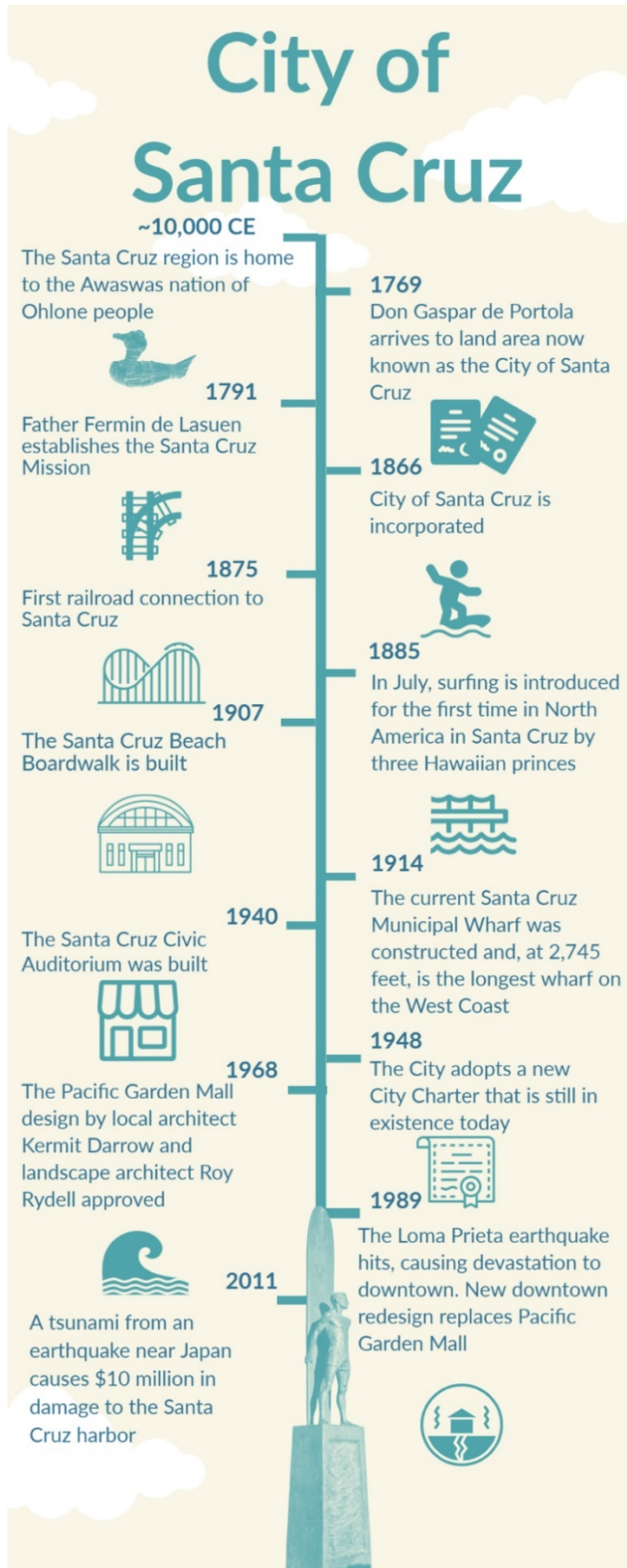


# City Overview

## Important Dates in Santa Cruz History



## History

The city of Santa Cruz, CA has a rich and varied history that spans thousands of years. Indigenous people have been living in the Santa Cruz region for at least 12,000 years. Prior to the arrival of Spanish soldiers, missionaries and colonists in the late 18th century, the area was home to the Awaswas nation of Ohlone people, who lived in a territory stretching slightly north of Davenport to Rio Del Mar.

The Awaswas tribe was made up of approximately one thousand people, and their language is now extinct. The only remnants of their spoken language are three local place names: Aptos, Soquel, and Zayante, and the name of a native shellfish – abalone.

At the time of colonization, the Indigenous people belonged to the Uypi tribe of the Awaswas-speaking dialectical group. They called the area Aulinta.



