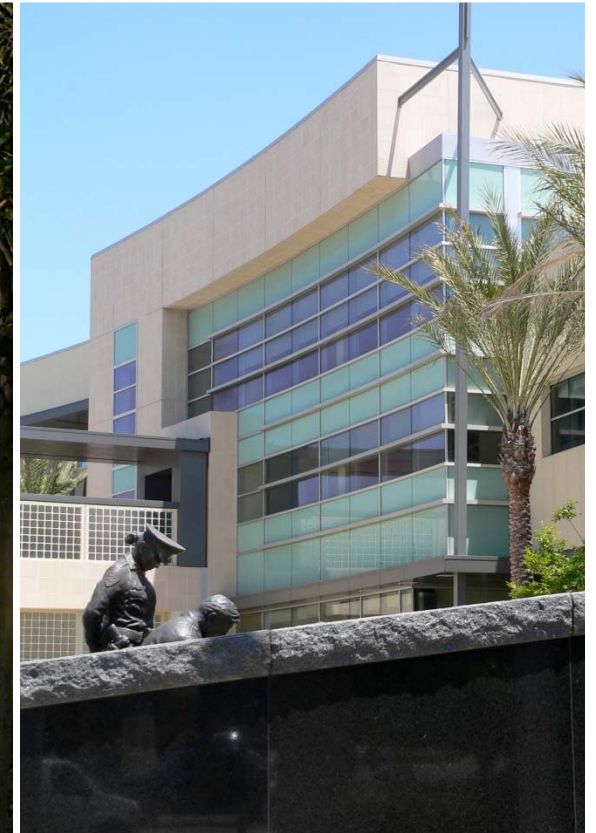
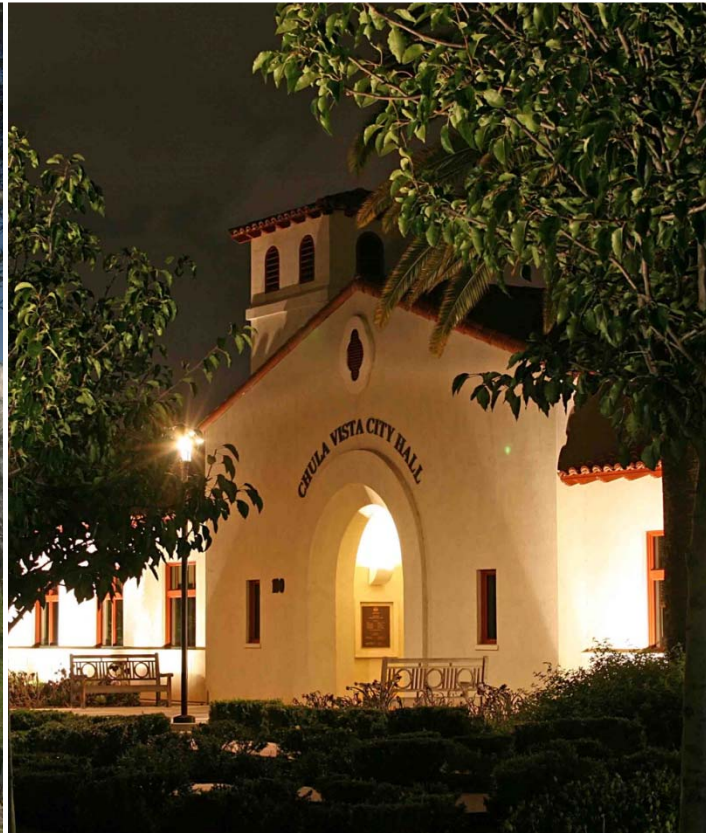


Financial Overview





Agenda

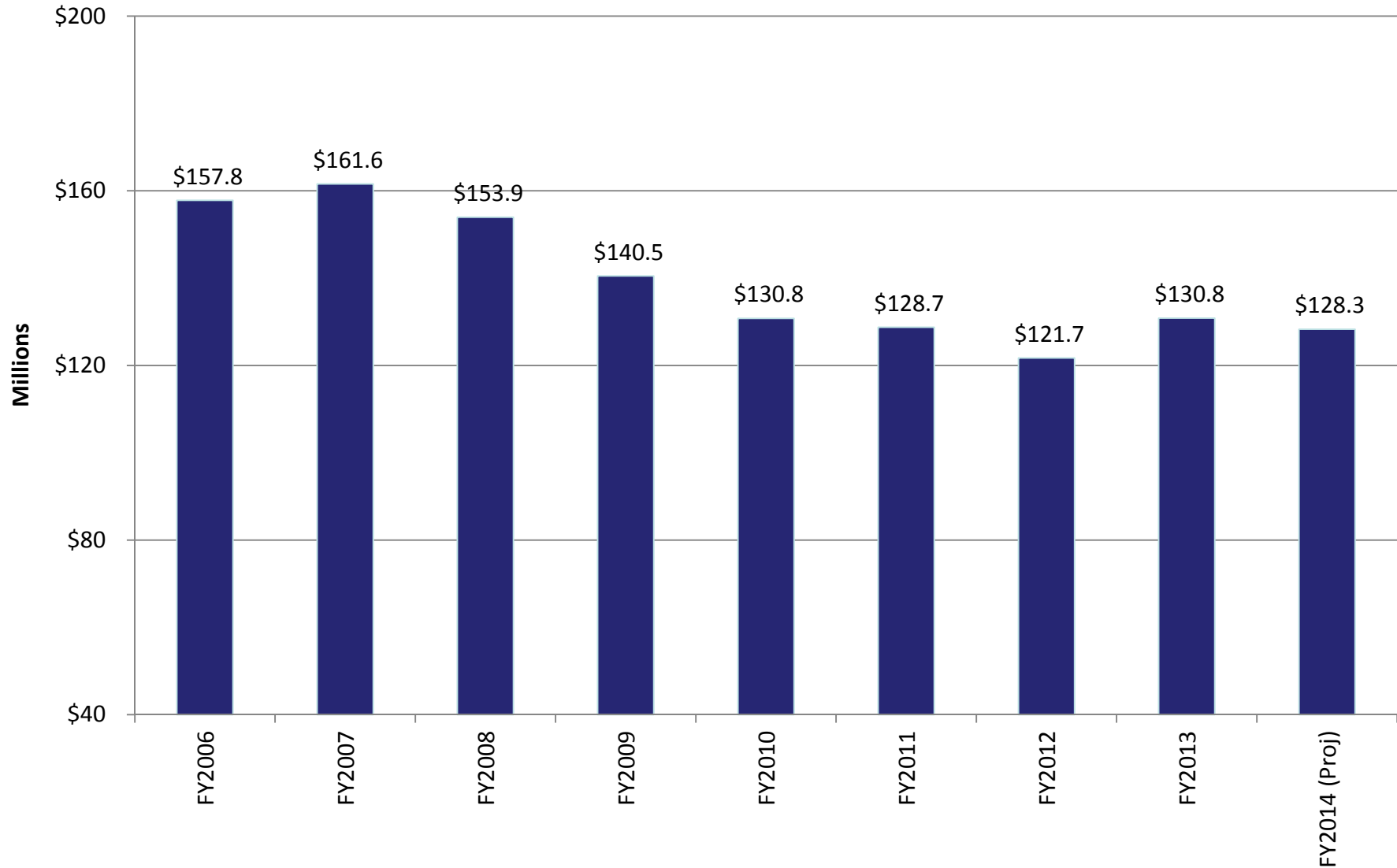
- Historical Overview
- FY 2015 Summary
- Long-Term Financial Planning

HISTORICAL OVERVIEW



General Fund Revenues

(Loss of \$33.3 million or 21%)





