

Shilling, Mona

From: Mike Robbins [mikerobbins2@yahoo.com]
Sent: Friday, January 13, 2012 3:57 PM
To: Domann, Cathy; Shilling, Mona; Mortesen, Cindy; Busch, Eric (Mayor); Fisher, Bill; Jacobson, Carl (Council Member); Brann, Don (Council Member); Fuentes, Suzanne (Council Member)
Cc: MikeRobbins2@yahoo.com
Subject: My updated public communication for the January 13, 2012 Special Meeting of the El Segundo City Council

UPDATED VERSION

Please distribute this updated version of my written testimony and public communication to the mayor and all other El Segundo City Council members, and post it in the City Council meeting agenda section of the City web site, elsegundo.org, as is customary. Thank you.

To:

Mayor Eric Busch
Mayor Pro Temp Bill Fisher
City Council members Carl Jacobson, Don Brann, and Suzanne Fuentes

From:

Michael D. Robbins
28-year resident and former city councilman

This is my written testimony and public communication for the January 13, 2012 Special Meeting of the El Segundo City Council

Honorable Mayor and Members of the City Council:

Stop the City Manager's Chevron Shakedown

I am a 28-year El Segundo resident and a former El Segundo city councilman.

I urge you tonight to stop the City Manager's Chevron Shakedown. Stop all attempts to continue the City Manager's efforts to force Chevron to pay more than ten million dollars in additional business taxes per year, or to pay any additional taxes or coerced gifts of money to the City. This looks like extortion.

If Chevron pays any additional money to the City as a result of this Chevron Shakedown, the city of El Segundo will suffer long-term damage to its reputation as a good city to locate a business. Decades of effort and expense for business retention and attraction that was initiated when I served on the City Council will be undermined.

It is unfair and dishonest to compare the tax revenues generated by the Chevron oil refinery with those generated by other businesses in the city.

The land use in other South Bay and beach cities, and I believe in most urban cities, is mostly residential and not three-quarters or more than half commercial and industrial as in El Segundo.

If the Chevron Refinery property was never developed as a refinery, then it probably would have been developed as some commercial and mostly residential, based on historical South Bay and beach city development trends.

In that case, the tax revenues would probably be much less, and the City would also have to pay to provide and maintain infrastructure and services for twice as many residents at great expense that City Manager Doug Willmore failed to take into account in his seriously flawed and biased analysis.

The City would have to pay to provide and maintain additional parks, police, and fire resources, in addition to many more miles of streets, curbs, gutters, sidewalks, storm drains, street lighting, street sweeping, water and sewer pipes, trees, and landscaping.

The City would have to pay double the current cost for residential trash collection. The City would have to pay for more sewage treatment capacity at Hyperion. The City's overall traffic infrastructure would require improvement. Even City elections would cost more money.

And the El Segundo Unified School District, which the City supports financially, would have to pay to provide, maintain, and staff more schools, probably at about double the current cost.

The new City Manager, Doug Willmore, used multiple deceptive devices in his attempt to manipulate and improperly influence City Council members to support his Chevron Shakedown for more than \$10 million additional per year in business taxes. He used false premises to construct a deceptive false alternative argument, and a deceptive one-sided benefits-only analysis, rather than a true cost-versus-benefits analysis.

In his false alternative argument, Doug Willmore effectively claimed the only alternative to having an oil refinery is to have many smaller businesses paying business taxes, rather than the more likely scenario of some commercial and mostly residential. Residential land use requires significantly more city infrastructure and services.

In his one-sided benefits-only analysis, Doug Willmore ignored the cost for the City to provide and maintain infrastructure and services for residents and businesses that would otherwise exist on the massive Chevron Refinery property. Even his benefits-only analysis was incomplete, and failed to include all the tax revenues and financial and other benefits provided by the Chevron Refinery property and business operation.

And even if the Chevron Refinery property was instead developed entirely or mostly as many smaller businesses, Willmore's one-sided analysis still ignores the significant cost of providing and maintaining the necessary infrastructure and services that it does not now provide to the Chevron Refinery property.

The false alternative argument and the one-sided (cost-only or benefits-only) analysis are common ploys used to support or oppose a policy without sufficient justification.

It should be obvious by now that the claims that Chevron is not paying its fair share of taxes, that Chevron is being subsidized by other businesses in the city, and that Chevron should pay millions of additional tax dollars each year, lack justification.

The preceding arguments should be sufficient to convince the City Council to table and stop all actions to coerce Chevron into paying more money to the City, whether as taxes or as gifts.

However, extensive additional arguments are provided in the following material for anyone who is not yet convinced.

There has been a serious lack of transparency in city government under new City Manager Doug Willmore during the City employee union contract negotiations, efforts to sell or lease property in the Civic Center city block for private commercial development and use, and now in the effort to force Chevron to pay the city an extra ten million dollars per year.

Lack of transparency implies lack of credibility.

City Manager Doug Willmore irresponsibly negotiated in secret new three-year city employee union contracts that are still greatly excessive and unsustainable, and that include three

different types of pay raises (step, longevity, and conditional COLA raises), and now he is looking for a way to pay for those contracts.

The additional money from Chevron would go into the City's General Fund and would be unrestricted as to its use. And even if the money was restricted, it would still help pay for the city union contracts through a financial shell game.

