



Overview

This financial report summarizes the City’s General Fund financial position for Fiscal Year 2020-2021 through September 30, 2020, and projections for the remainder of the fiscal year ending on June 30, 2021. The purpose of this report is to provide the City Council, Management and the citizens of Chula Vista an update on the City’s fiscal status based on the most recent financial information.

This report also includes information from the City’s long-term financial plan (LTFP). The LTFP is a forecast of ten future years based upon information available at the time and is updated annually to reflect the most current information available. The full LTFP can be found on the City’s website at <https://www.chulavistaca.gov/departments/finance/financial-reports>.

At the end of the first quarter, the City’s financial outlook is projected to have expenditures exceeding revenues by \$0.7 million. The factors contributing to this is addressed within this report.

Significant unanticipated expenditures related to responding to the COVID-19 public health emergency are expected throughout FY2021. Expenditures include staff time, supplies and services, and will be largely offset by funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act received from the County and State. The CARES Act funding will support expenditures directly related to COVID-19 which are not already outlined in the FY2020-21 Approved Budget. The Finance Department is working to ensure timely spenddown of relief funds to satisfy funding and accounting requirements. Updated revenue and expenditure projections, taking into account CARES reimbursements, will be included in future quarterly budget monitoring reports.

Revenues

The following table shows the Fiscal Year 2020-2021 General Fund Revised Budget revenues and the year-end Projected Budget revenues. The Projected Budget includes all the change in projections included in this report. Overall, General Fund revenues are projected to decrease by approximately \$4.7 million below the Revised Budget amounts. The decrease in revenue is due to a decrease in Sales Tax in the amount of \$2.0 million, decrease to Utility Users Tax of \$1.2 million, and Charges for Services of \$1.1 million along with other reductions to various revenue categories. The projections also include an increase of \$1.4 million to the Property Tax In-Lieu of Vehicle License Fees based on information from the County of San Diego. The adjusted Sales Tax projection is based on updated information provided by the City’s sales tax consultant.

The proposed budgetary adjustments are shown within the respective revenue categories in the following table.

Revenue Category	FY 2021 Revised Budget	FY 2021 Projected Budget	Variance
Property Taxes	\$ 37,555,758	\$ 37,555,758	\$ -
Sales Tax	36,931,855	34,936,873	(1,994,982)
Measure P Sales Tax	20,020,000	20,020,000	-
Measure A Sales Tax	20,020,000	20,020,000	-
PT in lieu of Motor Vehicle License Fee (VLF)	23,591,939	24,950,254	1,358,315
Franchise Fees	12,404,935	12,404,935	-
Utility Users Tax	5,233,423	4,033,423	(1,200,000)
Transient Occupancy Taxes	4,926,832	4,531,374	(395,458)
Development Revenue	2,034,366	2,034,366	-
Licenses and Permits	1,466,670	1,466,670	-
Fines, Forfeitures, Penalties	1,230,253	1,230,253	-
Use of Money & Property	2,996,116	2,696,116	(300,000)
Other Local Taxes	4,125,339	3,628,874	(496,465)
Police Grants	981,317	981,317	-
Revenue from Other Agencies	1,418,747	1,418,747	-
Charges for Services	8,143,485	7,039,533	(1,103,952)
Interfund Reimbursements	10,099,919	10,099,919	-
Other Revenue	1,335,381	707,381	(628,000)
Transfers In	12,315,618	12,315,618	-
TOTAL REVENUES	\$ 206,831,953	\$ 202,071,411	\$ (4,760,542)



The Finance Department will continue to monitor the City’s actual revenues and will provide any significant changes in subsequent quarterly budget monitoring reports.

Expenditures

The following table reflects the Fiscal Year 2020-2021 General Fund Adopted Budget expenditures and actual expenditures by department as of September 30, 2020. In total, departments have expended approximately \$48.0 million or 24% of the General Fund Revised Budget after 25% of the fiscal year has elapsed. Overall, departmental expenditures are tracking consistent with the total Revised Budget as of the end of the first quarter.

