



CITY COUNCIL AGENDA STATEMENT



September 25, 2018

File ID: 18-0325

TITLE

PRESENTATION OF FISCAL YEAR 2020 – 2029 GENERAL FUND LONG-TERM FINANCIAL PLAN

RECOMMENDED ACTION

Council accept the report.

SUMMARY

The City of Chula Vista Fiscal Year 2020 – 2029 General Fund Long-Term Financial Plan (LTFP) serves as a long-range fiscal planning tool to identify financial trends, identify projected budgetary surpluses or shortfalls, and encourage discussion to proactively address the City's long-range needs. The goal of the LTFP is to assess the City's ability over the term of the plan to: maintain current or expand service levels; preserve the City's long-term fiscal health; and strategically increase the City's reserve funds to meet the City's reserve policies thresholds. The LTFP will serve as a guideline for the development of the Fiscal Year (FY) 2020 General Fund budget. The LTFP is only applicable for the City's General Fund. Information related to the City's non-General Fund funds can be found on the City's website within the FY 2019 Adopted Budget (www.chulavista.gov).

ENVIRONMENTAL REVIEW

The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

The LTFP focuses on baseline revenues and expenditures that are essential for the City to achieve the City's strategic goals over the next ten years. These goals include:

- Providing the highest level of municipal services based upon available resources
- Maintaining safe and appealing neighborhoods
- Providing funding for City infrastructure
- Continuing to expand the City's economic development and financial base

It is important to stress that the LTFP is not a budget. It does not make expenditure decisions but rather highlights the need to prioritize the allocation of City resources to ensure the continuation of core City services. The purpose of the plan is to provide the City Council, key stakeholders, and the public an overview of the City's fiscal health based on various financial and service level assumptions over the next ten years; and allow for the discussion of necessary steps to be initiated during the development and implementation of future budgets. The LTFP is intended to look beyond the annual budget cycle and serve as a planning tool to bring a long-term perspective to the budget process. Should projected expenditures exceed projected revenues in any given year; the City Manager will need to identify steps to mitigate the shortfalls prior to presenting a balanced budget to the City Council for consideration during the annual budget development process.

SUMMARY OF FINANCIAL PROJECTIONS

Based on projections from the LTFP, overall General Fund revenues are anticipated to increase from FY 2020 to FY 2026. However, General Fund revenues are anticipated to decrease in FY 2027 and 2028 from prior years due to the scheduled conclusion of the citizen-approved Measure P Sales Tax. FY 2027 includes a partial year of Measure P revenues and FY 2028 is the first full year of excluding Measure P revenues from the General Fund revenue totals. The projected revenues include a partial year of revenues from the newly approved Measure A Sales tax in FY 2019 and a full year of revenue beginning in FY 2020. Revenues from Measure A are continued throughout the term of the LTFP. General Fund revenues resume the trend of slight increases from the prior year in FY 2029.

Based on baseline projections for current service levels and the inclusion of the services related to the Measure A Sales tax measure, growth in expenditures is anticipated to outpace the growth in revenues for each year of the LTFP period. This long-term structural shortfall generates deficits each year of the LTFP. The overall General Fund deficits are projected to increase from approximately \$5.5 million in FY 2020 to \$18.6 million in FY 2029 (last year of LTFP period). The addition of new positions or programs, above and beyond current service levels, is shown in the High Priority Program expenditure category on the following table. The costs associated with these priority additions increase the deficit to \$7.1 million in FY 2020 to \$31.8 million in FY 2029.

The following table presents the financial forecast for the General Fund for FY 2020 through FY 2029. Additional information related to revenues and expenditures is provided within the following report.

