



City Council Staff Report

January 21, 2014

ITEM

Staff Report: Presentation of the City of National City Three-Year Operating Plan for Fiscal Years 2015 through 2017; presentation of high level findings from a recent community survey report; and request for authorization for the development and drafting of a proposed ballot measure to extend the City's existing voter-approved ten-year district sales tax beyond 2016 to maintain the City's public safety services, prevent cuts to police and fire services and ensure adequate funding for parks, libraries and other City services, with no tax rate increase.

PURPOSE

The City of National City currently receives revenue from a district sales tax. The tax measure, known as Proposition D, was passed by voters in 2006, adding a one percent (1%) tax to the purchase of taxable goods¹ and services in National City, with all proceeds staying in National City – none of these proceeds can be taken by the State. As written and enacted, this district tax has a built in sunset and will expire in September 2016 (Fiscal Year 2017). Due to current economic factors that could not be foreseen when the measure was adopted, the discontinuation of this vital funding is projected to have a significant impact on the City's ability to provide the level of police, fire and other services on which National City residents and local businesses rely.

Based on forecasts using currently available data, the City will not be able to maintain the current level of service provided to National City residents and businesses, including fire and police protection services in the foreseeable future. The purpose of this report is to discuss the projected impact of the loss of this local revenue through the presentation of a three-year operating plan for Fiscal Years 2015 through 2017 and recommend options moving forward.

BACKGROUND

Resulting from factors such as State of California takeaways, stagnant property tax revenue and increased pension obligations (resulting from CalPERS investment losses), the City of National City's annual General Fund operating budget for Fiscal Year 2005 forecasted a \$4 million structural deficit; and the Fiscal Year 2006 budget forecasted a \$6.7 million structural deficit. As the City Council is aware, police and fire services comprise the largest component of the General

¹ Items such as groceries (non-prepared food), prescription medication, rent, mortgage and utilities are exempted from the district sales tax.

Fund², representing over 70% of the General Fund budget. Required by law to present a balanced budget, with the authorization of the City Council, staff closed the budget gaps through the use of reserves and other one-time revenue sources. City services were cut by 20% across the board and 51 positions were frozen City-wide, including the shuttering of library hours and the reduction of 17 fire and police personnel.

In response to the above, in June, 2006, National City voters approved a ballot measure to levy a one cent sales tax with the provision that the tax expire or sunset after ten years (September 2016). With the locally-enacted funding in place, the City began to restore programs and services critical to the safety and well-being of National City residents including restoring fire and police personnel, ensuring adequate funding for parks, libraries and other City services while maintaining local control over these funds.

The City also developed and executed policies and practices to maintain fiscally conservative spending plans, while cultivating new revenue streams such as the initiation of redevelopment projects. Cost cutting included local pension reform (preceding State measures). Revenue-generating projects such as the development of the Marina Gateway, the Plaza Bonita expansion and planned residential and commercial projects (i.e. the opening of a Costco, the opening of a Lowes Home Improvement store and the redevelopment of the downtown corridor) were initiated.

Due to circumstances outside of its control, the City faced additional fiscal challenges, beginning in 2008 with the onset of the global recession, the recovery from which still is not complete, and including, in 2011, the State-mandated dissolution of redevelopment agencies – eliminating millions in state funding that National City has relied on for economic development, anti-blight, and other programs. The recession and Sacramento money grabs created significant challenges to the City through the loss of investment income and revenue streams intended to bring projects to National City that would increase the City's tax base.

The impacts of the recession have global and unprecedented and National City has not been immune. The City's primary sources of revenue are taxes received from auto sales, retail sales, and the lumber industry. The crippling of the economy led to job loss, thus slowing the purchase of "luxury" items (new cars) and discretionary goods (retail sales) and bringing construction to a near halt. , and the City's lumber industry suffered. In addition, retailers closed existing stores and terminated plans for expansion, further impacting National City with the loss of both existing revenue and new revenue. Local big box stores Circuit City, two Mervyns, and Ralphs closed. And plans for new national chain and home improvement store openings in National City and elsewhere were called off. The anticipated new businesses would have generated additional revenue for the City; this revenue was expected to replace the district sales tax revenue.

In 2011, at the half-way point of the district sales tax, as required by the ballot initiative, an evaluation committee composed of financial experts from outside of National City was

² The City's main operating fund that pays for basic City services that use most of the City's tax revenue, such as fire and police safety, inspection services and recreation programs. The General Fund is also supported by fees from licenses and permits, fines, and investment earnings.

convened. This independent committee was charged with determining whether the sales tax should remain in effect or whether the City Council should reduce the rate of the tax or terminate it altogether. After reviewing the City's financial records and interviewing members of the executive staff, the committee concluded that, despite the City's many efforts at fiscal sustainability, continuation of the district sales tax for the second five-year period was necessary, based on the City's continued revenue needs. In its report to the City Council recommending the continuation, the committee stated:

“Although the lists below are not comprehensive, the selected actions provide a sampling of the range and magnitude of the actions taken to adequately confront and prevent the structural deficit challenge from spiraling out of control. It seems clear that despite all of the actions taken to close the City's recurring structural deficit it would spiral out of control without the revenues temporarily being provided by the District Tax. For this reason the District Tax should remain in effect.” (Report attached)

During the development of the Fiscal Year 2014 budget, at the request of the City Manager, the City's financial advisor analyzed other available revenue streams as possible replacements for the existing, voter-approved district sales tax. The report of the analysis, presented during the May 14, 2013 budget workshop concluded it was unlikely any other measures would generate the same level of revenue. As importantly, some of the other measures (i.e. utility user tax, benefit assessment district, community wide benefit assessment, and business license fee increase) would transfer the tax burden solely to National City residents and businesses. In contrast, the district sales tax is paid in significant part by visitors shopping and dining in National City.

Today, the City continues to be fiscally conservative and frugal with our use of taxpayer dollars. Departments have been consolidated, workflow efficiencies implemented, public private partnerships formed, and spending and hiring practices closely monitored. Savings and efficiencies have been realized through such measures as a partnership with the YMCA to provide aquatic and recreation programs on the City's behalf. Staff is currently negotiating a leasing agreement to modernize the City's fleet of light duty vehicles, which is intended to realize reduced replacement costs and generate savings in fuel and maintenance expenses.

While the current year's budget is projected to be stable with a modest General Fund operating surplus, during preparation of the budget and the City's five-year strategic plan, staff raised concerns about future years. Expenditures are expected to significantly increase while revenues are expected to decrease leading to a deficit by Fiscal Year 2017. It is also important to note that the City's Facilities Maintenance and Equipment Replacement Reserve Funds are underfunded. As a cost savings measure, the City has deferred repairs to several of its buildings and replacement of the City's fleet of light and heavy duty vehicles. If we further put off these repairs and replacements, the costs will continue to escalate.

Consistent with Element 2b of the City Council adopted five-year strategic plan, staff committed to return to the City Council in January 2014 with a three-year operating plan outlining how the City's service delivery will be affected with the loss of \$9.7 million in revenue.

DISCUSSION

The existing, voter-approved district sales tax provides approximately 22% of the General Fund's operating revenue. City staff has begun the process of developing an action plan to address this significant reduction in revenue. Using the current fiscal year as a baseline, all City departments were asked to prepare a three-year operating plan through Fiscal Year 2017. The premise of the plan is to project revenues and expenditures over the three year review period and illustrate the impact on service delivery as a result of those changes.

After factoring considerations such as the impact of internal service charges and the margin of error in estimating revenues and expenditures, all departments, including Fire and Police, were directed to plan for a 24% reduction in general fund operating revenue in Fiscal Year 2017 when it is expected that the City will be dealing with the more than 2700 parolees that the State will have released in our region. Our City has continuously made public safety a top priority to address the fact that National City still has one of the highest crime rates in the County. We simply cannot afford to cut public safety services further by reducing gang and drug prevention, police officer staffing at local schools, neighborhood police patrols, and graffiti removal. Further we must maintain firefighter/paramedic staffing and keep the Euclid Fire Station open. The district sales tax is a General Fund revenue. Therefore, the revenues and expenditures contained in the three-year plan are limited to the General Fund. All figures represented for Fiscal Years 2015 through 2017 are estimated based on data currently available and historic trends. All projected revenues and expenditures are, of course, preliminary and subject to change.

Relative stability in revenues is forecasted for Fiscal Years 2015 and 2016 with modest increases in Bradley Burns³ and District Sales Taxes (see table below). In those same years, pension obligation payments are anticipated to increase. The California Public Employees' Retirement System (CalPERS) announced a plan to address the system's under funding through changes in actuarial and investment assumptions. These changes are anticipated to result in significant rate increases in Fiscal Years 2016 through 2020. As a result, most City departments show no changes in projected budgets for Maintenance and Operations in these two years, with increases in personnel costs related to negotiated step increases, pension costs and health care.

³ The State-wide local sales and use tax imposed under the Bradley-Burns Uniform Sales and Use Tax Law with 6.5% distributed to the State, 0.75% to the local jurisdiction and 0.25% to local Transportation Fund.

Property and Sales Tax Projections

	FY 2014	FY 2015	FY 2016	FY 2017
Bradley Burns	\$11,358,170	\$12,122,001	\$12,533,894	\$17,300,786*
District Sales Tax	\$9,418,000	\$9,506,405	\$9,707,493	\$2,497,249**
Property Tax	\$3,361,383	\$3,463,904	\$3,533,182	\$3,603,846
Property Taxes Allocated	(\$1,481,210)	(\$1,526,386)	(\$1,556,914)	(\$1,588,053)
Property Tax in Lieu of Sales Tax	\$4,093,008	\$4,219,170	\$4,177,965	0*
Property Tax in Lieu of VLF	\$5,185,350	\$5,452,625	\$5,561,678	\$5,672,911
Other	\$10,413,689	\$9,167,536	\$9,319,517	\$9,478,232
Total	\$42,348,390	\$42,405,255	\$43,276,815	\$36,964,971

Sales tax projections provided by HdL

* assumes that the Triple Flip deduction will sunset in FY 2016.

** reflects final district sales tax distribution.

Under the terms of the existing, voter-approved measure, the district sales tax will expire in September 2016 (Fiscal Year 2017). In estimating revenues to expenditures for Fiscal Year 2017, factoring in the loss of the district sales tax, staff projects a structural deficit of \$8 million.

In completing this exercise, departments were directed to back internal services charges out of their budget projections prior to calculating the 24%. Likewise, departments could not apply reductions in internal service charge expenditures towards the 24% goal. Instead, departments that are funded, in whole or in part, through internal services charges were required to realize the reductions in their budgets⁴. Those departments receiving internal service charges are Management Information Systems, Public Works and Risk Management.

A 24% reduction in the Fiscal Year 2017 estimated General Fund Operating budget of \$41,997,742 is significant with major impacts on staffing and services. A 24% reduction equates to a loss of \$10,079,458. As a result:

- All City departments project significant reductions in operations in Fiscal Year 2017.
- Maintenance and Operations (M&O) budgets are projected to decrease by 3.2%.
- Personnel budgets are projected to decrease by 22.3%
- Personnel is projected to decrease by 30.65% City-wide, the full-time equivalent of 90.56 staff positions. Full-time equivalent (FTE) is defined as a total of 2,080 working hours per fiscal year. FTE's and people do not match up on a one for one basis. Some of the positions proposed to be eliminated are part-time positions (Community Services, Housing & Grants and Library). Reaching the value of one FTE (2,080 hours) requires the elimination of multiple part-time staff.
- In actuality, 90.56 reduction in FTE's will result in the loss of 109 employees.

⁴ Internal Services Charges present 12.77% of the General Fund Operating Budget expenditures.

These reductions in M&O and Personnel will result in reductions in service levels. Service level reductions include but are not limited to:

- Fire – closing of Fire Station 31 (one of only two National City fire stations)
- Police – elimination of Gang Enforcement, SWAT, Traffic and Community Services Units; elimination of the drug prevention program and school police officers; reduction in the number of neighborhood patrols; and a general reduction in police officers
- Neighborhood Services – elimination of the Graffiti Removal program
- Housing and Grants – elimination of the staff run Senior Nutrition Program (return the program to the County to find other partners/grantees)
- Library – a 23% reduction in Library hours⁵; elimination of the Literacy Program
- Community Services – closure of community centers and associated programs, closure of Casa de Salud and the Manuel Portillo Youth Center teen program; closure of the El Toyon Recreation Center and the Tiny Tots program.

As demonstrated through this exercise, based on forecasts using currently available data, the City will not be able to maintain the current level of service provided to National City residents and businesses, including fire and police protection services in the foreseeable future. Without continuing current local funding, there is a possibility of having to outsource both police and fire services. We strongly recommend that appropriate planning be undertaken to prevent any possibility of closing our City-run Police and Fire Departments and contracting with another jurisdiction to provide these services.

To address the City's fiscal challenges, the City commissioned a comprehensive community survey of 400 residents to determine the public's service priorities and their willingness to continue to pay for those priorities with no increase in current tax rates. An overwhelming 78% of respondents believe that there is a need for continued funds to provide the current level of city services such as neighborhood police patrols and police officers, gang and drug prevention programs, 9-1-1 emergency medical response, fire protection and firefighters/paramedics, graffiti removal, street and pothole repair, and senior and youth library services. In addition, the survey found that 72% of respondents stated their support for the continuation of existing, voter approved funding in 2014 and felt very strongly that without the extension National City would be forced to eliminate police, firefighters and medical paramedics, further increasing emergency response times. This response is well above the simple majority threshold necessary for passage of a no-tax rate increase extension measure.

Alternative

The above stated analysis, as described, included reductions across all City departments, including the Fire and Police Departments. As an alternative approach, a scenario was conducted exempting said public safety departments from reductions. When internal service charges are not factored in, Fire and Police account for 71% of the general fund operating budget. As such, the impact of absorbing the loss of the district sales tax across the remaining City Departments is

⁵ Saturday closure (in addition to the current Friday closure) and reduced hours Sunday through Thursday.

quite significant. The estimated budget for the other City departments is \$14,625,493. Removing the estimated district sales tax reduces this number to \$4,546,035, a reduction of 69%.

RECOMMENDATION

In the near term (the current fiscal year and Fiscal Years 2015 and 2016), City departments are reticent to begin long range planning or initiate new programs and services, recognizing that funding for current programs and services is tenuous beyond Fiscal Year 2016. And as demonstrated through this exercise, based on forecasts using currently available data, the City will not be able to maintain the current level of service provided to National City residents and businesses, including fire and police protection services by Fiscal Year 2017.

The recent survey of National City residents indicates a strong desire for fiscal stability and the maintenance of core services, with particular emphasis on city-run fire and police services, 9-1-1 emergency dispatchers, school and neighborhood patrols, repairing streets and potholes and preventing cuts to senior and youth after-school programs.

In order to maintain service levels and achieve fiscal viability; and in order to allow departments to begin long range planning, staff recommends that the City Council direct the development and drafting of a proposed ballot measures to extend the previously voter approved one cent district sales tax beyond its expiration date with no increase in tax rate to maintain the City's public safety services, prevent cuts to police and fire services and ensure adequate funding for parks, libraries and other City services. With thousands of people visiting National City every day, the existing District Measure has ensured that out-of-towners continue to pay their fair share for police, fire, street repair and other services they use when they visit our City, while not being applied to food purchased as groceries or prescription medication.

FISCAL IMPACT

Maintenance of the status quo will result in the loss of district sales tax revenue to the City estimated to be \$8 million.

Attachments:

- A. Summary of Proposed Reductions
- B. Summary of Personnel Reductions
- C. Departmental Three-Year Operating Plans
- D. Report and Recommendation on Proposition D



**Three Year Operating Plan
Proposed Reductions - In Dollars and Percentages**

Department/Program	2017 estimated budget	M&O Reduction	% of Budget	Personnel Reduction	% of Budget	total % Reduction
Building	\$474,949	\$0.00	0.0%	\$158,845	33.4%	33.4%
City Attorney	\$712,230	\$72,445.00	10.2%	\$98,753	13.9%	24.0%
City Clerk	\$268,783	\$0.00	0.0%	\$77,976	29.0%	29.0%
City Manager	\$1,069,626	\$7,250.00	0.7%	\$249,476	23.3%	24.0%
Community Services	\$440,198	\$11,383.00	2.6%	\$94,359	21.4%	24.0%
Engineering/Public Works	\$1,308,378	\$18,400.00	1.4%	\$362,551	27.7%	29.1%
Finance	\$1,518,682	\$100,354.00	6.6%	\$264,161	17.4%	24.0%
Fire	\$7,664,303	\$0.00	0.0%	\$1,850,442	24.1%	24.1%
Housing & Grants	\$923,461	\$329,350.00	35.7%	\$399,622	43.3%	78.9%
Human Resources	\$414,368	\$29,810.00	7.2%	\$69,640	16.8%	24.0%
Library	\$944,414	\$40,870.00	4.3%	\$185,750	19.7%	24.0%
MIS	\$1,736,188	\$416,685.00	24.0%	\$0	0.0%	24.0%
Neighborhood Services	\$952,142	\$15,000.00	1.6%	\$214,557	22.5%	24.1%
Non-Departmental	\$742,809	\$186,561.00	25.1%	\$0	0.0%	25.1%
Planning	\$413,477	\$0.00	0.0%	\$98,035	23.7%	23.7%
Police	\$19,707,946	\$79,895.00	0.4%	\$4,625,000	23.5%	23.9%
Risk Management	\$2,705,788	\$51,001.00	1.9%	\$598,418	22.1%	24.0%
Totals	\$41,997,742	\$1,359,004.00	3.2%	\$9,347,585	22.3%	25.5%



**Three Year Operating Plan
FTE Counts**

Department/Program	Projected FTE Count	Reduction	Revised Total	% Reduction
Building	4	2	2	50.00%
City Attorney	3.5	0.75	2.75	21.43%
City Clerk	2	1	1	50.00%
City Manager	7.8	1	6.8	12.82%
Community Services	13.81	4.91	8.9	35.55%
Engineering/Public Works	37.65	6.25	31.4	16.60%
Finance	14.48	4.5	9.98	31.08%
Fire	43	14	29	32.56%
Housing & Grants	10.5	6.75	3.75	64.29%
Human Resources	3	1	2	33.33%
Library	15.85	5.4	10.45	34.07%
MIS	3	0	3	0.00%
Neighborhood Services	9.05	4	5.05	44.20%
Planning	3	1	2	33.33%
Police	123.82	37	86.82	29.88%
Risk Management	1	1	0	100.00%
Totals	295.46	90.56	204.9	30.65%



Departmental THREE YEAR OPERATING PLAN

Department Name: Building

Department Description: The Building Division protects the public's health and safety by reviewing each building project for conformance with the requirements of adopted codes and by providing applicants with comprehensive direction on needed plan modifications. The Division also performs periodic inspections of all building projects to confirm construction is in accordance with approved plans and applicable codes and standards.

General Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
	\$497,500	\$497,500	\$497,500	\$497,500
Expenditures				
Personnel	\$337,708	\$347,582	\$357,959	\$368,649
M&O	\$106,300	\$106,300	\$106,300	\$106,300
Total Expenditures	\$444,008	\$453,882	\$464,582	\$474,949

*include all projected changes in expenditures, revenues and staffing (i.e. salary adjustments, staffing increases or reductions)

Revised General Fund Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
	\$497,500	\$497,500	\$295,670	\$295,670
Expenditures				
Personnel	\$337,708	\$347,582	\$357,959	\$209,804
M&O	\$106,300	\$106,300	\$106,300	\$106,300
Total Expenditures	\$444,008	\$453,882	\$464,582	\$316,104

Program/Service

Description: Review building projects for conformance with the requirements of adopted codes and by providing applicants with comprehensive direction on needed plan modifications. Perform periodic inspections of all building projects to confirm construction is in accordance with approved plans and applicable codes and standards.

Proposed Changes

Layoff two employees. This scenario is a permanent reduction of 1/2 of the total Building staff.

Program Impacts

- 24% cut will result in the layoff of two employees because 64% of the Building budget is personnel costs.
 - Layoff of (1) Senior Building Inspector and (1) Permit Technician: \$158,845 in FY17
- Increased response times for processing building permits
- Increased response times for processing plans
- Increased dependence on Esgil (contractor) to process building permits/plans
- Potential for non-compliant building structures being built due to lack of ability to conduct enforcement
- Lost efficiency in processing business licenses that require Building approval
- Large slow down due to staffing reductions
 - Building Permits
 - Enforcement Fines & Penalties
 - Plan Checking Fee

Summary

Total projected Savings: \$158,845

Personnel Reductions- Dollar and % Savings: \$158,845 (33%) in FY17

FTE Reductions:

Position Title	FTE* Count
Senior Building Inspector	1.0
Permit Technician	1.0
Total	2.0

Major community impacts: Tax revenue generated from new development projects will be delayed due to staff shortages, which will result in less tax revenue income for the City.



Departmental THREE YEAR OPERATING PLAN

Department Name: City Attorney

Department Description: Legal

General Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
	n/a	n/a	n/a	n/a
Expenditures				
Personnel	\$538,519	\$548,751	\$559,359	\$570,180
M&O	\$142,050	\$142,050	\$142,050	\$142,050
Total Expenditures	\$680,569	\$690,801	\$701,409	\$712,230

*include all projected changes in expenditures, revenues and staffing (i.e. salary adjustments, staffing increases or reductions)

Revised General Fund Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues	n/a	n/a	n/a	n/a
Expenditures				
Personnel	\$ 538,519	\$ 548,751	\$ 559,359	\$ 471,427
M&O	\$ 142,050	\$ 142,050	\$ 142,050	\$ 69,605
Total Expenditures	\$ 680,569	\$ 690,801	\$ 701,409	\$ 541,032

Program/Service

The City Attorney is the chief legal officer of the city under the direction and control of the City Council; and also acts as legal counsel for the Parking Authority, Successor Agency, and Joint Powers Financing District. Among other things, the city attorney prepares or

revises ordinances, is responsible for all litigation; makes recommendations for ordinances, resolutions or other documents or procedures affecting the legal position of the city; provides legal opinions; attends all meetings of the City Council, and other boards and commissions as necessary; reviews all contracts and instruments to which the city is a party; enforces city laws and regulations; and reviews and analyzes all state and federal legislation affecting the city.

Objective:

Continue to provide legal advice with the imposition of a 24% budget reduction amounting to \$170,935 (\$712,230 - \$170,935= \$541,295).

Proposed Changes *(describe changes including the effective date and any plans to phase in change or wind down a program if applicable)*

Effective 7/1/2016:

- 1) eliminate senior assistant city attorney position for annual savings of \$64,061.**
- 2) reduce deputy city attorney to $\frac{3}{4}$ time position for an annual savings of \$34,692.**
- 3) reduce M&O by 51% for an annual savings of \$72,445.**

Program Impacts *(impacts include but are not limited to all of the following):*

Personnel Reductions

We would eliminate one current position and reduce another position by 25%. Whether we could retain an attorney in the $\frac{3}{4}$ time position is questionable, thus exacerbating the potential impact to personnel reductions should that position be vacated. A reduction to staffing as outlined, would most immediately impact legal support provided to City departments.

Service Delivery

Undoubtedly, the reduction in staffing would impair the department's ability to meet the legal needs of the City. There would be a direct impact to the timeliness of agenda items. Specifically, all items on the agenda would either require more time for legal review resulting in items delayed or would forego review resulting in potential legal vulnerability.

A reduction in the legal review of matters exposes the City to greater litigation. For example, currently, legal staff reviews agenda items for compliance with our policies and law. Contracts are reviewed for compliance with our bidding requirements, and protests are reviewed as part of the process. Quasi-judicial matters are reviewed for sufficiency of evidence in the record before the decision maker, as well as for procedure. Quasi-judicial matters involve the legislative body to make a decision based on the body of evidence before them. Insufficient staffing directly affects the ability to review such matters ahead and provide helpful legal advice. The City Attorney frames all ordinances and reviews them for legality. Agenda items are reviewed for compliance with the Brown Act. If there is insufficient staff to review such matters, they may be placed on the agenda with legal infirmity, leaving the City more susceptible to legal challenge. The types of challenges

described above are generally not covered by the City's insurance carrier. While not every challenge can be prevented, the risk is certainly minimized by having legal review.

Legal Mandate

As described above, delivery of legal services would be severely impacted. All cities have either in-house or contract city attorneys. The Government Code requires the city attorney to advise the elected body in all legal matters related to city business. (Government Code section 41801). A need for legal services will continue to be needed. The ability to serve those needs in a timely manner, however, would be severely impacted by a 24% budget reduction.

Strategic Element

The Strategic Plan sets forth five objectives. Legal support will be needed in reaching these objectives.

M&O Reductions

The 51% reduction to M&O would reduce our ability to contract with specialists in certain areas of law. In addition, necessary training would be greatly reduced. Overall, we would operate on a very reduced budget that would increase the amount of time it would take to review legal matters, especially in specialized areas of law.

Summary

Total projected Savings: \$170,935

Personnel Reductions- Dollar and % Savings: \$98,753 14% savings

FTE Reductions: .75

Position Title	FTE* Count
Senior Assistant	0.5
Deputy	0.25
Total	0.75

M & O Reductions- Dollar and % Savings: \$72,445 10% savings

Account	Savings
Governmental Purposes	\$ 1,000
Professional Services	\$ 46,945
Membership & Subscriptions	\$ 2,500
Training	\$ 8,000
Contract Services	\$ 12,500
<u>Materials & Supplies</u>	<u>\$ 1,500</u>
Total	\$ 72,445

Major community impacts:

The primary impacts to the community would be it would take longer for matters of community interest to be brought to fruition because legal review would take longer. In addition, matters such as amortization would be affected as there would not be sufficient budget to have the required legal staffing to move amortization forward. Importantly, reduced legal staffing resulting in reduced legal review could result in greater exposure to litigation. An increase in litigation requires an increase to the liability budget, requiring additional monies from the general fund.



Departmental THREE YEAR OPERATING PLAN

Department Name: City Clerk / Records Manager

Department Description: The City Clerk / Records Manager, as the Custodian of City Records, maintains, manages and stores vital City records and documents including Ordinances, Resolutions, Contracts, Deeds and Bonds; prepares City Council Minutes; oversees the Records Retention and Document imaging Programs; responds to information and Public Records requests; administers City Elections; is the Filing Officer for Campaign Disclosure and Economic Interest Statements; prepares, publishes, posts and mails legal notices; holds the City Seal; certifies and attests City documents; administers all Oaths; maintains the Municipal Code; receives and opens bids; processes all incoming mail; administers interpretation / translation services and manages the Boards & Commissions application and appointment process.

General Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
	\$600	\$600	\$600	\$600
Expenditures				
Personnel	\$206,811	\$212,000	\$217,476	\$223,083
M&O	\$45,700	\$45,700	\$45,700	\$45,700
Total Expenditures	\$252,511	\$257,700	\$263,176	\$268,783

Revised General Fund Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
	\$600	\$600	\$600	\$600
Expenditures				
Personnel	\$206,811	\$212,000	\$217,476	\$145,107
M&O	\$45,700	\$45,700	\$45,700	\$40,700
Total Expenditures	\$252,511	\$257,700	\$263,176	\$185,807

Program/Service #1: Responding to and carrying out mandated statutory duties and responsibilities that serve the public, staff and City.

Description: Most of the activities carried out by the City Clerk/Records Manager are mandated by Statute and Ordinance. A listing of those responsibilities, duties and activities are as follows:

- Acts as Custodian of City Records (Ordinances, Resolutions, Contracts, Deeds, Bonds)
- Prepares Minutes
- Records documents
- Prepares, Mails, Posts and Advertises Public Notices
- Maintains, Certifies, Publishes and Codifies Ordinances into the Municipal Code
- Responds to information and Public Records Act Requests
- Conducts historical research for staff, other agencies and the public
- Oversees Records Retention Program
- Receives and logs all claims
- Acts as City's liaison with other agencies
- Scans documents into Records Management System for access & retrieval by public and staff
- Certifies and attests City Documents (1200+ per year)
- Administers Oaths
- Mails all executed contracts to vendors
- Conducts Elections
- Serves as Filing Officer for Campaign, Economic Disclosure and other FPPC filings
- Receives and Opens bids
- Processes incoming mail / administers out-going mail

Proposed Changes: Reduce staffing in the City Clerk's office by one position. That is the only way to achieve the targeted reduction.

Program Impacts: The loss of one position would be a 50% reduction in staffing taking it to the lowest level in over 40 years. The service delivery obligations of the City Clerk/Records Manager all have Statutory and functional deadlines. Those deadlines could not be met with a 50% reduction in staffing. Failure to meet those deadlines would have serious consequences both financially and operationally.

The administration of the Board & Commission application and appointment process would no longer be possible by the City Clerk's Office and would need to be re-evaluated or re-assigned to another department.

Summary

Total projected Savings: \$82,975

Personnel Reductions- \$77,976 (29%)

FTE Reductions: 1.0

Position Title	FTE Count
<u>Administrative Secretary</u>	<u>1.0</u>
Total	1.0

Major community impacts:

A Reduction in personnel would cripple the ability of the City Clerk's Office to carry out its responsibilities under the law to the detriment of the public and community. The resulting consequences could be very costly both legally, administratively and functionally.



Departmental THREE YEAR OPERATING PLAN

Department Name: City Manager

Department Description: The City Manager provides the overall administration, leadership, and direction for the City organization. The City Manager's office identifies for the City Council community issues and needs requiring legislative policy decisions, assures that programs and services are effectively and efficiently provided, and fosters public awareness of municipal programs, services and goals.

General Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
Expenditures				
Personnel	\$982,217	\$1,003,993	\$1,026,875	\$1,050,306
M&O	\$19,320	\$19,320	\$19,320	\$19,320
Total Expenditures	\$1,001,537	\$1,023,313	\$1,046,195	\$1,069,626

Revised General Fund Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
Expenditures				
Personnel	\$982,217	\$1,003,993	\$1,026,875	\$800,830
M&O	\$19,320	\$19,320	\$19,320	\$12,070
Total Expenditures	\$1,001,537	\$1,023,313	\$1,046,195	\$812,900

Proposed Changes

Eliminating one and one half positions with across the board cuts to Maintenance & Operations budgets.

Program Impacts

The elimination of the Community Development Executive Director position will be appropriate since the wind down of the redevelopment agency should be complete by 2016. We don't expect to budget that position in the future.

Reduction of one Senior Office Assistant position to a halftime position will impact the department and put greater demands on administrative staff throughout the City..

Cutting the majority of the M&O budget would greatly reduce the levels of support the City Manager's office can contribute to overall city efforts and would limit the professional development opportunities for the department.

A partial reduction of memberships & subscriptions is due to the need to be included with ICMA for additional resources and support.

Summary

Total projected Savings: \$ 256,726 (24%)

Personnel Reductions: \$249,476 (23.3%)

FTE Reductions: 1.5

Position Title	FTE* Count
Senior Office Assistant	0.5
Comm. Development Exec. Director	1.0
Total	1.5

M & O Reductions- Dollar and % Savings: \$7,250 (0.7%)

Account	Savings
212: Governmental Purposes	\$250
213: Professional Services	\$2,250
222: Memberships & Subscriptions	\$1,000
226: Training, Travel, Subsistence	\$2,750
264: Promotional Activities	\$1,000
Total	\$7,250



Departmental THREE YEAR OPERATING PLAN

Department Name: Community Services

Department Description: The Community Services provides high quality facilities, services and cost effective programs which enhance the quality of life and encourage healthy living for community residents. Our mission is to provide excellent customer service and planning for the City's open space and facilities and celebrate the community's diversity through social, cultural, and civic activities for youth, adults, and senior citizens. The Community Services Department consists of Recreation, Senior Services, Neighborhood Councils, and Cultural Arts.

General Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
	\$97,000	\$97,000	\$97,000	\$97,000
Expenditures				
Personnel	\$445,577	\$385,592	\$389,138	\$392,767
M & O (minus capital outlay)	\$47,431	\$47,431	\$47,431	\$47,431
Total Expenditures (minus capital outlay)	\$493,008	\$443,023	\$436,569	\$440,198

Revised General Fund Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
	\$77,000	\$77,000	\$77,000	\$77,000
				Expenditures
Personnel	\$445,577	\$385,592	\$389,138	\$298,408
M & O (minus capital outlay)	\$47,431	\$47,431	\$47,431	\$36,047
Total Expenditures (minus capital outlay)	\$493,008	\$443,023	\$436,569	\$334,550

1. Program/Service

Description: Casa de Salud and Manuel Portillo Youth Center teen program.

Objective: The Supreme Teens Program provides a variety of positive youth development programs and recreational activities that stimulate and generate interest in healthy leisure pursuits, and provide a safe, well supervised, interactive environment free of gang activity with positive adult role models. It includes a physical fitness aspect- teens will participate in a variety of sports such as tennis, basketball, racquetball, swimming, hiking, bowling, fishing and other healthy activities. The program offers new experiences for teenagers and stimulates their interest in wholesome cultural activities such as attending plays, art exhibits, and athletic competitions. Teens also receive mentoring assistance by learning new computer software, receiving assistance with homework, as well as a variety of other development programs and recreational activities. The Supreme Teens program can help to develop an interest in hobbies such as ceramics, model cars, water coloring, drawing, and arts and crafts. The program promotes community volunteerism by encouraging teens to be more involved in City government and various other civic duties.

Proposed Changes: Close Casa de Salud Recreation Center and discontinue associated programs including the teen program. If possible, expand on partnership with the YMCA to include teens. Eliminate part time staffing positions related to the program as well as maintenance and operating costs associated with operating the building.

Program Impacts

- This would impact four part time personnel as well as admin support.
- This would be in line with strategic plan element 2e. Build cooperative partnerships with community organizations, schools, and other public agencies in the efficient and cost effective delivery of services. If possible, expand on partnership with the YMCA to include teens.
- Estimated Savings- The estimated City savings would be \$35,286.

2. Program/Service

Description: El Toyon Recreation Center and Tiny Tots program

Objective: The main goal of the Tiny Tot program is to enhance the toddlers overall social, physical and intellectual development in a classroom setting in preparation for kindergarten and elementary school. The children learn their alphabet, numbers, songs, manners/etiquette, playacting, months of the year, arts/crafts and other essential skills to prepare them for the first year of school.

Proposed Changes: Close El Toyon recreation center and discontinue associated programs including the tiny tots program. Partner with the Boys and Girls Club to provide the Tiny Tots program. Eliminate part time staffing positions related to the programs as well as maintenance and operating costs associated with operating the building.

Program Impacts

- Personnel- This would impact four part time personnel as well as admin support.

