

EDITORIAL

Saturday April 29th there will be a Fiscal Year 2006-2007 budget workshop for the city of RPV. At that time the city will continue its campaign for the Storm Drain User Fee. There are two categories of reasons why you should oppose this TAX.

The first includes the facts that:

- (1) Public safety and infrastructure maintenance should be the first things included in preparing the budget.
- (2) The entire mail-in ballot scheme for voting on the Storm Drain TAX was at best unethical if not technically illegal.
- (3) Only 80% of the property owners will pay the TAX for 30 years while all will benefit.
- (4) Some property owners will pay hundreds of dollars per year while institutions such as the Salvation Army will pay thousands, and the PV School District will be billed for about \$40,000 per year.

The second category includes the deliberate misrepresentation of the city's current and future finances and the lack of rational project management including a study of better alternatives. Having critically reviewed the staff report of February 4, 2006, met with the Public Works staff, and attended the Finance Advisory Committee (FAC) meeting of April 19, here is a preview of some of the things you will be told and not told.

- (1) To combat the Initiative (to Repeal the Storm Drain TAX) the staff has recommended spending up to \$105,000 to "update" the Frequently Asked Questions (FAQ) material and to use the RPV controlled TV Channel 33 to air "*public service announcements*". An issue; The RPV Council use of RPV's TV channel for the Council's political agenda would seem to be a governmental command of public broadcasting. Staff estimated a cost of \$50,000 for including the Initiative on the November 2007 ballot. In November 2003 the cost of the ill-conceived term limits measure was less than \$10,000.
- (2) The city spent \$300,000 in promoting the flawed mail-in ballot vote last summer that passed by 47 votes out of a total of almost 6000. After last years storms they allocated \$300,000 for a temporary fix of the known McCarrell Canyon catch basin problem. While this year's storms were not as severe, the actual expenditure of less than half that amount has eliminated the threat of mudslides like that in early 2005 that has resulted in the city facing \$14 Million in lawsuits.
- (3) You will be told that the Western Ave. sinkhole and McCarrell Canyon and Tarapaca Canyon problems are previews of things to come if you remove the User Fee (TAX). You will not be told that the city did not include Western Ave in its plans due to mixed

- agency responsibilities, but has been reimbursed \$639,000 by FEMA, thus covering almost the entire cost. You will not be told that the “Taxpayers for Storm Drain Repairs” that spread misleading scare material was actually a front backed by the same members of the city council who ignored the known McCarrell Canyon and Tarapaca Canyon catch basin deficiencies. This group utilized printed material supplied by the city (i.e., the "taxpayers") to spread their word.
- (4) You will be told that city revenues will decline because of the “bad economy”. You already know that the economy is very healthy using any quantitative measures you care to employ and that revenues from property and utility taxes and other sources will continue to increase in the near term. Property tax revenues grow by at least 2% per year, and utility taxes are proportional to the cost of utilities. This same fallacy has been promoted in the so-called 5-year plan Rate Model that has been consistently wrong over the last 5 years. You will not be told that over the last 5 years revenues have increased from \$13 Million to about \$16 Million and are conservatively estimated to exceed \$16 Million for FY 2006-2007.
 - (5) You will be told that we are a “poor city” but you will not be told that revenues have exceeded General Fund expenditures by \$2-5 Million per year for the last 5 years; city staff is to be complimented for good budget management. Even with transfers into **city council restricted / controlled funds** (another story) the Reserves have grown from about \$7 Million to about \$14 Million. The city council correctly transferred \$3+ Million this year and the Reserves are still estimated to be at least \$12.9 million having grown to that size from an original \$10.4 Million per the 5-year plan.
 - (6) They will not tell you that the growth in Reserves has occurred even with the transfer of roughly another \$15 Million into **city council restricted / controlled funds** over the last 6 years. These funds consistently total about \$5 Million and have been used to fund the cost growth of "wants" projects such as the PV Interpretive Center (from \$3+ Million to \$6.6 Million) as well as for needed facility and street repairs.
 - (7) They are going to tell you that costs have increased due to the increased cost of materials - and that is true. They are going to tell you that some material costs have jumped 80% although 20-40% is what is often quoted. They are going to tell you that the storm drains suddenly are much worse and that 80% rather than 75% of the pipes need work. Not only is this within a statistical deviation, but more than half the work was Priority 2, while Priority 3 was based on low probability “inconsequential” problems. What they will not tell you is that the number of projects and the costs had already been increased by 5 and about \$2 Million respectively from the original (and apparently only) engineering based estimates. They will also not tell you that the total construction costs including linings and filtration (water quality in this case means discharge into the ocean and not drinking water as implied by the title) was

