



## Finance

The Great Recession has taken a toll on every community in the U.S., and Santa Cruz is no exception. The City's budget has been trimmed eleven times in recent years, services have been cut, and the city workforce has been downsized

from more than 900 to 780 employees.

The good news is that our region's economy appears to be recovering,

and no additional city programs are on the chopping block in this year's budget. However, while the city's short-term financial situation has stabilized, the City's challenge in 2011-12 is to shrink the gap between its steadily-increasing healthcare and retirement benefit costs and a slow-growing economic outlook.

*City officials have designed a balanced approach to addressing the deficit, combining new revenues and expenditure cuts.*

"Looking forward to the coming years, we saw our structural deficit getting larger and larger over time," said Santa Cruz City Manager Martin Bernal. "We recognize that we are not going to recover until we make permanent, on-going structural changes to balance expenses and revenues."

City administrators, city employees, and city voters have all made financial concessions to help stabilize future budgets.

A boost in Santa Cruz's utility tax, approved by voters in November, is expected to eliminate \$1.6 million of the budget shortfall. Police and firefighters' unions have agreed

to a ten percent total compensation cut this year, an eight percent on-going cut in compensation, and a two-tier retirement system for new employees. City administrators and department heads have taken an on-going pay cut

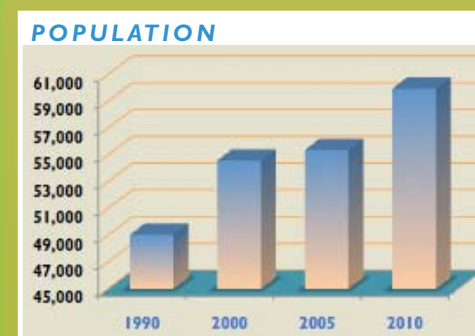
of more than ten percent. And the city is now in negotiations with its remaining employee unions, seeking similar reductions.

When salary negotiations are complete, Bernal expects the budget gap will be reduced and additional expenditure reductions will be made later this year. A growing economy, including new local businesses and local construction projects, will expand the tax base and will improve our budget situation.

"The City Council has really worked at increasing the tax base," Bernal said. "They're trying hard to retain and recruit new businesses and jobs, and they've approved several new hotels in the city.

"Some of the hotel projects are on hold because of financing, but as the economy improves we expect to see them contribute to the revenue side," Bernal said.

While the always-unpredictable state budget process could complicate local projections, city leaders are hopeful that this last round of cutbacks will leave Santa Cruz poised to grow along with the economic recovery.



	2000	2005	2010
POPULATION	54,593	55,368	59,946
HOUSEHOLDS	20,442	21,761	23,316
HOMELESS*	3,040	2,380	1,840
MEDIAN HOME PRICE	\$411,900	\$751,900	n/a
MEDIAN RENT	\$941	\$1,287	n/a
MEDIAN FAMILY INCOME	\$62,231	\$87,852	n/a

\* The Census does not report homeless numbers, so the only source we have is the homeless count done in the County, which began in 2000. In addition, the numbers were based on the one-day point-in-time count.

The long-term water conservation strategy adopted in the year 2009 set a goal of residential use of 66 gallons per capita per day by year 2010. We have met and surpassed that goal.

	1990	2000	2005	2010
CITY CARBON EMISSIONS (TONS)	10,157	10,231	10,239	10,261
COMMUNITY CARBON EMISSIONS (TONS)	375,776	386,872	338,872	345,195
MUNICIPAL RENEWABLE ENERGY (TONS CO2 AVOIDED ANNUALLY)	76,366	78,156	78,329	78,359
RESIDENTIAL RENEWABLE ENERGY PRODUCED (KW)	n/a	20	720	2,170
SANTA CRUZ PER RESIDENCE EMISSIONS (TONS)	4.8	4.3	3.3	3.8

WANT MORE INFORMATION? Visit our website at: [www.cityofsantacruz.com/annualreport](http://www.cityofsantacruz.com/annualreport)

THE CITY COUNCIL WELCOMES YOUR OPINION.

