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Budget Solutions

Public Administration 660

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About The Sage Project

The Sage Project is a partnership between San Diego State University (SDSU) and a city or government entity in the San Diego region. The mission of the program is to engage students from across the University to assist the local government with projects that address their smart growth, quality of life, and sustainability goals. Students have the opportunity to engage in meaningful real-world projects and make positive contributions to a community in SDSU’s service area. The program’s vision is to connect SDSU students and faculty with high-priority, high-need community projects, thereby generating interest and fresh ideas that create momentum and provide real service to the community. The Sage Project embodies the University’s commitment to serving local students, engaging alumni, and contributing to the public good by focusing thousands of hours of course-based student involvement with high-impact activities. The program is based on the highly successful and award-winning Sustainable City Year Program (SCYP) at the University of Oregon and is a part of the SCYP network. National City, California, is the Sage Project’s 2013-2014 partner city. Participating courses come from the following disciplines: Anthropology; Audiology; City Planning; Civil Engineering; Communication; Geography; Graphic Design; Homeland Security; International Security And Conflict Resolution; Marketing; Political Science; Public Administration; Public Health; And Speech, Language, and Hearing Sciences.

About National City

National City is a highly urban community of about 60,000 residents in south San Diego County. It is the second oldest city in the county and boasts a rich history, a diverse community, and is known as one of the most walkable cities in San Diego County. Located just south of downtown San Diego and just north of the US-Mexico border, the city is flanked by freeways and is home to large-scale industries. National City is a mid-size city that faces big city challenges, and, like many municipalities, the city is challenged to the meet community needs and new demands of sustainability.

Facing the sunset of Proposition D in 2016, National City requires solutions to mitigate a potential revenue deficit. This report assesses the options available to National City to address this situation. Though the problem is of a very specific and definite nature, the solutions possible are diverse and many times mutually compatible with other solutions. With any budgetary solvency issues, there are multiple methods to correct imbalances. This report is divided into groups of recommendations that provide a broad range of possible actions the City can take to correct potential revenue shortages.

The solutions presented in this document can be viewed as increasing revenues, decreasing expenditures, or a combination of both. However, solutions are segregated further into four groups: Revenue, Expenditure, Administration, and Community Improvement.

The Revenue group contains recommendations related to the direct replacement of the revenues provided by Proposition D. The principle concept in this category of solutions is that the City has a structural revenue problem. These solutions involve measures aimed to directly increase General Fund revenues. The recommendations to accomplish this goal include establishing a Community Financing District, working with other local governments to revive Redevelopment Agencies and Enterprise Zones, and to increase community events.

The Expenditure group contains recommendations related to reducing the City’s budgetary costs. These recommendations consider the possibility that the City’s budgetary solvency problem can be assuaged by reducing costs. The solutions presented to accomplish this goal are to reduce current staffing levels, to encourage sustainability, to contract out services that the private sector can deliver more economically, and to consider refinancing qualified City bonds.

The Administrative group contains recommendations related to administrative adjustments in the City government. Many of these solutions could both increase revenues and decrease expenditures. The main concept of this group of recommendations is

By providing new ideas and human capacity, this partnership with the Sage Project will help National City integrate new sustainability concepts and practices that will improve livability.

Executive Summary

On June 6, 2006, the voters of National City approved Proposition D, a District Sales Tax increase of 1%, raising the sales tax rate in the City from 7.75% to 8.75%. The need for this tax increase was based on a few temporary changes to the City’s revenue. The first was rising General Fund expenditures that began in 2004, the second was a decrease in Sales Tax revenues due to the onset of the “Great Recession”, and the third was the State of California reducing aid to local governments to address its own revenue shortfalls.1

The need for this tax increase was based on a few temporary changes to the City’s revenue. The first was rising General Fund expenditures that began in 2004, the second was a decrease in Sales Tax revenues due to the onset of the “Great Recession”, and the third was the State of California reducing aid to local governments to address its own revenue shortfalls.1

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to look at this budgetary imbalance as an opportunity to reevaluate the administrative processes currently in place. The Administrative group includes recommendations to utilize the services of independent auditors, develop a Participatory Budgeting process, increase volunteer opportunities within the City’s divisions, adjust existing fee schedules, and establish Public-Private Partnerships (PPPs).

Finally, the Community Improvement category contains recommendations that are geared toward the long-term improvement of the City. Similar to the Administrative category solutions, this category includes recommendations that seek to use this opportunity to improve the quality of life for the residents of National City. Though not immediately providing budgetary solutions, these implementation measures should lead to an increase in overall economic development, the health and wellness of residents, and home-ownership and property values. These recommendations include the establishment of Business Improvement Districts, the increased use of Strategic Community Planning, and measures aimed at increasing home-ownership.

Introduction

This report represents a body of original student research and policy recommendations developed by the graduate students of the Master’s of Public Administration Program at San Diego State University specifically to address issues facing National City. The premise of this work is based on the potential sunset of the City’s Proposition D, a local 1% sales and use tax increase.

While the focus of this work was primarily based on the sun-setting of Proposition D, the solutions are rooted in many aspects of local government. The breadth of these solutions represents the creativity and independent thinking of the students involved in the Sage Project. Presented with the issue of decreased revenue, the students developed policy recommendations that offer a full range of opportunities to address that problem.

After an analysis of National City’s current fiscal outlook, this report will be separated into policy categories, as outlined in the Executive Summary. Each category contains specific public policy topics. These topics begin with a Policy Background section which consists of any data, information and policy theory necessary to understand the basis for the policy topic. Following this initial discussion, specific recommendations related to the policy topic are developed. Some policy topics may only contain one recommendation, others have multiple recommendations. For each recommendation, this report then specifies the policy goals and outcomes anticipated from the successful implementation of the recommendation. While not an exhaustive implementation roadmap, this report provides a general description of the process necessary to implement each recommendation.

State of the City

National City is centrally located within the lucrative border region of San Diego’s south county. With access to competitive transportation networks, the City is a competitive location for many types of commercial and industrial businesses. The City has a population just under 60,000.

Served by the San Diego Trolley and the Metropolitan Transit System (MTS) service seven days a week, the City is also very accessible as an employment hub. With over 3,000 businesses, the City is one of the most business friendly environments in Southern California.

The National City Marine Terminal, under the jurisdiction of the Unified Port of San Diego, processes more than 270,000 automobiles annually. It is considered one of the most advanced vehicle import and export facilities on the West Coast. The largest US Navy installation on the West Coast also utilizes part of National City’s three mile-long port area.

Commercially, National City offers multiple shopping centers. South Bay Plaza, National City Plaza Shopping Center, Sweetwater Crossing, Bay Plaza Shopping Center, Grove Shopping Center, and Westfield Plaza Bonita all provide a range of commercial opportunities, some attracting regional shoppers.

National City operates with the council-manager form of government. This general law city has five council members who are elected at large for a term of four years. The City Council is responsible multiple aspects of the City’s operations, and also appoints the City Manager. The City Manager is responsible for most aspects of the day-to-day operations of the City.

To understand the financial situation of National City, benchmark cities from around San Diego County were selected to measure certain financial indicators. The cities chosen were based on population, median household income, and number of housing units. These demographics provide a general description of a city in terms of its government size, type of land uses, and economic situation. Additionally, National City is 63% Hispanic, and this was seen as a very important fact as it is much higher a percentage than...
any other San Diego County city. To reduce demographic differences resulting from cultural differences, all cities chosen are at least 49% Hispanic. Based on these criteria, the cities that matched National City closest were Lemon Grove, Imperial Beach, and Escondido. The following chart includes the above mentioned demographics along with key financial indicators of National City and the benchmark cities.

Table 1 – Comparable Cities’ Demographic and Economic Statistics

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>National City</td>
<td>58,582</td>
<td>38,849</td>
<td>15,787</td>
<td>73,498,531</td>
<td>42,266,707</td>
<td>41,941,822</td>
<td>11,373,533</td>
<td>24,429,072</td>
</tr>
<tr>
<td>Imperial Beach</td>
<td>26,324</td>
<td>52,148</td>
<td>9,860</td>
<td>27,596,930</td>
<td>14,404,145</td>
<td>12,856,104</td>
<td>7,919,069</td>
<td>5,469,034</td>
</tr>
<tr>
<td>Lemon Grove</td>
<td>25,320</td>
<td>49,476</td>
<td>8,868</td>
<td>20,251,965</td>
<td>11,112,957</td>
<td>10,167,667</td>
<td>5,541,731</td>
<td>7,709,017</td>
</tr>
<tr>
<td>Escondido</td>
<td>143,911</td>
<td>56,259</td>
<td>47,682</td>
<td>186,572,918</td>
<td>114,219,611</td>
<td>76,227,316</td>
<td>41,539,653</td>
<td>48,885,578</td>
</tr>
</tbody>
</table>

Generally, National City is comparable to the benchmark cities in most ways. Even accounting for differences in revenues, expenditures, and population, National City is not out of the norm in terms of financial standing. The city’s general revenues, which do not include program generating funds, total expenses and public safety expenses are all in line with the benchmark cities when related to population.

