

— CALIFORNIA —  
**NATIONAL CITY**  
1887  
INCORPORATED



**POPULAR ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED  
JUNE 30, 2019**

**Cover Photo:**

*Steve Uzzell (Photographer)*

# ABOUT THE PAFR

The City of National City is pleased to present its Popular Annual Financial Report (“PAFR”) for the fiscal year ended June 30, 2019. The PAFR is published to increase public awareness about the City’s financial condition. This report provides an overview of the City’s financial position, including sources and uses of funds, economic information about the community, and a highlight of the City’s spending for the fiscal year. It is our goal that this report is easy to read and understand.

The PAFR summarizes the financial activities of the City of National City’s governmental and proprietary funds, deriving information from the City’s Comprehensive Annual Financial Report (“CAFR”) for fiscal year 2019. The CAFR has been prepared in conformance with generally accepted accounting principles (“GAAP”) and includes financial statements audited by The Pun Group, LLP, an independent firm of licensed certified public accountants. The PAFR, however, is unaudited and presented on a non-GAAP basis. The elements of the GAAP-basis presentation of the CAFR not found in the PAFR are the use of prescribed accounting methods and financial statement formats, presentation of segregated funds, and disclosure of material matters, financial and non-financial, in the notes to the financial statements. Both the PAFR and CAFR are available online at [www.NationalCityCA.gov](http://www.NationalCityCA.gov) or by contacting the Department of Finance at City Hall, National City Boulevard, National City, California, 91950; phone: 619-336-4330; or e-mail: [Finance@NationalCityCA.gov](mailto:Finance@NationalCityCA.gov).

Your questions, comments, and suggestions regarding the information in this report are welcome.



Alejandra Sotelo-Solis  
*Mayor*



Ron Morrison  
*Vice Mayor*



Jerry Cano  
*Councilmember*



Mona Rios  
*Councilmember*



Gonzalo Quintero  
*Councilmember*

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## AWARDS

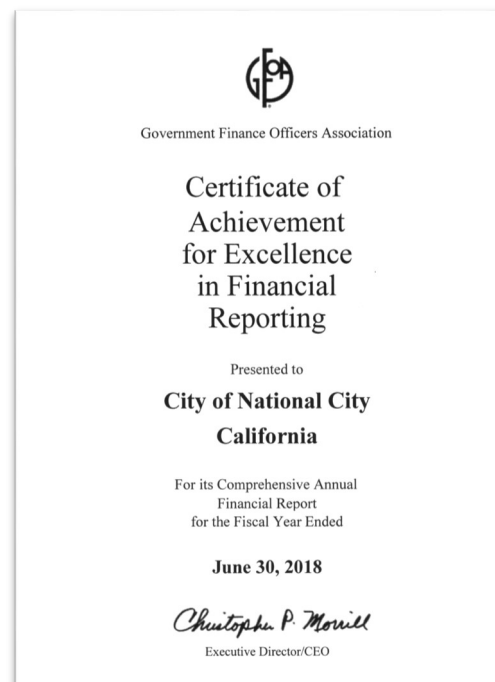
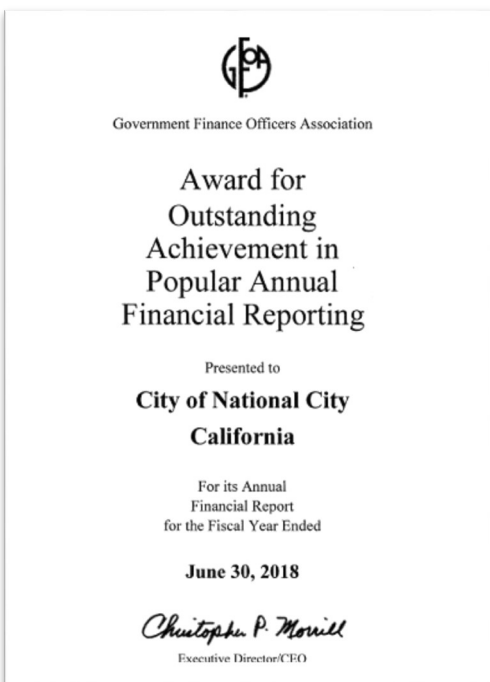
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The Government Finance Officers Association of the United States and Canada (“GFOA”) presented the Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of National City for its PAFR for the fiscal year ended June 30, 2018. The Award for Outstanding Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive the award, a governmental unit must publish a PAFR, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year. We believe our current PAFR continues to meet the Award for Outstanding Achievement Program’s requirements, and we are submitting it to the GFOA for consideration for another award.

In addition to receiving the Award for Outstanding Achievement in Popular Annual Financial Reporting, the City of National City CAFR for the fiscal year ended June 30, 2019 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the GFOA. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to receive the award, a governmental unit must publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable program requirements.

