



City Manager's Budget Message

Martín Bernal

May 12, 2016

To the Honorable Mayor and Members of the City Council

As we enter the City's 150th anniversary and my 6th year as City Manager and 19th year of service to the City of Santa Cruz, it is my honor to present you with the City of Santa Cruz's Adopted Fiscal Year (FY) 2017 Budget. This document is the accumulation of years of accomplishments and challenges that have shaped the City of Santa Cruz to what it is today: a vibrant full-service city with a wealth of programs and services, strong leadership, an engaged citizenry, and an abundance of natural and cultural resources.

Despite these positive attributes, the City has weathered significant challenges over the years. We survived natural disasters like floods and earthquakes, tackled societal issues like homelessness, and most recently, were forced to respond to the Great Recession of 2007. The Great Recession was particularly traumatic to the City's finances, forcing year after year of cutbacks and deferred maintenance, against a backdrop of demand for more services. Recovery has been slow and it will take many consecutive years of robust economic growth to return to the same level of services and capital investment that the City once enjoyed.

As we have done for 150 years, the City will endure and continue to progress. Thanks to the commitment of our community, elected officials and staff, our overall outlook is improving. We will address our remaining challenges through an ambitious strategic plan that is incorporated into this budget.

Adopted Budget Overview

The Adopted FY 2017 budget totals \$233 million. This includes an operating budget of \$194.2 million and capital project appropriations of \$38.8 million. The major operations included in the FY 2017 operating budget are the City's **General Fund of \$92.9 million**, which supports our day-to-day public safety, roads, traffic, and parks operations; the Water Fund of \$27.6 million; the Wastewater Fund of \$20.5 million; and the Refuse Fund of \$20.2 million. More information about the FY 2017 budget and these operations are presented in the Finance Director's Budget Overview and in the Department Summaries.

Quite significant in the FY 2017 budget, however, is the absence of new General Fund monies for capital improvement projects (CIP). The General Fund CIP proposes about \$1 million for a modest set of strict necessity projects that were funded only by de-funding previously budgeted projects that will now be delayed. These delayed projects join a larger list of much-needed, yet unfunded projects. The grim state of our CIP is discussed later in this message.

Opportunities and Challenges

To inform the budget decisions this year and into the foreseeable future, it is important to reflect on the opportunities and challenges impacting the City.

Fiscal Sustainability

As the City transitions from reacting to the Great Recession into recovery, fiscal sustainability will remain a challenge. California's fiscal structure for municipalities remains broken and the prior demise of redevelopment has only exacerbated the situation. The fiscal structure is broken for a number of reasons. First, cities do not have full control over their revenues or expenses, and therefore it is difficult to effectively perform long-term strategic fiscal planning. Second, there are inherent vulnerabilities with some of our key General Fund revenues (e.g., Sales Tax, Gas Tax and Property Tax). For example, the sales tax base is shrinking due to a shift from purchasing goods to services (which are not taxable), online sales, and the creation of retail distribution centers. The Gas Tax model is broken due to its outdated model, tying fuel consumption to road use while legislative actions have reduced funding that flows to cities. Finally, two of our largest three tax revenues (sales and transient occupancy taxes) are very much susceptible to the ups and downs of the overall, consumer-driven economy.

On the expenditure side, our biggest challenge is the skyrocketing increases in health and retirement costs. These costs have gone from 28 percent of General Fund salary in 2004, to 43 percent of salary in 2015, to an anticipated 58 percent of salary in 2020. This means that in four years, for every dollar of salary paid, the City could pay an additional 58 cents in health and retirement costs alone. Benefit costs place a tremendous pressure on the City as employees account for about two-thirds of the budget. With a growing portion of employee costs (pension and health care rates) out of the City's control, booming economic growth over time will be necessary to keep pace.

