

# Budget and Strategic Planning

April 9, 2013



# [ Agenda ]

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- City Manager Overview
- Budget Presentation
- 2013-2018 Proposed Strategic Plan
- City Manager Closing Comments / Request for Direction
- Public Comments
- City Council Comments and Direction



# Overview

Leslie Deese, City Manager



# [ Public Noticing ]

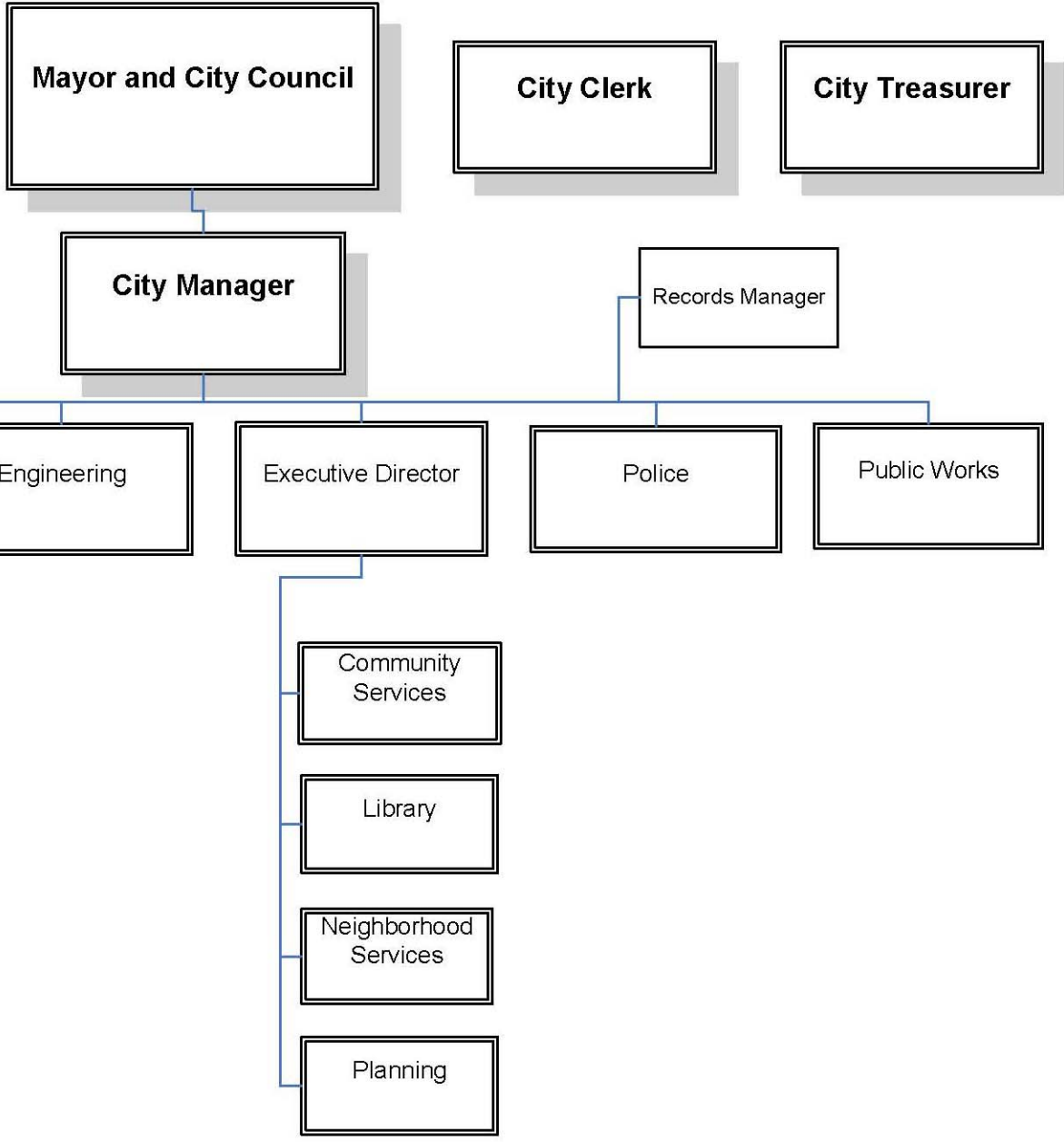
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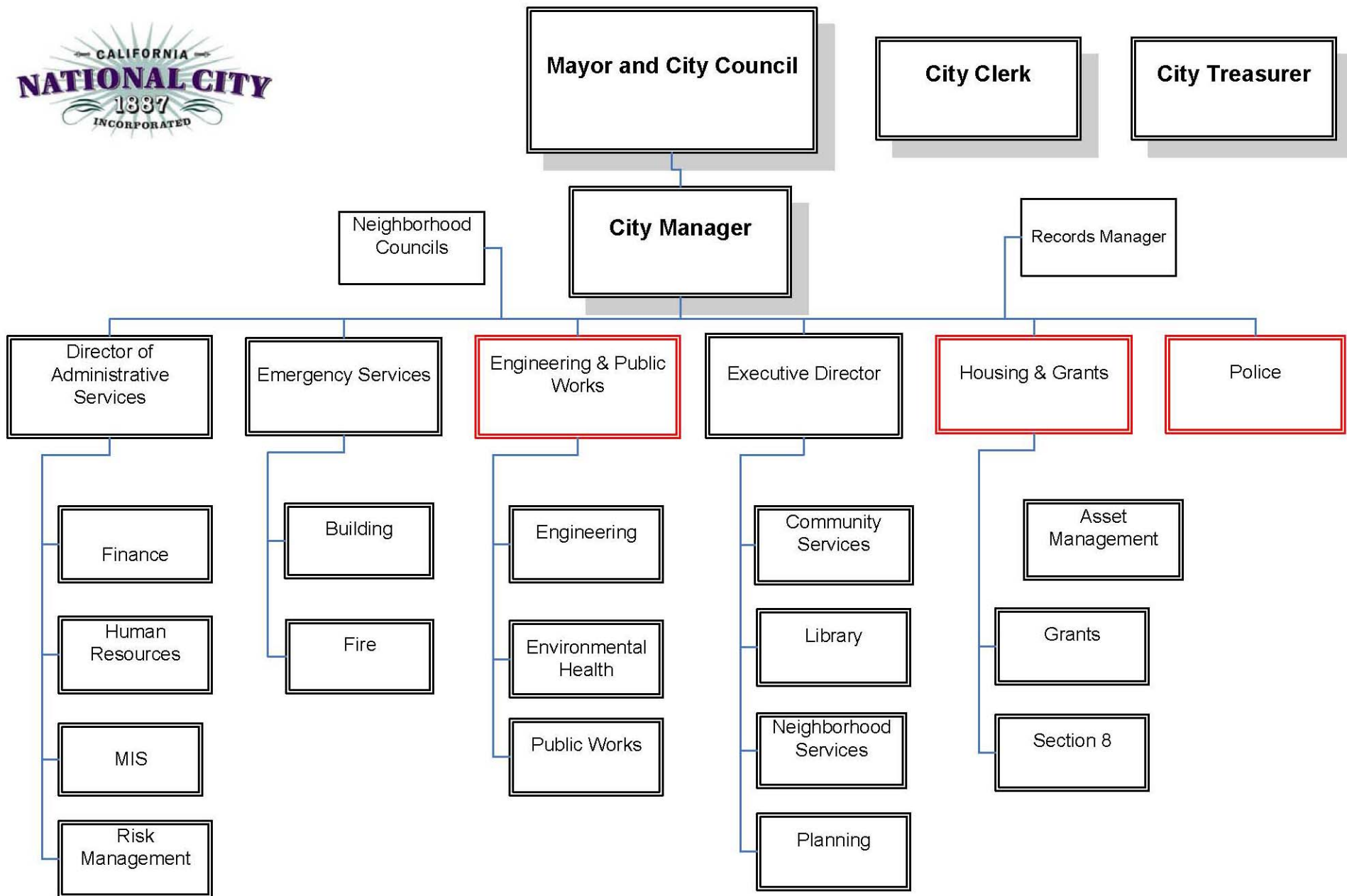
- Public noticing of workshop
  - Website
  - E-blast
  - Facebook
  - Twitter
  - Neighborhood Council breakfast
  - Council agendas