Public safety expenses are called out specifically here as the sales tax increase was purported to be for the maintenance of the city’s public safety services. In fact, public safety is not the abnormality in this scenario. The one financial indicator that does illuminate an area of concern is the lack of property tax generated as a percentage of general government revenues. The benchmark cities all collect between 54.5% and 61.6% of their total taxes in the form of property tax. National City only collects 27.1% of its taxes in this form.

The recent losses of the Redevelopment Agency and Enterprise Zones programs have also affected the City’s budget. These two programs contributed approximately $14 million to the City’s General Fund annually.

In the face of the continuing revenue decreases, many of the City’s business owners such as Big Ben’s Market, McDini’s Restaurant, South Bay Cantina and downtown’s Bay View Apartments have organized and developed a management improvement plan for a Business Improvement District in National City.

National City is expected to be one of the fastest growing cities in San Diego County over the next 40 years, according to San Diego County Association of Governments (SANDAG). There is an expected population increase of over 30,000 people. In order to capitalize on this growth, the City must take effective steps now to ensure that the potential revenue opportunities from such a population increase are not lost.

Revenue Category Solutions

Community Financing Districts

Policy Background

National City collects less than 50% of the proportional property taxes than comparable cities. The cause of this reduction of property tax revenue is mainly due to the tax-exempt status of some of the most valuable land in National City. One example of this is the military complex located adjacent to the harbor. However, the need for city services is still generated by these tax-exempt land uses.

What this finding indicates is that there is not an equitable distribution of payment for necessary city services. This problem is only exacerbated by the solution presented by the sales tax increase. The problem is not insufficient sales taxes and by trying to rectify the situation through that mechanism will only create adverse reactions in the marketplace.

The solution must address the specific lack of property taxes.

Policy Recommendation

Adam Atamian

The City should consider the use of a Community Financing District to correct the property tax-based revenue deficiency. Applying this fee to public safety services, it could be very politically viable.
This financing strategy is based on the concept of user fees, and in many ways, is more similar to a utility fee than the traditional user fee. This is mainly due to the fact that this user fee would be levied against all properties in the city regardless of their actual usage, similar to a refuse collection fee. For many cities, user charges now help finance more of the budget than property taxes. For a municipality such as National City, that is already lacking property tax revenues, this is very positive information. Additionally, many cities in the United States and Canada already pay for public services, such as public safety, through user fees.

Policy Goals

Should the Community Financing District fees be used to cover 100% of the cities expenses for public services, this would result in revenue of about $24.5 million per year. This is more than double what the sales tax increase produces. However, even conservatively, as some proponents recommend, a 20-60% fee distribution\textsuperscript{10} would result in revenue between $4.9 and $14.7 million per year. As demonstrated in Table 2 below, this optimum distribution can be achieved readily. Additionally, by re-allocating the distribution of the burden of cost on all properties, there is a great potential that per unit costs for the residents will be substantially reduced.

Table 2 – User Fee Schedule and Potential Revenue Generation

<table>
<thead>
<tr>
<th>Land Use</th>
<th>Specific Zoning</th>
<th>Unit of Measurement</th>
<th>Unit Cost per Year</th>
<th>Category Assumption</th>
<th>Potential Category Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>RS-1</td>
<td>Parcel</td>
<td>$150</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RS-2</td>
<td>Parcel</td>
<td>$145</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RS-3</td>
<td>Dwelling Unit</td>
<td>$140</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RM-1</td>
<td>Dwelling Unit</td>
<td>$135</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RM-2</td>
<td>Dwelling Unit</td>
<td>$130</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RM-3</td>
<td>Dwelling Unit</td>
<td>$125</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>16,720 Housing Units\textsuperscript{11} @ $130/unit avg.</td>
</tr>
<tr>
<td>Mixed-Use</td>
<td>MXC-1</td>
<td>Acre</td>
<td>$2500</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MXD-1</td>
<td>Acre</td>
<td>$2750</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MXC-2</td>
<td>Acre</td>
<td>$3000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MXD-2</td>
<td>Acre</td>
<td>$3250</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>327 acres @ $3000 avg.</td>
</tr>
<tr>
<td>Commercial</td>
<td>CA</td>
<td>Acre</td>
<td>$8000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CS</td>
<td>Acre</td>
<td>$8500</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>252 acres @ $8250 avg.</td>
</tr>
<tr>
<td>Industrial</td>
<td>IL</td>
<td>Acre</td>
<td>$4000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>IM</td>
<td>Acre</td>
<td>$4250</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>IH</td>
<td>Acre</td>
<td>$4500</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>888 acres @ $4250 avg.</td>
</tr>
<tr>
<td>Institutional</td>
<td>I</td>
<td>Acre</td>
<td>$450</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>233 acres @ $450</td>
</tr>
<tr>
<td>Open Space</td>
<td>OS</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military</td>
<td>M</td>
<td>Acre</td>
<td>$5000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>443 acres @ $5000</td>
</tr>
</tbody>
</table>

TOTAL POTENTIAL USER FEES $10,062,140

Of additional economic benefit will be the reliance on a sustainable revenue strategy that will reduce the need to resort to market-changing mechanisms such as the sales tax increase, which only lead to long-term market preference shifts. Instead, the user fee equitably allocates responsibility and ensures that service-generating land uses are charged accordingly. If this policy should be too demanding for some users such as the military installation and causes them to leave, then the lack of fees should correspond to a lack of service generation, resulting in fewer services needed.

Politically, a user fee is much more palatable than a tax. Further, the only people that truly need to be convinced of this policy are the residents. Business owners and property owners that do not live in National City, such as the Federal Government have no real voice in this matter.

Socially, low-income residents would be relieved from shouldering a disproportionate share of the cost of public services by essentially broadening the revenue base for public services. Additionally, there would be very little chance of adverse market reactions that have the potential to severely impact businesses, and thus, residents of the city. By reducing the sales tax to comparable levels as neighboring jurisdictions, the city maintains its competitiveness in the South Bay. By charging Community Financing District fees, the city can target those industries responsible for creating the need for the services that the residents are unable to support. Additionally, the charges should not increase property values or adversely affect the local labor force, meaning that the area does not lose its appeal for businesses and industry.
There is research that demonstrates certain fees to be a regressive policy instrument.\textsuperscript{12} However, some proponents of user and property-based fees discuss the feasibility of equity adjustments such as a discount for certain disadvantaged groups.\textsuperscript{13} It should be noted that some practitioners stress that user and property-based fees should be consistent between different users, and that demands from the politically powerful for discounts should be resisted.\textsuperscript{14} Ultimately, there is very strong evidence that user fees have the potential to increase the finance equity of certain city services.\textsuperscript{15,16}

The cost to residential properties is loosely based on the per capita cost of the sales tax increase. The sales tax increase generally produces about $9.4 million per year. Though not all sales taxes are paid for by residents, assuming that they are, this would amount to an average of $159.41 for each of National City’s 58,967 residents. By pricing all residential per unit costs below this amount, it is possible to raise more revenue than the sales tax increase while reducing the burden on residential uses.

Implementation Measures

The first step toward the institution of any user or property-based fee is to acquire City Council direction. As noted above, the City Council holds the responsibility of pursuing the user fee, and as such, their approval of the methodology of implementation must be expressed.

Once the City Council approves the concept, the user fee should be branded as a Public Safety Financing District. This will help to remove any stigma of the term “user fee” and will help to instill a clear concept and purpose of the fee.

As representatives of the residents of National City, they may see the benefit of public outreach prior to any plan moving forward. However, once initial direction is provided, more direct effort can be placed on reaching those actually required to approve the measure, the city’s nearly 10,000 property owners.

