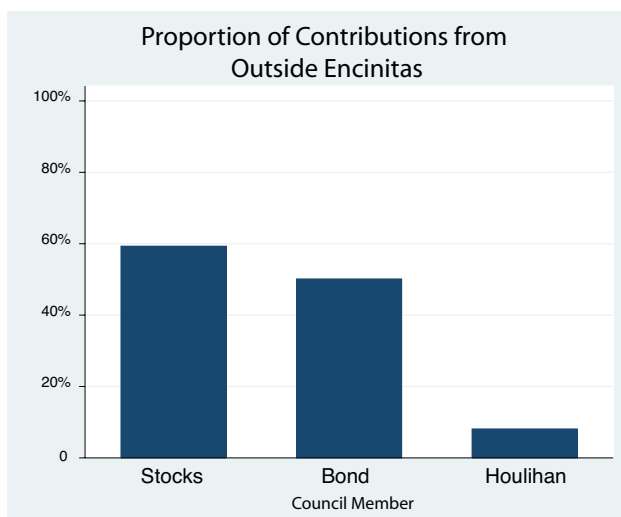
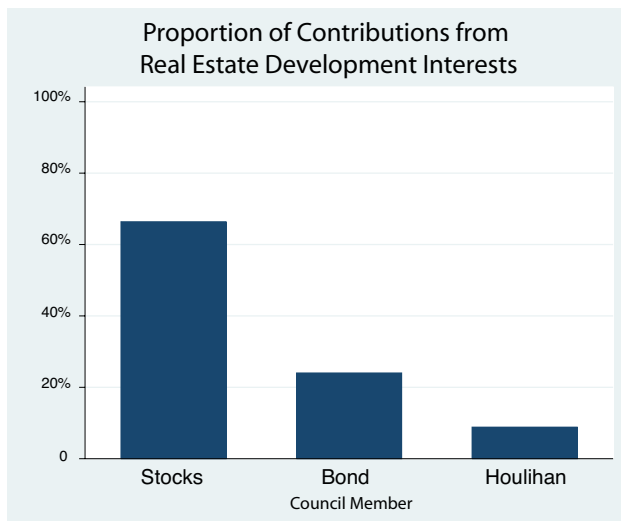


Election Contributions

The council incumbents were reelected in the November 2008 election. We have summarized their election contributions and found that Jerome Stocks collected the majority of his itemized contributions from real estate development interests. Both Stocks and James Bond had a very significant portion of their contributions coming from individuals outside of Encinitas.



For a link to the candidates' disclosure forms see newsletter page on the ETA website.

In Their Own Words

"We haven't really had any discussion about the recession scenarios. Should we talk about hiring freezes?"

Teresa Barth, on the economic downturn.

"We've had a perfect storm of goodness"

Jerome Stocks, on the economic downturn's effect on traffic congestion coinciding with infrastructure improvements.

"We're putting all the power in their hands and giving them our checkbook, it's crazy."

Dan Dalager said about the new fire agency. Dalager has power over a \$50 million budget, pension plans, and a bonding liability.

"What people don't understand is that a public process always takes time,"

Houlihan said regarding the Hall property park.

"I think maybe I'm a better candidate than a treasurer."

Jerome Stocks, after the North County Times uncovered thousands of dollars of illegal contributions from developers (2004).

In this issue of ETA Notes, you will find articles related to each of these quotes.

What is TransNet? A 40 year half-cent sales tax that funds highway, transit, and local road projects in approximately equal thirds. SANDAG administers the TransNet half-cent sales tax.

What is SANDAG? It is the San Diego Association of Governments, a regional government agency run by a group of elected public officials. Jerome Stocks represents Encinitas at SANDAG.

Quality of Life or TransNet III?

Guest Editorial

This summer a bill made its way through the state Capitol that will give the San Diego Association of Governments the ability to go forward with a “quality-of-life” tax.

Below are a couple of interesting facts:

- Not only is SANDAG planning a sales tax hike, it’s also considering “hotel taxes, car rental fees and real estate transfer fees.” That’s according to Gary Gallegos, the agency’s executive director.

- Proponents of the tax have argued that SANDAG has no choice but to go ahead with the tax because it was promised to voters as part of the 2004 TransNet II initiative.