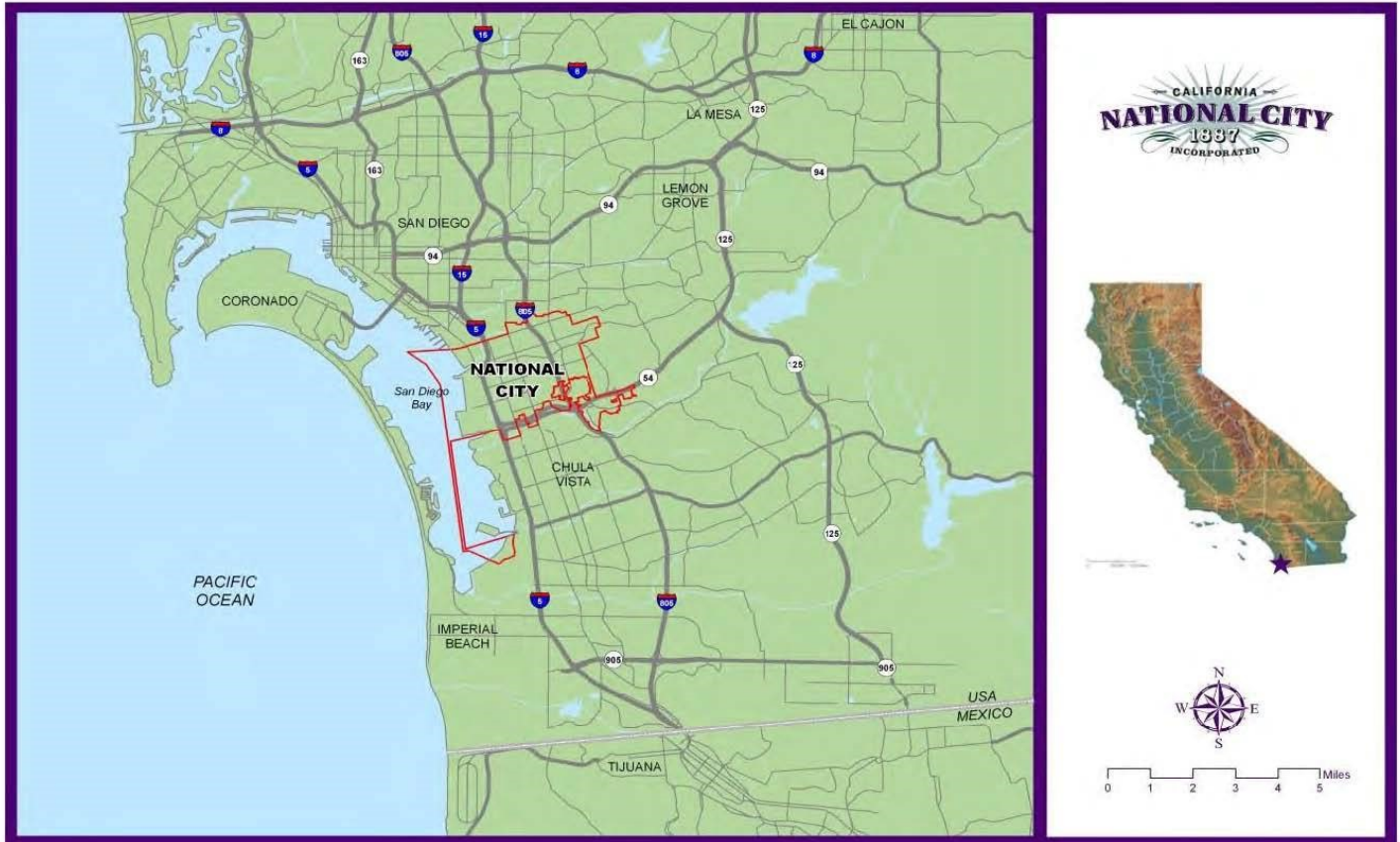
A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.





## PROFILE OF THE CITY

The City of National City, incorporated on September 17, 1887, is located in south-western San Diego County and occupies 9.2 square miles, bordered by the City of San Diego to the north and east, San Diego Bay to the west, and the City of Chula Vista to the south.



The City is a general law city and operates under the council-manager form of government with five City Councilmembers, including the Mayor, elected to four-year overlapping terms, and an appointed city manager. The citizens of National City also elect the City Treasurer and the City Clerk.

The City provides a full range of services to its residents, including general government, public safety (police, fire, disaster preparedness, and building inspection), construction and maintenance of the City's infrastructure, economic development, affordable housing, cultural and recreational programs, library and literacy programs, and senior nutrition services.



# PROFILE OF THE CITY

## Demographic Statistics

Year	Population	Per Capita Personal Income	Personal Income	Unemployment Rate
2019	62,307	\$ 18,550	\$1,155,824,000	4.4%

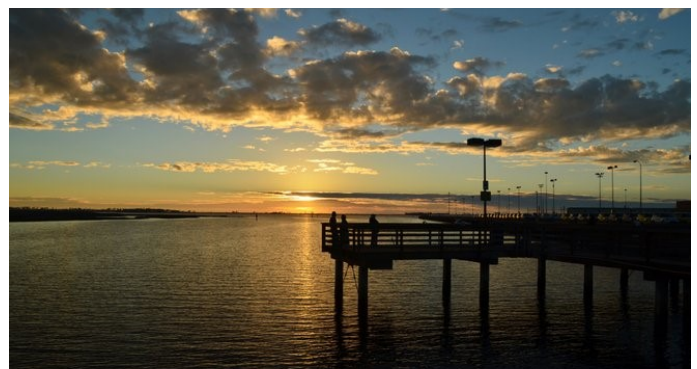
Sources: California Department of Finance, United States Census Bureau, and California Employment Development Department

Race	% of Pop.
Hispanic or Latino	65.0
Asian & Pacific Islander	19.2
White	10.0
African American	4.2
Other Race(s)	2.6

Age	% of Pop.
Under 5 years	6.1
5 to 14 years	12.3
15 to 24 years	19.4
25 to 44 years	28.4
45 to 64 years	22.5
65 years and over	11.3
Median age (years)	31.1

Source: San Diego Association of Governments ("SANDAG")

