

City of National City Budget Workshop

January 30, 2010

Kimball Senior Center

9:00 am

PROPOSED FOCUS AREAS OF BUDGET WORKSHOP

- ◆ Financial Review
- ◆ Short and Long Term Direction
- ◆ Public and Stakeholder Engagement
- ◆ Evaluation of City Council Priorities

PRIORITIES DISCUSSION

– WE'VE BEEN HERE BEFORE

- ◆ Fiscal Sustainability
- ◆ Public Safety
- ◆ Technology
- ◆ Citizen Engagement
- ◆ Image
- ◆ Fiscal Clarity

PRIORITIES DISCUSSION – WHY?

- ◆ Consensus on City Vision and Priorities provide a road map for staff
- ◆ Helps Direct Resources and Evaluation of Programs and Services
- ◆ Focuses Strategic and Department Planning
- ◆ Aligns Personnel with Priorities
- ◆ Report Card for Community and City Council

PRIORITIES WORK – PUBLIC SAFETY EXAMPLE

- ◆ Council goal to make National City safer
- ◆ Recruitment and hiring of key Department Heads
- ◆ Completion of State of the Art Facility and Training Annex
- ◆ Ask Community to fund new Facility (Prop S)
- ◆ Develop Department Strategic Plans and Response Time Studies
- ◆ Commit New Resources (additional police officers, purchase new Fire Truck)

PRIORITIES – CONSIDER A FLUID ENVIRONMENT

- ◆ Short and Long Term Considerations
(Community, economic, political)
- ◆ Global and Regional situation
- ◆ Emerging Opportunity and Threat
- ◆ Financial Strengths and Weaknesses

PRIORITIZATION HAS BENEFITTED NATIONAL CITY

- ◆ Community and residents (Safer and more vibrant)
- ◆ Facilities and Infrastructure (Streets and parks)
- ◆ Business and Non-Profits (Plaza Bonita Expansion, Chamber, Boys & Girls Club)
- ◆ Image and Finishability (Branding, Website, Marina Gateway)
- ◆ Fiscal Stewardship (Four consecutive years of building reserves from \$4.4 million to a high of \$9 million – currently projected at \$7 million, bond rating stable, no major long term debt added)

PRIORITIZATION PROVIDES A FRAMEWORK FOR PROGRESS

- ◆ Planning Investment (General Plan, Downtown Specific Plan, Westside Specific Plan, 5 Year Strategic Plan)
- ◆ Preparedness for next positive cycle (Infrastructure Investments/capacity along with Planning tools)
- ◆ Continued Investment in Business, Major Corridors and Gateways ((Enterprise Zone, 8th Street Improvements, Mile of Cars Signage)
- ◆ Creation of value for residents, investors and business (1 Billion dollar increase over 5 years in our Assessed Value from \$1.9 Billion to approximately \$3 Billion)
- ◆ Best in Class award winning facilities/development (Education Village, Library, Fire Station 34, Paradise Village, Marina Gateway)

PRIORITIZATION PROVIDES A FRAMEWORK FOR PROGRESS (Continued)

- ◆ Housing stock improved (1100 new units of diverse housing)
- ◆ Quality of Life Facilities & Cultural Assets inventoried, invested in, enhanced and planned for (Skate Park, Soccer Field, Granger Music Hall)
- ◆ City Services Improved and Expanded (Public Safety, Library, Code Enforcement/Graffiti Abatement, Community Outreach)
- ◆ Focus and investment in older parts of National City (Westside Specific Plan, Paving program, Paradise Creek)

PRIORITIZATION IS DIFFICULT BUT NECESSARY - FISCAL SUSTAINABILITY EXAMPLE

- ◆ Articulated Stagnant and Auto Dependent Revenue Situation vs. rising costs
- ◆ Community Vote on Sales Tax Increase temporarily addresses structural deficit
- ◆ Council decision to Merge City and Redevelopment Agency
- ◆ Downsizing of Administrative Staff (Eliminated 11 of 54 Executives/Managers = \$1.2 million salary savings)
- ◆ Employee and City Council Contributions to Retirement Systems (0 to 89% of employees contributing in last two years, Retirement funding at 90%, limited Retiree Health Care Costs at \$110K)
- ◆ Aggressive and Successful Grants Program (Safe Routes to School, Paradise Creek) \$64 Million Dollars over last three years
- ◆ Employee Innovation and Performance (CARE Committee)

