



MEASURE A: CHULA VISTA SALES TAX
April 2018

SDCTA Position:

OPPOSE

Rationale for Position:

This general sales tax measure does not include sufficient taxpayer protections. The City is not legally required to spend tax revenues on its Phase I critical public safety needs and the tax will remain in place indefinitely. While revenues from Measure P in 2016 were bonded to help ensure spending on their intended purpose over the long-term, Measure A revenues do not have the same mechanisms for protection. The Citizens’ Oversight Committee can be disbanded after the Phase I critical needs are met and replaced with another community group, thus diminishing the benefits of independent oversight. Should the City continue to find itself without the resources necessary to fund its public safety departments, SDCTA encourages Chula Vista to consider another method of funding that might have more taxpayer protections and a more balanced effect on the economy.

Title: Measure A
Jurisdiction: City of Chula Vista
Type: One-half cent sales tax
Vote: Simple majority
Status: On the June 5, 2018 Primary Election ballot
Issue: Sales tax increase
Description: A sales tax increase of 0.50%, raising the total sales tax to 8.75%, for the purpose of funding public safety needs but with no legally binding spending requirements
Fiscal Impact: The measure is expected to generate \$17 million annually, all of which would go to the City’s General Fund.

Background

Sales Tax in California

As of January 1, 2017, the statewide sales and use tax rate in California is 7.25%. This revenue makes up about 19.4% of state tax revenue for FY 2018-19.¹ However, counties and municipalities can elect to implement additional local sales taxes to fund various needs such as transportation and public safety. Taxes for general purposes need to be approved by a majority of voters (50%+1), whereas taxes for specific purposes need to be approved by a two-thirds vote. The City of Chula Vista currently collects an additional local sales tax at a rate of 1.0%, bringing the total sales tax in the city to 8.25%.

¹ “Governor’s Budget Summary 2018-19,” *California Department of Finance*, January 10, 2018, p.18, www.ebudget.ca.gov/2018-19/pdf/BudgetSummary/SummaryCharts.pdf.

Measure P

In November 2016, voters in the City of Chula Vista approved a ten-year one-half cent sales tax increase to “repair neighborhood streets and sidewalks, replace storm drains to prevent sinkholes, update police, paramedic and 9-1-1 equipment and facilities, improve parks, repair recreation facilities, and for general city services and infrastructure.” SDCTA supported this proposal, titled Measure P, based on the following rationale.²

“The additional revenue from the proposed sales tax and a subsequent bond may help address the most critical infrastructure needs of the City of Chula Vista. The City has maintained reasonable and increasing reserve levels and has had a decreasing level of debt per capita over the last 10 fiscal years. City staffing levels per 1,000 residents have remained low and relatively consistent over the last several years and the City has created a plan to address its failing infrastructure. SDCTA believes that the City has made significant changes to its pension program to address rising pension costs as well as implemented other efficiency measures, but notes that the City has openly expressed concerns about these rising costs. Lastly, the City has taken various steps to implement transparency and accountability with this measure, such as requiring City staff to create a spending plan for Measure P funds and present it to the City Council for adoption each year.”

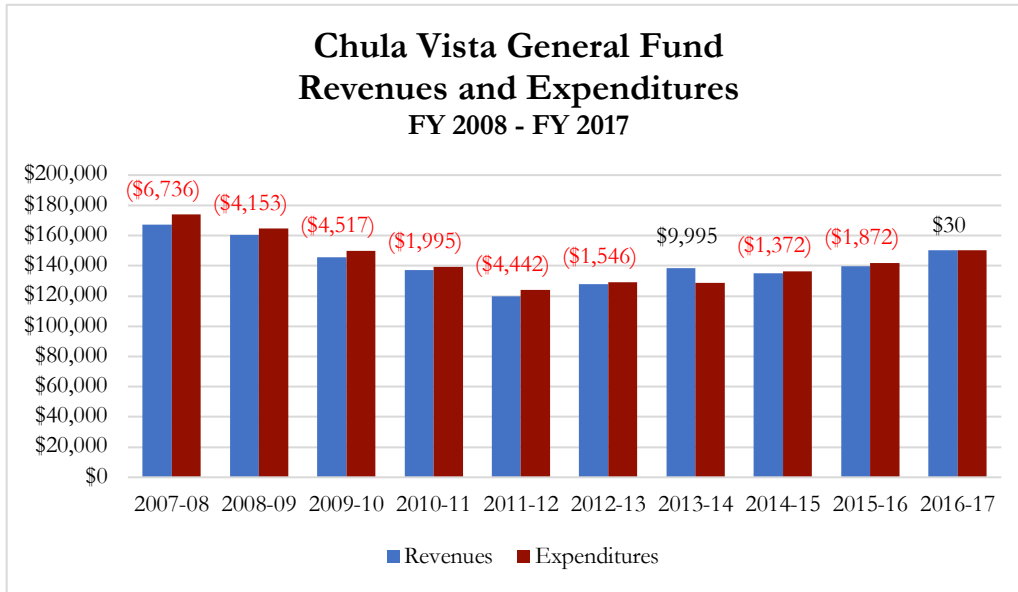
Measure P included the creation of a Citizens’ Oversight Committee to monitor the City’s compliance with the terms of the ordinance, the spending guidelines outlined in the Intended Infrastructure, Facilities, and Equipment Expenditure Plan, and the Measure ‘P’ Spending Plans approved by City Council. This committee met in March, April, July, September, and November of 2017 and will meet quarterly throughout 2018. It is difficult to evaluate the effectiveness of the oversight committee given its recent establishment.

