

Speaker 1 (00:01):

Uh, Mr. <inaudible>, thank you for joining us.

Speaker 2 (00:05):

Good to be here. Thanks.

Speaker 1 (00:07):

Um, uh, you are the, uh, general manager of the largest Union City employees, the Municipal Employees Association. Thanks for, uh, coming. Appreciate your support. Um, Scott Sherman, former city councilman, always good to, uh, send me pictures of the, the fish that he's caught and how life is going since he's left the city council, uh, Padres, uh, we're all very excited. Uh, made the playoffs in the spot that we were hoping for. Thank you for joining this Will. So I'm gonna start with you, Mr. Ette. Uh, let's go into, uh, just lay the case out for, for why voters should support, uh, this,

Speaker 2 (00:41):

Uh, well, thank you, Scott, for having us. Good to see everybody. Um, Scott laid it out a little bit in his intro, but let me just, uh, uh, simplify a little bit. I'm not suggesting he wasn't perfectly clear, but he was. Scott Lewis, there's a lot of numbers going on there, <laugh>. Um, we have 18 cities in the county of San Diego. The city of San Diego has the lowest sales tax rate of any city in the county of San Diego. We have about 500 cities in the state of California. The city of San Diego has among the bottom 50 lowest tax rates, lowest sales tax rates in the entire state of California. We all appreciate low taxes. Um, but there are consequences to that when we look at neighboring cities and the county and neighboring cities throughout California who do better at keeping up with deferred maintenance, with roads, with sidewalks, with stormwater infrastructure.

Speaker 2 (01:38):

Um, there's, uh, a reason for that. The city of San Diego is leaving hundreds and hundreds and hundreds of millions of dollars on the table just getting ourselves, uh, out of the basement, uh, so to speak, in terms of sales tax collections. And so that's the first case. The second case is what we all see every day when we live and drive and, uh, experience San Diego. The, the, the, the level of deferred maintenance of the city with our court infrastructure needs addressing. And for decades, very elected officials for the last 50 years told San Diegos, don't worry, we're better than those other cities. We don't need to actually collect sort of an average hotel tax rate and an average sales tax rate. And we're happy to be the only city in the United States of America that doesn't recover for the cost of trash collection. And we, and we all like those sort of lower taxes, but again, there are consequences to that.

Speaker 2 (02:36):

We are getting what we pay for. And so what Measure E is about is a choice to all of us. Do we want to invest a little bit in this infrastructure, in our infrastructure in our city? And finally, and then I'll, I'll, I'll, I'll wait for more questions and promptings, you know, one of the main complaints is, yeah, but, but can we trust City Hall? We don't like that they did this or that. And let me just tell you that the city's general fund, which is what this money would go into, is a \$2.1 billion fund. Today, what is being spent out of that fund? 31% of it goes to police department. Another 16% goes to the fire department and lifeguards. So a billion dollars of the city's general fund. Almost half of it is for public safety, which I think we all, um, support and recognize as an essential city service.

Speaker 2 (03:30):

The next 18% goes to the library department and parks, north recreation centers. The next 15% goes to transportation and storm water, general services, fixing city buildings and maintenance roads, storm, storm drain infrastructure. So 80% of the general fund goes to these core city services. And the other 20% doesn't go to things that we all hate. They go to just things that are much smaller, like the city attorney's, uh, uh, budget and the ethics commission and the city clerk and human resources and all the sort of boring but necessary functions of the city. And then way down on the end are the things that might drive us bonkers. Like, you know, I don't know, 1 0 1 ash or, or, or the amount that, um, some people want to spend on, on, on homeless services, which may or may not be successful, or bike lanes that, uh, that drive us crazy because, you know, uh, we don't feel them getting used.

Speaker 2 ([04:28](#)):

And so we can take the approach to say, well, because I don't like a few things, uh, that are spent out of the general fund, I'm not gonna, I'm gonna essentially cut my nose off to spite my face and screw it all. But just objectively out of the \$2.1 billion general fund, um, nearly all of it goes to things that everybody in this room, including, uh, Scott, Scott and I, I don't know. I guess I'll, I'll start calling it former council member Sherman and, and Scott Lewis that we would all agree on. And if we, you know, focus on the things that we don't like or we want government to be perfect before we give 'em another penny, that's one approach, but it seems, seems crazy to me. Sorry for the <crosstalk>. No,

Speaker 1 ([05:09](#)):

That's great. Thank you. Uh, before we went on, I wanted to highlight, uh, uh, my friend Wyatt here. And if you see some of these, uh, uh, younger folks in the blue shirts, they're Aaron Price Fellows. Um, the Aaron Price, uh, fellow program is just a wonderful program with high school students across the region who get together to learn about how their community works, how the ye Nation works. They go to all kinds of places. I've spoke to him every year about all kinds of things. Uh, he's gonna help us, uh, coordinate the questions, and you'll, you'll see cards being handed out if you want to ask any, and we'll make some time for that as well. So, um, before I, I move on, I did want to push you on one thing. Um, you mentioned a lot of things that the money could help with. Um, but there is, the reason that we can pass this with just 50% of the vote plus one is because we can't say where the money would go. So I think one of the first questions a lot of people here would have is how can they be assured that the things the city needs, the potholes, the storm water, the, uh, the, the parks that we all want to see improved? I would love to go to the bathroom at a park and feel comfortable, uh, for once in my life. Um, uh, how do we know that any of those things would be better?

Speaker 2 ([06:22](#)):

Yeah, so fair enough. So that's just factually true. This is the general tax. It goes to the general fund. Anybody who says it absolutely will go to X, y, or Z is, is, is not informed. It will be decided where it goes the same way the rest of the budget goes every year by the mayor and the city council. Um, but my point of, of detailing how they are spending money today, how do they spend that \$2.1 billion today? It's a pretty good indicator as to how they will spend it in the future. I would also say that in the last four years, this city has generated more revenue and has more money to spend. And so as this mayor and council has gotten more money, what have they spent it on? Well, in the, uh, just for road repair and road rehabilitation, in the eight years before this council, they were spending about \$40 million a year on average. In the last four years, it's been \$95 million a year. So more than doubling on road repair. And they're still deferred, and we still have a ways to go. But the point is, it's not because Scott Sherman, you know, didn't want to spend more on roads, but there just wasn't enough money. But as more money comes in, it is going to these infrastructure, um, needs of the city, because that's what the public wants.