Ultimate success of the user fee hinges on the proper allocation of cost. In order to determine this, public service representatives, Finance Department staff, and public finance consultants would begin the process of classifying each land-use located in the city in terms of its level of public service generation. The goal would be to distribute costs based on a marginal cost pricing to adequately establish a cost with the corresponding amount of service.\textsuperscript{17} A cost per unit of service generation would then be calculated in a final fee schedule. Ideally, allocative efficiency would be achieved, which is when the cost of the last unit of service provided equals the value of that unit.\textsuperscript{18}

The proposal would then move on to a simple majority vote of property owners. During this process, aspects of the policy would be finalized, such as the total amount of public service expenses to be funded through the fees, whether a sunset should be placed on it, etc.

Upon approval by the property owners, a targeted public education and outreach campaign will be required to ensure that property owners are aware of all new applicable user fees. Ideally, there would be a sufficient period of time before the Community Financing District fees go into effect. This would allow property owners to make necessary arrangements to meet the payment obligations, and reduce initial non-payments.

Reviving RDAs and Enterprise Zone Programs

Policy Background

As a result of the State of California’s recent decisions to eliminate Redevelopment Agencies (RDAs), and to drastically restructure the Enterprise Zone Program, the City’s revenues declined by approximately $14 million per year.

Unlike many other forms of revenue loss due to reduced resources or negative national economic trends, these lost revenue sources are due to distributive action and taxation modifications by the State.

Recommendation

Brian Avera

The City should engage in lobbying the State and Federal governments for economic development assistance.

Policy Goals

Uniting with other cities in common causes increases National City’s position and ability to affect State and Federal legislation. With so many cities affected by the elimination of RDAs and the major overhaul of the Enterprise Zone Program, the City can leverage political power in the wake of those events. The goal of this unification would be to build a strong coalition that could cause political action in its favor, such as the re-institution of the RDAs or Enterprise Zone Program.

Implementation Measures

The primary outcome of this policy is to develop a coalition to create opportunities and conditions favorable to National City. This group would need to be more specific than the California League of Cities, as that group includes many cities that are not concerned about either RDAs, or Enterprise Zones. The lobbying effort is contingent upon similar goals throughout the group, which requires a concerted effort to maximize political power.

Representatives for the cities should be the mayors and the city managers, as they are the most knowledgeable about city affairs and preferences.

Once assembled, this coalition must identify the key regulations, incentives, and legislation that could be lobbied for change. That list would then be prioritized to reflect a cost/
benefit analysis that will determine where investments of time and money should be placed to bring about desired results.

**Increasing Community Events**

**Policy Background**

There is an opportunity for the Recreation division to increase the City’s revenue. While the Recreation division budget is usually cut during economic downturns, a comprehensive community-based plan has the potential to bring in new streams of revenue. Instead of reducing the City’s budget, the Recreation Department can lead to increased community events, revenue, and overall quality of life.

**Recommendation 1**

David Crosthwaite

_The City should celebrate Hispanic Heritage Month with community events that draw visitors from the greater southwestern United States, and northwestern Mexican regions between September 15 and October 15._

From September 15th to October 15th, National Hispanic Heritage Month celebrates the histories, cultures, and contributions of American citizens whose ancestors came from Spain, Mexico, the Caribbean, and Central and South America. National City’s population is 63% Latino. Combined with the 58% of neighboring Chula Vista, this amounts to a total local Latino population of 180,000 people. Along with its proximity to the Mexican border and thousands of potential visitors from around the County, National City has an opportunity to host a well-attended Hispanic Heritage Month that has great potential to increase revenue for the City.

**Policy Goals**

Starting with a kick-off festival, the events will commence in phases. With a Hispanic Population of roughly 140,000, Iowa’s latest two-day event generated over $176,000. Based on National City’s demographics, as well as local business support, the City could see revenues exceed expenses nearly 100% in the first event. A potential first event could be held at Kimball Park, which not only hosts other major events throughout the year, but is also centrally located among residential and business zones. This makes it convenient for residents and potentially marketable for business groups, such as the Mile of Cars. These events would host music, food, art and carnival type attractions. The city could also host concerts at Pepper Park (located on the marina), outdoor movie nights, Lotería tournaments, food cook-offs, etc.

**Implementation Measures**

There are many possible directions that this type of event planning could take. Essentially, a task force would be the most productive way to proceed. This group could consist of City representatives and private sector interests as well. Some of the most obvious commercial supporters of the project would be the National City Chamber of Commerce and the Mile of Cars association. Non-profit groups could also offer very positive benefits in terms of cultural and economic impacts. Some groups that should be included would be the Veterans of Foreign Wars and the Rotary Club, as these groups tend to have good connections to the City as well as potential sponsors.

**Recommendation 2**

David Crosthwaite

_The City should create Smart Trolley Stations to increase the usage of otherwise underutilized spaces._

The San Diego Trolley’s Blue Line is San Diego’s most heavily used transit service. With an average daily ridership of 50,000, the Blue Line’s two National City stops are located at 24th Street and 8th Street. Largely underutilized, these two stops have great value potential for additional uses. With such immense ridership, the City is missing an opportunity to attract the Blue Line’s passengers into the City.

**Policy Goals**

Initially, the goal is to create a safe and secure environment around the trolley station areas. At the 24th Street trolley station, the lack of parking and the lack of much activity give this area an intimidating sense. By increasing the parking area and adding to the number of police and security personnel, the station would immediately be more welcoming to visitors. The next step in increasing the use of the 24th Street trolley station is to address the lack of attraction. Currently, the trolley station has nothing in the vicinity that would appeal to someone who doesn’t live, work, or go to school in National City. The proximity of this station to the Marina and the Mile of Cars is not apparent to riders. Much of this policy recommendation is to increase the marketing of the existing facility, and invite people to take part in all that National City has to offer.

Much of the story is similar for the 8th Street trolley station. However, it has nothing in the vicinity to encourage riders to get off in National City. With the abundance of unused and underused land around the 8th Street station, there is ample opportunity to get the most out of the existing transportation system that is already bringing many people through this area. Possible ideas could be farmer’s markets, outdoor commercial or craft marketplaces, live music and food events, or the establishment of microbreweries. By increasing the usage of these areas as shopping and entertainment districts, the City would increase sales and use tax revenues, and attract private investment that could have gone to other jurisdictions.
Implementation Measures
The San Diego Metropolitan Transportation System (MTS) should be included in all projects associated with potentially increasing ridership. Potentially, the parking lot expansion at the 24th Street trolley station and the increased police presence can increase the amount of people who use the facility which should increase ridership and MTS revenue. Because of that, the MTS should contribute to the project.

The 8th Street trolley station upgrades do not rely on MTS cooperation as most of the issues regarding this station have to do with the underutilized land around the trolley station. The City should maintain the area, investing in certain infrastructure upgrades, such as bringing electrical power to potential venue sites. Additionally, the City will need to maintain the area free of trash and debris to ensure that the site is attractive to farmer’s market and festival promoters. Once the area is cleaned up and ready, the City will need to begin marketing the area to potential vendors and venues.

Recommendation 3
D. Trawick
The City should utilize the Recreation Department as a tax and fee-based revenue generator, as well as continuing to build positive community morale.

The Recreation Department has a tremendous opportunity to increase the City’s revenues through visitor attracting and community-wide events. These events also create revenue through positive community morale projects, not through unpopular taxes.

Policy Goals
By the year 2050 the city is expected to grow to over 90,000 residents. With this population increase is a massive potential to become the ‘Recreation & Leisure Hub’ of San Diego County by planning for and sponsoring events and locations that attract visitors and residents alike.

Beyond simply maintaining the costs borne by the Recreation division, the revenues generated by visitor attracting events could offset other City costs. With such potential, it is imperative that this division not be cut during times of budget crises. The projected net revenue (projections made at a minimal usage rate) for programs: adult sporting leagues ($32,000), Frisbee golf ($10,500), kayaking and fishing lessons ($30,000), and skateboarding lessons ($15,000). Though short of the projected $1 million revenue deficit, these funds would go a long way to help stabilize the Department and potentially increase the City General Fund revenues.

Implementation Measures
Beyond some of the smaller programs described above, the City should investigate the possibility of becoming a tournament host city. In 2005, Carson City, Nevada, with a population then of 58,000, was in a similar situation to National City’s current economic outlook. That city decided to invest $71,000 in a new sports park, and by 2013, the return is projected to be $18 million. National City has the opportunity to follow the same path. Upgrades and upkeep of the City’s existing parks could bring thousands of visitors and millions of dollars in revenue. Beyond sports parks, the City’s marina could be capable of hosting a half-marathon as well. These types of events would bring people to the area for a day, weekends or potentially longer periods of time which would generate income when they stay in local hotels, eat at local restaurants, and shop at local malls.

