms. Arnold also announced the Third Annual Human Rights Fair at the Galleria.

Marilyn Garrett spoke about the negative health effects of EM radiation, and of her opposition to PG&E's SmartMeter Program.

Mike Tomasi spoke about peace and freedom.

Ed Davidson spoke about the red legged tree frog and its status as "threatened," not "endangered," and also decried the Santa Cruz Seaside Company's letter writing attacks on Councilmember Madrigal.

Marlin Granlund, Parking Program Manager, announced the Holiday Parking Program effective dates of December 8, 2010 through December 25, 2010.

Don Lane announced the Community Thanksgiving Dinner at the Civic Auditorium on Thursday, November 25, 2010 from Noon to 3:00 p.m.

### **Consent Agenda**

Items 5 and 7 were removed from the Consent Agenda.

#### Action

Councilmember/Member Lane moved, seconded by Vice Mayor/Vice Chair Coonerty, to approve the remaining items on the Consent Agenda. The motion carried unanimously.

1. Minutes of the November 9, 2010 Regular City Council Meeting. (CC)

Motion carried to approve as submitted.

2. Minutes of the November 9, 2010 Regular Redevelopment Agency Meeting. (CC)

Motion carried to approve as submitted.

REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2010  
3:00 P.M. SESSION

**Consent Agenda (continued)**

3. Funding for CPVAW Safety Skills and Self Defense Program. (CM/PD)

Resolution No. NS-28,293 was adopted transferring funds and amending the FY 2011 budget in the amount of \$5,000 to fund the CPVAW Safety Skills and Self Defense Program from the Police Department Asset Seizure/Youth Crime Prevention Fund.

4. Highway 1/9 Intersection Improvements – Fifth Amendment to Consultant Agreement and Budget Adjustment. (ED) (PW)

Redevelopment Agency motion carried to authorize the Executive Director to execute an amendment with BKF Engineers in the amount of \$184,830 for additional consulting engineering and environmental services for the Highway 1/9 Intersection Improvement project.

Redevelopment Agency Resolution No. 1511 was adopted transferring funds and amending the FY 2011 budget in the amount of \$23,000 from the Phase II budget of the HWY 1/9 Intersection Improvement Project to the current Phase I.

City Council Resolution No. NS-28,294 was adopted amending the FY 2011 budget to reduce the RDA funding and the appropriation by \$23,000 for the Phase II Hwy 1/9 Intersection Improvement Project.

REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2010  
3:00 P.M. SESSION

**Consent Agenda (continued)**

5. FY 2010 Traffic Impact Fee Annual Report. (FN)

Assistant Director of Public Works/City Engineer C. Schneiter presented an oral report and responded to Council's questions.

SPEAKING FROM THE FLOOR IN OPPOSITION AND/OR EXPRESSING CONCERNS:

Micah Posner  
Frank Correa

SPEAKING FROM THE FLOOR IN SUPPORT AND/OR EXPRESSING CONCERNS:

Ron Pomerantz

Director of Finance J. Dilles and City Attorney J. Barisone presented oral reports and responded to Council's questions.

Councilmember Madrigal moved, seconded by Councilmember Beiers, to continue this item to a future evening session. The motion FAILED by the following vote:

AYES: Councilmembers Madrigal, Beiers.  
NOES: Councilmembers Mathews, Lane, Robinson; Vice Mayor Coonerty; Mayor Rotkin.  
ABSENT: None.  
DISQUALIFIED: None.

Action

Vice Mayor Coonerty moved, seconded by Councilmember Lane, to accept the FY 2010 Traffic Impact Fee Annual Report; and to make certain findings to: A) identify the purpose to which the fee is to be put; B) demonstrate a reasonable relationship between the fee and the purpose for which it is charged; C) identify all sources and amounts of funding anticipated to complete financing in incomplete improvements; and D) designate the approximate dates on which the funding is expected to be deposited into the appropriate account or fund, with the additional finding that it is not the Council's intention to take action on the allocation component at this time. The motion carried unanimously.

REDEVELOPMENT AGENCY MEETING  
 NOVEMBER 23, 2010  
 3:00 P.M. SESSION

**Consent Agenda (continued)**

6. Liability Claims Filed Against City of Santa Cruz. (HR)

Motion carried to reject liability claims a) Barbara Dyer, b) William Hartley and c) Jamal Kamli; and reject and deny late claim d) Keith Howard, based upon staff investigation.

7. Burke, Williams & Sorensen, LLP - Sole Source Contract. (HR)

Director of Human Resources L. Sullivan presented an oral report and responded to Council's questions.

SPEAKING FROM THE FLOOR IN OPPOSITION AND/OR  
 EXPRESSING CONCERNS:

Doris Henry, SEIU  
 Gary Klems, SEIU

Action

Councilmember Mathews moved, seconded by Mayor Rotkin, to adopt Resolution No. NS-28,295 authorizing and directing the City Manager to execute a sole source contract, in a form approved by the City Attorney, with Burke, Williams & Sorensen, LLP in the amount of \$150,000 for legal representation relating to employee and labor relations. The motion carried by the following vote:

AYES: Councilmembers Mathews, Lane, Robinson, Beiers;  
 Vice Mayor Coonerty; Mayor Rotkin.  
 NOES: Councilmember Madrigal.  
 ABSENT: None.  
 DISQUALIFIED: None.

8. City's Classification and Compensation Plans and the FY 2011 Budget Personnel Complement – Public Works Department. (HR)

Resolution No. NS-28,296 was adopted amending the Classification and Compensation Plans to delete both the classification and one position of Wastewater Facilities Lead Electrical/Instrumentation Technician and replace with a new classification and one position of Wastewater Facilities Instrumentation Technician I/II in the Public Works Department.

REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2010  
3:00 P.M. SESSION

**Consent Agenda (continued)**

9. New Year's Eve Safety Enhancement Zone. (PD)

Resolution No. NS-28,297 was adopted authorizing a temporary safety enhancement zone for New Year's Eve downtown from 6:00 p.m. December 31, 2010 to 3:00 a.m. January 1, 2011, designating the geographic boundary of the temporary safety enhancement zone and increasing fines and penalties for certain Municipal Code violations within the zone.

10. 2010 State Mandated Court Construction Costs – Increase to Parking Citation Fines. (PW)

Resolution No. NS-28,298 was adopted modifying parking fines for parking violations by increasing fines as illustrated in Exhibit 1; and rescinding Resolution NS-28,028, amending the start date of the fee increase to January 1, 2011.

11. Implementation of Deferred Water Rate Increase. (WT)

Motion carried to ratify the 5% water rate increase scheduled to take effect on January 1, 2011.

**End Consent Agenda**

REDEVELOPMENT AGENCY MEETING  
 NOVEMBER 23, 2010  
 3:00 P.M. SESSION

### General Business

Note: This item was considered out of agenda order.

12. In-Home Supportive Services Workers' Livable Wage – Resolution of Support. (CN)

SPEAKING FROM THE FLOOR IN SUPPORT, AND/OR EXPRESSING CONCERNS:

Nora Hochman, Coalition for a Living Wage  
 Mike Tomasi

Action

Councilmember Mathews moved, seconded by Councilmember Madrigal, to adopt Resolution No. NS-28,299 supporting In-Home Supportive Service workers and urging the provision of a livable wage for these valued workers. The motion carried unanimously.

13. Ordinance Amending Section 1.01.010 and Adding Section 1.01.035 Pertaining to Repealing of Outdated Codes Adopted by Reference and Granting Publication Authority to Code Publishing Company. (CC)

Action

Councilmember Robinson moved, seconded by Vice Mayor Coonerty, to introduce for publication Ordinance No. 2010-24 amending Section 1.01.010 and adding Section 1.01.035 pertaining to repealing of outdated codes adopted by reference and granting publication authority to Code Publishing Company. The motion carried unanimously.

### Public Hearings

Note: Item 14 was continued to the meeting of December 14, 2010 at 3 p.m. There was no written material for this item.

14. Residential Rental Inspection Program Fees. (PL)

A new Department of Planning and Community Development Fee Schedule creating fees for the Residential Rental Inspection Program, and rescinding Resolution No. NS-28,171.



REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2010  
3:00 P.M. SESSION

**Public Hearings (continued)**

15. Ordinance No. 2010-23 - Ordinance Amending Building Regulations Contained in Title 18 of the Santa Cruz Municipal Code and Adopting the California Code of Regulations Title 24, 2010 Building Standards Codes and Other Codes and Standards to Establish Minimum Requirements to Safeguard Public Health, Life, Safety and General Welfare. (PL)

Mayor Rotkin opened the public hearing at 4:35 p.m.

There was no public comment.

Mayor Rotkin closed the public hearing at 4:35 p.m.

Action

Councilmember Robinson moved, seconded by Councilmember Lane, to pass Ordinance No. 2010-23 for final adoption. The motion carried unanimously.

**General Business**

16. Tobacco Retailer License Fee. (CN)

SPEAKING FROM THE FLOOR IN SUPPORT AND/OR EXPRESSING CONCERNS:

Kathleen Hofvendahl-Clark, Tobacco Coalition  
Jairo Hernandez, Pajaro Valley Prevention Services  
Al Richards, County Drug & Alcohol Commission

Action

Vice Mayor Coonerty moved, seconded by Mayor Rotkin, to direct staff to research and assess the implications of a Tobacco Retailer License Fee in the City of Santa Cruz and to return to the City Council at an upcoming meeting with a draft ordinance or other recommendation. The motion carried unanimously.

REDEVELOPMENT AGENCY MEETING  
 NOVEMBER 23, 2010  
 3:00 P.M. SESSION

**General Business (continued)**

17. Council Meeting Calendar

The City Council reviewed the meeting calendar attached to the agenda and revised as necessary.

18. City Attorney Oral Report on Closed Session.

A. Conference with Legal Counsel – Liability Claims (Government Code §54956.95).

1. Claimant: California State Automobile Association
  2. Claimant: USAA Casualty Insurance Company
  3. Claimant: AMCO Insurance Company
  4. Claimant: Barbara Dyer
  5. Claimant: William Hartley
  6. Claimant: Jamal Kamli
  7. Claimant: Keith Howard
- Claims Against: City of Santa Cruz

Claims 1-3 were authorized for settlement. Claims 4-7 were not discussed. Mayor Rotkin noted for the record that claim 7. was denied both on its merit and because it was late.

B. Conference With Legal Counsel - Anticipated Litigation (Government Code §54956.9).

Initiation of Litigation by City (Government Code §54956.9(c)).

1 case was discussed. Council took no reportable action.

C. Appointment of City Employee (Government Code Section 54957)

Appointment of City Clerk.

Council discussed the appointment of the City Clerk, but took no reportable action.

19. Council Memberships in City Groups and Outside Agencies.

The Presiding Officer provided Councilmembers with the opportunity to update Council and the public regarding City Groups and Outside Agencies.

**At 4:58 p.m. the City Council and Redevelopment Agency recessed to the 7:00 p.m. session.**

CITY OF SANTA CRUZ  
809 Center Street  
Santa Cruz, California 95060

**MINUTES OF A JOINT CITY COUNCIL/  
REDEVELOPMENT AGENCY MEETING**

November 23, 2010

**7:00 P.M. SESSION**

Mayor/Chair Rotkin called the meeting to order at 7:05 p.m. in Council Chambers.

**Roll Call**

Present: Councilmembers/Members Lane, Mathews, Beiers, Madrigal, Robinson; Vice Mayor/Vice Chair Coonerty; Mayor/Chair Rotkin.

Absent: None.

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Staff: City Manager M. Bernal, Assistant City Manager T. Shull, Deputy City Attorney C. Cassman, Acting Director of Planning and Community Development A. Khoury, City Clerk L. Brewer, Deputy City Clerk T. Graves.

**Joint City Council/Redevelopment Agency Oral Communications**

Norma Jean Tasker spoke about The Carnation Café at Loudon Nelson Center.

Nereida Robles spoke in support of Councilmember Madrigal.

Victor Bonderos spoke in support of Councilmember Madrigal.

Marvel Armijo spoke in favor of Councilmember Madrigal.

Joan Laskin thanked the Council for sponsoring Festival de Nopales, and spoke in support of Councilmember Madrigal.

Tomas Alejo spoke in support of Councilmember Madrigal.

REDEVELOPMENT AGENCY MEETING  
 NOVEMBER 23, 2009  
 7:00 P.M. SESSION

**Joint City Council/Redevelopment Agency Oral Communications  
 (continued)**

Celia Montesino spoke in support of Councilmember Madrigal.

Alex spoke in support of Councilmember Madrigal.

Barbara Hayes spoke in support of Councilmember Madrigal.

Annaliese Cube spoke about Jingle Bell Rock at 8:00 a.m. on December 12, 2010, and encouraged all residents to attend.

Jessica Roja spoke in support of Councilmember Madrigal.

Santito Gomes spoke in support of Councilmember Madrigal.

**General Business**

20. Residential Rental Inspection and Maintenance Ordinance Checklists.  
 (PL)

Assistant Director of Planning and Community Development A. Khoury presented an oral report and responded to Council's questions.

**SPEAKING FROM THE FLOOR IN OPPOSITION AND/OR  
 EXPRESSING CONCERNS:**

Harold Griffith  
 Candace Bradfield  
 Nick Volaich  
 Claire Sanders  
 Michelle Nicely  
 An unidentified woman  
 Elia Volaich  
 Anthony Silveira

**SPEAKING FROM THE FLOOR IN SUPPORT AND/OR EXPRESSING  
 CONCERNS:**

Josh Howard  
 Gretchen Regenhardt

REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2009  
7:00 P.M. SESSION

**General Business (continued)**

20. Residential Rental Inspection and Maintenance Ordinance Checklists.  
(PL) (continued)

Action

Vice Mayor Coonerty moved, seconded by Councilmember Robinson, to adopt Resolution No. NS-28,300 adopting the Residential Rental Inspection and Maintenance Ordinance checklists. The motion passed by the following vote:

AYES: Councilmembers Mathews, Lane, Robinson, Beiers;  
Vice Mayor Coonerty; Mayor Rotkin.  
NOES: Councilmember Madrigal.  
ABSENT: None.  
DISQUALIFIED: None.

Note: Council recessed at 8:39 p.m. and reconvened at 8:50 p.m.

Note: Written material was provided prior to the meeting for item 21.

21. Community Programs Committee -- Affirmation of Social Services Strategic Allocation Funding Framework and Funding Principles. (CN)

SPEAKING FROM THE FLOOR WITH CONCERNS:

Taylor Bancroft	Katherine Johnson
Tom Helman	Karen Delaney
Robin Haas	Clay Kempf
Kathy Huntly	Carolyn Coleman
Bob Rey	Harvey
Gloris Ploss	

Action

Vice Mayor Coonerty moved, seconded by Councilmember Robinson, to endorse the allocation methodology, funding principles, funding parameters and funding cycle and process recommended by the City Council Community Programs Committee. The motion carried unanimously.

REDEVELOPMENT AGENCY MEETING  
 NOVEMBER 23, 2009  
 7:00 P.M. SESSION

**General Business (continued)**

21. Community Programs Committee -- Affirmation of Social Services Strategic Allocation Funding Framework and Funding Principles. (CN)  
 (continued)

Action

Councilmember Beiers moved, seconded by Councilmember Madrigal, to change the title of Funding Principle 6 from "Make a Systemic and Long-Term Difference" to "Make a Measurable Difference." The motion carried by the following vote:

AYES: Councilmembers Lane, Mathews, Beiers, Robinson;  
 Vice Mayor Coonerty.  
 NOES: Mayor Rotkin.  
 ABSENT: None.  
 DISQUALIFIED: None.

Action

Councilmember Lane moved, seconded by Mayor Rotkin, to replace the 5% set-aside funding methodology recommendation with "The Council adopts the principle that Community Programs will have administrative costs and that staff will propose these costs at budget time, with the understanding that costs should be minimum in the first year and then be ongoing. The motion carried by the following vote:

AYES: Councilmembers Lane, Beiers, Madrigal, Robinson;  
 Vice Mayor Coonerty.  
 NOES: Councilmember Mathews; Mayor Rotkin.  
 ABSENT: None.  
 DISQUALIFIED: None.

Action

Councilmember Lane moved, seconded by Councilmember Madrigal, to change the grant minimum to \$5,000 with no reference to indexing a percentage to the Community Programs General Fund budget." The motion carried by the following vote:

AYES: Councilmembers Lane, Beiers, Madrigal, Robinson;  
 Vice Mayor Coonerty, Mayor Rotkin.  
 NOES: Councilmember Mathews.  
 ABSENT: None.  
 DISQUALIFIED: None.

REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2009  
7:00 P.M. SESSION

**General Business (continued)**

21. Community Programs Committee -- Affirmation of Social Services Strategic Allocation Funding Framework and Funding Principles. (CN)  
(continued)

Action By consensus, the Council directed the Committee to explore oversampling of the City of Santa Cruz for future Community Assessment Project surveys.

Action By consensus, the Council adopted the following Funding Principles:

1. Align with the Strategic Framework by funding only programs that directly address at least one of the Highlighted Results in the Strategic Framework. Programs addressing more than one Highlighted Result will be encouraged.
2. Leverage Resources by applying City funds to match Federal, State and private funds, and by broadening the range of funding sources.
3. Move Toward Service Collaboration by funding programs that reduce fragmentation and promote effectiveness of existing services through collaboration and coordination, making services more accessible and comprehensive.
4. Promote Inclusion by funding programs and activities that are responsive to, and reflective of, the needs of our diverse community.

**Adjournment** — At 11:58 p.m., the Redevelopment Agency adjourned from the regularly scheduled meeting of November 23, 2010 to the next regularly scheduled meeting on December 14, 2010, for a closed litigation session at 1:30 p.m., in the Courtyard Conference Room, followed by open sessions at the approximate hours of 3:00 p.m. and 7:00 p.m. in Council Chambers.

REDEVELOPMENT AGENCY MEETING  
NOVEMBER 23, 2009  
7:00 P.M. SESSION

**Adjournment** — At 11:58 p.m., the City Council adjourned from the regularly scheduled meeting of November 23, 2010, to the next regularly scheduled meeting on December 14, 2010, for a closed litigation session at 1:30 p.m., in the Courtyard Conference Room, followed by open sessions at the approximate hours of 3:00 p.m. and 7:00 p.m. in Council Chambers.

Approved

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Michael Rotkin  
Chair

Attest

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Bonnie Lipscomb  
Executive Director



**MINUTES ARE UNOFFICIAL UNTIL APPROVED BY COUNCIL**

CITY OF SANTA CRUZ  
809 Center Street  
Santa Cruz, California 95060

**MINUTES OF A REGULAR JOINT CITY COUNCIL/  
REDEVELOPMENT AGENCY MEETING**

JANUARY 25, 2011

**Closed Litigation Session**

**2:15 PM**

At 2:23 p.m., the Presiding Officer opened the Closed Litigation session in a public meeting in the Courtyard Conference Room, for the purpose of announcing the agenda and considering public testimony.

**SPEAKING FROM THE FLOOR EXPRESSING CONCERNS:**

Dan Vega  
Mike Tomasi

Council closed the session to the public at 2:26 p.m. All Councilmembers were present. (See page 1374 for a report on Closed Session.)

**3:00 P.M. SESSION**

Mayor/Chair Coonerty called the meeting to order at 3:02 p.m. in the Council Chambers.

**Roll Call**

Present: Councilmembers/Members Robinson (arrived at 3:05 p.m.), Beiers, Madrigal (arrived at 3:04 p.m.), Terrazas, Bryant; Vice Mayor/Vice Chair Lane; Mayor/Chair Coonerty.

Absent: None.

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Staff: City Manager M. Bernal, Assistant City Manager T. Shull, Director of Finance J. Dilles, Chief of Fire R. Oliver, Director of Human Resources L. Sullivan, Director of Parks and Recreation D. Shoemaker, Director of Planning and Community Development J. Rebagliati, Director of Public Works M. Dettle, Interim City Clerk T. Graves, Records Coordinator N. Patiño.

**Pledge of Allegiance**

**Presiding Officer's Announcements**

**Statements of Disqualification** – Councilmembers Terrazas and Bryant abstained from voting on Items 1 and 2.

**Additions and Deletions** – None.

**Consent Agenda**

Items 1 and 2 were removed from the Consent Agenda.

Action

Councilmember/Member Terrazas moved, seconded by Councilmember/Member Madrigal, to approve the remaining items of the Consent Agenda. The motion carried unanimously.

1. Minutes of the November 23, 2010 Regular City Council Meeting. (CC)

Councilmembers Terrazas and Bryant abstained from acting on this item because they were not sworn into office at the time.

Councilmember Lane moved, seconded by Councilmember Beiers, to continue this item to the meeting of February 8, 2011. The motion passed by the following vote:

AYES: Councilmembers Robinson, Beiers, Madrigal;  
Vice Mayor Lane; Mayor Coonerty.

NOES: None.

ABSENT: None.

ABSTAIN: Councilmembers Terrazas, Bryant.

**Consent Agenda (continued)**

Action

2. Minutes of the November 23, 2010 Regular Redevelopment Agency Meeting. (CC)

Members Terrazas and Bryant abstained from acting on this item because they were not sworn into office at the time.

Vice Chair Lane moved, seconded by Member Beiers, to continue this item to the meeting of February 8, 2011. The motion passed by the following vote:

AYES: Members Robinson, Beiers, Madrigal; Vice Chair Lane;  
Chair Coonerty.

NOES: None.

ABSENT: None.

ABSTAIN: Members Terrazas, Bryant.

3. Minutes of the January 11, 2011 Regular City Council Meeting. (CC)

Motion carried to approve as submitted.

4. Minutes of the January 11, 2011 Regular Redevelopment Agency Meeting. (CC)

Motion carried to approve as submitted.

5. 17-D Municipal Wharf - Municipal Wharf Lease Agreement with Marshall and Kathryn Miller. (ED)

Motion carried to authorize and direct the City Manager to execute a Municipal Wharf Lease Agreement and any amendments thereto of a non-substantive nature, in a form acceptable to the City Attorney, with Marshall and Kathryn Miller for the operation of a retail clothing and gift store at 17-D Municipal Wharf.

**Consent Agenda (continued)**

6. 200 West Cliff Dr. #26 - Change in Inclusionary Housing Unit Status. (ED)

Motion carried to authorize and direct the City Manager to execute documents in a form approved by the City Attorney to change the occupancy status of an existing inclusionary unit from owner-occupied to a unit available for rent to very low-, low-income, or Section 8 households for a limited period of time as set forth below.

7. Resolution Establishing the Security Deposit Interest Rate for Residential Rental Property. (ED)

Resolution No. NS-28,318 was adopted establishing the interest rate for residential security deposits at 0.06% and rescinding Resolution No. NS-28,157.

8. Highway 1/9 Intersection Improvements - Time Extension for Cooperative Agreement with Caltrans for Design of Highway 1/9 Intersection Improvements. (ED)

Motion carried to authorize the Redevelopment Agency Executive Director to sign an amendment extending the term of the Cooperative Agreement with Caltrans for the design of the Highway 1/9 Intersection Improvements, including an updated map.

9. Liability Claims Filed Against City of Santa Cruz. (HR)

Motion carried to reject liability claim: a) Dan Barney Vega; and to deny late claim: b) Cynthia Bentley; based on staff investigation.

10. Water Street Sewer Project (c4000914) – Notice of Completion. (PW)

Motion carried to accept the work of Pacific Underground Construction Inc., San Jose, CA as completed per the plans and specifications, and authorize the filing of the Notice of Completion for the Water Street Sewer Project (c4000914).

**Consent Agenda (continued)**

11. Utility Easement for the Pacific Avenue and Center Street Roundabout Improvement Project (c401012), APN No. 004-311-01, Federal Project No. ESPLE-5025(050). (PW)

Resolution No. NS-28,319 was adopted authorizing and directing the City Manager to execute any and all documents, in a form approved by the City Attorney, granting the Pacific Bell Telephone Company (dba AT&T West, of Watsonville, CA) an easement for a utility pole and guy wire on the said City-owned parcel on the 100 Block of West Cliff Drive.

12. Water Supply Project – Sole Source Hydraulic Modeling Services - Award of Contract. (WT)

Motion carried to authorize the City Manager to execute a sole source agreement with Akel Engineering Group, Inc. (Fresno, CA) in the amount of \$118,370 for the evaluation of water supply delivery alternatives to Soquel Creek Water District for the proposed scwd2 Regional Seawater (SWRO) Desalination Project.

**End Consent Agenda**

**General Business**

13. Jack O'Neill's "Surf Shop" – Application for California Point of Historical Interest. (CN)

This item was considered out of agenda order.

Action

Councilmember Terrazas moved, seconded by Vice Mayor Lane, to direct and authorize staff to facilitate, with involvement of community partners and the Historic Preservation Commission, the review, investigation and completion of an application supporting the designation of the former Beach Street site of Jack O'Neill's "Surf Shop" as a California Point of Historical Interest, and, to recognize Jack O'Neill for his innumerable contributions to the culture, economic vitality and environmental stewardship of the City of Santa Cruz and the Monterey Bay Marine Sanctuary. The motion carried unanimously.

14. Resolution Opposing the Governor's Budget Proposal to Abolish California Redevelopment Agencies. (ED)

Director of Economic Development and Redevelopment  
B. Lipscomb presented an oral report and responded to Council's questions.

SPEAKING FROM THE FLOOR EXPRESSING SUPPORT:

Paul Brindel  
Bill Tysseling  
Lisa Utall  
Chris Miller  
Teresa Tomei  
Steve Sheldon  
Chip

Jeremy Neuner  
Nirvikar Singh  
Colin Mark Griffin  
Peggy Dolgenos  
Deborah Elston  
William Ow

SPEAKING FROM THE FLOOR EXPRESSING OPPOSITION:

Brad Snyder  
Mike Tomasi

**General Business (continued)**

14. Resolution Opposing the Governor's Budget Proposal to Abolish California Redevelopment Agencies. (ED) (continued)

Action

Vice Mayor Lane moved, seconded by Councilmember Terrazas, to adopt Resolution No. NS-28,320 opposing Governor Brown's budget proposal to abolish California Redevelopment Agencies, and to include local examples in a cover letter to the Governor. The motion carried unanimously.

15. Arts Commission Appointments and/or Reappointment—(One Possible Reappointment, with a Term Expiration of 1/1/15 and Three Vacancies, One with a Term Expiration of 1/14 and Two with Term Expirations of 1/1/15) (CC)

Councilmember Robinson nominated Christine Currie.

Councilmember Terrazas nominated Patrick Haywood, Trink Praxel, and Nina Simon for appointment, and Lorri Kershner for reappointment.

Voting for Christine Currie: Councilmember Robinson.

Voting for Patrick Haywood: Councilmembers Robinson, Beiers, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Voting for Lorri Kershner: Councilmembers Robinson, Beiers, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Voting for Trink Praxel: Councilmembers Robinson, Beiers, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Voting for Nina Simon: Councilmembers Beiers, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Councilmember Madrigal temporarily left the meeting and did not vote.

Action

Lorri Kershner was reappointed to a term ending 1/1/15. Patrick Haywood and Trink Praxel were appointed to terms ending 1/1/15. Nina Simon was appointed to a term ending 1/1/14.

**General Business (continued)**

16. Board of Building and Fire Appeals Appointments (Six Possible Reappointments, with Term Expirations of 1/1/15) (CC)

Vice Mayor Lane nominated for reappointment Foster Andersen, William Bagnall, Gary Fusari, Thomas Kern, Joseph Quigg, and Patrick Splitt.

Action

Foster Andersen, William Bagnall, Gary Fusari, Thomas Kern, Joseph Quigg, and Patrick Splitt were reappointed by unanimous vote.

17. Commission for the Prevention of Violence Against Women Appointments – (Three Vacancies and/or Possible Reappointments, Councilmember Robinson's, Terrazas', and Bryant's Nominations, All with Term Expirations of 1/1/15) (CC)

Councilmember Bryant nominated Patricia Ann Christie for reappointment.

Councilmember Robinson nominated Maria L. Leon for reappointment.

Councilmember Terrazas nominated Kathryn Tobisch for reappointment.

Action

Patricia Ann Christie, Maria L. Leon and Kathryn Tobisch were reappointed by unanimous vote.

18. Downtown Commission Appointments (One Possible Reappointment and One Vacancy, Both with Term Expirations of 1/1/15) (CC)

Councilmember Terrazas nominated Karl Rice for appointment, and June Hoffman for reappointment.

Councilmember Beiers nominated David Stearns for appointment.

Voting for Carl Rice: Councilmembers Robinson, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Voting for David Stearns: Councilmembers Beiers, Madrigal.

Voting for June Hoffman: Councilmembers Robinson, Beiers, Madrigal, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Action

Karl Rice was appointed, and June Hoffman was reappointed.



**General Business (continued)**

19. Equal Employment Opportunity Committee Appointment (One Vacancy, with a Term Expiration of 6/30/13) (CC)

Councilmember Robinson nominated Hollis Walton for appointment.

Action

Hollis Walton was appointed by unanimous vote.

20. Historic Preservation Commission Appointment (One Possible Reappointment, with a Term Expiration of 1/1/15) (CC)

Councilmember Beiers nominated Judith Steen for reappointment.

Action

Judith Steen was reappointed by unanimous vote.

**General Business (continued)**

21. Parks and Recreation Commission Appointments (One Possible Reappointment, and Two Vacancies, One with a Term Expiration of 1/1/15 and One with a Term Expiration of 1/1/13) (CC)

Councilmember Bryant nominated Lars Shallberg and Brian Smith for appointment, and Richard Andrews for reappointment.

Councilmember Terrazas nominated Debra Feldstein and Maria Gaura for appointment.

Voting for Richard Andrews: Councilmembers Robinson, Beiers, Madrigal, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Voting for Debra Feldstein: Councilmembers Beiers, Madrigal, Terrazas; Vice Mayor Lane.

Voting for Maria Gaura: Councilmembers Robinson, Beiers, Madrigal, Terrazas; Mayor Coonerty.

Voting for Lars Shallberg: Councilmember Bryant; Vice Mayor Lane.

Voting for Brian Smith: Councilmembers Robinson, Bryant; Vice Mayor Lane; Mayor Coonerty.

After a tie between Debra Feldstein and Brian Smith:

Voting for Brian Smith: Councilmembers Robinson, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Action

Maria Gaura was appointed to a term expiring 1/1/15, and Brian Smith was appointed to a term expiring 1/1/13. Richard Andrews was reappointed.

**General Business (continued)**

22. Planning Commission Appointments (One Possible Reappointment and One Vacancy, Both with Term Expiration of 1/1/15) (CC)

Vice Mayor Lane nominated Tim Goncharoff for appointment.

Councilmember Robinson nominated Pete Kennedy for appointment, and Judy Warner for reappointment.

Councilmember Beiers nominated Ron Pomerantz for appointment.

Voting for Tim Goncharoff: Vice Mayor Lane.

Voting for Pete Kennedy: Councilmembers Robinson, Terrazas, Bryant; Mayor Coonerty.

Voting for Ron Pomerantz: Councilmembers Beiers, Madrigal.

Voting for Judy Warner: Councilmembers Robinson, Beiers, Madrigal, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Action

Pete Kennedy was appointed, and Judy Warner was reappointed.

23. Sister Cities Committee Appointments (One Possible Reappointment, with a Term Expiration of 1/1/15, and Three Vacancies, Two with Term Expirations of 1/1/15, and One with a Term Expiration of 1/1/13) (CC)

Councilmember Beiers nominated Enda Brennan and Nancy Eidam for appointment, and Raisa Kikteva for reappointment.

Councilmember Madrigal nominated Ofelia Gomez for appointment.

Voting for Enda Brennan: Councilmembers Robinson, Beiers, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Voting for Nancy Eidam: Councilmembers Robinson, Beiers, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Voting for Ofelia Gomez: Councilmembers Beiers, Madrigal.

Voting for Raisa Kikteva: Councilmembers Robinson, Beiers, Madrigal, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Action

Enda Brennan and Nancy Eidam were appointed to terms ending 1/1/15, and Raisa Kikteva was reappointed.

**General Business (continued)**

24. Transportation and Public Works Commission Appointment (One Possible Reappointment, with a Term Expiration of 1/1/15) (CC)

Councilmember Robinson nominated Kris Reyes for appointment.

Councilmember Beiers nominated Reed Searle for appointment.

Councilmember Terrazas nominated Tim Sylvester for appointment.

Voting for Kris Reyes: Councilmembers Robinson, Bryant; Mayor Coonerty.

Voting for Reed Searle: Councilmembers Beiers; Vice Mayor Lane.

Voting for Tim Sylvester: Councilmembers Terrazas, Madrigal.

No individual received a majority of the votes, and Councilmember Terrazas changed his vote for Kris Reyes.

Action

Kris Reyes was appointed.

25. Water Commission Appointment (One Opening, with a Term Expiration of 1/1/15) (CC)

Councilmember Beiers nominated Andrew Schiffrin.

Vice Mayor Lane nominated Anne M. Turner.

Voting for Andrew Schiffrin: Councilmembers Robinson, Beiers, Terrazas, Bryant; Mayor Coonerty.

Voting for Anne M. Turner: Councilmember Madrigal; Vice Mayor Lane.

Action

Andrew Schiffrin was appointed.

**General Business (continued)**

26. Council Meeting Calendar.

The City Council reviewed the meeting calendar attached to the agenda and revised as necessary. For the Study Session of February 1, 2011, the Closed Session will begin at 6:00 p.m. The Council retreat is set for February 25, 2011 and Capital Improvement Program Hearings (CIP) will occur on April 5, 2011 at 7:00 p.m.

27. City Attorney Oral Report on Closed Session.

A. Conference with Legal Counsel – Liability Claims (Government Code §54956.95).

1. Claimant: Dan Barney Vega
2. Claimant: Cynthia Bentley

Claims Against: City of Santa Cruz.  
Claim 1 was discussed. Claim 2 was not discussed.

B. Conference With Legal Counsel - Existing Litigation (Government Code §54956.9).

1. Community Water Coalition v. City of Santa Cruz, et al.  
Santa Cruz County Superior Court Case No.: CV167407
2. Habitat and Watershed Caretakers v. City of Santa Cruz, et al.  
Santa Cruz County Superior Court Case No.: CV168697

These items were not discussed.

**General Business (continued)**

28. Council Memberships in City Groups and Outside Agencies.

The Presiding Officer provided Councilmembers with the opportunity to update Council and the public regarding City Groups and Outside Agencies.

Vice Mayor Lane clarified that as a member of LAFCO he represents all the cities in Santa Cruz County and not just the City of Santa Cruz. Additionally, Vice Mayor Lane updated Councilmembers on his attendance at meetings addressing gang prevention and youth violence prevention activities.

Councilmember Robinson made reference to the Open House for the Conference and Visitors Council, which was well-attended. Additionally, as board representative of the Farmer's Market she encouraged the public to attend and support local farmers.

Mayor Coonerty invited the public to attend the Gail Rich Awards on January 26, 2011 at 7:00 p.m. at the Rio Theater. Mayor Coonerty also encouraged the public to attend the What's Next Lecture Series on January 29, 2011, and the Martin Luther King Convocation on January 31, 2011. Mayor Coonerty also spoke regarding his attendance, along with Councilmember Bryant, at a meeting with the City Schools District encouraging safety and saving money by sharing services. Lastly, Mayor Coonerty spoke about his attendance to the U.S. Conference of Mayors in Washington D.C.

Councilmember Madrigal updated Councilmembers on the activities of the Latino/a Elected Officials Conference, and said the next meeting is scheduled for February 5, 2011 in Greenfield.

### **Public Hearing**

29. Final Adoption - Ordinance No. 2011-01 - Amending Sections 10.52.210, 10.52.220, 10.52.230, 10.52.240, 10.52.310, 10.52.320, 10.52.410, 10.52.420 and Establishing Sections 10.52.215, 10.52.315, and 10.52.425 of the Santa Cruz Municipal Code Regarding the Setting of Parking Meter Rates. (PW)

Mayor Coonerty opened the public hearing at 4:55 p.m.

Director of Public Works M. Dettle presented an oral report and responded to Council's questions.

SPEAKING FROM THE FLOOR EXPRESSING OPPOSTION AND/OR EXPRESSING CONCERNS:

Mike Tomasi

Mayor Coonerty closed the public hearing at 5:01 p.m.

### Action

Vice Mayor Lane moved, seconded by Councilmember Madrigal, to pass Ordinance No. 2011-01 for final adoption. The motion carried unanimously.

**At 5:03 p.m. the Joint City Council/Redevelopment Agency recessed to the 5:30 p.m. session.**

## **JOINT CITY COUNCIL/REDEVELOPMENT AGENCY MEETING**

### **5:30 PM SESSION**

Mayor/Chair Coonerty reconvened the meeting at 5:32 p.m. in the Council Chambers.

#### **Roll Call**

Present: Councilmembers/Members Robinson, Beiers, Madrigal, Terrazas, Bryant, Mayor/Chair Coonerty.

Absent: Vice Mayor/Vice Chair Lane.

#### **Joint City Council/Redevelopment Agency Oral Communications**

Mike Tomasi encouraged Council to honor veterans.

**Recess** - At 5:36 p.m., the City Council recessed to the 7:00 p.m. session.

**Adjournment** — At 5:36 p.m., the Redevelopment Agency adjourned from the regularly scheduled meeting of January 25, 2011 to the next regularly scheduled meeting on February 8, 2011, for a closed litigation session at 1:30 p.m., in the Courtyard Conference Room, followed by open sessions at the approximate hours of 3:00 p.m., 5:30 p.m. and 7:00 p.m. in Council Chambers.



## CITY COUNCIL MEETING

### 7:00 PM SESSION

Mayor Coonerty called the meeting to order at 7:03 p.m. in Council Chambers.

#### Roll Call

Present: Councilmembers Robinson, Beiers, Madrigal, Terrazas, Bryant;  
Mayor Coonerty.

Absent: Vice Mayor Lane.

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Staff: City Manager M. Bernal, City Attorney J. Barisone, Director of  
Economic Development and Redevelopment B. Lipscomb,  
Chief of Police K. Vogel, Interim City Clerk T. Graves, Records  
Coordinator N. Patiño.

**Presentation** - Natural History Museum - Patty Quillen and Dan Harder.

#### General Business

30. Guiding Principles for Labor Negotiations. (HR)

Director of Human Resources L. Sullivan presented an oral report and responded to Council's questions.

SPEAKING FROM THE FLOOR EXPRESSING OPPOSITION:

Mike Connor  
Doris Henry, SEIU  
Anna Brooks  
Jim Heaney  
John Gilbert, SEIU  
Nancy Elliot  
Peter Petoe

SPEAKING FROM THE FLOOR EXPRESSING SUPPORT:

Brad Snyder

**General Business (continued)**

30. Guiding Principles for Labor Negotiations. (HR) (continued)

Action

Vice Mayor Lane moved, seconded by Councilmember Beiers, to reaffirm the Principles on Budget Challenges Related to Pension Costs, with the deletion of the fourth bullet, which reads: "Current City retirement benefits exceed what most private sector employees receive and therefore are higher than necessary to attract employees."

Action

Councilmember Madrigal moved, seconded by Councilmember Beiers, to amend the main motion to remove the sentence in the third bullet in the Principles on Budget Challenges Related to Pension Costs, which reads: "...diverting significant resources away from direct services to the community." The motion carried unanimously.

Councilmember Madrigal moved, seconded by Councilmember Beiers, to amend the main motion to remove the sentence in the third bullet in the Principles on Budget Challenges Related to Pension Costs, which reads: "Current trends show that retirement costs are rising well beyond our ability to fund them and diverting significant resources away from direct services to the community." The motion FAILED by the following vote:

AYES:	Councilmembers Beiers, Madrigal.
NOES:	Councilmembers Robinson, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.
ABSENT:	None.
DISQUALIFIED:	None.

Councilmember Madrigal moved to amend the main motion to remove the sentence in the sixth bullet in the Principles on Budget Challenges Related to Pension Costs, which reads, "The City's effort will include pursuit of both an increase in employee contributions to the Public Employees Retirement System (PERS) and a new tier of retirement benefits for newly hired employees."

The motion failed for lack of a second.

**General Business (continued)**

30. Guiding Principles for Labor Negotiations. (HR) (continued)

Action

Vice Mayor Lane moved, seconded by Councilmember Bryant, to amend the main motion to remove the portion of the sentence "...diverting significant resources away from direct services to the community" and to add, "...compete with other services in the community." to the third bullet in the Principles on Budget Challenges Related to Pension Costs. The motion carried by the following vote:

AYES: Councilmembers Robinson, Beiers, Terrazas,  
Bryant; Vice Mayor Lane; Mayor Coonerty.  
NOES: Councilmember Madrigal.  
ABSENT: None.  
DISQUALIFIED: None.

Action

The main motion, as amended, carried unanimously.

Action

Vice Mayor Lane moved, seconded by Councilmember Robinson, to approve the Ground Rules Guidelines for Labor Negotiations, amended as follows:

To remove the sentence in Rule #2 in the Guidelines for Labor Negotiations, which reads: "The best strategy is to limit meetings and discussions to topics not related to labor negotiations" and change the next sentence, which reads: "If bargaining unit representatives introduce topics related to negotiations, Councilmembers will listen but not respond to or ask questions about the negotiations topic" to "If bargaining unit representatives introduce topics related to negotiations, Councilmembers will listen but not negotiate." The motion carried unanimously.

Councilmember Madrigal moved, seconded by Councilmember Beiers, to amend the main motion to remove Rule #5 from the Ground Rules Guidelines for Labor Negotiations. The motion FAILED by the following vote:

AYES: Councilmembers Beiers, Madrigal.  
NOES: Councilmembers Robinson, Terrazas,  
Bryant; Vice Mayor Lane; Mayor Coonerty.  
ABSENT: None.  
DISQUALIFIED: None.

**General Business (continued)**

30. Guiding Principles for Labor Negotiations. (HR) (continued)

Councilmember Madrigal moved to amend the main motion to remove to remove the sentence in Rule #2 of the Ground Rules Guidelines for Labor Negotiations, which reads: "If bargaining unit representatives introduce topics related to negotiations, Councilmembers will not negotiate. Direct dealing with bargaining unit employees could expose the City to a violation of the Meyers-Milias-Brown Act (MMBA) and an unfair labor practice charge with the Public Employment Relation Board (PERB)."

The motion FAILED for lack of a second.

Action

Vice Mayor Lane moved, seconded by Councilmember Robinson, to amend the main motion to change Ground Rules Guidelines for Labor Negotiations to Guidelines fro Labor Negotiations and change Rule #5 to read, "It is recommended that Councilmembers meet in pairs with bargaining unit representatives" and change Rule #3 to read, "Each closed session on negotiations will include a standing item to provide Councilmembers the opportunity to report the content of meetings and communications from bargaining units." The motion carried by the following vote:

AYES:	Councilmembers Robinson, Beiers, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.
NOES:	Councilmember Madrigal.
ABSENT:	None.
DISQUALIFIED:	None

Action

The main motion, as amended, carried unanimously.

Action

Councilmember Beiers moved, seconded by Councilmember Terrazas, to adopt the Principles for Labor Negotiations. The motion carried unanimously.

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JOINT CITY COUNCIL/  
REDEVELOPMENT AGENCY MEETING  
JANUARY 25, 2011  
7:00 P.M. SESSION

**Adjournment** — At 8:29 p.m. the City Council adjourned from the regularly scheduled meeting of January 25, 2011, to a Special Study Session on February 1, 2011, for a closed litigation session at 6:00 p.m. in the Courtyard Conference Room, followed by an open session at the approximate hour of 7:00 p.m. in Council Chambers.

Respectfully submitted

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Nydia Patiño  
Records Coordinator

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Tom Graves  
Interim City Clerk

Approved

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Ryan Coonerty  
Mayor

**MINUTES ARE UNOFFICIAL UNTIL APPROVED BY COUNCIL**

CITY OF SANTA CRUZ  
809 Center Street  
Santa Cruz, California 95060

**MINUTES OF A REGULAR REDEVELOPMENT AGENCY MEETING**

JANUARY 25, 2011

**3:00 P.M. SESSION**

Mayor/Chair Coonerty called the meeting to order at 3:02 p.m. in the Council Chambers.

**Roll Call**

Present: Councilmembers/Members Robinson (arrived at 3:05 p.m.), Beiers, Madrigal (arrived at 3:04 p.m.), Terrazas, Bryant; Vice Mayor/Vice Chair Lane; Mayor/Chair Coonerty.

Absent: None.

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Staff: City Manager M. Bernal, Assistant City Manager T. Shull, Director of Finance J. Dilles, Chief of Fire R. Oliver, Director of Human Resources L. Sullivan, Director of Parks and Recreation D. Shoemaker, Director of Planning and Community Development J. Rebagliati, Director of Public Works M. Dettle, Interim City Clerk T. Graves, Records Coordinator N. Patiño.

**Pledge of Allegiance**

**Presiding Officer's Announcements**

**Statements of Disqualification** – Councilmembers Terrazas and Bryant abstained from voting on Items 1 and 2.

**Additions and Deletions** – None.

REDEVELOPMENT AGENCY MEETING  
JANUARY 25, 2011  
3:00 P.M. SESSION

**Consent Agenda**

Items 1 and 2 were removed from the Consent Agenda.

Action

Councilmember/Member Terrazas moved, seconded by Councilmember/Member Madrigal, to approve the remaining items of the Consent Agenda. The motion carried unanimously.

1. Minutes of the November 23, 2010 Regular City Council Meeting. (CC)

Councilmembers Terrazas and Bryant abstained from acting on this item because they were not sworn into office at the time.

Councilmember Lane moved, seconded by Councilmember Beiers, to continue this item to the meeting of February 8, 2011. The motion passed by the following vote:

AYES: Councilmembers Robinson, Beiers, Madrigal;  
Vice Mayor Lane; Mayor Coonerty.  
NOES: None.  
ABSENT: None.  
ABSTAIN: Councilmembers Terrazas, Bryant.

REDEVELOPMENT AGENCY MEETING  
JANUARY 25, 2011  
3:00 P.M. SESSION

**Consent Agenda (continued)**

Action

2. Minutes of the November 23, 2010 Regular Redevelopment Agency Meeting. (CC)

Members Terrazas and Bryant abstained from acting on this item because they were not sworn into office at the time.

Vice Chair Lane moved, seconded by Member Beiers, to continue this item to the meeting of February 8, 2011. The motion passed by the following vote:

AYES: Members Robinson, Beiers, Madrigal; Vice Chair Lane;  
Chair Coonerty.

NOES: None.

ABSENT: None.

ABSTAIN: Members Terrazas, Bryant.

3. Minutes of the January 11, 2011 Regular City Council Meeting. (CC)

Motion carried to approve as submitted.

4. Minutes of the January 11, 2011 Regular Redevelopment Agency Meeting. (CC)

Motion carried to approve as submitted.

5. 17-D Municipal Wharf - Municipal Wharf Lease Agreement with Marshall and Kathryn Miller. (ED)

Motion carried to authorize and direct the City Manager to execute a Municipal Wharf Lease Agreement and any amendments thereto of a non-substantive nature, in a form acceptable to the City Attorney, with Marshall and Kathryn Miller for the operation of a retail clothing and gift store at 17-D Municipal Wharf.



REDEVELOPMENT AGENCY MEETING  
JANUARY 25, 2011  
3:00 P.M. SESSION

**Consent Agenda (continued)**

6. 200 West Cliff Dr. #26 - Change in Inclusionary Housing Unit Status. (ED)

Motion carried to authorize and direct the City Manager to execute documents in a form approved by the City Attorney to change the occupancy status of an existing inclusionary unit from owner-occupied to a unit available for rent to very low-, low-income, or Section 8 households for a limited period of time as set forth below.

7. Resolution Establishing the Security Deposit Interest Rate for Residential Rental Property. (ED)

Resolution No. NS-28,318 was adopted establishing the interest rate for residential security deposits at 0.06% and rescinding Resolution No. NS-28,157.

8. Highway 1/9 Intersection Improvements - Time Extension for Cooperative Agreement with Caltrans for Design of Highway 1/9 Intersection Improvements. (ED)

Motion carried to authorize the Redevelopment Agency Executive Director to sign an amendment extending the term of the Cooperative Agreement with Caltrans for the design of the Highway 1/9 Intersection Improvements, including an updated map.

9. Liability Claims Filed Against City of Santa Cruz. (HR)

Motion carried to reject liability claim: a) Dan Barney Vega; and to deny late claim: b) Cynthia Bentley; based on staff investigation.

10. Water Street Sewer Project (c4000914) – Notice of Completion. (PW)

Motion carried to accept the work of Pacific Underground Construction Inc., San Jose, CA as completed per the plans and specifications, and authorize the filing of the Notice of Completion for the Water Street Sewer Project (c4000914).

REDEVELOPMENT AGENCY MEETING  
JANUARY 25, 2011  
3:00 P.M. SESSION

**Consent Agenda (continued)**

11. Utility Easement for the Pacific Avenue and Center Street Roundabout Improvement Project (c401012), APN No. 004-311-01, Federal Project No. ESPLE-5025(050). (PW)

Resolution No. NS-28,319 was adopted authorizing and directing the City Manager to execute any and all documents, in a form approved by the City Attorney, granting the Pacific Bell Telephone Company (dba AT&T West, of Watsonville, CA) an easement for a utility pole and guy wire on the said City-owned parcel on the 100 Block of West Cliff Drive.

12. Water Supply Project – Sole Source Hydraulic Modeling Services - Award of Contract. (WT)

Motion carried to authorize the City Manager to execute a sole source agreement with Akel Engineering Group, Inc. (Fresno, CA) in the amount of \$118,370 for the evaluation of water supply delivery alternatives to Soquel Creek Water District for the proposed scwd2 Regional Seawater (SWRO) Desalination Project.

**End Consent Agenda**

REDEVELOPMENT AGENCY MEETING  
JANUARY 25, 2011  
3:00 P.M. SESSION

**General Business**

13. Jack O'Neill's "Surf Shop" – Application for California Point of Historical Interest. (CN)

This item was considered out of agenda order.

Action

Councilmember Terrazas moved, seconded by Vice Mayor Lane, to direct and authorize staff to facilitate, with involvement of community partners and the Historic Preservation Commission, the review, investigation and completion of an application supporting the designation of the former Beach Street site of Jack O'Neill's "Surf Shop" as a California Point of Historical Interest, and, to recognize Jack O'Neill for his innumerable contributions to the culture, economic vitality and environmental stewardship of the City of Santa Cruz and the Monterey Bay Marine Sanctuary. The motion carried unanimously.

14. Resolution Opposing the Governor's Budget Proposal to Abolish California Redevelopment Agencies. (ED)

Director of Economic Development and Redevelopment  
B. Lipscomb presented an oral report and responded to Council's questions.

SPEAKING FROM THE FLOOR EXPRESSING SUPPORT:

Paul Brindel  
Bill Tysseling  
Lisa Utall  
Chris Miller  
Teresa Tomei  
Steve Sheldon  
Chip

Jeremy Neuner  
Nirvikar Singh  
Colin Mark Griffin  
Peggy Dolgenos  
Deborah Elston  
William Ow

SPEAKING FROM THE FLOOR EXPRESSING OPPOSITION:

Brad Snyder  
Mike Tomasi

REDEVELOPMENT AGENCY MEETING  
 JANUARY 25, 2011  
 3:00 P.M. SESSION

**General Business (continued)**

14. Resolution Opposing the Governor's Budget Proposal to Abolish California Redevelopment Agencies. (ED) (continued)

Action

Vice Mayor Lane moved, seconded by Councilmember Terrazas, to adopt Resolution No. NS-28,320 opposing Governor Brown's budget proposal to abolish California Redevelopment Agencies, and to include local examples in a cover letter to the Governor. The motion carried unanimously.

15. Arts Commission Appointments and/or Reappointment—(One Possible Reappointment, with a Term Expiration of 1/1/15 and Three Vacancies, One with a Term Expiration of 1/14 and Two with Term Expirations of 1/1/15) (CC)

Councilmember Robinson nominated Christine Currie.

Councilmember Terrazas nominated Patrick Haywood, Trink Praxel, and Nina Simon for appointment, and Lorri Kershner for reappointment.

Voting for Christine Currie: Councilmember Robinson.

Voting for Patrick Haywood: Councilmembers Robinson, Beiers, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Voting for Lorri Kershner: Councilmembers Robinson, Beiers, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Voting for Trink Praxel: Councilmembers Robinson, Beiers, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Voting for Nina Simon: Councilmembers Beiers, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Councilmember Madrigal temporarily left the meeting and did not vote.

Action

Lorri Kershner was reappointed to a term ending 1/1/15. Patrick Haywood and Trink Praxel were appointed to terms ending 1/1/15. Nina Simon was appointed to a term ending 1/1/14.

REDEVELOPMENT AGENCY MEETING  
JANUARY 25, 2011  
3:00 P.M. SESSION

**General Business (continued)**

16. Board of Building and Fire Appeals Appointments (Six Possible Reappointments, with Term Expirations of 1/1/15) (CC)

Vice Mayor Lane nominated for reappointment Foster Andersen, William Bagnall, Gary Fusari, Thomas Kern, Joseph Quigg, and Patrick Splitt.

Action

Foster Andersen, William Bagnall, Gary Fusari, Thomas Kern, Joseph Quigg, and Patrick Splitt were reappointed by unanimous vote.

17. Commission for the Prevention of Violence Against Women Appointments – (Three Vacancies and/or Possible Reappointments, Councilmember Robinson's, Terrazas', and Bryant's Nominations, All with Term Expirations of 1/1/15) (CC)

Councilmember Bryant nominated Patricia Ann Christie for reappointment.

Councilmember Robinson nominated Maria L. Leon for reappointment.

Councilmember Terrazas nominated Kathryn Tobisch for reappointment.

Action

Patricia Ann Christie, Maria L. Leon and Kathryn Tobisch were reappointed by unanimous vote.

18. Downtown Commission Appointments (One Possible Reappointment and One Vacancy, Both with Term Expirations of 1/1/15) (CC)

Councilmember Terrazas nominated Karl Rice for appointment, and June Hoffman for reappointment.

Councilmember Beiers nominated David Stearns for appointment.

Voting for Carl Rice: Councilmembers Robinson, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Voting for David Stearns: Councilmembers Beiers, Madrigal.

Voting for June Hoffman: Councilmembers Robinson, Beiers, Madrigal, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Action

Karl Rice was appointed, and June Hoffman was reappointed.

REDEVELOPMENT AGENCY MEETING  
JANUARY 25, 2011  
3:00 P.M. SESSION

**General Business (continued)**

19. Equal Employment Opportunity Committee Appointment (One Vacancy, with a Term Expiration of 6/30/13) (CC)

Councilmember Robinson nominated Hollis Walton for appointment.

Action

Hollis Walton was appointed by unanimous vote.

20. Historic Preservation Commission Appointment (One Possible Reappointment, with a Term Expiration of 1/1/15) (CC)

Councilmember Beiers nominated Judith Steen for reappointment.

Action

Judith Steen was reappointed by unanimous vote.

REDEVELOPMENT AGENCY MEETING  
JANUARY 25, 2011  
3:00 P.M. SESSION

**General Business (continued)**

21. Parks and Recreation Commission Appointments (One Possible Reappointment, and Two Vacancies, One with a Term Expiration of 1/1/15 and One with a Term Expiration of 1/1/13) (CC)

Councilmember Bryant nominated Lars Shallberg and Brian Smith for appointment, and Richard Andrews for reappointment.

Councilmember Terrazas nominated Debra Feldstein and Maria Gaura for appointment.

Voting for Richard Andrews: Councilmembers Robinson, Beiers, Madrigal, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Voting for Debra Feldstein: Councilmembers Beiers, Madrigal, Terrazas; Vice Mayor Lane.

Voting for Maria Gaura: Councilmembers Robinson, Beiers, Madrigal, Terrazas; Mayor Coonerty.

Voting for Lars Shallberg: Councilmember Bryant; Vice Mayor Lane.

Voting for Brian Smith: Councilmembers Robinson, Bryant; Vice Mayor Lane; Mayor Coonerty.

After a tie between Debra Feldstein and Brian Smith:

Voting for Brian Smith: Councilmembers Robinson, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Action

Maria Gaura was appointed to a term expiring 1/1/15, and Brian Smith was appointed to a term expiring 1/1/13. Richard Andrews was reappointed.

REDEVELOPMENT AGENCY MEETING  
JANUARY 25, 2011  
3:00 P.M. SESSION

**General Business (continued)**

22. Planning Commission Appointments (One Possible Reappointment and One Vacancy, Both with Term Expiration of 1/1/15) (CC)

Vice Mayor Lane nominated Tim Goncharoff for appointment.

Councilmember Robinson nominated Pete Kennedy for appointment, and Judy Warner for reappointment.

Councilmember Beiers nominated Ron Pomerantz for appointment.

Voting for Tim Goncharoff: Vice Mayor Lane.

Voting for Pete Kennedy: Councilmembers Robinson, Terrazas, Bryant; Mayor Coonerty.

Voting for Ron Pomerantz: Councilmembers Beiers, Madrigal.

Voting for Judy Warner: Councilmembers Robinson, Beiers, Madrigal, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Action

Pete Kennedy was appointed, and Judy Warner was reappointed.

23. Sister Cities Committee Appointments (One Possible Reappointment, with a Term Expiration of 1/1/15, and Three Vacancies, Two with Term Expirations of 1/1/15, and One with a Term Expiration of 1/1/13) (CC)

Councilmember Beiers nominated Enda Brennan and Nancy Eidam for appointment, and Raisa Kikteva for reappointment.

Councilmember Madrigal nominated Ofelia Gomez for appointment.

Voting for Enda Brennan: Councilmembers Robinson, Beiers, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Voting for Nancy Eidam: Councilmembers Robinson, Beiers, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Voting for Ofelia Gomez: Councilmembers Beiers, Madrigal.

Voting for Raisa Kikteva: Councilmembers Robinson, Beiers, Madrigal, Terrazas, Bryant; Vice Mayor Lane; Mayor Coonerty.

Action

Enda Brennan and Nancy Eidam were appointed to terms ending 1/1/15, and Raisa Kikteva was reappointed.



REDEVELOPMENT AGENCY MEETING  
JANUARY 25, 2011  
3:00 P.M. SESSION

**General Business (continued)**

24. Transportation and Public Works Commission Appointment (One Possible Reappointment, with a Term Expiration of 1/1/15) (CC)

Councilmember Robinson nominated Kris Reyes for appointment.

Councilmember Beiers nominated Reed Searle for appointment.

Councilmember Terrazas nominated Tim Sylvester for appointment.

Voting for Kris Reyes: Councilmembers Robinson, Bryant; Mayor Coonerty.

Voting for Reed Searle: Councilmembers Beiers; Vice Mayor Lane.

Voting for Tim Sylvester: Councilmembers Terrazas, Madrigal.

No individual received a majority of the votes, and Councilmember Terrazas changed his vote for Kris Reyes.

Action

Kris Reyes was appointed.

25. Water Commission Appointment (One Opening, with a Term Expiration of 1/1/15) (CC)

Councilmember Beiers nominated Andrew Schiffrin.

Vice Mayor Lane nominated Anne M. Turner.

Voting for Andrew Schiffrin: Councilmembers Robinson, Beiers, Terrazas, Bryant; Mayor Coonerty.

Voting for Anne M. Turner: Councilmember Madrigal; Vice Mayor Lane.

Action

Andrew Schiffrin was appointed.

REDEVELOPMENT AGENCY MEETING  
JANUARY 25, 2011  
3:00 P.M. SESSION

**General Business (continued)**

26. Council Meeting Calendar.

The City Council reviewed the meeting calendar attached to the agenda and revised as necessary. For the Study Session of February 1, 2011, the Closed Session will begin at 6:00 p.m. The Council retreat is set for February 25, 2011 and Capital Improvement Program Hearings (CIP) will occur on April 5, 2011 at 7:00 p.m.

27. City Attorney Oral Report on Closed Session.

A. Conference with Legal Counsel – Liability Claims (Government Code §54956.95).

1. Claimant: Dan Barney Vega
2. Claimant: Cynthia Bentley

Claims Against: City of Santa Cruz.  
Claim 1 was discussed. Claim 2 was not discussed.

B. Conference With Legal Counsel - Existing Litigation (Government Code §54956.9).

1. Community Water Coalition v. City of Santa Cruz, et al.  
Santa Cruz County Superior Court Case No.: CV167407
2. Habitat and Watershed Caretakers v. City of Santa Cruz, et al.  
Santa Cruz County Superior Court Case No.: CV168697

These items were not discussed.

REDEVELOPMENT AGENCY MEETING  
JANUARY 25, 2011  
3:00 P.M. SESSION

**General Business (continued)**

28. Council Memberships in City Groups and Outside Agencies.

The Presiding Officer provided Councilmembers with the opportunity to update Council and the public regarding City Groups and Outside Agencies.

Vice Mayor Lane clarified that as a member of LAFCO he represents all the cities in Santa Cruz County and not just the City of Santa Cruz. Additionally, Vice Mayor Lane updated Councilmembers on his attendance at meetings addressing gang prevention and youth violence prevention activities.

Councilmember Robinson made reference to the Open House for the Conference and Visitors Council, which was well-attended. Additionally, as board representative of the Farmer's Market she encouraged the public to attend and support local farmers.

Mayor Coonerty invited the public to attend the Gail Rich Awards on January 26, 2011 at 7:00 p.m. at the Rio Theater. Mayor Coonerty also encouraged the public to attend the What's Next Lecture Series on January 29, 2011, and the Martin Luther King Convocation on January 31, 2011. Mayor Coonerty also spoke regarding his attendance, along with Councilmember Bryant, at a meeting with the City Schools District encouraging safety and saving money by sharing services. Lastly, Mayor Coonerty spoke about his attendance to the U.S. Conference of Mayors in Washington D.C.

Councilmember Madrigal updated Councilmembers on the activities of the Latino/a Elected Officials Conference, and said the next meeting is scheduled for February 5, 2011 in Greenfield.

REDEVELOPMENT AGENCY MEETING  
JANUARY 25, 2011  
3:00 P.M. SESSION

**Public Hearing**

29. Final Adoption - Ordinance No. 2011-01 - Amending Sections 10.52.210, 10.52.220, 10.52.230, 10.52.240, 10.52.310, 10.52.320, 10.52.410, 10.52.420 and Establishing Sections 10.52.215, 10.52.315, and 10.52.425 of the Santa Cruz Municipal Code Regarding the Setting of Parking Meter Rates. (PW)

Mayor Coonerty opened the public hearing at 4:55 p.m.

Director of Public Works M. Dettle presented an oral report and responded to Council's questions.

SPEAKING FROM THE FLOOR EXPRESSING OPPOSTION AND/OR EXPRESSING CONCERNS:

Mike Tomasi

Mayor Coonerty closed the public hearing at 5:01 p.m.

Action

Vice Mayor Lane moved, seconded by Councilmember Madrigal, to pass Ordinance No. 2011-01 for final adoption. The motion carried unanimously.

**At 5:03 p.m. the Joint City Council/Redevelopment Agency recessed to the 5:30 p.m. session.**

**JOINT CITY COUNCIL/REDEVELOPMENT AGENCY MEETING**

**5:30 PM SESSION**

Mayor/Chair Coonerty reconvened the meeting at 5:32 p.m. in the Council Chambers.

**Roll Call**

Present: Councilmembers/Members Robinson, Beiers, Madrigal, Terrazas, Bryant, Mayor/Chair Coonerty.

Absent: Vice Mayor/Vice Chair Lane.

**Joint City Council/Redevelopment Agency Oral Communications**

Mike Tomasi encouraged Council to honor veterans.

**Recess** - At 5:36 p.m., the City Council recessed to the 7:00 p.m. session.

**Adjournment** — At 5:36 p.m., the Redevelopment Agency adjourned from the regularly scheduled meeting of January 25, 2011 to the next regularly scheduled meeting on February 8, 2011, for a closed litigation session at 1:30 p.m., in the Courtyard Conference Room, followed by open sessions at the approximate hours of 3:00 p.m., 5:30 p.m. and 7:00 p.m. in Council Chambers.

Approved

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Ryan Coonerty  
Chair

Attest

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Bonnie Lipscomb  
Executive Director



## CITY COUNCIL AGENDA REPORT

DATE: 2/1/2011

AGENDA OF: 2/8/2011

DEPARTMENT: City Council

SUBJECT: California Gray Whale – Resolution of Support. (CN)

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RECOMMENDATION: Resolution in support of the California Gray Whale and urging continued Federal protection and attention to this threatened species.

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BACKGROUND: The California Gray Whale is a species hovering on the cusp of endangerment but is without the fundamental protections of the U.S. Endangered Species Act. In 1970, with a population estimated at only 12,000, the California Gray Whale was added to the Federal Endangered Species list. In 1994, however, with the count at about 23,000 the California Gray Whale was removed from the list. The whale is currently not classified as an endangered species.

The most current California Gray Whale population counts from 2006/2007 are approximately 18,000, which should trigger reclassification of the California Gray Whale as an endangered species. Past population counts at this level commanded this protection. The Federal government most recently undertook an abundance estimate in 2009/2010 but the results of this count have not yet been released.

DISCUSSION: Environmental factors such as climate change and a lack of protections afforded to endangered species place the future of the California Gray Whale in peril.

The California Gray Whale Coalition ([www.californiagraywhalecoalition.org](http://www.californiagraywhalecoalition.org)) requested that the City Council consider this resolution supporting the California Gray Whale and calling for continued Federal assistance to monitor and protect the species. The resolution calls for Federal prioritization of this species via the release of the 2009/2010 abundance counts and reinvestment of resources into the National Marine & Fisheries Service to undertake a threat assessment.

FISCAL IMPACT: There is no fiscal impact.

