



2ND QUARTER BUDGET REPORT FISCAL YEAR 2017-2018

GENERAL FUND



FY 2017-18 Budget Highlights

- Included funding for five police officers.
- A fourth fire fighter was added using overtime to each shift at fire station one.
- Twelve new firefighter positions were added with the approval of the SAFER grant.
- Funding was carried forward from fiscal year 2016-17 to continue various projects including Smart Cities efforts, the University project, the Bayfront Project, Police CAD project, Accounting ERP, etc.



FY 2017-18 Budget Projections

- Property taxes are projected to slightly exceed the adopted budget, but are largely offset by projected shortfalls in sales tax and transient occupancy tax revenues.
- New fire positions costs and academy costs are projected to be partially offset by various funding sources including Fire departmental savings due to vacancies, prior year funds carried forward, strike team and hurricane response revenues.



Fiscal Year 2017-18 Projections

Revenue Category	Amended Budget*	Projection	Variance
Property Taxes	\$ 33,620,932	\$ 33,691,992	\$ 71,060
Sales Tax	\$ 33,767,466	\$ 33,737,411	\$ (30,055)
Measure P Sales Tax	\$ 16,320,000	\$ 17,796,000	\$ 1,476,000
PT in lieu of Motor Vehicle License Fee (VLF)	\$ 20,844,039	\$ 21,164,029	\$ 319,990
Franchise Fees	\$ 11,968,646	\$ 11,968,646	\$ -
Utility Users Tax	\$ 5,860,328	\$ 5,860,328	\$ -
Transient Occupancy Taxes	\$ 4,316,267	\$ 4,036,267	\$ (280,000)
Other Revenue	\$ 10,881,080	\$ 11,810,903	\$ 929,823
Transfers In	\$ 11,260,552	\$ 11,750,177	\$ 489,625
Charges for Services	\$ 8,255,255	\$ 8,502,923	\$ 247,668
Revenue from Other Agencies	\$ 1,951,180	\$ 1,989,144	\$ 37,964
Use of Money & Property	\$ 2,921,115	\$ 2,963,307	\$ 42,192
Other Local Taxes	\$ 1,424,643	\$ 1,424,643	\$ -
License and Permits	\$ 1,524,632	\$ 1,541,039	\$ 16,407
Fines, Forfeitures, Penalties	\$ 1,075,423	\$ 1,079,062	\$ 3,639
Real Property Transfer Tax	\$ 1,173,550	\$ 1,173,550	\$ -
TOTAL REVENUES	\$ 167,165,108	\$ 170,489,421	\$ 3,324,313

* Adopted budget, plus budget amendments, & capital project appropriations carried forward from previous fiscal year.



Fiscal Year 2017-18 Projections

Department	Amended Budget*	Projection	Variance
City Council	\$ 1,612,138	\$ 1,612,138	\$ -
Boards & Commissions	\$ 15,671	\$ 21,732	\$ 6,061
City Clerk	\$ 1,016,690	\$ 985,972	\$ (30,718)
City Attorney	\$ 3,054,919	\$ 2,937,659	\$ (117,260)
Administration	\$ 2,061,997	\$ 2,043,017	\$ (18,980)
Information Technology	\$ 3,875,379	\$ 3,845,080	\$ (30,299)
Human Resources	\$ 2,816,013	\$ 2,640,462	\$ (175,551)
Finance	\$ 3,821,990	\$ 3,662,522	\$ (159,468)
Non-Departmental	\$ 29,280,122	\$ 30,206,061	\$ 925,939
Animal Care Facility	\$ 3,013,262	\$ 2,995,437	\$ (17,825)
Economic Development	\$ 2,206,800	\$ 2,071,720	\$ (135,080)
Planning & Building	\$ 2,708,065	\$ 2,778,190	\$ 70,125
Engineering/Capital Project	\$ 8,756,724	\$ 9,084,350	\$ 327,626
Police	\$ 53,559,193	\$ 53,907,371	\$ 348,178
Fire	\$ 28,603,936	\$ 31,431,602	\$ 2,827,666
Public Works	\$ 18,202,340	\$ 18,278,278	\$ 75,938
Recreation	\$ 4,493,631	\$ 4,258,545	\$ (235,086)
Library	\$ 3,817,784	\$ 3,886,349	\$ 68,565
TOTAL EXPENDITURE BUDGET	\$ 172,916,654	\$ 176,646,485	\$ 3,729,831

* Adopted budget, plus budget amendments, & capital project appropriations carried forward from previous fiscal year.