Recommendation 4
Lindsey Bircher
The City should increase the size and scope of city events to raise revenue.

National City’s 2013-2018 Strategic Plan states that one goal is to, “Help organize community events and support social gatherings that benefit the total community.”

Policy Goals
There are many opportunities to expand the City’s events. Some possibilities are to introduce an annual Oktoberfest, or regular festivals throughout the year, that would showcase local craft breweries and food vendors. Another possibility would be to expand the Annual Cinco de Mayo Festival and 4th of July Carnival. Partnering with the Chamber of Commerce would enable cost-sharing, better marketing, and sponsorship of the events. National City’s Annual 4th of July Festival is highly regarded and very popular. However, the City may be missing an opportunity to generate revenues by not charging admission. Based on conservative attendance numbers, the City could make $175,000 in ticket revenue, assuming adult attendance is above 15,000 residents and 10,000 non-residents if the cost for residents was $5, and non-residents paid $10. Potentially adding food and alcohol sales could increase the revenue projections of such an event. Based on booth prices charged by the city of La Mesa, National City could expect to receive anywhere from $400 to $800 per booth. With 50 vendors and an average of $600 per booth, these vendors could generate an additional $30,000 for the event. This would amount to a total of $205,000.

La Mesa also has an extremely successful Oktoberfest. Using calculations similar to those described above an equally successful Oktoberfest in National City could generate revenues over $390,000.

Implementation Measures
National City must develop a pricing schedule for events through the research of a special committee that could oversee National City’s events program. Additionally, potential City-owned sites for rental should be inventoried and be made available for private events.
Recommendation 5
Matt Carney

The City should create an Arts and Innovation Stimulus Grant Program.

Policy Goals
A new Arts and Innovation Stimulus Grant Program would increase exposure of the City, branding it as a key location for the arts and technology. Additionally, the City would stand to receive an increase in Business Taxes, and Transient Occupancy Tax revenues by 3% annually.

The initial impact could be 10 Community Engagement Events that showcase the best of National City to approximately 200 participants at each event. These visitors would then generate $40,000 in sales tax revenue during their visit assuming each person spends $20 while in the City. Including the participant Sphere of Influence, assuming 50 people come to see each participant, with a 50% return trip rate, the City could expect to see an influx of 150,000 people, who could spend as much as $3 million.

Implementation Measures
The Arts and Culture grants should be placed into a more inclusive Arts and Innovation category. Industries such as architecture and design, historical locations, schools and the new ARTS Center should be included to increase participation. Some of the City’s most famous businesses should be sought as possible event locations. These would include businesses such as The Mile of Cars, Plaza Bonita and Cafe de Maze, and Niederfranks Ice Cream. These locations are unique to National City and would provide a great backdrop to showcase National City’s arts and innovative spirit.

Additionally, the continuance of key support programs like the Teen Program and Tiny Tots is critical. However, the projects that display exceptional businesses or cultural assets should be promoted. Pulling in other Arts and Innovation groups from outside the City would help in event programming, and bring great exposure to National City’s offering.

The structure of the grant program would begin by nominating or proposing Arts or Innovation projects which exemplify the City’s businesses or cultural assets. The awards would be funded through both City and private sector investments. Based on the project, some concepts or ideas may provide the City with increased revenue, and rewarding these efforts is encouraged. The anticipated City cost is $55,000 to fund 10 projects at $5,000, and includes $5,000 for administrative City costs.
Policy Goals
Though the Police Services budget far outpaces other City Division’s budgets, an across the board cut may be one relatively fair way to deal with the revenue decrease. While public safety is generally the last area of City services to see budget reductions, this type of cut would help alleviate the massive impacts that other divisions would face should they be forced to bear the entire brunt of the revenue shortfall.

For the Police Services Division, a 24% cut would ultimately result in a reduction of the 81 officers patrolling our streets. Preliminary estimates find that the reduction in offices would be approximately 20 officers. The implication of this loss of officers to the police department has the potential to negatively affect our citizens’ safety.

The City of Chula Vista has demonstrated that cuts made through Personnel Services, such as wage concessions and pension adjustments, can have a significant positive impact on the budget. As that city stated, “The City was not able to mitigate all layoffs. However, the cost-saving measures that were approved by the bargaining groups aided in reducing the number of layoffs that would have otherwise resulted”.

Implementation Measures
Crime statistics do not accurately reflect crime rates. This happens because the crime statistics are due in large part to the ticketing and arrest rates, which are largely dependent upon the number of people policing the streets. Chula Vista was recently identified as the 10th safest city in America according to the FBI. However this is quite possible due to the lower number of police officers in that City. Chula Vista is policing its streets with only .93 officers per 1000 citizens compared to National City’s 1.38 officers and San Diego’s 1.5 officers.

Another example of a potential area of budget reduction in Police Services is easily demonstrated by the Dispatchers. Police Dispatchers earn a mean salary of $49,782, requiring no more than a high school diploma with the ability to type at least 32 words per minute. The 2012-13 budget shows 12 dispatchers on the payroll making approximately $250,000 per year, and the National City Police Department website is currently offering 32 positions. If outsourcing these positions could cut labor expenses by one third, the City could be looking at a savings of nearly $700,000 a year.

Recommendation 2
June Cabatu
The City should extend the 40 Hour Work Furlough Program.

Policy Goals
Between 2010 and 2013, the Work Furlough Program has saved $338,383 in salary costs, which equals an average yearly savings of $112,794. This does not include the facility cost savings for things such as air conditioning and lights.

Implementation Measures
City employees will be subject to the 40 hour Work Furlough Program. The reduced salary is spread out over the year, and grants employees a better adjustment over time, rather than a sharp reduction all at once. By extending the program, it will reduce expenditures in a somewhat unnoticeable fashion, as the employees are used to it.

Recommendation 3
Valerie Freeman
The City should reduce the operable hours of the National City Library.

The National City Library is currently open six days a week with limited hours on Saturday and Sunday. With the expiration of Proposition D, the City should consider reducing the hours of operation and close the library on Sundays and Mondays.

Policy Goals
By reducing the National City Library’s hours from 12:00pm to 8:00pm, Tuesday thru Friday, the City will stand to save approximately $100,000 per year. The proposed adjustment is based on existing usage patterns studied. In the survey, library management stated the busiest times occurred between 2:00pm to closing.

Implementation Measures
National City Library’s hours would be reduced to a level demonstrated above.

Recommendation 4
Shannon Callahan
The City should adopt a short and long-range plan to identify adequate staffing needs.

Policy Goals
To assuage the detrimental effect that unplanned lay-offs may create for the community, a strategy to mitigate a reduction in labor will be necessary. This staffing plan will identify and categorize the City’s needs, obligations, abilities and estimated future revenue. With this information, the City can better plan for reductions in labor prior to the point where decisions are necessary. This will lead to more efficient operations, higher employee morale and confidence, and better customer service.

Implementation Measures
Each department will coordinate staffing estimations with the Human Resources Department separately. The goal of the first section of the implementation plan is to identify the staffing requirements as each department deems minimal. Being on the front line in their respective duties, individual departments understand the daily, weekly, and monthly
workflows that can be expected. These figures will help to ascertain specific obligations present in each area of the City administration. This will also give employees the chance to enter the staffing reduction dialogue, and help to present alternatives to direct employment cuts.

For both the short and long-range aspects of this plan, the ultimate goal is to reduce the budget for staffing needs. The secondary goal would be to maintain current service delivery to the residents of the City. However, it can be reasonably assumed that efficiency measures were thoroughly reviewed before the introduction of Proposition D. Instead, a nexus between the two is the best outcome, and will require extensive analysis of the city’s functions and outputs to adequately identify areas that would produce the least negative impact if revenues were reduced.

Encourage Sustainability

Policy Background

Due to the recent economic recession and the reduction in home values, many residents are not keen on the concept of raising taxes to balance the budget. National City may be in this situation, especially if Proposition D is not approved for an extension. Because of this scenario, other opportunities to balance the budget must be sought.

Recommendation 1

Sifat Reazi

The City should create a Sustainability Department that will oversee and coordinate a community-wide sustainability campaign.

A Sustainability Department will potentially increase livability, create green jobs, increase home prices, and in turn increase the efficiency and efficacy of the municipality without burdening the residents with additional taxes.