Submitted by:  
Ryan Coonerty  
Mayor

Submitted by:  
David Terrazas  
Councilmember

ATTACHMENTS:  
Resolution  
California Gray Whale Coalition Fact Sheet

RESOLUTION NO. NS-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA CRUZ  
SUPPORTING THE CALIFORNIA GRAY WHALE AND URGING CONTINUED  
FEDERAL PROTECTION AND ATTENTION FOR THIS THREATENED SPECIES

WHEREAS, the federal government placed the California Gray Whale on the endangered and threatened species list in 1970 when its estimated population was approximately 12,000 and removed it in 1994 when the population rose to 23,000; and

WHEREAS, a major collapse in 1999 and 2000 is estimated to have wiped out one-third of the total population of California Gray Whales; and

WHEREAS, whale watching tourism largely generated by the California Gray Whale contributes more than \$82 million dollars to the California economy; and

WHEREAS, in 2008 the California State Legislature adopted Assembly Joint Resolution 49 requesting Congress and the President of the United States to call upon the National Marine & Fisheries Service to undertake an immediate and comprehensive assessment of the California Gray Whale; and

WHEREAS, National Marine & Fisheries in 2009/2010 conducted the first proper abundance estimate since 2001/2002 and will carry out another abundance estimate in 2010/2011; and

WHEREAS, the results of the 2009/2010 abundance estimate will not be available for at least a year or more; and

WHEREAS, the recent migration season demonstrated the fourth consecutive year of very low cow/calf counts; and

WHEREAS, whale watching captains along the migration route are expressing concern over the low numbers of gray whales and the high percentage of emaciated animals; and

WHEREAS, transient orca predation of calves and juveniles is high; and

WHEREAS, the National Marine & Fisheries Service has failed to include in its current assessment a comprehensive review of the major threats to the California Gray Whale, particularly the impact of climate change on this vulnerable species.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Santa Cruz that it hereby urges the Federal Government to make publicly available the results of the 2009/2010 abundance assessment as soon as possible and to instruct and fund the National Marine & Fisheries Service to undertake an urgent comprehensive assessment of the major threats to the California Gray Whale including the impact of climate change.

BE IT FURTHER RESOLVED that the Mayor is directed to transmit a copy of this resolution to Congressman Sam Farr, Senator Barbara Boxer and Senator Dianne Feinstein.

RESOLUTION NO. NS-

PASSED AND ADOPTED this 8<sup>th</sup> day of February, 2011, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_  
Mayor

ATTEST: \_\_\_\_\_  
Interim City Clerk





# CALIFORNIA GRAY WHALE COALITION

PROTECTING THE MOST ANCIENT BALEEN WHALE ALIVE TODAY

## FACT SHEET

### The Gray Whale is in *TROUBLE*

*For the fourth consecutive season, the numbers of Gray whale cows and calves is very low. Up and down the migration route, people are asking the same question. Where have all the whales gone ?*

**Here's a few critical facts:-**

- Increasing seawater temperatures and rapidly disappearing sea ice in their primary habitat – the Bering and Chukchi Seas – is forcing the whales to migrate much further north seeking alternative prey. As specialist feeders, there's no research to demonstrate there are adequate alternatives.
- Nutrients rain down from the melting sea ice to feed the benthos which is the primary habitat of the whales. Pacific walrus and benthic diving sea ducks share the same benthos as the Gray whales, these animals are showing signs of food stress.
- Whale watching captains are seeing fewer whales, smaller animals, emaciated whales and very few cows and calves.
- National Marine & Fisheries Service has a long record of mismanagement of the Gray Whales. This year will see the first proper population estimate in 8 years but no count will be released to the public any time soon.
- A meeting of the International Whaling Commission at Morocco in June will likely see a quota of 140 Gray whales annually is given to the Russian Federation for the people of Chukotka for the next 10 years
- Gray Whales cannot sustain any exploitation at this time. Without current information on the population; the impacts of climate change; changes in migration routes and the impact on reproduction; status of primary prey, etc. a moratorium is the only reasonable request which the US IWC delegation should be pushing.
- Counts during the peak whale week at Baja Lagunas Guerrero Negro and San Ignacio were down by 50%.



### HOW YOU CAN HELP.

**BECOME INFORMED** Visit our website at: [www.californiagraywhalecoalition.org](http://www.californiagraywhalecoalition.org) for current information and latest **ACTION ALERTS**.

**BECOME INVOLVED** Join our **FACEBOOK** page at: **California Gray Whale Coalition Group**.

**MAKE IT COUNT** Become a California Gray Whale Coalition member. **The Coalition represents economic AND environmental concerns!** [www.californiagraywhalecoalition.org/cqwcmembership.shtml](http://www.californiagraywhalecoalition.org/cqwcmembership.shtml)

"For the Gray Whales"  
 Sue Arnold CEO California Gray Whale Coalition, Palo Alto CA 94303  
 Phone: 650 322 4729 Email: [info@californiagraywhalecoalition.org](mailto:info@californiagraywhalecoalition.org)

Photos courtesy of James Dorsey



## CITY COUNCIL AGENDA REPORT

DATE: 1/30/2011

AGENDA OF: 2/8/2011

DEPARTMENT: City Council

SUBJECT: 2nd Annual Festival del Nopal (Cactus Festival) Event in Santa Cruz –  
City Co-Sponsorship in Name Only. (CN)

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RECOMMENDATION: Motion to co-sponsor, in name only, the 2nd Annual Festival del Nopal (Cactus) 2011 event to be held on Church Street in Santa Cruz.

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BACKGROUND: For hundreds of years, the cactus, particularly the prickly pear cactus, has been a staple in the diet of many Mexican and Latin American people. Also revered as a source of national pride in Mexico, the prickly pear cactus is featured on the Mexican flag with an eagle standing atop the cactus with a serpent caught in its beak to symbolize the location where the ancient Aztecs were instructed by their gods to build the great City of Tenochtitlan, where Mexico City now stands.

The cactus has several different culinary, medicinal, and cultural uses and is traditionally considered a basic part of the diet of humble, farm-working, indigenous Mexican people and is now part of everyday mainstream consumption throughout Mexico, which is a source of great pride for many. Like many varieties of cacti, the prickly pear cactus easily adapts itself to any environment and can be successfully grown and harvested anywhere, including Santa Cruz, and is therefore not tied to any particular region. In 2010, Santa Cruz essentially adopted the nopal (prickly pear cactus) and hosted a great celebration of this important crop.

DISCUSSION: Given the success of other events in Santa Cruz, such as the Amgen Tour of California, and the continued need of our local businesses to attract visitors to Santa Cruz, Councilmember Madrigal will continue working with the Festival del Nopal Planning Committee, which includes several members of the VIVE Oaxaca! Guelaguetza planning committee, to plan the second annual innovative event called the Festival del Nopal, or Cactus Festival to be held between May-October 2011, with the exact date to be determined. Admission will be free.

The VIVE OAXACA Guelaguetza planning committee is a committed group of students, parents and volunteers that has successfully held its annual celebration in Santa Cruz for five years, beginning in 2006. During the first three years the event was held at the Civic Auditorium and included cultural dances, food vendors and craft market on Church Street directly in front of the Civic Auditorium, and a City proclamation. Since the beginning the event drew over 1,500 Oaxacan people and tourists from all over Northern California. In its third year it outgrew the Civic and moved to the Harbor High football field for 2009 and 2010, drawing over 6,000

visitors to Santa Cruz and generating over \$22,000 in ticket sales alone at \$10 per adult ticket, and \$8 per student/seniors tickets. Now this Festival del Nopal Planning Committee (co-chaired by Councilmember Madrigal & Nereida Robles) plans to continue collaborating with them to use their past experience, volunteers, sponsors, and statewide network to draw people to Santa Cruz again for a very unique experience.

The 1st Annual Festival del Nopal was held on November 21, 2010 and drew approximately 500-600 visitors despite light rain showers. The Festival was lauded by visitors, participants, vendors, and musical performers as a huge success and a much needed family-friendly community event that highlights an important part of our Latino culture. Last year, the Festival attracted local and statewide participation with fun, cultural events such as best recipe contests, cultural dances, and different food vendors that sold various cactus dishes much like the Castroville Artichoke Festival or the Gilroy Garlic Festival offers different dishes centered around their regional crop. In addition, the Festival held a very energizing and pride-inspiring youth component to the Festival in the form of a contest for “Reina del Festival de Nopal” (Cactus Festival Queen) whereby student contestants (ages 16-20) who sold the most and second-most \$1 tickets won the title of Festival Queen and Festival Princess, with the proceeds going to the winner and runner-up for college scholarships. Also, the Festival held a hugely successful Festival Recipe Contest for best cactus dishes in which the public was able to buy tasting tickets for twenty-five cents and vote with their tasting tickets for their favorite recipes. The recipe contest participants competed for cash prizes of \$100, \$50, and \$25 and the Festival generated enough tasting ticket sales to cover the recipe contest expenses. A local produce vendor has already offered to provide free fresh nopales (cactus) to all recipe contest participants so they can compete and keep down their own cooking costs. The Resource Center for Nonviolence served as the Festival’s non-profit fiscal agent in 2010 and we intend to continue this relationship. No alcohol was sold or served at this event nor will it be in the 2011 Festival.

Based on the past experiences with the Festival del Nopal, we are using the same three key elements to choosing same Festival del Nopal site which are: 1) accessibility to the site by foot and public transit that is close downtown shops and public parking garages; 2) having the outdoor facility large enough to comfortably accommodate the variety of vendors and festival activities; and, 3) a location that is known by the local community (same footprint as the Annual Greek Festival on Church Street between Cedar Street and Center Street).

Last year’s Festival did produce a minimal profit which was carried over by the Committee to help offset initial expenses for the 2nd Annual Festival del Nopal. The Committee is already working on identifying more resources to ensure a successful event. Last years financial sponsors included businesses such as Comcast, Viva’s Organic Mexican Food, Los Pinos Restaurant, Bolton Hill Company and individuals such as Geoffrey Dunn, Councilmembers Lane, Rotkin, Beiers, and Madrigal. The Festival also plans on requesting sponsorships from local media as well as sponsorships from businesses looking to expand and serve the growing Latino market as well as promote increased consumption of nopal and nopal-related products. The Festival has already secured commitments from several food and craft vendors, youth dance troupes, and musical performers who want to participate again in this year’s Festival. There is also a volunteer team in place from the VIVE OAXACA! Guelaguetza Committee, local day laborers, and UCSC to again provide adequate staffing at the Festival. The Committee intends to use revenue from the Festival for individual hardship scholarships for youth/teens who want to participate in but cannot afford to pay the fees for any of the City’s youth/teen programs that require such participant fees.

FISCAL IMPACT: There will be no fiscal impact to the General Fund by co-sponsoring this event in name only. The Festival is anticipated to create direct financial benefit to the City of Santa Cruz in the form of commercial use fees and parking fees in addition to the citywide cultural tourism spending that will benefit our local economy.

Submitted by:  
Tony Madrigal  
Councilmember

Submitted by:  
Don Lane  
Vice Mayor

Submitted by:  
Ryan Coonerty  
Mayor

ATTACHMENTS: 2010 Festival del Nopal event flyer

1er Anual

# Festival del NIPAL



- Food / Comida
- Recipe Contest /  
Concurso de Recetas
- Festival Queen /  
Reina del Festival
- Ballet Folklorico
- Live Music /  
Musica en Vivo

November/noviembre 21, 2010

Market/Mercado: 10am - 5pm

Program/Programa: 12pm - 5pm

Free Entrance / Entrada Gratis

Downtown Santa Cruz, at 224 Church St.

Santa Cruz, CA 95060

Information/Informacion 831-295-2518





## CITY COUNCIL AGENDA REPORT

DATE: 2/1/2011

AGENDA OF: 2/8/2011

DEPARTMENT: City Council

SUBJECT: Project Homeless Connect Event—City Co-Sponsorship in Name Only.  
(CN)

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**RECOMMENDATION:** Motion to co-sponsor, in name only, the March 22, 2011 Project Homeless Connect event at the Civic Auditorium without waiving any fees or charges.

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**BACKGROUND:** In March of 2010, the City of Santa Cruz co-sponsored the successful Project Homeless Connect event at the Civic Auditorium. In 2010, the City was particularly supportive of the event because it was part of our overall effort to improve the US Census count of “hard to count” populations. The event was successful not only because its improvement of the US Census count but because of its high level of delivery of practical resources. (See the attached list of services). The event was also notable for its high level of community engagement with more than 400 community volunteers participating. Other key co-sponsors of Project Homeless Connect in 2010 included the United Way, the Community Foundation of Santa Cruz County and several faith-based organizations.

**DISCUSSION:** After the 2010 event, the committee that organized Project Homeless Connect reviewed feedback and surveys from clients, volunteers and service providers. There was strong support for the idea of presenting a similar event in 2011. A formal steering committee and an advisory board were formed, a 2011 plan was adopted, funds have been raised and most of the pieces are in place for the 2011 Santa Cruz Project Homeless Connect event.

Most of the remaining work centers around community engagement—recruiting and organizing volunteers, finalizing the participation of service and resource providers, and spreading the word about the event within the homeless community.

Because the City played a key role in launching the 2010 Project Homeless Connect, because the event takes place at our Civic Auditorium, and because the event has proven valuable in creating greater understanding of homelessness in our community, we believe it is appropriate for the City to co-sponsor the event this year. Recognizing the City’s budget crisis, we certainly would not expect the City to contribute funds to the event, but we do believe the City’s co-sponsorship will help spread the word about the value of this project and encourage community participation.

The Steering Committee and Advisory Board of Santa Cruz Project Homeless Connect demonstrate an outstanding collaboration of local nonprofit service providers, the faith community, local government, local business and local community volunteers. Vice-Mayor Lane serves on the steering committee of Project Homeless Connect and Councilmember Beiers serves on the advisory board.

Link to Santa Cruz Project Homeless Connect website: [www.phc-santacruz.org](http://www.phc-santacruz.org)

FISCAL IMPACT: There is no fiscal impact.

Submitted by:	Submitted by:
Don Lane	Katherine Beiers
Vice Mayor	Councilmember

ATTACHMENTS:  
Project Homeless Connect Steering Committee and Advisory Board List  
Project Homeless Connect 2010 Statistics



### **Steering Committee**

Megan Carlson  
*Homeless Services Center*  
Peter Connery  
*Applied Survey Research*  
Julie Conway  
*Homeless Action Partnership*  
Samantha Green  
*Project Homeless Connect*  
Kymberly Lacrosse  
*United Way*  
Don Lane  
*Santa Cruz City Council*  
Maggie McKay  
*County Mental Health (ret'd)*  
Brooke Johnson Parker  
*Second Harvest Food Bank*  
Michelle Whiting  
*Santa Cruz Bible Church*

### **Board of Advisors**

Katherine Beiers  
*Santa Cruz City Council*  
Chip  
*Downtown Association of Santa Cruz*  
Mary Lou Goeke  
*United Way*  
Paul A. Lee  
*Shelter Advocate and Philanthropist*  
Linda Lemaster  
*Homeless Advocate*  
Matt Nathanson  
*Homeless Persons Health Project*  
Rowland Rebele  
*Publisher & Philanthropist*  
Craig Reinerman  
*UCSC Professor of Sociology*  
Dr. Curt Simmons  
*Monterey Bay Optometric Society*  
Phil Wowak  
*Santa Cruz County Sherriff*





Client Services Count

2010 Project Homeless Connect

Service	Clients Served
Acupuncture/Massage	100
Banking	11
Behavioral Health	63
Benefits	251
<b>California ID Cards</b>	<b>105</b>
Census Enumeration	683
Clothing Vouchers	145
<b>Dental Screenings</b>	<b>35</b>
<b>Employment Services</b>	<b>165</b>
Foot care	60
HIV Testing	12
<b>Housing Services</b>	<b>83</b>
Hygiene Kits	256
Legal Services	120
Meals	1440
<b>Medical Screenings</b>	<b>78</b>
Phone Cards	938
<b>Veterans' Services</b>	<b>42</b>
Veterinary Care	35
<b>Vision Care</b>	<b>152</b>
Wheelchair/Bike Repair	35
Women's Resources	145



## CITY COUNCIL AGENDA REPORT

DATE: 2/1/2011

AGENDA OF: 2/8/2011

DEPARTMENT: City Council

SUBJECT: 150th Birthday Celebration for Samuel Henry (Harry) Cowell – City Co-Sponsorship in Name Only. (CN)

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RECOMMENDATION: Motion to co-sponsor, in name only, the Celebration of the 150th Birthday of Samuel Henry (Harry) Cowell which is organized by Friends of Cowell Lime Works.

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BACKGROUND: The Friends of the Cowell Lime Works, a UCSC-affiliated Friends group, is planning a celebration to honor the 150th birthday of Samuel Henry (Harry) Cowell. The City has been asked to co-sponsor this event in name only. The attached letter contains additional details about the celebration.

DISCUSSION: We recommend that the City co-sponsorship in name only in recognition of the vast contributions the Cowell family has made to the Santa Cruz community.

FISCAL IMPACT: There is no fiscal impact.

Submitted by:  
Ryan Coonerty  
Mayor

Submitted by:  
Katherine Beiers  
Councilmember

Submitted by:  
David Terrazas  
Councilmember

ATTACHMENTS: Letter

FRIENDS OF THE COWELL LIME WORKS HISTORIC DISTRICT  
UCSC • SANTA CRUZ, CA • 95064  
<http://limeworks.ucsc.edu>

January 25, 2011

To: Members of the Santa Cruz City Council

Re: Celebration of Harry Cowell's 150<sup>th</sup> Birthday and the Cowell Legacy

Feb. 17, 2011 marks the 150th birthday of Samuel Henry (Harry) Cowell, son of early Santa Cruz entrepreneur Henry Cowell. Henry Cowell's development of the lime industry was a major force in the economy of 19th century Santa Cruz, as well as the origin of the Cowell family wealth and ultimately the source of a great many contributions that have benefited this community over the years.

It was Harry Cowell who donated major parcels of land in his father's memory to benefit the public (Cowell Beach, Henry Cowell State Park), and who established the Cowell Foundation that has contributed so much to environmental, educational, health and cultural endeavors throughout the state. Local examples of this legacy include land for UCSC, funds for Cowell College and Cowell Student Health Center, Pogonip lands that are now part of the City's greenbelt, and major Cowell Foundation grants to numerous local institutions ... to name just a few!

Friends of the Cowell Lime Works Historic District, an official UCSC "Friends" group dedicated to preservation, research and education about the Cowell legacy on campus, is planning a celebration to mark this anniversary on Saturday, February 19 from 10:30 am – noon at the Cardiff House (UCSC Women's Center) on campus. The Cardiff House, built in 1864, was the Cowell family home for many years, and is included in the City's Historic Building Survey.

We would like this upcoming celebration to include some of the other local entities that have benefitted from the Cowell legacy, and for that reason we are pleased to invite the City of Santa Cruz to join as a co-sponsor. This would involve no financial commitment; we would only hope that the City would help publicize the event to its relevant commissions and through its website.

Thank you for your consideration,  
Cynthia Mathews  
Board Member

Board members: Frank Perry, president; Don Lauritson, Peg Danielson, Jennifer Leinau-Thompson, Tremain Jones, John Barnes.



## CITY COUNCIL AGENDA REPORT

DATE: 2/1/2011

AGENDA OF: 2/8/2011

DEPARTMENT: City Manager

SUBJECT: Living Wage Rate Annual Prescription for 2011. (FN/CM)

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**RECOMMENDATION:** Resolution upwardly indexing the prescribed minimum living wage rate by 1.2%, the amount which corresponds to San Francisco-Oakland-San Jose Area Consumer Price Index (CPI), for the period ending October 31, 2010 to become effective July 1, 2011.

---

**BACKGROUND:** Staff determined the Living Wage ordinance required changing when, due to different methods of calculation, the living wage rates set by the City were no longer the same as those set by the County. To make it easier for the local business community, it is desirable for the two agencies to have the same rates. The current ordinance requires staff to bring a recommendation for rate increase before Council by the first meeting in February, which is the purpose of this staff report. Unfortunately, staff was not able to prepare the necessary staff reports in time to change the ordinance before the February deadline in the current ordinance. The proposed changes are intended to allow some flexibility with how the living wage rates are set and to and make the ordinance easier to administer. Staff anticipates bring this before Council by April.

On October 24, 2000, City Council adopted Ordinance No. 2000-25 pertaining to the payment of a living wage. This ordinance applies to City service contracts of \$10,000 or more. Section 5.10.040 of the ordinance requires that the City Council adopt a recommendation regarding adjustments to minimum wage rates and benefits in February of each year to be effective on July first of the same year. The resolution is to prescribe the minimum wage rates and benefits. This section of the ordinance further requires that, at a minimum, the living wage rates shall be upwardly indexed each year by an amount which corresponds to the San Francisco-Oakland-San Jose area CPI for urban wage earners and clerical workers for the twelve-month period ending on October 31, of the previous year.

**DISCUSSION:** This CPI report for the period ending October 31, 2010, reflects an increase of 1.2%. Staff recommends that this percentage be used to upwardly index the current living wage rate, effective July 1, 2011. Using this percentage to calculate the new minimum living wage rates will result in the following:

1. The minimum living wage to be paid to employees when said employees receive the minimum leave and health insurance benefits prescribed in this resolution shall be increased by \$0.16 to \$13.76 per hour.

2. The minimum living wage to be provided to employees where the employees do not receive the minimum leave and health insurance benefits prescribed in this resolution shall be increased by \$0.18 to \$15.01 per hour.

3. The minimum sick leave, vacation leave and health insurance benefits which must be provided to employees in order to qualify for the \$13.76 per hour wage rate shall be as follows:

A. Compensated sick leave/vacation leave: a combined twelve days annually for full-time employees and prorated for employees working less than full time.

B. Uncompensated sick leave/vacation leave: a combined 10 days annually for full-time employees and prorated for employees working less than full time.

C. Health insurance benefits: the payment of at least \$1.24 per hour towards the payment for a health insurance policy for the employee. The CPI based increase for this amount is less than one penny, so there is no change in this figure.

FISCAL IMPACT: This raise in the minimum living wage may increase contract pricing for some service contracts; however it is not possible to determine any fiscal impact at this time.

Submitted by:  
Jack Dilles  
Finance Director

Approved by:  
Martin Bernal  
City Manager

ATTACHMENTS:  
Resolution

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA CRUZ  
ESTABLISHING MINIMUM LIVING WAGE RATES EFFECTIVE JULY 1, 2011

WHEREAS, the City Council adopted Ordinance No. 2000-25 on October 24, 2000; and

WHEREAS, the living wage ordinance, at Municipal Code Section 5.10.030 requires the payment of a living wage to all “employees” as that term is defined in the ordinance; and

WHEREAS, Section 5.10.040 requires the City Council on an annual basis to consider a recommendation in February of each year, and to prescribe by resolution to become effective no later than July 1 of each year, the minimum living wage rates to be paid to employees pursuant to the requirements of the ordinance.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Santa Cruz as follows:

1. The minimum living wage to be paid to employees when said employees receive the minimum vacation leave, sick leave, and health insurance benefits prescribed in this resolution shall be \$13.76 per hour.
2. The minimum living wage to be provided to employees where the employees do not receive the minimum vacation leave, sick leave, and health insurance benefits prescribed in this resolution shall be \$15.01 per hour.
3. The minimum vacation leave, sick leave, and health insurance benefits which must be provided to employees in order to qualify for the \$13.76 per hour minimum living wage prescribed in this resolution shall be as follows:
  - A. Compensated sick leave/vacation leave: a combined 12 days annually for full-time employees and prorated for employees working less than full time.
  - B. Uncompensated sick leave/vacation leave: a combined 10 days annually for full-time employees and prorated for employees working less than full time.
  - C. Health insurance benefits: the payment of at least \$1.24 per hour towards the payment for a health insurance policy for the employee.

PASSED AND ADOPTED this 8th day of February, 2011, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_  
Mayor

ATTEST: \_\_\_\_\_  
Interim City Clerk



## REDEVELOPMENT AGENCY AGENDA REPORT

DATE: 1/30/2011

AGENDA OF: 2/8/2011

DEPARTMENT: Economic Development

SUBJECT: Tannery Arts Center – Authorization for the Executive Director to Execute a Grant Amendment with the Economic Development Administration of the U.S. Department of Commerce for the Tannery Working Studios/Digital Media Center Project and Other Actions to Facilitate the Rehabilitation of the Kron House. (ED)

---

RECOMMENDATION: Redevelopment Agency resolution authorizing the Executive Director to 1) execute a grant amendment with the Economic Development Administration of the U.S. Department of Commerce for the Tannery Working Studios and Digital Media Center Project, 2) advertise the Kron House Rehabilitation project for bid, 3) award a construction contract, in a form approved by the City Attorney, to the lowest qualified bidder, 4) sign the construction contract, 5) award and sign the Kron House construction management contract, in a form approved by the City Attorney, 6) approve Kron House construction contract change orders, so long as they do not exceed the Agency budget for the project, and 7) take other administrative actions as necessary to implement the grant amendment.

---

BACKGROUND: On September 22, 2009 the Economic Development Administration of the U.S. Department of Commerce (EDA) awarded the Agency an American Recovery and Reinvestment Act (ARRA) grant of \$4.76 million to fund the rehabilitation and reuse of the historic buildings at the former Salz Tannery as a Digital Media and Creative Arts Center. The matching funds for the ARRA grant were provided through a \$1.93 million grant from the California Cultural Historic Endowment (CCHE).

DISCUSSION: Construction on the project was initiated in January 2010 and has now significantly progressed. Based on the lower than anticipated construction bid, it now appears that there may be sufficient funds available to increase the scope of the project to include rehabilitation of the Kron House which was originally part of the grant submittal. In recognition of this potential, a request was submitted to EDA in August of 2010 to expand the scope of work to be funded by the ARRA grant to include the Kron House. EDA has now approved the grant amendment request, subject to acceptance by the City.

A related part of the grant amendment is approval of the City's request to shift additional grant funds to project inspection and grant administration. Due to the age of the buildings the amount of grant funding initially budgeted for project inspection and construction management has proved inadequate. To ensure sufficient funds are available for these functions the grant

amendment increases the allowed amount for project inspection and construction management from \$240,000 to \$380,000. This will allow sufficient funds for completion of the rehabilitation of the Tanyard Building, Beam House and Kron House. The allowed amount for grant administration and legal expenses has also been increased from \$30,000 to \$45,000 to offset costs associated with the bid challenges for the Tanyard and Beam House construction contract. To offset these cost adjustments the amount of the grant allocated for construction has been reduced to \$5,976,250, reflecting the decrease in bidding costs since award of the EDA grant.

Due to the requirements of the ARRA grant, EDA is also encouraging the Agency to commence rehabilitation on the Kron House within 120 days of final approval of the ARRA grant amendment. To comply with this request, the Agency is being asked to extend the same authority it originally granted the Executive Director for the rehabilitation of the Tanyard Building and Beam House. This authority allowed the Executive Director to execute the grant amendment, advertise the project for bid, award the construction contract to the lowest qualified bidder, sign the construction contract, award and sign the construction management contract and approve change orders so long as they do not exceed the Agency budget for the project. This will help to ensure that rehabilitation of the Kron House begins within the 120 day window. Preparation of the construction plans for the rehabilitation of the Kron House is being funded from the Agency's existing budget. Authority to sign the contract for preparation of the construction documents has been previously granted by the Agency.

**FISCAL IMPACT:** The proposed amendment is being funded by State and Federal grants and therefore does not impact the Agency budget.

Prepared by:  
Joe H. Hall  
Project Manager

Submitted by:  
Bonnie Lipscomb  
Agency Executive Director

Approved by:  
Martin Bernal  
City Manager

**ATTACHMENTS:**  
Resolution



RESOLUTION NO.

RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA CRUZ  
AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A GRANT AMENDMENT  
FOR THE GRANT FROM THE ECONOMIC DEVELOPMENT ADMINISTRATION OF  
THE U.S. DEPARTMENT OF COMMERCE FOR THE TANNERY WORKING  
STUDIOS/DIGITAL MEDIA CENTER PROJECT

WHEREAS, Salz Tannery was closed in 2001 due to foreign competition; and

WHEREAS, to facilitate the reuse of this site and provide new employment opportunities the Redevelopment Agency has undertaken planning for reuse of the former Salz Tannery; and

WHEREAS, in 2003, the Economic Development Administration of the U.S. Department of Commerce provided a planning grant to assist in planning for the reuse of the Salz Tannery site; and

WHEREAS, the Redevelopment Agency has purchased the Salz Tannery site to facilitate its reuse; and

WHEREAS, construction plans have been prepared for the reuse of the Tannery's historic buildings as a Working Studios/Digital Media Center; and

WHEREAS, the Agency was invited to submit a grant application to the U.S. Department of Commerce Economic Development Administration for a American Recovery and Reinvestment Act grant to fund the re-use of the Tannery's historic buildings as a Working Studios/ Digital Media Center; and

WHEREAS, the Agency submitted a grant application to EDA on January 21, 2009 and has been notified by EDA staff that an award is forthcoming; and

WHEREAS, the Agency was awarded a grant by EDA on September 22, 2009; and

WHEREAS, a request has been submitted to EDA for a grant amendment to facilitate the addition of the Kron House to the scope of work for the grant and to adjust grant budget categories to fund additional project management costs.

WHEREAS, EDA has now approved the requested grant amendment for the Tannery Working Studios/Digital Media Center Project.

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Santa Cruz that the Executive Director is hereby authorized to 1) execute a grant amendment with the Economic Development Administration of the U.S. Department of Commerce for the Tannery Working Studios and Digital Media Center Project, 2) advertise the Kron House Rehabilitation project for bid, 3) award its construction contract, in a form approved by the City Attorney, to the lowest qualified bidder, 4) sign its construction contract, 5) award and sign the Kron House construction management contract, in a form approved by the City Attorney, 6) approve Kron House construction contract change orders, so long as they do not exceed the Agency budget for the project, and 7) take other administrative actions as necessary to implement the grant amendment.

RESOLUTION NO.

PASSED AND ADOPTED this 8th day of February, 2011, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_

Chair

ATTEST: \_\_\_\_\_

Executive Director



## CITY COUNCIL AGENDA REPORT

DATE: 2/1/2011

AGENDA OF: 2/8/2011

DEPARTMENT: Finance

SUBJECT: Comprehensive Annual Financial Report (CAFR) and Clean River, Beaches, and Ocean Special Parcel Tax – Measure E Fund Financial Report for FY 2010. (FN)

---

RECOMMENDATION: RECOMMENDATION: Motion to authorize the Finance Director to file with the City Clerk the Comprehensive Annual Financial Report and Clean River, Beaches, and Ocean Special Parcel Tax – Measure E Fund Financial Report for FY 2010.

---

BACKGROUND: Each year the Finance Department facilitates an annual audit, and prepares the Comprehensive Annual Financial Report (CAFR). In addition, the City's independent auditor prepares the Clean River, Beaches, and Ocean Special Parcel Tax – Measure E Fund Report as required by section 3.14.090 (b) of the City Municipal Code.

DISCUSSION: For your review, Staff is forwarding the following documents for FY 2010:

- The City of Santa Cruz CAFR
- The Clean River, Beaches, and Ocean Special Parcel Tax – Measure E Fund Financial Report

The reports include opinion letters from the independent auditor, Caporicci and Larson. The auditor indicated in their opinions that the financial statements for the City and the Measure E Fund fairly present their positions as of June 30, 2010, in conformity with generally accepted accounting principles. The auditor's reports are unqualified.

The CAFR financial statements include the required government-wide financial statements designed to provide readers with a broad overview of the City's finances in a manner similar to a private business, including a statement of net assets and a statement of activities. The statements also include the traditional presentations by fund.

FISCAL IMPACT: The financial statements present financial summaries of FY 2010 financial activity and the financial condition of the City at June 30, 2010. The City's General Fund showed \$9.9 million in unreserved, undesignated fund balance at June 30, 2010.

Prepared by:  
Cheryl Fyfe  
Assistant Director

Submitted by:  
Jack Dilles  
Finance Director

Approved by:  
Martin Bernal  
City Manager

**ATTACHMENTS:**

Comprehensive Annual Financial Report (CAFR)

Clean River, Beaches, and Ocean Special Parcel Tax – Measure E Fund Financial Report

# City of Santa Cruz, California



Loch Lomond Reservoir and Recreational Facility

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010



# **City of Santa Cruz**

# **State of California**

## **Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2010**

### **Prepared by**

**Jack Dilles  
Cheryl Fyfe**

**Raymond Chin  
Tori Hannah  
Ralph Reader**

**Natalia Duarte  
Shelley Horrow  
Amy Schmidt**

**Ray Galindo  
Kathryn Mintz  
Kim Wigley**





**City of Santa Cruz**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2010**

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**Comprehensive Annual Financial Report**  
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 Comprehensive Annual Financial Report  
 For the year ended June 30, 2010**

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F I N A N C E   D E P A R T M E N T

809 Center Street, Room 101, Santa Cruz, CA 95060 □ 831 420-5052 □ www.cityofsantacruz.com

January 27, 2011

To the Honorable Mayor, Members of the City Council and Citizens of the City of Santa Cruz, California:

**Comprehensive Annual Financial Report**

In accordance with the City Charter, the Comprehensive Annual Financial Report of the City of Santa Cruz for the fiscal year ended June 30, 2010, is submitted for your information and review. Various financing covenants and regulations associated with restricted funding sources also require the City of Santa Cruz, California (City) to publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants. Pursuant to the requirements noted above, we hereby issue the Comprehensive Annual Financial Report of the City of Santa Cruz, California for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of the City of Santa Cruz. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Santa Cruz has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Santa Cruz's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Santa Cruz's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in material respects.

Caporicci & Larson, a firm of licensed certified public accountants, has audited the City of Santa Cruz's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Santa Cruz for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Santa Cruz's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Santa Cruz was part of a broader, federally mandated "Single Audit" designed to meet the needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Santa Cruz's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Santa Cruz's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City of Santa Cruz, incorporated in 1866, is located on the northern part of the Monterey Bay approximately 74 miles south of San Francisco and 30 miles from San Jose. The City of Santa Cruz was first founded in 1769 by the Spanish explorer Don Gaspar de Portola, who, along with Father Junipero Serra, began land based settlement in the area. Santa Cruz is the county seat for the County of Santa Cruz, and is a charter city which operates under the provisions of a voter-approved charter. The City has an area of 12 square miles and an estimated population of 59,684 as of January 2010. Santa Cruz is the home to the University of California, Santa Cruz (UCSC) which first opened in 1965 and has a current enrollment of over 16,500 students. UCSC faculty and researchers receive more than \$100 million annually in external funding and earn national and international recognition. Recent achievements include the award of a \$1 million Kavli Prize in Astrophysics for innovations in telescope design, and worldwide attention in Bio-molecular Engineering in drafting the sequence of the Neanderthal genome showing the relationship to early modern humans. The City's major industries include tourism, manufacturing, and technology.

Like other charter cities in California, the City of Santa Cruz has limited ability to set tax rates. The State Constitution (Prop 13) establishes a maximum rate for property tax and limits the growth of assessed value. Prop 13 sets the limit for increases of the property tax rate to 2% per year, but upon sale, full value becomes the assessed value. The property tax collected is allocated among the jurisdictions in the City's tax rate areas based on criteria established by the state legislature.

The rates and tax base of two of the City's other general revenues, sales and use tax and motor vehicle in lieu fees (VLF), are also controlled by the Legislature.

Changes to existing local taxes and any new taxes require voter approval. Taxes used for general purposes are subject to approval by a simple majority of voters while taxes levied for specific purposes require a two-thirds majority of voters. Assessments must be approved by a majority vote with voting rights apportioned based on the amount of the assessment. Property related fees require public majority protest procedures and property related fees for services other than water, sewer, and refuse must also be approved by a majority of property owners or 2/3 of the electorate. In addition, fees for facilities and services are subject to requirements that they not be set at levels that exceed the reasonable costs of providing services. As a result, fund balances generated by differences between fee revenue and related expense are retained and designated for services and facilities that benefit fee payers.

The City of Santa Cruz has operated under the council-manager form of government since its incorporation in 1866. Policy-making and legislative authority are vested in a seven member governing council consisting of the Mayor and six Council Members. The City Council is responsible, among other things, for passing

ordinances, adopting the budget, approving nominees to commissions, and hiring the City Manager, City Clerk and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the city and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council Members serve four-year staggered terms, with either three or four Council Members elected every two years. The Mayor is selected by a majority of the City Council and serves a one year term. Council Members are elected at large and all are subject to two term limits.

The City of Santa Cruz provides a broad range of services including police and fire protection, construction and maintenance of streets, parks, flood control and other infrastructure, a wharf facility, recreational and cultural activities including a performing arts center and human services programs. It also operates municipal utilities for Water, Wastewater, Storm Water, and Refuse in addition to enterprise operations for parking facilities and a golf course. The water utility provides water service beyond the municipal boundaries and has a total service population of approximately 90,000. Certain infrastructure construction and community development activities are provided through a legally separate Redevelopment Agency. The Council sits as the Redevelopment Agency's board, and the Agency functions as a department of the City. Therefore, the City of Santa Cruz Redevelopment Agency has been included as an integral part of the City of Santa Cruz's financial statements.

Many major public services delivered within the City's boundaries, including education and public transportation, are provided by other agencies. The City of Santa Cruz is not financially accountable for the operations of the franchisees or these government agencies.

As required by the City Charter, an annual budget is adopted by the City Council no later than the first regular meeting in July for the fiscal year beginning July first. As part of the budget process, all City departments submit budget requests for the next fiscal year. These requests are reviewed, and a final City Manager recommended budget showing estimated revenues and expenditures of the City is prepared. This proposed budget is transmitted to the City Council and made available to the public for review. Study sessions and a public hearing are conducted before final adoption of the budget by the City Council.

The City Manager is authorized to approve appropriation transfers within any department; however, any new appropriation or appropriation transfer between departments requires approval by the City Council. Several supplemental appropriations were necessary during the year and are reflected in the budget amounts in the financial statements. Expenditures may not legally exceed appropriations at the department level.

The Council reviews budget results at the mid-year review and at budget adoption. Redevelopment budgets are adopted annually along with an annual report. The ongoing review and long range planning focus for financial management provides numerous opportunities to identify and respond to changes in revenues and expenditures and in community priorities.

### **Factors Affecting Financial Condition**

We believe that the information presented in the financial statements is best understood when it is considered from the broader perspective of the context within which the City of Santa Cruz operates.

### **Economic Conditions and Outlook**

Although the City decided to continue the 10% work furlough program, limiting it to General fund departments, the General Fund FY 2011 budget was adopted with a \$2.2 million deficit, with the expectation to draw from reserves. In addition, future revenues are expected to remain flat, or produce a

minimal increase, and reflective of the current national economy, it is not known when and if sales tax revenues will return to past higher levels. Still, unlike other California cities, Santa Cruz has experienced a minor decline in property taxes and property tax receipts are expected to increase by modest 0.7% in FY 2011.

Due to a 2008 appellate court ruling for Union City, California that found that city's 9-1-1 fee was a tax and not a fee, the City of Santa Cruz ceased collection of its 9-1-1 fee and the City Council called for a special election with mail-only ballots for the purpose of restoring the lost revenue. Measure T failed by a narrow margin in August of 2008. The City has now experienced 2 full years of an annual average revenue loss of \$1.3 million.

Measure E, the proposed Clean River, Beaches and Ocean special parcel tax, was placed on the November 4, 2008, ballot by City Council and passed by a 9.6% margin above the 2/3 required majority vote. The purpose of the tax was to generate funding for water quality programs to prevent pollution from reaching waterways, beaches and the Monterey Bay National Marine Sanctuary. The City received \$0.6 million in FY 2010 and is expecting revenues to remain consistent in future years.

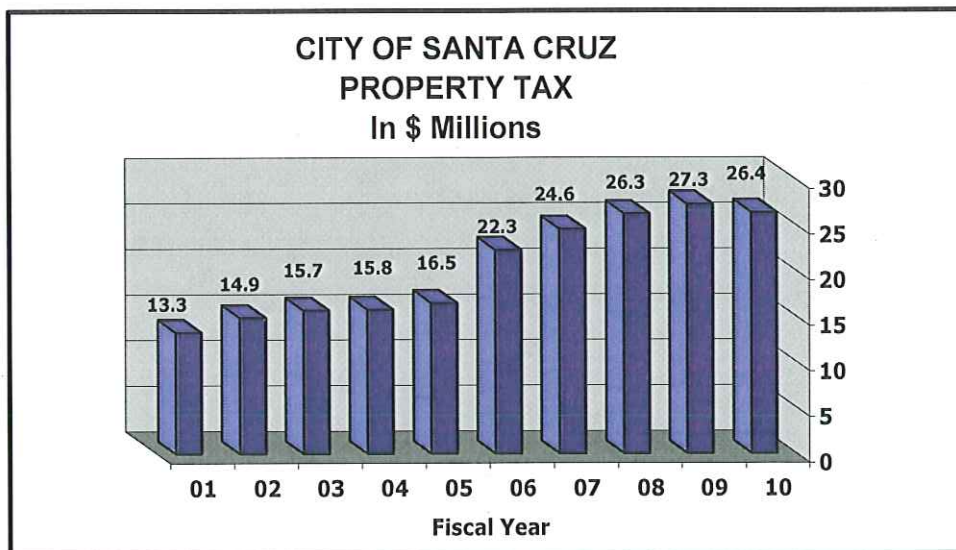
In FY 2010 the City brought forth Measure H to increase the City's Utility Tax from 7.0% to 8.5%. Measure H succeeded and will take effect in March 2011. The City is expected to receive an additional \$1.6 million in revenues in future years.

The City continues to evaluate its financial future, and it is apparent that the economy around us, together with the tax structure of the local government in California, is ultimately in control. In recognizing the difficulty in making additional budget cuts, and recognizing the need to maintain critical services, the City is currently looking at long-term structural adjustments such as reducing costs with a "two-tiered" retirement plan, and increasing local revenues with more economic development.

### Historical Trend Information

#### Property Tax

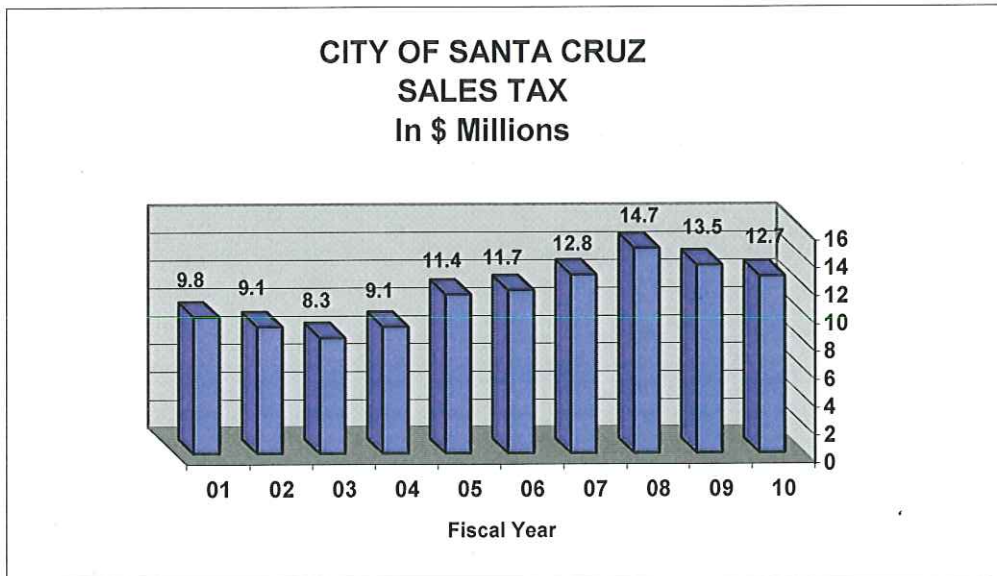
Although the historical trend for property tax has been positive, the city experienced a slight decrease in FY 2010 receipts. Property Tax revenues for governmental funds declined \$0.9 million or 3.3% compared to FY 2009. It is expected that property tax revenues will increase by 0.7% in FY 2011, and remain flat in FY 2012.





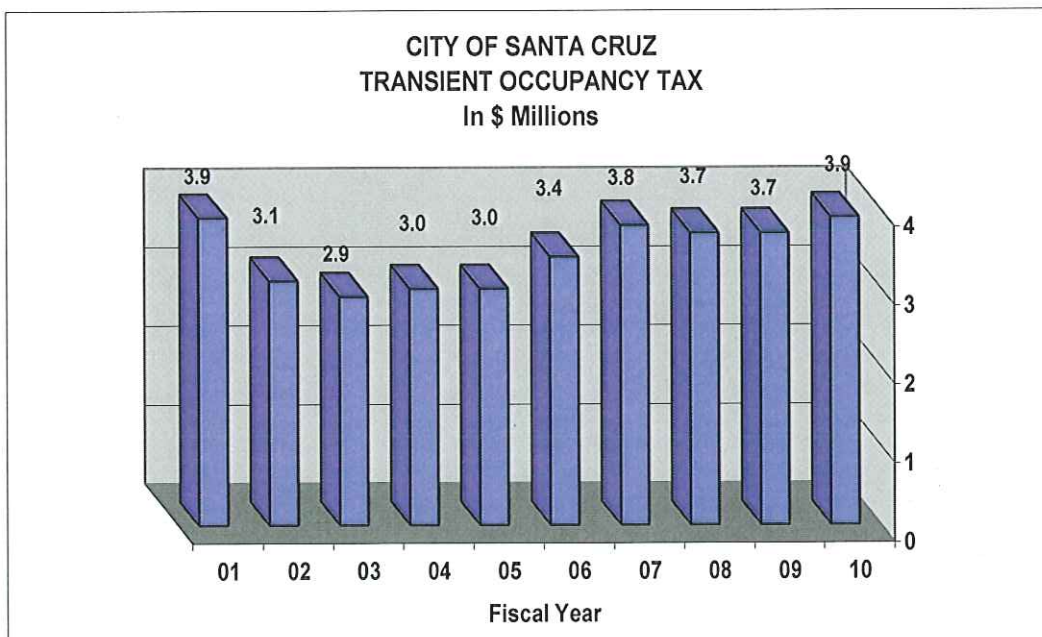
Sales & Use Tax, Local Transactions and Use Tax and Supplemental Property Tax In-Lieu of Sales Tax

Although the City has a well-diversified economy and sales tax base, Sales tax receipts decreased for the second year in FY 2010 by \$0.8 million or 0.6%. The City is expected slight increase of \$0.1 million or 0.1%into FY 2011 consistent with the current economy.



Transient Occupancy Tax

Transient Occupancy Tax (TOT) reached a low point in FY 2003 after the University of California acquired a 10-year lease on a 170-bed major tourist hotel, the Holiday Inn, for use as a school dormitory, then continued a steady increase until FY 2008, and then began to decline due to the national economy, and the beginning of a renovation of a major shoreline tourist hotel, The Dream Inn. With the renovations complete and the addition of a new major hotel, the Holiday Inn Express, TOT revenues increased by \$0.2 million or 0.5% in FY 2010. Transient Occupancy Tax receipts are expected to slightly decline or remain flat in FY 2011.

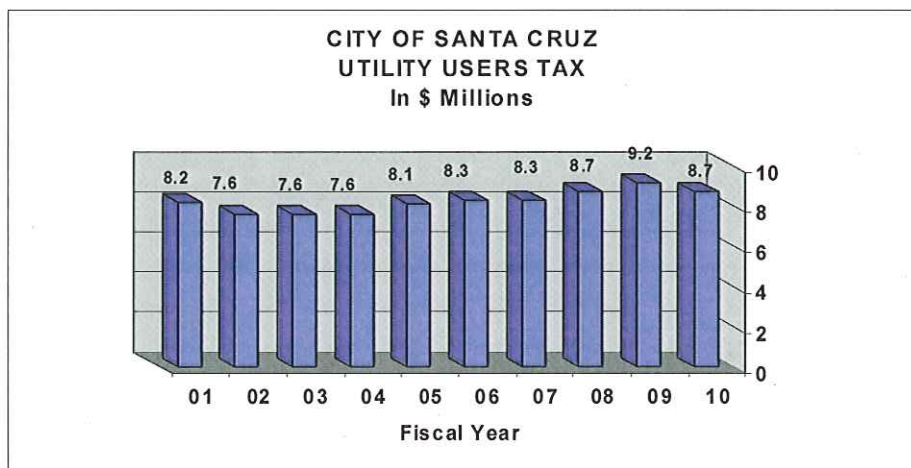


### Utility Users Tax

The utility users' tax is the third largest revenue source for the City, coming after property tax and sales tax. The utility users' tax is comprised of a tax on eight utilities: electric, wired telecom, wireless telecom, natural gas, cable, water, wastewater, and refuse (the last three being municipal utilities).

Modest increases over the last few years can be attributed to a number of factors. There have been declines in electric and wired telecom while wireless telecom, gas, and cable have increased. The most significant factor for the rise in overall revenues points to the Water, Wastewater, and Refuse municipal utilities and the increase of tax revenues due to recent customer rate increases. Although tax revenues were expected to increase in FY 2010, in step with utility rate increases, these rate increases were delayed to ease the burden on taxpayers due to economic hardship. FY 2010 saw a \$0.5 million or 5.7% decrease in Utility tax receipts due to the delay of the water rate increase and low water usage due to a mild summer.

The rate for the City's Utility Tax was 7%, and had not been changed since October 1991. In November 2, 2010, the City residents voted 63.67% to 33.74% in favor of increasing of the City's Utility Tax from 7% to 8.5%. The new tax is expected to increase annual revenues by \$1.6 million, but will not be implemented until March of FY 2011. The utility tax revenues are expected to remain flat in FY 2011 and increase by \$1.6 in FY 2012.



**Risk management.** The City of Santa Cruz uses a program of self-insurance for workers' compensation and general liability claims, and employs a professional risk manager, supplemented by a professional claim administration firm, to minimize losses. The City is self-insured for workers' compensation up to \$500,000 per occurrence. Santa Cruz participates in a multi-agency joint powers authority to provide excess insurance coverage for liability coverage. The joint powers authority and the City rely on estimates prepared by professional actuaries to set aside funds adequate to meet potential future losses. Excess coverage purchased through the joint powers authority covers claims in excess of \$1,000,000 for general liability claims. As reflected in the financial statements, the Risk Management internal service fund had net assets at June 30, 2010, of \$5.2 million.

**Health care costs.** The City contracts with CalPERS for employee health care coverage. Under this program, employer average overall plan premiums increased (per calendar year) as stated below:

- FY 2006: 8.90%
- FY 2007: 11.90%
- FY 2008: 6.80%
- FY 2009: 4.80%
- FY 2010: 3.20%
- FY 2011: 9.10%

**State budget.** In December, 2010 the state's FY 2011 budget was still facing a deficit of \$7 billion, and a FY 2012 structural deficit of \$19 billion. The California legislature had approved amendments to their FY 2010 budget which included borrowing \$2 billion (8%) from cities' and counties' property tax collections, as allowed by Proposition 1A (approved by voters in 2004), along with major cuts to the Redevelopment agencies. In order to help Cities and Counties with the shortfall created by the 8% property tax borrowing, Legislators and the Governor allowed local agencies to sell the eventual repayment from the State to investors in order cover the property taxes and to pay the full cost of the sale, known as securitization. The City of Santa Cruz implemented this securitization and lost no revenue.

On November 2, 2010 voters approved Proposition 22 which prohibits the State from borrowing or taking funds used for transportation, redevelopment, or local government projects and services. However, the State is currently looking at other ways close the shortfall. The State has historically attempted to balance their budget by using local revenue resources, and is likely to continue. Prior remedies include:

- Proposition 57 or "Triple Flip". In 2004, state voters approved a deficit-financing bond, pledging as repayment for the bond ¼ cent of the local Bradley-Burns sales tax. During the time this bond is outstanding, city and county revenue losses are replaced on a dollar-for-dollar basis with property taxes shifted from school districts. School losses, in turn, are offset by increased state aid. These revenue transfers commonly are referred to as the "triple flip".
- VLF-Property Tax Swap. In 1999, the state began reducing the vehicle license fee (VLF) rate charged to vehicle owners - and backfilling city and county revenue losses from this tax reduction with state subventions. The FY 2004-05 state budget packages permanently replaced the VLF backfill by shifting an equal amount of K-14 property taxes to cities and counties. Increased state aid offsets K-14 school district revenue losses.
- FY 2004-05 Property Tax Shift. The FY 2004-05 state budget packages included a \$1.3 billion shift of property taxes from noneducational local agencies (cities, counties, special districts, and redevelopment agencies) to K-14 school districts. Unlike the two permanent property tax shifts enacted in the 1990's, this tax shift sunset in FY 2006-07.
- Proposition 1A. In 2004, state voters amended the State Constitution to prohibit the state from permanently reallocating the property tax, with certain exceptions, prohibit the State from reducing the Bradley Burns local sales tax rate or altering its method of allocation, and prohibit the State from further reducing the vehicle license fee without reimbursing local governments.

### Cash management and policies

The City's investment policy states that not more than 25% of the portfolio shall be invested in any one entity or any one instrument to protect the City from concentration of credit risk, with the following exceptions: U.S. Treasury Obligations and the external investment pool, State of California - Local Agency Investment Fund (LAIF). In addition, purchases of mutual funds must not exceed 20% of the value of the portfolio. Purchases in a single mutual fund may not exceed 10% of the value of the portfolio. The City is in compliance with these provisions of the investment policy.

As of June 30, 2010, the City had \$80.5 million invested in LAIF accounts, \$38.8 million in U.S. Agencies and U.S. Treasury Money Market Funds, and \$0.7 million in other investments.

## Major Initiatives

The City of Santa Cruz operates four municipal utilities, including water, wastewater, storm water, and refuse collection/landfill operations. The Water Department has not made any major capital improvements for the past 10 to 15 years while a new water supply project was being developed. Now, in order to address the pressing needs of an aging infrastructure and the need for a new water supply, the Water Department has embarked upon an ambitious program of capital improvements that will span the next four to five years and may cost approximately \$50 million, to be financed partially through the issuance of new debt. Major distribution and supply projects are planned, including a desalination plant.

The City will continue to use Development Impact fees to enhance and upgrade park facilities. These fees will also be used for improvements to the greenbelt. At the end of FY 2010, the City received a State grant in the amount of \$1.8 for the purchase of land and construction of a new park in the City's lower Ocean Street neighborhood. The Parks and Recreation Department will continue to seek grants and bond monies to renovate and upgrade outdated facilities.

## Awards

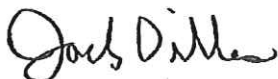
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Cruz for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual finance report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

## Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. We also want to thank the partners and staff of our auditors for their assistance and support. Credit must also be given to the Mayor, City Council Members, and City Manager for your unfailing leadership and support.

Respectfully submitted,



Jack Dilles  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Santa Cruz  
California

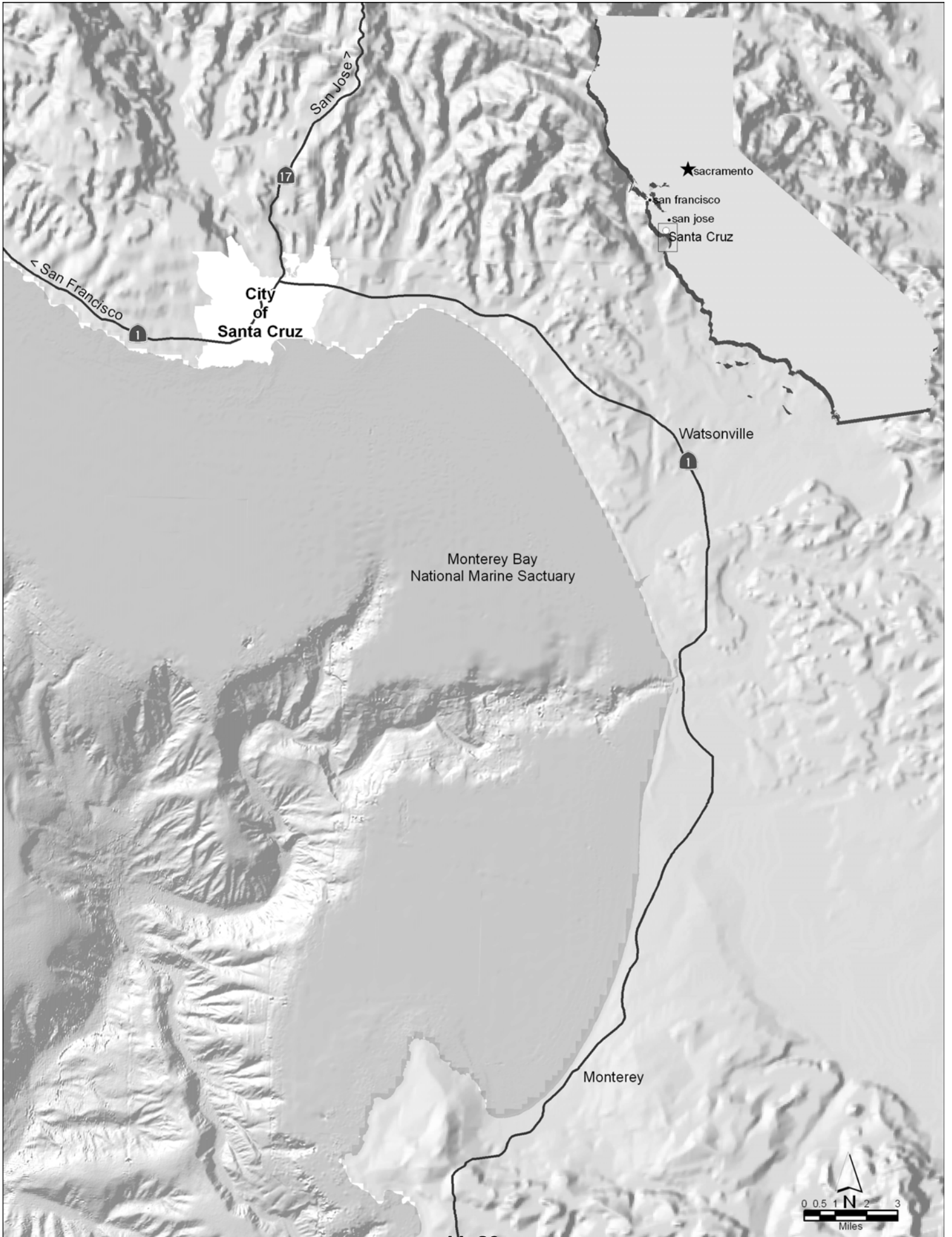
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

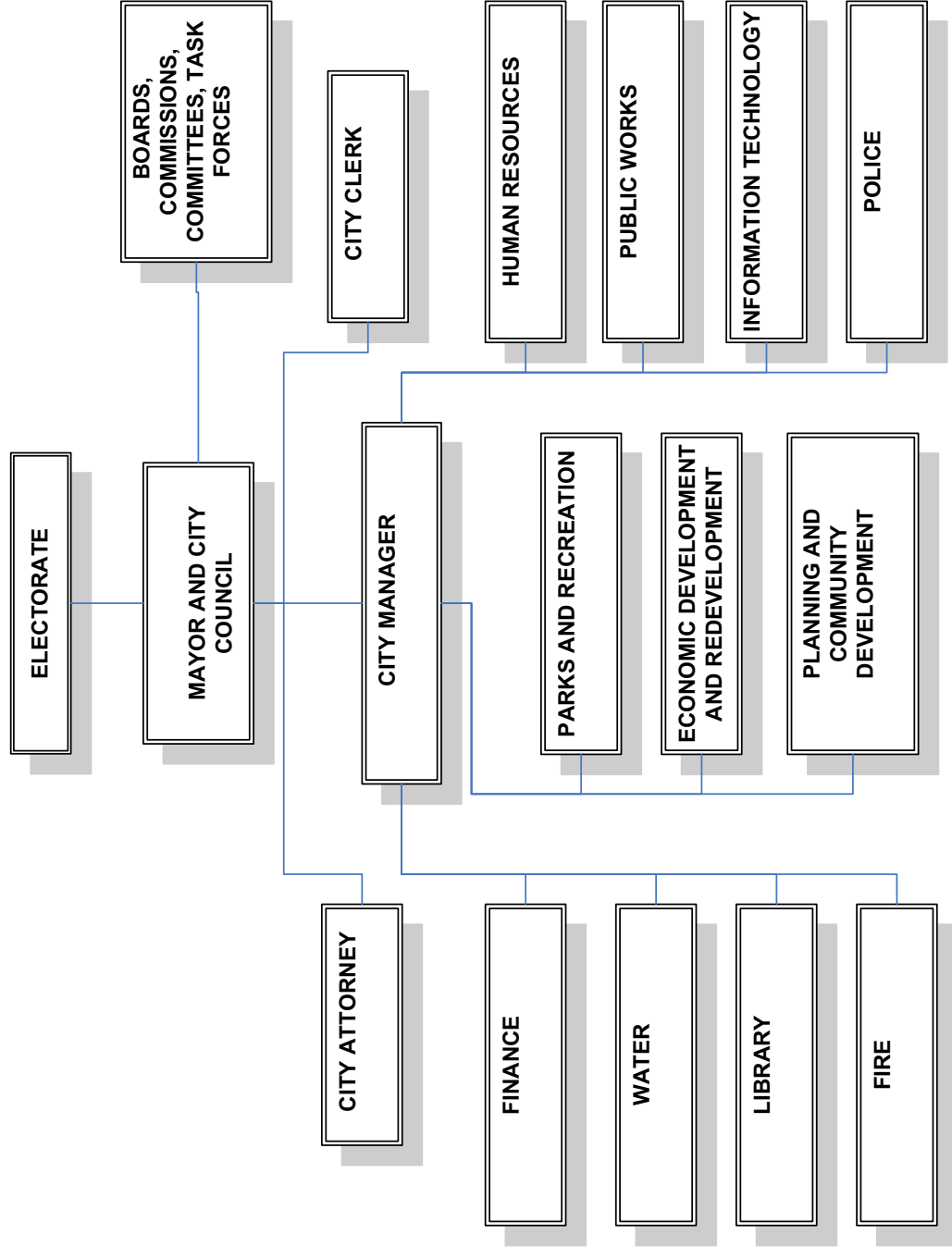


President

Executive Director



# CITY OF SANTA CRUZ FUNCTIONAL ORGANIZATIONAL CHART



**DIRECTORY OF CITY OFFICIALS  
CITY OF SANTA CRUZ**

Mayor Ryan Coonerty

Vice Mayor Don Lane	Councilmember Katherine Beiers
Councilmember Hilary Bryant	Councilmember Tony Madrigal
Councilmember Lynn Robinson	Councilmember David Terrazas

City Manager, Martín Bernal

Assistant City Manager .....	Tina Shull
Chief of Fire .....	Ron Oliver
Chief of Police.....	Kevin Vogel
City Attorney.....	John G. Barisone
City Clerk (Interim) .....	Tom Graves
Director of Finance.....	Jack Dilles
Director of Human Resources .....	Lisa Sullivan
Director of Information Technology .....	Sharon Caiocca
Director of Libraries .....	Teresa Landers
Director of Parks and Recreation .....	Dannettee E. Shoemaker
Director of Planning and Community Development.....	Juliana Rebagliati
Director of Public Works and City Engineer .....	Mark Dettle
Director of Economic Development and Redevelopment.....	Bonnie Lipscomb
Director of Water.....	Bill Kocher





Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council  
of the City of Santa Cruz  
Santa Cruz, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Cruz, California (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Cruz as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and the Required Supplementary Information on pages 3 to 16 and pages 104 to 109, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and Members of City Council  
of the City of Santa Cruz  
Santa Cruz, California  
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund statements and schedules and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and schedules has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

*Caporicci & Larson, Inc.*

Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants  
San Francisco, California  
January 27, 2011

## Management's Discussion and Analysis

As management of the City of Santa Cruz, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Santa Cruz for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

### Financial Highlights - Primary Government (in millions)

- **Government-Wide Highlights:**

*Net Assets* - The assets of the City of Santa Cruz exceeded its liabilities at the close of the fiscal year by \$460.3. Of the total net assets, \$89.6, or 19.5%, was reported as *unrestricted net assets* and may be used to meet the government's ongoing obligations to citizens and creditors. Restricted net assets of \$35.5 may be used for the City's ongoing obligations related to programs with external restrictions. The remaining \$335.2 represented the City's investment in net capital assets, less any related outstanding debt used to acquire those assets.

*Changes in Net Assets* - The City's total net assets increased by \$5.6, or 1.23%, in FY 2010. The increase in net assets represents the degree to which revenues exceed expenses.

The increase in net assets for governmental activities of \$2.2, or 1.01%, was an increase of \$1.2 compared to the prior year, and was comprised of total revenues in the amount of \$99.8 in excess of total expenditures in the amount of \$97.6. Total revenues for FY 2010 decreased by \$5.2 compared to the prior year due to a \$3.9 decrease in capital and operating grants, a \$2.0 decrease in taxes and other general revenues, and an increase of \$0.7 in charges for services. FY 2010 expenditures decreased by \$6.4 compared to the prior year. The decrease in expenditures was a planned response in anticipation of reduced tax receipts.

Business type activities had an increase in net assets in the amount of \$3.4, or 1.4%, which was a decrease of \$3.5 compared to the prior year and was comprised of total revenues in the amount of \$63.6 in excess of total expenses in the amount of \$60.2. Total revenues for FY 2010 decreased by \$3.4 compared to the prior year primarily due to a decrease in charges for services in the amount of \$3.1, a decrease in investment earnings in the amount of \$1.2, and a decrease in other revenues in the amount of \$0.2, offset by an increase in operating and capital grants in the amount of \$1.1. The decrease in charges for services was primarily in the Water enterprise fund due to reduced consumption.

- **Fund Highlights:**

*Governmental Funds* - Governmental funds include general, special revenue, debt service, and capital projects funds. As of the close of FY 2010, the City's governmental funds, including the Redevelopment Agency Fund, reported a combined ending fund balance of \$53.0, which was an increase of \$4.9, or 10.2%, from the previous fiscal year. Approximately \$30.3 of this amount, or 57.1%, represented the *unreserved fund balance* available for appropriation. Of the unreserved fund balance, \$26.2, or 86.0%, was designated for various purposes.

*General Fund* - Total fund balance of the General Fund on June 30, 2010, was \$23.6, an increase of \$3.1, or 15.0%, from the previous fiscal year. Approximately \$16.1 of this amount, or 68.5%, was unreserved. Of the unreserved fund balance, \$6.2, or approximately 38.6% was designated for various purposes. These included \$5.2 for the City Public Trust, and monies designated for various amounts for other activities. The remaining unreserved balance of \$10.0, or 61.4%, of unreserved fund balance was undesignated.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They are comprised of the *statement of net assets* and *statement of activities and changes in net assets*.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities and changes in net assets* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses, therefore, are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., interest expense due but unpaid).

Both of the above government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, library, transit, social services and community and economic development. The business-type activities of the City include the four municipal utilities: water, wastewater, storm water, and refuse and landfill operation; and also the self-supporting golf course and parking enterprises.