Financial Challenges

- Economic Recession
- Rising Pension Cost
- Property Tax & Sales Tax Declines
- Transient Occupancy Tax (TOT) Declines
- Loss of Development Fees
- Elimination of the Redevelopment Agency
- Power Plant – Franchise Fees - \$2.5 m per year



Summary of Historical Deficits

| Fiscal Year | Projected Deficit | Actions Taken to Balance |
|-------------|-------------------|--|
| FY 2007-08 | \$10.1 million | <ul style="list-style-type: none">• Eliminated 147.5 FTE (All Funds)• Contract Fire Communications Services |



Summary of Historical Deficits

| Fiscal Year | Projected Deficit | Actions Taken to Balance |
|-------------|-------------------|---|
| FY 2008-09 | \$4.0 million | <ul style="list-style-type: none">• Eliminated 13.25 FTE (All funds)• Eliminated salary increases for management and unclassified hourly |



Summary of Historical Deficits

| Fiscal Year | Projected Deficit | Actions Taken to Balance |
|-------------|-------------------|---|
| FY 2009-10 | \$20.0 million | <ul style="list-style-type: none">• Eliminated 100.50 FTE (All funds)• Eliminated salary increases for CVEA, MM/PROF, WCE• POA/IAFF COLA deferral• Reduced funding for Nature Center• Eliminated funding for Stretch & Dash |



Summary of Historical Deficits

| Fiscal Year | Projected Deficit | Actions Taken to Balance |
|-------------|-------------------|--|
| FY 2010-11 | \$10.9 million | <ul style="list-style-type: none"><li data-bbox="1075 511 1724 711">• \$9.6 million in one-time revenues through loan repayments (RDA) |



Summary of Historical Deficits

| Fiscal Year | Projected Deficit | Actions Taken to Balance |
|-------------|-------------------|---|
| FY 2011-12 | \$19.6 million | <ul style="list-style-type: none">• Eliminated 94.50 FTE (All funds)• Employee pick-up pension contribution• One-time revenues of \$2.6 million in Economic Contingency Reserves used to balance budget |



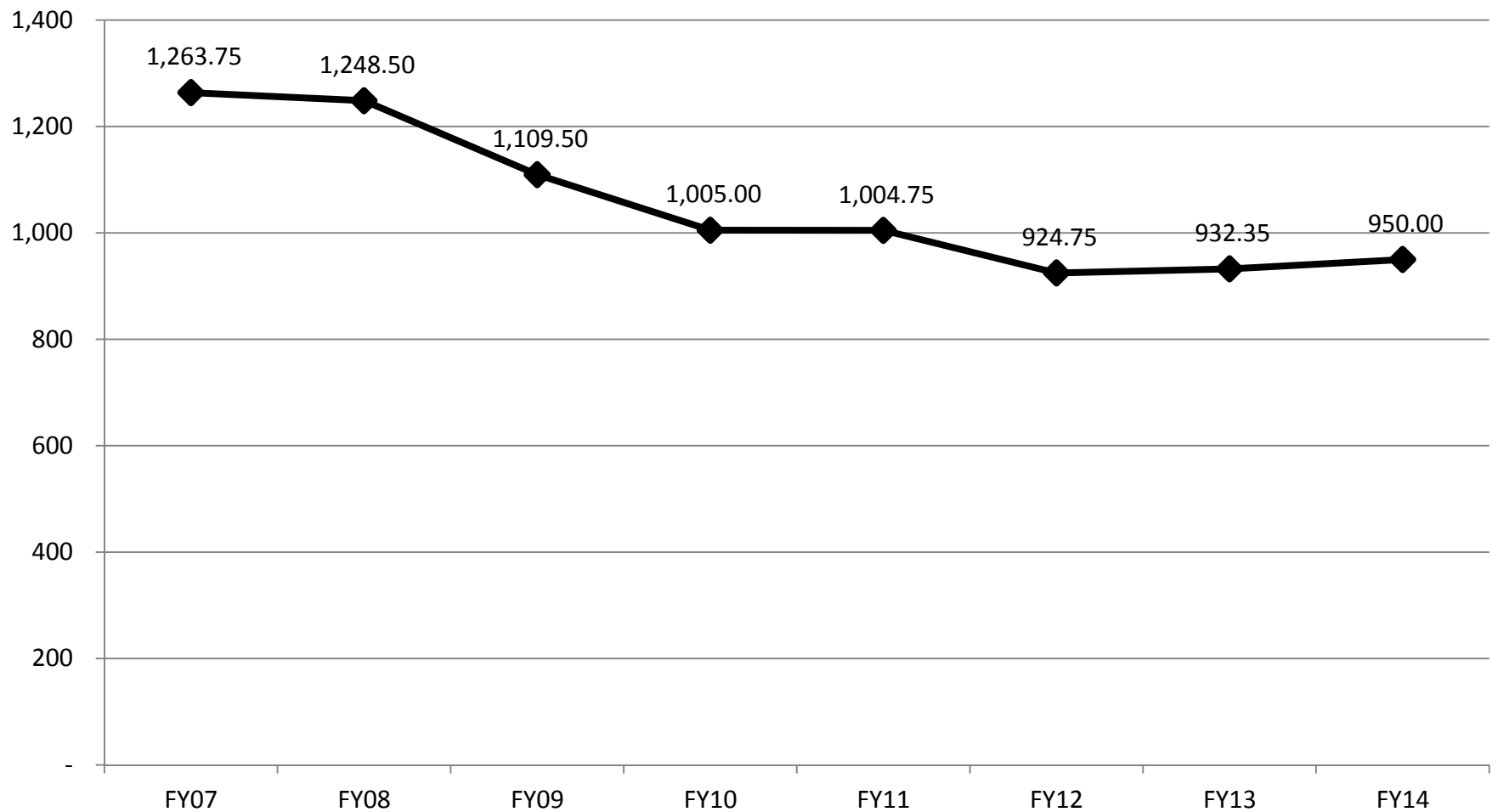
Summary of Historical Deficits

| Fiscal Year | Projected Deficit | Actions Taken to Balance |
|-------------|-------------------|---|
| FY 2012-13 | \$3.0 million | <ul style="list-style-type: none">• Increased Salary Savings• Reduce Supplies and Services budget• Increased reimbursement revenues |
| FY 2013-14 | \$2.3 million | <ul style="list-style-type: none">• One-time use of Economic Contingency Reserve funds |



