



MINUTES
National City Proposition “D” Independent Evaluation Committee
Large Conference Room
Civic Center
1243 National City Boulevard
National City, California
Thursday, May 18, 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 1:05 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; Javier Carcamo, Financial Services Officer; Brad Raulston, Deputy City Manager; 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 Committee Member Hong, to

approve the minutes. Carried by unanimous vote.

2. Discussion – economic development.

Committee Member Hong requested an adjustment on the agenda to discuss Committee member’s future plans and to clarify the recommendation process before the economic development discussion. Chair Waller-Bullock agreed and inquired whether the City is seeking a recommendation from the Committee. Ms. Stevenson replied that the purpose of the Committee is to make a recommendation to the City Council to either: a) continue the district transactions & use tax as is, b) continue but lower the 1%, or c) discontinue the tax. Committee Members discussed the Committee’s process for making its recommendation, including discussion and debate, taking an action to make a recommendation, and how break up the responsibilities for writing the Committee’s report and recommendation(s) amongst the Committee Members.

Deputy City Manager Stacey Stevenson initiated the economic development discussion and presented Deputy City Manager Brad Raulston to answer questions. Committee Member Major inquired regarding whether the City has worked out any breakeven scenarios for when revenue from economic redevelopment will generate revenue sufficient for the City to wean itself from the tax or whether there will still be a gap. Committee Member Hong added his question from the previous Committee meeting regarding how many “In & Outs” along the freeway would be necessary for the City to no longer need the tax. Mr. Raulston replied that there are two major planning areas and projects the City is focused on. He explained the City is trying to create economic development by changing policies and zoning in its Marina District (Port area) and downtown area, where there are the most significant opportunities for growth, and that, beyond that there is natural growth that occurs. In addition, he noted Plaza Bonita Mall is a very large revenue generator. He stated, however, that the City is, essentially, built out without many opportunities to add many “In & Outs.” In direct response to Committee Member Major’s question, Mr Raulston discussed upcoming development of a \$25 million project on a former redevelopment property, which would result in approximately \$250,000-500,000 of ongoing revenue, and the difficulty in determining how many similar projects could be completed in the downtown area, because the City has land assembly issues. Mr. Raulston estimated that 10 similar projects could be completed over the next 10-20 years, generating up to \$5 million of new revenues toward closing the gap. Mr. Raulston explained that the Port district is a potentially more lucrative opportunity but that the City does not control the tidelands area, so, while the Port generates approximately \$20 million in revenue per year in the tidelands within the City, the City receives about \$2 million from the area. Mr. Raulston informed the Committee of the City’s current plan for construction of two hotels in the tidelands area from which an additional \$1 million of ongoing revenue could be generated and that completion of successful negotiations with CarMax to establish a location within the City could result in an additional \$1 million per year. Mr. Raulston concluded that, in his opinion, the completion of the projects he listed and natural growth would be sufficient to close the revenue gap, if expenses are capped but that it is a 10-20 year path.

Committee Member Major asked whether the City has fed the potential revenues Mr Raulston discussed into mid- or long-term financial forecasts. Ms. Stevenson replied the City is currently working on doing so. Committee Member Major noted the addition of the revenues would be a

net plus to the City’s position.

3. Discussion – delegation of responsibilities of Committee Members for preparation of final report.

(Upon Chair Waller-Bullock’s request, the Committee agreed to discuss Item No. 3 after item Nos 4 and 5.)

Committee Members agreed that, at this point, they are not prepared to discuss this item. Therefore, the item was “tabled.”

4. Committee comments.

Committee Member Hong stated his concerns that he does not sense a cohesive sense of how the City will get out of the structural deficit, that he does not see an end to the City’s need for the district transactions & use tax, and that the City will continue to be relatively low-income.

Committee Member Major stated that changing a low-income area to an affluent area is challenging, because it would require the displacement of the current residents, and that bringing in high-tech and other industries would change National City, which likely is not what its residents want. Committee Member Hong said he did not dispute Committee Member Major’s opinion. Committee Member Major also stated he doesn’t see a long-term strategic plan that closes the deficit gap. Ms. Stevenson replied that the City is in the early stages of preparing long-term financial forecasts which incorporate the impacts of economic development projects that are currently underway and that the next phase is working to determine the most viable industries for generating new revenues for the City.

