



FY 2011-12 Budget Update

April 19, 2011



Recap of City Council Planning & Budget Workshop – February 5, 2011

- City Manager Overview
- FY 10-11 Mid-Year GF Budget
- Strategic City Planning & C.I.P.
- Proposition D Sales Tax/Independent Committee
- Community Input
- City Council Input



Background

Overall City Budget

- 2009: \$99.5 M Budget (City & CDC)
- 2012: (- \$14 M) Potential State Takeaway
- 2016: (- \$8 M) Sunset of 1% District Tax
- 2017: (- \$22 M) Potential/probable

What Are The Causes?

■ State Takeaways

- Redevelopment/General Fund Impact
- Citizens Option for Public Safety (COPS)/Supplemental Law Enforcement Services (SLESF) - \$100,000/year
- Booking Fees - \$200,000/year
- Public Library Fund - \$11,000/year

What Are The Causes?

- Lagging Economy – global, national, state, local
- Historically low interest rates on investments
- Cost of Providing Public Services/Employee Costs
 - Compensation
 - Legal
 - Healthcare
 - Utilities
 - Fuel
 - Retirement

Achieving Fiscal Sustainability 2004 Forward

- City Council directed the following measures be taken:
 - Cost Containment
 - Efficiencies
 - Revenue Growth & Diversity
 - Building Reserve Levels
 - Reviewing Retirement Obligations
 - Implementing new Employee Contribution Programs (Pension Reform)
 - 10-year financial trending, conservative forecasting
 - Assuming limited debt

Achieving Fiscal Sustainability 2004 Forward

- CARE Committee (2004)
 - Employee Driven
 - Quarterly Newsletters
 - Cost Saving Ideas
 - CARE Part 1 - 466 ideas (2005)
 - CARE Part 2 – 1129 ideas (2009) online survey & group sessions
 - Tiers 1-3 (2010)
 - 25% of ideas have been implemented; continuing review underway
- Purchasing Review Committee (2005)
 - Any purchase above \$500
- Position Review Committee (2005)
 - Must make business case for each position requested
 - All positions reviewed (full-time, part-time, seasonal & contractual)

Cost Cutting & Efficiency Measures

- National City has been engaged in continuous improvement
 - Maximize efficiency & effectiveness, striking a balance between controlling costs & meeting community needs
- Streamlining the Organization
 - City Manager's Office
 - (2003)
 - Tom McCabe
 - Park Morse
 - Leslie Deese
 - Ryan Hyland
 - Lavonne Watts
 - (2004-Current)
 - Chris Zapata
 - Leslie Deese
 - Lavonne Watts
 - 14 Executive & Management level positions eliminated
- Managed Attrition (2005)
 - Vacancies occur thru normal attrition, non-essential positions frozen
 - Salary & employee benefits savings

Cost Cutting & Efficiency Measures

- Consolidating & Restructuring
 - Council directed CDC merger with City (2006)
 - Building & Planning merged (2008)
 - Housing & Grants created (2008)
 - Neighborhood Services created (2008)
 - Purchasing consolidated into Finance (2009)
 - Planning, Building & Engineering merged (2009)
 - Parking Enforcement moved to Neighborhood Services (2010)
 - Abandoned Vehicle Abatement Program moved to Neighborhood Services (2010)

Cost Cutting & Efficiency Measures

- Employee Voluntary Separation Program (2010)
 - Innovative Hybrid
 - Long term salary & employee benefits savings
 - 24 employees separated
 - Base salary savings of \$1,227,680 for FY 11/12
- 68 Positions Vacant Citywide (2011)
- Innovative Approach
 - One-time Stipends (since 2004) – Does not affect ongoing costs, i.e., PERS retirement and future budgets
 - City Manager directed Unblended Retiree Health Care (2009) – Results in City savings
 - Employee Work Furlough Program (2010)
 - 40 hour furlough
 - Savings of approximately \$150,000