Municipal Profile

Revenues vs. Expenditures

For fiscal year (FY) 2017, the General Fund reported \$150.3 million in revenues and \$150.2 million in expenditures, resulting in expenditures exceeding revenues by \$30,000. The City’s General Fund balance increased by \$4.5 million to \$41,848,965 at the end of FY 2017. Total fund balance included \$20,015,153 of unassigned fund balance, which can be used for contingencies.

² “Measure P: City of Chula Vista Sales Tax,” *San Diego County Taxpayers Association*, September 2016, www.sdcta.org/assets/files/Measure%20P%20-%20City%20of%20Chula%20Vista%20Sales%20Tax.pdf.



Source: Chula Vista Comprehensive Annual Financial Reports FY 2008 – FY 2017
*Note: Figures in thousands, adjusted to 2017 dollars

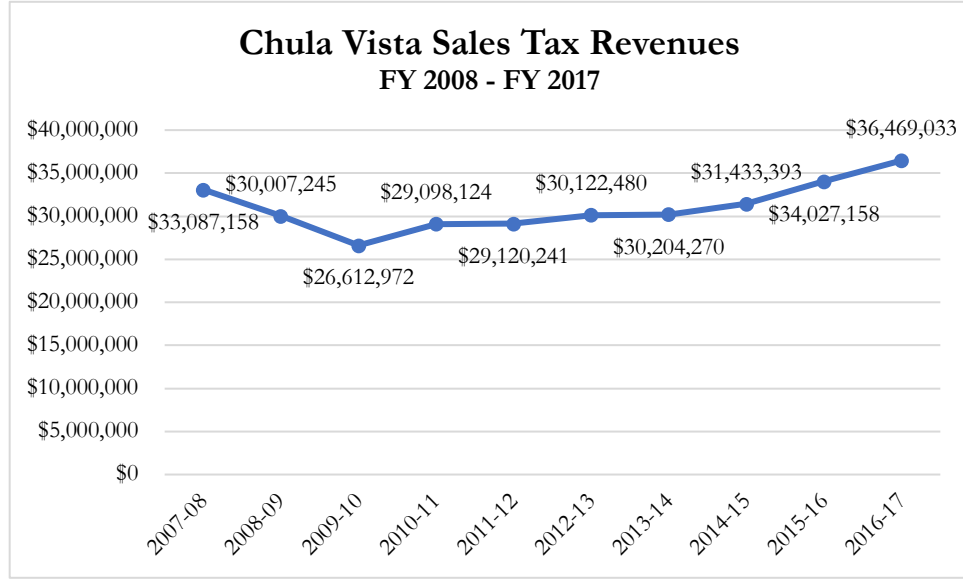
Most of the City’s revenues for FY 2017 were generated from property taxes (\$53,248,196), sales taxes (\$36,469,033), and franchise taxes (\$11,515,850). The FY 2018 budget includes a significant increase in planned infrastructure expenditures from Measure P funds and an increase in public safety personnel and equipment. This includes two new fire stations, the replacement of outdated safety vehicles, and 5 new peace officers. In general, the majority of the city’s discretionary revenue is allocated toward public safety services.

The City’s total net position increased by \$560.8 million in FY 2017. The City projects overall revenues to remain relatively flat in FY 2018 with only a 1.9% increase from the prior year. The City also had to make various spending reductions and identify discretionary revenue sources to close a projected \$4.3 million budget gap for FY 2018.