The City will therefore have to continue its efforts to aggressively grow our revenue base in order to bridge the gap between increased costs and the demand to restore and enhance service levels. Without such growth, the City will be forced to make very difficult decisions such

as service cuts and extended deferral of capital projects. Finally, in addition to bridging our fiscal gap, our efforts to develop a long term fiscally sustainable City are critical to maintain our excellent General Obligation Bond rating of AA+.

The City's major enterprise funds (water, wastewater, parking, and solid waste) also face fiscal challenges. Increasing operating costs along with significant capital investment requirements will necessitate rate and fee increases. The Water Fund is particularly in a vulnerable situation because it is also experiencing declining water sales.

Infrastructure

A core function of city government, investing in infrastructure, is probably our most critical unmet need. New General Fund capital improvement funding has reached zero. If this continues, we will be limited to only those General Fund projects that can obtain funding from grants or from dedicated revenue sources like Measure H for roads. This change is exacerbated by the loss of the redevelopment agency that was able to provide as much as \$8 million annually to help fund infrastructure improvements for our community. At one time, the City set aside as much as two-thirds of the hotel tax (TOT) for infrastructure. We are no longer able to set aside hotel tax for capital projects. This practice had to be eliminated in order to maintain core, operating safety and community services. The cumulative impact of the Great Recession and loss and reallocation of prior funding sources has led to a current unfunded Capital Projects list of approximately \$300 million. Put in context, if 5 percent of the General Fund's expenditures were reduced and redirected towards funding projects, it would take 64 years to fund 100 percent of this current backlog of projects.

In sum, we cannot defer needed projects again and again, nor can we continue to set aside \$0 for infrastructure or cannibalize existing projects' funding. We have a pressing need to develop new funding sources for infrastructure. To begin to address this, I have been working with an ad hoc revenue committee (Quality of Life Bond Committee) of Councilmembers and staff to assess the viability of bringing a bond or revenue measure before the voters that would help fund major infrastructure projects. A revenue measure is being considered for the 2017 or 2018 ballot. That is just one piece of a needed larger strategy for sustainable capital improvement funding.

Another potential source of funding for transportation related projects will be the regional Transportation Improvement Plan (TRIP) measure anticipated to be on the November 2016 ballot. This measure would direct approximately \$1 million per year for 30 years to the City of Santa Cruz for local transportation projects. In addition, the Library special parcel tax measure

on June 7, 2016 ballot would provide restricted capital funding for Library branches in Santa Cruz of up to \$28 million (up to \$70 million across the library system).

The City similarly faces major infrastructure needs in our enterprise funds. Fortunately, we are able to conduct long-term fiscal planning and can set user rates accordingly. The Water Department celebrates its 100-year anniversary and will be embarking on an ambitious capital improvement program over the next five years. In addition, the development of a new water supply, regardless of which option is ultimately implemented, will require a multi-million dollar investment.

A significant opportunity for Santa Cruz is the development of a new enterprise utility: a fiber-optic broadband network that will provide high speed internet access to every parcel in the City. Implementing such a network will require a considerable amount of staff resources as well as expense. However, as contemplated, it can be implemented so that it is financially self-supporting. The payoff is tremendous from a quality of life and economic development perspective, as well as providing a dependable public safety communications system.

Employees

Over the last ten years, City employees have endured reduced pay, increased workloads, and fewer resources to perform their work. Nonetheless, they have demonstrated the highest level of commitment and customer service and are the major catalysts of our successes. All you have to do is look at our long and broad list of accomplishments throughout this budget document to see that our employees have been truly extraordinary. These accomplishments could not have happened without the leadership and dedication of the City of Santa Cruz public servant. I'm very proud of and can't thank our employees enough for what they have done.

The excellence of City staff does not mean that our employee corps does not require attention. A significant challenge is with recruitment and to a lesser degree, retention. The public sector has a large number of employees that are at or near retirement age. Many deferred retirement during the Great Recession. Also, we must compete with municipalities over the hill in Silicon Valley that have the ability to provide higher compensation. As noted below, the high cost of housing makes it difficult to recruit employees. We also do not want to lower our hiring standards as the community and our fellow City staff deserve the best.

