

City faces more bad news on budget front

Utility-fee ^{Budget} income under challenge; further service reductions, job cuts possible, official warns ^{4.12.08}

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SANTA CRUZ — The city's already grim financial picture could soon grow darker.

The city faces a potential loss in revenue related to how it charges and collects fees for utility services such as garbage and water, said assistant City Manager Martin Bernal.

"In general, one of our funding sources is being questioned legally," Bernal said Monday. "It's not that we're overspend-

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MARTIN BERNAL, ASSISTANT CITY MANAGER

ing and it has nothing to do with financial management."

He declined to elaborate on the threatened funding source.

City Manager Dick Wilson is expect-

ed to address the latest financial dilemma at today's City Council meeting. Wilson was out of town Monday and unavailable for comment.

City officials learned of the potential

loss to the general-fund source during the past few weeks. It comes on the heels of a dismal midyear budget update showing a \$720,000 deficit that was presented to the City Council.

Nearly every city department has been affected by budget shortfalls over the last four years.

Money problems have resulted in the elimination of 70 city positions and \$7 million in across-the-board service cuts that forced the winter closure of Harvey West Pool and scaled-back hours at Loudon Nelson Community Center and the Teen

Center.

Additional cuts in jobs and services are inevitable, city officials contend.

"Potentially job cuts are on the way," Bernal said. "There's no way we can absorb it, there's just no way."

"We continue to have a deficit and it's not getting better."

The city operates with a combined budget of \$160 million from its general fund and enterprise fund. The state requires about 10 percent of the total budget to be

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held in reserve for use during emergencies.

The city now has slightly less than \$5 million in reserves, Bernal said.

City officials say the budget is burdened by

steady increases in workers' compensation costs, health-care premiums for employees and pension plans.

Searching for new economic development to build a stronger tax base and offset the rising expenses, city officials recently created a budget task force of three council members; Cynthia Mathews, Ed Porter and Tony Madrigal.

Also, Madrigal is planning a community-wide economic summit in the summer to help generate ideas to boost business in the city and find out "What we're willing to say 'yes' to," he said Monday.

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