



CITY COUNCIL AGENDA STATEMENT



December 1, 2020

File ID: **20-0487**

TITLE

A. QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDING SEPTEMBER 30, 2020

B. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA MAKING VARIOUS AMENDMENTS TO THE FISCAL YEAR 2020/2021 BUDGET TO ADJUST FOR VARIANCES AND APPROPRIATING FUNDS THEREFOR (4/5 VOTE REQUIRED)

RECOMMENDED ACTION

Council adopt the resolutions.

SUMMARY

Quarterly Financial Report

The Finance Department, in collaboration with other City departments, prepares quarterly financial reports for the General Fund that reflect budget to actual comparisons, projected revenues and expenditures, and highlight major variances that may require additional action or changes as of September 30, 2020. The quarterly financial reports are in compliance with Section 504 (f) of the City Charter, which requires that quarterly financial reports be filed by the Director of Finance through the City Manager.

In preparing the quarterly financial projections, staff has identified various budget changes that are needed to reflect actual revenues and expenditures or address changes in budgetary needs. For government entities, a budget creates a legal framework for spending during the fiscal year. After the budget is approved by the City Council, there are circumstances which arise that could require adjustments to the approved budget. Council Policy 220-02 "Financial Reporting and Transfer Authority" was established in January of 1996 and allows for budget transfers and adjustments to be completed. This report discusses budget adjustments that staff recommends in the General Fund as well as various other funds to address identified fiscal issues.

In addition to the Fiscal Year 2020/2021 budget recommendations for City funds, this report includes an update on Measure P and Measure A actual revenues and expenditures as of September 30, 2020.

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under

Section 15378 of the State CEQA Guidelines because the proposed activity consists of a governmental fiscal/administrative activity which does not result in a physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not Applicable.

DISCUSSION

Quarterly Financial Report

The First Quarter Report is developed using three months of recorded (July 2020 through September 2020) activity for Fiscal Year 2020/2021 as of September 30, 2020. The data in this report is the most current data available; however, the data and projections are subject to change. This report will provide summary information for the following areas:

- Major General Fund Revenues
- Adjustments to General Fund Expenditures
- Adjustments to non-General Fund funds
- Update to the Measure P and Measure A Funds

Attachment A – Quarterly Financial Report provides additional information for the financial outlook for the General Fund for the current fiscal year including City revenues and expenditures; and a summary of the Long-Term Financial Plan (LTFP) covering FY 2021 – FY 2031.

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

General Fund Overview

The City’s Fiscal Year 2020/2021 financial outlook is adjusted as overall General Fund revenues are projected to be less than expenditures by approximately \$0.7 million. The negative change is primarily due to a negative projection to the Sales Tax and Utility Users Tax. Sales Tax decrease is based upon updated information from the City’s sales tax consultant. Departmental expenditures are projected to be on budget. Additional information on General Fund revenue and expenditures are provided in the attachment to 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.

Major General Fund Revenues

The City's major General Fund revenues, which make up approximately 78% of the City's General Fund revenues, are projected to be under the Adopted Budget amounts by approximately \$2.2 million as shown in Table 1 below. Sales Tax, Utility Users Tax, and Transient Occupancy Tax are projected to come in below budget by approximately \$3.5 million. The Property Tax in Lieu of Vehicle License Fee is projected to come in higher than budget by \$1.4 million based on updated information from the County of San Diego. All other Major revenues are anticipated to meet their projected revenue year-end estimates.

The remaining General Fund revenues (not represented in Table 1) are anticipated to reach the Adopted Budget amounts. All the General Fund revenues are summarized in Attachment A. The overall General Fund revenues are projected to be less than the Adopted Budget by approximately \$4.8 million.

Table 1 - Fiscal Year 2020/2021 Major General Fund Revenue Projections

Revenue Category	FY 2021 Revised Budget	FY 2021 Projected Budget	Variance
Property Tax	\$ 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 Taxes	5,233,423	4,033,423	\$ (1,200,000)
Transient Occupancy Tax	4,926,832	4,531,374	\$ (395,458)
Total	\$ 160,684,742	\$ 158,452,617	\$ (2,232,125)

¹Property Tax in Lieu of Vehicle License Fees was previously accounted for as Motor Vehicle License fees (VLF) in the State Revenue category. VLF was replaced by a backfill from property taxes following the permanent reduction of the VLF rate from 2% to 0.65% in 2004.