Sales Tax Revenues

The City of Chula Vista has seen an increase in sales tax revenues over the last decade. Sales tax revenues for FY 2018 are expected to increase by \$16.3 million due to the collection of revenues from Measure P.

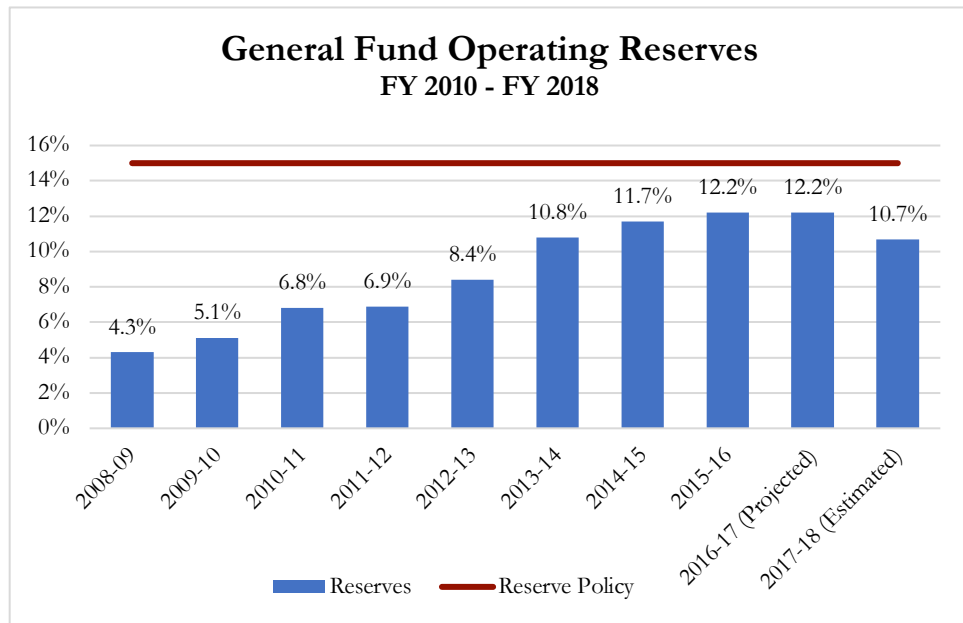
The City indicates in their financial reporting that many Chula Vista residents shop outside city limits, and the City’s long-term strategy to capture increased sales tax revenue is to foster business growth within the city limits. The City has secured several new development projects to help address this issue, but they will take several years to complete.



Source: Chula Vista Comprehensive Annual Financial Reports FY 2008 – FY 2017
**Note: Adjusted to 2017 dollars*

Reserves

General Fund operating reserves have increased significantly since FY 2009. The City’s stated goals in developing and maintaining a healthy reserve include protection against dramatic economic fluctuations, debt service coverage, mitigation of development impacts, and the payment of unfunded liabilities—deferred building and equipment repairs, equipment replacement, deteriorating infrastructure, and pension obligations.



Source: Chula Vista Adopted Budgets FY 2016-17 and FY 2017-18

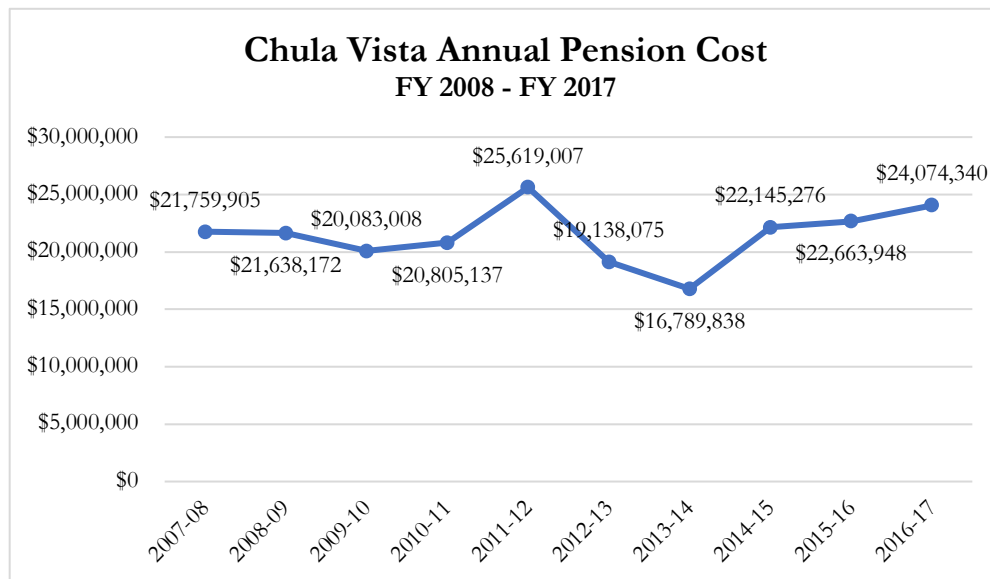
The reserves appear to decrease in FY 2018, but this is due to the movement of Measure P sales tax revenue out of the General Fund. Measure P revenues are transferred into a sub-fund titled “Measure ‘P’ Fund” and specially accounted for by the Department of Finance and the Citizens’ Oversight Committee. Actual General Fund reserve balances are not expected to decrease.

