

The Bottom Line

Solutions for San Diego's Budget Crisis

Murtaza H. Baxamusa, AICP

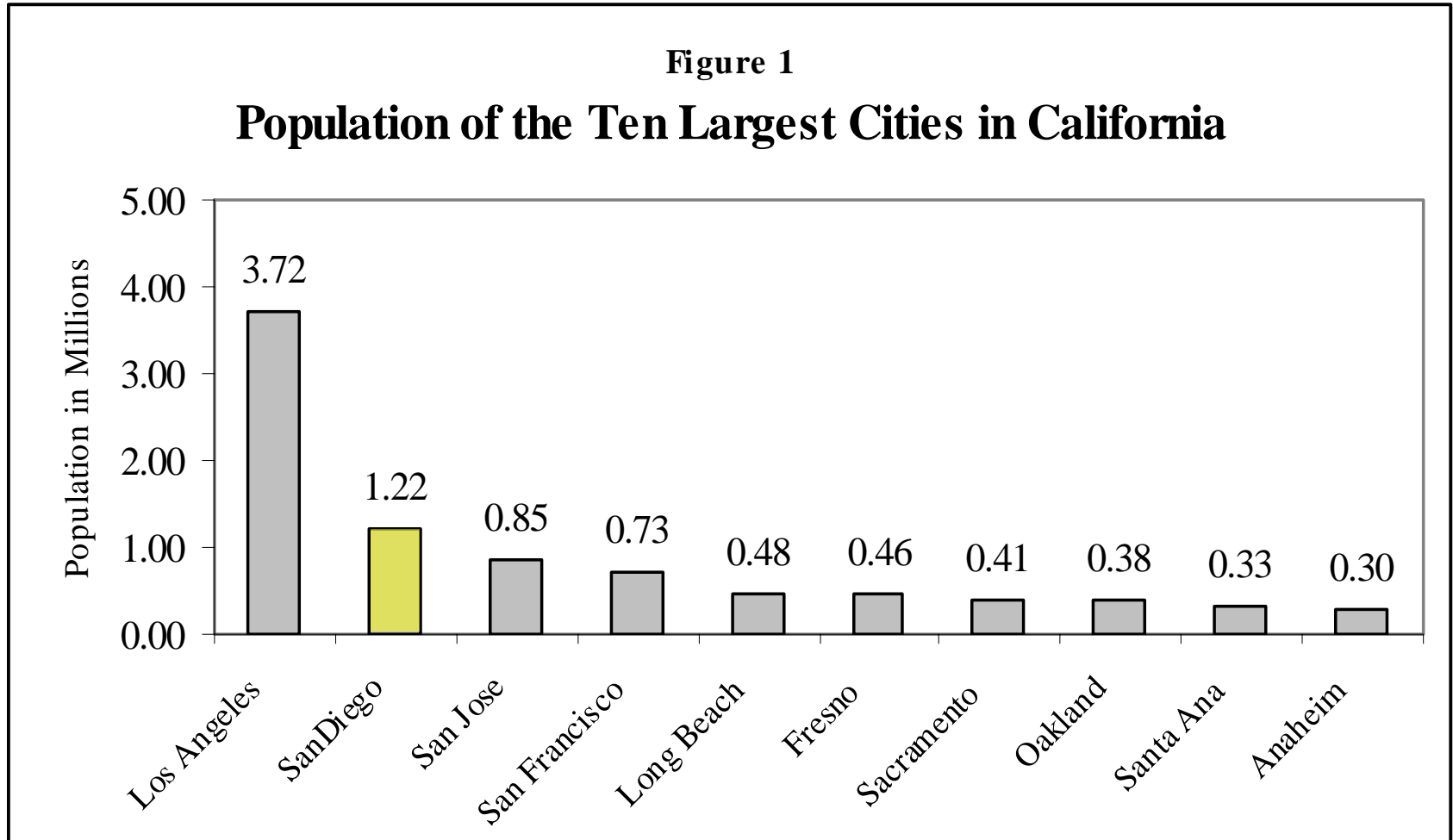


About this report



- This study compares revenue and service levels among the top ten cities in California.
- Data Sources
 - California State Controller’s 93rd Cities Annual Report which is based on FY2002-03 annual financial statements.
 - CAFRs
 - Budgets
 - phone calls to individual departments in other cities
 - tax schedules
 - publicly available information sources for service levels.
- We did not examine revenues and expenditures in enterprise funds and special revenue districts including MADs, FBAs and DIFs.
- We have discussed only those revenue sources and services that have a significant effect on general governmental funds.

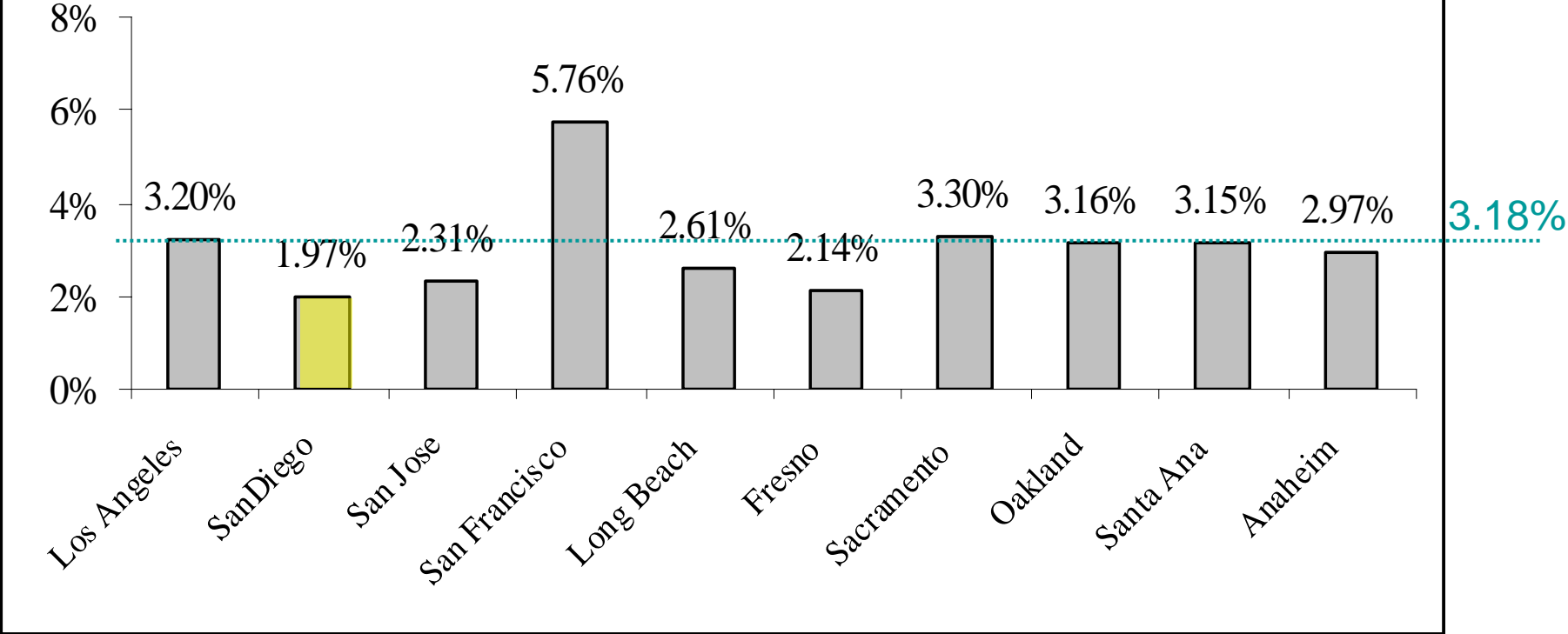
Ten Largest Cities in California



Source: US Census Bureau, American Community Survey (2003).

