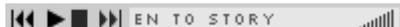




As Hemet hits bumpy economic road, San Jacinto sails over potholes



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By GAIL WESSON
The Press-Enterprise

It's a tale of two cities that share the same valley bordered by mountain vistas. The bigger of the two has lured shoppers for decades from the other side of the city limits generally along Commonwealth and Esplanade avenues.

Both Hemet and San Jacinto benefited from the four-year housing boom. Smaller San Jacinto also for the first time benefited from a spike in commercial development that led to the opening of three new shopping centers in the past year to serve its growing population.

Centers such as the new Wal-Mart Supercenter on San Jacinto Avenue started siphoning sales tax dollars from Hemet to San Jacinto, where city leaders, used to lean times in the past, set aside a large reserve of 15 percent in its operating expense budget. Sales tax revenue increased by more than \$400,000 in 2007-08, according to City Manager Barry McClellan's budget message. New sales tax growth is estimated in the \$100,000 range for the new fiscal year.

With development activity plummeting, both cities tackled 2008-09 budget preparations in recent months. San Jacinto appears able to glide over the bumps in the road while Hemet has hit the potholes, with layoffs and an eye to cutting some services.

"There is a battle for that sales tax," San Jacinto Mayor Jim Ayres said. "I think for the first time in a long time, they're looking over their shoulder and see us coming."

Hemet Interim City Manager Len Wood noted in his budget message that from 2006 to 2007, sales tax revenue declined by 8.8 percent, led by decreases in auto and discount department store sales, the city's top two tax producers. He attributed the auto tax declines to a nationwide trend and the discount store declines to the economy and the opening of the competing Wal-Mart.

"For a long time, we didn't have any money and now we do," Ayres said. "It's been kind of nice not to say 'no.'"

But that doesn't mean the city isn't watching sales and property tax revenue projections carefully.

"We really need to keep monitoring these receipts so we don't get caught," Vice Mayor Chris Carlson said at the June 5 San Jacinto council meeting. Revenues also include special taxing districts in the city that could be affected by property defaults.

The San Jacinto council approved a 2008-09 budget June 5 that projects \$16.75 million in general fund, day-to-

day operating expenses. The total budget, including restricted funds, special districts and capital projects, totals \$81.1 million.

Unlike some other cities faced with tough economic times, San Jacinto is not laying off employees. There are four development-related positions that remain in the budget, with no plans to fill them. Some have been open for more than six months, McClellan said by phone. Not filling those posts will save the city almost \$351,000.

In the past two budget years, the city added seven sworn police officers, bringing the total to 50. No additional officers will be added in the new budget year.

San Jacinto's budget also includes \$6.4 million in new capital projects and almost \$33 million in projects in progress.

Continuing projects include the widening of Sanderson Avenue between Esplanade Avenue and the Ramona Expressway, now in the design phase; rehabilitation work on the Ramona Expressway between State Street and Lake Park Drive, with construction expected to start by the end of 2008; and more sidewalks for downtown neighborhoods in the fall.

New capital projects include \$750,000 for Sanderson Avenue pavement rehabilitation, a traffic signal for the intersection of Kirby Street and Cottonwood Avenue, \$1 million for more downtown sidewalks and \$1 million for various waterline and other infrastructure upgrades, according to a report by City Engineer Habib Motlagh.
