

WHITE PAPER

Redding City Council November 2008 Election Issues

Where do the candidates stand on issues affecting our future?

Prepared by:
Mary B. Machado
Shasta VOICES
July 24, 2008

Table of Contents

Table of Contents.....	1
Summary: <i>“Leadership – A Key to Redding’s Future”</i>	2
Basic Facts.....	3
Fiscal Responsibility in Government.....	4-6
(1) GASB 45 Accrued liability of retiree benefits	
(2) City of Redding employee pension plans	
(3) City of Redding employee salary comparisons	
(4) Declining sales and property tax revenues	
(5) Funding a new police facility	
(6) Indebtedness for Stillwater Business Park	
Sales Tax Dollars.....	6
Tax Sharing Agreement.....	6-7
Impact Fees: Cumulative Effect.....	7-9
(1) Existing building and impact fees	
(2) Newly formed Traffic Impact Fee Committee	
(3) Proposed joint Shasta County/City of Redding Facilities Impact Fees	
(4) Proposed “Fix 5” fees	
(5) Proposed fee totals	
Job Creation and Job Growth.....	9-10
Redevelopment Agency.....	10
Land Use Decisions.....	11
Conclusion.....	11

“Leadership – A Key to Redding’s Future”

Managing and maintaining existing responsibilities and infrastructure, and future growth for the people who live and work in the City of Redding, is no small task. What kind of leadership is necessary in order to accomplish this task? Should the decisions being made that affect Redding’s future economic sustainability while preserving its high quality of life be driven by City staff, by an elected City Council who oversees City staff, or perhaps by another form of representative government such as an elected Mayor? The “White Paper” presented here explores the current state of government in the City of Redding, and details the important issues highly valued by the citizens of Redding, which need to be addressed in order to determine who can best lead our City in the years to come.

The “White Paper” is addressed to candidates running for the position of City Council member in November, 2008, for a four year term to begin in January, 2009. It is also addressed to all citizens who live and work in Redding. A wide-scale consultation to determine which issues were consistently highly valued in the community ensued between May and July 2008. The process generated considerable interest, and a vast number of suggestions in the content of the “White Paper” itself. What follows takes into account the many points made through the consultation process, and does not attribute particular ideas to particular consultees.

Basic Facts

The City of Redding (hereafter referred to as “City”), incorporated on October 4, 1887, is a general law city formed under state legislative statutes and governed by a body of laws in the State Constitution. The Redding City Council consists of five council members elected “at large” for staggered four-year terms. Council members must be residents of the City of Redding and registered voters at the time nomination papers are taken out.

Redding is one of the many California cities operating under the Council-Manager form of government. Under this system, the Council is charged with the responsibility of establishing municipal policies to guide the various functions of the City, and where necessary, to establish procedures by which functions are performed. They appoint a trained and experienced City Manager to administer the affairs of the City including hiring of City staff, preparation of the Annual Budget, administration and coordination of the City’s operations, general supervision over all property under the control of the City and enforcement of City ordinances and applicable state laws.

The City of Redding has adopted this mission statement: “Provide a high quality of life, remembering that families and neighborhoods are the centerpiece of our lives; the Redding Community will remain clean and safe and will work aggressively to prevent sprawl through careful community development, planning, and smart growth. The City is seen as proactive rather than reactive by focusing on what type of City we would like to be in the future and taking the necessary steps to assure we reach our goals.” Their vision statement continues: “Our vision is:

- To protect and enhance the City’s reputation as the “Jewel of Northern California.”
- To attract and support quality job growth.
- To build neighborhoods rather than homes.
- To have a well-managed City that is in sound financial condition and one in which there is a strong leadership that values good governance.
- To provide excellent public services and infrastructure to promote a clean and attractive community.

- To support steps to create a vibrant downtown and river front.
- To assure parks, trails, and open space.
- To support programs that connect the City's unique natural beauty and rich history.

Who created this mission and vision? Does it address the consistently highly valued issues of the people who live and work in the city? Is the City accomplishing what they have established and agreed to do? Are the policies currently in place designed to work towards this vision? Who, exactly, is making the decisions that affect all the citizens who live and work in Redding? These and many other questions will be asked of those who want to lead us into the future.

Let's explore the issues so highly valued by our Redding citizens.