Fiscal Year 2017-18 Projections

General Fund Reserve	Amended Budget* (millions)	Projection (millions)
Reserves - July 1, 2017	\$ 20.02	\$ 20.02
Revenues & Transfers In	\$ 150.85	\$ 152.69
Expenditures & Transfers Out	\$ 150.85	\$ 153.10
Projected Surplus/(Deficit)	\$ -	\$ (0.41)
Projected Fund Balance for June 30, 2018	\$ 20.02	\$ 19.61
Reserve as a Percentage of Operating Budget	13.27%	12.84%

* Adopted budget, plus budget amendments, & capital project appropriations carried forward from previous fiscal year.



Fiscal Year 2017-18 Budget Adjustments

Fire Department

Fire Academy	\$997,947
FEMA SAFER Grant (Revenue)	(459,014)
Transfer CERT revenues to Other Grants Fund	(4,148)

Public Works Department

Transfer 1.0 Sr. Landscape Inspector to the Development Services Fund	(83,179)
Revenue Budget Correction	287,844

General Fund Budget Adjustments	\$739,450
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Fiscal Year 2017-18

Budget Transfers

- VLF Revenues – Accounting Correction
\$(20,739,945) Revenues – State Revenues
\$ 20,739,945 Revenues – Taxes
- Fire Department – Strike Team Revenue
\$(1,200,000) Revenue increase
\$ 1,200,000 Personnel Services increase
- Police Technology Transfer
\$(418,862) Non-Departmental
\$ 418,862 Police Department



Fiscal Year 2017-18 Budget Transfers

- Finance Department – Munis Support
 - \$(155,000) Salary Savings
 - \$ 155,000 Supplies & Services
- Public Works Reallocation
 - \$(136,000) Salary Savings
 - \$ 136,000 Supplies & Services
- Police Department Reallocations
 - \$(105,000) Jail Revenues
 - \$ 105,000 Supplies & Services

OTHER FUNDS



Fiscal Year 2017-18 Budget Amendments

FUND	PERSONNEL SERVICES	SUPPLIES & SERVICES	OTHER EXPENSES	OTHER CAPITAL	CIP BUDGET	NON-CIP BUDGET	TRANSFERS OUT	TOTAL EXPENSE	TOTAL REVENUE	NET COST
OTHER FUNDS										
2018 CREBS (New Fund)	-	-	489,926	-	-	-	12,903,918	\$ 13,393,844	\$ 13,415,019	\$ (21,175)
Renewable Energy Upgrades (New Fund)	-	-	-	-	12,903,918	-	-	\$ 12,903,918	\$ 12,903,918	\$ -
Other Grants	1,648	11,400	-	-	-	-	-	\$ 13,048		\$ 13,048
Advanced Life Support Program	188,946	(23,088)	-	-	-	-	-	\$ 165,858	\$ 165,858	\$ -
Federal Grants	7,833	53,393	-	51,000	-	-	459,014	\$ 571,240	\$ 558,792	\$ 12,448
State Grants	18,000	-	-	-	-	-	30,611	\$ 48,611	\$ 48,611	\$ -
Measure P Sales Tax	-	5,000	-	-	-	-	-	\$ 5,000	\$ -	\$ 5,000
Eastlake Maintenance District 1	-	9,200	-	-	-	-	-	\$ 9,200	\$ -	\$ 9,200
Open Space District Funds (Various)	-	33,100	-	-	-	-	-	\$ 33,100	\$ -	\$ 33,100
Traffic Safety Fund	-	(25,000)	-	25,000	-	-	-	\$ -	\$ -	\$ -
Public Educational & Government Fee	-	100,000	-	(100,000)	-	-	-	\$ -	\$ -	\$ -
Parkland Acquisition & Dev Fees	-	-	3,182,357	-	-	-	-	\$ 3,182,357	\$ -	\$ 3,182,357
Otay Ranch Village 1,2,6,7,12	-	224,160	-	-	-	-	-	\$ 224,160	\$ -	\$ 224,160
Otay Ranch Preserve	-	1,618	-	-	-	-	-	\$ 1,618	\$ -	\$ 1,618
Development Services Fund	79,957	3,222	-	-	-	26,500	-	\$ 109,679	\$ 79,957	\$ 29,722
Utility Tax Settlement	-	12,487	1,000	46,726	-	-	-	\$ 60,213	\$ -	\$ 60,213
Environment Services Fund	-	-	-	-	-	4,500	-	\$ 4,500	\$ -	\$ 4,500
Sewer Service Revenue Fund	-	-	-	-	-	60,000	-	\$ 60,000	\$ -	\$ 60,000
TOTAL OTHER FUNDS	\$ 296,384	\$ 505,492	\$3,673,283	\$ (77,274)	\$ 12,903,918	\$ 91,000	\$13,393,543	\$ 30,786,346	\$ 27,172,155	\$ 3,614,191



