



Overview

This financial report summarizes the City's General Fund financial position for Fiscal Year 2018-2019 through March 31, 2019, and projections for the remainder of the year ending on June 30, 2019. 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 third quarter, the City's financial outlook is projected to continue to be positive as revised revenue projections are anticipated to exceed revised expenditure projections by \$2.5 million as the City is receiving one-time adjusted allocations in sale tax amounts and increased reimbursements from the deployment of fire department staff. Based on current projections, revenues are anticipated to increase by \$2.8 million over the revised budget from \$190.9 million to \$193.8 million. Expenditures are projected to decrease by \$2.2 million from the revised budget from \$193.4 million to \$191.2 million.

Revenues

The following table shows the FY 2019 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 \$2.8 million above the Revised Budget amounts. The primary drivers of the increase in revenue are due to:

(1) The State of California did not distribute all of the City's Sales Tax revenue resulting in a decrease of actual sales tax receipts for FY 2018 by approximately \$1M. The City is now receiving FY 2018 Sales Tax during the current fiscal year. Based on information from the City's sales tax

consultant, the City is projecting an overall increase of Sales Tax by the amount not distributed in FY 2018;

- (2) An increase of \$0.7 million in reimbursements from the Federal Government for deployment of the City's Fire Department Strike Team to assist other jurisdiction in their dealing with emergency situations. The reimbursements for the deployment of the Fire Department Strike Team are difficult to estimate as deployment of staff is based upon emergency situations in other jurisdictions and varies from year to year. Based on deployment during the current fiscal year, staff is revising the projected reimbursement amounts for this fiscal year;
- (3) An increase of \$0.4 million to the Property Tax In-Lieu of Vehicle License Fees projection based on information provided by the County of San Diego after the development and adoption of the FY 2019 Budget;
- (4) An increase of \$0.2 million in reimbursements from the Staffing for Adequate Fire & Emergency Response (SAFER) Grant reimbursements for fire staff hired in fiscal year 2018;
- (5) An increase of \$0.3 million is department generated revenue from the Library Department for passport services;
- (6) And an increase of \$0.2 million in Property Tax revenues based on review of current revenue collections and revenue distribution schedules from the County of San Diego.

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



GENERAL FUND PROJECTED REVENUE AS OF 3/31/2019

Revenue Category	FY 2019 Revised Budget	FY 2019 Projected Budget	Variance
Property Taxes	\$ 35,301,979	\$ 35,452,775	\$ 150,796
Sales Tax	33,698,020	34,668,020	970,000
Measure P Sales Tax	18,085,000	18,085,000	-
Measure A Sales Tax	13,430,000	13,430,000	-
PT in lieu of Motor Vehicle License Fee (VLF)	21,886,241	22,333,660	447,419
Franchise Fees	11,691,841	11,691,841	-
Utility Users Tax	5,605,396	5,605,396	-
Transient Occupancy Taxes	4,102,798	4,102,798	-
Development Revenue	1,250,153	1,379,930	129,777
License and Permits	1,987,643	2,064,623	76,980
Fines, Forfeitures, Penalties	1,241,423	1,243,756	2,333
Use of Money & Property	2,953,166	3,057,231	104,065
Other Local Taxes	2,598,193	2,600,739	2,546
Police Grants	837,440	837,440	-
Revenue from Other Agencies	1,346,964	1,392,200	45,236
Charges for Services	7,921,718	8,830,138	908,420
Interfund Reimbursements	11,495,070	12,569,796	1,074,726
Other Revenue	2,002,265	2,146,215	143,950
Transfers In	13,478,325	12,265,992	(1,212,333)
TOTAL REVENUES	\$ 190,913,635	\$ 193,757,550	\$2,843,915

GENERAL FUND EXPENDITURES AS OF 3/31/2019

Department	FY 2019 Revised Budget	Expended as of 3/31/19	% Expended
City Council	\$ 1,626,561	1,115,078	68.6%
Boards & Commissions	27,783	10,453	37.6%
City Clerk	1,048,694	746,474	71.2%
City Attorney	3,208,389	2,043,825	63.7%
Administration	2,216,056	1,608,406	72.6%
Information Technology	3,840,194	2,507,595	65.3%
Human Resources	2,899,632	1,876,903	64.7%
Finance	4,106,113	2,804,218	68.3%
Non-Departmental	41,111,100	23,249,902	56.6%
Animal Care Facility	2,976,306	2,129,162	71.5%
Economic Development	2,136,750	1,661,729	77.8%
Planning & Building	2,900,096	1,993,960	68.8%
Engineering/Capital Project	9,120,142	6,216,244	68.2%
Police	56,698,061	42,023,400	74.1%
Fire	32,453,059	23,925,727	73.7%
Public Works	11,917,454	8,489,917	71.2%
Parks and Recreation	11,008,375	7,885,955	71.6%
Library	4,127,195	2,812,787	68.2%
TOTAL EXPENDITURE BUDGET	\$ 193,421,960	\$ 133,101,736	68.8%