Policy Goals

Considering the financial strain on National City, a major outcome of the Green Wave Campaign, as illustrated by examples from other cities, is the reduction in expenditures through effective inefficiency mitigation. Some cities such as Knoxville, Tennessee, with a population around 182,000, have demonstrated that savings of $250,000 annually are possible.33

Beyond immediate cost savings for the City, increasing the focus on producing green jobs in National City is also a function of this policy. Attention should be paid to the development of sustainability campaigns that effectively maximize the number of long-term green jobs in the City. The California Green Businesses Alliance stated recently that, “...as the economy slowed between 2007 and 2008, total employment fell 1 percent, but green jobs continued to grow five percent. The Sacramento Area led the pack with job growth of 87 percent from 1995 to 2008, followed by the San Diego Region (57 percent)...”34 After certain disasters, such as the tornado in Greensburg, Kansas, green jobs have proven to retain residents.35

A secondary benefit to the City would also be the potential for increases in home values. In 2011, Forbes magazine found that in California “solar panels added a $20,194 premium to the sales price of the house based on repeat sales data...[H]omeowners appear to recover approximately 97% of their investment costs”;36 Home prices in California appreciated 55% for homes with solar panels and only 45% for those without.37 For National City, with median home prices around $280,000 and a population that sees 19.5% of residents at or below poverty levels, this effect could be a powerful tool to attract new homeowners.38

Finally, the overall community benefit of environmental preservation could also be achieved. This green movement will lead to increases in livability and help to develop National City’s reputation as an environmentally conscious family community.

Implementation Measures

Funding for the a new Sustainability Department will come from federal and state grants as well as local private sector utility incentives provided by companies like San Diego Gas & Electric. Some initial grants that could be applied are: Go Solar Initiative, Department of Energy (DOE) Solar America City Grant, Energy Efficiency and Conservation Block Grants, Bureau of Reclamation in the Department of the Interior, and the Partnership for Sustainable Communities.

Once external funding is secured, an energy audit and inventory can be conducted on the City’s buildings and fleets analyzing such things as inefficient heating, ventilation and air conditioning systems (HVAC), uneconomical energy usage, poor building insulation, and dated fleet equipment, all of which have heavy financial impacts on the City’s budget.

After the inefficiencies are identified, a sustainability plan will be developed. This plan will prioritize the most cost-savings measures and outline the necessary steps to implement the program. To implement the projects outlined in the Sustainability Plan, the Sustainability Department will contract the work, utilizing local labor and materials. The Plan will be updated periodically to maintain cost savings through technological upgrades.

Recommendation 2

Brady Balolong

The City should engage the community in an environmental awareness program to reduce costs associated with waste disposal and sewage treatment.
Policy Goals

A well-developed sustainability program has the potential to reduce land-fill costs, sanitation services costs, and sewage treatment costs. By reducing the amount of non-recyclable products and waste created, and recycling what it can, the City could cut costs in multiple areas of the City’s budget.

Implementation Measures

Multiple strategies are possible to implement an environmental awareness program. Some of the most direct involve legislation, such as the banning of plastic bags, or Styrofoam-type containers. Other methods include advertising to educate residents about the benefits of more environmentally-sustainable and recyclable products. Engaging the community is critical to the success of this type of program as the bulk of the work relies on citizen participation.

Success would result in the reduction of waste disposal and sewage treatment costs and the redirection of some of those savings to a continuing awareness campaign.

Contracting Out Services

Policy Background

Comprising approximately 40% of the City’s budget, the Public Safety Services Divisions will typically face the most drastic cuts during any periods of expenditure reduction. With Proposition D, the City has been able to maintain their number of Police FTEs. However, without it, there are few options to maintain current staffing levels within this division of the City. With reduced levels of service that may be unacceptable, it is important to explore options that provide for the maintenance of current service levels.

Recommendation 1

Molly DeCerbo

The City should investigate the possibility of contracting out Police Services to the San Diego County Sheriff.

There are more police officers per capita in National City than in San Diego, Oceanside, El Cajon, La Mesa, Escondido, Carlsbad, or Chula Vista. By outsourcing the Police Services to a larger agency with more resources, the City will gain the benefits of economies of scale, which will provide the City with comparable levels of service for reduced costs.

Policy Goals

Within the first year, the City could expect to save approximately $6.8 million. The costs involved in consolidation are not included in this figure; however, these costs would only apply to the first year, and full cost savings would begin at the second year.

Recommendation 2

Feven Nebil, Rodolfo L. Campa & Julie Stampe Christensen

The City should investigate a potential Joint Powers Agreement (JPA) to consolidate Fire Services among a few neighboring jurisdictions.

A JPA is “a contract between a city, a county and/or a special district in which the city or county agrees to perform services, cooperate with, or lend its powers to the special district or other government entity”. The cities of National City, Chula Vista and Imperial Beach could all benefit by entering into a (JPA) and developing level of cooperation and interagency relations to collaboratively provide joint fire services.

Policy Goals

The benefit of a JPA over the typical outsourcing contract is that the city administration retains much more control over the service providing agency. According to the Heartland Institute, on “January 1, 2010, the Cities of El Cajon, La Mesa and Lemon Grove entered into a joint exercise of powers agreement for management and delivery of fire protection and emergency medical services. This unique cooperative fire services agreement provides cost containment opportunities, maintains local control, ensures a high level of fire and emergency medical services delivery, and maximizes resource utilization. This cooperative service manages eight fire stations, nine engine companies, two truck companies, three paramedic transport units, and one battalion chief. The joint powers agreement serves a population of 180,000 and responds to approximately 20,000 calls for service each year.”
National City expects to spend $6,487,018 on labor and $559,527 on maintenance and operations services in 2014. By entering into a JPA, much of these costs could be shared with neighboring jurisdictions. Some of the key personnel and operations cost savings involve the following:

1. Director of Emergency Services: $71,359 - $144,551 annually
2. Fire Chief: $92,844 – $117,768 annually
3. Operations Battalion Chief: $92,844 - $117,768 annually
4. Service Captain: $74,124 – $97,617 annually
5. Management Analyst III: $47,572 - $85,617 annually
6. Maintenance and Operations: $186,509 annually
7. Administrative Secretary: $18,306 - $22,254 annually
8. Sr. Office Assistant: $14,910 - $18,120 annually

Assuming the other jurisdictions involved in the JPA assign a similar pay schedule, and based on an assumed one-third cost sharing, the potential labor savings of a JPA structure could be in the range of $212,466 to $402,463. It is not clear how much the $186,509 annual maintenance and operations costs would be reduced, as it would be inaccurate to assume that these costs would be entirely shared with other jurisdictions. However, even if only 25% of these costs are eliminated, the City would stand to reduce expenditures another $46,627.

Implementation Measures

A major operational shift to an organization such as a JPA would require a collaborative effort of multi-agency staff and consultants which should consist of staff with expertise in subject matters of governance, administration, personnel, fire operations, fleet/facilities and finance. Additionally, City staff would need to fully assess any political roadblocks along the way. Though this is not strictly an outsourcing measure, there is a level of autonomy that will be lost, and that may not sit well with many interested parties. Additionally, this contract would create a new political body, the City Managers Joint Executive Board, which would be responsible for the administration of the JPA, and would involve cross-jurisdictional authority.

There would be many aspects of the three cities’ Fire Departments that would require standardization such as the union’s Memorandum of Understanding, salary schedules, and fleet equipment, and financial capital investment.

Bond Refinancing

Policy Background

According to the Fiscal Year 2012 Comprehensive Annual Financial Report (CAFR), Notes to the Basic Financial Statements, refinancing is available for two Tax Allocation Bonds. This is typical for bonds after a ten year period and when a net present value savings is at least three percent.

Recommendation

Kimberly D. Vance

The City should refinance eligible Tax Allocation Bonds and utilize State Revolving Funds (SRF) when applicable.

The 1999 and 2004 Tax Allocation Bonds are currently eligible or will be soon. However, greater savings are possible if these bonds can be put into a pooled refund with other local municipalities such as the City of San Diego, City of Chula Vista or County of San Diego.

Policy Goals

Pooled refunding is more appealing to potential investors than attempting to refund the bonds individually because the financed amount is larger. Bond refunding would create reduced principal and interest payments, amortization of the bonds over thirty years, and the immediate savings usable for other budgetary obligations.

Reducing the reliance on bond financing for Capital Improvement Projects (CIP) will create less repayment obligation in the future as well. SRF loans generally come with a lower interest rate than bonds and are therefore less expensive. Another purpose for using SRF loans to finance CIP projects is the potential that the State could forgive some of the principle based on the socio-economic status of the City. This would change the loan into a grant, requiring a reduced or possibly eliminated repayment.