National City Full-time Equivalent Positions	
<u>General Government</u>	
Administration	29.00
Finance/Purchasing	15.77
Community Development	56.83
<u>Public Safety</u>	
Police	128.98
Fire	51.00
<u>Engineering &amp; Public Works</u>	
Engineering	13.00
Public Works	46.50
<u>Housing &amp; Economic Development</u>	24.00
<b>Total</b>	<b>365.08</b>





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## ECONOMIC PROFILE

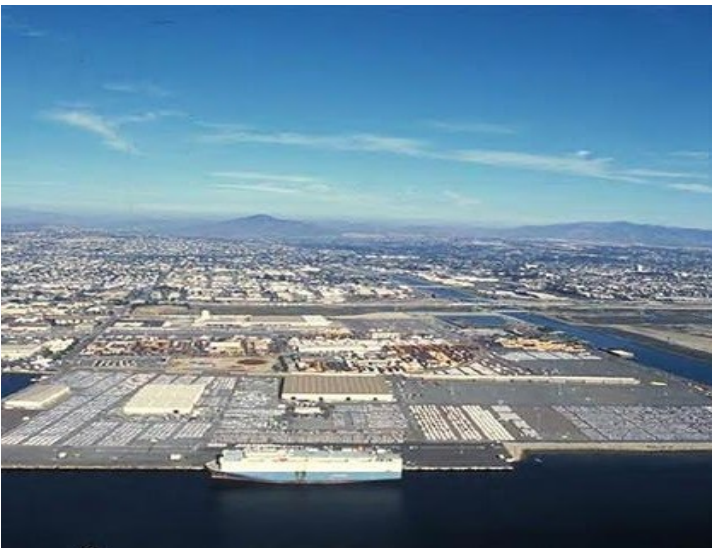
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National City, San Diego County's second oldest city, is centrally located in a thriving bi-national region of five million consumers. It is ten minutes from everywhere and positioned for prosperity, with proximity to the San Diego Bay, the US-Mexico border, downtown San Diego, an international airport, rail lines, San Diego State University, and other colleges and universities. It is encircled by Interstates 5 and 805 and State Routes 54 and 15, and it is serviced by the San Diego Metropolitan Transit System (bus and rail transportation) seven days a week, conveniently connecting the City to the region. With its location and accessible transportation network, National City is "in the center of it all," giving it a competitive edge in business and industry.

The City has a progressive history of commercial development, including the "Mile of Cars," San Diego County's first major auto park, and the County's first indoor mall and largest enclosed mall in the South San Diego Bay area. Both draw shoppers from throughout the County, as well as outlying areas. Overall, National City is home to more than three thousand businesses – a remarkable number for a city with an estimated population of 62,000 – from small family-owned operations to multi-million dollar corporations.

The National City Marine Terminal, part of the Unified Port of San Diego, is the most advanced vehicle import and export facility on the West Coast, processing more than 250,000 vehicles annually. Lumber is also imported from the Pacific Northwest for construction use throughout the region. The City's port area extends three miles along San Diego Bay and is part of the largest US Navy installation on the West Coast.

National City's diversified commercial, retail, and industrial presence reduces the impacts of economic downturns and helps it rebound steadily, as with the most recent recession.





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## STRATEGIC PLAN INITIATIVES

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During the fiscal year 2018 budget process, City management reviewed and updated the City's five-year Strategic Plan. The Strategic Plan is approved by the City Council every two years in conjunction with adoption of the annual budget. Its purpose is to establish a long-range vision for the City and provide a basis for developing a work plan to ensure the goals of the Strategic Plan are met.

**City of National City Strategic Plan  
2017-2022**

*Provide Quality Services*  
*Achieve Fiscal Sustainability*  
*Improve Quality of Life*  
*Enhance Housing and Community Assets*  
*Promote a Healthy Community*

National City's Capital Improvement Program, a "sliding" five-year budgeting process for establishing the City's capital priorities and financing plan, addresses many of the Strategic Plan's initiatives. Amongst the most notable projects completed during the fiscal year are the following:

- Citywide Midblock Pedestrian Enhancements;
- Drainage Improvements;
- Harbison Avenue Traffic Calming;
- Civic Center (City Hall) Improvements;
- Police Department Building Improvements; and
- National City Public Library Improvements.

Amongst its efforts to achieve fiscal sustainability, the City maintains a series of reserves to strengthen its ability to withstand unexpected financial emergencies and to accumulate funds for large scale purchases. Currently, the balance of the City's primary reserve, the General Fund Contingency Reserve, is nearly \$9.1 million. And the balance of the Facilities Maintenance Reserve, established to begin to pre-fund deferred maintenance costs of City facilities, is \$6.1 million.

The City of National City supports its residents by providing quality services and sponsoring several free events and programs throughout the year to improve quality of life and promote a healthy community, including various literacy, homework help, summer reading, computer, and craft programs; US citizenship classes; free book week; movie nights at the library and City parks; Walk to School Day; 1-Mile Fun Run; rowing and kayaking lessons; Community Service Day; yoga classes; National Night Out BBQ & movie; and holiday tree-lighting and ice skating. The City also co-sponsors a 4<sup>th</sup> of July carnival and fireworks and Automobile Heritage Day for which admission are free. The City sends electronic newsletters and social media posts to inform the community of past and upcoming events. Information also may be found on the "Calendar of Events" page of the City's website.

