



Overview

This financial report summarizes the City’s General Fund financial position for Fiscal Year 2019-2020 through March 31, 2020, 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.

At the end of the third quarter, the City’s financial outlook is projected to decrease as revised revenue projections below revised expenditure projections. The primary driver for the decrease is due to the economic impacts of COVID-19. City’s Sale Tax revenue projection based upon updated information from the City’s sale tax consultant shows a significant decline for the remainder of this fiscal year. Based on current year-end projections, revenues are anticipated to decrease by \$6.4 million, to \$194.0 million, and expenditures are projected to decrease by \$2.5 million, to \$204.4 million. The decrease of both revenues and expenses will result in a reduction of approximately \$10.4 million overall, and with the \$6.6 million of prior year encumbrances, will result in a net decrease of \$3.8 million to the year-end projected fund balance.

Staff is anticipating utilizing the Economic Contingency reserve that currently has a balance of \$7.3 million to mitigate the projected \$3.8 million decrease to the year-end fund balance, which will leave a projected balance of \$3.5 million remaining in the Economic Contingency Reserve. However, the budgetary impact of COVID-19 is still evolving and may change the year-end projections.

Revenues

The following table shows both the Fiscal Year 2019-2020 General Fund Revised Revenue Budget, and the year-end Projected Revenue Budget. The Projected Budget includes all the change in the projections included in this report. Overall, General Fund revenues are projected to decrease by approximately \$6.4 million below the Revised Budget amounts.

The decrease in revenue is due to several significant factors, including a decrease of \$3.1 million to the City’s Sales Tax projection. The adjusted projection is based on updated information provided by HdL, the City’s outside sales tax consultant. HdL adjusted the projections based upon prior year trends and information collected from multiple sources. HdL also estimated a decrease of Measure P and Measure A revenues at \$1.2 million each.

The projections by revenue category are shown in the following table.

Fiscal Year 2019/2020 General Fund Revenue Projections			
Revenue Category	FY 2020 Revised Budget	FY 2020 Projected Budget	Variance
Property Taxes	\$ (36,361,038)	\$ (36,361,038)	\$ -
Sales Tax	(35,127,600)	(32,056,178)	3,071,422
Measure P Sales Tax	(19,000,000)	(17,759,500)	1,240,500
Measure A Sales Tax	(19,000,000)	(17,780,500)	1,219,500
PT in lieu of Motor Vehicle License Fee (VLF)	(23,667,402)	(23,667,402)	-
Franchise Fees	(11,925,678)	(11,925,678)	-
Utility Users Tax	(5,633,423)	(5,333,423)	300,000
Transient Occupancy Taxes	(4,357,922)	(3,272,340)	1,085,582
Development Revenue	(1,482,480)	(1,482,480)	-
License and Permits	(1,551,436)	(1,551,436)	-
Fines, Forfeitures, Penalties	(1,258,439)	(1,193,997)	64,442
Use of Money & Property	(3,101,227)	(3,101,227)	-
Other Local Taxes	(2,598,193)	(2,406,088)	192,105
Police Grants	(812,940)	(812,940)	-
Revenue from Other Agencies	(1,301,869)	(1,294,636)	7,233
Charges for Services	(6,956,535)	(7,322,345)	(365,810)
Interfund Reimbursements	(10,623,837)	(11,126,558)	(502,721)
Other Revenue	(1,564,265)	(1,451,757)	112,508
Transfers In	(14,084,667)	(14,084,667)	-
TOTAL REVENUES	\$ (200,408,951)	\$ (193,984,192)	\$ 6,424,761

It should be noted that the projected revenue decreases to Measure P and Measure A revenue for approximately \$1.2 million each will result in a decrease of the corresponding transfer to the Measure P and Measure A Funds, decreasing the General Fund expense by approximately \$2.4 million.

The City’s Transient Occupancy Taxes are projected to decrease by \$1.1 million on a budgetary basis due to the decrease of hotel related activities as a result of COVID-19.

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 Revised Budget expenditures and actual expenditures by department as of March 31, 2020. In total, departments have expended approximately \$144.2 million or 70% of the General Fund Revised Budget after 75% of the fiscal year has elapsed. Overall, departmental expenditures were tracking consistently with the total Revised Budget as of the end of the third quarter.