Write to the Council at 809 Center Street, Rm 10, Santa Cruz, CA 95060; or email [citycouncil@cityofsantacruz.com](mailto:citycouncil@cityofsantacruz.com)

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# SANTA CRUZ

## A breathtaking year

2011 has been a breathtaking year in Santa Cruz. We've hosted incredible events: the Giants World Series Trophy tour, our American Idol, James Durbin's hometown visit, the Sacred Craft Surfboard show downtown and celebrated UCSC's 45th and Plantronic's 50th Anniversaries. And we are only half done. . .

I speak for everyone on the City Council when I say that we would not have it any other way. Our city is extraordinary. Not only are we surrounded by redwoods and waves, but we are a small town with big ambitions — to be a model of environmental awareness; a home to world class teaching and world changing research and a center for businesses, large and small, to innovate and succeed. We are a hub for arts and culture and a place where millions of families visit each year.

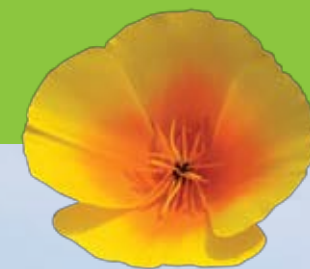
In order to ensure that these aspirations are achieved — as well as vital day-to-day services provided — this winter, the City Council developed a strategic plan for the next three years. We committed to five goals — listed to your right — and 32 ambitious measurable objectives upon which we will report back to the community each and every year. This Annual Report is the initial outline of how we are doing as a city and where we hope to head and how you can be a part of making our community a better place.

To support these goals and objectives, in the coming months the Council will adopt a budget that reduces an \$8 million structural deficit while maintaining essential city services. We will develop an ambitious Climate Action Plan that moves us toward sustainability and creates green jobs, advocate that the Coastal Commission approve the Arana Gulch and La Bahia Hotel plans, attract and retain businesses, and continue to focus on public safety challenges.

Please take a moment to read this report and go to [www.cityofsantacruz.com](http://www.cityofsantacruz.com) for more details. Let us know what you think and how you might be able to contribute. It's going to take all of us collaborating and innovating to succeed. We have done it before, and I have no doubt we will do it again in the imaginative and vibrant way that Santa Cruz does best.

— RYAN COONERTY, MAYOR

# SANTA CRUZ Takes Action on Climate Change



Conservation and caring for the earth are core values of our community, and Santa Cruz has joined with hundreds of cities throughout the world to commit to reducing our production of greenhouse gases 30 percent by the year 2020.

This summer, the Santa Cruz City Council will decide whether to adopt a groundbreaking plan outlining how our community can dramatically lighten its impact upon the environment.

The City of Santa Cruz's draft Climate Action Plan, three years in the making, recommends a series of energy and cost-saving practices that can be adopted by individuals, businesses and local government to permanently lower the amount of fossil fuels we consume on a daily basis.

The plan also discusses ways the city can build and renew neighborhood infrastructure to encourage walking, bicycling and shopping locally.

"We've done a greenhouse gas inventory of Santa Cruz, and we've outlined more than 200 actions that the city and the community can take to meet our reduction goals by 2020," said Ross Clark, the City's Climate Action Coordinator.

**"We are targeting ways to support a more sustainable and green community overall."**

According to the inventory, transportation accounts for about half of our community's greenhouse gas emissions, with the balance split roughly between residential and commercial uses. City government activities account for about 4 percent of the total.

The 84-page draft plan offers conservation options in the areas of transportation, land use planning, water use, waste disposal and solar generation, as well as numerous ways to reduce energy waste in homes and businesses.

Clark estimates that the plan, if approved, will reduce the City's overall carbon emissions by 70,000 tons per year by 2020.

