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COLUMNS  
**COMMENTARY**  
EDUCATION  
ENTERTAINMENT  
FOOD & WINE  
HEALTH & FAMILY  
HOME & GARDEN  
INVESTIGATIONS  
LIFE, ETC.  
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MULTIMEDIA  
NATION & WORLD  
OBITUARIES  
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TRAVEL  
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## COMMENTARY

Sunday, May 22, 2005

### Garden Grove's golden dreams



#### Steven Greenhut

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*Once upon a time there was a middle-sized city, not far from the Magic Kingdom, that bemoaned its lack of revenues and which set out to build for itself Great Edifices that would draw the masses and thereby fill the city's coffers with gold.*

*So the Council built six large lodges hoping that visitors to the Magic Kingdom would stay in their fair city. But woe unto the Council, as the lodges provided only a pittance of the promised gold. The kingdom's magic seemed to end at the city line.*

*So the high Council declared, "We must build our own Attractions and then the hordes will come and then they will spend their money in our city, called Garden Grove."*

*They proposed to build a Great Riverwalk, but not even an overflowing storehouse of gold could fund it. So the Leaders declared, "We must build a Theme Park," but that, too, failed, after citizens of the city refused to let their homes be razed to make way for it. So now, once again, the Leaders of the city have an idea.*

*"We must build ourselves a Great Casino in the heart of our town to draw the masses to it. It will be run by those we call Indians." And if the citizens object, the Leaders have another idea: "Two new taxes must be paid by those who live here, lest our city face financial ruin."*

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*And that's where our story begins. It is not a fairy tale, although it is fairly grim.*

**CHAPTER 1: THE 'CRISIS'**

As the introduction to our tale explains, Garden Grove has long viewed itself, in the words of one past councilman, as the hole in the donut. The cities around it have attractions: Anaheim has Disneyland and the resort area, Huntington Beach is Surf City, Santa Ana is the county seat. The goal has been to fill that hole with something big, and now officials are turning, for the second time actually, to a casino. And they are using a financial pinch to raise the urgency.

This is the latest in the city's longstanding efforts to bring new revenue to town. While most cities like to brag about their strong financial position, the city of Garden Grove has been forthright in admitting that it is in deep financial doo-doo. City Manager Matt Fertal, with the support of the City Council, has established a Fiscal Blue Ribbon Committee to find solutions to this impending fiscal crisis.

The Blue Ribbon Committee, with members picked by the city manager, has been spoon-fed a steady diet of propaganda. Slick PowerPoint presentations detail the lack of revenues flowing to city government. City staff called for committee members to come up with their own ideas, which will then be presented to the public, but most every city presentation ended up tilting toward three ideas in particular: a casino, a public safety tax and a utility tax. And the city manager has tried to keep the lid on these discussions.

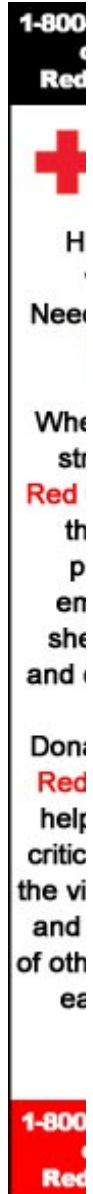
"They are making it appear as though they put together a committee of well-intentioned citizens and community activists and that, on their own, they came up with the proposal for a casino and to create two new taxes," said Blue Ribbon Committee member Tony Flores, a former candidate for mayor. "But city officials fed it to us for four and one-half meetings. They did not these ideas on us."

Fertal argues, "Certainly, that's not the case." He is dismayed at public discussions of the committee makes its council presentation at the end of the month, and argues that committee members have cc these ideas after realizing there is little left to cut in city government.

In its presentation to the committee, the city said: "Although we have made great strides in improving base of the city, we are still not able to keep pace with the increased cost of services." Officials blame federal and state mandates, property-tax-limiting Proposition 13, the state's dollar grab from local gov early 1990s and rising labor costs. City staff predicts a \$12 million deficit by fiscal year 2007-08 in an budget of about \$159 million.

**CHAPTER 2: THE TRUTH**

Garden Grove is hardly the only city that has had to deal with the aftermath of Prop. 13 in 1978, which was one of the best measures passed to control excessive taxation. Every city also has had to deal v



fundingshifts and unfunded state and federal mandates. But rather than hunker down and keep a lid on Garden Grove embraced the fairy tale idea that it could get the Big Score - luring a major attraction to

It threw itself into redevelopment, floating large amounts of debt to pay for corporate subsidies for va especially hotels designed to cater to Disneyland crowds. It has been one of the worst abusers of err on behalf of redevelopment in the process, which has chased away small businesses and middle-class homeowners.