only \$20 Million and that the additional \$5 Million in the program is for contingencies in cost growth (\$2 Mil.) and for administration (\$3 Mil.).

- (8) They are going to tell you that the “Rate Model” is infallible but cannot or will not produce an updated engineering/construction based cost estimate to justify their claims. The saying “garbage-in, garbage-out” certainly applies based on the previously underestimated growth in income and Reserves. Although the original estimate included 91 "lining only" pipes (\$50,000 per pipe for a total of \$4.6 million), and 53 pipes requiring construction and lining (~\$15 Million) they are going to tell you that the \$4.6 Million in the model was based on 150 linings at \$30,000 each. They will claim that linings have increased from \$153 per foot to \$275 per foot and that each lining is now about \$50,000 – the same as originally estimated. They will tell you that the average pipe is about 200 feet, but not tell you that 330 feet was included in the original estimate. They will tell you that the number of pipes is now 160 but will not tell you that the original number was 144 with 53 of them included in the reconstruction costs. They are now double booking some of the lining costs.

An interesting aside is that this is a great technology and it takes less than a day to do a pipe.

- (9) They are going to tell you that the average cost to the property owners is \$86 per ERU (Equivalent Residential Unit) but the average cost to those who actually pay this TAX is \$110 per year plus 2% per year.
- (10) They are going to tell you that the funds are needed for construction only. But, they will not tell you that of the \$54 Million to be collected in TAXES over 30 years about \$15 Million will be used for maintenance. One could argue that this is good or bad, but you could also say this TAX should be 30% lower because we already pay for maintenance.
- (11) They are going to tell you about other needs such as roadwork that are above and beyond the current plans. While not totally unreasonable, infrastructure is or should be #1 after public safety and they will not tell you that our roads get very high grades (except PV Dr South thru Portuguese Bend).
- (12) They will also not tell you that the “Rate Model” projected decrease in Reserves is based upon expenditures far beyond the need or the capability to do so. For example, while the city council allocated \$3.8 Million to storm drain upgrades this fiscal year (a good thing) the city will spend only about \$1.9 Million. There are many reasons for this but primarily it is due to the time needed for specifications, bidding, negotiating and contracting. It is also roughly the rate at which Dean Allison (former Public Works Director) knew projects could be managed.
- (13) They are going to tell you that there will be all kinds of negative factors including the economy, inflation, Iran and the bomb, more storms, etc. But, they refuse to

acknowledge in their model any positive input such as future income from Terranea (Long Point) and other sources. That is why the model has been discredited because it consistently says we are going out of business even as the income surplus and Reserves continue to grow.

- (14) While the Terranea team says they should open in 2008 and the staff says 2009, Councilman Long had been saying 2010 or 2011, or maybe never as if he has a death wish for the project. The reason is that this council has other plans for those funds based on the wants of various special interest groups. You may support some of those wants but do you think you should be TAXED for infrastructure needs while we spend \$600,000 for a whaleboat enclosure at the Interpretative Center???

The above is presented to answer the myriad of misleading information this city council will use to convince you to impose additional taxes for what they recently said is their #1 priority. Staff supports them because they know who signs the paycheck, but more importantly they honestly want a dedicated fund to plan the work around. That is because they know this council has not included the funding in past budgets and will continue to not do so. In spite of what Councilman Long has said the council has been presented with ways to include at least a million dollars in the General Fund budget by making hard decisions based on public safety and infrastructure as the top priority items. In a future release we will once again present this argument but first watch what comes out of the planning meetings with a very skeptical eye.

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