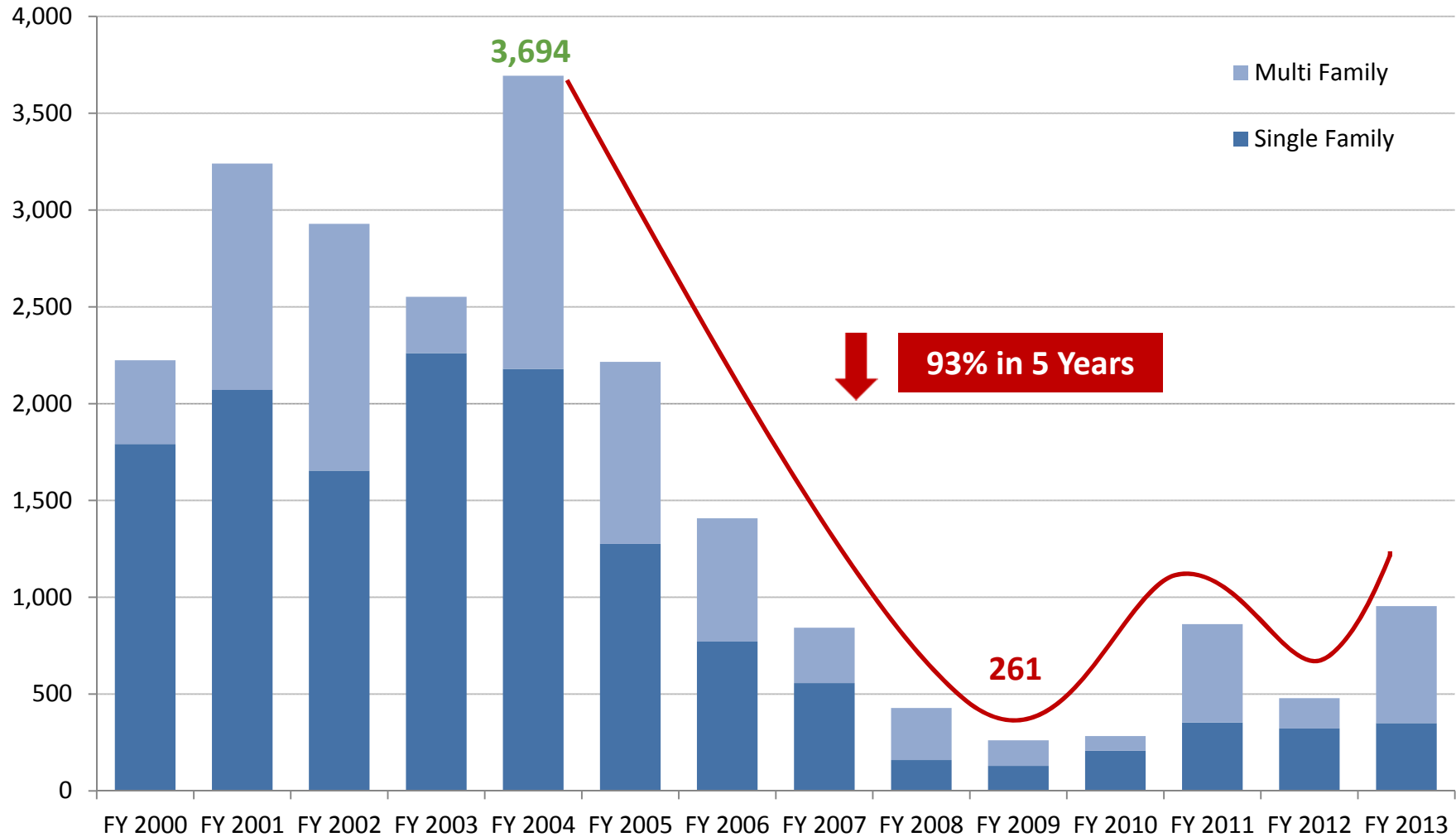
Staffing Reduction History

Total City Staff



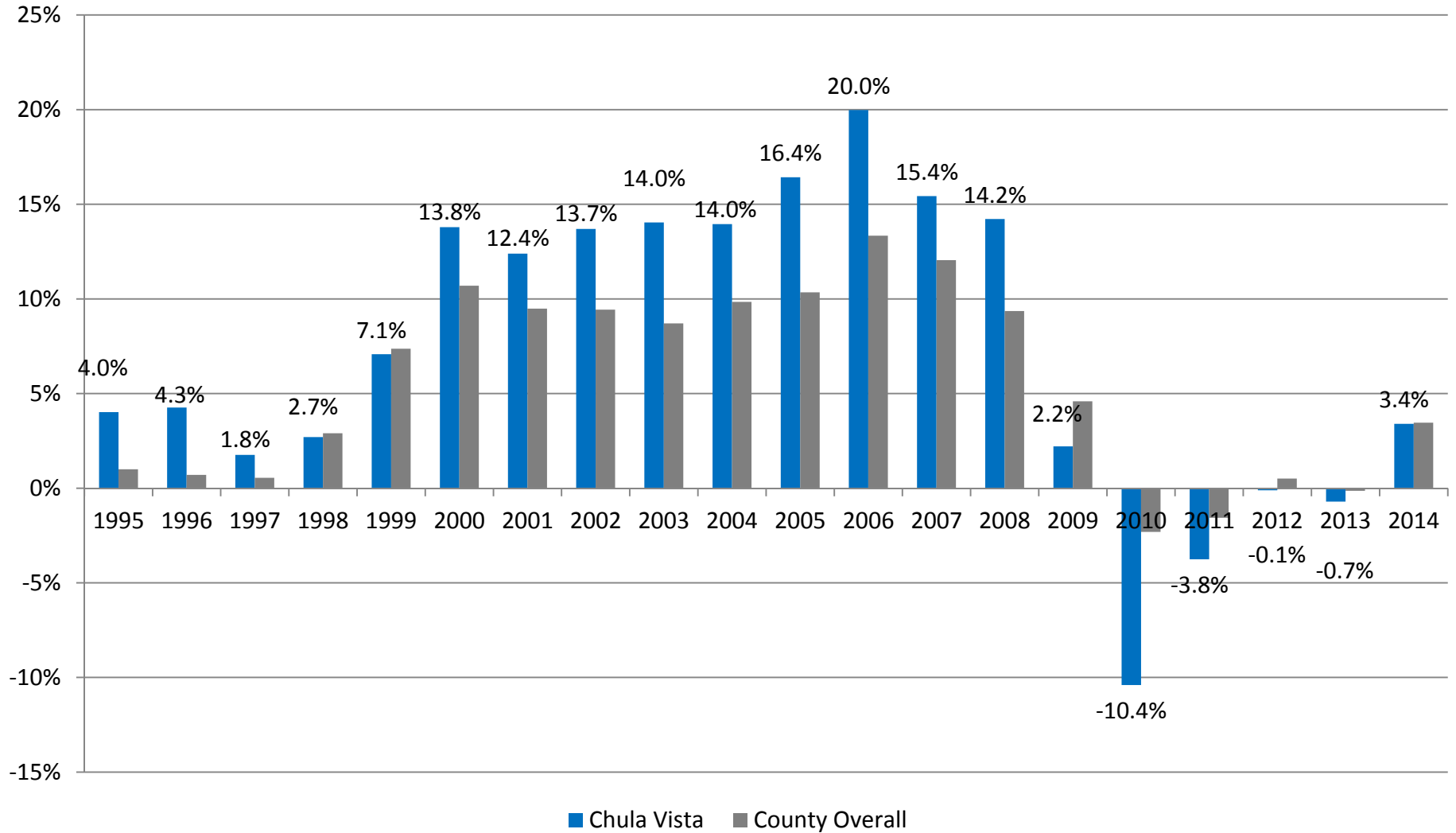


Residential Building Permits Issued





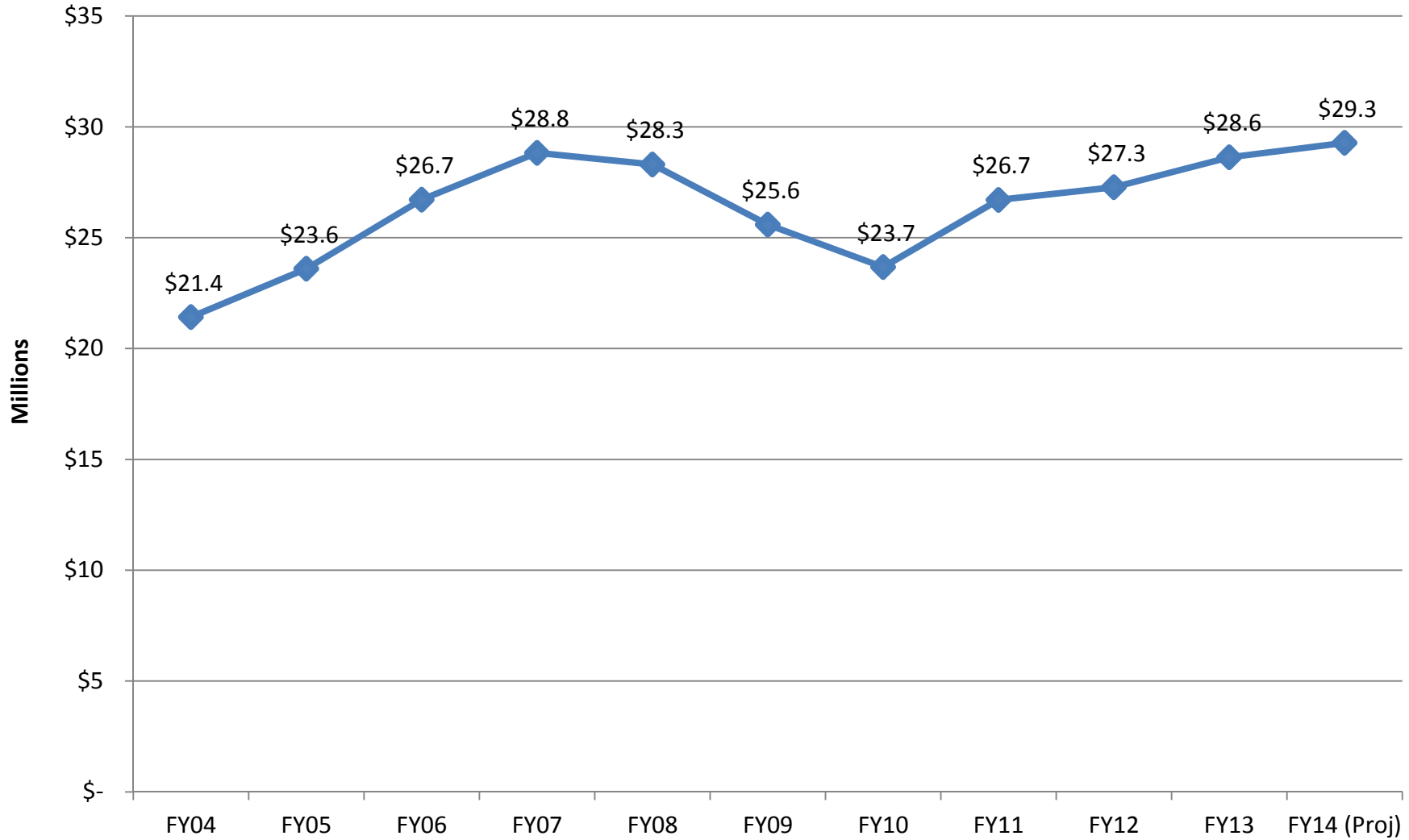
Assessed Values





Sales Tax

Actual Revenues





Conclusion

- Revenues are increasing modestly
- Baseline costs of existing personnel & services continue to outpace revenue growth
- City was at high risk due to the recent economic downturn but is now in a more stable financial position

**FISCAL YEAR 2015
BASELINE BUDGET**



Preliminary

FY 2015 Baseline Budget

Fiscal Year 2015 Baseline budget reflects:

- Property Tax adjusted to reflect a 4% AV growth
- Sales Tax Increase of 2% (from FY14 CA)
- Addition of TUT revenue
- Elimination of Contingency Reserve
- Increased Salaries and Wages to reflect implementation of MOUs
- Increased retirement costs based on updated PERS rates
- Increased Health Care costs



Preliminary

FY 2015 Baseline Budget

| | | |
|---------------------------|----|-------------|
| Revenues | \$ | 128,505,100 |
| Expenditures | \$ | 131,781,500 |
| Projected Deficit/Surplus | \$ | (3,276,500) |
| TUT Revenues | \$ | 3,627,900 |
| Updated Deficit/Surplus | \$ | 351,400 |



Department Funding Requests

- Department requests for funding totaled \$2.8M; including:
 - Enhance Graffiti Abatement Program \$426,600
 - Additional funding for Library books and materials \$100,000 (ongoing)
 - Police Strategic Plan Consultant \$125,000
 - Minor CIP Projects \$500,000
 - Increase Fire Overtime \$300,000
 - Increase Tree Trimming \$100,000
 - Increase Street Sweeping \$100,000
 - Enhance Economic Development \$176,500
 - Bayfront development costs \$100,000



TUT Settlement Funds

- Available Settlement Funds total \$4.2M
- Department funding requests total \$12.6M
- Funding recommendations are being reviewed and will be included as part of the City Manager's Proposed Budget



Next Steps

| | |
|-----------------|--|
| April 10 | <ul style="list-style-type: none">• Infrastructure Workshop |
| April | <ul style="list-style-type: none">• Finalize Fiscal Year 2015 Proposed Budget for All Funds |
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LONG-TERM FINANCIAL PLAN



Developing the LTFP

- Chula Vista Fiscal Health Plan (Council Supported January 2009)– Implemented four pronged approach to stabilize City finances