Cost Cutting & Efficiency Measures

■ Pension Reform

- 2006 – No City employee contributed to their retirement
- 2009 – 89% of City employees now contribute to their retirement
- 2009 – The City Manager & City Attorney joined all the Elected Officials in the voluntary PERS contribution
- All Elected Officials, Executives & Managers will pick up entire employee share of 8% in July 2011 (Elected Officials at 6%, Executives at 6%, Management at 5%)
- MEA/Confidential Employees – 3% contribution rate (2010)
- POA – 2% contribution since July, 2009

Cost Cutting & Efficiency Measures

- Two-Tier Retirement
 - Police Officers Association (March 2010)
 - From 3% @ 50 to 3% @ 55
 - Miscellaneous Employees
 - From 3% @ 60 to 2% @ 60
 - Miscellaneous Employees (Council approved February 15, 2011) includes:
 - Elected Officials
 - Executives & Managers
 - Confidential Employees
 - Municipal Employees Association



Revenue Enhancements

- Revenues from Prop D temporarily fixed the fundamental problem of more money going out than coming in
- Challenges NC to become proactive in building stable and diverse revenue sources within next couple of years
- NC continues to pursue new, and enhance existing revenue sources to recover cost of providing programs and services



Revenue Enhancements

- Award-winning Marina Gateway Development
 - \$61 million project
- Award-winning Plaza Bonita Mall Expansion
 - \$134 million project
- Award-winning Paradise Village Senior Housing Project
 - 498 housing units
 - Largest residential project in NC's history

Revenue Enhancements

■ Refinancing Efforts

- Police Facility - Refinanced up to \$3.1M of 1998 Lease Revenue Refunding Bonds thru private placement structure providing debt savings totaling \$150,148 from lower interest rates
- Park Villas Apartments – Sold Government National Mortgage Association (GNMA) Certificate securing 1997 Series A Multifamily Housing Revenue Bonds resulting in reimbursement to the CDC of \$252,000

Revenue Enhancements

- Housing & Grants
 - 115 Grants totaling \$100 million (since 2007)
 - Identified and reallocated \$3.2 million in CDBG and HOME program income
- Public Works
 - Sewer Audit resulted in approx \$2 million of refunds from overcharges
- Finance
 - Refinanced Commercial Paper to Build America Bonds creating immediate increase in cash flows for street related activities (\$4M)
- Fire
 - Contract Negotiations with Lower Sweetwater Fire District resulted in new Equipment Fund of \$532,439
 - Renegotiated Franchise Fee with American Medical Response (AMR) for additional \$120,000/year

Revenue & Community Enhancement

- \$38 Million 2011 Tax Allocation Bond Issuance
- National City first in County
- Builds public improvements for economic development projects
 - Gateway Shopping Center (Lowe's, Sonic)
- Allows for grant leveraging
 - \$2M SANDAG for 8th Street Improvements
 - \$11.2M from State for Housing Project
 - \$4M from Port for Marina District Improvements
- Allows for park and open space opportunities
 - New & improved facilities at Las Palmas and Kimball Parks



Revenue & Community Enhancement

- Agreements with Port of San Diego
 - Maritime Enhancement Fund
 - \$3M for Tidelands Park improvements
 - \$800,000 Aquatics Center
 - Commitment to fund hotel & retail sites



Revenue & Community Enhancement

- Small Projects
 - 1441 Harding Avenue
 - Cultural Art Center
 - Plaza City Apartments
 - Tremont Court Condominiums
- Habitat for Humanity
 - 11 affordable homes
- Minimal Foreclosures

Revenue & Community Enhancement

■ Aggressive Big Box Store Replacement

Formerly Vacant Space	Name of Replacement Retailer	Square Feet	Jobs
Plaza Bonita Mervyn's (upstairs)	Nordstrom Rack	43,120	160
Plaza Bonita Mervyn's (downstairs)	John's Incredible Pizza	43,120	160
Mervyn's Highland	El Super	56,465	160
Ralph's	Vallarta Supermarket	30,910	150
Circuit City	Mor Furniture	33,006	Unknown
National City Swap Meet	Proposed: Lowe's Home Improvement	120,587	200