-3-

Fiscal Responsibility in Government

One of the recurrent themes of the consultation was that the old approaches to fiscal responsibility in government are no longer adequate to maintain sound financial practices. For example:

(1) The Government Accounting Standards Board (GASB) issued a new standard effective in the 2007-2008 fiscal year, GASB 45, which requires governmental agencies disclose on their financial statements the accrued liability (anticipated costs) of any benefits provided to retirees other than pension. The City of Redding has long provided health insurance (including dental and vision) to retirees, and done so on a cash basis. The amount of their unfunded liability is \$94 million. How should this be funded?

(2) The City of Redding employees currently do not contribute any portion of their salary towards the cost of their own Public Employee Retirement System (PERS) pension plan. Typically, employees contribute at least one half of the cost incurred by their employer for the purpose of retirement plans. For those who are covered by Social Security and Medicare, that amount is 7.65% of their wages, matched by their employer. A benefits comparison survey shows that many other cities in California, who are providing the same type of retirement programs as the City of Redding through the Public Employees Retirement System (PERS) and the Public Agency Retirement System (PARS) for "enhanced" retirement benefits, require a contribution equal to one half of the employer cost to fund the program. That amounts to an 8-9% salary contribution from each of the employees. Certainly, an 8-9% reduction in costs to the City of Redding would add much needed revenues to the City to maintain existing services and infrastructure, without continually asking taxpayers for more money.

A recent example of how the negotiation process works is the approval of a new contract with one of the unions that represents a group of City employees. Major provisions of the package include cost-of-living adjustments for the next 5 years averaging 3% per

year. The first year of the contract, the cost-of-living adjustment is reduced to .72%, so that the other 2.28% can be used by employees for an enhanced retirement benefit through PARS, commonly referred to as 2.7% at 55. So, a portion of the “cost-of-living raise” pays for the enhanced retirement benefit the first year of the contract, and the employee still pays nothing for the regular retirement plan, and is rewarded with enhanced retirement benefits.

At what point should this discussion begin, and changes be implemented? Should City employees be required to contribute to their own retirement plan like everybody else?

(3) Salary comparisons have been done to see how the City of Redding employee salaries compare to other similar sized cities in California. These show that the salaries for most positions are highly comparable to other cities, but that the management salaries in Redding are well above most other cities. The high end of the “range” shown in

-4-

Redding’s salary schedules are among the highest in the entire state, particularly for department heads, directors, and top management positions. In personnel terms, this is referred to as “top heavy.” Not only are these salaries out of line, but Redding has more departments (thus department heads), directors and management personnel than any other comparable city in California. These salaries and the benefits that go along with them are far superior to those of the taxpayers in Redding who are paying for them. Should the salary and benefit structures of the City of Redding employees be comparable to others in the area where the taxes are collected to pay for them? What steps should be taken to reduce or eliminate the “top heavy” situation that currently exists?

(4) Sales and property tax revenues are declining during this less than ideal economic downturn in our area. Taxpayers just don’t have any more money to give. The City, with revenues approximately 8% less than projected, should reduce expenditures and learn to live within their means, just as the taxpayers must do. The City shouldn’t spend more than they take in. What is the best way to accomplish this?

(5) The City of Redding has stated that its top priority is finding a way to fund the construction of a new police facility. The current City Council appointed a citizens committee to research possible funding sources in February of 2008. On July 1, 2008, the committee brought their recommendations to the Council for review. They recommended building a brand new facility on one of four “Civic Center” sites, with the preferred site being the South City Park area. The facility should consist of a 67,000 square foot primary police facility, a 10,200 square foot support building, and an indoor firing range. The price tag for all of this is \$41.9 million. They suggested funding to come from a combination of one time sources of funds totaling \$13.3 million (through the sale of City assets, reallocation of internal funds, or other General Fund sources), expense reductions and revenue increases to support a \$13.4 million level of bond financing, and a 0.25% temporary general sales tax increase sufficient to raise \$15.2

million. They further recommended that City staff explore whether an existing building is available within the City limits that could be adapted to the Redding Police Department's needs. The existing City Council *did not support an increase in the general sales tax*, but is considering the other recommendations. If this is, indeed, the City's top priority item, what level of commitment, contribution, and reduction of expenditures should be made by everybody who works for the City? What direction should be given to staff to make it happen without overburdening the taxpayers?

