

## **Comments to the Chula Vista City Council on the 2009 City Budget**

The Chula Vista Taxpayers Association has reviewed various elements of the proposed 2009 budget. We have the following comments which we hope will be taken into consideration for the public budget meeting on December 16, 2008.

The staff-estimated/projected budget shortfalls of \$4 Million for 2009 and \$20 Million for 2010, respectively, are only projections at this time. No one knows the extent to which our economy will deteriorate nor the duration of this economic downturn. Thus, these projections could, in fact, be too optimistic. The City has minimal reserves and is generally undercapitalized for the financial obligations it has. Extreme caution should be the rule for local government finances for the next few years.

We have several key concerns for the budget that is before you:

- 1) Because of the shortfall, the City needs to freeze expenditures to the maximum extent possible.
  - a. Labor costs account for a large majority of the City budget. It is incumbent upon the City and its several labor bargaining units to agree to freeze all salaries and eliminate-- or at a minimum, put in abeyance-- all cost of living and step increases for City employees. On a long-term basis, employee costs and changes in those costs need to be more closely tied to the rate of change in revenue sources. Long term agreements with labor bargaining units coupled with unpredictable revenue sources is part of the current fiscal crisis and needs to be corrected in the future. In the future, the City needs to better match its assets (income sources) with its liabilities (obligations).
  - b. Reduce/eliminate costly overtime. We are not aware of departments other than the fire department where overtime is a significant expense. Some of the fire department overtime is paid for by outside sources. However, a considerable amount is paid for by the general fund. Our comments are only directed at general fund financed overtime. To this end, impose tighter, more stringent approval protocols for overtime to be sanctioned. It has been argued that this system is more cost effective. Another look at this is warranted. An independent management analysis review should be considered to ensure this structure truly does save money. At a minimum, management in the fire department should be challenged with reducing these costs.
  - c. Curtailing any increases to employee labor costs is recommended versus eliminating further staff positions beyond those currently under consideration for elimination. We cannot afford to significantly reduce necessary civic services any further than will occur with the recommended changes. It may be argued by some that the City will not be a competitive employer vis-a-vis other local jurisdictions if we limit pay increases. The unfortunate reality is likely to be that all localities in San Diego County will be facing the similar grim economic forecasts and all will be forced to curtail expenditures similarly. Therefore, we are not completely convinced that Chula Vista will be less competitive.

- 2) A culture of frugality needs to be incorporated into the everyday way the City does business. To that end, the City should do the following:
  - a. Institutionalize mechanisms that incent managers and employees to identify areas of cost savings on an ongoing basis.
  - b. Institutionalize mechanisms that include citizens in identifying areas and ideas of potential cost savings and generation of income on an ongoing basis.
  
- 3) There is currently a challenge grant and a one-time funding opportunity to save the Nature Interpretive Center. The Nature Interpretive Center is important but does not constitute essential City services. The General Fund of the City should not support this function or should do so very minimally. The Nature Interpretive Center should be revenue neutral to the City. The City will likely be unable to support this service in the future. We support keeping the center running at a severely reduced level for a limited time because of this one-time funding. This period should be looked at as an interim period for the purpose of attempting to find another operator. We encourage the City to proactively seek another non-profit or for-profit provider to take over this function as soon as one can be found.

With respect to potential future revenue sources, we believe all alternatives should be analyzed. It is important to look at the various alternatives with concern about their disproportionate impact on lower-income families who are struggling the most to stay afloat at this time, as well as potential negative impacts on our economy. Some of the measures that can be explored include:

- 1) ballot measures to increase sales tax, however, it is imperative that the City's overall sales tax rate be kept equal to, or preferably less than, neighboring jurisdictions so as not to create an incentive for shopping outside of Chula Vista.
- 2) A possible Public Safety Assessment District for residential properties in the City. This concept would not tax businesses. Any tax on businesses, (which Chula Vista has to some extent struggled to attract) is a disincentive to locating in our City. Such an assessment also recognizes the fact that we have so much residential land use. Lastly, it should be noted that we believe that such an assessment district would not be as regressive against lower-income households as would a sales tax.
- 3) A possible Library Assessment District in the eastern part of the City to preserve the Eastern Chula Vista library. The City may not be able to support its three libraries. The libraries on the west side serve a lower-income population and are considered critical community services and are located closer to mass transit. The Eastlake library is also considered a vital service. If the City decides to close one of the facilities, we believe it should be the Eastlake facility. However, before any such measure is taken, the City should give residents of that part of the City the opportunity to fund library operations with some form of assessment district vote.
- 4) Any tax increases should only be considered by the City Council if, and only if, the following conditions are adhered to:
  - a. Public employee bargaining groups agree to eliminate any currently expected pay increases or benefits included in past MOU's. We do not believe the taxpayer should be footing the bill for any public employee pay increases at this time.
  - b. Any bond measure should be a part of a general election so that costs to the City for floating the measure are minimized.

- c. The City should provide the public with a long term plan addressing fundamental and structural budget and spending problems, including the desired size and composition of local government five years from now.
- d. The City Council should not pay for any significant form of market analysis to assess what arguments will sell best with the voters or pay for political “education advertising”, as has been the case with some bond measures in the recent past. This form of overselling a bond measure to the public should not be a part of good government. It should be a more honest approach where the council gauges what it thinks is palatable to the voters and places the measure on the ballot.

From a much broader perspective than this budget cycle, local government needs to be appropriately sized according to local tax revenues. Dramatic growth, as we have seen in the recent past, is unlikely to occur in the foreseeable future. It is unlikely that we will ever again be able to rely on large-scale new development to support an expanding local government as we once saw in the City of Chula Vista. Rather, it is more likely over the next few years that aggregate local income from all sources --and consequent tax revenues --will be smaller rather than bigger and we as a community need to plan and be prepared to deal with this prospect.

Thank you for considering our comments.

*Chula Vista Taxpayers Association*