

# PERSPECTIVE

PROMOTING ACCOUNTABILITY, EFFICIENCY AND ECONOMY IN GOVERNMENT—SINCE 1961



## IN THIS ISSUE:

### PAGE 1

#### Reform Public Pensions or Perish

By Carl DeMaio & Jon Coupal

### PAGE 2

#### President's Message

By Ken Payne

### PAGE 3

#### Executive Director's Message

By Bob Blymyer

## Reform Public Pensions Or Perish

By Carl DeMaio & Jon Coupal

*DeMaio is a San Diego City Councilman and a candidate for Mayor of San Diego. Coupal is the President of the Howard Jarvis Taxpayers Association*

Could you imagine retiring at 50 years old, collecting more in retirement than you ever did while working? That scenario is a reality in the City of San Diego - and many other cities throughout California -- but only for a few privileged public employees who enjoy unbelievable, and unsustainable, pension benefits. Unfortunately, the ramifications of gold-plated pensions are proving disastrous for the taxpayers who are left holding the bill.

As San Diego faces more than 10% unemployment, higher than the national average, inflation continues to drive the cost of living higher. Taxes and fees continue to increase while local infrastructure deteriorates to the point where San Diego is now ranked in the top-10 for worst road conditions in the country. Services are constantly being cut back. Libraries and fire stations have been closed and even beach bonfire

pits, those quintessential symbols of the carefree Southern California lifestyle, were nearly torn out this summer for a lack of funding.

So where is all the money going?

Last year the City's annual pension payment was \$154 million- a huge sum of money and a whopping 42% of the City's entire payroll. But it gets much worse over the next 15 years: By 2025 the city's pension payment will approach \$500 million

Continued on page 4



## MONTHLY BOARD MEETING

Every third Thursday (except August and December)

12:00 P.M. – 1:15 P.M.

Denny's Restaurant

7900 College Town Drive (Howe Ave & Hwy 50)

## **PRESIDENT'S MESSAGE**

**I**n early September, Bob Blymyer, Karen Klinger, and I attended the first monthly breakfast meeting of Mark Montgomery's Small Biz Talk Radio group at the beautiful Haggin Oaks Country Club. Many of the participants had display tables at the event to educate the group about their businesses, and everyone had a chance to introduce themselves and their businesses. I took the opportunity to introduce the League and noted some of our "projects." In particular, I told them about the commercial property tax reassessment issue with the County Assessor. Actually, these businesses are the type of members that the League really needs to be more successful in the community. As a result of this event, Mark Montgomery asked the League to do a quick "monthly update" at these monthly breakfast meetings. That's a great opportunity.

If you haven't heard yet, the League has retained David Peters as our Development Director to bring us new members. David "boasts" of a Sacramento region e-mail address list of tens of thousands that he will be "mining" for members. David's experience, with the Board of Equalization and the Information Technology industry, will be an important new asset for the League.

Another important approach of adding to the League's clout is organizing the other county tax associations into a Coalition of County Taxpayer Associations. Cathy Clark of the Napa County Taxpayer's Association has also seen the need for such an organization. With the weight of all of the taxpayer organizations "on the same page," the taxpayers' associations would be able to more easily join the Howard Jarvis Taxpayer's Association on statewide taxpayer issues.

Please join us for our meetings on the third Thursday of the month at Denny's near Hwy. 50 and Howe.

Thanks for your support!

Ken Payne

# EXECUTIVE DIRECTOR'S MESSAGE

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**School Bond Oversight Committees - Positions Open** - In the year 2000, as part of the ballot measure that lowered the threshold for passing school bond measures from 2/3 to 55%, school districts were required to set up citizen Bond Oversight Committees (BOC). The purpose was to ensure that the bond monies are spent only on new construction/remodeling, and not on salaries or benefits. As part of that committee structure, at least one committee member must be a member of a bona-fide taxpayer organization. School districts within the Sacramento region have made good efforts to fulfill that requirement. Currently the Taxpayers League has members that serve on four districts BOC's; Los Rios Community College District (Diane Schachterle), Sacramento City Unified (Bob Blymyer), San Juan (Troy Dinin), and Twin Rivers (Mel Griffin).

BOC members serve two year terms, and can serve two consecutive terms if requested. As of December 31, both Sac City (Bob) and San Juan (Troy) members will have completed their terms, and will need to be replaced by another taxpayer member.

The BOC's typically meet four times a year for up to a couple of hours, and will often tour the sites where work is taking place. The BOC's are great way to keep in touch with local school districts needs and issues, plus it's a good way to give back to the community. If you are interested, or want information on how to apply, call Bob at 399-5600 or email [bob@sactax.org](mailto:bob@sactax.org).