Staff will continue to monitor department expenditures to identify any costs that might trend higher than anticipated and proposed future actions to address these trends as appropriate.

GENERAL FUND EXPENDITURES AS OF 9/30/2020

Department	FY 2021 Revised Budget	Expended as of 9/30/2020	% Expended
City Council	\$ 1,540,062	\$ 398,716	25.9%
Boards & Commissions	125,000	-	0.0%
City Clerk	933,434	268,143	28.7%
City Attorney	3,243,198	878,841	27.1%
Administration	2,342,859	658,991	28.1%
Information Technology	3,841,104	1,125,550	29.3%
Human Resources	2,760,848	767,068	27.8%
Finance	3,760,994	1,005,649	26.7%
Non-Departmental	50,028,636	6,052,232	12.1%
Animal Care Facility	2,848,513	696,252	24.4%
Economic Development	1,795,524	1,690,505	94.2%
Development Services	2,680,135	1,192,565	44.5%
Engineering/Capital Project	9,928,285	2,523,817	25.4%
Police	57,482,875	14,994,667	26.1%
Fire	33,908,070	9,522,505	28.1%
Public Works	11,954,413	3,067,815	25.7%
Parks and Recreation	10,176,352	2,622,600	25.8%
Library	3,427,834	837,301	24.4%
TOTAL EXPENDITURE BUDGET	\$ 202,778,136	\$ 48,303,218	23.8%

The following table reflects the projected expenditures for June 30, 2021. As of the end of the first quarter, expenditures appear to be tracking consistent with the Fiscal Year 2020-2021 Revised Budget.

GENERAL FUND PROJECTIONS BY DEPARTMENT FOR SEPTEMBER 30, 2020

Department	FY 2021 Revised Budget	FY 2021 Projected Budget	Variance
City Council	\$ 1,540,062	\$ 1,540,062	\$ -
Boards & Commissions	125,000	125,000	-
City Clerk	933,434	933,434	-
City Attorney	3,243,198	3,243,198	-
Administration	2,342,859	2,342,859	-
Information Technology	3,841,104	3,841,104	-
Human Resources	2,760,848	2,760,848	-
Finance	3,760,994	3,760,994	-
Non-Departmental	50,028,636	50,028,636	-
Animal Care Facility	2,848,513	2,848,513	-
Economic Development	1,795,524	1,795,524	-
Planning & Building	2,680,135	2,680,135	-
Engineering/Capital Project	9,928,285	9,928,285	-
Police	57,482,875	57,482,875	-
Fire	33,908,070	33,908,070	-
Public Works	11,954,413	11,954,413	-
Parks and Recreation	10,176,352	10,176,352	-
Library	3,427,834	3,427,834	-
TOTAL EXPENDITURE BUDGET	\$ 202,778,136	\$ 202,778,136	\$ -

At the end of the fiscal year, the Finance Department will be seeking to make transfers from other expenditure categories with projected savings and to appropriate available revenues to fully utilize resources and mitigate any departmental deficits if any should occur.

Staff will continue to monitor General Fund expenses and look for potential cost saving measures in order to remain within budget during the current fiscal year.

LONG-TERM FINANCIAL PLAN UPDATE – FISCAL YEARS 2022 TO 2026

A focus of this financial report is to review the Long-Term Financial Plan (LTFP) and look beyond the



current fiscal year at fiscal issues facing the City on the horizon.

The following table displays the updated financial projections for fiscal years 2022 through 2026. A more detailed table that includes all ten years is provided at the end of this report.