"Most of our program relies on offering incentives, and community buy-in," Clark said. "Except for our Green Building program, we are not proposing a regulatory approach."

Rebates for home energy audits and the purchase of energy-efficient appliances and solar systems, for instance, can encourage homeowners to make investments that will save money and energy for years to come.

Green Building regulations would require planners to consider the lifelong energy use of new and remodeled structures, lightening the impact of community growth.



## STRATEGIC GOALS FOR OUR FUTURE

To enhance environmental sustainability and resources

To enhance community safety

To attract and retain businesses and jobs

To achieve financial stability and sustainability

To improve and maintain infrastructure and facilities

OVERVIEW SUMMER 2011



# NEW ERA for the Sentinel Building

When the Santa Cruz Sentinel newspaper moved out of downtown in 2007, the city lost more than a 150-year-old community landmark. The move cost Santa Cruz dozens of jobs, and left a large, vacant building on a key block of downtown.

But the loss of one historic local business has resulted in a once-in-a-generation opportunity for three other homegrown companies, and a turning point for the City of Santa Cruz.

A partnership between Cruzio Internet, Ecology Action and developer Joe Appenrodt, with focused support from the City of Santa Cruz, has transformed the Sentinel Building from an obsolete industrial site into a light-drenched hub of high-tech communications and green development.

Since the partners bought the Sentinel Building at auction in 2009, the City has worked aggressively to speed the renovation, leveraging nearly \$7 million in low-cost loans to boost local employment and infrastructure improvements at the site.

*“As a result of the City’s collaborative efforts with the partnership, we now have thriving businesses and an attractive, important building in a place that stood vacant for more than two years.”*

— BONNIE LIPSCOMB, EXECUTIVE DIRECTOR OF THE SANTA CRUZ REDEVELOPMENT AGENCY

“The city was just great,” said Cruzio co-founder Peggy Dolgenos. “They helped us get a (\$2.75 million) bond from the Obama administration’s stimulus package. It’s a loan, but we got a good rate which allowed us to do more. We hired more people, trained more people, and improved the facilities.”

The renovation re-used as much of the old building as possible, minimizing environmental impacts with rain-water catchment, solar panels, electric vehicle charging stations, and other earth-friendly measures prized by city residents.

The new building, now referred to as 877 Cedar, has transformed downtown in both symbolic and concrete ways. A site once dedicated to printing newspapers and delivering them by hand, is now home to servers that distribute information using beams of light. And a workspace that served a single company is now a co-working space, allowing innovators from different fields to mingle and collaborate.

Economic benefits have spilled over to other businesses in the community. Cruzio’s brand-new data center and ultra-high-speed fiber-optic cable provide Internet access previously available only to researchers at UC Santa Cruz. And a greatly increased workforce at 877 Cedar is boosting downtown retail and restaurants.



## Teen Center

Santa Cruz’s Teen Center enjoyed a day in the media spotlight on May 14th, when American Idol finalist James Durbin, the Center’s most famous graduate, came back for a triumphant homecoming visit. Durbin posed with

star struck fans, signed autographs, and praised the program that helped him pursue his dream of becoming a performer.

The acclaim was especially welcome in the wake of financial challenges for this valuable city program. Since December 2001, the Teen Center has offered a safe, supervised, after-school haven for hundreds of local youth, offering everything from snacks and games to homework help and work experience opportunities. But in January 2010, citywide budget cuts forced the Teen Center to relocate from a leased building to the City’s Louden Nelson Community Center, and the program’s funding was nearly eliminated.

The Teen Center has remained open five days per week, thanks to generous grants from the Packard Foundation and the Community Foundation of Santa Cruz, citizen donations and support from the Santa Cruz Police Department. But on-going community support is needed to assure the Center’s future.

Tax-deductible donations to the Teen Center can be made to the Friends of Parks and Recreation at [www.friendsofparksandrec.org](http://www.friendsofparksandrec.org), or by calling (831) 420-5277.

