



Overview

This financial report summarizes the City's General Fund financial position for Fiscal Year 2020-2021 through December 31, 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 second quarter, the City's General Fund financial outlook is projected to have expenditures exceed revenues by \$0.3 million (fund deficit). The factors contributing to this is addressed within this report.

Significant unanticipated expenditures and impacts on revenues related to the COVID-19 public health emergency have occurred throughout FY2021 and will likely continue well into FY2022. Expenditures include staff time, supplies and services, and other costs associated with emergent community impacts, such as job losses and housing and food insecurity. These expenditures have been partially offset by federal funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act received via the County and State. The CARES Act funding supports expenditures directly related to COVID-19 which are not already outlined in the FY2020-21 Adopted Budget. CARES revenue and expenditure projections of \$5.8 million have been incorporated into the General Fund's Projected Budget, which include the overwhelming majority of the City's COVID-19 program spending:

- \$1.4 million in public health supplies and services
- \$1.3 million in small business assistance
- \$0.7 million in economic support
- \$0.6 million in housing support

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, actual General Fund revenues are projected to decrease by approximately \$0.1 million below the Revised Budget amounts. The increase in revenue from the City's Sales Tax projection for Measure A and Measure P is based on updated information provided by HdL, the City's outside sales tax consultant. HdL adjusted the projections for the City of FY 2021 based upon prior trends and information collected from multiple sources. A corresponding transfer of these funds to the Measure P and Measure A Funds will result in a net zero impact to the General Fund.

Several other City revenue categories are projected to significantly decrease, mainly due to the impacts from the COVID-19 pandemic and related restrictions on travel, special events and use of City facilities and programs.

Other significant changes to revenues include a decrease to utility tax revenues by \$582,000 due to trends in consumption and business conditions, as well as a decrease in cannabis excise tax revenue by \$850,000 due to delays with cannabis businesses opening.

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



Quarterly Financial Report

First Quarter FY 2021 Ending December 31, 2020
Prepared – February 2021

Fiscal Year 2020/2021 Major General Fund Revenue Projections

Revenue Category	FY 2021 Revised Budget	FY 2021 Projected Actuals	Variance
Property Taxes	37,555,758	37,555,758	-
Sales Tax	36,931,855	36,529,356	(402,499)
Measure P Sales Tax	20,020,000	21,612,000	1,592,000
Measure A Sales Tax	20,020,000	21,591,000	1,571,000
PT in lieu of Motor Vehicle License Fee (VLF)	24,950,254	24,950,254	-
Franchise Fees	12,404,935	12,404,935	-
Utility Users Tax	5,233,423	4,651,423	(582,000)
Transient Occupancy Taxes	4,926,832	4,531,374	(395,458)
Development Revenue	2,034,366	1,744,823	(289,543)
Licenses and Permits	1,466,670	1,742,219	275,549
Fines, Forfeitures, Penalties	1,230,253	766,638	(463,615)
Use of Money & Property	2,996,116	2,239,603	(756,513)
Other Local Taxes	4,125,339	2,620,000	(1,505,339)
Police Grants	967,317	1,007,463	40,146
Revenue from Other Agencies	5,003,371	7,280,985	2,277,614
Charges for Services	8,143,485	5,918,790	(2,224,695)
Interfund Reimbursements	10,099,919	11,819,175	1,719,256
Other Revenue	1,335,381	395,663	(939,718)
Transfers In	12,555,198	12,555,198	-
TOTAL REVENUES	\$ 212,000,472	\$ 211,916,657	\$ (83,815)

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 Revised Budget expenditures and actual expenditures by department as of December 31, 2020. In total, departments have expended approximately \$99.7 million or 48% of the General Fund Revised Budget after 50% of the fiscal year (6 months). Overall, departmental expenditures are tracking consistent with the total Revised Budget as of the end of the second quarter.

General Fund Expenditures as of 12/31/2020

Department	FY 2021 Revised Budget	Expended as of 12/31/2020	% Expended
City Council	1,540,062	733,937	47.7%
Boards & Commissions	125,000	-	0.0%
City Clerk	933,434	555,807	59.5%
City Attorney	3,243,198	1,607,967	49.6%
Administration	2,475,733	1,342,018	54.2%
Information Technology	3,841,104	1,743,907	45.4%
Human Resources	2,873,466	1,458,929	50.8%
Finance	3,760,994	1,858,127	49.4%
Non-Departmental	50,597,264	18,395,746	36.4%
Animal Care Facility	2,923,868	1,399,717	47.9%
Economic Development	3,301,520	2,261,544	68.5%
Development Services	3,838,038	2,476,106	64.5%
Engineering/Capital Project	9,928,285	4,699,438	47.3%
Police	57,527,151	28,958,210	50.3%
Fire	34,123,431	19,152,935	56.1%
Public Works	12,178,316	6,234,309	51.2%
Parks and Recreation	10,280,210	5,274,100	51.3%
Library	3,472,699	1,495,465	43.1%
TOTAL EXPENDITURE BUDGET	\$ 206,963,773	\$ 99,648,262	48.1%

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.

The next table reflects the projected expenditures through June 30, 2021. The Projected Budget is anticipated to exceed the Revised Budget by approximately \$5.2 million. The primary driver of the projected higher budget is due to the increase of \$2.6 million in transfers out of the General Fund to the Measure P and Measure A Funds. As noted previously, the projected increase in Measure P and Measure A revenues would require a corresponding transfer to the Measure P and Measure A Funds. The increase in these transfers is reflected in the Non-Departmental budget.

Other increases in projected expenditures include costs for the City's COVID-19 testing site, other COVID-19 response expenses, upcoming Fire Academy, a very active wildfire season requiring deployment of Fire Strike Teams, and other departmental updates.



General Fund Projections by Department as of 12/31/2020

Department	FY 2021 Revised Budget	FY 2021 Projected Actuals	Variance
City Council	1,540,062	1,471,447	68,615
Boards & Commissions	125,000	125,000	-
City Clerk	933,434	1,038,724	(105,290)
City Attorney	3,243,198	3,149,335	93,863
Administration	2,475,733	2,451,374	24,359
Information Technology	3,841,104	3,875,693	(34,589)
Human Resources	2,873,466	2,752,298	121,168
Finance	3,760,994	3,760,097	897
Non-Departmental	50,597,264	55,404,991	(4,807,727)
Animal Care Facility	2,923,868	2,800,359	123,509
Economic Development	3,301,520	3,338,856	(37,336)
Planning & Building	3,838,038	3,707,173	130,865
Engineering/Capital Projects	9,928,285	9,723,558	204,727
Police	57,527,151	57,520,408	6,743
Fire	34,123,431	36,822,996	(2,699,565)
Public Works	12,178,316	11,969,120	209,196
Parks and Recreation	10,280,210	9,986,736	293,474
Library	3,472,699	2,271,723	1,200,976
TOTAL EXPENDITURES	\$ 206,963,773	\$ 212,169,890	\$ (5,206,117)

In review of specific departmental expenses, the Fire and Police Departments are projecting to be over budget by year-end primarily due to increased overtime costs. For all departments, staff will continue to monitor expenses to determine if future budget amendments would be necessary.

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

There are no additional recommendations for budget actions at this time due to the uncertainty surrounding: 1) federal and state funding; 2) course of the COVID-19 pandemic, vaccinations and public health activities; 3) continued impacts on City revenues as a result of COVID-19 business, travel and social restrictions. 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.