*The People of Santa Cruz by Ann Elizabeth Thiermann*

Santa Cruz was officially incorporated in 1866 as a town under the laws of the State of California, and it received its first charter as a city in 1876. At that time, the city was governed by a Mayor and Common Council consisting of four members. In 1907, the citizens voted for a new charter that designated a mayor as the chief executive and a City Council consisting of seven members. Over the years, subsequent charters gave a mayor and four commissioners both executive and administrative powers. The city was divided into five departments: Public Affairs, Revenue and Finance, Public Health and Safety, Public Works, and Streets and Parks.

In 1948, the City of Santa Cruz adopted a new city charter that established a council-manager form of government. Under this new system, a mayor and six councilmembers set policy for the city, while a city manager served as the chief administrator of those policies. This charter, with amendments, is still in existence today.

Throughout its history, Santa Cruz has experienced both triumphs and tragedies, from devastating earthquakes and fires to periods of economic growth and development. Despite these challenges, the city has remained resilient and continues to be a vibrant and thriving community. Today, Santa Cruz is known for its beautiful beaches, vibrant downtown area, and rich cultural heritage.

## Climate

The City of Santa Cruz enjoys a mild Mediterranean-like climate throughout the year with average high temperatures in the mid-70's and average lows in the low-50's. From the beautiful beaches along the Pacific Ocean to the tall redwoods in the mountains, Santa Cruz offers a variety of outdoor-oriented activities. Year-round, residents and tourists can enjoy beach walking, surfing, hiking, biking, camping, golfing and more in Santa Cruz's mild weather.



## Geography

The City of Santa Cruz is located along the Central Coast of California, on the northern edge of the Monterey Bay, approximately 74 miles south of San Francisco and 30 miles west of San Jose. Comprising of only 12 square miles, it is nestled between the Santa Cruz Mountains and the Pacific Ocean. Santa Cruz lies at the north end of Santa Cruz County, is the county seat for the county, and the most populated city in the county.



## Education

Students in public school from pre-kindergarten through 12<sup>th</sup> grade attend school in Santa Cruz City Schools districts. There are 4 elementary schools in the elementary district serving nearly 2,000 students. The secondary district includes 2 middle schools, 3 high schools, a continuation school, an independent studies program, and a home school program serving approximately 4,660 students. There are also numerous private education options at all grade levels.

University of California at Santa Cruz (UCSC) is a world class institution of higher education located in the foothills of Santa Cruz. With 64 academic programs, cutting-edge research, and a reputation for excellence, UCSC attracts students from all over the world. Total student enrollment for fall 2022 was 19,478.

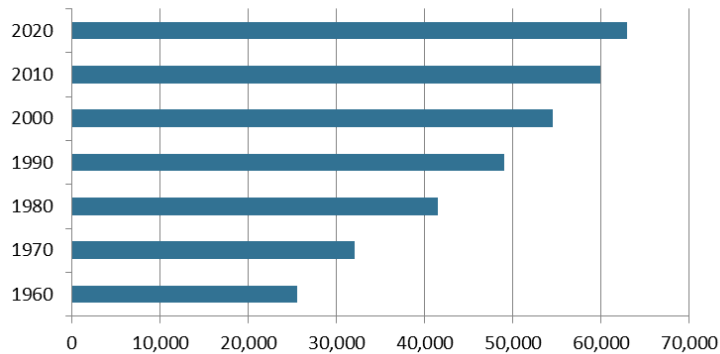


## Demographics

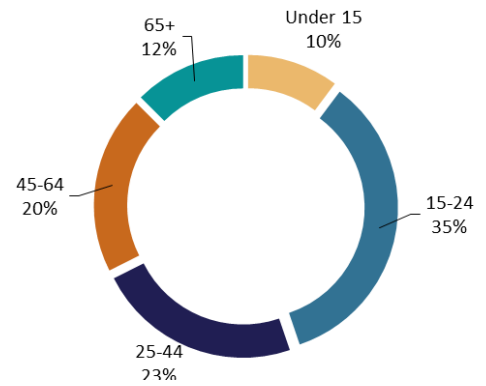
### Population

As of January 1, 2022, the City's population was 64,075, according to the State Department of Finance (DOF).

