

[Digging into City Hall's money mess](#)

'America's cheapest city'

Residents' love of services, hatred of higher taxes have helped contribute to San Diego's financial chaos

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Blame it on the hog farmers.

When San Diegans discovered nearly a century ago that the city was profiting from their garbage – charging for pickup and then selling the refuse to a Los Angeles farmer as pig feed – they rebelled.

That revolt led to the People's Ordinance of 1919, which prohibited the city from charging for residential trash collection.

The hogs are long gone, and trash disposal now costs the city more than \$30 million a year, but the People's Ordinance remains, a symbol of the tax-averse mindset that has been a hallmark of San Diego governance.

Despite their repugnance for higher taxes, residents and city leaders have long had a passion for pricey programs. Citywide brush clearance. Hosting a Republican national convention. Firefighting helicopters. Expanding Qualcomm Stadium. The 6-to-6 before-and after-school program. A new downtown ballpark. A living-wage ordinance.

And with each new program, there has been no new revenue source to pay for it. The bottom line: San Diegans can blame themselves, in part, for today's financial chaos.

"People in San Diego feel like they've been taxed to death ... and they're getting less for their services," said former Mayor Maureen O'Connor. "You have a very fiscally conservative-based city. You had the tax revolt with Proposition 13, and now it's ingrained in the community."

The truth is, San Diegans are not taxed to death – certainly not in comparison to residents of other large cities. A San Diego Union-Tribune analysis shows that people here pay less to city government than people in most large California cities, despite having relatively higher incomes.



NELVIN CEPEDA / Union-Tribune
Miguel Lopez collected trash in Clairemont. Though many large California cities have generated revenue with various taxes and fees, San Diego has an ordinance from 1919 that prohibits it from charging for residential trash pickup.

In fact, only once in the 27 years since the passage of Proposition 13, the landmark property-tax-cutting initiative, have San Diego voters approved a tax increase – a \$25 million bond issue for an emergency call system.

"San Diego has always had a champagne appetite and a beer budget," said John Fowler, a former assistant city manager who was with the city from 1960 to 1988.

"During my early years, ... we tried to do everything in the least expensive way possible – our public improvements, grading. There was even an aversion to charging developers any amount of money (for public facilities). If we can't do it ourselves, we said, we shouldn't charge the developers."

San Diego may have had a taste for big-ticket programs and initiatives, but when it came to basic services, elected leaders have been penurious. The police force has one of the slimmest ratios of officers to population among the nation's larger cities, and the fire and police departments regularly complain about obsolete, aging equipment.

While the city's pension deficit of at least \$1.4 billion may be a staggering figure, Fowler said a far scarier number is the more than \$3 billion in public improvements needed in San Diego's older neighborhoods. The legacy of tax-averse councils is crumbling streets, cramped libraries, bursting water mains and too few parks, he and others say.

Forget San Diego's civic-boosting sobriquet, "America's Finest City." Jack McGrory, a former city manager who saw the councils regularly vacillate on taxes, is fond of calling San Diego "America's Cheapest City."

Fees, tax hikes rejected

To be sure, San Diego's much publicized underfunding of its pension system is at the core of the current financial troubles. But it is clear that the city's unwillingness over the years to tap new sources of revenue also played a part, say former city officials.

While other metropolitan areas have devised lucrative fees and taxes like admission taxes, rental car fees and levies on users of electricity, gas and cable TV, San Diego has been loath even to ask voters for permission to charge for residential trash collection.

On average, San Diego's general fund takes in about \$546 annually from each of its 1.3 million residents. That is less per capita than most of California's major cities, according to a Union-Tribune study of data from California Controller Steve Westly's office.

Oakland, Los Angeles and Sacramento collect between 38 percent and 79 percent more per capita. And when income is factored in, San Diegans walk away with more in their pockets after paying city taxes than people in every other big California city except Fresno. More specifically, the city gets 2.4 cents of every dollar of household income, about half of what Oakland and Los Angeles collect. Making matters worse, San Diego city councils have flip-flopped time and again on the question of boosting taxes

– deciding one week to put measures on the ballot to charge for trash pickup or parking at the beach, for example, only to reverse themselves a week or month later, cowed by an outraged public.

Over three years in the early 1990s, the council reversed course not once, not twice, but three times on the trash pickup question. Currently, most apartment and condominium dwellers are charged for trash collection, while single-family homeowners are not.

"The pig farmers have disappeared and the damn thing is still on the books," said a frustrated McGrory, who served as city manager from 1991 to 1997.

He recalled regularly trying to get the council to consider putting the People's Ordinance before the voters. Just as regularly, he was rebuffed.

"I'd take this issue up to the council, and I'd be lucky if by the end of the presentation there were five (of the nine) seats occupied on City Council," McGrory said.

"This isn't rocket science. You can't continue to add services and not have revenues for them."

