San Diego, CA: “America’s Finest City” not immune to social crisis

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San Diego, the second largest city in California and the eighth largest city in the US, has historically been regarded as a city of beautiful weather with miles of beaches, a large tourist industry and many economic opportunities. For years the city has dubbed itself “America’s Finest City,” despite the stark disparities in wealth and living standards that exist in the different neighborhoods of San Diego and surrounding cities.

San Diego’s political system, suffering from bouts of corruption and ineptitude, has fallen into a state of disarray in recent years. The city workers’ pension fund has been at the heart of a complex, decades-old political scandal that will ultimately end up costing workers their retirement dollars. In the 1990s, pension trustees and city officials shorted the city’s contributions to the worker’s pension funds. This was followed by years of sweetheart deals between city officials, pension trustees and union bureaucrats meant to increase benefits for trustees and bureaucrats while putting off financial responsibility to the city’s future political leaders.

The city’s mayor, Jerry Sanders, recently proposed a deal that would drastically cut retirement benefits and raise the age of retirement for city workers hired after July 1, 2009, allegedly as an attempt to resolve the pension scandal, which weighs on the city’s budget deficit.

In an effort to prevent the measure from going on the November ballot, the 4,200-member American Federation of State, County and Municipal Employees Union (AFSCME) has agreed to almost all of Sanders’ demands. Ann Smith, lawyer for the AFSCME, boasted that they defeated Sanders’ original demand to eliminate retirement below the age of 60.

In reality, the utterly undemocratic and bureaucratic posture of the union is a frontal attack on workers. On the one hand, it fulfills the treacherous role of unions to discipline the working class into accepting heavy demands from employers. On the other, by avoiding that the measure be placed on the ballot, it effectively aims to defuse the possibility that a decision that would affect the future of thousands of working people enter the public arena, and potentially ignite a political confrontation.

Should the city council and union members approve the measure, it will heavily penalize retirees below the age of 60 and drastically diminish pay. It would also lower the maximum amount of pensions paid by the city in the form of a defined benefit from 90 to 80 percent, leaving the rest to be made up in defined contribution payments made by employees.

In addition, the agreed terms will now reduce an employee’s pension to 23 percent of his or her salary if the worker retires at age 55 after 20 years of service. Moreover, while a 65-year-old city retiree currently can receive up to 119 percent of his pay after 30 years of service, under the new proposal, the retiree will receive 83.7 percent of his pay. The savings for the city will be a total of $22.5 million per year—a sum that ultimately won’t even affect the budget deficit.

Wall Street reacted positively to the mayor’s plan. Sanders, a Republican, came to power in 2005 following federal, state, and US Securities and Exchange Commission investigations about a city bond offering that misstated its pension debt by about $1.4 billion. According to Reuters, Sanders’ spokesman Fred Sainz met with Fitch Ratings immediately after last June’s municipal elections that confirmed Sanders as mayor, in an attempt to reinstate the city’s debt rating.

The result was the reinstatement by Standard & Poor’s Ratings Services of “A” underlying rating and positive outlook for San Diego’s general obligation bonds, lease revenue bonds, and certificates of participation.

Democratic City Council Woman Donna Frye—considered a staunch liberal by city’s residents and news media—had previously opposed the Sanders’ plan, but has recently come out in support and has asked the labor unions to do the same.

AFSCME Local 127 President Joan Raymond has never put up resistance to the plan to cut workers’ pensions. Her objections to Sanders’ demands have been merely on the basis of language used rather than the devastating implications on the life of retirees. The Mayor’s plan should be seen for what it is: a ruthless attack on one of the most vulnerable layers of the working population, the pensioners.

While the pension trustees and union bureaucrats have manipulated the pension fund issue to fatten their own pockets, significant cuts to workers’ standards of living are being implemented to cover for illegal behavior, incompetence and corruption on the part of a few city officials and pension trustees whose interest is ultimately lined up with Wall Street.