Long-Term Financial Plan FY 2020 - 2029

Description	Proposed FY 2019	Forecast FY 2020	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029
Revenue Projections (millions)											
Property Taxes	\$ 35.30	\$ 36.36	\$ 37.45	\$ 38.57	\$ 39.72	\$ 40.91	\$ 42.13	\$ 43.39	\$ 44.69	\$ 46.03	\$ 47.40
Sales Tax	\$ 33.70	\$ 34.04	\$ 34.38	\$ 34.72	\$ 35.07	\$ 35.42	\$ 35.77	\$ 36.13	\$ 36.49	\$ 36.86	\$ 37.22
Measure P Sales Tax	\$ 18.09	\$ 18.27	\$ 18.45	\$ 18.63	\$ 18.82	\$ 19.01	\$ 19.20	\$ 19.39	\$ 14.69	\$ -	\$ -
Measure A Sales Tax ¹	\$ 8.00	\$ 16.40	\$ 16.73	\$ 17.06	\$ 17.40	\$ 17.75	\$ 18.11	\$ 18.47	\$ 18.84	\$ 19.22	\$ 19.60
Franchise Fees	\$ 11.69	\$ 11.93	\$ 12.16	\$ 12.41	\$ 12.66	\$ 12.91	\$ 13.17	\$ 13.43	\$ 13.70	\$ 13.97	\$ 14.25
Utility Users Taxes	\$ 5.61	\$ 5.63	\$ 5.66	\$ 5.69	\$ 5.72	\$ 5.75	\$ 5.78	\$ 5.81	\$ 5.83	\$ 5.86	\$ 5.89
Transient Occupancy Taxes	\$ 4.10	\$ 4.19	\$ 4.27	\$ 4.35	\$ 4.44	\$ 4.53	\$ 4.62	\$ 4.71	\$ 4.81	\$ 4.90	\$ 5.00
Motor Vehicle License Fees	\$ 21.89	\$ 22.54	\$ 23.22	\$ 23.92	\$ 24.63	\$ 25.37	\$ 26.13	\$ 26.92	\$ 27.73	\$ 28.56	\$ 29.41
MAJOR DISCRETIONARY REVENUES	\$ 138.37	\$ 149.35	\$ 152.31	\$ 155.35	\$ 158.45	\$ 161.64	\$ 164.90	\$ 168.24	\$ 166.77	\$ 155.39	\$ 158.78
OTHER REVENUES²	\$ 44.30	\$ 43.28	\$ 43.54	\$ 43.37	\$ 43.65	\$ 43.92	\$ 44.20	\$ 44.48	\$ 44.77	\$ 45.06	\$ 45.35
NEW DEVELOPMENT REVENUES³	\$ -	\$ 2.97	\$ 4.08	\$ 5.07	\$ 6.05	\$ 7.02	\$ 7.95	\$ 8.94	\$ 9.48	\$ 9.60	\$ 9.71
TOTAL REVENUES	\$ 182.68	\$ 195.59	\$ 199.94	\$ 203.78	\$ 208.15	\$ 212.58	\$ 217.05	\$ 221.66	\$ 221.02	\$ 210.04	\$ 213.84
Year-over-Year Change		7.07%	2.22%	1.92%	2.14%	2.13%	2.10%	2.12%	-0.29%	-4.97%	1.81%
Expenditure Projections (millions)											
Personnel Services	\$ 88.01	\$ 92.42	\$ 94.17	\$ 95.97	\$ 97.80	\$ 99.66	\$ 101.57	\$ 103.51	\$ 105.50	\$ 107.52	\$ 109.58
Retirement - PERS	\$ 27.59	\$ 31.24	\$ 34.44	\$ 37.12	\$ 39.43	\$ 40.95	\$ 42.69	\$ 44.44	\$ 46.25	\$ 48.15	\$ 50.13
Health Insurance	\$ 13.53	\$ 12.42	\$ 12.46	\$ 13.02	\$ 13.60	\$ 14.20	\$ 14.84	\$ 15.50	\$ 16.19	\$ 16.91	\$ 17.67
Salary Savings (On Going)	\$ (0.90)	\$ (1.75)	\$ (1.77)	\$ (1.79)	\$ (1.81)	\$ (1.83)	\$ (1.85)	\$ (1.87)	\$ (1.89)	\$ (1.91)	\$ (1.93)
PERSONNEL SERVICES EXPENDITURES	\$ 128.23	\$ 134.32	\$ 139.31	\$ 144.31	\$ 149.01	\$ 152.98	\$ 157.25	\$ 161.58	\$ 166.05	\$ 170.67	\$ 175.45
OTHER EXPENDITURES⁴	\$ 54.45	\$ 64.75	\$ 65.78	\$ 67.68	\$ 66.94	\$ 68.30	\$ 69.19	\$ 70.27	\$ 66.47	\$ 53.05	\$ 53.37
NEW DEVELOPMENT EXPENDITURES⁵	\$ -	\$ 2.01	\$ 2.14	\$ 2.88	\$ 2.99	\$ 3.11	\$ 3.23	\$ 3.34	\$ 3.47	\$ 3.57	\$ 3.62
TOTAL EXPENDITURES	\$ 182.68	\$ 201.08	\$ 207.23	\$ 214.87	\$ 218.94	\$ 224.38	\$ 229.67	\$ 235.19	\$ 235.99	\$ 227.29	\$ 232.44
Year-over-Year Change		10.07%	3.06%	3.68%	1.90%	2.49%	2.36%	2.40%	0.34%	-3.68%	2.26%
TOTAL GENERAL FUND SURPLUS/(DEFICIT)	\$ (0.00)	\$ (5.49)	\$ (7.30)	\$ (11.09)	\$ (10.79)	\$ (11.80)	\$ (12.62)	\$ (13.53)	\$ (14.97)	\$ (17.25)	\$ (18.60)
SURPLUS/(DEFICIT) AS % OF BUDGET		-2.73%	-3.52%	-5.16%	-4.93%	-5.26%	-5.49%	-5.75%	-6.34%	-7.59%	-8.00%
HIGH PRIORITY PROGRAMS											
Peace Officer Funding ²	\$ -	\$ 1.63	\$ 2.58	\$ 3.62	\$ 4.75	\$ 5.96	\$ 7.28	\$ 8.67	\$ 10.19	\$ 11.68	\$ 13.18
TOTAL GENERAL FUND SURPLUS/(DEFICIT)	\$ (0.00)	\$ (7.12)	\$ (9.87)	\$ (14.70)	\$ (15.54)	\$ (17.75)	\$ (19.90)	\$ (22.20)	\$ (25.15)	\$ (28.93)	\$ (31.78)
SURPLUS/(DEFICIT) AS % OF BUDGET		-3.54%	-4.76%	-6.84%	-7.10%	-7.91%	-8.66%	-9.44%	-10.66%	-12.73%	-13.67%