- Eliminate part time staffing positions related to the program as well as maintenance and operating costs associated with operating the building.
- If possible, expand on partnership with the Boys and Girls Club to manage the Tiny Tots program. This would be in line with strategic plan element 2e: *Build cooperative partnerships with community organizations, schools, and other public agencies in the efficient and cost effective delivery of services.*
- Estimated Savings-\$39,916.

3. Program/Service

Description: Neighborhood Council Maintenance and Operating budget

Objective: NHC M & O budget funds the Neighborhood Council breakfasts, special events such as Tower of Terror support, Christmas at Brick Row event, Movies in the Park series, and more.

Proposed Changes: Reduce Neighborhood Council Maintenance and Operating budget thereby eliminating two of the four movies in the park events and two of the four Neighborhood Council (NHC) breakfasts. In addition, eliminating the budget associated with the Tower of Terror costume contest.

Program Impacts

- This would reduce part time personnel hours used for special events. It would also reduce administrative costs associated with putting these events on. Ultimately, it would reduce the City sponsored special events.
- This would not be in line with strategic plan element 3c: *Help organize community events and support social gatherings that benefit the total community.*
- If possible, expand on partnership with ARTS to cover the Tower of Terror costume contest. This would be in line with strategic plan element 2e: *Build cooperative partnerships with community organizations, schools, and other public agencies in the efficient and cost effective delivery of services.*
- Estimated Savings- The estimated City savings would be \$3,883 in M & O.
- Estimated Personnel and Admin savings- \$17,512

4. Program/Service

Description: Community and Police Relations Commission Maintenance and Operating budget

Objective: The Community and Police Relations Commission Maintenance and Operating budget funds are primarily for the membership to National Association for Civilian Oversight of Law Enforcement (NACOLE) and the costs to attend the annual conference.

Proposed Changes: Eliminate Community and Police Relations Commission Maintenance and Operating budget.

Program Impacts

- This would not impact personnel.

- NACOLE serves as a resource and tool to both the Commission and City Staff, including the City Attorney's Office. The impact would be less knowledgeable/untrained CPRC commissioners and staff.
 - The annual NACOLE training conference increases the knowledge and skills of staff members and volunteers who work in oversight.
 - NACOLE membership provides technical assistance and advice to jurisdictions with oversight bodies.
 - NACOLE membership identifies best practices as they emerge from the experiences of members.
- Estimated Savings- The estimated City savings would be \$7,500.

5. Program/Service

Description: Kimball Senior Center outside organization usage

Objective: Kimball Senior center is used by outside organizations for room rentals which affects Community Services and Public Works staff hours.

Proposed Changes: Eliminate outside organizations using the Kimball Senior Center facility on the weekends thereby saving the City personnel funds to staff the building and extra maintenance costs. Currently there are two non-City groups, Spearhead and Operation Samahan, that meet on the weekends at a cost of 156 staff hours annually. These are City Council approved groups that pay rental fees.

Program Impacts

- This would reduce the hours of one part-time position as well as additional public works hours spent cleaning and setting up/tearing down the facility.
- Estimated Savings- The estimated City savings would be personnel costs of \$1,644.

Summary

Total projected Savings: \$105,742

Personnel Reductions- Dollar and % Savings: \$94,359 (21.4%)

FTE Reductions:

Position Title	FTE Count
Recreation Aide	3.21
Recreation Specialist	1.44
<u>Recreation Leader</u>	<u>0.26</u>
Total	4.91

M & O Reductions- Dollar and % Savings: \$11,383 (2.6%)

Account	Savings
NHC	\$3,883
<u>CPRC</u>	<u>\$7,500</u>
Total	\$11,383

Major community impacts:

- Closure of two recreation centers
- Elimination of Tiny Tots program
- Elimination of Teen program
- Reduction of City sponsored special events
- Elimination of NHC breakfasts
- Possible liability increase with no CPRC M & O
- Elimination of outside organization usage of the senior center on weekends



Departmental THREE YEAR OPERATING PLAN

Department Name: Engineering & Public Works

Department Description: Responsible for delivery of capital improvement projects, maintenance of public facilities, environmental compliance, plan reviews and permitting.

General Budget:

	2014 Adopted	2015 Estimated	2016 Estimated	2017 Estimated
Revenues*				
	\$3,454,079	\$3,454,079	\$3,454,079	\$3,454,079
Expenditures				
Personnel	\$796,759	\$773,970	\$797,385	\$821,478
M&O	\$486,900	\$486,900	\$486,900	\$486,900
Total Expenditures	\$1,283,659	\$1,260,870	\$1,284,285	\$1,308,378

* Revenues shown reflect General Fund revenues only.

Revised General Fund Budget:

	2014 Actual	2015 Estimated	2016 Estimated	2017 Estimated
Revenues*				
	\$3,454,079	\$3,498,994	\$3,567,824	\$2,688,686
Expenditures				
Personnel	796,759	703,297	725,350	458,927
M&O	486,900	479,900	479,900	468,500
Total Expenditures	\$1,283,659	\$1,183,197	\$1,205,250	\$927,427

* Revenues shown reflect General Fund revenues only

Program/Service: Engineering

Description: Responsible for delivery of capital improvement projects, environmental compliance, plan reviews and permitting.

Proposed Changes: Change in personnel to occur at the start of FY 2015, with full reduction by the start of FY 2017. Reduction in M&O to occur at the start of FY 2015 and remain fixed through FY 2017.

- Personnel:
 - July 1, 2014 – Freeze Project Officer position, which was vacated due to employee retirement in FY 2014.
 - July 1, 2016 – Freeze Assistant Director of Public Works / Engineering, Management Analyst II and Civil Engineering Technician positions.
- Maintenance and Operations: \$7,000 from various accounts

Program Impacts:

- Service Delivery: Reduction in personnel will impact scope of capital improvement program, ability to apply for and management capital grants, and review time for plan checks and issuing permits.
 - Capital Improvement Program (CIP): Engineering currently manages a \$50 million 5-Year CIP for the City. The Assistant Director of Public Works / Engineering and Management Analyst II are essential personnel for managing a CIP of this size. Without these positions, the CIP would need to be reduced by approximately 50% as staff will not have the capacity to aggressively apply for competitive grants (which include extensive reporting and delivery requirements) and effectively provide project accounting and management services. Programs / projects such as Safe Routes to School will be minimized.
 - Plan checks and permits: Elimination of the Assistant Director of Public Works / Engineering and Civil Engineering Technician will impact review times for plan checks and issuance of permits for grading and work within the public right of way. Review times are estimated to increase from 30 days or less to 45 days or less.
 - Customer Service: Elimination of a Civil Engineering Technician will impact customer service, which will result in longer wait times at the service counter and response times to requests for information. Staff estimates a 25% reduction in customer service.
- Legal Mandates: The City is legally required to maintain environmental compliance. Elimination of the Assistant Director of Public Works / Engineering will impact staff's ability to maintain environmental compliance in stormwater, wastewater and HAZMAT.

Engineering will need to increase Contract Services for environmental support to assist staff with program management, reporting and inspections.

- Estimated Savings: Reduction in personnel and M&O will result in an estimated savings of approximately \$305,600 (~27%) in General Fund.

Summary:

Total Projected Savings:

- **Personnel Reductions (Dollar and % Savings):** ~\$298,600 and ~43%
- **FTE Reductions:**

<u>Position Title</u>	<u>FTE (General Fund)</u>
Assistant Director of Public Works / Engineering	0.50
Project Officer	0.85
<u>Civil Engineering Technician</u>	<u>0.90</u>
Total	2.25

- **M & O Reductions (Dollar and % Savings):** ~\$7,000 and ~2%

<u>Account</u>	<u>Savings</u>
Professional Services	\$20,000
<u>Contract Services</u>	<u>\$(13,000)*</u>
Total	\$7,000

* Represents increase in Contract Services for environmental support to assist staff with program management, reporting and inspections to maintain environmental compliance (legal mandate).

Major community impacts:

- Estimated 50% reduction in CIP will impact the value and amount of public improvement projects for the community (i.e. Safe Routes to School, pedestrian and bicycle enhancements, traffic calming, etc.)
- Estimated increase in review time for plan checks and issuing permits from 30 days or less to 45 days or less.
- Estimated 25% reduction in customer service, which will result in longer wait times at the service counter and response times to requests for information.

Program/Service: Public Works Operations

Description: Management and administrative support services for Public Works

Proposed Changes: Reduction in M&O to occur at the start of FY 2017.

- Maintenance and Operations: \$11,400 from various accounts

Program Impacts:

- Estimated Savings: Reduction in M&O will result in an estimated savings of approximately \$11,400 (~7%) in General Fund.

Summary:

Total Projected Savings:

- **Personnel Reductions (Dollar and % Savings):** None
- **FTE Reductions:** None
- **M & O Reductions (Dollar and % Savings):** ~\$11,400 and ~16%

<u>Account</u>	<u>Savings</u>
Training	\$4,000
Contract Services	\$7,400
Total	\$11,400

Major community impacts: None

Program/Service: Facilities Maintenance

Description: Responsible for maintenance of City-owned buildings, including electrical, plumbing, HVAC and minor repairs.

Proposed Changes: Reduction in personnel and M&O to occur at the start of FY 2017.

- Personnel:
 - July 1, 2016 – Freeze Building Trades Specialist position.
- Maintenance and Operations: \$332,500 from various accounts

Program Impacts:

- Service Delivery:
 - Elimination of Building Trades Specialist will impact response times to requests for service and repairs. Staff estimates a 35% reduction in response times.
 - Partnership with YMCA to carry out maintenance of Las Palmas Pool and Camacho Gym is estimated to reduce M&O by approximately 19%.
- Estimated Savings: Reduction in personnel and M&O will result in a reduction of approximately \$338,500 (~17%) in General Fund revenues.

Summary:**Total Projected Savings:**

- **Personnel Reductions (Dollar and % Savings):** ~\$6,000 and ~1%
- **FTE Reductions:**

<u>Position Title</u>	<u>FTE (General Fund)</u>
Building Trades Specialist	1.00
Total	1.00

- **M & O Reductions (Dollar and % Savings):** ~\$332,500 and ~19%

<u>Account</u>	<u>Savings</u>
Electricity & Gas	\$149,000
Water	\$66,700
R&M Buildings & Structures	\$80,000
Chemical Products	\$36,800
Total	\$332,500

Major community impacts:

- Estimated 35% reduction in response times to requests for service and repairs for City-owned buildings, including public library and MLK Jr. Community Center.
- Estimated 19% reduction in M&O due to partnership with YMCA to carry out maintenance of Las Palmas Pool and Camacho Gym.

Program/Service: Equipment Maintenance

Description: Responsible for maintenance of City fleet, which includes vehicles and heavy equipment.

Proposed Changes: Reduction in M&O to occur at the start of FY 2017.

- Maintenance and Operations: \$316,000 from various accounts

Program Impacts:

- Service Delivery:
 - Proposed contract with fleet management company for modernization and maintenance of light and medium duty fleet is estimated to reduce M&O by approximately 25%.
 - Proposed reduction in Police Dept. fleet is estimated to reduce M&O by approximately 13%.
- Estimated Savings: Reduction in M&O will result in a reduction of approximately \$279,100 (~28%) in General Fund revenues.

Summary:**Total Projected Savings:**

- **Personnel Reductions (Dollar and % Savings):** None
- **FTE Reductions:** None
- **M & O Reductions (Dollar and % Savings):** ~\$316,000 and ~38%

<u>Account</u>	<u>Savings</u>
R&M Automotive Equipment	\$70,000
Gas, Oil & Lubricants	\$180,000
Automotive Parts	\$52,000
<u>Tires</u>	<u>\$14,000</u>
Total	\$316,000

Major community impacts:

- Estimated 25% reduction in M&O due to proposed contract with fleet management company for modernization and maintenance of light and medium duty fleet.

Program/Service: Parks

Description: Responsible for maintenance of City parks, landscaped medians and trees within the public right of way.

Proposed Changes: Reduction in personnel and M&O to occur at the start of FY 2017.

- Personnel:
 - July 1, 2016 – Freeze Park Superintendent, one Park Caretaker and both Seasonal Park Aide positions.
- Maintenance and Operations: \$4,350 from various accounts

Program Impacts:

- Service Delivery:
 - Responsibilities of the Park Superintendent will be carried out by the Director of Public Works / City Engineer, with the assistance of the Park Superintendent.
 - Elimination of Park Superintendent, one Park Caretaker and both Seasonal Park Aide positions will result in reduction in service levels. Staff estimates a 20% reduction in service levels, which will primarily impact requests for tree trimming and maintenance of landscaped medians.
- Estimated Savings: Reduction in personnel and M&O will result in a reduction of approximately \$127,300 (~32%) in General Fund revenues.

Summary:**Total Projected Savings:**

- **Personnel Reductions (Dollar and % Savings):** ~\$123,000 and ~14%
- **FTE Reductions:**

<u>Position Title</u>	<u>FTE (General Fund)</u>
Park Superintendent	1.00
Park Caretaker	1.00
Seasonal Park Aide	0.50
Seasonal Park Aide	0.50
Total	3.00

- **M & O Reductions (Dollar and % Savings):** ~\$4,400 and ~4%

<u>Account</u>	<u>Savings</u>
Laundry & Cleaning	\$500
Wearing Apparel	\$470
Small Tools	\$380
Materials & Supplies	\$2,500
<u>Mobile Tools</u>	<u>\$500</u>
Total	\$4,350

Major community impacts:

- Estimated 20% reduction in service levels, which will primarily impact requests for tree trimming and maintenance of landscaped medians.



Departmental THREE YEAR OPERATING PLAN

Department Name: Finance

Department Description: The Finance Department is responsible for City-wide financial management activities including accounting and financial reporting, accounts payable, accounts receivable, investments, payroll and procurement.

General Budget:

	2014 Adopted	2015 Estimated¹	2016 Estimated¹	2017 Estimated¹
Revenues²				
	\$727,150	\$758,700	\$790,200	\$821,700
Expenditures				
Personnel	1,131,549	1,152,273	1,174,825	1,197,835
MandO	320,847	320,847	320,847	320,847
Total Expenditures	\$1,452,396	\$1,473,120	\$1,495,672	\$1,518,682

1. includes projected changes in expenditures, revenues, and staffing

2. includes business licenses, investment earnings, garage sale permits, and administrative fees (dog licenses)

Revised General Fund Budget:

	2014 Adopted¹	2015 Estimated¹	2016 Estimated¹	2017 Estimated¹
Revenues²				
	\$727,150	\$758,700	\$790,200	\$821,700
Expenditures				
Personnel	1,131,549	1,152,273	1,174,825	933,674
MandO	320,847	314,847	316,772	220,493
Total Expenditures	\$1,452,396	\$1,467,120	\$1,491,597	\$1,154,167

¹ includes adjustment for reduced audit expenses

² includes business licenses, investment earnings, garage sale permits, and administrative fees (dog licenses)

Accounting and Financial Reporting, Accounts Payable, Accounts Receivable, Payroll, Purchasing

Description:

Accounting and financial reporting includes bookkeeping, reporting, and audit and financial statement preparation. Accounts Payable is responsible for payment of the City's financial obligations (except for employee salaries and related expenses) and vendor file maintenance. Accounts Receivable collects, deposits, and posts all revenues received by the City and issues business licenses and (some) permits. Payroll is responsible for administration of employee compensation, employment taxes, and other deductions. Purchasing coordinates the City's acquisition processes, storage and delivery of supplies, and disposal of surplus property.

Proposed Changes

Eliminate three (3) Accounting Assistant positions, one (1) Accountant, and the Stock Clerk / Storekeeper position. This staff reduction would occur **October 1, 2016, (is that what your table reflects? The decision was for all departments to make all reductions effective July 1)** coinciding with effective date of the elimination of the District Sales Tax, unless required earlier by City Council or the City Manager.

A reduction of \$100,354 in Maintenance and Operations accounts.

Appropriations associated with revenue-generating programs would not be reduced or eliminated.

These expense cuts would be effective July 1, 2016.

Program Impacts

Although all departmental services and functions are expected to continue, the proposed staff reductions would result in considerably diminished service and production levels, including:

- significantly increased wait and processing times for business licenses, garage sale permits, and dog licenses;
- delayed payments to vendors (and possible resulting late fees); and
- an extended audit and financial statement preparation timetable, as well as later account reconciliations, journal entries, and other adjustments.

In addition, the lack of available support and backup staff is likely to also result in overtime work or compensatory time accrual, at times of heavy workloads and when important deadlines approach. (Overtime and compensatory time would need to be factored into future budgets, with funding probably coming from deeper cuts to Rentals and Leases.) Further, without a Stock Clerk / Storekeeper, departments may need to coordinate pickup of materials stored or delivered to the warehouse / storage facility. **Finally, many non-essential functions likely would be suspended or discontinued altogether, in favor of those considered critical. (like what?)**

Impacts of Maintenance and Operations cuts proposed:

- important training and educational opportunities likely would be missed (due to the reduction of the Training, Travel, and Subsistence budget), hampering the department's ability to stay current on legal updates and generally accepted governmental accounting practices, thus increasing the City's exposure;
- staff would be required to estimate revenues internally (resulting from elimination of property tax consultation services [Professional Services]); and
- the ability to produce documents quickly would be diminished (with fewer copiers and printers [Rentals and Leases]).