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 FY 2019 General Fund Revised Budget expenditures and actual expenditures by department as of March 31, 2019. In total, departments have expended approximately \$133.1 million or 69% of the General Fund Revised Budget after 75% of the fiscal year has elapsed. Overall, departmental expenditures are tracking lower than the total Revised Budget as of the end of the third quarter. The Police and Fire departments are the largest department by expenditure and are trending slightly lower than 75% of their respective budgets. This is even with the additional costs of Fire Strike-Team deployment to support other agencies over the course of the year.

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 following table reflects the projected expenditures for June 30, 2019. As noted earlier, department expenses are trending slightly lower than the revised budget. Staff anticipates this trend to continue until the end of the year.

Based on information as of the end of the third quarter, staff anticipates departmental salary savings to generate higher than budgeted savings by year-end. Staff estimates an additional \$0.5 million in salary savings over the revised budget. Additionally, staff anticipates approximately \$1.7 million in savings within the Supplies and Services expenditure category as actual expenditures are lower than budgeted amounts. The savings are distributed amongst the various departments as the majority of city departments are anticipated to end the year under their revised budgets.

At the end of the fiscal year, should any department exceed their revised budget, 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 JUNE 30, 2019

Department	FY 2019 Revised Budget	FY 2019 Projected Budget	Variance
City Council	\$ 1,626,561	\$ 1,516,897	\$ (109,664)
Boards & Commissions	27,783	10,453	(17,330)
City Clerk	1,048,694	1,053,467	4,773
City Attorney	3,208,389	3,056,109	(152,280)
Administration	2,216,056	2,174,704	(41,352)
Information Technology	3,840,194	3,646,918	(193,276)
Human Resources	2,899,632	2,565,705	(333,927)
Finance	4,106,113	3,890,841	(215,272)
Non-Departmental	41,111,100	42,700,821	1,589,721
Animal Care Facility	2,976,306	2,968,946	(7,360)
Economic Development	2,136,750	2,169,334	32,584
Development Services	2,900,096	2,673,780	(226,316)
Engineering/Capital Project	9,120,142	8,621,422	(498,720)
Police	56,698,061	56,333,697	(364,364)
Fire	32,453,059	31,385,731	(1,067,328)
Public Works	11,917,454	11,620,362	(297,092)
Parks and Recreation	11,008,375	11,066,641	58,266
Library	4,127,195	3,781,148	(346,047)
TOTAL EXPENDITURE BUDGET	\$ 193,421,960	\$ 191,236,976	\$(2,184,984)

Staff will continue to monitor General Fund expenses and look for potential cost saving measures, as necessary, 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

Description	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025
MAJOR DISCRETIONARY REVENUES	\$ 156.24	\$ 159.63	\$ 162.64	\$ 165.71	\$ 168.86
OTHER REVENUES	44.31	44.15	44.43	44.71	45.00
NEW DEVELOPMENT REVENUES	3.36	4.13	4.46	4.77	5.07
TOTAL REVENUES	\$ 203.92	\$ 207.91	\$ 211.53	\$ 215.19	\$ 218.93
Year-over-Year Change	3.49%	1.96%	1.74%	1.73%	1.73%
Expenditures:					
PERSONNEL SERVICES EXPENDITURES	\$ 139.19	\$ 143.50	\$ 148.14	\$ 152.05	\$ 156.26
OTHER EXPENDITURES	71.13	72.89	72.02	73.24	74.00
NEW DEVELOPMENT EXPENDITURES	2.14	2.88	2.99	3.11	3.23
TOTAL EXPENDITURES	\$ 212.45	\$ 219.27	\$ 223.15	\$ 228.40	\$ 233.49
Year-over-Year Change	4.43%	3.21%	1.77%	2.35%	2.23%
TOTAL GENERAL FUND SURPLUS/(DEFICIT)	\$ (8.54)	\$ (11.36)	\$ (11.62)	\$ (13.21)	\$ (14.57)
SURPLUS/(DEFICIT) AS % OF BUDGET	-4.02%	-5.18%	-5.21%	-5.78%	-6.24%
HIGH PRIORITY PROGRAMS					
Peace Officer Funding ¹	\$ 1.72	\$ 2.71	\$ 3.80	\$ 4.96	\$ 6.24
TOTAL GENERAL FUND SURPLUS/(DEFICIT)	\$ (10.25)	\$ (14.07)	\$ (15.42)	\$ (18.17)	\$ (20.81)
SURPLUS/(DEFICIT) AS % OF BUDGET	-4.83%	-6.42%	-6.91%	-7.96%	-8.91%

(1) 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.

