



**Overview**

This financial report summarizes the City’s General Fund financial position for Fiscal Year 2019-2020 through September 30, 2019, and projections for the remainder of the fiscal year ending on June 30, 2020. 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 improve as revised revenue projections are anticipated to exceed revised expenditure projections by \$1.0 million as the City is updating revenue projections for the Property Tax in lieu of Motor Vehicle License Fee (MVLFF) based upon updated information received from the County of San Diego. Based on current projections, revenues are anticipated to increase by \$2.6 million and expenditures are projected to increase by \$ 1.5 million from the Adopted Budget for a net positive difference of approximately \$1.0 million. The Fiscal Year 2019-2020 Revised Expenditure Budget includes minor budget adjustments of less than \$0.1 million from the Adopted Budget due to the implementation of minor departmental budget amendments. These minor budget amendments did not meet the threshold of requiring City Council approval.

**Revenues**

The following table shows the Fiscal Year 2019-2020 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 increase by approximately \$2.5 million above the Revised Budget amounts. The increase in revenue due to an increase of \$1.1 million to the Property Tax In-

Lieu of Vehicle License Fees. The adjusted projection is based on updated information provided by the County of San Diego after the development and adoption of the Fiscal Year 2019-2020 Budget.

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

Revenue Category	FY 2020 Adopted Budget	FY 2020 Projected Budget	Variance
Property Taxes	\$ 36,361,038	\$ 36,361,038	\$ -
Sales Tax	35,127,600	35,127,600	-
Measure P Sales Tax	18,266,000	19,000,000	734,000
Measure A Sales Tax	18,266,000	19,000,000	734,000
PT in lieu of Motor Vehicle License Fee (VLF)	22,539,550	23,667,402	1,127,852
Franchise Fees	11,925,678	11,925,678	-
Utility Users Tax	5,633,423	5,633,423	-
Transient Occupancy Taxes	4,357,922	4,357,922	-
Development Revenue	1,482,480	1,482,480	-
License and Permits	1,451,436	1,451,436	-
Fines, Forfeitures, Penalties	1,267,439	1,267,439	-
Use of Money & Property	3,065,227	3,065,227	-
Other Local Taxes	2,598,193	2,598,193	-
Police Grants	819,940	819,940	-
Revenue from Other Agencies	1,254,825	1,254,825	-
Charges for Services	6,929,011	6,929,011	-
Interfund Reimbursements	10,658,302	10,658,302	-
Other Revenue	1,139,765	1,139,765	-
Transfers In	13,823,020	13,823,020	-
<b>TOTAL REVENUES</b>	<b>\$196,966,849</b>	<b>\$199,562,701</b>	<b>\$ 2,595,852</b>

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 2019-2020 General Fund Adopted Budget expenditures and actual expenditures by department as of September 30, 2019. In total, departments have expended approximately \$52.7 million or 27% 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 9/30/2019**

Department	FY 2020 Revised Budget	Expended as of 9/30/19	% Expended
City Council	\$ 1,567,036	467,320	29.8%
Boards & Commissions	11,841	3,000	25.3%
City Clerk	1,018,630	248,194	24.4%
City Attorney	3,202,191	929,638	29.0%
Administration	2,103,226	607,949	28.9%
Information Technology	3,785,242	1,226,013	32.4%
Human Resources	3,016,422	749,551	24.8%
Finance	3,957,280	1,001,573	25.3%
Non-Departmental	44,263,616	7,083,852	16.0%
Animal Care Facility	2,806,628	748,649	26.7%
Economic Development	2,149,583	690,315	32.1%
Planning & Building	2,857,795	880,393	30.8%
Engineering/Capital Project	9,109,222	2,254,495	24.7%
Police	58,303,672	18,863,668	32.4%
Fire	31,834,886	9,821,916	30.9%
Public Works	11,772,456	3,032,650	25.8%
Parks and Recreation	11,191,641	3,049,569	27.2%
Library	4,098,702	1,076,670	26.3%
<b>TOTAL EXPENDITURE BUDGET</b>	<b>\$197,050,069</b>	<b>\$ 52,735,412</b>	<b>26.8%</b>

The next table reflects the projected expenditures for June 30, 2020. As of the end of the first quarter, expenditures appear to be tracking consistent with the Fiscal Year 2019-2020 Revised Budget. The Police Department expenditures are slightly statistically elevated however staff will continue to monitor expenses within this department, most notable overtime expenses, to determine if future budget amendments would be necessary. The \$1.5 million increase in Non-Departmental expenditures is the corresponding transfer of additional Measure P and Measure A revenue from the General Fund to the Measure P and Measure A funds.

