Bond Case Briefs

Municipal Finance Law Since 1971

How Santa Cruz is Going Under, Like Many California Cities.

In February, the Santa Cruz City Council unanimously declared a fiscal emergency, preparatory to placing a quarter-cent sales tax increase on the June ballot.

When Santa Cruz, a picturesque and funky coastal city, first started to feel the pinch of rising retirement costs for city workers, it took several steps to limit the fiscal pain.

As recommended by the League of Cities and other authorities, Santa Cruz issued a bond to pay down its rising pension liabilities, set aside funds to cover increasing demands from the California Public Employees Retirement System (CalPERS), shifted some employees into lower-benefit pension plans and made sure that its workers paid significant portions of pension costs.

Nevertheless, the impact on the small city's budget continued to grow, leading City Manager Martin Bernal to tell the city council in his 2016 budget message that "our biggest challenge is the skyrocketing increases in health and retirement costs. These costs have gone from 28 percent of general fund salary in 2004 to 43 percent of salary in 2015, to an anticipated 58 percent of salary in 2020."

Continue reading.