*Blended Component Units* - Component units are legally separate entities that meet certain criteria and would be misleading if their data were not included in this report. This report includes three separate legal entities in this category—The City of Santa Cruz Redevelopment Agency, The Santa Cruz Public Improvement Financing Corporation, and The Santa Cruz Public Financing Authority. All component units in this report are blended with the primary government because the governing boards are substantively the same as the primary government, and the component units serve the primary government exclusively.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements provide detail information about each of the City's most significant funds, called *major funds*. The concept of major funds, and the determination of which are major funds, was established by GASB 34 and replaces the concept of combining like funds and presenting them in total. Instead, each *major fund* is presented individually, with all *nonmajor funds* summarized and presented in a single column. Individual fund data on the nonmajor funds is presented in the form of combining statements and schedules in the Supplemental Information section of this report.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Readers will then be able to better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City has twelve governmental funds, of which three are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the City's three major funds - the General Fund, the Redevelopment Agency Fund, and the General Capital Improvement Fund. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on this report.

**Proprietary Funds.** The City maintains two different types of proprietary funds - *enterprise funds* and *internal service funds*. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the four municipal utilities: water, wastewater, storm water, and refuse, recycling and landfill operation; and also for the self-supporting golf course and parking enterprises. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment operations and maintenance, telecommunications, and risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the governmental-wide financial statements.

The City has nine proprietary funds which provide the same type of information as the government-wide financial statements, only in more detail. The fund financial statements for the proprietary funds provide separate information for the four municipal utilities: water, wastewater, storm water, and refuse, recycling and landfill operations; and also the self-supporting golf course and parking enterprises. Conversely, the three internal service funds are combined into a single aggregated column in the proprietary fund statements. Individual fund data for the internal service funds is provided in the form of *combining statements* on this report.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. Fiduciary funds represent agency funds and private-purpose trust funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations and use of the accrual basis of accounting. Agency funds include activities of the Library Joint Powers Authority, Payroll Payables and Special Assessments. Trust funds are used to account for resources legally held in trust for special purposes, such as the McCaskill Trust for Local History, the McCaskill Trust for Visually Impaired, the Findkeldey Trust for Musical Literature, and the Whalen Estate - Felton Branch Trust.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Santa Cruz's progress in funding its obligation to provide pension benefits to its employees, as well as providing a budgetary comparison schedule for the General Fund and the Redevelopment Agency Fund.

Additional budgetary schedules for the General Fund, with revenues presented in greater detail and expenditures presented by department, the General Capital Improvement Fund, and the combining statements, referred to earlier in connection with nonmajor governmental funds and internal service funds, are presented immediately following the required supplementary information in the supplemental information section of this report.

**Government-Wide Financial Analysis (in \$ millions)**

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Santa Cruz, combined net assets (governmental and business-type activities) totaled \$460.3 at the close of the fiscal year ending June 30, 2010. This was an increase of \$5.6, or 1.23%, from the previous fiscal year.

By far the largest portion of the City's net assets, \$335.1, or 72.8%, is reflected its investment in net capital assets (e.g., land, streets, bridges, water and sewer lines, buildings, machinery, and equipment), less any related, outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets were not available for future spending. Although the City's investment in its capital assets was reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$35.6, or 7.7%, represented resources that were subject to external restrictions on how they may be used. The remaining \$89.6, or 19.5%, of the City's net assets, was "unrestricted," and may be used to meet the government's ongoing obligations to citizens and creditors.

**City of Santa Cruz's Net Assets  
June 30, 2010**

(amounts expressed in \$ millions)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current assets	\$ 59.1	\$ 54.2	\$ 80.3	\$ 76.8	\$ 139.4	\$ 131.0
Noncurrent assets	15.4	13.4	10.9	14.6	26.3	28.0
Capital assets	188.2	193.2	225.7	226.5	413.9	419.7
<b>Total assets</b>	<b>262.7</b>	<b>260.8</b>	<b>316.9</b>	<b>317.9</b>	<b>579.6</b>	<b>578.7</b>
Current liabilities	11.0	11.6	11.0	11.3	22.0	22.9
Noncurrent liabilities	32.1	31.8	65.2	69.3	97.3	101.1
<b>Total liabilities</b>	<b>43.1</b>	<b>43.4</b>	<b>76.2</b>	<b>80.6</b>	<b>119.3</b>	<b>124.0</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	171.2	175.2	163.9	157.1	335.1	332.3
Restricted	35.6	33.3	-	-	35.6	33.3
Unrestricted	12.8	8.9	76.8	80.2	89.6	89.1
<b>Total net assets</b>	<b>\$ 219.6</b>	<b>\$ 217.4</b>	<b>\$ 240.7</b>	<b>\$ 237.3</b>	<b>\$ 460.3</b>	<b>\$ 454.7</b>

**Changes in Net Assets.** The City's net assets increased by \$5.6, or 1.23%, from the previous fiscal year. The City's expenses covered a range of services. Further analysis is provided within the governmental and business-type activity sections.

**City of Santa Cruz Changes in Net Assets**  
**Fiscal Year Ending June 30, 2010**  
(amounts expressed in millions)

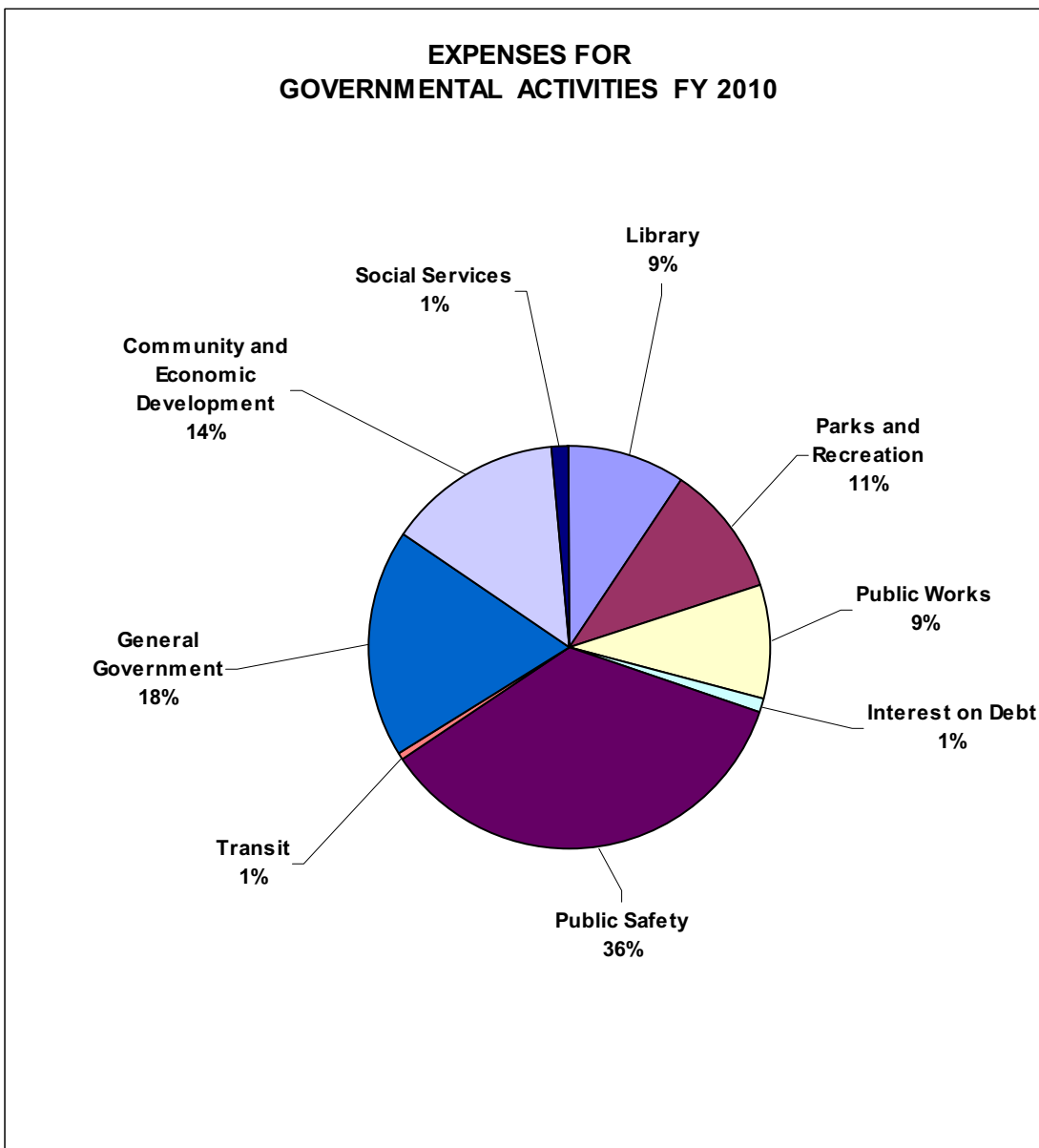
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 31.4	\$ 30.7	\$ 58.0	\$ 61.0	\$ 89.4	\$ 91.7
Operating grants and contributions	3.9	8.1	1.6	1.3	5.5	9.4
Capital grants and contributions	4.6	4.2	2.2	1.4	6.8	5.6
<b>Total program revenues</b>	<b>39.9</b>	<b>43.0</b>	<b>61.8</b>	<b>63.7</b>	<b>101.7</b>	<b>106.7</b>
General revenues:						
Property taxes	26.4	27.3	-	-	26.4	27.3
Sales and use taxes	12.7	13.5	-	-	12.7	13.5
Franchise taxes	2.9	3.0	-	-	2.9	3.0
Transient occupancy taxes	3.8	3.7	-	-	3.8	3.7
Utility users taxes	8.7	9.2	-	-	8.7	9.2
Admissions taxes	1.9	1.9	-	-	1.9	1.9
Other taxes	2.1	1.6	-	-	2.1	1.6
<b>Total taxes</b>	<b>58.5</b>	<b>60.2</b>	<b>-</b>	<b>-</b>	<b>58.5</b>	<b>60.2</b>
Unrestricted grants and contributions	-	-	-	-	-	-
Unrestricted investment earnings	0.8	1.5	1.4	2.6	2.2	4.1
Gain (loss) on sale of assets	0.4	0.0	-	-	0.4	0.0
Miscellaneous	-	0.3	0.6	0.6	0.6	0.9
<b>Total revenues</b>	<b>99.6</b>	<b>105.0</b>	<b>63.8</b>	<b>66.9</b>	<b>163.4</b>	<b>171.9</b>
<b>Expenses:</b>						
General government	17.9	14.0	-	-	17.9	14.0
Public safety	34.5	36.7	-	-	34.5	36.7
Parks and recreation	10.3	11.8	-	-	10.3	11.8
Library	9.1	9.8	-	-	9.1	9.8
Public works	9.0	16.2	-	-	9.0	16.2
Transit	0.6	0.6	-	-	0.6	0.6
Community and economic development	13.8	11.8	-	-	13.8	11.8
Social services	1.3	1.9	-	-	1.3	1.9
Interest and charges on long term debt	1.1	1.2	-	-	1.1	1.2
Water	-	-	21.1	22.6	21.1	22.6
Wastewater	-	-	17.3	17.6	17.3	17.6
Refuse	-	-	14.9	12.4	14.9	12.4
Parking	-	-	3.2	3.3	3.2	3.3
Storm Water	-	-	1.6	1.6	1.6	1.6
Golf course	-	-	2.1	2.5	2.1	2.5
<b>Total expenses</b>	<b>97.6</b>	<b>104.0</b>	<b>60.2</b>	<b>60.0</b>	<b>157.8</b>	<b>164.0</b>
Increase (decrease) in net assets before transfers	2.0	1.0	3.6	6.9	5.6	7.9
Transfers	0.2	-	(0.2)	-	-	-
<b>Change in net assets</b>	<b>2.2</b>	<b>1.0</b>	<b>3.4</b>	<b>6.9</b>	<b>5.6</b>	<b>7.9</b>
Net assets, beginning of year (as restated)	217.4	216.4	237.3	230.4	454.7	446.8
Net assets - end of year	<u>\$ 219.6</u>	<u>\$ 217.4</u>	<u>\$ 240.7</u>	<u>\$ 237.3</u>	<u>\$ 460.3</u>	<u>\$ 454.7</u>

**Governmental Activities.** Governmental activities increased the City's net assets by \$2.2. A comparison of the cost of services by function for the City's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities.

	<b>Governmental Activities</b>	
	(amounts expressed in \$ millions)	
	2010	2009
<b>Expenses net of program revenues:</b>		
General government	\$ (6.1)	\$ (5.7)
Public safety	(31.8)	(34.3)
Parks and recreation	(7.0)	(7.7)
Library	(1.0)	(0.4)
Public works	1.2	(1.8)
Transit	-	(0.6)
Community and economic development	(10.6)	(7.4)
Social services	(1.3)	(1.9)
Interest and fiscal charges on long-term debt	(1.1)	(1.2)
Total expenses net of program revenues - governmental activities	<u>(57.7)</u>	<u>(61.0)</u>
<b>General revenues and transfers:</b>		
General revenues:		
Property taxes	26.4	27.3
Sales and use taxes	12.7	13.5
Franchise taxes	2.9	3.0
Transient occupancy taxes	3.8	3.7
Utility users taxes	8.7	9.2
Admission taxes	1.9	1.9
Other taxes	2.1	1.6
Total taxes	<u>58.5</u>	<u>60.2</u>
Unrestricted investment earnings	0.8	1.5
Gain on sale of assets	0.4	-
Miscellaneous	-	0.3
Transfers	0.2	-
Total general revenues and transfers	<u>59.9</u>	<u>62.0</u>
<b>Change in governmental activities net assets</b>	<u>\$ 2.2</u>	<u>\$ 1.0</u>



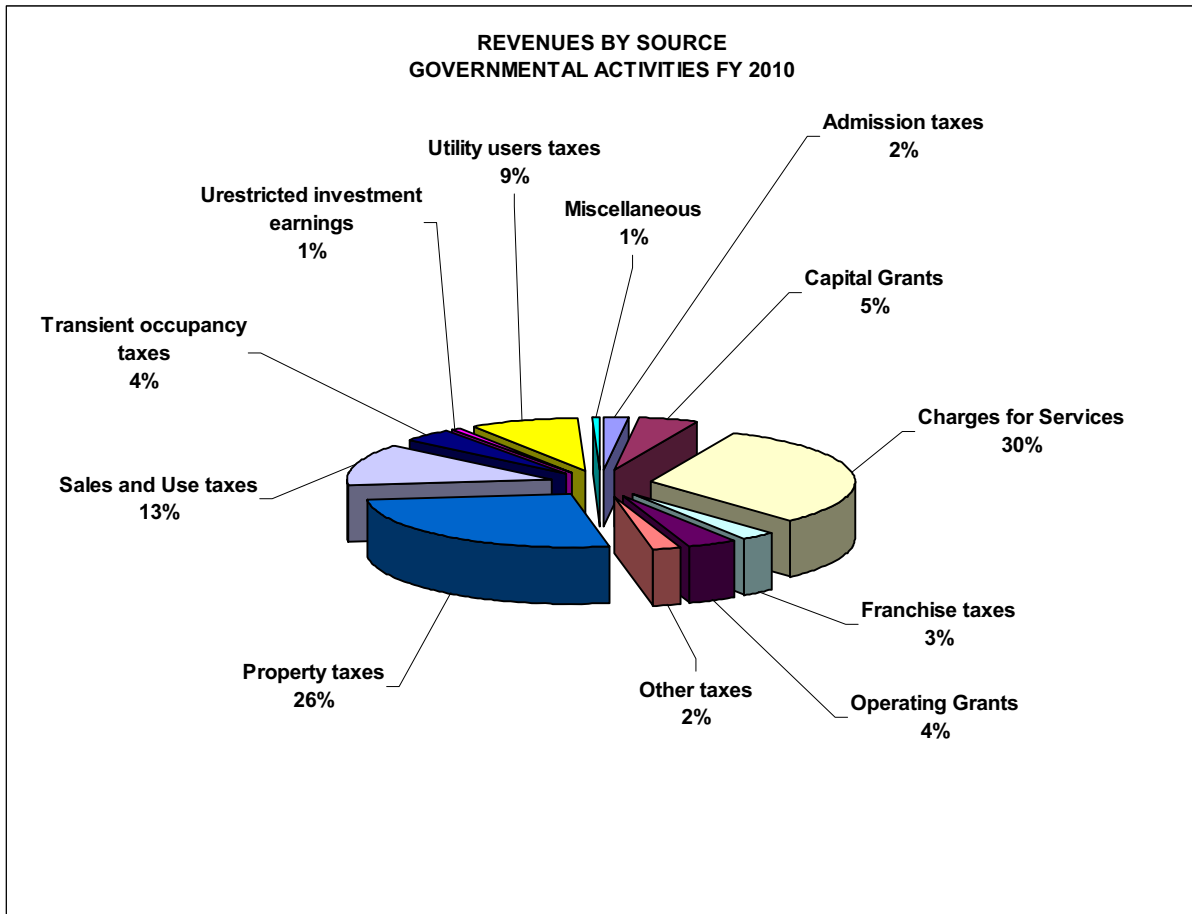
**Governmental Expenses.** Total governmental activity expenses were \$97.6 in FY 2010. The largest expenses were incurred for public safety (36%), general government (18%), community and economic development (14%), parks and recreation (11%), and public works (9%). These expenses did not include capital outlays, which were reflected in the City’s capital assets.



**Governmental Revenues.** Under GASB 34, program revenues are derived directly from programs or from parties outside the reporting government’s taxpayers or citizenry. They reduce the net cost of the function to be financed from the government’s general revenues. Total program revenues from governmental activities were \$39.9 in FY 2010, a decrease of \$3.1, or 7.2%, from the previous fiscal year. Governmental program revenues derived primarily from *charges for services*, which included licenses and permits, planning fees, developer fees, recreation charges, traffic and other fines and forfeitures, charges to the Library Joint Powers Authority for personnel services provided, and several other revenues. Program revenues under the *operating grants and contributions* category included revenues restricted for specific purposes, such as gasoline taxes and other federal, state and local grants. Program revenues in the *capital grants and contributions* category also included federal, state and local grants, but were restricted specifically to be used for capital projects or acquisitions.

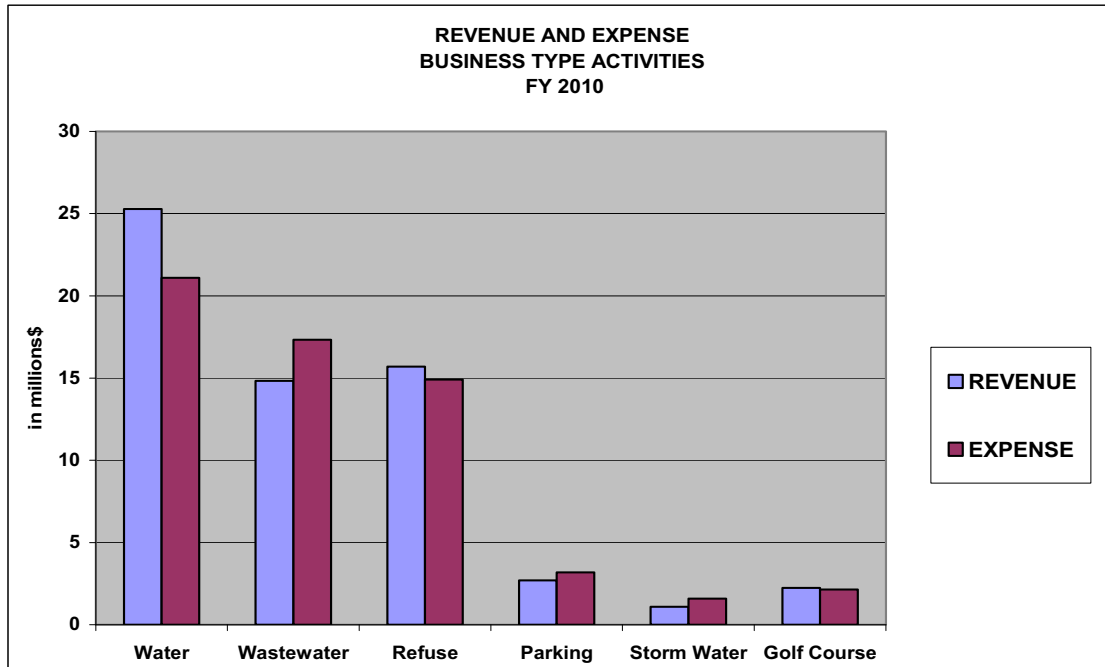
General revenues are all other revenues not categorized as program revenues, and include all taxes, unrestricted grants, contributions and investment earnings, material gains on sales of capital assets, and other miscellaneous revenues. Total general revenues from governmental activities were \$59.9 in FY 2010. Taxes of \$58.5 comprised 97.7% of the City's general revenues for FY 2010. The largest single source of general revenues received during FY 2010 was \$26.4 of property taxes, which were 44.0% of general revenues, followed by \$12.7 of sales and use taxes, which were 21.1% of general revenues.

The following graph includes program and general revenues and shows the percentage of all governmental revenues by source:

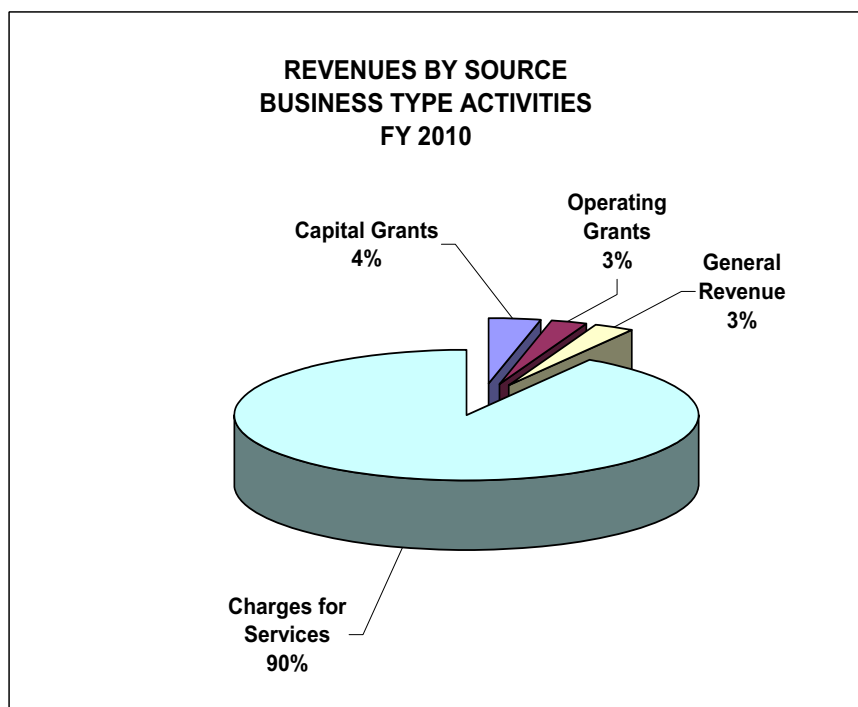


**Business Type Activities.** Net assets for business-type activities were \$240.7, an increase of \$3.4, or 1.4%, from the previous fiscal year. Total program revenues for business-type activities were \$61.8. The largest program revenues were charges for services of \$57.9. Other program revenues included capital and operating grants and contributions of \$3.9. Total expenses for the business-type activities were \$60.2 during FY 2010.

The following chart shows a comparison of FY 2010 revenue and expenses for the City's enterprise funds:



The following chart shows FY 2010 revenues by source for the City's enterprise funds:



## Financial Analysis of Individual Funds (in millions)

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$53.0, and increase of \$4.9 or 10.2% over the previous fiscal year. Approximately \$30.0 of the fund balance is *unreserved fund balance*, which was available for spending at the government's discretion. Unreserved fund balance increased by \$5.0, or 19.9%, over the previous fiscal year. It should, however, be noted that \$26.1 of the unreserved fund balance, or 86.1%, was designated for various purposes, such as debt service, capital projects, public art, police programs and the City Public Trust, leaving \$4.2 unreserved and undesignated. The remainder of fund balance, \$22.7, was reserved to indicate that it is not available for spending because it was already legally committed.

**General Fund** - Total fund balance of the General Fund on June 30, 2010, was \$23.6, an increase of \$3.1 from the previous fiscal year. Approximately \$16.2 of this amount, or 68.6%, was unreserved. Of the unreserved fund balance, \$6.2, or 38.3% was designated for specific uses. These included \$5.2 for the City Public Trust for purposes of supporting capital improvements, and various amounts for other activities, such as unemployment insurance, housing, parks and recreation programs, and equipment and facilities maintenance. The remaining unreserved balance of \$10.0, or 61.7% of unreserved fund balance, was undesignated and represented an increase of \$3.1, or 44.9%, over the previous fiscal year. More information concerning reserved and designated fund balances are shown in Note 14 to the Basic Financial Statements.

As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance, the undesignated portion of the unreserved fund balance, and total fund balance to total fund expenditures. Unreserved fund balance of \$16.2 represented 22.5% of total general fund expenditures of \$72.0, not including proceeds from sale of assets of \$0.4 and transfers out of \$0.4. Unreserved and undesignated fund balance of \$10.0 represented 13.9%, and total fund balance of \$23.6 represented 32.8% of that same amount.

The 13.9% percent of total expenditures represented by the June 30, 2010, undesignated, unreserved fund balance exceeds the historic minimum target reserve level of 10% of the operating budget for the General Fund.

The \$3.1 increase in fund balance was the result of higher than anticipated tax revenues of \$1.8 combined with a planned decrease in expenditures of \$1.0, and the sale of land for approximately \$0.4.

**Redevelopment Agency Fund** - The City of Santa Cruz Redevelopment Agency is responsible for redevelopment of areas identified under the Community Redevelopment Plan determined to be in a declining condition. The Agency's operations are funded primarily by the issuance of debt, which is expected to be repaid out of property tax increment revenue generated by increases in property assessed values in the redevelopment areas.

At the end of FY 2010, the total fund balance of the Redevelopment Agency Fund was \$21.8, an increase of \$0.2 from the previous fiscal year, or 0.9%. Of that amount, \$11.5 was reserved to indicate that it was not available for spending because it had already been legally committed. The remainder of the unreserved fund balance of \$10.3 was designated for either debt service or capital projects.

*General Capital Improvement Fund* – The General Capital Improvement fund is used to account for the City’s capital improvements. A portion of the City’s transient occupancy tax receipts, combined with other funding sources, such as grants, provides funding for capital projects of general benefit, such as storm drain improvements, or improvements to public buildings.

At the end of FY 2010, the total fund balance of the General Capital Improvement Fund was a deficit of \$5.4, a deficit increase of \$0.2 over the prior fiscal year. Of that amount, \$0.3 was reserved to indicate that it was not available for spending because it had already been legally committed. The unreserved, undesignated deficit fund balance of \$5.4 was the result of the City’s arterial streets and roads overlay project that the City had originally planned to fund with the issuance of debt. Since interest rates were not favorable, the City would only move forward on those projects that had a dedicated revenue source.

***Proprietary Funds*** - The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. They include both enterprise funds and internal service funds. For the government-wide financial statements, the internal service funds are consolidated with governmental activities, and the enterprise funds comprise the business-type activities.

At the end of FY 2010, the total fund balance of the enterprise funds was \$240.7, an increase over the prior fiscal year of \$3.4 or 1.4%. The enterprise funds had an increase of \$2.0 in expenditures for FY 2010 compared to the prior year comprised of a decrease in personnel services (due to continuance of work furloughs) in the amount of \$2.5, offset by an increase in services and supplies in the amount of \$4.5. Operating revenues decreased by \$3.1 or 5.0% over the prior year primarily due to the deference of pre-approved fee increases which were enacted to lessen the impact of the current economy on fee payers. Work furloughs for enterprise fund employees ended in FY 2011, due to the need for increased fee supported services. Pre-approve fee increases which had been deferred in FY 2010 will move forward in FY 2011 in order support the additional expense.

Net assets in the internal service funds in the amount of \$6.1 represented an increase of \$1.8 over the previous fiscal year. The increase was primarily due to a \$1.9 increase in the Risk Management fund due to a planned increase in contributions to the liability fund and decreases in the claims payable liability. The Telecommunications fund had an increase of \$0.1 as the fund continues to collect additional monies to pay for its investment in the City’s voice over IP telephony implementation. The fund is expected to be fully reimbursed for this system in FY 2013. The increases in the Risk Management and Telecommunications funds were offset by a \$0.2 decrease in net assets in the Equipment fund. In FY 2010 the Equipment fund implemented lower-than-cost rates in an effort to exhaust an excessive fund balance. The Equipment fund is expected to implement full cost recovery in beginning in FY 2011.

### **General Fund Budgetary Highlights.**

The final amended general fund budget, including transfers out and advances, totaled \$77.1, and included amendments to the original budget, resulting in a \$2.4 increase in operating expenditure appropriations. Of that amount approximately \$1.6 represented non-lapsing encumbrances and projects carried forward from the prior year, \$0.2 represented increased unemployment charges, and \$0.2 represented personnel charges for special events and newly acquired grants. The remaining \$0.4 represented various other obligations during the year. Due to the current constraints on limited general fund revenues, increases to the operating expenditure appropriations are only considered when there are offsetting revenues. Amendments to FY 2010 estimated revenues totaled \$1.1.

## Capital Assets and Debt Administration (in millions)

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounted to \$413.9, net of accumulated depreciation of \$317.0. This investment in capital assets included land, land improvements, infrastructure, buildings, machinery and equipment, lease improvements, software, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The total reductions to the City's investment in capital assets for the current fiscal year, after restatements and deletions, were \$5.8. Additions, deletions and restatements consisted of a net increase to capital assets of \$9.2 and a net increase to accumulated depreciation of \$15.0.

Major capital asset additions during the FY 2010 included the following:

- Water Supply project, \$3.1
- Bay Street Reservoir project, \$1.3
- Arroyo Seco sewer project, \$0.7
- Heavy equipment and licensed vehicles, \$1.7
- Laurel Street safety improvements, \$0.9
- 2030 North Pacific-2 housing units, \$0.8

Additional information on the City's capital assets can be found in Note 6 to the Basic Financial Statements.

<b>Capital Assets</b>						
(net of depreciation)						
(amounts expressed in \$ millions)						
	Governmental Activities		Business-Type Activities		Total	
	June 30		June 30			
	2010	2009	2010	2009	2010	2009
Land	\$ 60.4	\$ 60.4	\$ 1.8	\$ 1.8	\$ 62.2	\$ 62.2
Construction in progress	5.0	4.1	25.2	21.7	30.2	25.8
Land improvements	4.8	5.3	3.0	2.5	7.8	7.8
Infrastructure	80.8	84.9	92.0	92.7	172.8	177.6
Buildings	32.6	33.6	94.2	97.5	126.8	131.1
Machinery and equipment	4.4	4.6	9.1	10.3	13.5	14.9
Lease improvements	0.1	0.2	0.1	-	0.2	0.2
Software	0.1	0.1	0.3	-	0.4	0.1
<b>Totals</b>	<b>\$ 188.2</b>	<b>\$ 193.2</b>	<b>\$ 225.7</b>	<b>\$ 226.5</b>	<b>\$ 413.9</b>	<b>\$ 419.7</b>

## Debt Administration (in millions)

*Long Term Debt* - At the end of the current fiscal year, the City had \$101.7 in long term debt outstanding compared to \$107.2 last fiscal year, which was a decrease of \$5.5, or 5.1%. The Bonds, Notes, Loans and Leases payable associated with governmental activities decreased from \$23.3 to \$22.4, or 3.8%. The Bonds, Notes, Loans and Leases payable associated with Business-type activity debt was reduced from \$69.3 to \$64.6, or 6.8%.

In the governmental activities, the City issued \$7.0 of General Obligation Refunding Bonds in December, 2009 to advance refund \$5.4 of outstanding 1999 General Obligation Bonds. This advance refunding was undertaken to reduce total debt service payments over the next twenty years by \$0.6 and resulted in an economic gain of \$0.4.

In the business type activities, the City issued a \$2.9 Refuse Refunding Loan in August, 2009 to advance refund \$3.3 of outstanding 1999 Refuse Enterprise Certificates of Participation. This advance refunding was undertaken to reduce total debt service payments over the next fifteen years by \$0.3 and resulted in an economic gain of \$0.2. City also issued \$5.4 in 2010 Parking Refunding Lease Revenue in May, 2010 to advance refund \$5.5 of outstanding 1998 Parking Certificates of Participation. This advance refunding was undertaken to reduce total debt service payments over the next eighteen years by \$0.9, which resulted in an economic gain of \$0.3.

The largest single debt obligation of the City is a note payable to the State of California for the construction of secondary treatment improvements at the City's wastewater treatment plant. As of June 30, 2010 the outstanding balance on this note was \$26.8. The City has a corresponding note receivable from the County of Santa Cruz for \$12.6. This note receivable relates to the County's obligation related to the construction of the treatment plant improvements. More information about this note receivable can be found in Note 3 to the Basic Financial Statements.

The chart below illustrates the changes in bonds, notes, loans and leases payable for the year ending June 30, 2010.

<b>Bonds, Notes, Loans and Leases Payable</b>						
(amounts expressed in \$ millions)						
	Governmental Activities		Business-Type Activities		Total	
	June 30		June 30			
	2010	2009	2010	2009	2010	2009
Certificates of participation	\$ 3.6	\$ 3.8	\$ 6.6	\$ 16.1	\$ 10.2	\$ 19.9
Revenue bonds payable	6.6	6.7	25.5	21.4	32.1	28.1
General obligation bonds	6.9	6.9	-	-	6.9	6.9
Notes payable	0.1	0.3	30.2	30.1	30.3	30.4
Tax allocation bonds payable	4.6	4.7	-	-	4.6	4.7
Capital lease obligations	0.5	0.7	2.3	1.7	2.8	2.4
Other long-term liabilities	0.1	0.2	-	-	0.1	0.2
<b>Totals</b>	<b>\$ 22.4</b>	<b>\$ 23.3</b>	<b>\$ 64.6</b>	<b>\$ 69.3</b>	<b>\$ 87.1</b>	<b>\$ 92.6</b>

The City of Santa Cruz also has significant liabilities for claims and judgments, compensated absences (accrued vacation pay), and landfill closure and post closure costs. The amounts and changes of these liabilities are shown below.

#### **Claims and Judgments, Compensated Absences, and Landfill Closure Costs Payable**

(amounts expressed in \$ millions)

	June 30		Increase (Decrease)	Percent Change	June 30, 2010	
	2010	2009			Due in less than one year	Due in more than one year
	Compensated absences	\$ 4.6			\$ 4.2	\$ 0.4
Claims and judgments	10.1	10.1	-	0.0%	2.8	7.3
Closure and post closure landfill costs	4.5	4.3	0.2	4.7%	-	4.5
<b>Totals</b>	<b>\$ 14.6</b>	<b>\$ 14.4</b>	<b>\$ 0.2</b>	<b>4.7%</b>	<b>\$ 2.8</b>	<b>\$ 11.8</b>

Additional information on the City of Santa Cruz's long term debt can be found in Note 7 to the Basic Financial Statements. Additional information on the City of Santa Cruz's landfill closure and post closure costs can be found in Note 9 to the Basic Financial Statements.

## **Economic Climate**

The City of Santa Cruz, and Santa Cruz County for that matter, is closely tied to the regional economy of the nine-county San Francisco Bay Area and to Silicon Valley in particular. Local private employers include a diverse array of manufacturing, business services, retail, hotel and food services, and biotechnology companies. In addition to the local private employers, the local economy also benefits from the University of California Santa Cruz. The University is a major employer, and has potential spin-off benefits from federal and state funded scientific research ventures including biomedical research, technology research, and adaptive optics.

Housing prices in Santa Cruz County have continued to decline, but less so within the City. Economic forecasts expect a slow return of housing price levels within the state, and a return to pre-recession price levels in FY 2015, with an accelerated return for coastal cities.

Under the provisions of Proposition 1A, the State of California exercised its right to borrow \$1.3 in tax revenues from the City, and take \$3.1 in tax increment from the City Redevelopment Agency. In November, 2010 the City was able to sell the \$1.3 million in receivables from the State for the same amount by participating in the Proposition 1A Securitization Program. Actions to prevent the State cuts affecting Redevelopment agencies failed under litigation.

At present time, the California State budget continues in FY 2011 with a \$7 billion deficit, and a \$19 billion on-going deficit beginning in FY 2012. Past experience shows that the State may turn to local agencies to eliminate the deficit by finding ways to defer revenues owed to the City, or enact other measures that would further reduce the City's revenues.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Santa Cruz, Finance Department, 809 Center Street, Room 101, Santa Cruz, CA 95060.



## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**City of Santa Cruz**  
**Statement of Net Assets**  
**June 30, 2010**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 44,793,388	\$ 69,698,507	\$ 114,491,895
Restricted cash and investments	3,613,093	2,413,640	6,026,733
Interest receivable	445,396	503,998	949,394
Taxes receivable	4,322,668	1,560	4,324,228
Accounts receivable - net	1,391,298	5,622,387	7,013,685
Grants receivable	2,820,447	827,025	3,647,472
Notes receivable	32,401	1,251,160	1,283,561
Loans receivable	18,500	-	18,500
Prepaid items	32,928	-	32,928
Inventories	128,812	-	128,812
Deposits	1,473,410	30,000	1,503,410
Total current assets	59,072,341	80,348,277	139,420,618
Noncurrent assets:			
Restricted investments	-	427,656	427,656
Notes receivable	9,185,811	11,916,633	21,102,444
Loans receivable	3,118,050	-	3,118,050
Deferred charges	419,770	1,193,510	1,613,280
Long-term internal balances	2,671,109	(2,671,109)	-
Capital assets:			
Land	60,380,806	1,819,287	62,200,093
Land improvements	8,240,309	4,344,973	12,585,282
Infrastructure	206,833,712	171,168,085	378,001,797
Buildings	45,067,703	160,568,423	205,636,126
Machinery and equipment	13,250,399	26,074,299	39,324,698
Lease improvements	724,114	70,000	794,114
Software	1,220,476	867,238	2,087,714
Construction in progress	5,016,231	25,239,349	30,255,580
Total capital assets	340,733,750	390,151,654	730,885,404
Less accumulated depreciation	(152,495,001)	(164,510,111)	(317,005,112)
Total capital assets, net	188,238,749	225,641,543	413,880,292
Total noncurrent assets	203,633,489	236,508,233	440,141,722
<b>Total assets</b>	<b>262,705,830</b>	<b>316,856,510</b>	<b>579,562,340</b>

See accompanying Notes to Basic Financial Statements.

**City of Santa Cruz**  
**Statement of Net Assets, Continued**  
**June 30, 2010**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and other current liabilities	\$ 4,760,058	\$ 3,882,874	\$ 8,642,932
Intergovernmental payable	25,106	-	25,106
Interest payable	196,406	1,079,016	1,275,422
Unearned revenue	182,495	40,108	222,603
Deposits payable	109,509	70,088	179,597
Claims and judgments payable	2,779,942	-	2,779,942
Compensated absences payable	2,259,792	834,528	3,094,320
Bonds, notes, loans and leases payable	711,695	5,026,735	5,738,430
<b>Total current liabilities</b>	<b>11,025,003</b>	<b>10,933,349</b>	<b>21,958,352</b>
Noncurrent liabilities:			
Claims and judgments payable	7,281,882	-	7,281,882
Compensated absences payable	1,129,895	417,266	1,547,161
Other post employment benefits	1,944,716	789,897	2,734,613
Bonds, notes, loans and leases payable	21,736,440	59,523,677	81,260,117
Landfill closure costs	-	4,465,029	4,465,029
<b>Total noncurrent liabilities</b>	<b>32,092,933</b>	<b>65,195,869</b>	<b>97,288,802</b>
<b>Total liabilities</b>	<b>43,117,936</b>	<b>76,129,218</b>	<b>119,247,154</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	171,223,103	163,932,427	335,155,530
Restricted for:			
Capital projects	5,384,846	-	5,384,846
Debt service	4,948,843	-	4,948,843
Public safety	85,837	-	85,837
Parks and recreation	1,345,696	-	1,345,696
Community and economic development	23,784,430	-	23,784,430
Unrestricted	12,815,139	76,794,865	89,610,004
<b>Total net assets</b>	<b>\$ 219,587,894</b>	<b>\$ 240,727,292</b>	<b>\$ 460,315,186</b>

See accompanying Notes to Basic Financial Statements.

**City of Santa Cruz**  
**Statement of Activities and Changes in Net Assets**  
**For the year ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 17,928,110	\$ 11,278,221	\$ 503,759	\$ 19,098
Public safety	34,523,282	1,633,242	905,291	157,036
Parks and recreation	10,250,951	2,944,329	61,286	254,788
Library	9,081,071	8,046,305	-	-
Public works	9,027,258	5,312,671	1,093,067	3,842,926
Transit	594,976	-	594,976	-
Community and economic development	13,829,383	2,228,704	710,643	329,094
Social services	1,258,798	-	-	-
Interest and fiscal charges on long-term debt	1,111,754	-	-	-
<b>Total governmental activities</b>	<b>97,605,583</b>	<b>31,443,472</b>	<b>3,869,022</b>	<b>4,602,942</b>
Business-type activities:				
Water	21,121,067	23,036,392	-	2,244,283
Wastewater	17,324,157	14,034,810	789,528	-
Refuse	14,884,490	15,700,703	113	-
Parking	3,182,994	2,660,323	34,942	-
Storm water	1,575,223	887,959	196,960	-
Golf course	2,133,914	1,624,931	614,868	-
<b>Total business-type activities</b>	<b>60,221,845</b>	<b>57,945,118</b>	<b>1,636,411</b>	<b>2,244,283</b>
<b>Total primary government</b>	<b>\$ 157,827,428</b>	<b>\$ 89,388,590</b>	<b>\$ 5,505,433</b>	<b>\$ 6,847,225</b>

**General Revenues:**

Taxes:

- Property taxes
- Sales and use taxes
- Franchise taxes
- Transient occupancy taxes
- Utility users taxes
- Admission taxes
- Other taxes

Total taxes

Unrestricted investment earnings

Gain on sale of assets

Miscellaneous

**Transfers**

**Total general revenues and transfers**

**Change in net assets**

**Net assets - beginning of year**

**Net assets - end of year**

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets			
Total	Governmental Activities	Business-Type Activities	Total
\$ 11,801,078	\$ (6,127,032)	\$ -	\$ (6,127,032)
2,695,569	(31,827,713)	-	(31,827,713)
3,260,403	(6,990,548)	-	(6,990,548)
8,046,305	(1,034,766)	-	(1,034,766)
10,248,664	1,221,406	-	1,221,406
594,976	-	-	-
3,268,441	(10,560,942)	-	(10,560,942)
-	(1,258,798)	-	(1,258,798)
-	(1,111,754)	-	(1,111,754)
39,915,436	(57,690,147)	-	(57,690,147)
25,280,675	-	4,159,608	4,159,608
14,824,338	-	(2,499,819)	(2,499,819)
15,700,816	-	816,326	816,326
2,695,265	-	(487,729)	(487,729)
1,084,919	-	(490,304)	(490,304)
2,239,799	-	105,885	105,885
61,825,812	-	1,603,967	1,603,967
\$ 101,741,248	(57,690,147)	1,603,967	(56,086,180)
26,385,089	-	-	26,385,089
12,668,746	-	-	12,668,746
2,904,859	-	-	2,904,859
3,860,757	-	-	3,860,757
8,622,677	-	-	8,622,677
1,922,757	-	-	1,922,757
2,160,778	-	-	2,160,778
58,525,663	-	-	58,525,663
841,680	1,403,371	-	2,245,051
349,687	32,896	-	382,583
-	564,273	-	564,273
205,712	(205,712)	-	-
59,922,742	1,794,828	-	61,717,570
2,232,595	3,398,795	-	5,631,390
217,355,299	237,328,497	-	454,683,796
\$ 219,587,894	\$ 240,727,292	\$ -	\$ 460,315,186

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## FUND FINANCIAL STATEMENTS

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## Governmental Fund Financial Statements

*General Fund* - The General Fund is used to account for sources and uses of financial resources traditionally associated with governments, and which are not required to be accounted for in another fund.

*Redevelopment Agency Fund* - The Redevelopment Agency fund is used to account for all the activities of the City of Santa Cruz Redevelopment Agency. This includes the accumulation of resources for and the payment of interest and principal on debt issued to finance redevelopment activities, and general redevelopment operations.

*General Capital Improvement* - This fund is used to account for capital improvements for which special projects funds have not been established. A portion of the City's transient occupancy tax receipts, combined with other funding sources, such as grants, provides funding for capital projects of general benefit, such as storm drain improvements, or improvements to public buildings.

*Other Governmental Funds* - Other Governmental funds is the aggregate of all the non-major governmental funds.

**City of Santa Cruz**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Redevelopment Agency	General Capital Improvement		
<b>ASSETS</b>					
Cash and investments	\$ 14,508,479	\$ 10,901,436	\$ 1,205,963	\$ 8,933,029	\$ 35,548,907
Interest receivable	41,702	39,505	-	343,068	424,275
Taxes receivable	3,895,106	374,948	-	52,614	4,322,668
Accounts receivable - net	1,247,367	1,097	617	131,660	1,380,741
Due from other governments	362,093	144,601	1,146,567	1,167,186	2,820,447
Due from other funds	1,329,543	-	-	-	1,329,543
Prepaid items	32,928	-	-	-	32,928
Restricted cash and investments	-	2,853,428	289,632	470,033	3,613,093
Deposits	70,304	-	-	-	70,304
Notes receivable - net	178,357	8,445,431	-	594,424	9,218,212
Loans receivable - net	391,140	-	-	2,745,410	3,136,550
Advances to other funds	5,179,219	320,672	-	-	5,499,891
<b>Total assets</b>	<b>\$ 27,236,238</b>	<b>\$ 23,081,118</b>	<b>\$ 2,642,779</b>	<b>\$ 14,437,424</b>	<b>\$ 67,397,559</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and other current liabilities	\$ 3,384,440	\$ 300,967	\$ 449,110	\$ 309,875	\$ 4,444,392
Intergovernmental payable	25,106	-	-	-	25,106
Deferred revenue	93,403	140,486	-	685,376	919,265
Unearned revenue	32,850	-	24,024	125,621	182,495
Deposits payable	101,875	7,634	-	-	109,509
Advances from other funds	-	832,899	7,560,119	286,764	8,679,782
<b>Total liabilities</b>	<b>3,637,674</b>	<b>1,281,986</b>	<b>8,033,253</b>	<b>1,407,636</b>	<b>14,360,549</b>
<b>Fund Balances:</b>					
Reserved for:					
Encumbrances	699,668	653,255	305,549	469,516	2,127,988
Noncurrent receivables and advances	5,655,314	8,625,617	-	3,007,320	17,288,251
Prepaid items	32,928	-	-	-	32,928
General plan update	734,973	-	-	-	734,973
Hardship grants	303,782	-	-	-	303,782
Low and moderate income housing	-	2,249,174	-	-	2,249,174
Unreserved, designated, reported in:					
General fund	6,240,772	-	-	-	6,240,772
Debt service funds	-	1,130,016	-	1,810,465	2,940,481
Redevelopment Agency fund	-	9,141,070	-	-	9,141,070
Special revenue funds	-	-	-	7,742,487	7,742,487
Unreserved, undesignated, reported in:					
General fund	9,931,127	-	(5,696,023)	-	4,235,104
<b>Total fund balances</b>	<b>23,598,564</b>	<b>21,799,132</b>	<b>(5,390,474)</b>	<b>13,029,788</b>	<b>53,037,010</b>
<b>Total liabilities and fund balances</b>	<b>\$ 27,236,238</b>	<b>\$ 23,081,118</b>	<b>\$ 2,642,779</b>	<b>\$ 14,437,424</b>	<b>\$ 67,397,559</b>

See accompanying Notes to Basic Financial Statements.

**City of Santa Cruz**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2010**

**Total Fund Balances - All Governmental Funds** \$ 53,037,010

Amounts reported for Governmental Activities in the Statement of Net Assets were different because:

Capital assets used in governmental activities are not current financial resources. Therefore, they are not reported in the governmental funds. Except for the internal service funds reported below, the capital assets are adjusted as follows:

	Government- Wide Statement of Net Assets	Internal Service Funds	
Non-depreciable	\$ 65,397,037	\$ -	65,397,037
Depreciable, net	122,841,712	(1,211,436)	121,630,276
<b>Total capital assets</b>	<b>\$ 188,238,749</b>	<b>\$ (1,211,436)</b>	<b>187,027,313</b>

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds.

(196,406)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the statement of net assets.

Equipment Operations Fund	317,418
Telecommunications Fund	526,875
Risk Management Fund	5,210,467
<b>Total internal service funds</b>	<b>6,054,760</b>

Deferred revenues recorded in the governmental fund resulting from activities in which revenues were earned but funds were not available are classified as revenues in the Government-Wide Financial Statements.

919,265

Noncurrent liabilities were not due and payable in the current period. Therefore, they are not reported in the governmental funds. Except for the internal service funds reported above, the long-term liabilities are adjusted as follows.

	Government- Wide Statement of Net Assets	Internal Service Funds	
OPEB - due in more than one year	\$ (1,944,716)	\$ 52,546	(1,892,170)
Compensated absences payable - due within one year	(2,259,792)	37,449	(2,222,343)
Compensated absences payable - due in more than one year	(1,129,895)	18,725	(1,111,170)
Bonds, notes, loans and leases payable - due within one year	(711,695)	-	(711,695)
Bonds, notes, loans and leases payable - due in more than one year	(21,736,440)	-	(21,736,440)
<b>Total long-term liabilities</b>	<b>\$ (27,782,538)</b>	<b>\$ 108,720</b>	<b>\$ (27,673,818)</b>

Certain transactions related to debt issuance and refunding are reported as expenditures and other financing sources/uses in the governmental funds. For the statement of net assets, the net amount of these transactions is capitalized as deferred charges, and will be amortized as an adjustment to interest expense over the remaining life of the debt.

419,770

**Net Assets of Governmental Activities** **\$ 219,587,894**

See accompanying Notes to Basic Financial Statements.

**City of Santa Cruz**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2010**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Redevelopment Agency	General Capital Improvement		
<b>REVENUES:</b>					
Taxes	\$ 44,230,855	\$ 12,228,890	\$ 820,000	\$ 1,245,918	\$ 58,525,663
Licenses and permits	540,411	-	-	-	540,411
Intergovernmental	1,363,794	-	2,541,184	4,122,848	8,027,826
Charges for services	21,044,223	-	-	164,035	21,208,258
Fines and forfeitures	2,321,756	-	-	2,075	2,323,831
Use of money and property	4,853,186	350,236	10,982	153,297	5,367,701
Other revenues	698,525	402,649	129,850	1,069,661	2,300,685
<b>Total revenues</b>	<b>75,052,750</b>	<b>12,981,775</b>	<b>3,502,016</b>	<b>6,757,834</b>	<b>98,294,375</b>
<b>EXPENDITURES:</b>					
General government	13,765,834	-	-	-	13,765,834
Public safety	33,801,383	-	-	110,000	33,911,383
Parks and recreation	8,309,864	-	-	-	8,309,864
Library	8,912,467	-	-	-	8,912,467
Public works	4,115,520	-	-	947,528	5,063,048
Transit	-	-	-	594,976	594,976
Community and economic development	1,306,196	10,312,588	-	706,269	12,325,053
Social services	1,111,827	-	-	146,971	1,258,798
Capital outlay	437,516	342,828	3,835,833	1,702,973	6,319,150
Debt service:					
Principal	156,781	1,879,995	120,000	335,937	2,492,713
Interest and fiscal charges	88,308	293,711	185,176	520,524	1,087,719
Bond issuance costs	-	-	-	226,365	226,365
<b>Total expenditures</b>	<b>72,005,696</b>	<b>12,829,122</b>	<b>4,141,009</b>	<b>5,291,543</b>	<b>94,267,370</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,047,054</b>	<b>152,653</b>	<b>(638,993)</b>	<b>1,466,291</b>	<b>4,027,005</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from asset disposition	372,514	-	-	-	372,514
Proceeds from the issuance of bonds	-	-	-	6,995,000	6,995,000
Premiums on bonds sold	-	-	-	30,757	30,757
Payment to refunded bond escrow agent	-	-	-	(6,776,051)	(6,776,051)
Transfers in	83,297	3,547,679	481,353	583,139	4,695,468
Transfers out	(428,962)	(3,547,679)	(500)	(444,049)	(4,421,190)
<b>Total other financing sources (uses)</b>	<b>26,849</b>	<b>-</b>	<b>480,853</b>	<b>388,796</b>	<b>896,498</b>
<b>Net change in fund balances</b>	<b>3,073,903</b>	<b>152,653</b>	<b>(158,140)</b>	<b>1,855,087</b>	<b>4,923,503</b>
<b>FUND BALANCES:</b>					
Beginning of year	20,524,661	21,646,479	(5,232,334)	11,174,701	48,113,507
End of year	\$ 23,598,564	\$ 21,799,132	\$ (5,390,474)	\$ 13,029,788	\$ 53,037,010

See accompanying Notes to Basic Financial Statements.

**City of Santa Cruz**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets**  
**For the year ended June 30, 2010**

**Net Change in Fund Balances - All Governmental Funds** \$ 4,923,503

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the Governmental funds (not including Internal service funds) for the current period, which are reported below.

Capital assets :	\$ 3,301,244	
Depreciation:	<u>(7,182,112)</u>	
		\$ (3,880,868)

Losses on the disposal of assets are reported as expenditures on the Statement of Activities. However, the losses do not require the use of current financial resources in governmental funds (1,009,760)

Proceeds from sales of capital assets are reported as revenues in the governmental funds. However, only the gain/(loss) from the sales are reported on the Statement of Activities

- Proceeds from the sale of capital assets	(372,514)
- Gains on sale of capital assets	349,687

Revenues that did not meet the criteria for accrual were recorded as deferred revenues in the governmental funds. In the Government-Wide Financial Statements, these amounts were recorded as revenues. This amount represents the change in deferred revenue from the prior year. 473,425

Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (299,445)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

- Proceeds from issuance of bonds	(6,995,000)
- Premium on bonds issued	(30,757)
- Deferred amount on refunding	90,313
- Amortization of bond discount and deferred amount on refunding	(8,615)
- Payments to refund bonds	6,891,675
- Long-term debt repayments	902,421

Bond issuance costs are reported as expenditures in governmental funds. In the statement of net assets, they are reported as assets and amortized over the life of the bonds.

- Issuance costs for the new bonds	226,365
- Amortization of deferred charges	(31,310)

Other Post Employment Benefits (OPEB) are long term liabilities and are not presented on the Governmental Funds statements (748,073)

Accrued but unpaid and accreted interest on long-term debt is reported in the statement of activities, but does not require the use of current financial resources. Therefore, it is not reported as an expenditure in the governmental funds. 9,736

Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment management, to individual funds. The net revenue of the internal service funds is reported with governmental activities. 1,741,812

**Change in Net Assets of Governmental Activities** \$ 2,232,595

See accompanying Notes to Basic Financial Statements.

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## **Proprietary Fund Financial Statements**

**Water** - This fund accounts for the activities of the City's water utility, which provides water delivery services to the residents of the City and some residents of the County.

**Wastewater** - This fund accounts for the activities of the City's wastewater utility, which provides wastewater collection and treatment services to the residents of the City and some residents of the County.

**Refuse** - This fund accounts for the activities of the City's refuse utility, which provides refuse pick-up services, recycling services, and a sanitary landfill for residents of the City.

**Parking** - This fund accounts for the activities of the Downtown Parking District, which provides parking facilities in the downtown area.

**Storm Water** - This fund accounts for storm water utility fees on properties within the City limits. These fees provide funding for flood control improvements associated with the U.S. Army Corps of Engineers San Lorenzo River Flood Control project, storm water pollution prevention programs, and measures to comply with the U.S. Environmental Protection Agency Non-Point Pollution Discharge Emissions Standards Program (NPDES).

**Golf Course** - This fund accounts for the activities of the Delaveaga Golf Course, which provides recreational facilities to the public.

**Internal Service Funds** - These funds are used to provide goods and services by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

**City of Santa Cruz**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 37,863,977	\$ 11,939,963	\$ 14,126,113	\$ 3,271,641
Restricted cash and investments	93,774	383,374	1,652,203	4,611
Interest receivable	101,016	352,778	36,905	9,182
Taxes receivable	-	-	-	1,560
Accounts receivable - net	2,543,797	1,386,933	1,482,730	50,529
Grants receivable	-	92,007	-	-
Notes receivable - due within one year	-	1,251,160	-	-
Inventories	-	-	-	-
Deposits	-	-	-	30,000
<b>Total current assets</b>	<b>40,602,564</b>	<b>15,406,215</b>	<b>17,297,951</b>	<b>3,367,523</b>
Noncurrent assets:				
Restricted investments	-	-	-	427,656
Notes receivable - due in more than one year	401,058	11,356,405	-	-
Advances to other funds	-	50,433	-	-
Deferred charges	386,324	130,759	139,022	190,796
Capital assets:				
Land	-	-	-	-
Land improvements	163,104	1,450,298	-	280,701
Infrastructure	74,377,068	53,036,385	19,346,219	1,125,817
Buildings	9,257,467	126,672,607	2,936,820	20,465,211
Machinery and equipment	6,879,604	4,070,580	13,722,543	631,531
Lease improvements	-	70,000	-	-
Software	561,412	196,557	99,336	9,933
Construction in progress	22,835,996	16,828	128,025	58,364
Less accumulated depreciation	(42,630,584)	(81,841,965)	(22,072,793)	(8,779,985)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>71,444,067</b>	<b>103,671,290</b>	<b>14,160,150</b>	<b>13,791,572</b>
<b>Total noncurrent assets</b>	<b>72,231,449</b>	<b>115,208,887</b>	<b>14,299,172</b>	<b>14,410,024</b>
<b>Total assets</b>	<b>112,834,013</b>	<b>130,615,102</b>	<b>31,597,123</b>	<b>17,777,547</b>

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Storm Water	Golf Course	Total	Activities Internal Service Funds
\$ 2,495,411	\$ 1,402	\$ 69,698,507	\$ 9,244,481
809	278,869	2,413,640	-
6,391	(2,274)	503,998	21,121
-	-	1,560	-
38,099	120,299	5,622,387	10,557
112,550	622,468	827,025	-
-	-	1,251,160	-
-	-	-	128,812
-	-	30,000	1,403,106
<u>2,653,260</u>	<u>1,020,764</u>	<u>80,348,277</u>	<u>10,808,077</u>
-	-	427,656	-
159,170	-	11,916,633	-
-	-	50,433	5,000,000
242,003	104,606	1,193,510	-
-	1,819,287	1,819,287	-
-	2,450,870	4,344,973	-
22,972,361	310,235	171,168,085	-
-	1,236,318	160,568,423	-
6,421	763,620	26,074,299	2,411,856
-	-	70,000	-
-	-	867,238	336,296
2,200,136	-	25,239,349	-
<u>(6,993,219)</u>	<u>(2,191,565)</u>	<u>(164,510,111)</u>	<u>(1,536,716)</u>
<u>18,185,699</u>	<u>4,388,765</u>	<u>225,641,543</u>	<u>1,211,436</u>
<u>18,586,872</u>	<u>4,493,371</u>	<u>239,229,775</u>	<u>6,211,436</u>
<u>21,240,132</u>	<u>5,514,135</u>	<u>319,578,052</u>	<u>17,019,513</u>

(Continued)

**City of Santa Cruz**  
**Statement of Net Assets, Continued**  
**Proprietary Funds**  
**June 30, 2010**

	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and other current liabilities	\$ 2,379,400	\$ 625,020	\$ 489,623	\$ 106,751
Due to other funds	-	-	-	-
Interest payable	174,114	713,733	82,415	27,295
Unearned revenue	622	-	21,097	-
Deposits payable	24,600	-	-	45,488
Claims and judgments payable	-	-	-	-
Compensated absences payable	379,159	162,201	246,952	23,339
Bonds, notes, loans and leases payable due in less than one year	330,561	2,930,963	1,218,624	239,076
<b>Total current liabilities</b>	<b>3,288,456</b>	<b>4,431,917</b>	<b>2,058,711</b>	<b>441,949</b>
Noncurrent liabilities:				
Advances from other funds	-	-	-	320,672
Claims and judgments payable	-	-	-	-
Compensated absences payable	189,579	81,103	123,476	11,669
Other post employment benefits	303,800	178,818	226,245	49,845
Bonds, notes, loans and leases payable due in more than one year	11,615,304	27,766,115	7,154,398	4,995,221
Landfill closure costs	-	-	4,465,029	-
<b>Total noncurrent liabilities</b>	<b>12,108,683</b>	<b>28,026,036</b>	<b>11,969,148</b>	<b>5,377,407</b>
<b>Total liabilities</b>	<b>15,397,139</b>	<b>32,457,953</b>	<b>14,027,859</b>	<b>5,819,356</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	59,591,976	73,357,586	7,439,331	8,989,542
Unrestricted	37,844,898	24,799,563	10,129,933	2,968,649
<b>Total net assets</b>	<b>\$ 97,436,874</b>	<b>\$ 98,157,149</b>	<b>\$ 17,569,264</b>	<b>\$ 11,958,191</b>

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Storm Water	Golf Course	Total	Activities Internal Service Funds
\$ 142,534	\$ 139,546	\$ 3,882,874	\$ 315,666
-	851,000	851,000	478,543
53,193	28,266	1,079,016	-
-	18,389	40,108	-
-	-	70,088	-
-	-	-	2,779,942
-	22,877	834,528	37,449
117,511	190,000	5,026,735	-
313,238	1,250,078	11,784,349	3,611,600
-	1,549,870	1,870,542	-
-	-	-	7,281,882
-	11,439	417,266	18,725
3,316	27,873	789,897	52,546
4,871,627	3,121,012	59,523,677	-
-	-	4,465,029	-
4,874,943	4,710,194	67,066,411	7,353,153
5,188,181	5,960,272	78,850,760	10,964,753
13,197,370	1,356,622	163,932,427	1,211,436
2,854,581	(1,802,759)	76,794,865	4,843,324
\$ 16,051,951	\$ (446,137)	\$ 240,727,292	\$ 6,054,760

(Concluded)

**City of Santa Cruz**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the year ended June 30, 2010**

	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 23,036,392	\$ 14,034,810	\$ 15,700,703	\$ 2,660,323
Use of money and property	6,600	-	3,262	181,397
Other revenues	296,503	582	77,953	36,561
<b>Total operating revenues</b>	<b>23,339,495</b>	<b>14,035,392</b>	<b>15,781,918</b>	<b>2,878,281</b>
<b>OPERATING EXPENSES:</b>				
Personnel services	8,374,220	4,853,188	6,533,605	1,515,772
Services, supplies, and other charges	10,098,182	7,252,338	6,216,412	875,553
Depreciation and amortization	2,098,957	4,281,363	1,790,214	520,497
<b>Total operating expenses</b>	<b>20,571,359</b>	<b>16,386,889</b>	<b>14,540,231</b>	<b>2,911,822</b>
<b>Operating income (loss)</b>	<b>2,768,136</b>	<b>(2,351,497)</b>	<b>1,241,687</b>	<b>(33,541)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Intergovernmental	-	789,528	113	34,942
Investment earnings	473,577	483,408	187,431	47,785
Interest expense and fiscal charges	(535,346)	(921,178)	(319,792)	(260,290)
Debt issuance costs	(14,362)	(16,090)	(24,467)	(10,882)
<b>Total nonoperating revenues (expenses)</b>	<b>(76,131)</b>	<b>335,668</b>	<b>(156,715)</b>	<b>(188,445)</b>
<b>Income (loss) before contributions and transfers</b>	<b>2,692,005</b>	<b>(2,015,829)</b>	<b>1,084,972</b>	<b>(221,986)</b>
Capital contributions - other agencies	2,244,283	-	-	-
Gain on sale of surplus equipment	4,489	-	28,407	-
Transfers out	(8,137)	(151,950)	(11,500)	(34,000)
<b>Total contributions and transfers</b>	<b>2,240,635</b>	<b>(151,950)</b>	<b>16,907</b>	<b>(34,000)</b>
<b>Change in net assets</b>	<b>4,932,640</b>	<b>(2,167,779)</b>	<b>1,101,879</b>	<b>(255,986)</b>
<b>NET ASSETS:</b>				
Beginning of year	92,504,234	100,324,928	16,467,385	12,214,177
End of year	\$ 97,436,874	\$ 98,157,149	\$ 17,569,264	\$ 11,958,191

See accompanying Notes to Basic Financial Statements.

Enterprise funds			Governmental
Storm Water	Golf Course	Total	Activities Internal Service Funds
\$ 887,959	\$ 1,624,931	\$ 57,945,118	\$ 7,999,760
500	800	192,559	-
-	152,674	564,273	8,743
888,459	1,778,405	58,701,950	8,008,503
78,253	818,407	22,173,445	1,398,220
498,978	848,228	25,789,691	4,808,009
747,208	211,230	9,649,469	161,379
1,324,439	1,877,865	57,612,605	6,367,608
(435,980)	(99,460)	1,089,345	1,640,895
196,960	614,868	1,636,411	-
27,545	(8,934)	1,210,812	169,483
(216,350)	(248,471)	(2,501,427)	-
(34,434)	(7,578)	(107,813)	-
(26,279)	349,885	237,983	169,483
(462,259)	250,425	1,327,328	1,810,378
-	-	2,244,283	-
-	-	32,896	-
-	(125)	(205,712)	(68,566)
-	(125)	2,071,467	(68,566)
(462,259)	250,300	3,398,795	1,741,812
16,514,210	(696,437)	237,328,497	4,312,948
\$ 16,051,951	\$ (446,137)	\$ 240,727,292	\$ 6,054,760

**City of Santa Cruz**  
**Combining Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2010**

	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers and users	\$ 22,546,732	\$ 3,508,877	\$ 15,986,417	\$ 2,655,478
Cash received from interfund services provided	771,405	-	-	-
Cash payments to suppliers for goods and services	(6,479,130)	(4,790,089)	(2,665,008)	(495,461)
Cash payments to employees for services	(8,282,224)	(4,825,272)	(6,454,707)	(1,514,640)
Cash payments for interfund services used	(3,554,252)	(2,421,625)	(3,263,512)	(346,935)
Cash payments to other governments	(152,284)	(80,320)	(97,012)	(9,410)
Cash received from (payments to) others	303,103	582	81,215	217,958
<b>Net cash provided (used) by operating activities</b>	<b>5,153,350</b>	<b>(8,607,847)</b>	<b>3,587,393</b>	<b>506,990</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	-	-	-	-
Transfers out	(8,137)	(151,950)	(11,500)	(34,000)
Advances from other funds	-	-	-	(94,328)
Advances to other funds	-	14,441	-	-
Due to/from other funds	800,000	-	-	-
Receipts from other governments	20,455	14,706,571	113	34,783
<b>Net cash provided (used) by noncapital financing activities</b>	<b>812,318</b>	<b>14,569,062</b>	<b>(11,387)</b>	<b>(93,545)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital contributions	2,248,772	-	28,407	-
Purchase and construction of capital assets	(7,326,523)	(554,380)	(794,705)	(151,649)
Principal paid on capital debt	(287,321)	(2,836,188)	(32,371)	(503,990)
Interest paid on capital debt	(553,488)	(1,005,194)	(351,544)	(290,121)
Proceeds from sales of capital assets	-	-	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(5,918,560)</b>	<b>(4,395,762)</b>	<b>(1,150,213)</b>	<b>(945,760)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest receivables	81,755	56,191	30,815	9,552
Investment income received	473,577	483,408	187,431	47,785
<b>Net cash provided (used) by investing activities</b>	<b>555,332</b>	<b>539,599</b>	<b>218,246</b>	<b>57,337</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>602,440</b>	<b>2,105,052</b>	<b>2,644,039</b>	<b>(474,978)</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	37,355,311	10,218,285	13,134,277	4,178,886
End of year	\$ 37,957,751	\$ 12,323,337	\$ 15,778,316	\$ 3,703,908

See accompanying Notes to Basic Financial Statements.