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.

**GENERAL FUND PROJECTIONS BY DEPARTMENT FOR SEPTEMBER 30, 2019**

Department	FY 2020 Revised Budget	FY 2020 Projected Budget	Variance
City Council	\$ 1,567,036	\$ 1,567,036	\$ -
Boards & Commissions	11,841	11,841	-
City Clerk	1,018,630	1,018,630	-
City Attorney	3,202,191	3,202,191	-
Administration	2,103,226	2,103,226	-
Information Technology	3,785,242	3,785,242	-
Human Resources	3,016,422	3,016,422	-
Finance	3,957,280	3,957,280	-
Non-Departmental	44,263,616	45,731,616	1,468,000
Animal Care Facility	2,806,628	2,806,628	-
Economic Development	2,149,583	2,149,583	-
Development Services	2,857,795	2,857,795	-
Engineering/Capital Project	9,109,222	9,109,222	-
Police	58,303,672	58,303,672	-
Fire	31,834,886	31,834,886	-
Public Works	11,772,456	11,772,456	-
Parks and Recreation	11,191,641	11,191,641	-
Library	4,098,702	4,098,702	-
<b>TOTAL EXPENDITURE BUDGET</b>	<b>\$197,050,069</b>	<b>\$198,518,069</b>	<b>\$ 1,468,000</b>

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 2021 TO 2025**

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 2021 through 2025. A more detailed table that includes all ten years is provided at the end of this report.



**Long-Term Financial Plan FY 2021 - 2025 (millions)**

Description	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025
<b>Revenues:</b>					
MAJOR DISCRETIONARY REVENUES	\$ 155.68	\$ 158.86	\$ 161.78	\$ 164.78	\$ 167.85
OTHER REVENUES	46.22	46.48	48.77	49.07	49.37
NEW DEVELOPMENT REVENUES	2.76	3.00	3.26	3.49	3.71
<b>TOTAL REVENUES</b>	<b>\$ 204.66</b>	<b>\$ 208.33</b>	<b>\$ 213.81</b>	<b>\$ 217.34</b>	<b>\$ 220.93</b>
<b>Expenditures:</b>					
PERSONNEL SERVICES EXPENDITURES	\$ 138.54	\$ 143.92	\$ 149.04	\$ 153.48	\$ 158.25
OTHER EXPENDITURES	70.43	72.33	71.46	72.85	73.61
NEW DEVELOPMENT EXPENDITURES	1.88	1.96	2.03	2.79	2.89
<b>TOTAL EXPENDITURES</b>	<b>\$ 210.85</b>	<b>\$ 218.21</b>	<b>\$ 222.54</b>	<b>\$ 229.11</b>	<b>\$ 234.75</b>
<b>TOTAL GENERAL FUND SURPLUS/(DEFICIT)</b>	<b>\$ (6.19)</b>	<b>\$ (9.87)</b>	<b>\$ (8.73)</b>	<b>\$ (11.78)</b>	<b>\$ (13.82)</b>

While no revenue shortfall is anticipated for Fiscal Year 2019-2020, the current LTFP projects budget deficits beginning in Fiscal Year 2020-2021. Assuming no additional financial measures or policy changes to either increase revenues or reduce expenditures, Fiscal Year 2020-2021 projects a revenue shortfall of \$6.2 million, growing to a deficit of \$13.8 million in Fiscal Year 2024-2025 and \$24.0 million in Fiscal Year 2029-2030 (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 2021 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 2019-2020, the current year budget is on track for revenues and expenditures, with minor modifications. Staff is watching expenditures and revenue projections to assess whether further modifications will be necessary later in the year.

The longer-term projections for the City's General Fund continue to pose serious challenges, because revenues will not be sufficient 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.