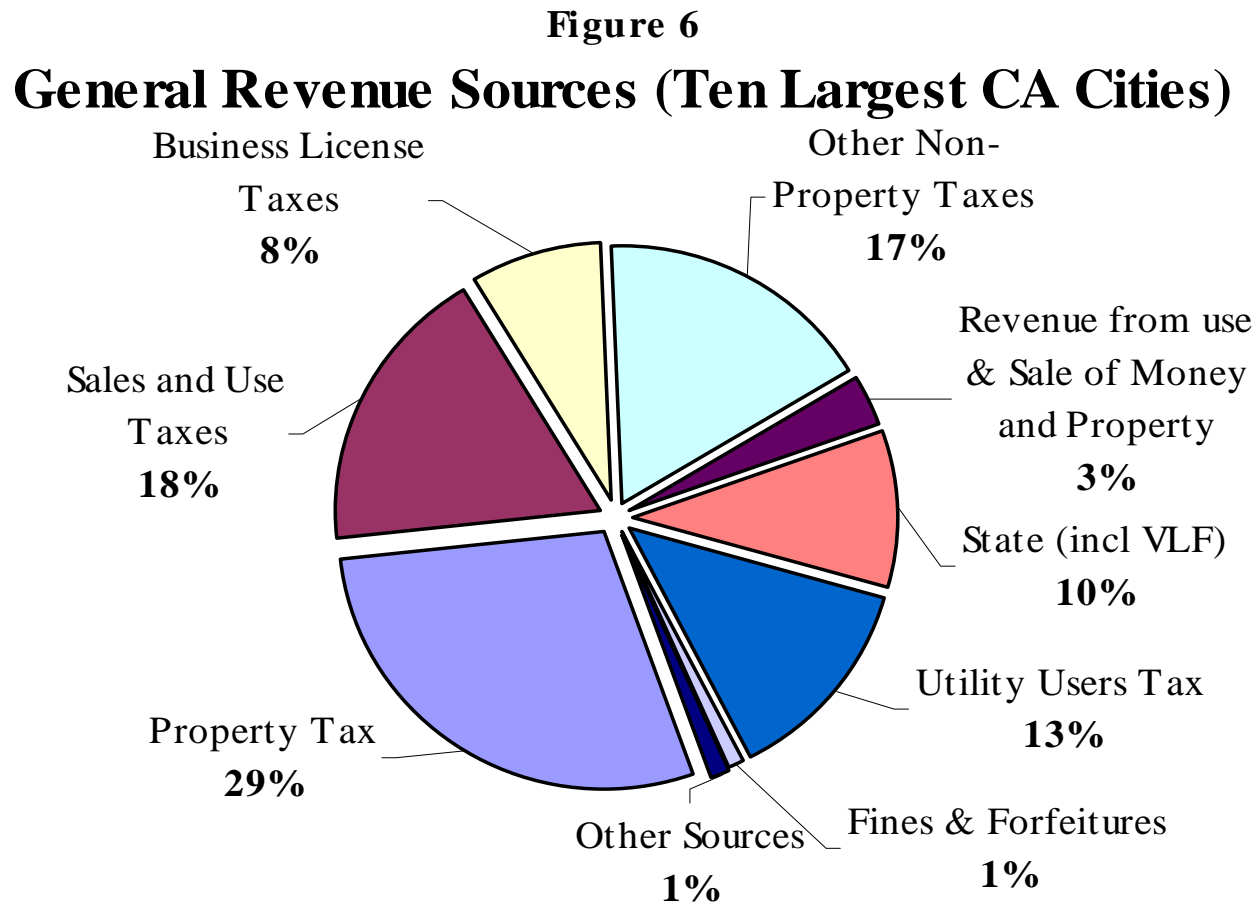
Lowest Revenues Compared to Household Income

Figure 4
General Fund Revenues as a % of Household Income



Sources: General Revenue data from the California State Controller (2005), Cities Annual Report, 93rd ed. Based on FY2002-03 financial statements; Household Income and Number of Households from the US Census Bureau, American Community Survey (2003).

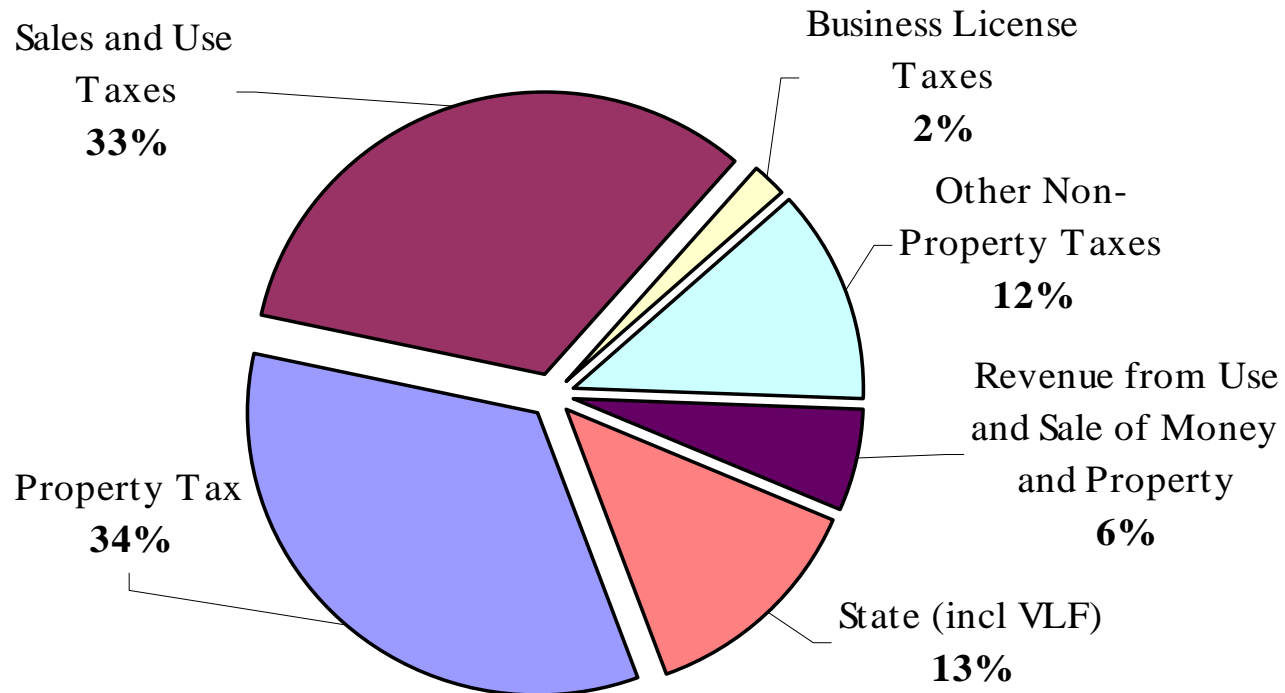
California Cities: Less than 1/2 of Revenue from Sales and Property Tax



Source: General Revenue data from the California State Controller (2005), Cities Annual Report, 93rd ed. Based on FY2002-03 financial statements.

San Diego: Over 2/3 of Revenue from Sales and Property Tax

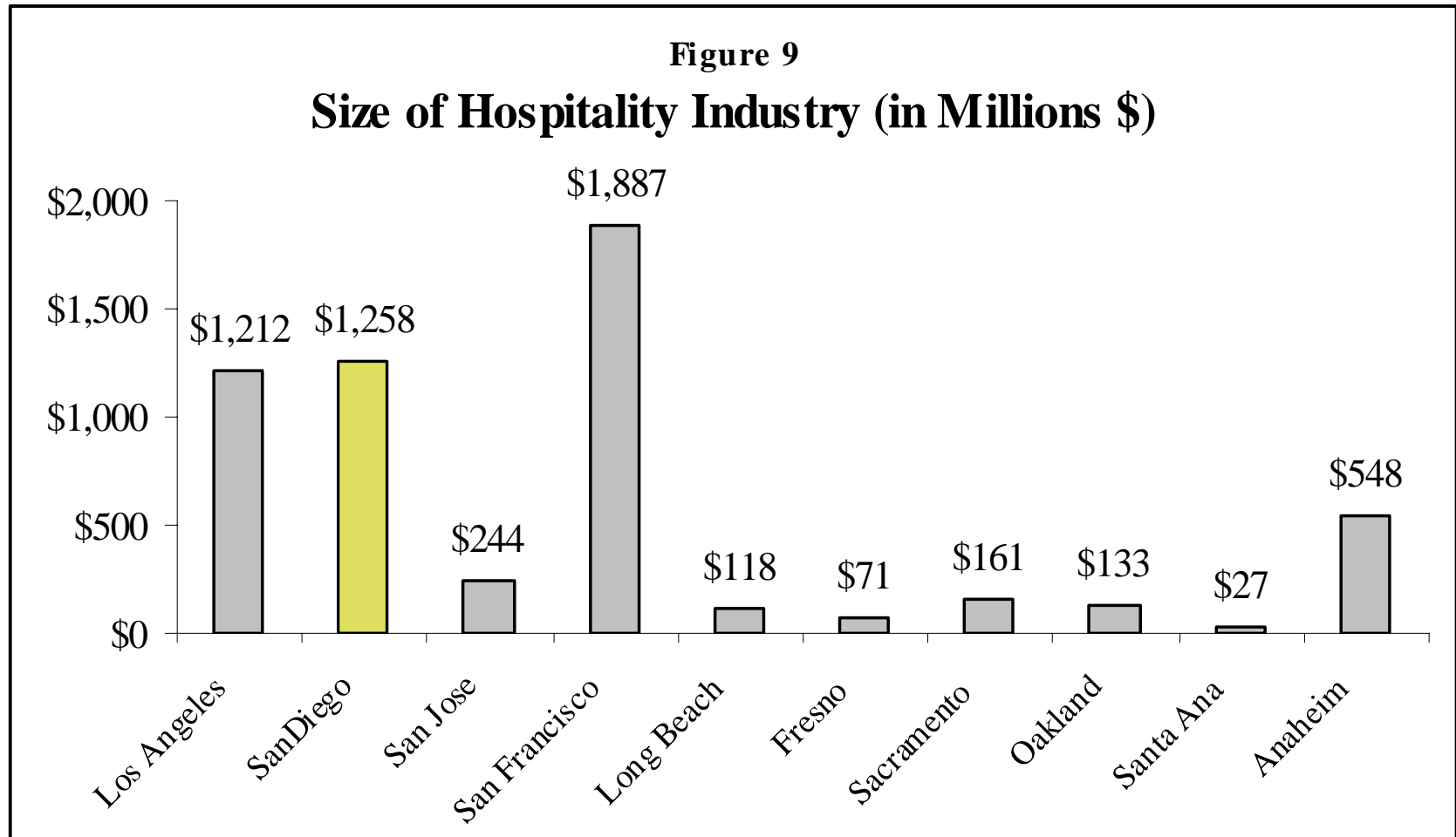
Figure 5
General Revenue Sources (San Diego)



Source: General Revenue data from the California State Controller (2005), Cities Annual Report, 93rd ed. Based on FY2002-03 financial statements.