Speaker 1 ([07:36](#)):

Scott, thank you for coming on. Um, you were one of the, uh, signatories on the ballot argument against this, uh, passing. What was the, what's the sort of main message you would want to tell people about why they should vote no on this?

Speaker 2 ([07:50](#)):

Thank you for having me. Thank you everybody. Um, it's been four years since I've done public speaking, so I might be a little rusty. So, so, you know, stick with me. We're getting on a bike. <laugh>. Um, the main reason I'm

Speaker 1 ([08:03](#)):

Here,

Speaker 2 ([08:04](#)):

We're good. Yes, sir. The, the main reason I'm against this tax is it's a regressive tax. It affects people who can least afford it the most. People who have a lot of money can afford an extra sales tax. They can afford a little extra money, but the people who can least afford it, and that is becoming increasingly more and more of us in this type of economy. And we have this amount of inflation. We see prices rising and going as high as they have. We can't be going to them and saying, come more out of your pocket. Now, if I look at the dollar amounts here, the, the city's projecting that they're gonna raise \$400 million with this new sales tax. If you take that and spread it across every man, woman, and child in the city, it's about \$330 a person per year. So the average family of four will be paying an extra \$1,320 out of their annual budget just to pay the sales tax.

Speaker 2 ([09:01](#)):

You can't balance your budget that way on the backs of others. We already pay a lot of taxes in the city and in the state. Secondly, and Scott, you alluded to this, is there's no guarantee on where this money will be spent. It goes right into the general fund to let the council members spend it the way they want to spend it. And I've heard council members say, yeah, we're gonna spend it on infrastructure. We're gonna do this, we're gonna do that. I've heard that in the past, usually around election time. And then once the election's over, that kind of goes by the wayside. And it's the same old, same old baseline budgeting that we keep moving through. And lastly, I've been a business person for 34 years, own my own business for 28. In the business world, the last thing you do is try and raise prices on your, on your customer.

Speaker 2 ([09:52](#)):

When you're trying to make ends meet, you're trying to find ways to be more efficient with what you do. Spend your money more wisely. Find ways to use technology to bring down the costs. In the eight years that I was at City Council, never once did I have them come and say, look, here's something we're gonna do, and it's gonna cut costs every year. The budget went up. I still remember when I got there the first time, a council member who should be nameless, we were doing labor negotiations, and she says, well, we have to figure out how much we're gonna pay employees so we can set our budget. And I was like, well, wait a minute. Don't I need to know how much I have to spend before I can figure out how much I'm gonna pay people? But that was the way things worked at City Hall. I don't trust them to send them more money to fix the problems that they haven't addressed yet. Show us ways that you're gonna attack that, show us that you cut, you found ways to cut and streamline and make city more efficient. And then if you still need money, come to us and we might be able to the back you. But right now you need to prove to us that this money will be well spent. And there are no guarantees in this. There's no sunset clause. It's just more mine for the general fund.

Speaker 1 ([11:08](#)):

Let, let me, uh, ask you about that. So is there, is there a, a goalpost that they could hit that would say like, okay, now you, you, you deserve trust. Is there, I think, uh, there's a lot of folks that, you know, are just gonna be distrustful city government in general and, and, and for a lot of good reasons. Is there, is there something you could lay out or say, like, once you do that, then, then I would trust you?

Speaker 2 ([11:34](#)):

There are things that you could show that we, you're looking at different ways of balancing your budget. You're looking at ways of calculating employee salaries. You're looking at ways of streamlining being more efficient with the work that you do. If you could show some of those things to us and say, this is what we're doing, and we're still coming up short, I think it's easier to do. Um, but when you're having all the issues and having been chair of the city's audit committee for six plus years doing performance reviews, I've seen where the waste is and the lack of enthusiasm to try and fix it. It's just stay with the staying status quo.

Speaker 1 ([12:12](#)):

Well, let me take on one point for you to consider that he brought up the, the concern about a regressive tax is, is a common one. It is a, it is a, it is a liberal one, it's a progressive one to worry about the burden of tax burdens being on. Um, people who are right on the edge of, of, you know, paycheck to paycheck living right now. What's your answer toward that and to what, um, why people should be willing to, uh, to make that sacrifice? Well,

Speaker 2 ([12:41](#)):

Thank you. So, I mean, first I think there was a bit of fuzzy math there. The, the sales tax in San Diego is paid by anybody who purchases any good or taxable good or service in the city, which includes anybody who visits here, anybody who comes here from other cities in the county. Just as you, when you go have lunch in Delmar, you're paying a higher sales tax. And you are, if you have lunch in La Jolla, if you're in Deer Santa and you go across to La Mesa to the Costco, you're paying a higher sales tax there. 'cause you're in the city of La Mesa. So there's, I would sort of counter punch that. There's, there's some equity arguments there. Why are we going, or why are we letting those residents come into our city and pay less than they would even pay in their own city?

Speaker 2 ([13:26](#)):

And we pay more when we're in their city in terms of the basic, you know, regressive nature of a sales tax, when you measure it as portion of income that is spent on things that are subject to a sales tax. That is, that is a true statement that, that it's a by definition of aggressive tax. And with all due respect to Mr. Sherman, if we were here talking about a parcel tax, which only affects property owners, there would probably be an argument that that's sum share that only affects property owners. Um, and so there's, you know, there's, there's equity arguments with all of this that at the end of the day, we just need to look at our neighboring cities in the county and our neighboring cities in the state of California. And, uh, the question is, do we want to pay a commensurate tax rate, which, which results in services, public safety infrastructure being taken care of?