Revenue & Community Enhancement

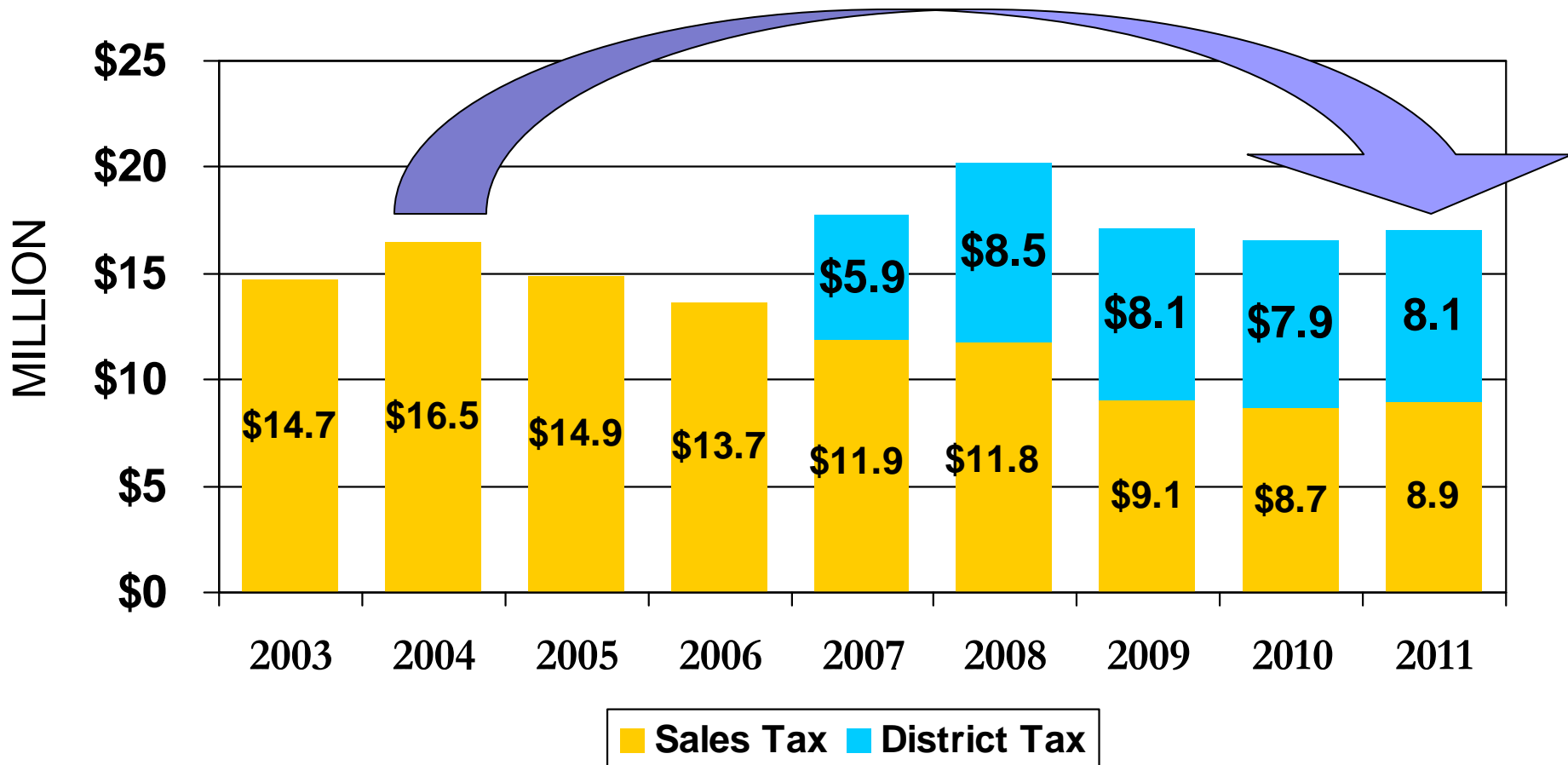
Formerly Vacant Space	Name of Replacement Retailer	Square Feet	Jobs
Vacant lot at Plaza Bonita	Target	125,000	300
Vacant lot at Plaza Bonita	Borders	23,222	Unknown
Vacant lot at Plaza Bonita	AMC Theater	60,736	Unknown

