

Fiscal Health Plan and Financial Update

August 17, 2010





CV Fiscal Health Plan

- Adopted in January 2009

- I. Expenditure Cuts

- II. Increase/Protect Revenues

- III. Economic Development & Job Creation

- IV. Budget Reforms



CV Fiscal Health Plan Overview

I. Expenditure Cuts

- | | | |
|----|--------------------------|-------------------------------|
| a. | Budget reduction plan | To be developed October 2010 |
| b. | Operational reviews | Spring 2010 – Fire Department |
| c. | STARS program | Implemented |
| d. | Pension reform | Under review |
| e. | Volunteer/intern program | Implemented |
| f. | Goodrich LEAN program | Implementation Ongoing |



CV Fiscal Health Plan

Overview

II. Increase/Protect Revenues

- | | | |
|----|---|--|
| a. | Fee review | Phase I adopted June 2010, Phase II in progress; Phase III Spring 2011 |
| b. | Grant funds | Ongoing |
| c. | Contract review | Ongoing |
| d. | New partnerships | Ongoing |
| e. | Telecommunications Users Tax ballot measure | November 2010 election |
| f. | Improve sales tax revenues | Ongoing |



CV Fiscal Health Plan Overview

III. Economic Development & Job Creation

a. Major Projects

- | | | |
|----|----------------------------|---------|
| 1. | University/Tech Park (RFP) | Ongoing |
| 2. | Western CV Revitalization | Ongoing |
| 3. | Eastern Urban Center | Ongoing |
| 4. | Bayfront (EIR) | Ongoing |

b. Small Business Assistance

Ongoing

c. Development & diversification of revenue

Ongoing



CV Fiscal Health Plan Overview

IV. Budget Reforms

- | | | |
|----|----------------------------|-------------|
| a. | Fiscal Impact Review | Implemented |
| b. | Department Analysts | Implemented |
| c. | Debt Restructuring | Implemented |
| d. | Fiscal Policies | Ongoing |
| e. | Zero-base Budget | Ongoing |
| f. | Financial Forecast | Implemented |
| g. | Long Term Financial Plan | In progress |
| h. | Increased Transparency | Ongoing |
| i. | Finance Advisory Committee | August 2010 |



Expenditure Cuts

- Budget cuts started in 2007
- Cuts made in General Fund, Redevelopment, Housing, Fleet, & Development Services
- FY 2007 – FY 2011 staffing cuts:
 - 259 permanent positions citywide
 - 50% reduction to hourly staffing
- Major revenue sources continue to trend downward, including:
 - Property Tax
 - Sales Tax
 - Motor Vehicle License Fees



Summary of Prior Reductions

BUDGET REDUCTION PROGRAM	FISCAL YEAR IMPLEMENTED	NET COST REDUCTION
April 2007	FY 2007-08	\$ 10.1 M
December 2007	FY 2007-08	\$ 15.5 M
April 2008	FY 2008-09	\$ 10.8 M
September 2008 - DSF	FY 2008-09	\$ 1.5 M
January 2009	FY 2009-10	\$ 20.0 M
April 2010	FY 2010-11	\$ 10.9 M