#### Santa Cruz Population Growth



#### Age Distribution

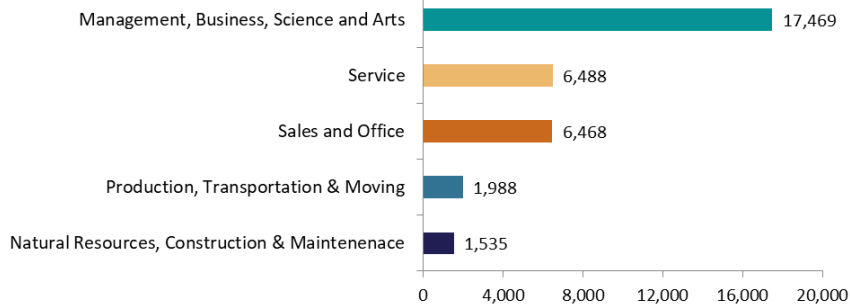


### Employment

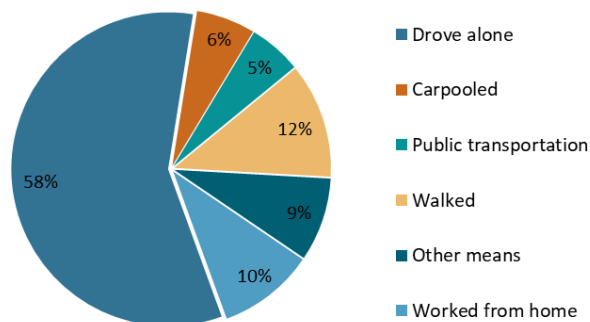
Total Occupations: 33,948

Unemployment: 3.2%

#### Occupations



#### Commuting to Work

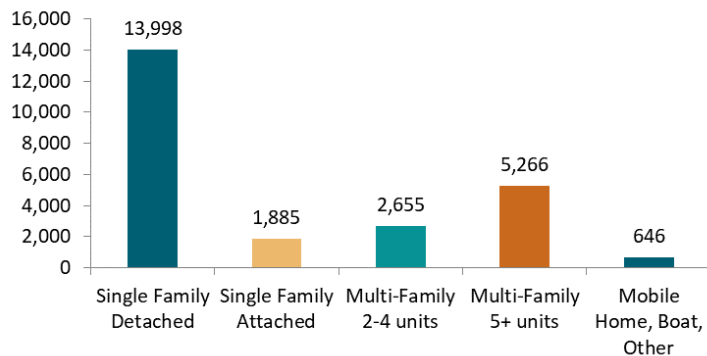


Economy, Housing and Education

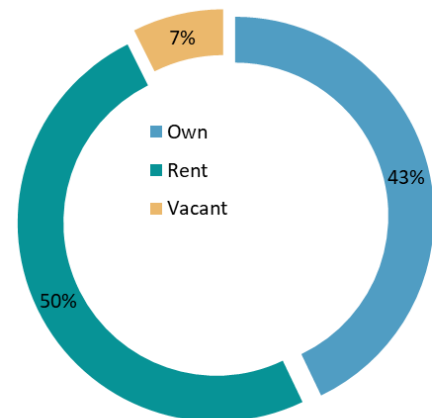
| Santa Cruz Top 10 Employers (FY2021)   | # of employees |
|--|----------------|
| University of California at Santa Cruz | 7,068          |
| County of Santa Cruz                   | 2,513          |
| City of Santa Cruz                     | 883            |
| Plantronics                            | 431            |
| Costco Wholesale Corp                  | 314            |
| Safeway Stores Inc.                    | 224            |
| New Teacher Center                     | 211            |
| DBA Santa Cruz Nutritionals            | 200            |
| Crow's Nest 194                        | 194            |
| Santa Cruz Beach-Boardwalk             | 186            |