Speaker 2 ([14:22](#)):

Or do we want to keep essentially keeping ourselves down? To your question, Scott, to Scott Sherman, what are we waiting for? Are we waiting for the, a perfect bureaucracy? Uh, here's a news flash that is not gonna happen. There is no multibillion dollar government bureaucracy that's ever not gonna make, uh, anybody in this room beat their head against the wall. I can't believe you spend that number of dollars on that. But the order of magnitude we're talking about here, we can't, oh, we'll just cut a little red tape at city hall. Well, we'll just get a little more efficient. Um, first of all, there has been, I would disagree, there has

been many efforts to do that and many demonstrable things that the city goes without because of the revenue issue. At the end of the day, this is gonna be solved by more revenue or it's not. And this is the choice for voters.

Speaker 1 ([15:12](#)):

Um, let me just push a little bit on that point. We, when we run into the trust issue with folks, it, it often comes down to like, I think what Scott's saying, like a Qualcomm, you know, every year if they start to fail or start to struggle, they're gonna, they're gonna lop off, uh, a big chunk of, uh, its workforce. They're going to, um, you know, get rid of product lines that aren't working. They're going to, you know, try to do something that right sizes their experience, their enterprise so that they can, uh, take another step towards growth and, and, and, and in their case profit building. Um, and I think what we, we don't see is a constraint necessarily, um, that the market provides for companies on the city government. And, and you know, what the constraint is, is just that trust almost. It's just that it is only that trust. And I think at the heart of that is that there's too many people doing jobs that they don't need to be doing. And that's what the worry is that we're paying people we don't need to pay. Um, are, are there things you could tell people about how much the city pays people or how many people are working that might put that into perspective?

Speaker 2 ([16:19](#)):

Sure. Um, um, so by any metric, the city of San Diego does more with less than the other top 10 cities in the state of California. So police officers per thousand residents, San Diego is the lowest or near the lowest, um, parks and recreation workers per acre of park land, the lowest librarians per capita and library locations the lowest. And so, uh, are there, um, are there places in the city budget that if, if any of the three of us or anybody in this room were king or queen of the city, we could find some efficiencies of course. But the notion that the city of San Diego is this, you know, bloated bureaucracy with thousands of employees sitting around twiddling their thumbs is just objectively and based on the data, not true compared to other cities we, um, we compete with. And, you know, I I would just say that, you know, it's, it's sort of easy to say, cut a little fat, cut the red tape, get more efficient, act more like a business.

Speaker 2 ([17:27](#)):

Show me like, like what? Like what do you want to cut out of this \$2.1 billion budget? And I think, again, we can all come up with things that are big money items to us. But in the, in the grand scheme of a \$2.1 million budget or, or, or, you know, tenths of percents of that 99.95, I don't know, nine two, depending on who you ask of this budget, um, is identified and being spent today on things that we're not talking about. We're talking about public safety, infrastructure, libraries, parts, and everything else that funds the general fund.

Speaker 2 ([18:07](#)):

Yeah, I, I may on that one, having been chair of the audit committee for a bunch of years, you could do things with the way you do contracts, the way you do budgeting, that could save you hundreds of millions of dollars. Give you an example. We contracted out when I was at the city with a company that did flood restoration, and we got the list of bills from the flood restoration folks. So I had my audit people do some digging into it. And it turned out because of prevailing wage, which is union scale, which is mandated by the city that you, if you're gonna have somebody there that you have to charge the city prevailing wage and all the benefits and everything else that was included for that flood restoration company, for the guy who was squeegee water out of the person's garage that the city's water backed up and flooded.

Speaker 2 ([18:56](#)):

We were getting billed \$101 an hour. This was in 2016, I'm sure it's probably found up against. Then look at the one of those contracts and how you can take that and bring those costs down. Prevailing wage costs the city, on average for every contract we do about 20% more than the market sector. So if you could contract some of that out with outside firms, not have those prevailing wage requirements, lower the cost by 20%, you could save a bunch of money. When I was on council, we did pure water, which is recycling wastewater and making it purified and drinkable, which I'm totally behind. That was a \$2 billion project. If you were to contract that out to shops that didn't have the prevailing wage, which we couldn't do because the city council said, you can only contract with union labor if we would've saved that 20%, that's \$400 million on that one project, which is what they're projecting to raise in a year by taxing everybody in this room.

Speaker 1 ([20:02](#)):

So at the, uh, you know, every government is, the vast majority of its spending is on people. Um, you know, the, the, the wages, the long-term benefits and such. And so what he's, what he's talking about, there are requirements to pay people certain amounts to compensate them in certain ways. That does drive up in some cases the cost. But can you make a defense of, of why people, why the standards of pay are set the way they are and, and, and why that's worth the besting? Well,

Speaker 2 ([20:34](#)):

First of all, I disagree with the premise and we're mixing a lot of apples and oranges here. You're talking about projects that are not part of the city's general fund. You're talking about prevailing wage laws that are often state mandated, not necessarily city mandated. You're talking about a market in California where if you're not paying prevailing wage, there is either no market or barely market to even be able to execute the work. And so there's much more to that story. But to your point, Scott Lewis, I'll call, I'll struck calling you Scott Lewis, like, like, like, I'm coach your spouse about the scold you. Um, so, and then, you know, I would also bring up, you know, Scott has a perspective. Scott Sherman has a perspective that is based in Proposition B, the Pension Reform Act of 2012, which again, sounds good on its face. We should, you know, pay employees less, we can save money.

Speaker 2 ([21:30](#)):

So we tried that. It was implemented and setting aside the legalities of it, what actually happened at the city is nobody wanted to work for the city. And two years ago, until Proposition B was reversed, and we restored pensions in the city, before that happened, the vacancy rate of the city of San Diego was 22%. Because every jurisdiction in the county of San Diego, every jurisdiction in every public jurisdiction in the state of California, the vast majority of jurisdictions in the United States of America offer defined benefit pensions to city employees. We were the only ones. We were promised that it's gonna save so much money, everybody's gonna follow. Nobody followed. So it had to be reversed. So I would just say beware of those who say we can save money, um, without thinking through the consequences and the general market we're in, we're not in a vacuum, we're in a market.