# [ Overview ]

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- Background
- Change is Constant
- Managing Change
  - Classification Studies
  - Reorganization (Phase I and Phase II)





# [ Overview ]

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- Organizational Development
  - Report Writing Workshop
  - Strategic Business Planning Implementation Workshop (mgrs and execs)
  - Executive Retreat
  - Customer Service Training
  - Training and cross training



# [ Overview ]

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- Organizational Tools
  - Payroll/project accounting software
  - CDP permit and project tracking
  - Wi-Fi in City facilities
  - Legistream/agenda management

# [ Overview ]

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- Preparing for Fiscal Cliff: Sunset of District Tax in 2016
  - One Time Cash Infusion due to Redevelopment Dissolution
  - 3-Year Operating Plan
  - Service Delivery and Prioritization of Services
  - Projected revenue loss
    - Revenue recovery
    - Fee / Permit Analysis

# Fiscal and Operational Impacts

Michael Bush, Finance Advisor

Minh Duong, City Librarian

Jessica Cissel, Recreation Superintendent

Manuel Rodriguez, Police Chief

Claudia Silva, City Attorney

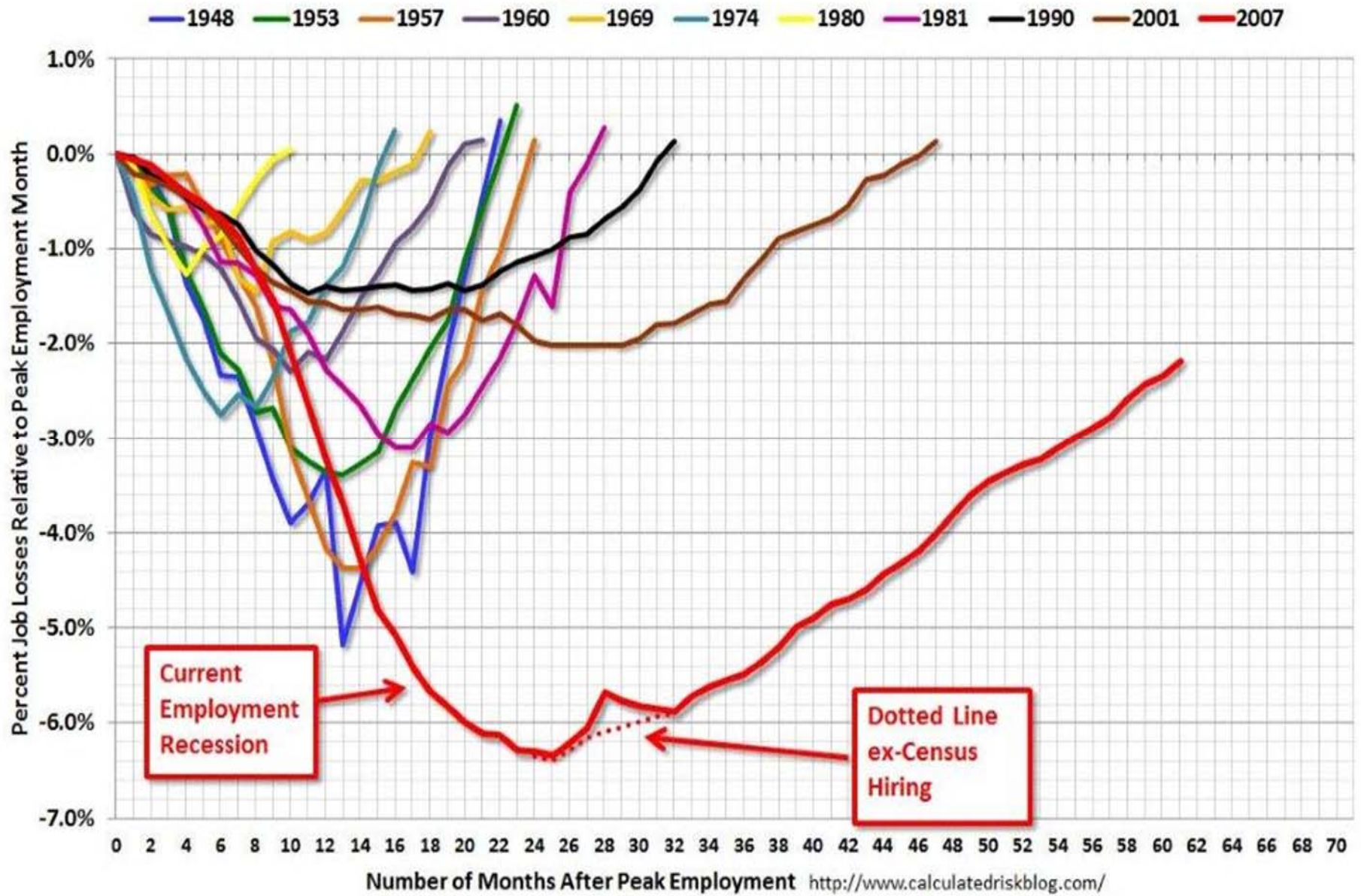
Michael Dalla, City Clerk





Global Impacts

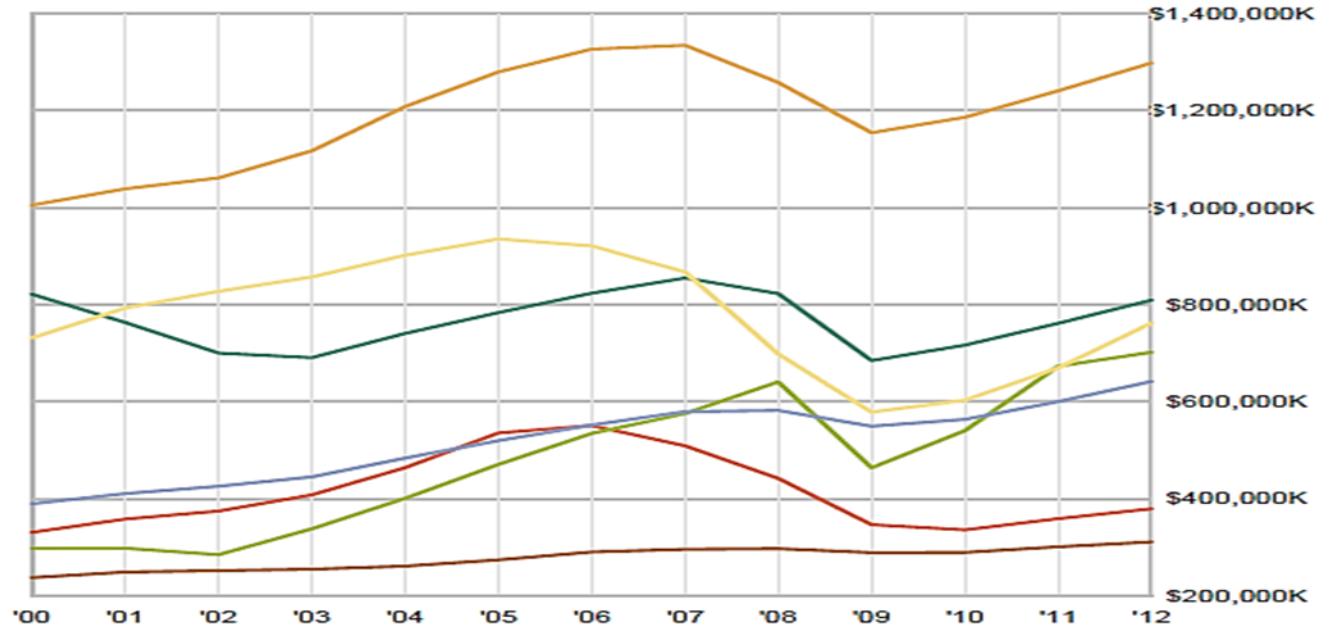
### Percent Job Losses in Post WWII Recessions



# Global Impacts

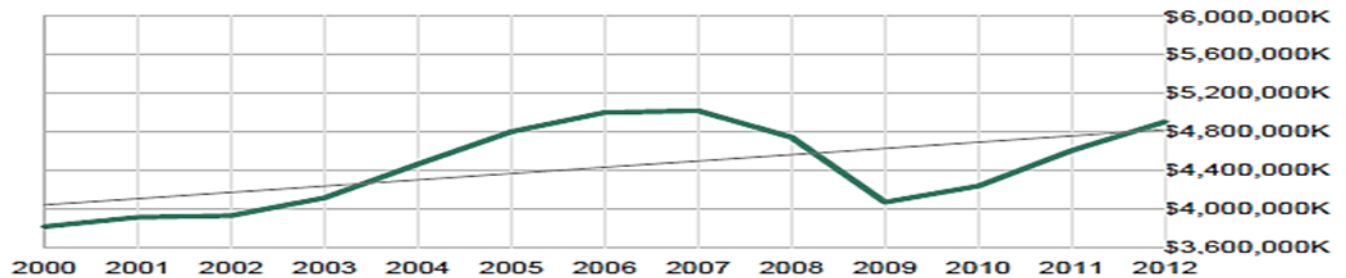
Sales Tax by Major Industry Group

<b>General Consumer Goods</b>	Count: 559,056
<b>Business And Industry</b>	Count: 283,850
<b>Autos And Transportation</b>	Count: 85,989
<b>Fuel And Service Stations</b>	Count: 14,913
<b>Restaurants And Hotels</b>	Count: 108,879
<b>Building And Construction</b>	Count: 40,284
<b>Food And Drugs</b>	Count: 44,832



Agency Trend

13 Year Trend: +19.4%



# [ Federal and State Impacts ]

- Sequestration
