



MINUTES
National City Proposition "D" Independent Evaluation Committee
Large Conference Room
Civic Center
1243 National City Boulevard
National City, California
Thursday, April 20, 2017 @ 1:00 p.m.

These minutes have been abbreviated. Full audio recordings of the proceedings are on file and available to the public upon request.

Call to Order

The meeting was called to order by Chair Waller-Bullock at 1:01 p.m.

Pledge of Allegiance to the Flag

Led by Chair Waller-Bullock.

Roll Call

Committee members in attendance: Sarah Waller-Bullock, Haney Hong, Ray Major.

Also in attendance: Stacey Stevenson, Deputy City Manager; Mark Roberts, Director of Finance; Ed Prendell, Budget Analyst.

Non-Agenda Public Oral Communication (three minute time limit)

None.

Agenda Items

1. Approval of the minutes from the meeting of March 16, 2017.
Action: Motion by Committee Member Major, seconded by Chair Waller-Bullock, to

approve the minutes with the following amendments:

- Agenda Item # 2 – amend the minutes to clarify Committee Member Hong’s comment regarding elected leaders’ choice to increase their own pay, as follows: “in the context of looking at a sales tax and the continued challenges of the City, it is interesting that there was a choice to raise pay themselves.”

Carried by unanimous vote.

2. Discussion – review of 5 year outlook.

Mark Roberts, Director of Finance, presented 5-year outlooks with and without the continuation of the district transactions & use tax (“Proposition ‘D’”). During the presentation, Committee Members inquired regarding proposed FTE reductions and vacant positions. Mr. Roberts clarified that the FTE reductions in the outlooks were for currently budgeted positions, and Ms. Stevenson further clarified that the City currently has 11 vacancies for budgeting positions. Ms. Stevenson also explained how the 3-year operating plan prepared by the City in 2014, upon which many of the assumptions of the current 5-year outlooks were based, was developed. Committee Member Major asked whether the district transactions & use tax pays for one-third of personnel costs. Mr. Roberts confirmed annual district transactions & use tax revenue equals approximately one-third of the City’s (General Fund) personnel costs.

Committee Member Hong inquired regarding the availability of performance metrics where the bulk of the City’s expenditures occur and stated measures of effectiveness would help to characterize the 5-year projection figures. Committee Member Hong asked whether performance has improved since the previous Proposition “D” Independent Evaluation Committee convened. Mr. Roberts referenced the list of project-related awards earned by the City which was previously provided to the Committee, improvements in financial reporting and budgeting and associated awards earned by the City, and the strong and/or improving performance of City departments over the past several years.

Committee Member Major inquired regarding the City’s expectation the change of the economic base in the long run will help to eventually eliminate the tax and whether a cost-benefit analysis of the City’s long-term vision has been performed to determine whether it provides a path to grow out of the need for the tax to be collected. Mr. Roberts referenced Deputy City Manager Raulston’s statements that the City is having conversations with businesses regarding how to raise additional revenues to increase or enhance services. Committee Member Major also asked whether the City had performed an analysis to determine whether more retail businesses or residential units would generate enough tax revenue to offset the possible loss of the tax. Ms. Stevenson replied that the City is reviewing mixes of residential and commercial development to stimulate the local economy and generate more revenue. Ms. Stevenson added that a number of businesses which had plans underway to establish presences in the City prior to the recession halted those plans due to the economic downturn and that the State’s elimination of redevelopment agencies and that redevelopment further slowed development, resulting in the need to rebuild the City’s development model, which is challenging, given the City’s limited potential for the market-rate housing growth necessary to create significant business development.

Chair Waller-Bullock commented that performance measures are important to show taxpayers the City’s performance quantitatively. Ms. Stevenson replied that the City is working toward developing stronger performance measures and more quantitative and qualitative results which can be seen, including completed roadway projects, improved park maintenance, and increased recreation programming. Ms. Stevenson also stated that, although when the City sought the extension of the tax, its goal was to maintain service levels not to enhance them but that, in comparison to service levels prior to the creation of the district transactions & use tax, services have been enhanced, albeit modestly.

3. Discussion – elected leader perspective by Mayor Ron Morrison at 2:00 p.m.

Mayor Morrison offered to Committee Members to answer any questions they might have. Committee Member Hong asked Mayor Morrison what he and the City Council believe are the strengths of National City and the future for the City’s growth to help determine the breakthrough necessary to resolve the structural imbalance which requires continuing the district transactions & use tax. Prefacing his comments with noting he could only speak for himself, Mayor Morrison began by stating that in 2006, the same year the City’s Proposition “D” ballot measure was approved, the City Council adopted the “Downtown Specific Plan,” providing for the construction of 4,000-10,000 housing units in the City’s downtown area, with the expectation it would increase business development and, in turn, augment revenue sufficiently for the City to “grow out” of the need for the district transactions & use tax. However, the “Great Recession” resulted in the cancellation of the construction plans of several businesses. Mayor Morrison also stated the City must implement the changes necessary to diversify the City’s revenue sources while building its businesses base and listed efforts which have been or are being undertaken to continue to increase revenues to the City, including:

- seeking and acquiring significant grant funding for projects over the past 10 years;
- continuing to personalize the message to attract businesses from outside of California to highlight the City’s significant daytime population, in relation to its census population, and the successes of other businesses who have opened locations in the City;
- encouraging development of businesses near the freeways passing through the City which will draw customers into the City;
- creating places for defense contractors in the technology industry to add locations on the City’s west side and increase the City job base;
- working with local Navy officials to meet the growing housing needs of Naval personnel; and
- relaxing over-restricted rules for some businesses.