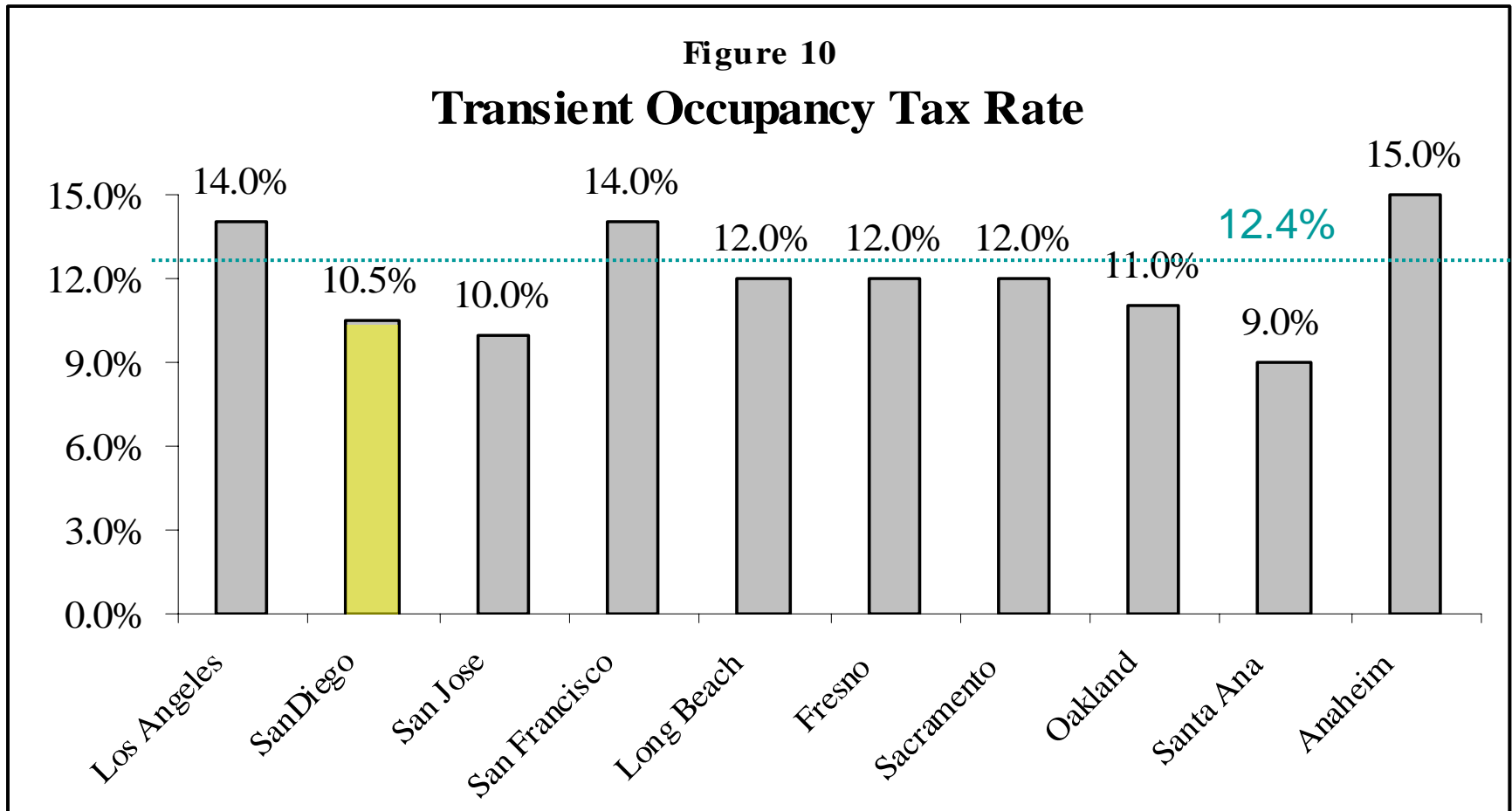
Revenues

Second Highest Tourism Industry Revenues



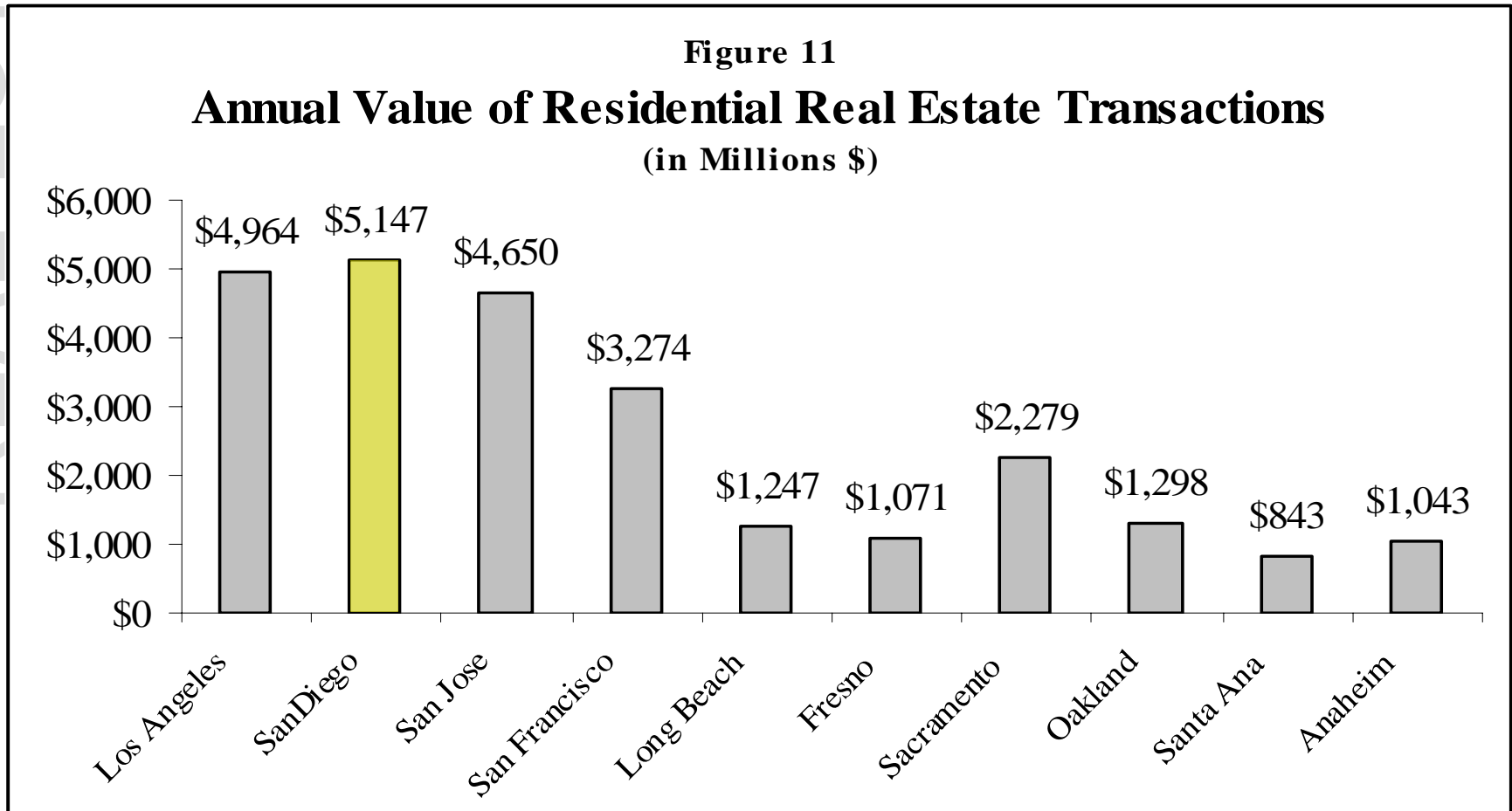
Sources: U.S. Bureau of the Census, 1997 Economic Census, data for gross receipts for the Accommodation Industry (NAICS: 721). CPI-U for California from 1997-2003 is from BLS obtained from California Department of Finance.