But according to Lani Lutar, executive director of San Diego County Taxpayers Association, the language in the ballot measure simply required SANDAG to explore funding for habitat preservation. Increasing the sales tax isn’t a legal requirement.

Even if it were, sand replenishment and water quality projects — and certainly not more funding for transportation — were never part of the deal.

The fact that SANDAG is having to turn to the legislature to get approval to pursue this tax (under current law it can only use sales taxes for transportation projects) indicates that this whole idea was a ploy dreamed up by the big spenders at SANDAG after the fact.

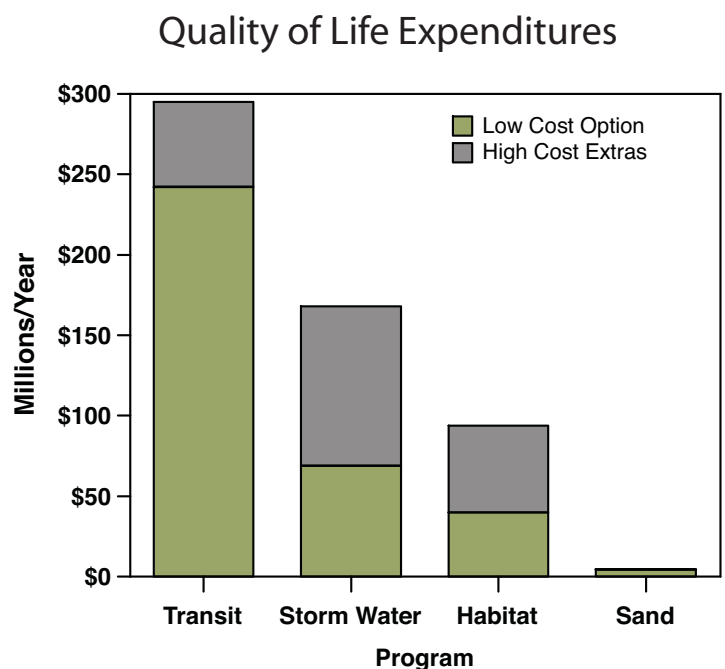
It will be really interesting to see what portion of the revenues raised from this tax would go toward environmental projects and how much will be used to help SANDAG fill the voids in its bloated, unrealistic transportation budget.

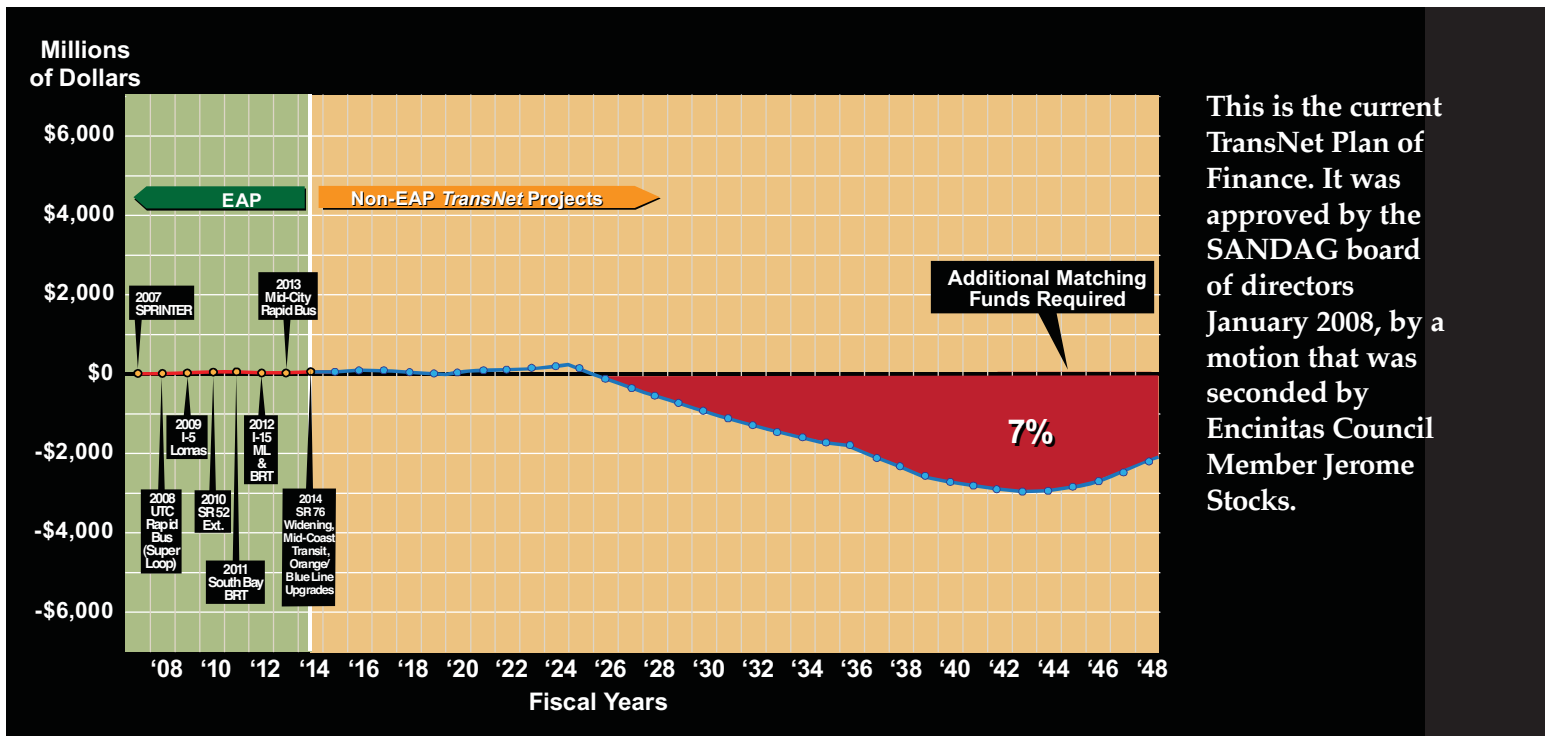
If transportation is a big portion, then my hunch is right. This isn’t a quality-of-life tax, it’s TransNet III.