Median Home Sales Price (January 2022): \$1,170,000

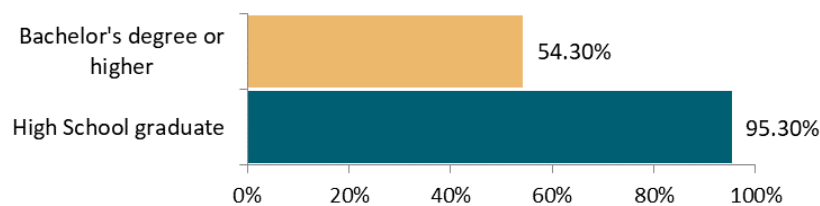
Housing Units



Housing Occupancy

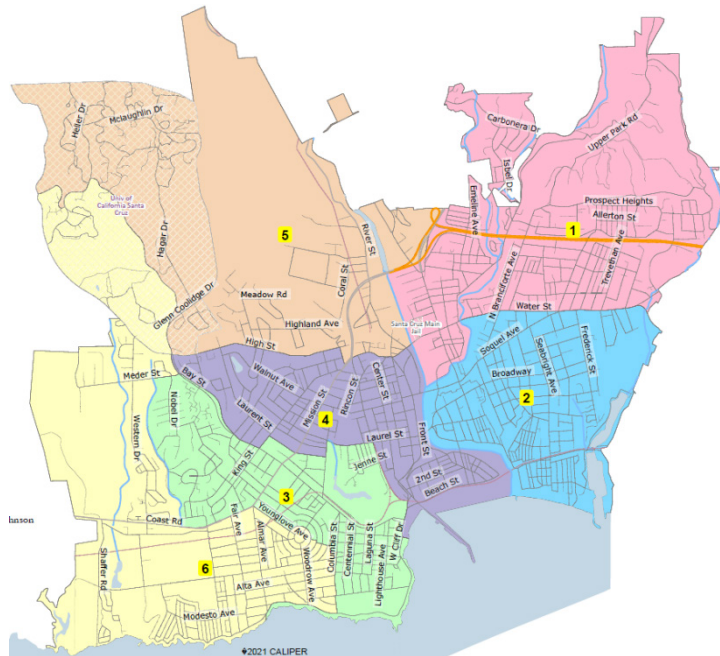


Education



## Form of Government/Services

The City of Santa Cruz operates under the council-manager form of government. Policy-making and legislative authority are vested in a seven-member governing council, consisting of the mayor and six councilmembers who are elected on a non-partisan basis. On June 7, 2022, voters in the city amended the city charter to require a directly elected at-large mayor and six council district elections. The mayor is elected by all voters of the city and serves a four-year term. Councilmembers are elected by the electors of each of the



six districts and serve four-year staggered terms. Mayor and councilmembers may serve no more than two terms consecutively. 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. In 2011, the City Manager was designated as the City Clerk.

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 department heads.

The city 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; and recreational and cultural activities including a performing arts center and human services programs. It operates four municipal utilities, including water, wastewater, storm water, and refuse collection/landfill operations, as well as enterprise operations for parking facilities. The water utility provides water service beyond the municipal boundaries and has a total service population of approximately 98,000.

Before the February 1, 2012, elimination of the city's legally separate Redevelopment Agency, the city elected to serve as the successor agency for the Redevelopment Agency's operations, including housing operations. As the successor agency, the city is responsible for winding down operations, paying off debt service, and completing certain remaining infrastructure construction and community development activities as included in the Recognized Obligation Payment Schedule (ROPS).

Many major public services delivered within the city's boundaries, such as education and public transportation, are provided by other public agencies. Library services are provided through a Joint Powers Authority agreement that includes the cities of Santa Cruz, Capitola, and Scotts Valley and the County of Santa Cruz.

Appropriations provide for expenditures that will be incurred and encumbrances that will be established during the fiscal year. Council policy establishes appropriation control at the department and fund level. Changes in appropriations within the same department and fund may be approved by the City Manager, transfers greater than \$100,000 between

Capital Investment Program projects must be approved by council. The City Manager is also authorized to accept and appropriate donations and grants of up to \$100,000 for projects and programs previously approved by the City Council. All transfers between funds or departments must be approved by council.

## Major Revenue Sources

The City's major revenues sources are projected using a combination of an analysis of historic trends, current and future indicators, and external sources like the County of Santa Cruz, the State Budget, State Legislative Analyst Office, League of California Cities, and sales tax consultants.

## Taxes

The City's major tax revenues include property tax, sales and use taxes, and transient occupancy (hotel) tax. The Budget Discussion section of this document includes charts showing revenue history.