(6) The City of Redding has also stated that another top priority is completing the Stillwater Business Park. This is a rare type of project within California, a city-developed business park. It has been in the development and environmental review process for several years and consists of large sites (up to 100 acres) for potential office and industrial projects. Phase I of the project includes construction of an entrance road into the park, a bridge to cross Stillwater Creek, storm drains, water and sewer lines, and electric lines provided by the Redding Electric Utility. Phase I work is anticipated to be completed by spring, 2009. The City of Redding has all zoning, utilities and permits in

-5-

place to complete the park. At build-out, it is supposed to provide high wage jobs for 3,500 workers. Jobs and redevelopment have been the motivation from the start. The economic and industrial potential of the North State needs to be marketed heavily to insure that this major investment will reap its deserved rewards.

Who is accountable to the taxpayers for the success of this program? What policies should be put in place to safeguard their funds? What are the economic industrial demands in the North State (Redding) to justify this indebtedness?

Sales Tax Dollars

There has been discussion by the current City Council about raising the sales tax by ¼ percent. Our government officials seem to be of the opinion that it's just a small amount and would be one way for everyone to pay their fair share of such things as a new police facility or improved infrastructure. But if they were to apply that seemingly small amount to real world situations, this is the type of scenario they would find: The price of fuel has increased to levels never seen before. For each gallon of fuel purchased, sales tax is added on and paid by the consumer. For example, trucking companies, who transport our food and other goods to market, must pass along this increase, which affects everything we purchase. As the price of fuel has increased, so has the amount of sales tax paid for each gallon purchased. The increase in sales tax revenues to the City for fuel is far greater than anticipated, and should more than make up the need for additional sales tax revenues of any kind. The citizens of Redding have not been inclined to vote for a sales tax increase of any kind in the past, and are not inclined to vote for one now. They suggest that the City cut expenses rather than asking for more taxes. What fiscal policies

would make sense to ensure that the taxpayers aren't asked to continually pay more when the City overspends?

Tax Sharing Agreement

The City of Redding has not been able to come to a sales tax sharing agreement with Shasta County. These tax revenues are put into the general fund, and are used to pay for non-mandated government services. Shasta County provides services to people who live in all three of its incorporated cities, including Redding, Anderson, and Shasta Lake. Without a share of sales tax revenues from each of these cities, the County continually searches for other ways to generate the revenues necessary to serve this population. For example, Shasta County implemented impact fees in unincorporated Shasta County for the first time in July 2008. The proposal and study used to create the fee amounts not only included charging fees for impacts created by new development, but also fees for government services in the County to be paid by citizens who live and work in the City of Redding. These proposed additional "fees" are, in fact, a substitute for the lack of a sales tax sharing agreement with the City of Redding. The existing City Council has not

-6-

approved such fees, and wants Anderson and Shasta Lake included in any "fee" program study that comes back to them for review. The citizens of Redding have spoken up against such an agreement. It would create an unfair, disproportionate, and unprecedented burden on homebuyers and businesses, while continuing to erode the affordability of housing in Redding. The only fair way to pay for government services that are provided to all citizens is through taxes - sales taxes and property taxes, and we already have both in place.

Another result of not having a tax sharing agreement with Shasta County is that the City of Redding has put themselves in a competitive position with the County for sales tax dollars. If the County can attract new and/or expanded retail and other businesses to their unincorporated areas with lower building and infrastructure costs, they would gain the sales tax revenues from those businesses, and Redding would lose them. One example of this was the proposed Auto Mall at the Knighton Road/Interstate 5 intersection. If that development had been approved, it would have been located in Shasta County's jurisdiction. Redding would have lost not only a very lucrative sales tax revenue stream, but also a source of additional revenues and much needed jobs, and they fought to defeat this development. Redding tried to create a competing Auto Mall in the City limits at the intersection of Highway 44 and Airport Road, enticing local auto dealers with redevelopment dollars if they would agree not to move outside of the Redding City limits. In the end, neither of these two developments went forward, and we all lost out on the creation of new jobs and the positive cash flow that comes with them to benefit the entire area. Had a tax-sharing agreement been in place, perhaps we would have experienced a very different and positive result.

Why compete with the County for sales tax dollars? Without a tax sharing agreement, the decisions being made are not in the best interest of the community as a whole. How would you create a win-win situation, not only for the City and County, but also for the area citizens who are affected by the existing lack of cooperation?