Speaker 2 ([22:24](#)):

And that's true also for employees with property rescinded and with, um, wages just approaching the median of other jurisdictions you compete with today, the vacancy of city jobs is 8%. So we're competitive again. So we fill positions so we can actually do the services, which to your point, Scott Lewis, the employees are of the services, you know, back in the Carl de mile days, he would pit sort of employees versus services. Well, who do you think provides police services? People? A person answers the nine one one call an officer responds to, to perform public safety. So you can't disconnect the fact that the vast majority of the city's, um, uh, services are performed by people. And, you know, we're, we're one



of the largest employers in, in the region, and we need people to do our job. Do you feel that the city pays people too much? I don't.

Speaker 2 ([23:23](#)):

Um, I think they're higher than the private sector, but private sector has different things that they can do to make you pay on the outside, be more attractive. You can get bonuses, you can get raises above somebody else in the city. You can't, it's like, okay, if I'm gonna give this guy a raise, 'cause he did a great job, I've gotta give that raise to the entire department. You can also look at things that are outside of that in the budgeting zone and go to zero based budgeting instead of baseline budgeting. That could save you a whole bunch of money right off the top of the two where instead of saying, last year my budget was for my department was 250,000, this year it's gonna be 250,000 plus 3%. That's kind of how, on a very simplistic level, the budget at the city works. Instead of doing, like you do in a private sector, you go back to zero every year, figure out what your revenue's gonna be and then figure out what your needs are.

Speaker 2 ([24:23](#)):

And sometimes it's more, but sometimes it's less. To go back to my auditing days, we did an audit of the city's print department back then, and they had a line item for forms for \$250,000. And I thought, well, it's city government, there's a lot of forms. I'm sure \$250,000 sounds accurate. We did an audit, it turned out they spent 7,500 bucks on forms. Asked them, why in the world are you budgeting 250,000 when you spent 7,500? Well, that's our baseline. Well, when was the last time you adjusted the baseline? I don't know, 10 years ago. If you went to a zero based budgeting, you would know those numbers coming from the very beginning, and you wouldn't just take the simplistic path. When I was at the city, we got the city to agree to do zero based budgeting on two departments on a rotating basis. They did it the first year I was there, and since I've left, I don't know if it still exists or not.

Speaker 1 ([25:24](#)):

Um, when we talk about these tax increases and talk about taxes in general, the, the hope and the idea is that there's a, uh, an accountability element that there's a, um, a a group sort of always kind of hammering, um, people to justify their spending to make a case for more investment in different things. And that's in, in short what the city council's supposed to be. Right? Uh, um, you know, did you spend it right here? Are you doing that? Uh, where can you really justify this investment? Where, how are we gonna see impacts for these investments? Um, I think one of the arguments for the Republican party existing or being relevant in San Diego, which it's not at the moment, is that it would provide that That's fair. Right? Totally fair. That's completely irrelevant in the city of San Diego, right? Way. The arguments, I guess, for it would be like, maybe we do need that sort of constraint that, that those folks are always asking tough questions, always forcing people to make a case for the investment, and always holding it accountable. Do you feel like with the city government the way it is all democratic, all um, you know, supportive or mostly supported by the public employee unions and, and those folks is there, is there the body of oversight capable of holding the spending accountable so that people can trust that it's, it's being, uh, managed and overseen? Well,

Speaker 2 ([26:49](#)):

So, uh, first of all, I basically agree with, with that premise oversight is good. I do think it's one of the shortcomings of having such a, uh, you know, well, I'll just say, you know, nine Democrats and a, and a and a Democrat mayor and a democratic establishment. I mean, I, I'm a Democrat. So on the one hand I like that. On the other hand, as someone who's been around government for a long time, I don't want to discount the fact that, you know, some, some discussion dissension and, and, uh, skepticism is a, is a good thing. And it would be good in this, to your point, Scott. Yeah, ultimately the accountability is, is this city elects the mayor and the city council. And if they're not performing, that's the ultimate accountability. We

also, in our strong mayor, former government, you mentioned IBA earlier, that's the city's independent budget analyst, um, Scott Sherman has mentioned, uh, we have an independent auditor and an independent audit committee. Um, there are absolutely accountability factors built into everything the city spends, which is, which is a lot more than the marginal impact of this tax. Um, but ultimately the accountability is with the voters and the, and the people who make these decisions.

Speaker 1 ([28:02](#)):

So I think there's a lot of renewed descent about the city's strong bare form of government people who used to support it are, um, coming out against it. Wishing probably unrealistically, but at least putting it out there that we should make a change back to that. But I do think one of the special things to emerge from the strong mayor, former government is not that, but the independent budget analyst, the relatively independent and even more now. So, and auditor and audit committee. Um, do you think there are structural accountability mechanisms at the city that are sufficient at the moment?

Speaker 2 ([28:41](#)):

Um, I think there's some built in. It really comes down to the drive and the will of the people leading those people and, and steering that conversation to follow up with what the audit committee recommends to implement some of these things that are recommended. 'cause a lot of times the standard answer is, okay, we will implement that. It's gonna take us a year and a half, we're gonna have to do some studies. And then who knows if it actually gets followed up on once the elected officials are no longer there. And that's really, I think where there could be some areas to do it, but for so long it's been, and bureaucracy's the same in business as it is in government. There need to be checks and balances, and there needs to be a way to hold some of those bureaucracies to account and make sure, and at the end of the day, it's the voters in forms like this that get people involved.

Speaker 1 ([29:36](#)):

There's a \$200 million, um, deficit as we discussed. Um, the mayor and city council, to my knowledge, haven't articulated much in the way of solutions beyond this. Um, and I think are putting a lot of hope in, in this passing. Um, I asked Larry Turner, who's running for mayor, what he would do, and he mentioned the mini capital, uh, project budgets that are out there, the, the pockets of money, the buckets of money set aside eventually for capital improvements, parks, bridges, all kinds of things. He mentioned, you know, there's too much of that sitting out there, we should gather it and, and pay some of these bills. Um, you know, that's a pretty significant trade off. And I actually, I was glad that somebody was willing to articulate a significant trade off like that, because that would be really harsh and difficult for a lot of people. But it would be a way of, of illustrating the trade off. What kind of tradeoffs do you think the city council, the mayor should make instead of this, the tax increase to, to, uh, restructure the budget? So it's not a structural deficit like that.