  - Public Safety Grants
  - Housing and Grants – Section 8 Funding
  - CDBG/HOME Allocations
  - Nutrition Center funding
- State Budget
- Unfunded State Mandates
  - Regional water quality control board new permit requirements (storm water compliance)

# [ Pension Rates ]

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- Fiscal Year 2013-2014
  - General employees: 2.903% increase
  - Public Safety employees: 4.885% increase
- Fiscal Year 2015-2016
  - Recalculating the normal rate for employer contributions
  - Mortality rate adjustments
  - Smoothing and Amortization



# [ Health Care ]

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- Affordable Care Act
  - 2014 mandates will result in 5% to 6% increase in medical premiums
  - May require the City to provide medical coverage to more employees or face penalties

# [ Redevelopment ]

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- Continued wind-down
- Transition to Countywide Oversight Board
- Administrative Costs exceed Cost Allowance
- Impacts to Projects
- CYAC: still on appeal with pending \$2M attorneys' fees portion

# Redevelopment: Project Impacts

- \$38M in Tax Allocation Bonds (TABs) issued in 2011
- Use of \$15M in bonds approved for WI-TOD
- Use of balance still in dispute
- Pending legislation addressing 2011 TABs
- Park & Street projects impacted

# Redevelopment: Impacts to the City

- Economic development
- Infrastructure improvements
- Ability to eliminate blight
- Threat of sales and property tax takes (clawbacks)
- Audits
- Affordable housing

# Community Development Block Grant (CDBG)

## ■ **Current impacts (FY 13-14)**

- Overall 33% reduction in CDBG Funding (estimated for FY 13-14)

## ■ **Future impacts (FY 14-15 and beyond):**

- City wide ADA Improvements (approximately \$200,000/year)
- City wide drainage improvements (approximately \$100,000/year)