Committee Member Hong inquired whether the City’s elected officials are driving plans and arriving at decision points. Ms. Stevenson replied that Council is showing leadership and making decision but looks to staff as subject matter experts to bring recommendations forward. Mr. Raulston added that the Council thinks about economic development in making difficult decisions, especially those which residents may oppose.

Chair Waller-Bullock commented she believes that, because the district transactions & use tax benefits simply supports general operations, it is difficult to link the direct benefits citizens are receiving to the tax. In addition, she stated a 3-pronged approach – elected officials, citizens, & staff – is important to ensure whether a particular service being provided is, in fact, important or whether the resources spent on the service should be reallocated. Committee Member Major noted that the City’s Proposition D ballot measure language states the City is not legally bound to use the tax funds for any special purpose or for any particular services, facilities, or programs.

Committee Member Major acknowledged the significant operational improvement and efficiency of the City over the past 5 years but said the City’s theme of the next 5 years should be how to increase the City’s bottom line, rather than cutting costs, and suggested considering making the shift part of the Committee’s recommendation.

Chair Waller-Bullock said that, if it were to develop a long-term plan, the City would have something against which to measure. Ms. Stevenson replied that is the step the City is at now. Committee Member Major added the long-term plan should include how the City will fund its services without the district transactions & use tax.

Committee Member Hong expressed his concern regarding the usefulness of the Committee’s recommendation in the context of not having a set understanding or commitment the City will develop a long-term plan. Committee Member Major added that the City must not wait 5 years to develop a plan, because by 5 years something measurable should be underway or completed. Committee Member Major also suggested that the Committee’s recommendation include suggestions to the next Committee convened that it review how well the City performed against the current Committee’s recommendations. Committee Member Hong stated that, until a plan is developed against which performance can be evaluated, he is not comfortable recommending the tax continue. In addition, he proposed the Committee’s recommendation to continue the tax be contingent upon whether the City meets conditions established by the Committee. Committee Member Major expressed his concern that, if the tax were discontinued because the City did not meet the Committee’s conditions, the citizens of National City would be hurt. Chair Waller-Bullock expressed some reluctance to making a recommendation that is more than simply a recommendation. However, she stated the Committee can make very strong recommendations.

Committee Member Hong inquired as to whether the Committee could recess, giving the City one year to prepare a plan, then reconvene to review the City’s plan and develop a recommendation. Ms. Stevenson replied that she would check with legal staff but that the ballot measure is broad, stating a Committee must convene every 5 years but not requiring a Committee’s work be completed by a certain date.

Committee Member Major asked whether the Committee can ask the City to perform an analysis within 6 months - 1 year and not necessarily make the Committee’s recommendation contingent upon closing the revenue gap but, instead, how big the gap, if any, will be at the end. Committee Member Hong concurred with Committee Member Major and added that, ideally, there should be a plan to close the gap but that it is important to understand what should be done if it cannot be. Chair Waller-Bullock added that the first step is identifying what the gap is, because she thinks whether it is stable, increasing, or decreasing is uncertain. Committee Member Major said he thinks the current plan will not close the gap and that, if that is the case, the City can think about what it wants to do about it but likely will not be able to answer the question prior to conclusion of the current Committee’s work. In addition, Committee Member Major said even if all of the projects the City is planning get built out and it takes 10-20 years, at the beginning, there is not a lot of additional revenue but there is additional cost, so a cost-benefit analysis needs to be performed.

Chair Waller-Bullock asked whether the Council has a plan to end the tax and what will be done when the tax goes away, i.e., whether it is something it discusses regularly. Ms. Stevenson replied that one of the key elements which has consistently been in the City’s Strategic Plan is fiscal sustainability but that there have not been pointed discussions, to a great extent, regarding what will be done when the tax ends.