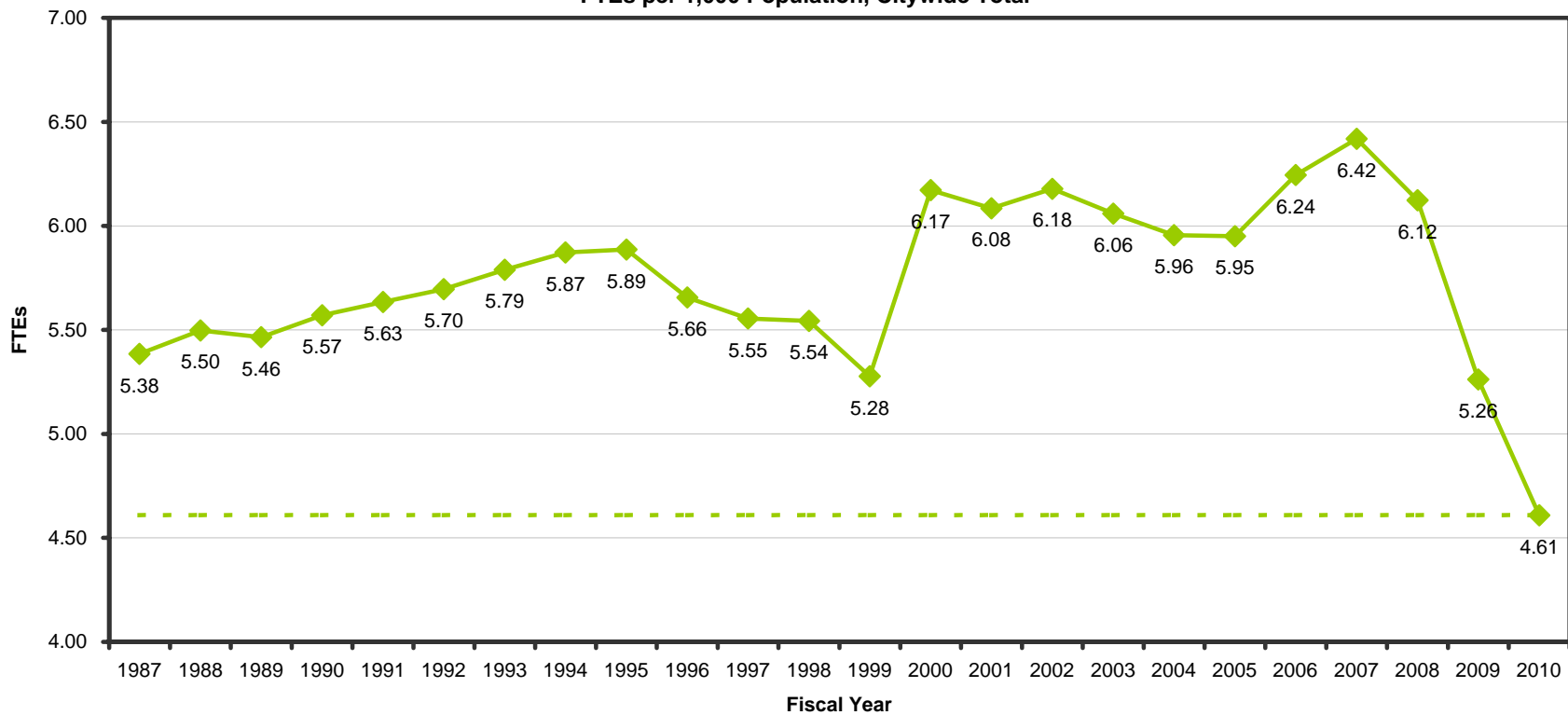
Notes

- 1. The net cost reductions summarized above cannot be considered cumulatively. There are instances in which reductions were effective for a single fiscal year only (for example, freezing a vacant position for one year). The same position may have then been permanently eliminated in a later budget reduction program.*
- 2. The fiscal year 2010-11 budget net cost reduction included the use of a one-time revenue of \$9.6M.*



Staffing Reductions

City of Chula Vista
 Budgeted Permanent & Hourly Staffing*
 FTEs per 1,000 Population, Citywide Total



*Hourly staffing FTE estimated for FY 2006-2010 using amended hourly wages budget and average hourly wage rate.

Sources - Budgeted Permanent & Hourly Staffing: Budget documents, amended hourly wage budget and authorized staffing report.
 City of Chula Vista population: California Department of Finance, all estimates as of January 1.



