

Santa Cruz budget tight, administrator tells council

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The city of Santa Cruz cannot keep starting new projects without adding new revenues.

That's what City Manager Richard Wilson told the City Council at a budget study session yesterday — the first public look at the city's projected 1988/89 fiscal year budget.

Santa Cruz, Wilson said, is a mature city, being 93 percent built out. Because the city will not experience much real growth, there will not be much new revenue coming into the city, he said.

"So when we add something new, we need to delete something old or increase the revenues," Wilson said.

The budget outlook for this year will be tight — with the city facing an estimated \$585,000 deficit — but this year's budget is not quite so bleak as it was last year when the city faced a \$1.1 million deficit.

Wilson explained how five new services added in the city's budget practically make up the coming year's projected deficit.

Those projects include the maintenance for Lighthouse Field park, expected to be \$190,000 the first year; the beach ranger program set at \$35,000; the city's additional funding of the library system at a cost of \$158,000; extra security services' costs at \$60,000; and \$40,000 set aside for the possible bare-level maintenance of the Pogonip land if a state initiative in June provides the city with funds to purchase the land.

"Conceptually, the revenue base will not support these," Wilson said.

Therefore, the city will need to make some tough choices in order to bring revenues in line with expenditures, he said.

For instance, not included in the \$585,000 projected deficit is a raise for city employees. Some council members said it was unrealistic to not include an employee raise. Every 1 percent across-the-board raise for employees will mean an

additional \$140,000 in expenditures for the city.

Also not included in the projected deficit is the extra \$900,000 requested by the city's department heads. Although no department head asked for new personnel, Wilson said their budget requests were higher than he recommended and included in the projected expenditures.

The city's capital improvement budget is also at a bare-bones level.

That budget, Wilson said, at \$800,000, is "very minimal" and less than the capital improvement budget was 10 years ago.

Several possibilities in raising revenues were discussed by the City Council, although no idea was a big hit.

A revised business-license fee for those renting properties, which city Finance Director Robert Shepherd said could raise \$400,000 for the city, seemed to have lost much of the support it had from the council members.

The proposal would have meant that any person who rents out a home — from a single-family home to a multi-unit complex — would have to obtain a business license. The fee for that license would be based on the number of units rented, at a rate of \$62 per unit.

Shepherd said an alternative to that would be to base the cost of the license fee on the gross receipts of the rent. This plan, however, would be very difficult to verify, he added.

Although the council had previously expressed some tentative support for the idea and had city staff go ahead with revenue projections, several council members expressed disapproval of the idea yesterday.

Councilwoman Mardi Wormhoudt pointed out that the tax will merely be passed on to tenants in the cost of their rent.

"I don't see that we're providing services to tenants that we're not providing to home-

owners," Wormhoudt said. "We're sticking it to the people least able to afford it."

Councilman Mike Rotkin, however, said he may go along with a business-license fee based on gross receipts because that could be an incentive to keep rents low.

Other revenue-raising possibilities discussed by the City Council included a street light assessment district which could amount to a tax of \$14 to \$20 per household. That tax, if approved, however, would not take effect until the next fiscal year.

The city could also raise its utility tax, parking-meter rates and fees for park and recreation events. The city could also sell off some of its property.

Councilman Joe Ghio asked Wilson to come up with a complete package of possible revenues for the next two fiscal years.

"We need some sort of package that will do it all," Ghio said. He urged his fellow council members to sell city property at Swanton and Prospect Heights.

But Rotkin said it would be foolish to sell property to cover the budget deficit, because the budget is facing an ongoing problem and the sale of property would present only short-term relief.

Rotkin said in the long run, the city should perhaps look at the new services the city is providing and find a way for those to bring in some revenues.

For instance, Rotkin suggested a tax override for the city's \$158,000 expenditure for the library system; increasing beach sales to cover the cost of the beach rangers; and providing some concessions at Lighthouse Field.