Joe Sheffo
Encinitas

Quality of Life Breakdown

It turns out that Sheffo’s instincts were correct. The Quality of Life Tax (QoL Tax) is being developed to fund many more things than originally required by TransNet II’s provisions. Transit funding dominates the QoL Tax expenditures in all of SANDAG’s alternatives, and is followed by storm water. Much of the things funded in the storm water program are already funded by cities’ general funds. Similarly, much of the habitat funding is already paid for in TransNet II. There is also a tiny portion going to sand replenishment.





This is the current TransNet Plan of Finance. It was approved by the SANDAG board of directors January 2008, by a motion that was seconded by Encinitas Council Member Jerome Stocks.

TransNet Budget

TransNet I was approved in 1987 and expired in 2008. SANDAG could not fund all the TransNet I projects they promised to voters. TransNet II was passed in 2004 with the promise to first fund all of the TransNet I leftovers.

Even before SANDAG began collecting TransNet II revenues they had already borrowed \$600 hundred million against this future revenue stream. By the time SANDAG began collecting the new tax, SANDAG was projecting a \$1.2 billion deficit. This projection was made *prior* to the wider economic downturn, and does not base its projections on a long-term economic slump.

During the 2008 election Mayor Jerome Stocks produced campaign literature that claimed he always approves balanced budgets. Stocks is also the city's representative at SANDAG. When asked to reconcile his campaign literature with the TransNet budget he wrote that his campaign statements did not pertain to his actions on regional agencies.

At the surprising request of Jerome Stocks, we have included his complete response as an attachment to this newsletter. (see page 11)

Encinitas Taxpayers Association Recommendation

We are beginning to formulate a recommendation regarding this issue. It is clear that SANDAG should begin developing plans to address the long term deficit. Now. The deficit is being created by the current SANDAG members and should be addressed by them, not pushed off to future leaders.

If a plan to plug the deficit is not developed, should projects or programs come off the list of promised projects? Should TransNet's list of promises be amended and a new list be approved by the voters?

The executive director of SANDAG says revisiting the list would be a bad idea because it would create a competitive atmosphere between cities for the funding and reduce the collaborative interaction now enjoyed. Unfortunately, without enough resources to complete all the projects there is competition already, even if some parties don't realize it.

We hope to refine our position on this issue after hearing from our members. Please send us your thoughts.