Major General Fund Expenditures

The City's major General Fund expenditures, which make up approximately 74% of the City's General Fund expenditures, are shown in the table below. In July 2020, the FY2020-2021 General Fund Expenditure Budget was decreased by approximately \$3.9 million in an effort to reduce expenditures due to COVID-19 pandemic and its impacts on City revenues. Staff will continue to monitor expenditures to identify any costs that might continue to trend higher or lower than anticipated and propose future actions to address these expenses. Additionally, information related to departmental expenditures is provided in the attachment.

Table 2 - Fiscal Year 2020/2021 General Fund Major Expenditure Projections

Expenditure Category	FY 2021 Revised Budget	FY 2021 Projected Budget	Expended to date	% Expended
Personnel Services	\$ 131,767,261	\$ 131,767,261	\$ 36,450,599	27.7%
Supplies and Services	13,976,695	13,976,695	5,026,939	36.0%
Utilities	4,838,554	4,838,554	1,295,257	26.8%
Total	\$ 150,582,510	\$ 150,582,510	\$ 42,772,796	28.4%

General Fund Adjustments

At the conclusion of the first quarter of Fiscal Year 2020/2021, the proposed adjustments are minor inter- and intra-Department transfers or are appropriations associated with offsetting revenue. The proposed adjustments are anticipated to result in a net decrease of General Fund costs of approximately \$1.4 million.

The following chart provides a summary of the proposed budgetary adjustments:

Table 3 - General Fund Budget Adjustments Summary - 1st Quarter Fiscal Year 2020/2021

DEPARTMENT	Footnote	PERSONNEL SERVICES	SUPPLIES & SERVICES	TOTAL EXPENSE	TOTAL REVENUE	NET COST
GENERAL FUND						
Human Resources	1	\$ 112,618	\$ -	\$ 112,618	\$ (112,618)	\$ -
Non-Departmental	2, 3	-	73,900	73,900	(1,432,215)	(1,358,315)
Police	4	-	-	-	14,000	14,000
Fire	5	6,779	-	6,779	(53,062)	(46,283)
TOTAL GENERAL FUND		\$ 119,397	\$ 73,900	\$ 193,297	\$ (1,583,895)	\$ (1,390,598)

General Fund Amendment Footnotes

1. Human Resources Department - Increase both revenue and expense appropriations by \$112,618 for reimbursement from the Fire Department Transport Program to fund a 1.0 FTE Human Resources Analyst position.
2. Non-Departmental - Increase Supplies and Services appropriations by \$73,900, and increase revenues by \$73,900 for increase to General Liability insurance premiums related to the Transport Program.
3. Non-Departmental - Increase revenue appropriations by \$1,358,315 for increase in Motor Vehicle License Fees revenues for FY 2021.
4. Police Department - Decrease grant revenues by \$14,000 to match anticipated expenses for HIDTA Task Force.
5. Fire Department - Increase Personnel appropriations by \$6,779, and increase revenues by \$53,062.

The significant adjustments to the General Fund are described below:

- Appropriation of \$112,618 in revenues with the Human Resources Department for the reimbursement from the Fire Department Transport program to fund a Human Resource Analyst position supporting the City’s growing staffing needs related to the program.
- Increase of approximately \$1.4 million in MVLFF revenue based upon updated information from the County of San Diego.

Other Funds Adjustments

The following recommended adjustments are for funds outside of the General Fund. The proposed adjustments, displayed in Table 4, have a net cost of approximately \$3.1 million, which are entirely funded

with fund balances or current year available revenues. A brief discussion follows the table on the significant proposed adjustments.