# CITY FINANCIALS

## Statement of Net Position

The following financial summary is a condensed view of the City of National City's assets and liabilities for all governmental and business-type funds as of June 30, 2019 and 2018.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current & Other Assets	\$174,177,224	\$106,206,286	\$ -	\$ 2,628,637	\$174,177,224	\$108,834,923
Capital Assets, Net	160,921,212	157,090,410	-	5,407,409	160,921,212	162,498,819
<b>Total Assets</b>	<b>335,098,436</b>	<b>261,062,973</b>	<b>-</b>	<b>8,036,046</b>	<b>335,098,436</b>	<b>271,332,742</b>
Deferred Outflows of Resources	19,201,843	19,505,299	-	-	19,201,843	23,814,784
<b>Liabilities</b>						
Current Liabilities	15,153,152	15,899,941	-	616,871	15,153,152	16,516,812
Long-term Liabilities	130,512,382	127,918,861	-	59,506	130,512,382	127,978,367
<b>Total Liabilities</b>	<b>145,665,534</b>	<b>143,818,802</b>	<b>-</b>	<b>676,377</b>	<b>145,665,534</b>	<b>144,495,179</b>
Deferred Inflows of Resources	2,597,755	3,762,217	-	-	2,597,755	3,762,217
<b>Net Position:</b>						
Net investment in Capital Assets	147,820,375	141,748,074	-	5,003,945	147,820,375	146,752,019
Restricted	99,839,364	31,566,245	-	2,333,153	99,839,364	33,899,398
Unrestricted	(41,622,749)	(33,783,858)	-	22,571	(41,622,749)	(33,761,287)
<b>Total Net Position</b>	<b>\$206,036,990</b>	<b>\$139,530,451</b>	<b>\$ -</b>	<b>\$ 7,359,669</b>	<b>\$206,036,990</b>	<b>\$146,890,130</b>

The \$59,146,860 (40.3%) increase in the City's total net position resulted from a increase in governmental activities of \$66,506,529 (48.0%) and decline in business-type activities, are both due to the sale of Kimball and Morgan Towers. The City sold the property to a privately held non-profit on March 28, 2019; additional information can be found on the City's CAFR Note 14.

**Current & Other Assets** – assets that reasonably can be expected to be converted to cash, sold, or consumed within one year.

**Capital Assets, Net** – the City's long-term investments in land, buildings, equipment, improvements, infrastructure, and construction in progress. The City uses these capital assets to provide services to citizens; consequently, the assets are not available for future spending.

**Current Liabilities** – primarily debts that can be paid off in one year or less, including accounts payable, accrued payroll, accrued interest payable, and deferred revenue.

**Long-Term Liabilities** – mainly represents debt obligations of the City. The proceeds from these debt issues are used to finance large projects, such as building construction and renovations, major equipment purchases, and roadway construction.

**Deferred Outflows of Resources** – a consumption of net assets that is applicable to a future reporting period.

**Deferred Inflows of Resources** – an acquisition of net assets that is applicable to a future reporting period.

**Net Position** – the difference between total assets and total liabilities. Over time, changes in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**Net invested in Capital Assets** – the City's investment in its capital assets, less accumulated depreciation and any outstanding debt attributable to the assets. The resources needed to repay the debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

**Restricted Net Position** – resources of which use is subject to externally imposed restrictions. The City has resources set aside for debt service and capital (primary sewer-related) projects established by the City Council.

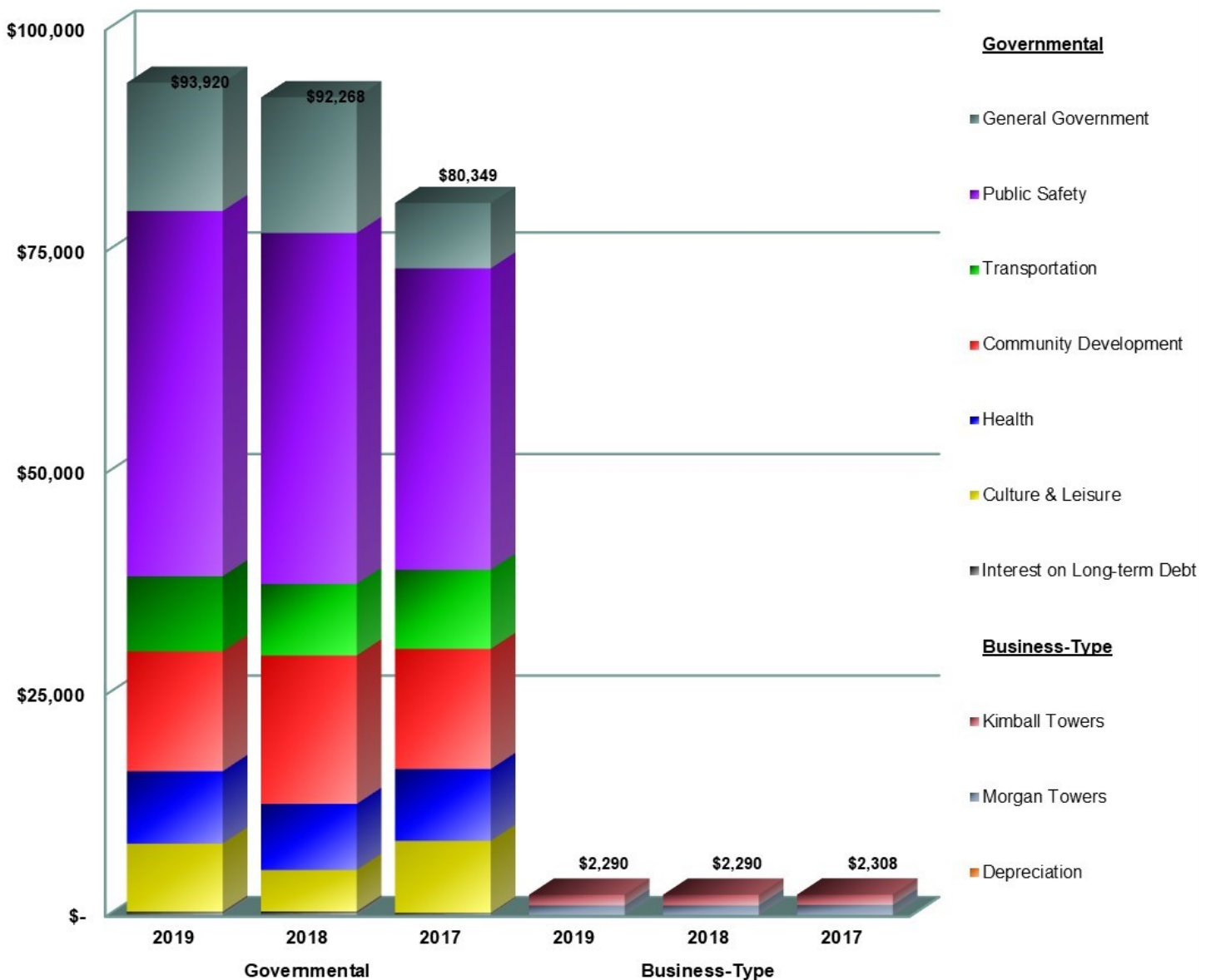
**Unrestricted Net Position** – Resources accessible to the City to provide services to the residents, if there were no additional revenues or resources available.