Recent Taxes and Fees

On September 25 the Encinitas City Council voted against endorsing the regional fire tax ballot measure, which ended up losing at the polls. Their opposition was out of character for the established members of the Encinitas City Council. Here is a partial list of recent measures:

Year	Measure	Supporters	Notes
2004	Half-cent TransNet general sales tax for transit, street maintenance, freeway expansion.	Dalager, Stocks, Houlihan, Guerin, & Bond	There is ample evidence that the council and staff did not adequately review the measure before endorsing it.
2005	Increase in property taxes for street landscaping and lighting.	Dalager, Stocks, Houlihan, Guerin, & Bond	Citizens were told the city could not afford to keep all the lights on.
2004	Clean Water Fee	Dalager, Houlihan, & Guerin	It was an illegal fee and was retracted after ETA members pursued a legal challenge.
2006	Prop C "Clean Water" Tax	Dalager, Stocks, Houlihan, Bond, & Guerin	The measure promised no new services, only a new fee.
2010	Quality of Life Tax	Stocks (passive support)	Support for a "Quality of Life" sales tax is written into the fine print of the TransNet. A tax larger than required is being promoted by SANDAG.

San Dieguito Water District Independence

Before the election we asked the council candidates if they felt the San Dieguito Water District (SDWD) should be independent from the city council. *Their responses are on the ETA website.*

Efficiency

Most candidates discussed how it was financially efficient to have the city council act as the board of directors for the water district. They did not clearly justify their statements, so their positions were difficult to analyze.

Some candidates may have been underinformed about the issue. The direct cost savings to the SDWD may be minor. There are no savings in payments to the council members as they are paid the same as an independent board would be paid. The top two city staff positions and SDWD are currently shared between the city and the water district.

Perhaps, this is where the savings could be realized, however these positions could be turned into a single SDWD position. No other changes would be necessary unless there was a direct benefit to the SDWD ratepayers.

Ratepayers Subsidizing the City

There was almost no recognition among the candidates that the financial links between the city and the SDWD have not been independently reviewed.

The water district can raise rates more or less at will, whereas cities have to go to a vote of the people to raise taxes. Other cities without an independent water board have shuffled costs over to their water districts and then raised water rates to cover the additional expense. Ratepayers rarely know.

In the case of Encinitas, the situation is worse than other cities because the SDWD only covers the western half the city, thus unfair water rate increases are unevenly distributed across the

city. Western Encinitas subsidizes eastern Encinitas. An independent water board member could review the following:

- The SDWD lets the city use its property at no charge.
- The SDWD is involved in city *park* bonds.
- The SDWD gives a discounted water rate to the city.

- The city council made the SDWD pay an unfair share of the cost for the city's new \$9 million dollar public works yard.

Recommendation

The indirect benefit of an independent voice on the SDWD could be immense. We ask the council to consider adding at least two independent members to the San Dieguito Water District Board of Directors.

Smart Growth

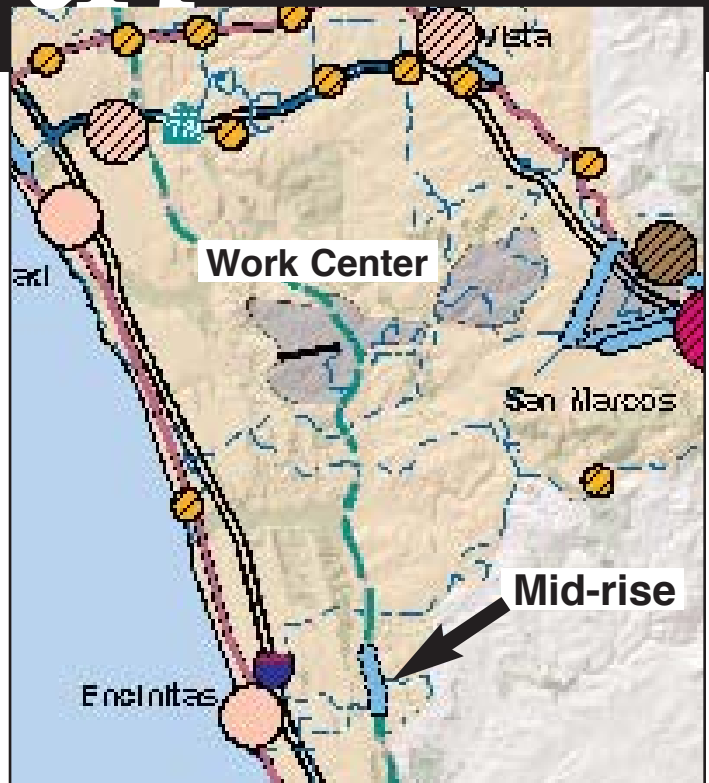
TransNet II includes \$280 million in incentives for high density development. The incentives can only be used in certain locations identified on SANDAG's smart growth map. The areas are sprawled out across the county. In north county, most are *not* adjacent to work centers and are spread out along transportation corridors (color maps can be downloaded on the ETA website).