- Fiscal Recovery and Progress Plan (Council Supported in January 2012)– incorporates the Fiscal Health Plan and highlights major issues that impact City’s financial sustainability
- Long Term Financial Plan – Will provide additional analysis and long-term strategies to address major issues. The goal is to achieve financial resiliency in order to secure services to our community



Long-Term Financial Plan

- Long Term Financial Plan should include the following steps:
 1. Mobilization Phase – Prepares the organization for long-term planning by creating consensus on what the purpose and results of the planning process should be.
 2. Analysis Phase – Designed to produce information that supports planning and strategizing.
 3. Decision Phase – After the analysis is completed, decisions are made on how to use the information.
 4. Execution Phase – After adoption of the plan, strategies are put into action. This is where strategies become operational through the budget, financial performance measures, and action plans.



Preliminary 5-Year Financial Forecast

(Millions)

| Description | Baseline FY 2014-15 | Forecast FY 2015-16 | Forecast FY 2016-17 | Forecast FY 2017-18 | Forecast FY 2018-19 |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| Revenues | \$ 128.5 | \$ 131.5 | \$ 134.1 | \$ 136.7 | \$ 140.2 |
| Expenditures | \$ 131.8 | \$ 135.3 | \$ 137.9 | \$ 140.6 | \$ 143.2 |
| Surplus/(Deficit) | \$ (3.3) | \$ (3.8) | \$ (3.8) | \$ (3.9) | \$ (3.0) |
| TUT Revenue | \$ 3.6 | \$ 3.6 | \$ 3.6 | \$ 3.6 | \$ 3.6 |
| Est. Pension Impact Due to Mortality Change | \$ - | \$ - | \$ 0.9 | \$ 1.2 | \$ 1.3 |
| Surplus/(Deficit) w/ TUT and Mortality Impact | \$ 0.4 | \$ (0.2) | \$ (1.1) | \$ (1.4) | \$ (0.6) |
| 1% COLA Value | \$ 1.0 | \$ 1.0 | \$ 1.0 | \$ 1.0 | \$ 1.0 |
| Regional Communication System (RCS) Financing | \$ - | \$ - | \$ 0.4 | \$ 0.4 | \$ 0.4 |
| RCS Radios | \$ - | \$ - | \$ 2.5 | \$ - | \$ - |
| Surplus/(Deficit) with 1% COLA Value and RCS | \$ (0.6) | \$ (1.1) | \$ (5.0) | \$ (2.8) | \$ (2.0) |

⁽¹⁾ Represents the value of a 1% COLA increase for all employees. This is just informational. Negotiations with 5 bargaining groups are currently taking place.

⁽²⁾ Does not include additional staff related to proposed development.



General Fund Revenue/Expenditures

Where did we end up?

