



# SALES TAX LOSS

**BUDGET & SERVICE REDUCTION PLAN**

# Presentation Outline

An in depth analysis of the critical point ahead for National City

- Overview and current situation
- What National City has done
- What National City is doing
- What National City will have to do if...
  - Sales Tax Loss – Service Reduction Plan Phase I  
Immediate administrative actions
  - Sales Tax Loss – Service Reduction Plan Phase II  
Long term strategy and recommendations
- Conclusion and Council Discussion

# Why National City is Thriving

There are good reasons for past and current success in National City

- Citizen and business support for district sales tax
- Residents, workers, & visitors pay fair share
  - ▣ \$8.2 million in annual temporary revenue
  - ▣ Estimated \$5 million from out-of-towners
  - ▣ Additional 1.4 million persons per year due to daytime population doubling

# Why National City is Thriving

There are good reasons for past and current success in National City

- The district sales tax does not apply to food/groceries, medicine, rent, mortgages, or utilities
- District sales tax does not apply to cars, planes, motorcycles, and boats unless you are a National City resident (per State law)
- The sales tax rate of 8.75% is broken down as follows:
  - State of California- 5%
  - County of San Diego- 1.75%
  - City of National City- 1%
  - National City District Sales Tax- 1%

# Why National City is Thriving

There are good reasons for past and current success in National City

- City Council vision & teamwork
- Significant private investment in larger projects due to our location and competitive advantages
- Partnerships, innovation, & risk taking
- Talented and committed employees

# Consistent and Transparent

Four years of steady progress and open communication

- Organization and financial systems focused on strengthening General Fund
- Redevelopment and Infrastructure funds are healthy
- General fund is sick without district sales tax
- 2006 City Council initiative to enhance services especially public safety
- Consistent dialogue with community
  - ▣ Neighborhood councils, schools, labor groups, employees, businesses/chamber, service organizations, media
- Audited Financials with minimal findings

# Watching the District Sales Tax

Vigilant stewards of the taxpayers investment in National City

- Revenues are tracked separately as promised
- Monitored potential negative impact
  - Gross sales receipts increased in 1<sup>st</sup> qtr of 2008
- Validated conservative projections
- Saved money every year for the past four years
  - Reserves increased from \$4.4 to \$9 million
- Set priorities through strategic planning
- Restored and enhanced services as promised

# Critical Point Again – Survive or Thrive?

## Sales Tax Loss & Service Reductions

- Estimated \$80-\$100 million lost over 8 years without district sales tax
- Current economic crisis affects everything
  - Local – Car and lumber sales are down dramatically
  - Regional – State budget is forcing local bailout (\$1 million today and \$9.9 over last 10 years)
  - National – Grants, credit markets (bonding)
  - Global – Binational region hit harder



# Critical Point Again – Survive or Thrive?

## Sales Tax Loss & Service Reductions

- Continue completing projects that bring long term community benefits
  - ▣ Library, Fire Station, Education Village, Swimming Pool, Art & Culture Center, Marina Gateway, Affordable Housing, Skate Park, Soccer Field

OR

- Postpone or cancel major projects due to lack of operating revenues and increasing costs
- Prepare for drastic service reductions (25%)



# WHAT NATIONAL CITY HAS DONE

City Council Vision, Priorities, & Direction

# What National City has Done

Implemented City Council Vision, Priorities, & Direction

- Service levels higher – 7 day services, new citizen friendly website launched, new facilities
- Safety dramatically improved – 0 DUI traffic fatalities in 4 years, 0 gang related in 2 years, 0 homicides this year (approximately 75 cents of every general fund dollar goes to public safety)
- Improved emergency response through implementation of paramedic service

# What National City has Done

Implemented City Council Vision, Priorities, & Direction

- Image of the City being improved through branding and communications plan
- Technology – website, security cameras, library computer lab
- Community engagement via newsletter, neighborhood councils, website, & information trailer
- Community and cultural events
  - 2<sup>nd</sup> annual National City Week
  - Public Safety Fair
  - 4<sup>th</sup> of July/International Fair & Parade

# What National City has Done

Implemented City Council Vision, Priorities, & Direction

- Organizational efficiency
  - ▣ Function as one City – organizational agility
- Flattening of administrations
  - ▣ Less executives (16 to 12) – merge of CDC
- Rebuilding and adding to a 121 year old city
  - ▣ Aging Facilities Improved
- Infrastructure being repaired and rebuilt
  - ▣ “Unseen” improvements ensure systems work