Staffing Reductions by Service Category

Service Category	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY11-FY07	% Change
Public Safety	532.50	540.50	493.50	480.50	482.50	-50.00	-9%
Community Services	114.00	109.75	89.25	66.25	65.75	-48.25	-42%
Development and Maintenance	472.75	458.25	398.25	357.75	351.75	-121.00	-26%
Legislative and Administrative	144.50	140.00	128.50	100.50	104.75	-39.75	-28%
Total Citywide	1263.75	1248.50	1109.50	1005.00	1004.75	-259.00	-20%



Service Impacts

- General Fund budget cuts have resulted in service impacts in departments and diminished the City's ability to provide services.
- City staff continues to work diligently to provide the best services we can provide with limited resources.
- Service Impacts Include:
 - Eliminated 11 sworn police positions (4% reduction since FY07)
 - Eliminated 4 police dispatchers (17% reduction since FY07)
 - Eliminated 8 Community Service Officers (73% reduction since FY07)
 - Reduced street maintenance staffing, creating pavement repairs list backlog
 - Eliminated one storm drain crew



Service Impacts

- Reduced park maintenance staffing, resulting in visible degradation to the lawns and planted areas
- Reduced Fire Prevention staffing
- Eliminated Fourth of July fireworks on the Bayfront
- Eliminated City support of STRETCH and DASH programs
- Reduced funding for Library resource materials
- Eliminated Recreation middle school programs
- Transitioned operation of Nature Center to non-profit organization
- Reduced custodial staffing, resulting in reduced cleaning services at the Recreation Centers, Libraries, and other City facilities
- Reduced park maintenance staffing, resulting in mowing turf reduced from weekly to biweekly, cleaning restrooms at some parks reduced from twice a day to once a day



Service Impacts

- Contracted Fire Communications Services
- Reorganized and combined Departments
- Eliminated Police Commercial Enforcement officer
- Reduced Police Investigations staffing
- Reduced services for Seniors offered through Recreation Department
- Reduced hours of operation of Recreation centers, all facilities closed Sundays
- Eliminated Therapeutics program
- Reduced aquatics programs and activities
- Reduced hours of operation at all three Library branch locations
- Eliminated Library Department's Educational Services Division including Adult Literacy program
- Eliminated Cultural Arts program
- Eliminated Concerts in the Park and Taste of the Arts



Service Impacts

- Suspended construction of Rancho del Rey Library
- Eliminated or reduced median landscape and/or hardscape maintenance leading to complaints and visible neglect
- Reduced preventative maintenance in fleet
- Eliminated employee health and wellness initiatives
- Reduced funding for safety programs causing delays in facility safety inspections
- Transitioned City Clerk records management to low priority, resulting in less efficient records retrieval, retention and storage
- Increased time in producing City Council meeting minutes
- Reduced number of Finance check runs for vendor payments
- Delays in Finance grant reporting and monitoring
- Eliminated Graffiti removal contract
- Reduced Advanced Planning staffing
- Eliminated mail distribution of Spotlight



Service Impacts

- Eliminated dedicated staff for legislative analysis and governmental relations program
- Reduced Information Technology Services staffing, increasing response times for computer support
- Eliminated one of two Webmaster positions delaying the rollout of additional e-government applications
- Reduced City Attorney staffing, eliminating specialized legal expertise in certain areas including redevelopment, employment, and labor law
- Eliminated a sign crew, resulting in backlogs for deferred maintenance associated with traffic sign repairs and maintenance
- Eliminated all City painters (two full-time positions)
- Reduced Fire Training Division staffing
- Eliminated all in-house employee development programs
- Closed Chula Vista Youth Center