Department	FY 2020 Revised Budget	Expended as of 3/31/2020	Variance
City Council	\$ 1,567,117	\$ 1,086,328	\$ (480,789)
Boards & Commissions	11,841	4,923	(6,918)
City Clerk	1,183,620	780,583	(403,037)
City Attorney	3,293,333	2,349,662	(943,670)
Administration	2,515,326	1,779,353	(735,973)
Information Technology	3,947,655	2,462,301	(1,485,354)
Human Resources	3,186,320	2,003,449	(1,182,871)
Finance	4,102,769	2,659,832	(1,442,937)
Non-Departmental	51,544,637	31,664,992	(19,879,645)
Animal Care Facility	2,866,620	2,096,992	(769,627)
Economic Development	2,151,067	1,597,090	(553,977)
Development Services	2,857,779	2,047,880	(809,899)
Engineering/Capital Project	9,119,663	6,421,286	(2,698,377)
Police	58,383,458	43,722,760	(14,660,698)
Fire	32,790,014	24,349,462	(8,440,552)
Public Works	12,096,314	8,528,505	(3,567,809)
Parks and Recreation	11,205,938	7,916,180	(3,289,758)
Library	4,101,054	2,757,429	(1,343,625)
TOTAL EXPENDITURE BUDGET	\$ 206,924,526	\$ 144,229,010	\$ (62,695,515)

The next table reflects the projected expenditures for June 30, 2020. The Projected Budget is anticipated to be lower than the Revised Budget by approximately \$2.5 million. The primary driver of the projected lower budget is due to the decrease of \$2.4 million in transfers out of the General Fund to the Measure P and Measure A Funds due to the anticipated decrease in revenues related to the slowdown of the economy. As noted previously, the projected decrease in Measure P and Measure A revenues would require a corresponding decrease of the transfer to the Measure P and Measure A Funds. The decrease in these transfers is reflected in the Non-Departmental budget.

In review of the other departments, the Fire and Police Departments are projecting to be over budget by year-end primarily due to increased overtime costs. The Parks and Recreation Department and Library Department is projected to be under budget due to closure of City facilities related to COVID-19. For all other departments, staff will continue to monitor expenses to determine if budget amendments would be necessary as part of future budget monitoring reports.

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 based on available budgetary resources.

Department	FY 2020 Revised Budget	FY 2020 Projected Budget	Variance
City Council	\$ 1,567,117	\$ 1,528,802	\$ (38,314)
Boards & Commissions	11,841	11,841	-
City Clerk	1,183,620	1,138,612	(45,008)
City Attorney	3,293,333	3,179,720	(113,613)
Administration	2,515,326	2,485,490	(29,836)
Information Technology	3,947,655	3,982,070	34,414
Human Resources	3,186,320	2,891,949	(294,371)
Finance	4,102,769	3,878,212	(224,558)
Non-Departmental	51,544,637	49,715,012	(1,829,625)
Animal Care Facility	2,866,620	2,845,796	(20,824)
Economic Development	2,151,067	2,112,430	(38,637)
Development Services	2,857,779	2,725,495	(132,285)
Engineering/Capital Project	9,119,663	9,083,533	(36,130)
Police	58,383,458	59,123,365	739,907
Fire	32,790,014	33,659,200	869,186
Public Works	12,096,314	11,908,953	(187,361)
Parks and Recreation	11,205,938	10,614,608	(591,330)
Library	4,101,054	3,499,779	(601,275)
TOTAL EXPENDITURE BUDGET	\$ 206,924,526	\$ 204,384,866	\$ (2,539,659)

Projected General Fund Year-End Fund Balance

The following table reflects the Fiscal Year 2019-2020 General Fund Projected Year-End Fund Balance based on the projections for the third quarter.



Fiscal Year 2019/20 General Fund Projected Year-End Fund Balance (in millions)

\$	194.0	Projected Revenues
	6.6	Prior Year Encumbrances*
	(204.4)	Projected Expenses
<u>\$</u>	<u>(3.8)</u>	Projected Year-End Fund Balance

*Planned Use of Fund Balance

Staff anticipates ending the fiscal year with a negative fund balance of \$3.8 million. Staff will adjust appropriations with the Fourth Quarter Report when actual expenses and revenues have been recorded as part of the year-end closing process. It is anticipated that the projections listed in this report will change as more data becomes available.

Projected General Fund Use of Reserves

Based on the City’s Reserve Policy the Economic Contingency Reserve has funding set aside to mitigate service impacts during a significant downturn in the economy which impacts City revenues such as sales tax, property tax, business license tax, etc. The Fiscal Year 2019 balance for the reserve is \$7.3 million.

The following table reflects the Fiscal Year 2019-2020 General Fund Projected Use of Reserves based on the projections for the third quarter.

Fiscal Year 2019/20 General Fund Projected Use of Reserves (in millions)

\$	7.3	Economic Contingency Reserve
	(3.8)	Projected Year-End Balance
		Projected Year-End Economic
<u>\$</u>	<u>3.5</u>	Contingency Reserve

The Third Quarter Projected Year-End Fund Balance for the General fund has a \$3.8 million deficit, and with the use of the Economic Contingency Reserve will leave a remaining reserve balance of \$3.5 million. However, if the economic impact is worse than the Third Quarter projections the Economic Contingency Reserve may be depleted.