Recognizing these challenges, we have been implementing initiatives to mitigate succession impacts to the organization, including leadership development, career development, and succession planning programs. The recently approved multi-year employee agreements, which

include pay increases, will help, but not fully, bring us to a market position. In the adopted budget, I included funding of \$100,000 for market-based adjustments in the General Fund, based upon the recently completed compensation study.

Housing Costs

Housing has been expensive in Santa Cruz for some time now and the City has made great strides supporting new housing, including a mix of affordable housing types. Nonetheless, we are experiencing an unprecedented housing crisis as a result of the high desirability of living in Santa Cruz, the booming economy in Silicon Valley and our proximity to it, the emergence of online vacation rentals, our built-out environment, and the loss of housing funds, particularly redevelopment funding.

Expensive housing costs impact the City in multiple ways. Rents are on the rise, driving out those with modest and low income levels. We face a major jobs-to-housing imbalance that adds to traffic congestion as employees are forced to commute from farther and farther distances because of the unavailability or unaffordability of housing in the City. Private and public employers in the City are seeing increased challenges with effectively recruiting and retaining employees. To mitigate this problem, the City and University of California at Santa Cruz (UCSC) have recently initiated a task force to look at developing workforce housing. The task force has expanded to include City Schools and major employers like the Palo Alto Medical Foundation (PAMF). The hope is that by combining our resources we will be able to more quickly and effectively develop workforce housing. Opportunities do exist to develop attractive new housing through “smart growth” principles in the City’s major transportation and business corridors and in the Downtown area. It will require community acceptance of increased density.

As with infrastructure, funding for housing has reduced dramatically. The former redevelopment agency previously generated as much as \$4 million annually for the development of affordable housing, which is no longer available. Through hard work and persistence, we were able to secure a portion of our 2011 housing bond funds, but this is a one-time funding source. On the positive side, the growing housing crisis is receiving attention at the State level and there has been movement to increase funding for affordable and homeless housing. We are watching these initiatives closely.

Public Safety

Public safety continues to dominate as a perennial and evolving challenge for our City. A thriving community must have a robust underpinning of safety and security and there is no doubt that our fire and police are continually stretched to protect that threshold for our residents, visitors and businesses. While violent crime is down in Santa Cruz, our City is burdened with excessive nuisance and property crimes. Ranging from bicycle thefts in our neighborhoods to drug use and public intoxication in our business corridors, these common and low-level crimes (according to the Penal Code) exact a toll on our community's quality of life. Moreover, as more and more of our fire department deployments take the form of emergency medical response to individuals with compromised health, sobriety or disabling mental illness, we are seeing a collective and intense pressure on our public safety resources.

In addition to continual work with the Fire and Police Departments to refine our operations and explore the causes of the rise in these types of crimes, such as changes in the state criminal justice system (e.g. Proposition 47), this year I assembled a coordinated Neighborhood Safety Team (NST). The NST is composed of key representatives from all City departments to collectively identify problem areas and issues, problem-solve, deploy resources, develop external partnerships and track outcomes. I have provided my personal attention to this team because this level of coordination and information sharing is vital to making improvements in what can appear to be an intractable problem. Much more needs to be and will be done in the area of public safety. Initiatives such as the NST and the City's strong role with the Bob Lee Partnership for Accountability, Connection and Treatment (PACT Program), Downtown Outreach Worker, M.O.S.T Team and other City-County efforts represent just a few current investments in correcting underlying public safety issues.

Homelessness

One of the most perplexing issues confronting society, cities across California and Santa Cruz today, is homelessness. The causes for homelessness are varied but there is no denying that the level of homelessness has increased in recent years and its impact has been more profound. Santa Cruz has one of the highest per capita rates of homelessness in the United States. There are a variety of reasons for this including the fact that Santa Cruz is the County seat and therefore hosts health and human services and criminal justice facilities, medical services, and shelters. The City's Downtown is the region's cultural and economic center. The City also enjoys moderate weather and a large amount of open space. Recent changes in the criminal justice system seem to have had an impact on the number of homeless individuals in our City, and throughout California.