CITY COUNCIL HAS IMPROVED SERVICE LEVELS, PROVIDED RELIEF AND CREATED VALUE FOR COMMUNITY

- ◆ Development Fee Rollback
- ◆ Frozen Refuse Rates for residents and business for last three years and Sewer Rates for one year
- ◆ Lowered Library Tax Assessment for residents
- ◆ Recreation and Park Facility Construction (Skate Park, Park Repair Program)
- ◆ Affordable and Market Senior Housing Construction (Paradise Village, Plaza City Senior Apartments)
- ◆ Public Safety Enhancements, Expanded Code Enforcement/Graffiti Abatement, 7 Day Library Service

SERVICE IS PROVIDED BY EMPLOYEES & LEADERSHIP IS PROVIDED BY CITY COUNCIL

- ◆ Employees have worked with purpose and focus to implement your vision of a vibrant National City
- ◆ Community has temporarily provided the resources to avert what is happening to governments all around us
- ◆ Employees have produced results for residents (safer city, better facilities and roads, partnerships and grants)
- ◆ National City's proud past of innovation (Mile of Cars, Plaza Bonita, Marina) has carried forward (Drive In Development, Plaza Bonita Expansion, Marina Gateway)

CONTINUE TO PROVIDE EXISTING LEVELS OF SERVICE?

- ◆ Status of National, State, Regional and Local Economy (weak and recovery fragile = big box loss)
- ◆ What limits National City (Built Out City, Lack of Revenue Diversity, \$5 million dollar State take away)
- ◆ Short Term Outlook (State going to get worse, PERS payment spike, New Project revenue does not fill structural gap, rising costs)
- ◆ Long Term Outlook (End of Proposition D Revenue, Redevelopment Funding, rising costs)
- ◆ Review of General Fund and Tax Increment Fund Status

Mid-Year Budget Update

Fiscal Year 2009-2010
As of December 31, 2009

Fiscal Overview

- ◆ Clean financial audits
- ◆ Standard & Poors Rating remains = A-
- ◆ Continuous review of operating costs & seeking revenue enhancements
- ◆ Limited General Fund Debt
- ◆ Contingency reserve closed at \$7.5 million @ 6/30/09

General Fund Budget Balancing Methods

- ◆ One time transfers from internal service funds totaling over \$1.5 million
- ◆ Froze 23.5 positions totaling \$1.6 million
- ◆ Expenditure reductions totaling close to \$530,000
- ◆ Council authorized contingency reserve to be reduced from \$7.5 million to \$7.2 million

Balanced Budget @ \$38.9 million



**FY 2009-2010
GENERAL FUND
MID YEAR REVIEW**

Mid Year Review Process

- ◆ Departments reviewed maintenance & operations budgets under their area of responsibility and estimated expenditures to the end of the fiscal year
- ◆ Finance analyzed overall revenue and expenditures and reviewed with the City Manager's office

General Fund Departments requiring increases in their Budget

Description	Budget	Inc	Revised
Police	20,907,961	250,000 *	21,157,961

* Increase in Animal Control contract

Engineering	712,839	44,000 *	756,839
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* Monitoring costs for Department of Environmental Health

Revenue Analysis

Description	Budget	Revised	Inc/(Dec)
Sales Tax	13,858,928	10,836,000	(3,022,928)
Prop D	8,300,150	7,728,000	(572,150)
Prop Tax	1,683,801	1,494,936	(188,865)
Prop Tax In Lieu	4,960,300	4,993,032	32,732
Trans Occ Tax	1,055,386	718,254	(337,132)
Inv Earnings	1,000,000	626,000	(374,000)
Parking Citation	200,000	240,000	40,000
Other Revenue	5,221,682	5,102,200	(119,482)
TOTAL REVENUE CHANGES			(4,541,825)