Enterprise Funds			Governmental
Storm Water	Golf Course	Total	Activities Internal Service Funds
\$ 887,245	\$ 1,625,251	\$ 47,210,000	\$ 380,875
-	-	771,405	7,654,264
(327,542)	(351,949)	(15,109,179)	(4,772,023)
(81,935)	(817,092)	(21,975,870)	(1,347,558)
(76,418)	(450,662)	(10,113,404)	-
-	-	(339,026)	(7,800)
500	153,474	756,832	(117,343)
401,850	159,022	1,200,758	1,790,415
-	-	-	-
-	(125)	(205,712)	(68,566)
-	-	(94,328)	-
-	-	14,441	-
-	51,000	851,000	480,351
135,972	-	14,897,894	-
135,972	50,875	15,463,295	411,785
-	-	2,277,179	-
(12,252)	-	(8,839,509)	(76,376)
(137,248)	(287,679)	(4,084,797)	-
(252,172)	(258,027)	(2,710,546)	-
-	-	-	-
(401,672)	(545,706)	(13,357,673)	(76,376)
5,146	235	183,694	26,163
27,545	(8,934)	1,210,812	169,483
32,691	(8,699)	1,394,506	195,646
168,841	(344,508)	4,700,886	2,321,470
2,327,379	624,779	67,838,917	6,923,011
\$ 2,496,220	\$ 280,271	\$ 72,539,803	\$ 9,244,481

(Continued)

**City of Santa Cruz**  
**Combining Statement of Cash Flows, Continued**  
**Proprietary Funds**  
**For the year ended June 30, 2010**

	Enterprise Funds			
	Water	Wastewater	Refuse	Parking
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>				
<b>CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 2,768,136	\$ (2,351,497)	\$ 1,241,687	\$ (33,541)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	2,098,957	4,281,363	1,790,214	520,497
Estimated closure/postclosure costs	-	-	171,943	-
Changes in assets and liabilities:				
Accounts receivable	291,095	2,081,680	286,430	(22,008)
Prepaid items	-	-	-	-
Inventories	-	-	-	-
Deposits	-	-	-	-
Notes and loans receivable	-	(12,607,565)	-	-
Accounts payable and other current liabilities	(279,911)	(146,156)	(125,698)	(9,487)
Deferred revenue	-	-	(113)	-
Deposits payable	(9,350)	(48)	(603)	17,163
Claims and judgments payable	-	-	-	-
OPEB	192,427	106,460	144,635	33,234
Compensated absences payable	91,996	27,916	78,898	1,132
Total adjustments	2,385,214	(6,256,350)	2,345,706	540,531
<b>Net cash provided (used) by operating activities</b>	<b>\$ 5,153,350</b>	<b>\$ (8,607,847)</b>	<b>\$ 3,587,393</b>	<b>\$ 506,990</b>

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Storm Water	Golf Course	Total	Activities Internal Service Funds
\$ (435,980)	\$ (99,460)	\$ 1,089,345	\$ 1,640,895
747,208	211,230	9,649,469	161,379
-	-	171,943	-
(714)	320	2,636,803	35,379
-	-	-	-
-	-	-	12,442
-	-	-	-
-	-	(12,607,565)	-
93,607	30,408	(437,237)	15,744
-	-	(113)	-
-	-	7,162	(126,086)
-	-	-	-
1,411	15,209	493,376	46,392
(3,682)	1,315	197,575	4,270
837,830	258,482	111,413	149,520
\$ 401,850	\$ 159,022	\$ 1,200,758	\$ 1,790,415

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## Fiduciary Fund Financial Statements

### **Private - Purpose Trust Funds:**

Private-purpose trust funds are used to report the trust arrangements under which the principal and income benefit the Library Joint Powers Authority.

### **Agency Funds:**

Agency funds are used to account for resources held by the City in a custodial capacity. These funds account for the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

**City of Santa Cruz**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2010**

	Private- Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and investments	\$ 673,732	\$ 703,010
Restricted cash and investments	-	52,246
Receivables:		
Interest receivable	1,786	1,826
Taxes receivable	-	510,699
Accounts receivable	-	398,422
Due from other governments	-	199
<b>Total assets</b>	<b>\$ 675,518</b>	<b>\$ 1,666,402</b>
<b>LIABILITIES</b>		
Accounts payable and other current liabilities	\$ -	\$ 533,353
Due to other governments	-	511,782
Deposits payable	-	337,735
Payable to bondholders	-	283,532
<b>Total liabilities</b>	<b>-</b>	<b>\$ 1,666,402</b>
<b>NET ASSETS</b>		
Held in trust for library programs	<b>\$ 675,518</b>	

See accompanying Notes to Basic Financial Statements.

**City of Santa Cruz**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the year ended June 30, 2010**

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	Private- Purpose Trust Funds
<b>ADDITIONS:</b>	
Donations	\$ 146,000
Investment earnings	8,539
<b>Total additions</b>	<u>154,539</u>
<b>DEDUCTIONS:</b>	
Library programs	19,455
<b>Total deductions</b>	<u>19,455</u>
<b>Change in net assets</b>	<u>135,084</u>
<b>NET ASSETS:</b>	
Beginning of year	<u>540,434</u>
End of year	<u>\$ 675,518</u>

See accompanying Notes to Basic Financial Statements.

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**City of Santa Cruz**  
**Index to Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**City of Santa Cruz**  
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**For the year ended June 30, 2010**

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**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Santa Cruz, California (City) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

The City was incorporated as a town in 1866 under the laws of the State of California. It became a City in 1876. The City is a charter city administered under a council/manager form of government.

The financial statements present the City and its component units (legally separate entities for which the City is considered to be financially accountable). Component units include those entities for which the City may have governing authority or is in a relationship of financial benefit or burden. Component units also include entities that are fiscally dependent upon the City. The financial activities of these entities are integrally related to those of the City and, therefore, blended with those of the City. Blending involves combining component unit data with City data in the Government-Wide Financial Statements.

Based on the above criteria, the accompanying financial statements include the financial activities of the following entities as blended component units:

City of Santa Cruz Redevelopment Agency - The City of Santa Cruz Redevelopment Agency (Agency) was formed in 1956 to improve social, physical and economic conditions of the City by constructing a series of commercial, residential and public buildings in the downtown area. The City's Council Members are the Agency's Directors and have full accountability for the Agency's fiscal matters. Separate financial statements for the Agency can be obtained from the Finance Department of the City.

Santa Cruz Public Improvement Financing Corporation - The Santa Cruz Public Improvement Financing Corporation (Corporation) is a non-profit benefit corporation organized and operated under the laws of the State of California. The primary purpose of the Corporation is to serve as a financing vehicle for the City. The City Council is responsible for the operations of the Corporation.

City of Santa Cruz Public Financing Authority - The City of Santa Cruz Public Financing Authority (Authority) is a Joint Powers Authority formed February 14, 2006, between the Redevelopment Agency and the City for the purpose of creating a public agency which could provide financial assistance to the Redevelopment Agency and the City in connection with the construction of public capital improvements.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

*Government - Wide Financial Statements*

Government-Wide Financial Statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Certain indirect costs are included in the program expense reported for individual functions and activities.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Assets, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

For its business-type activities, the City applies all applicable GASB pronouncements currently in effect, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure that do not conflict with or contradict GASB pronouncements.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The City has presented all major funds that meet the applicable criteria. The City's major governmental funds include the General Fund, Redevelopment Agency Fund, and the General Capital Improvement Fund. The General Fund is used to account for sources and uses of financial resources traditionally associated with governments, and which are not required to be accounted for in another fund. The Redevelopment Agency Fund is used to account for all the activities of the City of Santa Cruz Redevelopment Agency. This includes the accumulation of resources for the payment of interest and principal on debt issued to finance redevelopment activities, and general redevelopment operations. The General Capital Improvement Fund is used to account for capital improvements for which special projects funds have not been established. A portion of the City's transient occupancy tax receipts, combined with other funding sources, such as grants, provides funding for capital projects of general benefit, such as storm drain improvements, or improvements to public buildings.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Generally, revenues are considered available if they are collected within 60 days after fiscal year end. If revenues are not subject to accrual, they are recorded when received in cash. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the Balance Sheet and revenue is recognized.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in the Fund Financial Statements to the net assets presented in the Government-Wide Financial Statements.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows for each proprietary fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. Internal Service Funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government. Examples are Equipment Operations, Telecommunications, and Risk Management Funds.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. The City's fiduciary funds consist of private-purpose trust funds and agency funds. Private-purpose trust funds are used to account for resources legally held in trust for special purposes, such as the McCaskill Trusts for local history and the visually impaired; the Finkeldey Trust for musical literature; and the Whalen Trust for the Felton Library Branch. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Agency funds are accounted for using the accrual basis of accounting, and include funds for the Library Joint Powers Authority, developer deposits, payroll payables, and special assessment debt.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*C. Use of Restricted/Unrestricted Net Assets*

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

*D. Cash, Cash Equivalents, and Investments*

Cash and cash equivalents are considered to be amounts in demand deposits and short-term investments with original maturity of three months or less from the date of acquisition. For purposes of both the Balance Sheet and Statements of Cash Flows, cash and cash equivalents includes currency on hand and deposits in the City's cash and investment pool. These deposits have the same characteristics for the participating funds as demand deposit accounts, in that the funds may deposit additional cash at any time and also effectively withdraw cash at any time without prior notice or penalty. Cash and cash equivalents also include restricted cash and money market funds held by fiscal agents. The City's cash and investments are stated at fair value, which is based on a quoted market price. This includes all investments except the City's investment in the California Local Agency Investment Fund (LAIF). LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF at June 30, 2010, by multiplying its account balance by a fair value factor determined by LAIF (1.001643776). This fair value factor was calculated by dividing the total aggregate fair value for all LAIF participants by the total aggregate amortized cost.

For purposes of the statement of cash flows of the proprietary fund types, cash and cash equivalents include all investments, as the City operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

*E. Restricted Cash and Investments with Fiscal Agents*

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects.

*F. Prepaid Items*

Certain payments applicable to future accounting periods are recorded as prepaid items. Prepaid items do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved.

*G. Inventories*

Inventories consist of material and supplies which are stated at cost using the first-in, first-out method. Inventories are recognized as expenditures when consumed rather than when purchased.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*H. Interfund Transactions*

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the long-term portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as “internal balances.”

**I. Capital Assets**

Government-Wide Financial Statements

Capital assets are defined by the City as assets having an estimated useful life in excess of one year, and an initial, individual cost in excess of the capitalization thresholds described below:

Infrastructure	\$	25,000
Buildings and lease improvements	\$	10,000
Land improvements	\$	10,000
Machinery and equipment	\$	5,000
Software (if qualified)	\$	5,000

All capital assets are valued at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Assets acquired under capital leases are capitalized in accordance with GAAP. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest accrued during capital assets construction, if any, is capitalized for the business-type activities and proprietary funds as part of the asset cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s useful life are not capitalized. Capital assets are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements.

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Land improvements	20 years
Buildings and lease improvements	15-50 years
Water tanks and water mains	30-50 years
Underground sewer lines	50 years
Other infrastructure	5-100 years
Machinery and equipment	5-20 years
Software (if qualified)	5 years



**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**I. Capital Assets, Continued**

Assets are grouped by asset type into one of the following accounts: land; land improvements; infrastructure (e.g. roads, bridges, sidewalks, and similar items), buildings (and improvements); machinery and equipment; lease improvements; software; and construction in progress.

For all infrastructure systems, the City's capitalization threshold is \$25,000. Estimated historical costs of infrastructures were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry-accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the estimated historical cost.

Fund Financial Statements

Capital assets are not presented in the governmental fund financial statements. Consequently, capital assets are shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

**J. Interest Payable**

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the Fund Financial Statements, only proprietary fund types recognize the interest payable when the liability is incurred.

**K. Deferred Revenue**

In the Government-Wide Financial Statements, deferred revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as deferred revenues in the Government-Wide Financial Statements are long-term assessments and long-term loans receivable.

In the Fund Financial Statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are grants received but not yet earned or available, interest on interfund advances receivable, long-term assessments, and loans receivable.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**L. *Compensated Absences***

The City has accumulated unpaid regular vacation leave (for all departments) which is accounted for in accordance with GAAP. The maximum accumulation of vacation leave is limited to the total number of hours accruable during two years. Employees are paid 100% of their accumulated vacation pay when they terminate their employment for any reason. Employees are allowed a partial payoff of accumulated sick leave up to a certain maximum amount.

**M. *Bond Premiums, Discounts, and Issuance Costs***

For governmental type activities, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

For business-type activities, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using a straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs and costs in excess of net assets acquired are reported as other assets in the accompanying financial statements.

**N. *Long-Term Debt***

Government-Wide Financial Statements - Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities.

Fund Financial Statements - With the exception of compensated absences and advances from other funds, the governmental fund financial statements do not present long-term liabilities. Consequently, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

**O. *Net Assets***

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***P. Fund Balances - Reservations and Designations***

In the Fund Financial Statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

***Q. Property Taxes***

Assessed property values are determined annually by the County Assessor as of March 1, and become a lien on real property at July 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The County bills and collects property taxes and remits them to the City under the State-authorized method of apportioning taxes whereby all local agencies, including cities, receive from the county their respective shares of the amount of ad valorem taxes collected. Property tax revenues are recognized when levied, provided the measurement and availability criteria have been met.

***R. Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

***S. Implementation of New GASB Pronouncements***

In 2010, the City adopted new accounting standards in order to conform to the following GASB Statements:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* - the Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, patents, trademarks, and computer software. The implementation of this statement does not have significant impact on the City's financial statements.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**2. CASH DEPOSITS AND INVESTMENTS**

The following is a summary of cash, cash equivalents, and investments, including restricted cash and investments with fiscal agents at June 30, 2010:

	Government-Wide Statement of Net Assets			Statement of	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Net Assets	Total
Unrestricted assets:					
Cash and cash equivalents	\$ 44,793,388	\$ 69,698,507	\$ 114,491,895	\$ 1,376,742	\$ 115,868,637
Total unrestricted assets	44,793,388	69,698,507	114,491,895	1,376,742	115,868,637
Restricted assets:					
Cash and cash equivalents	3,613,093	2,413,640	6,026,733	52,246	6,078,979
Investments with fiscal agents	-	427,656	427,656	-	427,656
Total restricted assets	3,613,093	2,841,296	6,454,389	52,246	6,506,635
Grand Total	\$ 48,406,481	\$ 72,539,803	\$ 120,946,284	\$ 1,428,988	\$ 122,375,272

The City pools its available cash for investment purposes. Investment income from this pool is allocated to each fund based on its proportionate share of the pool. Cash and investments not pooled include bond proceeds held by fiscal agents and other amounts required to be segregated by bond indentures or other regulations. Investment income from cash and investments with fiscal agents is credited directly to the related fund.

Cash, cash equivalents, and investments consisted of the following at June 30, 2010:

Unrestricted assets:	
Pooled cash deposits	\$ 3,090,741
Outstanding checks	(1,050,387)
Other deposits and cash held by city	75,199
Certificates of deposit	696,000
Federal securities	35,368,150
State local agency investment fund (LAIF)	77,688,934
Total unrestricted assets	115,868,637
Restricted assets:	
Pooled cash deposits	146,020
Other cash deposits	82,458
Money market mutual funds held by fiscal agents	2,997,073
State local agency investment fund (LAIF)	2,853,428
Federal securities held by fiscal agents	427,656
Total restricted assets	6,506,635
Total cash, cash equivalents, and investments	\$ 122,375,272

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**2. CASH DEPOSITS AND INVESTMENTS, Continued**

**A. Cash Deposits**

At June 30, 2010, the carrying amounts of the City's cash deposits were \$2,344,030, net of outstanding checks in the amount of \$1,050,387. Bank balances before reconciling items were \$3,128,304. The total bank balance was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California financial institutions to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

The City waived the collateral requirements for three of its certificates of deposit, as follows, with the condition that sufficient collateral be maintained for all amounts in excess of insured levels: Bay Federal Credit Union - \$100,000, Rabobank - \$250,000, and Santa Cruz County Bank - \$100,000.

**B. Investments**

The investments made by the City treasurer are limited to those allowable under State statutes as incorporated into the City's Investment Policy, dated June 15, 2010, which is more conservative than that allowed by State statute.

The scope of the investment policy includes all activities of the City and the following reporting entities:

- City of Santa Cruz
- City of Santa Cruz Redevelopment Agency
- Santa Cruz Public Improvement Financing Corporation
- Santa Cruz Public Financing Authority

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**2. CASH DEPOSITS AND INVESTMENTS, Continued**

***B. Investments, Continued***

Under provisions of this policy, the City is authorized to invest in the following types of investments:

- Money market accounts deposited with a nationally or state-chartered bank.
- Bonds issued by the City. Purchases of this type shall not exceed five years to maturity.
- U.S. Treasury bills, notes, bonds, or certificates of indebtedness, or those securities backed by the full faith and credit of the U.S. Government with maturities not to exceed five years.
- Obligations, participations, or other instruments of, or issued by, a Federal agency or a United States government-sponsored enterprise with maturities not to exceed five years.
- Bankers' acceptances with a term not to exceed 180 days' maturity or 40% of the City's portfolio.
- Nonnegotiable and nontransferable certificates of deposit issued by the following types of financial institutions which have branch office locations within Santa Cruz County: a nationally or state-chartered bank, state or federal credit union, or a state-licensed branch of a foreign bank. Purchases may not exceed 30% of the City's portfolio with no more than 5% of the portfolio deposited with a single issuer.
- State of California Local Agency Investment Fund as long as the total amount of City and Agency combined funds invested does not exceed the limit set by LAIF.
- Shares of beneficial interest issued by diversified management companies investing in authorized securities and obligations (e.g., money market mutual funds). Purchases shall not exceed 20% of the City's portfolio with no more than 10% of the portfolio in a single mutual fund.
- Repurchase agreements with primary dealers of the Federal Reserve with specific terms and conditions. The market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities, and the value shall be adjusted no less than quarterly. Securities that can be pledged for collateral consist only of investments permitted within this policy with a maximum maturity of five years. Purchases shall not exceed 92 days to maturity and 20% of the portfolio.
- Internal financing pool established for the purpose of providing loans to City departments or funds for significant one-time purchases. Investments in the pool shall not exceed the lesser of \$10 million or 10% of the City's portfolio.

Bond proceeds held by fiscal agents to be used only for specific capital outlay, payments of certain long-term debt and maintaining required reserves are invested in accordance with the requirements and restrictions of the City's investment policy and as permitted by specific State statutes, applicable City ordinance or resolution, and bond indenture requirements.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**2. CASH DEPOSITS AND INVESTMENTS, Continued**

**B. Investments, Continued**

The City is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2010, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2010, the City had \$80,542,362 invested in LAIF accounts, which had invested 5.413% of the pool investments in structured notes and asset-backed securities as compared to 14.713% in the previous year. The City's share of structured notes and asset-backed securities due to its holdings in LAIF amounted to approximately 3.632% of investments at June 30, 2010.

**C. Risk Disclosures**

Interest Rate Risk - In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to two and one-half (2 ½) years or less. The City is in compliance with this provision of the investment policy.

At June 30, 2010, the City had the following investment maturities:

Investment Type	Fair Value	Investment Maturities in Years			
		Less Than 1 Year	1-2 years	2-3 years	3-4 years
U.S. Agencies	35,368,150	4,026,890	8,070,150	15,158,600	7,099,380
Certificates of Deposit	696,000	696,000	-	-	-
Local Agency Investment Fund	77,688,934	77,688,934	-	-	-
<b>Total Fair Value of Investments Only*</b>	<b>113,753,084</b>	<b>82,411,824</b>	<b>8,070,150</b>	<b>15,158,600</b>	<b>7,099,380</b>

\*Does not include net amount of bank balances

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**2. CASH DEPOSITS AND INVESTMENTS, Continued**

**C. Risk Disclosures, Continued**

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations - Investments in callable bonds are investments that, although having clearly defined maturities, allow for the issuer to redeem or call such bonds earlier than their respective maturity dates. The investor must then replace the called bonds with investments that may have lower yield than the original bonds. As a result, the fair value of the callable bonds is highly sensitive to changes in interest rates. As of June 30, 2010, the City held \$19,551,386 in callable securities, which amounted to approximately 16.29% of investments at June 30, 2010. The investment policy limits the purchase of callable U.S. Agency instruments to discreet calls and those that pay at least 100% of the principal at the redemption date. In addition, purchases of callable U.S. Agency instruments are not to exceed 30% of the value of the portfolio. The City is in compliance with these provisions of the investment policy.

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investments are rated as follows:

	<u>Moody's</u>	<u>Standard &amp; Poor's</u>
<b>U.S. Agencies</b>		
Federal Farm Credit Bank	Aaa	AAA
Federal Home Loan Bank	Aaa	AAA
Federal Home Loan Mortgage Corporation	Aaa	AAA
Federal National Mortgage Association	Aaa	AAA
<b>U.S. Treasury Money Market Mutual Funds</b>		
BlackRock - Treasury Trust Fund	Aaa	AAAm-G
BlackRock - T-Fund	Aaa	AAAm
Federated Government Obligations Fund	Aaa	AAAm
Goldman Sachs - Tax-Free Fund	Aaa	Not Rated
Goldman Sachs - Treasury Instruments Portfolio	Aaa	AAAm-G
<b>External Pool</b>		
State of California - Local Agency Investment Fund	Not Rated	Not Rated

The City's investment policy requires that the management company of mutual funds must have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations. The investment in the Goldman Sachs Tax-Free Money Market Fund is rated by only one nationally recognized statistical rating organization; however, it is approved by the National Association of Investors Corporation.



**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**2. CASH DEPOSITS AND INVESTMENTS, Continued**

**C. Risk Disclosures, Continued**

Concentration of Credit Risk - The City's investment policy states that not more than 25% of the portfolio shall be invested in any one entity or any one instrument to protect the City from concentration of credit risk, with the following exceptions: U.S. Treasury Obligations and the external investment pool (LAIF). In addition, purchases of mutual funds must not exceed 20% of the value of the portfolio. Purchases in a single mutual fund may not exceed 10% of the value of the portfolio. The City is in compliance with these provisions of the investment policy.

The following chart presents investments in any one issuer (other than U.S. Treasury securities and external investment pools) that represent 5% or more of total investments at June 30, 2010:

<u>Investment Type</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
Federal Home Loan Bank	\$ 13,641,126	11.36%
Federal Home Loan Mortgage Corporation	6,034,660	5.03%
Federal National Mortgage Association	14,097,510	11.74%
Total	<u>\$ 33,773,296</u>	<u>28.13%</u>

The following chart presents the City's investments in money market mutual funds by issuer at June 30, 2010:

<u>U.S. Treasury Money Market Mutual Funds</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
BlackRock - Treasury Trust Fund	\$ 836,923	0.70%
BlackRock - T-Fund	470,033	0.39%
Federated Government Obligations Fund	4,611	0.00%
Goldman Sachs - Tax-Free Fund	1,023,265	0.85%
Goldman Sachs - Treasury Instruments Portfolio	662,242	0.55%
Total	<u>\$ 2,997,074</u>	<u>2.49%</u>

Custodial Credit Risk - For deposits, custodial credit risk is the risk that, in the event of the failure of a deposit financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the provision for deposits stated in Note 2A. \$2,720,648 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in uncollateralized accounts. Of the City's total cash and investment balance at June 30, 2010, \$3,424,730 was held by fiscal agents, not in the name of the City, and invested as follows: \$427,656 in federal agency securities and \$2,997,074 in money market mutual funds.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**3. NOTES AND LOANS RECEIVABLES**

The following is a summary of notes and loans receivables net of allowances for uncollectible amounts at June 30, 2010:

	Notes Receivables	Loans Receivables	Total
<i>Governmental Funds:</i>			
General Funds	178,357	391,140	569,497
Redevelopment Agency	8,445,431	-	8,445,431
Other Governmental Funds	594,424	2,745,410	3,339,834
<i>Total governmental funds</i>	9,218,212	3,136,550	12,354,762
<i>Proprietary Funds</i>			
Water Fund	401,058	-	401,058
Wastewater	12,607,565	-	12,607,565
Storm Water	159,170	-	159,170
<i>Total Proprietary Funds</i>	13,167,793	-	13,167,793
<b>Total</b>	<b>\$ 22,386,005</b>	<b>\$ 3,136,550</b>	<b>\$ 25,522,555</b>

*Notes Receivable* in the General Fund of \$178,357 (net of an allowance for uncollectible amounts of \$381,007) consists of a no interest note with Neary Lagoon Partners in the amount of \$78,800; a no interest note with the River Street Shelter in the amount of \$2,100; a no interest note with First Night Santa Cruz in the amount of \$20,000; a note with the Harvey West Assessment District in the amount of \$106,256 with an interest rate of 6.8%; notes with various Housing In-Lieu program participants in the amount of \$282,208 with an interest rate of 3%; and notes with two participants in the Accessory Dwelling Unit Loan Program in the amount of \$70,000 with an interest rate of 4.5%. Some notes are secured by a deed of trust.

The Redevelopment Agency Fund notes receivable balance of \$8,445,431 (net of an allowance for uncollectible amounts of \$336,547) represents loans for low/moderate income housing projects. There are two types of loan repayment for these notes: due upon sale or transfer and lump sum payment at maturity. Interest rates range from 0% to 7%. The notes are all secured by a deed of trust.

Notes receivable in the Housing and Community Development special revenue fund of \$594,424 (net of an allowance of \$3,444,079) represent disaster relief funds for buildings damaged in the 1989 earthquake. There are two types of loan repayment plans: monthly repayment and deferred to a future date when monthly repayment will begin. The interest rate on these notes is 3%. The notes are all secured by a deed of trust.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**3. NOTES AND LOANS RECEIVABLES, Continued**

Notes Receivables in the enterprise funds total \$13,167,793. \$159,170 of the total relates to a levee construction and improvement project; \$401,058 of the total is made up of two notes. Both are due from Neary Lagoon Partners for water system connection fees pertaining to a low-moderate income housing project. These notes do not bear interest, and repayment is deferred until 2019; The remaining \$12,607,565 (\$1,251,160 due within one year and \$11,356,405 due in more than one year) is owed by the County of Santa Cruz for its share of a State Water Resources Board loan for wastewater treatment plant upgrades. Payments of interest and principal from the County of Santa Cruz are due in annual installments of \$1,604,172, at an interest rate of 2.8%, with the final payment due August 1, 2018.

*Loans Receivable* in the general fund consists of a loan between the City and the Santa Cruz Library Joint Powers Authority with an outstanding balance of \$391,140 as of June 30, 2010. The City and the Authority entered into a loan agreement in the amount of \$467,303 in September, 2008 for the financing of tenant improvements to the City's Union/Locust building, which the Authority leases from the City under a long-term lease agreement. The loan will be repaid over a period of ten years, with an annual interest rate of 5% and the annual debt service payment is \$60,518. The first payment was made in January, 2009 and final payment will be made in January, 2018.

Loans receivable in the other governmental funds consists of loans of \$2,745,410 allowance of \$5,550,048) for rehabilitation of low/moderate income housing. The loans are made with Federal funds from the Department of Housing and Urban Development (HUD). The City administers these funds for HUD. There are four types of loan repayment schedules: monthly installments, due upon sale or transfer, deferred to a future date when monthly repayment will begin, and no repayment if the property remains in use for low/moderate income housing for a specified time period. Interest rate ranges from 0% to 7%. The loans are all secured by a deed of trust on the property being rehabilitated.

*Allowance for uncollectible notes and loans* - When considerable uncertainty exists as to the collectibility of a note (as determined by management) due to the terms of the loan or other factors, it is offset by an allowance for uncollectible.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**4. DEPOSITS**

The City had deposits in the amount of \$1,503,410 at June 30, 2010:

Governmental Activities:	
Housing Programs	\$ 70,304
Workers Compensation	150,000
Liability Insurance	1,253,106
Total Governmental Activities	<u>1,473,410</u>
Business-type Activities:	
Parking	<u>\$ 30,000</u>
Total Business type Activities	<u>30,000</u>
Total	<u><u>\$ 1,503,410</u></u>

***A. Governmental Activities***

Deposits in the City’s governmental activities total \$1,473,410 at June 30, 2010. A deposit in the amount of \$70,000 was established with the Santa Cruz Community Credit Union for the purpose of maintaining an Accessory Dwelling Unit Loan Program. The deposit has accumulated interest of \$304 for a total deposit at June 30, 2010 of \$70,304. In FY 2005, the Workers Compensation Internal Service Fund established a deposit in the amount of \$150,000 with the Sedgwick CMS which equals approximately 6 weeks of expected claims. As referenced in the Risk Management and Self Insurance Note, the City is self-insured up to \$1,000,000. At June 30, 2010 the City had a deposit in the amount of \$1,253,106 with ACCEL.

***B. Business type Activities***

In FY 2005 a deposit in the amount \$30,000 was established with Katzoff & Riggs relating to a Commingled Plume Investigation and Remediation settlement between the City’s and Friend, Friend & Friend, L.P. At June 30, 2010 the City had a deposit in the amount of \$30,000 with Katzoff & Riggs.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**5. INTERFUND BALANCES AND TRANSACTIONS**

**A. Government-Wide Financial Statements**

Internal Balances

At June 30, 2010, the City had the following internal balances:

	<b>Internal Balances Payable</b>
	Governmental Activities
<b>Internal Balances Receivable</b>	
Business-Type Activities	\$ 2,671,109

This balance consists of the net amount of internal balances to fund various projects between the Redevelopment Agency Funds and the Parking Enterprise Funds and between the Wastewater Enterprise Funds and the General Capital Improvement Fund; and to fund cash advances between the General Fund and the Golf Enterprise Funds.

Transfers

The City had the following transfers for the year ending June 30, 2010:

	<b>Transfers In</b>
	Governmental Activities
<b>Transfers Out</b>	
Business-Type Activities	\$ 205,712

Transfers are used to move revenues from various enterprise funds to the General Capital Improvement Fund for financing a share of various project costs; from the Parking Enterprise Fund to the General Fund for share of costs for increased downtown parking garage and lot security; and from various enterprise funds to the General Fund for the share of costs for the After Hours Call Duty Program.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**5. INTERFUND BALANCES AND TRANSACTIONS, Continued**

**B. Fund Financial Statements**

The City had the following due to/from other funds as of June 30, 2010:

Due to Other Funds	Due from Other Funds	
	General Fund	Total
	Golf Course Enterprise Fund	851,000
Internal Service Funds	478,543	478,543
<b>Total</b>	<b>\$ 1,329,543</b>	<b>\$ 1,329,543</b>

The outstanding balances between funds results from short-term loans from the General Fund to the Golf Course Enterprise Fund and to the Telecom Internal Service Fund cover negative cash.

Long-Term Advances

The City had the following long-term advances as of June 30, 2010:

Advances from Other Funds	Advances to Other Funds				
	General Fund	Redevelopment Agency Fund	Wastewater Enterprise Fund	Risk Mgmt Internal Service Fund	Total
	Redevelopment Agency Fund	\$ 832,899	\$ -	\$ -	\$ -
General CIP	2,509,686	-	50,433	5,000,000	7,560,119
Non-Major Governmental Funds	286,764	-	-	-	286,764
Parking Enterprise Fund	-	320,672	-	-	320,672
Golf Enterprise Fund	1,549,870	-	-	-	1,549,870
<b>Total</b>	<b>\$ 5,179,219</b>	<b>\$ 320,672</b>	<b>\$ 50,433</b>	<b>\$ 5,000,000</b>	<b>\$ 10,550,324</b>

Long-term advances were made 1) from the General Fund to the Redevelopment Agency Fund to finance Redevelopment projects; 2) from the General Fund, Wastewater Enterprise Fund, and Risk Management Internal Service Fund to the General Capital Improvement Fund to fund the citywide Street Overlay Project; 3) from the General Fund to the Housing and Community Development Special Revenue Fund as a deposit for matching grant funds; 4) from the Redevelopment Agency Fund to the Parking Enterprise Fund to finance two parking capital improvements projects; and 5) from the General Fund to the Golf Enterprise Fund representing principal and accrued interest for a long-term cash advance.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**5. INTERFUND BALANCES AND TRANSACTIONS, Continued**

**B. Fund Financial Statements, Continued**

Transfers In / Out

The City had the following transfers for the year ending June 30, 2010:

	Transfers In				Total
	General Fund	Redevelopment Agency	Non-Major		
			General Capital Imp.	Governmental Funds	
General Fund	\$ -	\$ -	\$ -	\$ 428,962	\$ 428,962
Redevelopment Fund	-	3,547,679	-	-	3,547,679
General Capital Improvement Fund	-	-	500	-	500
Non-Major Governmental Funds	30,000	-	259,872	154,177	444,049
Enterprise Funds:	-	-	-	-	-
Water	1,637	-	6,500	-	8,137
Waste water	17,535	-	134,415	-	151,950
Ref use	-	-	11,500	-	11,500
Parking	34,000	-	-	-	34,000
Golf Course	125	-	-	-	125
Internal Service Funds	-	-	68,566	-	68,566
<b>Total</b>	<b>\$ 83,297</b>	<b>\$ 3,547,679</b>	<b>\$ 481,353</b>	<b>\$ 583,139</b>	<b>\$ 4,695,468</b>

In addition to transfers made between Governmental Type activities and Business Type activities previously identified above, transfers were made 1) to the Lease Revenue Bond Debt Service Fund from the General Fund for debt service payments; 2) to and from the various Redevelopment Agency Funds for debt service payments and to fund various redevelopment projects; 3) to General Capital Improvement Fund from the Sidewalk In-Lieu Capital Improvement Fund to fund projects; 4) to the General Fund from the Police Asset Seizure/Youth Crime Prevention Special Revenue Fund to support Teen Services Programs, to the General Capital Improvement fund from the Gas Tax and Traffic Impact Fee Special Revenue Funds and to the Gas Tax Special Revenue Fund from the Traffic Impact Fee Special Revenue Fund to support various projects; and 5) to the General Capital Improvement Fund from the Liability Internal Service Fund to support various projects.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**6. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

At June 30, 2010 the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Capital Assets:			
Capital assets, not being depreciated:			
Land	\$ 60,380,806	\$ 1,819,287	\$ 62,200,093
Construction in progress	5,016,231	25,239,349	30,255,580
Subtotal, capital assets, not being depreciated	<u>65,397,037</u>	<u>27,058,636</u>	<u>92,455,673</u>
Capital assets, being depreciated:			
Land improvements	8,240,309	4,344,973	12,585,282
Infrastructure	206,833,712	171,168,085	378,001,797
Buildings	45,067,703	160,568,423	205,636,126
Machinery and equipment	13,250,399	26,074,299	39,324,698
Lease improvements	724,114	70,000	794,114
Software	1,220,476	867,238	2,087,714
Subtotal, capital assets, being depreciated	<u>275,336,713</u>	<u>363,093,018</u>	<u>638,429,731</u>
Total capital assets	<u>340,733,750</u>	<u>390,151,654</u>	<u>730,885,404</u>
Less accumulated depreciation:			
Land improvements	(3,406,417)	(1,398,420)	(4,804,837)
Infrastructure	(126,055,743)	(79,138,746)	(205,194,489)
Buildings	(12,439,440)	(66,373,262)	(78,812,702)
Machinery and equipment	(8,895,392)	(17,012,682)	(25,908,074)
Lease improvements	(574,055)	(22,633)	(596,688)
Software	(1,123,954)	(564,368)	(1,688,322)
Total accumulated depreciation	<u>(152,495,001)</u>	<u>(164,510,111)</u>	<u>(317,005,112)</u>
<b>Total capital assets, net</b>	<u>\$ 188,238,749</u>	<u>\$ 225,641,543</u>	<u>\$ 413,880,292</u>



**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**6. CAPITAL ASSETS, Continued**

**A. Government-Wide Financial Statements, Continued**

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 60,380,806	\$ -	\$ -	\$ 60,380,806
Construction in progress	4,117,673	1,896,885	(998,327)	5,016,231
Subtotal, capital assets, not being depreciated	64,498,479	1,896,885	(998,327)	65,397,037
Capital assets, being depreciated:				
Land improvements	8,213,319	26,990	-	8,240,309
Infrastructure	206,175,621	668,719	(10,628)	206,833,712
Buildings	44,957,405	110,298	-	45,067,703
Machinery and equipment	13,327,533	674,728	(751,862)	13,250,399
Lease improvements	724,114	-	-	724,114
Software	1,220,476	-	-	1,220,476
Subtotal, capital assets, being depreciated	274,618,468	1,480,735	(762,490)	275,336,713
Total capital assets	339,116,947	3,377,620	(1,760,817)	340,733,750
Less accumulated depreciation:				
Land improvements	(2,865,217)	(541,200)	-	(3,406,417)
Infrastructure	(121,285,890)	(4,769,853)	-	(126,055,743)
Buildings	(11,398,977)	(1,040,463)	-	(12,439,440)
Machinery and equipment	(8,727,539)	(896,082)	728,229	(8,895,392)
Lease improvements	(509,394)	(64,661)	-	(574,055)
Software	(1,092,722)	(31,232)	-	(1,123,954)
Total accumulated depreciation	(145,879,739)	(7,343,491)	728,229	(152,495,001)
Capital assets, being depreciated, net	128,738,729	(5,862,756)	(34,261)	122,841,712
<b>Total capital assets, net</b>	<b>\$ 193,237,208</b>	<b>\$ (3,965,871)</b>	<b>\$ (1,032,588)</b>	<b>\$ 188,238,749</b>

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**6. CAPITAL ASSETS, Continued**

**A. Government-Wide Financial Statements, Continued**

Depreciation expense of the governmental activities for the year ended June 30, 2010 was \$7,343,491 and was distributed as follows.

General Government	\$ 518,786
Public Safety	749,449
Parks and Recreation	2,072,912
Library - City	26,800
Public Works	3,661,486
Community & Economic Development	<u>152,679</u>
Total depreciation expense- general government	7,182,112
Internal Service Funds	<u>161,379</u>
<b>Total depreciation expense- governmental activities</b>	<b>7,343,491</b>

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2009	Additions	Deletions	Balance June 30,2010
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,819,287	\$ -	\$ -	\$ 1,819,287
Construction in process	<u>21,659,072</u>	<u>7,386,427</u>	<u>(3,806,150)</u>	<u>25,239,349</u>
Subtotal, capital assets, not being depreciated	<u>23,478,359</u>	<u>7,386,427</u>	<u>(3,806,150)</u>	<u>27,058,636</u>
Capital assets, being depreciated:				
Land improvements	3,713,741	631,232	-	4,344,973
Infrastructure	168,671,035	2,917,050	(420,000)	171,168,085
Buildings	160,386,023	182,400	-	160,568,423
Machinery and equipment	25,669,480	1,290,317	(885,498)	26,074,299
Lease improvements	70,000	-	-	70,000
Software	571,257	295,981	-	867,238
Subtotal, capital assets, being depreciated	<u>359,081,536</u>	<u>5,316,980</u>	<u>(1,305,498)</u>	<u>363,093,018</u>
Total capital assets	<u>382,559,895</u>	<u>12,703,407</u>	<u>(5,111,648)</u>	<u>390,151,654</u>
Less accumulated depreciation:				
Land improvements	(1,204,698)	(193,722)	-	(1,398,420)
Infrastructure	(76,068,160)	(3,490,586)	420,000	(79,138,746)
Buildings	(62,895,197)	(3,478,065)	-	(66,373,262)
Machinery and equipment	(15,368,608)	(2,471,824)	827,750	(17,012,682)
Lease improvements	(19,833)	(2,800)	-	(22,633)
Software	(551,896)	(12,472)	-	(564,368)
Total accumulated depreciation	<u>(156,108,392)</u>	<u>(9,649,469)</u>	<u>1,247,750</u>	<u>(164,510,111)</u>
Capital assets, being depreciated, net	<u>202,973,144</u>	<u>(4,332,489)</u>	<u>(57,748)</u>	<u>198,582,907</u>
Total capital assets, net	<u>\$ 226,451,503</u>	<u>\$ 3,053,938</u>	<u>\$ (3,863,898)</u>	<u>\$ 225,641,543</u>

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**6. CAPITAL ASSETS, Continued**

**A. Government-Wide Financial Statements, Continued**

Business-type activities depreciation expense for the year ended June 30, 2010 is as follows:

Water	\$	2,098,957
Wastewater		4,281,363
Refuse		1,790,214
Parking		520,497
Storm Water		747,208
Golf Course		211,230
		<hr/>
Total depreciation expense	\$	<u>9,649,469</u>

**B. Fund Financial Statements**

The Fund Financial Statements do not present general government capital assets, but they are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT**

**A. Governmental Activities**

Long-term debt for governmental activities consisted of the following amounts at June 30, 2010:

Description/Purpose	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Balance at June 30, 2010
<i>Compensated Absences</i>					
Accumulated, unpaid vacation leave	n/a	n/a	n/a	n/a	\$3,389,687
<i>Claims and Judgments</i>					
Liability and workers compensation claims paid by Risk Management internal service fund	n/a	n/a	n/a	n/a	\$10,061,824
<i>2001 Certificates of Participation</i>					
Issued for Civic Center acquisition, construction and improvement	4/1/02-4/1/31	4.6%-5.0%	\$75,000-\$270,000	\$4,415,000	\$3,630,000
<i>2010 General Obligation Refunding Bonds</i>					
Refinanced 1999 GO Bonds issued for the acquisition and construction of municipal improvements	9/1/10-9/1/29	2.0%-4.375%	\$180,000-\$605,000	\$6,995,000	\$6,995,000
				Unamortized Premium	29,849
				Deferred Amount on Refunding	(87,646)
				Net Balance	<u>\$6,937,203</u>
<i>2007 Lease Revenue Bonds</i>					
Issued for land acquisition and improvements for public library and water department purposes	6/30/09-6/30/37	4.0%-5.0%	\$125,000-\$445,000	\$6,880,000	\$6,625,000
				Unamortized Premium	1,688
				Net Balance	<u>\$6,626,688</u>
<i>Note Payable</i>					
For lawn bowling park renovation	1/24/07-1/24/11	0%	\$20,000	\$100,000	\$20,000
<i>2004 Tax Allocation Bonds</i>					
Refinanced Redevelopment Agency earthquake recovery and reconstruction bonds	10/1/05-10/1/31	2.5%-4.625%	\$120,000-\$320,000	\$5,245,000	\$4,620,000
				Unamortized Premium	13,871
				Deferred Amount on Refunding	(21,671)
				Net Balance	<u>\$4,612,200</u>
<i>Capital Lease Obligations</i>					
To acquire land for a homeless services center	1/1/03-1/1/21	4.644%	\$26,027-\$57,754	\$765,000	\$511,525
<i>Other Long-Term Liabilities</i>					
Redevelopment Agency owner participation agreements for the Chestnut Street Assessment District	9/2/99-9/2/11	5.6%	\$25,504-\$57,385	\$531,339	\$110,519
					<u>\$35,899,646</u>

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**A. Governmental Activities, Continued**

The following table summarizes long-term debt activity for the year ended June 30, 2010:

	Balance July 1, 2009	Accreted Interest	Additions	Retirements	Balance June 30, 2010	Amount Due Within One Year	Amount Due in More Than One Year
Compensated absences	\$ 3,079,818	\$ -	\$ 2,332,917	\$ (2,023,048)	\$ 3,389,687	\$ 2,259,792	\$ 1,129,895
Claims and judgments	10,061,824	-	-	-	10,061,824	2,779,942	7,281,882
Certificates of participation	3,791,577	-	-	(161,577)	3,630,000	105,000	3,525,000
General obligation bonds:							
1999 bonds	6,875,030	16,645	-	(6,891,675)	-	-	-
2009 refunding bonds:	-	-	6,995,000	-	6,995,000	235,000	6,760,000
Bond issuance premiums	-	-	30,757	(908)	29,849	1,558	28,291
Deferred amounts on refunding	-	-	(90,313)	2,667	(87,646)	(4,573)	(83,073)
Total general obligation bonds	6,875,030	16,645	6,935,444	(6,889,916)	6,937,203	231,985	6,705,218
Lease revenue bonds:	6,755,000	-	-	(130,000)	6,625,000	135,000	6,490,000
Bond issuance premiums	-	-	1,849	(161)	1,688	63	1,625
Total lease revenue bonds	6,755,000	-	1,849	(130,161)	6,626,688	135,063	6,491,625
Tax allocation bonds:	4,750,000	-	-	(130,000)	4,620,000	135,000	4,485,000
Bond issuance premiums	15,371	-	-	(1,500)	13,871	1,500	12,371
Deferred amounts on refunding	(28,339)	-	-	6,668	(21,671)	(6,668)	(15,003)
Total tax allocation bonds	4,737,032	-	-	(124,832)	4,612,200	129,832	4,482,368
Notes payable	293,055	-	-	(273,055)	20,000	20,000	-
Capital lease obligations	668,306	-	-	(156,781)	511,525	36,681	474,844
Other long-term liabilities	161,527	-	-	(51,008)	110,519	53,134	57,385
<b>Subtotal</b>	<b>23,281,527</b>	<b>16,645</b>	<b>6,937,293</b>	<b>(7,787,330)</b>	<b>22,448,135</b>	<b>711,695</b>	<b>21,736,440</b>
<b>Total</b>	<b>\$ 36,423,169</b>	<b>\$ 16,645</b>	<b>\$ 9,270,210</b>	<b>\$ (9,810,378)</b>	<b>\$ 35,899,646</b>	<b>\$ 5,751,429</b>	<b>\$ 30,148,217</b>

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**A. Governmental Activities, Continued**

As of June 30, 2010, the future debt service requirements to maturity for outstanding debt were:

For Year Ending June 30,	Certificates of Participation		General Obligation Bonds		Lease Revenue Bonds		Notes	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 105,000	\$ 177,835	\$ 235,000	\$ 264,601	\$ 135,000	\$ 293,763	\$ 20,000	\$ -
2012	110,000	173,005	180,000	260,451	140,000	288,363	-	-
2013	115,000	167,945	190,000	256,276	145,000	282,763	-	-
2014	120,000	162,655	205,000	251,339	150,000	276,963	-	-
2015	125,000	157,135	220,000	245,476	155,000	270,963	-	-
2016-2020	715,000	692,700	1,365,000	1,100,593	885,000	1,255,615	-	-
2021-2025	910,000	498,250	1,930,000	779,210	1,075,000	1,063,196	-	-
2026-2030	1,160,000	247,250	2,670,000	302,625	1,310,000	820,475	-	-
2031-2035	270,000	13,500	-	-	1,760,000	490,900	-	-
2036-2040	-	-	-	-	870,000	65,750	-	-
	<u>\$ 3,630,000</u>	<u>\$ 2,290,275</u>	<u>\$ 6,995,000</u>	<u>\$ 3,460,571</u>	<u>\$ 6,625,000</u>	<u>\$ 5,108,751</u>	<u>\$ 20,000</u>	<u>\$ -</u>
Unamortized Premiums	-	-	29,849	-	1,688	-	-	-
Deferred Amounts on Refunding	-	-	(87,646)	-	-	-	-	-
Totals	<u>\$ 3,630,000</u>	<u>\$ 2,290,275</u>	<u>\$ 6,937,203</u>	<u>\$ 3,460,571</u>	<u>\$ 6,626,688</u>	<u>\$ 5,108,751</u>	<u>\$ 20,000</u>	<u>\$ -</u>

For Year Ending June 30,	Tax Allocation Bonds		Capital Lease Obligations		Other Liabilities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 135,000	\$ 192,866	\$ 36,681	\$ 23,755	\$ 53,134	\$ 4,702	\$ 719,815	\$ 957,522
2012	140,000	188,566	38,384	22,052	57,385	1,607	665,769	934,044
2013	145,000	183,844	40,167	20,269	-	-	635,167	911,097
2014	150,000	178,773	42,032	18,404	-	-	667,032	888,134
2015	155,000	173,241	43,984	16,452	-	-	698,984	863,267
2016-2020	870,000	769,475	252,524	49,655	-	-	4,087,524	3,868,038
2021-2025	1,065,000	570,259	57,753	2,682	-	-	5,037,753	2,913,597
2026-2030	1,335,000	303,413	-	-	-	-	6,475,000	1,673,763
2031-2035	625,000	29,253	-	-	-	-	2,655,000	533,653
2036-2040	-	-	-	-	-	-	870,000	65,750
	<u>\$ 4,620,000</u>	<u>\$ 2,589,690</u>	<u>\$ 511,525</u>	<u>\$ 153,269</u>	<u>\$ 110,519</u>	<u>\$ 6,309</u>	<u>\$ 22,512,044</u>	<u>\$ 13,608,865</u>
Unamortized Premiums	13,871	-	-	-	-	-	45,408	-
Deferred Amounts on Refunding	(21,671)	-	-	-	-	-	(109,317)	-
Totals	<u>\$ 4,612,200</u>	<u>\$ 2,589,690</u>	<u>\$ 511,525</u>	<u>\$ 153,269</u>	<u>\$ 110,519</u>	<u>\$ 6,309</u>	<u>\$ 22,448,135</u>	<u>\$ 13,608,865</u>

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**7. LONG-TERM DEBT, Continued**

**A. Governmental Activities, Continued**

Pledged Revenues

Certain long-term debt issues require a pledge of revenues to secure future debt service obligations as described below.

The 2009 General Obligation Refunding Bonds are secured by and will be paid with annual ad valorem tax levies on all property subject to taxation within the City. Debt service for the fiscal year ended June 30, 2010, consisted of \$67,547 in interest and no principal. Revenue pledged for the payment of current year debt service was \$430,912 resulting in a debt service to revenue source ratio of 15.7%. Remaining debt service payments through final maturity of the Bonds in September 2029 are estimated to be \$6,995,000 in principal and \$3,460,571 in interest for a total debt service obligation of \$10,455,571. Estimated total revenue pledged for the payment of total debt service is estimated to be \$10,455,571, resulting in a total debt service to revenue source ratio of 100.0%. Over the life of the obligation, the General Obligation Bond Assessment taxes are expected to cover 100.0% of annual debt service payments. Any excess collections after the retirement of the bonds shall be transferred by the City to the General Fund to be used in a manner consistent with requirements of applicable state and federal tax laws.

The 2007 Lease Revenue Bonds are secured by and payable from a pledge of revenues, consisting primarily of lease payments and amounts on deposit from time to time in the funds and accounts established under the Indenture of Trust. Lease payments from the Water enterprise fund and the Library Joint Powers Authority to the City's General fund will be adjusted annually to cover 100.0% of the City's total annual obligation. For the fiscal year ended June 30, 2010, debt service consisted of \$130,000 in principal and \$298,963 in interest for a total debt service payment of \$428,963. Revenue pledged for the payment of current year debt service was \$428,963 resulting in a current debt service to revenue source ratio of 100.0%. Remaining debt service payments through final maturity of the Bonds in June 2037 are estimated to be \$6,625,000 in principal and \$5,108,751 in interest for a total debt service obligation of \$11,733,751. The estimated total revenue pledged for the payment of total debt service is estimated to be \$11,733,751, resulting in a total debt service to revenue source ratio of 100.0%.

For the 2004 Redevelopment Agency Tax Allocation Bonds, principal and interest are payable solely from tax revenues and from amounts in certain accounts held by the trustee under and pursuant to the indenture. Debt service for the fiscal year ended June 30, 2010, consisted of \$130,000 in principal and \$196,516 in interest for a total of \$326,516. Revenue pledged for the payment of current year debt service was \$5,624,952 resulting in a debt service to revenue source ratio of 5.8%. Remaining debt service payments through final maturity of the Bonds in October 2031 are estimated to be \$4,620,000 in principal and \$2,589,690 in interest for a total debt service obligation of \$7,209,690. The estimated total revenue pledged for the payment of total debt service is estimated to be \$123,748,944, resulting in a total debt service to pledged revenue source ratio of 5.8%.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**B. Business-Type Activities**

Long-term debt for business activities consisted of the following amounts at June 30, 2010:

Description/Purpose	Maturity	Interest Rates	Principal Installments	Original Issue Amount	Balance at June 30, 2010
<i>Compensated Absences</i>					
Accumulated, unpaid vacation leave	n/a	n/a	n/a	n/a	\$1,251,794
<i>Landfill Closure Costs</i>					
Percentage of estimated costs	n/a	n/a	n/a	n/a	\$4,465,029
<i>2001 Refuse Certificates of Participation</i>					
Issued for refuse property acquisition and improvements	10/1/02-10/1/21	3.5%-4.875%	\$45,000-\$720,000	\$7,500,000	\$3,335,000
<i>2004 Golf Certificates of Participation</i>					
Issued for golf course improvements	5/1/06-5/1/29	4.0%-5.375%	\$90,000-\$260,000	\$3,700,000	\$3,220,000
Certificates of Participation Subtotal					<u>\$6,555,000</u>
<i>2005 Wastewater Revenue Bonds</i>					
Issued to refinance 1994 Series B Sewer Revenue Bonds	11/1/06-11/1/23	3.0%-4.5%	\$200,000-\$350,000	\$4,715,000	\$3,890,000
Unamortized Premium					388
Deferred Amount on Refunding					(82,673)
Net Balance					<u>\$3,807,715</u>
<i>2005 Storm Water Revenue Bonds</i>					
Issued to refinance 1999 Certificates of Participation	10/1/06-10/1/29	3.0%-4.375%	\$160,000-\$385,000	\$6,100,000	\$5,410,000
Unamortized Premium					12,660
Deferred Amount on Refunding					(433,522)
Net Balance					<u>\$4,989,138</u>
<i>2006 Water Revenue Bonds</i>					
Issued to finance construction of a new transmission main	3/1/07-3/1/36	4.0%-4.625%	\$220,000-\$725,000	\$12,450,000	\$11,460,000
Unamortized Premium					15,366
Net Balance					<u>\$11,475,366</u>
<i>2010 Parking Lease Revenue Bonds</i>					
Issued to refinance 1998 Certificates of Participation	5/1/11-5/1/28	0.65%-4.45%	\$240,000-\$400,000	\$5,430,000	\$5,430,000
Unamortized Premium					13,983
Deferred Amount on Refunding					(209,688)
Net Balance					<u>\$5,234,295</u>
Revenue Bonds Subtotal					<u>\$25,506,514</u>

Table continued on next page



**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**B. Business-Type Activities, Continued**

Table continued from previous page

Description/Purpose	Maturity	Interest Rates	Principal Installments	Original Issue Amount	Balance at June 30, 2010
<i>Water Note Payable to State</i>					
For construction of a water main line	3/31/00-9/30/15	2.973%	\$29,536-\$247,162	\$1,658,469	\$470,500
<i>Wastewater Note Payable to State</i>					
For construction of improvements at wastewater treatment plant	8/1/99-8/1/18	2.80%	\$1,972,753-\$3,316,017	\$51,702,473	\$26,791,076
<i>Refuse Note Payable to State</i>					
For construction of solid waste facilities to comply with State standards	2001-2016	0%	\$33,333	\$500,000	\$200,000
<i>2009 Refuse Refunding Loan</i>					
Issued to refinance 1999 Certificates of Participation	10/1/10-10/1/23	4.87%	\$77,300-\$144,400	\$2,903,000	\$2,903,000
				Deferred Amount on Refunding	(208,379)
				Net Balance	\$2,694,621
				Notes Payable Subtotal	\$30,156,197
<i>Capital Lease Obligations</i>					
To acquire two golf course fairway mowers	3/15/06-12/15/10	3.9%	\$3,600-\$4,700	\$83,640	\$9,391
To acquire six refuse loader vehicles	12/2/06-6/2/11	4.16%	\$110,532-\$133,031	\$1,214,728	\$263,351
To acquire three refuse trucks, a street sweeper, and a sewer/storm drain vactor	6/22/07-12/22/11	3.88%	\$97,549-\$115,964	\$1,065,208	\$341,314
To acquire a waste bulldozer	11/30/07-5/30/12	3.98%	\$46,411-\$55,417	\$507,959	\$215,264
To acquire golf course mowers	4/27/09-1/27/14	6.11%	\$4,596-\$6,130	\$106,559	\$81,621
To acquire four refuse trucks and a landfill compactor	5/20/10-11/20/14	4.10%	\$142,535-\$171,096	\$1,564,295	\$1,421,760
				Lease Obligations Subtotal	\$2,332,701
				Total	\$70,267,235

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**B. Business-Type Activities, Continued**

The following table summarizes long-term debt activity for the year ended June 30, 2010:

	Balance			Amount		
	July 1, 2009	Additions	Retirements	Balance June 30, 2010	Due Within One Year	Amount Due in More than One Year
Compensated absences	\$ 1,054,219	\$ 940,292	\$ (742,717)	\$ 1,251,794	\$ 834,528	\$ 417,266
Landfill closure costs	4,293,086	171,943	-	4,465,029	-	4,465,029
Certificates of participation	16,078,423	-	(9,523,423)	6,555,000	325,000	6,230,000
Revenue bonds payable:	21,395,000	5,430,000	(635,000)	26,190,000	910,000	25,280,000
Bond issuance premiums	29,680	14,050	(1,333)	42,397	2,048	40,349
Deferred amounts on refunding	(545,075)	(210,663)	29,855	(725,883)	(40,584)	(685,299)
Total revenue bonds payable	20,879,605	5,233,387	(606,478)	25,506,514	871,464	24,635,050
Notes payable:	30,158,849	2,903,000	(2,697,273)	30,364,576	2,928,514	27,436,062
Deferred amounts on refunding	-	(221,485)	13,106	(208,379)	(15,727)	(192,652)
Total notes payable	30,158,849	2,681,515	(2,684,167)	30,156,197	2,912,787	27,243,410
Lease obligations	1,685,427	1,564,295	(917,021)	2,332,701	917,484	1,415,217
<b>Subtotal</b>	<b>68,802,304</b>	<b>9,479,197</b>	<b>(13,731,089)</b>	<b>64,550,412</b>	<b>5,026,735</b>	<b>59,523,677</b>
<b>Total</b>	<b>\$ 74,149,609</b>	<b>\$ 10,591,432</b>	<b>\$ (14,473,806)</b>	<b>\$ 70,267,235</b>	<b>\$ 5,861,263</b>	<b>\$ 64,405,972</b>

As of June 30, 2010, the future debt service requirements to maturity for outstanding debt were:

For Year Ending June 30,	Certificates of Participation		Revenue Bonds		Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 325,000	\$ 311,176	\$ 910,000	\$ 1,047,446	\$ 2,928,514	\$ 903,044
2012	330,000	297,856	920,000	1,032,616	3,013,031	818,512
2013	345,000	283,901	945,000	1,006,084	3,100,065	731,385
2014	360,000	268,971	975,000	975,554	3,189,760	641,701
2015	380,000	252,899	1,010,000	942,451	3,282,251	549,303
2016-2020	2,210,000	974,333	5,600,000	4,119,171	13,909,155	1,285,893
2021-2025	1,650,000	447,372	6,465,000	2,883,387	941,800	93,935
2026-2030	955,000	131,956	5,465,000	1,570,979	-	-
2031-2035	-	-	3,175,000	630,244	-	-
2036-2040	-	-	725,000	34,438	-	-
	<b>\$ 6,555,000</b>	<b>\$ 2,968,464</b>	<b>\$ 26,190,000</b>	<b>\$ 14,242,370</b>	<b>\$ 30,364,576</b>	<b>\$ 5,023,773</b>
Unamortized Premiums	-	-	42,397	-	-	-
Deferred Amounts on Refunding	-	-	(725,883)	-	(208,379)	-
<b>Totals</b>	<b>\$ 6,555,000</b>	<b>\$ 2,968,464</b>	<b>\$ 25,506,514</b>	<b>\$ 14,242,370</b>	<b>\$ 30,156,197</b>	<b>\$ 5,023,773</b>

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**B. Business-Type Activities, Continued**

For Year Ending June 30,	Capital Lease Obligations		Totals	
	Principal	Interest	Principal	Interest
2011	\$ 917,484	\$ 86,892	\$ 5,080,998	\$ 2,348,558
2012	553,021	51,960	4,816,052	2,200,944
2013	341,308	32,419	4,731,373	2,053,789
2014	349,792	17,805	4,874,552	1,904,031
2015	171,096	3,507	4,843,347	1,748,160
2016-2020	-	-	21,719,155	6,379,397
2021-2025	-	-	9,056,800	3,424,694
2026-2030	-	-	6,420,000	1,702,935
2031-2035	-	-	3,175,000	630,244
2036-2040	-	-	725,000	34,438
	<u>\$ 2,332,701</u>	<u>\$ 192,583</u>	<u>\$ 65,442,277</u>	<u>\$ 22,427,190</u>
Unamortized Premiums	-	-	42,397	-
Deferred Amounts on Refunding	-	-	(934,262)	-
Totals	<u>\$ 2,332,701</u>	<u>\$ 192,583</u>	<u>\$ 64,550,412</u>	<u>\$ 22,427,190</u>

Pledged Revenues

Certain long-term debt issues require a pledge of revenues to secure future debt service obligations as described below.

The Trust Indenture for the 2001 Refuse Certificates of Participation requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds on October 2024 or early retirement of the Bonds, whichever first occurs. For the fiscal year ended June 30, 2010, principal payments of \$205,000 and interest payments of \$153,045 were made for a total debt service of \$358,045. Net Refuse revenues for the fiscal year ended June 30, 2010, were \$3,325,913 resulting in a debt service to revenue source ratio of 10.8%. Total future debt service payments for the Refuse Certificates are estimated to be \$4,363,218, consisting of \$3,335,000 in principal and \$1,028,218 in interest. The estimated net revenues pledged and collected by the Refuse fund for this obligation term will be approximately \$39,910,956, resulting in a total debt service payment to revenue source ratio of 10.9%.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**7. LONG-TERM DEBT, Continued**

**B. Business-Type Activities, Continued**

The Trust Indenture for the 2005 Wastewater Revenue Refunding Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds on November 2023 or early retirement of the Bonds, whichever first occurs. Principal payments of \$210,000 and interest payments of \$157,811 were made during the fiscal year ended June 30, 2010, for a debt service total of \$367,811. For the fiscal year ended June 30, 2010, net Wastewater revenues were \$2,491,808 resulting in a debt service to revenue source ratio of 14.8%. Total future debt service payments for this indenture are estimated to be \$5,136,001 consisting of principal in the amount of \$3,890,000 and interest in the amount of \$1,246,001. The estimated net revenues pledged and collected by the Wastewater fund for this obligation term will be approximately \$34,885,312, resulting in a total debt service payment to revenue source ratio of 14.7%.

The Trust Indenture for the 2005 Storm Water Revenue Bonds requires that charges for services must equal at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in October 2029 or early retirement of the Bonds, whichever first occurs. Principal in the amount of \$185,000 and interest in the amount of \$214,160 for a total of \$399,160 in debt service payments were applied against this indenture for the fiscal year ended June 30, 2010. The current year Storm Water revenues were \$916,004 resulting in a debt service to revenue source ratio of 43.6%. The total future debt service payments for this indenture are estimated to be \$5,410,000 in principal and \$2,512,893 in interest for a debt service total of \$7,922,893. The estimated revenues pledged and collected by the Storm Water fund for this obligation term will be approximately \$18,320,080, resulting in a total debt service payment to revenue source ratio of 43.2%.

The Trust Indenture for the 2006 Water Revenue Bonds requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Bonds in March 2036 or early retirement of the Bonds, whichever first occurs. Principal payments of \$240,000 and interest payments of \$518,223 were made in the current year for a debt service total of \$758,223. Net Water revenues for the fiscal year ended June 30, 2010, were \$5,536,536 resulting in a debt service to revenue source ratio of 13.7%. Total future debt service payments for this indenture are estimated to be \$19,775,688 consisting of principal in the amount of \$11,460,000 and interest in the amount of \$8,315,688. The estimated net revenues pledged and collected by the Water fund for this obligation term will be approximately \$143,949,936, resulting in a total debt service to revenue source ratio of 13.7%.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**7. LONG-TERM DEBT, Continued**

**B. Business-Type Activities, Continued**

The 2009 Refuse Loan Agreement requires the City to pledge its annual Net Revenues (defined as gross revenues received during the period minus the amount required to pay all operation and maintenance costs payable during the period excluding depreciation) in an amount equal to at least 125% of the annual debt service requirement each fiscal year, through final maturity of the Loan in October 2023 or early prepayment, whichever first occurs. Debt service for the fiscal year ended June 30, 2010, consisted of \$119,384 in interest and no principal. Net Refuse revenues for the fiscal year ended June 30, 2010, were \$3,325,913 resulting in a debt service to revenue source ratio of 3.6%. Total future debt service payments for the Refuse Loan are estimated to be \$3,995,052, consisting of \$2,903,000 in principal and \$1,092,052 in interest. The estimated net revenues pledged and collected by the Refuse fund for this obligation term will be approximately \$46,562,782, resulting in a total debt service payment to revenue source ratio of 8.6%.