# What National City has Done

Implemented City Council Vision, Priorities, & Direction

- National City has grown by \$1 Billion in assessed value over the past four years
- Created \$500 Million in new private and public investment – housing, retail, industrial
- Strengthening and diversifying our tax base to fix structural deficit within 10 years
  - ▣ We must grow revenues AND cut expenses



# WHAT NATIONAL CITY HAS DONE

Specific Actions to Address Fiscal Sustainability

# What National City has Done

## Specific Actions Taken to Address Fiscal Sustainability

- Identified and communicated our fiscal problem and developed solutions
- Council adopted 5 Year Strategic Plan for Development and Sustainability
- Conservative forecasting and completed audits as required by law with minimal findings
- Saved money every year for past four years doubling reserve from \$4.4 to \$9 million
- **Finishing projects that will provide \$2 million new dollars annually to General Fund for services**
  - **40 + stores at Plaza Bonita Mall, Marina Gateway Hotel, Paradise Village 498 Unit development**



# What National City has Done

## Specific Actions Taken to Address Fiscal Sustainability

- Realized cost savings and better utilized office space by moving Section 8 into MLK Community Center
- Eliminated executive positions and management salary increases (2002 last management increases)
- Reviewed our retirement obligations and implemented new employee contribution program (M.E.A.) – pension funding is sound at 89% (Safety) and 92% (M.E.A.)
- Contained retiree health care costs and hired new broker for medical benefits

# What National City has Done

## Specific Actions Taken to Address Fiscal Sustainability

- Position Review Committee created
- Purchasing Review Committee created
- Community Foundation created by City for public safety and recreation
- Employee Ideas solicited
  - 400 + CARE Committee Recommendations
- Built a grants program to aggressively solicit extra money (\$15 million per year over past 4 years)

# What National City has Done

## Specific Actions Taken to Address Fiscal Sustainability

- Reviewed and updated fees to move toward “growth paying for growth”
- Assisted in the development and planning of Business Improvement Districts
- Invested City \$3 million tax dollars in local bank to leverage investment to local businesses (CDARS)
- Strengthened our community partnerships with schools and non-profits

# What National City has Done

## Specific Actions Taken to Address Fiscal Sustainability

- Monitoring our investment income to ensure safety, liquidity, and yield
- Maintained our bond rating and reviewing our capacity
- Minimal bond debt – General fund provides payment for Police Station (\$3.6 million-9 years left)



# WHAT NATIONAL CITY IS DOING

With or Without the District Sales Tax

# What National City is Doing

What will Continue to Happen With or Without the Sales Tax Loss

- Continue to communicate with residents, organization, and business community
- Diversifying our sales tax revenue away from predominantly cars and lumber
- Reviewing and requesting more financial information for mid-year review
- Working with County to monitor property tax assessments
- Paying Nutrition Center \$1 million loan as required by auditors

# What National City is Doing

What will Continue to Happen With or Without the Sales Tax Loss

## □ **PLANNING FOR THE FUTURE**

- Working with stakeholders on key planning areas such as the Westside
- Developing Strategic Plans department by department
- Fire and Emergency Service Review
- Comprehensive Transportation Plan for traffic safety, parking & circulation
- Update the General Plan

# What National City is Doing

What will Continue to Happen With or Without the Sales Tax Loss

## □ **CONTAINING COST**

- Audit departments on a rotating basis for efficiency
- Monitoring fuel and utility costs
- Monitoring the state budget and impacts on National City (\$1 million takeaway)
- Reviewing overtime
- Auditing franchise agreements
- Monitoring/Auditing transient occupancy tax



# What National City is Doing

What will Continue to Happen With or Without the Sales Tax Loss

## □ **CONTAINING COST**

- Utilizing contractual help on large projects rather than creating new positions
- Preparing for next round of labor negotiations
- Reviewing pension costs and potential strategies

# What National City is Doing

What will Continue to Happen With or Without the Sales Tax Loss

- **AGGRESSIVELY RECRUITING NEW DEVELOPMENT**
  - Marketing our community through various channels
  - Maintaining our business assistance program via Enterprise Zone and other incentives
  - Identifying next projects considering lag between concept to completion
  - Negotiating for fair share of land and revenue from Port of San Diego
  - Implementing technology improvements for efficiency
  - Created a government service environment that encourages quality growth