Speaker 2 ([30:46](#)):

\$200 million in government speak isn't a lot of money. You can find that, or at least make the case to us that, okay, we're asking for this amount of money, but we've made these cuts over here. So instead of asking for 200 million, we need 50 million, we need 25 million. None of that happens. It's, we need more revenue, we need more revenue, we need more revenue. That is the solution to everything at City Hall. It's never once in my eight years there was it, okay, we're streamlining here, we're eliminating this, this department's no longer needed. Every time we need more revenue, come to us and make your case. And we do it in the business world all the time. It's like, look, we've done this, we've done that, and now we still can't keep the doors open unless we come and raise our prices. Just make the case.

Speaker 1 ([31:37](#)):



Um, let me ask you, go ahead.

Speaker 2 (31:39):

Well, I, just as a, as a factual matter, it, it may be what people say, but we, we do not raise revenue in the city of San Diego. We have never raised the city sales tax. We have tried, but to this, as we say here today, have not raised our hotel tax. Even though when we go to Anaheim or Los Angeles or San Francisco, we pay, you know, 50% more to their cities when we give them a discount when they visit here, we, we are, you know, so, so there has been no tax increases, um, in the city of San Diego. So I'm, I'm not sure, um, what that's about. And this notion, uh, you at one point called it a deficit and one point called it a structural deficit. It's not a deficit. The city of San Diego has a balanced budget this year.

Speaker 2 (32:22):

But what the city has done in many years, in most of the years that Scott Sherman approved a budget in most of the years when I was on the city council, 20 years for the record, I only voted for like two budgets. The rest of my voted against. Fair enough. Um, for those budgets you voted for, there was one time money being spent in the budget to cover ongoing expenses. And that's the notion of a structural budget deficit. That's obviously a long term losing strategy for using one time money to cover things, you know, are gonna happen every year. But around the margins, and I agree with Scott Sherman, we're talking about mostly budget dust here. Um, that happens every year. It happens this year, and it's not a deficit. It's, it's a, it's a, we could do better.

Speaker 1 (33:06):

So the, you mentioned, we haven't raised, um, um, revenue taxes. Um, there is, uh, ongoing effort <laugh>, uh, it's a very slow one to establish a fee for trash collection after the voters approve that that will have significant impacts on the city's budget. There's an ongoing, um, court battle that seems like it will resolve in the city's favor eventually to raise the hotel room tax. Um, and that'll be significant. Did you guys give up on the parks one?

Speaker 2 (33:37):

Lord, no. <laugh>, we are litigating that as we speak, and the parks and library parcel tax is, uh, coming to the fourth District Court of appeals soon and maybe coming back to voters. And I just, I fully acknowledge, and I believe I disclosed that there are efforts going on. I was just commenting that for decades, we haven't been balancing the city of San Diego's budget by getting more revenue. We've been balancing the city budget just as every council has done, including this one. But not by raising your revenue,

Speaker 1 (34:05):

Do you, are you saying then there won't be significant impacts if this doesn't pass?

Speaker 2 (34:11):

Um, I think if we're being honest here, I just saw the Ellen DeGeneres, uh, standup thing last night, and she had a whole thing

Speaker 1 (34:19):

About, I thought you were saying she's here, <laugh>

Speaker 2 (34:24):

Ridiculousness of people who begin a sentence with, if I'm being honest. And then I just said it. So, but, um, but, but, you know, um, now I can't remember your question.

Speaker 1 ([34:33](#)):

<laugh>, will there be significant impacts? Oh, if this doesn't pass?

Speaker 2 ([34:38](#)):

So I, I I think we'll keep trudging along and you'll keep experiencing your city and its shortcomings and particularly infrastructure shortcomings as we sort of, um, bump along down the road. But no, I don't think there's, you know, uh, you know, heads and services about your role because of this dynamic that we just talked about. I think what we lose is the opportunity to gain so much more in investing in our, in our cities. And I think that's what's, that's what's at stake. This is a choice for the voters. Do do you want to, do you wanna keep getting what you're paying for? Or do you wanna invest a little more and get more?

Speaker 1 ([35:16](#)):

I, I, you know, there were so many years where there was a Republican mayor, there was, um, a significant, uh, sometimes, uh, close majority of Republican, um, city council members, republican city attorney, and um, you know, the, the pension reform passed, uh, there was managed competition efforts and we didn't see this like, uh, blooming of, of excellence at the city because of it. Um, is that the, is, is that just the management of the city? Were there forces that wouldn't allow it? How do you explain that? You know, things didn't work out when we, we were really focused on the waste, fraud, and abuse that you, that you guys prioritized. Yeah. And that

Speaker 2 ([35:59](#)):

Really got down to political will at the end of the day. I mean, there were certain matters that people even on the life side of aisle, once they got elected, they really didn't want to tackle. Yeah. And we saw that with manage comp and a few of the other things in there. And you know, unfortunately, when a lot of people get elected, the first thing they worry about is the reelection. And that really what it comes down to. They're afraid to make the tough decisions and let the chips fall where they may. I still remember when I was on council one time, I was making a speech about something, and one of the staffers looked at me as we're walking out and she said, man, you just don't have a filter, do you <laugh>? And I said, well, no, I got a job. This is secondary. This is me serving my community. It's not my core goal drive in life. But unfortunately with a lot of people that get elected, that's what they are. They're there to get elected and get moved on to their next office when can look at our mayor.

Speaker 1 ([36:54](#)):

So you're saying people were unwilling to make those kind of trade offs Yeah.

Speaker 2 ([36:57](#)):

Because they thought it might produce a negative mailer, or the union might spend so much money against them and those types of things. Yeah. And money drives this thing at the end of the day. I mean, even if you look at the people spending the money on, on this measure, the Municipal Employees Union has put in half a million dollars to get this tax on you. You all approved. Yeah. The firefighters put in \$140,000 to try and make sure that you approve the sales tax. So they don't have to make the tough decisions that everybody in this room is probably having to make on your student. They don't want to make those tough decisions. Let's ask for more. Can, can I just agree with you, but say there's two sides to that. When elected officials come into office and don't want to make tough decisions, again for 50 years,

mostly right leaning, uh, elected officials have come to City Hall, looked at the budget and said, uh, geez, we don't want to go to the public and ask them for more money, so we will figure out some way to finagle it.