The hotel-building spree has been less than an unqualified success. As the Register reported last year predicted in 2000 that hotels would bring \$33 million in revenue between 2000 and 2004, but instead \$13.6 million during the same period. Once subsidies and bond payments were considered, the city lost \$800,000 a year from the hotels, according to the article. In 2002, the city borrowed nearly \$23 million for a new redevelopment project area, using city buildings as collateral to fund a new project area.

The city's fiscal problems largely are a result of increased pay and benefits for city workers, especially firefighters.

"Surprise, surprise," said Councilman Mark Leyes. "The people who spend the money say we can't cut and we need more revenues." The problem, as Leyes sees it, is not Prop. 13 or unfunded mandates but redevelopment spending. "Over the last five to six years, not only did we not cut the budget, but we increased spending," he said. The council in 2001 spiked pensions for public safety officials by 50 percent.

As a bone to taxpayers, the council agreed that once pension spending consumed 13 percent of the union members would have to split the increased cost through payroll deductions. But in 2002 the council, against Leyes' the only objection - agreed that taxpayers would take the entire hit. Now the city pays 19 percent just to fund the pensions and it's expected to top 30 percent in the next budget year.

"That single line item added \$2.3 million in police costs but it does not add a single policeman, buy a feed a single police dog," he said.

### **CHAPTER 3: GOOD NEWS**

Despite these real problems, the city could make ends meet with its current revenue base.

An analysis of the city's 2003 to 2004 Comprehensive Annual Financial Report by Steve Frates of the Center for Public Policy in Claremont and the Center for Government Analysis ([www.govanalyst.com](http://www.govanalyst.com)), confirms what Frates was saying. Pension costs increased 51 percent in two years. But overall revenues are on the rise, with property taxes and charges for services (i.e., utilities) posting healthy annual increases.

Frates argues that if the city simply froze salaries and benefit increases for a couple of years (and even police officers from those freezes) that it could fix its potential mess. He notes also that the predicted deficit is fictional: The city actually will be \$12 million short of the money it would like to spend, that's all.

Frates argues the city is as lean as it can be, and is one of the lowest staffed cities.

But Frates argues that the city has been transferring wealth from the public (taxpayers) to the public employees are getting better salaries, more lavish benefits and they're wealthier," he said.

The solution is to stop the transfers, not look for more revenue from the taxpayer or gamblers.

### **CHAPTER 4: THE SCAM**

Last year, the City Council got itself into a political jam when members met with Las Vegas casino developer Steve Wynn and signed a confidentiality agreement with him. Bill Dalton, now mayor, Van Tran, now an Assembly member, and Councilman Mark Rosen agreed to the terms of those secret negotiations. Leyes was t

sign the confidentiality agreement.

It turned into an embarrassing mess for the city. Many Garden Grove residents don't want a Las Vegas in their midst, judging by initial reactions to a newspaper report. It was an election year, and in August Dalton moved, seconded by Councilman Rosen, that staff cease discussions with any casino interest. "I don't want the city to pursue any casino or gambling interest in the city of Garden Grove," according to City Council minutes passed, and yet now, staff - with the apparent consent of the council - is pushing the casino proposal committee. It's even more dubious this time around, especially since Gov. Schwarzenegger said last week he will not approve any new urban casinos. But Garden Grove seems to specialize in dubious bets! (The city is expected to be in Las Vegas this week to attend a trade show, although Flores said the city will not pursue gaming-related meetings while there.)

Flores thinks the staff had been in discussions with a band of Indians because it is serious about building a casino despite the questionable reality of getting federal and state approval. Leyes thinks the city staff might be using the casino idea to scare residents into embracing two massive tax increases. The city will say: OK, if you don't want a casino, then you are stuck with the taxes.

Whatever the motives, city staff clearly is stage-managing this "fiscal crisis" to lobby for some policies that will bring in more tax dollars to spend as it pleases.

#### **CHAPTER 5: THE FINALE**

This has yet to be written, of course, but it's time for Garden Grove residents to insist that city staff and council members stop looking for the big score, and instead focus on good governance.

Aren't there any serious, less desperate ideas to consider?

"The committee hasn't even addressed how we do things financially and no one even wants to look at it," Flores said. "That's what we should be about, that's why we should be here."

But don't expect that happy ending, not in Garden Grove, with its track record of bizarre roll-the-dice decisions. Instead, expect the fairy tale to end like this:

*And so instead of doing the Right Things and building a city based on sound finances, the Leaders continue to pursue their Great Casino ... and continued to pursue Debt, Taxes and Secrecy until the plebeians grew angry and elected new Leaders.*

*THE END*

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