# CITY FINANCIALS

## Statement of Activities

The following graphs reflect revenues and expenses for governmental and business-type activities, as they relate to the program category in which the funds were collected or expended. Governmental activities include general government, public safety, transportation, community development, health, and culture and leisure. Business-type activities comprise Morgan Towers and Kimball Towers, the City's low and moderate income housing for seniors.

**City of National City Expenses  
Governmental & Business-Type Activities  
Fiscal Years 2017-2019  
(in Thousands)**

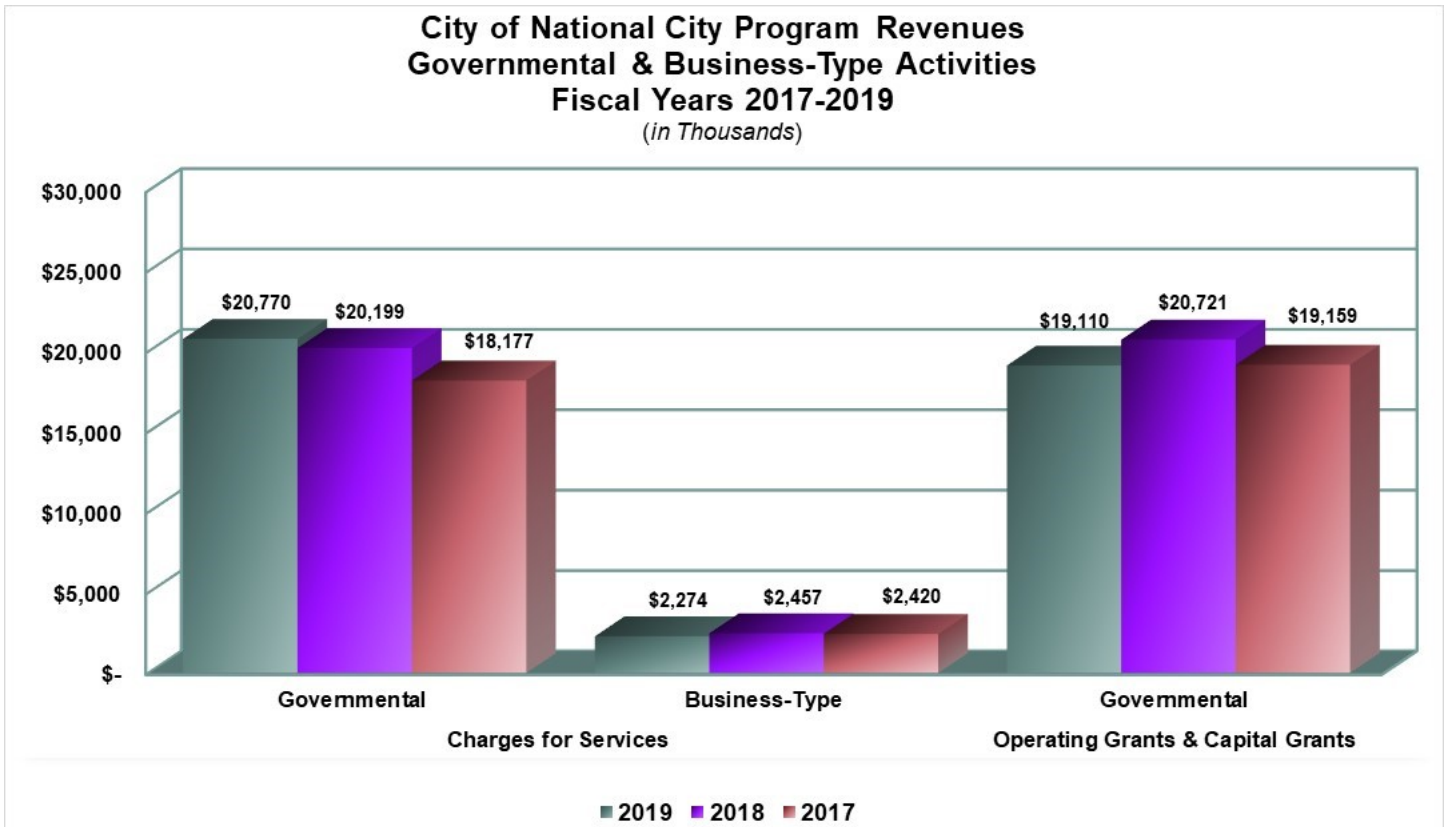


The City's governmental activities expenses increased from \$92,268,390 in Fiscal Year 2018 to \$93,919,955 in fiscal year 2019, mainly as a result of significant growth in overall operational expenses for public safety. Expenses of business-type activities decreased as a result of the sale of Kimball & Morgan Towers.



# CITY FINANCIALS

## Statement of Activities



**Program Revenues** – Revenues derived directly from the program operated by the City, such as user fees and charges, which reduce the cost of the function financed from the government’s general revenues.

Charges for services of governmental activities increased from \$20,199,048 to \$20,770,466 during fiscal year 2019 with increases in charges from community development, health, and public safety activities the largest contributors to the change. Operating and capital grants for governmental activities decreased slightly from \$20,721,272 to \$19,110,011 overall. This decrease is the net of a \$601,829 increase in operating grants & contributions, particularly in community development, and an decrease of \$2,213,090 capital grants and contributions, primarily from transportation grants. Charges for services related to business-type activities decreased due to the sale of Kimball & Morgan Towers.



# CITY FINANCIALS

## Governmental Funds

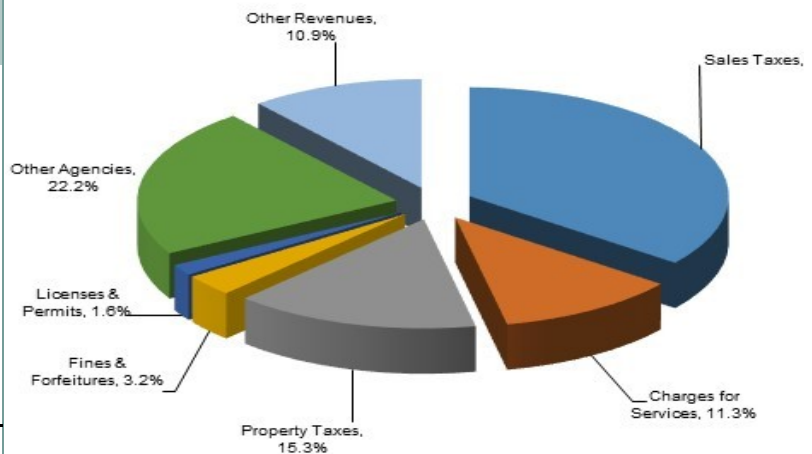
The City of National City maintains twenty-two individual governmental funds, including the General Fund. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements (*Statement of Net Position* and *Statement of Activities*). However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