Several ETA members recently attended a SANDAG meeting on this topic. Here is an excerpt from one of their reports:

// I asked about areas of proposed mixed use in Encinitas. I was shown downtown Encinitas and the El Camino Real corridor. And building height? Well, low-rise to mid-rise. I asked what that means. Low-rise is 1 to 3 stories and mid-rise is 4 to 7 stories. I asked what is proposed for El Camino Real. Mid-rise. I then asked how all the increased traffic will be handled. A "high-speed bus line." And the proposed housing density is 20 to 40 units per acre." [The entire report can be found on the ETA weblog, 10/31/08]

The high speed bus line will only run north and south along El Camino Real and it will likely increase delays to cross traffic because the buses will be given traffic signal prioritization; the lights will turn green for approaching buses. A large bus depot is planned for the strawberry fields along Manchester Avenue.

The ETA is looking for a volunteer who is willing to follow this issue. If you are interested and would like to know more, send an email to eta@encinitastaxpayers.org.



Notes on the Hall Property Park

The Hall property park may end up being the city's largest capital improvement project ever. Here is an excerpt from the Union-Tribune:

Much of the public debate has focused on the park design, not the cost. The city's most recent cost estimate for developing the park – \$36.6 million to build and \$500,000 a year to maintain – is three years old. (*October 3, 2008*)

The city has saved \$9 million and has only budgeted an additional \$1 million a year. These figures don't include the initial \$18 million in bonds for the land and the annual \$1.5 million dollars in repayment costs.

The city issued the bonds without a public vote, which avoided a public debate about the debt and the park's design before the city committed 10s of millions of dollars to the park. It also allowed the city to hastily purchase the property at an inflated price.

From another Union-Tribune article: Mike Callies, a soccer coach, hopes the lawsuit and appeal won't mean more delays for the long-awaited park. "They've already dragged (the debate) out eight years," Callies said. (*November 27, 2008*)

The citizen groups opposing the sports park plan deserve some responsibility for delays to the park, however, the city council should not continue to be immune from responsibility.

In 2004, the city violated public safety and environmental laws. The neighbors noticed. The city should accept some responsibility for the subsequent lawsuit, which ended with a judge scolding the city. The judge also made it clear that an EIR would be required.

After the bulk of the EIR was complete, the city let their consultants stop working on the EIR for months. Only the council can take credit for that delay.

The planning commission denied the Hall park permits, and the rejection was appealed by city staff to the city council. The planning commission members are appointed by the city council. The delay due to the planning commission rejection should not be attributed to the neighbors.

In recent years, the city has told residents it didn't have the resources to keep the street lights on or keep our storm water clean. The city did not have enough extra money to *responsibly* finance the park's construction. The city had to borrow just to complete the library and the city hasn't been able to keep up with scheduled infrastructure maintenance.

The genesis of park delays comes from many parties, including those who are elected by the voters.



Quail Gardens Drive: The Other Park? Contrasting with the attention given to the Hall property, the council has remained silent on their plans and actions regarding the development of the city's Quail Gardens property. Originally purchased for a park in ca. 1999, it now sits empty and fenced off. In 2007, during a public meeting, Kevin Cummins requested that the council make it a goal to publicly discuss a preliminary plan for the property. The council publicly agreed but never followed through. The same request was made again in 2008 and the council has continued to avoid a discussion of this valuable piece of property. The council majority acts as if they have a plan for the site and don't want the public to know. If they plan on turning the Quail site into a park or sports field, that process should be initiated so we can get kids playing. If the property is to be sold, the city missed the peak of the market due to lack of action. To read a set of recommendations, see the 11/17/07 ETA blog post.