# Community Development Block Grant (based on estimated FY13-14 funding)

<b>CDBG Funded Activities</b>				
<b>Activities</b>	<b>FY12-13</b>	<b>FY13-14</b>	<b>Variance</b>	<b>Percentage Variance</b>
At Risk Youth After School Teen Program - "Supreme Teens"	\$ 20,000	\$ 20,000	\$ -	0%
Homeless Assistance Program	\$ 34,386	\$ -	\$ (34,386)	-100%
Learn to Swim	\$ 32,856	\$ -	\$ (32,856)	-100%
Literacy Services	\$ 52,000	\$ 40,000	\$ (12,000)	-23%
Tiny Tots	\$ 29,337	\$ 22,973	\$ (6,364)	-22%
Housing Inspection Program	\$ 120,055	\$ 121,000	\$ 945	1%
Neighborhood Preservation	\$ 113,745	\$ 50,347	\$ (63,398)	-56%
Concrete Improvements to Upgrade Pedestrian Ramps, Sidewalk, Curb, and Gutter	\$ 220,657	\$ -	\$ (220,657)	-100%
Neighborhood Councils Program	\$ 15,000	\$ -	\$ (15,000)	-100%
George H. Waters Nutrition Program	\$ -	\$ 75,000	\$ 75,000	100%
Drainage Improvements	\$ -	\$ 100,000	\$ 100,000	100%
<b>Total Funding</b>	<b>\$ 638,036</b>	<b>\$ 429,320</b>	<b>\$ (208,716)</b>	<b>-33%</b>

# [ CDBG – Community Services ]

- Successes of Learn to Swim, Neighborhood Council, and Tiny Tots Programs
  - Learn to Swim is a public safety program. Approximate annual impact is 130 youth and adult residents
  - NHC is a City Council initiated program. It serves approximately 700 residents on an annual basis.
  - The Tiny Tots program has been in existence in National City for over 30 years. The program serves approximately 62 preschoolers on an annual basis.
  
- Impact to program/service delivery
  - Loss of part-time lifeguards
  - Impact to Neighborhood Council position funding
  - Loss of community engagement and prevention services
  - Total impact= approximately 900 community members annually

# CDBG – Neighborhood Services

- Successes of Neighborhood Preservation Program
  - Over 840 individual residents served by program
  - Free Neighborhood Clean-ups for focused neighborhoods
  - Addressed blight, land use and zoning standards
  
- Impact to program / service delivery
  - Loss of funding for two full time positions
    - Code Conformance Officer I
    - Graffiti Abatement Tech
  - Impact to focus of property conservation & community appearance
  - Loss of maintaining community engagement



# [ CDBG - Library ]

- Success of Literacy program:
  - Served approx. 150 adult learners (and their pre-school children) on an annual basis
- Impact to program/service delivery
  - Loss of the Literacy/Volunteer Coordinator position
  - Curtail delivery of literacy services
  - Hinder successful management of the volunteer engagement program => reduce ability to sustain programs/services
  - No leverage to seek additional grant funding

# [ Sunset of District Sales Tax ]

- Expires September 30, 2016
- Service delivery and prioritization of services
- Projected revenue loss
- Occurs within 5 year strategic plan cycle
- Options
  - Take no action - Tax expires
  - Initiate a process for a public vote to extend District Sales Tax
  - Explore alternative taxing and revenue sources

# Sunset of District Sales Tax Established Election Dates

Year	Date	Type of Election	Deadline to Consolidate	Est. Additional Election Cost
2014	April 8	Misc. Special	January 10	\$260k - \$290k
	<b>June 3</b>	<b>Primary Election</b>	<b>March 7</b>	<b>\$22k</b>
	<b>Nov 4</b>	<b>General Election</b>	<b>August 8</b>	<b>\$0</b>
2015	March 3	Misc. Special	December 5	\$260k - \$290k
	June 2	Misc. Special	March 6	\$260k - \$290k
	Nov 3	Misc. Special	August 7	\$260k - \$290k
2016	Feb 2	Presidential Primary	November 6	\$260k - \$290k
	April 12	Misc. Special	January 15	\$260k - \$290k
	<b>June 7</b>	<b>Primary Election</b>	<b>March 11</b>	<b>\$22k</b>
	<b>Nov 8</b>	<b>General Election</b>	<b>August 12</b>	<b>\$0</b>



5 minutes

# Budget Preview – a Birds Eye View

Mark Roberts, Director of Finance  
Steve Manganiello, City Engineer



# FY 2013: Impact on Fund Balance – Projected

Revenue	\$ 40,283,745
Transfers In	120,612
<b>Total Revenue &amp; Transfers In</b>	<b>\$ 40,404,357</b>
Expenditures	\$ (37,613,486)
Transfers Out	(1,817,144)
<b>Total Expenditure &amp; Transfers Out</b>	<b>\$ (39,430,630)</b>
<b>Fund Balance Change</b>	<b>\$ 973,727</b>
<b>Beginning Fund Balance</b>	<b>\$ 17,916,938</b>
<b>Ending Fund Balance</b>	<b>\$ 18,890,665</b>
<b>Budgeted Ending Fund Balance</b>	<b>\$ 16,683,356</b>
<b>Change in Fund Balance Compared to Budget</b>	<b>\$ 2,207,309</b>