**Long-Term Financial Plan FY 2021 - 2030 (millions)**

Description	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	Forecast FY 2030
<b>Revenues:</b>										
Property Taxes	\$ 37.50	\$ 38.62	\$ 39.78	\$ 40.97	\$ 42.19	\$ 43.45	\$ 44.75	\$ 46.09	\$ 47.47	\$ 48.89
Sales Tax	34.60	34.94	35.29	35.65	36.00	36.36	36.73	37.09	37.47	37.84
Measure P Sales Tax	19.19	19.38	19.58	19.77	19.97	20.17	15.28	-	-	-
Measure A Sales Tax	19.19	19.38	19.58	19.77	19.97	20.17	20.77	21.40	22.04	22.70
Franchise Fees	12.52	12.77	13.02	13.28	13.54	13.80	14.07	14.34	14.62	14.91
Utility Users Taxes	4.66	4.62	4.57	4.52	4.48	4.43	4.39	4.35	4.30	4.26
Transient Occupancy Taxes	4.80	5.23	5.34	5.46	5.57	5.69	5.81	5.93	6.05	6.18
Motor Vehicle License Fees	23.22	23.91	24.63	25.37	26.13	26.91	27.72	28.55	29.41	30.29
<b>MAJOR DISCRETIONARY REVENUES</b>	<b>\$ 155.68</b>	<b>\$ 158.86</b>	<b>\$ 161.78</b>	<b>\$ 164.78</b>	<b>\$ 167.85</b>	<b>\$ 170.99</b>	<b>\$ 169.52</b>	<b>\$ 157.75</b>	<b>\$ 161.36</b>	<b>\$ 165.07</b>
Development Revenue	1.49	1.50	1.51	1.51	1.52	1.53	1.54	1.54	1.55	1.56
Licenses and Permits	1.48	1.51	1.54	1.57	1.60	1.64	1.67	1.70	1.74	1.77
Fines, Forfeitures & Penalties	1.29	1.32	1.35	1.37	1.40	1.43	1.46	1.49	1.52	1.55
Use of Money and Property	3.10	3.13	3.16	3.19	3.22	3.25	3.29	3.32	3.35	3.39
Other Local Taxes	2.99	3.02	3.05	3.08	3.10	3.13	3.16	3.18	3.21	3.24
Police Grants	0.82	0.82	0.82	0.82	0.82	0.82	0.82	0.82	0.82	0.82
Other Agency Revenue	2.81	2.24	2.26	2.29	2.31	2.33	2.35	2.38	2.40	2.43
Charges for Services	6.99	7.03	7.07	7.11	7.15	7.19	7.25	7.30	7.36	7.41
Interfund Reimbursements	10.77	10.43	10.53	10.64	10.74	10.85	10.96	11.07	11.18	11.29
Other Revenues - Miscellaneous	2.15	3.15	5.16	5.16	5.17	5.17	5.18	5.19	5.19	5.20
Transfers From Other Funds	12.33	12.33	12.33	12.33	12.33	12.33	12.33	12.33	12.33	12.33
<b>OTHER REVENUES</b>	<b>46.22</b>	<b>46.48</b>	<b>48.77</b>	<b>49.07</b>	<b>49.37</b>	<b>49.67</b>	<b>49.99</b>	<b>50.31</b>	<b>50.65</b>	<b>50.98</b>
<b>NEW DEVELOPMENT REVENUES</b>										
Property Taxes - New Development	0.68	0.72	0.76	0.80	0.84	0.89	0.93	0.96	0.99	1.02
Sales Tax - New Development	0.35	0.39	0.44	0.46	0.48	0.49	0.51	0.53	0.54	0.56
Franchise Fees - New Development	0.24	0.24	0.25	0.25	0.26	0.26	0.26	0.27	0.27	0.28
Utility Users Taxes - New Development	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Transient Occupancy Taxes - New Development	0.21	0.21	0.22	0.22	0.23	0.23	0.24	0.24	0.25	0.25
Motor Vehicle License Fees - New Development	0.52	0.53	0.55	0.56	0.58	0.60	0.62	0.63	0.65	0.67
Other Revenues - Miscellaneous - New Development	0.50	0.62	0.74	0.86	0.98	1.06	1.16	1.17	1.18	1.20