As with other charter cities in California, the City of Santa Cruz has limited ability to set tax rates. The State constitution, under the provisions of Proposition 13 passed by the voters in 1978, establishes a maximum rate for property tax and limits the growth of assessed value. The constitution sets the limit for increases of the property tax rate to 2% per year, but upon sale, market 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, wastewater, and refuse must also be approved by a majority of property owners or two-thirds of the electorate.

Ballot measures approved by City voters include the following:

- November 2022 - Measure P. Increased the Transient Occupancy Tax from 11% to 12% for hotels/motels/inns, and from 11% to 14% for short-term residential vacation rentals, effective January 2023.
- June 2021- Measure A. Increased the allocation of cannabis sales tax revenue to the Children's Fund from 12.5% to 20%.
- June 2018 - Measure S. Increased the local Sales Tax from 9% to 9.25.
- November 2016 - Measure D. County Transportation Tax. Impose a half-cent sales tax for 30 years for safety, pothole repair, traffic relief, and transit improvement.
- November 2016 - Measure L. Cannabis Business Tax. Impose a tax of no more than 10% on gross receipts of cannabis (marijuana) businesses in the city.



- June 2016 - Measure S. Community Facilities District Library Bond. Authorize parcel tax on real property and authorize bonds to be issued by the Santa Cruz Libraries Facilities Financing Authority.
- November 2012 - Measure Q. Increased the Transient Occupancy Tax from 10% to 11%, effective in July 2013.
- November 2010 - Measure H. Increased the Utility Users Tax from 7% to 8.5%, effective in spring 2011.
- November 2008 - Measure E. Clean River, Beaches, and Ocean special parcel tax.  
Imposed a parcel tax to be used to protect public health and wildlife habitat in the river, bay, and ocean.
- November 2006 - Measure H. Increased the local transactions and use tax from the 0.25% authorized by Measure F in March 2004, to 0.5%, and removed the sunset clause.
- August 2005 - Measure X. Water, Sewer, and Refuse franchise taxes imposed to replace comparable franchise fees that had been discontinued because they were determined to be taxes rather than fees.
- March 2004 - Measure F. Increased local transactions and use tax by 0.25%, with a sunset clause to end the additional tax after five years.

### **Fees & Charges for Services**

Fees for services, the City's next largest major revenue source, are subject to requirements that they be set at levels that do not exceed the reasonable costs of providing services. Fund balances generated by differences between fee revenue and related expense are retained and designated for services and facilities that benefit fee payers.

### **Budget Preparation and Review Process**

Under the city charter, the fiscal year of the city begins on the first day of July of each year. The City Manager is responsible for preparing the annual budget and submitting it to the Council for adoption.

As part of the budget process, all city departments submit budget requests for the next fiscal year. These requests are consolidated by the Finance Department and reviewed by the City Manager to ensure that requests and departmental objectives are consistent with the City's overall goals. The City Manager then presents to the City Council a structurally balanced budget—one that supports financial sustainability multiple years into the future. As required by the Charter, this budget is transmitted to the City Council and made available to the public for review no later than the first council meeting in June. Budget hearings are conducted in May, before final adoption of the budget by the City Council no later than the first regular Council meeting in June to allow the new budget to be integrated into the city's financial system by July 1.

Budget amendments are presented to City Council as needed. The City Council also reviews budget results at mid-year and budget adoption. 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.

The Annual Budget Process Calendar illustrated on the following page shows the relationship between City residents, City Council, and City Administration in developing the City’s Annual Budget.

### Budget Preparation and Review Process Calendar

| Month       | Residents  | Mayor & City Council  | City Administration   |
|-------------|--|---|---|
| <b>Oct.</b> | Input on budget priorities and direction through direct contact with Mayor and City Council, community surveys and meetings. |   | Budget schedule and guidelines provided to Departments. Capital Investment Program (CIP) preparation begins.                |
| <b>Nov.</b> |  |   | Presentation of prior year financial results to City Council and community.   |
| <b>Dec.</b> |  | Review and approval of ACFR providing an understanding of the fiscal status and condition of the City.                          | CIP strategic planning and review.  |
| <b>Jan.</b> |  | On-going discussions of budget priorities based on input from community and staff. Audit results presented to the City Council. | Current year-end estimates and next year department requests due to Finance Department.                                     |
| <b>Feb.</b> |  |   | Department meetings with City Manager & Finance to review next year requests. CIP study session.                            |
| <b>Mar.</b> |  |   | Continued Operating and CIP strategic planning and review.  |
| <b>May</b>  | Department Budget Hearings open to the public.   | Department Budget Hearings and Discussions, review, and approval of Final Capital Investment Program (CIP).                     | Proposed Budget completed and made available online. Presentation of Final Operating and CIP to City Council and community. |
| <b>June</b> | Budget Adoption open to the public.  | Changes made per direction from Council and Council adoption of Annual Budget.  | Changes made per direction from hearings and Final Budget Adoption.   |