The LTFP assumes the FY 2020 Budget will be balanced. Based on a balanced FY 2020 Budget, the LTFP projects budget deficits beginning in FY 2021. Assuming no additional financial measures or policy changes to either increase revenues or reduce expenditures, FY 2021 projects a revenue shortfall of \$8.5 million, growing to a deficit of \$14.8 million in FY 2025 and \$26.1 million in FY 2030.

For revenues, additional revenue sources or increasing growth in existing revenue sources will be needed. The City of Chula Vista continues to pursue development opportunities that have the potential to positively impact revenue for the City. These include the development of the Eastern Urban Center (Millenia) and the approval of the Bayfront Development Project. However, these large developments are still several years away from being built and occupied.

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

Future Year Budget Balancing

The purpose of this review is to highlight the structural imbalances that the City will face in the coming fiscal years, 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 third quarter of fiscal year 2018-19, 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

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
Revenue Projections (millions)										
Property Taxes	\$ 37.45	\$ 38.57	\$ 39.72	\$ 40.91	\$ 42.13	\$ 43.39	\$ 44.69	\$ 46.03	\$ 47.40	\$ 48.82
Sales Tax	34.38	34.72	35.07	35.42	35.77	36.13	36.49	36.86	37.22	37.60
Measure P Sales Tax	19.15	19.34	19.53	19.73	19.92	20.12	15.24	-	-	-
Measure A Sales Tax	19.15	19.34	19.53	19.73	19.92	20.12	20.73	21.35	21.99	22.65
Franchise Fees	12.16	12.41	12.66	12.91	13.17	13.43	13.70	13.97	14.25	14.54
Utility Users Taxes	5.66	5.69	5.72	5.75	5.78	5.81	5.83	5.86	5.89	5.92
Transient Occupancy Taxes	5.09	5.66	5.78	5.91	6.04	6.16	6.30	6.43	6.57	6.71
Motor Vehicle License Fees	23.22	23.92	24.63	25.37	26.13	26.92	27.73	28.56	29.41	30.30
SUBTOTAL MAJOR DISCRETIONARY REVENUES	\$ 156.24	\$ 159.63	\$ 162.64	\$ 165.71	\$ 168.86	\$ 172.08	\$ 170.70	\$ 159.05	\$ 162.74	\$ 166.53
Development Revenue	2.06	2.07	2.08	2.08	2.09	2.10	2.10	2.11	2.11	2.12
Licenses and Permits	1.51	1.54	1.57	1.60	1.63	1.66	1.70	1.73	1.77	1.80
Fines, Forfeitures & Penalties	1.29	1.32	1.34	1.37	1.40	1.43	1.46	1.48	1.51	1.54
Use of Money and Property	2.57	2.59	2.61	2.63	2.66	2.68	2.70	2.73	2.75	2.77
Other Local Taxes	2.65	2.68	2.70	2.73	2.76	2.79	2.81	2.84	2.87	2.90
Police Grants	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84
Other Agency Revenue	2.30	2.32	2.34	2.36	2.39	2.41	2.44	2.46	2.49	2.51
Charges for Services	7.99	8.03	8.08	8.12	8.17	8.21	8.27	8.33	8.40	8.44
Interfund Reimbursements	9.83	9.49	9.58	9.68	9.77	9.87	9.97	10.07	10.17	10.27
Other Revenues - Miscellaneous	1.08	1.08	1.09	1.09	1.10	1.10	1.11	1.12	1.12	1.13
Transfers From Other Funds	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20
SUBTOTAL OTHER REVENUES	\$ 44.31	\$ 44.15	\$ 44.43	\$ 44.71	\$ 45.00	\$ 45.29	\$ 45.60	\$ 45.91	\$ 46.22	\$ 46.52
NEW DEVELOPMENT REVENUES										