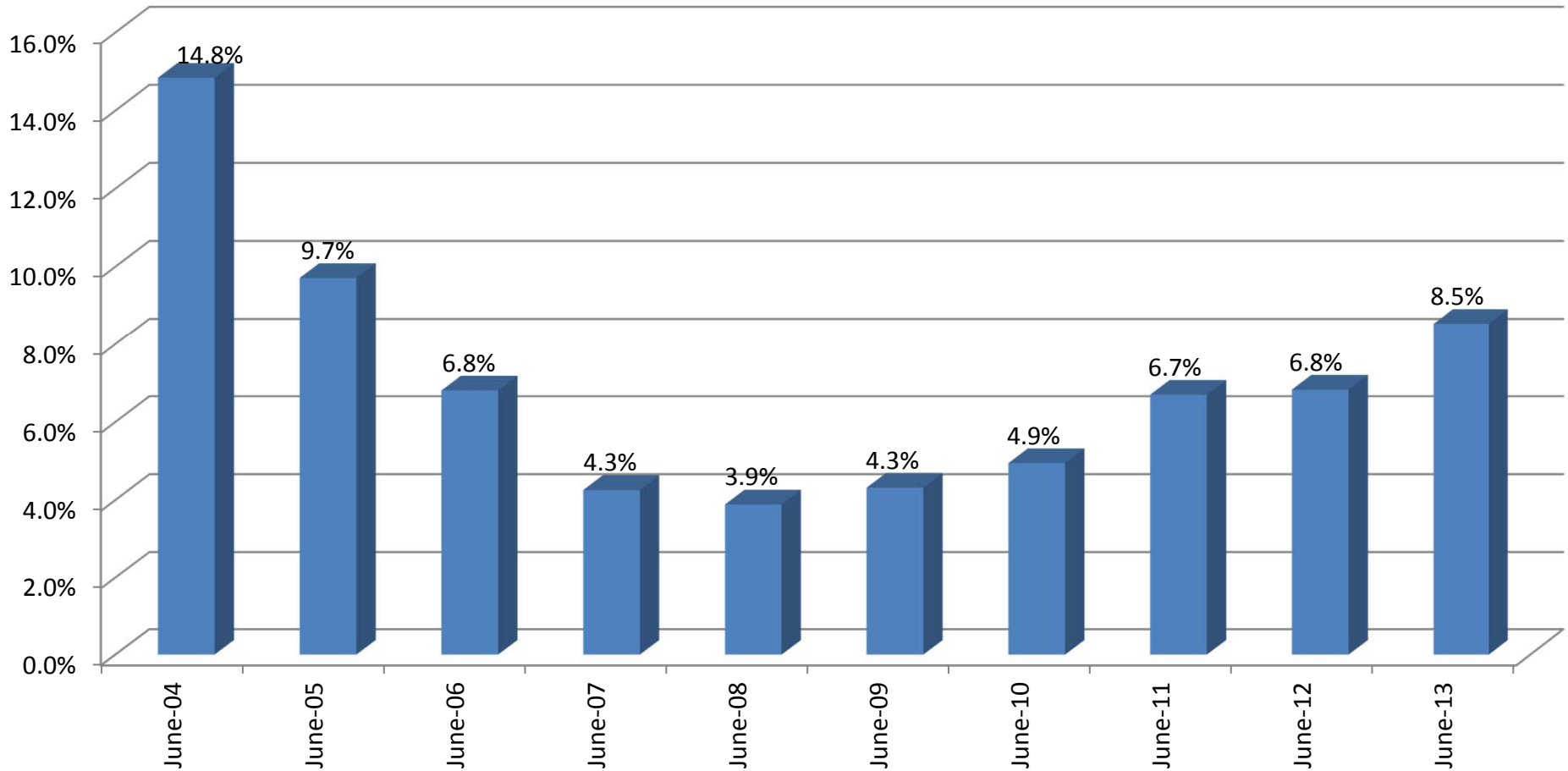
(Millions)

| Fiscal Year | Actual Revenues | Actual Expenditures | Change in Reserves | Reserves |
|-------------|-----------------|---------------------|--------------------|----------|
| FY 2006-07 | \$161.6 | \$166.2 | (\$4.6) | \$7.0 |
| FY 2007-08 | \$153.9 | \$155.0 | (\$1.0) | \$6.0 |
| FY 2008-09 | \$140.5 | \$140.5 | \$0.0 | \$6.0 |
| FY 2009-10 | \$130.8 | \$129.9 | \$0.9 | \$6.9 |
| FY 2010-11 | \$128.7 | \$127.3 | \$1.5 | \$8.3 |
| FY 2011-12 | \$121.7 | \$121.5 | \$0.2 | \$8.5 |
| FY 2012-13 | \$130.1 | \$127.8 | \$2.3 | \$10.8 |

Note: Expenditures include adjustments made to fund balance.



General Fund Reserves





Long Term Financial Plan

(Includes all Funds)

LTFP includes analysis of all funds managed by City (over 130 Funds)

- Government Funds (General Fund, PAD, DIF, RDA, Open Space Districts, CDBG, Assessment Districts etc.)
\$122 m Fund Balance
- Enterprise & Internal Service Funds (Sewer Funds, Development Services, W/C, PLF) - \$97 m (Unrestricted)

Fund balance – Includes receivables, outstanding PO's/encumbrances, restricted grant funds, available reserves.

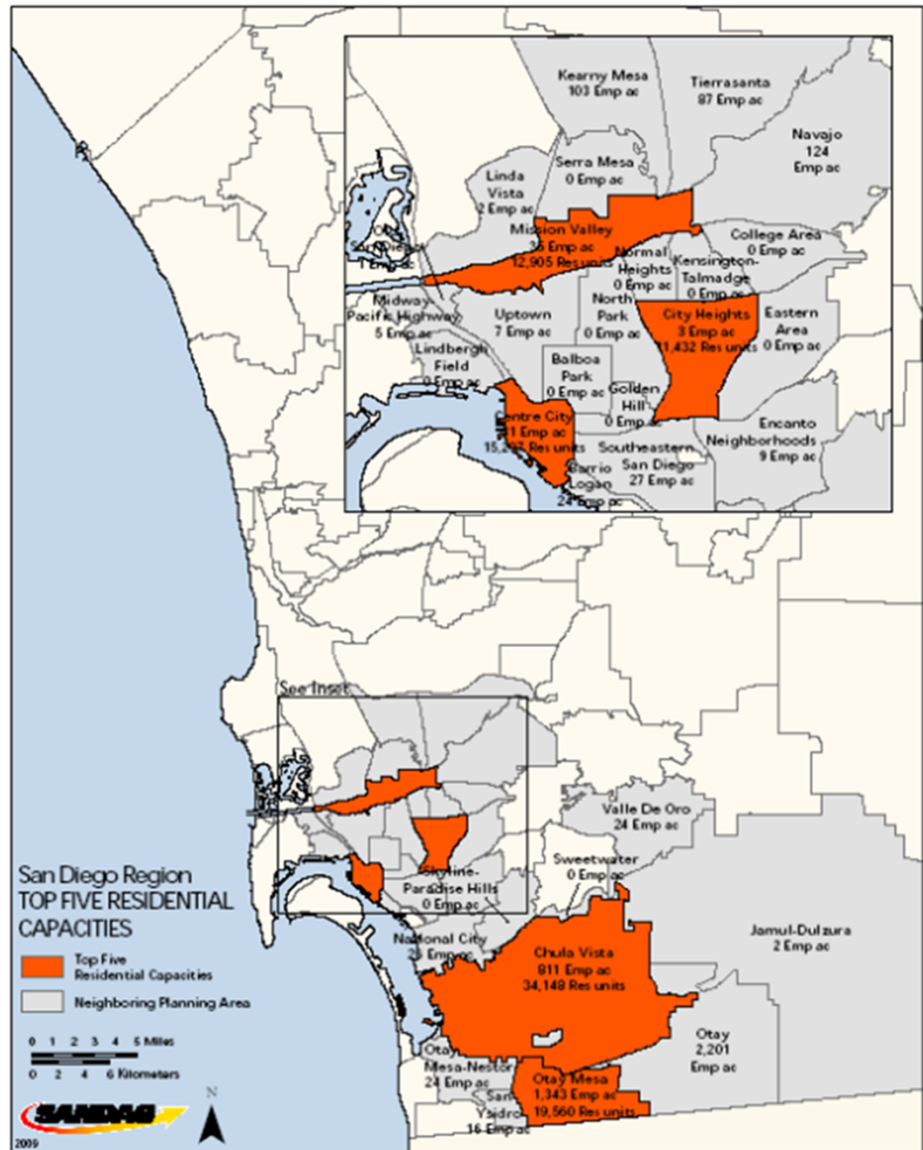
Unrestricted – Funds which are not permanently or temporarily restricted are classified as unrestricted and available for the government boards to allocate.