Speaker 2 ([37:55](#)):

They don't want to make the tough decisions. These elected officials today are coming to you saying, the choice is now yours. We can't keep, uh, whispering sweet nothing's in your ear that everything's, we can just do better. And the way some of those politicians, going back to Pete Wilson dealt with not asking you for more money is to short long-term liabilities like pensions, like long-term maintenance, because they didn't want to ask the public for the money that was needed. So they cobbled together the books that's been going on for 50 years, and we are where we're,

Speaker 1 ([38:28](#)):

Well, we have an opportunity now to engage you all. Um, but first I'm so excited whenever there's, uh, a child or youth here. Um, do you mind if I come and say hi, real quick? What's your name?

Speaker 2 ([38:40](#)):

I'm

Speaker 1 ([38:40](#)):

Rowan. Rowan, did you have a good, just, did you enjoy the discussion? <laugh>? How old are you?

Speaker 2 ([38:47](#)):

I'm seven.

Speaker 1 ([38:48](#)):

Do you think people should vote to support a tax increase?

Speaker 2 ([38:52](#)):

That

Speaker 1 ([38:54](#)):

Question you'll learn throughout the day. Thanks. Stanford's here for Rowan here.

Speaker 1 ([39:02](#)):

Um, so, uh, uh, as I mentioned, the Aaron Price Fellows are here. Uh, there is no group in town that gives me more hope than these smart, uh, younger folks that are always, um, asking tough questions. If you ever get a chance to speak in front of 'em, you better be ready. Uh, they're really sharp and really, uh, driven. Uh, uh, one of the first classes included, uh, the current mayor Todd Gloria. Uh, they're ambitious and interesting people, and they come from all across San Diego and Wyatt is here. Uh, you've got the first question, sir, go ahead.

Speaker 2 ([39:34](#)):

Thank you. My name is Wyatt Spencer, I'm a junior at San Diego High School, and my question is that we know sales taxes have consistently, disproportionately affected those in low income communities. My

question is through this tax, how will they be, um, proportionately represented to make sure that their input has, um, proper bang for their buck?

Speaker 1 ([39:54](#)):

That's a great question. So we talked about the regressive nature of, uh, taxes, uh, sales taxes before. Uh, but, and this sort of touches on something that I tried to ask, is there enough, uh, oversight, a good enough oversight? And what I think I Wyatt's saying is, is there representative oversight, uh, that would make sure that that money and accountability is, is, is sort of equitably, um,

Speaker 2 ([40:17](#)):

Overseen. Thanks and thanks Wyatt. And so, um, again, as we talked about, nobody, and I can't tell you exactly where, uh, every dollar's gonna be spent because it's gonna be a decision of the city council, but we can look at this city council who has prioritized equity in the way among council districts in the way money is spent. Um, as a, as a cue that, that, to sort of answer or paraphrase your question, yes, there will be a return on investment to, to these communities. The other thing is to the extent that the vast majority of our general fund currently goes to essential city services and infrastructure, what communities need that the most? And where is the biggest deficits in our older communities? Um, largely south of Interstate eight. And so, uh, again, there should be a disproportionate return on investment to older communities than say, Scripps Ranch, because that's much newer infrastructure, for instance.

Speaker 2 ([41:17](#)):

And that's nice to say, but at the end of the day, in this sales tax, there is no guarantee where this money will be spent. It goes directly into the general funding will get spent wherever you, the council decides it to be spent. There are no guarantees of any of that. If there were, if they said we're gonna do specifically for infrastructure, we're do specifically for this, it would take a two thirds threshold to pass, and they know it wouldn't pass that way. So it has to go into the general fund. So it only requires a 50% threshold.

Speaker 1 ([41:49](#)):

I'm gonna ask the second part of this one. I think the, the first one is, is do you feel like your employees, your members, would actually be laid off if this doesn't pass?

Speaker 2 ([42:02](#)):

Um, well, not because this doesn't pass. And going back to an early part of Scott Sherman, there's been plenty of times where our employees have been laid off when, when there's tough budget times, um, hundreds of employees back in the great recession, 2009, 2010. But directly, if this measure doesn't pass, will it be layoffs not as a result of this measure not passing. If there's other recessionary things or other budget shortcomings, that's always on the table. But I don't believe City Hall is counting on this to save 'em. I think City Hall is counting on this to really deliver on the San Diego that we all want.

Speaker 1 ([42:38](#)):

That's interesting. Uh, shift the framing on it. Is there a perfect sales tax level? I think one of the interesting parts of this discussion is that if this does go up, sure. San Diego's already at the low end of San Diego county of the state, it would go up a full percentage point, and then if the sand egg one go up, it would go up another half sentence, 9.25%. Are there any studies where are you aware of, you know, where it starts to get, you know, actually, uh, counterproductive or whatever you want to, however you wanna put it to, um, to, to increasing revenue and performance?

Speaker 2 ([43:13](#)):

That's a good question and I, I, I'm not aware of of, of that type of thing. You know, there are cities in Los Angeles County and, and in northern California with sales tax above 10%. And so all I can tell you is that being at the bottom is as, as Dr. Phil would say, how's that working out for us? So, but I can't tell you what, you know, what the perfect level is.

Speaker 1 ([43:35](#)):

Sorry

Speaker 2 ([43:36](#)):

To quote Dr. Phil.

Speaker 1 ([43:36](#)):

No, I I you got it. Allen and Dr. Phil, you even watched data too, so, uh, um, and you still have daytime tv, right? Um, let me ask you, so San Diego is at the bottom of the, um, you know, levels in San Diego County, in the state. Um, what does that tell you? Is that, that's like, that's what you want? Or is there a level that you would be comfortable with? Or does it matter?