## Budget Basis – Basis of Accounting

The City Council adopts a structurally balanced budget as required by Council Budgetary Policy 12.3. The City uses a modified accrual basis of accounting in preparing the budget for both Governmental and Proprietary funds. The modified accrual basis is consistent with how the Governmental Funds are reported in the City’s Annual Comprehensive Financial Report (ACFR) fund statements; however, the Proprietary Funds (Enterprise and Internal Service Funds) are reported on a full accrual basis in the annual report. For an example of how the ACFR reconciles to the Budget, see the explanation and example listed in the Appendices section of this document called Differences Between the ACFR and the Budget Document. Fiduciary Funds (Trust and Agency Funds) are not reported in the annual budget.

Under “modified accrual basis,” amounts are recognized as revenue when earned, so long as they are collectible within two months after the end of the fiscal period to be used to pay liabilities of the current period. Encumbrances that are outstanding at year-end are re-appropriated in the next year.



## Fund Structure

The following is a listing of the funds included in the City’s Budget, with each major fund identified. Descriptions of each of the City’s active funds, with a detailed presentation of FY 2022 actual expenditures and revenues; FY 2023 beginning fund balance, adopted, and amended budgets, year-end estimates, and ending fund balance projections; and FY 2024 beginning fund balance, adopted expenditures and revenues, and ending fund balance projections can be found in the “Recap of Funds-Fund Balance Projection” section of this document. Funds are listed in order of their fund number in the Financial Summaries of this document.

**Governmental Funds**

Most of the City’s programs and functions are provided and financed through the following governmental funds, which are focused on the acquisition, use and balances of the City’s expendable financial resources and the related current liabilities. Governmental Funds use the modified accrual method of accounting and are focused on financial position, rather than on determining net income.

| General Funds                            |   |
|--|---|
| Primary General Fund                     | Street Tree Fund                          |
| Municipal Wharf Fund                     | City Public Trust Fund                    |
| General Plan Update Reserve Fund         | City Stabilization Reserve                |
| Green Building Educational Resource Fund | Carbon Reduction Fund                     |
| Civic Equipment Maintenance/Replacement  | Economic Development Trust Fund           |
| Co-op Retail Management                  | Housing In-Lieu Program                   |
| Kiosk Maintenance                        | DeAnza Hardship Fund                      |
| Code Enforcement/Civil Penalties         | Contributions and Donations               |
| Cannabis Children’s Fund                 | Interest Holding                          |
| CASp Certification and Training Fund     |   |
| Special Revenue Funds                    |   |
| Supplemental Law Enforcement Services    | Parks Quimby Act Funds (4)                |
| Traffic Offender                         | Parks & Rec Tax Combined Fund             |
| Police Asset Seizure                     | HOME Funds (3)                            |
| Asset Seizure/Youth Crime Prevention     | Community Development Block Grant         |
| State Highway Funds                      | Red Cross Housing Reconstruction Loan     |
| Gasoline Tax                             | Repayment                                 |
| Traffic Congestion Relief                | First Time Home Buyers (2)                |
| 2016 Transportation Measure D            | Affordable Housing Trust Fund             |
| Traffic Impact Fee Fund                  | City Housing Successor Agency Funds (2)   |
| Clean River, Beaches & Ocean Tax Fund    | Transportation Development Act            |
| Public Safety Impact Fees                | American Rescue Plan Act                  |
| Childcare Impact Fee                     | State Homelessness Response Program       |
| Capital Investment Funds                 |   |
| General Capital Investment Projects      | Street Maintenance, Rehabilitation and    |
| Capital Investment Public Art Fund       | Improvements                              |
| Sidewalk Construction In-Lieu Fund       | Wharf Tenant Capital Improvement Contrib. |
| Santa Cruz Library                       | Information Technology                    |
| Debt Service Funds                       |   |
| GO(General Obligation) Bonds             | Lease Revenue Bonds                       |