There are five types of governmental funds:

- general fund – the primary operating fund of the City; accounts for financial activity not required to be accounted for in another fund;
- special revenue funds – used to account for and report the proceeds of specific revenue sources restricted or committed to expenditures for specified purposes, other than debt service or capital projects;
- debt service funds – used to account for the receipts for, and payment of, general long-term debt principal and interest;
- capital projects funds – used to account for and report financial resources for capital outlay expenditures;
- permanent funds – used to account for and report resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, i.e., for the benefit of the government or its citizenry.

In addition to the General Fund, the City's major governmental funds are the Housing Fund, Housing Choice Voucher (Section 8) Fund, and Sewer Service Fund, all of which are special revenue funds. The City's capital projects, debt service, and permanent funds are considered non-major funds.

Revenue Source	(000s)	
	FY 19	FY 18
Sales Taxes	\$33,197	\$30,085
Charges for Services	10,630	11,011
Property Taxes	14,340	12,721
Fines & Forfeitures	3,006	663
Licenses & Permits	1,572	1,879
Other Agencies	20,790	22,672
Other Revenues	10,168	10,232
<b>Total</b>	<b>\$93,659</b>	<b>\$89,263</b>



The most significant source of revenue for the City is **Sales Taxes**. Sales taxes are imposed on retail transactions and are collected and administered by the State. National City receives the equivalent of 1.0% of the total taxable sales generated within the City from the state-imposed sales & use tax and an additional 1% from its voter-approved district transactions & use tax.

**Other Agencies**, reimbursements from other agencies - primarily the federal government, State, and Successor Agency - is the next largest revenue source.

**Charges for Services** is revenues collected for services provided, the majority of which is sewer service charges.

**Property Taxes** is ad valorem ("according to value") levies on the assessed value of real and personal property within the City. This total includes revenue for property tax in lieu of vehicle license fee ("VLF"), California's property tax - VLF "swap."