In order to cope with the soaring annual costs of the pension system and provide relief to a city budget battered by a recession, McGrory devised a financial strategy in 1996 that began the pattern of underfunding the retirement system while increasing benefits. He points out that his plan included a safety net requiring a balloon payment if the fund's assets fell below a certain level.

Six years later, on the advice of his successor, former City Manager Michael Uberuaga, the City Council continued the underfunding but ignored the safety net trigger.

McGrory, who now oversees real estate investments for Price Entities, has said his plan was "fiscally responsible" because of the safety net. However, a law firm hired by the city reported last year that the balloon payment, initially thought to be \$25 million, would probably have been closer to \$500 million for 2004 and 2005.

Susan Golding, who was mayor from 1992 to 2000, said she had sought to create new revenue by cutting employer taxes and thereby improving the business climate. She acknowledged the political realities of raising taxes.



RONI GALGANO / Union-Tribune
Jose Martinez Garcia sprayed for bugs at Proposition MM-funded Cherokee Point Elementary School, which some hold up as an example of how voters will pass a tax increase when they know specifically where the money is going.

S.D. revenue does not match ability to pay

San Diego collects less revenue per person than most major cities* in the state

REVENUES FOR LARGE CALIFORNIA CITIES

Revenue per capita

Oakland	\$975.84
Los Angeles	\$799.79
Sacramento	\$752.47
San Jose	\$604.52
Long Beach	\$547.02
San Diego	\$546.48
Anaheim	\$523.07
Riverside	\$491.84
Santa Ana	\$376.18
Fresno	\$308.57

and based on income, requires among the least from its citizens.

CITIZEN INCOME VS. REVENUE

Dollars of household income per dollar of city revenue

Fresno	\$48.49
San Diego	\$42.30
San Jose	\$40.88
Riverside	\$39.53
Long Beach	\$33.91
Anaheim	\$32.77
Santa Ana	\$30.02
Sacramento	\$26.51
Los Angeles	\$24.67
Oakland	\$24.66

*San Francisco is not included because it is both a county and a city.

SOURCES: Union-Tribune analysis of California Controller's Office and California Department of Finance records

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"It doesn't matter to (city) managers if taxes are higher because they don't have to run for office," Golding said. "They're right about us approving new programs without new revenues, but they don't have to go out to the electorate to ask for more revenues."

In Los Angeles, elected leaders faced that problem head-on and recently approved a set of policies to prevent the city from spending more money than it has, said City Administrative Officer Bill Fujioka.

"One policy says that if a new program is proposed, the council must identify how the program will be funded," he said. "It's easy for someone to propose an ambulance on every street corner, but now they can't say, 'Bill Fujioka, go find a way to fund it.' "

A different attitude

There was a time when San Diegans weren't so suspicious of new taxes.

For the first two decades after World War II, they, like others in Sun Belt boomtowns, enjoyed a relatively free ride.

The city's population mushroomed from 203,000 in 1946 to 573,224 in 1960, generating a flood of new money from housing construction to pay for streets, parks, water lines and bridges. And residents were willing to pay for upgrades.

Between 1945 and 1966, San Diegans passed 22 out of 36 bond measures for infrastructure improvements and increased services.

The mood changed in the mid-1960s when an anti-tax, conservative movement, led by Barry Goldwater, an Arizona senator and presidential candidate, began to take hold in the Southwest. Bonds that in years past would have easily won voter approval suddenly were being soundly defeated.

The growing anti-tax movement climaxed in 1978 when Howard Jarvis and Paul Gann led a grass-roots effort to pass Proposition 13, which radically changed the financial landscape of cities.

Overnight, property taxes statewide were capped at 1 percent of assessed value. Cities saw their revenue drop by as much as 60 percent and have been trying to recover ever since. The situation worsened in later years when the state in 1992 began diverting cities' and counties' property tax revenue to schools.

"From Prop. 13 on, it was a daily struggle," said former City Manager John Lockwood, who was with the city for four decades. "We didn't have the revenue, but we were adding programs."

As if the fiscal heartache of Proposition 13 wasn't bad enough, the ballot measure spawned other initiatives that have made it much tougher to get special fees and taxes approved.

Many cities responded by raising taxes or introducing fees to cope with the losses in revenue.

One of the most common strategies was to impose a utility users tax, which was done in Los Angeles, San Jose, Sacramento, Long Beach and San Francisco. That tax became the third-largest source of tax revenue for cities in 1995, accounting for about \$1.2 billion, according to the Public Policy Institute of California. Not so in San Diego. Elected leaders headed in the opposite direction, once passing a motion that directed the city manager never to mention "utility" and "tax" in the same sentence in a manager's report, McGrory said.

Meanwhile, Los Angeles and San Francisco increased their hotel room tax to 14 percent, but in San Diego, recent ballot measures seeking to raise the current room tax of 10.5 percent failed, making it one of the lowest rates in the state among large cities. The last time San Diego raised the tax was 11 years ago, when the council boosted it by 1.5 cents on the dollar to help pay for the convention center expansion and a proposed downtown sports arena, which was never built.