Summary

Total projected Savings: \$364,515

Personnel Reductions- Dollar and % Savings: \$264,161 (22.1%)

FTE Reductions: 4.5 FTE

<u>Position Title</u>	<u>FTE Count</u>
Accounting Assistant	3.0
Accountant	1.0
<u>Stock Clerk / Storekeeper</u>	<u>0.5</u>
Total	4.5

M and O Reductions- Dollar and % Savings: \$100,354 (31.3%)

<u>Account</u>	<u>Savings</u>
Furniture and Furnishings	\$45,000
Professional Services	19,600
Rentals and Leases	16,800
Training, Travel, and Subsistence	14,900
Auditing Services	2,054
Printing and Binding	1,000
<u>Duplicating Supplies</u>	<u>1,000</u>
Total	\$100,354

Major community impacts:

Significantly reduced service levels, including longer wait times, extended processing times, and delayed payments to vendors.



Departmental THREE YEAR OPERATING PLAN

Department Name: Fire

Department Description: The National City Fire Department prevents destructive fires from starting through public education and code enforcement activities. For those fires that do occur, the National City Fire Department provides early confinement and extinguishment while minimizing the risk of further property damage, injury, and death. In addition, the National City Fire Department provides immediate rescue and medical aid to citizens who become victims of sudden illness and/or accidents.

General Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
	\$1,334,001	\$1,366,607	\$1,399,953	\$1,434,112
Expenditures				
Personnel	\$6,080,934	\$6,592,355	\$6,836,837	\$7,091,565
M&O	\$572,738	\$572,738	\$572,738	\$572,738
Total Expenditures	\$6,653,672	\$7,165,093	\$7,409,575	\$7,664,303

*includes all projected changes in expenditures, revenues and staffing (i.e. salary adjustments, staffing increases or reductions)

Revised General Fund Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
	\$1,334,001	\$1,366,607	\$1,399,953	\$1,434,112
Expenditures				
Personnel	\$6,080,934	\$6,592,355	\$6,836,837	\$5,241,123
M&O	\$572,738	\$572,738	\$572,738	\$572,738
Total Expenditures	\$6,653,672	\$7,165,093	\$7,409,575	\$5,813,861

Program/Service

Description: Fire Operations - Operations personnel are staffed twenty-four hours a day, 7-days a week and are the first responders on all emergencies occurring in the City; responds to other cities and counties per comprehensive mutual aid agreements; implements a rigorous training curriculum that includes mandated Federal and State certifications, county-wide in-service training, and department specific training which includes stringent testing and promotional certifications; conducts station tours for schools and public service groups; participates in public events; and maintains fire station facilities and apparatus.

Fire Administration - under the guidance of the Director of Emergency Services, oversees the operation of the Fire Department: submits and administers the annual operating budget; oversees all aspects of personnel management including hiring, promotions, on the job injuries, mandated training, and payroll; completes all Department purchases; responds to inquiries from the public; maintains a liaison with City government (City Manager, Mayor, City Council) and other City departments; plans and coordinates public events; attends public functions; establishes and implements the annual Strategic Plan; and sets goals and determines the future needs of the Department.

Fire Prevention - under the supervision of the Fire Marshal, is responsible for identifying and mitigating possible safety hazards and concerns through an aggressive business inspection program; provides plan check services for fire department related aspects of all construction, remodels and tenant improvements in the City; coordinates with other City departments to assist citizens and contractors in complying with City codes; provides a comprehensive public education program to all age groups from pre-school children to senior citizens; administers a Juvenile Fire Setter program to respond to the needs of children and adolescents at risk of causing fire damage and injuries; and responds to complaints regarding code enforcement issues.

Proposed Changes

- Layoff Personnel – a 24% budget reduction can only be achieved by layoffs of Administrative and Firefighter personnel, thereby closing one fire company. This scenario is a permanent reduction of 1/3 of the total fire resources of the City.
 - Layoff of (3) Captains, (3) Engineers, (6) Firefighters: \$1.76 million
 - Layoff of (2) Fire Inspectors: \$188k

Program Impacts

- Close Fire Station #31
- 24% (or approximately \$1.9 million) cut will result in closing Station 31 because 82% of the NCFD budget is personnel costs
 - Layoff of (3) Captains, (3) Engineers, (5) Firefighters: \$1.76 million
 - Layoff of (2) Fire Inspectors: \$188k
 - Increased firefighter injuries due to inadequate staffing
- Increased patient pain and suffering; loss of life
- Increased ISO rating results in increased insurance rates by 5-10% for homeowners and businesses

- Increased property losses
- Non-compliance with NFPA 1710:
 - Requires 17 firefighters on fire ground
 - Currently a maximum of 13 NCFD firefighters will respond plus 4 firefighters from other fire departments
 - Proposed closure a maximum 9 NCFD firefighters will respond plus 8 firefighters from other fire departments
 - Half of the responding firefighters will be from other fire departments
- Increased reliance on automatic aid
- Increased response times and workload from Station 34
- Increased response times from other fire departments: 15-20 minute response times
- Increased dependence on other fire departments that may not be available for responses to National City
- Potential for other fire departments to charge for responding to National City
- Reduced productivity and morale may result in increased turnover of firefighters; cost to recruit, train, and equip (1) firefighter: \$15,000
- Lost efficiency on fire ground due to recruit firefighter inexperience – (3) years to fully train a firefighter
- Potential for no response east of I-805 after a natural disaster such as an earthquake
- Lost Revenue
 - Lower Sweetwater Fire Protection District Contract: \$275,000 per year
 - American Medical Response: \$23,580 per year
- Increased response times for processing business licenses
- Increased response times for processing plans
- Increased dependence on Esgil (contractor) to process building permits/plans
- Reduced productivity and morale
- Potential for non-compliant building structures being built due to lack of ability to conduct enforcement
- Lost efficiency in processing business licenses that require Fire approval
- Potential to lose revenue due to staffing shortages
 - Building Permits
 - Enforcement Fines & Penalties
 - Plan Checking Fee
 -

Summary**Total projected Savings:** \$1,850,442**Personnel Reductions- Dollar and % Savings:** \$1,850,442 (24%) in FY17**FTE Reductions:**

Position Title	FTE* Count
Fire Captain	3.0
Fire Engineer	3.0
Firefighter	6.0
Fire Inspector	2.0
Total	14.0

M & O Reductions- Dollar and % Savings: N/A

Major community impacts: Closure of Station #31 would result in longer response times, which will result in increased patient pain and suffering; loss of life, and property damage. Tax revenue generated from new businesses will be delayed due to staff shortages, which will result in less tax revenue for the City.



Departmental THREE YEAR OPERATING PLAN

Department Name: Housing, Grants & Asset Management

Department Description: The department works to process grants, improve housing conditions, provide a senior wellness program, and administers real property asset management services for properties owned by the City of National City.

General Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
County Contract	\$ 270,000	\$ 270,000	\$ 270,000	\$ 270,000
General Fund	\$ 405,663	\$ 405,663	\$ 405,663	\$ 405,663
Program Income	\$ 99,000	\$ 99,000	\$ 99,000	\$ 99,000
Other	\$ 31,500	\$ 31,500	\$ 31,500	\$ 31,500
Total Revenues	\$ 806,163	\$ 806,163	\$ 806,163	\$ 806,163
Expenditures				
Personnel	\$ 523,392	\$ 525,033	\$ 538,134	\$ 551,611
M&O	\$ 106,850	\$ 106,850	\$ 106,850	\$ 106,850
Food/Supplies	\$ 265,000	\$ 265,000	\$ 265,000	\$ 265,000
Total Expenditures	\$ 895,242	\$ 896,883	\$ 909,984	\$ 923,461

Revised General Fund Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
County Contract	\$ 270,000	\$ 270,000	\$ 270,000	\$ 0
General Fund	\$ 405,663	\$ 405,663	\$ 405,663	\$ 80,649
Program Income	\$ 99,000	\$ 99,000	\$ 99,000	\$ 99,000
Other	\$ 31,500	\$ 31,500	\$ 31,500	\$ 20,000
Total Revenues	\$ 806,163	\$ 806,163	\$ 806,163	\$ 199,649
Expenditures				
Personnel	\$ 523,392	\$ 525,033	\$ 538,134	\$ 151,989
M&O	\$ 106,850	\$ 106,850	\$ 106,850	\$ 42,500
Food/Supplies	\$ 265,000	\$ 265,000	\$ 265,000	\$ 0
Total Expenditures	\$ 895,242	\$ 896,883	\$ 909,984	\$ 194,489

Program/Service #1 – Nutrition Center

Description: The objective of the program is to promote better health through good nutrition, reduced isolation, sound education and information to meet the needs of older adults.

The George H. Waters Nutrition Center (Nutrition Center), located at 1415 D Avenue, National City, is an anchor in the National City community where a wide segment of older adult population have outlived their social circles and for whom isolation is a critical issue; those that may be exhausted by the idea of meal preparation; those that have lost their sense of taste and have become indifferent to cooking; and all of whom need one warm, well-balance meal daily.

The Nutrition Center served its first meals in both the congregate setting and home delivered meals in 1979. For many years the center has provided meals to the Adult Day Health Care Centers under the auspices of Adult Protective Services. Home delivered meals have been a part of the center program since 1980 serving over 100 homebound, frail or otherwise disabled or handicapped seniors. The Nutrition Center is funded thru the Older American Act Title III. This federal program is administered by both State and County and is regulated by the California Department of Agriculture (CDA.)

There are two components fundamental to the operation of the Nutrition Center: One is to recognize that wholesome food is essential to maintain a sense of physical well-being and two, to create an atmosphere where food is a shared social experience that offers companionship, creates a sense of daily comfort and security, and encourages fellowship through peer involvement.

Since its inception, the Nutrition Center has provided hot meals to thousands of senior residents at reduced costs. The Nutrition Program offers one on-site (congregate) nutritionally balanced meal per day for senior adults sixty (60) years and older. In 2013, the average congregate meal count has been one-hundred sixty-seven (167) per day and another one-hundred (100) meals delivered through the Home Delivery Program. Meals are prepared on-site by an Executive Chef and a team of food service professionals.

Proposed Changes

In order to achieve the required savings and maintain services, the Nutrition Center should be considered for outsourcing to a third party contractor to assume all obligations of the County of San Diego contract including all operational food service management responsibilities. There are private operators of similar programs that produce high volumes of meals per day on a national level. This model provides operators with enormous buying power for raw food product and considerable expertise in cost effective production techniques. The County contract allows the City Nutrition Center to disentangle services and transition to a new third party service provider.

The City of National City entered into the current contract with the County of San Diego on July 1, 2010. The contract cannot be extended beyond June 30, 2014. The contract requires the City's Nutrition Center Program to provide 38,400 congregate meals and 29,700 home delivered meals. The contract also requires the City to maintain an adequate number of qualified persons to assure satisfactory implementation of: program planning, provision of nutrition services, outreach and other services,

volunteer activities, financial and contractual management, and data collection for required federal, state and county reports and records.

On July 1, 2014, the City and County may be entering into a new one (1) year contract with a County option to extend for three (3) increments of one (1) year each for a total of three (3) years beyond the expiration of the initial term. The term of the contract potentially could be extended to June 30, 2018. As with the current contract, the new contract will require the City maintain an adequate number of qualified persons to assure the delivery of services.

Though the Nutrition Center has been providing an excellent nutritional program for seniors, it has a history of operating with a funding deficiency. For many years, the City has provided an operating subsidy to the Nutrition Center program. The City/County agreement is not structured to allow a contractor, such as the City, to maintain a fully staffed kitchen without some form of additional revenue.

Listed below are the annual subsidy amounts funded from the City general fund over the last four (4) years.

FY 10 -\$320,589
 FY 11 -\$366,260
 FY 12 -\$269,349
 FY 13 -\$308,499

The city general fund annual subsidy averaged \$317,468 over the past four years. The City's Finance Department estimates the general fund operating subsidy to increase to slightly over \$405,663 in FY 2014. Furthermore, due to federal budget cuts related to federal sequestration for Fiscal Year 2013-14, the FY 2014 budget was reduced by \$58,642 by the County Department of Aging and Independent Services. Future reductions to the County contract are uncertain at this time.

A competitive solicitation should be authorized in the first quarter of calendar year 2016 to procure a qualified and experienced operator interested in accepting the operational obligations of the George H. Waters Nutrition Center beginning July 1, 2016. Outsourcing of the program would allow the City of National City to continue this valuable service at a substantial savings.

Should the food preparation component be outsourced, the home delivery and congregate meal dining room may only require approximately three (3) part-time positions to operate at a salary/benefits costs of approximately \$105,340 and \$4,500 in maintenance/operations. The City may be able to negotiate with the County of San Diego to retain program income (estimated at \$99,000 plus) or a portion thereof from customer donations.

Program Impacts

If a 24% reduction is proposed, a cutback in the operating budget would make it highly improbable that the Nutrition Center could meet the County contract requirements listed above.

As stated above, the objective of the program to promote better health through good nutrition, reduced isolation, sound education and information to meet the needs of older adults would continue. The dining

room would remain open to create an atmosphere where food is a shared social experience that offers companionship, creates a sense of daily comfort and security, and encourages fellowship through peer involvement. Additionally, seniors would continue to receive wholesome food from a reputable third party provider both in the dining room and through the Home Delivery Program.

Customers, however, may notice a change to the quality of food. Food would undoubtedly be prepared in a larger commercial kitchen with, perhaps, less emphasis on food quality.

The outsourcing of the food preparation component of the Nutrition Center Program would result in the closure of the kitchen and the elimination of six and three quarter (6 3/4) part/full time positions with a total savings of approximately \$360,973.

There are no other public or private entities in the South Bay who duplicate the Nutrition Center's program for the benefit of the seniors. The only other meal service in the area, St. Jude's Catholic Church, discontinued services in June 2013. According to the Nutrition Center Program Manager, the Nutrition Center inherited many of the clients from St. Jude's Catholic Church.

The Nutrition Center Program is consistent with Strategic Plan Objective 5e) which reads "Advance National City wellness programs for youth, families, seniors, and City employees that encourage a healthy lifestyle."

Summary

Total projected Savings: \$424,723
Personnel Reductions: \$360,973
% Savings 79%

FTE Reductions: 6

Position Title	FTE* Count	Savings
Nutrition Center Manager	1.0	\$113,064
Executive Chef	1.0	\$ 70,426
Sous Chef	1.0	\$ 57,862
Home Delivered Meals Coord	0.25	\$ 13,964
Office Assistant	1.0	\$ 52,686
Food Service Worker	0.5	\$ 10,636
Food Service Worker	0.75	\$ 22,793
Food Service Worker	0.75	\$ 10,089
<u>Dishwasher</u>	<u>0.5</u>	<u>\$ 9,453</u>
Total	6.75	\$360,973 (75% Savings)

M & O Reductions- Dollar and % Savings:

Account	Savings
Electricity and Gas	\$20,000
Permits and Licenses	\$ 250
Kitchen Equipment	\$ 3,000
<u>Consumable supplies</u>	<u>\$40,500</u>
Total	\$63,750 (93% Savings)

Major community impacts:

1. Outsourcing of jobs and loss of employment by kitchen staff.
2. Loss of local control on the way service is managed and how decisions are made.
3. Possible decline of food quality.
4. Possible loss of customers because of decline of food quality.
5. Possible loss of customers because they feel disconnected with new provider.
6. Loss of County contract funding due to loss of customers.

Program/Service #2 - Department Administration

Description: The purpose of the Director is to plan, organize, and direct the activities of the Housing, Grants, and Asset Management department, including the supervision, training, and evaluation of employees; provide professional leadership for the department and participate as an effective executive team member.

Proposed Changes

The general fund has supported 50% of the Director's position because he oversees both the Nutrition Center and Asset Management responsibilities that are funded partially through the general fund. Community Development Block Grant funds, HOME funds, and Low Mod Housing Funds (Account 532) are restricted funds and should not be used entirely to fund a position that has general fund responsibilities. The department has also brought in approximately \$2,074,940 in revenues to the general fund this year. Additional lease revenues to the general fund of \$75,000 are anticipated from lease payments beginning in FY 17. Nevertheless, the general fund portion for this position may be reduced to 25%. Beginning on July 1, 2016, the Director's position will be budgeted at 25% from the general fund rather than 50%.

Should the City Council decide to sale some of its real estate portfolio, a substantial amount of revenue will accrue in the city's general fund account. It is estimated that the sale of city property may increase general fund revenues substantially over the next 2-3 years. Should these revenues come to fruition, then the general fund proportionate share for salary/benefits for the Director, Division Manager, and Property Agent should increase proportionately as general fund revenues increase.

Program Impacts

No impacts will be experienced by the programs currently being administered by the Department of Housing, Grants, and Asset Management.

In FY 17, by appropriating 25% of the Directors position cost to account 532 (Low Mod Housing Fund), the city general fund would save approximately \$42,649.

To avoid any audit findings, the City must be careful not to fund positions disproportionately to the percentage to activities associated to federal grants and local activities.

This program is consistent with Strategic Plan 4) "Enhance Housing and Community Assets."

Summary

Total projected Savings: \$42,649 (50%)

Personnel Reductions- Dollar and % Savings: \$42,649 (50%)

FTE Reductions: .25

Position Title	FTE* Count	Savings
Executive Director	.25	\$42,649

M & O Reductions- Dollar and % Savings:

Account	Savings
Professional Services	\$ 24,000
Training, Travel	\$ 1,000
Loan Settlements	\$ 12,500
<u>Materials & Supplies</u>	<u>\$ 500</u>
Total	\$ 38,000 (0%)

Major community impacts:

None



Departmental THREE YEAR OPERATING PLAN

Department Name: Human Resources

Department Description:

The Human Resources Department has overall responsibility for the recruitment and examination of all job applicants, administration of the of the City's classification and compensation system, labor negotiation and contract administration, and administration of the equal opportunity program. In addition, the Department manages employee benefit programs and investigates possible disciplinary actions. While working closely with the Civil Service Commission, the Human Resources Department provides technical assistance to other departments regarding staffing, discipline, organizational structure, and the interpretation of Civil Service Rules and State and Federal personnel laws and regulations.

General Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
Expenditures				
Personnel	\$332,068	\$339,556	\$347,441	\$355,498
M&O	\$58,870	\$58,870	\$58,870	\$58,870
Total Expenditures	\$390,938	\$398,426	\$406,311	\$414,368

Revised General Fund Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
Expenditures				
Personnel	\$332,068	\$339,556	\$347,441	\$285,858
M&O	\$58,870	\$58,870	\$58,870	\$29,060
Total Expenditures	\$390,938	\$398,426	\$406,311	\$314,918

Program/Service**Description:**

Recruitment and selection; employee training and development; and customer service.

Objective:

To ensure compliance with local, State and Federal laws as they pertain to the selection, retention and separation of the City of National City labor force, in a manner consistent with the City's core values and strategic objectives.

Proposed Changes

Human Resources proposes to reach the 24% reduction in fiscal year 2017 through a combination of Personnel and Maintenance and Operation (M&O) reductions.

Personnel: elimination of 1.0 Administrative Secretary for an estimated savings of \$69,640.

M&O: a reduction of \$29,810 from various line items.

Program Impacts**Personnel**

The Human Resources Department is composed of 2.0 full-time positions: 1.0 Management Analyst II and 1.0 Administrative Secretary. Staff is managed and additional professional level administrative support is provided by the Director of Administrative Services. At full staff, the department has 4.0 positions: 1.0 Management Analyst II, 2.0 Executive Assistant II and 1.0 Administrative Secretary. The current staffing presents a 50% reduction in total staffing and a 100% reduction in paraprofessional staffing (the loss of the 2.0 Executive Assistants II). With the proposed reduction of 1.0 Administrative Secretary, the department will experience a 75% reduction in staffing. Impacts will include:

- “Dark hours” wherein the offices are closed to the public (both telephone and walk-ins) due to insufficient staffing levels. Dark hours are anticipated to be not less than 8 hours per week.
- Delays in processing new employees and volunteers
- Delayed response to requests for service from employees and the public
- Delays to reporting to regulatory agencies such as the Employment Development Department and CalPERS.

Maintenance and Operation

- The loss of training dollars will hamper the department's ability to stay abreast of current trends and legal mandates which may result in increased litigation costs.
- The loss of medical services, professional services, advertising, and promotional activity dollars:
 - Will restrict the department's ability to recruit, test and process new hires and promotional candidates for safety sensitive and other critical positions.

- All non-legally mandated training City-wide training (ie customer service training) will be suspended.
- The loss of governmental purposes dollars will result in a suspension of the employee service award program.

Summary

Total projected Savings: \$99,450

Personnel Reductions- Dollar and % Savings: \$69,640 (16.81%)

FTE Reductions:

<u>Position Title</u>	<u>FTE Count</u>
<u>Administrative Secretary</u>	<u>1.0</u>
Total	1.0

M & O Reductions- \$29,810 (7.19%)

Account	Savings
Medical Services	\$4,000
Technical Services	\$ 500
Governmental Purposes	\$7,430
Professional Services	\$6,000
Training	\$4,380
Printing	\$ 500
Advertising	\$1,000
Promotional Activities	\$5,800
<u>Office Equipment</u>	<u>\$ 200</u>
Total	\$29,810

Major community impacts:

- Significant delays in processing employee applications
- Significant delays in processing new hires
- Delays in Human Resources' hiring processes result in decreased efficiency in other City departments caused by reduced staffing thus indirectly reducing service levels to the community



Departmental THREE YEAR OPERATING PLAN

Department Name: Library

Department Description:

General Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
	\$944,414	\$944,414	\$944,414	\$944,414
Expenditures				
Personnel	\$860,304	\$860,304	\$860,304	\$860,304
	FT: \$532,219	FT: \$532,219	FT: \$532,219	FT: \$532,219
	PT: \$328,085	PT: \$328,085	PT: \$328,085	PT: \$328,085
M&O	\$80,587	\$80,587	\$80,587	\$80,587
Total Expenditures	\$944,414	\$944,414	\$944,414	\$944,414

Revised General Fund Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
	\$944,414	\$944,414	\$944,414	\$717,755
Expenditures				
Personnel	\$860,304	\$860,304	\$860,304	\$678,038
	FT: \$532,219	FT: \$532,219	FT: \$532,219	FT: \$532,219
	PT: \$328,085	PT: \$328,085	PT: \$328,085	
M&O	\$80,587	\$80,587	\$80,587	\$39,717
Total Expenditures	\$944,414	\$944,414	\$944,414	\$717,755

Program/Service #1 – Library Services

Description: Library Services: Circulation, Children’s Services, Reference Services, Technical Services, Technical Support, and Computer Centre Services.

Proposed Changes

Effective July 1, 2016, the following cost-cutting measures will be implemented:

1. Reduction in Library Service Hours;
2. Reduction in Staffing Levels

1. Reduction in Library Service Hours

Reduce hours of operation from the current weekly 48 hours to 37 hours with shorter weekday hours from Mondays to Thursdays and fewer weekend hours.

Current Business Hours: 48 hours		Proposed Business Hours: 37 hours	
Monday - Thursday	10:00 am – 8:00 pm	Monday – Thursday	12:00 – 8:00 pm
Friday	Closed	Friday	Closed
Saturday	1:00 – 5:00 pm	Saturday	Closed *
Sunday	1:00 – 5:00 pm	Sunday	12:00 – 5:00 pm

* Plus additional facilities/utilities cost savings

2. Reduction in Staffing Levels

Reducing hours of operation will invariably impact staffing levels. The library will be open fewer hours and staffing levels will be lower during the hours that it is open. The proposed business hours schedule translates into a loss of 10 part-time positions or **4.5 FTE** positions.

Positions	Current PT Positions		Proposed PT Positions	
	# of positions	Weekly Hours	# of positions	Weekly Hours
Circulation	10	130	7	70
Children's Services	2	24	1	13
Reference	6	89	4	44
Technical Services	2	30	0	0
Technical Support	1	19	0	0
Computer Centre	4	52	3	37
Total:	# positions: 25	Weekly: 344 h	# positions: 15	Weekly: 164 h
			⇒ Loss: 130 h or 4.5 FTE positions	

Program Impacts

- Personnel
 - Fewer front line and support staff; or
 - “Single-desk service” model
 - Increased workload on remaining staff
 - Emotional impact on workforce: stress, low employee morale.
- Service delivery
 - Service reductions and/or eliminations
 - Increase of self-service and online options
 - Reduction of direct or one-on-one customer assistance

- Longer waiting times, longer handling times, slower workflow
 - Fewer new materials purchase; slower turnaround time for new materials
 - Elimination of in-house cataloging/material processing service
 - Fewer quality databases available at the library and remotely from home
 - Technology upgrade and/or technical-related expenses postponement/delay
 - Likely to do more customer referrals to peer libraries or other agencies
- Estimated Savings
 - \$147,430

Program/Service #2 – Literacy Services

Description: Literacy Services: Adult Literacy, Family Literacy, and Computer Literacy Services.

Proposed Changes

Effective July 1, 2016: Elimination of Literacy Services.

Currently Literacy Services is supported by Literacy and CDBG grants which cover 70% of the Literacy Coordinator position; and by the General Fund which covers the Literacy support staff. Unless other grant opportunities can be identified to fund the operation, Literacy Services will be discontinued, a loss of 3 positions or 0.90 FTE position.

Current Literacy Hours: 30 hours		Proposed Literacy Hours: 0
Monday - Thursday	11:00 am – 6:00 pm	Service will not be provided
Some weekend hours to accommodate learners who cannot come in during the week		

	Current PT Positions		Proposed PT Positions	
	# of positions	Weekly Hours	# of positions	Weekly Hours
Literacy	3	36	0	0
			⇒ Loss: 3 positions or 0.90 FTE positions	

Program Impacts

- Personnel
 - Loss of 3 positions
- Service delivery
 - Elimination of Literacy Services
 - Learners to be referred to other Literacy programs in San Diego
- Estimated Savings
 - \$38,320

Summary

Total projected Savings:

Personnel: \$185,750
 M & O: \$40,870
Total savings: \$226,620

Personnel Reductions- Dollar and % Savings:

\$185,750 ⇒ 19.67% savings

FTE Reductions:

5.40 FTE reductions

Position Title	FTE* Count
Librarian	1.125
Sr. Library Technician	0.30
Library Technician	0.275
Library Assistant	1.60
<u>Office Aide</u>	<u>2.10</u>
Total	5.4

M & O Reductions- Dollar and % Savings:

\$40,870 ⇒ 4.33 %

Account	Savings/reductions
Memberships/Subscription	\$57
Printing & Binding	\$500
Postage	\$3,000
Contract Services	\$6,850
Magazines/Newspapers	\$1,000
Books Budget	\$25,000
<u>Materials & Supplies</u>	<u>\$ 4,463</u>
Total	\$40,870

Major community impacts:

The Library offers the community free access to materials, resources, literacy services, quiet study spaces, computers, and the Internet. People need an Internet connection to access basic and crucial services for their daily needs such as: applying for government programs, permits, licenses, jobs online; obtaining health information; taking online classes or completing online certification programs; paying bills; visiting social networking sites, just to name a few.

Reducing services and operating hours will restrict access to the only free resources people have come to rely on so heavily and make it more difficult for individuals and families to survive and weather out the economy crisis.



Departmental THREE YEAR OPERATING PLAN

Department Name: Management Information Systems

Department Description:

MIS division advises the City Manager's Office and other City departments on technology issues. Information Technology staff implements solutions, repairs systems, installs software and provides support to users in City departments.

General Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues +				
	\$1,736,188	\$1,736,188	\$1,736,188	\$1,736,188
Expenditures				
Personnel	\$331,369	\$341,275	\$351,718	\$362,475
M&O	\$1,404,819	\$1,394,913	1,384,470	\$1,373,713
Total Expenditures	\$1,736,188	\$1,736,188	\$1,736,188	\$1,736,188

+stated revenue represents revenue provided to this Internal Service Fund from the General Fund. This exercise should be based upon a 24% reduction in this figure.

Revised General Fund Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
	\$1,736,188	\$1,736,188	\$1,736,188	\$1,319,503
Expenditures				
Personnel	\$331,369	\$341,275	\$351,718	\$362,475
M&O	\$1,404,819	\$1,394,913	1,384,470	957,028
Total Expenditures	\$1,736,188	\$1,736,188	\$1,736,188	1,319,503

Program/Service**Description:**

Purchase and support of City-wide technology.

Proposed Changes

M&O: a reduction of \$416,685 from various line items.

Program Impacts

- Reduced network support which could result in system outages
- 20% reduction in City-issued cellular and smart phones
- 15% reduction in software and hardware purchases
- Suspension of capital outlay projects such as the Library and Police Department service equipment refresh projects.

Summary

Total projected Savings: \$416,685

Personnel Reductions- Dollar and % Savings: n/a

FTE Reductions: n/a

M & O Reductions- \$416,685 (24%)

Account	Savings
Telecommunications & Telephone and Telegraph	\$ 29,215
Office Equipment	\$ 82,500
Contract Services	\$ 95,570
<u>Computer Equipment Outlay</u>	<u>\$209,400</u>
Total	\$416,685

Major community impacts:

Potential impacts to public access of public information via the internet, the Library computer learning center, and WiFi availability in City facilities



Departmental THREE YEAR OPERATING PLAN

Department Name: Neighborhood Services Division

Department Description: The Neighborhood Services Division houses the Code Enforcement Unit, Graffiti Abatement Unit, Parking Regulations Unit, Neighborhood Preservation Program / Homeless Outreach and the location to apply for Temporary Use Permits. Code Enforcement tackles quality of life issues, such as property appearance, land use and enforcing the City's Municipal Code. The Graffiti Removal Unit abates graffiti on our public right-of-ways and private property. The Parking Enforcement and Vehicle Abatement are responsible for the enforcement of local ordinances and California Vehicle Code regulations related to the parking and storing of vehicles. Our goal is to respond to service calls within 48 hours of the request. NSD also process Temporary Use Permits used for special activities, events, or structures that are beneficial to the Public for limited periods of time; with coordination of temporary compliance with building, fire, zoning, and other local codes. In general, any organized activity that uses public property, facilities, parks, sidewalks, streets, or any public right-of-ways will require the organizer(s) to obtain a permit. In some cases, activities or events taking place on private property may also require a TUP. Our Division staff work 6-7 days a week to provide consistent and responsive service.

General Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
	\$370,000	\$385,000	\$400,000	\$415,000
Expenditures				
Personnel	\$602,012	\$622,612	\$644,329	\$666,742
M&O	\$285,400	\$285,400	\$285,400	\$285,400
Total Expenditures	\$887,412	\$908,012	\$929,729	\$952,142

Revised General Fund Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
Expenditures				
Personnel	\$602,012	\$622,612	\$644,329	\$452,185
M&O	\$285,400	\$285,400	\$285,400	\$270,400
Total Expenditures	\$1,044,232	\$1,064,832	\$1,086,549	\$722,585

Program/Service #1

Description: Code Conformance

Proposed Changes

Elimination of 1.0 Code Conformance Officer position effective July 1, 2016 (fiscal year 2017).

Program Impacts

The City does have a legal mandate to maintain health and safety codes related to our Municipal Code and the code conformance goals and elements are a part of our Strategic plan. Service delivery type for this position is handled at City or agency level and most are either municipal or county. There are now organizations / businesses within the private sector that offer this type of position / field service.

Estimated savings would be the full cost of personal for these positions.

Program/Service #2

Description: Graffiti Abatement Staff

Proposed Changes

Eliminate the Graffiti Abatement Program effective July 1, 2016 (fiscal year 2017).

Program Impacts

The City does have a legal mandate to maintain health and safety codes related to our Municipal Code and promoting a healthy community is part of our Strategic plan. Service delivery type for this position is handled at City or agency level and most are either municipal or county. There are now organizations / businesses within the private sector that offer this type of position field service.

Summary

Total projected Savings:
Personnel Reductions: \$214,557 (22.5%)
FTE Reductions: 3.0

Position Title	FTE*	Count
Code Conformance Officer II		1.0
Graffiti Abatement Assistant		1.0
Graffiti Removal Technician		1.0
Total		3.0

M & O Reductions- Dollar and % Savings: \$15,000 (2%)

Account	Savings
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Painting Supplies	\$15,000
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Major community impacts:

Impacts to the community with the elimination of one full time Code Conformance Officer, two full time Graffiti Abatement positions and one Senior Assistant would be major. Being the first line of support as it relates to customer service, quality of life issues, property appearance and municipal code violations, Neighborhood Services would no longer be able to provide 7day coverage or 24hr to 48hr response time to complaints related to both code enforcement and graffiti removal. Graffiti service coverage would no longer exist and the phone hotline and email complaints would be eliminated. No coverage of graffiti removal will lead to longer periods of time without removal which in turn allows additional tagging's and graffiti markings to go up. Currently we service several project areas such as the I-54 bike trail and trolley routes that normally require a two man crew. This elimination would require the configuration of staffing support from Public Works to assist during the selected work week for damage on public / City property. The routine maintenance and coverage of our City parks will also be affected by the personal elimination, currently we able to service all parks and additional areas such as Paradise Creek, but with no staffing this will be impacted.

Elimination of a Code Conformance Officer would reduce staffing levels back to one full time code officer with Neighborhood Services Division. Similar to graffiti complaints, our code enforcement service request response times and caseloads will increase with extended periods of non-compliance. Code enforcement is responsible for investigating code complaints that affect the health and safety of residents, and property maintenance by enforcing a number of City regulations such as the Neighborhood Preservation Ordinance provisions of the Land Use Code, and Sign Code. These are the codes that ensure owners maintain their properties, which then helps protect citizens' health, safety and welfare. Reduced code enforcement levels will have a direct impact on preserving the livability and property values of National City's neighborhoods.

Elimination of a Code Conformance Officer and Graffiti Abatement staff will go against our strategic objectives of Promoting Healthy Communities by not enhancing our Neighborhood Services and reducing the ability to improving the quality of life.



Departmental THREE YEAR OPERATING PLAN

Department Name: Non-Departmental

Department Description: This budget contains expenditures that affect all departments or the City as a whole. Examples of City expenditures include memberships, legislative representation, educational reimbursement program, printing and postage. This fund also provides contributions to various organizations as recommended by the City Manager and City Council.

General Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
Expenditures				
Personnel				
M&O	\$742,809	\$742,809	\$742,809	\$742,809
Total Expenditures	\$742,809	\$742,809	\$742,809	\$742,809

Revised General Fund Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
Expenditures				
Personnel				
M&O	\$742,809	\$742,809	\$742,809	\$556,248
Total Expenditures	\$742,809	\$742,809	\$742,809	\$556,248

Program/Service

Description:

Proposed Changes

Across the board cuts to M&O

Program Impacts

The reduction of most of the 600 level accounts would eliminate funding for the Chamber of Commerce sponsorship, 4th of July Fireworks, Miss National City, and Wellness program events. Subscriptions we would eliminate include the Chamber of Commerce and 211. Programs that would be cut include Graffiti tracker and the Property Management of S/A properties.

The complete reduction of all non-departmental training, travel, and subsistence would hinder all City departments that count on these funds to further professional development.