Pensions

The City contributes to the California Public Employees Retirement System (CalPERS), which is a state government agency that manages retirement, disability, death, and health benefits for public employees and their beneficiaries.

In the 2000s, the City approved benefit formula enhancements and early retirement incentives to prevent layoffs during the recession, both of which increased its contribution to CalPERS. However, CalPERS also experienced investments losses during this period. Due to the increases in employer contribution rates, the City negotiated with bargaining groups and implemented various pension reforms such as creating a second and third tier of retirement benefits and requiring many employees to pay the full share of employee contribution previously paid by the City.

The FY 2018 budget noted that several changes implemented by CalPERS have led to increasing retirement costs that remain a significant challenge to the City—FY 2018 pension contributions are estimated to equal 14.7% of the General Fund. Chula Vista currently has a net pension liability equal to \$295,366,230. The City also has an unfunded other postemployment benefit (i.e. health) liability of \$17,269,108.



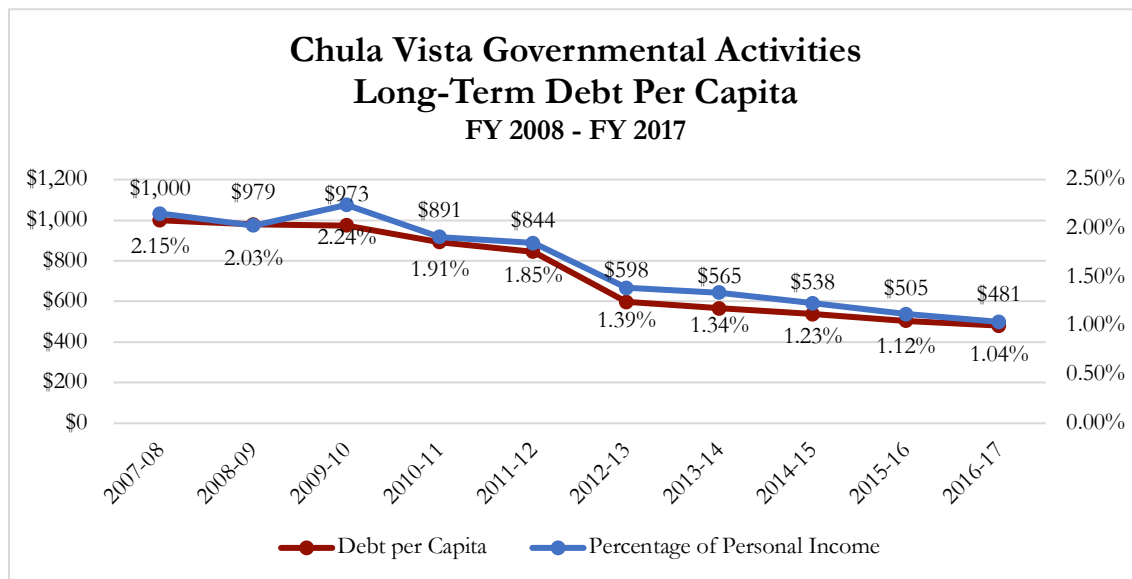
Source: Chula Vista Comprehensive Annual Financial Reports FY 2008 – FY 2017
**Note: Adjusted to 2017 dollars*

Debt

The \$2.4 million (1.8%) decrease in the City’s total long-term debt obligations in FY 2017 was largely due to principal payments made on Chula Vista’s loans.

City of Chula Vista’s Outstanding Long-Term Debt as of June 30, 2017	
Certificates of Participation	\$106,025,000
Loans	\$6,757,000
Notes Payable	\$3,805,586
Leases	\$3,279,703
Bonds	\$7,603,488
Total	\$127,470,777

The majority of the City’s current debt is a reflection of Certificates of Participation (COPs), tax-exempt government securities used to raise funds to improve and construct buildings or purchase equipment. COPs are generally used to finance capital costs and may not provide ongoing operational funding. These COPs have total debt service requirements of \$138,215,655.