**Fines & Forfeitures** is penalty revenues, e.g., parking violation fines, court and traffic fines, and library fines.

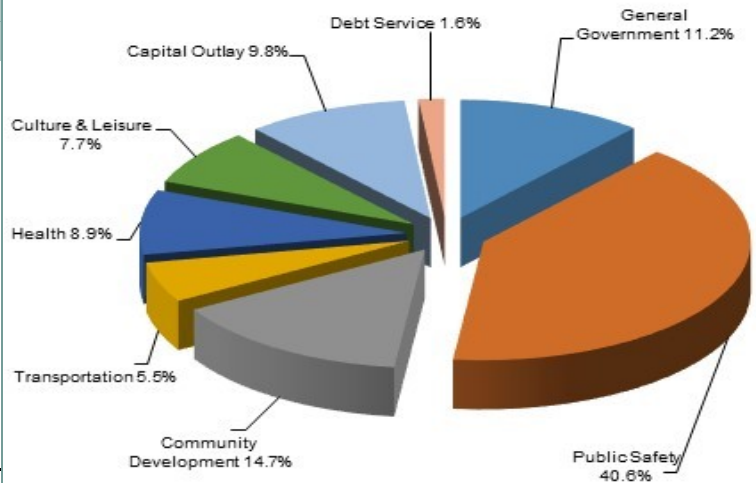
**Licenses & Permits** represents revenues from various activities, such as business licensing and building permits.

**Other Revenues** is the catch-all for revenue types that do not fall into one of the above categories.

## Governmental Funds

### Where the Money Goes (Expenditures/Services) (in Thousands)

Expenditure	(000s)	
	FY 19	FY 18
General Government	\$ 10,354	\$ 8,763
Public Safety	37,353	37,536
Community Development	13,558	12,942
Transportation	5,068	4,732
Health	8,158	7,544
Culture & Leisure	7,067	8,039
Capital Outlay	9,059	14,561
Debt Service	1,447	1,940
<b>Total</b>	<b>\$92,063</b>	<b>\$96,057</b>



**General government:** administrative and financial services provided for the benefit of the public and the governmental body, as a whole.

**Public safety:** police and fire protection of the City's residents and visitors, and building inspections.

**Community Development:** low- and moderate-income housing, housing inspections, code enforcement; graffiti removal, and current and advance planning

**Transportation:** construction, maintenance, and repair of streets and related facilities

**Health:** sewer- and storm drain-related extensions, maintenance, and repairs.

**Culture & Leisure:** provision and maintenance of cultural and leisure facilities, e.g., the City's library, aquatic center, and parks, and operations of programs benefitting citizens and visitors.

**Capital Outlay:** construction, acquisition, and maintenance of City buildings, infrastructure, vehicles, and equipment.

**Debt Service:** retirement of City debt.





# CITY FINANCIALS

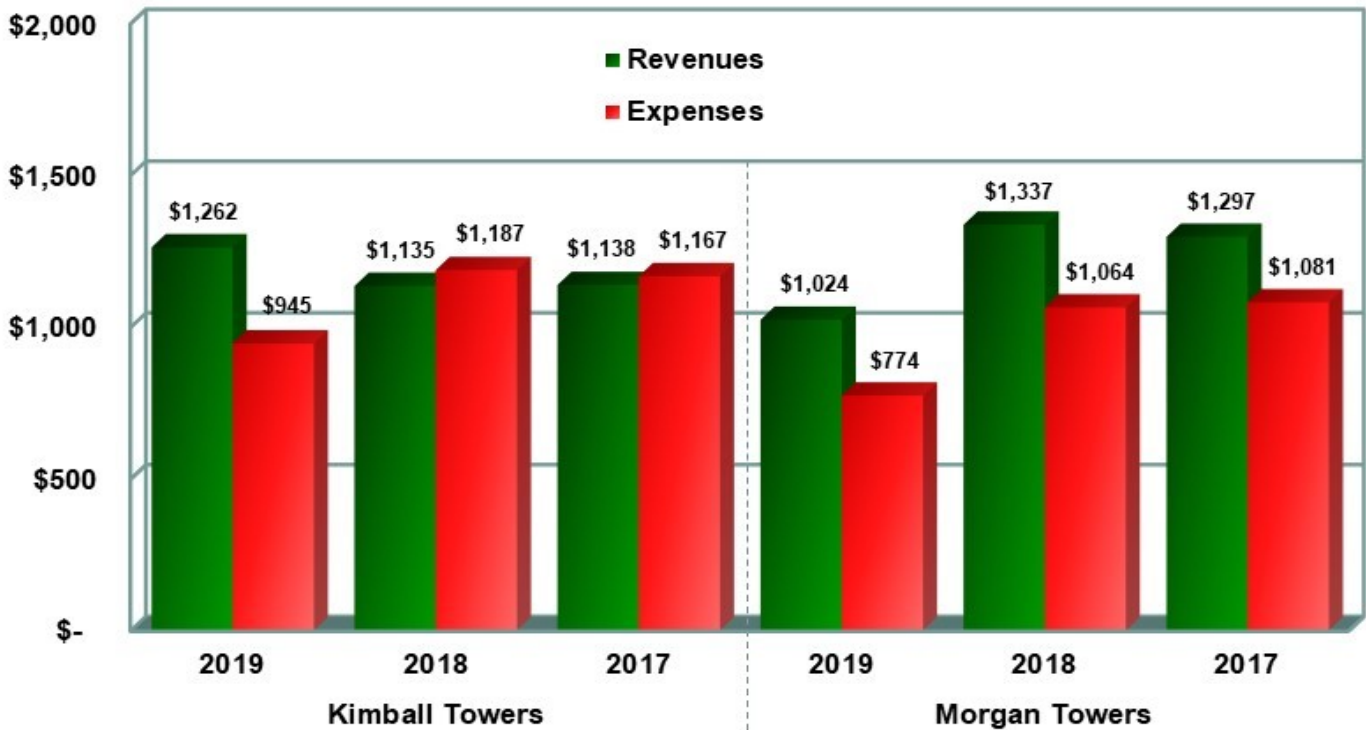
## Business-Type Funds

Business-type funds are used to report activities for which fees are charged to external users for goods or services in order to recover the cost of the services provided, similar to private businesses. Over time, these funds generate enough revenue to cover the costs of their operating expenses.