Impact Fees

The cumulative effect of continually increasing development impact fees has eroded the affordability of housing in our area. New growth has always paid their fair share for impacts caused by such growth, and now they are being asked to pay an additional *unfair share* of costs associated with infrastructure maintenance and improvements, which amounts to virtually *all* of the costs for such improvements. More “creative” fees are being proposed because the voters are not inclined to pay more taxes, and the City is not inclined to cut their expenses. There will never be “enough” money if the City does not learn to manage themselves like any other business, in good times as well as bad.

(1) Currently, to build a single family home of 2400 square feet in the City of Redding, building and impact fees total \$34,246.00. If you should choose to build a single family

-7-

home in the North Redding Traffic Benefit District (Oasis Road area), you will need to add an additional \$4,058.00 to that total, which adds up to \$38,304.00. These fees alone add approximately \$250 per month to a typical 30 year monthly mortgage payment. The numbers are significantly higher for any commercial structures, making it difficult for any developer to build a project without a financial loss. There is also an annual cost of living increase applied to these fees each year, usually on July 1st. Last year, this increase added \$1,163.00 to the fees for a typical single family home.

(2) The City is currently studying yet another set of Redding traffic impact fees, and has established a citizens committee to make recommendations after learning how much more the City wants to add to the already existing Traffic Impact Fees program.

(3) Under the subject of a lack of a tax-sharing agreement between the City of Redding and Shasta County, we discussed what effects this has had on our community. If the City of Redding eventually agrees to participate in the joint “Facilities Impact Fee” program, that will add another \$4,171.00 to the fees for a typical single family home, and much more for commercial structures.

(4) The Shasta County Regional Transportation Planning Agency (SCRTPA), with Board members consisting of elected officials from the City Councils in Redding, Anderson, Shasta Lake, and supervisors from Shasta County, has been lobbying its Board to implement another set of impact fees referred to as “Fix 5” fees. CalTrans has

determined that they don't have enough money to add an additional lane on Interstate 5 (if and when the time comes to need such an addition) from Corning to Mountain Gate, and don't feel Redding voters will approve a sales tax increase to pay for it. Thus, they have created a "study" of traffic patterns on I-5, and are trying to draw a nexus (connection) to the increase in traffic in this corridor and local population growth. Though they admit their study is "weak" at best, but they are forging ahead, hoping to convince our elected officials to vote for such an impact fee. This would add yet another \$1,697.00 in fees to a single family home of any size in our community, and much more for commercial structures. Interstate 5 is not some local highway. It is the only major federal thoroughfare connecting all of California, Oregon, and Washington for interstate travel and commerce. Given the importance of this trade and commerce to the State of California, they should accept their responsibility and pay for this improvement out of the State and Federal sales and excise tax funds, as well as bond measure funds that taxpayers have already given them and will continue to give them for this purpose. CalTrans and the SCRTPA suggest that the traffic on this 61 mile stretch from Corning to Mountain Gate is increasing at a rate of about 10% per year, but ignore that fact that our population growth in this area is averaging less than 1% per year. So, where is the nexus? Local population growth is not causing the need for additional lanes on I-5. If there were no growth locally, those lanes may need to be added to accommodate interstate commerce in the future, to the benefit of all citizens living in three states and beyond.

(5) If all of the proposed fees discussed above were to be implemented, another

-8-

\$7,000.00 in fees would be added to the cost of a single family home, and much more for commercial structures. This would add yet another \$50.00 per month to a typical 30 year mortgage payment.

What would you do to prevent further erosion of the affordability of housing in Redding? Would you support the continual increase in fees? Can we expect our local leaders to stand up to CalTrans and the SCRTPA and defend our local citizens against their unusual and unprecedented proposal?

Job Creation and Job Growth

The unemployment rate in Redding has always been above state averages. That rate sits at 9.7% in June, 2008. This rate does not include the underemployed, those who have stopped looking for work and dropped off the unemployment rolls, or small business owners and independent contractors who have gone out of business. There are a number of reasons why Redding has not been able to attract an abundance of quality jobs to the area, or expand those of already existing industries in the area. We will explore just *one* of these major deterrents to attracting and keeping jobs in Redding.

Redding boasts that it is the “Jewel of Northern California”. Because of its beautiful surroundings and “high quality of life,” our leaders believe people will want to live here. In order to experience a high quality of life, people need to be able to provide for themselves and their families. Our town has the reputation of not being business friendly. Those who want to invest in Redding have found it to be a difficult process. Their efforts are met with resistance at every level of local government.