Implementation Measures

The Finance Department and the City Manager’s office would investigate the options for bond refinancing and future use of SRF loans. For the immediate time period, consultation with other local governments should prove useful if the City should decide to pool their bonds with other municipalities.

Administrative Category Solutions

Auditing

Policy Background

Accurate auditing and oversight of public expenditures is crucial if National City wants to maintain adequate city services during economically challenging times. It is especially during these times that the City has an opportunity to improve service delivery, organizational productivity, and reduce overall costs.

The City may maintain and support administrative processes and procedures that are both time consuming and labor intensive for city employees. Perhaps, there is some reluctance to change processes or procedures that have been in place for numerous
years, but the recommendations that follow present an opportunity and, when executed appropriately, the organizational and financial audits performed should produce recommendations for systematic and/or structural improvements to many city functions. Following the audits, National City should implement and maintain the recommendations prescribed in order to improve processes and procedures city-wide.

**Recommendation 1**
Jaime Uriarte

The City should perform internal or external administrative audits. These audits must look at both outcomes and processes to evaluate the true cost and benefit of the expenditure.

**Policy Goals**
The purpose of this recommendation is to decrease the costs associated with delivering services, while maintaining the quality of those services. This is not necessarily an evaluation to completely dismantle the organizational structure; this is a surgical evaluation to develop better procedures on every level. In a situation where budget cuts could take a drastic toll on staffing levels, auditing should be viewed as insurance that all resources are being adequately funded. Should any over-funding be found, those resources can be re-allocated somewhere else. If no over-funding, or if under-funding, of services is discovered, this will provide the City Council and residents with the information they need to make difficult decisions about the services they rely on.

**Implementation Measures**
The City Manager’s office will be responsible for interviewing potential auditing firms and selecting their bid to present to the City Council. Upon approval of a budget for the audit, the independent firm would begin the process of reviewing the City’s administrative processes. This audit can be completed at any time because it is not time sensitive. It is recommended that this type of audit be performed on a regular, periodic schedule to assure that the City’s administrative processes are consistently performing at the highest levels of efficiency.

**Recommendation 2**
Kimberly D. Vance

The City should perform external financial audits. The audits should review all the City’s leases, contracts and agency agreements, user fee-based programs, procurement programs and expenditures which relate to non-personnel services.

**Policy Goals**
The review of the City’s fiscal management will serve multiple purposes. First, the City may identify areas of potential cost-savings on financial mechanisms that may not have been reviewed in the recent past. Second, the external audits will provide feedback from professionals that have extensive knowledge of other municipal finances and may identify better fiscal practices of which the City is not currently aware.

**Implementation Measures**
The City Manager’s office will be responsible for interviewing potential auditing firms and selecting their bid to present to the City Council. Upon approval of a budget for the audit, the independent firm would begin the process of reviewing the City’s finances. This process should be completed as close to the beginning of the fiscal year as possible so that the City has the most up to date information upon which to base the following year’s budget proposals.

**Participatory Budgeting**

**Policy Background**
Globally, cities increasingly recognize the necessity of public engagement in local government processes, especially the budgeting process. Empirical studies demonstrate how public engagement can aid governments in both local decision-making of administrative and budget actions. Developing relationships and networks among citizens in a community fosters greater awareness of the community’s needs and requirements. Especially during times where difficult fiscal decisions are required, encouraging the public to participate in the budgeting process helps to illuminate the situation.

**Recommendation 1**
Katherine Mulcrevy

The City should use community block building as a strategy to affect levels of public participation that in turn impact local government’s incentives for reducing the accumulation of debt.
Engaging citizens in local government by establishing representative blocks ensures that crucial aspects of policy represent the people being served. It also increases awareness of the tremendous requirements city administrations are tasked to solve.

Policy Goals

Community block building operates under the assumption that knowing one’s neighbors improves the safety, quality, financial standing, and health of residential neighborhoods. Mark Granovetter states, “[j]ust as kinship ties create strong bonds, [community block building] stretches the concept of people benefiting from social bonds.” Community block building has the ability to reverse socioeconomic trends that generally lead to isolation. Extant scholars Robert Sampson and Steve Raudenbush write how, “collective efficacy—neighbors communicating and sharing values was the key ingredient for crime control in Chicago.”

The results of community block building that National City could expect to see would be reduced reliance on certain government services such as Police Services. When communities unite in information sharing and neighborhood policing, the need for 911 and 311 dispatch services, graffiti removal, and Code Compliance services can be reduced.

Implementation Measures

Community block building is essentially a volunteer effort where citizens unite in neighborhood groups to increase awareness of their power to both enforce standards and be represented in the local government’s decisions.

To begin the systematic development of these community blocks, citizens should be encouraged to volunteer to establish individual groups. Initially, the City should offer informational packets that fully describe the scopes and responsibilities of community blocks, as well as the free use of meeting rooms and other organizational tools to encourage the program’s implementation. Eventually, these groups should be autonomous, requiring very little City involvement.

Recommendation 2

Katherine Mulcrevy and Taehoon Kim

The City should consider the use of Participatory Budgeting to involve residents in the budgeting process.

Participatory Budgeting is type of public engagement in budgeting, and can be defined as ‘a democratic process in which community members directly decide how to spend part of a public budget (Participatory Budgeting Project). Including residents in the budgeting process, “affirms the belief that citizens who live, work, and play in city neighborhoods have a unique and valuable perspective that must be integrated into the future development of the city”. Online participatory budgeting allows citizens to submit ideas and preferences, at the same time increasing the City’s residents’ awareness of fiscal constraints.

Policy Goals

A Participatory Budget is “a mechanism (or process) through which the population decides on, or contributes to decisions made on, the destination of all or part of the available public resources”. For National City the proper implementation of Participatory Budgeting would allow the citizens the opportunity to understand the City’s financial situation, and help to make necessary decisions to correct potential fiscal shortcomings. When difficult decisions are needed about resource allocation, it benefits the City to engage the public because the decisions are not then perceived as entirely the work of some removed government apparatus; rather, they are the best options decided on by a collaborative government that is close to the people. Participatory Budgeting will help inform the City’s residents about the City’s financial condition, while also providing them opportunities to help develop solutions.

Beyond information sharing, however, Participatory Budgeting has demonstrated the ability to significantly reduce budget costs. In the Eunpyeong-gu District in China, it reduced the budget by more than 20% and the equivalent of $12.5 million in only 2 years. As an added outcome, the trust between the people and the government grew during this period, as residents took on a more active role in government decision-making.

Denver faced a similar issue to the one National City anticipates, with a $94 million budget deficit during 2013. City officials instituted “keypad polling in public forums to collect citizen input, and the city also launched a Web site, www.deliveringdenversfuture.org, which is the city’s first online participatory budgeting tool”. The results of this process are that the citizens develop a problem-solving attitude rather than a problem-finding one, and they engage the City as an administrative organization rather than as a political organization.

Implementation Measures

Successful Participatory Budgeting requires citizens who understand the basic budget process, City officials who encourage civic engagement, and inclusive public participation. The City’s role in Participatory Budgeting is critical to the success of the program. Many methods to actively engage citizens are possible. One organizational structure could be a multi-level process starting with a “Participatory Budgeting Council” open to all residents, a “Town Meeting” that prioritizes citizen’s proposals, and a “District Citizen Joint Conference” that incorporates citizen input into the budget process directly.

With the inclusion of on-line technologies, this process has the potential to increase participation and financial understanding. However, if relied on solely, on-line budget participation also has the potential to preclude large groups that have limited access to such
Increasing Volunteer Opportunities

**Policy Background**
National City’s 2013-2018 Strategic Plan states that one goal is to, “[b]uild cooperative partnerships with community organizations, schools, and other public agencies in the efficient and cost-effective delivery of services”. The Community Services and Public Works Departments offer opportunities to reduce budget costs and increase the delivery of services through external partnerships.

**Recommendation**
Lindsey Bircher & June Cabatu

The City should consider replacing paid positions with unpaid interns and volunteers.

**Policy Goals**
There are many areas of the City’s departments that offer great volunteer opportunities that can directly reduce budget costs. For example, a volunteer program for park cleanup could replace three full-time park caretaker positions. Three park caretakers have a combined annual salary of $98,000. If the City identified what portions of their daily work could be turned over to volunteers, a very well structured volunteer program could alleviate much of the need for this expense.

Volunteers in San Francisco worked over 147,000 hours last year, an average of 2,800 hours per week. While this is far above what National City could expect, it is an acknowledgment of the attractiveness of these programs.