Santa Cruz's challenge is that addressing societal issues such as homelessness is not a core function of municipal government and funding is not provided to cities for this purpose. Yet, cities are the first to feel the impacts which typically manifest in nuisance and property crimes. The City responds through its available tool, enforcement, which does not address the root cause of homelessness. While enforcement is a critical aspect of the solution, on its own, it simply moves the problem around. We provide discretionary funds to non-profit agencies that provide services to the homeless, but the City alone is not positioned to solve homelessness.

Eliminating homelessness is a much larger endeavor that is going to require the dedication of significant resources from the state and federal levels, as well as partnerships with the County of Santa Cruz, which is the local arm of the state charged with implementing health and human services. We have made progress in this regard by partnering with the County to implement the PACT Program, a holistic approach to get individuals back to being productive members of society. The City Council recently voted to form a Homeless Coordinating Committee to work with the County to develop an actionable plan to alleviate homelessness. We have also expanded our efforts to engage and lobby our state and federal legislators to help us. There has been some response as the State is considering additional funding to house the homeless.

Downtown Renaissance

Cities and downtowns have re-emerged as vibrant cultural, business, and housing hubs, and ours is no exception. We are continually working on rules and regulations to balance all of these interests. The City dedicates a considerable amount of resources in this regard, including public safety, human services (mental health services), public works, and parks maintenance. We will need to continue to be vigilant as Downtown Santa Cruz evolves to an even stronger cultural, economic, and housing center. The opportunity exists to increase housing development in the Downtown. This will benefit the Downtown by creating greater ownership and community in the area. It is also a more cost effective and low-impact approach to providing much-needed housing. The City Council will be considering zoning changes to increase density and therefore incentivize housing development in the coming months.

To preserve and enhance Downtown's vibrancy, investment will be required in its cultural/community facilities (Civic Auditorium, Library), and transportation infrastructure (parking garage, Metro Station). In addition, we will be evaluating whether to construct a new permanent events facility (arena).

When you have a Downtown that has a multitude of uses (business, government, cultural, educational, recreational, and entertainment), public safety is of crucial importance. That is

why we have established a dedicated team of police personnel to patrol the Downtown. In addition, the Downtown Management Corporation has funded a Downtown Host Program which is currently being restructured from a privately-operated model to one that will be staffed by Parks and Recreation Department Park Rangers. The Park Rangers will replace the hosts and private security guards with the goal of providing a higher level of public service and safety.

Beach Area Development

We can expect to see major improvements in the Beach Area in the coming years. Santa Cruz continues to grow as a desirable tourism destination and the Beach Area is crucial to this success. The area serves to provide significant tax revenue (hotel, parking, and admissions tax). The hope is that there will be significant improvements and investments to the wharf, hotels (La Bahia), parking facilities, and major roadways (Riverside Avenue, Beach Street, and Third Street).

The Beach Flats Neighborhood in the Beach Area is also in need of attention and will require close collaboration with the largest property owner in the neighborhood, the Seaside Company. The most pressing needs are to improve public safety, housing, and parks/garden development. We also look forward to strengthening our direct relationship with the Beach Flats Community through regular communications, outreach and an ongoing presence.

Collaboration, Partnerships, and Engagement

Collaboration and engagement with our allied agencies and the community will play an important role in the City's future successes. Partnerships are certainly becoming more important, especially if we are to tackle our most complex challenges like housing and homelessness. We simply don't have the resources and the issue-specific expertise to solve these complex community problems on our own. The level of collaboration amongst the city's sectors will have to be greater than ever.

Santa Cruz enjoys an already high level of engagement from our residents; however, more can and should be done to foster engagement, especially in this era of social media in which we live. Accordingly, continuing to improve the City's communications function is essential if we are to understand and appreciate the needs of the community, as well as effectively communicate the City's goals and achievements.