Long-Term Financial Plan FY 2022 - 2026 (in millions)

Description	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026
Revenue Projections					
MAJOR DISCRETIONARY REVENUES	\$ 164.53	\$ 169.28	\$ 172.41	\$ 175.60	\$ 178.88
OTHER REVENUES	46.28	48.57	48.87	49.18	49.49
TOTAL REVENUES (in millions)	\$ 210.81	\$ 217.85	\$ 221.28	\$ 224.78	\$ 228.37
Expenditure Projections					
PERSONNEL SERVICES EXPENDITURES	\$ 142.29	\$ 147.00	\$ 151.16	\$ 155.55	\$ 158.76
OTHER EXPENDITURES	71.85	73.21	74.57	75.26	76.12
NEW DEVELOPMENT EXPENDITURES	-	-	0.69	0.72	0.74
TOTAL EXPENDITURES (in millions)	\$ 214.14	\$ 220.21	\$ 226.42	\$ 231.52	\$ 235.62
TOTAL GF SURPLUS/(DEFICIT)	\$ (3.33)	\$ (2.36)	\$ (5.14)	\$ (6.74)	\$ (7.25)
Peace Officer Funding ¹	\$ 0.53	\$ 1.06	\$ 1.68	\$ 2.34	\$ 3.03
TOTAL GF SURPLUS/(DEFICIT)	\$ (3.86)	\$ (3.42)	\$ (6.82)	\$ (9.08)	\$ (10.28)

The LTFP does not include the budgetary impact of the City’s plan to issue Pension Obligation Bonds (POBs) later this fiscal year. Once the POBs are issued the LTFP will be updated accordingly. It also does not reflect the current economic conditions worsening and affecting future fiscal years revenue streams beyond the assumptions already made.

While a revenue shortfall is anticipated for Fiscal Year 2020-2021, the current LTFP projects budget deficits beginning in Fiscal Year 2021-2022. Assuming no additional financial measures or policy changes to either increase revenues or reduce expenditures, Fiscal Year 2021-2022 projects a revenue shortfall of \$3.9 million, growing to a deficit of \$10.3 million in Fiscal Year 2025-2026 and \$16.5 million in Fiscal Year 2030-2031 (the last year of the LTFP).

For revenues, additional revenue sources or increasing growth in existing revenue sources will be needed. The LTFP does include increased revenues

due to a new franchise agreement with Republic haulers, a revised table agreement with the Seven Mile casino, and preliminary revenues starting in Fiscal Year 2020-2021 for cannabis businesses. While the City is making strides to increase revenues, the City of continues to pursue development opportunities that have the potential to positively impact revenue for the City.

For expenditures, the most significant drivers of the long-term grow in expenses are related to the increase in public safety costs and the increasing costs associated with public employee salaries and benefits.

Fiscal Year 2022 Budget Balancing

The purpose of this review is to highlight the structural imbalances that the City will face next fiscal year, and to focus problem solving efforts toward a menu of viable options. These projections will continue to evolve as new information becomes available. The projections within this report assume continued economic growth. Even a small or short-lived economic downturn will amplify the projected deficits shown in the LTFP.

SUMMARY AND NEXT STEPS

At the conclusion of the first quarter of Fiscal Year 2020-2021, the current year budget is on track for revenues and expenditures, with minor modifications. Staff is monitoring expenditures and revenue projections to assess whether further modifications will be necessary during remainder of the fiscal year.

The longer-term projections for the City’s General Fund continue to pose serious challenges, because revenues will not be enough to cover projected costs that are on the horizon. Because the City has limited abilities to impact near-term revenue, its staff and policy makers will need to focus their efforts on the cost side by finding savings, modifying service levels,



cost cuts or cost delays for the upcoming year, even as efforts continue to address economic development opportunities throughout the City.