The 2010 Parking Lease Revenue Bonds are secured by and payable from a pledge of revenues, consisting primarily of lease payments and amounts on deposit from time to time in the funds and accounts established under the Indenture of Trust. Debt service for the fiscal year ended June 30, 2010, consisted of \$27,294 in interest and no principal. Lease payments for the fiscal year ended June 30, 2010, were \$27,294 resulting in a debt service to revenue source ratio of 100.0%. Total future debt service payments through final maturity of the Bonds in May 2028 are estimated to be \$7,597,788 consisting of principal in the amount of \$5,430,000 and interest in the amount of \$2,167,788. The estimated lease payments pledged by the Parking fund for this obligation term will be approximately \$7,597,788, resulting in a total debt service to revenue source ratio of 100.0%.

**C. Defeased Debt**

On August 27, 2009, the City issued a \$2,903,000 Refuse Refunding Loan with an interest rate of 4.87% to advance refund \$3,330,000 of outstanding 1999 Refuse Enterprise Certificates of Participation (1999 Certificates) with an average interest rate of 5.60%. The net proceeds of \$2,862,171 (after payment of \$40,750 in other issuance costs), plus an additional \$559,075 of City funds on hand and 1999 Certificates Reserve Fund monies were deposited in trust with an agent and invested in State and Local Government Series Treasury Notes to provide for debt service payments on the 1999 Certificates, which were called on October 1, 2009. As a result, the 1999 Certificates are considered defeased, and the liability for those certificates has been removed from the Refuse Enterprise Fund Statement of Net Assets. This advance refunding was undertaken to reduce total debt service payments over the next fifteen years by \$253,341 and resulted in an economic gain (difference between present value of the old and new debt service payments) of \$166,994.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**7. LONG-TERM DEBT, Continued**

*C. Defeased Debt, Continued*

On December 8, 2009, the City issued \$6,995,000 of General Obligation Refunding Bonds with an average interest rate of 4.09% to advance refund \$5,404,495 of outstanding 1999 General Obligation Bonds (1999 Bonds) with an average interest rate of 5.06%. The net proceeds of \$6,776,051 (after payment of \$247,413 in underwriting fees and other issuance costs) were deposited in trust with an agent and invested in a money market fund to provide for debt service payments on the 1999 Bonds, which were called on March 1, 2010. As a result, the 1999 Bonds are considered defeased, and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments over the next twenty years by \$596,238 and resulted in an economic gain of \$389,314.

On May 20, 2010, the City issued \$5,430,000 in 2010 Parking Refunding Lease Revenue Bonds with an average interest rate of 3.88% to advance refund \$5,510,000 of outstanding 1998 Parking Certificates of Participation (1998 Certificates) with an average interest rate of 4.95%. The net proceeds of \$4,823,135 (after payment of \$191,684 in underwriting fees and other issuance costs), plus an additional \$722,614 of 1998 Certificates Reserve Fund monies were deposited in trust with an agent and invested in a money market fund to provide for debt service payments on the 1998 Certificates, which were redeemed on June 21, 2010. As a result, the 1998 Certificates are considered defeased, and the liability for those certificates has been removed from the Parking Enterprise Fund Statement of Net Assets. This advance refunding was undertaken to reduce total debt service payments over the next eighteen years by \$847,562, which resulted in an economic gain of \$312,941.

*D. Conduit Debt*

During the fiscal year ended June 30, 2003, the Redevelopment Agency issued variable rate demand multifamily housing revenue bonds to provide funding for loans made to Santa Cruz Shaffer Road Investors L.P., and 1010 Pacific Investors L.P. (both California limited partnerships). The revenue bonds were used to finance a portion of the costs of building a 206-unit multifamily residential development and for the rehabilitation and equipping of a 113-unit multifamily residential development within the City limits. The housing facilities are to be occupied by persons of low and very low income, to the extent required by federal tax law.

The bonds were issued under a Trust Indenture, dated July 1, 2002 between the Agency, and Wells Fargo Bank, National Association, as trustee. For the Shaffer Road Apartments, the Agency issued 2002 Series A bonds and 2002 Series A-T in the amounts of \$29,925,000 and \$985,000, respectively. For the 1010 Pacific Avenue Apartments, 2002 Series B bonds in the amount of \$21,650,000 were issued. The total amount outstanding as of June 30, 2010 is \$52,030,000. The bonds mature on August 15, 2035.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**7. LONG-TERM DEBT, Continued**

*D. Conduit Debt, Continued*

The bonds and interest are payable solely from the “trust estate,” which is specifically assigned and pledged to such purposes to the extent provided in the Official Statements. The trust estate includes the Agency’s interest in the loans made to the developer, including rights to receive payments on the loans, and rights to certain bond proceeds and related revenues. The Official Statements contain more information regarding the trust estate.

During the fiscal year ended June 30, 2008, the Agency issued multifamily housing revenue bonds to provide funding for loans made to Tannery Artists Lofts Limited Partnership (a California Limited Partnership). The revenue bonds were used to finance the Borrower’s construction and development of a 100-unit multifamily housing rental facility to be located within the City limits. The housing facilities are to be occupied by persons of low and very low income, to the extent required by federal tax law.

The bonds were issued under a Master Agency Agreement, dated August 1, 2007 between the Agency and Washington Mutual Bank. For the Tannery Artists Lofts, the Agency issued 2007 Series A-1 bonds in the amount of \$4,195,000, which mature March 1, 2045. The balance of the Series A-1 bonds was \$4,168,999 at June 30, 2010. For the remaining portion of the loan relating to the 100-unit multifamily housing rental facility, the Agency issued 2007 Series A-2 bonds in the amount of \$24,010,000, which matured September 1, 2009 (subject to extension) and were paid in full as of June 30, 2010.

The bonds and interest are payable solely from the “trust estate,” which is specifically assigned and pledged to such purposes to the extent provided in the Official Statements. The trust estate includes the Agency’s interest in the loans made to the developer, including rights to receive payments on the loans, and rights to certain bond proceeds and related revenues. The Official Statements contain more information regarding the trust estate.

**8. RISK MANAGEMENT AND SELF-INSURANCE**

The City has established a Risk Management Fund (an internal service fund) to account for a self-insurance program. For the period ending June 30, 2010, the City was self-insured for workers' compensation up to \$500,000 per occurrence and for general liability up to \$1,000,000 per occurrence. Claims in excess of these amounts are insured. The City is also completely self-insured for unemployment insurance, vision, and dental insurance claims, and this self-insurance program is accounted for in the General Fund. The City contracts with outside administrators to administer these programs. There were no significant reductions in insurance coverage. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**8. RISK MANAGEMENT AND SELF-INSURANCE, Continued**

In January 1997, the City joined the Authority for California Cities Excess Liability (ACCEL). ACCEL is a joint powers authority organized under the provisions of Section 6500 et. seq. of the California Government code. ACCEL was founded in 1986 to provide medium-sized California cities self-funding for catastrophic losses. There are currently twelve members. ACCEL operates a liability risk pooling program which is subject to an annual independent financial audit and biennial actuarial study.

ACCEL is governed by a twelve member Board of Directors. Each member agency appoints a representative to the Board of Directors. ACCEL is funded by its member participants and, at the discretion of its Board of Directors, may assess the members for additional premiums (in an unlimited amount) in the event ACCEL assets at any time are insufficient to discharge its liabilities.

For the 2009-2010 fiscal year, ACCEL charged its members \$0.54 cents per one-hundred dollars of payroll for the self-funded \$4,000,000 excess of a \$1,000,000 member self-insured retention. Members also purchased commercial excess insurance limits of \$30,000,000 excess of \$5,000,000. Nine cities purchased additional optional limits of \$15,000,000 excess of \$35,000,000. In addition, four cities purchased optional limits of \$25,000,000 excess of \$50,000,000; and two cities purchased optional limits of \$25,000,000 excess of \$75,000,000. Members were also charged administrative costs in equal amounts. The City's share of administrative costs was \$38,904 during the 2009-2010 fiscal year.

ACCEL's day-to-day operations are administered by Alliant Insurance Services, Inc. (Alliant) contracted by ACCEL to provide accounting, risk consulting, insurance brokerage, and program administration services. Alliant's responsibility also includes the administration of policies and procedures as set forth by the ACCEL Joint Powers Authority Agreement, By-laws, and by the Board of Directors.

ACCEL provides coverage above each member's self-insured retention (SIR), subject to aggregate limit. Historically, ACCEL provided an optional coverage of \$500,000 excess of \$500,000 per occurrence through 1989-90; however, this coverage is no longer available.

Prior to July 1, 1990, ACCEL pooled losses incurred by its members up to \$10,000,000. Effective July 1, 1990, ACCEL created a reinsurance pool within the \$9,000,000 excess of \$1,000,000 layer by purchasing \$5,000,000 excess of \$5,000,000 coverage. On July 1, 1997, ACCEL further reduced its exposure and purchased coverage of \$17,000,000 excess of \$3,000,000 coverage. Due to favorable market conditions, ACCEL purchased coverage of \$19,000,000 excess of \$1,000,000 effective July 1, 1998. Six members with SIR of \$500,000 purchased additional coverage of \$500,000 excess of \$500,000. As of July 1, 2000, nine members purchased insurance of \$19,500,000 excess of \$1,000,000. ACCEL was fully insured through June 30, 2003.

As of July 1, 2003, the Authority purchased reinsurance covering \$20,000,000 in excess of \$2,000,000 and pooled losses in the layer \$1,000,000 excess of \$1,000,000. All members have SIR of \$1,000,000.



**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**8. RISK MANAGEMENT AND SELF-INSURANCE, Continued**

ACCEL members may participate in the purchase of other insurance, such as excess worker's compensation and excess liability over \$5,000,000 per occurrence where risk is not transferred to the pool. ACCEL does not administer claims for these programs; therefore, no revenue or expense is reflected in ACCEL's financial statements. ACCEL also purchases a Crime Policy and Directors and Officers Errors and Omissions Policy which cover the authority.

ACCEL has a retrospective rating plan whereby all premiums collected, together with related investment income earned, in excess of pooled losses and loss expenses for each program year will be returned to members beginning five years after the end of the program year. Losses and loss expenses are allocated to each member based on a weighted actual loss formula. At the June 2010 Board of Directors meeting, a retrospectively rated refund was made available for distribution to the members for program years 6 through 19 in the amount of \$7,206,858. Members may elect to have returned all or a portion of their refund and the funds would remain in the respective program year in the name of the member city. Subsequently, \$500,000 was requested to be returned to the member cities and \$6,706,858 was retained in the respective program year in the name of member cities. The amount of retrospectively rated refund that was retained in the name of the City of Santa Cruz was \$154,332.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**8. RISK MANAGEMENT AND SELF-INSURANCE, Continued**

Summary audited financial information for ACCEL as of and for the year ended June 30, 2010, is as follows:

Cash and investments	\$ 32,703,835
Other assets	350,610
Total assets	<u>\$ 33,054,445</u>

**Liabilities and Net Assets**

Unpaid claims liability	\$ 10,700,000
Retrospectively rated refunds liability	7,206,858
Other liabilities	16,122
Total liabilities	<u>17,922,980</u>
Net assets	<u>15,131,465</u>
Total liabilities and net assets	<u>\$ 33,054,445</u>

**Revenues**

Premiums earned	\$ 11,342,181
Investment income	1,160,660
Administrative fees	466,848
Total revenues	<u>12,969,689</u>

**Expenses**

Loss provision and premiums paid	4,565,317
General and administrative	403,592
Total expenses	<u>4,968,909</u>
Net income	8,000,780
Net assets, beginning of year	<u>7,130,684</u>
Net assets, end of year	<u>\$ 15,131,464</u>

Complete financial statements for ACCEL can be obtained from Alliant Insurance Services, Inc., 100 Pine Street, 11<sup>th</sup> Floor, San Francisco, CA 94111.

Risk Management Fund revenues are primarily premium charges received from other funds and are planned to match expenses of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs, and operating expenses. Department charges are based on historical experience. Claims known to be payable and the estimated liability for the balance, based on a case-by-case review of all claims is recorded as claims payable. An additional estimate of the amount to be paid for claims incurred, but not reported, is also recorded as claims payable. Changes in the Risk Management Fund's claims liability amount for the years ended June 30, 2008 through 2010 are as follows:

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**8. RISK MANAGEMENT AND SELF-INSURANCE, Continued**

	<b>CLAIMS PAYABLE<sup>1</sup></b>			
	Beginning Balance	Claims Incurred and Changes in Estimate	Payments	Ending Balance
June 30, 2008	10,311,555	1,953,674	(1,953,674)	10,311,555
June 30, 2009	10,311,555	1,398,142	(1,647,873)	10,061,824
June 30, 2010	10,061,824	1,465,410	(1,465,410)	10,061,824

The General Fund and Redevelopment Agency Fund typically have been used in prior years to liquidate the liability for claims and judgments.

**9. LANDFILL CLOSURE AND POSTCLOSURE COSTS**

In accordance with requirements established by the California Integrated Waste Management Board, the City has recognized a portion of the landfill's closure and post closure care (closure) costs. These cost estimates are based on the amount of landfill used to date. The estimated closure and corrective action costs are current estimates based on data provided by an independent consultant and are subject to changes in inflation, technological advancements, or regulatory changes. The total estimated costs are as follows:

Total estimated closure costs	\$ 3,427,422
Total estimated postclosure costs	<u>9,317,477</u>
<b>Total estimated closure and postclosure costs</b>	<b><u>\$ 12,744,899</u></b>

The City has increased the landfill's capacity through excavations, and plans to continue excavating in future years to increase capacity. At June 30, 2010, the estimated landfill closure cost liabilities of \$4,465,029 and estimated annual landfill closure cost adjustment of \$171,943 were calculated as follows:

Total estimated closure and postclosure costs	\$ 12,744,899
Percent of used capacity to total capacity	<u>35.0339%</u>
	4,465,035
Miscellaneous adjustments due to rounding	<u>(6)</u>
Revised estimated total closure and postclosure costs liability	4,465,029
Previous closure costs accrued	<u>(4,293,086)</u>
<b>2009-2010 expense for closure and postclosure costs</b>	<b><u>\$ 171,943</u></b>

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**9. LANDFILL CLOSURE AND POSTCLOSURE COSTS, Continued**

The landfill has an estimated remaining capacity of 5,443,122 cubic yards and has a current projected closure date of January, 2038.

Based upon the requirements of the Department of Resources, Recycling, and Recovery, the City has set aside invested cash (including pooled cash interest receivable) to equal the respective liabilities in each fund. The fund balances in the closure and post closure funds are zero with respect to the allowance for fair value adjustment account. The market value of the invested cash at June 30, 2010 was \$4,465,029, and is available to provide for closure and post closure costs. Total funds accumulated as of June 30, 2010, are comprised as follows:

Closure	\$	1,200,758
Postclosure		<u>3,264,271</u>
<b>Total</b>	<b>\$</b>	<b><u><u>4,465,029</u></u></b>

**10. RETIREMENT PLANS**

**A. Pension Plan**

Plan Description

The City contributes to the California Public Employees' Retirement System (PERS); an agent multiple-employer defined benefit pension plan. The Police and Fire Safety plans are required to participate in a risk pool since there were less than 100 active members in at least one valuation since June 30, 2003. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance.

Copies of PERS' Annual Financial Report may be obtained from their Executive Office located at 400 P Street, Sacramento, CA 95814.

Funding Policy

City employees are required to contribute 9% for safety employees and 7% for all other employees of their annual covered salary. The City employer is required to contribute at an actuarially determined rate; the fiscal year 2010 rate is 12.839% for miscellaneous employees, 36.343% for police safety employees, and 41.084% for fire safety employees of annual covered payroll.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**10. RETIREMENT PLANS, Continued**

*A. Pension Plan, Continued*

During the first half of fiscal year 2008, miscellaneous employees continued a cost-sharing agreement whereby the employee was required to pay the employer share above 6.354%, a portion on a pre-tax basis and a portion on a post-tax basis. In November 2007 and January 2008, all contracts for miscellaneous employees were negotiated to reduce the employee contribution to 7%. This increase in the City's share of PERS costs for miscellaneous employees, along with PERS rate increases for public safety employees contributed to rise in 2009 Annual Pension Costs.

In fiscal year 2010, Fire employees entered into a cost-sharing agreement whereby the employee was required to pay 2% of the employer share on a pre-tax basis.

The contribution requirements of City employees and the City employer are established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2010, the City's annual pension cost of \$10,070,382 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumption included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases ranging from 3.25% to 14.45% depending on age, service, and type of employment, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of volatility in the market value of investments over a fifteen-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2007 was 13 years for Public Safety Police employees, 13 years for Public Safety Fire Employees, and 30 years for miscellaneous employees for prior and current service unfunded liability.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**10. RETIREMENT PLANS, CONTINUED**

*A. Pension Plan, Continued*

In Fiscal Year 2010, the total annual pension cost was \$10,070,382. The annual costs by plan are listed below:

Miscellaneous Plan

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	4,118,521	100%	-
June 30, 2009	5,233,902	100%	-
June 30, 2010	4,518,022	100%	

Police Plan

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	2,793,302	100%	-
June 30, 2009	3,613,717	100%	-
June 30, 2010	3,234,436	100%	

Fire Plan

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	2,112,851	100%	-
June 30, 2009	2,454,183	100%	-
June 30, 2010	2,317,924	100%	

Funding Status

as of the Most Recent Actuarial Date

A schedule of funding progress for the most current available year follows, the remaining periods can be found in the RSI section.

**PUBLIC EMPLOYEE RETIREMENT SYSTEMS (PERS)**  
**SCHEDULE OF FUNDING PROGRESS**

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**10. RETIREMENT PLANS, CONTINUED**

*A. Pension Plan, Continued*

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
June 30, 2009	209,052,856	245,718,402	36,665,546	85.1 %	39,227,793	93.5%

Police Safety and Fire Safety Employees

Since the City has less than 100 active members in Fire and Police plans in at least one valuation since June 30, 2004, the City is required to participate in a risk pool. An actuarial valuation was performed with other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City is not available.

**11. POST-EMPLOYMENT RETIREMENT BENEFITS**

Retiree Medical Plan

The City of Santa Cruz Post-Retirement Health Care Plan is a single-employer defined benefit healthcare plan administered by the California Public Employees’ Retirement System (CalPERS). The Plan provides healthcare insurance benefits to eligible retirees. The City contributes the Public Employees’ Medical and Hospital Care Act (PEMHCA) minimum required employer contribution of \$105 per month towards the retiree monthly premium for eligible retirees participating in PEMHCA. The Plan does not issue a financial report.

All part-time and full-time regular employees that meet specified Memorandum of Understanding (MOU) continuous service and minimum age requirements are also eligible to receive a Retiree Medical Incentive. Employees must meet the following minimum eligibility requirements:

- Service – Ten years of continued service with the City and be at least 55 years of age
- Supervisor – Ten years of continued service with the City and be at least age 50 years of age
- Management – Five years of continued service with the City and be at least 50 years of age
- Public Safety - Five years of continued service with the City and be at least 50 years of age

Retiree medical incentives will be provided until the retiree becomes eligible for Medicare or discontinues CalPERS medical coverage.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**11. POST-EMPLOYMENT RETIREMENT BENEFITS, Continued**

The City Council and unions have the authority to negotiate and amend benefit provisions to the Retiree Medical Incentive.

Funding Policy

The contributions and requirements of plan members are established and may be amended with City Council approval. The City is currently contributing to OPEB on a pay-as-you-go basis. The financial statements assume that pay-as-you-go funding will continue. In fiscal year 2010, the City contributed the following amounts for eligible employees:

<u>OPEB</u>	<u>Number of Employees</u>	<u>Amount</u>
Required Employer Contribution	174	\$195,963
Retiree Medical Incentive	86	<u>\$164,468</u>
Total FY10 OPEB Costs		\$360,431

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The Arc represents a level of funding, that if paid on an on-going basis, is projected to cover the normal cost each year and amortize over thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the state's net OPEB obligation.

Annual required contribution	1,637,272
Interest on net OPEB obligation	72,000
Adjustment to annual required contribution	<u>(61,000)</u>
Annual OPEB cost (Expense)	1,648,272
Contributions made	<u>(360,431)</u>
Increase in net OPEB obligation	1,287,841
Net OPEB obligation - Beginning of year	1,446,772
Net OPEB obligation - End of year	2,734,613



**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**11. POST-EMPLOYMENT RETIREMENT BENEFITS, Continued**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
06/30/2008	N/A	N/A	N/A	N/A
06/30/2009	\$1,742,000	\$295,228	16.9%	\$1,446,772
06/30/2010	\$1,648,272	\$360,431	21.87%	\$2,734,613

Funding Status and Progress

As of July 1, 2008, the most recent actuarial evaluation date, the Plan was not funded. The actuarial accrued liability was \$15,596,000 and there were no actuarial value of assets, which resulted in the unfunded actuarial liability of \$15,596,000. The annual covered payroll was \$61,935,000 and the ratio of the unfunded actuarial liability to the annual covered payroll was 25.18%. The schedule of funding progress is also presented as RSI following the notes to the financial statements.

Actuarial valuations of ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples of these estimates and assumptions include future employment trends, mortality and the health care cost trend. Amounts are determined regarding the funded status of the plan, and the annual required contribution of the employer are subject to the continual revision as actual results are compared with past expectations and new estimates are made about the future. Because this is the first valuation under GASB 45 and the City did not have an actuarial study for FY10, there is only one year of historical information provided in the Schedule of Funding Progress. The schedule will, in the subsequent fiscal year, present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions include a 5% interest rate (used to discount results to present value), covered payroll rising 3.25% annually, premiums rising 5% per annum, the MEC rising 4% annually, and the same mortality, retirement, and turnover rates used in the City's pension costs. The UAAL is being amortized over a 30 year period as a level percentage of increasing payroll on a closed basis. Payments are set to rise 3.25% annually, so that they are expected to remain a constant percentage of covered payroll.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**12. COMMITMENTS AND CONTINGENCIES**

The City participates in a number of Federally assisted grant programs, of which the principal grants are the Disaster Assistance Program, Community Development Block Grant (CDBG), Home Investments Partnership Program (HOME) grant program, various Department of Justice and Department of Transportation grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies upon audit cannot be determined at this time, although the City expects such amounts to be immaterial.

The California Legislature granted tidal and submerged lands in trust to the City to be used for a number of statewide purposes in furtherance of navigation, commerce, and fisheries. In accordance with this legislation, revenues derived from the Wharf are required to be used for purposes permitted under the grant statute.

There are a number of lawsuits presently against the City. While the ultimate outcome of these lawsuits is not determinable, in the opinion of the City Attorney and City management, recovery from the City, if any, would not have a material effect on the accompanying financial statements.

The following is a list of major commitments and Contracts as of June 30, 2010:

Water Supply Project	\$ 2,007,351
Vehicle Purchases	1,022,817
GHWTP Electrical Improvemets	873,490
Design and Construction Landfill Cell 3	553,048
RDA Tannery Digital Media	256,067
Water Quality Lab Remodel	186,933
Bridge Seismic Retrofits	164,777
Value Replacements - SLR Gravity Outlet	148,929
Mission Hill UUD	128,006
Soquel/Hagermann Ave Improvements	106,336
Bay Street Reservoir Tank Design	94,149
Legal Services for General Plan 2010 EIR	89,026
Parking Study	63,015
<b>Total Commitments and Contracts:</b>	<b>\$ 5,693,944</b>

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**13. OPERATING LEASES**

The City is obligated under various operating leases for the use of land, buildings, office space and equipment. Lease expenditures, primarily for governmental funds, for the year ended June 30, 2010 were \$165,098. Future minimum lease payments required by lease agreements that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Balance</u>
2011	\$ 55,909
Total future minimum lease payments	<u>\$ 55,909</u>

The City leases (as lessor) office facilities, buildings, and wharf facilities under operating leases to various entities and individuals. Total revenues from these leases for the year ending June 30, 2010 were \$1,416,216. The total cost of leased assets as of June 30, 2010 was \$37,812,516, and the accumulated depreciation of those assets that are depreciable amounted to \$9,419,149. Future estimated revenues from these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 1,391,131
2012	1,168,534
2013	876,639
2014	691,984
2015	604,295
2016-2020	2,784,264
2021-2025	1,702,768
2026-2030	1,624,403
2031-2035	1,704,690
2036-2040	1,534,883
Total	<u>\$ 14,083,591</u>

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**14. RESERVED AND DESIGNATED FUND BALANCES**

Fund balances at June 30, 2010, have been reserved and designated for the following purposes:

	General Fund	Redevelopment Agency Fund	Capital Projects Funds	Non-Major Governmental Funds	Total
Reserved for:					
Encumbrances	\$ 699,668	\$ 653,255	\$ 305,549	\$ 469,516	\$ 2,127,988
Noncurrent receivables and advances	5,655,314	8,625,617	-	3,007,320	17,288,251
Prepaid items	32,928	-	-	-	32,928
Debt service	-	-	-	-	-
General plan update	734,973	-	-	-	734,973
Hardship grants	303,782	-	-	-	303,782
Low and moderate income housing	-	2,249,174	-	-	2,249,174
<b>Total reserved</b>	<b>7,426,665</b>	<b>11,528,046</b>	<b>305,549</b>	<b>3,476,836</b>	<b>22,737,096</b>
Designated for:					
City public trust	5,169,033	-	-	-	5,169,033
Code enforcement	91,618	-	-	-	91,618
Computer loan program	-	-	-	-	-
Co-op Retail Management	15,414	-	-	-	15,414
CPVAW	3,359	-	-	-	3,359
Debt service	-	1,130,016	-	1,810,465	2,940,481
Equipment maintenance	49,812	-	-	-	49,812
Green building education	400,329	-	-	-	400,329
Housing	-	-	-	1,043,332	1,043,332
Housing in-lieu program	74,867	-	-	-	74,867
Kiosk maintenance	69,801	-	-	-	69,801
Museum building	21,506	-	-	-	21,506
Parks and recreation programs	266,403	-	-	1,283,245	1,549,648
Planning/zoning programs	215	-	-	-	215
Police programs	8,376	-	-	85,837	94,213
Public art	-	-	-	-	-
Public works programs	7,983	-	-	5,330,073	5,338,056
Redevelopment agency	-	9,141,070	-	-	9,141,070
Street trees	22,056	-	-	-	22,056
Unemployment insurance	40,000	-	-	-	40,000
<b>Total designated</b>	<b>6,240,772</b>	<b>10,271,086</b>	<b>-</b>	<b>9,552,952</b>	<b>26,064,810</b>
Unreserved, Undesignated	9,931,127	-	(5,696,023)	-	4,235,104
<b>Total fund balances</b>	<b>\$ 23,598,564</b>	<b>\$ 21,799,132</b>	<b>\$ (5,390,474)</b>	<b>\$ 13,029,788</b>	<b>\$ 53,037,010</b>

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**15. DEFICIT NET ASSETS**

The City had total deficits in net assets of (\$5,836,611) as of June 30, 2010. This amount was comprised of the General Capital Improvement governmental fund deficit net assets of (\$5,390,474), the Golf enterprise fund deficit net assets of (\$446,137).

The General Capital Improvement funds' deficit is a result of the accelerated completion of the City Arterial and Collector Street Overlay Project. The City had originally planned to issue long term debt to cover these expenditures, but due to the slowdown of the economy, issuing debt was not advantageous. Instead, the City chose to advance monies to cover the expenditures.

The Golf funds' deficit net assets were due in large part to the repair of damage to a small section of the greens in a prior fiscal year and the downturn of the economy resulting in decreased revenues (green fees). The City is has explored options necessary to clear the deficit will be making a decision in the near future.

A detail listing of deficit net assets by fund is shown below:

<b>Fund:</b>	<u>Net Assets</u>
Capital Improvement Fund	\$ (5,390,474)
Golf fund	<u>(446,137)</u>
<b>Total deficit net assets</b>	<b><u>\$ (5,836,611)</u></b>

**16. STATE OF CALIFORNIA PROPOSITION 1A SECURITIZATION PROGRAM**

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Santa Cruz was \$1,314,242.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California.

**City of Santa Cruz**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**16. STATE OF CALIFORNIA PROPOSITION 1A SECURITIZATION PROGRAM,**  
**Continued**

Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

**17. SUBSEQUENT EVENTS**

**A. 2010 Refuse Enterprise Revenue Bonds**

The City issued 2010 Refuse Enterprise Revenue Bonds after the close of the fiscal year. On May 11, 2010 the City Council adopted a Resolution authorizing the issuance of Refuse Revenue Bonds to refinance the outstanding 2001 Certificates of Participation and finance property related to the Refuse Enterprise. The refunding closed on July 7, 2010 at a par amount of \$3,755,000. The interest rates on the refunding bonds range from 3.00% to 4.00%, with a true interest cost of 3.16% and a net present value savings of \$156,740. The final maturity date is October 1, 2021.

**B. 2010 Refunding Lease Revenue Bonds, Series B**

The City issued 2010 Refunding Lease Revenue Bonds after the close of the fiscal year. On April 27, 2010, the City Council adopted a Resolution authorizing the issuance of Lease Revenue Bonds to refinance the outstanding 2001 certificates of participation related to the Capital Improvement Fund's Civic Center Improvement Project. The refunding closed on October 5, 2010, at a par amount of \$3,810,000. The interest rates on the refunding bonds range from 0.75% to 4.20%, with a true interest cost of 3.82% and a net present value savings of \$245,490. The final maturity date is April 1, 2031.

**C. 2010 Pension Obligation Bonds**

The City issued 2010 Pension Obligation Bonds after the close of the fiscal year. On July 27, 2010 the City Council adopted a Resolution authorizing the issuance of pension obligation bonds to refinance the outstanding Public Safety side fund obligations of the City to the California Public Employees' Retirement System thereby reducing the side fund's the annual cost to the General Fund. In addition, on October 26, 2010, the City Council adopted a Resolution authorizing the sale of pension obligation bonds, and approving the final form of related financing documents and approving official actions. The issue closed on December 13, 2010, at a par amount of \$24,150,000. The interest rates on the bonds range from 2.106% to 5.375%, with a true interest cost of 5.626% and a net present value savings of \$1,186,077. The final maturity date is June 1, 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**

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## **BUDGETARY SCHEDULES**

**City of Santa Cruz**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2010**

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 43,175,659	\$ 43,175,659	\$ 44,230,855	\$ 1,055,196
Licenses and permits	619,400	619,400	540,411	(78,989)
Intergovernmental	755,105	1,372,580	1,363,794	(8,786)
Charges for services:				
External	5,884,109	5,974,609	5,551,794	(422,815)
Internal	6,236,217	6,236,217	6,274,080	37,863
Interagency	9,434,864	9,434,864	9,218,349	(216,515)
Subtotal charges for services	21,555,190	21,645,690	21,044,223	(601,467)
Fines and forfeitures	2,521,750	2,527,250	2,321,756	(205,494)
Use of money and property	4,985,156	4,985,156	4,853,186	(131,970)
Other revenues	291,200	607,370	698,525	91,155
<b>Total revenues</b>	<b>73,903,460</b>	<b>74,933,105</b>	<b>75,052,750</b>	<b>119,645</b>
<b>EXPENDITURES:</b>				
Current:				
General government	14,900,366	15,109,005	13,765,834	1,343,171
Public safety	35,584,505	35,690,988	33,801,383	1,889,605
Parks and recreation	8,906,632	8,946,893	8,309,864	637,029
Library	8,904,852	8,904,852	8,912,467	(7,615)
Public works	4,979,815	5,041,791	4,115,520	926,271
Community and economic development	1,565,275	1,565,275	1,306,196	259,079
Social services	1,109,277	1,109,277	1,111,827	(2,550)
Capital outlay	-	-	437,516	(437,516)
Debt service:				
Principal	268,349	268,349	156,781	111,568
Interest and fiscal charges	29,437	29,437	88,308	(58,871)
<b>Total expenditures</b>	<b>76,248,508</b>	<b>76,665,867</b>	<b>72,005,696</b>	<b>4,660,171</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,345,048)</b>	<b>(1,732,762)</b>	<b>3,047,054</b>	<b>4,779,816</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from asset disposition	-	-	372,514	372,514
Loan principal receipts	203,600	203,600	-	(203,600)
Transfers in	74,878	143,078	83,297	(59,781)
Transfers out	(431,163)	(431,163)	(428,962)	2,201
<b>Total other financing sources (uses)</b>	<b>(152,685)</b>	<b>(84,485)</b>	<b>26,849</b>	<b>111,334</b>
<b>Net change in fund balances</b>	<b>(2,497,733)</b>	<b>(1,817,247)</b>	<b>3,073,903</b>	<b>4,891,150</b>
<b>FUND BALANCES:</b>				
Beginning of the year	20,524,661	20,524,661	20,524,661	-
End of year	\$ 18,026,928	\$ 18,707,414	\$ 23,598,564	\$ 4,891,150

**City of Santa Cruz**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2010**

*Budgetary Comparison Schedule, Redevelopment Agency*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Tax increment	\$ 12,394,548	\$ 12,684,548	\$ 12,228,890	\$ (455,658)
Use of money and property	479,003	479,002	350,236	(128,766)
Other revenues	209,000	8,109,318	402,649	(7,706,669)
<b>Total revenues</b>	<b>13,082,551</b>	<b>21,272,868</b>	<b>12,981,775</b>	<b>(8,291,093)</b>
<b>EXPENDITURES:</b>				
Current:				
Community and economic development	13,863,404	24,325,840	\$ 10,312,588	14,013,252
Capital outlay	50,000	7,133,055	342,828	6,790,227
Debt service:				
Principal	5,150,113	6,824,978	1,879,995	4,944,983
Interest and fiscal charges	326,565	326,565	293,711	32,854
Bond issuance costs	2,925	4,445	-	4,445
<b>Total expenditures</b>	<b>19,393,007</b>	<b>38,614,883</b>	<b>12,829,122</b>	<b>25,785,761</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(6,310,456)</b>	<b>(17,342,015)</b>	<b>152,653</b>	<b>17,494,668</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Loan proceeds	3,390,000	3,390,000	-	(3,390,000)
Loan principal receipts	94,328	94,328	-	(94,328)
Transfer in	3,583,899	3,594,756	3,547,679	(47,077)
Transfer out	(3,583,899)	(3,601,756)	(3,547,679)	54,077
<b>Total other financing sources (uses)</b>	<b>3,484,328</b>	<b>3,477,328</b>	<b>-</b>	<b>(3,477,328)</b>
<b>Net change in fund balances</b>	<b>(2,826,128)</b>	<b>(13,864,687)</b>	<b>152,653</b>	<b>14,017,340</b>
<b>FUND BALANCES:</b>				
Beginning of the year	21,646,479	21,646,479	21,646,479	-
End of year	\$ 18,820,351	\$ 7,781,792	\$ 21,799,132	\$ 14,017,340

**City of Santa Cruz**  
**Required Supplementary Information**  
**For the year ended June 30, 2010**

**PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS)**  
**SCHEDULE OF FUNDING PROGRESS**

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
June 30, 2007	181,207,670	200,228,705	19,021,035	90.5%	34,999,086	54.3%
June 30, 2008	196,880,882	224,181,921	27,301,039	87.8%	39,734,245	68.7%
June 30, 2009	209,052,856	245,718,402	36,665,546	85.1%	39,227,793	93.5%

Police Safety Employees

Since the City has less than 100 active members in Police plan in at least one valuation since June 30, 2007, the City is required to participate in a risk pool. An actuarial valuation was performed with other participants within the same risk pool. Therefore, stand alone information of the schedule of the funding progress for the City was not available.

Fire Safety Employees

Since the City has less than 100 active members in Fire plan in at least one valuation since June 30, 2007, the City is required to participate in a risk pool. An actuarial valuation was performed with other participants within the same risk pool. Therefore, stand alone information of the schedule of the funding progress for the City was not available.

**OTHER POST-EMPLOYMENT BENEFITS (OPEB)**  
**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability Entry Age	(Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
7/1/2008	\$ -	\$ 15,596,000	\$ (15,596,000)	0.0%	\$ 61,935,000	25.18%

**City of Santa Cruz**  
**Notes to Required Supplementary Information**  
**For the year ended June 30, 2010**

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**1. BUDGETARY INFORMATION**

An annual budget is adopted by the City Council no later than the first regular meeting in July for the fiscal year beginning July first. As part of the budget process, all City departments submit budget requests for the next fiscal year. These requests are reviewed, and a final City Manager recommended budget showing estimated revenues and expenditures of the City is prepared. This proposed budget is transmitted to the City Council and made available to the public for review. Study sessions and a public hearing are conducted before final adoption of the budget by the City Council.

Transfers of appropriations within any department require the approval of the Director of Finance for transfers up to \$50,000, and the City Manager approval for all transfers over \$50,000. Any new appropriation or appropriation transfer between departments requires approval by the City Council. Several supplemental appropriations were necessary during the year and are reflected in the budget amounts in the financial statements. Expenditures may not legally exceed appropriations at the department level.

Under the City Charter, all unexpended appropriations shall lapse at the end of the fiscal year unless they are lawfully committed, or are required by law to be continuously appropriated from year to year.

Lawfully committed amounts include amounts legally encumbered at year end. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund types. Encumbrances outstanding at year-end are reported as reservation of fund balances since they do not constitute expenditures or liabilities, and re-appropriations in the subsequent year provide authority to complete these transactions as expenditures.

In addition, project-length (or non-lapsing) budgets are adopted for capital improvement and other projects, and grant-funded projects or programs that may not be completed within the fiscal year during which the budget appropriation for the project or program originates. Under these circumstances, the appropriation continues until project or program completion, or unless the appropriation is subsequently amended or rescinded by the City Council.

In the Budgetary Comparison Schedules, the "Original Budget" column includes the final adopted budget amounts. Re-appropriations for prior year encumbrances and continuing appropriations for project-length budgets automatically carried over from prior years are included in the "Final Budget" column.

The City Charter requires the City Council, upon recommendation of the City Manager and after providing sufficient funds to meet debt service and operating needs, to annually set aside in the enterprise funds an amount to be used for the acquisition and betterment of plant facilities. Such amounts, if any, would be shown in the financial statements as cash and investments held for betterment of plant facilities. No such funds were set aside during the year ended June 30, 2010.

Budgets are adopted each year for all general, special revenue, debt service, and capital projects funds. These governmental fund budgets are prepared on a basis consistent with GAAP.

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## SUPPLEMENTARY INFORMATION

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## Non-Major Governmental Funds

### Special Revenue Funds:

*Police* - This fund is used to account for state and federal grants and other revenues restricted to be used for police programs.

*State Highway Funds* - This fund is used to account for the City's apportionment of the State excise tax on gasoline and other related grants or receipts that are restricted for the planning, construction and maintenance of streets and roads. It is also used to account for a subvention of the State sales tax on gasoline (Traffic Congestion Relief Funds) that are restricted for street and highway maintenance, and rehabilitation and reconstruction of necessary associated facilities such as drainage and traffic control devices.

*Traffic Impact Fee Funds* - This fund is used to account for capital improvements to mitigate traffic impacts generated by land development. The fee provides financial resources for improvements to transit stops, bike and pedestrian facilities, signal coordination, park and ride lots, and other alternative transportation sources impacted by development, and is levied on all Citywide projects requiring a building permit (residential remodels and limited expansions expected to generate less than five new trips per day are exempt).

*Clean River, Beaches, and Ocean Special Parcel Tax - Measure E Fund* - This fund is used to account for revenues received from a special parcel tax to be used to fund improved management practices for protection of watersheds and water quality; maintenance, capital improvements, environmental restoration, and upgrades to storm water collection, conveyance, management and treatment systems; implementation of storm water best management practices; and public education and outreach activities to prevent and reduce pollution.

*Parks and Recreation* - This fund is used to account for tax and fee revenues restricted for parks and recreation use.

*Housing and Community Development* - This fund is used to account for receipts and expenditures under the Housing and Community Development Act, which includes Community Development Block Grant funds and HOME program funds. It also is used to account for Red Cross housing reconstruction loan repayments and income and related expenditures for City-owned rental properties.

*Transportation Development Act Fund* - This fund is used to account for receipts of State Transportation Development Act (TDA) funds restricted to be used for specialized or unmet transit needs. Acting as the public agency sponsor, the City contracts with non-profit agencies to meet these obligations.

### Debt Service Funds:

*General Obligation Bonds* - This fund is used to account for the debt service for a \$7 million general obligation bond issue approved by voters in November 1998. Funds for payment of principal and interest on the bonds are generated by a property tax override assessment of \$9.00 per \$100,000 of assessed value.

*Lease Revenue Bonds* - This fund is used to account for the debt service for a \$6.9 million revenue bond issued December 4, 2007. Funds for the payment of principal and interest on the bonds are generated by revenues received in the form of lease payments from the Water Enterprise Fund and the Library JPA for occupying the City's Locust/Union Building.

**City of Santa Cruz**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2010**

	Special Revenue				
	Police	State Highway	Traffic Impact Fee	Clean River, Oceans, and Beaches	Parks and Recreation
<b>ASSETS</b>					
Cash and cash equivalents	\$ 207,185	\$ 344,803	\$ 4,450,279	\$ 407,600	\$ 1,297,211
Interest receivable	409	1,153	10,929	856	3
Taxes receivable	-	-	-	31,054	-
Accounts receivable - net	3,864	18,511	106,555	-	-
Due from other governments	-	1,013,946	-	-	-
Restricted assets:					
Cash and cash equivalents	-	-	-	-	-
Notes receivable - net	-	-	-	-	-
Loans receivable - net	-	-	-	-	-
<b>Total assets</b>	<b>\$ 211,458</b>	<b>\$ 1,378,413</b>	<b>\$ 4,567,763</b>	<b>\$ 439,510</b>	<b>\$ 1,297,214</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and other current liabilities	\$ -	\$ 207,673	\$ 796	\$ 42,767	\$ 3,969
Deferred revenue	-	246,306	106,555	-	-
Unearned revenue	125,621	-	-	-	-
Advances from other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>125,621</b>	<b>453,979</b>	<b>107,351</b>	<b>42,767</b>	<b>3,969</b>
<b>Fund Balances:</b>					
Reserved for:					
Encumbrances	-	449,303	-	2,213	10,000
Non-current receivables	-	-	-	-	-
Unreserved, designated for:					
Housing programs	-	-	-	-	-
Parks programs	-	-	-	-	1,283,245
Police programs	85,837	-	-	-	-
Public works programs	-	475,131	4,460,412	394,530	-
Debt service	-	-	-	-	-
<b>Total fund balances</b>	<b>85,837</b>	<b>924,434</b>	<b>4,460,412</b>	<b>396,743</b>	<b>1,293,245</b>
<b>Total liabilities and fund balances</b>	<b>\$ 211,458</b>	<b>\$ 1,378,413</b>	<b>\$ 4,567,763</b>	<b>\$ 439,510</b>	<b>\$ 1,297,214</b>

		Debt Service		
Housing and Community Development	Transportation Development Act	General Obligation Bond	Lease Revenue Bond	Total Other Governmental Funds
\$ 834,343	\$ -	\$ 1,389,849	\$ 1,759	\$ 8,933,029
325,690	-	3,480	548	343,068
-	-	21,560	-	52,614
2,730	-	-	-	131,660
153,240	-	-	-	1,167,186
-	-	-	470,033	470,033
594,424	-	-	-	594,424
2,745,410	-	-	-	2,745,410
<b>\$ 4,655,837</b>	<b>\$ -</b>	<b>\$ 1,414,889</b>	<b>\$ 472,340</b>	<b>\$ 14,437,424</b>
\$ 54,670	\$ -	\$ -	\$ -	\$ 309,875
332,515	-	-	-	685,376
-	-	-	-	125,621
210,000	-	-	76,764	286,764
597,185	-	-	76,764	1,407,636
8,000	-	-	-	469,516
3,007,320	-	-	-	3,007,320
1,043,332	-	-	-	1,043,332
-	-	-	-	1,283,245
-	-	-	-	85,837
-	-	-	-	5,330,073
-	-	1,414,889	395,576	1,810,465
4,058,652	-	1,414,889	395,576	13,029,788
<b>\$ 4,655,837</b>	<b>\$ -</b>	<b>\$ 1,414,889</b>	<b>\$ 472,340</b>	<b>\$ 14,437,424</b>

**City of Santa Cruz**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2010**

	Special Revenue				
	Police	State Highway	Traffic Impact Fee	Clean River, Oceans, and Beaches	Parks and Recreation
<b>REVENUES:</b>					
Taxes	\$ -	\$ -	\$ -	\$ 618,752	\$ 196,254
Intergovernmental	143,006	2,529,223	-	-	155,000
Charges for services	28,459	-	-	-	134,744
Fines and forfeitures	2,075	-	-	-	-
Use of money and property	687	1,220	52,814	2,265	2,644
Other revenues	-	8,216	467,049	-	4,313
<b>Total revenues</b>	<b>174,227</b>	<b>2,538,659</b>	<b>519,863</b>	<b>621,017</b>	<b>492,955</b>
<b>EXPENDITURES:</b>					
Current:					
Public safety	110,000	-	-	-	-
Public works	-	761,555	17,939	168,034	-
Transit	-	-	-	-	-
Community and economic development	-	-	-	-	275,606
Social services	-	-	-	-	-
Capital outlay	-	1,578,190	-	56,240	68,543
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Bond issuance cost	-	-	-	-	-
<b>Total expenditures</b>	<b>110,000</b>	<b>2,339,745</b>	<b>17,939</b>	<b>224,274</b>	<b>344,149</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>64,227</b>	<b>198,914</b>	<b>501,924</b>	<b>396,743</b>	<b>148,806</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Refunding bonds	-	-	-	-	-
Premiums on bonds sold	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	-	154,177	-	-	-
Transfers out	(30,000)	(207,102)	(154,177)	-	(52,770)
<b>Total other financing sources (uses)</b>	<b>(30,000)</b>	<b>(52,925)</b>	<b>(154,177)</b>	<b>-</b>	<b>(52,770)</b>
<b>Net change in fund balances</b>	<b>34,227</b>	<b>145,989</b>	<b>347,747</b>	<b>396,743</b>	<b>96,036</b>
<b>FUND BALANCES:</b>					
Beginning of year	51,610	778,445	4,112,665	-	1,197,209
End of year	<b>\$ 85,837</b>	<b>\$ 924,434</b>	<b>\$ 4,460,412</b>	<b>\$ 396,743</b>	<b>\$ 1,293,245</b>

		Debt Service		
Housing and Community Development	Transportation Development Act	General Obligation Bond	Lease Revenue Bond	Total Other Governmental Funds
\$ -	\$ -	\$ 430,912	\$ -	\$ 1,245,918
700,643	594,976	-	-	4,122,848
832	-	-	-	164,035
-	-	-	-	2,075
76,793	-	15,568	1,306	153,297
590,083	-	-	-	1,069,661
1,368,351	594,976	446,480	1,306	6,757,834
-	-	-	-	110,000
-	-	-	-	947,528
-	594,976	-	-	594,976
430,663	-	-	-	706,269
146,971	-	-	-	146,971
-	-	-	-	1,702,973
-	-	205,937	130,000	335,937
5,193	-	214,483	300,848	520,524
-	-	226,365	-	226,365
582,827	594,976	646,785	430,848	5,291,543
785,524	-	(200,305)	(429,542)	1,466,291
-	-	6,995,000	-	6,995,000
-	-	30,757	-	30,757
-	-	(6,776,051)	-	(6,776,051)
-	-	-	428,962	583,139
-	-	-	-	(444,049)
-	-	249,706	428,962	388,796
785,524	-	49,401	(580)	1,855,087
3,273,128	-	1,365,488	396,156	11,174,701
\$ 4,058,652	\$ -	\$ 1,414,889	\$ 395,576	\$ 13,029,788

**City of Santa Cruz**  
**Schedule of Budget and Actual Revenues**  
**General Fund**  
**For the year ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property	\$ 12,611,818	\$ 12,611,818	\$ 13,725,288	\$ 1,113,470
Sales and use	12,822,200	12,822,200	12,668,746	(153,454)
Business license	762,000	762,000	748,672	(13,328)
Franchise	2,941,000	2,941,000	2,904,859	(36,141)
Transient occupancy	2,830,000	2,830,000	3,040,757	210,757
Parking	255,000	255,000	286,489	31,489
Utility users	8,688,000	8,688,000	8,622,677	(65,323)
Admission	1,927,137	1,927,137	1,922,757	(4,380)
Business improvement	220,000	220,000	192,106	(27,894)
Other taxes	118,504	118,504	118,504	-
<b>Total taxes</b>	<b>43,175,659</b>	<b>43,175,659</b>	<b>44,230,855</b>	<b>1,055,196</b>
<b>Licenses and permits:</b>				
Construction permits	550,400	550,400	466,711	(83,689)
Other licenses and permits	69,000	69,000	73,700	4,700
<b>Total licenses and permits</b>	<b>619,400</b>	<b>619,400</b>	<b>540,411</b>	<b>(78,989)</b>
<b>Intergovernmental revenues:</b>				
Federal	360,005	636,080	857,682	221,602
State	357,100	589,600	376,112	(213,488)
Local	38,000	146,900	130,000	(16,900)
<b>Total intergovernmental revenues</b>	<b>755,105</b>	<b>1,372,580</b>	<b>1,363,794</b>	<b>(8,786)</b>
<b>Charges for services:</b>				
General government:				
Legislative	-	-	-	-
Management and support	8,000	8,000	7,254	(746)
Planning and zoning	1,146,209	1,140,709	1,038,435	(102,274)
Other general government	-	-	738	738
Public safety:				
Police	198,310	294,310	326,966	32,656
Fire	374,950	374,950	393,697	18,747
Protective inspection	460,940	460,940	292,172	(168,768)
Other public safety	30,700	30,700	49,734	19,034
Parks and recreation:				
Parks	40,000	40,000	36,031	(3,969)
Recreation	2,421,500	2,421,500	2,225,158	(196,342)
Other parks and recreation	14,500	14,500	13,123	(1,377)
<b>Subtotal of charges for services</b>	<b>4,695,109</b>	<b>4,785,609</b>	<b>4,383,308</b>	<b>(402,301)</b>

**City of Santa Cruz**  
**Schedule of Budget and Actual Revenues, Continued**  
**General Fund**  
**For the year ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Charges for services, Continued:</b>				
Subtotal from previous page	\$ 4,695,109	\$ 4,785,609	\$ 4,383,308	\$ (402,301)
Public works:				
Engineering	80,000	80,000	64,393	(15,607)
Transportation	1,075,200	1,075,200	1,075,105	(95)
Community and economic development:				
Other community and economic development	33,800	33,800	28,988	(4,812)
Internal charges for services provided	6,236,217	6,236,217	6,274,080	37,863
Interagency personnel services charges:				
Library	8,065,704	8,065,704	8,046,305	(19,399)
Redevelopment Agency	1,369,160	1,369,160	1,172,044	(197,116)
Subtotal interagency charges	9,434,864	9,434,864	9,218,349	(216,515)
<b>Total charges for services</b>	<b>21,555,190</b>	<b>21,645,690</b>	<b>21,044,223</b>	<b>(601,467)</b>
<b>Fines and forfeitures:</b>				
Court and traffic fines	2,226,000	2,231,500	1,975,165	(256,335)
Other fines and forfeitures	295,750	295,750	346,591	50,841
<b>Total fines and forfeitures</b>	<b>2,521,750</b>	<b>2,527,250</b>	<b>2,321,756</b>	<b>(205,494)</b>
<b>Use of money and property:</b>				
Investment income	438,282	438,282	320,251	(118,031)
Rents and royalties	4,546,874	4,546,874	4,532,935	(13,939)
<b>Total use of money and property</b>	<b>4,985,156</b>	<b>4,985,156</b>	<b>4,853,186</b>	<b>(131,970)</b>
<b>Other revenues:</b>				
Contributions and donations	28,800	354,970	276,434	(78,536)
Other miscellaneous revenues	262,400	252,400	422,091	169,691
<b>Total other revenues</b>	<b>291,200</b>	<b>607,370</b>	<b>698,525</b>	<b>91,155</b>
<b>Total revenues</b>	<b>73,903,460</b>	<b>74,933,105</b>	<b>75,052,750</b>	<b>119,645</b>
<b>OTHER FINANCING SOURCES/(USES):</b>				
Proceeds from asset dispositions	-	-	372,514	372,514
Proceeds from long term debt	203,600	203,600	-	(203,600)
Transfers in	74,878	143,078	83,297	(59,781)
Transfers Out	(431,163)	(431,163)	(428,962)	2,201
<b>Total other financing sources</b>	<b>(152,685)</b>	<b>(84,485)</b>	<b>26,849</b>	<b>111,334</b>
<b>Total revenues and other financing sources</b>	<b>\$ 73,750,775</b>	<b>\$ 74,848,620</b>	<b>\$ 75,079,599</b>	<b>\$ 230,979</b>

# City of Santa Cruz

## Schedule of Budget and Actual Expenditures and Other Financing Uses For Legally Adopted Appropriations by Department - General Fund For the year ended June 30, 2010

	Personnel Services	Services, Supplies and Other Charges	Debt Service	Capital Outlay	Actual Amounts
City Council	\$ 284,359	\$ 337,065	\$ -	\$ -	\$ 621,424
City Clerk	420,216	62,460	-	22,288	504,964
City Manager	725,463	211,551	-	-	937,014
City Attorney	20,392	792,719	-	-	813,111
Human Resources	972,799	1,818,916	-	2,092	2,793,807
Finance	2,197,833	267,600	-	125	2,465,558
Information Technology	1,382,732	481,626	-	53,759	1,918,117
Police	17,207,396	3,447,539	-	219,669	20,874,604
Fire	10,679,283	1,164,325	-	49,296	11,892,904
Parks and Recreation	5,478,792	2,831,073	-	-	8,309,865
Library	7,517,716	1,394,751	-	-	8,912,467
Public Works	3,433,375	1,350,864	-	90,287	4,874,526
Planning and Community Development	2,496,946	544,883	-	-	3,041,829
Redevelopment Administration	1,172,044	121,261	-	-	1,293,305
Non-Departmental	28,197	2,478,915	245,089	-	2,752,201
<b>Total expenditures</b>	<b>54,017,543</b>	<b>17,305,548</b>	<b>245,089</b>	<b>437,516</b>	<b>72,005,696</b>



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Final Budget	Variance with Final Budget - Positive (Negative)
\$ 757,018	\$ 135,594
611,646	106,682
993,532	56,518
845,328	32,217
2,901,793	107,986
2,518,775	53,217
2,084,206	166,089
21,525,764	651,160
12,281,489	388,585
8,437,951	128,086
8,913,630	1,163
5,596,151	721,625
4,390,641	1,348,812
1,782,160	488,855
2,995,328	243,127
<u>76,880,501</u>	<u>4,874,805</u>

**City of Santa Cruz**  
**Schedule of Budget and Actual Revenues**  
**General Capital Improvement Fund**  
**For the year ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 820,000	\$ 820,000	\$ 820,000	\$ -
Intergovernmental	1,761,167	10,889,510	2,541,184	(8,348,326)
Use of money and property	(40,432)	(40,432)	10,982	51,414
Other revenues	293,400	140,751	129,850	(10,901)
<b>Total revenues</b>	<b>2,834,135</b>	<b>11,809,829</b>	<b>3,502,016</b>	<b>(8,307,813)</b>
<b>EXPENDITURES:</b>				
Current:				
Capital outlay	4,426,269	15,332,143	3,835,833	11,496,310
Debt service:				
Principal	131,000	131,000	120,000	11,000
Interest and fiscal charges	185,885	185,885	185,176	709
<b>Total expenditures</b>	<b>4,743,154</b>	<b>15,649,028</b>	<b>4,141,009</b>	<b>11,508,019</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,909,019)</b>	<b>(3,839,199)</b>	<b>(638,993)</b>	<b>3,200,206</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	50,000	350,000	481,353	131,353
Transfers out	(141,452)	(141,452)	(500)	140,952
<b>Total other financing sources (uses)</b>	<b>(91,452)</b>	<b>208,548</b>	<b>480,853</b>	<b>272,305</b>
<b>Net change in fund balances</b>	<b>(2,000,471)</b>	<b>(3,630,651)</b>	<b>(158,140)</b>	<b>3,472,511</b>
<b>FUND BALANCES:</b>				
Beginning of the year	(5,232,334)	(5,232,334)	(5,232,334)	-
End of year	\$ (7,232,805)	\$ (8,862,985)	\$ (5,390,474)	\$ 3,472,511

**City of Santa Cruz**  
**Schedule of Budget and Actual Revenues**  
**Police Special Revenue Fund**  
**For the year ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 110,000	\$ 110,000	\$ 143,006	\$ 33,006
Charges for services	25,000	25,000	28,459	3,459
Fines and forfeitures	-	-	2,075	2,075
Use of money and property	3,573	3,573	687	(2,886)
<b>Total revenues</b>	<b>138,573</b>	<b>138,573</b>	<b>174,227</b>	<b>35,654</b>
<b>EXPENDITURES:</b>				
Current:				
Public safety:				
Police	123,000	123,000	110,000	13,000
<b>Total expenditures</b>	<b>123,000</b>	<b>123,000</b>	<b>110,000</b>	<b>13,000</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>15,573</b>	<b>15,573</b>	<b>64,227</b>	<b>48,654</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(602)	(30,602)	(30,000)	602
<b>Total other financing sources (uses)</b>	<b>(602)</b>	<b>(30,602)</b>	<b>(30,000)</b>	<b>602</b>
<b>Net change in fund balance</b>	<b>14,971</b>	<b>(15,029)</b>	<b>34,227</b>	<b>49,256</b>
<b>FUND BALANCE:</b>				
Beginning of the year	51,610	51,610	51,610	-
End of year	\$ 66,581	\$ 36,581	\$ 85,837	\$ 49,256

**City of Santa Cruz**  
**Schedule of Budget and Actual Revenues**  
**State Highway Special Revenue Fund**  
**For the year ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 12,445,500	\$ 17,278,024	\$ 2,529,223	\$ (14,748,801)
Use of money and property	12,706	12,706	1,220	(11,486)
Other revenues	-	-	8,216	8,216
<b>Total revenues</b>	<b>12,458,206</b>	<b>17,290,730</b>	<b>2,538,659</b>	<b>(14,752,071)</b>
<b>EXPENDITURES:</b>				
Current:				
Public works:				
Transportation	788,836	1,275,831	761,555	514,276
Capital outlay	11,673,000	18,498,256	1,578,190	16,920,066
<b>Total expenditures</b>	<b>12,461,836</b>	<b>19,774,087</b>	<b>2,339,745</b>	<b>17,434,342</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,630)</b>	<b>(2,483,357)</b>	<b>198,914</b>	<b>2,682,271</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from asset dispositions	440,000	740,000	-	(740,000)
Proceeds from long-term debt	-	1,000,000	-	(1,000,000)
Transfers in	250,000	2,285,588	154,177	(2,131,411)
Transfers out	(550,000)	(550,000)	(207,102)	342,898
<b>Total other financing sources (uses)</b>	<b>140,000</b>	<b>3,475,588</b>	<b>(52,925)</b>	<b>(3,528,513)</b>
<b>Net change in fund balance</b>	<b>136,370</b>	<b>992,231</b>	<b>145,989</b>	<b>(846,242)</b>
<b>FUND BALANCE:</b>				
Beginning of the year	778,445	778,445	778,445	-
End of year	\$ 914,815	\$ 1,770,676	\$ 924,434	\$ (846,242)

**City of Santa Cruz**  
**Schedule of Budget and Actual Revenues**  
**Traffic Impact Fee Fund**  
**For the year ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 75,210	\$ 75,210	\$ 52,814	\$ (22,396)
Other revenues	575,000	575,000	467,049	(107,951)
<b>Total revenues</b>	<b>650,210</b>	<b>650,210</b>	<b>519,863</b>	<b>(130,347)</b>
<b>EXPENDITURES:</b>				
Current:				
Public works:				
Transportation	17,744	17,744	-	17,744
<b>Total expenditures</b>	<b>17,744</b>	<b>17,744</b>	<b>-</b>	<b>17,744</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>632,466</b>	<b>632,466</b>	<b>519,863</b>	<b>(112,603)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(250,000)	(2,285,588)	(154,177)	2,131,411
<b>Total other financing sources (uses)</b>	<b>(250,000)</b>	<b>(2,285,588)</b>	<b>(154,177)</b>	<b>2,131,411</b>
<b>Net change in fund balance</b>	<b>382,466</b>	<b>(1,653,122)</b>	<b>365,686</b>	<b>2,018,808</b>
<b>FUND BALANCE:</b>				
Beginning of the year	4,112,665	4,112,665	4,112,665	-
End of year	\$ 4,495,131	\$ 2,459,543	\$ 4,478,351	\$ 2,018,808

**City of Santa Cruz**  
**Schedule of Budget and Actual Revenues**  
**Clean River, Oceans, and Beaches Fund**  
**For the year ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 625,000	\$ 625,000	\$ 618,752	\$ (6,248)
Use of money and property	-	-	2,265	2,265
<b>Total revenues</b>	<b>625,000</b>	<b>625,000</b>	<b>621,017</b>	<b>(3,983)</b>
<b>EXPENDITURES:</b>				
Public works	495,062	447,352	168,034	279,318
Capital outlay	50,000	97,710	56,240	41,470
<b>Total expenditures</b>	<b>545,062</b>	<b>545,062</b>	<b>224,274</b>	<b>320,788</b>
<b>Net change in fund balance</b>	<b>79,938</b>	<b>79,938</b>	<b>396,743</b>	<b>316,805</b>
<b>FUND BALANCE:</b>				
Beginning of the year	-	-	-	-
End of year	\$ 79,938	\$ 79,938	\$ 396,743	\$ 316,805

**City of Santa Cruz**  
**Schedule of Budget and Actual Revenues**  
**Parks and Recreation Fund**  
**For the year ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 250,000	\$ 250,000	\$ 196,254	\$ (53,746)
Intergovernmental	-	-	155,000	155,000
Charges for services	-	-	134,744	134,744
Use of money and property	25,261	25,261	2,644	(22,617)
Other revenues	180,000	184,000	4,313	(179,687)
<b>Total revenues</b>	<b>455,261</b>	<b>459,261</b>	<b>492,955</b>	<b>33,694</b>
<b>EXPENDITURES:</b>				
Parks and Recreation	478,483	478,483	275,606	202,877
Capital outlay	30,000	203,023	68,543	134,480
<b>Total expenditures</b>	<b>508,483</b>	<b>681,506</b>	<b>344,149</b>	<b>337,357</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(53,222)</b>	<b>(222,245)</b>	<b>148,806</b>	<b>371,051</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	100,000	100,000	-	(100,000)
Transfers out	(115,297)	(115,297)	(52,770)	62,527
<b>Total other financing sources (uses)</b>	<b>(15,297)</b>	<b>(15,297)</b>	<b>(52,770)</b>	<b>(37,473)</b>
<b>Net change in fund balance</b>	<b>(68,519)</b>	<b>(237,542)</b>	<b>96,036</b>	<b>333,578</b>
<b>FUND BALANCE:</b>				
Beginning of the year	1,197,209	1,197,209	1,197,209	-
End of year	\$ 1,128,690	\$ 959,667	\$ 1,293,245	\$ 333,578

**City of Santa Cruz**  
**Schedule of Budget and Actual Revenues**  
**Housing and Community Development Fund**  
**For the year ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 1,503,018	\$ 1,979,199	\$ 700,643	\$ (1,278,556)
Charges for services	-	-	832	832
Use of money and property	83,395	83,395	76,793	(6,602)
Other revenues	-	589,657	590,083	426
<b>Total revenues</b>	<b>1,586,413</b>	<b>2,652,251</b>	<b>1,368,351</b>	<b>(1,283,900)</b>
<b>EXPENDITURES:</b>				
Current:				
Community and economic development:				
Housing and community development	1,403,056	1,646,533	430,663	1,215,870
Social services:				
CDBG social services	103,116	148,153	146,971	1,182
Debt service:				
Principal	200,000	1,085,000	-	1,085,000
Interest and fiscal charges	10,000	120,000	5,193	114,807
<b>Total expenditures</b>	<b>1,716,172</b>	<b>2,999,686</b>	<b>582,827</b>	<b>2,416,859</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(129,759)</b>	<b>(347,435)</b>	<b>785,524</b>	<b>1,132,959</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Loan principal receipts	55,940	55,940	-	(55,940)
Transfers in	-	-	-	-
Transfers out	(101,993)	(101,993)	-	101,993
<b>Total other financing sources (uses)</b>	<b>(46,053)</b>	<b>(46,053)</b>	<b>-</b>	<b>46,053</b>
<b>Net change in fund balance</b>	<b>(175,812)</b>	<b>(393,488)</b>	<b>785,524</b>	<b>1,179,012</b>
<b>FUND BALANCE:</b>				
Beginning of the year	3,273,128	3,273,128	3,273,128	-
End of year	\$ 3,097,316	\$ 2,879,640	\$ 4,058,652	\$ 1,179,012



**City of Santa Cruz**  
**Schedule of Budget and Actual Revenues**  
**Transportation Development Act**  
**For the year ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 640,850	\$ 640,850	\$ 594,976	\$ (45,874)
<b>Total revenues</b>	<b>640,850</b>	<b>640,850</b>	<b>594,976</b>	<b>(45,874)</b>
<b>EXPENDITURES:</b>				
Current:				
Transit	640,850	640,850	594,976	45,874
<b>Total expenditures</b>	<b>640,850</b>	<b>640,850</b>	<b>594,976</b>	<b>45,874</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE:</b>				
Beginning of the year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

**City of Santa Cruz**  
**Schedule of Budget and Actual Revenues**  
**General Obligation Bond**  
**For the year ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 588,306	\$ 588,306	\$ 430,912	\$ (157,394)
Use of money and property	16,500	16,500	15,568	(932)
<b>Total revenues</b>	<b>604,806</b>	<b>604,806</b>	<b>446,480</b>	<b>(158,326)</b>
<b>EXPENDITURES:</b>				
Debt service:				
Principal	205,937	205,937	205,937	-
Interest and fiscal charges	243,797	243,797	214,483	29,314
Bond issuance cost	-	226,365	226,365	-
<b>Total expenditures</b>	<b>449,734</b>	<b>676,099</b>	<b>646,785</b>	<b>29,314</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>155,072</b>	<b>(71,293)</b>	<b>(200,305)</b>	<b>(129,012)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from long term debt	-	-	6,995,000	6,995,000
Premiums on bonds sold	-	-	30,757	30,757
Payment to refunded bond escrow agent	-	(6,746,737)	(6,776,051)	(29,314)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>249,706</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>155,072</b>	<b>(71,293)</b>	<b>49,401</b>	<b>(129,012)</b>
<b>FUND BALANCE:</b>				
Beginning of the year	1,365,488	1,365,488	1,365,488	-
End of year	\$ 1,520,560	\$ 1,294,195	\$ 1,414,889	\$ (129,012)

**City of Santa Cruz**  
**Schedule of Budget and Actual Revenues**  
**Lease Revenue Bond Fund**  
**For the year ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 12,425	\$ 12,425	\$ 1,306	\$ (11,119)
<b>Total revenues</b>	<b>12,425</b>	<b>12,425</b>	<b>1,306</b>	<b>(11,119)</b>
<b>EXPENDITURES:</b>				
Debt service:				
Principal	130,000	130,000	130,000	-
Interest and fiscal charges	301,163	302,163	-	302,163
<b>Total expenditures</b>	<b>431,163</b>	<b>432,163</b>	<b>130,000</b>	<b>302,163</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(418,738)</b>	<b>(419,738)</b>	<b>(128,694)</b>	<b>291,044</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	431,163	431,163	428,962	(2,201)
<b>Total other financing sources (uses)</b>	<b>431,163</b>	<b>431,163</b>	<b>428,962</b>	<b>(2,201)</b>
<b>Net change in fund balance</b>	<b>12,425</b>	<b>11,425</b>	<b>300,268</b>	<b>288,843</b>
<b>FUND BALANCE:</b>				
Beginning of the year	396,156	396,156	396,156	-
End of year	\$ (22,582)	\$ (23,582)	\$ 696,424	\$ 288,843

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## INTERNAL SERVICE FUNDS

*Equipment Operations* - This fund is used to account for the expenses related to city-wide fleet operations and maintenance activities, including vehicles, communications equipment, and other pooled equipment. Internal contributions to support this fund are based on cost recovery through charges to user departments and funds. These charges do not include the cost of equipment replacement.