Expenditure Analysis

Description	Budget	Est Actual	Inc/(Dec)
Personnel	26,346,315	25,776,762	(579,553)
Maintenance & Ops	4,342,139	3,402,534	(939,605)
Capital Outlay/CIP	335,000	330,000	(5,000)
Estimated Savings			(1,574,158)

Adopted Budget vs Estimated

Description	Adopted Budget	Estimated Thru 6/30/10	Change	%
Revenue	38,690,378	34,148,553	(4,541,825)	(12%)
Expenditures	38,931,653	37,407,495 *	1,574,158	4%
Surplus/(Deficit)	(241,295)	(3,258,942)	(2,967,667)	(8%)

General Fund Subsidies/Repayment

From	To	Amount
General Fund	Nutrition Center	52,000
	Repayment of Nutrition debt	1,538,338
	Personnel Comp Fund	926,478
	Facilities Fund	1,326,860
	Other State Grants	454,319
Total subsidies/Repayment		4,297,995

Anticipated PERS Increase – FY 11/12

- ◆ Projected increase is 2-4% of payroll
- ◆ Estimated “spike” in cost is 1,032,416

General Fund Reserves

Contingency Reserve

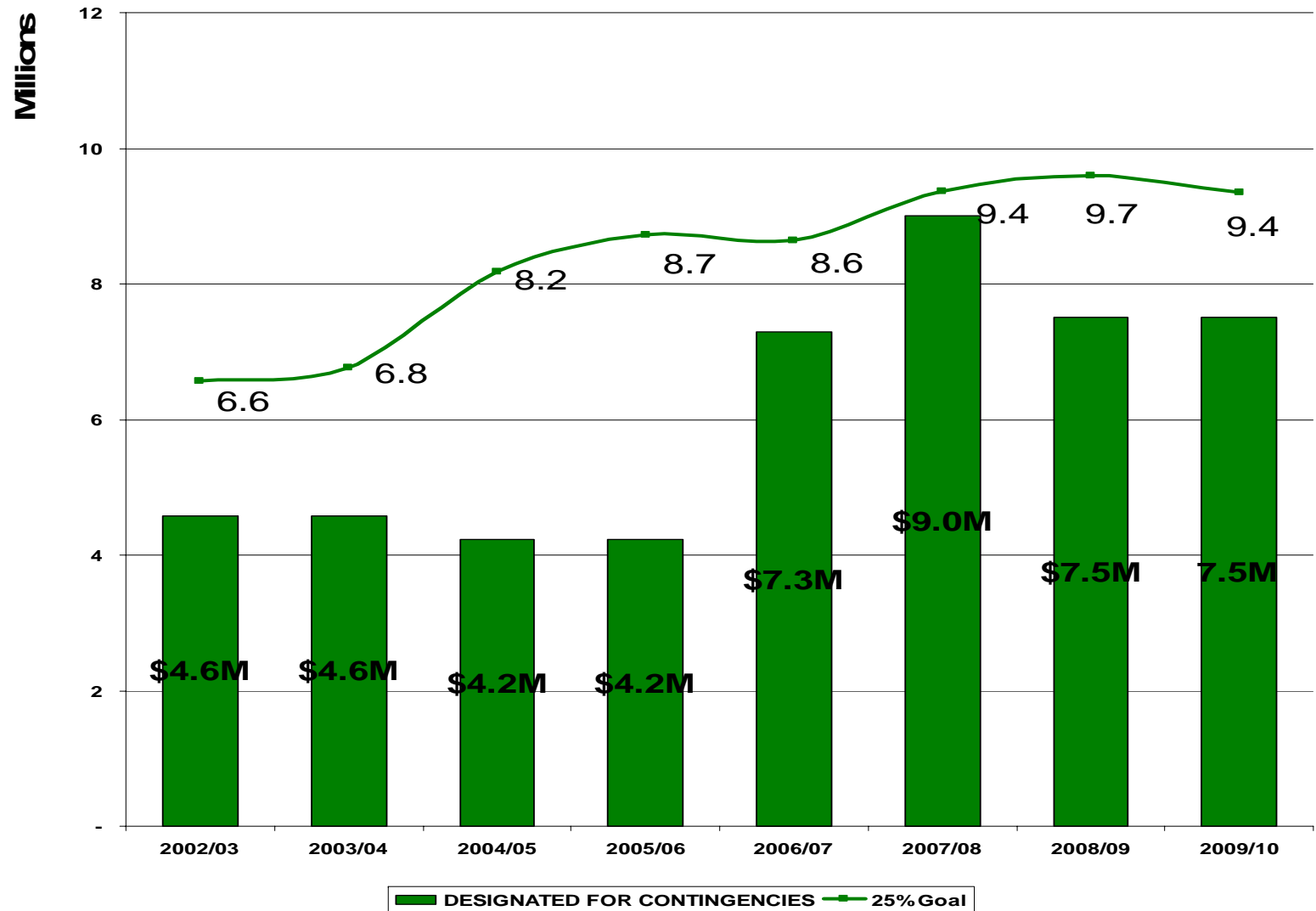
General Fund Policy: ... range between 25% and 50% of a single year's General Fund operating expenditures