- (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.
- (2) Other Revenues line item is total of the following budget revenue categories: Development Revenue, Licenses and Permits, Fines, Forfeitures & Penalties, Use of Money and Property, Other Local Taxes, Police Grants, Other Agency Revenue, Charges for Services, Interfund Reimbursements, Other Revenues - Miscellaneous, and Transfers from Other Funds.
- (3) New Development Revenues reflect increases in various existing revenue categories related to new development within the City.
- (4) 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.
- (5) New Development Expenditures related to new Millenia parks anticipated to come online during LTFP term.
- (6) 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.

It should be noted the projections within the LTFP do not incorporate any economic downturn during the LTFP period. Any economic downturn, depending upon the breath and duration of the downturn, would negatively impact the projections within the LTFP.

LTFP OUTLINE (ATTACHMENT 1)

The LTFP includes a brief overview of the current economic environment and information on potential factors that could impact the City's fiscal position in the near-term and long-term.

Following the economic updates, information will be provided on the major revenue/expenditure categories shown within the LTFP. This information will provide brief descriptions of the revenues/expenditures, and highlight certain factors which could impact the revenues/expenditure projections.

Financial projections for the term of the LTFP will be presented following the highlighted revenues and expenditures. Significant results of the financial projections will be noted following the financial table.

Following the financial projections, the LTFP presents potential mitigation actions for discussion. No

single, specific action is identified as a solution to resolving the City’s projected shortfalls. Based upon discussion and input from the City Council and the public, City staff can develop additional information related to the identified actions for consideration.

The final section of this report is information related to the citizen-approved Measure A Sales Tax and the anticipated expenditure plan for this revenue source. Information related to the development of the measure, the anticipated expenditure plan (the Intended Public Safety Expenditure Plan), and the preliminary cash flows for the collection and expenditure of the tax revenue is provided. The preliminary revenue and expenditure projections will be reviewed and updated upon discussion with the Measure A Citizen Oversight Committee. The preliminary financial projections have been incorporated into the LTFP.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the 500-foot rule found in California Code of Regulations Title 2, section 18702.2(a)(11), is not applicable to this decision for purposes of determining 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.

LINK TO STRATEGIC GOALS

The City’s Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. This action supports the Operational Excellence goal by communicating the City’s projected financial position for the current fiscal year in an open and transparent manner. This transparency supports City Initiative 1.3.1. - “Foster public trust through an open and ethical government.”

CURRENT-YEAR FISCAL IMPACT

There is no current year fiscal impact related to this action for the General Fund.

ONGOING FISCAL IMPACT

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

ATTACHMENTS

1. Fiscal Year 2020 – 2029 General Fund Long-term Financial Plan

Staff Contact: David Bilby, Finance Department