*** Total estimated sales tax will be \$733,000 annually from the refilled retail vacancies**

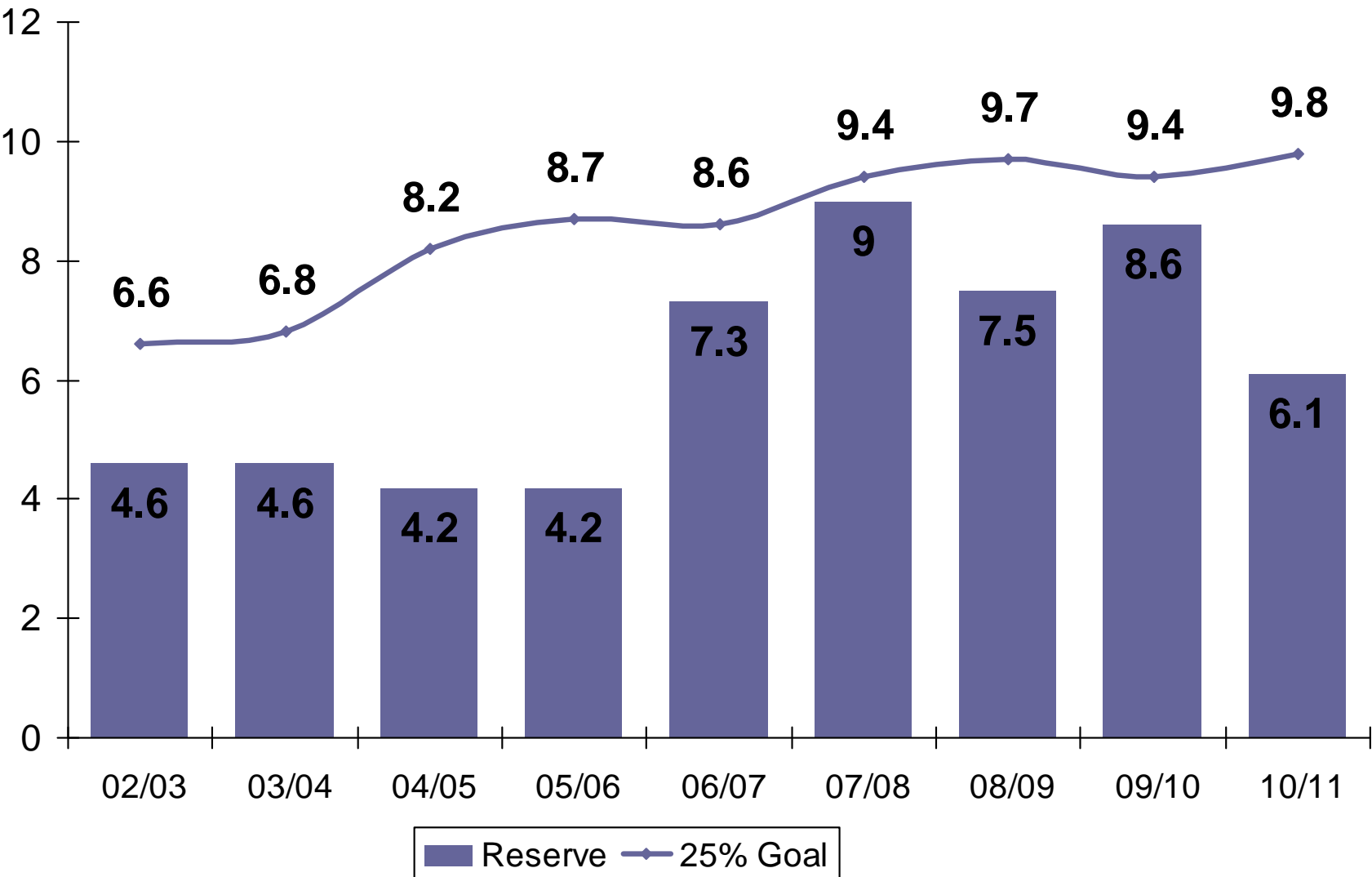
Fiscal Tsunami

- Stagnant and volatile local economy
 - cars and lumber still down
- Service costs increasing
- State, national and local economies
- Interest rates low/borrow costs high
- Governor Brown's proposal to eliminate or reconfigure Redevelopment
 - Over 50 positions ranging from 5% to 100% allocation
 - Tax Increment pays for necessary services such as finance, legal, information systems, human resources, management totaling \$1.75 million
 - Redevelopment funded programs