Managing Through Build Out

Projected Build Out - 2030

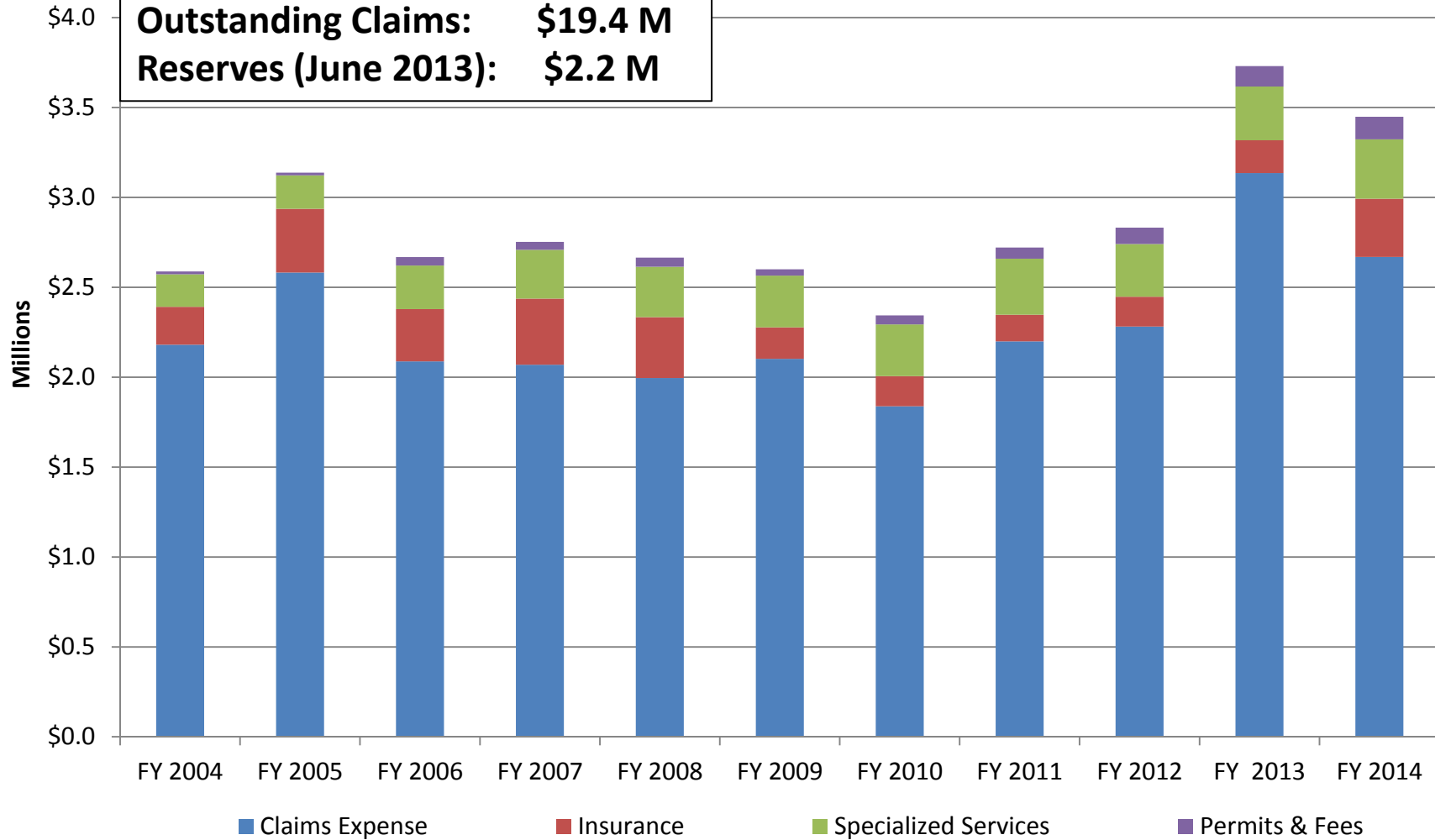
- Est. population at build out approx. 335,000
- 30,000 residential building permits yet to be issued
- Additional population and new public facilities will require additional staffing
- Need to plan for additional service demands or may cause additional budgetary stress





Workers Comp Expenditures

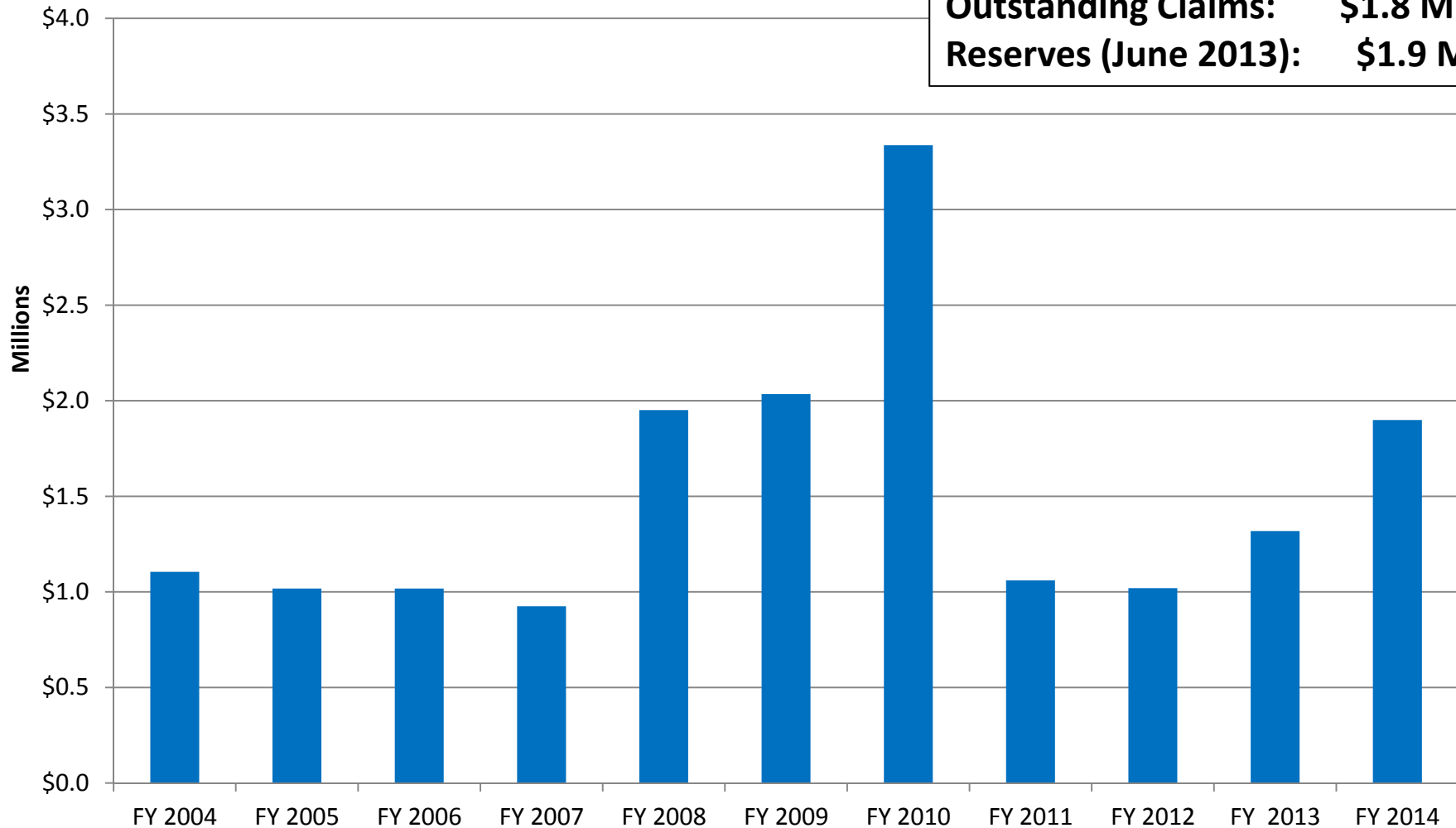
Self Insured Retention: \$ 1.0 M
Outstanding Claims: \$19.4 M
Reserves (June 2013): \$2.2 M