Third Lowest TOT Rate



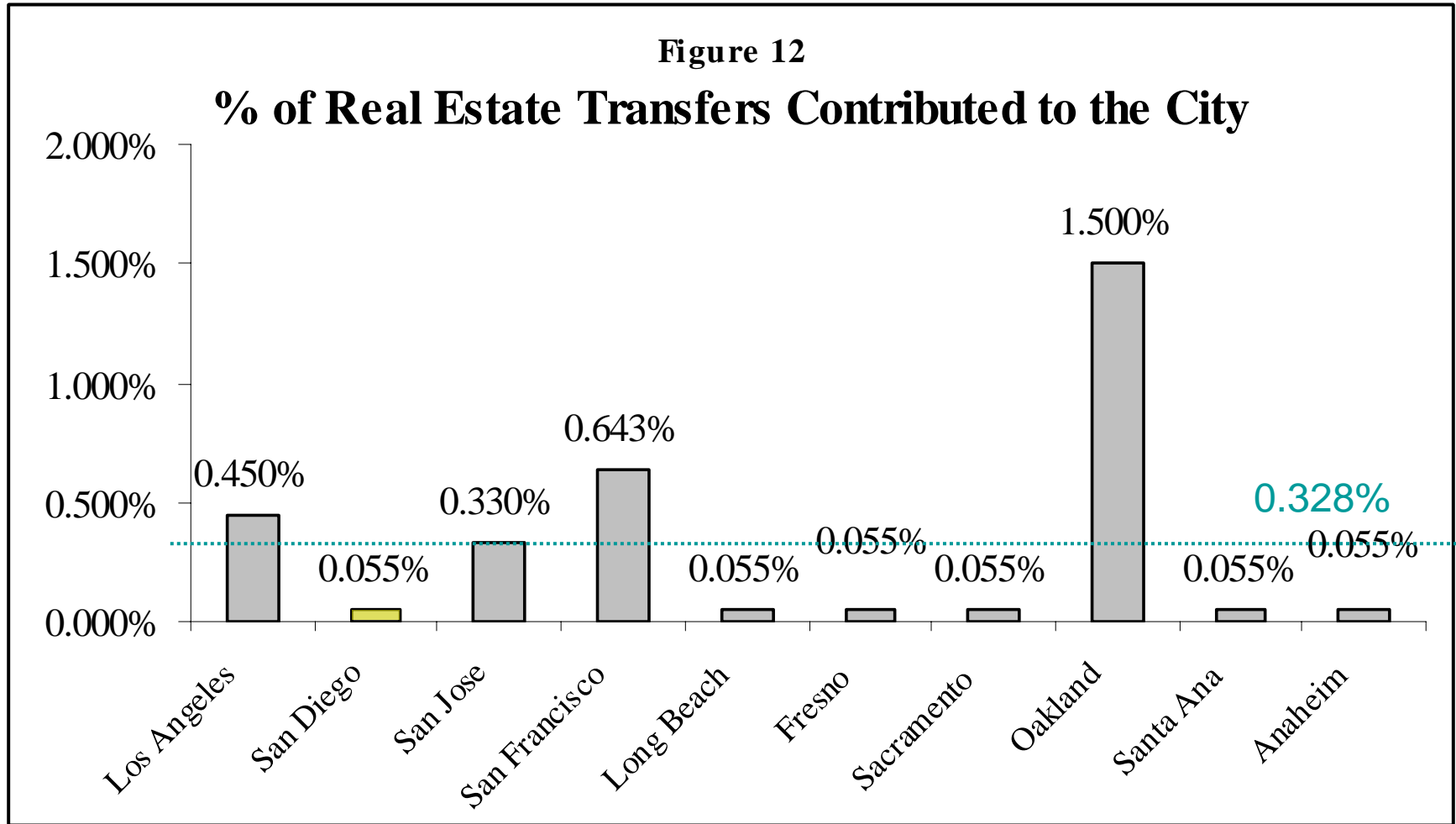
Source: California City Finance Almanac: <http://www.californiacityfinance.com/>

Highest Dollar Amount of Total Residential Real Estate Transactions



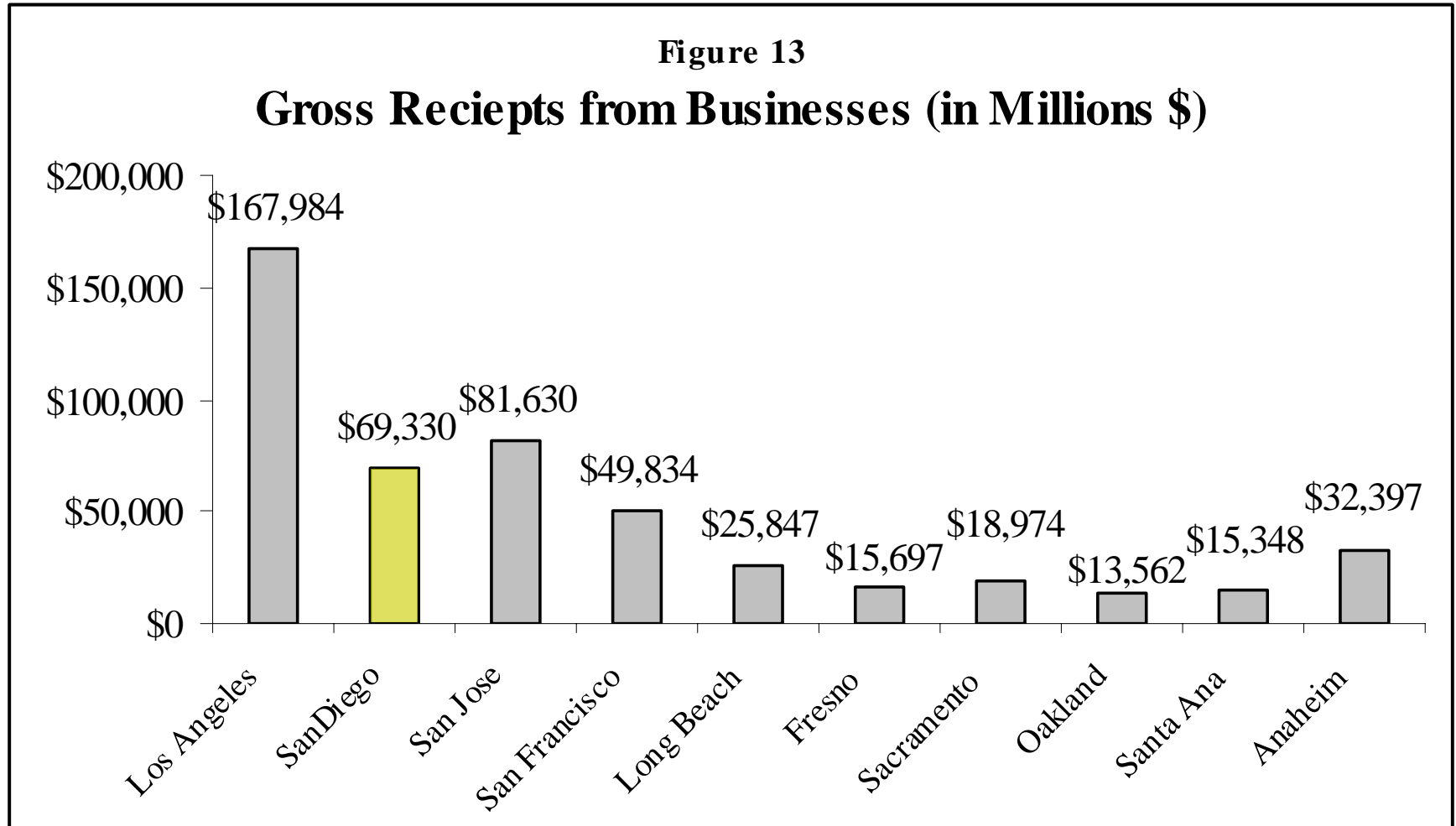
Source: Residential transactions data for 2002 from California Association of Realtors, extracted from RAND. Annual Value = Number of Transactions x Average Sales Price for all homes.