UPDATED FINANCIAL FORECAST FISCAL YEAR 2018-19 TO 2022-23

LTFP Forecast Summary (FY2019 – FY2023)



Description	Forecast FY 2019	Forecast FY 2020	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023
Revenues:					
MAJOR DESCRETIONARY REVENUES	\$ 128.88	\$ 132.31	\$ 134.64	\$ 136.99	\$ 139.50
OTHER REVENUES	\$ 40.67	\$ 40.94	\$ 41.20	\$ 41.03	\$ 41.30
NEW DEVELOPMENT REVENUES	\$ 3.25	\$ 2.96	\$ 4.07	\$ 5.05	\$ 6.03
TOTAL REVENUES	\$ 172.80	\$ 176.20	\$ 179.92	\$ 183.07	\$ 186.84
Expenditures:					
PERSONNEL SERVICES EXPENDITURES	\$ 103.08	\$ 105.29	\$ 108.03	\$ 110.89	\$ 113.88
PERS	\$ 27.24	\$ 30.53	\$ 33.49	\$ 36.41	\$ 39.07
OTHER EXPENDITURES	\$ 46.98	\$ 48.22	\$ 49.88	\$ 51.50	\$ 52.43
NEW DEVELOPMENT EXPENDITURES	\$ 1.55	\$ 5.04	\$ 6.70	\$ 10.72	\$ 12.18
TOTAL EXPENDITURES	\$ 178.84	\$ 189.08	\$ 198.10	\$ 209.52	\$ 217.56
TOTAL GENERAL FUND SURPLUS/(DEFICIT)	\$ (6.04)	\$ (12.88)	\$ (18.18)	\$ (26.45)	\$ (30.72)
SURPLUS/(DEFICIT) AS % OF BUDGET	-3%	-7%	-9%	-13%	-14%



Fiscal Year 2018-19 Forecast

- Includes funding for five additional police officers.
- PERS costs are anticipated to increase by over \$3.8 million from fiscal year 2017-18.
- New MOU costs have been incorporated into the Long Term Financial Plan.



Fiscal Year 2018-19 Outlook

- Current deficit projected at \$6 million.
 - Potential one-time revenues may be used to reduce the deficit.
 - Increase salary savings
 - Potential higher interest earnings revenue
 - Increase Development Fee revenues
- With the successful implementation of these reductions, the projected budgetary deficit could be reduced to approximately \$3 million.