Financial Forecast





General Fund Discretionary Revenue

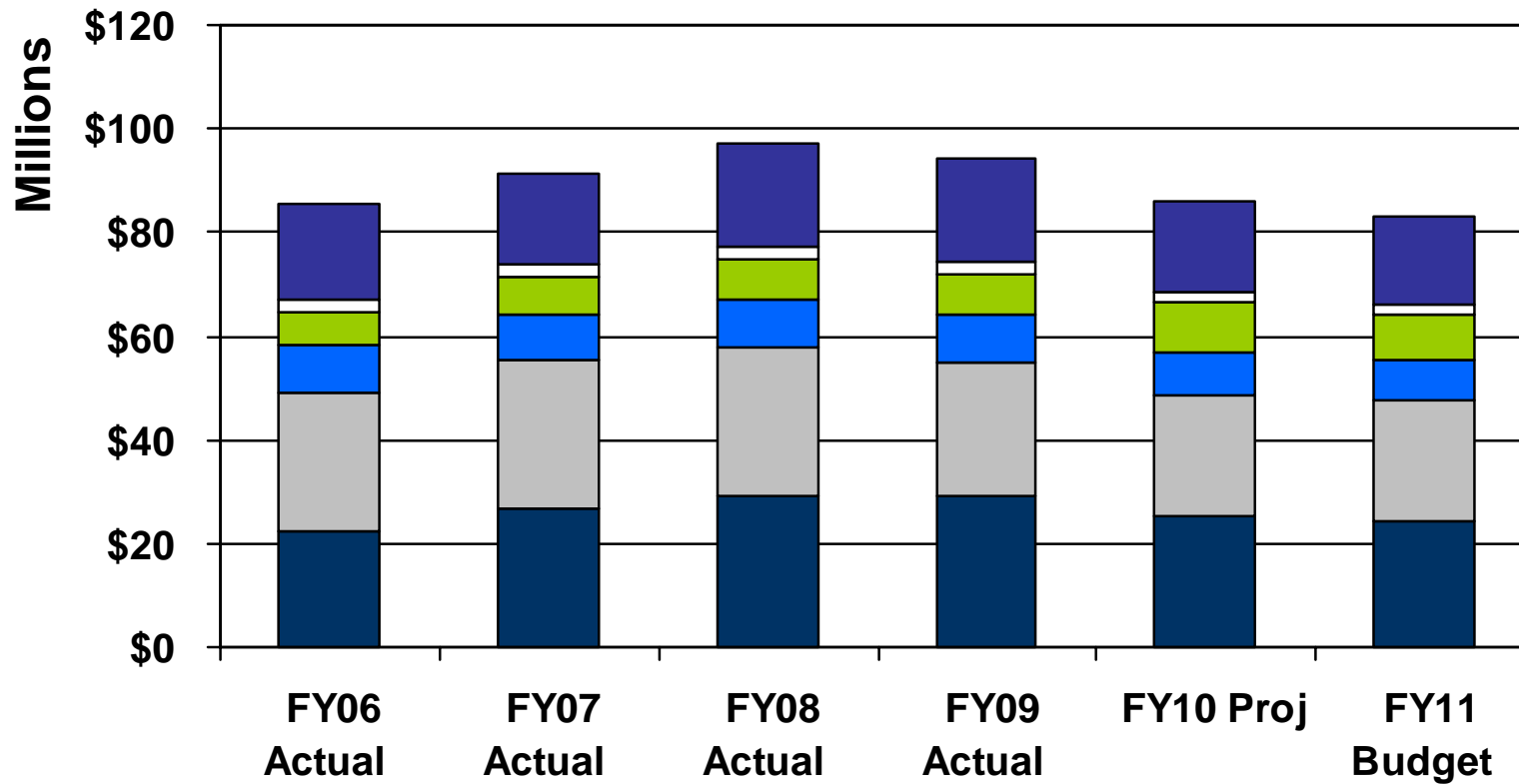
General Fund Revenues (in thousands)