Description	Inc/(Dec)
Audited Financial Statements, 6/30/09	7,500,000
Amount needed to bring to min reserve	1,851,874
Contingency balance, 25% goal *	9,351,874

* 25% x \$ 37,407,495

History of Contingency Reserve

25-50% of operating expenditures



Summary of Obligations

Description	Amount
FY 09/10 General Fund Shortfall	3,258,942
Funds Requiring Subsidies	4,297,995
Estimated PERS increase (FY11/12)	1,032,416
Contingency Reserve	1,851,874
Total Obligations	<u>10,441,227</u>

What have we done?

- ◆ Departments have been asked to re-visit operating budgets to identify additional savings or identify potential revenue sources
- ◆ Finance Department has reviewed other funds that may be transferred back to GF
- ◆ Evaluated reserve levels

Potential One Time Funding Sources

Undesignated, Unreserved Fund Balance	7,951,084
Civic Center Refurbishing	1,276,000
Cultural Arts Fund	85,812
Landscape Reserve	398,144
Capital Projects Reserve	85,341
Productivity Improvement Reserve	75,000
Park Security/Gate Lease Reserve	28,000
Employee Computer Purchase Fund	50,000
Potential One Time Funds	<u>9,949,381</u>

Summary of One Time Funds vs General Fund Obligations

Total One Time Funds	9,949,381
Total Obligations	(10,441,227)
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Available Funds/(Shortage of funds)	(491,846)

Other Funds

Funding delayed to FY 10/11

Description	Budget	Incr/Decr
Proposition 1B	924,000	(924,000)

◆ Funding delayed by the State of California



Tax Increment Revenue Mid Year Review

Impacts on Tax Increment Revenue

- ◆ Supplemental ERAF payment due to the State for FY 09/10 and FY 10/11
- ◆ SERAF was not budgeted and payment will create a shortfall in the Tax Increment Budget

FY 09-10	FY 10-11
\$5,158,424	\$1,062,028

- ◆ Property Assessed Values have decreased
 - Results in decrease of Tax Increment Revenue

Mid Year Tax Increment Budget Balancing Methods

- ◆ Departments reviewed maintenance & operations budgets and were requested to reduce line items
- ◆ Departments reviewed CIPs and were asked to identify projects to be delayed/deferred to other years
- ◆ Finance reviewed revenues and fund balances to ensure reserve requirements were met (Tax Allocation Bonds)

Tax Increment Revenue

Description	Adopted Budget	Estimated
Tax Increment Revenue	13,008,428	12,038,378
General Fund Repayment for Nutrition Center *	0	1,538,338
State Grant	150,000	150,000
Total available resources	13,158,428	13,726,716

* If approved by City Council

Additional Funded Positions

- ◆ Community Development Specialist 1 (Grant funded)
- ◆ Admin Secretary – Neighborhood Services (1/3 General Fund, 2/3 Tax Increment Fund)