*Telecommunications* - This fund is used to account for the expenses related to the acquisition of communications equipment and ongoing maintenance of the telephone network including the main telephone switch, voice mail system, pagers, cell phones, and fax machines. Internal contributions to support this fund are based on cost recovery through user departments and funds. These charges do not include the cost of equipment replacement.

*Risk Management* - This fund is used to account for the expenses of the City's insurance program, including costs related to claims, administration, legal defense, and insurance premiums. Internal contributions to support this fund are based on cost recovery through charges to departments and funds. The following insurance activities are provided for in this fund:

- Workers' Compensation Insurance
- Liability Insurance

**City of Santa Cruz**  
**Combining Statement of Net Assets**  
**All Internal Service Funds**  
**June 30, 2010**

	Equipment Operations	Telecommu- nications	Risk Management	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 251,656	\$ 189	\$ 8,992,636	\$ 9,244,481
Interest receivable	931	(1,660)	21,850	21,121
Accounts receivable - net	10,557	-	-	10,557
Inventories	128,812	-	-	128,812
Deposits	-	-	1,403,106	1,403,106
Total current assets	<u>391,956</u>	<u>(1,471)</u>	<u>10,417,592</u>	<u>10,808,077</u>
Noncurrent assets:				
Advances to other funds	-	-	5,000,000	5,000,000
Capital assets:				
Machinery and equipment	581,403	1,822,292	8,160	2,411,855
Software	-	336,296	-	336,296
Less accumulated depreciation	<u>(398,428)</u>	<u>(1,130,127)</u>	<u>(8,160)</u>	<u>(1,536,715)</u>
Total capital assets (net of accumulated depreciation)	<u>182,975</u>	<u>1,028,461</u>	<u>-</u>	<u>1,211,436</u>
Total noncurrent assets	<u>182,975</u>	<u>1,028,461</u>	<u>5,000,000</u>	<u>6,211,436</u>
<b>Total assets</b>	<u><u>\$ 574,931</u></u>	<u><u>\$ 1,026,990</u></u>	<u><u>\$ 15,417,592</u></u>	<u><u>\$ 17,019,513</u></u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and other current liabilities	\$ 185,523	\$ 1,824	\$ 128,319	\$ 315,666
Due to other funds	672	477,871	-	478,543
Claims and judgments payable	-	-	2,779,942	2,779,942
Compensated absences payable	<u>27,306</u>	<u>10,143</u>	<u>-</u>	<u>37,449</u>
Total current liabilities	<u>213,501</u>	<u>489,838</u>	<u>2,908,261</u>	<u>3,611,600</u>
Noncurrent liabilities:				
Claims and judgments payable	-	-	7,281,882	7,281,882
Compensated absences payable	13,653	5,072	-	18,725
Other post employment benefits	<u>30,359</u>	<u>5,205</u>	<u>16,982</u>	<u>52,546</u>
Total noncurrent liabilities	<u>44,012</u>	<u>10,277</u>	<u>7,298,864</u>	<u>7,353,153</u>
<b>Total liabilities</b>	<u>257,513</u>	<u>500,115</u>	<u>10,207,125</u>	<u>10,964,753</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	182,975	1,028,461	-	1,211,436
Unrestricted	<u>134,443</u>	<u>(501,586)</u>	<u>5,210,467</u>	<u>4,843,324</u>
<b>Total net assets</b>	<u><u>\$ 317,418</u></u>	<u><u>\$ 526,875</u></u>	<u><u>\$ 5,210,467</u></u>	<u><u>\$ 6,054,760</u></u>

**City of Santa Cruz**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**All Internal Service Funds**  
**For the year ended June 30, 2010**

	Equipment Operations	Telecommuni- cations	Risk Management	Total
<b>OPERATING REVENUES:</b>				
Charges for services - internal	\$ 2,532,217	\$ 436,287	\$ 4,685,760	\$ 7,654,264
Charges for services - external	107,772	82,224	155,500	345,496
Other revenues	8,346	-	397	8,743
<b>Total operating revenues</b>	<b>2,648,335</b>	<b>518,511</b>	<b>4,841,657</b>	<b>8,008,503</b>
<b>OPERATING EXPENSES:</b>				
Personnel services	841,583	127,225	429,412	1,398,220
Services, supplies, and other charges	2,010,527	116,350	2,681,132	4,808,009
Depreciation and amortization	41,558	119,821	-	161,379
<b>Total operating expenses</b>	<b>2,893,668</b>	<b>363,396</b>	<b>3,110,544</b>	<b>6,367,608</b>
<b>Operating income (loss)</b>	<b>(245,333)</b>	<b>155,115</b>	<b>1,731,113</b>	<b>1,640,895</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment earnings	4,923	(8,027)	172,587	169,483
<b>Total nonoperating revenues (expenses)</b>	<b>4,923</b>	<b>(8,027)</b>	<b>172,587</b>	<b>169,483</b>
<b>Income (loss) before transfers</b>	<b>(240,410)</b>	<b>147,088</b>	<b>1,903,700</b>	<b>1,810,378</b>
Transfers out	-	-	(68,566)	(68,566)
<b>Total transfers</b>	<b>-</b>	<b>-</b>	<b>(68,566)</b>	<b>(68,566)</b>
<b>Change in net assets</b>	<b>(240,410)</b>	<b>147,088</b>	<b>1,835,134</b>	<b>1,741,812</b>
<b>NET ASSETS:</b>				
Beginning of year	557,828	379,787	3,375,333	4,312,948
End of year	\$ 317,418	\$ 526,875	\$ 5,210,467	\$ 6,054,760

See accompanying Notes to Basic Financial Statements.

**City of Santa Cruz**  
**Combining Statement of Cash Flows**  
**All Internal Service Funds**  
**For the year ended June 30, 2010**

	Equipment Operations	Telecommu- nications	Risk Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers and users	\$ 139,319	\$ 79,594	\$ 161,962	\$ 380,875
Cash received from interfund services provided	2,532,217	436,287	4,685,760	7,654,264
Cash payments to suppliers for goods and services	(1,966,992)	(118,311)	(2,686,720)	(4,772,023)
Cash payments to employees for services	(807,850)	(121,124)	(418,584)	(1,347,558)
Cash payments to other governments	(7,800)	-	-	(7,800)
Cash received from (payments to) others	8,346	-	(125,689)	(117,343)
<b>Net cash provided (used) by operating activities</b>	<b>(102,760)</b>	<b>276,446</b>	<b>1,616,729</b>	<b>1,790,415</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in/out	-	-	(68,566)	(68,566)
Due to/from other funds	(1,750)	(277,899)	760,000	480,351
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(1,750)</b>	<b>(277,899)</b>	<b>691,434</b>	<b>411,785</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase and construction of capital assets	(77,181)	805	-	(76,376)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(77,181)</b>	<b>805</b>	<b>-</b>	<b>(76,376)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interests receivable	1,491	-	24,672	26,163
Investment income received	4,923	(8,027)	172,587	169,483
<b>Net cash provided (used) by investing activities</b>	<b>6,414</b>	<b>(8,027)</b>	<b>197,259</b>	<b>195,646</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(175,277)</b>	<b>(8,675)</b>	<b>2,505,422</b>	<b>2,321,470</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	426,933	8,864	6,487,214	6,923,011
End of year	\$ 251,656	\$ 189	\$ 8,992,636	\$ 9,244,481
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (245,333)	\$ 155,115	\$ 1,731,113	\$ 1,640,895
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	41,558	119,821	-	161,379
Changes in current assets and liabilities:				
Accounts receivable	31,547	(2,630)	6,462	35,379
Inventories	12,442	-	-	12,442
Accounts payable and other current liabilities	23,293	(1,961)	(5,588)	15,744
Deposits payable	-	-	(126,086)	(126,086)
Claims and judgments payable	-	-	-	-
Other post employment benefits payable	30,359	5,205	10,828	46,392
Compensated absences payable	3,374	896	-	4,270
Total adjustments	142,573	121,331	(114,384)	149,520
<b>Net cash provided (used) by operating activities</b>	<b>\$ (102,760)</b>	<b>\$ 276,446</b>	<b>\$ 1,616,729</b>	<b>\$ 1,790,415</b>



## **Private-Purpose Trust Funds**

*McCaskill Trust - Local History* - This fund is restricted in purpose to promulgate local history. The principal and income benefit the Library Joint Powers Authority,

*McCaskill Trust - Visually Impaired* - This fund is restricted in purpose to provide library materials for the visually impaired. The principal and income benefit the Library Joint Powers Authority.

*The Finkeldey Trust* - This fund is restricted in purpose to acquire musical literature. The principal and income benefit the Library Joint Powers Authority.

*The Whalen Estate - Felton Branch Trust* - This fund is restricted in purpose to benefit the Felton Branch of the Santa Cruz Library for capital improvements and/or new books as the library administrators shall determine.

**City of Santa Cruz**  
**Combining Statement of Fiduciary Net Assets**  
**Private-Purpose Trust Funds**  
**June 30, 2010**

	McCaskill Trust - Local History	McCaskill Trust - Visually Impaired	Finkeldey Trust	Whalen Estate Felton Branch	Total Private-Purpose Trust Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 264,512	\$ 255,367	\$ 9,691	\$ 144,162	\$ 673,732
Receivables:					
Interest receivable	701	677	26	382	1,786
<b>Total assets</b>	<u>265,213</u>	<u>256,044</u>	<u>9,717</u>	<u>144,544</u>	<u>675,518</u>
<b>NET ASSETS</b>					
Held in trust for library programs	<u>\$ 265,213</u>	<u>\$ 256,044</u>	<u>\$ 9,717</u>	<u>\$ 144,544</u>	<u>\$ 675,518</u>

**City of Santa Cruz**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Private-Purpose Trust Funds**  
**For the year ended June 30, 2010**

	McCaskill Trust - Local History	McCaskill Trust - Visually Impaired	Finkeldey Trust	Whalen Estate Felton Branch	Total Private-Purpose Trust Funds
<b>ADDITIONS:</b>					
Donations	\$ -	\$ -	\$ -	\$ 146,000	\$ 146,000
Investment earnings	3,151	3,030	114	2,244	8,539
<b>Total additions</b>	<b>3,151</b>	<b>3,030</b>	<b>114</b>	<b>148,244</b>	<b>154,539</b>
<b>DEDUCTIONS:</b>					
Library programs	5,000	10,000	755	3,700	19,455
<b>Total deductions</b>	<b>5,000</b>	<b>10,000</b>	<b>755</b>	<b>3,700</b>	<b>19,455</b>
<b>Change in net assets</b>	<b>(1,849)</b>	<b>(6,970)</b>	<b>(641)</b>	<b>144,544</b>	<b>135,084</b>
<b>NET ASSETS:</b>					
Beginning of year	267,062	263,014	10,358	-	540,434
End of year	\$ 265,213	\$ 256,044	\$ 9,717	\$ 144,544	\$ 675,518

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## Agency Funds

*Library Joint Powers Authority* - This fund is used to account for funds held by the City in an agency capacity for the Library Joint Powers Authority, which was established to finance the operations of the former City/County library system.

*Trust Deposit Holding* - This fund is used to hold cash deposits received from outside parties on a temporary basis.

*Payroll Payables* - This fund is used to account for cash transferred from various funds to pay for payroll liabilities, which are paid out of this fund.

*Special Assessments* - This fund is used to account for assets held by the City in an agency capacity for special assessment districts. The City acts as agent for collection of principal and interest payments from the property owners and remits these monies to the bondholders. If funds are not available, the City is under no obligation to make bond payments from its own funds.

**City of Santa Cruz**  
**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2010**

	Library Joint Powers Authority	Trust Deposit Holding	Payroll Payables	Special Assessments	Total Agency Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 135,604	\$ 341,839	\$ 4,765	\$ 220,802	\$ 703,010
Restricted Cash and cash equivalents		-	-	52,246	52,246
Receivables:					
Interest receivable	1,168	167	-	491	1,826
Taxes receivable	500,706	-	-	9,993	510,699
Accounts receivable	398,422	-	-	-	398,422
Due from other governments	199	-	-	-	199
<b>Total assets</b>	<b>\$ 1,036,099</b>	<b>\$ 342,006</b>	<b>\$ 4,765</b>	<b>\$ 283,532</b>	<b>\$ 1,666,402</b>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	\$ 523,217	\$ 5,371	\$ 4,765	\$ -	\$ 533,353
Due to other governments	511,782	-	-	-	511,782
Deposits payable	1,100	336,635	-	-	337,735
Payable to bondholders	-	-	-	283,532	283,532
<b>Total liabilities</b>	<b>\$ 1,036,099</b>	<b>\$ 342,006</b>	<b>\$ 4,765</b>	<b>\$ 283,532</b>	<b>\$ 1,666,402</b>

**City of Santa Cruz**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the year ended June 30, 2010**

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b><u>Library Joint Powers Authority</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 33,672	\$ 11,255,726	\$ 11,153,794	\$ 135,604
Prepaid Expenses	28,944	-	28,944	-
Receivables:				
Interest receivable	(524)	8,872	7,180	1,168
Taxes receivable	446,380	500,706	446,380	500,706
Accounts receivable	410,664	398,741	410,983	398,422
Due from other governments	4,835	598	5,234	199
<b>Total assets</b>	<b>\$ 923,971</b>	<b>\$ 12,164,643</b>	<b>\$ 12,052,515</b>	<b>\$ 1,036,099</b>
<b>Liabilities:</b>				
Accounts payable and other current liabilities	\$ 233,067	\$ 2,411,815	\$ 2,121,665	\$ 523,217
Due to other governments	689,748	511,782	689,748	511,782
Deposit payable	1,156	48	104	1,100
<b>Total liabilities</b>	<b>\$ 923,971</b>	<b>\$ 2,923,645</b>	<b>\$ 2,811,517</b>	<b>\$ 1,036,099</b>
<b><u>Trust Deposit Holding</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 332,290	\$ 790,925	\$ 781,376	\$ 341,839
Interest receivable	315	725	873	167
<b>Total assets</b>	<b>\$ 332,605</b>	<b>\$ 791,650</b>	<b>\$ 782,249</b>	<b>\$ 342,006</b>
<b>Liabilities:</b>				
Accounts payable and other current liabilities	\$ 25,392	\$ 573,433	\$ 593,454	\$ 5,371
Deposits payable	307,213	790,294	760,872	336,635
<b>Total liabilities</b>	<b>\$ 332,605</b>	<b>\$ 1,363,727</b>	<b>\$ 1,354,326</b>	<b>\$ 342,006</b>
<b><u>Payroll Payables</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 20,075	\$ 85,063,340	\$ 85,078,650	\$ 4,765
<b>Total assets</b>	<b>\$ 20,075</b>	<b>\$ 85,063,340</b>	<b>\$ 85,078,650</b>	<b>\$ 4,765</b>
<b>Liabilities:</b>				
Accounts payable and other current liabilities	\$ 20,075	\$ 106,393,889	\$ 106,409,199	\$ 4,765
<b>Total liabilities</b>	<b>\$ 20,075</b>	<b>\$ 106,393,889</b>	<b>\$ 106,409,199</b>	<b>\$ 4,765</b>
<b><u>Special Assessments</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 218,187	\$ 211,120	\$ 208,505	\$ 220,802
Restricted cash and cash equivalents	58,630	15	6,399	52,246
Receivables:				
Interest receivable	906	1,643	2,058	491
Taxes receivable	10,084	9,993	10,084	9,993
Accounts receivable	-	3,479	3,479	-
<b>Total assets</b>	<b>\$ 287,807</b>	<b>\$ 226,250</b>	<b>\$ 230,525</b>	<b>\$ 283,532</b>
<b>Liabilities:</b>				
Payable to bondholders	\$ 287,807	-	4,275	283,532
<b>Total liabilities</b>	<b>\$ 287,807</b>	<b>\$ -</b>	<b>\$ 4,275</b>	<b>\$ 283,532</b>

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# STATISTICAL SECTION

## (Unaudited)

This part of the City of Santa Cruz's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	
<i>These tables contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</i>	146
Revenue Capacity	
<i>These tables contain information to help the reader assess the city's most significant local revenue source, the property tax.</i>	156
Debt Capacity	
<i>These tables present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.</i>	159
Demographic and Economic Information	
<i>These tables offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.</i>	174
Operating Information	
<i>These tables contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.</i>	176

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

**City of Santa Cruz**  
**Net Assets By Component**  
**Last Eight Fiscal Years**

	Fiscal Year Ended June 30			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 136,369,360	\$ 136,556,019	\$ 139,024,926	\$ 142,216,967
Restricted	10,441,164	11,411,611	10,105,142	12,132,237
Unrestricted	16,662,826	12,267,438	18,695,330	19,428,634
Total governmental activities net assets	<u>\$ 163,473,350</u>	<u>\$ 160,235,068</u>	<u>\$ 167,825,398</u>	<u>\$ 173,777,838</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 168,876,424	\$ 174,395,150	\$ 179,988,569	\$ 164,275,405
Restricted	-	-	704,469	-
Unrestricted	62,492,429	58,267,139	57,125,277	78,560,182
Total business-type activities net assets	<u>\$ 231,368,853</u>	<u>\$ 232,662,289</u>	<u>\$ 237,818,315</u>	<u>\$ 242,835,587</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 305,245,784	\$ 310,951,169	\$ 319,013,495	\$ 306,492,372
Restricted	10,441,164	11,411,611	10,809,611	12,132,237
Unrestricted	79,155,255	70,534,577	75,820,607	97,988,816
Total primary government net assets	<u>\$ 394,842,203</u>	<u>\$ 392,897,357</u>	<u>\$ 405,643,713</u>	<u>\$ 416,613,425</u>

*The City of Santa Cruz implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.*

Source: City of Santa Cruz Finance Department

TABLE 1

2007	Fiscal Year Ended June 30		2010
	2008	2009	
\$ 144,203,036	\$ 159,910,861	\$ 173,062,939	\$ 171,223,103
13,648,674	6,496,936	13,266,222	35,549,652
24,563,381	40,206,770	31,019,984	12,815,139
<u>\$ 182,415,091</u>	<u>\$ 206,614,567</u>	<u>\$ 217,349,145</u>	<u>\$ 219,587,894</u>
\$ 172,324,984	\$ 161,911,506	\$ 157,133,804	\$ 163,932,427
-	-	-	-
81,361,517	78,250,831	80,194,693	76,794,865
<u>\$ 253,686,501</u>	<u>\$ 240,162,337</u>	<u>\$ 237,328,497</u>	<u>\$ 240,727,292</u>
\$ 316,528,020	\$ 321,822,367	\$ 330,196,743	\$ 335,155,530
13,648,674	6,496,936	13,266,222	35,549,652
105,924,898	118,457,601	111,214,677	89,610,004
<u>\$ 436,101,592</u>	<u>\$ 446,776,904</u>	<u>\$ 454,677,642</u>	<u>\$ 460,315,186</u>

**City of Santa Cruz**  
**Changes in Net Assets**  
**Last Eight Fiscal Years**

	Fiscal Year Ended June 30			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
General government	\$ 10,382,020	\$ 11,451,699	\$ 9,889,427	\$ 9,755,194
Public safety	23,770,732	27,054,407	27,218,149	27,227,214
Parks and recreation	12,312,469	13,022,089	11,944,976	11,715,023
Library	8,441,896	8,697,195	8,934,173	9,179,637
Public works	9,790,984	9,618,748	7,801,586	9,047,430
Transit	569,247	588,183	586,896	624,214
Community and economic development	8,265,841	7,140,903	7,719,248	7,414,895
Social services	1,976,456	1,803,125	1,715,326	2,563,680
Interest and fiscal charges	979,508	1,126,311	1,066,994	883,866
Total governmental activities expenses	<u>76,489,153</u>	<u>80,502,660</u>	<u>76,876,775</u>	<u>78,411,153</u>
Business-type activities:				
Water	13,994,913	13,707,644	14,643,440	15,204,565
Wastewater	14,824,444	15,456,161	15,524,855	16,192,904
Refuse	14,824,819	14,924,093	14,581,347	12,700,841
Parking	2,222,770	2,471,710	2,565,800	2,960,225
Storm Water	2,165,345	1,956,563	2,150,359	1,925,661
Golf course	1,745,322	1,811,128	1,781,330	2,325,920
Total business-type activities expenses	<u>49,777,613</u>	<u>50,327,299</u>	<u>51,247,131</u>	<u>51,310,116</u>
Total primary government expenses	<u>\$ 126,266,766</u>	<u>\$ 130,829,959</u>	<u>\$ 128,123,906</u>	<u>\$ 129,721,269</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 3,945,684	\$ 3,938,389	\$ 3,814,053	\$ 4,662,211
Public safety	1,950,228	2,760,629	3,230,321	3,041,137
Parks and recreation	3,798,713	3,956,257	2,863,615	3,191,193
Library	7,005,781	7,672,089	8,152,865	8,478,112
Public works	3,459,306	3,083,205	4,008,187	4,253,232
Transit	-	-	-	66,643
Community and economic development	432,651	110,889	115,183	996,327
Operating grants and contributions	3,979,717	3,165,361	2,829,078	2,125,537
Capital grants and contributions	5,823,628	4,864,757	5,141,507	2,499,565
Total governmental activities program revenues	<u>30,395,708</u>	<u>29,551,576</u>	<u>30,154,809</u>	<u>29,313,957</u>
Business-type activities:				
Charges for services:				
Water	14,278,839	15,687,800	17,283,215	19,480,617
Wastewater	11,461,188	11,664,391	11,911,915	13,079,711
Refuse	13,341,636	14,583,240	14,562,560	13,525,848
Parking	2,209,631	2,478,911	2,635,129	2,654,549
Storm Water	892,378	862,150	872,569	869,490
Golf course	1,867,914	1,933,684	992,439	1,608,752
Operating grants and contributions	85,446	138,515	369,968	15,704
Capital grants and contributions	2,312,416	3,391,001	6,439,375	2,480,435
Total business-type activities program revenues	<u>46,449,448</u>	<u>50,739,692</u>	<u>55,067,170</u>	<u>53,715,106</u>
Total primary government program revenues	<u>76,845,156</u>	<u>80,291,268</u>	<u>85,221,979</u>	<u>83,029,063</u>
Net (expense)/revenue:				
Governmental activities	(46,093,445)	(50,951,084)	(46,721,966)	(49,097,196)
Business-type activities	(3,328,165)	412,393	3,820,039	2,404,990
Total primary government net (expense)/revenue	<u>\$ (49,421,610)</u>	<u>\$ (50,538,691)</u>	<u>\$ (42,901,927)</u>	<u>\$ (46,692,206)</u>

TABLE 2

		Fiscal Year Ended June 30					
		2007	2008	2009	2010		
\$	12,494,563	\$	14,185,248	\$	14,034,816	\$	17,928,110
	29,646,507		33,112,567		36,639,798		34,523,282
	12,002,102		12,687,303		11,821,434		10,250,951
	9,644,172		10,215,576		9,822,845		9,081,071
	11,509,715		13,714,776		16,169,682		9,027,258
	646,548		727,191		629,555		594,976
	10,616,686		11,027,594		11,830,169		13,829,383
	1,758,216		1,966,940		1,863,587		1,258,798
	1,304,447		1,591,970		1,230,394		1,111,754
	<u>89,622,956</u>		<u>99,229,165</u>		<u>104,042,280</u>		<u>97,605,583</u>
	16,203,872		19,169,949		22,507,116		21,121,067
	15,377,903		16,030,806		17,649,321		17,324,157
	12,974,413		15,013,682		12,367,327		14,884,490
	2,632,045		3,259,850		3,325,271		3,182,994
	1,938,275		1,450,158		1,590,808		1,575,223
	2,165,390		3,214,206		2,525,758		2,133,914
	<u>51,291,898</u>		<u>58,138,651</u>		<u>59,965,601</u>		<u>60,221,845</u>
\$	<u>140,914,854</u>	\$	<u>157,367,816</u>	\$	<u>164,007,881</u>	\$	<u>157,827,428</u>
\$	5,507,904	\$	8,015,647	\$	7,099,183	\$	11,278,221
	3,410,308		3,761,166		1,846,123		1,633,242
	3,011,980		3,419,078		2,965,592		2,944,329
	8,894,858		9,617,480		9,413,959		8,046,305
	4,072,956		4,390,495		7,287,234		5,312,671
	-		17,198		-		-
	108,009		380,839		2,055,595		2,228,704
	5,439,954		4,706,969		8,161,308		3,869,022
	5,669,638		5,446,172		4,191,941		4,602,942
	<u>36,115,607</u>		<u>39,755,044</u>		<u>43,020,935</u>		<u>39,915,436</u>
	22,442,267		25,205,503		25,351,854		23,036,392
	13,978,613		15,289,391		14,577,440		14,034,810
	15,108,051		16,570,435		15,766,490		15,700,703
	2,697,863		2,637,422		2,541,330		2,660,323
	875,730		876,944		883,145		887,959
	1,770,614		1,896,967		1,846,399		1,624,931
	40,470		109,445		1,348,519		1,636,411
	1,662,249		2,342,720		1,436,784		2,244,283
	<u>58,575,857</u>		<u>64,928,827</u>		<u>63,751,961</u>		<u>61,825,812</u>
	<u>94,691,464</u>		<u>104,683,871</u>		<u>106,772,896</u>		<u>101,741,248</u>
	(53,507,349)		(59,474,121)		(61,021,345)		(57,690,147)
	7,283,959		6,790,176		3,786,360		1,603,967
\$	<u>(46,223,390)</u>	\$	<u>(52,683,945)</u>	\$	<u>(57,234,985)</u>	\$	<u>(56,086,180)</u>

**City of Santa Cruz**  
**Changes in Net Assets**  
**Last Eight Fiscal Years**

	Fiscal Year Ended June 30			
	2003	2004	2005	2006
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 15,078,406	\$ 15,792,225	\$ 16,476,980	\$ 22,384,981
Sales and use taxes	8,291,244	9,084,026	11,383,231	11,738,917
Franchise taxes	3,132,743	3,329,454	3,478,971	2,136,686
Transient occupancy taxes	2,932,256	3,016,463	3,067,869	3,385,148
Utility users taxes	7,592,049	7,638,926	8,080,171	8,304,371
Admission taxes	1,664,150	1,724,330	1,629,164	1,715,133
Other taxes	2,000,338	2,480,973	2,107,273	2,303,363
Unrestricted grants and contributions	4,526,808	2,565,897	4,562,277	1,121,274
Investment earnings	1,095,006	437,672	846,634	1,380,087
Gain (loss) on sale of assets	(4,963)	716,218	60,093	24,318
Extraordinary items	477,109	-	-	-
Miscellaneous	673,184	679,168	577,892	487,841
Transfers	57,444	334,346	78,584	67,517
<b>Total governmental activities</b>	<b>47,515,774</b>	<b>47,799,698</b>	<b>52,349,139</b>	<b>55,049,636</b>
Business-type activities:				
Unrestricted grants and contributions	-	250	222	-
Investment earnings	2,421,200	717,261	1,469,180	2,079,379
Gain (loss) on sale of assets	60,717	(11,712)	-	91,920
Miscellaneous	545,733	108,532	97,529	508,500
Transfers	(57,444)	(334,346)	(78,584)	(67,517)
<b>Total business-type activities</b>	<b>2,970,206</b>	<b>479,985</b>	<b>1,488,347</b>	<b>2,612,282</b>
<b>Total primary government</b>	<b>\$ 50,485,980</b>	<b>\$ 48,279,683</b>	<b>\$ 53,837,486</b>	<b>\$ 57,661,918</b>
<b>Change in Net Assets</b>				
Governmental activities	\$ 1,422,329	\$ (3,151,386)	\$ 5,627,173	\$ 5,952,440
Business-type activities	(357,959)	892,378	5,308,386	5,017,272
<b>Total primary government</b>	<b>\$ 1,064,370</b>	<b>\$ (2,259,008)</b>	<b>\$ 10,935,559</b>	<b>\$ 10,969,712</b>

The City of Santa Cruz implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Source: City of Santa Cruz Finance Department

TABLE 2

Fiscal Year Ended June 30			
2007	2008	2009	2010
\$ 24,593,312	\$ 26,297,145	\$ 27,270,166	\$ 26,385,089
12,770,015	14,665,124	13,513,829	12,668,746
2,607,388	2,911,919	2,972,281	2,919,351
3,750,509	3,685,248	3,723,788	3,860,757
8,288,655	8,725,383	9,213,119	8,694,665
1,909,012	1,964,404	1,877,431	1,922,757
2,466,711	1,938,111	1,576,305	2,074,298
-	-	-	-
2,628,122	2,499,381	1,477,491	841,680
322,288	46,045	18,845	349,687
-	-	-	-
2,648,223	674,905	279,160	-
3,367	49,509	68,423	205,712
<u>61,987,602</u>	<u>63,457,174</u>	<u>61,990,838</u>	<u>59,922,742</u>
-	-	-	-
3,637,989	3,496,323	2,573,953	1,403,371
51,527	7,590	15,431	32,896
530,158	523,779	630,078	564,273
(3,367)	(49,509)	(68,423)	(205,712)
<u>4,216,307</u>	<u>3,978,183</u>	<u>3,151,039</u>	<u>1,794,828</u>
<u>\$ 66,203,909</u>	<u>\$ 67,435,357</u>	<u>\$ 65,141,877</u>	<u>\$ 61,717,570</u>
\$ 8,480,253	\$ 3,983,053	\$ 969,493	\$ 2,232,595
11,500,266	10,768,359	6,937,399	3,398,795
<u>\$ 19,980,519</u>	<u>\$ 14,751,412</u>	<u>\$ 7,906,892</u>	<u>\$ 5,631,390</u>

**City of Santa Cruz**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**

	Fiscal Year Ended June 30			
	2001	2002	2003	2004
General Fund				
Reserved	\$ 4,906,611	\$ 4,008,809	\$ 5,237,443	\$ 4,388,586
Unreserved, designated	5,194,894	6,392,382	5,922,853	7,638,171
Unreserved, undesignated	9,170,827	6,974,625	4,806,652	5,964,197
Total General Fund	<u>\$ 19,272,332</u>	<u>\$ 17,375,816</u>	<u>\$ 15,966,948</u>	<u>\$ 17,990,954</u>
All other governmental funds				
Reserved	\$ 13,204,616	\$ 14,174,955	\$ 12,311,339	\$ 13,691,282
Unreserved, designated, reported in:				
Redevelopment Agency fund	1,351,077	994,997	4,014,256	3,987,557
Special revenue funds	-	-	589,008	509,404
Debt service funds	1,092,974	2,591,507	-	-
Capital projects funds	-	-	470,840	457,945
Unreserved, undesignated, reported in:				
Redevelopment Agency fund	-	(948,602)	(55,035)	-
Special revenue funds	861,078	660,747	1,747,678	2,207,906
Capital projects funds	671,223	1,558,754	446,564	(1,444,460)
Total all other governmental funds	<u>\$ 17,180,968</u>	<u>\$ 19,032,358</u>	<u>\$ 19,524,650</u>	<u>\$ 19,409,634</u>

Source: City of Santa Cruz Finance Department



TABLE 3

Fiscal Year Ended June 30					
2005	2006	2007	2008	2009	2010
\$ 3,870,996	\$ 4,327,113	\$ 4,006,713	\$ 6,444,005	\$ 8,938,344	\$ 7,426,665
7,435,828	7,120,993	8,488,474	8,480,033	4,709,120	6,240,772
8,729,971	11,354,586	13,924,233	10,734,911	6,877,197	9,931,127
<u>\$ 20,036,795</u>	<u>\$ 22,802,692</u>	<u>\$ 26,419,420</u>	<u>\$ 25,658,949</u>	<u>\$ 20,524,661</u>	<u>\$ 23,598,564</u>
\$ 10,721,195	\$ 11,148,536	\$ 11,608,393	\$ 13,462,418	\$ 13,904,258	\$ 15,310,431
6,497,637	7,958,925	9,126,250	10,883,854	12,342,630	9,141,070
476,904	536,451	1,053,286	1,058,197	5,511,039	7,742,487
557,277	707,775	909,576	1,916,681	1,760,644	2,940,481
91,180	92,641	-	-	-	-
-	-	-	-	-	-
3,185,320	3,341,962	2,851,774	1,834,139	(86,750)	-
2,196,529	281,931	(2,796,246)	(4,615,979)	(5,842,975)	(5,696,023)
<u>\$ 23,726,042</u>	<u>\$ 24,068,221</u>	<u>\$ 22,753,033</u>	<u>\$ 24,539,310</u>	<u>\$ 27,588,846</u>	<u>\$ 29,438,446</u>

**City of Santa Cruz**  
**Changes in Fund Balances of Governmental Funds**  
**Last Eight Fiscal Years**

	Fiscal Year Ended June 30			
	2003	2004	2005	2006
<b>Revenues</b>				
Taxes	\$ 40,691,186	\$ 42,529,756	\$ 46,268,500	\$ 52,035,729
Licenses and permits	614,012	529,649	603,344	615,448
Intergovernmental	14,011,928	10,258,114	11,479,068	5,696,237
Charges for services	16,952,167	17,191,373	17,968,817	19,347,463
Fines and forfeitures	1,587,698	1,805,734	2,032,817	1,965,235
Use of money and property	2,859,096	2,345,707	2,821,174	3,234,159
Other revenues	449,907	592,012	686,853	1,049,925
Total revenues	77,165,994	75,252,345	81,860,573	83,944,196
<b>Expenditures</b>				
General government	9,673,413	8,967,025	9,390,901	9,666,858
Public safety	22,920,677	24,843,763	26,692,313	26,938,629
Parks and recreation	9,773,346	9,721,229	9,593,982	9,402,529
Library	8,412,201	8,528,577	8,980,823	9,250,499
Public works	5,592,617	4,539,192	4,248,358	4,158,916
Transit	569,247	588,183	586,896	624,214
Community and economic development	7,954,378	6,332,156	6,640,932	8,436,468
Social services	1,976,456	1,803,125	1,715,326	1,693,267
Capital outlay	11,340,680	9,553,173	7,846,456	11,921,789
Debt service:				
Principal	1,116,090	1,718,937	2,231,549	1,149,776
Interest and fiscal charges	839,345	851,721	966,238	921,517
Bond issuance costs	-	-	276,569	-
Total expenditures	80,168,450	77,447,081	79,170,343	84,164,462
<b>Excess of revenues</b>				
<b>over (under) expenditures</b>	(3,002,456)	(2,194,736)	2,690,230	(220,266)
<b>Other financing sources (uses)</b>				
Proceeds from asset dispositions	777,750	756,823	139,104	25,256
Proceeds from long-term debt issued	-	-	5,825,000	3,200,000
Premiums on bonds sold	-	-	23,994	-
Payment to refunded bond escrow agent	-	-	(2,571,681)	-
Transfers in	1,565,684	3,244,346	1,928,681	861,257
Transfers out	(1,357,286)	(2,139,754)	(1,793,079)	(758,170)
Total other financing sources (uses)	986,148	1,861,415	3,552,019	3,328,343
Net change in fund balances	\$ (2,016,308)	\$ (333,321)	\$ 6,242,249	\$ 3,108,077
Debt service as a percentage of noncapital expenditures	2.8%	3.8%	4.9%	2.9%

Source: City of Santa Cruz Finance Department

TABLE 4

Fiscal Year Ended June 30			
2007	2008	2009	2010
\$ 56,385,602	\$ 60,187,334	\$ 60,146,919	\$ 58,525,663
824,258	1,362,672	648,785	540,411
10,963,874	7,791,557	10,180,985	8,027,826
19,852,885	22,784,270	22,534,467	21,208,258
2,242,547	2,233,686	2,243,843	2,323,831
4,375,345	4,383,666	3,622,287	5,367,701
2,464,263	3,511,076	5,978,130	2,300,685
97,108,774	102,254,261	105,355,416	98,294,375
12,261,663	14,213,634	14,571,766	13,765,834
28,574,065	32,878,383	36,586,072	33,911,383
9,653,531	10,661,073	9,906,360	8,309,864
9,693,097	10,298,783	10,193,470	8,912,467
4,940,051	10,098,042	6,757,224	5,063,048
646,548	727,191	629,555	594,976
10,028,992	11,007,630	12,413,792	12,667,881
1,758,216	1,966,940	1,863,587	1,258,798
14,867,937	12,797,416	12,441,195	5,976,322
2,203,868	2,176,557	1,983,183	2,492,713
1,078,832	1,466,703	1,096,330	1,314,084
-	-	-	-
95,706,800	108,292,352	108,442,534	94,267,370
1,401,974	(6,038,091)	(3,087,118)	4,027,005
348,541	46,045	18,845	372,514
-	6,881,849	872,369	6,995,000
-	-	-	30,757
-	-	-	(6,776,051)
1,260,514	8,140,141	3,986,697	4,695,468
(709,489)	(8,004,138)	(3,875,545)	(4,421,190)
899,566	7,063,897	1,002,366	896,498
\$ 2,301,540	\$ 1,025,806	\$ (2,084,752)	\$ 4,923,503
4.1%	3.8%	3.2%	4.3%

**City of Santa Cruz**  
**General Governmental Tax Revenues by Source<sup>1</sup>**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Property	Sales and Use	Franchise	Transient Occupancy	Utility Users	Admission
2001	13,342,450	9,790,693	2,851,830	3,900,905	8,246,829	1,611,318
2002	14,944,971	9,126,341	2,996,907	3,131,378	7,627,331	1,612,526
2003	15,629,920	8,291,244	3,132,743	2,932,256	7,592,049	1,664,150
2004	15,792,225	9,084,026	3,329,454	3,016,463	7,638,926	1,724,330
2005	16,501,921	11,383,231 <sup>4</sup>	3,478,971	3,067,869	8,080,171	1,629,164
2006	22,348,981 <sup>5</sup>	11,738,917	2,136,686	3,385,148	8,304,371	1,715,133
2007	24,593,312	12,770,015 <sup>6</sup>	2,607,388	3,750,509	8,288,655	1,909,012
2008	26,297,145	14,665,124	2,911,919	3,685,248	8,725,383	1,964,404
2009	27,270,166	13,513,829	2,972,281	3,723,788	9,213,119	1,877,431
2010	26,385,089	12,668,746	2,904,859	3,860,757	8,622,677	1,922,757

Notes:

- 1 This table includes all governmental fund types.
- 2 Beginning with fiscal year 2003, business improvement taxes include the Co-op Retail Management Business Real Property Improvement District.
- 3 Prior to fiscal year 2003, business license taxes were shown in Permits and Licenses.
- 4 A new quarter-cent sales tax override was implemented in fiscal year 2005. This was replaced by a permanent half-cent tax override in fiscal year 2009.
- 5 Beginning in fiscal year 2006, property taxes include amounts for Property Taxes In Lieu of Vehicle License Fees.
- 6 A new permanent quarter-cent sales tax override was implemented in fiscal year 2007. In addition, the temporary quarter-cent sales tax override previously implemented in fiscal year 2005 was made permanent in fiscal year 2007.
- 7 The County of Santa Cruz overpaid Property Transfer Taxes to the City in FYE 2007. The County will not remit Property Transfer Tax to the City until they recoup the overpaid portion which will be approximately 2011 or 2012 depending on taxes received on Real Property Sales.
- 8 Clean River, Beaches & Ocean Parcel tax is new to fiscal year 2010.

Source: City of Santa Cruz Finance Department

TABLE 5

Clean River, Beaches & Ocean	Parking	Business Improvement <sup>2</sup>	Property Transfer	Business License <sup>3</sup>	Parks and Recreation Facilities	Total
-	178,373	183,711	200,041	-	-	40,306,150
-	194,646	175,868	194,632	-	-	40,004,600
-	199,371	273,965	191,042	784,446	551,514	41,242,700
-	221,133	296,536	276,466	792,893	357,305	42,529,757
-	221,790	292,422	325,305	777,308	510,348	46,268,500
-	229,629	316,742	562,723	777,068	417,202	51,932,600
-	264,510	330,614	641,579	787,225	442,783	56,385,602
-	265,594	320,518	233,679	770,837	347,483	60,187,334
-	266,581	318,299	- <sup>7</sup>	769,232	222,193	60,146,919
618,752 <sup>8</sup>	286,489	310,611	- <sup>7</sup>	748,672	196,254	58,525,663

**City of Santa Cruz**  
**General Fund Revenues by Source**  
**Last Ten Fiscal Years**

TABLE 6

Fiscal Year Ended June 30	Taxes	Licenses and Permits	Inter- Governmental	Charges for Services	Fines and Forfeitures	Use of Money and Property	Other Revenues	Total
2001	30,258,503	1,342,471	5,281,661	7,009,901	1,286,990	4,152,368	327,692	49,659,586
2002	29,238,472	1,267,939	5,339,612	7,151,012	1,282,697	3,577,774	397,896	48,255,402
2003	30,027,154	614,012	4,788,035	16,693,936	1,555,481	2,252,373	308,104	56,239,095
2004	31,696,322	529,649	3,745,601	16,865,754	1,799,557	2,086,163	418,764	57,141,810
2005	34,384,206	603,344	5,465,642	17,799,213	2,022,779	2,333,922	276,565	62,885,671
2006	39,495,863	615,448	1,073,997	19,062,464	1,962,697	2,541,909	216,721	64,969,099
2007	42,837,408	824,258	1,563,745	19,786,417	2,218,082	3,061,718	187,732	70,479,360
2008	45,809,387	935,191	854,975	22,559,336	2,123,686	3,062,604	198,312	75,543,491
2009	45,830,628	648,785	580,477	21,574,770	2,243,843	2,772,858	646,573	74,297,934
2010	44,230,855	540,411	1,363,794	21,044,223	2,321,756	4,853,186	698,525	75,052,750

Notes:

Beginning in fiscal year 2003, charges for personnel services provided to the Library Joint Powers Authority were included in General Fund charges for services, as well as charges for interfund personnel services provided. Also, prior to fiscal year 2003, business license taxes were shown in licenses and permits.

Source: City of Santa Cruz Finance Department

**City of Santa Cruz**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**

TABLE 7

Fiscal Year Ended June 30	Real Property				Personal Property	Total Assessed Value	Total Direct Tax Rate
	Residential	Commercial	Other	Total			
	2001	3,193,569,036	537,141,067	113,773,535			
2002	3,494,071,877	611,373,783	111,624,535	4,217,070,195	237,668,331	4,454,738,526	0.009%
2003	3,657,553,824	663,946,747	122,103,592	4,443,604,163	237,898,436	4,681,502,599	0.009%
2004	3,882,699,208	700,948,081	123,781,647	4,707,428,936	225,168,674	4,932,597,610	0.009%
2005	4,150,085,545	755,991,976	126,848,221	5,032,925,742	217,439,195	5,250,364,937	0.009%
2006	4,563,844,105	788,484,799	110,751,935	5,463,080,839	216,627,737	5,679,708,576	0.009%
2007	5,032,785,543	841,223,841	112,527,378	5,986,536,762	219,805,452	6,206,342,214	0.009%
2008	5,334,777,709	911,303,678	159,469,219	6,405,550,606	222,004,469	6,627,555,075	0.009%
2009	5,697,835,412	905,963,091	91,806,266	6,695,604,769	219,837,712	6,915,442,481	0.009%
2010	5,651,710,121	945,600,128	69,156,139	6,666,466,388	236,636,812	6,903,103,200	0.006%

Notes:

Total Direct Tax Rate is from Table 8.

With the passage of a constitutional amendment (Proposition 13) and subsequently enacted State legislation, property is assessed according to a base year rather than on a percentage of market value. Accordingly, a reliable estimate of actual value of taxable property within the City is not possible.

Source: County of Santa Cruz Auditor-Controller's Office  
 County of Santa Cruz Assessor's Office  
 California Municipal Statistics, Inc.

**City of Santa Cruz**  
**Direct and Overlapping Property Tax Rates<sup>1</sup>**  
**Last Ten Fiscal Years**

TABLE 8

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Direct Rates:										
Debt service	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.006
Total Direct Rate	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.006
Overlapping Rates <sup>2</sup> :										
County <sup>3</sup>	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
School Districts:										
Cabrillo College	0.012	0.021	0.019	0.019	0.038	0.037	0.024	0.030	0.033	0.036
Santa Cruz Schools	0.077	0.067	0.075	0.074	0.068	0.081	0.027	0.037	0.044	0.061
Bonny Doon Schools	0.021	0.035	0.036	0.034	0.033	0.029	0.023	0.025	0.023	0.029
Live Oak Schools	0.046	0.043	0.037	0.023	0.042	0.043	0.052	0.048	0.048	0.049
Scotts Valley Schools	0.073	0.052	0.084	0.055	0.054	0.050	0.044	0.043	0.043	0.045
Total Overlapping Rate	1.229	1.218	1.251	1.205	1.235	1.240	1.170	1.182	1.191	1.220
Total Direct and Overlapping Rate	\$ 1.238	\$ 1.227	\$ 1.260	\$ 1.214	\$ 1.244	\$ 1.249	\$ 1.179	\$ 1.191	\$ 1.200	\$ 1.226

Notes:

- 1 Rates are per \$100.00 of assessed value.
- 2 Overlapping rates are those of entities that apply to property owners within the City of Santa Cruz. Not all overlapping rates apply to all property owners (e.g., the rates for school districts apply only to the proportion of the city's property owners whose property is located within the geographic boundaries of the school district).
- 3 The passage of a constitutional amendment (Proposition 13) in June 1978 limits the property tax rate to a base of \$1.00 per \$100.00. The \$1.00 rate is levied by the County and apportioned to local agencies according to a formula prescribed by the California legislature.

Source: County of Santa Cruz Auditor - Controller's Office



**City of Santa Cruz**  
**Principal Property Tax Owners**  
**Current Year and Nine Years Ago**

TABLE 9

Tax Owner	Fiscal Year Ended June 30					
	2010			2001		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Santa Cruz Seaside Company	\$ 56,142,470	1	0.838%	\$ 38,391,708	2	0.862%
Cypress Point RE Investors, LLC	42,209,111	2	0.630%			-
S C Beach Hotel Partners, LLC	41,349,448	3	0.618%			-
Santa Cruz Shaffer Road Investors	33,748,611	4	0.504%			-
Frederick Electronics Corporation	32,237,080	5	0.481%	16,214,548	5	0.364%
1010 Pacific Investors	23,014,424	6	0.344%			-
CFRI/Seagate Ocean Street, LLC	22,581,729	7	0.337%			-
Essex Chestnut Apartments, LP	22,161,500	8	0.331%			-
222 Columbia St., LLC	21,406,689	9	0.320%			-
Cooper House, LLC	21,040,283	10	0.314%	15,116,692	6	-
Silicon Systems Inc/Texas Instruments	-		-	153,592,778	1	3.448%
Dominican Santa Cruz Hospital	-		-	13,060,793	10	0.293%
Santa Cruz Hotel, LLC	-		-	19,088,901	4	0.429%
Cypress Point LP at Jefferson	-		-	26,515,000	3	0.595%
Red Tree Property / 1200 Pacific	-		-	13,936,609	8	0.313%
The Price Company/Costco Wholesale	-		-	14,596,496	7	0.328%
Outlook Apartments	-		-	13,963,901	9	0.313%
Totals	\$ 315,891,345		4.718%	\$ 324,477,426		6.945%
Total assessed value	\$ 6,695,920,497			\$ 4,454,738,526		

Source: HDL

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**City of Santa Cruz**  
**Property Tax Levies and Collections<sup>1</sup>**  
**Last Ten Fiscal Years**

TABLE 10

Fiscal Year Ended June 30	Total Tax Levy <sup>2</sup>	Current Tax Collections <sup>2</sup>	Percent of Levy Collected	Delinquent Tax Collections <sup>3</sup>	Total Tax Collections	Total Collections as Percent of Current Levy	Outstanding Delinquent Taxes <sup>3</sup>	Outstanding Delinquent Taxes as Percent of Current Levy
2001	12,516,202	12,516,202	100.0%	-	12,516,202	100.0%	-	-
2002	14,190,378	14,190,378	100.0%	-	14,190,378	100.0%	-	-
2003	14,639,056	14,639,056	100.0%	-	14,639,056	100.0%	-	-
2004	15,335,693	15,335,693	100.0%	-	15,335,693	100.0%	-	-
2005	16,013,591	16,013,591	100.0%	-	16,013,591	100.0%	-	-
2006	18,191,952	18,191,952	100.0%	-	18,191,952	100.0%	-	-
2007	20,310,069	20,310,069	100.0%	-	20,310,069	100.0%	-	-
2008	21,573,114	21,573,114	100.0%	-	21,573,114	100.0%	-	-
2009	22,350,357	22,350,357	100.0%	-	22,350,357	100.0%	-	-
2010	21,428,058	21,428,058	100.0%	-	21,428,058	100.0%	-	-

Notes:

- 1 This table includes levies and collections for the Redevelopment Agency.
- 2 Does not include amounts for Property Taxes in Lieu of Vehicle License Fees
- 3 Because it adopted a new method of distributing property taxes (commonly referred to as the "Teeter Plan"), the County is now responsible for all delinquent secured property taxes.

Source: County of Santa Cruz Auditor-Controller's Office  
City of Santa Cruz Finance Department

# City of Santa Cruz

## Ratios of Outstanding Debt By Type

### Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2001	2002	2003	2004	2005
<b>Governmental Activities:</b>					
General obligation bonds	\$ 7,299,481	\$ 7,286,115	\$ 7,260,759	\$ 7,228,152	\$ 7,183,381
Tax allocation bonds	3,225,000	3,055,000	2,880,000	2,695,000	5,245,000
Revenue bonds payable					
Certificates of participation	4,890,431	4,769,607	4,642,350	4,513,661	4,377,108
Capital leases	1,649,722	3,355,410	2,450,555	1,765,216	1,766,635
Notes	-	1,500,000	1,500,000	1,624,706	1,334,942
Other	531,900	998,692	985,663	920,263	1,029,804
<b>Total Governmental Activities</b>	<b>17,596,534</b>	<b>20,964,824</b>	<b>19,719,327</b>	<b>18,746,998</b>	<b>20,936,870</b>
<b>Business-type Activities:</b>					
Wastewater revenue bonds	5,085,000	4,955,000	4,955,000	4,820,000	4,680,000
Storm water revenue bonds	-	-	-	-	-
Water revenue bonds	-	-	-	-	-
Golf course revenue bonds	-	-	-	-	-
Certificates of Participation	28,985,383	28,047,650	28,047,650	29,831,339	28,662,892
Leases	2,942,887	2,926,370	4,624,099	3,939,187	3,108,344
Notes	47,221,604	44,988,271	44,883,261	42,593,574	40,240,469
<b>Total Business-type Activities</b>	<b>84,234,874</b>	<b>80,917,291</b>	<b>82,510,010</b>	<b>81,184,100</b>	<b>76,691,705</b>
<b>Total Primary Government</b>	<b>\$ 101,831,408</b>	<b>\$ 101,882,115</b>	<b>\$ 102,229,337</b>	<b>\$ 99,931,098</b>	<b>\$ 97,628,575</b>
Personal income <sup>1</sup>	\$ 2,154,291,172	\$ 2,096,039,335	\$ 2,085,569,904	\$ 2,109,542,853	\$ 2,247,596,565
Debt as percentage of personal income	4.73%	4.86%	4.90%	4.74%	4.34%
Population <sup>2</sup>	55,028	55,085	55,633	56,289	56,451
Debt per capita	1,851	1,850	1,838	1,775	1,729
Assessed value <sup>3</sup>	4,681,502,599	4,932,597,610	4,681,502,599	4,932,597,610	5,250,364,937
Debt as percentage of assessed value	2.18%	2.07%	2.18%	2.03%	1.86%

Notes:

1 Personal income is calculated based on data from the US Department of Commerce, Bureau of Economic Analysis (refer to Table 16).

Source: <sup>2</sup>State Department of Finance

<sup>3</sup>County of Santa Cruz Assessor's Office

City of Santa Cruz Finance Department

TABLE 11

Fiscal Year Ended June 30					
2006	2007	2008	2009	2010	
\$ 7,126,075	\$ 7,055,866	\$ 6,972,334	6,875,031	6,995,000	
5,125,000	5,005,000	4,880,000	4,750,000	4,620,000	
	-	6,880,000	6,755,000	6,625,000	
4,239,123	4,096,139	3,945,290	3,791,577	3,630,000	
1,247,913	965,627	819,608	668,306	511,525	
4,205,026	2,920,485	1,469,685	293,055	20,000	
944,836	851,581	754,069	161,526	110,519	
<u>22,887,973</u>	<u>20,894,698</u>	<u>25,720,985</u>	<u>23,294,495</u>	<u>22,512,044</u>	
4,715,000	4,510,000	4,310,000	4,100,000	3,890,000	
6,100,000	5,940,000	5,770,000	5,595,000	5,410,000	
12,450,000	12,150,000	11,930,000	11,700,000	11,460,000	
-	-	-	-	-	
20,915,877	19,183,861	17,384,710	16,078,423	6,555,000	
3,145,352	3,514,756	2,484,435	1,685,427	7,762,701	
<u>37,822,337</u>	<u>35,337,269</u>	<u>32,783,456</u>	<u>30,158,849</u>	<u>30,364,576</u>	
<u>85,148,566</u>	<u>80,635,886</u>	<u>74,662,602</u>	<u>69,317,699</u>	<u>65,442,277</u>	
<u>\$ 108,036,539</u>	<u>\$ 101,530,584</u>	<u>\$ 100,383,587</u>	<u>\$ 92,612,194</u>	<u>\$ 87,954,321</u>	
\$ 2,365,518,375	\$ 2,638,747,497	\$ 2,785,524,375	\$ 2,851,012,934	\$ 3,052,239,760	
4.57%	3.85%	3.60%	3.25%	2.88%	
56,925	57,553	58,125	58,982	59,684	
1,898	1,764	1,727	1,570	1,474	
5,679,708,576	6,206,342,214	6,627,555,075	6,915,442,481	6,903,103,200	
1.90%	1.64%	1.51%	1.34%	1.27%	

**City of Santa Cruz**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

TABLE 12

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amount Available in Debt Service Fund	Total	Percentage of Assessed Value	Debt Per Capita	Assessed Value <sup>1</sup>	Population <sup>2</sup>
2001	7,299,481	277,763	7,021,718	0.17%	128	4,052,397,447	55,028
2002	7,286,115	324,117	6,961,998	0.16%	126	4,454,738,526	55,085
2003	7,260,759	389,184	6,871,575	0.15%	124	4,681,502,599	55,633
2004	7,228,153	457,945	6,770,208	0.14%	120	4,932,597,610	56,289
2005	7,183,381	557,277	6,626,104	0.13%	117	5,250,364,937	56,451
2006	7,126,075	707,777	6,418,298	0.11%	113	5,679,708,576	56,925
2007	7,055,866	909,576	6,146,290	0.10%	107	6,206,342,214	57,553
2008	6,972,334	1,136,665	5,835,669	0.09%	100	6,627,555,075	58,125
2009	6,875,031	1,365,489	5,509,542	0.08%	93	6,915,442,481	58,982
2010	6,995,000	1,414,889	5,580,111	0.08%	93	6,903,103,200	59,684

Source: <sup>1</sup>County of Santa Cruz Assessor's Office  
<sup>2</sup>State Department of Finance  
City of Santa Cruz Finance Department

**City of Santa Cruz**  
**Computation of Direct and Overlapping Debt**  
**June 30, 2010**

TABLE 13

2009-2010 Assessed Valuation	\$ 6,903,103,200
Redevelopment Incremental Valuation:	1,299,161,707
Adjusted Assessed Valuation:	<u>\$ 5,603,941,493</u>

	Total Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Cabrillo Joint Community College District	\$ 168,076,753	20.467%	\$ 34,400,269
Santa Cruz High School District	46,959,646	54.747%	25,708,997
Santa Cruz Elementary School District	23,239,258	94.207%	21,893,008
Live Oak School District	18,739,975	2.790%	522,845
Scotts Valley Unified School District	18,275,000	0.018%	3,290
City of Santa Cruz	6,995,000	100.000%	6,995,000 (2)
City of Santa Cruz 1915 Act Bonds	910,000	100.000%	910,000
<b>Total Direct and Overlapping Tax and Assessment Debt</b>	<b>\$ 283,195,632</b>		<b>\$ 90,433,409</b>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>			
Santa Cruz County Certificates of Participation	67,857,442	20.691%	14,040,383
Santa Cruz County Office of Education Certificates of Participation	11,390,000	20.691%	2,356,705
Cabrillo Joint Community College District Certificates of Participation	2,210,000	20.467%	452,321
Scotts Valley Unified School District Certificates of Participation	3,985,000	0.018%	717
Santa Cruz City Schools Certificates of Participation	4,680,000	54.747%	2,562,160
Live Oak School District Certificates of Participation	15,127,892	2.790%	422,068
City of Santa Cruz General Fund Obligations	18,905,000	100.000%	18,905,000 (3)
Santa Cruz Consolidated Emergency Communication Center	717,804	100.000%	717,804
Monterey Bay Unified Air Pollution Control District Authority	2,440,000	7.179%	175,168
<b>Total Direct and Overlapping General Fund Debt</b>	<b>127,313,138</b>		<b>39,632,326</b>
<b>Combined Total Debt</b>	<b>\$ 410,508,770</b>		<b>\$ 130,065,735 (4)</b>

Notes:

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
- (2) Excludes refunding general obligation bonds to be sold.
- (3) Excludes issues self-supporting from enterprise revenues.
- (4) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-2010 Assessed Valuation

Direct Debt (\$6,995,000)	0.10%
Total Direct and Overlapping Tax and Assessment Debt	1.31%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$26,617,804)	0.47%
Combined Total Debt	2.32%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0

Source: California Municipal Statistics, Inc.

**City of Santa Cruz**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	Fiscal Year Ended June 30				
	2001	2002	2003	2004	2005
Debt limit	\$ 607,859,617	\$ 668,210,779	\$ 702,225,390	\$ 739,889,642	\$ 787,554,741
Total net debt applicable to limit	7,021,718	6,961,998	6,871,575	6,770,208	6,626,104
Legal debt margin	\$ 600,837,899	\$ 661,248,781	\$ 695,353,815	\$ 733,119,434	\$ 780,928,637
Total net debt applicable to the limit as a percentage of debt limit	1.16%	1.04%	0.98%	0.92%	0.84%



TABLE 14

Fiscal Year Ended June 30				
2006	2007	2008	2009	2010
\$ 851,956,286	\$ 930,951,332	\$ 994,133,261	\$ 1,037,316,372	\$ 258,866,370
6,418,298	6,146,290	11,951,626	11,791,622	5,580,111
<u>\$ 845,537,988</u>	<u>\$ 924,805,042</u>	<u>\$ 982,181,635</u>	<u>\$ 1,025,524,750</u>	<u>\$ 253,286,259</u>
0.75%	0.66%	1.20%	1.14%	2.16%

**Legal Debt Margin Calculation For Fiscal Year 2009-10:**

Total assessed value	\$ 6,903,103,200
Debt limit (3.75% of total assessed value)	258,866,370
Debt applicable to limit:	
General obligation bonds (reported at accreted value)	6,995,000
Less: Amount available in debt service fund for repayment of bonds	<u>1,414,889</u>
Total net debt applicable to limit	<u>5,580,111</u>
Legal debt margin	<u>\$ 253,286,259</u>

**City of Santa Cruz**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

	Fiscal Year Ended June 30			
	2001	2002	2003	2004
<b>Wastewater Revenue Bonds:</b>				
Wastewater charges and other	\$ 11,585,518	\$ 12,146,047	\$ 12,306,445	\$ 12,230,219
Less: operating expenses	7,275,278	8,929,861	9,415,409	9,855,372
Net available revenue	4,310,240	3,216,186	2,891,036	2,374,847
Debt service:				
Principal	120,000	125,000	130,000	135,000
Interest	290,733	284,608	278,233	271,608
Total	410,733	409,608	408,233	406,608
Coverage	10.49	7.85	7.08	5.84
<b>Water Revenue Bonds:</b>				
Water charges and other	\$ -	\$ -	\$ -	\$ -
Less: operating expenses	-	-	-	-
Net available revenue	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total	-	-	-	-
Coverage	-	-	-	-
<b>Storm Water Revenue Bonds:</b>				
Storm Water charges and other	\$ -	\$ -	\$ -	\$ -
Less: operating expenses	-	-	-	-
Net available revenue	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total	-	-	-	-
Coverage	-	-	-	-
<b>Certificates of Participation:</b>				
Special assessments and other	\$ 11,510,578	\$ 12,080,193	\$ 12,422,235	\$ 13,577,644
Less: operating expenses	8,519,131	9,747,000	10,447,158	11,045,892
Net available revenue	2,991,447	2,333,193	1,975,077	2,531,752
Debt service:				
Principal	110,000	100,000	145,000	695,000
Interest	223,868	537,580	529,300	514,088
Total	333,868	637,580	674,300	1,209,088
Coverage	8.96	3.66	2.93	2.09

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

Source: City of Santa Cruz Finance Department

TABLE 15

Fiscal Year Ended June 30					
2005	2006	2007	2008	2009	2010
\$ 12,578,070	\$ 12,394,292	\$ 13,194,297	\$ 14,510,460	\$ 15,270,771	\$ 14,518,218
9,964,418	8,591,034	8,652,114	10,162,410	12,375,224	12,105,526
2,613,652	3,803,258	4,542,183	4,348,050	2,895,547	2,412,692
140,000	150,000	205,000	200,000	210,000	210,000
264,733	256,233	177,386	171,311	165,161	157,811
404,733	406,233	382,386	371,311	375,161	367,811
6.46	9.36	11.88	11.71	7.72	6.56
\$ -	\$ 18,692,531	\$ 21,116,648	\$ 23,780,039	\$ 26,657,477	\$ 23,813,072
-	11,775,892	12,478,247	14,477,076	18,986,496	18,472,402
-	6,916,639	8,638,401	9,302,963	7,670,981	5,340,670
-	-	300,000	220,000	230,000	240,000
-	121,517	516,277	539,422	530,622	518,223
-	121,517	816,277	759,422	760,622	758,223
-	56.92	10.58	12.25	10.09	7.04
\$ -	\$ -	\$ 838,920	\$ 876,943	\$ 974,798	\$ 916,004
-	-	236,769	570,398	593,600	577,231
-	-	602,151	306,545	381,198	338,773
-	-	160,000	170,000	175,000	185,000
-	-	235,985	228,722	221,822	214,160
-	-	395,985	398,722	396,822	399,160
-	-	1.52	0.77	0.96	0.85
\$ 13,121,028	\$ 13,218,521	\$ 13,289,170	\$ 14,647,763	\$ 16,272,903	\$ 16,075,930
11,350,148	9,859,552	8,947,378	12,217,661	10,091,524	12,750,017
1,770,880	3,358,969	4,341,792	2,430,102	6,181,379	3,325,913
720,000	755,000	785,000	950,367	850,000	205,000
487,153	457,327	426,011	466,695	350,430	153,045
1,207,153	1,212,327	1,211,011	1,417,062	1,200,430	358,045
1.47	2.77	3.59	1.71	5.15	9.29

**City of Santa Cruz**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

	Fiscal Year Ended June 30			
	2001	2002	2003	2004
Refuse Loan Agreement				
Refuse charges and other	\$ -	\$ -	\$ -	\$ -
Less: operating expenses	-	-	-	-
Net available revenue	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total	-	-	-	-
Coverage	-	-	-	-
Parking Lease Revenue Bonds:				
Parking charges and other	\$ -	\$ -	\$ -	\$ -
Less: operating expenses	-	-	-	-
Net available revenue	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total	-	-	-	-
Coverage	-	-	-	-

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

Source: City of Santa Cruz Finance Department

TABLE 15 CONTINUED

Fiscal Year Ended June 30					
2005	2006	2007	2008	2009	2010
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,969,349
-	-	-	-	-	12,750,017
-	-	-	-	-	3,219,332
-	-	-	-	-	-
-	-	-	-	-	119,384
-	-	-	-	-	119,384
-	-	-	-	-	26.97
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,926,066
-	-	-	-	-	2,391,325
-	-	-	-	-	534,741
-	-	-	-	-	-
-	-	-	-	-	27,294
-	-	-	-	-	27,294
-	-	-	-	-	19.59

**City of Santa Cruz**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

TABLE 16

Fiscal Year Ended June 30	Population <sup>1</sup>	Unemployment Rate <sup>2</sup>	Total Personal Income	Per Capita Personal Income <sup>3</sup>	Taxable Sales <sup>4</sup>	Per Capita Taxable Sales
2001	55,028	5.2%	2,154,291	39,149	828,500	15,056
2002	55,085	5.8%	2,096,039	38,051	809,628	14,698
2003	55,633	7.5%	2,085,570	37,488	761,208	13,683
2004	56,289	7.9%	2,109,543	37,477	761,986	13,537
2005	56,451	7.2%	2,247,597	39,815	795,060	14,084
2006	56,925	6.4%	2,365,518	41,555	813,834	14,297
2007	57,553	5.6%	2,638,747	45,849	828,447	14,395
2008	58,125	6.1%	2,785,524	47,923	852,292	14,663
2009	58,982	8.8%	2,851,013	48,337	830,232	14,076
2010	59,684	9.5%	3,052,240	51,140	747,749	12,528

Notes:

- A For calendar year ended during the fiscal year.
- B Amounts are for the Santa Cruz-Watsonville Metropolitan Area.
- C Total Personal Income and Taxable Sales amounts are in thousands.