Committee Member Hong asked what Mayor Morrison feels differentiates National City from other communities competitively which may help it eliminate its structural imbalance. Mayor Morrison listed National City’s location, specifically its proximity to downtown San Diego; the intersection of three major freeways with the City; being on the bayfront corridor with Chula Vista; its accessibility to the regional transportation system; and its recognition as a “one-stop shop,” because it is a full-service City in every respect. In addition, Mayor Morrison stated he

believes the attitude toward the City’s government, including its business-friendliness environment is more positive than in other communities.

Committee Member Major inquired as to the expected timing of construction of the residential units planned and hotels expected. Mayor Morrison replied that the City has approved construction of 200 units in the lot next to the City Library, a number of other housing units are in different stages of planning, and completion of the California Environmental Quality Act review process necessary to allow construction of bayfront hotels to begin is expected to be completed in approximately one year. Committee Member Major asked how many of the expected hotels and 4,000-10,000 planned housing units Mayor Morrison anticipates would be built in the next five years. Mayor Morrison stated he thinks at least 1,000 of the housing units will be completed in the next five to seven years and that the City is trying to concentrate the additional density of housing in the downtown area. In addition, Mayor Morrison said the City has increased the capacity of transit on the City’s regional transportation arterial.

Committee Member Hong asked Mayor Morrison what his desire is for when the City will eliminate the structural imbalance Proposition “D” was meant to address. Mayor Morrison replied that his optimistic expectation is about 12 to 15 years. Committee Member Hong asked what factors would cause the longer timeframe. Mayor Morrison said he believes such factors could include over-restriction by the State, a local political upheaval that results in an antibusiness/antigrowth direction, the uncertainty of the economy, and rising pension costs. Committee Member Hong inquired whether there is dialogue amongst the City’s Councilmembers about further pension reform. Mayor Morrison stated that the Councilmembers have different opinions on the issue but that he believes pension reform must occur at the State level, because, otherwise, cities which adopt reform would be at a competitive disadvantage with respect to recruiting and retention of employees. Ms. Stevenson concurred with Mayor Morrison regarding the negative impact of independent pension reform on recruiting and retention, adding that less effective recruiting and retention would adversely affect the City’s ability to provide services to its residents.

4. Committee comments.

Committee Member Major:

- commented that, as a note for the next committee which reviews the City’s transactions & use tax, he believes it would have been more helpful to start with the Mayor’s vision for the City, because it would have given the Committee Members a better way to frame their questions and consider what City staff has presented in the context of the Mayor’s vision. Committee Member Hong and Chair Waller-Bullock expressed agreement with Committee Member Major’s opinion; and
- asked how the Committee is expected to write its final report, specifically whether the Committee will meet as a group to write the report or Committee Members will write the report individually. Ms. Stevenson explained that the members of the prior committee each took responsibility to write a part of the report independently, then assembled and finalized it at an open meeting. Committee Member Hong said he assumed that the structure of the report is based upon the Committee’s recommendation, which Ms. Stevenson confirmed.

Committee Member Hong:

- stated he is not sure whether there is a cohesive vision and how that translates into activity and performance;
- said he thought about whether the economic development plan presented by Ms. Gamwell aligns with the City’s Downtown Specific Plan, and whether they have the same objectives;
- said he didn’t understand where the data referenced by Mayor Morrison came from and how it is validated, other than by anecdote; and
- asked City staff to consider whether, if National City could replicate the In & Out, how many of those would be needed to eliminate the structural deficit and, if so, whether it could do so in the space available in the City’s footprint. Chair Waller-Bullock said the question should be addressed in the Committee’s final report. Ms. Stevenson suggested that Deputy City Manager Brad Raulston attend the next meeting to answer questions.

5. Chair’s comments.

Chair Waller-Bullock said she agreed with the comments of Committee Members Major and Hong and that she appreciates the 5-year forecast provided by City staff.

6. Staff comments.

Ms. Stevenson notified Committee Members of the upcoming preliminary budget workshop to be held on Tuesday, April 25th, at 4:00 p.m., that the preliminary budget is available on the Department of Finance’s webpage on the City’s website, and that the preliminary budget includes a \$3.8 million planned use of fund balance with a \$2.5 million structural deficit.

The meeting was adjourned at 3:11 p.m.