Quarterly Financial Report

First Quarter FY 2021 Ending September 30, 2020

Prepared – November 2020

Long-Term Financial Plan FY 2022 - 2031

Description	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031
Revenue Projections (millions)										
Property Tax	\$ 38.68	\$ 39.84	\$ 41.04	\$ 42.27	\$ 43.54	\$ 44.84	\$ 46.19	\$ 47.57	\$ 49.00	\$ 50.47
Sales Tax	37.61	37.99	38.37	38.75	39.14	39.53	39.93	40.33	40.73	41.14
Measure P Sales Tax	21.33	21.54	21.75	21.97	22.19	16.81	-	-	-	-
Measure A Sales Tax	21.33	21.54	21.75	21.97	22.19	22.41	22.64	22.86	23.09	23.32
Franchise Fees	12.65	12.91	13.16	13.43	13.70	13.97	14.25	14.53	14.83	15.12
Utility User Taxes	3.99	3.95	3.91	3.87	3.84	3.80	3.76	3.72	3.68	3.65
Transient Occupancy Taxes	3.13	4.93	5.03	5.13	5.23	5.34	5.44	5.55	5.66	5.78
Motor Vehicle License Fees	25.81	26.59	27.38	28.20	29.05	29.92	30.82	31.74	32.70	33.68
MAJOR DISCRETIONARY REVENUES	\$ 164.53	\$ 169.28	\$ 172.41	\$ 175.60	\$ 178.88	\$ 176.62	\$ 163.02	\$ 166.32	\$ 169.69	\$ 173.16
Development Revenue	2.04	2.05	2.07	2.08	2.09	2.10	2.11	2.12	2.13	2.14
Licenses and Permits	1.50	1.53	1.56	1.59	1.62	1.65	1.68	1.72	1.75	1.79
Fines, Forfeitures & Penalties	1.25	1.28	1.31	1.33	1.36	1.39	1.41	1.44	1.47	1.50
Use of Money and Property	2.70	2.72	2.75	2.78	2.81	2.83	2.86	2.89	2.92	2.95
Other Local Taxes	3.15	3.18	3.21	3.25	3.28	3.31	3.35	3.38	3.41	3.45
Police Grants	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83
Other Agency Revenue	1.47	1.48	1.50	1.51	1.53	1.54	1.56	1.57	1.59	1.60
Charges for Services	7.99	8.03	8.07	8.11	8.15	8.19	8.23	8.28	8.32	8.36
Interfund Reimbursements	9.64	9.73	9.83	9.93	10.03	10.13	10.23	10.33	10.43	10.54
Other Revenue	3.39	5.41	5.44	5.46	5.49	5.52	5.55	5.57	5.60	5.63
Transfers From Other Funds	12.32	12.32	12.32	12.32	12.32	12.32	12.32	12.32	12.32	12.32
OTHER REVENUES¹	46.28	48.57	48.87	49.18	49.49	49.81	50.12	50.45	50.77	51.10
TOTAL REVENUES	\$ 210.81	\$ 217.85	\$ 221.28	\$ 224.78	\$ 228.37	\$ 226.43	\$ 213.15	\$ 216.76	\$ 220.46	\$ 224.25
Year-over-Year Change	1.99%	3.34%	1.57%	1.58%	1.59%	-0.85%	-5.87%	1.70%	1.71%	1.72%
Expenditures:										
Expenditure Projections (millions)										
Personnel Services	\$ 94.82	\$ 96.71	\$ 98.65	\$ 100.62	\$ 102.63	\$ 104.69	\$ 106.78	\$ 108.92	\$ 111.09	\$ 113.32
Retirement - PERS	13.53	13.49	13.60	13.61	13.66	13.71	14.08	14.47	14.87	15.28
Retirement - Unfunded Actuarial Liability	22.79	24.77	25.95	27.35	27.42	28.24	29.01	29.80	30.62	30.96
Health Insurance	13.05	13.96	14.94	15.98	17.10	18.30	19.58	20.95	22.41	23.98
Salary Savings (Ongoing)	(1.90)	(1.93)	(1.97)	(2.01)	(2.05)	(2.09)	(2.14)	(2.18)	(2.22)	(2.27)