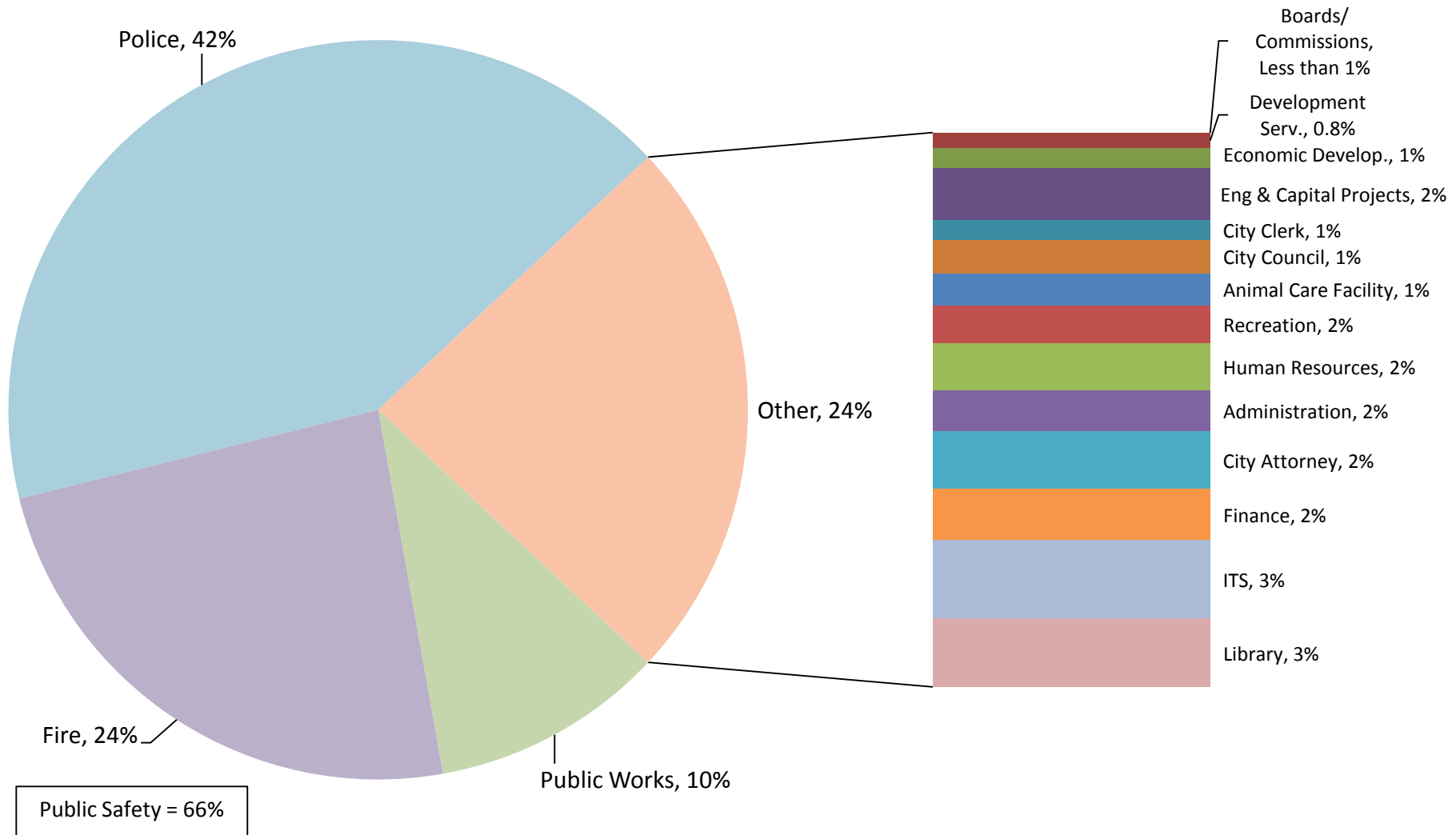
Fiscal Year 2018-19 Outlook

- Will continue to identify balancing measures to address the structural budget deficit in fiscal year 2018-19 in preparation for larger structural deficit in 2019-20.
- Other Budget Balancing Items being considered for FY 2019-20:
 - Departmental Reorganizations/Consolidations
 - New/Updated Program Fees
 - Anticipate additional retirements
 - Potential one-time revenues



General Fund Net Cost

(Allocation of Discretionary Revenue)





Budget Sustainability

- In addition, departments (except public safety sworn) are already being asked to hit a targeted personnel budget reduction each year (1%).
- Without Legislative action the CalPERS issue will get significantly worse. CalPERS Amortization change status update.
- Departments have many legal and statutory requirements/mandates that will be difficult to achieve with additional budget cuts.



Long-Term Financial Plan Potential Solutions

- Technology & Efficiency projects aimed at reducing operating costs.
- One-time funds policy
- Public/private partnerships
- Service delivery options
- Service level changes
- Fees/Cost Recovery increases
- Municipal Code/Charter Updates



Legislative Updates

- Statewide Sales Tax Update
- “California Rule” update
- SB1 Potential Ballot Measure



Next Steps

March 20	<ul style="list-style-type: none">• City Council Budget Workshop: FY 2019 Baselines Budget Projection Discussion, Updated LTFP Discussion
April 17	<ul style="list-style-type: none">• City Council Budget Workshop: FY 2019 Budget Projection Discussion, Updated LTFP Discussion
May – TBD	<ul style="list-style-type: none">• Hold two public workshops to provide overview of proposed budget
May 8	<ul style="list-style-type: none">• 3rd Quarter FY 2018 Financial Report
May 22	<ul style="list-style-type: none">• City Council: Present City Manager's Proposed Fiscal Year 2018-19 All Funds Budget and CIP Overview
June 5	<ul style="list-style-type: none">• Public Hearing and Recommend Council adoption of Proposed FY 2018-19 Budget (All Funds)



City Council

Comments/Feedback