

SANTA BARBARA COUNTY TAXPAYERS ASSOCIATION

WHITE PAPER

Reducing Employee Remuneration In the City of Santa Barbara

A Report to the Community

October 2009



Dear Santa Barbarans,

The city's budget and finances have been the subject of a great deal of debate in recent months, with confusing and conflicting claims about the state of the city's treasury being made by numerous individuals involved.

In order to assist voters in assessing the city's current financial situation and budget, the Santa Barbara County Taxpayers Association is pleased to be able to recommend that you spend a few minutes reading this Report to the Citizens of Santa Barbara.

Sincerely,

Lanny Ebenstein, Ph.D., President
Santa Barbara County Taxpayers Association

EXECUTIVE SUMMARY

Employee remuneration in the City of Santa Barbara is out of control. Whether the standard is salary, benefits, pension, or other working conditions, employees in the City of Santa Barbara receive remuneration substantially exceeding that of comparable positions in the private sector.

In recent years, the budget of the City of Santa Barbara has increased sharply. Where have these funds gone? For the most part, they have gone to higher pay and increased benefits for City staff as opposed to increased services or lower taxes, fees, and other charges. For example, the fiscal year 2000 budgets for all funds was \$126.6 million. The corresponding figure in 2008 was \$252.8 million and for 2010 is projected to be \$309.6 million, an increase in annual city spending in all funds of from 2000 to 2010 of about \$180.0 million, an increase in spending, from 2000, of 139 percent. However, inflation has increased and is projected to increase only about 30.5 percent between 2000 and 2010. In real terms, the City will spend approximately \$108 million more in 2000 dollars than it did at that time, an increase in real city expenditures since 2000 of approximately 83 percent. Have real city services increased 83 percent since 2000?

The answer to the preceding question is obviously no. Instead of managing the taxpayers' funds wisely, successive City Councils have voted in favor of unsustainable pay and benefits packages for city employees. The problem in the current city fiscal crisis is not that programs have to be cut, but that excessive remuneration for city employees has to be cut.

What about the percentage of the total budget allocated to employee compensation? In 2000, just 62 percent of the city budget went to employee compensation, but today it is more than 77 percent. More compensation, benefits and plush retirement plans are provided for city employees but fewer services and benefits and more taxes for residents of the City of Santa Barbara. In addition, many city employees with 11 years service will have as many as 91 days this fiscal year that they do not have to report to work Monday through Friday at the city and yet be considered full-time.

The City of Santa Barbara is experiencing a decline in population. According to the U.S. Census Bureau, the City of Santa Barbara had 92,325 in 2000. Since then, various measures show the population of the city declining. Some show a decline to 86,093 in 2008, and others to approximately 90,000 in 2010.

The issue of public employee remuneration will become continually more significant in Santa Barbara and elsewhere as the public policy agenda becomes pay and benefits for current and retired public employees versus higher taxes and fewer services for taxpayers. New thinking is required on these issues, and the Santa Barbara County Taxpayers Association hopes that participants in these issues, from all perspectives, will consider this report with an open mind and suggest additions and corrections.

In an effort to encourage new thinking and action to curtail currently excessive employee remuneration in the City of Santa Barbara, the Santa Barbara County Taxpayers Association recommends the following action steps to the Santa Barbara City Council and labor and community organizations:

- 1) The SBCTA requests a City Council public hearing in an evening session of the Council to enable members of the public to address the Council specifically with respect to public employee remuneration in the City.
- 2) Place as an action agenda item before the City Council a proposal for a public-private sector salary and benefits comparison for comparable positions. The City has done many surveys comparing salary and benefits with other public agencies.
- 3) The City Council should support reform efforts at the local and state levels in the area of retirement benefits.
- 4) City administration and public employee union leadership are encouraged to participate in a forum that the SBCTA will convene on the subject of public employee remuneration.

Because this report is critical of the existing contractual relationships between the City of Santa Barbara and its

employees, and of existing employment policies and practices, it is well to state that the City of Santa Barbara has many fine employees who are serving the community effectively. However, the crucial issue that this report addresses is remuneration of employees and the extent to which this is affordable, sustainable, and in line with remuneration in the private sector.

The Santa Barbara County Taxpayers Association believes that it is not possible to maintain that employee remuneration in the City of Santa Barbara is affordable, sustainable, and in line with remuneration in the private sector. For this reason, we advocate change in the City of Santa Barbara-change in the policies that result in taxes and fees that are too high and in which vital public services are slashed in order to provide excessive remuneration for present and former city employees.

In 2000, city expenditures per resident were approximately \$1,371. In 2008, this figure increased to \$2,936. The time is ripe to consider voter initiatives that would preclude future employees for the City from having defined benefit rather than defined contribution retirement plans.