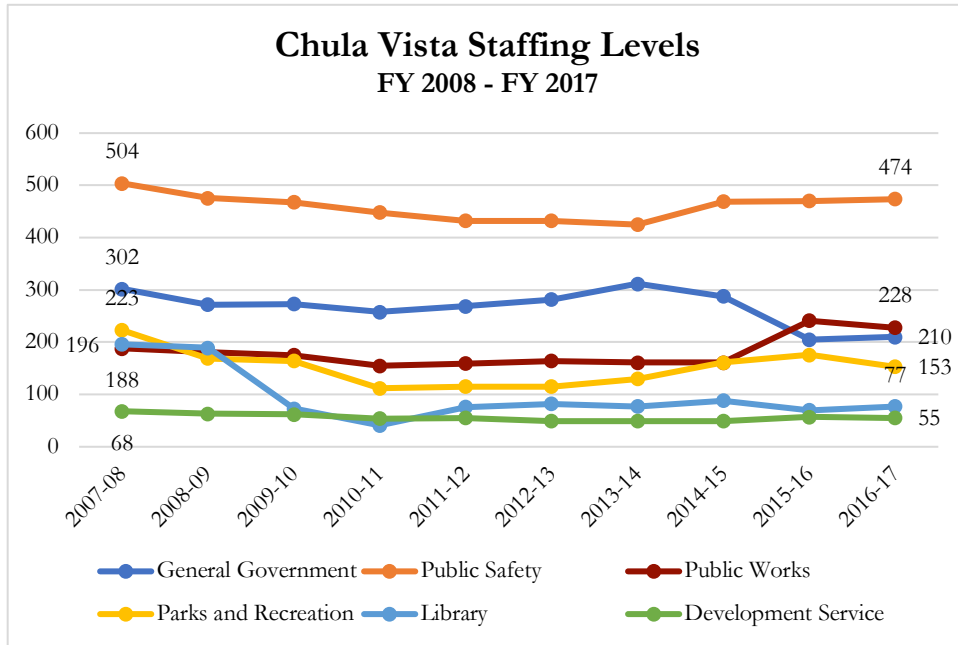
Source: Chula Vista Comprehensive Annual Financial Reports FY 2008 – FY 2017
*Note: Adjusted to 2017 dollars

The City’s long-term debt per capita has decreased steadily since FY 2008 and is currently \$481 per resident. This debt has also decreased as a percentage of each resident’s personal income.

Staffing Levels

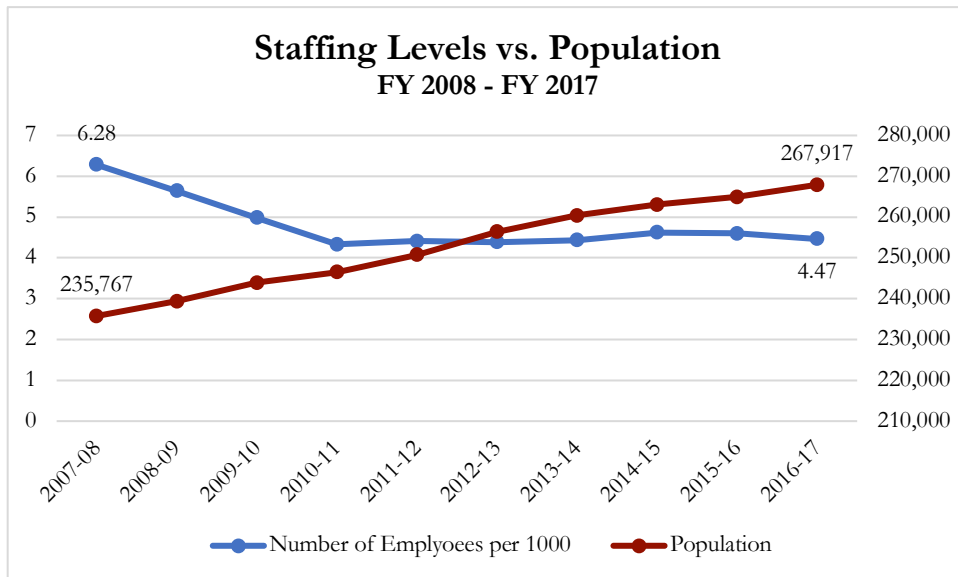
The City of Chula Vista currently has Memoranda of Understanding (MOU’s) with five entities. The MOUs with the Association of Chula Vista Employees and the Western Council of Engineers require salary increases of 2% in each of the pay periods for 2017, 2018, and 2019. The MOUs with the Chula Vista Chula Vista Police Officers Association and the International Association of Firefighters require

salary increases of 2.5%, 2.5%, and 2% each year in 2017, 2018, and 2019 respectively. The MOU with the Mid-Managers/Professional Association required salary increases of 2% each year through 2017.