Committee Member Hong stated that offering the best recommendation he can would be dependent upon an understanding of whether there is the leadership needed to understand where the City wants to be in terms of an analysis of what the City wants to be, what is its goal, what is the gap, and whether the City can achieve what it wants to. Committee Member Hong stated that, if there is no plan to develop that and then no answers, he would not make a recommendation to continue.

Ms. Stevenson said City staff plans to move to the next phase of preparing long-term financial forecasts, incorporating projections for projects that are currently or soon will be underway, immediately after adoption of the City’s budget, and that there will be overlap in terms of the completion of that phase and starting the next phase, which will be the more long-term visioning, which includes assembling a working group to consider what other types of projects or industries the City should pursue and when can that happen. Chair Waller-Bullock asked whether the visioning would include an understanding or estimation of what the gap is, and Ms. Stevenson replied that it will.

Committee Member Hong suggested City staff ask legal counsel whether the Committee may recess until there is enough data which might address some of the Committee’s questions, then finish deliberation and make a recommendation, because, if the Committee is premature with its recommendation, it would be, by default, “kicking the can down the road” 5 years. Committee Member Major asked whether Committee Member Hong thought such a recess would be approximately 1 calendar year, which Committee Member Hong confirmed. Committee Member Major then stated he prefers to release recommendations now / on schedule, because it is at the point where, if the City does not have a plan in the next couple of years, there is a problem. He added that rescinding the tax now would, essentially, punish the citizens of National City, which he hopes the Committee will not do, as an independent tax oversight committee, and that the Committee’s job is more to help give suggestions on how to make it right to the best of its ability, versus saying one-third of the City’s services should be taken away because there is not a good enough plan. Committee Member Hong said he disagrees eliminating the tax and services is necessarily a punishment and that, at this point, he is not convinced the City has a plan to get out of the problem or that there will be a change between now and 5 years. Chair Waller-Bullock said she is leaning toward Committee Member Major’s suggestion that the Committee make the recommendation today but in the strongest terms possible, with the recommendation’s including statements that there is no plan and that the City’s leadership needs to be aware a plan is necessary.

Chair Waller-Bullock stated she would like to make the recommendation today that the tax be continued for another 5 years with a very strong recommendation and with the caveat that, if in 5 years, there is no cohesive plan with progress made on the plan, there is no point.

Committee Member Major inquired as to whether a hybrid is possible, i.e., making recommendations which include engaging the City’s elected officials to develop a strategic plan that closes the gap and reconvening the Committee in a year, with the same or different members, to review City’s plans. Ms. Stevenson indicated she would seek the opinion of legal staff on the question.

Committee Member Hong expressed his concern that, because of the language of the law, if the current Committee disbands, there is nothing legally binding until 5 years from now.

Committee Member Hong recommended that the next Committee consist of 5 members instead of 3, if possible, because 3 makes it hard to communicate. Chair Waller-Bullock asked why there is no National City citizen representation on the Committee. Ms. Stevenson replied it is her understanding that it was intentional that there be an independent/impartial review of how the City is spending the tax funds, that they are being spent appropriately, and that there is a need for them and that there may be a built-in bias, one way or another, if residents sat on the Committee.

Committee Member Hong suggested inviting Council members in addition to the Mayor to offer their perspectives to the Committee. Committee Member Hong asked whether the Committee must present the final report publicly. Ms. Stevenson replied that the final report must be delivered to the Council at one of its regular meetings and requested at least one Committee Member attend to present it, discuss the Committee’s work, and answer questions.

5. Chair’s comments.

Chair Waller-Bullock’s comments were included in Item No. 4.

6. Staff comments.

Ms. Stevenson informed the Committee the Council had approved establishment of an irrevocable supplemental pension trust with initial total funding of \$1 million from various City funds to be included in the City’s fiscal year 2018 budget.

Committee Member Major asked whether two Committee Members’ working together to write the report would be a violation of the Brown Act. Ms. Stevenson replied she will ask the City Attorney whether it is permitted.

Ms. Stevenson committed to delivery of the draft agenda for the July 20, 2017 Committee meeting to Chair Waller-Bullock for review prior to finalization.

The meeting was adjourned at 2:45 p.m.