A partial reduction of memberships & subscriptions is due to the need for LAFCO and inclusion in the California League of Cities.

Summary**Total projected Savings:****M & O Reductions: \$186,561 – 25% Savings**

Account	Savings
650- Chamber of Commerce	\$50,000
650- Miss National City	\$1,450
650- Independence Day Fireworks	\$7,000
650- Call 211 San Diego	\$11,800
650- Graffiti Tracker	\$2,850
650- Wellness Program	\$10,500
650- Property Mgmt for S/A Properties	\$60,000
226: Training, Travel, Subsistence	\$18,000
258: Travel & Subsistence	\$9,500
<u>222: Memberships & Subscriptions</u>	<u>\$15,461</u>
Total	\$186,561

Major community impacts

The major impacts the community would notice include the elimination of the Independence Day fireworks, Miss National City Pageant. Service reductions for the community would be felt through the elimination and reductions in programs including graffiti tracker, 211.



Departmental THREE YEAR OPERATING PLAN

Department Name: Police

Department Description: Provide Public Safety and Enforcement

General Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
Expenditures				
Personnel	\$16,039,224	\$16,545,947	\$17,106,695	\$17,684,781
M&O	\$2,023,165	\$2,023,165	\$2,023,165	\$2,023,165
Total Expenditures	\$18,062,389	\$18,569,112	\$19,129,860	\$19,707,946

*include all projected changes in expenditures, revenues and staffing (i.e. salary adjustments, staffing increases or reductions)

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
Expenditures				
Personnel	\$16,039,224	\$16,545,947	\$17,106,695	\$13,056,781
M&O	\$2,023,165	\$2,023,165	\$2,023,165	\$ 2,023,165
Total Expenditures	\$18,062,389	\$18,569,112	\$19,129,860	\$15,079,946

Program/Service

National City Police Department's mission is to protect and serve the residents of National City, enhance public safety, reduce the incidents of crimes as well as the fear of crime, while working with a diverse community to improve their quality of life with duty, honor and integrity, while at all times holding ourselves to the highest service standards for the citizens and members of the National City community. We will accomplish this mission by working in partnership with our community and being committed to providing the highest level of service and public safety. We will pursue this commitment with an unwavering resolve while always respecting the rights and dignity of those we serve.

Proposed Changes

To obtain an overall reduction of 24% the Department would have to reduce its overall budget expenditures for 2017 by \$4,729,900 (\$22,290,139-\$2,582,220 internal charges=\$19,707,919 X 24%) this is would require a reduction in police officers from the current staffing of 82 officers to 45 (37 x \$125,000) officers for a total savings of \$4,625,000 (23.4%). The additional reduction would be from the Maintenance and Operating account which would be reduced by \$79,895 (.04%). The M&O accounts affected would be Investigations (\$5,000); non-Post Training (\$35,000); Ammunition (\$ 25,000) Patrol Supplies (\$14,895)

Program Impacts

- The major impact would be a reduction in personnel staffing from 82 officers to 45 officers
- Service delivery would be affected by a reduction or elimination in services in the following areas:
 - Gang Enforcement Team would be eliminated: Gang activity could increase.
 - Investigations personnel would be reassigned; only violent crimes would be investigated; homicide investigation might have to be investigated via contract to the Sheriff's Department: Can result in increase in violent and property crime rate.
 - Traffic Unit elimination: can result in an increase accidents and loss of grants from the Office of Traffic Safety and Safe Routes to School.
 - Community Service Unit elimination: Increase in service to Schools since no officers would be assigned. No outreach to community for prevention programs which may result in an increase in the City's crime rate.
 - SWAT Team elimination: May reduce Department's ability to respond to major shootings incidents or barricaded suspects: may decrease community and officer safety.
- The Department is legally mandated to report the following statistics:
 - Crime Reporting
 - Sex Crimes
 - Missing Persons
- The Department is legally mandated to report and investigate the following :
 - Complaints against officers
 - Register: Sex Offenders, Narcotic Registrants, Arson Registrants
- The following City Strategic elements would be negatively affected:
 - Provide Quality Services: The Department would be unable to fulfill current requests.
 - Improve Quality of Life: Crime rate and gang activity would probably increase reducing the quality of life for our residents.

- Promote a Healthy Community: A possible increase in street crime may deter residents from walking, biking and participating in community events.
- Estimated Savings are \$4,729,900; economic losses to the community cannot be estimated if people do not feel secure and safe to shop in National City.

Revised General Fund Budget:

Summary

Total projected Savings:

Personnel Reductions-\$4,625,000 (23.4%):

FTE Reductions:

Position Title	FTE* Count
<u>Police Officer</u>	<u>37.0</u>
Total	37.0

M & O Reductions- Dollar and % Savings: \$79,895 (.04%)

Account	Savings
Investigations	\$5,000
Non-POST Training	\$35,000
Ammunition	\$25,000
<u>Patrol Supplies</u>	<u>\$14,895</u>
Total	\$79,895

Major community impacts:

These reductions would have a major impact on the Department's ability to provide basic police services to the National City community. Response times for emergency services would probably increase as well as the City's crime rate.



Departmental THREE YEAR OPERATING PLAN

Department Name: Planning Division

Department Description: Current and Advance Planning Functions

General Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
		\$61,658	\$62,274	\$62,897
Expenditures				
Personnel	\$304,390	\$311,328	\$318,565	\$325,989
M&O	\$87,488	\$87,488	\$87,488	\$87,488
Total Expenditures	\$391,878	\$398,816	\$406,053	\$413,477

Revised General Fund Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
	\$61,047	\$61,658	\$62,274	\$62,897
Expenditures				
Personnel	\$304,390	\$311,328	\$318,565	\$227,954
M&O	\$87,488	\$87,488	\$87,488	\$87,488
Total Expenditures	\$391,878	\$398,816	\$406,053	\$315,442

Program/Service

Description: Advance Planning.

Advance Planning conducts strategic long-range planning and develops policies on land use, growth and development, infrastructure, facilities and services, the environment and natural resources, economic development, equity and environmental justice, sustainability, and other policy areas. The advance planning function is dependent on current and future federal, state, and regional planning mandates as well as adopted and future local policies, community- and

stakeholder-driven initiatives, changes in market and economic conditions, and fluctuations in development activity. The extent of advance planning activities is dependent on the allocation of available resources based on policies and priorities.

Proposed Changes

Reduce staff by one principal planner position beginning in fiscal year 2017.

Program Impacts

The program change would reduce staffing by one principal planner. Advance planning functions would be eliminated, reduced, and/or assumed by remaining staff. The City would continue to be subject to current and future statutory requirements and legally mandated programs that are typically addressed through the advance planning function. However, the City may not be able to comply with all requirements and mandates in a timely manner with the reduction of staffing levels. Beginning in 2017, the reduction in staff would result in a savings of approximately 49 percent (includes revenues of approximately \$62,897 previously not budgeted).

Summary

Total projected Savings: \$200,673 (includes \$62,897 in revenue not previously budgeted) in 2017

Personnel Reductions- Dollar and % Savings: \$98,035 (24%)

FTE Reductions:

<u>Position Title</u>	<u>FTE Count</u>
Principal Planner	1.0
Total	1.0

M & O Reductions- Dollar and % Savings: N/A

Major community impacts:

The community would be affected by the reduction or elimination of planning policy analysis and development. Some of the activities, initiatives, and efforts that could be eliminated or reduced include strategic and comprehensive planning for future growth and development; coordination of regional and area-wide planning, and implementation of major policies dealing with sustainability, environmental health, economic development, social equity, etc. In addition, certain funding sources, e.g. grants, are contingent upon adequate and up-to-date planning policy. Reduced staffing levels would affect the ability to maintain planning policy and comply with planning mandates into the future.



Departmental THREE YEAR OPERATING PLAN

Department Name: Risk Management

Department Description: Risk Management provides centralized administration of the City's safety, liability, and Workers' Compensation programs.

General Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
Expenditures				
Personnel	\$45,617	\$47,333	\$49,133	\$51,001
M&O	\$2,654,787	\$2,654,787	\$2,654,787	\$2,654,787
Total Expenditures	\$2,700,404	\$2,702,120	\$2,703,920	\$2,705,788

Revised General Fund Budget:

	2014 Adopted	2015 Estimated*	2016 Estimated*	2017 Estimated*
Revenues				
Expenditures				
Personnel	\$45,617	\$47,333	\$49,133	-
M&O	\$2,654,787	\$2,654,787	\$2,654,787	\$2,056,369
Total Expenditures	\$2,700,404	\$2,702,120	\$2,703,920	\$2,056,369

Program/Service

Description: see description above

Objective:

To managed the City's liability, workers' compensation and safety programs.

Proposed Changes

Risk Management proposes to reach the 24% reduction in fiscal year 2017 through a combination of Personnel and Maintenance and Operation (M&O) reductions.

Personnel: elimination of 1.0 Office Assistant for an estimated savings of \$51,001.

M&O: a \$598,388 reduction in funding to various accounts.

Program Impacts

Personnel

Risk Management is composed of 1.0 Office Assistant and a part-time Risk Management consultant. The consultant Risk Manager is on site approximately twelve hours per week to attend meetings, respond to inquiries and process claims. The 1.0 Office Assistant is the only full-time position associated with the Risk Management Program. Duties include responding to less complex inquiries in the absence of the Risk Manager, processing and coordinating forms and other documentation associated with claims, and processing payments. With the elimination of the Office Assistant, there will no staff coverage of Risk Management for 70% of each work week, resulting in significantly diminished customer service and protracted response times.

Risk Management is legally mandated to reject to reject improper liability claims within a specified timeframe. Reduced staffing will make it difficult to do so which may result in the City paying claims that are not warranted.

Maintenance and Operation

The most significant M&O impact is the reduction of funding to the Liability Claims Costs and Workers' Compensation Claims Cost accounts. Annually, Liability Claims is realizing an average savings of approximately \$50,000; while Workers' Compensation Claims is averaging an overage of \$50,000 to \$100,000 (adjusted via transfers between Risk Management accounts – typically pulling from Liability to Workers' Compensation). As such, the proposed budgetary reduction would necessitate drawing down from reserves Maintenance of Liability and Workers' Compensation reserves are mandated by City Council Policy 201 to fund catastrophic occurrences.

Summary**Total projected Savings: \$649,419****Personnel Reductions- Dollar and % Savings: \$51,001 (1.88%)****FTE Reductions:**

<u>Position Title</u>	<u>FTE Count</u>
Office Assistant	1.0
Total	1.0

M & O Reductions- \$598,418 (22.12%)

Account	Savings
Professional Services	\$110,000
Training	\$ 100
Contract Services	\$ 440
Liability Claims Cost	\$100,000
Workers' Compensation	
<u>Claims Cost</u>	<u>\$387,878</u>
Total	\$598,418

Major community impacts:



To: Hon. Ron Morrison, Mayor National City &
Members of the City Council

From: Proposition D Independent Evaluation Committee

Date: November 10, 2011

Re: Report and Recommendation on Proposition D

The Proposition D Independent Evaluation Committee was asked to evaluate and offer a recommendation as to whether the sales tax increase allowed by the passage of the Proposition shall remain in effect at the rate of one percent, or whether the City Council should reduce or terminate the imposition of the tax.

The committee began its work on September 22, 2011, and concluded its evaluation on November 3, 2011. Committee members met four times in sessions noticed and open to the public. The evaluation, findings and recommendation from the committee's work is shown in the attached report. The members of the three person evaluation committee included: Chair, Marney Cox, Chief Economist, San Diego Association of Governments; Chris Cate, Vice-President, San Diego County Taxpayers Association; and Dale Nielsen, Finance Manager, City of Vista.

The committee members would like to thank the National City staff members that assisted the committee with its work; making themselves available to answer inquiries and immediately responding to the committee's request for additional information.

The committee will present its findings during the November 15, 2011 Council meeting.

Report from the Proposition D Independent Evaluation Committee

Introduction and Recommendation

On June 6, 2006, National City voters passed a one percent District Sales Tax. The measure, known as Proposition D, requires that “every five years the Mayor, with approval of the City Council, shall appoint an independent committee” with experience and expertise in municipal finance to evaluate and offer a recommendation as to whether the sales tax increase allowed by the passage of the Proposition shall remain in effect at the rate of one percent, or whether the City Council should reduce or terminate the imposition of the tax. The tax will sunset in 2016.

The committee began its work on September 22, 2011. The City staff provided committee members with copies of the City’s Annual Budget (FY 2006 through FY 2011) and the Comprehensive Annual Finance Report (FY 2006 through FY 2010, the latest available). In addition, specific data or information requests from the committee were handled by staff. The committee is expected to conclude its work on November 3, 2011 with the completion of this report and recommendation to the Mayor and City Council.

During the first meeting the committee received a presentation from the City Manager, Mr. Chris Zapata, focusing on the City’s General Fund finances and the impact of revenues from the District Tax (Proposition D). The City Manager indicated that prior to the passage of the District Tax, the City projected a structural deficit of \$4 million for fiscal year 2004-2005; the 2005-2006 budget was out of balance by \$6.7 million with reserves and other one-time funds used to fill the gap. With the passage of the Proposition D in fiscal year 2006-2007, the City began to close its deficit through a combination of the District Tax and a variety of internal efficiencies and cost savings measures. In recent years, these efforts have been hampered by the national economic downturn.

The root cause of the General Fund deficit stems from three factors: rising General Fund budget expenditure commitments beginning in fiscal year 2004-2005; the fall in sales tax revenue due to the effects of the Great Recession; and finally revenue that the state of California has reduced or taken away from local governments, including National City, to help cover its own budget deficits. Clearly, two of these factors are beyond the control of the City, yet the Council and staff must deal with their impacts.

Through a combination of actions, discussed in the three sections of the report below, the City has been able to balance the General Fund budget each year, but the deficit is structural, returning the next year because revenues are insufficient to cover expenses. Worse yet, the City’s five year budget forecast show these deficits will persist through 2016. In other words, the City is not expecting to solve the structural deficit problem, although, thanks to revenue from the District Tax and actions taken to reduce General Fund expenditures, the City does expect to keep the deficit from spiraling out of control. However, when Proposition D expires in 2016 the sales tax revenue it has been contributing goes away, at which time the general fund deficit would balloon by its expected value, estimated to be \$9.5 million.

Thus, despite city residents approving Proposition D and the specific actions taken to reduce or control expenditures, City budgets continue to experience structural deficits that have ranged between \$3 million and \$7 million. Each year the City has been able to close the budget deficit

through one time funding transfers, reductions in department expenditures, not filling vacant positions and employing contingency reserves.

For these reasons, it is the RECOMMENDATION of the Proposition D Independent Evaluation Committee that the Mayor and City Council keep the District Tax in effect at the full rate of one percent.

Section 1: National City General Fund Financial Condition – Then and Now

As National City prepared its annual budget for Fiscal Year 2004/05, a \$4 million structural deficit in the General Fund was projected. As with other California cities, National City faced continual threat from Sacramento as the State tried to balance its budget. Unfortunately history has taught us that the State seems to view City revenues as a viable source to balance its own budget. Also facing National City, as well as all other California cities, is the fact that the ability for a city to raise revenues is very limited due to the California Constitution and various ballot measures that have been passed by the California voters over the years.

When a city's general fund is facing a projected budget deficit, there are really only three choices: 1) Revenues can be increased, 2) Expenditures can be reduced, or 3) A combination of the first two. In most cases a city's only real choice is to reduce expenditures. Enhancement of revenues is very difficult and for the most part it is usually due to natural revenue growth, which generally occurs slowly, or from economic development programs which, in some cases, can take many years to see results.

In National City's case, Proposition "D" was passed by 59% of voters on June 6, 2006. It was passed as a general tax and therefore could be used for any general fund purpose that the City Council deemed appropriate. This 1% addition to the general sales tax rate was put into place for a period of up to ten years. This would allow the City to address the structural deficit and provide adequate time to develop and implement a strategic plan to eliminate the structural deficit. Per the ballot measure "The authority to levy the tax imposed by Proposition "D" would expire ten years from the Operative Date, unless the City Council prior to that date determines that the levy and collection of the tax is no longer necessary, in which case the City Council has the authority to reduce the rate of tax, or terminate the imposition of the tax".

Is the collection of the tax no longer necessary? In order to answer that question a review of the financial conditions of the General Fund over the time since Proposition "D" was passed is needed. For the Fiscal Year ended June 30, 2006, National City had total General Fund revenues of \$30,926,229 and total expenditures of \$32,768,401 resulting in a deficiency for the year in the amount of \$1,842,172. The table below provides audited revenue information from the 2006 year through 2010.