Description	FY 09 Actual	FY 10 Proj	FY 11 Proj	FY11 - FY 09	% Change
Property Taxes	\$ 29,259	\$ 25,311	\$ 24,073	\$ (5,186)	-18%
Sales Tax	\$ 25,589	\$ 23,245	\$ 23,634	\$ (1,955)	-8%
Franchise Fees	\$ 9,380	\$ 8,447	\$ 7,652	\$ (1,728)	-18%
Utility Taxes	\$ 7,849	\$ 9,401	\$ 8,756	\$ 907	12%
Transient Occupancy Taxes	\$ 2,302	\$ 1,891	\$ 1,891	\$ (411)	-18%
Other Local Taxes	\$ 2,023	\$ 1,991	\$ 1,991	\$ (32)	-2%
Use of Money & Property	\$ 1,147	\$ 968	\$ 930	\$ (217)	-19%
Motor Vehicle Licenses	\$ 19,905	\$ 17,717	\$ 16,934	\$ (2,971)	-15%
Revenue from Other Agencies	\$ 956	\$ 971	\$ 946	\$ (10)	-1%
Charges for Services	\$ 180	\$ -	\$ -	\$ (180)	-100%
Other Revenues	\$ 1,501	\$ 1,118	\$ 960	\$ (541)	-36%
Total Discretionary Revenue	\$ 100,090	\$ 91,059	\$ 87,767	\$ (12,324)	-12%
Total General Fund Revenue	\$ 140,503	\$ 130,320	\$ 133,231	\$ (7,272)	-5%

Note: The Use of Money and Property revenue category has been adjusted to exclude one-time increases in the loan repayment from the RDA to the General Fund. In fiscal year 2008-09, the General Fund received \$2.6 million in this category from the RDA; in fiscal year 2010-11 the General Fund will receive \$4.6 million in this category from the RDA. For comparison purposes these one-time revenues have been excluded from the table above.



General Fund Revenue





Major Assumptions

- Slow Economic Recovery
- No funding for Vacant Positions
- No revenues assumed for South Bay Power Plant
- 2% Attrition Factor
- RDA loan repayments averaging \$1.5 million per year
- Health Care increases of 10% per year
- No Salary increases beyond existing MOU agreements
- Does not include potential CVEA MOU increases
- Assumes continued collection of UUT revenues, including telecommunications users tax