PERSONNEL SERVICES EXPENDITURES	\$ 142.29	\$ 147.00	\$ 151.16	\$ 155.55	\$ 158.76	\$ 162.84	\$ 167.32	\$ 171.96	\$ 176.77	\$ 181.27
Supplies and Services	14.06	14.62	15.16	15.12	15.23	15.54	15.85	16.17	16.49	16.82
Utilities	5.08	5.33	5.60	5.88	6.18	6.48	6.81	7.15	7.51	7.88
Other Expenses	0.80	0.81	0.83	0.85	0.86	0.88	0.90	0.91	0.93	0.95
Equipment (Capital not CIP)	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11
Internal Services	3.22	3.28	3.35	3.41	3.48	3.55	3.62	3.69	3.77	3.84
Measure A Obligations	21.33	21.54	21.75	21.97	22.19	22.41	22.64	22.86	23.09	23.32
Measure P Obligations	21.33	21.54	21.75	21.97	22.19	16.81	-	-	-	-
Transfers/Debt Service	5.94	5.98	6.02	5.95	5.88	5.58	5.62	5.66	5.70	5.70
OTHER EXPENDITURES³	71.85	73.21	74.57	75.26	76.12	71.37	55.55	56.56	57.60	58.63
NEW DEVELOPMENT EXPENDITURES										
Bayfront Fire Station	-	-	0.69	0.72	0.74	0.77	0.79	0.80	0.80	0.80
NEW DEVELOPMENT EXPENDITURES	-	-	0.69	0.72	0.74	0.77	0.79	0.80	0.80	0.80
TOTAL EXPENDITURES	\$ 214.14	\$ 220.21	\$ 226.42	\$ 231.52	\$ 235.62	\$ 234.97	\$ 223.65	\$ 229.32	\$ 235.17	\$ 240.70
Year-over-Year Change	3.60%	2.84%	2.82%	2.25%	1.77%	-0.27%	-4.82%	2.53%	2.55%	2.35%
TOTAL GENERAL FUND SURPLUS/(DEFICIT)	\$ (3.33)	\$ (2.36)	\$ (5.14)	\$ (6.74)	\$ (7.25)	\$ (8.54)	\$ (10.50)	\$ (12.56)	\$ (14.71)	\$ (16.45)
SURPLUS/(DEFICIT) AS % OF BUDGET	-1.56%	-1.07%	-2.27%	-2.91%	-3.08%	-3.64%	-4.70%	-5.48%	-6.25%	-6.83%
HIGH PRIORITY PROGRAMS										
Peace Officer Funding ⁴	\$ 0.53	\$ 1.06	\$ 1.68	\$ 2.34	\$ 3.03	\$ 3.76	\$ 4.54	\$ 5.36	\$ 6.23	\$ 7.12
TOTAL GENERAL FUND SURPLUS/(DEFICIT)	\$ (3.86)	\$ (3.42)	\$ (6.82)	\$ (9.08)	\$ (10.28)	\$ (12.31)	\$ (15.04)	\$ (17.92)	\$ (20.94)	\$ (23.57)
SURPLUS/(DEFICIT) AS % OF BUDGET	-1.80%	-1.55%	-3.01%	-3.92%	-4.37%	-5.24%	-6.73%	-7.81%	-8.90%	-9.79%

(1) Any revenues in excess of actual expenditures in any year will be carried forward to future years as an encumbrance and continue to be dedicated to Measure A obligations. and Property, Other Local Taxes, Police Grants, Other Agency Revenue, Charges for Services, Interfund Reimbursements, Other Revenues - Miscellaneous, and Transfers from Other Funds.

(2) New Development Revenues reflect increases in various existing revenue categories related to new development within the City.

(3) Other Expenditures line item is the total of the following expenditure categories: Supplies and Services, Utilities, Other Expenses, Equipment, Internal Services, and Transfers/Debt Service.

(4) Figure represents City's goal of adding five additional peace officer positions each year to address anticipated growth in City's population. Positions not incorporated in the Intended Public Safety Expenditure Plan for Measure A Sale Tax Measure.