## Proprietary Funds

The City’s Proprietary Funds include both Enterprise and Internal Service Funds. Enterprise Funds are similar to private sector enterprises in that the costs of providing services are recovered through financing and/or user fees and charges rather than through taxes or similar revenues. Internal Service Funds are used to report on activities that provide goods or services to other funds or departments in the City on a cost-reimbursement basis.

| Enterprise Funds                 |  |
|----------------------------------|--|
| Water                            | Refuse Fund                              |
| Water Rate Stabilization         | Refuse Landfill Closure                  |
| Water Public Art                 | Refuse Landfill Post Closure Maintenance |
| Water System Development Fees    | Refuse Public Art                        |
| Water Emergency Reserve          | Parking                                  |
| Water June Beetle Endowment      | Parking Public Art                       |
| Water Equipment Replacement Fund | Storm Water                              |
| Wastewater                       | Storm Water Overlay                      |
| Wastewater Public Art            | Storm Water Public Art                   |
| Internal Service Funds           |  |
| Equipment Operations             | Group Health Insurance                   |
| Workers’ Compensation Insurance  | Unemployment Insurance                   |
| Liability Insurance              |  |

## Department and Fund Relationship

The City’s Annual Budget is organized by the Department Summary—showing expenditures by character, expenditures by activity (program), and resources by fund. Following the Department Summary is the Activity Summary—showing expenditures by activity and activity resources by revenue category for each of the department’s programs. A portion of the City’s General Fund supports all departments except for the Water Department. That specific percentage of General Fund support is identified in the “Percentage of Primary General Fund Budget” chart shown on the Budget At a Glance page located before the Department Summary page.



The following list shows the relationship between the Department and their supporting fund(s):

| Department                       | Funds  |
|----------------------------------|--|
| City Attorney                    | General Fund   |
| City Council                     | General Fund<br>City Public Trust Fund   |
| City Manager                     | General Fund<br>American Rescue Plan Act<br>State Homelessness Response Program  |
| City Non-Department              | General Fund<br>Kiosk Maintenance Fund<br>Transportation Development Act Fund  |
| Economic Development and Housing | General Fund<br>Co-Op Retail Management<br>Kiosk Maintenance Fund<br>Home Rehabilitation Fund<br>Home Acquisition Projects Fund<br>Home Investment Partnership<br>Comm. Development Block Grant<br>Affordable Housing Trust Fund<br>Red Cross Housing Reconstruction Loan Repayment<br>Successor Agency (H) LMIH-Merged 2-1-12<br>Wharf Tenant Capital Improvement Contributions<br>Public Art Capital Improvement |
| Finance                          | General Fund<br>Liability Internal Service Fund<br>City Stabilization Reserve  |
| Fire                             | General Fund<br>Fire Impact Fee  |
| Human Resources                  | General Fund<br>Workers Comp Internal Service<br>Group Health Insurance<br>Unemployment Insurance  |
| Information Technology           | General Fund<br>Information Technology Internal Service Fund   |
| Parks and Recreation             | General Fund<br>Municipal Wharf Fund<br>Parks Quimby Tax Funds<br>Parks Tax Fund   |
| Planning & Community Development | General Fund<br>Code Enforcement<br>General Plan Update Fund<br>Green Building Education Fund  |
| Police                           | General Fund<br>Supplemental Law Enforcement Services<br>Traffic Offender<br>Police Asset Seizure<br>Asset Seizure/Youth Crime Prevention<br>Police Impact Fee   |
| Public Works                     | General Fund<br>Municipal Wharf Fund<br>Gasoline Tax Fund<br>Traffic Impact Fund<br>Clean River, Beaches, Oceans<br>Equipment Internal Service Fund<br>Wastewater Enterprise Funds<br>Refuse Enterprise Funds<br>Parking Enterprise Funds<br>Storm Water Enterprise Funds  |
| Water                            | Water Enterprise Funds   |