General Fund Forecast Summary

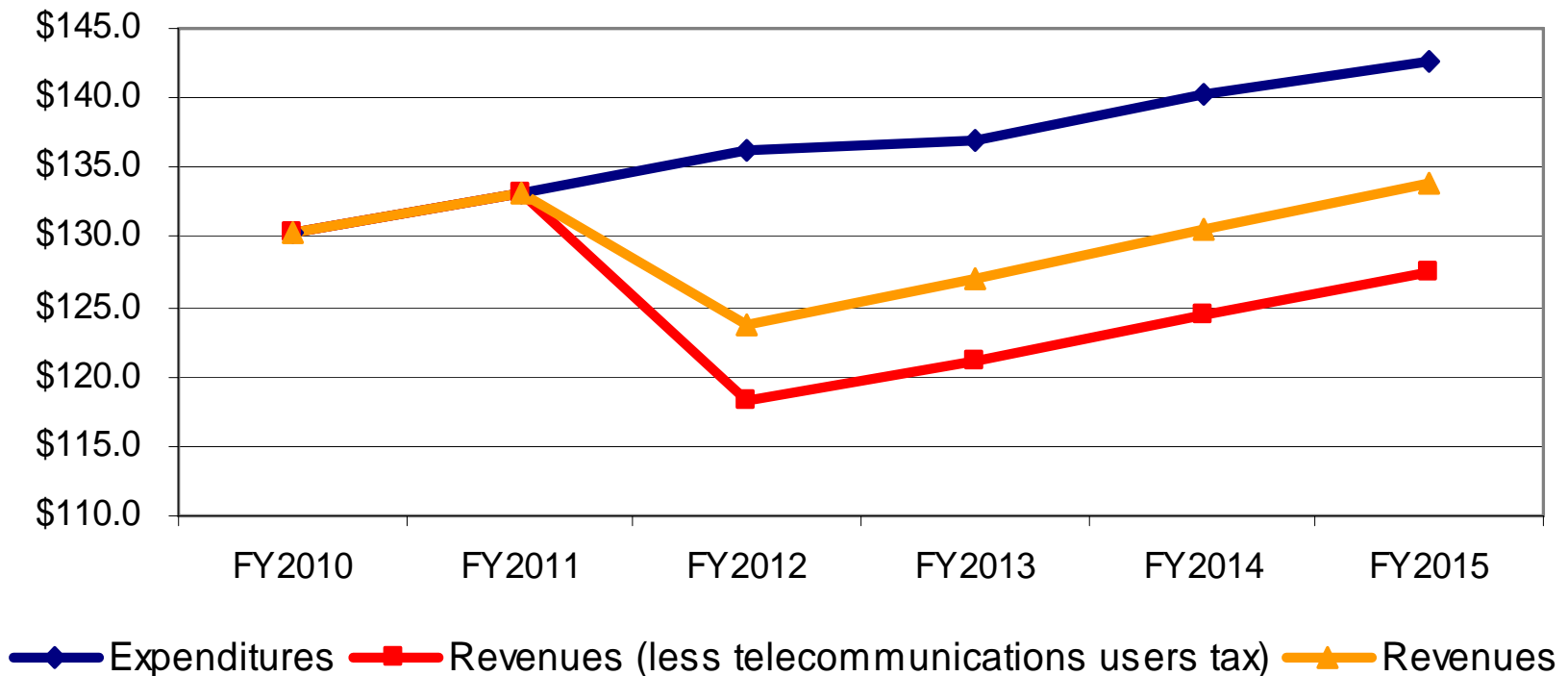
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Projected	Council Adopted	Forecast	Forecast	Forecast	Forecast
Revenues	\$ 138.3	\$ 126.3	\$ 123.6	\$ 123.8	\$ 127.1	\$ 130.5	\$ 134.0
One-Time Revenues	\$ 2.2	\$ 4.0	\$ 9.6	\$ -	\$ -	\$ -	\$ -
Total Revenues	\$ 140.5	\$ 130.3	\$ 133.2	\$ 123.8	\$ 127.1	\$ 130.5	\$ 134.0
Expenditures	\$ (140.4)	\$ (130.3)	\$ (133.2)	\$ (136.3)	\$ (137.0)	\$ (140.3)	\$ (142.7)
Surplus/(Deficit)	\$ 0.1	\$ -	\$ -	\$ (12.5)	\$ (9.9)	\$ (9.8)	\$ (8.7)

Notes:

1. Projected deficit is based on forecasted figures for fiscal year 2011-12; the projected deficit will be refined when the base budget for fiscal year 2011-12 is developed later this year, which will include updated revenue and expenditure projections and adjustments for PERS contributions and FLEX costs which are not known at this time.
2. As noted on the previous slide, positions that are frozen in the current year budget are assumed to be frozen for the remainder of the forecast period. The elimination of these vacant and non-funded positions results in no budgetary savings.
3. *One Time Revenues Utilized to Offset continuing decline in discretionary revenues:*
 - a. *FY 2008-09 Increased RDA Reimbursement by \$900,000 and reduced contribution to Workers Comp Fund and Equipment Replacement Fund (as reported in the Quarterly Financial Reports for FY 2008-09)*
 - b. *FY 2009-10 Increased RDA Reimbursement by \$2.2 million. Increased staff time reimbursements by \$2.0 million related to Prop B (as reported in the Quarterly Financial Reports for FY 2009-10)*
 - c. *FY 2010-11 Increased RDA Reimbursement as a result of PAD land sale transaction (as approved by City Council and included in the Council Adopted Budget)*



General Fund Projected Revenues and Expenditures



Notes:

1. The drop in revenue from FY2011 to FY2012 largely consists of the elimination of one-time revenue of \$9.6 million used to balance FY2011.
2. The projected General Fund deficit is projected to decrease by \$2.6 million from FY2012 to FY2013, from \$12.5M to \$9.9M.
3. Revenues (less telecommunications users tax) represents the loss of \$5.6 million annually in revenues should the telecommunications users tax ballot measure fail; the projected gap for FY2012 grows from \$12.5M to \$18.1M without this revenue. Potential loss of telecommunications is reflected at FY10 actuals (unaudited); actual revenue loss will depend on carriers and current contracts.