Total Cost:

\$ 89,028

Tax Increment Fund Expenditures

Description	Adopted Budget	Estimated	Amount over/(under) Budget
Debt Service/Pass Thru Payments	6,379,013	11,358,851	4,979,838
Personnel	2,381,286	2,345,826	(35,460)
Maint & Operations	1,570,031	978,419	(591,612)
Capital Projects	6,342,567	3,649,252	(2,693,315)
Operating Transfer – General Plan	666,667	666,667	0
Operating Transfer – CDBG Fund	0	125,567	125,567
Total	17,339,564	18,914,708	1,575,144

Capital Project Reductions/Savings


Description	Amount
Kimball House (3005)	(10,000)
Marina Gateway (3826)	(1,000,000)
8 th Street Smart Growth (3918)	(300,000)
Westside Implementation (3938)	(250,000)
Arts Center (3937)	(250,000)
Harbor Drive Implementation	(250,000)
Other CIPs	(633,315)
Total CIP reductions	(2,693,315)

Other Reductions/Savings

Description	Amount
Finance Department	(4,500)
Non-Departmental	(186,030)
Redevelopment	(104,136)
Housing	(58,136)
Housing Inspection Program	(93,600)
Economic Development	(146,210)
Total other reductions	(592,612)

Tax Increment Summary

Description	Adopted Budget	Estimated	Difference
Revenue	13,158,428	13,726,716	568,288
Expenditures	(17,339,564)	(18,914,708)	1,575,144
Surplus/ (Deficit)	(4,181,136)	(5,187,992)	
Fund Balance, 7/1/09		5,187,992	
Fund Balance, 6/30/10		0	



**FY 2010/2011
Projected General Fund
Budget**

General Fund – Revenues

Sales Tax	\$10.8 M
District Tax (Proposition D)	7.7 M
Property Tax In Lieu of VLF	4.9 M
Property Tax	1.5 M
Transient Occupancy Tax	.7 M
Investment Earnings	.6 M
All Other Revenue	7.9 M
Total Estimated Revenue	\$ 34.1 M

General Fund-Operating Expenditures

Personnel	26.3 M
Maintenance, Operations & Capital Outlay	4.7 M
Internal Charges	6.7 M
Operating Transfers Library, Parks, Nutrition Center	1.2 M
Total Estimated Operating Expenditures	\$ 38.9 M

General Fund Summary

Estimated Revenue	\$34.1 M
Estimated Operating Expenditures	(38.9 M)
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Surplus/(Deficit)	(4.8 M)