Lowest Real Estate Transfer Tax



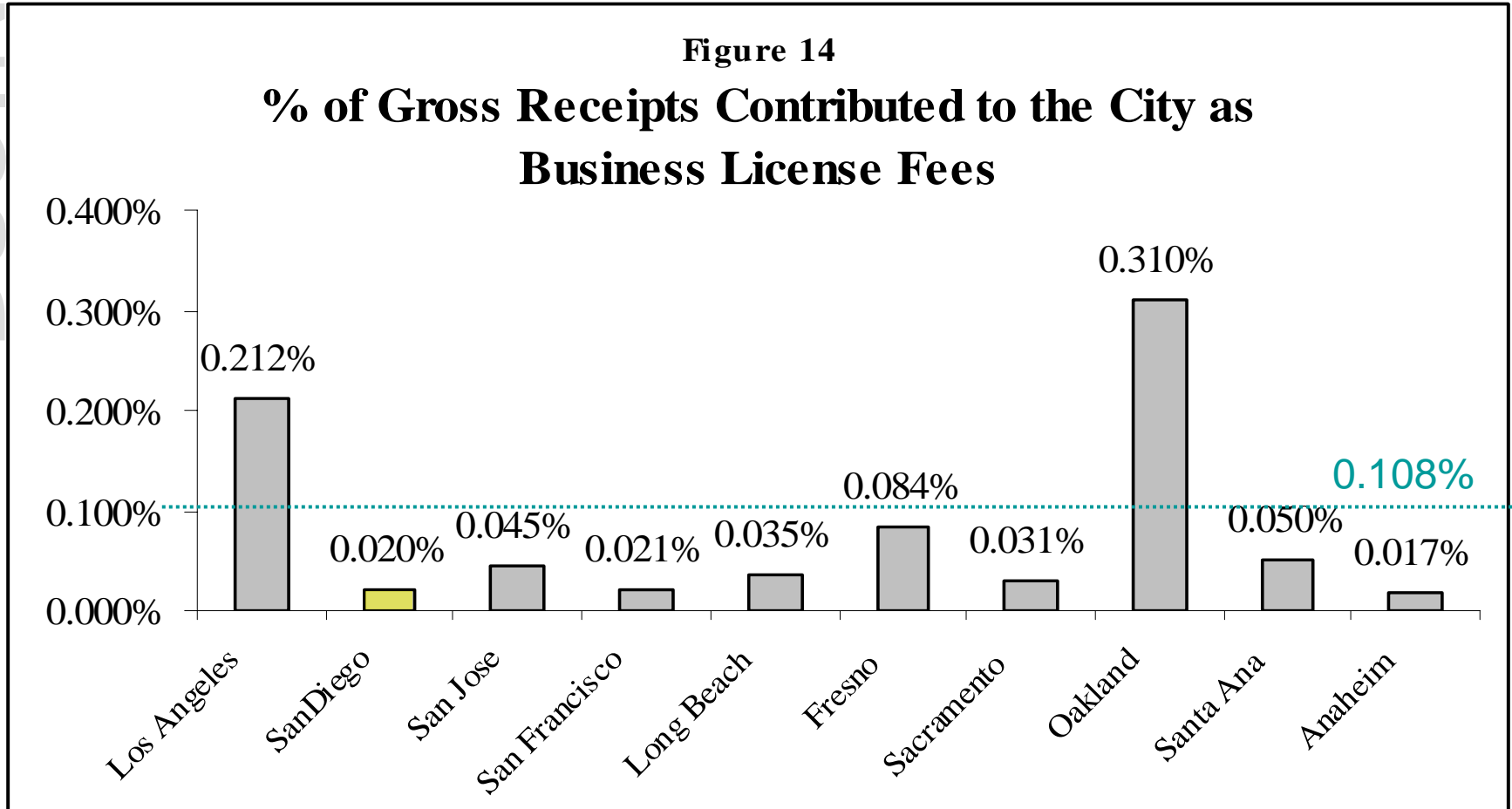
Source: Real Estate Transfer Taxes, Controller's Office, City and County of San Francisco, 2004.

Third Highest Gross Business Revenues



Sources: Data for Shipments/Sales/Receipts from the 1997 Economic Census extracted from State of the Cities Data Systems (HUD). CPI-U for California from 1997-2003 is from BLS obtained from California Department of Finance.

2nd Lowest % of Total Revenues as Business License Fees

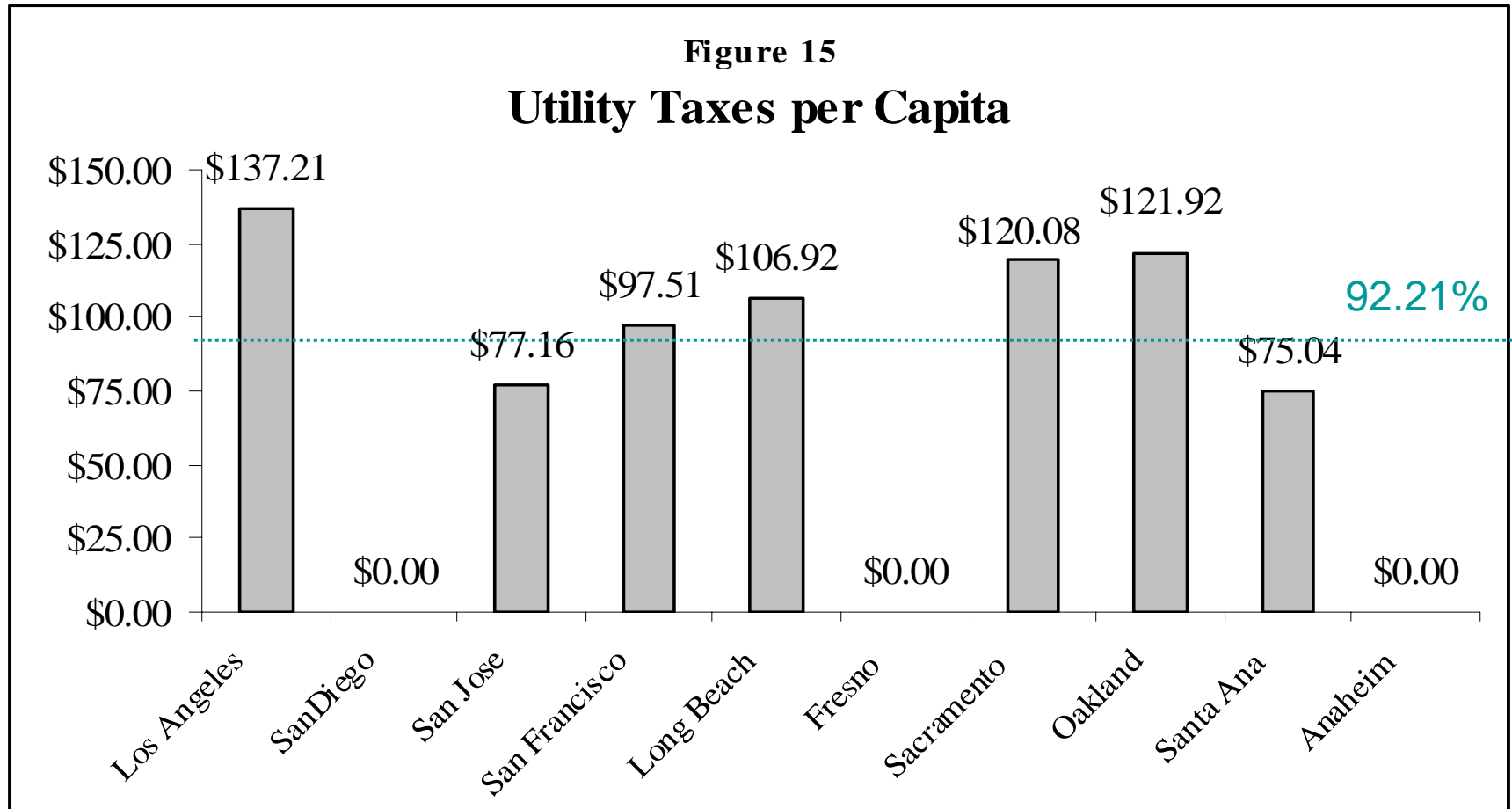


Sources: Business License Revenues from the California State Controller (2005), 93rd Cities Annual Report based on FY2002-03 annual financial statements. Gross Receipts is extracted from State of the Cities Data Systems (HUD): Data for Shipments/Sales/Receipts using the 1997 Economic Census. CPI-U for California from 1997-2003 is from BLS obtained from California Department of Finance.