Table 4 - Other Funds Budget Admndments Summary - 1st Quarter Fiscal Year 2020/2021

DEPARTMENT	Footnote	PERSONNEL SERVICES	SUPPLIES & SERVICES	OTHER EXPENSES	OTHER CAPITAL	CIP BUDGET	INTERNAL SERVICE	TRANSFERS OUT	NON-CIP BUDGET	UTILITIES	TOTAL EXPENSE	TOTAL REVENUE	NET COST
OTHER FUNDS													
2016 Measure P Sales Tax	1	-	-	-	-	1,113,327	-	-	-	-	1,113,327	-	1,113,327
Transportation Grants-Gas Tax	2	-	-	-	-	(1,540,229)	-	-	-	-	(1,540,229)	-	(1,540,229)
2018 Measure A Sales Tax	3	-	-	-	4,632	-	-	-	-	-	4,632	-	4,632
Advanced Life Support Program	4	327,434	648,910	-	2,000	-	(7,952)	53,062	-	-	1,023,454	(1,014,487)	8,967
Traffic Safety	5	-	20,000	-	-	-	-	-	-	-	20,000	-	20,000
Other Grants	6	98,502	-	-	-	-	-	-	-	-	98,502	(50,000)	48,502
Federal Grants	7	343,694	224,438	(6,805)	29,843	-	-	-	30,000	-	621,170	(336,219)	284,951
State Grants	8	37,084	7,400	9,223	-	-	-	-	-	-	53,707	(193,691)	(139,984)
CFD 14M-A-EUC Millenia Bay Blvd Landscape	9	-	50,690	35,147	-	-	-	83,155	-	3,686	172,678	-	172,678
Open Space District #11	10	-	-	-	-	-	-	-	3,500	-	3,500	-	3,500
Open Space District #20	11	-	(27,386)	-	-	-	-	-	-	-	(27,386)	-	(27,386)
CFD 14M-2-EUC Millenia Central Garage Fund	12	-	28,246	-	-	-	-	-	-	-	28,246	(860)	27,386
Transport Enterprise	13	-	(50,690)	(35,147)	-	-	-	(83,155)	-	(3,686)	(172,678)	-	(172,678)
Sewer Service Revenue	14	-	-	-	100,000	-	-	-	-	-	100,000	-	100,000
Public Facilities	15	1,473,686	1,006,793	-	80,000	-	37,500	209,515	-	-	2,807,494	-	2,807,494
Capital Improvement Projects (GGV0256)	16	-	-	-	-	715,000	-	-	-	-	715,000	-	715,000
Capital Improvement Projects (SWR0321)	17	-	-	-	-	(715,000)	-	-	-	-	(715,000)	-	(715,000)
Transportation DIFs Fund (STM0399 - Org 590922)	18	-	-	-	-	25,000	-	-	-	-	25,000	-	25,000
Transportation DIFs Fund (STM0399 - Org 590923)	19	-	-	-	-	(25,000)	-	-	-	-	(25,000)	-	(25,000)
TOTAL OTHER FUNDS		\$ 2,280,400	\$ 1,908,401	\$ 2,418	\$ 627,233	\$ (426,902)	\$ 29,548	\$ 262,577	\$ 33,500	\$ -	\$ 4,717,175	\$(1,595,257)	\$ 3,121,918

Other Fund Amendment Footnotes

- 2016 Measure P Sales Tax - Appropriate \$1,113,327 from available fund balance for various CIP Projects in FY 2021.
- Transportation Grants-Gas Tax Fund - Decrease \$1,540,229 in appropriations for the following CIP's due to a decrease of revenues in FY 2020: \$461,452 expense decrease for RMRA Major Pavement Rehab FY21 (STM0401) project; and, \$1,078,777 expense decrease to Pavement Minor Rehab FY21 (STL0445) project.
- 2018 Measure A Sales Tax - Increase Other Capital by \$4,632 from available fund balance for vehicle outfitting.
- Advanced Life Support Program Fund - Increase expense appropriations by \$1,023,454, and increase revenues by \$1,014,487.
- Traffic Safety Funds - Increase expense appropriations by \$20,000 from available fund balance for motorcycle repairs.
- Other Grants Fund - Increase expense appropriations by \$50,000, and increase revenues by \$98,502.
- Federal Grants Fund - Increase expense appropriations by \$621,170, and increase revenues by \$336,219.
- State Grants Fund - Increase expense appropriations by \$53,707, and increase revenues by \$193,691.
- CFD 14M-A-EUC Millenia Fund - Increase expense appropriations by \$172,678.
- Bay Blvd Landscape District Fund - Increase expense appropriations by \$3,500 from available fund balance.
- Open Space District #11 Fund - Decrease expense appropriations by \$27,386 for Contract Services.
- Open Space District #20 Fund - Increase expense appropriations by \$28,246 for contract services, and increase revenues by \$860 for insurance recovery.
- CFD 14M-2-EUC Millenia Fund - Decrease expense appropriations by \$172,678.
- Central Garage Fund - Increase expense appropriations by \$100,000 for equipment to outfit new fleet bays.
- Transport Enterprise Fund - Establish appropriations for the City Transport program increasing expense appropriations by \$2,807,494.
- Sewer Service Revenue Fund - Increase expense appropriations by \$336,647 from available fund balance from FY2020 for vehicle purchases and outfitting.
- Public Facilities DIF Fund - Increase expense appropriations by \$74,111 for Dump Truck purchase from available fund balance.
- Capital Improvement Projects Fund - Decrease appropriations by \$715,000 for RIDA Bayfront Sewer Improvements (SWR0321) project; and, increase appropriations by \$715,000 for Design Bayfront Infrastructure Improvmnts (GV0256) project.
- Transportation DIFs Fund - Transfer appropriations by \$25,000 for I-805 Main Street Interchange PID (STM0399) from Org Code 590923 to 590922 project.