Source: <sup>1</sup> State Department of Finance

<sup>2</sup> State Employment Development Department

<sup>3</sup> U.S. Department of Commerce, Bureau of Economic Analysis

<sup>4</sup> State Board of Equalization (based on most recent four quarters of data available)

**City of Santa Cruz  
Principal Employers  
Current Year and Two Years Ago**

TABLE 17

	Fiscal Year Ended June 30					
	2010			2008		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Employer:						
University of California at Santa Cruz	7,186	<sup>2</sup> 1	8.231%	7,655	<sup>2</sup> 1	8.429%
County of Santa Cruz	2,463	<sup>2</sup> 2	2.821%	2,755	<sup>2</sup> 2	3.033%
City of Santa Cruz	985	3	1.128%	1,140	3	1.255%
Plantronics	474	4	0.543%	494	4	0.544%
Santa Cruz Beach-Boardwalk	347	5	0.397%	347	5	0.382%
Costco	236	6	0.270%	256	6	0.282%
Santa Cruz Biotechnology Incorporated	216	7	0.247%	180	9	0.198%
Threshold Enterprises, LTD	213	8	0.244%			
Community Bridges	212	9	0.243%	212	7	0.233%
New Teacher Center	211	10	0.242%			
Crow's Nest	190		0.218%	197	8	0.217%
United Parcel Service	150		0.172%	161	10	0.177%
Totals	12,883		14.757%	13,397		14.751%
Total employment <sup>1</sup>	87,300			90,820		

Source: <sup>1</sup>U.S. Department of Labor - Bureau of Labor Statistics  
City of Santa Cruz Business License database  
City of Santa Cruz Finance Department

Notes: <sup>2</sup>Previous versions of CAFR showed full-time equivalents. Current number is headcount.

**City of Santa Cruz**  
**Number of City Employees<sup>1</sup> by Department**  
**Last Ten Fiscal Years**

TABLE 18

	Fiscal Year Ended June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Departments:										
City Clerk	7	7	7	7	7	7	7	6	6	6
City Manager	5	5	5	5	5	4	5	5	5	5
Human Resources	13	13	13	12	12	13	14	14	14	13
Finance	38	38	38	36	35	38	27	27	26	25
Information Technology <sup>2</sup>	-	-	-	-	-	-	16	16	17	15
Police	134	136	133	126	124	125	132	124	119	117
Fire	59	59	58	55	54	53	55	55	55	55
Parks and Recreation	126	127	125	118	116	111	105	100	91	83
Library	128	130	127	120	118	119	118	121	119	97
Public Works	235	239	232	219	216	216	232	229	225	222
Planning and Community Development	31	32	31	30	29	27	28	27	26	28
Redevelopment	9	9	9	8	8	9	10	13	15	15
Water	94	96	94	89	87	88	91	94	94	95
<b>Total</b>	<b>879</b>	<b>891</b>	<b>872</b>	<b>825</b>	<b>811</b>	<b>810</b>	<b>840</b>	<b>831</b>	<b>812</b>	<b>776</b>

Notes:

- 1 Personnel authorizations budgeted. Figures rounded to whole numbers.
- 2 Information Technology was part of the Finance Department previously, but it is now a separate department.

Source: City of Santa Cruz Budget Document



**City of Santa Cruz**  
**Operating Indicators By Function**  
**Last Seven Fiscal Years**

TABLE 19

Function:	2004	2005	2006	2007	2008	2009	2010
City Clerk							
Hours for creating the agenda							
for posting	305	291	**	300.00	320	300	300
Advisory body hours	**	600	600	600	600	575	575
Election hours	280	180	400	100	440	5	450
Initiative/referendum petitions							
processing hours	-	60	120	-	-	-	-
Human Resources							
Number of recruitments	**	**	**	87.00	95	52	58
Number of applications	**	**	**	2,155.00	2,647	1,274	803
Workers compensation claim payments	\$ 2,129,667	\$ 1,872,387	\$ 1,400,696	\$ 2,850,283	\$ 1,576,602	\$ 1,464,348	\$ 1,295,529
Police							
Calls for service	76,069	76,498	70,065	67,932	72,601	78,132	85,774
Cases	14,717	14,076	14,212	12,917	16,190	11,999	11,257
Fire							
Emergency calls	4,623	4,631	5,006	5,231	6,018	6,857	6,966
Inspections	1,853	1,727	1,794	1,223	2,153	2,557	1,843
Parks and Recreation							
Number of classes	306	305	294	236	1,038	668	871
Facility rentals:							
Parks (Picnic Areas)	892	760	831	762	1,877	788	1,735
Louden Nelson	7,753	7,534	7,348	7,562	6,500	5,720	5,369
Civic Auditorium	146	183	193	190	145	138	117
Swimming pool	200	167	146	162	178	152	-
Special events produced	30	20	22	22	18	17	11
Library (all locations)							
Items checked out	1,856,142	1,899,739	1,975,986	2,051,331	2,159,868	2,336,784	1,971,465
Queries handled	288,821	293,525	313,496	322,971	300,754	299,473	294,734
Open hours/week	432	432	438	430	444	444	212
Public Works							
Overlay (square footage)	524,963	-	251,106.00	351,239	190,000	791,848	639,342
Seal coat (square footage)	-	-	320,879.00	342,000	3,793,212	3,951,648	-
Sewer							
New connections	72	85	106	41	51	50	40
Average daily flow (MGD)	10	9.92	11.39	9.00	9.95	8.04	9.95
Annual total flow (MG)	3,475	3,621	4,157	3,283	3,632	2,924	3,632
Water							
Active accounts	23,799	23,924	24,044	24,253	24,302	24,228	24,310
Average daily consumption (MGD)	10	10	9	9	9	8	8
Annual consumption (MG)	3,660	3,448	3,340	3,369	3,358	3,104	2,822
Average monthly residential bill	\$ 25	\$ 30	\$ 34	\$ 41	\$ 46	\$ 42	\$ 37

This table shows data for the last seven fiscal years. Prior years' data is not available.

(1) Different count beginning in FY 2008 - includes multiple sessions of one course, e.g. if course entered several times in a season now counted as 4 rather than 1.

(2) Now includes ball fields and indoor facilities in parks - New booking system count; all confirmed bookings, fewer multiple day rentals

(3) New booking system count; all confirmed bookings, fewer multiple day rentals

\*\* Unavailable

Source: City of Santa Cruz Departments

**City of Santa Cruz**  
**Capital Asset Statistics By Function**  
**Last Ten Fiscal Years**

TABLE 20

Function:	Fiscal Year Ended June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicular patrol units	78	78	43	43	61	61	63	63	63	67
Fire stations	3	3	3	3	3	3	4	4	4	4
Public Parking										
Lots	23	22	26	20	21	21	20	20	21	26
Spaces	5,094	5,235	5,397	5,124	5,149	5,149	5,132	5,154	5,204	5,199
Parking meters	1,741	1,764	1,695	1,714	1,764	1,764	1,888	1,890	1,930	1,933
Parks and Recreation										
Parks	29	30	30	30	30	30	30	30	30	30
Parks acreage	1,457	1,970	1,970	1,970	1,970	1,970	1,970	1,970	1,970	1,970
Playgrounds	11	17	17	17	17	17	17	17	17	17
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	7	7	7	7	8	8	6	6	6	6
Golf course	1	1	1	1	1	1	1	1	1	1
Libraries										
Central library	1	1	1	1	1	1	1	1	1	1
Branch libraries within city	2	2	2	2	2	2	2	2	2	2
Branch libraries in county	7	7	7	7	7	7	7	7	7	7
Bookmobile	1	1	1	1	1	1	1	1	1	1
Streets										
Miles of paved streets	136	136	136	136	136	136	136	136	136	136
Miles of alleys	13	13	13	13	13	13	13	13	13	13
Street lights	2,800	2,825	2,825	2,893	2,893	2,893	2,893	2,993	3,018	2,809
Sewer										
Miles of sanitary sewers	62	148	148	151	151	151	151	155	155	155
Miles of storm drains	8	50	50	50	50	50	50	49	49	49
Water										
Miles of water mains	300	300	300	300	290	291	291	293	293	293
Fire hydrants	1,904	1,913	1,997	2,019	2,089	2,060	2,060	2,038	2,039	2,024

Source: City of Santa Cruz Departments



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of City Council  
of the City of Santa Cruz  
Santa Cruz, California

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Santa Cruz (City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Mayor and Members of City Council  
of the City of Santa Cruz  
Santa Cruz, California  
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Caporicci & Larson, Inc.*

Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants  
San Francisco, California  
January 27, 2011

**City of  
Santa Cruz**  
**Clean River, Beaches, and  
Ocean Special Parcel Tax -  
Measure E Fund**  
Santa Cruz, California

*Financial Statements and  
Independent Auditors' Reports*

*For the year ended June 30, 2010*

**City of Santa Cruz**  
**Clean River, Beaches, and Ocean Special Parcel Tax – Measure E Fund**  
**For the year ended June 30, 2010**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council  
of the City of Santa Cruz  
Santa Cruz, California

We have audited the accompanying financial statements of the Clean River, Beaches, and Ocean Special Parcel Tax - Measure E Fund (Measure E Fund) of the City of Santa Cruz, California (City), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Measure E Fund are intended to present the financial position and the changes in financial position of the Measure E Fund. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2010, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City's Measure E Fund as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2011, on our consideration of the City's internal control over financial reporting as it relates to the Measure E Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Mayor and Members of City Council  
of the Santa Cruz  
Santa Cruz, California  
Page 2

The accompanying budgetary comparison information on pages 9 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Caporicci & Larson, Inc.*

Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants  
San Francisco, California  
January 27, 2011



**City of Santa Cruz**  
**Clean River, Beaches, and Ocean Special Parcel Tax - Measure E Fund**  
**Balance Sheet**  
**June 30, 2010**

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**ASSETS**

Cash and investments	\$ 407,600
Interest receivable	856
Taxes receivable	<u>31,054</u>
<b>Total assets</b>	<b><u>\$ 439,510</u></b>

**LIABILITIES AND  
FUND BALANCES**

**Liabilities:**

Accounts payable	<u>\$ 42,767</u>
<b>Total liabilities</b>	<b><u>42,767</u></b>

**Fund Balances:**

Reserved for:	
Reserved for encumbrances	2,213
Unreserved and undesignated:	
Public works programs	<u>394,530</u>
<b>Total fund balances</b>	<b><u>396,743</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 439,510</u></b>

See accompanying Notes to Financial Statements.

**City of Santa Cruz**  
**Clean River, Beaches, and Ocean Special Parcel Tax - Measure E Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**June 30, 2010**

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**REVENUES:**

Measure E parcel taxes	\$ 618,752
Use of money and property	<u>2,265</u>
<b>Total Revenues</b>	<u><u>621,017</u></u>

**EXPENDITURES:**

Public works	168,034
Capital outlay	<u>56,240</u>
<b>Total Expenditures</b>	<u><u>224,274</u></u>

**REVENUES OVER (UNDER)**

<b>EXPENDITURES</b>	<u><u>396,743</u></u>
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**FUND BALANCES:**

Beginning of year	<u>-</u>
End of year	<u><u>\$ 396,743</u></u>

See accompanying Notes to Financial Statements.

**City of Santa Cruz**  
**Clean River, Beaches, and Ocean Special Parcel Tax – Measure E Fund**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

All transactions of the Clean River, Beaches, and Ocean Special Parcel Tax – Measure E Fund (Measure E Fund) of the City of Santa Cruz, California (City), are included as a separate special revenue fund in the basic financial statements of the City. Measure E Fund is used to account for parcel tax revenues earned and expenditures incurred as per the voters Measure E ballot measure of 2008. The accompanying financial statements are for Measure E Fund only and are not intended to fairly present the financial position of the City.

**B. Basis of Accounting**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current periods. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred.

**C. Fund Accounting**

The operations of the Measure E Fund are accounted for in one special revenue fund, the Clean River, Beaches, and Ocean Special Tax fund. The fund is a separate accounting entity with a set of self-balancing accounts which comprise of assets, liabilities, fund equity, revenues, and expenditures.

**D. Fund Balance**

Reservations of fund balances indicate those portions of fund equity that are not available for appropriation for expenditure or which have been legally restricted to a specific use honored during the subsequent fiscal year. Encumbrances outstanding at the fiscal year end are reported as a reservation of fund balance and the related appropriation is automatically carried forward into the next fiscal year. Unreserved and undesignated amounts represent amounts available for future uses.

**E. Cash and Investments**

Cash and Investments of the Measure E Special Revenue Fund are pooled with other funds of the City. The City pools cash resources from all funds in order to facilitate and maximize the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

**City of Santa Cruz**  
**Clean River, Beaches, and Ocean Special Parcel Tax – Measure E Fund**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2010**

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*E. Cash and Investments, continued*

All investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Interest earned on investments is allocated to all funds on the basis of daily cash and investment balances.

*F. Receivables*

Receivables include amounts due from other governments. Receivables are recorded and revenues are recognized as earned or as specific program expenditures are incurred.

*G. Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**2. MEASURE E FUND**

Under Measure E, approved by the voters of the City of Santa Cruz in 2008, the City receives proceeds of a special parcel tax to be used to fund improved management practices for protection of watersheds and water quality; maintenance, capital improvements, environmental restoration, and upgrades to stormwater collection, conveyance, management and treatment systems; implementation of stormwater best management practices; and public education and outreach activities to prevent and reduce pollution.

**3. CASH AND INVESTMENTS**

Measure E Fund's cash and investments are part of the City's pooled cash and investments. Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. The pool consists of U.S. Agency Securities, Medium Term Notes, Money Market Funds and Guaranteed Investment Contracts. The Measure E Fund's share of the pool is \$407,600. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

*A. Risk Disclosures*

Interest Rate Risk - In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to two and one-half (2 ½) years or less. The City is in compliance with this provision of the investment policy.

## City of Santa Cruz

### Clean River, Beaches, and Ocean Special Parcel Tax – Measure E Fund

#### Notes to the Financial Statements

For the year ended June 30, 2010

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Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations - Investments in callable bonds are investments that, although having clearly defined maturities, allow for the issuer to redeem or call such bonds earlier than their respective maturity dates. The investor must then replace the called bonds with investments that may have lower yield than the original bonds. As a result, the fair value of the callable bonds is highly sensitive to changes in interest rates. As of June 30, 2010, the City held \$19,551,386 in callable securities, which amounted to approximately 16.29% of investments at June 30, 2010. The investment policy limits the purchase of callable U.S. Agency instruments to discreet calls and those that pay 100% of the principal at the redemption date. In addition, purchases of callable U.S. Agency instruments are not to exceed 30% of the value of the portfolio. The City is in compliance with these provisions of the investment policy.

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy requires that the management company of mutual funds must have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations. The investment in the Goldman Sachs Tax-Free Money Market Fund is rated by only one nationally recognized statistical rating organization; however, it is approved by the National Association of Investors Corporation.

Concentration of Credit Risk - The City's investment policy states that not more than 25% of the portfolio shall be invested in any one entity or any one instrument to protect the City from concentration of credit risk, with the following exceptions: U.S. Treasury Obligations and the external investment pool (LAIF). In addition, purchases of mutual funds must not exceed 20% of the value of the portfolio. Purchases in a single mutual fund may not exceed 10% of the value of the portfolio. The City is in compliance with these provisions of the investment policy.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Santa Cruz**  
**Schedule of Budget and Actual Revenues**  
**Clean River, Beaches, and Ocean Special Parcel Tax - Measure E Fund**  
**For the year ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 625,000	\$ 625,000	\$ 618,752	\$ (6,248)
Use of money and property	-	-	2,265	2,265
<b>Total revenues</b>	<b>625,000</b>	<b>625,000</b>	<b>621,017</b>	<b>(3,983)</b>
<b>EXPENDITURES:</b>				
Public works	495,062	447,352	168,034	279,318
Capital outlay	50,000	97,710	56,240	41,470
<b>Total expenditures</b>	<b>545,062</b>	<b>545,062</b>	<b>224,274</b>	<b>320,788</b>
<b>Net change in fund balance</b>	<b>79,938</b>	<b>79,938</b>	<b>396,743</b>	<b>316,805</b>
<b>FUND BALANCE:</b>				
Beginning of the year	-	-	-	-
End of year	\$ 79,938	\$ 79,938	\$ 396,743	\$ 316,805

**City of Santa Cruz**  
**Clean River, Beaches, and Ocean Special Parcel Tax – Measure E Fund**  
**Notes to Required Supplementary Information**  
**For the year ended June 30, 2010**

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**1. BUDGETARY BASIS OF ACCOUNTING**

*A. Budgetary Control and Budgetary Accounting*

Prior to July, the City Manager submits to the City Council a proposed operating budget for the upcoming fiscal year. The proposed budget includes a summary of proposed expenditures and forecasted revenues of the City's special revenue funds.

The City Council adopts the budget in the first meeting in July of each fiscal year. The annual budget indicates appropriations by fund. The Council may adopt supplemental appropriations during the year. Any unused funds are re-appropriated to the following fiscal year until the project is completed. The budget is adopted on a modified cash basis, which is not consistent with generally accepted accounting principles (GAAP).





Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of City Council  
of the City of Santa Cruz  
Santa Cruz, California

We have audited the financial statements of the Clean River, Beaches, and Ocean Special Parcel Tax – Measure E Fund (Measure E Fund), as of and for the year ended June 30, 2010, and have issued our report thereon dated January 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City’s internal control over financial reporting as it relates to the Measure E Fund as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City’s Measure E Fund’s financial statements will not be prevented, or detected and corrected on a timely basis.

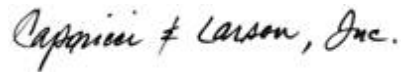
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Mayor and Members of City Council  
of the City of Santa Cruz  
Santa Cruz, California  
Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of the City's Measure E Fund are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor, City Council, management, and the others within the City, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants  
San Francisco, California  
January 27, 2011



## CITY COUNCIL AGENDA REPORT

DATE: 1/30/2011

AGENDA OF: 2/8/2011

DEPARTMENT: Human Resources

SUBJECT: Liability Claims Filed Against City of Santa Cruz. (HR)

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RECOMMENDATION: Motion to reject liability claims based on staff investigation:  
a) Stanley Dowling; b) Mark Knapp.

---

BACKGROUND: I. Claims to be rejected

- a. Claimant: Stanley Dowling  
Date of Occurrence: 06/06/2010  
Date of Claim: 11/15/2010  
Amount of Claim: \$2,000,000.00

Claimant alleges he was hit by City vehicle.  
Represented by legal counsel.

- b. Claimant: Mark Knapp (Keenan & Associates)  
Date of Occurrence: 10/20/10  
Date of Claim: 01/06/11  
Amount of Claim: \$1,263.63+

Claimant alleges injury on City property.  
Represented by insurance company.

DISCUSSION: None.

FISCAL IMPACT: None.

Prepared by:  
Barbara Choi  
Interim Risk & Safety Manager

Submitted by:  
Lisa Martinez Sullivan  
Director of Human Resources

Approved by:  
Martin Bernal  
City Manager

ATTACHMENTS: None.



## CITY COUNCIL AGENDA REPORT

DATE: 1/30/2011

AGENDA OF: 2/8/2011

DEPARTMENT: Human Resources

SUBJECT: City's Classification and Compensation Plans and the FY11 Budget  
Personnel Complement – Human Resources and Parks and Recreation.  
(HR)

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**RECOMMENDATION:** Resolution to amend the Classification and Compensation Plans and the FY11 Budget Personnel Complement by authorizing the Human Resources Department to increase the scheduled hours for the Seniors Program Coordinator position in response to receipt of donations from the Senior Computer Center Coordinating Council (SCCCC).

---

**BACKGROUND:** The Seniors Program Coordinator position in the Parks and Recreation Department coordinates and implements programs and recreational activities for seniors and provides oversight of the Senior Computer Center classroom and computer lab. The position also acts as staff liaison to the Senior Computer Center Coordinating Council.

Over the past few years, the Parks and Recreation Department has received generous donations from the Senior Computer Center Coordinating Council (SCCCC) for purposes of enhancing Senior Programs. In order to accommodate the increase in program activity, the SCCC has offered to pay for increased hours for the Seniors Program Coordinator. At different intervals and in response to the Parks and Recreation's receipt of these donations, the Human Resources Department has requested and received approval from City Council to change the compensation and classification plans to increase the Seniors Program Coordinator position scheduled hours.

**DISCUSSION:** To save staff time and for general efficiency, the Human Resources Department requests that City Council approve a one time authorization to allow staff to make future increases and/or decreases of hours to the Seniors Program Coordinator position as needed to match donations received by the Parks and Recreation Department and accepted and appropriated by the City Manager. The Human Resources, Parks and Recreation and Finance departments have set up an internal process to properly track the donations and change of hours for the Seniors Program Coordinator position. As in the past, it is anticipated that these donations each will be under \$50,000 and so would be subject to APO section 1, #76 giving the City Manager the authority to accept and appropriate donations.

The Service Union Representatives have reviewed these recommendations.

FISCAL IMPACT: There is no fiscal impact to the Parks and Recreation Department since the additional increase of hours will be funded solely through Senior Computer Center Coordinating Council.

Prepared by:  
Cathy Bonino  
Principal HR Analyst

Submitted by:  
Lisa Martinez Sullivan  
Director of Human Resources

Approved by:  
Martin Bernal  
City Manager

ATTACHMENTS: Resolution

RESOLUTION NO. NS-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA CRUZ  
AMENDING THE CLASSIFICATION AND COMPENSATION PLANS AND THE FY11  
BUDGET PERSONNEL COMPLEMENT – PARKS AND RECREATION BY ALLOWING  
STAFF TO INCREASE THE HOURS OF ONE (1) .75 FTE SENIORS PROGRAM  
COORDINATOR POSITION IN RESPONSE TO RECEIPT OF ASSOCIATED DONATIONS

WHEREAS, staff has recommended certain modifications to the Classification and Compensation Plans.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Santa Cruz, as follows:

That, effective February 8, 2011 the City of Santa Cruz Classification and Compensation Plans be modified to:

<u>Class No.</u>	<u>FTE</u>	<u>Classification Title</u>	<u>Salary</u>
217-001	.75 FTE	Seniors Program Coordinator	\$3,178/mo-\$4,696/mo

**Increase hours above .75 FTE in response to associated donations**

PASSED AND ADOPTED this 8<sup>th</sup> day of February, 2011, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_  
Mayor

ATTEST: \_\_\_\_\_  
Interim City Clerk



## CITY COUNCIL AGENDA REPORT

DATE: 2/1/2011

AGENDA OF: 2/8/2011

DEPARTMENT: City Council

SUBJECT: City Council Ad-Hoc Committee on Technology. (CN)

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**RECOMMENDATION:** Resolution forming the City Council Ad Hoc Committee on Technology, authorizing staff time to assist the Committee, and affirming the designation of Councilmembers Bryant and Terrazas and Mayor Coonerty as the Council's delegates to the Committee.

---

**BACKGROUND:** With the City facing unprecedented budgetary challenges, the need to examine new tools to do the business of government is ever more essential. It is hoped that new technologies and communications tools can help to increase internal efficiency as well as improve the consistency and quality of citizen experience with local government.

On Dec 14, 2010, as part of my first remarks as Mayor, I announced that examining technology practices at the City would be a priority for 2011 and called for the formation of an external Ad Hoc Committee to guide that examination: the City Council Ad Hoc Committee on Technology.

Shane Pearlman, the CEO of Shane & Peter Inc, a digital agency that creates applications and websites for major companies, including Boeing, SAP and GigaOm has been designated to help form this Committee. Mr. Pearlman was also the technical lead behind the City's Community Budget website in 2008.

Other committee members include: Rob Knight (UCSC), Darrin Caddes (Plantronics), Rich Harris (Seagate), Jeffrey Fredrick (UrbanCode), Karsten Wade (Redhat), Jason Wehmhoener (formerly of Cisco), Jacob Knobel (AOL), Nina Simon (Museum 2.0), Andrea Mangini (AutoDesk), Alan Hawrylyshen (Skype) and Peggy Dolgenos (Cruzio).

The group convened for one exploratory meeting on January 18, 2011. Future proposed meeting dates for this committee are: February 9, March 9, April 6, May 11, June 8 and July 13 of 2011.

**DISCUSSION:** At the conclusion of the Committee's six-month schedule, a formal report and recommendations will be made to the City Council.

In order to make informed suggestions to the City Manager and City Council, this Committee will approach technology from the following vectors over the course of the next six months:

- User Stories: Who interacts with the City and what technology tools do they use to engage?

- External Research: How do other municipalities and government entities approach communications and technology?
- Business Creation & Entitlements: Are there efficiencies or tools that can lead to the streamlining of new business creation and entitlement processes that can help increase the local tax base?
- Effective Government: Are there elements of the Effective Government / Gov 2.0 movement that Santa Cruz should implement while planning for additional IT initiatives?
- Social Media Strategy: How should the City explore and deploy social media tools to increase its interaction with the public, publicize its programs and policies and secure community feedback?

FISCAL IMPACT: This Committee is heavily reliant on outside talent and resources and has no budget allocation. It is anticipated that staff support from the City Manager's Office and Economic Development Department, not to exceed six hours a week, will be necessary for administering the Committee.

Submitted by:  
Ryan Coonerty  
Mayor

ATTACHMENTS: Resolution



RESOLUTION NO. NS-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA CRUZ  
AUTHORIZING AN AD HOC CITY COUNCIL COMMITTEE ON TECHNOLOGY FOR A  
TERM NOT TO EXCEED SIX MONTHS FROM EXECUTION OF THIS RESOLUTION.

WHEREAS, the City of Santa Cruz is facing extreme budgetary duress; and

WHEREAS communications technology and internet technology has been deployed by other government entities to decrease overhead and increase efficiency and has resulted in the creation of new theories of government aligned loosely along the terms “Gov 2.0” and “Effective Government”; and

WHEREAS, on Dec 14, 2010, Mayor Ryan Coonerty announced that examining technology practices at the City would be a priority for 2011; and

WHEREAS, the City of Santa Cruz is blessed with a population that is deeply integrated in the technology industry; and

WHEREAS, the City of Santa Cruz has successfully partnered with the technology industry on deployments that have increased citizen participation and transparency in City operations, especially during the adoption of the FY 2009 budget; and

WHEREAS, a broad community coalition of technologists has agreed to volunteer to examine and improve City IT processes and policies with the intention of increasing internal efficiency as well as improving the consistency and quality of citizen experience with local government.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Santa Cruz that it hereby convene a City Council Ad Hoc Committee on Technology for a six-month period from the date of this resolution.

BE IT FURTHER RESOLVED that the City Council directs the City Manager to allocate City staff time from the City Manager’s Office and Economic Development/Redevelopment Department to assist the Committee, in an amount not to exceed six hours per week.

BE IT FURTHER RESOLVED that Councilmembers Bryant and Terrazas and Mayor Coonerty will serve as the City Council representatives to the Committee.

RESOLUTION NO. NS-

PASSED AND ADOPTED this 8<sup>th</sup> day of February, 2011, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_  
Mayor

ATTEST: \_\_\_\_\_  
Interim City Clerk



## CITY COUNCIL AGENDA REPORT

DATE: January 31, 2011

AGENDA OF: February 8, 2011

DEPARTMENT: City Manager/Human Resources

SUBJECT: Consolidation of Two City Departments, Elimination of Two Executive Positions and Related Changes to Personnel Classifications. (CM/HR)

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### RECOMMENDATION:

1. Introduction for publication of an ordinance abolishing the Information Technology, Department and, creating an Administrative Services Department with Information Technology and Human Resources Divisions.
  2. Resolution assigning the City Clerk function to the City Manager, as permitted by Section 802 of the City Charter.
  3. Resolution amending the Classification and Compensation Plans to:
    - a. Delete the positions of: City Clerk, Principal Management Analyst, Information Technology Director, Human Resources Director, Assistant Human Resources Director, Risk and Safety Manager, Human Resources Assistant II, and Administrative Assistant III.
    - b. Add the classifications and/or positions of: City Clerk Administrator, Administrative Services Director, Assistant to the City Manager, Chief Human Resources Officer, Chief Technology Officer, Principal Human Resources Analyst, Human Resources Technician, and Administrative Assistant II.
- 

**BACKGROUND:** Within the greater context of the City's ongoing structural budget deficit and the projected flat to incrementally improved revenues in the short to medium term, the City has been actively looking to recalibrate its revenue base and expenditures. In doing so, among other approaches such as employee compensation and future pension adjustments, the City is assessing long-term operational and administrative changes that could contribute toward a balanced budget. Recognizing that the past decade's cuts to personnel, services and programs have been acute and left little to reduce, it is evident that any additional savings along this vein will not solve the City's anticipated FY 2012 \$6 million budget shortfall. However, the City continues to explore savings that may improve efficiencies and assist in the overall budget-balancing approach.

Accordingly, prompted by notice of the resignation and retirement of two City executives (the City Clerk and the Information Technology Director) the City Manager's Office and the Human Resources Department explored an avenue for cost savings to the City that is being

recommended today: departmental consolidation, removal of two executive classifications and creation of subordinate support roles.

The recommendations are authorized by the City's Charter, specifically Section 806 which authorizes the City Manager to perform any duties not inconsistent with the Charter which may be assigned by the City Council and which does not preclude the City Council from assigning City Clerk duties (prescribed in Section 811) to the City Manager, as well as Section 802 which authorizes the City Council, by ordinance, to create and/or abolish City departments upon recommendation by the City Manager.

DISCUSSION: When conducting research to develop effective reorganization strategies, two approaches were identified as best suited for the City. The first is to merge the City Clerk's Department with the City Manager's Office, creating a City Clerk Division within the City Manager's Office. This consolidation will increase productivity by consolidating administrative support to City Clerk, City Manager, and City Council functions and eliminating duplication. Merging the City Clerk's Department with the City Manager's Office will generate some salary savings as the executive level City Clerk position will be eliminated and replaced by a mid-management level City Clerk Administrator position.

The second tactic is to combine the Information Technology (IT) Department with the Human Resources (HR) Department, creating a new department: the Administrative Services Department. As both the HR and IT Departments are internal service departments, they share a common support mission and customer service philosophy. The staffs in both departments are technically proficient and need executive level support to provide vision and connect their daily activities and projects to broader City-wide initiatives. Efficiencies are realized by sharing administrative support and executive leadership across both functions. Salary savings are generated by eliminating the IT Director position and replacing the HR Director position with one Administrative Services Director position.

The details of each strategy are provided below. The strategies offered represent an initial set of recommendations. It may be that after the consolidations are in place and tested for a period of time, future changes may be necessary to maximize efficiencies.

City Manager's Office:

Merging the City Clerk function into the City Manager's office will result in significant enhancements in productivity. Currently, the two departments provide overlapping services, largely in support to the City Council, the public and other City departments. Consolidation will provide one point of contact and a harmonized function that is expected to reap benefits in productivity and efficiency and provide improved service to the community. City staff are currently developing a new functional model with the aim of a final transition by late spring.

The consolidation of the City Clerk and City Manager departments calls for the elimination of an executive level classification, the City Clerk. Similar to the City Manager, this position is appointed by, and serves at the pleasure of, the City Council. However, the positions are not required to be filled by separate individuals. Thus, the City Manager may also serve as City Clerk, overseeing the clerk duties and responsibilities. An example is the City of Santa Barbara, where the City Manager can be appointed by the City Council to jointly serve as the City Clerk.

As the City Manager does not have the capacity to execute the duties of the City Clerk, a mid-management City Clerk Administrator position will be created to fulfill the technical functions of the City Clerk's Office (reporting to the Assistant City Manager for supervision and direction).

The final change proposed in the City Manager's Office is the deletion of the existing and vacant Principal Administrative Analyst/Council Affairs Manager position and addition of one position and classification of Assistant to the City Manager. The Assistant to the City Manager is a common position in City Manager's Offices across the country and even existed in the City until the 1990s. The Assistant to the City Manager is a high-level professional position that will provide analytical support, program analysis and management, coordination of internal and external communications, and development, innovation and support of citywide policies, programs and initiatives. The classification change is recommended to provide capacity for a broader complement of responsibilities.

The consolidation is projected to yield improvements in efficiency and service delivery. The City Manager will review the functionality of the consolidated department in six to eight months to assess whether additional modifications will be necessary. The City Manager will keep the Mayor, City Council and the public fully apprised of service and access changes.

A revised functional organization chart is attached.

*Administrative Services Department:*

Many cities are realizing efficiencies and savings by combining internal service departments – typically Human Resources, Information Technology, and Finance – in a variety of combinations. Merging the Information Technology and Human Resources departments into a new, Administrative Services Department will result in increased productivity and salary savings. A new, executive level position of Administrative Services Director would be created, combining the functions of the HR and IT Directors into one position and salary. A second tier of management would act as the chief operations officers of each function. HR administrative staff would also support the IT function by providing reception and clerical support as defined by their current job classifications.

Some minor reorganization within the HR function will further increase productivity and salary savings. With the recent resignation of the Risk & Safety Manager, the City has been successful in contracting out the higher level Risk Management duties and reassigning the lower level safety duties. By eliminating the Risk & Safety Manager position, contracting out the higher level Risk Management duties, and creating a new Principal Analyst position to act as the HR Worker's Compensation, Benefits, and Safety division manager, several efficiencies are realized. Contracting the Risk Management duties with the City Attorney's office has created a much closer relationship between liability claims and potential litigation by which the City can more efficiently anticipate and defend against claims. The City Attorney's office was also able to very quickly provide this service which was important as the City did not want to recruit and hire a new Risk & Safety Manager immediately without taking the time to examine the functions and look for efficiencies. Existing staff did not have the expertise to fulfill the risk management responsibilities. Staff will continue to develop this approach to maximize cost effective efficiencies. Within the HR function, the Principal Analyst position is a division manager as well as a technical expert. By replacing the Risk & Safety Manager position with a Principal Analyst, HR retains technical expertise and management oversight for Workers' Compensation

and Safety functions. Additional responsibility for Benefits Administration will be assigned to this Principal Analyst for two organizational reasons. First, the Assistant HR Director is currently the division manager for Benefits Administration; assigning this function to a Principal Analyst provides bandwidth for the Assistant HR Director in his new role as the chief operating officer of the HR division within the new Administrative Services Department. Second, the Workers' Compensation, Safety, and Benefits functions are physically located in Room 7 and the geographic proximity will allow the Principal Analyst to better support and lead these functions.

To increase productivity in the administrative support capabilities of the HR function and provide additional support to the IT function, the vacant HR Assistant position will be upgraded to an HR Technician classification capable of higher level duties and providing additional entry-level access to the HR Analyst classification series. A second HR Technician position would also provide continuity of operations for the HR function as the Technician classification is the classification responsible for implementing the day-to-day HR processes necessary to implement a variety of HR programs including classification and compensation changes, benefit enrollments, employment verifications, recruitment administration including advertising, application processing, and proctoring examinations, processing payroll changes for individual employees, and updating HR website and intranet information. To offset the cost of this upgrade, the Administrative Assistant III position will be reduced to a 0.8 FTE Administrative Assistant II position. The higher level HR duties currently assigned to the Administrative Assistant III would be appropriately assigned to the new HR Technician position (along with other technical HR duties) and the clerical duties would be appropriately assigned to the Administrative Assistant II position.

Current and revised organization charts are attached.

**FISCAL IMPACT:** Salary schedules for the above changes were developed from two perspectives: internal and external. The recommended salaries are appropriate from both of these perspectives. Internally, they are placed appropriately and maintain proper organizational relationships within the City's compensation and classification plans. Externally, they are modest when compared to other cities normally used for City salary comparisons. Four of the new positions – Administrative Services Director, Assistant to the City Manager, Chief Technology Officer, and Chief HR Officer – are slightly below (3-5%) the median salary for comparable positions. The City Clerk Administrator position is difficult to compare to other organizations as the division manager responsibilities are less than those of typical a City Clerk position (typically a department head level position). Two of the positions (Administrative Services Director and Chief HR Officer) will be reclassifications of existing City staff and will not require recruitments. The remaining three positions (Assistant to the City Manager, City Clerk Administrator and Chief Technology Officer) will require recruitments and given current economic conditions the recommended salaries should be competitive and attract highly qualified applicants.

The total savings to the FY 2011 Budget will be approximately \$15,500; roughly half of which will be allocated to the General Fund (\$7,750) in accordance with the Cost Allocation Plan. The annual savings will be approximately \$46,500; roughly half of which will be allocated to the General Fund (\$23,250) in accordance with the Cost Allocation Plan.

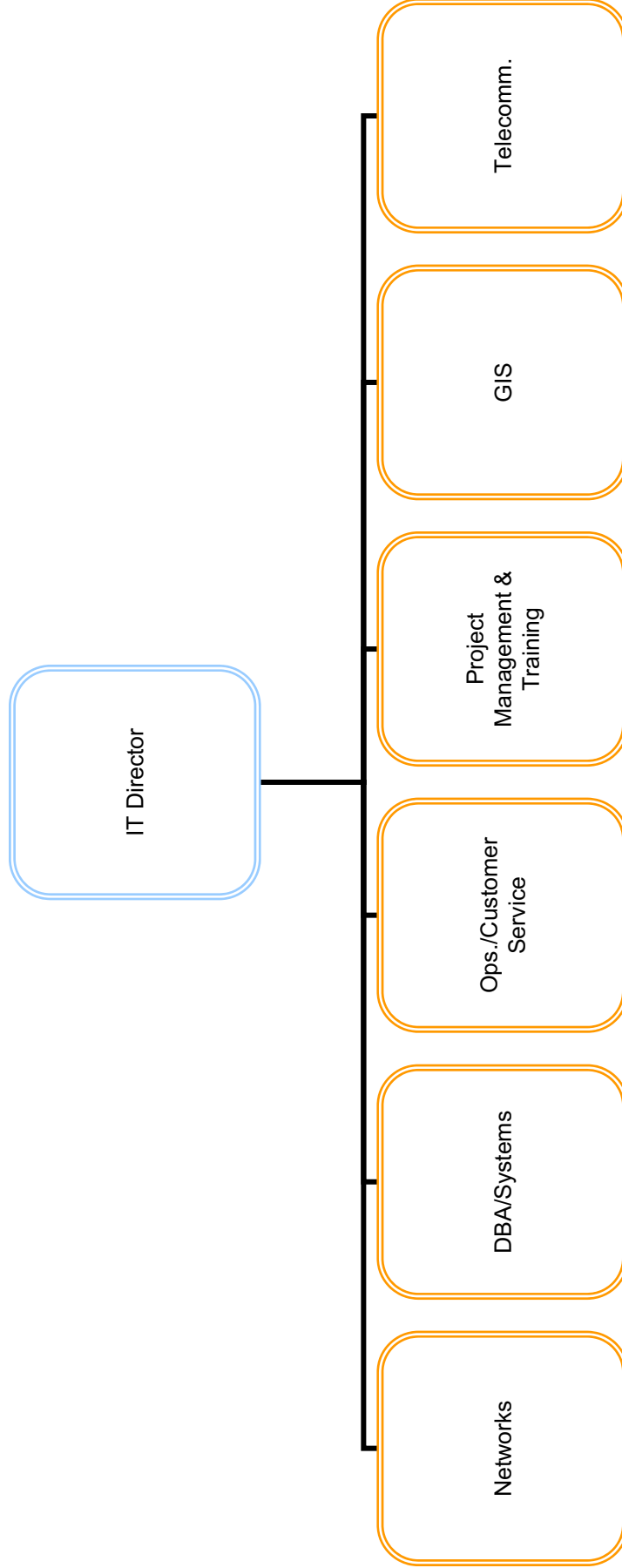
No additional appropriations are necessary for risk management services as these costs will be accommodated within the current budget for liability related expenses.

Submitted by:  
Lisa Martinez Sullivan  
Human Resources Director

Approved by:  
Martín Bernal  
City Manager

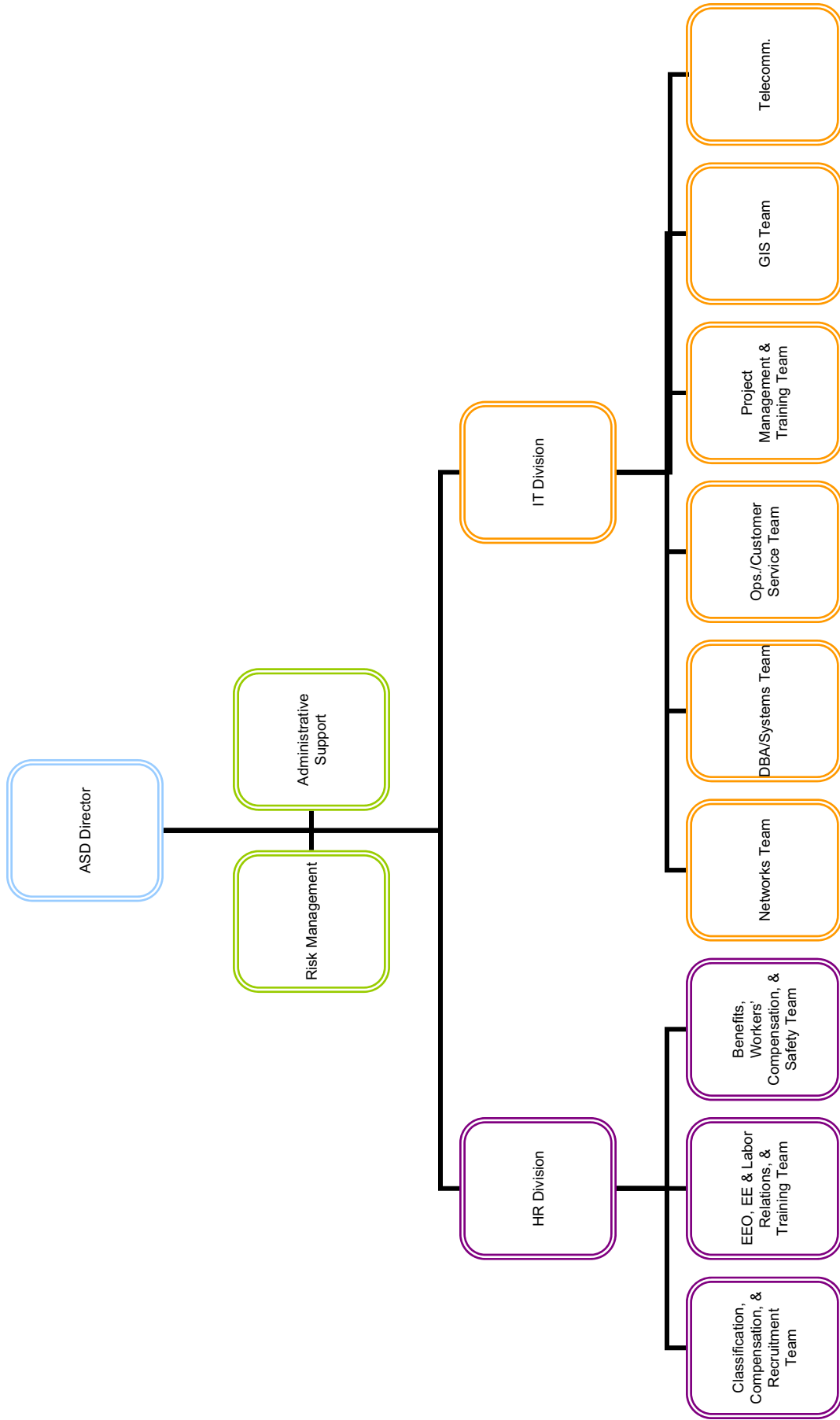
Attachments: Functional Organization Charts  
Ordinance  
Resolutions  
Classification Specifications

City of Santa Cruz  
Information Technology Department  
Functional Organization Chart

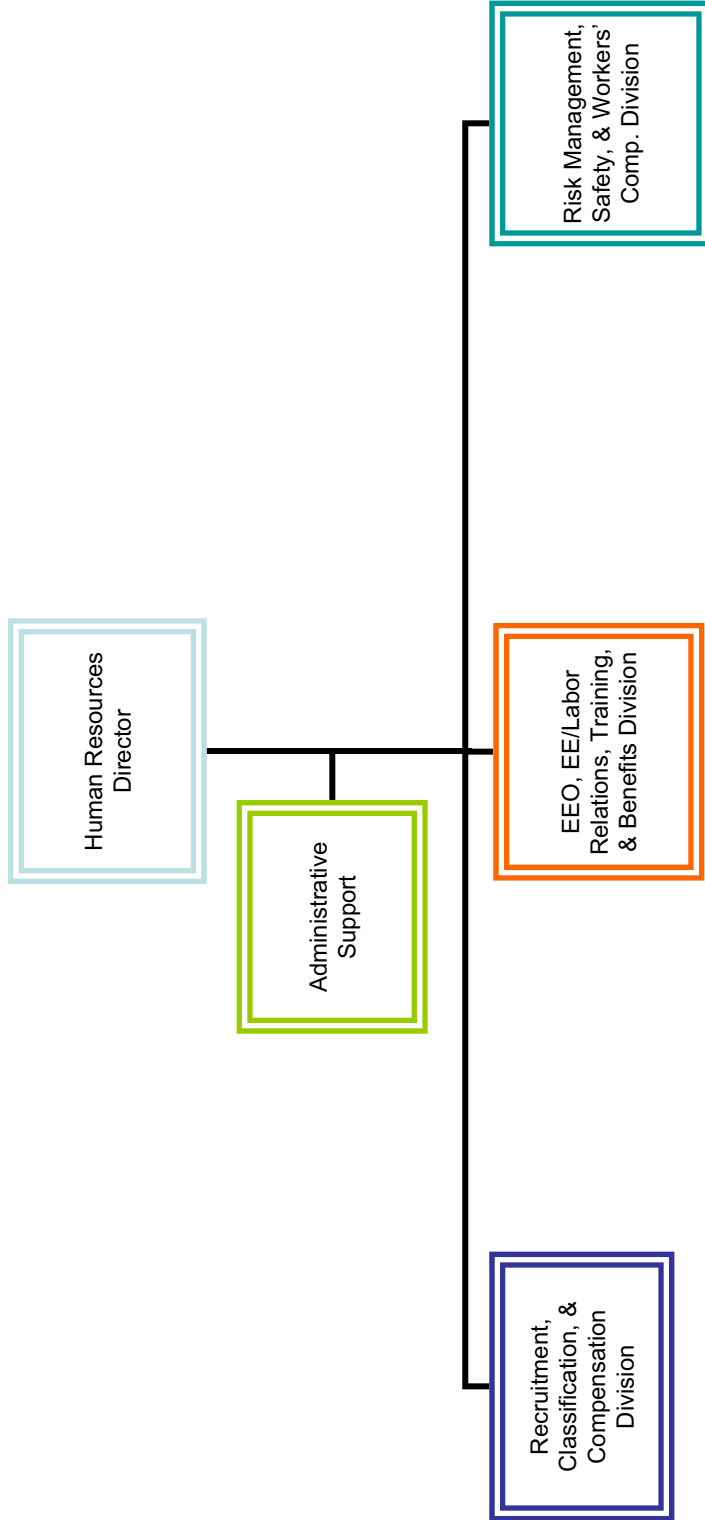




# City of Santa Cruz Administrative Services Department Functional Organization Chart

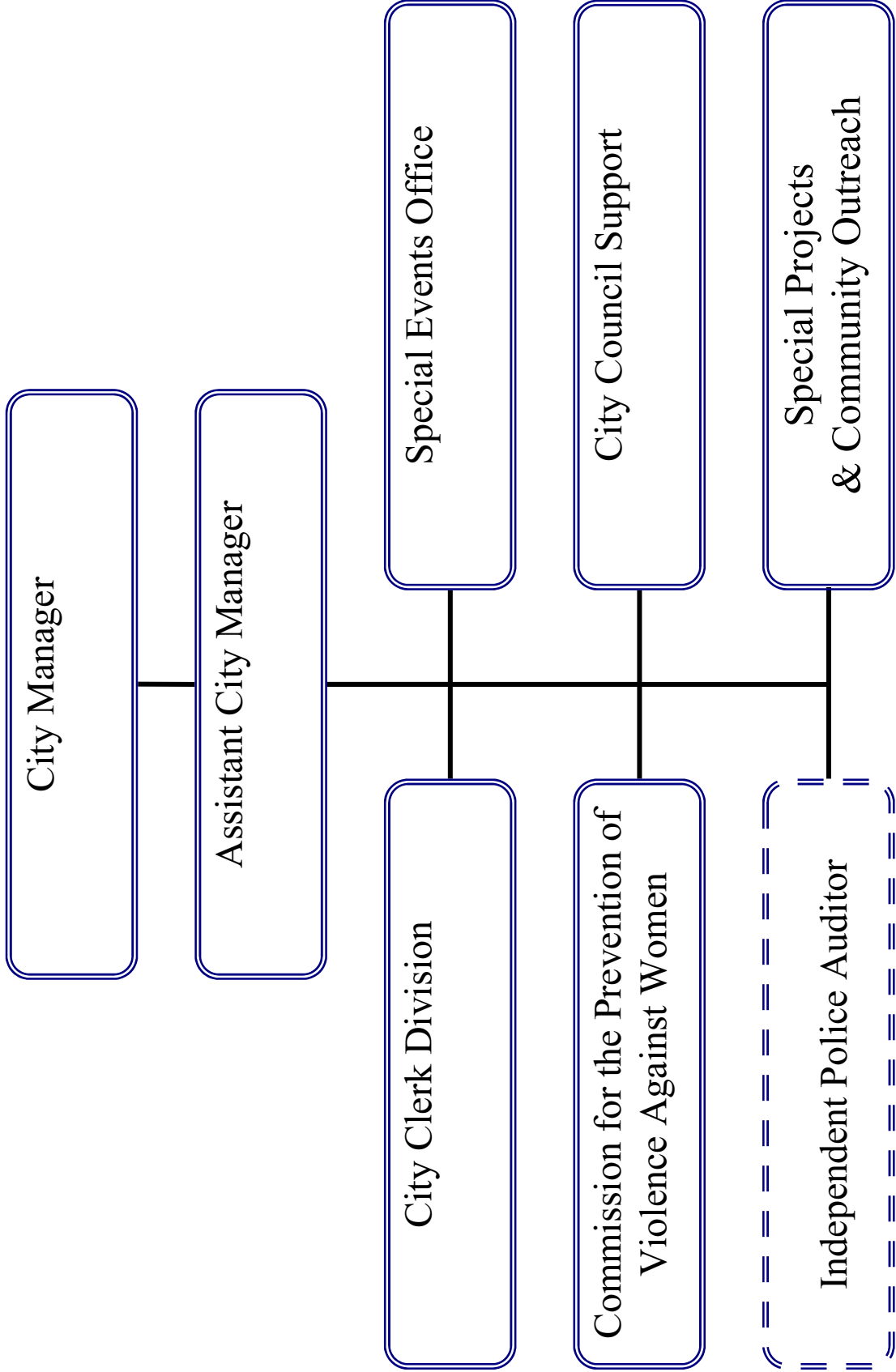


# City of Santa Cruz Human Resources Department Functional Organization Chart



# City Manager's Office

*Functional Organization Chart – Proposed February 2011*



ORDINANCE NO. 2011-\_\_\_\_\_

AN ORDINANCE OF THE CITY OF SANTA CRUZ REPEALING CHAPTER 2.14 OF THE SANTA CRUZ MUNICIPAL CODE PERTAINING TO THE INFORMATION TECHNOLOGY DEPARTMENT AND ADDING A NEW CHAPTER 2.14 TO THE SANTA CRUZ MUNICIPAL CODE PERTAINING TO THE ESTABLISHMENT OF THE ADMINISTRATIVE SERVICES DEPARTMENT TO BE COMPRISED OF A HUMAN RESOURCES DIVISION AND AN INFORMATION TECHNOLOGY DIVISION

BE IT ORDAINED By The City Of Santa Cruz As Follows:

Section 1. Chapter 2.14 of the Santa Cruz Municipal Code is hereby repealed.

Section 2. A new Chapter 2.14 is hereby added to the Santa Cruz Municipal Code to read as follows:

“Chapter 2.14  
ADMINISTRATIVE SERVICES DEPARTMENT

Sections:

2.14.010      Established.  
2.14.020      Division services.

2.14.010      ESTABLISHED.

The City of Santa Cruz Administrative Services Department is hereby established. Said department shall be comprised of a Human Resources Division and an Information Technology Division. Said department shall be directed and supervised by the City’s Administrative Services Director.

2.14.020      DIVISION SERVICES.

(1) Human Resources Division. The Human Resources Division shall provide services and programs which assist City departments in developing and maintaining a qualified, effective and diverse workforce, deliver employment-related services to the City’s employees and to job applicants, ensure equal employment opportunity, facilitate employee and labor relations, and perform such other related tasks as may be assigned by the Administrative Services Director.

(2) Information Technology Division. The Information Technology Division shall provide service, planning and support for city-wide data communications and telecommunications, support for business applications and GIS services to all City departments and perform such other related tasks as may be assigned by the Administrative Services Director.

Section 3. This ordinance shall be in force and take effect thirty (30) days after its final adoption.

ORDINANCE NO. 2011-\_\_\_\_\_

PASSED FOR PUBLICATION this 8th day of February, 2011, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_  
Mayor

ATTEST: \_\_\_\_\_  
Interim City Clerk

PASSED FOR FINAL ADOPTION this \_\_\_\_ day of \_\_\_\_\_, 2011, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_  
Mayor

ATTEST: \_\_\_\_\_  
Interim City Clerk

This is to certify that the above and foregoing document is the original of Ordinance No. 2011-\_\_\_\_\_ and that it has been published or posted in accordance with the Charter of the City of Santa Cruz.

\_\_\_\_\_  
Interim City Clerk

RESOLUTION NO. NS-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA CRUZ  
APPOINTING CITY MANAGER TO SERVE AS CITY CLERK

WHEREAS, section 401 of the Charter of the City of Santa Cruz provides that the City shall have the power to exercise any and all rights, powers and privileges granted or prescribed by the laws of the State of California or by the City Charter or by the Constitution of the State of California;

WHEREAS, pursuant to section 606 of the Charter of the City of Santa Cruz, all powers of the City are vested in the City Council subject only to the provisions of the Charter and the Constitution of the State of California;

WHEREAS, pursuant to section 801 of the Charter of the City of Santa Cruz, the City Council, by the affirmative vote of at least four members of the Council, is authorized to appoint a City Manger, a City Clerk and a City Attorney;

WHEREAS, pursuant to section 806 of the Charter of the City of Santa Cruz, in addition to those duties specifically prescribed by section 806, the City Manager shall “perform such other duties as may be prescribed by the Charter or required by the City Council, not inconsistent with this Charter.”

WHEREAS, there is no prohibition in the Charter of the City of Santa Cruz, the Constitution of the of the State of California, or any applicable California statutory or common law which would prohibit the City Manager from simultaneously serving as City Manager and City Clerk for the City of Santa Cruz;

WHEREAS, the City Council hereby finds that, for the reasons articulated in the City Manager’s Staff/Agenda Report accompanying this Resolution, it is in the best interest of the City from both a fiscal and administrative efficiency perspective to consolidate the operations of the City Manager’s Department and City Clerk’s Department and to have those operations supervised and directed by a single individual; and

WHEREAS, the City Council hereby finds and determines that the City Manager is qualified to, and capable of, performing all City Clerk powers and duties prescribed by section 811 of the Charter of the City of Santa Cruz while in addition and simultaneously performing those powers and duties of the City Manager prescribed at section 806 of the Charter of the City of Santa Cruz.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Santa Cruz that the City Manager is hereby appointed to serve as City Clerk for the City of Santa Cruz and is hereby vested with all the power and authority to perform the functions of the City Clerk as prescribed by section 811 of the Charter of the City of Santa Cruz.

RESOLUTION NO. NS.

PASSED AND ADOPTED this 8th day of February, 2011, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_  
Mayor

ATTEST: \_\_\_\_\_  
Interim City Clerk

RESOLUTION NO. NS-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA CRUZ  
AMENDING THE CLASSIFICATION AND COMPENSATION PLANS AND THE FY 2011  
BUDGET PERSONNEL COMPLEMENT – ELIMINATION OF THE INFORMATION  
TECHNOLOGY AND HUMAN RESOURCES DEPARTMENTS AND CREATING A NEW  
DEPARTMENT OF ADMINISTRATIVE SERVICES WITH INFORMATION  
TECHNOLOGY AND HUMAN RESOURCES DIVISIONS; MOVING THE ASSIGNMENT  
OF THE CITY CLERK FUNCTION TO THE CITY MANAGER.

WHEREAS, staff has recommended certain modifications to the Classification and Compensation Plans.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Santa Cruz, as follows:

That, effective February 19, 2011, the City of Santa Cruz Classification and Compensation Plans be modified to:

	<u>Class No.</u>	<u>Activity</u>	<u>Classification Title</u>	<u>Salary</u>
<b><u>Delete</u></b>	804-001	1120	City Clerk (1.0 FTE)	\$7,705/mo-\$10,324/mo
		Position and Classification		
	729-005	1210	Principal Management Analyst (1.0 FTE)	\$6,105/mo - \$8,263/mo.
		Position only		
	816-001	1251	IT Director (1.0 FTE)	\$10,026/mo - \$12,796/mo
		Position and Classification		
	810-001	1230,7821 7820,1233	Director of Human Resources (1.0 FTE)	\$10,747/mo. - \$13,714/mo
		Position and Classification		
	705-001	1230	Assistant Director of Human Resources (1.0 FTE)	\$7,295/mo. - \$9,874/mo.
		Position and Classification		
	739-001	7821	Risk and Safety Manager (1.0 FTE)	\$7,626/mo - \$10,322/mo
		Position and Classification		
	222-001	1230	Human Resources Assistant II (1.0 FTE)	\$2,613/mo - \$3,861/mo
		Position only		



RESOLUTION NO. NS-

	<u>Class No.</u>	<u>Activity</u>	<u>Classification Title</u>	<u>Salary</u>
<b>Delete</b>	107-011	1230,7820	Administrative Assistant	
	Position only	7821,1233	III (1.0 FTE)	\$3,084/mo - \$ 4,557/mo
<b>Add</b>	786-	1120	City Clerk Administrator	
	Position and Classification		(1.0 FTE)	\$6,358/mo-\$8,605/mo
	817-	1230,7821	Administrative Services	
		7820,1233	Director (1.0 FTE)	\$11,517/mo-\$14,698/mo
	Position and Classification			
	787-	1210	Assistant to the City	
	Position and Classification		Manager (1.0 FTE)	\$7,295/mo - \$9,874/mo
	788-	1230	Chief Human Resources	
	Position and Classification		Officer (1.0 FTE)	\$8,180/mo - \$11,071/mo
	789-	1251	Chief Technology	
	Position and Classification		Officer(1.0 FTE)	\$8,180/mo - \$11,071/mo
	730-	1230	Principal HR Analyst	\$6,105/mo - \$8,263/mo
	Position only		(1.0 FTE)	
	169-	1230	Human Resources	
	Position only		Technician (1.0 FTE)	\$3,178/mo - \$4,696/mo
	106-	1230	Administrative	
	Position only		Assistant II (.80 FTE)	\$2,613/mo - \$3,861/mo

PASSED AND ADOPTED this 8<sup>d</sup> day of February, 2011, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_  
Mayor

ATTEST: \_\_\_\_\_  
Interim City Clerk



**CITY OF SANTA CRUZ  
CITY CLERK ADMINISTRATOR**

**Reports to: Assistant City Manager**

**Supervises: Responsibility for clerical personnel assigned as staff**

**Bargaining Unit: Mid-Management Association**

**BASIC FUNCTION**

Under administrative direction and subject to general policy determination, manages and coordinates official City documents and records including legislative actions of the City Council and Redevelopment Agency, and the administration of activities and personnel in the City Clerk's Office and performs related work as required by the City Manager and City Council.

**DISTINGUISHING CHARACTERISTICS**

The City Clerk Administrator is a division manager classification responsible for the supervision and accountability for the day-to-day operations of the City Clerk's Office. This classification is distinguished from the lower classification of Records Coordinator in that the latter classification provides technical and clerical support in the development, coordination and maintenance of the City-wide records management program. The City Clerk Administrator has more specialized knowledge of municipal records, elections, and public notice requirements and exercises greater judgment in the interpretation of codes and standards than the employees who are supervised. Work is performed in accordance with the policies and procedures established by the Assistant City Manager.

**TYPICAL DUTIES**

- Responsible for maintaining official City documents and records including resolutions, ordinances, minutes of meetings, contracts and agreements.
- Responsible for the orderly retention, safeguarding, microfilming, and disposition of official records.
- Attends City Council meetings and supervises the recording of action taken.
- Coordinates with the Mayor and Assistant City Manager in the preparation of agendas and support material for City Council meetings.
- Oversees the fulfillment of State and Federal legal filing requirements as relevant to City elected or appointed officials and designated City staff.
- Responsible for organizing and conducting municipal elections.
- Responsible for the supervision, evaluation and effective utilization of assigned staff.
- Responsible for development and administration of the division budget.
- Responsible for the administration of oaths.
- Responds to inquiries and public information requests from the media and public and other City departments.

- Oversees the City's Records Management System, including the organization and coordinating the archiving of public files citywide.
- Officiates at bid openings and directs the preparation of contracts and agreements.
- Directs the official publication of notices, bids and ordinances.
- Prepares research projects and data for the Assistant City Manager, City Council, staff members and other governmental agencies.
- Directs the preparation and dissemination of information relative to City Council action to the appropriate parties.
- Oversees the procedural elements of City Advisory Bodies, including appointments, recruitments, legal notices, rosters, processing of applications and administration of the Oath of Office for new members.
- Establishes and maintains effective working relationships with the City Council, staff, other governmental agencies and the citizens of the community.
- Custodian of the City Seal.

### **WORKING CONDITIONS**

Position requires prolonged sitting, standing, walking, reaching, twisting, turning, kneeling, bending, squatting and stooping in the performance of daily activities. The position also requires grasping, repetitive hand movement and fine coordination in using a computer keyboard. Additionally, the position requires far and near vision when reading and using a computer. Acute hearing is required when providing phone and personal service. The need to lift, drag and push files, paper and documents weighing up to 25 pounds is also required. Some of these requirements may be accommodated for otherwise qualified individuals requiring and requesting such accommodations.

### **MINIMUM QUALIFICATIONS**

#### **Knowledge:**

- Provisions of the State Government Code, State Elections Code, Ralph M. Brown Act, Political Reform Act and Parliamentary Procedure and other policies and procedures governing the actions of an elected City Council.
- City Municipal Code, ordinances and operations and requirements governing the general function of a municipal government.
- Contract administration practices.
- Principles of City budgeting and administrative procedures.
- Records management and systems analysis, development and implementation.
- Filing and records systems management.

#### **Skills:**

- Business English, usage, vocabulary, punctuation and spelling.
- Typing and dictation.
- Office management methods and procedures.
- Basic computer applications used for word-processing and data management.

**Abilities:**

- Communicate effectively both orally and in writing.
- Prepare clear and concise written reports and correspondence.
- Plan, organize, manage, direct and evaluate the work of assigned staff.
- Organize, plan and schedule work to meet deadlines.
- Establish and maintain effective working relationships with the City Council staff, other governmental agencies and the general public.
- Initiate and implement innovative office procedures and practices.

**EDUCATION AND EXPERIENCE**

Any combination of education and experience that provides the above knowledge, skills and abilities combined with any required licenses is qualifying. A typical way to obtain the required qualifications is to possess the equivalent of the following:

- High school graduation or tested equivalent and
- AA degree in business, public administration, or closely related field. (Equivalent training and experience in a responsible clerical position in a governmental agency may be substituted for the degree requirement on a year for year basis)and,
- Four years of experience in a responsible clerical position with at least two years involving office management and supervision in a governmental agency.

**LICENSES/CERTIFICATES**

- Possession at the time of hire and continued maintenance of a valid California driver’s license and a safe driving record.
- Possession of, or ability to obtain, a Certified Municipal Clerk designation within 2 years.

**DESIREABLE QUALIFICATIONS**

- Possession of a Certified Municipal Clerk designation

Classification No.:

Date of Issue: 1/11

Supersedes:

**Career Ladder**

Deputy City Clerk

*City Clerk Administrator*

Records Coordinator

AAII



**CITY OF SANTA CRUZ  
ADMINISTRATIVE SERVICES DIRECTOR**

**Reports to:** City Manager  
**Supervises:** Chief Human Resources Officer, Chief Technology Officer  
**Bargaining Unit:** Executive (unrepresented)

**BASIC FUNCTION**

Under general direction and exercising considerable independent judgment, plans, directs, and evaluates the activities of the Administrative Services Department and is responsible for short and long-term human resources and information technology strategies, goals, and objectives. As an executive, this position is primarily responsible for budgeting, strategic and tactical planning, business process re-engineering, and service delivery strategies for the City's information technology and human resources functions. This position provides leadership, project management, and direct and indirect supervision for department staff.

**TYPICAL DUTIES** *(May include, but are not limited to, the following):*

- Directs and coordinates the operations of the Administrative Services Department which consists of the following major divisions: information technology and human resources.
- Connects the department's activities to the City's strategic plans and initiatives.
- Serves as the City's Chief Negotiator; advises the City Manager and City Council on matters involving employee and labor relations. Coordinates and provides leadership in labor negotiations.
- Develops and administers the City's current and future administrative services needs, establishes city-wide priorities, develops recommendations, and submits budget and policy change proposals via appropriate review and approval processes.
- Develops and administers the Administrative Services Department budget and reviews and approves city-wide budget requests for information technology purchases and human resources allocations.
- Plans, organizes, administers, reviews, and evaluates the work of professional, support, and operational staff through subordinate levels of management and supervision in the planning, implementation, and support of city-wide information technology and human resources services.

- Conducts general administration of the department in accordance with adopted policies and procedures including employee selection, training, and development; resolves difficult personnel problems and grievances; takes disciplinary action when necessary.
- Directs the formulation and implementation of long range plans for administrative services and establishes standards, policies, and procedures for city-wide information technology and human resources initiatives; establishes policies and programs for city-wide training.
- Identifies user needs, internal and external, and implements effective strategies to work across all levels of the City organization to address information technology and human resources needs; evaluates initiatives for their effectiveness in meeting these needs.
- Administers and directs activities of the Administrative Services Department including city-wide end user support, network and process administration, and continuous improvement of service delivery.
- Prepares and evaluates bid proposals, specifications, and contracts; monitors vendors to ensure compliance with contractual obligations.
- Represents the City of Santa Cruz in coordination with the County and other regional agencies to coordinate information technology and human resources efforts.
- Establishes and maintains effective public relations with citizens, official boards and agencies, and the media including access and promotion of the City's information technology and human resources initiatives.
- Develops and presents recommendations to appropriate audiences on innovative information technologies and human resources strategies.
- Other duties as assigned.