Clearly, new jobs are created by new businesses, and expansion of existing businesses. In order to hire people, they must create a place for them to work. This is not easy under the best of circumstances, given the sheer number of rules and regulations involved in order to provide a safe workplace and environment for the general public. But, the permit process in Redding is often cited as the reason business has gone elsewhere. It is an all too common occurrence that the multitude of City departments and their staffers do not communicate with each other causing long delays in making even the simplest of decisions for customers wanting to do business in Redding. One department can overrule or contradict another, leaving the customer in a no-win position. Unreasonable and unusual conditions and fees are placed on projects, with unexpected costs killing projects altogether. Inconsistencies are common in planning decisions. And often times, even after the necessary approvals are obtained and projects are finally well under way with construction, the rules are changed. Plenty of documentation exists to validate these issues. Existing policies, building codes, rules and regulations are subject to City staff interpretation, causing even further costly delays for projects. Why would anyone choose to be subjected to this kind of treatment when they can go elsewhere without it, and have a predictable cost and timeline for completion of their project?

-9-

How would you streamline the existing permit process to help accommodate those wishing to do business in Redding? How would you eliminate, or at least control inconsistencies in planning decisions? What would you do to make Redding “business friendly?”

Redevelopment Agency

There is another government agency in Redding that was created without a vote of the citizens affected. It is called the Redding Redevelopment Agency. State law allows a city council to create a redevelopment agency to administer one or more “project areas” within its boundaries. City Council members appoint themselves as agency board members, with some council meetings doubling as redevelopment meetings. This is an entirely separate government authority with its own revenue, budget, staff and expanded powers to issue debt and condemn private property.

Unlike other governments, this agency can incur bond indebtedness without voter approval. It provides no public services. It claims to eliminate “blight” and promote

economic development, and may use the power of eminent domain to benefit private interests.

Revenues to fund redevelopment projects come from tax increment, which consists of all increases in property tax revenues generated in designated project areas, and from the sale of bonds secured against future tax increment.

The Agency has the power to give public money directly to private businesses in the form of cash grants, tax rebates, free land or public improvements. They have expanded powers to condemn private property, not just for public use, but to transfer to other private owners.

An example of how this expanded power can be misused is the so-called “Lithia Deal” which fell short of being approved on March 4, 2008. The City Council, acting as the Redevelopment Agency Board considered a Commercial Property Purchase Agreement with Lithia Real Estate, Inc. for property currently improved and used by Lithia Motors for the sale and service of new and used automobiles. Concurrently, the City Council considered a Cooperative Agreement with Lithia Real Estate, Inc. for Airport Road improvements to assist in the development of a new Auto Mall to be located at Airport Road and Hwy. 44. The public was outraged that taxpayer dollars could be used to purchase private real estate for no other reason than to help a private business.

The message sent loud and clear to City Council from the citizens of Redding was to stay out of the private sector business. They were not in favor of the City, through any of its government entities, competing with private sector property buying business.

The legal purpose of redevelopment remains the elimination of blight. How would you end redevelopment abuses and promote fiscal responsibility and fair play?

-10-

Land Use Decisions

The City Council currently has autonomy regarding local land use decisions in the City of Redding. There are efforts under way throughout the State of California to encourage integrated planning processes within a region, so that the region may effectively accommodate population growth. These processes are referred to as “regional blueprints.”

The Shasta County Regional Transportation Planning Agency is spearheading this blueprinting effort locally. They are calling it the “Shasta Forward” project. It began as a voluntary effort, and was purported not to replace in any way the planning processes already in place locally. It was supposed to assist local jurisdictions in making sound investment decisions consistent with community priorities, and develop a broadly and publicly supported vision for the future growth and development of the Shasta County region. A predetermined survey has been circulated to lead the public down a path of

concern over traffic congestion, public safety, global warming, environmentally sensitive lands, vehicle emissions, energy affordability, and a community identity. This project is promoting infill development and discourages anything outside of service areas.

If this blueprint process goes forward, it is possible that local jurisdictions, including the Redding City Council, will lose their land use authority.

Should our elected officials give up their land use authority in Redding? Do we want leaders who will allow yet another level of government to make these decisions for us? Do we need another level of government that will not be accountable to the citizens of this area?

Conclusion

This White Paper seeks to identify and detail issues that are highly valued by the citizens of Redding. It is designed to determine which candidates for the office of Redding City Council can provide the best leadership for our City in the years to come. Its conclusions and recommended questions need to be appropriately followed up with these candidates prior to the November 2008 City Council elections.