LIBRARY		2010
CIRCULATION (BRANCIFORTE, CENTRAL, AND GARFIELD PARK)		614,720
VISITORS (BRANCIFORTE, CENTRAL, AND GARFIELD PARK)		458,286
CIRCULATION (SYSTEM WIDE)		1,400,799
VISITORS (SYSTEM WIDE)		949,569

PARKS AND RECREATION		2010
CLASSES OFFERED		314
KID/ADULT PARTICIPANTS		7,200
JUNIOR GUARD PARTICIPANTS		900
SOFTBALL TEAMS		212
SOFTBALL PARTICIPANTS		3,400
PARKS		25
SKATE PARKS		2
BIKE PARKS		1
TENNIS COURTS		6
BALL FIELDS		8
MULTI-USE SYNTHETIC TURF FIELD		1
BEACH VOLLEYBALL COURTS		16
ROUNDS OF GOLF AT DELAWEAGA GOLF COURSE		42,000

## Teens Take PRIDE in Santa Cruz



In recent years, the Santa Cruz Police Department has confronted gang violence with new officers, more patrols and a beefed-up gang task force. But SCPD is also investing in prevention with the PRIDE program, a ten-week course aimed at opening teens’ eyes to the gritty realities of street life.

PRIDE, which stands for Personally Responsible Individual Development in Ethics, is aimed at middle-schoolers, boys and girls, who are failing their classes, defying their parents, and drifting into the orbit of neighborhood gangs.

“People in the schools, the teachers and administrators, they all know who these kids are,” said program manager Sgt. Michael Harms. “We work with the middle schools, Mission Hill and Branciforte, to ID the people teetering on the edge. They’re not full-blown gang members, and we’re trying to stop it before it begins.”

Candidates are selected by school officials, and invitations are issued to families. The program is voluntary, and open to ten participants per class. Each student is paired with an adult mentor who attends classes with their student and offers experience, advice and an open ear.

Like the “scared straight” programs of an earlier era, PRIDE begins with visits to the jail, the courthouse, the homeless shelter, a funeral home. Students experience the helplessness of being handcuffed, booked and brought before a judge – a troubling glimpse of one possible future path.

But PRIDE goes beyond the fear factor by devoting half its curriculum to the opportunities Santa Cruz has to offer, and teaching teens how to reach for higher goals.

“We take them on a ropes course in Corralitos, and flying in private planes at the Watsonville airport,” said mentor volunteer Patti Whitlock. “They

got to do experiments in a chemistry lab at UCSC – that was the best.”

“Kids are really smart, and they figure out ... if you make the right decisions, this is what you get,” Whitlock said. “And if you make the wrong decisions, that is what you get. It’s a dose of reality.”

Officer Joe Hernandez, co-founder of PRIDE, says he has seen positive change in every teen that has gone through the program, with some graduates completely turning their lives around.

Students’ parents are offered advice on positive discipline, child development and signs of possible gang or drug involvement. PRIDE recently graduated its second class, and a third is scheduled to begin in September.

For information on volunteering or contributing to the PRIDE program, please contact Sgt. Harms or Officer Hernandez at (831) 420-5870.



COMMUNITY SAFETY				
	1990	2000	2005	2010
CALLS FOR SERVICE	n/a	68,050	70,065	81,496
VIOLENT CRIMES	341	544	503	553
MURDERS	0	3	2	6
ASSAULTS	207	421	356	396
DOMESTIC VIOLENCE	n/a	118	85	111
PROPERTY CRIMES	4,226	2,420	3,137	2,937



## Enhancing our Sanctuary

Summer at the beach will look different this year, thanks to road and sidewalk improvements near the Municipal Wharf, and the transformation of the former Fun Spot parking lot into a \$14 million visitor center dedicated to marine science education.