Department Highlights

Being a world class City means that we have an ambitious work plan as reflected in our Strategic Plan. Below are major highlights from each of our departments, with more detail to be found under each department's budget sections.

City Manager's Office

In the coming year, the City Manager's Office will be focused on management of the array of City priorities in the Strategic Plan, with special emphasis on the management and launching of the new fiber utility—a forward-thinking and dramatic economic expansion tool to help Santa Cruz thrive; regional coordination and planning around homelessness and social issues; the migration of the Climate Action function from the Planning and Community Development Department and advancement of the Monterey Bay Community Power concept; strategic planning on a sustainable capital improvement funding strategy; the renovation and rebuild of three libraries in the City; continued investment in organizational development and employee support; continued work in community building and outreach, especially to high-need neighborhoods such as the Beach Flats; and, planning for large community assets such as Wharf Master Plan implementation, Civic Auditorium improvements and a new sports or performing arts center.

Economic Development

We do not succeed as a City without a vibrant and flourishing business community. Santa Cruz Fiber Project and housing are the department's top priorities in FY 2017. To that end, the department will be actively working with an interdepartmental team to fully vet and design a citywide fiber network with a goal of going out to bid for construction by this year. The department will also be focusing on housing opportunities including the Water Street and METRO projects, and facilitating other projects currently in discussion. Wayfinding is underway and we anticipate awarding a contract for design this summer. The department will be finalizing the Arena feasibility study towards the end of the current fiscal year. The department will continue to refine and expand its online business planning tools in FY 2017 by building on the recent launch of the "Business Roadmap" on the ChooseSantaCruz website.

Finance

Supporting projects and initiatives in alignment with the City's goals, the Finance Department will continue to be a partner on major City projects such as the fiber utility, the Water

Department's development of its strategic fiscal plan, Quality of Life Bonds planning, and Library facility projects. All the while, the department will advance its own projects such as a fee study implementation, including a platform for annual updates and fee analysis to sustain community services, audit compliance, and continued development of the Transient Occupancy Tax uniform compliance and policy programs. The Finance Department is customer focused and is finishing the development of customer service enhancement plans such as a consolidated service counter and expanded online payment options. Finally, to continue its excellence in best practices in financial management, the department will complete a review of fiscal internal controls and the development of a finance training academy.

Fire

Along with its traditional duties of emergency response, fire prevention, and marine safety, the Fire Department focused on disaster preparedness and emergency management capabilities during Fiscal Year 2016. With El Nino looming, there was a renewed effort in training and equipping City staff and community members to effectively respond to any potential impacts from winter storms and flooding. These efforts included a citywide disaster preparedness fair and sandbag building workshop, the establishment of a dedicated Emergency Operations Center (EOC), the hiring of an Emergency Manager, the updating of the City's Emergency Operations Plan, and the training of over 200 employees in EOC operations. All of these efforts have led to a better prepared and disaster-resilient City workforce and community. Next year, we will build on these efforts to ensure a fully operational EOC, expand our exploration of a fire training facility and develop a capital improvement strategy for apparatus replacement and fire station upgrades.

Human Resources

In FY 2016, Human Resources completed several major projects: negotiations with all eight employee groups, a compensation and classification study, the implementation of a portion of the study, and creation of a Respectful Workplace Policy. The department continues its focus on employee development through various programs which include leadership courses, mentoring programs, lunch time learning sessions, and job shadowing. Additionally, HR staff have recently updated the City's competency model which will thread itself through our newly completed performance management and evaluation system, training programs and our recruitment efforts. With almost 30 percent of our workforce eligible to retire in FY 2017, HR will steer a focus on succession planning throughout the City, continue enhancements to our employee development programs, and assist departments with all facets of employee relations.

