

With healthy reserve, city eyes small bonuses for its workers



First Alarm security guard Erik Garcia maintains a presence at Grant Street Park on Friday. In the new city budget, City Manager Martín Bernal has recommended hiring more seasonal, part-time park rangers rather than having private security guards patrol parks. *Budget*

SHMUEL THALER/SENTINEL

BY THE NUMBERS

SANTA CRUZ CITY BUDGET

Below is a snapshot of key figures from the city of Santa Cruz's proposed 2013-2014 general fund budget. To view the Santa Cruz budget, visit <http://goo.gl/etTX5>.

\$77.8M General fund expenditures

\$72.8M General fund revenues

\$5M General fund revenues (to be covered with reserves)

\$15M Ending fund balance (20 percent of revenues)

SOURCE: City of Santa Cruz

IF YOU GO

SANTA CRUZ CITY COUNCIL

WHEN: Budget hearings 8:30 a.m. Monday and Tuesday; general session 3 p.m. Tuesday
WHERE: Council Chambers, 809 Center St.
DETAILS: www.cityofsantacruz.com

Fight with state over redevelopment cash could take bite out of fund

By J.M. BROWN

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SANTA CRUZ — Armed with healthy reserves and a modest economic outlook, Santa Cruz City Manager Martín Bernal said he will recommend one-time bonuses for employees who have faced pay cuts and increased contributions to their pension and health care to keep the city solvent.

"Thanks to the talent, creativity and sacrifice of our employees, this is the fourth consecutive year that the city has ended the year in the black," Bernal said in a budget message.

Bernal projects the general fund, which pays for the city's main operations, will end the fiscal year with a \$1.5 million surplus that would increase the overall ending fund balance to \$20.1 million. That figure, driven largely by salary savings, represents a nearly 26 percent reserve against \$77.8 million in expenditures for the fiscal year that begins July 1.

But because projected revenue of \$72.8 million falls \$5 million short of

costs in the coming year — a deficit similar to this year's — Bernal recommends closing the gap using reserves. That would leave a \$15.1 million fund balance that is closer to 20 percent of expenditures.

On Tuesday, he will ask the council to set a minimum reserve level equal to two months' worth of city operations, or about \$13 million. That would create \$2 million this year for employee bonuses, capital projects and other measures.

The City Council will host budget hearings Monday and Tuesday, during which department heads, residents and labor groups will weigh in about spending priorities for everything from infrastructure projects to social services to public safety. The council is expected to approve the budget July 9.

EMPLOYEE BUMPS

Bernal said "the good news" is the city isn't asking employees to help reduce the deficit, which in years

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past required deep concessions. A one-time bonus or offer to cover a health benefit is meant to thank workers whose furloughs ended last year but are still earning at least 8 percent less than in recent years due to increases in retirement and health care contributions, he said.

Parking maintenance worker Doris Henry, who serves as president of a union representing about 400 city workers, said the proposed bonus — which she described as 1.5 percent of salary — is meaningless. She said rolling back the increased benefit contributions is more critical.

"They keep saying they have a good-sized reserve and that we are on the road to recovery," Henry said. "Meanwhile, employees are still struggling, paycheck to paycheck. We don't expect them to give us back everything we had before, but we would like to be on the road to recovery ourselves."

Service Employees Union International members have planned a demonstration at City Hall for 6:30 a.m. Monday, two hours before the budget hearings are to begin.

Veteran Councilwoman Cynthia Mathews said it's the most optimistic budget she's seen after 10 years of slashing.

"It's great not to be in a crisis," she said.

But the city faces a loss that could wipe out the budget surplus and affect reserve levels. State finance officials are reviewing a decision to take back \$2.1 million of former redevelopment money the city contends is not owed. The city will consider a lawsuit if the state doesn't reverse its stance.

BUDGET PRIORITIES

The general fund calls for a \$2.2 million increase in both general fund spending and revenue compared to the 2012-13 amended budget.

The city anticipates property tax revenue will be 15.7 percent higher than expected this year and has conservatively estimated a



SHMUEL THALER/SENTINEL

Rangers Gar Eldam and Brian Watson patrol Grant Street Park on Friday. City Manager Martin Bernal recommends hiring more seasonal park rangers.

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DORIS HENRY, local SEIU president

7.5 percent increase for next year. Sales tax figures came in slightly under budget this year, but are projected to rise 2.7 percent over this year's projections.

On the expenses side, there are anticipated increases in employee health care and pension costs, as well as Bernal's plan to add jobs for transportation planning and community outreach and fund paved trails in the Arana Gulch greenbelt and beautification on Ocean Street. The city manager also proposes hiring temporary park rangers to replace private security guards patrolling parks.

"Rangers can issue citations right away and do maintenance," Bernal said, opposed to First Alarm guards who can only monitor problems.

The budget also preserves \$1 million for grants to local nonprofits, the largest share of which, about 10 percent, would go to the Homeless Services Center.

Amid ongoing safety concerns around the facility, however, the council's Community Programs Committee will recommend that funding for the day program — which offers meals, showers and mail services — would be contingent on acquiring a security gate within four months and monitoring with staff. The commit-

tee has recommended giving the center \$71,000 in Red Cross money leftover from the 1989 earthquake toward the purchase of the gate, with the expectation the center can get matching funds.

Vice Mayor Lynn Robinson, a committee member who bird-dogs problems at the center, said several months ago she might question the day center funding. However, she said Friday the gate agreement "is a big step in the right direction. This is one of the things that is going to help turn things around."

After budget hearings Tuesday, the council will hold a general session to finalize new rules banning bad behavior in parks and panhandling in roadway medians. The city also will apply for a \$200,000 grant to support the summer trolley connecting downtown to the beach.