The wave-shaped building that will house the Monterey Bay National Marine Sanctuary Exploration Center is expected to open for visitors next spring. But related traffic improvements are already making it easier to walk, bike and drive to the Municipal Wharf and Main Beach area.

The City recently replaced the four-way stop at the entrance to Depot Park with a spacious roundabout, easing the backups that frequently plagued the intersection in the past.

Sidewalks and bike lanes leading from Depot Park to the beach front have been widened, and a three-way stop at 2nd St. and Pacific Ave. removed, further smoothing traffic flow. Beach Street between the wharf and Bay St. has also been repaved.

“Traffic in the beach area has been a historical problem,” said Public Works Director Mark Dettle. “We looked at installing traffic signals, but that didn’t provide the level of improvement we were looking for.”

While roundabouts are still uncommon in the U.S., local drivers have adapted quickly. “On the first day that construction barriers came down, traffic at that

FIRE		2010
EMERGENCY RESPONSES		6,400
RESPONSE TIME AVERAGE (FIRE)		5:39
RESPONSE TIME AVERAGE (EMS)		7:12
RESPONSE TIME AVERAGE (ALL OTHER)*		6:42
STRUCTURE FIRES		56
FIRE PREVENTION INSPECTIONS		1,561
FIRE PREVENTION PUBLIC EDUCATION AND CONSULTATIONS		418
FIRE PREVENTION WEED ABATEMENT		68
FIRE PREVENTION PLAN CHECKS		364

intersection began flowing better than it had for years,” Dettle said. Additional road improvements slated for fall are expected to ease traffic at the entrance to the wharf and along Beach St., easing the summertime traffic crush.

Construction on the \$14 million Marine Sanctuary Exploration Center will continue through the summer, introducing an element of science and technology to an area now strongly identified with surfing and recreation.

“The project is a perfect fit with Santa Cruz values, and will highlight the research being done right on our doorstep in the Monterey Bay Marine Sanctuary,” said Santa Cruz Redevelopment Agency Executive Director Bonnie Lipscomb.

“The Exploration Center is the seminal project in the City’s revitalization efforts linking downtown to the beach area and will be a benefit and a draw to the community and visitors for decades to come.”

In 2005, the National Oceanic Atmospheric Administration (NOAA) chose Santa Cruz to host the Sanc-



tuary center from a field of 23 competing sites. The city donated the land, worth an estimated \$2 million, and the rest of the project’s construction costs have been covered by federal, state, and Coastal Conservancy grants, in addition to gifts from private donors.

Beach Area street improvements, including a second roundabout planned for the wharf entrance and improvements to Riverside Ave., are being funded by traffic impact fees paid by developers, and redevelopment funds.

PUBLIC WORKS			
	2000	2005	2010
TONS REFUSE COLLECTED	43,399	37,963	29,498
TONS RECYCLING COLLECTED	9,626	8,469	11,308
TONS GREENWASTE COLLECTED	214	4,578	7,425
TONS CITY REFUSE DISPOSED (INCLUDING OUT-OF-CITY LANDFILLS)	75,051	58,229	n/a
TONS REFUSE DISPOSED AT CITY LANDFILL	70,306	56,521	44,716
RECYCLED MATERIAL TONNAGE	10,943	12,265	13,245
RECYCLED MATERIAL REVENUE	\$940,390	\$1,459,967	\$1,776,052
LANDFILL DIVERSION % ACHIEVED	48	59	63
RESIDENTIAL CUSTOMERS	13,417	13,379	13,607
COMMERCIAL CUSTOMERS	1,296	1,163	947
STREET SWEEPING - MILES SWEEPED	n/a	10,362	14,210
STREET SWEEPING - TONS PICKED UP	n/a	792	744
% OF ROADS IN GOOD CONDITION	33	33	33.1
STREET LIGHTS REPLACED	n/a	n/a	225*

\* Includes new decorative lights on Pacific Avenue and the new LEDs.