Speaker 2 ([44:05](#)):

No, I, I never liked this argument when I was at City Hall. It's like, well, let's put us on par with Seattle or LA or San Francisco. I wanna be on par with those. I want unique, I want to be San Diego, I want to be better. There are cities who don't have any sales taxes, not in California, but there are, and they exist in other places. There are ways to figure out revenue, so you don't have to take as much from the people. And that's really the way to do it, in my opinion. There is a sales tax in California, and it is what it is, but to keep increasing it and making the people can at least afford to pay it the most to pay it. That's where the issue is. Yeah.

Speaker 1 ([44:45](#)):

Well, I think you're sensing it as a theme in some of these questions. They're all around this kind of central topic of the equity of, of, or the equitable experience of people in San Diego. And this is a different, this seems like it's coming from the left where it says, um, the trade-offs. So quality of life expenditures are barely beginning to offset past injustices. Where they said, I think there's a really interesting example in San Diego Parks, right? The, uh, when you, the, the funding for parks and infrastructures often come from new developments in light of, uh, lack of some of these other taxes being collected, a new development, a new housing development, generates development or impact fees, which allows those neighborhoods to have newer, nicer parks and things. Uh, and you can see it in our own city, go to, uh, uh, different parts of the city that are newer and the parks are, are much nicer.

Speaker 1 ([45:35](#)):

And whether they can keep 'em up over time, I think is gonna be an interesting, uh, thing to see. But I think, you know, older parks, older neighborhoods, as you described, and they did make a change to that, they, they are centralizing a lot of the developer impact fees now to distribute out in a more equitable way so they're not just staying in the neighborhoods where their fees are being developed. But those are the kind of examples of this sort of restructuring of city government to make it, uh, so that older and newer neighborhoods under certain neighborhoods and and, and other neighborhoods are, are being treated more equitably. Are those projects done? Uh, are we, have we reset San Diego City government in a way that it, that does make good on past injustices to, to justify the people who are worried about cost of living that this is worth now stepping up for?

Speaker 2 (46:23):

Yeah, I mean, it's begun. I wouldn't, I would never stand in front of a banner saying mission accomplished. And this goes back to why it's, um, you know, question. And I agree with Scott Sherman, nobody can promise exactly what's gonna happen in the future, but we have a pretty good guide as to what this council has done. And you've mentioned they have fundamentally changed policies with respect to how these funds get allocated. They have passed a, for instance, a a a cannabis equity, uh, program, which, which sort of takes into account the historical impacts of, of, of marijuana criminalization on certain communities. And that our, our revenues from cannabis taxes should be true. That should take that into account. Well, no, it was, it was waived this year because of the budget, but, but the policy exists. But the point is the progress is being made. But, but, but to your question, I, you know, I wouldn't say no, you can't, you can't make up for that amount of disparity and the funding and the way parks get funded or not in certain communities in one year. But this council has more than started the process to, to, to choose a different path going forward.

Speaker 1 (47:26):

So, uh, this is for, for you Councilman Sherman, are you in favor of proposition five? This is the one that would Yeah, happy to

Speaker 2 (47:36):

<laugh>.

Speaker 1 (47:37):

You all are my people. You understand Whoever asks the Prop five vote, you're my, my, my my person. Thank you. Am I

Speaker 2 (47:43):

Getting a bite opinion?

Speaker 1 (47:44):

Uh, I just, I, I, I think Proposition five has the potential to reshape cities unlike anything else on the ballot this year. And I don't think people talk about it enough. This would be the one that would allow cities to raise taxes, property taxes to pay off borrowings, um, if the money's being used for building stuff, uh, infrastructure, affordable housing is the big headliner, but there's all kinds of infrastructure that fits within that definition. And it would be a sort of pro rata rate of the property tax. So, um, it would make it, so instead of needing two thirds of the vote for those taxes to pass, uh, it would just need 55%. Then it's basically doing what schools are allowed to do now, uh, for, for the school bond. So I think it would be a pretty significant deal. It's polling about 50 50. It's gonna be really interesting to watch that night. Do you support it? I'm gonna guess no

Speaker 2 (48:38):

With that level of detail, I have no idea.

Speaker 1 (48:41):

Find out for

Speaker 2 (48:41):

Sure exactly how that goes,



Speaker 1 ([48:43](#)):

Because

Speaker 2 ([48:44](#)):

Again, we're raising chances without showing how we're giving more value for the dollar we're already collecting.

Speaker 1 ([48:52](#)):

Alright, I'm gonna look at a couple of these. I guess we got another one here about is there any guarantee the funds will be used responsibly? And I think what your, what your message has been that how they're being used now is how they're gonna be used. Um, maybe address it every time this comes up. People point out the 1 0 1 Ash Street, we, uh, the city of San Diego purchased, uh, 1 0 1 Ash Street. Uh, we had to do it in a way of, we had already agreed to long term purchase it. We just sort of cut that off and said, we're gonna buy all now. We borrowed, uh, took out money from all those buckets of capital projects and then borrowed money for those buckets. And we used that to pay off the, the building. And a lot of people say like, what are we doing buying that building? We've been in that sort of thing. Those are the kind of like you said, these big flags that people put up about why this city doesn't deserve money. Um, you adjusted a little bit, but maybe go, uh, right at that, like, um, what, how can we be trusted, um, to spend that? How can you or the city be trusted to spend that? Well,

Speaker 2 ([49:58](#)):

Um, you know, look, I don't want to minimize 1 0 1 ash. Nobody's gonna sit up here and defend that that hasn't been a, a bad real estate deal for the city with real costs to the city's general fund. I guess my point is that it's a matter of proportion. Um, even though there's some eye popping dollars in there into normal human beings, we're talking about, um, you know, literal, you know, basis points of the city's 100%, \$2.1 billion general fund. And I don't want to repeat what all that money goes to, but um, you know, let me say something really weird. You know, I snore at night. I've got a little deviated septum drives my wife crazy. It's, uh, it's an issue. But the other 99% of me is good. So my wife keeps me around and she invests in me and we have a great relationship, but she's got this nagging thing where I snore at.