General Fund Forecast Assumptions

Category	FY 06-10	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Property Tax	7.8%	-0.2%	-13.5%	-4.9%	0.9%	3.9%	3.9%	4.0%
Sales Tax	0.1%	-9.6%	-9.2%	1.7%	2.0%	3.0%	3.0%	3.0%
Franchise Fees	-2.8%	-2.9%	-10.0%	-9.4%	1.9%	1.9%	1.9%	1.9%
MVLF	5.9%	0.5%	-11.0%	-4.4%	2.0%	3.9%	3.9%	3.9%
Utility Users Tax	7.7%	6.4%	19.8%	-6.9%	0.5%	0.5%	0.5%	0.5%
TOT	-2.5%	-14.6%	-15.7%	0.0%	2.0%	2.0%	2.0%	2.0%

Notes:

1. *For fiscal year 2009-10 and fiscal year 2010-11, Property Tax and Motor Vehicle License Fee change reflects drop in Assessed Values per County of San Diego - Assessors Office.*
2. *For fiscal year 2009-10 and fiscal year 2010-11, Sales Tax change reflects continued impacts related to recent economic downturn. This is based on most recent report from MuniServices 3rd quarter update.*
3. *Franchise Fees and UUT anticipate closure of South Bay Power Plant in Fiscal Year 2011.*



