



City of Escondido

Public Safety & Essential Services Revenue Measure Potential 2020 Sales Tax Ballot Measure Frequently Asked Questions

Q. What is the financial threat that necessitates considering a sales tax revenue measure?

A. In forecasting annual budget cycles for the upcoming 17 years, Escondido is facing a long-term structural budget gap where projected City revenues from all funding sources will not keep pace with the rising cost of providing municipal services. Prior to COVID-19 and the economic shutdown, the 17-year budget gap exceeded \$176 million, which annually ranged over \$14 million. Without a source of revenue to address this budget gap, significant reductions across all departments will be required including public facilities, and emergency services. Maintenance of streets, parks and public places will be curtailed, and the City’s ability to respond to graffiti and homelessness issues will be impacted.

Q. How has COVID-19 affected the City’s General Fund budget?

A. Approximately 37 percent of the City’s budget are sales tax collections generated from consumer spending in the community. Effects from the COVID-19 economic shutdown have negatively impacted the City with reduced spending in the community. This translates to fewer revenue collections, which directly impacts the General Fund and has worsened the long-term structural budget gap.

Q. What has Escondido done to control its costs?

A. Staff is responsible with the revenues received to carry out municipal services and is constantly seeking cost-cutting measures that ensure efficiency, while enhancing basic operations. Emergency services (police, fire, and paramedics) represent 66% of the City’s budget. Independent analyses have concluded that Escondido’s cost per capita for providing emergency services is among the lowest in the region, with timely response levels among the highest in the County. The City evaluates staffing and salaries across all departments to ensure necessity, efficiency and competitiveness.

Since 2008 the City has taken the following steps to reduce costs:

- Reduced staffing levels to 126 fewer full time equivalent employees (even with Escondido’s population increasing by 8,000 residents during this time)
- Reformed employee pension plan to save money, and transferred the cost of pensions to employees



- Decreased the City’s portion of health care costs with increases borne by employees
- Deferred maintenance on municipal facilities and equipment
- Used technology to improve efficiency
- Updated processing and filing fees
- Relied heavily on state and federal grants
- Contracted out maintenance

Q. When it comes to public services, what are the community’s priorities?

A. Escondido’s adopted General Plan identifies the community priority of providing “an outstanding quality of life with exemplary public services.” The City’s goal is to maintain fiscally sustainable policies that support core services while improving the quality of life to its diverse community. To sustain our high quality of life, it is essential that we maintain City parks and streets, fix potholes, ensure we have enough police officers, firefighters and paramedics to respond quickly to 9-1-1 emergencies, reduce gang activity and drug-related crime, keep public areas clean, repaired and free of graffiti, as well as maintain and enhance public infrastructure including sidewalks and storm drains.

Q. How is the City of Escondido performing in delivering city services and protecting the quality of life in Escondido?

A. The City of Escondido has a long tradition of safe neighborhoods, involved citizens and a vibrant business community. As a full-service city, Escondido provides the community with such services as police, fire, library, water and sewer. In addition, the City maintains over 6,000 acres of parks and open space, 68,000+ trees, two lakes, an expanding network of trails, two swimming pools, five community centers, over 900 lane miles of roadway with 6,560 street lights, 165 signalized intersections with 3,300 signal heads, 90,000 street signs, 256 miles of storm water facilities, 4,500 drainage inlets, more than 500 buildings, structures and facilities, and over 700 vehicles and equipment machinery. A recent community survey of Escondido residents showed a high favorability for the quality of life and the quality of city services. City staff are dedicated to enhancing and protecting the quality of life for current and future generations.

Q. What is the City proposing to address its financial needs?

A. Escondido City Council is considering a potential sales tax measure, on the November 3, 2020, ballot. If approved by local voters, the measure would enact a one percent increase in our local sales tax, which would be paid by everyone who shops in Escondido including tourists and visitors. Groceries, medicines, personal services, certain medical devices, entertainment admission tickets, and other sales tax exempt purchases would be excluded from the local sales tax measure.



Q. How would a potential ballot measure maintain or enhance local City services?

A. The potential measure would provide stability to the City’s budget and add approximately \$25 million per year (based on current sales tax data) to protect and enhance the quality of services to the community. It could:

- Ensure that we have enough public safety personnel to respond quickly to 9-1-1 emergencies, homelessness issues, reduce gang activity and drug-related crime;
- Ensure that we have enough firefighter/paramedics to respond quickly to 9-1-1 fire and medical emergencies;
- Repair potholes and maintain local streets;
- Keep public areas clean and free of graffiti, and;
- Repair, maintain and enhance public infrastructure including parks, trails, athletic fields, sidewalks, community centers, pools, storm drains and other infrastructure improvements.