Speaker 2 ([50:55](#)):

And so, again, this is really weird, I just thought of this, but, so, so one, one ash is, is the city snoring and are we going to then sort of, you know, punish ourselves for everything else that the city provides and that we interact with in our city? Uh, because there is a blemish here and there, here's a news flash. There'll be more blemishes in the future. We're a giant multi-billion dollar bureaucracy. And that's true of any major city in California or the United States. And the question is, are we confident enough that this money will be spent on the things we care about? And the answer is yes, because that is exactly what the city, whether, whether it was Scott on the council, me on the council or this current council was spending the vast, vast, vast majority of money, public safety, infrastructure, parts, libraries, the essential city services. That's what the general fund is.

Speaker 1 ([51:45](#)):

Scott, um, we got a question here for you. Um, and it sort of gets at the heart of your, your point about prevailing wage, people being, you know, paid too much maybe and these contract or these project uh, projects and everything else costing too much money. But you also came at, um, the concern about the taxes being taxing people who aren't making a lot of money. Um, and uh, as this writer points out that, uh, according to the MIT's living wage calculator where two adults work in a household, they need to have \$35 an hour, um, in order to make ends meet. But the minimum wage is only 16. So why, how do you

reconcile the concern about people not making enough money while also sort of railing against them making too much money on these projects?

Speaker 2 ([52:31](#)):

Well, I'm not railing that they're making too much money on these projects. I'm railing it that's mandated to charge the city a certain amount. We can't even go out and find out what the difference is. That's really the issue. And when it comes to the, the minimum wage issue, minimum wage is not something you're supposed to support a family on. Minimum wage is an entry level position most of the time. And if you are good at what you do, and I'm sure a hundred percent of those people in this room, if they got a minimum wage job and showed up and did the job, they'd be out of minimum wage real quick. I worked minimum wage when I was young. I'm sure you did. And I'm sure Michael Group probably did. None of us are working minimum wage now because you move up the ladder, you do those types of things.

Speaker 2 ([53:16](#)):

So the prevailing wage has some issues. It, it's like if I was to get leave here now and I got a fender and I went to the body shop and they said we're gonna charge you \$2,000 'cause that's what it costs us to do this and make a profit and pay our employees wisely. That would be like me saying no, she chose that I gotta charge. I got, I want you to charge me 2,500 bucks 'cause that's the prevailing wage. We don't do that in our home budgets. We shouldn't do that at the city budget. As well. We need to actually get out and put some competition into the marketplace. And when you have prevailing wage, when it comes to cost, there's no real competition there to find the best deal for the taxpayer. And when it comes to moving in the right direction and, and we need this money and people being suspect of government, if we could just get one or two good success stories that would come out of city Hall and say, Hey, this is what we did and safe this money. It might move us a little bit more in the direction, but what we see is, oh, this cause X amount of dollars more. This cost a couple hundred dollars more bike lane at \$6 million per mile a bike lane. These types of things are the problem that people see. And then that's what drives the distrust of government. Just a couple success stories might change that narrative. The media's problem. <laugh>,

Speaker 2 ([54:43](#)):

Let's finish up. You only wanna go there. That's another discussion. Yeah, right. Uh, let's finish up. Uh, Michael, you got to, uh, let's say two minutes to wrap it up. Well, I'd like a response on the snoring comment. Um, Scott Sherman, do you snort? Um, so, um, sorry, <laugh>, um, uh, I think, I think we've, this has been a great forum. Thank you very much. Um, I wanna go back to something Scott Lewis said in his beginning, the current sales tax rate is seven and three quarter percent. Um, that generates about \$3 billion of revenue, but 2.6 billion of that revenue goes to the Sacramento, to the state of California, to the county, to the transportation agencies, other special districts, and everything else. Only less than 15% of it, \$400 million stays in the city of San Diego. One of the reasons so many cities in the county and across California have, have posed to voters.

Speaker 2 ([55:40](#)):

And one of the reasons why voters have overwhelmingly approved them in these ballot measures is because when you do a city sales tax, 100% of that extra penny or half penny, in this case Penny stays in the city of San Diego. And Scott Lewis said this at the beginning, so we're effectively doubling our take, uh, the city of San Diego's take for general services by simply raising the sales tax by one penny. And so that's the pitch, that's the choice for voters. And, um, very much appreciate your, uh, for your invitation. Uh, Scott, good to see you again. Appreciate your engagement and appreciate everybody being here. Thank you. Alright, wrap it up. Um, yeah, and thank you Michael. It's been like four or five years since we've actually been in the same room doing these kind of things, so I appreciate it. Um, at the end of the day, this is, once again, the city coming to people and saying, we need more money.

Speaker 2 ([56:37](#)):

Is government coming to you and saying we need more. We have not done well with the money we have. We've shown numerous times that we are not good at managing what we have. So instead of trying to show you that we're making that change, we're coming to you and saying we need more times are very, very difficult for most people right now. Things are way different than they were six, seven years ago before covid. People are tightening their belt and making very tough financial decisions. And government should be at this point in time, coming to you and saying, tighten your belt a little bit further. Make your family suffer a little bit more and give us more money so we can do some of these things that we are promising we will do with no guaranteed. Quite frankly, I've been in government for, I was in government for eight years.

Speaker 2 ([57:29](#)):

I saw promises and then I felt that sharp knife in the back of my back because those promises aren't met most of the time once they get what they ask for. So don't support this tax increase without the government coming to you and saying, we've done everything we can to not have to burden you with more money out of your pocket. That's what we need to do. And show the politicians that, Hey, look, show us that you can do better with what you have and then maybe we'll support you, but now is not the time.

Speaker 1 ([58:00](#)):

Thanks. Yeah. Uh, Scott Sherman and Michael Zuke. Thank you all.

Speaker 3 ([58:08](#)):

Great job guys. Uh, thank you for joining us. Your next session starts at 1130, so you have a little break. And, um, if you enjoy today's session, you can sign up for one of our newsletters at [voice of san diego.org/newsletters](http://voiceofsan-diego.org/newsletters). Thank you to our sponsors and our volunteers. Of course. Enjoy the day.

Speaker 1 ([58:26](#)):

Thanks all. Thanks.