<u>Revenues</u>	<u>Year Ended June 30,</u>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Taxes	\$25,627,904	\$31,375,184	\$33,638,924	\$31,230,431	\$29,007,351
Licenses & permits	\$ 874,854	\$ 859,430	\$ 799,452	\$ 723,913	\$ 551,517
Fines & forfeitures	\$ 1,003,262	\$ 783,056	\$ 1,084,647	\$ 1,137,181	\$ 1,219,418
Interest & rents	\$ 1,088,901	\$ 2,056,097	\$ 2,168,962	\$ 1,488,925	\$ 432,226
Intergovernmental	\$ 1,131,714	\$ 1,259,455	\$ 802,557	\$ 663,436	\$ 571,308
Charges for services	\$ 925,769	\$ 1,318,470	\$ 414,298	\$ 564,347	\$ 482,975
Other revenue	\$ 273,825	\$ 430,423	\$ 152,148	\$ 380,627	\$ 593,968
	<u>\$30,926,229</u>	<u>\$38,082,115</u>	<u>\$39,060,988</u>	<u>\$36,188,860</u>	<u>\$32,858,763</u>

As the above table shows, General Fund revenues took a significant upturn in the year ended 2007. It is clear that the majority of the increased revenues from 2006 to 2007 are in the area of taxes, and most of this is from the implementation of the Proposition “D” sales tax. By 2008 tax revenues had increased to \$33.6 million, with the City’s traditional 1% tax of \$11.8 million, combined with the Proposition “D” tax of \$8.5 million, providing \$20.3 million of the total sales tax revenues. As of 2008, total general fund revenues had reached \$39 million. We all know what happened next, the recession and housing crisis. Both sales tax and property tax, the mainstays of most California cities, dropped. The Federal Reserve in order to stimulate the economy started reducing interest rates in order to jump-start the economy. Investment income dropped at an alarming rate. By 2009 General Fund revenues were down to \$36.2 million, and by 2010 they had dropped to \$32.9 million, only about \$2 million more than in 2006.

It should be noted that in 2010, the traditional 1% sales tax combined with the Proposition “D” sales tax totaled approximately \$16.6 million, while in 2004 the City’s traditional 1% sales tax alone was \$16.5 million. The recession had taken its toll and the now combined sales taxes have barely managed to replace just the traditional sales tax revenue when it was at its highs. It is difficult to imagine what reductions National City would have had to make these last four years had Proposition “D” not been in place.

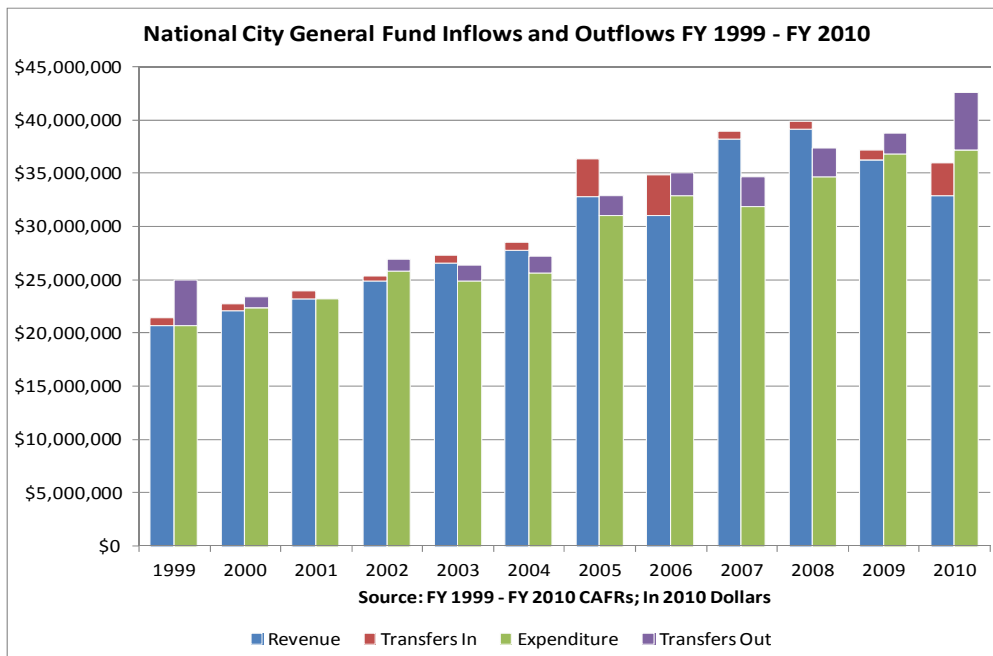
What has happened on the expenditure side over the same time period? The table below provides audited expenditure numbers over the same 5-year period.

<u>Expenditures</u>	<u>Year Ended June 30,</u>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Current:					
General Government	\$ 3,733,413	\$ 3,023,335	\$ 3,215,981	\$ 3,931,370	\$ 4,578,197
Public safety	\$ 23,688,513	\$ 23,740,549	\$ 25,393,406	\$ 26,673,528	\$ 28,402,451
Transportation	\$ 2,662,781	\$ 2,592,419	\$ 2,678,673	\$ 2,726,801	\$ 1,777,073
Community development	\$ 727,936	\$ 754,339	\$ 1,128,843	\$ 26,934	\$ -
Culture & leisure	\$ 1,363,291	\$ 1,340,716	\$ 1,527,397	\$ 2,086,779	\$ 1,828,785
Capital outlay	\$ 417,755	\$ 26,793	\$ 364,946	\$ 1,013,344	\$ 301,404
Debt service:					
Principal	\$ 113,186	\$ 201,600	\$ 196,709	\$ 214,837	\$ 261,174
Interest & fiscal charges	\$ 61,526	\$ 61,705	\$ 66,596	\$ 57,481	\$ 23,962
	<u>\$ 32,768,401</u>	<u>\$ 31,741,456</u>	<u>\$ 34,572,551</u>	<u>\$ 36,731,074</u>	<u>\$ 37,173,046</u>

The above table shows that over the five years presented, expenditures have gone from \$32.8 million in 2006 to \$37.2 million in 2010, an increase of \$4.4 million. While most areas shown have had somewhat marginal increases and decreases, the area of public safety has grown \$4.7 million over the time frame presented, thereby indicating that, overall, all of the net expenditure growth is in this area. Analysis of the audited financial statements indicates that the PERS Safety contribution rates between 2007 and 2010 varied from 26.870% to 28.806% and covered public safety payrolls have increased from \$8.8 million in 2006 to \$11.3 million in 2009. As of 2010, Public Safety expenditures account for 86.4% of the use of total General Fund revenues. The City appears to continue to look for cost savings measures, such as increasing employee contribution towards retirement and implementing a two-tiered retirement benefit program.

So is National City’s General Fund in a financial position that it could tolerate a reduction or elimination of the Proposition “D” sales tax? From a purely financial aspect, this writer would say no. In 2010 expenditures exceeded revenues and the weakened economy continues to have negative impacts on the City’s mainstay revenues of property and sales taxes. The largest challenge that the City faces is implementing a financial plan that will allow the City’s General Fund to free itself from the need of the Proposition “D” sales tax revenues by the time that they expire on September 30, 2016.

Section 2: Financial Trends & Outlook



Between Fiscal Year (FY) 1999 and FY 2010, general fund expenditures for the City of National City have exceeded revenues in six of those twelve years. The City has recently experienced years in which revenues declined from the prior year, but did not

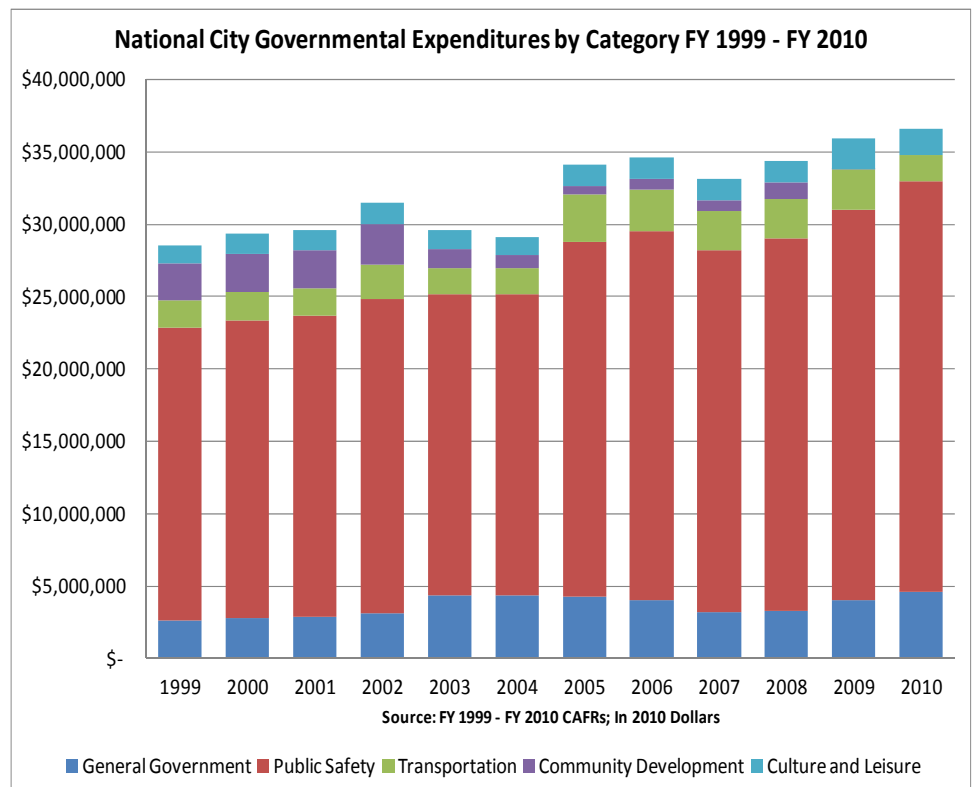
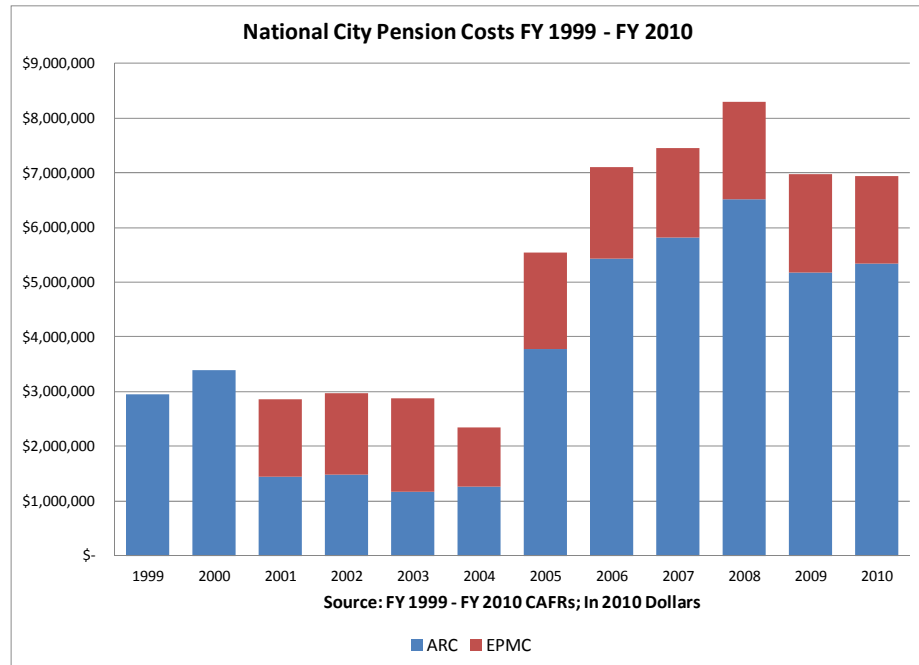
experience a similar reduction in expenditures. In four of the past twelve fiscal years, expenditures have been reduced over prior year totals. In general, total general fund expenditures have increased by an average of 5%

Over the last two years as expenditures have surpassed revenues, the City has also experienced a decline in budgetary reserves. In FY 2010, the total fund balance for the general fund declined

from \$18.4 million to \$11.8 million. The City’s Comprehensive Annual Financial Report for 2010 shows that the decline in budgetary reserves was due to a number of actions, including the use of reserves available at the end of fiscal year 2009 to help balance the 2010 budget by covering the 2010 general fund deficit.

As mentioned previously, public safety expenditures accounts for a large portion of the City’s budget. Since FY 1999, the percentage of the budget spent on public safety services has increased from 71% to 78% as of FY 2010. Overall, staffing levels for the City have increased since FY 2003, but dropped by 1.5% from FY 2009 to FY 2010. One way to evaluate compensation of cities is by reviewing actuarial valuation reports from the California Public Employees Retirement System (CalPERS). Based on information submitted to CalPERS by the City for the period between FY 2006 and FY 2009, the average payroll per employee has increased from \$51,585 to \$54,671 for non-public safety employees, and increased from \$73,292 to \$86,679 for public safety employees (not adjusted for inflation).

Since FY 1999, the City has also experienced rising pension costs. In an effort to combat these rising costs, the City is now requiring employees to pay their share of pension costs, as well as implementing a second, low-tier pension plan for new employees. In the past, the City has spent as much as \$1.8 million on behalf of employees for the “employee share” of pension costs, also



referred to as EPMC (Employer Paid Member Contribution). Requiring employees to pay for their share of pension costs provides immediate savings to the City. Unfortunately, due to accounting methods on behalf of CalPERS, all cities enrolled with CalPERS may continue to see increases in pension costs as they continue to pay for past investment losses. It is expected pension costs for the City will increase by approximately 17% between FY 2011 and FY 2012, from \$5.4 million to \$6.3 million.

The City provides a stipend towards the cost of retiree health care for employees that are eligible to receive pension benefits and with at least 20 years of service. The City pays for this benefit on a pay-as-you-go basis, meaning only the cost of providing the benefit for retirees is paid by the City each year; funding of the benefit for current employees is not being set aside. While the cost of paying this benefit for retired employees amounts to less than \$100,000 each year, the City's unfunded liability for this benefit will continue to increase if funding is not provided for current employees that may be eligible to receive the benefit.

Based on projections developed by the City, a deficit is expected each year between FY 2012 and FY 2016, with a projected deficit of \$10.9 million for FY 2016. The Proposition D sales tax increase is scheduled to expire in FY 2016. Between FY 2008 and FY 2011, the City's sales tax increase has generated an average of \$8.15 million each year. By FY 2016, the City's sales tax could account for nearly \$9.5 million of the projected deficit. Voters within National City on two occasions approved a ten year sales tax increase, and thus the tax should continue. In the interim, the City will need to continue to introduce reform and efficiency measures to limit growth in expenditures and reduce reliance on the City's additional sales tax revenue. Finally, in order to correctly calculate the City's structural budget deficit, it is important to include the costs of fully funding the City's retiree health care benefits as well as understanding the true costs of maintaining the City's infrastructure (roads, sidewalks, facilities, etc.) each year.

Section 3: Actions Taken to Improve and/or Stabilize the General Fund

Through a variety of actions the City has been able to balance its annual budget each year since the General Fund deficit problem first appeared during Fiscal Year 2004-2005 and maintain the City and the redevelopment agency Standard and Poor's ratings of A and A minus, respectively. The most effective actions fall into two general areas, revenue increases and controlling expenditures, which are summarized below. For a fuller appreciation of the actions taken by the City please refer to the City Manager's Budget Message at the front of City's Annual Budget and to the Annual Budget presentations available on the City's web site.

Although the lists below are not comprehensive, the selected actions provide a sampling of the range and magnitude of the actions taken to adequately confront and prevent the structural deficit challenge from spiraling out of control. It seems clear that despite all of the actions taken to close the City's recurring structural deficit it would spiral out of control without the revenues temporarily being provided by the District Tax. For this reason the District Tax should remain in effect.

Actions Taken to Increase General Fund Revenue.

- 2006-- Proposition D passed by 59 percent of the voters on June 6, 2006; the measure increased the local sales tax rate one percent to 8.75 percent from 7.75 percent for a period of up to 10 years. The City estimated that the additional revenue from the sales tax rate increase would generate between \$7 million and \$9 million annually, and to date the annual collections have been within this range. Cumulatively the City has collected approximately \$30.4 million through fiscal year 2010.
- Marina Gateway Development—since 2010 the project has provided approximately \$772,000 annually in redevelopment and municipal tax revenue. The City invested (contributed) \$2.4 million in property tax increment funds to the \$61 million development.
- Plaza Bonita Mall--\$134 million expansion and improvements should lead to additional sales tax revenue.
- 2010—increased American Medical Response franchise fee by \$120,000.
- 2008—internal audit of federal Housing and Urban Development Program resulted in approximately \$3.3 million in recouped program income.

Actions Taken to Control General Fund Expenditures.

Accounting

- Quarterly written financial reports to the City Council and residents of National City provide data on the revenues generated by the District Sales Tax separate from the City's general sales tax to increase accountability.

Cost-Cutting

- 2006--reduced expenditures for City services by 20 percent across the board, saving \$984,000 and a managed attrition program was instituted affecting General Fund positions in 13 departments.
- Since 2006 the city has provided employees with one-time stipends rather than salary increases. Annual non-pensionable stipends provide a way to limit and control ongoing salary impacts to the City's budget. Cost of living adjustments are scheduled to begin in 2012 as required in labor contracts.
- 2009--the City unblended retiree health care from active employees resulting in no cost increases in benefits for that year.
- 2010--the City implemented a 40 hour Employee Work Furlough Program resulting in an estimated \$135,441 savings in salary and approximately \$12,000 in energy savings. In 2011 the City negotiated a continuance of the furlough program through 2013 which is expected to result in \$338,383 in savings over the three years.

Consolidating and Restructuring Departments and Divisions

- 2006— the redevelopment agency was placed under the City Manager resulting in the elimination of managerial positions.

- 2008—the Building and Planning Departments were merged, eliminating a department director position.
- 2009—the Purchasing Division was consolidated into the Finance Department eliminating a managerial position.
- 2009—the recently merged Building and Planning Department was further consolidated with the Engineering Department, eliminating a department director position.
- 2011—overall, the City has streamlined its organizational structure from eleven to five departments, eliminating 20 executive and management level positions.

Managed Attrition

- 2009—the City introduced the Employee Voluntary Separation Program resulting in the separation of 29 employees.
- 2011—the City reports 71 vacant positions, 61 of these positions are frozen and/or unfunded and 10 are vacant.