**Implementation Measures**
The first step to developing an efficient volunteer and intern program is to identify opportunities to incorporate wage-free labor into necessary City functions. The goal is not to simply obtain volunteers, but to replace existing paid work with volunteers. For example, by replacing eight part-time recreation aides and three park caretakers through this program would immediately save the City $141,000. However, this assumes that the City currently has a fully implemented and highly developed intern and volunteer program. In reality, it may take some time to develop partnerships with organizations that would provide capable persons for specific volunteer positions. Some of these organizations would be San Diego State University, National City School District and Sweetwater High School.

Adjusting Fee Schedules

**Policy Background**
The City’s business license and fee structure is both an incentive to attract new businesses, as well an income generator. Ideally, a nexus between the optimal promotion of new business start-ups, the retention and continuing support of existing businesses, and the benefit of the City should be maintained.

**Recommendation 1**
Lauren Cornell

The City should consider revising the Business License fee structure.

An example of this restructuring could be as follows:

1. Initial Business License Fee: Flat $100 fee (no change from current state)
2. Yearly Renewal Fee structure tailored to categories of businesses:
   a. Yearly renewal fee based on quantity of employees
   b. “Head tax” of $5/employee
   c. Tiered revenue tax based on business income
3. All fees subject to escalation in accordance with Consumer Price Index (CPI) (Producer Price Index [PPI] is a viable option as well)

**Policy Goals**
Utilizing the fee structure described above, many benefits to the City can be realized. By keeping the initial business license fee at $100, new businesses are still encouraged to locate in National City. Once off the ground, businesses must contribute to the continual improvement of the City, including the upkeep of a favorable business climate. With a few adjustments of the business license fee schedule, such as renewal fees based on the size of the business, imposing a head tax, and introducing a tiered taxation based on business income, these goals are easily reached. This new schedule creates a bracketed tax system that meets all the City’s goals of business incubation. Implementation of this type of business license fee schedule adjustment could potentially increase City revenues by $900,000 per year.

**Implementation Measures**
The City Finance Department would spearhead all business license fee increases and schedule adjustments. Potentially, this work could be accomplished in-house, utilizing staff to research and draft resolutions for City Council action.
Recommendation 2
June Cabatu

The city should focus on the enforcement of current administrative fees and City codes. Specifically, the City should evaluate current procedures for Animal Licenses, Parking Citations, and Building Maintenance requirements.

Policy Goals
Currently, the City receives approximately $8,000 per year from pet registrations. However, based on national estimates of pet ownership, there is potentially an additional $90,000 outstanding from unregistered pets in the City. Animal licenses cost $13 with an administrative fee of $17.50. If revenue is only generated through the administrative fee, and it can be assumed that 10% of the City’s residents have animals that must be registered every one to three years depending on vaccinations, large increases in this revenue category can be expected.

Parking citations are generally under-enforced. The City could anticipate at least $36,000 per year in additional income if parking enforcement activities are increased. This impact would hopefully affect outside residents more than those that live in the City, as residents should be more familiar with the City’s regulations.

Though not necessarily directly revenue-generating, the enforcement of building maintenance has the potential to increase the City’s attractiveness and promote higher real estate values, higher rents, and encourage more stable business ventures into the commercial districts. Maintenance is the responsibility of property owners, and the enforcement to quickly fix things like broken signage, paint touch ups for chipping or peeling paint, broken glass and litter in the parking lots, and other property code violations, will lead to a better, safer commercial environment for business owners and shoppers.

Implementation Measures
Many departments have a responsibility to ensure the proper enforcement of the City’s standards and requirements. The City Manager’s office must direct staff of these separate divisions to investigate opportunities to establish standard operating procedures to adequately and regularly enforce these codes.

Recommendation 3
Jaime Uriarte & June Cabatu

The City should consider increasing late fees and the False Alarm Penalty Fee.

The City should increase the cost of all late fees across all departments except for Police Services to increase revenue while promoting prompt payment that will decrease staff time, thereby reducing expenditures. For the Police Department, it is recommended that the False Alarm Penalty Fee be raised to fully cover the costs associated with their investigation and to encourage proper maintenance of private property. It costs the City approximately $43,000 per year to respond to false alarms, yet the City only collects $1000 for the impositions.

Policy Goals
By increasing late fees, the City could expect to see increases in revenue and a reduction in fee non-payments. These benefits are immediate and with adequate enforcement should ensure long-term compliance. As stated above, even if revenue is not increased, the policy should encourage the compliance of payment, thus reducing staff time to enforce payments, thus reducing expenditures.

Currently, the False Alarm Penalty Fee Schedule permits two free false alarm activations in any twelve month period. False alarms are then fined $50 for the third offense, and increase $25 for each subsequent false alarm. By permitting only one false alarm per 12 month period, and increasing the fines by $25 per step, the City will reduce labor costs associated with responding to false alarms, and will help to cover the costs of the time required to respond.

Implementation Measures
Multiple City departments would each be charged to handle fee increase requests for their respective schedules. The Police Department would develop a revised False Alarm Penalty Fee schedule and ensure that this new schedule adequately deters false alarms and adequately recovers costs.

Public-Private Partnerships

Policy Background
A Public-Private Partnership (PPP) is an arrangement between public and private organizations to distribute functions that maximize efficiency of a facility or service for the public good. PPPs can be for the design, development, operation, or maintenance of facilities and services. Contracts for these PPPs generally have a term between 15 to 35 years. PPPs offer financial benefits to the City by increasing funding options from private investment. PPP-based contracts include the added benefit of risk-sharing to ensure that public and private parties maintain responsibility for their performance. As a limited source of outsourcing, PPPs ensure that each sector focuses on what they do best.

Recommendation 1
Mette Ø. Pedersen & Kimberly D. Vance

The City should implement a restructing of practice in the provision of public services by engaging in Public-Private Partnerships (PPP) for the delivery of public service.
Through a contractual agreement with a private sector entity, the skills and assets of both private and public sector can be shared in the delivery of services and facilities for the use of the citizens.

**Policy Goals**

PPPs help ensure efficient utilization of resources in many potential cooperative projects. National City would be able to segregate functions and responsibilities between itself and private sector, or non-profit organizations, to develop more efficient service delivery to the residents of the City. By reducing labor costs through private sector employment arrangements, the City could reduce costs for improved service delivery, while maintaining oversight of administration. The inclusion of private investment is also a potential benefit to the City as financing could become more competitive than the standard financing mechanisms available to the public sector.

**Implementation Measures**

Many City functions are potentially candidates for a PPP. However, a complete review of the City’s operations would be required to identify the most cost-effective aspects of the City’s operations that could provide the most community-wide benefits. As this policy involves an amount of contracting out of City services, there are political implications that must be handled carefully. Because of both of these issues, consultants are recommended, as they will provide insight into those City operations that are most easily converted into a PPP, and also provide the safety of expert, and outside, consultation regarding the political context of the situation.

Some City services that would most likely transition smoothly into a PPP structure are as follows: maintenance and repair, capital improvement projects design and build, public library, communications, IT services, parks and recreation services, consulting, civil engineering services, sewer and water maintenance, waste management (collection, disposal), emergency services, traffic services, education, health and social services.

**Community Improvement Category Solutions**

**Business Improvement Districts**

**Policy Background**

The Property and Business Improvement District Law of 1994 (SB 949, Section 36600 et seq.) authorizes cities to establish business improvement districts (BIDs) to improve economically disadvantaged and underutilized commercial districts. They promote economic improvement by providing the private sector with self-taxation opportunities to allocate monies to the direct improvements, maintenance, and activities that increase the vitality of the tax district. Even though these special taxes are only used for a specific district, there is ample evidence of the power of BIDs to improve the surrounding areas as well.

**Recommendation**

Cassie O’Leary & Shana Laurienzo

_The City should encourage the development of a Business Improvement District (BID)._ The BID would be a specific, well-defined area of National City that contains amenities and attractions for residents and visitors. The district would be developed as an architecturally cohesive location with a unified theme. Signage would be consistent in the district and throughout the City to direct visitors to the BID. Walkability would be encouraged, and developments should increase this aspect of user-friendliness whenever possible. The BID should encourage a mix of uses that are attractive to multiple generations of users.

**Policy Goals**

A potential BID area could be a Marina/Bayfront Entertainment District that could generate revenue for the city and increase income, property, and sales taxes, help to create jobs both in and outside of the BID, and improve the commercial offerings in the City.