# IMMEDIATE ADMINISTRATIVE ACTIONS 11-5-08

Service Reduction Plan – Phase I

# Immediate Administrative Actions

Sales Tax Loss – Reduced Services Plan Phase I

- **Law requires City to have a balanced budget**
- District sales tax eliminated mid-December 2008
- Across the board hiring freeze
- Eliminate travel and training not funded by grants
- Suspend Vehicle Replacement Program & review downsizing fleet
- Suspend Technology Replacement Program

# Immediate Administrative Actions

Sales Tax Loss – Reduced Services Plan Phase I

- Suspend Capital Improvement Program
- Suspend street light program
- Suspend Open Space and Community Infrastructure Analysis
- Suspend Newsletter
- **Schedule Public Hearings for City Council on Reduced Services**

# Immediate Administrative Actions

## Sales Tax Loss – Reduced Services Plan Phase I

- Recommend 1<sup>st</sup> Phase Service reductions
  - ▣ Reduce hours at Library
  - ▣ Reduce Code Enforcement hours
  - ▣ Reduce Graffiti program
  - ▣ Reduce Park hours and lighting
  - ▣ Reduce Swimming Pool hours
  - ▣ Reduce Neighborhood Council program
  - ▣ Reduce Recreation Programs

# Immediate Administrative Actions

Sales Tax Loss – Reduced Services Plan Phase I

- Recommend scaling back Community Contributions
- Recommend eliminating special event sponsorship of 14 co-sponsored events
- Review of part time, intern and consultant positions
- Review all non-public safety programs
- Analyze early retirement program
- Analyze work furlough program

# Immediate Administrative Actions

## Sales Tax Loss – Reduced Services Plan Phase I

- Request Bargaining Units assist in identifying solutions and savings
- Report financial condition as a result of savings through cuts
- Begin development of 2<sup>nd</sup> Phase of Service reductions
  - Built out City with stagnant and reduced revenue
  - Determine services legally required
  - Reduce budget accordingly (25%)
  - Establish new staffing levels





# LONG TERM STRATEGY & RECOMMENDATIONS

Service Reduction Plan – Phase II

# Long Term Strategy & Recommendations

## Sales Tax Loss – Reduced Services Plan Phase II

- Inform public & employees of service reductions
  - ▣ Living within existing revenue
- Revisit City priorities of public safety, technology, image, community engagement
- Develop reduced service level and staffing plan based on new priorities
  - ▣ Everything on the table for cuts including police and fire services
- Target service reductions of 25% to offset corresponding loss of revenue and across the board full time employee cuts to reflect lower service levels

# Long Term Strategy & Recommendations

## Sales Tax Loss – Reduced Services Plan Phase II

- Develop attrition plan for positions
- Develop exit plans to help employees involved in reductions in force
- Review facility operating costs including public safety

# Long Term Strategy & Recommendations

## Sales Tax Loss – Reduced Services Plan Phase II

- Modify Capital Improvement Program
- Modify Art & Cultural Facility Program
- Modify Vehicle Replacement Fund
- Modify Technology Reserve Fund
- Modify Liability Insurance Fund
- Modify Parks Maintenance Fund
- Review lease or sale of City assets

# Long Term Strategy & Recommendations

## Sales Tax Loss – Reduced Services Plan Phase II

- Policy discussion on reserve funds currently at 25% to 50% of General Fund
- Develop new policy for general fund reserve to determine appropriate floor/ceiling
- Ensure our Bond rating is protected and stable
- Using reserves to agreed level - identify programs that can be placed on life support rather than cut through reducing, delaying, or involving partners

# National City's Future?

With or Without the District Sales Tax

## Thriving

- Safer City
- Senior Services
- Community Programs
- Quality Facilities
- Enhanced Technology
- Better Neighborhoods

## Surviving

- ▣ Reduced Public Safety
- ▣ Basic Community Programs
- ▣ Aging Facilities
- ▣ Growing Digital Divide
- ▣ Decreased Quality of Life
- ▣ Slower response to neighborhood concerns



# SALES TAX LOSS

COUNCIL DISCUSSION and QUESTIONS