Comparison of General Business License Fees in the Four largest cities in California

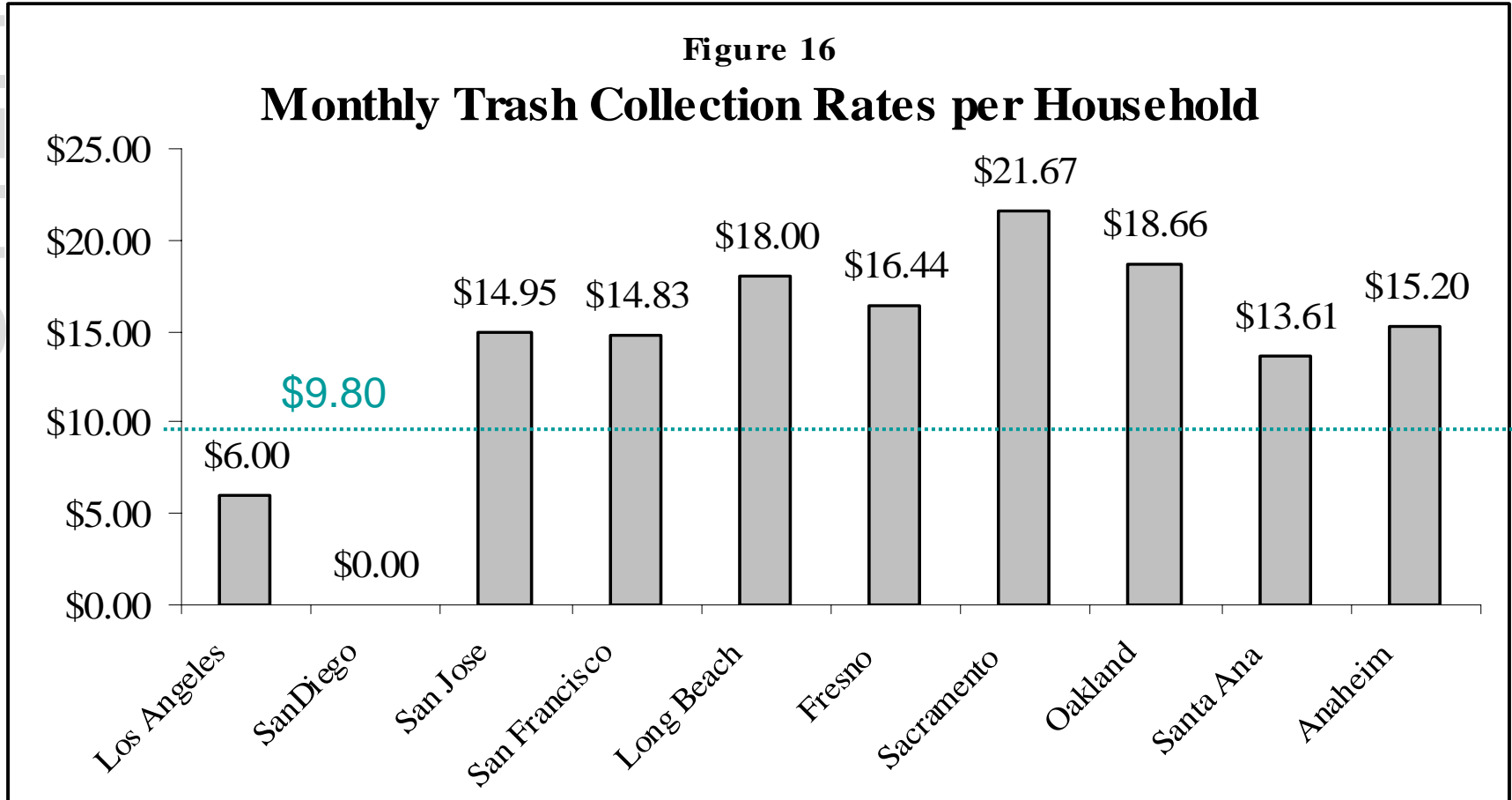
<i>Sample Business Description</i>	<i>Los Angeles</i>	<i>San Diego</i>	<i>San Jose</i>	<i>San Francisco</i>
Retail shop of \$1 million sales with 2 employees	\$1,480	\$34	\$150	\$943
Professional services of \$15 m revenue with 60 employees	\$88,650	\$365	\$1,086	\$13,340
Restaurant group with \$36 million in revenues and 850 employees	\$53,280	\$4,315	\$15,306	\$83,314
Hotel with \$50 million in revenues and 600 employees	\$74,000	\$3,065	\$10,806	\$80,192
Large construction company with \$500 million in revenue and 800 employees	\$590,107	\$4,065	\$14,406	\$254,577
Multimedia/Hi tech company with \$6b in revenues and 4,500 employees	\$7,080,000	\$22,565	\$25,000	\$2,095,037

No Utility Taxes on Electricity, Gas, Phone, Cable



Sources: General Revenue data (annual) from the California State Controller (2005), Cities Annual Report, 93rd ed. For FY2002-2003; Population estimates for 2003 from the American Community Survey (US Census Bureau).

Only City that Doesn't Charge for Residential Trash Collection



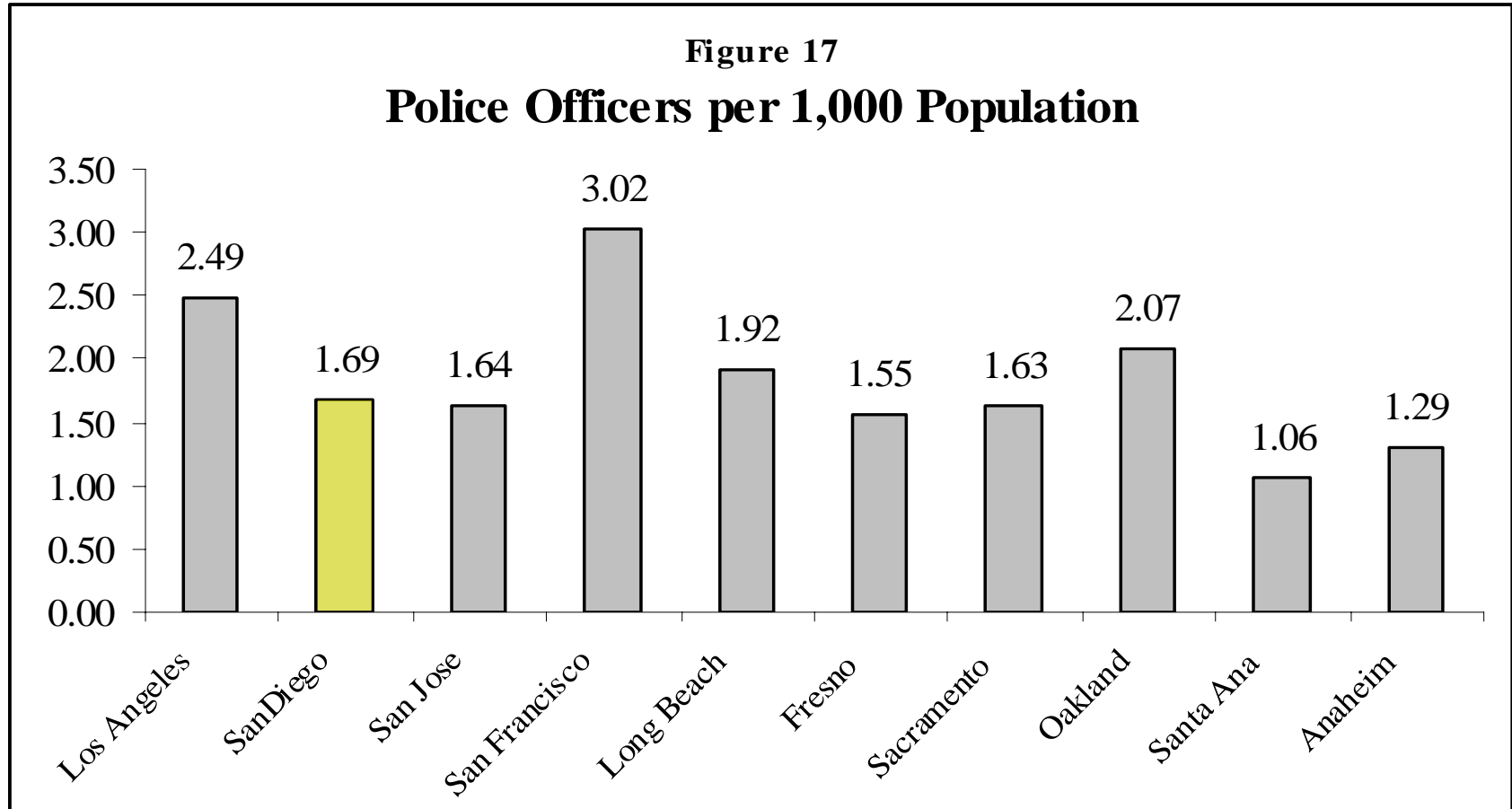
Source: Kelling, Northcross & Nobriga (2002), City of San Diego Facilities Financing Study prepared for the Strategic Framework Citizen Committee (Finance Subcommittee).