**Implementation Measures**

As this is primarily a private sector organization, potential areas will require business owner support. Once established, overall goals and revenues necessary to achieve them would be decided by the BID. Expected levies could range from $50 per year to a maximum $1000 per year, based on a sliding scale.

The City Treasurer would collect the assessments and distribute it to the BID, who would then be responsible for spending it on improvements as it deems necessary. Based on the example of other cities, there are also potential increases to the budget.
of the BID with City participation in funding. In developing 4th Street Live!, Louisville, Kentucky infused the BID project with public sources of funding to increase project success. Additionally, with private sector redevelopment, multiple financing options are available to create a self-sufficient district.

**Strategic Community Planning**

**Policy Background**

According to the US Census Bureau, 63% of residents in National City are Hispanic or Latino. Strategic planning is necessary to support a predominately minority-based community, and to care for its specific needs. Budget reductions can have a tremendous impact on those whose health relies on the resources of the government. Eliminating community programs, especially those that aim to care for the approximately 22% of the City’s residents that live below the poverty line, decreases resources needed by these residents to maintain their economic well-being, and health and basic necessities.

**Recommendation 1**

Hector Juarez & S. Ravuri

*The City should allocate funds to increase program funding for neighborhood and community services.*

**Policy Goals**

Adequately funding neighborhood and community-based programs will have positive impacts on the City, resulting in less crime, better school attendance, overall quality of life for economically disadvantaged groups, and reduced negative economic impacts on the City down the road.

86% of police chiefs surveyed stated that, “[i]xpanding after-school and child care programs like Head Start will greatly reduce youth crime and violence”.

Similarly, the Tiny Tots program offers residents an affordable opportunity to integrate their children into the educational system and learn the social skills needed to succeed at an early age. Lower Educational Achievements: The Afterschool Alliance noted how, “[t]eens who do not participate in afterschool programs are nearly three times more likely to skip classes at school than teens who do participate. They are three times more likely to use marijuana or other drugs, and also more likely to drink alcohol, smoke cigarettes and engage in sexual activity than teens not in afterschool programs”.

The El Toyon Recreation Center and Camacho Recreation Center provide young teens and children the resources to engage in productive activities that improve the community in the short and long-term. They are necessary to the community as they provide underprivileged youth the chance to interact with positive mentors.

Implementation Measures

Program funding is critical to the success of these programs. Generally, they are easy to cut because there are few obvious and immediately detrimental effects. However, over time, even after program funding has been restored, there are lingering effects of an educationally deprived generation. Longitudinal studies are necessary to investigate the true cost of cutting these programs to ascertain what proper funding would look like. Additional funding would provide more paid staff members at each center, which would result in better programming and outreach activities.

Beyond direct funding, community programs also need upgraded technology and educational workshops. Other non-monetary aid could be provided through City backing to help create joint programs with San Diego State University to increase program efficiency. The Education, Social Work, Exercise and Nutritional Sciences, and Child and Family Development programs have students capable of beneficial fieldwork experience. Working with community programs, these students could help educate teens, children and parents strategies for living happier, healthier, more connected lives. This would alleviate some staffing costs and help students gain experience.

Health programs, such as community dental clinics, are also recommended, as many of these types of services may be covered under the Affordable Care Act. The City, though, has an opportunity to provide the resources needed for these services that are not covered, such as the clinic space, utilities, etc.

**Recommendation 2**

Ulysses Downing, Jr.

*The City should develop a strategy to adequately continue funding of the Americans with Disability Act plan.*

National City passed the Americans with Disability Act (ADA) Plan in October 2012. However, the sunset of Proposition D threatens to reduce the funding associated with that plan, as resources are reallocated to emergency services. Once funding is reduced for the ADA plan, many people with disabilities will potentially be faced with job loss, reduced working hours, and health care provision from the City. The ADA plan provided a mechanism to consider economic hardship in plan implementation. This issue should be dealt with and a new strategic plan should be developed to adequately assuage possible reductions in program funding.

**Policy Goals**

The City’s ADA plan is in effect until 2022. Over the next 8 year period, the City must complete the requirements set forth in order to attain ADA compliance. However, phase II of the program does not include any designated funding in the Capital Improvement Program budget.
The goal of this policy is to compel decision-makers to identify and allocate new funding sources designated for the implementation of the remaining aspects of the ADA plan.

Implementation Measures
The Engineering Department is responsible for overseeing the implementation of the American with Disability Act Plan of October 2012 and also for developing funding alternatives. However, the new strategic funding plan will allocate City funds to provide the Public Works Department with more options. The new plan requires precise alternatives in order for the City Manager to create a budget that considers revenue reduction.

The ADA plan is not a small matter. During a reduced budget situation, positive public opinion regarding the expenditures required to complete the program will be critical to its success. For that, public awareness and education may be necessary. It is suggested that survey samples be conducted to determine the amount of support this program has.

Looking forward, the City should revise the plan, as necessary, to account for the long-term growth expected, and to avoid the need to develop such a comprehensive compliance plan in the future. ADA improvements and upgrades must be consistently included and completed regularly.

Increasing Home Ownership

Policy Background
National City’s collection of Property Tax is very low compared to the national average. Part of the issue may stem from the City’s also low homeownership rate.

Recommendation
Rose Spellman
The City should institute an intensive three year project to increase homeownership.

In order to increase homeownership in the City, an incentive program is recommended to attract homebuyers, investors, and developers.

Policy Goals
Homeownership can lead to increased property values, which in turn can lead to increased property tax revenue. Over a three year period, this proposal would provide incentives with which to market National City to new homebuyers. Additionally, other benefits could be expected with an increase in the homeownership rate.

If this three-year project is carried out in the way described above, property taxes should increase exponentially. It is difficult to predict at what rate homeownership (and thus property tax) will grow, since the both the goal of and approach to this project is very unique. For instance, projects to increase homeownership almost always have the simple goal of assisting low income families in home buying. Also, web investigations have not turned up any municipalities that have conducted similar activities to increase their property tax revenues. According to a U.S. study, “homeownership itself has a strong and statistically significant negative effect on both violent and property crime rates. Moreover, [it was found] that increases in homeownership rates reduce criminal activity over time.”

Implementation Measures
This policy is ultimately a two part project. The first part is an incentive program that would include home-buying incentives such as free initial landscaping by the Parks Department, streamlined building permits, free installation of sidewalks and drive approaches if required by the Engineering Division, and a down-payment matching program.

The second part is a marketing program, which is essentially the most important aspect of the program.

In order to effectively market this program, and National City as a great location for new homebuyers, the City should establish a taskforce of marketing consultants. The taskforce must tap into more than just the program incentives. They must connect target groups with the qualities of National City, one of which is an incentive-based program, that make it a great place to live. The taskforce should develop connections and working relationships with realtors and lenders to further smooth the process for new homebuyers into the City.
Conclusion

The end of Proposition D has created a critical moment for the leaders of National City. The City’s leadership will be required to make decisions over the next few years that will change the future of the City for its residents, businesses, and visitors. While the impetus for this change is unfortunate, there are many opportunities available to positively impact the direction of the City for decades to come.

This report established many such opportunities to increase revenues, decrease expenditures, institute new administrative techniques, and employ measures to increase the quality of life for the many people who call National City home. The leadership of National City, in partnering with the students of San Diego State University, has already shown initiative in this process. However, the decisions left to be made are critical, and the City is encouraged to weigh its options carefully, as it is unrealistic that all of the recommendations contained in this report could be implemented.

Ultimately, true success will require a plan that involves the entire community. Though this report only touches on the topical aspects of implementation measures, there is consistency in the fact that most of the proposals set forth herein will require a significant amount of local support. The issues facing National City are not unique to the City. The solutions to these issues, however, are.

Endnotes


2 Source: SANDAG Demographics FastFacts, accessed at http://www.sandag.org/resources/demographics_and_other_data/demographics/fastfacts

3 Ibid

4 Individual City Comprehensive Annual Financial Reports Statement of Activities, “Total Primary Government Expenses”.

5 Individual City Comprehensive Annual Financial Reports Statement of Activities, “Total General Revenues (does not include RDA ‘Extraordinary Item’)”.

6 Individual City Comprehensive Annual Financial Reports Statement of Activities, “Total Taxes”.

7 Individual City Comprehensive Annual Financial Reports Statement of Activities, “Property Taxes, net”.

8 Individual City Comprehensive Annual Financial Reports Statement of Activities, “Total Public Safety Expenses (minus program revenues)”.^1


17 Ibid