The significant adjustments to the General Fund are described below:

- Appropriate \$1,113,327 from Measure P Sales Tax available fund balance for various CIP Projects in FY 2021.
- Decrease \$1,540,229 in appropriations for the following CIP's due to a decrease of revenues in FY 2020: \$461,452 expense decrease for RMRA Major Pavement Rehab FY21 (STM0401) project; and, \$1,078,777 expense decrease to Pavement Minor Rehab FY21 (STL0445) project. \$124,000 from fund balance of the Transportation Grants – Gas Tax fund for a vehicle purchase.
- Appropriate \$1,023,454 in expenditures and \$1,014,487 in revenues in the Advanced Life Support Program Fund.
- Appropriate \$621,170 in expenditures and \$336,219 in revenues in the Federal Grants Fund.
- Appropriate \$2,807,494 in expenditures for the Transport Enterprise Fund.

Measure P Fund Overview

In November 2016, Chula Vista voters approved Measure P, authorizing a ½ cent sales tax increase on retail sales within the City for ten years. The funding from the sales tax measure is to allow the City to make progress toward replacing and repairing failing City assets. In December 2016, the City Council adopted the expenditure plan for the Measure P funding. The expenditure plan identified critical deferred maintenance and infrastructure projects for which the Measure P funding was to be allocated toward.

The following table provides an update on the allocation and expenditures (unaudited) for the Measure P funds:

Table 5 - Measure P
Citywide Infrastructure, Facilities and Equipment Expenditure Plan
1/2 cent Sales Tax Revenues over 10 year period
Summary Table as of 9/30/20

Total by Major Category	10-Year Timeframe	To Date Totals	Remaining Balance
REVENUES:			
Sales Tax Revenues	\$ 195,249,278	\$ 62,121,456	\$133,127,822
Investment Earnings	\$ -	\$ 3,591,865	\$ (3,591,865)
Miscellaneous	\$ -	\$ 232,988	\$ (232,988)
Total Revenues	\$ 195,249,278	\$ 65,946,309	\$129,302,969
EXPENDITURES:			
Fire Stations Repairs/Replacement	\$ 26,210,449	\$ 9,492,916	\$ 16,717,533
Fire Response Vehicles	\$ 19,847,580	\$ 6,876,363	\$ 12,971,217
Fire Safety Equipment	\$ 5,197,913	\$ 664,591	\$ 4,533,322
Total Fire Services	\$ 51,255,942	\$ 17,033,870	\$ 34,222,072
Police Response Vehicles	\$ 12,951,470	\$ 3,457,750	\$ 9,493,721
Public Safety Communication Systems	\$ 8,678,862	\$ 3,252,782	\$ 5,426,080
Police Facility Repairs	\$ 2,101,000	\$ 720,660	\$ 1,380,340
Police Equipment	\$ 611,145	\$ 173,166	\$ 437,979
Total Police Services	\$ 24,342,477	\$ 7,604,358	\$ 16,738,119
Streets	\$ 23,643,861	\$ 19,810,730	\$ 3,833,131
Other Public Infrastructure	\$ 16,085,295	\$ 9,762,698	\$ 6,322,597
Sports Fields and Courts	\$ 15,442,995	\$ 713,476	\$ 14,729,519
Non-Safety Vehicles	\$ 11,195,100	\$ 4,604,789	\$ 6,590,311
Recreation and Senior Centers	\$ 14,676,617	\$ 2,951,654	\$ 11,724,963
Civic Center and South Libraries	\$ 4,032,000	\$ 1,628,287	\$ 2,403,713
Other Public Facilities	\$ 6,777,600	\$ 2,794,185	\$ 3,983,415
Traffic Signal Systems	\$ 7,000,000	\$ 189,903	\$ 6,810,097
Park Infrastructure	\$ 10,307,740	\$ 1,998,942	\$ 8,308,798
Citywide Network Replacement	\$ 2,080,700	\$ 2,084,339	\$ (3,639)
Citywide Telecommunications	\$ 2,155,602	\$ 1,875,042	\$ 280,560
Total Infrastructure	\$ 113,397,510	\$ 48,414,046	\$ 64,983,464
Total Allocations	\$ 188,995,929	\$ 73,052,273	\$115,943,656