The state of California, with a GDP of $1.8 trillion in 2007, has the largest state economy in the US and represents the 7th largest economy in the world. Per capita income in 2006 was ranked 11th in the nation at $38,956, ranging from $113,595 in Belvedere, Marin County, to $8,108 in East Compton, Los Angeles County.

San Diego County has a similar degree of polarization, from a high per capita of $113,132 in Rancho Santa Fe to a low of only $11,114 in Camp Pendleton South.

Recent studies analyzing the city's unemployment rates, student dropout rates, foreclosure rates and home prices show that San Diego is far from immune to the developing social crisis nationwide. The population has been increasingly exposed to the economic and financial deterioration that engulfs California and the US as a whole.

The high cost of living in San Diego is nothing new; it has long outpaced the wages of workers in the poor and working-class neighborhoods of the city. This has contributed to poor living standards for large segments of the population, a large and growing proportion of which lives below the official poverty line. According to the most recent federal Census data, an estimated 15 percent of the city's population lives in poverty; the realities are much harsher in the worst-off working class neighborhoods where poverty and all its accompanying miseries are concentrated.

San Diego's housing industry benefited from the use of sub-prime mortgages perhaps more than any other city in the US. Foreclosure rates in San Diego rose over 35 percent from 2006 to 2007, setting an all time record, and they have only continued to climb in 2008. The increasing amounts of foreclosures have further depressed home prices, which have fallen as much as 43 percent in some neighborhoods. Poor and working class neighborhoods, where the median incomes are nearly half the County average, have been hardest hit by depreciation in home prices—notably in Logan Heights (-42 percent), Golden Hill (-39 percent), San Ysidro (-32 percent) and National City (-32 percent).

The City's main daily newspaper, *The San Diego Union-Tribune*, reports, "In the 15 San Diego County ZIP codes that posted the steepest price declines, roughly 45 percent of the home loans made in 2005 and 2006 were subprime... Further, two-thirds of those loans were made to minority buyers."

The statistics showing the poor state of the housing industry in San Diego come on the heels of staggering figures released by the California Department of Education. The report estimates that 22.9 percent of students will drop out within a four-year period, with the single year rate estimated at 6.2 percent. The study shows that 41.6 percent of African-American students, 30.3 percent of Latino students and 15.2 percent of white students are estimated to dropout between 9th and 12th grade. The figures reveal a connection between dropout rates and socio-economic conditions. Regardless of race, students who drop out are more than likely from poor and working-class families.

Student dropout rates cannot be analyzed outside the context of the State of California's attack on the public education system. Year after year, the California state legislature cuts public education spending, while ample funds remain for prisons, as well as state politicians' salaries, which are among the highest in the nation. (See: "The California budget and the crisis of public education")

According to the Bureau of Labor Statistics report on unemployment for June 2008, the state of California is now tied with Mississippi for the third highest official unemployment rate in the nation at 6.9 percent, a 1.6 percent increase from June 2007. Although the unemployment rate in San Diego remains slightly below the state average, numbers for June (5.9 percent) have reached a 12-year high in the county. Many of the city's jobs are in the service and tourism sectors, both of which will face more job losses at the end of the summer when tourism season ends.

The critical decline of the housing market has played a prominent role in the job losses occurring in San Diego. As the *San Diego Union-Tribune* recently noted, "Since June 2007, San Diego County has lost 8,500 construction jobs and 5,500 jobs in the financial sector, mostly related to real estate and mortgages."

The dismal state of the economy in San Diego is worsened by the city's unbearable cost of living. Gas prices in San Diego are some of the highest in the country, at $.30 per gallon above the national average. Food prices, like in the rest of the US, have skyrocketed and are in many cases unaffordable for large segments of the working class, especially its immigrant communities.

Rising unemployment rates, high student dropout figures, abysmal foreclosure incidence and falling home prices cannot be properly understood when considered as separate problems. These indicators unequivocally and collectively reflect the growing crisis of the world capitalist system.