Easy Summer Traffic Relief

The Del Mar Fairgrounds continues to put off construction of a seasonal train stop. Point destinations, such as the fair and races, can draw a substantial portion of attendees to conveniently arrive via rail. Large numbers already arrive by bus shuttles.

Last year the Fairgrounds collected \$3.8 million dollars from parking fees. The Fairgrounds may be reluctant to give up parking revenue, but in return it would be providing a great public benefit to north county commuters. Fairgrounds traffic has a big impact on I-5 commuters.

The Fairgrounds is operated by the 22nd Agricultural District and the Race Track Authority, which are secretive government agencies. At this time, the 22nd is in the process of expanding and adding a convention and hotel system to the grounds. This change will increase fairground revenues and traffic impacts.

The 22nd Agricultural District should use some of its current \$57 million budget to reduce traffic congestion along the I-5 corridor.



The Del Mar Race Track could also contribute. We do not know the size of their budget (the Race Track is attempting to keep their budget a secret). Their budget may dwarf the 22nd Agricultural district. They just started a \$15 million dollar project to cover their arena. That project will help the Fairgrounds complete a year-round sports oriented facility. These government agencies have the funds to build a train stop but they are choosing to spend it on projects that increase congestion.

As government agencies, the Fairgrounds have the added responsibility to act for the public good. Increasing transit use and reducing traffic congestion would be one of the most widely appreciated impacts that these agencies could easily achieve through new capital improvements at the fairgrounds.

Recently, citizen involvement with the Fairgrounds has been able to facilitate action on the seasonal train stop concept. There is a ripe opportunity for a small amount of citizen involvement to have a big impact on our community. We are looking for an ETA member to volunteer to follow this issue and be an ETA spokesperson at occasional fairground meetings. If you are interested in this issue let us know at eta@encinitastaxpayers.org.

A color version of this newsletter can be downloaded at www.encinitastaxpayers.org.

From the Recognition Archives

Government entities such as the Metropolitan Water District (MWD) have very distant accountability to the voters. It is easy for them to run astray and just as easy for it to go unnoticed. We give some credit to Council Member Bond for attempting to put an end to a money pit project that was developing at MWD.

The Howard Jarvis Taxpayer Association shares this report with the ETA:

The Metropolitan Water District has just approved a nearly \$5 million bailout of its languishing water museum on which \$16 million has already been spent. The MWD, which supplies water to millions of thirsty Southern Californians, is a semi-autonomous public agency. This means that no one is really in charge or accountable.

This is how a \$21 million water museum in the middle of

nowhere — it is 90 minutes from San Diego and two hours from Los Angeles — gets built at rate-payers' expense.

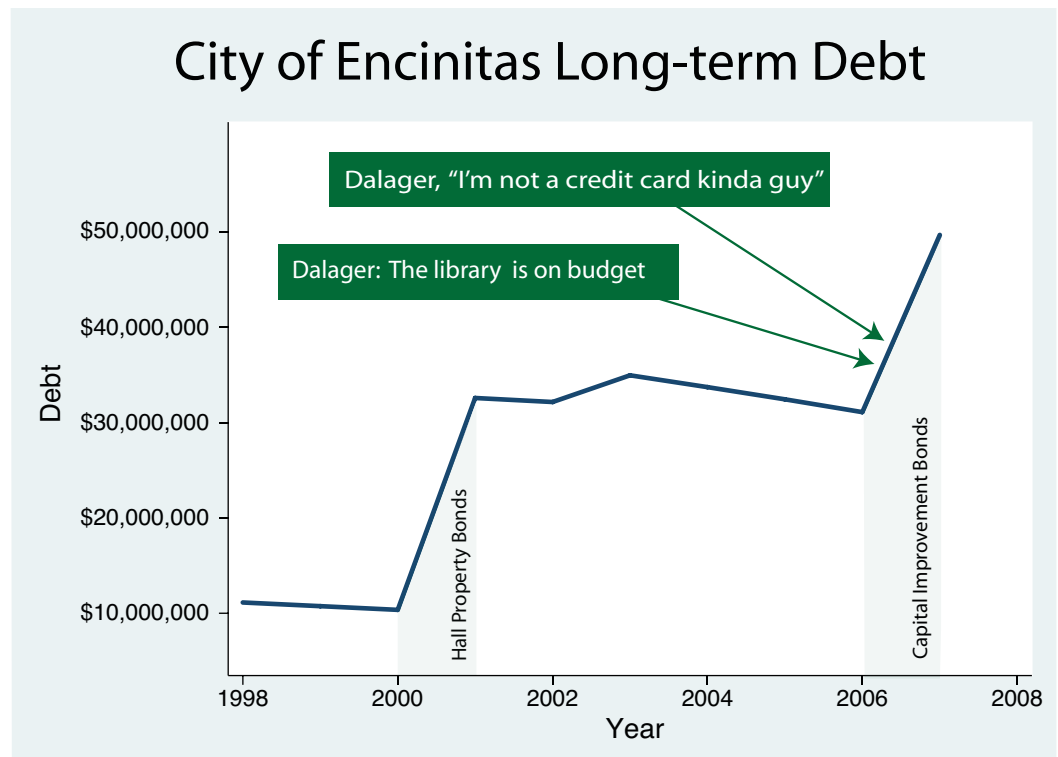
The public would benefit from knowing just how dependent we are on water, how difficult it is to obtain and how vital is its conservation. However, should rate-payers have to pony up \$21 million for a failing museum dedicated to this purpose, when, for minimal cost, flyers could be included with rate-payers bills and for a few thousand dollars more, a superb educational website could be established?