General Fund Summary

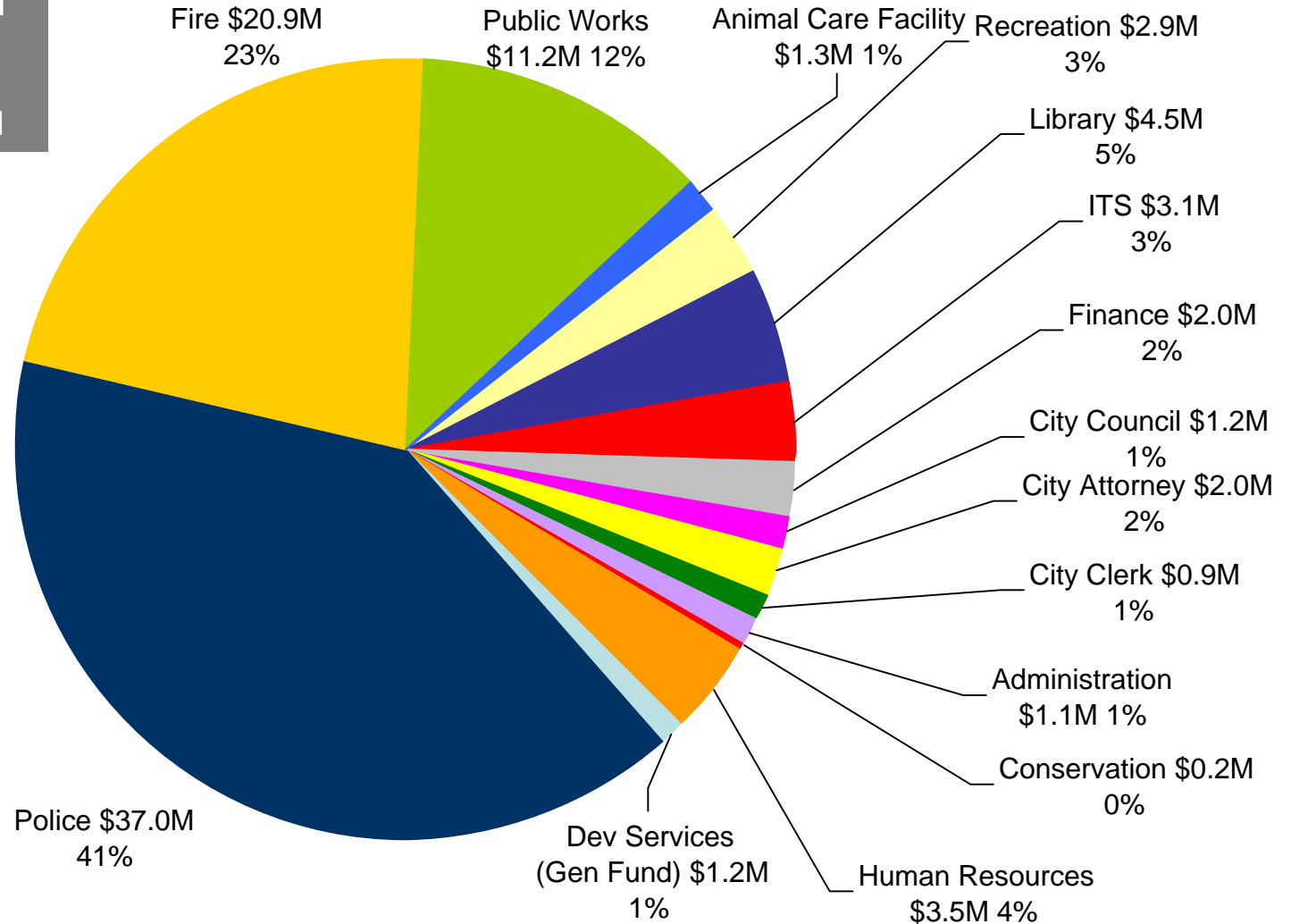
General Fund Expenditures	\$ 133.2
Program Revenue	\$ 31.1
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Net Cost	\$ 102.1
Excluded Non Dept Expenditures	\$ (11.3)
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Adjusted Budget	\$ 90.8

Note: Non Departmental expenditures include debt service, insurance premiums, public liability expenditures, and computer hardware and software expenses



Net Cost – General Fund

Adjusted GF	\$90.8M
FY12 Gap	\$12.5M
W/ UUT Loss	\$18.1M





Budget Balancing Options

- Proposals to be researched and/or considered during next 12 months:
 - Master Fee Schedule Update
 - Storm Drain Fee
 - Local Sales Tax Outreach – Business to Business
 - Alternative Power Plant
 - Pension Reform
 - Debt Restructuring
 - Franchise Fee Review
 - Additional Service Reductions
 - Increasing Contractual services (outsourcing)



Next Steps

August	Establish Finance Advisory Committee
August	Executive Team meetings discussing reduction lists and prioritization of services
August- September	Budgetary Informational Meetings to Union Representatives and City Employees.
August- September 2010	Meet and Confer with Bargaining Groups related to impacts.
Early September	Finance Advisory Committee to review and discuss budget balancing options and review base budget.



Next Steps

September-October	Public meetings related to proposed budgetary reductions
October 5, 2010	City Council Workshop - Present departmental reduction lists and recommended cuts. (No Council Action requested at this stage/ Public Information and Feedback)
November-December	Development of detailed baseline budget which will take into account updated revenue and expenditure assumptions, ie PERS contribution rates, sales tax, and property tax, department budget adjustments, equipment replacement
January 2011	Departments finalize budget reduction plan based on updated FY 2011-12 budget



Next Steps

February 2011	Base budget and proposed reduction plan presented to the City Council for approval
March 2011	Layoff notices issued by Human Resources effective July 1, 2011
April – May 2011	Finalize City Manager's FY 2011-12 budget
June 2011	Council adopts and appropriates FY 2011-12 budget