# FY 2013: Impact on Fund Balance – Adjusted Projections

Total Revenue & Transfer In	\$ 40,404,357	
Total Expenditures & Transfer Out	<del>(39,430,630)</del>	
<b>Surplus / (Deficit)</b>	<b>\$ 973,727</b>	
Recommended Adjustments:		
Fire Department	<del>\$ (79,423)</del>	<i>"internal" transfer approved; no fund balance necessary</i>
Underground Storage Tank	<del>(19,999)</del>	
<b>Total Recommended Adjustments</b>	<del><b>\$ (99,422)</b></del>	<b>\$ (19,999)</b>
<b>Fund Balance Change</b>	<del><b>\$ 874,305</b></del>	<b>\$ 953,728</b>
<b>Beginning Fund Balance</b>	<b>\$ 17,916,938</b>	
<b>Ending Fund Balance</b>	<del><b>\$ 18,791,243</b></del>	<b>\$ 18,870,666</b>

# [ FY 2013: Revenues ]

As of 12/31/12

	Actual	Adjusted Budget	Projected	Projected Variance	Projected Variance %
Sales Tax	\$ 3,808,463	\$ 10,567,101	\$ 11,023,571	\$ 456,470	4.3%
Proposition D / District Tax	3,053,857	9,410,000	9,192,000	(218,000)	-2.3%
Property Tax	723,853	1,537,243	2,061,748	524,505	34.1%
Property Tax in Lieu of VLF	-	4,931,260	5,121,839	190,579	3.9%
Property Tax in Lieu of Sales Tax	-	3,522,366	3,415,323	(107,043)	-3.0%
Other Revenue	2,958,440	9,413,138	9,469,264	56,126	0.6%
<b>Total</b>	<b>\$ 10,544,613</b>	<b>\$ 39,381,108</b>	<b>\$ 40,283,745</b>	<b>\$ 902,637</b>	<b>2.3%</b>



# [ FY 2013: Expenditures ]

As of 12/31/12

	Actual	Adjusted Budget	Projected	Projected Variance	Projected Variance %
Personnel Services	\$ 11,153,732	\$ 25,866,701	\$ 24,794,516	\$(1,072,185)	-4.1%
Maintenance & Operations	1,599,632	4,126,368	4,126,368	-	0.0%
Other Expenditures	4,151,658	8,692,602	8,692,602	-	0.0%
<b>Total</b>	<b>\$ 16,905,022</b>	<b>\$ 38,685,671</b>	<b>\$ 37,613,486</b>	<b>\$(1,072,185)</b>	<b>-2.8%</b>

# [ FY 2013: Revenues ]

As of 3/31/13

	Actual	Adjusted Budget	Projected	Projected Variance	Projected Variance %
Sales Tax	\$ 6,684,472	\$ 10,567,101	\$ 10,930,313	\$ 363,212	3.4%
Proposition D / District Tax	5,420,493	9,410,000	9,065,000	(345,000)	-3.7%
Property Tax	1,338,580	1,537,243	2,061,748	524,505	34.1%
Property Tax in Lieu of VLF	2,560,919	4,931,260	5,121,839	190,579	3.9%
Property Tax in Lieu of Sales Tax	1,707,662	3,522,366	3,415,323	(107,043)	-3.0%
Other Revenue	6,151,368	9,537,423	9,612,705	75,282	0.8%
<b>Total</b>	<b>\$ 23,863,494</b>	<b>\$ 39,505,393</b>	<b>\$ 40,206,928</b>	<b>\$ 701,535</b>	<b>1.8%</b>

# [ FY 2013: Expenditures ]

As of 3/31/13

	Actual	Adjusted Budget	Projected	Projected Variance	Projected Variance %
Personnel Services	\$ 17,850,051	\$ 25,787,278	\$ 24,809,927	\$ (977,351)	-3.8%
Maintenance & Operations	2,079,555	4,221,522	4,221,522	-	0.0%
Other Expenditures	6,101,273	8,714,036	8,694,037	(19,999)	-0.2%
<b>Total</b>	<b>\$ 26,030,879</b>	<b>\$ 38,722,836</b>	<b>\$ 37,725,486</b>	<b>\$ (997,350)</b>	<b>-2.6%</b>