Measure A Fund Overview

In June 2018, the citizens of Chula Vista approved Measure A which enacted the ½ cent sales tax to support public safety staffing. The measure imposed a ½ cent transaction and use tax (sales tax) on retail sales within the City of Chula Vista and became effective on October 1, 2018. Concurrent with the approval of placing the measure on the ballot, the City Council adopted an Intended Public Safety Expenditure Plan for the anticipated revenues generated from the measure. By doing so, the City Council expressed its intent to spend the sales tax revenues exclusively on the critical staffing needs of the City's police and fire departments, including necessary equipment and support provided by other City departments.

The following table provides an update on the allocation and expenditures (to date totals) for the Measure A funds:

**Table 6 - Measure A
Intended Public Safety Expenditure Plan
Phase I - Critical Needs
Summary Table as of 09/30/2020**

POLICE DEPARTMENT	FY 2021 Budget	As of 9/30/2020	Remaining Balance
REVENUES:			
Federal Revenue	125,000	-	125,000
Transfer In	10,010,000	925,800	9,084,200
Total Police Department Revenues	\$ 10,010,000	\$ 925,800	\$ 9,084,200
EXPENDITURES:			
Personnel Costs	7,649,967	1,427,246	6,222,721
Supplies & Services	525,737	31,931	493,806
Utilities	-	17,619	(17,619)
Other Expenses	375,375	-	375,375
Other Capital	189,233	107,916	81,317
Internal Service	30,767	-	30,767
Total Police Department Expenditures	\$ 8,740,312	\$ 1,584,712	\$ 7,155,600
FIRE DEPARTMENT			
FIRE DEPARTMENT	FY 2021 Budget	As of 9/30/2020	Remaining Balance
REVENUES:			
Transfer In	10,229,641	816,638	9,413,003
Total Fire Department Revenues	\$ 10,229,641	\$ 816,638	\$ 9,413,003
EXPENDITURES:			
Personnel Costs	6,216,712	1,497,333	4,719,379
Supplies & Services	203,405	9,602	193,803
Other Expenses	375,375	-	375,375
Internal Service	37,789	-	37,789
Transfers Out	218,942	-	218,942
Total Fire Department Expenditures	\$ 7,052,223	\$ 1,506,936	\$ 5,545,287
Total Measure A Revenues	\$ 20,239,641	\$ 1,742,438	\$ 18,497,203
Total Measure A Expenditures	\$ 15,792,535	\$ 3,091,648	\$ 12,700,887

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

The First Quarter Monitoring Report presents updates to revenue and expenditure projections as of September 30, 2020. As a result of the revised projected revenues and expenditures within this report, the overall General Fund revenues are projected to be less than projected expenditures by approximately \$0.7 million. Staff will continue to monitor actual revenue receipts and expenditures to determine if any budget adjustments will be needed in the future.

Across the non-General Fund funds, multiple actions are recommended for the first quarter, leading to a net cost of approximately \$3.1 million to non-General Fund accounts. These costs are to be addressed with fund balances or revenues from current year services.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact related to this action to the General Fund.

ATTACHMENTS

1. FY2021 First Quarter Financial Report

Staff Contact: David Bilby, Finance Department