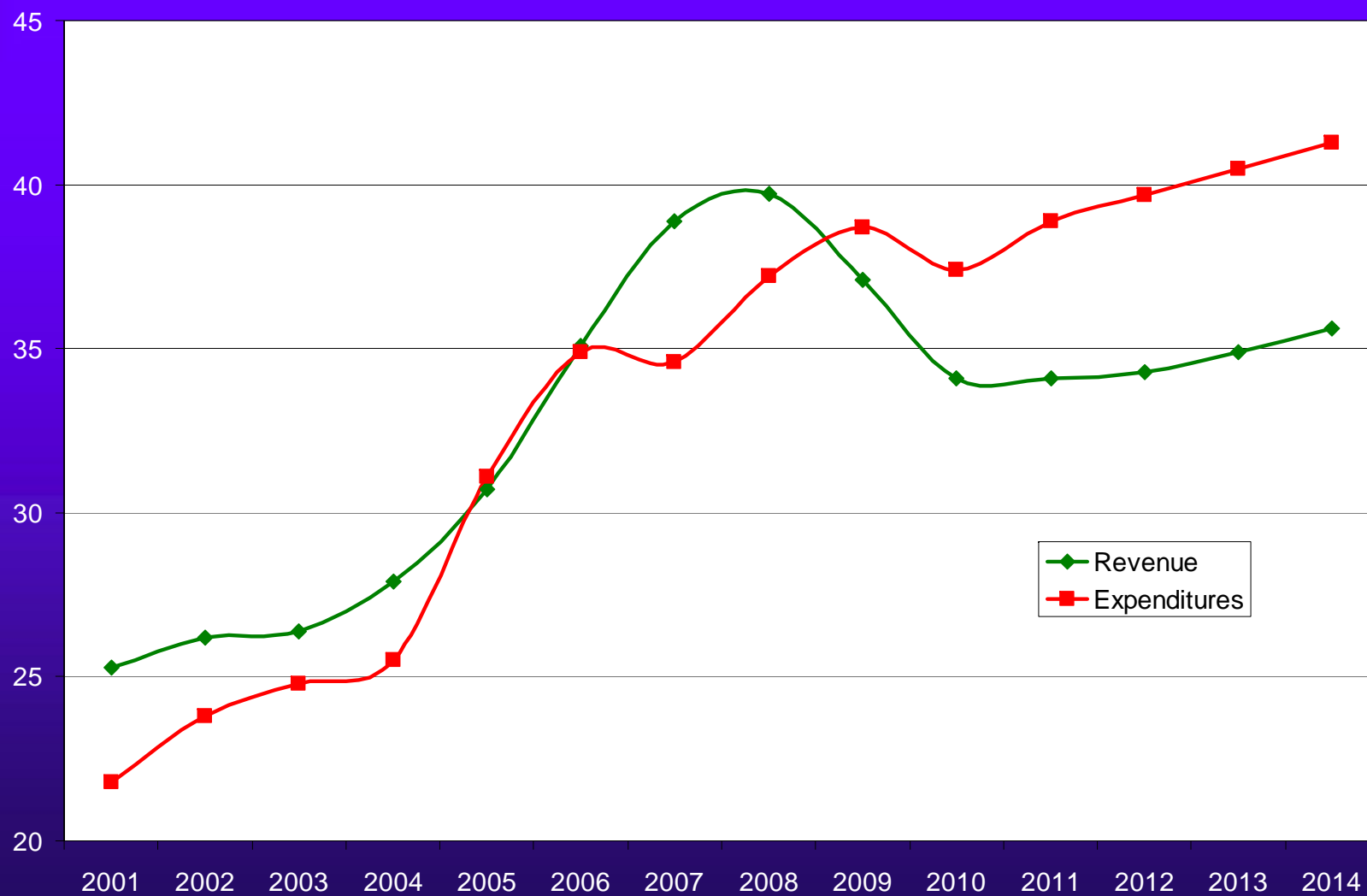
*excludes funding for Capital Projects

General Fund Projections

General Fund Projections to 2014

Description	2010	2011	2012	2013	2014
Revenue	34.1	34.1	34.3	34.9	35.6
Expenditures	(37.4)	(38.9)	(39.7)	(40.5)	(41.3)
Surplus/(Deficit)	(3.3)	(4.8)	(5.4)	(5.6)	(5.7)