Source: Chula Vista Comprehensive Annual Financial Report FY 2017

The City currently employs 4.47 employees per 1,000 residents, a ratio that has remained relatively stable since FY 2011 despite a population increase in that period.



Source: Chula Vista Comprehensive Annual Financial Report FY 2017, California Department of Finance

City Council Intended Public Safety Expenditure Plan

The City states that discretionary funds have not kept up with increasing population and demand for public safety officials, as evidenced by low staffing levels and longer-than-expected response times. After much input from City employees and the public, City staff presented a Public Safety Staffing Report to the Council in September 2017 that assessed various factors affecting public safety and indicated the need for further staffing. These staffing needs are outlined below.

Police Department

In 2015, the Council adopted new goals for average Police Department response times as six minutes or less for Priority 1 calls and twelve minutes or less for Priority 2 calls. The average Police Department response times for FY 2017 were six minutes 47 seconds for Priority 1 calls and thirteen minutes 53 seconds for Priority 2 calls. For 2016, the averages were six minutes 31 seconds for Priority 1 calls and thirteen minutes 50 seconds for Priority 2 calls. In 2017, the City was non-compliant for Priority 1 response thresholds for the fifth year in a row and noncompliant with Priority 2 thresholds for the twentieth year in a row.³

The table below demonstrates the difference between sworn police officers per 1,000 residents in various California cities with populations between 250,000 and 500,000. Chula Vista has 0.87 sworn officers per 1,000 residents.

Table 1: Sworn Police Officers per 1,000 Residents in California Cities

2017 California Cities 250,000-500,00 Population				
City	Sworn Officers per 1,000 population	Sworn Officers	2016 Population	FY 17/18 Police Budget
Irvine	0.85	228	267,086	\$81,687,024
Chula Vista	0.87	232	267,917	\$53,331,216
Stockton	1.18	377	320,554	\$127,391,861
Riverside	1.25	410	326,792	\$111,700,000
Santa Ana	1.12	383	341,341	\$125,953,794
Anaheim	1.11	399	358,546	\$154,783,443
Bakersfield	1.06	407	383,512	\$89,017,942
Oakland	1.86	792	426,074	\$291,024,081
Long Beach	1.77	848	480,173	\$241,838,594
Sacramento	1.52	751	493,025	\$132,238,944

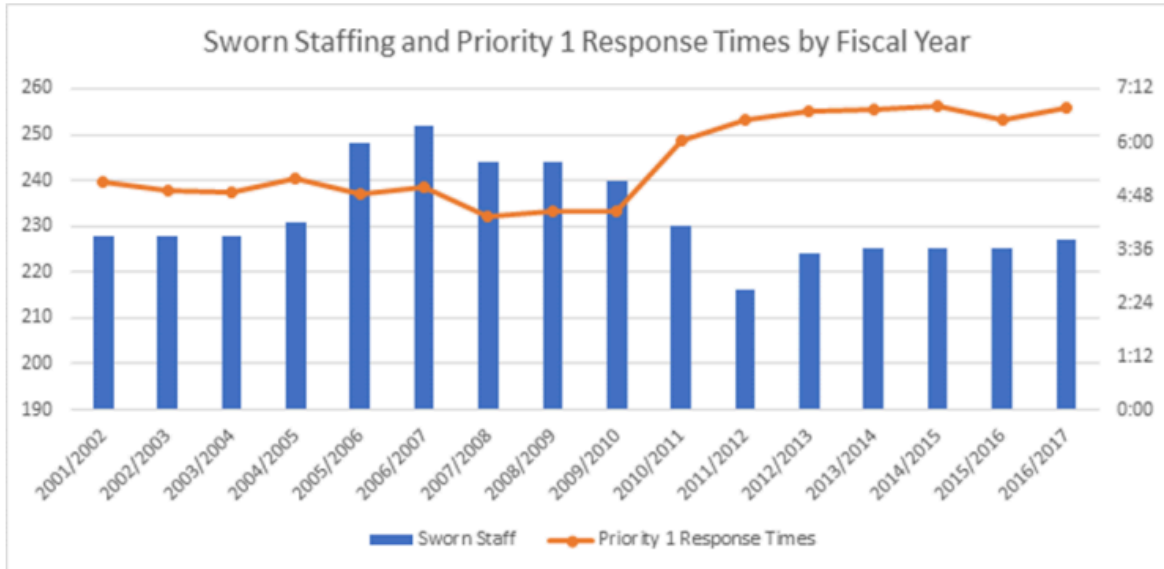
Source: California Department of Finance and City Adopted Budgets

Source: City of Chula Vista Public Safety Staffing Report

³ “Public Safety Staffing Report,” *City of Chula Vista*, September 2017, www.chulavistaca.gov/home/showdocument?id=15604.