Information Technology (IT)

IT enters FY 2017 with continued energy to enable the City's community and service delivery goals by using technology to connect people, processes and systems. On the sustainability front, they'll be focusing on: security (physical and cyber); power backups; switches; server virtualization; and, PC and mobile device refreshes. Only with solid technical infrastructure can the department support the conduct of City business. IT will also deliver a mix of other process and application projects to support key community needs and internal business services: Civic ticketing; transient occupancy tax; parking garages; mobile device management; cashiering; citizen engagement portal; and, a re-designed City website. The IT team is very excited about this great mix of "manage, build and innovate" work projects.

Library

The Library is hopeful for the passage of Measure S on June 7, 2016. Should that be successful the system will have an intense five-year period when all ten branches will be replaced, renovated, or repaired, including three branches in the City of Santa Cruz: Branciforte, Downtown, and Garfield Park.

Branciforte will need a full roof repair, upgrades to the electrical and HVAC systems and refurbished or replacement library furniture. Garfield Park will need less work, mostly upgrades to exterior and interior finishes. The Downtown branch will require the most planning. The building will either be rebuilt or library services will be moved to a different location. The Downtown branch is the most heavily used branch in the system and it provides significant systemwide functions as well as branch functions. People from all over the library's service area use the Downtown Branch. The branch also houses the Library Information Technology functions for the entire ten-branch system.

The interior space of each branch will be examined to make the areas as flexible and inviting as possible so that each building can store materials, offer computer access to the public, and provide workable community spaces to host programs for all ages. Last year the system offered 2,300 programs to 44,500 people.

Parks and Recreation

The Parks and Recreation Department will continue to address the changing demographics and needs of the community. Staff is moving forward with the Parks Master Plan which will identify many of the needs of the community for the next 15 to 20 years. Recreation staff is closely

assessing the "baby boomers" generation (currently between ages 52-70) and are developing programs in order to meet their needs. With a long history of successful public-private partnerships, (i.e. Shakespeare, program instructors, Rotary Club, Lion's Club, etc.) the department will continue to explore similar partnerships for programs and facilities in the City. Parks staff is regularly installing new drought tolerant landscaping throughout our park system in order to conserve one of our region's most valuable resources. Security and safety at our parks, open spaces and beaches remain a high priority for the Department. Because of this, the Park Ranger Program is anticipated to expand to Main and Cowell Beaches during the summer months and into Downtown throughout the year.

Planning and Community Development

The Planning and Community Development Department continues to experience an increase in the number of permits for new construction, remodels, and new businesses. New hotels are finishing construction, and others are expected to begin construction in the coming fiscal year. These will amount to 431 new hotel rooms, and some significant remodels of existing older hotels. New multifamily housing construction, likewise, is underway with other projects beginning construction soon. The approved housing would add almost 600 units, mostly of workforce housing. A team of staff continue to work with property owners to build or legalize accessory dwelling units, which are a very important part of our housing stock.

In order to meet the demands of our community, this past year the department rolled out new online services for permit information, and internal services for coordinating the permit process throughout all departments involved in development review. Additional services will be provided in the coming year, including upgrades to the permit tracking system and online plan check.

The Future Planning section is well underway with conducting community processes to create the development standards and public improvements of our major transit corridors. The Corridor Plan will guide development of mixed-use housing in certain nodes of the corridors, and direct the standards required to address neighborhood preservation. The Downtown Plan is being updated to encourage redevelopment of the lower portions of Pacific and Front Street. This will provide opportunity for additional housing as well.

Police

The Police Department has addressed an annually increasing call-for-service load that has surpassed 100,000 the past few years. A challenge in meeting this demand has been staffing,

given the current competition for qualified officers and the long academy and training period for new officers. This year, the Police Department made strides in bringing the department to a full complement of both sworn and civilian staff. Over the past fiscal year, the police department hired seven Police Officers with three of those being hired as police trainees and put through the Police Academy. The department is staffed with 93 of our 94 funded positions and is working through an active recruitment list for Police Officer Trainee in hopes of sending a group to an academy in August or September 2016.