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	0.14	0.17	0.20	0.23	0.26	0.29	0.29	0.29	0.30	0.30
Transient Occupancy Taxes - New Development	0.50	0.99	1.01	1.04	1.07	1.10	1.13	1.17	1.20	1.23
Motor Vehicle License Fees - New Development	0.71	0.75	0.78	0.82	0.86	0.91	0.95	1.00	1.05	1.10
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
SUBTOTAL NEW DEVELOPMENT REVENUES	\$ 3.36	\$ 4.13	\$ 4.46	\$ 4.77	\$ 5.07	\$ 5.34	\$ 5.54	\$ 5.68	\$ 5.83	\$ 5.99
TOTAL REVENUES	\$ 203.92	\$ 207.91	\$ 211.53	\$ 215.19	\$ 218.93	\$ 222.71	\$ 221.84	\$ 210.64	\$ 214.80	\$ 219.04
Year-over-Year Change	3.49%	1.96%	1.74%	1.73%	1.73%	1.73%	-0.39%	-5.05%	1.97%	1.97%
Expenditure Projections (millions)										
Personnel Services	\$ 93.59	\$ 94.89	\$ 96.66	\$ 98.47	\$ 100.32	\$ 102.20	\$ 104.12	\$ 106.10	\$ 108.11	\$ 111.15
Retirement - PERS	33.51	36.19	38.50	40.02	41.76	43.51	45.32	47.22	49.20	51.26
Health Insurance	13.86	14.21	14.79	15.40	16.03	16.69	17.38	18.11	18.86	19.65
Salary Savings (On Going)	(1.77)	(1.79)	(1.81)	(1.83)	(1.85)	(1.87)	(1.89)	(1.91)	(1.93)	(1.95)
PERSONNEL SERVICES EXPENDITURES	\$ 139.19	\$ 143.50	\$ 148.14	\$ 152.05	\$ 156.26	\$ 160.53	\$ 164.94	\$ 169.51	\$ 174.24	\$ 180.11
Supplies and Services	17.22	18.35	16.65	17.09	17.09	17.23	17.59	17.95	18.32	18.69
Utilities	4.53	4.79	5.07	5.40	5.71	6.04	6.39	6.76	7.16	7.57
Other Expenses	0.93	0.93	0.95	0.97	0.99	1.02	1.03	1.05	1.07	1.09
Equipment (Capital not CIP)	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22
Internal Services	3.08	3.14	3.20	3.26	3.33	3.40	3.46	3.53	3.60	3.68
Measure A Obligations	19.15	19.34	19.53	19.73	19.92	20.12	20.73	21.35	21.99	22.65
Transfers/Debt Service	26.01	26.13	26.40	26.57	26.74	26.92	21.97	7.38	7.48	7.49
OTHER EXPENDITURES	\$ 71.13	\$ 72.89	\$ 72.02	\$ 73.24	\$ 74.00	\$ 74.95	\$ 71.39	\$ 58.24	\$ 59.84	\$ 61.38
NEW DEVELOPMENT EXPENDITURES										
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	1.74	1.83	1.91	1.99	2.08	2.16	2.25	2.32	2.36	2.36
Bayfront Fire Station	-	0.64	0.67	0.69	0.72	0.74	0.77	0.79	0.80	0.80
NEW DEVELOPMENT EXPENDITURES	2.14	2.88	2.99	3.11	3.23	3.34	3.47	3.57	3.62	3.62
TOTAL EXPENDITURES	\$ 212.45	\$ 219.27	\$ 223.15	\$ 228.40	\$ 233.49	\$ 238.82	\$ 239.80	\$ 231.32	\$ 237.70	\$ 245.10
Year-over-Year Change	4.43%	3.21%	1.77%	2.35%	2.23%	2.28%	0.41%	-3.53%	2.76%	3.12%
TOTAL GENERAL FUND SURPLUS/(DEFICIT)	\$ (8.54)	\$ (11.36)	\$ (11.62)	\$ (13.21)	\$ (14.57)	\$ (16.11)	\$ (17.96)	\$ (20.68)	\$ (22.90)	\$ (26.06)
SURPLUS/(DEFICIT) AS % OF BUDGET	-4.02%	-5.18%	-5.21%	-5.78%	-6.24%	-6.75%	-7.49%	-8.94%	-9.63%	-10.63%
HIGH PRIORITY PROGRAMS										
Peace Officer Funding ¹	\$ 1.72	\$ 2.71	\$ 3.80	\$ 4.96	\$ 6.24	\$ 7.59	\$ 9.05	\$ 10.52	\$ 11.98	\$ 13.47
TOTAL GENERAL FUND SURPLUS/(DEFICIT)	\$ (10.25)	\$ (14.07)	\$ (15.42)	\$ (18.17)	\$ (20.81)	\$ (23.70)	\$ (27.01)	\$ (31.19)	\$ (34.87)	\$ (39.54)
SURPLUS/(DEFICIT) AS % OF BUDGET	-4.83%	-6.42%	-6.91%	-7.96%	-8.91%	-9.92%	-11.26%	-13.49%	-14.67%	-16.13%

(1) 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.