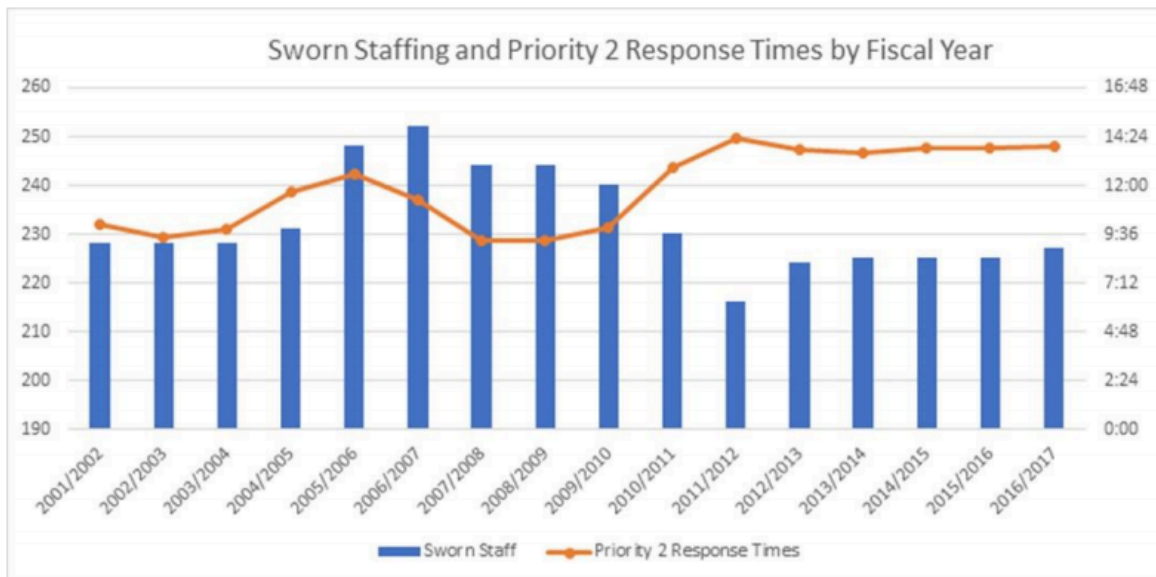
The graphs below demonstrate the relationship between police staffing and Priority 1/Priority 2 response times between FY 2002 and FY 2017.

Figure 1: Sworn Staffing and Priority 1 Response Times 2002-2017



Source: City of Chula Vista Public Safety Staffing Report

Figure 2: Sworn Staffing and Priority 2 Response Times 2002-2017



Source: City of Chula Vista Public Safety Staffing Report

Fire Department

A citizen commission set goals for Chula Vista Fire Department emergency response times at seven minutes compared to an average of four minutes nation-wide.⁴ According to the FY 2018 budget, the department projects it will meet these goals 58 percent and 77 percent of the time for fire and non-fire emergencies, respectively.

The average number of career firefighters per 1,000 residents for western cities of the same size was 0.93 in 2015.⁵ The City of Chula Vista had 120 firefighters in 2016, equaling 0.44 employees per 1,000 residents. The Chula Vista Fire Department has the lowest per capita number of firefighters in the State of California according to its Public Safety Staffing Report.

The Staffing Report also indicates that due to under-staffing, the Department is non-compliant with several performance metrics, some of which are State mandated. Failing metrics are in categories involving inspections, public education, and response times.

Intended Public Safety Expenditure Plan

In 2018, the City released an Intended Public Safety Expenditure Plan that outlined several steps to address department understaffing and other public safety needs given a proposed new half-cent sales tax to create additional funding. The report outlined \$98,256,359 in Police Department expenditures and \$95,023,574 in Fire Department expenditures between FY 2019 and FY 2029 (Phase I). These expenditures include the following critical staffing needs in two phases.

