

New SC Council Inherits Financially-Healthy City

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The 1980-81 Santa Cruz City Council left the municipality "financially healthy, in very good shape," according to Robert Shepherd, Santa Cruz finance director.

"The city's bond rating from Moody's Investment Service was raised to an A-1 rating from the previous A rating," Shepherd said. "This change was attributed by Moody's to the city's diverse revenue base, low-debt level, and well-managed finances."

Shepherd noted, for example, that the city's general obligation bond indebtedness is only about \$4.4 million, or 11.6 percent of its general obligation bond legal debt limit of \$37.4 million.

Revenue bonds outstanding totaled \$10.09 million as of June 30, 1981, when the fiscal year ended.

Full information on fiscal 1980-81 is presented in the city's Comprehensive Annual Financial Report, which has just been issued.

The financial future for the city looks bright, Shepherd said, because the current budget that was developed by the 1980-81 City Council "represents the council's commitment to balanced, high-quality city services and should leave the city in a sound position for fiscal 1982-83."

Led by Mayor Joseph Ghio and a conservative majority, the council spent some \$15.5 million of general government funds to provide police, fire, cultural, social, government and environmental services, a 16 percent increase over the previous year because of salary increases, higher levels of service for city parks, an expanded recreation program, and the buy-out of the Skypark Airport lease, Shepherd said.

"Taxes continue to be the major source of government type funds. Of the major sources, the sales tax continues to be the largest, with the city getting \$3.16 million in 1981."

Total taxes came to about \$6.8 million, or 46 percent of the government fund revenue. Special revenue funds were \$4.5 million. The general property tax brought in \$2.4 million.

But general fund income did not match general fund outgo, leading to a \$587,931 drop in the fund balances. The fund balances amounted to \$6.4 million at the close of the 1980-81 fiscal year last June 30.

The 1980-81 council also provided a broad range of commercial-type services for city residents and other customers. These services are through so-called "enterprise" activities which pay for themselves, or are supposed to, through fees charged.

The enterprise accounts include water, sewer, refuse collection, parking, the Municipal Wharf, and the DeLaveaga Golf Course.

Income from the charges for services came to \$9.03 million in 1980-81, a 13 percent increase that reflected increased water consumption and boosts in rates.

All of the enterprise operations except refuse collection recorded operating profits for the year. The Water Department had an operating profit of \$533,442 and thus increased its working capital by some \$380,000 despite capital expenditures of \$977,000, Shepherd reports. The sewer fund had a \$114,880 profit. Refuse collection lost \$162,583, but rates were increased

by the City Council last July and the fund is expected to show a profit this current fiscal year.

Another big financial plus for the city came through interest paid on its short-term investments. The city got a record \$1.7 million on these investments.

The city's income and expenditures are often such that income exceeds outgo by considerable amounts for short periods of time. This temporarily excess money is invested to get additional income for the city to enable more services of one kind or another to be provided.

In 1980-81, the city was given a Certificate of Award for Outstanding Financial Reporting by the California Society of Municipal Finance Officers. The certificate was in recognition of "a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared."

The 1980-81 City Council included Mayor Joseph Ghio, John Mahaney, Spiro Mellis, Larry Edler, Michael Rotkin, Bruce Van Allen and Bert Muhly.