Expenditure and Service Levels

General Fund Expenditures Have Not Kept Pace with Economic Growth

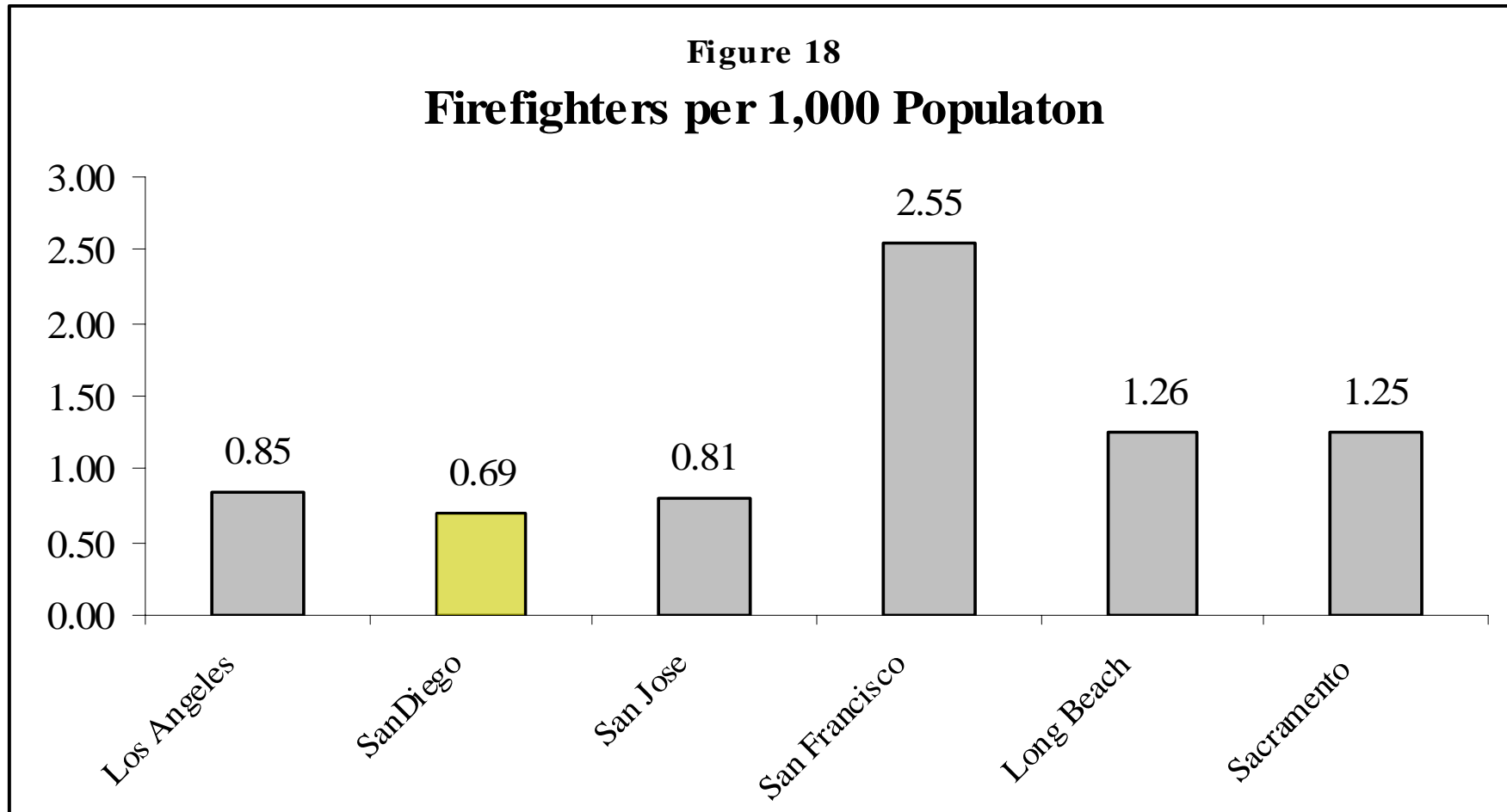
	Percentage Change 1990-2000
City of San Diego General Fund Expenditures	16.07%
Number of Positions in the City of San Diego government	15.5%
Number of Jobs in all Businesses in the city	25.3%
Population	10.2%
Personal Income	33.9%
Annual payroll of all Businesses	58.8%
Gross Metropolitan Product	39.0%

Moderate Number of Police per Capita



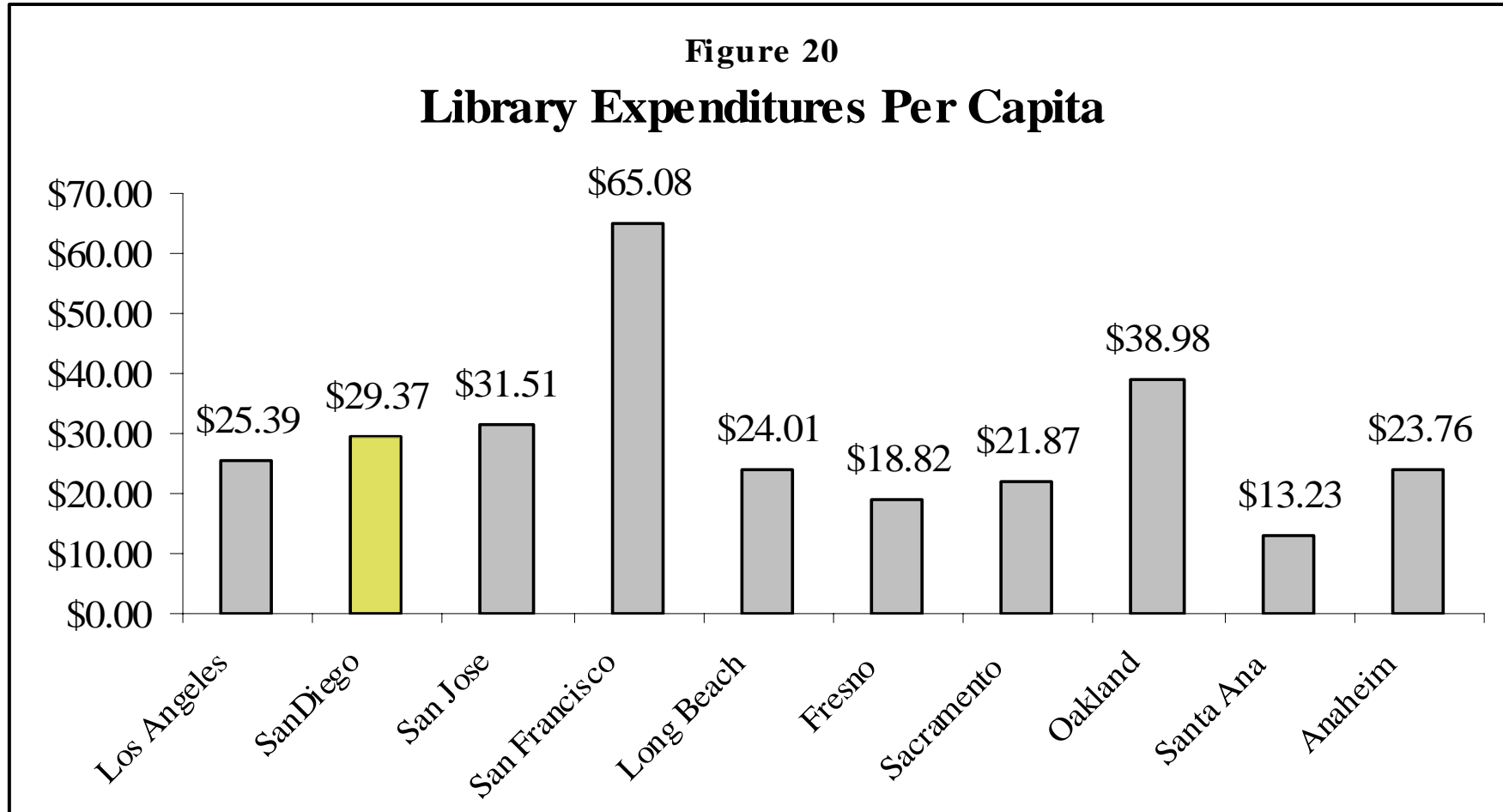
Source: Uniform Crime Reports, 2003, Federal Bureau of Investigation