# FY 2013: Impact on Fund Balance – Projected

Revenue	\$ 40,206,928
Transfers In	120,612
<b>Total Revenue &amp; Transfers In</b>	<b>\$ 40,327,540</b>
Expenditures	\$ (37,725,486)
Transfers Out	(1,817,144)
<b>Total Expenditure &amp; Transfers Out</b>	<b>\$ (39,542,630)</b>
<b>Fund Balance Change</b>	<b>\$ 784,910</b>
<b>Beginning Fund Balance</b>	<b>\$ 17,916,938</b>
<b>Ending Fund Balance</b>	<b>\$ 18,701,848</b>
<b>Budgeted Ending Fund Balance</b>	<b>\$ 16,807,641</b>
<b>Change in Fund Balance Compared to Budget</b>	<b>\$ 1,894,207</b>

# [ FY 2014: Revenue Projections ]

- Sales and related tax projections lowered
- Additional revenues

# FY 2014: Expenditure Projections

- Employer-paid pension contributions
- Health Care
- Environment-related
  - Stormwater runoff compliance
  - Environmental Health Division
  - Sweetwater Channel Maintenance
- CDBG/HOME Program impacts
- Capital Improvement Program (CIP)

# Capital Improvement Program (CIP) Overview

- Addresses the planning, construction and financing of:
  - major public infrastructure improvements such as streets, sidewalks, ADA pedestrian ramps, sewers, storm drains, street lights and traffic signals;
  - buildings, parks, and information technology; and
  - large-scale development projects (e.g. WI-TOD).
- Manages and provides recommendations for maintenance, financing and replacement schedules for the City's fleet
- Funding sources for Capital Projects often have restrictions (scope, timeline for expenditures, etc.)

# CIP Project Evaluations & Recommendations

- CIP is administered by the Engineering Department
- CIP Committee reviews project proposals presented by City departments on an annual basis
- Key criteria considered include:
  - health & safety requirements
  - Community support
  - project costs & schedule
  - available funding
  - consistency with the City's General Plan and other long-range planning documents
  - on-going maintenance costs
- CIP Committee recommendations are presented to City Council as part of the City's annual budget



# [ CIP Budget Process ]

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- “Sliding” Five-year budgeting process for establishing the City’s capital priorities and financing plan
- First year of the five-year program represents the “approved” capital budget, which is incorporated into the City’s annual budget
- Projects slated for subsequent years in the program are for planning purposes only and do not receive expenditure authority



# Strategic Plan



# [ Strategic Plan Elements ]

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1. Provide Quality Services
2. Achieve Fiscal Sustainability
3. Improve Quality of Life
4. Enhance Housing and Community Assets
5. Promote Healthy Community



# Objective 1: Provide Quality Services

Frank Parra, Director of  
Emergency Services



# [ Provide Quality Services ]

- a) Practice the five core values (Commitment, Customer Service, Courtesy, Communication, and Collaboration) with our diverse customer base.
- b) Align workforce with City's objectives and provide training and support necessary to fully develop employees.
- c) Expand public access to City services and information.

# [ Provide Quality Services ]

- d) Pursue public safety goals and objectives and enhance disaster preparedness (Police, Fire, Emergency Medical Services, Homeland Security).
- e) Analyze internal processes for efficiency and implement technology solutions where feasible.



1b. Align workforce with City's objectives and provide training and support necessary to fully develop employees.



1d. Pursue public safety goals and objectives and enhance disaster preparedness (Police, Fire, Emergency Medical Services, Homeland Security).



# Public Safety Goals and Objectives

- Sidewalk CPR
- Paramedic Contract out for RFP
- Primary and Secondary EOC
- Active and expanded CERT Program
- Police AED program
- Police wellness
- Crime Prevention
- Volunteerism
- Employee development

## Objective 2: Achieve Fiscal Sustainability

Stacey Stevenson, Director of  
Administrative Services

Joe Smith, Director of Public Works



# [ Achieve Fiscal Sustainability ]

- a) Prepare effective budget, accurately forecast funding sources, manage investments wisely, provide consistent financial reports, maintain clean audits, and update finance and budget policies.
- b) Prepare a 3 year operating plan that prioritizes service and staffing levels in preparation for sunset of district tax.
- c) Establish economic development programs to retain existing businesses and stimulate new investments.

# [ Achieve Fiscal Sustainability ]

- d) Fund replacement reserves, or create financing plans, for fleet, facilities and other City assets.
- e) Partner with community organizations, schools, and other public agencies in the efficient and cost effective delivery of services.



4a. Prepare effective budget, accurately forecast funding sources, manage investments wisely, provide consistent financial reports, maintain clean audits, and update finance and budget policies.

# Budgeting and Financial Management

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- Established new budget team
- Quarterly budget reports
- Investment team
- Audit and Financial Advisor Requests for Proposals (RFP's)

# Budgeting and Financial Management

- Continuous improvement
  - Developing new reporting formats
  - Address audit findings
  - Finance, budget and purchasing policies and procedures
  - Budget format
- Workshops



2d. Fund replacement reserves, or create financing plans, for fleet, facilities, and other City Assets



# Financing of Fleet, Facilities and Other Assets

- Cities aging fleet and facilities
- Establish replacement plan for fleet and facilities
- Leasing of sedans and equipment up to  $\frac{3}{4}$  ton trucks
- Finance purchase for all vehicle types



# Objective 3: Improve Quality of Life

Brad Raulston, Community  
Development Executive  
Director



# [ Improve Quality of Life ]

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- a) Implement Neighborhood Action Plans by working with residents to prioritize projects.
- b) Pursue green initiatives and build a sustainable city.
- c) Help organize community events and support social gatherings.