**Redevelopment Agencies - What's really going on!** - Redevelopment agencies (RDA) were created soon after WW II to help fund/fix/repair blighted areas in cities where private financing was not interested in investing. In Sacramento, two areas were the recipient of redevelopment program funds, with both having eventual positive effects on the community. They are; Old Sacramento, which had been the original heart of downtown but had become Sacramento's 'Skid Row', and Capitol Mall, which also had many very old and run-down buildings. Old Sacramento is now a nationally known tourist destination, and the Jazz Jubilee put Old Sacramento on the international map. And the beautiful green grass carpet that runs from 3rd Street to the Capitol on Capitol Mall, makes an attractive entrance to the Capital City from the west.



**Bob Blymyer**  
**Executive Director**

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Continued on Page 5

**Cheers** - To Roger Niello, for his Sept 20, 2011 Bee "Viewpoints" article regarding the State's taxing system. He correctly points out that the current taxation system is overly reliant on the productive sector of society. He adds that a broader base of taxation, spread out among a larger group of taxpayers, would allow for lower rates all the way around. More Cheers!

**Jeers** - To the City Council. When you have a major budget deficit, how do you find \$550,000 to be used for an arena study when police, fire and schools are suffering. Is there some kind of magic being used that the public is not aware of? More Jeers!

# Reform Public Pensions or Perish

*Continued from page 1*

per year and consume over 50% of payroll. You read that right, by 2025 taxpayers will be paying more each year for retired workers than those actually doing the work of the city. Common sense tells you that this system cannot possibly sustain itself.

Calls for reform were shot down for years. We were told that pension payments were untouchable and taxpayers would just have to deal with the consequences. We were told that pension reform wasn't legal and that the best we could hope for were minor changes to the plan for future employees, resulting in almost no immediate decrease to pension liabilities. We were told there was no hope.

But there is hope.

San Diegans, fed up paying for outrageous pensions for public employees, are taking action. Petitions are circulating and signatures are being gathered to place a revolutionary measure on next year's primary election ballot to close the current pension system and shift all new employees into 401(k)-style retirement plans. The measure, which has been thoroughly vetted by a legal team and supported by San Diego's mayor and a coalition of reform-minded local leaders, is the first pension reform plan of its kind.

For existing employees, the initiative requires everyone to pay their fair share of the cost of pension benefits. Like a buyout program, it also allows city employees who may be vested in the old pension system to voluntarily transfer to a defined contribution plan. This move will result in more take-home pay for city employees while saving taxpayers money.

Perhaps most importantly, this plan will cap pensionable pay - the amount of compensation used to calculate lifelong pension payouts. This greatly reduces city pension liabilities and prevents pension spiking where employees add bonuses, specialty pays and other sweeteners to base salaries before pension calculations.

But pension reform is not just about saving taxpayer money and fixing the city's financial problems. It is about restoring fairness between city employees and taxpayers; taxpayers who don't get to experience a guaranteed pension payment every month beginning at age 50 or 55.

Those kinds of benefits are unsustainable and they're unjustifiable. San Diegans have gotten the message and they're taking up the fight themselves, utilizing the initiative process to push these reforms through at the ballot box.

As the skyrocketing costs of pensions continue to deteriorate local and state government, it is time for Californians everywhere to make their voices heard and demand real and lasting pension reform.

# Redevelopment Agencies

Continued from page 3

The financing for redevelopment has historically been achieved by freezing the tax rate in the project area at the date the project begins, then taking the future tax increment property value increases (up to 12% a year) that traditionally have occurred, and using that money to fund the project. The downside of this is that those funds did not go to the city/county general fund to help pay for fire, police and schools.

Things were OK as long as revenues from all sources were able to fund all of a communities needs. That changed with the recession beginning in 2007. Earlier this year the governor proposed to get rid of all redevelopment agencies, which theoretically would free up over \$5 Billion to be given back to the communities. These funds could then be used to help fund education, law enforcement, etc. The issue is now in litigation, awaiting a decision.

The reason Governor Brown, and groups like the Taxpayers League want RDA's either reduced in scope or totally eliminated, is that in recent years many of the redevelopment projects appear questionable as to their real value on a community wide basis. For instance, over the last four decades several \$ tens of millions have been expended on the K Street Mall – and the result is a worse economic setting than before the RDA process began. We do have a Dive Bar with live mermaids, but what is the payback to the community for that? And after all that investment, the City is actually spending more money to convert part of the K Street Mall back to accommodate auto traffic.

Then we have the Berry Hotel, which could be a poster child for why some people want to get rid of RDA's. On April 15, 2011 the Business Journal (Michael Shaw) provided a summary of what is costing to renovate the 1929 building at 729 L Street:

- The overall cost of the Berry Hotel remodel is expected to be about \$740 a square foot.
- The nearby L Street lofts, a brand new luxury building, were described as costing \$350-\$400 a square foot
- A typical cost for a steel and concrete apartment building in Sacramento area is about \$210 a square foot, according to a local developer.

So the question arises – why is Sacramento spending over three times market rate to build affordable housing, yes that's AFFORDABLE HOUSING, in a downtown area trying to entice private funding to come in? Other recent information has indicated that the supply of affordable housing is way beyond today's actual demand.

With some exceptions RDA developers and contractors make big bucks, while taxpayers take it in the....!

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