Supporting a critical function of the department, an additional officer has been assigned to full-time duty in the Community Services Section. This officer works with community groups and helps troubleshoot neighborhood issues. The officer also assists with the many community outreach programs run by this section.

The Police Department continues strong partnerships with other City departments. With Economic Development, Parks and Recreation and Public Works in particular, the department addresses public safety and nuisance issues in the Downtown, supports multiple cleanup efforts of illegal campsites and dumping locations throughout our surrounding open spaces, and responds to hot spots as they appear.

Public Works

Public Works, as the largest City department with a diversity of functions, advanced several notable projects with many planned for FY 2017. Highlighted here are just a few of the upcoming projects. In the Resource Recovery Division, we are planning for landfill capacity expansion and a commercial food waste diversion program. This program consists of grinding material and introducing it to the digesters at the Wastewater Treatment Facility (WWTF), thereby diverting this organic material from the landfill and generating electricity at the WWTF. With the shift to alternative fueled refuse trucks, the division is preparing to start the design of a CNG fueling station at the Corp yard, improve efficiency of refueling our vehicles and reduce our reliance on the availability of other agency facilities.

At the WWTF, expansion of recycled water generating and storage capability is underway, augmenting the 175,000 gallons per day of recycled water currently generated on site for process water and cleaning the facility. The WWTF laboratory is working on the installation of a bioassay facility to provide in-house testing of treated water and improving the responsiveness and quality control for the WWTF, while reducing the cost of the required testing.

The department will be starting Measure H street work with \$3.5 million in combined surface seal and overlay projects scheduled for the summer of 2016. This includes surface seal of a majority of the streets in the Grant Street Park area. The overlays include King Street from Bay Street westward to Mission Street, Grant Street from Market Street to Plymouth Street and Soquel Avenue from Ocean Street to Dakota Street. The projects will include curb and gutter repair and installation of ADA compliant curb ramps.

Available parking is becoming more of a challenge in the Downtown. The three current parking garages are often completely filled Monday - Friday between noon and 4 pm. There are waiting lists exceeding six months to a year for permits in all of the parking garages. With the approved projects in the Downtown and the filling of the currently available space, the pressure for parking will increase. There are several sites under consideration for a new garage. The design and construction will take two to three years once a site is chosen and if the economy in the Downtown remains strong, an interim parking solution will be needed to provide parking for visitors to the Downtown, until additional parking is available.

Water

Together, our Water Department and community have weathered the ongoing drought brilliantly through state-leading conservation efforts. While conservation remains critical, the department is now focused on continuing reliable deliveries of high quality water, initiating a major reinvestment cycle for the water system's backbone infrastructure, and implementing the Water Supply Augmentation Strategy developed by the Water Supply Advisory Committee and approved by the City Council.

Conclusion

Our City has much to be proud of. Santa Cruz has developed into a world-renowned community not only distinguished by its natural beauty and tourism, but now for innovation and leadership across sectors. At the same time, the last ten years have been especially difficult and we will continue to face challenges as I have outlined. However, the opportunities outnumber the problems and I am confident that our future is bright and we can successfully bridge the gaps we are facing. The next few years will be exciting as the City Council and community will be presented with legislative, economic, and land use choices that will shape the City for the next 150 years.

Acknowledgements

I want to thank the Mayor and Councilmembers for your dedication, guidance, and leadership. I also want to thank the City's department heads and senior staff who provide internal leadership, wisdom, and continued flexibility in crafting solutions to meet the community's service demands. Finally, I want to thank each and every employee of our City, for it is their efforts that make the City of Santa Cruz an incredible place to live, work, and conduct business.

The Finance Department deserves special recognition as well for crafting and compiling this Adopted Budget. This City is very fortunate to have this caliber of dedicated, intelligent, and resourceful finance professionals.

Sincerely,

A handwritten signature in blue ink that reads "Martín Bernal". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Martín Bernal
City Manager