Sales Tax & District Tax Combined Revenue

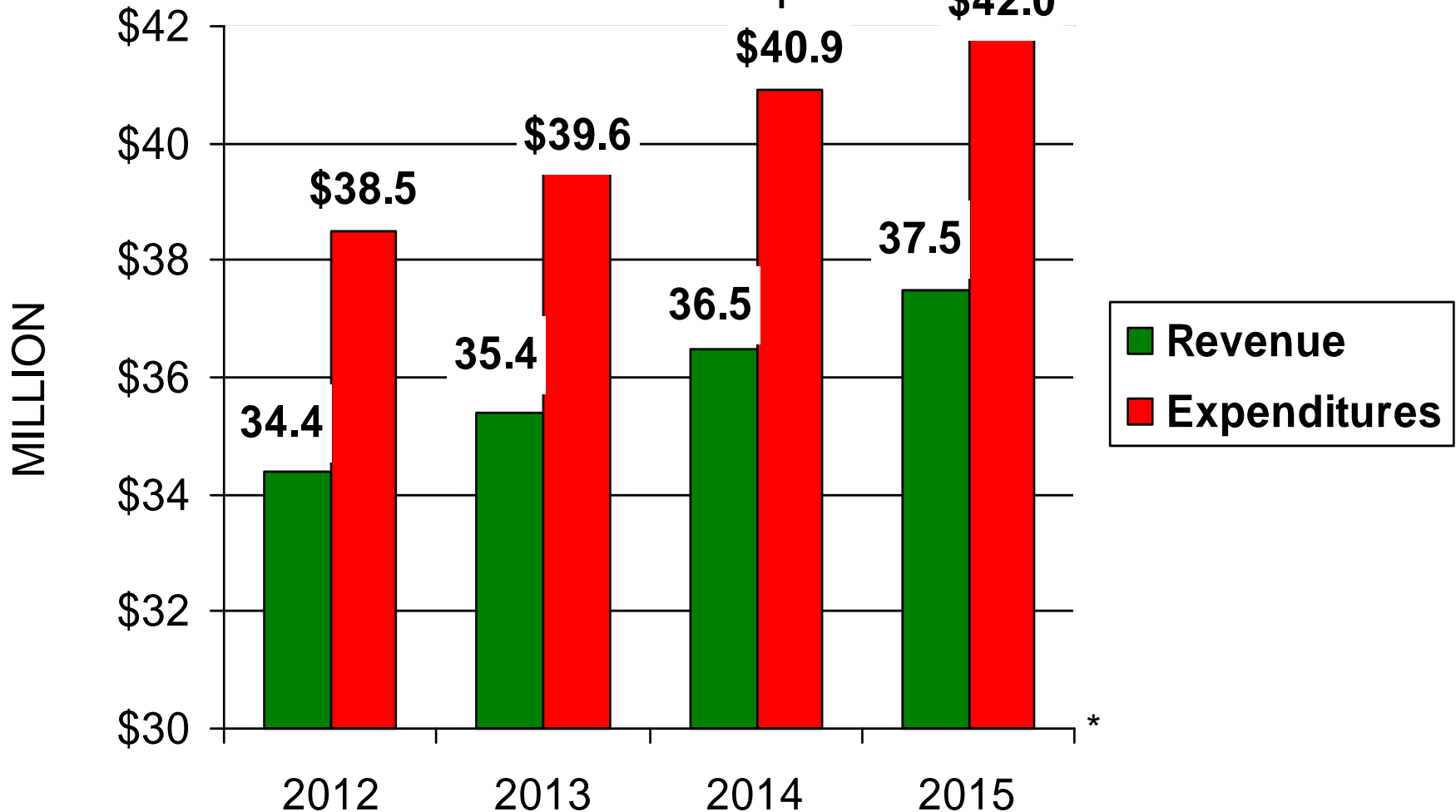


History of Contingency Reserve



General Fund Projections to 2015

Pre-Governor Proposal



* Projections assume 3% growth in revenue and expenditures



FY 2011-12 Estimated General Fund Budget

FY 11/12 General Fund - Estimated Revenues

Sales Tax	\$9.0 M
District Tax (Proposition D)	8.2 M
Property Tax In-lieu of VLF	5.0 M
Property Tax In-lieu of Sales Tax	3.0 M
Property Tax	1.5 M
Transient Occupancy Tax	0.7 M
Investment Earnings	0.4 M
Transfer from Gas Tax Fund	0.7 M
All Other Revenue	5.9 M
Total Estimated Revenue	\$ 34.4 M

FY 11/12 General Fund – Estimated Operating Expenditures

Personnel	\$ 25.9 M
Maintenance, Operations & Capital Outlay	\$ 4.8 M
Internal Charges	\$ 6.5 M
Operating Transfers - Library, Parks, Nutrition Center	<u>\$ 1.3 M</u>
Total Estimated Operating Expenditures	\$ 38.5 M



FY 11/12 - Estimated General Fund Summary

Estimated Revenue Preliminary	34.4 M
Estimated Expenditures Preliminary	(38.5 M)
*Surplus/(Deficit)	(4.1 M)

*Excludes funding for Capital Projects

General Fund Projections to 2016

Description	2012	2013	2014	2015	2016
Revenue	34.4	35.4	36.5	37.5	29.4
Expenditures	(38.5)	(39.6)	(40.9)	(42.0)	(43.3)
Surplus/(Deficit)	(4.1)	(4.2)	(4.4)	(4.5)	(13.9)