Lowest Number of Firefighters per Capita



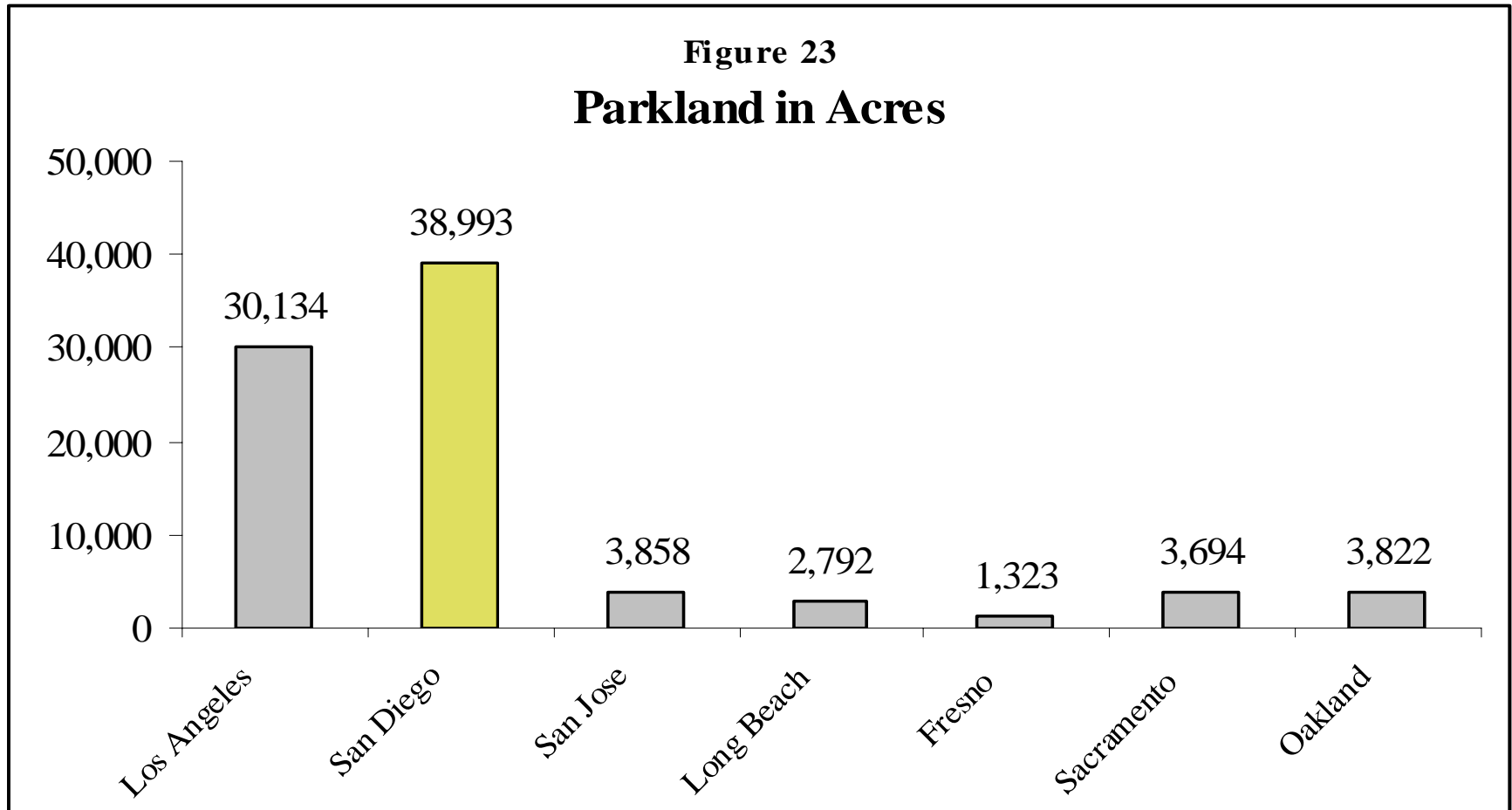
Source: International Association of Fire Chiefs.

Average Library Expenditures per Capita



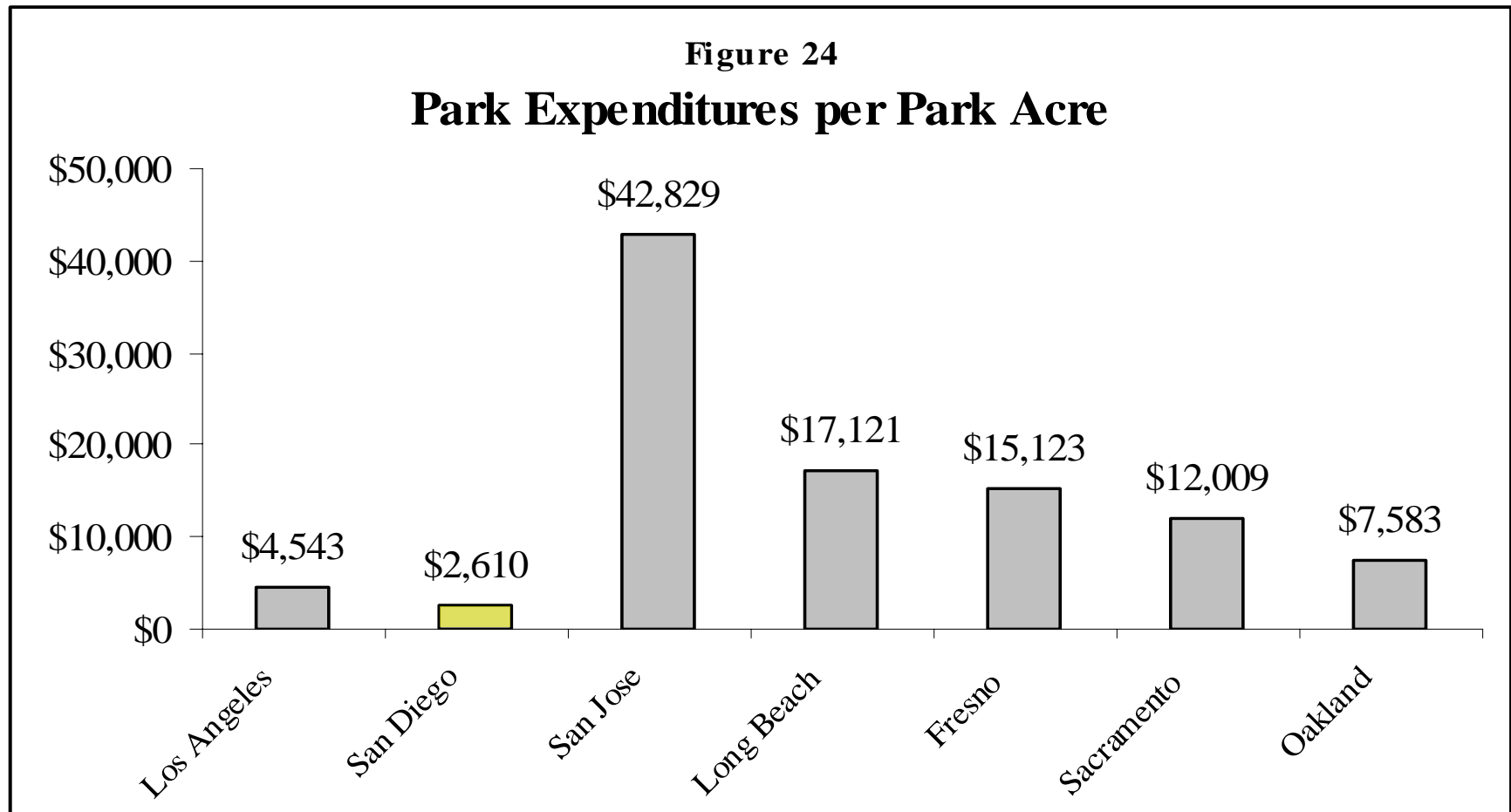
Source: California Library Statistics 2004, FY2002-03, Library Department Services Bureau.

Greatest Park Acreage



Sources: *Inside Parks* (2002): Urban Land Institute and *The Excellent City Park System* (2003): The Trust for Public Land. Data on San Francisco, Anaheim and Santa Ana was not available.

Lowest Expenditures per Park Acre



Sources: The acreage and adjusted spending are from *Inside Parks* (2002): Urban Land Institute and The Excellent City Park System (2003): The Trust for Public Land. The Adjusted Park Expenditures are for FY2001, except San Jose (FY2002). All expenditures are for Cities, except Oakland where the parks are operated on a regional basis. They consist of the agency's actual operating expenses plus its actual capital expenses, minus all expenses associated with museums, stadiums, zoos or aquariums. Data on San Francisco, Santa Ana and Anaheim was not available.

What Does \$38.75 a Month Pay For?

24 hour police protection	\$15.25
24 hour fire protection	\$7.87
Streets, highways, storm drains	\$0.14
Libraries	\$2.64
Legislative Costs	\$2.64
Management and Support	\$4.63

Summary



- San Diego has seen the most economic growth.
- Unparalleled growth in key sectors like construction, tourism and real estate.
- Municipal revenues are lagging economic growth.
- Growing gap between demand for services such as police, fire, parks, libraries, roads and infrastructure; and the availability of funds to pay for them.
- Raising revenues to the average rate in proportion to household income would generate an additional annual revenue of \$358.6 million.

Potential Revenue Generation from Selected Sources

<i>Revenue Source</i>	<i>San Diego</i>	<i>Average of ten largest California cities</i>	<i>Additional Revenue if San Diego were to charge @ average California rates</i>
Transient Occupancy Tax	10.5%	12.4%	\$9.9 million
Real Estate Transfer Tax	0.055%	0.328%	\$41.4 million
Business License Fee (overall “rate”)	0.020% of gross revenue (\$34 for small business; \$125 for over 12 employees + \$5/employee)	0.108% of gross revenue	\$60.9 million
Refuse Collection Fee	\$0	\$118 per hhld	\$54.3 million
Utility Users’ Taxes	\$0	\$92 per person	\$112.6 million
Total			\$279.1 million