Table 2: Additional Public Safety Department Critical Needs

	Sworn Police	Non-Sworn Police	Fire
Phase I	29	14	36
Phase II	14	5	58
Total	43	19	94

Along with additional needed staffing, the Intended Public Safety Expenditure Plan outlines the City’s desired public safety outcomes and potential dates by which they can be achieved.

Proposal

The language placed before voters on the June 5, 2018 ballot would read:

“Shall the measure to provide: faster responses to 9-1-1 emergency calls, increase neighborhood police patrols, reduce gang and drug-related crimes, address homelessness, improve firefighter, paramedic and emergency medical response, and

⁴ Cassia Pollock and Bridget Nasso, “Emergency Response Times for Chula Vista Fire Department are Slowest in State,” *NBC 7 San Diego*, May 23, 2017, www.nbcsandiego.com/news/local/Emergency-Response-Times-for-Chula-Vista-Fire-Department-Are-Slowest-in-State-423983204.html.

⁵ Hylton Haynes, “Career Firefighters per 1,000 Population for All Career Fire Departments, 2013-2015,” *National Fire Protection Association*, August 2016, www.nfpa.org/-/media/Files/News-and-Research/Fire-statistics/Fire-service/osCareerFF1000Population.ashx?la=en.

general city services, by enacting a ½ cent sales tax, until the voters decide otherwise, generating an estimated \$17 million annually for City services, with all funds staying in Chula Vista, with citizen oversight and independent audits, be adopted?”

This ballot measure would establish a new general retail transactions and use (sales) tax of 0.5% within City territory that would continue until a new vote is cast to end the tax. The sales tax would be a gross receipts tax on any retailer from the sale of all tangible personal property, including applicable delivery charges, with certain exemptions. All proceeds from the new tax would be deposited into the General Fund for unrestricted purposes.

Citizen's Oversight Committee

The ordinance outlines the creation of a Citizens Oversight Committee (COC), appointed by the City Council, to monitor and report on the City's compliance with the ordinance and spending guidelines contained in the City Council Intended Public Safety Expenditure Plan that was approved alongside the sales tax ordinance. The COC can be disbanded after the City's "Phase I" Critical Needs are implemented. If the COC is disbanded, the Chula Vista Growth Management Oversight Commission or other citizen's group designated by the City Council will be responsible for making reports on Measure A revenues to the City Council.

Sales tax revenues will be accounted in the General Fund as a separate line item titled "Local Transactions and Use Tax – Measure A Revenues." City Finance Department staff will present an annual report to the Citizen's Oversight Committee regarding the tax revenue and expenditures.

City staff will generate a spending plan for Measure A funds each year beginning in FY 2018-19 and present it to the COC for review before incorporating the plan into the proposed annual City budget upon City Council approval. This spending plan is to be consistent with City Council Intended Public Safety Expenditure Plan and should include both short-term and 10-year planned expenditures to address the City's "Phase I" critical needs.

While oversight is beneficial to the taxpayer, the ordinance does not outline how the committee will be funded. Most importantly, this proposal is a general sales tax. Legally, legislators are permitted to appropriate such funds in whatever manner they see fit, so this "oversight" is potentially misleading to voters.

Fiscal Impact

This measure would impose a one-half cent sales tax increase on all applicable purchases within city limits. The measure would bring Chula Vista's total sales tax to 8.75%, which would be the highest rate in the County along with Del Mar and National City. According to the Intended Public Safety Expenditure Plan, the tax is expected to generate between \$17,000,000 and \$20,316,574 per year between FY 2019 and FY 2029.



Proponents

Mayor Mary Casillas Salas
Roxana Kennedy, Chief of Police
Jim Geering, Fire Chief

Proponent Arguments

“That’s why we are asking you to invest in our safety with Measure A. Our police officers and firefighters are working for us every day, but they need our help. We have fewer police officers per capita than every other city in California, except one. We have half of the firefighters per capita than the national average. Measure A will help us hire 43 new cops, dispatchers, school officers and investigators along with 32 new firefighters. You will see improved response times and increased patrols to keep Chula Vista one of America’s safest cities.”

Opponents

Chula Vista Taxpayers Association
Southwest Chula Vista Civic Association

Opponent Arguments

“The City of Chula Vista can use this money for any lawful purpose. Can we trust future politicians to do what today’s politicians are promising us?”
“To terminate this tax will require another vote—does anyone believe city hall will ever call for that vote? The City of Chula Vista already spends 67% of the budget on Public Safety with pensions and benefits...Chula Vista taxpayers cannot afford to keep bailing out the City leadership.”

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