The City maintained two business-type funds, the Kimball Towers Fund and Morgan Towers Fund, that accounted for activities relating to the operations of Kimball Towers and Morgan Towers, which provide housing to low and moderate income seniors.

The City sold these two buildings to two nonprofits. The sale is intended to ensure the feasibility of the renovation, since nonprofits have financing sources that are unavailable to a developer such as a city; additional information can be found on the City's CAFR Note 14.

(in Thousands)



# CAPITAL ASSETS & CITY DEBT

## Capital Assets

The City's investment in capital assets for governmental and business-type activities, as of June 30, 2019, amounted to \$160,921,212 (net of accumulated depreciation). This investment includes land, rights-of-ways, construction in progress, buildings and improvements, machinery, and infrastructure. Infrastructure assets, which include radio rights, represent the largest portion of the City's total governmental assets (49.2%).

The largest addition to capital assets during the current fiscal year was in land, which grew \$1,861,877 to \$24,402,009. Building and improvement increased in Governmental Activities funds due to the energy savings projects, \$2,352,094, net of depreciation. Buildings and improvements over all fell \$2,332,996 to \$30,916,183 after depreciation, due to the sale of Kimball & Morgan Towers.

### Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 24,402,009	\$ 22,011,750	\$ -	\$ 528,382	\$ 24,402,009	\$ 22,540,132
Rights-of-Ways	4,245,088	4,245,088	-	-	4,245,088	4,245,088
Construction in Progress	13,270,929	14,340,585	-	-	13,270,929	14,340,585
Buildings & Improvements	30,916,183	28,564,089	-	4,685,090	30,916,183	33,249,179
Machinery & Equipment	7,831,464	7,188,232	-	193,937	7,831,464	7,382,169
Infrastructure	79,175,390	79,596,879	-	-	79,175,390	79,596,979
Radio Rights	1,080,149	1,143,687	-	-	1,080,149	1,143,687
<b>Total</b>	<b>\$160,921,212</b>	<b>\$157,090,410</b>	<b>\$ -</b>	<b>\$5,407,409</b>	<b>\$160,921,212</b>	<b>\$162,497,819</b>

## City Debt

The City's total debt decreased by \$212,857, or 0.64%, during the current fiscal year. There is an increase in claims payable, \$1,173,000, however the net decrease primarily resulted from normally scheduled payments in other debt scheduled payments.

### City Debt

	Governmental Activities		Business-Type Activities		Total	
	2018	2018	2019	2018	2019	2018
Notes & Loans Payable	\$ 12,137,452	\$ 13,075,333	\$ -	\$403,464	\$ 12,137,452	\$ 13,478,797
Capital Leases	1,001,185	1,264,425	-	-	1,001,185	1,264,425
Compensated Absences	3,940,063	3,755,968	-	-	3,940,063	3,755,968
Claims Payable	10,568,000	9,395,000	-	-	10,568,000	9,395,000
OPEB Liability	5,302,749	5,268,116	-	-	5,302,116	5,268,116
<b>Total</b>	<b>\$32,949,449</b>	<b>\$32,758,842</b>	<b>\$ -</b>	<b>\$725,833</b>	<b>\$32,949,449</b>	<b>\$33,162,306</b>



# INVESTMENTS

The market value of the City's cash and investments as of June 30, 2019 is as follows:

Investment	Fair Value	Investment Maturities (in Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	4 to 5
LAIF <sup>1</sup>	\$61,863,892	\$61,863,892	\$ -	\$ -	\$ -	\$ -
Money Market Funds	148,108	148,108	-	-	-	-
San Diego Pool <sup>2</sup>	8,354,000	8,354,000	-	-	-	-
Supranational	498,580	-	498,580	-	-	-
Negotiable CD	600,276	600,276	-	-	-	-
Commercial Paper	595,309	595,309	-	-	-	-
ABS	2,367,128	1,975	448,036	1,180,368	736,749	-
US Corporate	7,236,889	1,482,812	2,970,985	787,968	1,174,820	820,304
US Treasuries	8,813,360	2,562,200	2,578,947	2,194,707	14,77,506	-
US Agencies	10,304,905	3,316,597	1,981,579	2,773,556	1,628,163	605010
Section 115 Trust <sup>3</sup>	1,749,740	1,749,740	-	-	-	-
Bond Trustee <sup>3</sup>	790,935	790,935	-	-	-	-
<b>Total</b>	<b>\$103,323,122</b>	<b>\$78,925,169</b>	<b>\$ 8,478,127</b>	<b>\$ 6,936,599</b>	<b>\$ 5,017,238</b>	<b>\$ 1,425,314</b>

The weighted average maturity of the portfolio was 1.43 years.

<sup>1</sup> State of California's Local Agency Investment Fund

<sup>2</sup> San Diego County Treasurer's Pooled Money Fund

<sup>3</sup> Held by fiscal agent

The City's cash and investment policies and practices are in compliance with state law and prudent investor rules.





City of National City  
City Hall  
1243 National City Boulevard  
National City, California 91950  
619-336-4330

CALIFORNIA  
**NATIONAL CITY**  
1887  
INCORPORATED



National City's "Brick Row" then (1911)...



and now.