

Wednesday, October 12, 2005

## La Habra voters deserve a break

One of the less-pleasant habits of government is wishing to extend a "temporary" tax, making it permanent so it never need come under scrutiny again. This is what's happening with Measure G, on the Nov. 8 ballot for La Habra voters, who should think twice before giving the green flag.

The story of this tax began in 1992, when the City Council enacted a 6 percent utility users' tax. Voters also approved it in 2002. It is set to expire on Dec. 31, 2007.

The good news is that Measure G would cut the tax to 4.5 percent (effective July 1, 2006). The bad news: Measure G would make the tax permanent. Affected utilities are water, electricity, natural gas, telephone and cable TV. Exemptions for low-income seniors and the disabled would be continued.

The city says it needs the tax to maintain existing city services, which have been so excellent they have precipitated, as the ballot statement argues, "dramatically increased property values." Of course, such values have gone up everywhere in Orange County.

The tax has been bringing in about \$4.7 million a year in recent years, city Finance Director Jim Sadro told us, including fiscal 2003-04. If Measure G is passed, that would drop to about \$3.8 million a year.

Our analysis of the period the tax has been in effect shows that La Habra's city government spending has been growing faster than the combined rate of inflation plus population growth, a good rule of thumb to use to evaluate spending growth.

To keep government spending in check, it just makes sense to limit spending increases to the rate of inflation plus population growth.

From fiscal 1994-05 to fiscal 2003-04 (the latest numbers available), the consumer price index in Orange County rose to 189.4 from 153.7, according to Chapman University economist Esmael Adibi. That's up 23.2 percent. Population grew 14 percent to 61,454 in 2004 from 53,980 in 1995, according to the city.

The combination of inflation and population growth equals 37 percent for that period.

How does that compare with the actual increase in La Habra city government spending? Total government expenditures during the equivalent period rose 94 percent to \$44.9 million in fiscal 2003-04 from \$23.2 million in fiscal 1994-05.

Tax receipts rose as well, up 52 percent to \$20.1 million in fiscal 2003-04 from \$13.2 million in fiscal 1994-95. "It's a pretty healthy trend line," Steven Frates, senior fellow at the Rose Institute of state and local Government at Claremont McKenna College, told us. (The city gets other revenue besides taxes; most of those other revenue also were up significantly.)

It's clear from the numbers that the city's revenues and expenditures have been rising at a fair clip faster than the 37 percent increase in city population plus inflation in the period reviewed.

La Habra voters should give themselves a break by not extending this tax, especially because it would become permanent. The city can tighten its belt a little.

Vote **No** on Measure G.