Pension Reform

- 2007—no City employee contributed to their retirement.
- 2009—89 percent of City employees contributed to their retirement.
- 2010—100 percent of City employees contributed to their retirement, and new sworn police safety positions retirement formula decreases from 3% @ 50 to 3% @ 55.
- 2011—employee retirement contributions from elected officials, executive, management and municipal employees are increased to the full 8%. Fire safety employees agree to contribute their full 9% in 3% increments by 2013. New fire safety employees will receive a reduced retirement formula from 3% @ 50 to 3% @ 55.

Attachment: Proposition D Ballot Initiative

CITY OF NATIONAL CITY

Proposition D

(This proposition will appear on the ballot in the following form.)

PROP D

Shall an ordinance be approved imposing a one percent transactions and use tax (a sales tax) for up to 10 years for City services, facilities and programs?

This proposition requires approval by a simple majority (over 50%) of the voters.

Full text of this proposition follows the arguments.

CITY ATTORNEY IMPARTIAL ANALYSIS

Ballot Proposition "D" proposes to raise revenue for general purposes for the City of National City by authorizing a one percent transaction and use tax (commonly referred to as a "sales tax") within the City of National City. The one percent tax would be paid in addition to current sales taxes and would be collected at the same time and in the same manner as existing sales taxes.

California Revenue and Taxation Code Section 7285.9 authorizes the City Council to levy a transaction and use tax at a rate of 0.25 percent or a multiple thereof, provided the tax is approved by a majority of the voters voting in an election on that issue. If approved, the tax would go into effect October 1, 2006 (the "Operative Date").

Proposition "D" states that the one percent sales tax is to be used "for City services, facilities and programs." Because this sales tax would be a "general tax," the tax would go into the City's general fund and could be used for any legal municipal purpose. The City would not be legally bound in any way to use the tax monies for any special purpose or for any particular services, facilities or programs.

The authority to levy the tax imposed by Proposition "D" would expire ten years from the Operative Date, unless the City Council prior to that date determines that the levy and collection of the tax is no longer necessary, in which case the City Council has the authority to reduce the rate of tax, or terminate the imposition of the tax.

Proposition "D" provides that every five years the Mayor, with the approval of the City Council, shall appoint an independent committee comprised of three experts in financial matters, who will report their recommendation to the Mayor and City Council as to whether the transaction and use tax should remain in effect at the rate of one percent, or whether the City Council should reduce the rate of tax or terminate the imposition of the tax.

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ARGUMENT IN FAVOR OF PROPOSITION D

- Proposition "D" is to raise the sales tax to cover the City General Fund \$6.7 million shortfall
- Every resident from senior citizens, students to infants would be affected by the outcome of this proposition
- The sales tax will automatically expire in ten years
- National City residents have continually stated that public safety is their number #1 priority
- 72% of the total National City General Fund budget is given to the police and fire department

WHY YOU SHOULD VOTE "YES" ON D

- If Proposition "D" does not pass the following will happen:
 - The City will be required to reduce their general fund budget by 20%
 - The Police Department and Fire Department will be required to terminate employees to reach the 20% cut
 - The Fire Department will not be able to adequately man the Euclid Street Fire Station
 - The response time by the Police and Fire Department will be greatly reduced
 - The new Public Library will be required to terminate employees and be forced to close more days

WHAT IS TAXED AND WHAT IS NOT TAXED

- No tax on medicine, non-prepared food (groceries), rent, mortgage, utilities or property tax
- Per State Law no new tax on car, motorcycle, boat or plane sales made to consumers from outside the city, but residents pay
- Car dealerships will pay taxes on all vehicle repair and parts sold

NATIONAL CITY RESIDENTS WILL NOT BE REQUIRED TO COVER 100% OF SHORTFALL

- Projections show that one-half to two thirds of the tax will be paid by non-National City residents who purchase merchandise in the City

WHY THE SHORTFALL

- The State of California keeps millions of dollars in revenue (to help balance their budget) that should be returned to the City
- Larger mandatory employee pension contribution than expected

ROBERT "DUKIE" VALDERRAMA
Port Commissioner

ADOLFO GONZALES
Chief of Police

ANNE CAMPBELL
City Librarian

ROBERT V. MEDINA
President, National City
Firefighters Association

ROSALIE "ROSIE" ALVERADO
President, National School District

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ARGUMENT AGAINST PROPOSITION D

What?! Another tax increase?

We've already voted down this tax once before. But the politicians won't listen.

They're trying AGAIN to raise taxes, and this time we're being told that essential police and fire services may be cut! But we're ALREADY paying for public safety!

In 1993 we voters approved Prop. 172, a sales tax for public safety funding. According to the Union-Tribune, National City collects about \$7.75 MILLION annually in sales tax for "local public safety protection and improvement." Where's THAT money, now that we need it??

Much of this regressive tax will fall on the backs of our poorer citizens. That's unfair!

If this tax passes, National City will charge the highest sales tax in the county. To avoid this tax, National City citizens will tend to buy goods outside their own city, and county consumers will tend to avoid National City as a place to shop or visit. That means more closed local businesses and more lost jobs.

Citizens of National City will pay an additional one percent on any taxable item they buy locally. But the National City car dealers' customers who live outside National City will NOT pay the higher tax, due to state law. That's unfair!

Read the measure carefully. Though the tax hikers claim that the tax increase will be used for vital city services, there is NO LEGAL REQUIREMENT that the money be spent that way. None!

Voters are supposed to trust National City politicians to do the right thing. And not only today's politicians, but all the city politicians for the next 10 years while the tax is being collected. Bad idea!

If you think that your taxes are already too high, or even just high enough, you should vote NO on this tax increase.

Reject this tax!

www.lesslax.org/PropD

RICHARD RIDER
Chair, San Diego Tax Fighters

MARIA RAQUEL D. ASTORGA
Working Mother

EDWARD TEYSSIER
Chair, San Diego Libertarian Party

EDWARD G. LOHLEIN
Small Business Owner

MARTHA SANCHEZ
Small Business Owner

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ORDINANCE NO. 2006 - 2278

AN ORDINANCE OF THE CITY COUNCIL
OF THE CITY OF NATIONAL CITY ADDING
CHAPTER 4.60 TO THE NATIONAL CITY MUNICIPAL CODE
TO IMPOSE A TRANSACTIONS AND USE TAX TO BE
ADMINISTERED BY THE STATE BOARD OF EQUALIZATION

BE IT ORDAINED by the People of the City of National City as follows:

Section 1. That Title 4 of the National City Municipal Code is hereby amended by adding Chapter 4.60 to read as follows:

Chapter 4.60

TRANSACTIONS AND USE TAX

Sections:

4.60.010	Title
4.60.020	Definitions
4.60.030	Operative date
4.60.040	Purpose
4.60.050	Contract with State Board of Equalization
4.60.060	Transactions tax rate
4.60.070	Place of sale
4.60.080	Use tax rate
4.60.090	Adoption of provisions of state law
4.60.100	Limitations on adoption of State law and collection of use taxes
4.60.110	Permit not required
4.60.120	Exclusion; exemptions
4.60.130	Permissible uses
4.60.140	Amendments
4.60.150	Enjoining collection forbidden
4.60.160	Severability
4.60.170	Expiration
4.60.180	Independent committee

4.60.010 Title. This chapter shall be known as the "City of National City Transactions and Use Tax Ordinance". This ordinance shall be applicable in the incorporated territory of the City.

4.60.020 Definitions. As used in this chapter, "City" means the City of National City and "tax" means the transactions and use taxes, sometimes also referred to as "sales tax", imposed under the provisions of this ordinance; "tax revenue" and "tax revenues" mean all proceeds of the tax received by the City from the State Board of Equalization.

4.60.030 Operative date. "Operative date" means the first day that the tax is imposed and collected. The operative date shall be October 1, 2006, unless a later operative date becomes effective under the provisions of Section 4.60.050.

4.60.040 Purpose. This ordinance is adopted to achieve the following, among other purposes, and directs that the provisions hereof be interpreted in order to accomplish those purposes:

A. To impose a retail transactions and use tax in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Section 7285.9 of Part 1.7 of Division 2 which authorizes the City to adopt this tax ordinance which shall

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be operative if a majority vote of the electors voting on the measure vote to approve the imposition of the tax at an election called for that purpose.

B. To adopt a retail transactions and use tax ordinance that incorporates provisions identical to those of the Sales and Use Tax Law of the State of California insofar as those provisions are not inconsistent with the requirements and limitations contained in Part 1.6 of Division 2 of the Revenue and Taxation Code.

C. To adopt a retail transactions and use tax ordinance that imposes a tax and provides a measure therefore that can be administered and collected by the State Board of Equalization in a manner that adapts itself as fully as practicable to, and requires the least possible deviation from, the existing statutory and administrative procedures followed by the State Board of Equalization in administering and collecting the California State Sales and Use Taxes.

D. To adopt a retail transactions and use tax ordinance that can be administered in a manner that will be, to the greatest degree possible, consistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, minimize the cost of collecting the transactions and use taxes, and at the same time, minimize the burden of record keeping upon persons subject to taxation under the provisions of this ordinance.

4.60.050 Contract with State Board of Equalization. Prior to the operative date, the City shall contract with the State Board of Equalization to perform all functions incident to the administration and operation of this transactions and use tax ordinance; provided, that if the City shall not have contracted with the State Board of Equalization prior to the operative date, it shall nevertheless so contract and in such a case the operative date shall be the first day of the first calendar quarter following the execution of such a contract.

4.60.060 Transactions tax rate. For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the incorporated territory of the City at the rate of 1% (one percent) of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in said territory on and after the operative date of this ordinance.

4.60.070 Place of sale. For the purposes of this ordinance, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state destination or to a common carrier for delivery to an out-of-state destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to the state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the State or has more than one place of business, the place or places at which the retail sales are consummated shall be determined under rules and regulations to be prescribed and adopted by the State Board of Equalization.

4.60.080 Use tax rate. An excise tax is hereby imposed on the storage, use or other consumption in the City of tangible personal property purchased from any retailer on and after the operative date of this ordinance for storage, use or other consumption in said territory at the rate of 1% (one percent) of the sales price of the property. The sales price shall include delivery charges when such charges are subject to state sales or use tax regardless of the place to which delivery is made.

4.60.090 Adoption of provisions of state law. Except as otherwise provided in this ordinance and except insofar as they are inconsistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, all of the provisions of Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code are hereby adopted and made a part of this ordinance as though fully set forth herein.

4.60.100 Limitations on adoption of state law and collection of use taxes. In adopting the provisions of Part 1 of Division 2 of the Revenue and Taxation Code:

A. Wherever the State of California is named or referred to as the taxing agency, the name of this City shall be substituted therefor. However, the substitution shall not be made when:

1. The word "State" is used as a part of the title of the State Controller, State Treasurer, State Board of Control, State Board of Equalization, State Treasury, or the Constitution of the State of California;

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2. The result of that substitution would require action to be taken by or against this City or any agency, officer, or employee thereof rather than by or against the State Board of Equalization, in performing the functions incident to the administration or operation of this Ordinance.

3. In those sections, including, but not necessarily limited to sections referring to the exterior boundaries of the State of California, where the result of the substitution would be to:

a. Provide an exemption from this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not otherwise be exempt from this tax while such sales, storage, use or other consumption remain subject to tax by the State under the provisions of Part 1 of Division 2 of the Revenue and Taxation Code, or;

b. Impose this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not be subject to tax by the state under the said provision of that code.

4. In Sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737, 6797 or 6828 of the Revenue and Taxation Code.

B. The word "City" shall be substituted for the word "State" in the phrase "retailer engaged in business in this State" in Section 6203 and in the definition of that phrase in Section 6203.

4.60.110 Permit not required. If a seller's permit has been issued to a retailer under Section 6067 of the Revenue and Taxation Code, an additional transactor's permit shall not be required by this ordinance.

4.60.120 Exclusion; exemptions.

A. There shall be excluded from the measure of the transactions tax and the use tax the amount of any sales tax or use tax imposed by the State of California or by any city, city and county, or county pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the amount of any state-administered transactions or use tax.

B. There are exempted from the computation of the amount of transactions tax the gross receipts from:

1. Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of such aircraft as common carriers of persons or property under the authority of the laws of this State, the United States, or any foreign government.

2. Sales of property to be used outside the City which is shipped to a point outside the City, pursuant to the contract of sale, by delivery to such point by the retailer or his agent, or by delivery by the retailer to a carrier for shipment to a consignee at such point. For the purposes of this paragraph, delivery to a point outside the City shall be satisfied:

a. With respect to vehicles (other than commercial vehicles) subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, and undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code by registration to an out-of-City address and by a declaration under penalty of perjury, signed by the buyer, stating that such address is, in fact, his or her principal place of residence; and

b. With respect to commercial vehicles, by registration to a place of business out-of-City and declaration under penalty of perjury, signed by the buyer, that the vehicle will be operated from that address.

3. The sale of tangible personal property if the seller is obligated to furnish the property for a fixed price pursuant to a contract entered into prior to the operative date of this ordinance.

4. A lease of tangible personal property which is a continuing sale of such property, for any period of time for which the lessor is obligated to lease the property for an amount fixed by the lease prior to the operative date of this ordinance.

5. For the purposes of subparagraphs 3 and 4 of this subsection B, the sale or lease of tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

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C. There are exempted from the use tax imposed by this ordinance, the storage, use or other consumption in this City of tangible personal property:

1. The gross receipts from the sale of which have been subject to a transactions tax under any state-administered transactions and use tax ordinance.

2. Other than fuel or petroleum products purchased by operators of aircraft and used or consumed by such operators directly and exclusively in the use of such aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this State, the United States, or any foreign government. This exemption is in addition to the exemptions provided in Sections 6366 and 6366.1 of the Revenue and Taxation Code of the State of California.

3. If the purchaser is obligated to purchase the property for a fixed price pursuant to a contract entered into prior to the operative date of this ordinance.

4. If the possession of, or the exercise of any right or power over, the tangible personal property arises under a lease which is a continuing purchase of such property for any period of time for which the lessee is obligated to lease the property for an amount fixed by a lease prior to the operative date of this ordinance.

5. For the purposes of subparagraphs 3 and 4 of this subsection C, storage, use, or other consumption, or possession of, or exercise of any right or power over, tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

6. Except as provided in subparagraph 7 of this subsection C, a retailer engaged in business in the City shall not be required to collect use tax from the purchaser of tangible personal property, unless the retailer ships or delivers the property into the City or participates within the City in making the sale of the property, including, but not limited to, soliciting or receiving the order, either directly or indirectly, at a place of business of the retailer in the City or through any representative, agent, canvasser, solicitor, subsidiary, or person in the City under the authority of the retailer.

7. "A retailer engaged in business in the City" shall also include any retailer of any of the following: vehicles subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, or undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code. That retailer shall be required to collect use tax from any purchaser who registers or licenses the vehicle, vessel, or aircraft at an address in the City.

D. Any person subject to use tax under this ordinance may credit against that tax any transactions tax or reimbursement for transactions tax paid to a district imposing, or retailer liable for a transactions tax pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code with respect to the sale to the person of the property the storage, use or other consumption of which is subject to the use tax.

4.60.130 Permissible uses. The revenues of the tax shall be deposited in the City's general fund and may be used for any legal municipal purpose.

4.60.140 Amendments. All amendments subsequent to the effective date of this ordinance to Part 1 of Division 2 of the Revenue and Taxation Code relating to sales and use taxes and which are not inconsistent with Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, and all amendments to Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, shall automatically become a part of this ordinance, provided however, that no such amendment shall operate so as to affect the rate of tax imposed by this ordinance.

4.60.150 Enjoining collection forbidden. No injunction or writ of mandate or other legal or equitable process shall issue in any suit, action or proceeding in any court against the State or the City, or against any officer of the State, or the City, to prevent or enjoin the collection under this ordinance, or Part 1.6 of Division 2 of the Revenue and Taxation Code, of any tax or any amount of tax required to be collected.

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4.60.160 Severability. If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

4.60.170 Expiration. The authority to levy the tax imposed by this Chapter shall expire ten (10) years from the Operative Date, unless the City Council prior to that date determines that the levy and collection of the tax is no longer necessary, in which case the City Council has the authority to reduce the rate of tax, or to terminate the imposition of the tax. The City shall immediately notify the State Board of Equalization in writing in the event that the tax is reduced or terminated. The operative date of such rate reduction or termination shall be the first (1st) calendar quarter commencing more than one hundred and ten (110) days after the Board of Equalization receives such notice of termination.

4.60.180 Independent committee. Every five (5) years the Mayor, with approval of the City Council, shall appoint an independent committee comprised of three (3) experts in financial matters, who will report their recommendations to the Mayor and City Council as to whether the transaction and use tax should remain in effect at the rate of one percent (1%), or whether the City Council should reduce the rate of tax or terminate the imposition of the tax pursuant to Section 4.60.170.

Section 2. This ordinance, following its adoption by at least 4 affirmative votes of the City Council and its publication, shall become effective upon the approval of the tax imposed hereunder by a majority of the voters of the City voting thereon at an election called for that purpose. The "operative date" of the tax imposed hereunder shall be as provided in Section 4.60.030.

PASSED and ADOPTED by the City Council of the City of National City, California, on February 7, 2006, by the following vote, to-wit:

Ayes:	Councilmembers: Inzunza, Morrison, Natividad, Parra, Zarate.
Nays:	None.
Absent:	None.
Abstain:	None.

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