#### **PRINCIPAL ACCOUNTABILITIES**

- Accountable to the City Manager for the efficiency and effectiveness of the Administrative Services Department and the quality of services under his/her direction.
- Provides technical assistance, guidance and consultation to the City Manager, City Council, City executives, boards, commissions, and committees in matters relating to information technology and human resources.
- Assists in the general administration of the City as a member of the executive team by providing input into the problem solving and decision making process.
- Provides significant input to long range plans for information technology services and human resources strategies for the City of Santa Cruz.
- Keeps abreast of current trends and developments in information technology and public sector human resources and labor relations and as they relate to City needs and objectives.
- Ensures community members have an effective interface with the City in matters pertaining to information technology and human resources.

- Ensures the Administrative Services Department has adequate resources to fulfill its mission through proper budgeting, efficient planning, and effective employee selection, training, and development.
- Creates and maintains a high level of confidence in the handling of information technology and human resources issues and initiatives.

### **WORKING CONDITIONS:**

Position requires prolonged sitting, standing, walking, reaching, twisting, turning, kneeling, bending, squatting and stooping in the performance of daily activities. The position also requires grasping, repetitive hand movement and fine coordination in using a computer keyboard. Additionally, the position requires near and far vision in reading written reports and work related documents. Acute hearing is required when providing phone and personal service. The need to lift, drag and push files, paper and documents weighing up to 25 pounds also is required.

Some of these requirements may be accommodated for otherwise qualified individuals requiring and requesting such accommodations.

### **MINIMUM QUALIFICATIONS**

Thorough knowledge of:

- Management principles and practices, including budgeting and supervision, personnel administration, performance management, training, development, and motivation.
- Administrative expertise including: goal setting; program and budget development, implementation, control, and continuous improvement; and project management.
- Principles and practices of public administration, management, and organizational theories.
- Principles and practices of leadership, team building and conflict resolution.

Working knowledge of:

- Uses, capabilities, characteristics, and limitations of computer systems and related equipment; document storage, indexing, retention and policies.
- Telecommunications systems and the interrelationship of these systems with other computer equipment.
- Human resources services and processes including, but not limited to, recruitment, compensation, classification, benefit administration, and training.

**Abilities:**

- Think critically and present attractive and realistic alternatives that result in organizational progress and betterment, both within the department and city-wide.

City of Santa Cruz  
Administrative Services Director

- Work independently and make sound judgments; establish and maintain effective working relationships.
- Manage a large and diverse staff with high profile responsibilities in a customer centric organization.
- Prepare written procedures and policies; analyze requirements and needs; provide advice and consultation to ensure efficient outcomes.
- Analyze data and information to develop logical solutions to problems; monitor outcomes and recommend appropriate improvements to processes and procedures.
- Plan, budget, and manage complex projects.
- Negotiate, implement, and manage contracts.
- Exceptional problem solving and one who embraces challenges with creativity and enthusiasm.
- Strategize, collaborate, and build consensus.
- Driven by a desire for action and results.
- Excellent communication skills, orally and in writing, including communicating technical information in non-technical terms and presenting information to committees, staff, City Council, and others in both formats.
- Commitment to superior customer service standards.
- Strong team philosophy; not constrained by organizational structure or traditional roles.
- Understand emerging information technologies and human resources initiatives and their potential for City services.
- Respond to difficult or sensitive complaints and requests for information from labor organizations, public, news media, and City staff.

**EDUCATION AND EXPERIENCE:**

Any combination of education and experience that provides the required knowledge and abilities shown above may be qualifying. A typical way of obtaining the required qualifications is to possess the equivalent of the following:

- A Bachelor's Degree in Business Administration, Public Administration, Management, Business Management, or a closely related field and
- Five (5) years of increasingly responsible management level experience in information technology and/or human resources. At least two (2) years of this experience must be in a position including responsibility for departmental management, administrative control, and supervision.

**LICENSES:**

Possession and continued maintenance of a valid California driver's license and a safe driving record or ability to provide suitable transportation, subject to approval by the appointing authority.



City of Santa Cruz  
Administrative Services Director

Classification No.  
Date of Issue: 2/11  
Supercedes: New

**Career Path**

*Administrative Services Director*

Chief Human Resources Officer or Chief Information Technology Officer

Principal HR Analyst or IT Coordinator or IT Manager

HR Analyst I/II or Network Administrator

HR Technician or Programmer Analyst II

HR Assistant or IT Specialist II or III



## CITY OF SANTA CRUZ CHIEF HUMAN RESOURCES OFFICER

**Reports To:** Administrative Services Director  
**Supervises:** Principal Human Resources Analysts, Human Resources Analysts  
**Bargaining Unit:** Mid-Management Association

### **BASIC FUNCTION:**

Under administrative direction and exercising independent judgment, acts as the chief operating officer for the City's human resources function. Develops plans and sets goals and objectives to achieve City and departmental missions and optimize the delivery of human resources services. Participates as a member of the department's management team in policy development, administrative planning, coordination of work, and addressing departmental issues and is responsible for implementing management team initiatives within the human resources function. Provides senior management level assistance to the Administrative Services Director; provides leadership and supervision of human resources functions including, but not limited to: equal employment opportunity (EEO); employee/labor relations; recruitment, classification and compensation; employee benefits; workers' compensation and safety; and city-wide employee training. May act as the Administrative Services Director in his/her absence.

### **DISTINGUISHING CHARACTERISTICS:**

The **Chief Human Resources Officer** is a senior management level classification responsible for the supervision and management of the City's human resources function. This classification is distinguished from the next lower classification of Principal Human Resources Analyst as the latter has responsibility as division head in the administration of one or more of the City's human resources services. This classification is distinguished from the next higher classification of Administrative Services Director in that the latter has overall responsibility for the human resources and information technology functions of the City.

### **TYPICAL DUTIES** *(may include but are not limited to those duties listed below):*

- Manages the day-to-day performance and delivery of human resources related activities and services which may include, but are not limited to: employee and labor relations; equal employment opportunity (EEO); employee benefits administration; recruitment and selection; classification and compensation; city-wide employee training; worker's compensation administration; safety program administration and records retention.
- Provides direct administrative and analytical support to the Director; coordinates activities with other City officials, departments, outside agencies and organizations; serves as a technical resource for the City Council, City Manager, City managers and staff.
- Evaluates staffing arrangements, staffing levels, and work assignments for the human resources function. Creates a strategic, effective, and productive work environment through the efficient use of human resources assets and personnel.
- Enhances service levels and responsiveness to users through effective communications, collaborative work relationships, and stable and reliable human resources processes.
- Prepares, manages, and monitors the human resources function budget; estimates costs and fiscal impacts of new requirements and programs.

**City of Santa Cruz**  
**Chief Human Resources Officer**

- Works closely with Administrative Services Director, City Manager, City executive team, department management team, other public agencies, employee groups and their representatives, and the general public to establish goals and policies consistent with the City's and department's goals, initiatives, and service levels.
- Plans, establishes, and maintains systems and business controls to support effective, efficient, and continuously improving city-wide human resources programs and services.
- Plans, organizes, directs, and gives overall policy guidance and review to the continuing work and special projects of the human resources function; makes determinations and decisions in significant cases to ensure city-wide equity.
- Directs the implementation of the City's labor relations program and maintains a productive relationship with the City's organized employee organizations working collaboratively to resolve employee issues and concerns.
- Researches, develops, interprets and administers human resources policies and procedures; interprets memoranda of understanding; stays current on local, state and federal legislation affecting public sector labor law; helps oversee and provides counsel and assistance regarding employee relations and organizational matters, including performance management, grievance investigations, negotiation preparation, workers' compensation issues, organizational structures, and classification and compensation plans.
- Plans and coordinates major research or administrative projects; compiles and analyzes data pertaining to human resources program policies and issues; initiates special studies for meet and confer purposes; coordinates cost analysis on negotiation proposals; drafts contract language; administers labor agreements; represents the City in labor relations issues.
- Serves as a technical resource and provides staff assistance and counsel to the City Council and all City staff; acts as a liaison to committees and commissions; coordinates pertinent information, resources and work teams necessary to accomplish goals; drafts proposed resolutions and ordinances; prepares correspondence, reports and recommendations for the City Council.
- Selects, supervises, and evaluates the work of consultants and integrates consultant's work into the City's human resources function; writes bid specifications for consultant services; reviews bids and makes decisions and recommendations.
- Responds to questions and concerns from the general public; provides information appropriately; responds to and resolves sensitive and complex community and organizational inquiries, issues and complaints; may initiate and/or conduct investigations relative to complaints of discrimination or harassment.
- Establishes and maintains a customer service orientation within the department.
- Oversees the maintenance of records and human resources files.
- Coordinate, develop and conduct training programs for assigned staff.
- Attends and participates in professional and community meetings; stays current on issues relative to human resources.
- May perform other duties as assigned.

**WORKING CONDITIONS:**

Position requires prolonged sitting, standing, walking, reaching, twisting, turning, kneeling, bending, squatting and stooping in the performance of daily activities. The position also requires grasping, repetitive hand movement and fine coordination in using a computer keyboard. Additionally, the position requires near and far vision in reading written reports and work related documents. Acute hearing is required when providing phone and personal service. The need to lift, drag and push files, paper and documents weighing up to 25 pounds also is required.

Some of these requirements may be accommodated for otherwise qualified individuals requiring and requesting such accommodations.

**MINIMUM QUALIFICATIONS**

Thorough knowledge of:

- Management principles and practices, including budgeting and supervision, personnel administration, performance management, training, development, and motivation.
- Administrative principles and methods including: goal setting; program and budget development, implementation, control, and continuous improvement; and project management.
- Principles and practices of public administration, management, and organizational theories.
- Principles and practices of leadership, team building and conflict resolution.

Working knowledge of:

- Principles, practices and techniques of public and human resources administration, organization, and operation.
- Applicable federal, state and local laws codes and regulations, including public sector labor laws and equal employment opportunity laws, regulations and concepts.
- Principles and practices of employer-employee relations.
- Principles of salary, benefit, and workers' compensation administration.
- Principles of recruitment and selection techniques and procedures, including statistical analysis.
- Methods and techniques related to conducting classification and compensation studies.
- Principles of City budgeting and administrative procedures.
- Principles, practices, and techniques of continuous improvement.

**Abilities:**

- Effectively manage assigned programs and functions.
- Plan, organize, manage, direct and evaluate the work of assigned staff.
- Supervise and participate in the establishment of department and city-wide goals, objectives and methods for evaluating achievement and performance levels.
- Implement, explain and apply applicable laws, codes and regulations.
- Identify, research, and compile appropriate data and information.

**City of Santa Cruz  
Chief Human Resources Officer**

- Accurately analyze, interpret and evaluate complex administrative and technical issues and data and make appropriate recommendations for action.
- Make adjustments to standard operating procedures to improve effectiveness and comply with regulatory changes as appropriate.
- Act as a mediator in resolving employee relations problems.
- Facilitate group participation and consensus building.
- Communicate clearly and concisely, both orally and in writing.
- Prepare clear and concise written reports and correspondence.
- Make oral presentations to clearly convey information and concepts.
- Work independently and as a part of a team.
- Establish and maintain effective working relationships.
- Ensure safe work practices.

**EDUCATION AND/OR EXPERIENCE:**

Any combination of education and experience that provides the above knowledge and abilities is qualifying. A typical way to obtain the required qualifications is to possess the equivalent of the following:

- Bachelor's degree in human resources, management, business or public administration or closely related field and
- Four years of increasingly responsible experience in human resources, including one year of supervisory experience

**LICENSE/CERTIFICATES:**

- Possession of a valid California Class C driver's license and a safe driving record, or the ability to provide alternate transportation which is approved by the appointing authority.

**DESIRABLE QUALIFICATIONS:**

- Possession of, or ability to obtain, both a Personnel Management certificate issued by a university or a professional human resources organization and a California Public Employers Labor Relations Association certificate in Labor Relations.

Classification No.:

Date of Issue: 2/11

Supersedes: New- (Reclassification from Asst. Director of Human Resources)

**Career Ladder**

Administrative Services Director

*Chief Human Resources Officer*

Principal HR Analyst

HR Analyst I/II

HR Technician

HR Assistant



**CITY OF SANTA CRUZ  
CHIEF INFORMATION TECHNOLOGY OFFICER**

**Reports To:** Administrative Services Director  
**Supervises:** Information Technology Managers, Information Technology Coordinators  
**Bargaining Unit:** Mid-Management Association

**BASIC FUNCTION:**

Under administrative direction and exercising independent judgment, acts as the chief operating officer for the City's information technology function. Develops plans and sets goals and objectives to achieve City and departmental missions and optimize the delivery of information technology services. Participates as a member of the department's management team in policy development, administrative planning, coordination of work, and addressing departmental issues and is responsible for implementing management team initiatives within the information technology function. Provides senior management level assistance to the Administrative Services Director; provides leadership and supervision of information technology functions including, but not limited to: network management and administration; data base and systems management and administration; customer service and user support; project management and training coordination; and GIS coordination. May act as the Administrative Services Director in his/her absence.

**DISTINGUISHING CHARACTERISTICS:**

The **Chief Information Technology Officer** is a senior management level classification responsible for the supervision and management of the City's information technology function. This classification is distinguished from the next lower classification of IT Manager (Network, Operations/Customer Service and Systems/Database) in that the latter has responsibility as a division head in the administration of one or more IT services. This classification is distinguished from the next higher classification of Administrative Services Director in that the latter has overall responsibility for the human resources and information technology functions of the City.

**TYPICAL DUTIES** *(may include but are not limited to those duties listed below):*

- Manages the day-to-day performance and delivery of information technology related activities and services which may include, but are not limited to, network management and administration; data base and systems management and administration; customer service and user support; project management and training coordination; and GIS coordination.
- Provides direct administrative and analytical support to the Director; coordinates activities with other City officials, departments, outside agencies and organizations; serves as a technical resource for the City Council, City Manager, City managers and staff.
- Evaluates staffing arrangements, staffing levels, and work assignments for the information technology function. Creates a strategic, effective, and productive work environment through the efficient use of information technology resources and personnel.
- Enhances service levels and responsiveness to users through effective communications, collaborative work relationships, and a stable and reliable computing environment.
- Prepares, manages, and monitors the information technology function budget; estimates costs and fiscal impacts of new technology and applications.

**City of Santa Cruz**  
**Chief Information Technology Officer**

- Works closely with Administrative Services Director, City Manager, City executive team, department management team, other public agencies, employee groups and their representatives, and the general public to establish goals and policies consistent with the City's and department's goals, initiatives, and service levels.
- Plans, establishes, and maintains systems and business controls to support effective, efficient, and continuously improving city-wide information technology systems and services.
- Plans, organizes, directs, and gives overall policy guidance and review to the continuing work and special projects of the information technology function; makes determinations and decisions in significant issues to promote city-wide compatibility of systems and processes.
- Directs the implementation of the City's information technology master plan and maintains productive relationships, working collaboratively to resolve internal and external user issues and concerns.
- Manages and schedules work projects and planned completion dates.
- Designs and develops requirements for systems and applications; confers with users concerning application technologies and systems to meet City business objectives; performs and/or directs systems design work, operations and maintenance, program development, integrations testing, deployment, training, and documentation.
- Establishes controls on data and technology use policies; analyzes procedures and recommends improvements.
- Selects, supervises, and evaluates the work of consultants and integrates consultant's work into the City's information technology function; writes bid specifications for new equipment; reviews bids and makes decisions and recommendations.
- Plans and coordinates major research or administrative projects.
- Serves as a technical resource and provides staff assistance and counsel to the City Council and all City staff; acts as a liaison to committees and commissions; coordinates pertinent information, resources and work teams necessary to accomplish goals; drafts proposed resolutions and ordinances; prepares correspondence, reports and recommendations for the City Council.
- Oversees the maintenance of information technology records and files.
- Responds to questions and concerns from the general public; provides information appropriately; responds to and resolves sensitive and complex community and organizational inquiries, issues and complaints; establishes and maintains a customer service orientation within the department; may initiate and/or conduct investigations relative to complaints of misconduct.
- Coordinates, develops and conducts training programs for assigned staff.
- Attends and participates in professional and community meetings; stays current on issues relative to information technology.
- May perform other duties as assigned.

**WORKING CONDITIONS:**

Position requires prolonged sitting, standing, walking, reaching, twisting, turning, kneeling, bending, squatting and stooping in the performance of daily activities. The position also requires grasping, repetitive hand movement and fine coordination in using a computer keyboard. Additionally, the position requires near and far vision in reading written reports and work related documents. Acute hearing is required when providing phone and personal service. The need to lift, drag and push files, paper and documents weighing up to 25 pounds also is required.

Some of these requirements may be accommodated for otherwise qualified individuals requiring and requesting such accommodations.

**MINIMUM QUALIFICATIONS:**

Thorough Knowledge of:

- Management principles and practices, including budgeting and supervision, personnel administration, performance management, training, development, and motivation.
- Administrative principles and methods including: goal setting; program and budget development, implementation, control, and continuous improvement; and project management.
- Principles and practices of public administration, management, and organizational theories.
- Principles and practices of leadership, team building and conflict resolution.

Working knowledge of:

- Principles and practices of delivery of information technology services including network management, e-mail administration, desktop support, application support, server maintenance and operation, web site development and support, and vendor management.
- Principles and practices of e-government and information technology trends including network systems, database administration, operating systems, software, hardware, and telecommunication systems.
- Principles and practices of web-based technology and services.
- Principles and practices of troubleshooting techniques used in resolving information technology problems.
- Principles and practices of technology security.
- Applicable federal, state and local laws codes and regulations, including public sector information accessibility laws, regulations, and concepts.
- Principles of City budgeting and administrative procedures.
- Principles, practices, and techniques of continuous improvement.

**Abilities:**

- Effectively manage assigned programs and functions.
- Plan, organize, manage, direct and evaluate the work of assigned staff.
- Supervise and participate in the establishment of department and city-wide goals, objectives and methods for evaluating achievement and performance levels.
- Implement, explain and apply applicable laws, codes and regulations.
- Identify, research, and compile appropriate data and information.



**City of Santa Cruz  
Chief Information Technology Officer**

- Accurately analyze, interpret and evaluate complex administrative and technical issues and data and make appropriate recommendations for action.
- Make adjustments to standard operating procedures to improve effectiveness and comply with regulatory changes as appropriate.
- Act as a mediator in resolving employee relations problems.
- Facilitate group participation and consensus building.
- Communicate clearly and concisely, both orally and in writing; prepare clear and concise written reports and correspondence; make oral presentations to clearly convey information and concepts.
- Work independently and as a part of a team.
- Establish and maintain effective working relationships.
- Ensure safe work practices.

**EDUCATION AND/OR EXPERIENCE:**

Any combination of education and experience that provides the above knowledge and abilities is qualifying. A typical way to obtain the required qualifications is to possess the equivalent of the following:

- Bachelor's degree in information systems, management, business or public administration or closely related field and
- Four years of increasingly responsible experience in information technology, including one year of supervisory experience.

**LICENSE/CERTIFICATES:**

- Possession of a valid California Class C driver's license and a safe driving record, or the ability to provide alternate transportation which is approved by the appointing authority.

**DESIRABLE QUALIFICATIONS:**

- Possession of, or ability to obtain, both a Certified Systems Engineer (CSE) and Data Base Administrator (DBA) from Microsoft.

Classification No.:

Date of Issue: 2/11

Supercedes: New

Career Ladder

Administrative Services Director

*Chief Information Technology Officer*

IT Manager (Network, DBA/Systems, Operations/Customer Service)

IT Project Management -Training Coordinator/Telecommunications Manager/GIS Coordinator

Network Administrator

Programmer Analyst II

IT Specialist III

IT Specialist II



**CITY OF SANTA CRUZ  
ASSISTANT TO THE CITY MANAGER**

**Reports to:** City Manager  
**Supervises:** May supervise administrative or clerical staff  
**Bargaining Unit:** Mid-Management Association

**BASIC FUNCTION:**

Under general direction of the City Manager and Assistant City Manager, performs a variety of complex policy, project and program analysis and management; provides primary analytical support for the Mayor and City Council; coordinates internal and external communications; assists in the management the City Manager's Office initiatives; and participates in the development, implementation and administration of citywide policies, procedures and programs.

**TYPICAL DUTIES:** (May include, but are not limited to, those duties listed below).

- Conducts complex and sensitive administrative, operational and management analyses, studies and research projects utilizing statistical, financial and/or organizational data on specialized topics such as citywide and emerging local government issues and ultimately translating this work into viable recommendations to the City Manager or City Council.
- Assists in the innovation, implementation and monitoring of goals, objectives, policies, priorities and procedures for continued organizational excellence.
- Provides analytical support for high-level City Council requests.
- Provides staff support to City Council subcommittees and City Council advisory bodies.
- Represents the City in the community and at professional meetings, as required.
- Assists in the coordination of activities in the City Manager's Office, with City departments and with external agencies.
- Prepares reports and special documents and makes presentations to the City Council.
- Coordinates the dissemination of information for the public and City employees, prepares and circulates information directly to the public and City staff such as press releases, newsletters, reports, statistics and other special municipal reports and internal employee publications, including use of the City's website. May serve as an on-the-record media contact.
- Evaluates and manages the City's engagement with new, evolving forms of media.
- Participates in developing and monitoring the City's strategic plans and integration with the annual budget preparation process.
- Tracks State and Federal legislation, assists in the evaluation of proposed legislation to determine the potential impact to the City, prepares letters, statements and other lobbying efforts on behalf of the City.

- Assists the City Council in its intergovernmental relations and acts as liaison with other governmental jurisdictions, as needed.
- Provides formal and functional supervision to subordinate staff members, as assigned.
- Manages specific programs/projects.
- Performs other related duties as assigned.

**MINIMUM QUALIFICATIONS:**

**Knowledge:**

- Principles and practices of public administration.
- City government structure and processes and the functions of the City Manager's Office.
- Principles and practices of communications and public information dissemination.
- Principles and practices of supervision, training and performance evaluation.
- Principles and practices of budget/fiscal and operations analysis.
- Principles and Practices of State and Federal legislative processes.
- Modern office procedures including computer equipment and software: basic word processing, spreadsheets and data management.
- Emerging new media and other avenues for internal/external communication.

**Abilities:**

- Provide high-level assistance to the City Manager and City Council in the management and administration of City services.
- Independently manage an assigned project through its full cycle: research, interpret and analyze appropriate information and data; translate into sound recommendations with deference to overarching budgetary, legal, management and organizational considerations; and, present the recommendations accurately in oral and written forms.
- Communicate strategically and effectively and produce lucid, concise documents.
- Independently manage and prioritize workload, demands and time.
- Use initiative and judgment within established guidelines.
- Maintain effective working relationships and represent the City professionally.
- Develop and implement effective City organizational policies and procedures.
- Train, supervise and evaluate staff.
- Manage complex projects and programs.
- Communicate with excellence and effectiveness, orally and in writing.
- Perform responsible and difficult professional analytical and administrative duties involving the use of independent judgment and personal initiative.
- Employ creativity and innovation in addressing current and forecasted challenges.
- Make oral presentations at large and small, formal and informal meetings.
- Effectively utilize computers and emerging technologies.
- Perform basic statistical analysis and prepare generally accessible summary documents.

**EDUCATION AND EXPERIENCE**

Any combination of education and experience that provides the above knowledge, skills and abilities combined with any required licenses is qualifying. A typical way to obtain the required qualifications is to possess the equivalent of the following:

- Bachelor's degree from an accredited college or university in business, public administration, public policy or a related field and,
- Five years of responsible management experience with some lead responsibility.

**LICENSES/CERTIFICATES**

Possession of a valid California driver's license at date of hire and a safe driving record; or ability to provide suitable transportation which is approved by the appointing authority.

Classification No.:  
Date of Issue: 1/11  
Supersedes: NEW

**Career Ladder**

*Assistant to the City Manager*  
Principal Management Analyst  
Management Analyst



JOINT CITY COUNCIL/  
REDEVELOPMENT AGENCY  
AGENDA REPORT

DATE: 2/2/11

AGENDA OF: 2/8/11

DEPARTMENT: Economic Development

SUBJECT: Agency Projects and Infrastructure Improvements – City/Agency  
Cooperation Agreement. (ED)

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RECOMMENDATION: City Council resolution authorizing the City Manager to execute a Cooperation Agreement with the Redevelopment Agency, subject to the review and approval of the City Attorney, and make certain findings related thereto, through which the Agency will fund and implement certain projects, infrastructure improvements and affordable housing (including program delivery costs).

Redevelopment Agency resolution authorizing the Executive Director to execute a Cooperation Agreement with the City, subject to the review and approval of the Agency Attorney, and make certain findings related thereto, through which the Agency will fund and implement certain projects, infrastructure improvements and affordable housing (including program delivery costs).

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BACKGROUND: Each year the Redevelopment Agency (Agency) adopts its annual budget which sets forth various projects, programs and infrastructure improvements that the Agency and City will undertake through cooperation and reimbursement agreements. In past years these agreements were adopted as part of the annual budget process, more recently these agreements have been adopted on a project by project basis.

On January 10, 2011 the Governor issued a new State budget proposal which included the elimination of redevelopment agencies statewide by July 1, 2011 and the repurposing of all unencumbered non-housing tax increment funds and all future tax increment funds to the State or other taxing entities. Under the current budget proposal, tax increment funding required to retire existing redevelopment agency debt including contractual obligations would be exempted.

The Agency's ability to complete the majority of current projects and improvements under the Governor's proposed State budget is severely limited as many of the projects and improvements have not been contractually obligated beyond approval in the annual budget, CIP budget or the Agency's Five-Year Implementation Plan. Additionally, no funding for program delivery costs beyond the current fiscal year has been contractually obligated to complete existing projects and improvements underway. It is likely that completion of existing projects and public improvements will be threatened beyond June 30, 2011. Projects include several large construction projects currently being built largely funded through state and federal funding sources including the Monterey Bay National Marine Sanctuary Exploration Center (funded through federal grants) and Phase II of the Tannery Arts Center (funded largely through federal stimulus funding from the

Economic Development Administration). As a result, many projects leveraged with multiple funding sources that include funding from the Agency will be threatened unless the Agency enters into contractual obligations for the completion of the projects.

DISCUSSION: Given the current State budget proposal it now appears appropriate to return to the past practice of adopting a master Cooperation Agreement in order to protect funded and committed projects. The proposed Cooperation Agreement would serve as a contractual obligation between the Agency and the City by which the Agency implements existing projects, programs, infrastructure improvements and affordable housing development identified in the Agency's FY 2011 budget, three-year Capital Improvement Program (CIP) and in the Agency's adopted Five-Year Implementation Plan. The identified projects are consistent with the Agency's Redevelopment Plans and are included in the adopted Five-Year Implementation Plan for the Agency. The projects and improvements included in the proposed Cooperation Agreement have been identified in past years by the City, Agency and through public meetings and hearings for adoption of the annual budget, CIP budget and the recent Agency Five-Year Implementation Plan.

The projects in the proposed Cooperation Agreement will accelerate the economic recovery of the City, promote public safety and enhanced transportation alternatives while creating locally-based quality jobs and affordable housing. By entering into the Cooperation Agreement, the Agency will pledge the unencumbered resources in the current FY2011 Budget, and the Net Tax Increment (defined as gross tax increment, less County Administrative Fees, statutory pass throughs, school pass-throughs and debt service) from FY 2012 through FY 2016 to implement existing projects and improvements currently planned or underway along the original time schedule for completion.

The specific list of projects to be included in the proposed Cooperation Agreement is attached as an exhibit to the agreement, but fall into the general categories as outlined below:

**Merged Project Area–**

Infrastructure: Highway One/Nine Improvements, Riverside Avenue Improvements, Wharf Structural Improvements, Pacific Avenue Beach Area Streetscape, Refuse Collection Improvements, Signage Improvements, Ocean Street Corridor Improvements, Lower Pacific Avenue Improvements, Pacific Station (Metro Center) Improvements

Projects/Programs: Monterey Bay National Marine Sanctuary Exploration Center, Tannery Digital Media and Creative Arts Center, Downtown Alley, Public Art, Graffiti Abatement, Downtown Management/Service Officer, Façade Improvement Program, Shared Parking Improvements, Grow Santa Cruz Loan Program, Downtown Safety Enhancements, Project for Innovation and Entrepreneurship, Beach Area Motel Façade Improvement Program, Lower Pacific Parking Study

**Eastside Project Area –**

Infrastructure: Streetscape Improvements, Stormwater Improvements, Signage Improvements, Public Parking

Projects/Programs: Façade Improvement and Mural Programs, Street Tree Program, Grow Santa Cruz Loan Program, Graffiti Abatement, Shared Parking Improvements

**Affordable Housing** (Project Area-wide/City-wide) –

Projects/Programs: Lindberg Street Affordable Housing, Pacific Station (Metro Center) Affordable Housing, Mercy Housing Senior Affordable Housing, Rental/Security Deposit Program, Emergency/Rent Assistance Program

In order to complete all of the planned and committed projects identified above, the Agency will need to commit approximately \$31,312,541 of existing and future available tax increment through FY 2016. In addition to the projects identified above, staff recommends that the Agency consider committing additional funds in the amount of \$20,143,000 along with an additional \$2.014 million in project delivery costs to the following projects and improvements identified below, some of which have undergone considerable initial investment and planning that may not be completed without Agency assistance:

- 1) State Route 1/9 Intersection Improvements: Up to \$1.5 million to contribute to the CIP budget for the completion of improvements at this intersection to close the remaining gap. Traffic Impact Fees and potential Prop 1B funding have also been committed to this project;
- 2) Branciforte Creek Bike/Pedestrian Bridge: Up to \$400,000 to contribute to the CIP budget, which is also funded with City Traffic Impact Fees, for the completion of the design and engineering of the bridge and an extension of the pathway under the Soquel Bridge to connect San Lorenzo Park and levee trails;
- 3) River Street South Intersection Study: Up to \$500,000 to contribute to the CIP budget to complete the study and initial design and engineering for traffic improvements including a possible roundabout or traffic light;
- 4) Citywide Sign Program, Phase II: Up to \$1,453,000 for design, fabrication and installation of gateway signs, traffic and pedestrian signs, maps and kiosks. Phase I of this project has been completed. Completion of this project is identified in the Agency's Five-Year Implementation Plan and recommended in the Ocean Street Corridor Study;
- 5) Tannery Digital Media and Creative Arts Center: Up to \$450,000 for completion of phase II including the adaptive reuse of the Tanyard and Beam buildings as a Digital Media and Creative Arts Center and the renovation of the Kron house for office use;
- 6) Wharf Capital Improvements: Up to \$2 million to complete needed wharf infrastructure improvements identified in Phase II of the Wharf Master Plan Study;
- 7) Pacific Station (Metro Center) Affordable Housing: Up to \$3,860,000 to contribute to the development of affordable housing at the proposed mixed-use transit site on lower Pacific;
- 8) Lindberg Street Affordable Housing: Up to \$2,200,000 to contribute to the development of 21 affordable housing units at 110 Lindberg Street. Previous council actions have committed HOME funding to this project and the above amount is a separate item for consideration on today's agenda;

- 9) Mercy Housing Senior Affordable Housing: Up to \$1,170,000 to contribute to project financing for the development of affordable housing at the Holy Cross Church site;
- 10) Ocean Street Corridor Improvements: Up to \$2,500,000 to contribute towards infrastructure improvements and enhancements as identified in the Ocean Street Corridor Study and the Agency's Five-Year Implementation Plan;
- 11) Lower Pacific Avenue Improvements: Up to \$2,500,000 to contribute towards infrastructure improvements, implementation of parking strategies and enhancements as identified in the Riverfront/Lower Pacific Study and the Five-Year Implementation Plan;
- 12) Highway 1 San Lorenzo River Bridge Widening Phase II: Up to \$1,500,000 to contribute towards the completion of the design, engineering and construction of the bridge widening, initial design funding has previously been committed and included in the City 3-year CIP budget. Completion of the bridge widening is included in the Agency's Five-Year Implementation Plan.
- 13) Santa Cruz METRO Trolley Acquisition: Up to \$110,000 for the acquisition of the Santa Cruz METRO trolley. \$90,000 (equal to the depreciated value) would be used for the acquisition of the federal interest in the trolley and up to an additional 10,000 for possible acquisition of a trolley shelter purchased by METRO to house the trolley and other related costs. Acquisition of the trolley and a trolley service is identified as a priority in numerous City planning studies including the Beach/South of Laurel Plan and the River Front/Lower Pacific Study.

These public improvements and projects will contribute significantly to the improvement of the Santa Cruz community through the creation of jobs, increased tax growth, development of affordable housing and the elimination of blight and blighting influences in the Merged and Eastside Project Areas. Staff is recommending that the City Council and the Agency Board approve the attached resolutions authorizing the execution of a Cooperation Agreement between the City and the Redevelopment Agency, consistent with California Health and Safety Code Sections 33220, 33421.1, 33445, and 33490. All assets currently held by the Agency including real property, tax increment, grant and bond proceeds along with future tax increment generated in the Merged and Eastside Project Areas will be considered "Available Funds" for the source of funds to implement the proposed Cooperation Agreement.

The funding of these projects through the proposed Cooperation Agreement is necessitated by declining General Fund and other tax revenues that could otherwise be considered for funding some or all of these projects. No other reasonable means of financing the identified projects and improvements are available to the community or the Agency. The obligation to pay tax increment, as set forth in the Cooperation Agreement, shall constitute an indebtedness of the Agency for the purposes of carrying out the Redevelopment Plans for the Merged and Eastside Project Areas.

While the purpose of the Cooperation Agreement is to document the Agency's indebtedness in order to fund existing and planned projects and improvements underway, many of the projects and improvements will require additional Council or Agency actions or approvals, including potential separate hearing processes before individual project commitments are made. Approval of the proposed Cooperation Agreement does not preclude the City or Agency denying a project contained



within the agreement at a future time prior to implementation nor does it preclude future amendments to the Cooperation Agreement as may be necessary from time to time. It is anticipated that a bill will soon be introduced in the state legislature to implement the Governor's proposed budget proposal as it relates to redevelopment. While there is no guarantee that the projects, improvements and redevelopment activities identified in the proposed Cooperation Agreement will not be adversely impacted in the future by this or related actions on the state level, the proposed Cooperation Agreement is a necessary step by the Agency to document existing and planned projects and improvements currently underway.

**ENVIRONMENTAL REVIEW:** Pursuant to State CEQA Guidelines Section 15378(b)(4), approval of the Cooperation is not a project subject to the California Environmental Quality Act ("CEQA"). CEQA shall be completed prior to the commencement of any projects listed in Exhibit A of the Cooperation Agreement.

**FISCAL IMPACT:** This Merged and Eastside Project Area improvements and projects contemplated under the proposed Cooperation Agreement for the existing fiscal year through 2015-2016, along with program delivery costs, total \$31,312,541. Additional projects and improvements identified in the Cooperation Agreement recommended for Agency consideration total \$22,157,000 including program delivery costs. The combined total of all programs and improvements identified in the Cooperation Agreement is \$53,469,541. As in past years, Agency staff may return from time to time with amendments to this agreement reflecting changed conditions or other factors. Some of the funding under the proposed Cooperation Agreement has already been committed and is included in the Agency's approved FY 2011 budget from current year revenues and available fund balances. Approval of the proposed Cooperation Agreement will ensure continued implementation of the various Agency activities and projects underway. The action will contractually commit available resources and projected Net Tax Increment in the amounts identified above from the Merged and Eastside Project Areas to the extent that such funds are realized and available. There is no adverse impact on the City's General Fund by approval of the proposed Cooperation Agreement.

Prepared by:  
Joe H. Hall  
Project Manager

Kathryn Mintz  
Finance Manager

Lydia Tolles  
Management Analyst

Bonnie Lipscomb  
Director of Economic Development/  
Agency Executive Director

Submitted by:  
Bonnie Lipscomb  
Director of Economic Development/  
Agency Executive Director

Approved by:  
Martin Bernal  
City Manager

ATTACHMENTS: Resolutions

RESOLUTION NO. NS-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA CRUZ  
AUTHORIZING THE CITY MANAGER TO EXECUTE A COOPERATION AGREEMENT  
BETWEEN THE CITY OF SANTA CRUZ AND THE REDEVELOPMENT AGENCY OF  
THE CITY OF SANTA CRUZ RELATING TO THE FUNDING OF PROJECTS IN THE  
AGENCY'S FY 2011 BUDGET AND FIVE-YEAR IMPLEMENTATION PLAN FOR  
THE MERGED AND EASTSIDE PROJECT AREAS AND MAKING CERTAIN  
FINDINGS RELATED THERETO

WHEREAS, by Ordinance Nos. 90-40 and 90-41, adopted on November 13, 1990, the City Council approved and adopted the Redevelopment Plan (the "Merged Redevelopment Plan") for the Merged Earthquake Recovery and Reconstruction Project (the "Merged Project"); and

WHEREAS, by Ordinance No. 90-37, adopted on October 9, 1990, the City Council approved and adopted the Redevelopment Plan (the "Eastside Redevelopment Plan") for the Eastside Business Improvement Project (the "Eastside Project"); and

WHEREAS, on December 8, 2009 the Redevelopment Agency of the City of Santa Cruz (Agency) adopted a Five-Year Implementation Plan pursuant to Section 33490 of the California Redevelopment Law wherein specific projects and programs were set forth, including actions and expenditures to be made within the term of the Implementation Plan and further described how these projects and programs would alleviate blighting conditions which still remain in the Project Areas; and

WHEREAS, in keeping with the goals of the Agency to eliminate and reduce physical and economic blight in accordance with the Redevelopment Plan and the Agency's current Five-Year Implementation Plan, the City of Santa Cruz (City) and Agency have been working cooperatively regarding the development of certain projects and public improvements in the Project Areas; and

WHEREAS, due to the complexity of the projects and the varying funding sources, the Agency and the City desire to enter into an agreement pursuant to which the Agency will contribute funding for and complete projects on behalf of the City as set forth in the proposed Cooperative Agreement and as further listed in the Redevelopment Agency's FY 2011 budget, the Three-Year Capital Improvements Projects (CIP) budget and the Five-Year Implementation Plan for the Merged and Eastside Project Areas; and

WHEREAS, under the California Redevelopment Law (Health and Safety code Section 33100 *et seq.*; the "Law"), before the Agency can expend money for public improvements, the Agency and the City must make specified findings pursuant to Health and Safety Code Section 33445; and

WHEREAS, pursuant to the Law, the Agency is authorized, with the consent of the City Council to pay for part or all, of the costs of public improvements that are of benefit to the Project Areas; and

RESOLUTION NO. NS-

WHEREAS, no other reasonable means of financing the estimated cost of the public improvements are available to the City or the community; and

WHEREAS, pursuant to State CEQA Guidelines Section 15378(b)(4), approval of the Agreement is not a project subject to the California Environmental Quality Act ("CEQA"), because the Agreement consists of the creation of a governmental funding mechanism for various public improvements, but does not commit funds to any specific public improvement, in that environmental review required by CEQA shall be completed prior to the commencement of any public improvement listed in the Agreement; and

WHEREAS, the Staff Report, the Redevelopment Plan, the report to City Council accompanying the Redevelopment Plan, the Five-Year Implementation Plan and the Three Year CIP budget provide additional information upon which the findings and actions set forth in this Resolution are based;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Santa Cruz as follows: all the recitals above are true and correct and incorporated herein.

In compliance with Section 33445 of the Law the City Council of the City of Santa Cruz hereby finds that: (a) the acquisition of public land or the installation or construction of the public improvements listed in the Agreement that are publicly owned are of benefit to the Project Area by helping to eliminate blight within the Project Area or providing housing for low- or moderate-income persons; (b) no other reasonable means of financing the acquisition of public land or the installation or construction of the public improvements listed in the Agreement that are publicly owned are available to the community; and (c) the appropriation and payment of funds by the Agency for the acquisition of public land or cost of the public improvements listed in the Agreement that are publicly owned is consistent with the Agency's current Five-Year Implementation Plan. These findings are based on the facts and analysis in the Staff Report incorporated in this Resolution.

BE IT FURTHER RESOLVED by the City Council of the City of Santa Cruz that the City Council hereby authorizes the City Manager to execute a Cooperation Agreement with the Redevelopment Agency of the City of Santa Cruz, in a form approved by the City Attorney, on behalf of the City for the funding and completion of the projects listed in the Cooperation Agreement, with such revisions as are reasonably determined necessary by the City signatory, such determination to be conclusively deemed to have been made by the execution of the Agreement by the City signatory. The City Manager is authorized to take all further actions and execute all other documents which are necessary or appropriate to carry out the Cooperative Agreement

RESOLUTION NO. NS-

PASSED AND ADOPTED this 8<sup>th</sup> day of February, 2011, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_  
Mayor

ATTEST: \_\_\_\_\_  
Interim City Clerk

RESOLUTION NO.

RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA CRUZ  
AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A COOPERATION  
AGREEMENT BETWEEN THE CITY OF SANTA CRUZ AND THE REDEVELOPMENT  
AGENCY OF THE CITY OF SANTA CRUZ RELATING TO THE FUNDING OF  
PROJECTS IN THE AGENCY'S FY 2011 BUDGET AND FIVE-YEAR IMPLEMENTATION  
PLAN FOR THE MERGED AND EASTSIDE PROJECT AREAS AND MAKING  
CERTAIN FINDINGS RELATED THERETO

WHEREAS, by Ordinance Nos. 90-40 and 90-41, adopted on November 13, 1990, the City Council approved and adopted the Redevelopment Plan (the "Merged Redevelopment Plan") for the Merged Earthquake Recovery and Reconstruction Project (the "Merged Project"); and

WHEREAS, by Ordinance No. 90-37, adopted on October 9, 1990, the City Council approved and adopted the Redevelopment Plan (the "Eastside Redevelopment Plan") for the Eastside Business Improvement Project (the "Eastside Project"); and

WHEREAS, on December 8, 2009 the Redevelopment Agency of the City of Santa Cruz (Agency) adopted a Five-Year Implementation Plan pursuant to Section 33490 of the California Redevelopment Law wherein specific projects and programs were set forth, including actions and expenditures to be made within the term of the Implementation Plan and further described how these projects and programs would alleviate blighting conditions which still remain in the Project Areas; and

WHEREAS, in keeping with the goals of the Agency to eliminate and reduce physical and economic blight in accordance with the Redevelopment Plan and the Agency's current Five-Year Implementation Plan, the City of Santa Cruz (City) and Agency have been working cooperatively regarding the development of certain projects and public improvements in the Project Areas; and

WHEREAS, due to the complexity of the projects and the varying funding sources, the and the City desire to enter into an agreement pursuant to which the Agency will contribute funding for and complete projects on behalf of the City as set forth in the proposed Cooperative Agreement and as further listed in the Redevelopment Agency's FY 2011 budget, the Three-Year Capital Improvements Projects (CIP) budget and the Five-Year Implementation Plan for the Merged and Eastside Project Areas; and

WHEREAS, under the California Redevelopment Law (Health and Safety code Section 33100 *et seq.*; the "Law"), before the Agency can expend money for public improvements, the Agency and the City must make specified findings pursuant to Health and Safety Code Section 33445; and

WHEREAS, pursuant to the Law, the Agency is authorized, with the consent of the City Council to pay for part or all, of the costs of public improvements that are of benefit to the Project Areas; and

WHEREAS, no other reasonable means of financing the estimated cost of the public improvements are available to the City or the community; and

RESOLUTION NO.

WHEREAS, pursuant to State CEQA Guidelines Section 15378(b)(4), approval of the Agreement is not a project subject to the California Environmental Quality Act ("CEQA"), because the Agreement consists of the creation of a governmental funding mechanism for various public improvements, but does not commit funds to any specific public improvement, in that environmental review required by CEQA shall be completed prior to the commencement of any public improvement listed in the Agreement; and

WHEREAS, the Staff Report, the Redevelopment Plan, the report to City Council accompanying the Redevelopment Plan, the Five-Year Implementation Plan and the Three Year CIP budget provide additional information upon which the findings and actions set forth in this Resolution are based;

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Santa Cruz as follows: all the recitals above are true and correct and incorporated herein.

In compliance with Section 33445 of the Law the Agency hereby finds that: (a) the acquisition of public land or the installation or construction of the public improvements listed in the Agreement that are publicly owned are of benefit to the Project Area by helping to eliminate blight within the Project Area or providing housing for low- or moderate-income persons; (b) no other reasonable means of financing the acquisition of public land or the installation or construction of the public improvements listed in the Agreement that are publicly owned are available to the community; and (c) the appropriation and payment of funds by the Agency for the acquisition of public land or cost of the public improvements listed in the Agreement that are publicly owned is consistent with the Agency's current Five-Year Implementation Plan. These findings are based on the facts and analysis in the Staff Report incorporated in this Resolution.

The Agency agrees to make the expenditures as called for in the Agreement for public improvement projects listed in the Agreement, subject to completion of any environmental review required by CEQA prior to the commencement of any improvement listed in the Agreement; and

BE IT FURTHER RESOLVED by the Redevelopment Agency of the City of Santa Cruz that the Agency hereby authorizes the Executive Director to execute a Cooperation Agreement with the City of Santa Cruz, in a form approved by the Agency Attorney, on behalf of the Agency for the funding and completion of the projects listed in the Cooperation Agreement, with such revisions as are reasonably determined necessary by the Agency signatory, such determination to be conclusively deemed to have been made by the execution of the Cooperation Agreement by the Agency signatory. The Agency Executive Director is authorized to implement the Cooperative Agreement and take all further actions and execute all other documents which are necessary or appropriate to carry out the Cooperative Agreement; and

BE IT FURTHER RESOLVED by the Redevelopment Agency of the City of Santa Cruz that the Agency hereby approves and appropriates (to the extent not already appropriated) the amounts necessary to fund the Agency's obligations under the Agreement as a lawful expenditure of Agency funds under the Law. The Agency's current fiscal year budget is hereby amended to the extent necessary to implement the foregoing appropriation; and

RESOLUTION NO.

BE IT FURTHER RESOLVED by the Redevelopment Agency of the City of Santa Cruz that the Agency Executive Director is hereby authorized to take such further actions as may be necessary or appropriate to carry out the Agency's obligations pursuant to this Resolution and the Agreement.

PASSED AND ADOPTED this 8th day of February, 2011, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_  
Chair

ATTEST: \_\_\_\_\_  
Executive Director



## REDEVELOPMENT AGENCY AGENDA REPORT

DATE: 1/30/2011

AGENDA OF: 2/8/2011

DEPARTMENT: Economic Development

SUBJECT: For The Future Housing, Inc., a California Corporation – Loan Agreement.  
(ED)

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**RECOMMENDATION:** Redevelopment Agency resolution authorizing the Executive Director to enter into a Loan Agreement, subject to approval by the Agency Attorney, with For The Future Housing, Inc., a California Corporation, in the amount of up to \$2,200,000 for the purposes of acquiring 110 Lindberg Street and constructing a 21-unit affordable housing project and certifying the Environmental Review process under CEQA for the proposed project.

Redevelopment Agency resolution transferring funds from the Agency's Housing Fund Balance and amending the FY 2011 budget in the amount of \$2,200,000.

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**BACKGROUND:** On April 22, 2008 the City Council approved a Planned Development Permit for a 21 unit condominium housing project located on a 0.7 acre site at 110 Lindberg Street, which is in the City's Merged Redevelopment Project Area. The site is adjacent to El Rio Mobile Home Park to the north and east and commercial uses along River Street to the west and south. The southern portion of the property is adjacent to the San Lorenzo River to the east.

Development of a market rate condominium housing project as originally contemplated is no longer feasible. The current owner has entered into a purchase agreement with For the Future Housing, Inc (Developer) to develop an affordable rental housing project. On November 9, 2010 the City Council approved a Home Investment Partnership (HOME) loan to the Developer for \$120,000 to assist with predevelopment costs to help redesign the project for rental housing and provide for other predevelopment expenses.

Project funding would primarily come from the State's Low-Income Housing Tax Credit (LIHTC) Program. Staff indicated in the November 9, 2010 City Council meeting report that additional funding from the City's Redevelopment Agency would be needed to fill a potential funding gap of up to an estimated amount of \$2.1 million.

**DISCUSSION:** The Developer has completed the redesign of the project and plans have been submitted to the Department of Planning and Community Development for approvals. The redesigned proposal includes 21 units consisting of 10 three bedroom units, 7 two bedroom units, and 4 one bedroom units, including the onsite manager's unit. The development will include a community room with a full kitchen and afterschool homework computer lab. The Developer



has been working with Community Bridges to provide future onsite services to residents. The type of services to be provided will be determined at a future date based on tenant needs.

Based on an updated financial analysis, the Developer is requesting Redevelopment Agency assistance in funding a gap of up to \$2.2 million. This would be in addition to the \$120,000 HOME Program pre-development loan that was already approved by the City Council. The additional amount of up to \$2.2 million would come from the Redevelopment Agency's 20% Housing Set-aside Fund. At that level the total City assistance would equal about \$110,000 per unit which is consistent with City subsidy levels for other affordable housing developments. Staff, along with financial advisors, Keyser Marston and Associates, has analyzed the Developer's financial proposal and has determined that the Agency assistance at the proposed level is warranted.

The Developer has requested a residual receipt loan from the Agency to assist in acquisition and construction of the project. The loan would earn simple interest at 3% and be serviced from project cash flow. It is expected that the developer will be able to begin servicing the debt within 9 years of completion of the project. The loan is either expected to be repaid prior to the 55 year term of the loan or upon sale of the property, or an extended affordability period would be negotiated. The Developer will execute a covenant on the property to retain affordability for a period of 55 years pursuant to California Redevelopment Law.

Rents levels will be established based on those required by the California Tax Credit Allocation Committee (TCAC) for LIHTC projects. Using TCAC rent levels, 4 units will be affordable to extremely low-income households (up to 30% Area Median Income (AMI)), 10 units to very low-income households (up to 50% AMI), 5 units to low-income households (up to 60% AMI), with one unit being occupied by the onsite manager. Because rents calculated under California Redevelopment Law formulas are different than LIHTC rents, the designation of income categories will be adjusted accordingly in the Agency agreement with the Developer.

Among other provisions, the loan agreement will also contain:

- A subordination clause with respect to the Agency's loan and affordability.
- Standard insurance and indemnification clauses.
- Compliance with local, State and Federal laws.
- A nondiscrimination and non-segregation clause.

If funded, the Developer intends to apply to the State for LIHTCs in March 2011. In order to be considered, funding and planning approvals must be in place prior to submitting the application.

**ENVIRONMENTAL REVIEW:** The project qualifies for a Categorical Exemption (Section 15332, Class 32) under the California Environmental Quality Act (CEQA) in that it is an in-fill development project; in conformance with the General Plan and Zoning designations; less than five acres in size and surrounded by urban uses with no wildlife habitat value; and will not cause significant effects relating to traffic, noise, air or water quality. Environmental review has not yet been completed under the National Environmental Protection Act (NEPA), which is required for federal HOME funding.

**ARTICLE 34 COMPLIANCE:** Article 34 of the California Constitution was enacted by state voters in 1950 to require voter ratification before a city can approve a publicly-assisted low or

very low income housing project within the city. To comply with this requirement, on November 6, 1979, the voters of the City of Santa Cruz approved Measure “C” which authorized the “development, construction, or acquisition of low rent housing projects” within the City of Santa Cruz to provide not more than .5% (one half of one percent) per year of the total dwelling units in the City of Santa Cruz for living accommodations for low income persons. Currently, up to 116 low income units may be constructed per year. The number of units anticipated to be constructed during the year the project units will be constructed is not expected to exceed 116.

FISCAL IMPACT: The Agency Housing Fund Balance will be reduced by up to \$2.2 million.

Prepared by:  
Carol Berg  
Housing and Community  
Development Manager

Submitted by:  
Bonnie Lipscomb  
Agency Executive Director

Approved by:  
Martin Bernal  
City Manager

ATTACHMENTS:  
Resolution  
Budget Adjustment

RESOLUTION NO.

RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA CRUZ AUTHORIZING THE EXECUTIVE DIRECTOR TO (1) ENTER INTO A LOAN AGREEMENT SUBJECT TO APPROVAL BY THE CITY ATTORNEY IN THE AMOUNT OF UP TO \$2,200,000 WITH FOR THE FUTURE HOUSING INC. FOR THE PURPOSE OF ACQUIRING 110 LINDBERG STREET AND CONSTRUCTING A 21 UNIT AFFORDABLE HOUSING PROJECT (PROJECT); AND (2) TO CERTIFY THE ENVIRONMENTAL REVIEW PROCESS UNDER CEQA FOR THE PROJECT

WHEREAS, by Ordinance Nos. 90-40 and 90-41, adopted on November 13, 1990, the City Council of the City of Santa Cruz (the "Council") approved and adopted the Redevelopment Plan (the "Merged Redevelopment Plan") for the Merged Earthquake Recovery and Reconstruction Project (the "Merged Project"); and

WHEREAS, on November 13, 1990, by Resolution No. NS-19,524 and on October 23, 1990, by Resolution No. NS-19,500 the City Council adopted resolutions finding that the use of taxes allocated from the Merged Earthquake Recovery and Reconstruction Project and Eastside Business Improvement Redevelopment Project respectively for the purpose of improving and increasing the community's supply of low and moderate income housing outside the Project Areas will be of benefit to the Projects; and

WHEREAS, on December 8, 2009, the Agency adopted a Five-Year Implementation Plan pursuant to Section 33490 of the California Redevelopment Law wherein specific projects and programs were set forth, including actions and expenditures to be made within the term of the Implementation Plan and further described how these projects and programs would alleviate blight; and

WHEREAS, the Five-Year Implementation Plan provides for programs to increase the supply and availability of low and moderate income housing; and

WHEREAS, For The Future Housing, Inc., a California corporation, (DEVELOPER) has entered into a purchase agreement with the current owner of 110 Lindberg Street in the City of Santa Cruz (SITE) for the purpose of developing a 21 unit affordable housing project (PROJECT); and

WHEREAS, the SITE is located within the Merged Project Area; and

WHEREAS, on November 9, 2010 the City Council approved a Home Investment Partnership (HOME) loan to the DEVELOPER for up to \$120,000 to assist with predevelopment costs for the PROJECT; and

WHEREAS, the DEVELOPER intends to apply for funding from the State's Low-Income Housing Tax Credit (LIHTC) Program; and

WHEREAS, a financial analysis has been completed by the DEVELOPER that identifies a funding gap of up to \$2.2 million and the DEVELOPER has requested Agency assistance to fund that gap; and

RESOLUTION NO.

WHEREAS, this financial analysis has been reviewed by Agency staff, with the determination that Agency assistance in the form of a loan is reasonable at that level; and

WHEREAS, the Agency has the ability to make said loan; and

WHEREAS, it has also been determined that the PROJECT qualifies for a Categorical Exemption (Section 15332, Class 32) under the California Environmental Quality Act (CEQA).

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Santa Cruz that a loan for the PROJECT in the amount of up to \$2,200,000 to For The Future Housing, Inc., a California corporation, is hereby approved, and the Executive Director is authorized to enter into a Loan Agreement subject to approval by the City Attorney; and

BE IT FURTHER RESOLVED by the Redevelopment Agency of the City of Santa Cruz that the Agency hereby adopts the categorical exemption for the PROJECT under CEQA.

PASSED AND ADOPTED this 8th day of February, 2011, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_  
Chair

ATTEST: \_\_\_\_\_  
Executive Director

**City of Santa Cruz  
BUDGET ADJUSTMENT REQUEST**

<input type="radio"/> Council Approval .....	Resolution No. _____
<input checked="" type="radio"/> RDA Approval .....	Resolution No. _____
<input type="radio"/> Administrative Approval	

<input checked="" type="radio"/> Current Fiscal Year
<input type="radio"/> Prior Fiscal Year

Date: 01/19/2011

ACCOUNT	REVENUE EDEN ACCOUNT TITLE	
<b>TOTAL REVENUE</b>		\$0.00

ACCOUNT	EXPENDITURE EDEN ACCOUNT TITLE	
281-52-80-5650-56960	Merged Project Area LMIH: Loans & Grants	\$2,200,000.00
r521108 100 2020 357	110 Lindberg Street - RDA Loan	
<b>TOTAL EXPENDITURE</b>		\$2,200,000.00

**NET: \$ (2,200,000.00)**

**Purpose:** To amend the FY 2011 budget to fund a loan to For The Future Housing Inc. for the development of affordable housing at 110 Lindberg Street.  
Council agenda: 2/8/2011

PREPARED BY	DEPARTMENT HEAD APPROVAL	ACCOUNTING APPROVAL	FINANCE DIRECTOR APPROVAL	CITY MANAGER APPROVAL
Kathryn L. Mintz <small>Digitally signed by Kathryn L. Mintz DN: cn=Kathryn L. Mintz, o=City of Santa Cruz, ou=City of Santa Cruz, email=kmintz@cityofsantacruz.com, c=US Date: 2011.01.19 10:38:33 -0800</small>  1/19/11	Bonnie Lipscomb <small>Digitally signed by Bonnie Lipscomb DN: cn=Bonnie Lipscomb, o=City of Santa Cruz, ou=City of Santa Cruz, email=blipscomb@cityofsantacruz.com, c=US Date: 2011.01.20 15:28:00 -0800</small>	Patty Haymond <small>Digitally signed by Patty Haymond DN: cn=Patty Haymond, o=City of Santa Cruz, ou=City of Santa Cruz, email=phaymond@cityofsantacruz.com, c=US Date: 2011.01.21 16:10:11 -0800</small>  1/21/11	Jack Dilles <small>Digitally signed by Jack Dilles DN: cn=Jack Dilles, o=Finance, ou=FIAD, email=jdilles@cityofsantacruz.com, c=US Date: 2011.01.24 16:27:39 -0800</small>	

Revised December 2009



## CITY COUNCIL AGENDA REPORT

DATE: 1/30/2011

AGENDA OF: 1/25/2011

DEPARTMENT: Police

SUBJECT: Introduction of an Ordinance Amending Section 10.68.110 Pertaining to Bicycle Licenses. (PD)

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**RECOMMENDATION:** Introduction of an Ordinance Amending Section 10.68.110 of the Santa Cruz Municipal Code pertaining to bicycle licenses to clarify the requirement that the license shall be affixed to the front of the seat tube of the licensed bicycle's frame.

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**BACKGROUND:** California Vehicle Code Section 39002 authorizes cities and counties to enact bicycle license ordinances requiring bicycles operated within their jurisdiction to be licensed. To this end, the City Council, in 1976, adopted an ordinance enacting Santa Cruz Municipal Code Section 10.68.110 which makes it unlawful for any person to operate a bicycle on any public street or sidewalk, or upon any public path set aside for the exclusive use of bicycles, unless the bicycle has been licensed by the City. Pursuant to California Vehicle Code Section 39001(b) all bicycle license indicia issued by cities pursuant to their bicycle license ordinances "shall be adhesive, durable, flexible, and of a size to permit it [the bicycle license] to be affixed to the front of the seat tube of the bicycle frame." While it is therefore implicit that bicycle licenses issued by the City should be affixed to the seat tube of the licensed bicycle, this requirement is not currently explicitly set forth in the ordinance and, on occasion, this minor discrepancy results in enforcement difficulty for police officers.

**DISCUSSION:** This ordinance, if adopted by the Council, would clarify the existing ordinance by adding the following sentence to the first paragraph of Section 10.68.110: "The bicycle license indicia, per California Vehicle Code Section 39001, shall be affixed to the front of the seat tube of the licensed bicycle's frame."

**FISCAL IMPACT:** There is no anticipated fiscal impact.

Prepared by:  
Colleen McMahon  
Lieutenant

Approved by:  
Kevin Vogel  
Chief of Police

Approved by:  
Martin Bernal  
City Manager

**ATTACHMENTS:** Ordinance

ORDINANCE NO. 2011-

AN ORDINANCE OF THE CITY OF SANTA CRUZ AMENDING SECTION 10.68.110 OF THE SANTA CRUZ MUNICIPAL CODE PERTAINING TO BICYCLE LICENSES

BE IT ORDAINED By The City Of Santa Cruz As Follows:

SECTION 1. Section 10.68.110 of the Santa Cruz Municipal Code is hereby amended to read as follows:

10.68.110 BICYCLE LICENSE REQUIREMENT.

It is unlawful for any person to operate a bicycle on any public street or sidewalk, or upon any public path set aside for the exclusive use of bicycles, unless such bicycle, as defined in this section, has been licensed under the provisions of this chapter or under licensing provisions of another public agency. The bicycle license indicia, per California Vehicle Code Section 39001, shall be affixed to the front of the seat tube of the licensed bicycle's frame.

A "bicycle," defined for licensing requirements under this section, is any device upon which a person may ride, propelled by human power through a belt, chain, or gears, and having either two or three wheels in tandem or tricycle arrangement, and which has wheels at least twenty inches in diameter and a frame of at least fourteen inches; or any motorized bicycle as defined by the State Vehicle Code.

SECTION 2. This ordinance shall be in force and take effect thirty (30) days after its final adoption.

PASSED FOR PUBLICATION this 8<sup>th</sup> day of February, 2011, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_  
Mayor

ATTEST: \_\_\_\_\_  
Interim City Clerk

ORDINANCE NO. 2011-

PASSED FOR FINAL ADOPTION this \_\_\_\_ day of \_\_\_\_\_, 2011, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_  
Mayor

ATTEST: \_\_\_\_\_  
Interim City Clerk

This is to certify that the above and foregoing document is the original of Ordinance No. 2011- and that it has been published or posted in accordance with the Charter of the City of Santa Cruz.

\_\_\_\_\_  
City Clerk





## CITY COUNCIL AGENDA REPORT

DATE: February 1, 2011

AGENDA OF: February 8, 2011

DEPARTMENT: City Clerk

SUBJECT: SANTA CRUZ COUNTY LATINO AFFAIRS COMMISSION  
ADVISORY BODY NOMINATION— (One opening, with a term  
expiration of 4/1/15)

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RECOMMENDATION: Motion to nominate a County Latino Affairs Commissioner.

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DISCUSSION: Due to the resignation of Carmen Perez, the City of Santa Cruz has one nomination to the Santa Cruz County Latino Affairs Commission. Appointments are made by the County Board of Supervisors.

The following person is seeking nomination for appointment to the Latino Affairs Commission:

Vargas, Vivian

FISCAL IMPACT: None.

Prepared by:  
Rosemary Balsley  
Administrative Assistant II

Submitted by:  
Tom Graves  
Interim City Clerk

ATTACHMENTS: None.



City Council Meeting Calendar January 25, 2011

Date	Time	Location	Topic
February 8, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions
February 22, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions
February 25, 2011	8:00 a.m. to 5:00 p.m.	TBD	Council Retreat
March 1, 2011  (if needed)	4:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Special Closed Session  Study Session
March 8, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions
March 22, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions

April 5, 2011	7:00 p.m.	Council Chambers	CIP Hearings
April 12, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions
April 26, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions
May 3, 2011  (if needed)	4:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Special Closed Session  Study Session
May 10, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions
May 24, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions
June 7, 2011	8:30 a.m.	Courtyard Conf. Room  Council Chambers	Special Meeting  Budget Hearings
June 14, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions
June 28, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions
July 5, 2011  (if needed)	4:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Special Closed Session  Study Session
July 12, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Budget Adoption Regular Council/Redevelopment Agency Open Sessions
July 26, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions
August			
September 6, 2011  (if needed)	4:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Special Closed Session  Study Session
September 13, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions

September 27, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions
October 4, 2011  (if needed)	4:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Special Closed Session  Study Session
October 11, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions
October 25, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions
November 1, 2011  (if needed)	4:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Special Closed Session  Study Session
November 8, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions
November 22, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions
December 6, 2011  (if needed)	4:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Special Closed Session  Study Session
December 13, 2011	1:30 p.m. 3:00 p.m. and 7:00 p.m.	Courtyard Conf. Room  Council Chambers	Regular Council/Agency Closed Session  Regular Council/Redevelopment Agency Open Sessions

**Council Membership in City Groups and Outside Agencies**

Councilmembers will have the opportunity to present oral updates to Council and the public. Councilmembers may provide direction, request additional information or that a topic raised be agendized for future Council action. The Presiding Officer may request oral updates from Council ad hoc Committees.

The Presiding Officer will ask representatives of each entity if there is any oral update.

<b>Name of Agency/Organization</b>	<b>Currently Serving</b>
Association of Monterey Bay Area Governments (AMBAG)	L. Robinson, T. Madrigal (alternate)
City of Santa Cruz/Soquel Creek Water District (SqCWD) Desalination Project	D. Terrazas, D. Lane R. Coonerty (Alt.)
City Schools Committee	T. Madrigal, R. Coonerty, H. Bryant
Community Action Board	T. Madrigal, David Sweet (alternate)
Community Programs Committee	R. Coonerty, L. Robinson, H. Bryant
Conference and Visitors' Council	L. Robinson, D. Terrazas
Cultural Council Board City Representative	K. Beiers
Downtown Management Corporation	L. Robinson, H. Bryant
Economic Development Council (Mayor/Vice Mayor)	R. Coonerty, H. Bryant, D. Lane
Library Joint Powers Authority Board	K. Beiers, D. Terrazas
Library Financing Authority	D. Terrazas
Local Agency Formation Commission (LAFCO)	D. Lane
Monterey Bay Unified Air Pollution Control District	2011 City of Capitola
Public Safety Committee	D. Lane, L. Robinson, D. Terrazas
Sanctuary Inter-Agency Task Force	K. Beiers, R. Coonerty
Santa Cruz County Children's Network	D. Shoemaker, C. Scurich (alt.)
Santa Cruz Community Farmers Market, Inc.	L. Robinson
SC County Integrated Waste Management Local Task Force	D. Terrazas, Alan Schlenger (alternate) Bob Nelson, Mary Arman (alternate)
Santa Cruz Metropolitan Transit District Board	L. Robinson, H. Bryant
SC County Regional Transportation Commission (SCCRTC)	D. Lane, L. Robinson (alternate)

Public comment on the reports given will be heard at a time to be determined by the Presiding Officer.