Public Liability Expense Fund

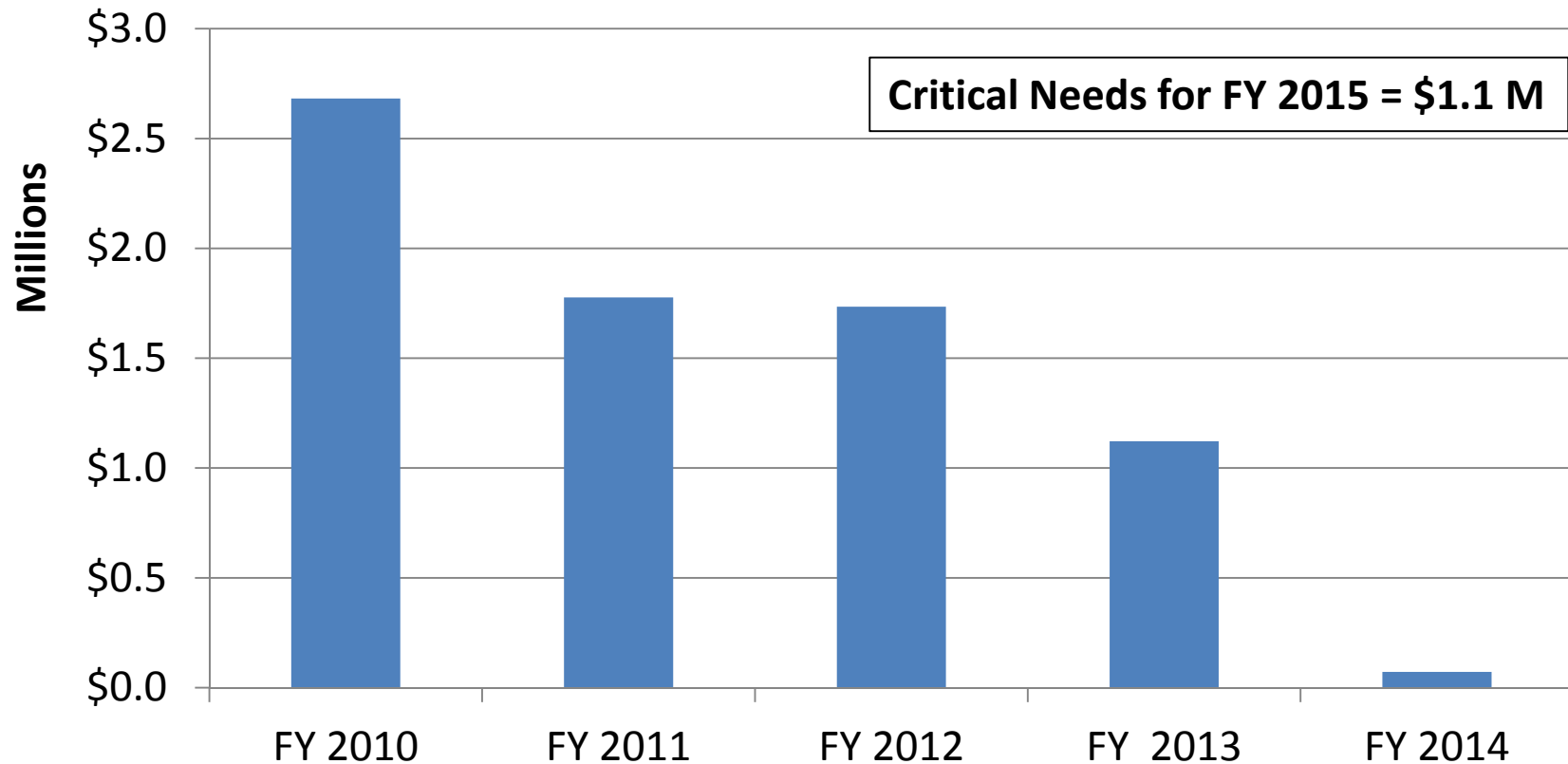
Self Insured Retention: \$500,000
Outstanding Claims: \$1.8 M
Reserves (June 2013): \$1.9 M