General Fund History and Projections



Tax Increment Revenue

Tax Increment Revenue – FY 10/11

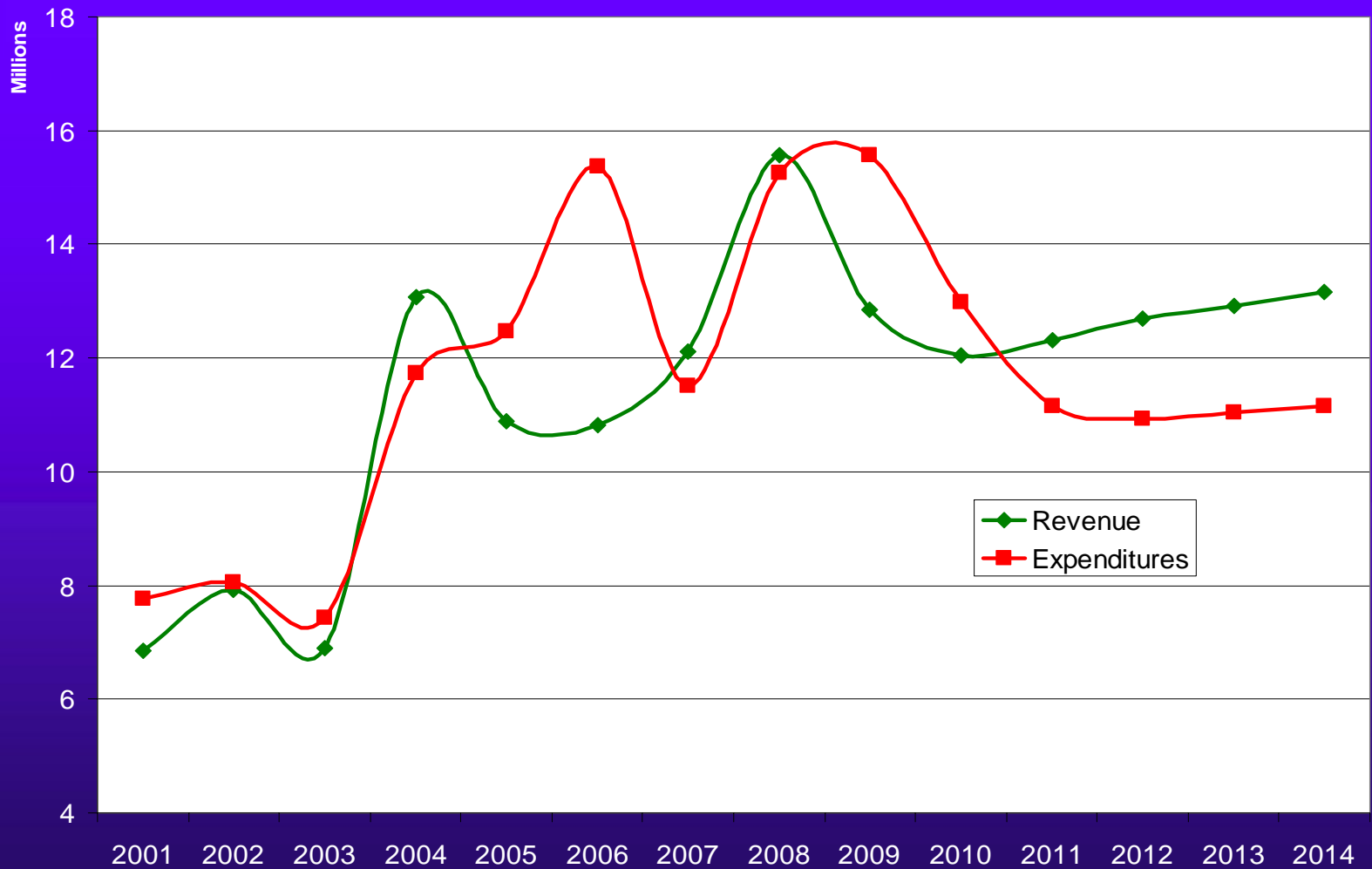
Estimated Tax Increment Revenue	\$ 14.9 M
Less: Housing Set Aside Requirement	(\$2.9 M)
Subtotal: 80% Tax Increment	12.0 M
Less: Debt & Pass Through Payments	(\$ 9.4 M)
Less: Operating Expenditures	(\$ 3.5 M)
Amount available for Projects	(.9 M)

Tax Increment Revenue Projections to 2014

Description	2010	2011	2012	2013	2014
Revenue *	12.0	12.3	12.7	12.9	13.2
Expenditures (excluding Capital Funding)	(12.9)	(11.1)	(10.9)	(11.0)	(11.2)
Surplus/(Deficit)	(.9)	1.2	1.8	1.9	2.0

* 80% Tax Increment Revenue

Tax Increment Revenue History



Next Steps

- ◆ February 16, 2010 Council item to summarize recommendations and reflect mid-year changes in FY 09-10 Budget
- ◆ City Departments begin FY 11-12 Budget cycle
- ◆ FY 11-12 Budget workshop last week of May 2010
- ◆ Adopt FY 11-12 Budget no later than June 30, 2010

QUESTIONS?