

Proposition L - City of Vista – Half-Cent Sales Tax

Board Recommendation:

OPPOSE

Staff Recommendation:

OPPOSE

Rationale for Staff Recommendation:

The inclusion of a Sales Tax Oversight Committee and requirement for independent annual financial audits in the ballot measure is misleading to voters. It gives voters the impression that the sales tax must be used for the services and infrastructure improvements described in the ballot, while in fact, the audit can only review whether the sales tax revenues collected by the City are collected, managed and expended in accordance with the requirements of applicable law. The City is not legally bound to use the tax funds for any special purpose or any particular service, facility or program.

Moreover, the purpose of the Oversight Committee is unclear, and its inclusion in the resolution is troubling. The resolution states that the terms of the Committee members and their specific duties are to be established by resolution of the City Council. According to Assistant Manager Rick Dudley, the Committee will provide input on the proposed expenditures of revenues that exceed the spending priorities outlined in Figure 1. The Vista City Council, as the policy making body of the City, should be responsible for proposing the appropriate expenditures of general fund revenues.

Background:

Vista has the lowest per capita general fund budget in North San Diego County and yet must draw from the same labor pool as the other cities. Vista's population has grown approximately 18% over the past decade, increasing the demands placed on Vista's deputies and fire and medical emergency personnel. With a more than thirty percent increase in emergency calls over the last ten years, Vista firefighters and paramedics are overextended and straining to respond to emergencies in a timely fashion.¹

Vista's solution for providing employee benefits without diverting funds from other services was for the employees to pay the cost of the enhanced benefit package. The City negotiated agreements with their employee groups to add enhanced benefit packages (3% at 50 for Safety and 3% at 60 for Miscellaneous) with the employees paying the lion's share of the increased cost.

With the passage of Prop.13 in 1978, most cities in California dropped out of the Social Security system and, in lieu of giving raises in subsequent years, negotiated to pick up the employee contribution to the Public Employees Retirement System (PERS). With the enhanced benefit

¹ City of Vista Agenda Report prepared by Assistant City Managers Patrick Johnson and Rick Dudley

program, this is eight percent of salary. Vista has reversed this trend; their “Miscellaneous employees” (everyone but sworn fire personnel) are now paying the full eight percent, and their sworn fire personnel are currently paying four percent. Under the current MOU, this is being graduated to the full eight percent over the next two years. The City also negotiated to have the employees pick up half the increased cost of group medical and dental insurance.²

The City’s total General Fund revenue has been fairly stagnant over the past five years, despite a 50% increase in tax revenue (including property, sales, TOT and franchise taxes), in part due to a significant reduction in motor vehicle in-lieu fees, grants and other sources of revenue. During this same period (FY 02 – FY 07), General Fund expenditures have increased by over 30% (Figure 1).

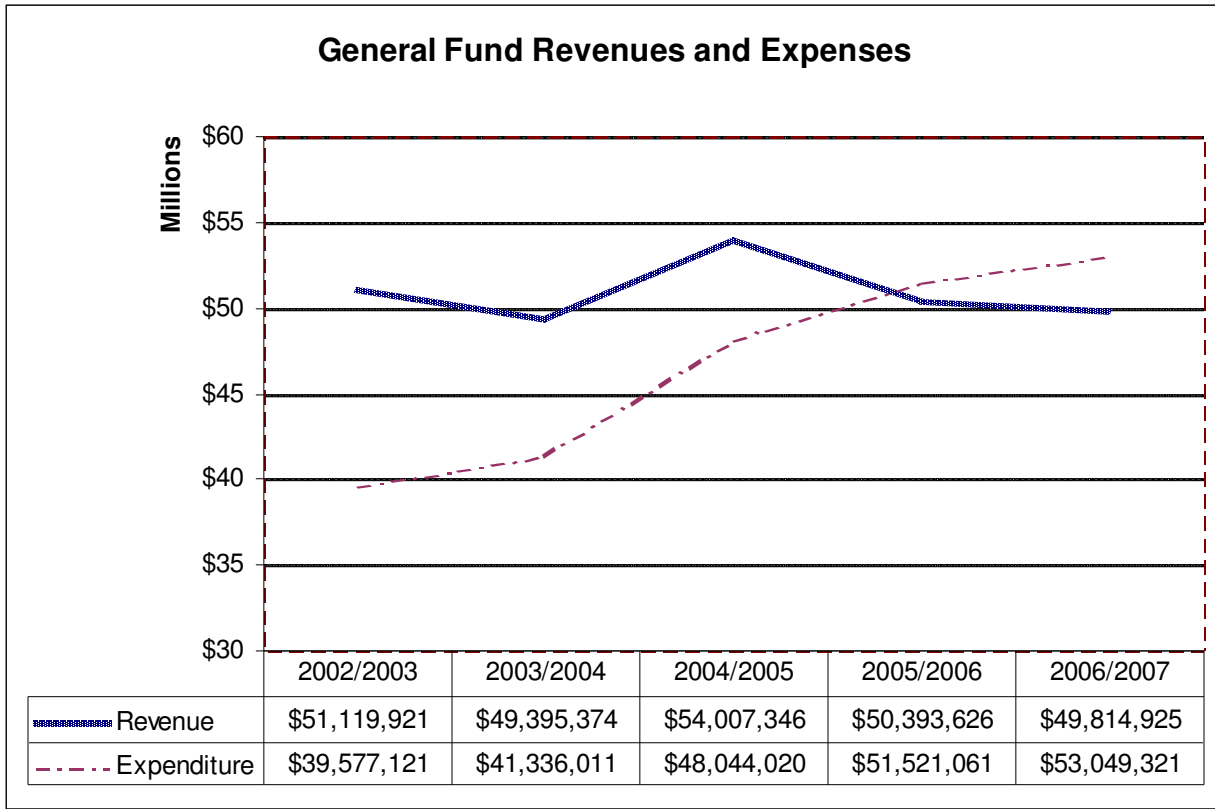
According to Assistant City Manager Rick Dudley, there are a variety of reasons for the increase, most notably moving the fire and paramedic expenses from an outside fund into the General Fund, significant increases in law enforcement contract costs due to the addition of the 3% at 50 retirement formula negotiated between the County and Deputy Sheriff’s Association, and the addition of eight red light cameras.