- * Projections assume 3% growth in revenue and expenditures
- * Projections do not take into account new projects or new revenue streams



Redevelopment Funded Programs

- Memberships & Partnerships
 - Chamber of Commerce
 - South County EDC
 - SANDAG
- Code Enforcement Program
- Amortization Implementation
- Graffiti Program

FY 2011-12 Budget Process

- Budget Review Committee Established (Brad Raulston, Tess Limfueco, Hermi Oliveria, Leslie Deese)
- One-on-one Meetings with all Department Managers
- Consolidated Line Items
- Reduced Maintenance & Operations



Reduction in Funding and Staffing Will Impact Service Levels

City Council Direction

- 2011 Employee Voluntary Separation Program*
- Community Group Funding (May 3, 2011)
 - Chamber of Commerce
 - Miss National City Pageant
 - Independence Day Fireworks
- Consider CDBG Model



City Council Direction

Going Forward

- Revenue & Expenditure Projections/
Trends
- Contingency Reserve Direction
- Employee Participation
- Reorganization Planning
- Service Reductions



Key Dates

- May 3 Preliminary Budget Presentation
- May 17 Budget Presentation/Summary of Recommendations
- May 24 Budget Workshop (if needed)
- June 21 Budget Adoption
- July 1 Budget available on website
- July/August Budget updates to Neighborhood Councils