If MWD directors really feel compelled to spend our money on exhibits, how about something connected to the existing, and quite excellent, Los Angeles Museum of Science and Industry? Alternatively, to reach out to remote areas, a traveling exhibit could be established at a fraction of the current museum's cost.

However, to those members of the Los Angeles City Council and the Los Angeles County Board Supervisors who have just approved the downtown grandiose Grand Avenue Project, \$21 million is small potatoes. Public land — on a 99-year lease — and \$66 million in tax subsidies will be provided for this mega-high-rise-development. Supervisor Michael Antonovich has been the sole opponent and voice of reason among local elected officials, who have moved like stampeding cattle to do the bidding of billionaire developers and approve this project.

Council Member Bond stood with Antonovich in an unsuccessful attempt to stop the bailout of MWD's water museum. Since this report was written the museum has been closed.

At a Glance



ETA Blog Excerpts

www.encinitastaxpayers.org/blog

No Break for Local Businesses

This ballot measure (TOT Tax) provides an opportunity to improve the profitability of local businesses and the desirability of Encinitas as a tourist destination. Council voted against a break for local businesses. (5/24/08)

We Can't Have the Data

We wanted to conduct our own analysis. The Assistant to the City Manager told me he wouldn't provide the raw data because he didn't see any reason to get it from the survey contractor. (1/1/08)

History of Consent Calendar Misuse

It is of concern that Mayor Dalager put a \$459,000 contract on the consent calendar. The contract was for the design of a proposed [and never to be built] public works yard on land the city does not own. Ecke owns the property. (3/21/08)

UCSD Economists Address Crisis

What to expect from real estate values? The futures market is betting on the drop going back to 01-02 values. When would it return to 06 values? Many, many years.

Professor Valkanov ended on the question of how long it would be before you could buy a La Jolla house for a Claremont price? He said, "I don't know, maybe a year." (10/04/08)

Consultants Sabotaged

The consultants were brought in to address the growing lack of parking in the downtown area. The meeting included a bit of bombshell. NCTD, which owns the biggest parking lot, is considering restricting parking. This was revealed by a member of the public. (9/14/08)

Dealer's Cards Face Down

Why does the city council majority continue to keep the law a secret? (6/22/08)

Staff is Wiser than Council

The council gave staff a 15% raise over 4 years. It should be sobering to the taxpayer that staff actually cheered the council's unanimous decision. (9/20/08)

UPCOMING ETA EVENTS

Membership Meeting. January 25, at 6 pm. Agenda: Planning for the upcoming year and Board of Directors election. If you are interested in being on the Board of Directors please email Secretary Maclure(eta@encinitastaxpayers.org). For location and details, email kcummins@encinitastaxpayers.org.

BRIEF UPDATES

As reported in the August newsletter, the city set aside \$100k to create a new **road maintenance schedule**. The city has yet to begin the project.

The **library** is still without a theft deterrent system.

The Arts Commission had requested public input on a new piece of **public art**. Sixty residents submitted responses to the ETA art questionnaire. These were forwarded to the city. It turns out that the new art had already been commissioned and was under construction while comments were being gathered.