The proposed Chevron tax increase would trigger the conditional Cost Of Living Adjustment (COLA) raise that the City Manager included in the new City employee union contracts, creating a financial incentive for City employees to campaign for voter approval of the Chevron tax hike.

Thus, it appears that Doug Willmore may have planned the Chevron tax hike for a long time while the union contracts were being negotiated, but waited to push it on the City Council until just before the deadline for the City Council to vote to put it on the April 10 ballot.

There is a greater need for fiscal responsibility when entrusted to spend other people's money, and also when there is potential for a financial disaster. The City has had a serious lack of fiscal responsibility, and is now trying to make Chevron pay for the City's irresponsibility.

I see the issue of business taxes as a matter of fiscal responsibility, fairness, and reasonableness.

First, I find it fiscally irresponsible, unfair, and unreasonable to raise any taxes when the City is wasting many millions of tax dollars each year on wildly excessive and unsustainable City employee compensation and pensions, even under the new City employee union contracts. It smacks of arrogance, and is like a slap in the face to the City's taxpayers.

City Manager Doug Willmore negotiated the new City employee union contracts in secret, then claimed the City is on a firm financial footing and the budget is "structurally balanced", and now he's claiming the City needs another \$10 million plus per year in tax revenues during a recession.

Something does not add up here.

Second, taxes should be as low as possible, and should be based on what City services and infrastructure each taxpayer demands and uses, and on a fair and competitive free market cost for those services. Obviously, the cost of City services provided by grossly over-compensated monopoly government employee unions is not fair and competitive.

That cost is artificially driven up by the inherent and unavoidable conflict of interest that exists by allowing government employees to unionize and engage in collective bargaining with elected officials whom the unions helped to elect and can campaign against at the next election.

There is an overwhelming imbalance of power favoring government employee unions over elected officials and the voters and taxpayers they are supposed to represent.

It is not reasonable to "justify" increasing taxes simply because some other cities charge higher taxes. Using that approach, one could improperly "justify" a personal city income tax in El Segundo because New York City has one.

Many cities are fiscally irresponsible and raise taxes because they can, often driving away productive taxpayers and jobs. A comparison of local taxes with other cities can be considered judiciously, but should not be used by itself to justify raising taxes.

Different types of land uses and businesses produce different amounts of profits and tax revenues per land area, and different types of benefits and impacts on the city and the region. Clearly, we cannot expect or require that all land uses and businesses produce the same or even similar tax revenue per land area. Otherwise, government would discourage

many essential businesses.

It is incorrect and unfair to increase Chevron's business tax solely based on their land area. As mentioned previously, the city does not pay to provide and maintain parks and many miles of streets, curbs, gutters, sidewalks, storm drains, street lighting, street sweeping, water and sewer pipes, trees, landscaping, and police patrols on the Chevron Refinery property as it would if that massive property were instead divided up into many different residential and business properties.

Although the Chevron refinery requires a robust fire response, Chevron has its own fire department as first responders, and any fire response will require substantial mutual aid support from outside the city.

However, the tall office buildings in the city may also require a substantial fire response if their sprinkler systems are insufficient and overcome. And they have many more employees than the refinery to place a potential or actual demand on the City's paramedic service.

Most of the fire department calls are paramedic calls. There are very few fires in the city each year, and they are usually small fires (e.g., trash can, bush, or car fire). There are typically zero, one, or two major structure fires in any given year (with \$100,000 or more in damage).

Third, business tax increases should not be considered in isolation, without knowing and taking into account all of the existing taxes and fees, and local economic activity and benefit created by the business.

Chevron pays property taxes, federal and state income taxes, employee payroll taxes, utility user taxes, city business license taxes, lease costs paid to the state for their marine oil terminal, regulatory fees and costs, and probably many other taxes and fees. Chevron goes out of their way to patronize local businesses, generating local sales tax revenues and helping the city economy.

Fourth, taxes should NOT be increased based simply on "wealth" or ability to pay the higher taxes, because taking someone else's money just because they have it is plain thievery. That is like an armed robber saying, "You have money and I want it, so I am going to take it from you."

The police power of government allows government to legally use violent and even deadly force if necessary to collect taxes, if a person resists to the very end. Even private businesses cannot legally force people to give them their money. Therefore, the power to tax must be used very judiciously.

Fifth (related to Third above), all taxes combined (and there are many of them) should be taken into account and should be limited. All taxes combined are already excessive, and business taxes are necessarily passed on to the consumers. Currently, there is no system or mechanism to limit all taxes combined, although there ought to be one in a free society. Therefore, it is important to avoid and minimize tax increases.

Sixth, and last, if Governor Jerry Brown and the government employee unions are successful in weakening or repealing Proposition 13 for businesses or for all property owners, to bring property valuations and assessments to current market levels, and possibly to remove property tax rate limits, then Chevron will get hit with a huge property tax increase in addition to any city business tax increase.

That concludes my written testimony and public communications for the January 13, 2012 Special Meeting of the El Segundo City Council.

Michael D. Robbins

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DISCLAIMER: This correspondence was entered on a cell phone and may contain unintended spelling or typographical errors.

[END OF CORRESPONDENCE]