Long-Term Financial Plan

EQUIPMENT REPLACEMENT FUND RESERVE LEVELS





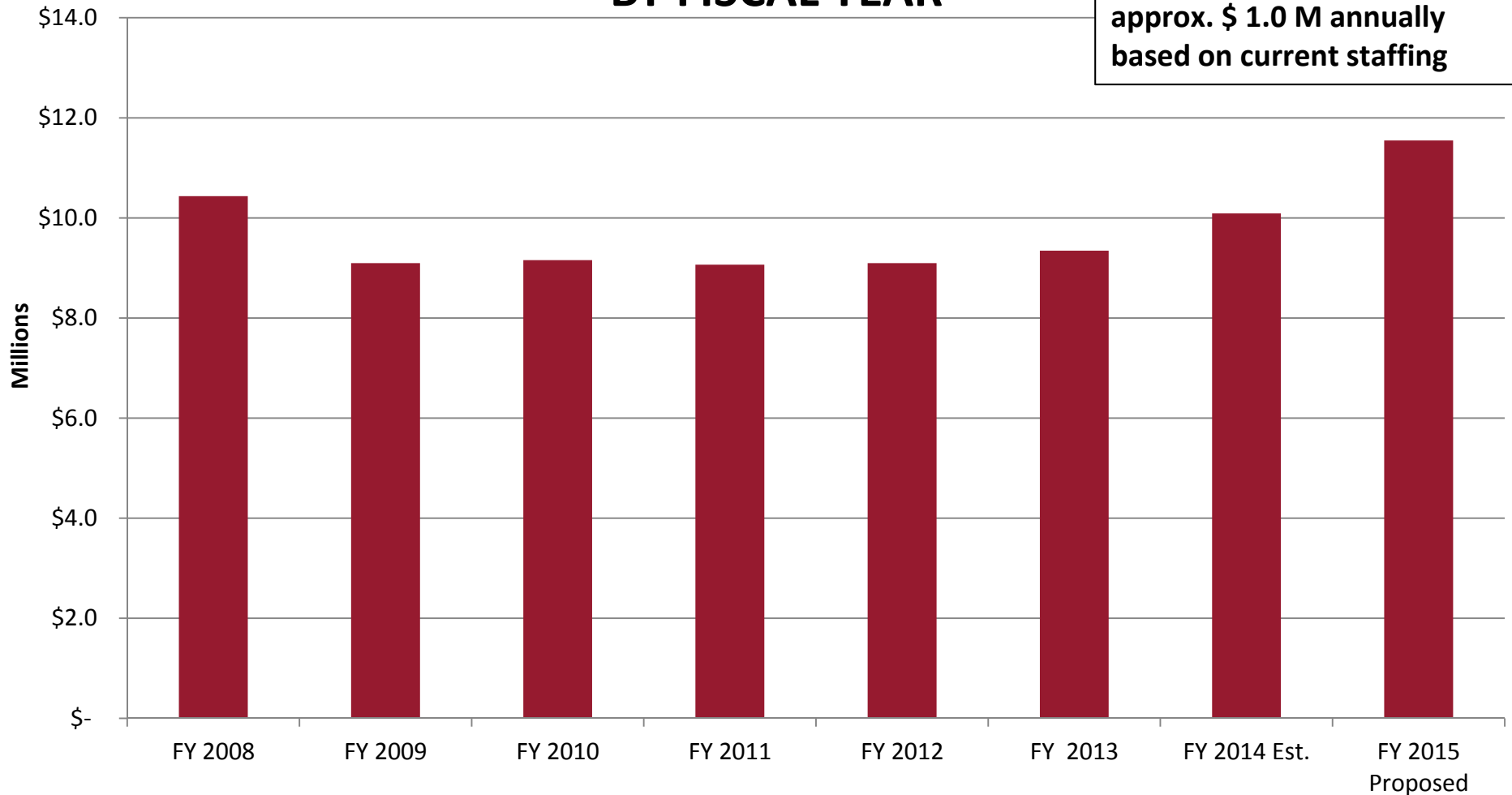
Long-Term Financial Plan

HEALTH CARE

**9.0% of Total FY 2014-15
General Fund Budget**

**Avg. Premium Inc. 7%
approx. \$ 1.0 M annually
based on current staffing**

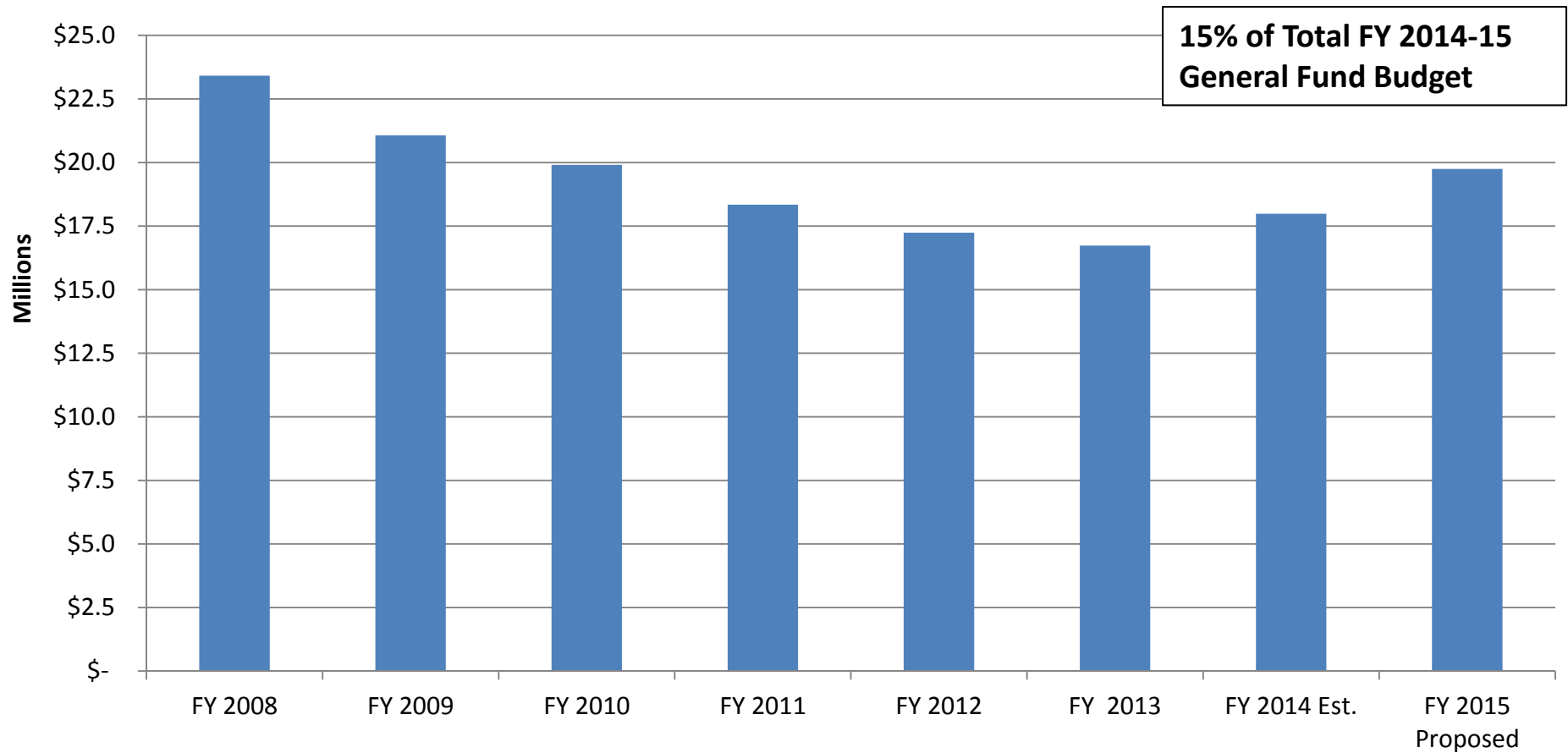
HEALTH BENEFIT EXPENSES BY FISCAL YEAR





CalPERS – Pension Cost

PENSION EXPENSES BY FISCAL YEAR





Employer PERS Contribution

| MISCELLANEOUS | | | | |
|-------------------|----------|----------|-------|---------------------------------|
| Fiscal Year | Employee | Employer | Total | Per \$100 Persable Salary |
| FY 2007-08 | 8.0% | 18.3% | 26.3% | \$ 26.27 |
| FY 2008-09 | 8.0% | 18.3% | 26.3% | \$ 26.32 |
| FY 2009-10 | 8.0% | 18.2% | 26.2% | \$ 26.15 |
| FY 2010-11 | - | 19.6% | 19.6% | \$ 19.60 |
| FY 2011-12 | - | 22.7% | 22.7% | \$ 22.70 |
| FY 2012-13 | - | 23.7% | 23.7% | \$ 23.67 |
| FY 2013-14 | - | 25.4% | 25.4% | \$ 25.44 |
| FY 2014-15 | - | 26.2% | 26.2% | \$ 26.24 |
| FY 2015-16 (Proj) | - | 27.7% | 27.7% | \$ 27.70 |

Notes:

- 1) The above does not reflect EPMC.
- 2) Effective FY 2011 employees (Tier 1) picked up their share of pension contributions. For illustration purposes the above chart reflects all bargaining units with the same start date, however some bargaining units contributions were phased in.



Employer PERS Contribution

| PUBLIC SAFETY | | | | |
|-------------------|----------|----------|-------|---------------------------------|
| Fiscal Year | Employee | Employer | Total | Per \$100 Persable Salary |
| FY 2007-08 | 9.0% | 22.3% | 31.3% | \$ 31.29 |
| FY 2008-09 | 9.0% | 23.9% | 32.9% | \$ 32.94 |
| FY 2009-10 | 9.0% | 23.2% | 32.2% | \$ 32.23 |
| FY 2010-11 | - | 22.7% | 22.7% | \$ 22.65 |
| FY 2011-12 | - | 26.1% | 26.1% | \$ 26.13 |
| FY 2012-13 | - | 26.5% | 26.5% | \$ 26.49 |
| FY 2013-14 | - | 27.3% | 27.3% | \$ 27.32 |
| FY 2014-15 | - | 28.9% | 28.9% | \$ 28.86 |
| FY 2015-16 (Proj) | - | 30.6% | 30.6% | \$ 30.60 |

Notes:

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Pension Overview

John E. Bartel, President

BARTEL
ASSOCIATES, LLC



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