City officials have made no indication that they intend on adopting a **real-estate transaction policy**.

ENCINITAS TAXPAYERS ASSOCIATION

PAST CAMPAIGNS

MEASURE	POSITION	SUCCESS
Proposition AA/BB - Attempt to lock in general plan	Against	Won
City staff salary schedule reduction (equal to other cities)	For	Won
City council retirement benefit package	Against	Won
Secondary sewer treatment	For	Won
Abandoned automobile legislation	For	Won
Redevelopment district for coastal area	Against	Won
Home Depot election	For	Won
Ecke Ranch development election	For	Won
Adequate ambulance service for Encinitas	For	Lost
Paramedic firefighters on all fire engines	For	Won
Trash contract without open bidding	Against	Lost
Cardiff school bond election (no plan)	Against	Won
Cardiff 2000 school bond election	For	Won
City increase in TOT TAX for sand (no city commitment for sand)	Against	Lost
City library downtown	For	Won
Early fire detection and alarm	For	On-going
Prop A - Rezone Ecke agriculture land	Against	Won
Lighting and landscaping fee increase	Against	Won
Prop C - Water TAX (no new services)	Against	Won

Continued from page 3

Below you will find an email that was sent to Mayor Stocks to gather information for this newsletter. Stocks' response follows. We offered to allow him to write a less informal response to be placed in this newsletter and we asked him some follow-up questions. To our surprise, he chose to have his original response published. He never addressed our follow-up questions. Some of those questions are shown to the right of the email.

From: Kevin Cummins
Sent: Tue 12/30/2008 7:07 PM
To: Jerome Stocks
Subject: balanced budgets

Jerome, One of your campaign statements was that you always vote for balanced budgets. The SANDAG plan of finance for TransNet II is projecting a huge long-term deficit, and that was before consumers pulled back on spending. How do you reconcile those two things?
Kevin

From: Jerome Stocks
<JStocks@ci.encinitas.ca.us>
Date: December 30, 2008 9:19:38 PM PST
To: KMC
Subject: RE: balanced budget

Hi Kevin,
That question is so twisted I am tempted to think you should seek professional help. I was elected to our City Council, not SANDAG. And my campaign literature reflected my actions as they pertain to our City finances, not regional agencies. But seriously, the City has a budget which is in balance as does SANDAG, and both have healthy levels of reserves.

However, as you must be well aware the Transnet II and the RTP have constrained, reasonably expected, and unconstrained plans. The Transnet measure is based upon 40 year projections. Our recent sales tax results are just that, recent and temporary in nature, unless one is projecting a 30-40 year recession! Is that what you are predicting? SANDAG's recent successes with the TCIF funding @ \$400,000,000 is well beyond reasonably expected...

The bonds haven't been floated yet, but they will be. And more will likely come from the next administration. From my perspective, it's all a balance. You don't care to see it that way? That's fine. We'll see how it all turns out in the long run. By the way, despite your best efforts Prop K passed with about 76% yes vote... So I guess you're not always exactly right, right?

Happy new year,
JS

Questions and Comments Sent to Stocks

The questions have not been answered.

Are you saying your statements are consistent with your history with the city, but have no bearing on your history with the regional agencies (e.g. SANDAG, NCTD)?

Is it true that the city was saying it might have to turn the lights off if the lighting and landscape fee increase didn't pass?

I'm told that the projections are not based on a protracted recession scenario and it is a mistake not to run the numbers under a protracted recession scenario. Hope for the best, plan for the worst.

I haven't done a plan of finance analysis... yet. I'm using SANDAG's own analysis.

Does that change the TransNet budget in any substantial way? Eliminate the deficit? Let me know if it does, because all indications are that it doesn't.

I agree, and I like quantitative balances. There is no indication that TransNet is balanced.

It would be better to be proactive. Earlier, rather than later.

Neither Cummins or the ETA campaigned against Prop K.

ENCINITAS TAXPAYERS

SINCE 1986

ASSOCIATION

Formed in 1986 as a watchdog organization.
The ETA promotes good government practices and sound public policies.
It is nonpartisan with a proud history of a diverse membership base.

Kevin Cummins
President

David Ross
Vice President

Delores Loedel
Treasurer

Jerry Maclure
Secretary