The track record for most tax measures in San Diego has been poor, with just five out of 20 passing in the past four decades.

"We've had a culture in this town for years of, 'Don't tax me,' " said Steve Erie, a political science professor at the University of California San Diego. "It's one of the things that got us in this mess. Taxes are the third rail of recent San Diego politics. Touch it and you're dead, yet someone has got to step on the tracks."

Former Mayor O'Connor suggests that even if the council were to propose a tax measure for the ballot, the timing couldn't be worse.

"Right now, the voters aren't going to give a penny to anybody," she said. "They think the council has misused the financial resources of the city, so right now, forget it."

O'Connor and Golding agree, however, that if voters know precisely where new taxes are going, they probably will support any increase once the voters' faith in city leaders is restored. Seven years ago, for example, voters passed Proposition MM, a \$1.5 billion bond measure that specifically identified public schools in San Diego that would be repaired and new campuses that would be built.

San Diego property owners also have supported the formation of 50 assessment districts, from Scripps Ranch to Otay Mesa, to finance the upkeep of neighborhood amenities such as open space areas, street medians, sidewalks, mini-parks and lighting.

Annual assessments, which range from about \$7 to \$425 per single-family home, are expected to generate nearly \$18 million this fiscal year for the individual neighborhoods.

Talk goes nowhere

It's not as though past city councils haven't talked about new taxes and fees. But the talk has gone nowhere as council members repeatedly waffled on whether to ask voters to raise taxes.

Faced with deep budget cuts in February 1990, the council considered as many as five revenue-raising measures, including a repeal of the People's Ordinance and a 5 percent tax on commercial and industrial users of various utilities like gas and electricity.

By the following month, the council had reversed course on all but one, a \$25 million bond issue to complete a public safety communications system, which ultimately was approved by voters.

In 1992, the council voted to ask San Diegans to begin paying for trash collection. A week later, the council withdrew the measure, saying it was responding to an angry public.

In what became a running joke at City Hall, the council tried a third time – in 1993 – to get the trash measure on the ballot. Within a couple of weeks, the council had backed down again.

That wasn't the end of the flip-flops.

Hoping to avoid severe cutbacks, the council voted that year to charge for parking at city beaches and bays, as well as Balboa Park. The proposal, which would have generated as much as \$10 million a year, unleashed a public furor that led the council to issue a collective "never mind" a month later.

Fast forward to this year's budget hearings when the council was wrestling with \$3.2 million in fees proposed by City Manager Lamont Ewell to help cover costs for various programs and services.

The council considered a panoply of levies, including pawnbroker and overdue library book fees, which were approved, and an entrance fee to the Balboa Park botanical building and charges for nonresidents to park at the beach, which were rejected. In all, roughly \$1 million in fees was disapproved.

The council votes were not without backpedaling and equivocation.

On the proposal to increase fees for resident parking permits, Councilman Jim Madaffer supported the fees, although at a reduced level. But when it came time to vote, he voted against his own motion.

Councilman Brian Maienschein, who voted for the fee increase and then asked for reconsideration of the vote, gibed at Madaffer.

"I supported Mr. Madaffer, and then Mr. Madaffer didn't support Mr. Madaffer," Maienschein said. "I'll be careful in the future when I support Mr. Madaffer when in the end, Mr. Madaffer doesn't always support Mr. Madaffer."

Madaffer quickly responded, sounding almost petulant as he spoke of himself in the third person.

"Mr. Madaffer sat here and supported certain fees in a motion and I will tell you, one by one, Mr. Madaffer saw many of his colleagues go against many of the individual fees in that motion," Madaffer said. "Mr. Madaffer got angry and thought if he's going to put his neck out only to hear his colleagues systematically, one by one, vote against certain things, Mr. Madaffer was going to vote no."

No question, San Diego is being governed by a council nervous about the prospect of raising taxes or fees, said Deputy Mayor Toni Atkins.

"The council doesn't want to put taxes on the ballot, nor raise taxes," she said. "None of the mayoral candidates would talk about it either. The council hasn't had the political will to be honest with the public about what we can afford to do and what we can't."

Former Police Chief Jerry Sanders and City Councilwoman Donna Frye, who will face each other in the November mayoral runoff, have slightly different perspectives on the question of taxes.

Sanders says he is firmly opposed to increased taxes, arguing that the city needs to set priorities and then be disciplined about not spending money it doesn't have on new programs.

Frye, choosing her words carefully, said she would not rule out putting tax proposals before voters, but only after the city restores credibility with the public and clears up its pension fund troubles. Frye stressed that she would only consider a tax measure that is tied to a specific need, such as new parks or public safety.

Ewell, who has had to cut back various programs and eliminate 240 city positions, now faces additional painful reductions in order to balance the budget.

When he presented the general fund budget to the council earlier this summer, he sounded a cautionary note.

"I borrowed from the poet Robert Frost when I said this is where San Diego has diverged into two different roads," Ewell said. "And it's time for us to take the road less traveled, which is to look at revenues to support the needs of the city."

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