Other Local Taxes - New Development	0.26	0.26	0.28	0.31	0.33	0.35	0.30	0.30	0.31	0.31
<b>NEW DEVELOPMENT REVENUES</b>	<b>2.76</b>	<b>3.00</b>	<b>3.26</b>	<b>3.49</b>	<b>3.71</b>	<b>3.90</b>	<b>4.04</b>	<b>4.13</b>	<b>4.21</b>	<b>4.30</b>
<b>TOTAL REVENUES</b>	<b>\$ 204.66</b>	<b>\$ 208.33</b>	<b>\$ 213.81</b>	<b>\$ 217.34</b>	<b>\$ 220.93</b>	<b>\$ 224.55</b>	<b>\$ 223.55</b>	<b>\$ 212.19</b>	<b>\$ 216.22</b>	<b>\$ 220.35</b>
<b>Expenditures:</b>										
Personnel Services	\$ 94.92	\$ 96.82	\$ 98.75	\$ 100.73	\$ 102.74	\$ 104.80	\$ 106.89	\$ 109.03	\$ 111.21	\$ 113.43
Retirement - PERS	32.94	35.57	37.85	39.34	41.06	41.47	42.72	43.92	45.16	46.44
Health Insurance	12.59	13.47	14.41	15.42	16.50	17.66	18.89	20.22	21.63	23.15
Salary Savings (On Going)	(1.90)	(1.94)	(1.98)	(2.01)	(2.05)	(2.10)	(2.14)	(2.18)	(2.22)	(2.27)
<b>PERSONNEL SERVICES EXPENDITURES*</b>	<b>\$ 138.54</b>	<b>\$ 143.92</b>	<b>\$ 149.04</b>	<b>\$ 153.48</b>	<b>\$ 158.25</b>	<b>\$ 161.83</b>	<b>\$ 166.36</b>	<b>\$ 170.99</b>	<b>\$ 175.78</b>	<b>\$ 180.75</b>
Supplies and Services	16.61	17.86	16.16	16.76	16.76	16.90	17.26	17.62	17.99	18.36
Utilities	4.53	4.79	5.07	5.40	5.71	6.04	6.39	6.76	7.16	7.57
Other Expenses	0.72	0.74	0.75	0.77	0.78	0.80	0.82	0.83	0.85	0.87
Equipment (Capital not CIP)	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
Internal Services	3.03	3.09	3.15	3.21	3.28	3.34	3.41	3.48	3.55	3.62
Measure A Obligations	19.19	19.38	19.58	19.77	19.97	20.17	20.77	21.40	22.04	22.70
Transfers/Debt Service	26.06	26.20	26.47	26.65	26.83	27.01	21.88	6.70	6.80	6.81
<b>OTHER EXPENDITURES</b>	<b>70.43</b>	<b>72.33</b>	<b>71.46</b>	<b>72.85</b>	<b>73.61</b>	<b>74.55</b>	<b>70.81</b>	<b>57.07</b>	<b>58.67</b>	<b>60.20</b>
<b>NEW DEVELOPMENT EXPENDITURES</b>										
Millenia Parks Maintenance	0.40	0.41	0.42	0.42	0.43	0.44	0.45	0.46	0.46	0.46
Millenia Fire Station	1.48	1.55	1.62	1.68	1.74	1.81	1.89	1.97	2.06	2.15
Bayfront Fire Station	-	-	-	0.69	0.72	0.74	0.77	0.79	0.80	0.80
<b>NEW DEVELOPMENT EXPENDITURES</b>	<b>1.88</b>	<b>1.96</b>	<b>2.03</b>	<b>2.79</b>	<b>2.89</b>	<b>2.99</b>	<b>3.11</b>	<b>3.22</b>	<b>3.32</b>	<b>3.41</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 210.85</b>	<b>\$ 218.21</b>	<b>\$ 222.54</b>	<b>\$ 229.11</b>	<b>\$ 234.75</b>	<b>\$ 239.37</b>	<b>\$ 240.28</b>	<b>\$ 231.28</b>	<b>\$ 237.76</b>	<b>\$ 244.36</b>
<b>TOTAL GENERAL FUND SURPLUS/(DEFICIT)</b>	<b>\$ (6.19)</b>	<b>\$ (9.87)</b>	<b>\$ (8.73)</b>	<b>\$ (11.78)</b>	<b>\$ (13.82)</b>	<b>\$ (14.81)</b>	<b>\$ (16.73)</b>	<b>\$ (19.09)</b>	<b>\$ (21.54)</b>	<b>\$ (24.01)</b>