

## ECONOMIC CRISIS

# Santa Cruz budget looks grim

New numbers show another  
\$6.5 million deficit next fiscal year

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*Budget*  
SANTA CRUZ — City leaders are grappling with another \$6.5 million deficit for the coming fiscal year, just months after slashing about \$7 million from the current budget by eliminating funding for museums, services and staff.

Since July 2008, revenue to the city's general fund — originally projected at \$78.6 million — has fallen by more than \$14 million, said City Manager Dick Wilson. Tax revenue is the main source of cash for the general fund, which pays primarily for the police, fire, and parks and recreation departments.

Wilson called Santa Cruz's financial situation the worst he's seen in 37 years at the helm. Now, he said, the City Council could be forced to consider even more staff pay cuts, layoffs and other drastic measures as there is not much else left to trim.

However, Wilson said, Santa Cruz is not alone with its economic woes.

"We're just reflecting the economy around us," he said.

The deficit comes as sales tax revenue continues to fall, Wilson said, and preliminary figures show that for the first time in recent Santa Cruz history, property tax totals could decline, too.

City leaders in December cut funding for the Teen Center, Natural History Museum, Surfing Museum,

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## BUDGET

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Beach Flats Community Center, Harvey West Pool and other amenities to help save about \$7 million. In addition, all Santa Cruz staff postponed scheduled pay raises for 2009.

As of this week, when the new deficit tally was announced, Wilson said he has asked for a 10 percent pay cut in his own \$216,000 annual salary and five days off without pay. He said other managers are considering similar moves to lessen the deficit's impact on workers with smaller paychecks, although all staff could be asked to make concessions.

"When the economy grows, compensation increases, as it should," Wilson wrote in a preliminary budget summary. "When the economy shrinks, especially in the most severe recession of our lifetimes, compensation has to decrease."

Wilson stressed that the city would rather cut pay than lay off staff.

Santa Cruz isn't the first local government this week to ask management to give things up. County leaders on Wednesday announced that 500 workers, mostly top and mid-level managers, would take mandatory furloughs. Those workers will take off the equivalent of six hours every two weeks over the next fiscal year, saving the county \$4 million.

Mayor Cynthia Mathews said the city's budget dilemma will force long-term changes on how Santa Cruz government operates.

"The council, whose historic impulse is to want to do everything for everyone, has shown real discipline," Mathews said. She predicted city leaders will be less likely to expand services soon after weathering the current economic crisis.

The city's final budget will be decided in June.