Since incorporation in 1963, the City participated in a JPA with the Vista Fire Protection District. The City provided service to the District and was reimbursed. In 2001/02, the City removed most of its fire department expenses from the general fund into a separate fund and broke down the costs into new cost centers. In 2004/05 the JPA was dissolved and the City purchased the Fire District’s portion of the assets.

The Vista City Council, in response to SDCTA’s inquiry regarding the purpose of the Oversight Committee, is scheduled to review and approve a resolution in September 2006, which will outline the terms and specific duties of the Committee members.

² July 25, 2006 Letter to SDCTA President Lani Lutar from Rick Dudley, Asst. City Manager

Figure 1



Source: City of Vista FY 05-07 Draft Budget and FY 06-07 Mid-Term Budget

Proposal:

The City of Vista proposes to levy a half-cent sales tax which would increase the rate 6.45 percent from 7.75% to 8.25%, and would make it the highest in North County and the second highest in the County (National City has a rate of 8.75%). The measure has a sunset provision that will abolish the tax after 30 years. Over this time span, assuming 3% growth, it is projected that the tax will raise \$291 million.³ The City’s spending priorities are outlined in Figure 2.

³ Rick Dudley, Assistant City Manager, City of Vista

Figure 2

City of Vista Half-Cent Sales Tax	
Financing	Amount (millions)
Estimated Revenue in First Year	6
No. of Years	30
Total Revenue <i>(assuming 3% growth)</i>	291
Proposed Expenditures	Amount (millions)
Civic Center Building Cost	39.8
New Fire Station at S. Melrose (structure)	5
New Fire Station Core (Structure, Equipment, Land)	8
Fire Station #1 Improvements Cost	1.25
Sports Fields	15
Moonlight Amphitheatre Stage House	5
<i>Capital Sub-Total</i>	74.05
Bond Issuance Cost	0.6
Contingency for all Capital Projects	15
Mandatory 10% Revenue Bond Contingency	9
Fire Stations Personnel Cost (\$1.5m annually per station)	90
COPPS Teams (\$1.55m annually for two teams)	46.5
<i>Operational and Other Expenses Sub-Total</i>	161.1
<i>Grand Total</i>	235.2
Balance	55.85

Sources:

<http://www.vistasalestax.com/priorities.html>

Rick Dudley, Assistant City Manager, City of Vista

The question that will be put to the voters of the City of Vista on November 7, 2006 will read as follows:

“The Vista Vital Public Services Restoration and Protection Measure. To enhance safety and vital city services including, but not limited to, reducing 9-1-1 emergency response times by hiring additional police officers and firefighters/paramedics, building new fire stations, replacing the decayed city hall, repairing streets and potholes, adding youth sports fields, and other general city services, shall the ordinance be adopted increasing the city general sales tax by one-half cent, with guaranteed independent annual financial audits and legally required to end after 30 years?”

The tax would go into the City’s general fund and could be used for any legal municipal purpose. The City would not be legally bound in any way to use the tax funds for any special purpose or any

particular service, facility or program. This proposition requires approval by a simple majority (over 50%) of the voters.

Fiscal Effect:

The current city sales tax rate is 7.75%. If this proposition passes, the rate would increase to 8.25%, and would be the second highest in San Diego County.

Increasing the sales tax a half-cent per dollar is estimated to increase general fund revenues by an additional \$6 million the first year after the measure passes, and is expected to grow by 3% each year thereafter.

Buyers of cars, motorcycles, boats or airplanes pay the sales tax rate of the city in which they live.