# [ Improve Quality of Life ]

- d) Update sign ordinance to improve community character and draw attention to important gateways, corridors and intersections.
- e) Support Pier 32 (GB Capital Holdings) expansion plans and work with Port District to fund public process and public improvements.

# Objective 4: Enhance Housing and Community Assets

Alfredo Ybarra, Community Development  
Manager

Brad Raulston, Community Development  
Executive Director

Michael Bush, Financial Advisor



# Enhance Housing and Community Assets

- a) Continue providing housing opportunities at all income levels and develop programs to improve existing conditions.
- b) Utilize the existing public works yard for a neighborhood park and affordable family housing (Westside Infill Transit Oriented Development: WI-TOD or Paradise Creek Project).
- c) Maintain and improve City's infrastructure and find alternative funding to construct public facilities, park improvements, and other capital needs.

# Enhance Housing and Community Assets

- d) Preserve and promote historic resources and cultural assets.
- e) Administer real property assets to achieve the City's long term goals.



4a. Continue providing housing opportunities at all income levels and develop programs to improve existing conditions.



# Draft 2013-2020 Housing Element Objectives

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- Focus new housing development with urban infill
- Expand the supply of affordable for sale and rental housing.
- Preserve the existing supply of affordable rental housing.
- Continue assisting in the rehabilitation of housing units occupied by low income households

# [ Dwindling Resources ]

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- Reduction of resources for gap financing.
  - Community Development Block Grant
  - HOME Investment Partnerships Program
  - Loss or reduction of other federal grant opportunities
  - Low Moderate Housing Fund

# [ Existing Resources ]

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- Land subsidies
- Tax Credit Equity
- Revenue Bonds
- New opportunities at State level
- Local existing opportunities
  - Kimball and Morgan Towers
    - Enhancement
    - Expansion



4b. Utilize the existing public works yard for a neighborhood park and affordable family housing (Westside Infill Transit Oriented Development: WI-TOD or Paradise Creek Project).

# [ Paradise Creek ]

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- Westside Specific Plan – specific planning effort in response to environmental justice.
- Project Site consists of 14 acres including public works yard, vacant land, bus site, and paradise creek
- Begin transformation of the community through the development of a park and affordable housing project

# [ Paradise Creek ]

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- Approved:
  - planning entitlements
  - design development plans
  - environmental remediation plan
- Park concept plan completed
- Project site assembled

# [ Paradise Creek ]

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- Current Status
  - Proceeding with first phases of remediation,
  - Developer to conduct surcharge test soon,
  - Confirming sources of funds (Bonds, LMF, HOME, IIG, TCAC, RLF, Catalyst, other grants, etc.)
- Construction to be completed over next 3 years



4c. Maintain and improve City's infrastructure and find alternative funding to construct public facilities, park improvements, and other capital needs.





# Objective 5: Promote Healthy Community

Steve Manganiello, City Engineer  
Armando Vergara, Neighborhood  
Services Manager



# [ Promote Healthy Community ]

- a) Expand opportunities for walking and biking through the development of Community Corridors and Safe Routes to Schools consistent with the National City General Plan and Bicycle Master Plan.
- b) Continue to provide accessibility to City programs, activities and services for all users, including individuals with disabilities (Americans with Disabilities Act).
- c) Enhance neighborhood services programs such as graffiti abatement, parking enforcement, and code enforcement.

# [ Promote Healthy Community ]

- d) Create an Environmental Health division that serves as a single point of contact for monitoring and compliance.
- e) Advance National City wellness programs for youth, families, seniors and City employees that encourage a healthy lifestyle.



5a. Expand opportunities for walking and biking through the development of Community Corridors and Safe Routes to Schools consistent with the National City General Plan and Bicycle Master Plan.



5d. Create an Environmental Health division that serves as a single point of contact for monitoring and compliance.



5c. Enhance neighborhood services programs such as graffiti abatement, parking enforcement, and code enforcement.



# Next Steps

Stacey Stevenson, Director of  
Administrative Services



# [ Next Steps ]

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- Preliminary Budget – April 30
  - General Fund
  - Other Funds
  - CIP
  - Reserve levels
- Budget adoption – by June 30
- Correlate City programs and operations with strategic plan – on going





# Request for Direction

Leslie Deese, City Manager



# [ Request for Direction ]

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- Strategic Objectives: Did we capture the City Council's priorities and objectives?
- Preliminary budget (April 30):
  - Will include the City program elements that were not funded through CDBG
  - Other Council priorities
- Future Direction:
  - Reserves and financing plans



# Public Comment





# Council Comments / Direction