Q. How do we know funds from the measure would be spent wisely?

A. An independent Citizens’ Oversight Committee would be established by the City Council, and annual audits would verify that all funds are spent responsibly.

Q. How have state budget cuts impacted the City and its emergency services?

A. Escondido receives periodic grants for unique programs and purchases, but the state does not provide consistent funding for public safety. We simply cannot rely on the state to provide critical funding for our local law enforcement responsibilities.

Q. Could the State cut or take away this local funding?

A. No. All funds raised by the measure would be locally controlled. The State cannot change the local tax rate, or require that all or a portion of the funds be sent to Sacramento.

Q. How much would the measure cost?

A. The measure would enact a one percent increase in our local sales tax. For example, the measure would add \$1 to a \$100 purchase or \$10 on a \$1,000 purchase. Groceries, medicines, and other sales tax exempt purchases would be excluded from the local sales tax measure. Significant portions of our local sales taxes are paid by visitors and residents from other cities who shop in our community.



Q. How is this different from existing sales taxes?

A. The current sales and use tax rate in Escondido is 7.75%. The City only receives one percent of that revenue and the rest goes to the State, San Diego County and SANDAG. If approved by local voters, the proposed measure would enact a one percent increase in our local sales tax that would go entirely to the City.

Q. Where would the new tax place Escondido's sales tax rate compare to other cities?

A. If approved by voters, Escondido's new 8.75% rate would be comparable to 49 percent of other California cities whose voters have approved their own local measures. Local sales tax rates in other area cities include Del Mar, National City and Temecula at 8.75%; La Mesa at 8.5%; and Chula Vista, El Cajon, Oceanside, and Vista at 8.25%. Other Inland Cities with local taxes include Murrieta (8.75%) Riverside (8.75%), Menifee (8.75%), Palm Springs (9.25%) Pasadena (10.25%).

Q. How long would the potential measure be in effect?

A. The measure would be established and in effect until voters decide to change the tax rate.

Q. How does the City spend its budget?

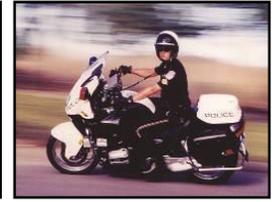
A. The City of Escondido has a balanced 2019-2020 General Fund budget of \$110.2 million. The largest expenditure category is public safety and public works (police, fire, paramedics, streets, parks, and facilities maintenance) comprising approximately 74% of the budget.

Q. Are there other options that could be considered for generating revenue?

A. Utility user taxes, real estate transfer taxes, and parcel taxes are other opportunities for cities to generate revenue. These forms of revenue also require voter approval. A sales tax measure is considered more equitable because the revenue is generated from everyone who purchases taxable items, including businesses, tourists and non-residents who shop in the community. Groceries, medicines, personal services, certain medical devices, entertainment admission tickets, and other sales tax exempt purchases would be excluded from the local sales tax measure.

Q. Why doesn't the City simply not pay its bills, including CalPERS state pension payments?

A. Failure to make payments to CalPERS is a breach of contract. CalPERS could initiate a lengthy and costly legal battle in an attempt to seize the City's assets, including cash and property, potentially negatively affecting the City credit rating (resulting in higher interest rate loans). Not paying its bills, including CalPERS pension payments, would risk the City's financial solvency leading to bankruptcy.



Q. Why doesn't the City withdraw from the CalPERS system and require employees to fund their retirement, or join Social Security?

A. Participation in CalPERS is governed by state law and CalPERS rules. Excluding newly hired employees from CalPERS and providing a different pension, and/or terminating accrued benefits for current employees, are both considered a withdrawal from CalPERS. In order to withdraw from the CalPERS retirement system, the City would be required to pay CalPERS the current value of already earned benefits.

The City belongs to two CalPERS plans, a Safety Plan for Police and Fire employees and a Miscellaneous Plan for all other employees. CalPERS Valuation Reports dated 6/30/2018 for each plan provide a "Hypothetical Termination Liability" estimate amounting to \$429 million for Safety and \$424 million for Miscellaneous; a combined total of \$853 million. The City does not have the financial resources available to withdraw from CalPERS.

Q. What are the next steps for the potential measure?

A. The deadline to place a measure on the November 3, 2020 ballot is August 2020 and requires approval by 2/3rd of the City Council (four affirmative votes). This measure is tentatively scheduled for City Council consideration in summer 2020 to place on the November ballot.

Q. How do I get more information?

A. We care about your input in the process of determining priorities for our City. Please email the City at <https://www.escondido.org/2020-revenue-ballot-measure.aspx> or phone (760) 839-4631 with any questions or comments.