

Financial Update

October 5, 2010





Fiscal Health Plan

- Adopted in January 2009
- Includes four major components:
 - **Expenditure Cuts:** budget reduction plan, operational reviews, STARS program, pension reform, volunteer/intern program, Goodrich LEAN program
 - **Increase/Protect Revenues:** fee review, grant funds, contract review, new partnerships, UUT ballot measure, improve sales tax revenue
 - **Economic Development & Job Creation:** University/Tech park, Western CV revitalization, Millenia, bayfront, small business assistance, development and diversification of revenue
 - **Budget Reforms:** fiscal impact review, department analysts, debt restructuring, fiscal policies, zero-based budget, financial forecast, long term financial plan, increased transparency, finance advisory committee

5-Year Financial Forecast

FY 2012 to FY 2015





Major Assumptions

Revenues:

- Slow Economic Recovery
- RDA loan repayments to General Fund averaging \$1.5 million annually
- No revenues from South Bay Power Plant assumed
- Assumes continued collection of Utility Users' Tax (UUT) revenues, including Telecommunications Users' Tax (TUT)

Expenditures

- 2% Attrition Factor
- No funding for vacant positions
- Health care increases of 10% per year
- No salary increases beyond existing MOU agreements
- Does not include potential CVEA MOU increases



General Fund Forecast Summary

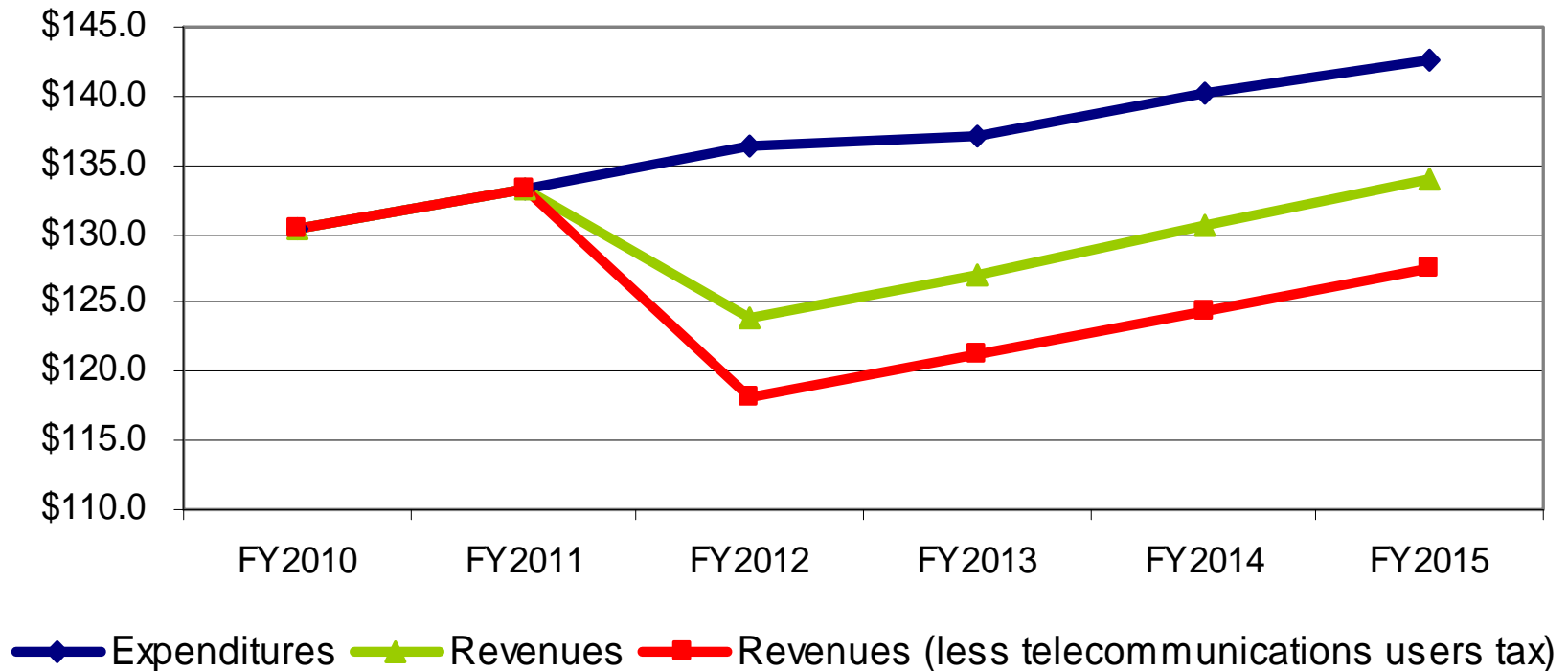
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Projected	Council Adopted	Forecast	Forecast	Forecast	Forecast
Revenues	\$ 138.3	\$ 126.3	\$ 123.6	\$ 123.8	\$ 127.1	\$ 130.5	\$ 134.0
One-Time Revenues	\$ 2.2	\$ 4.0	\$ 9.6	\$ -	\$ -	\$ -	\$ -
Total Revenues	\$ 140.5	\$ 130.3	\$ 133.2	\$ 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. 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 \$2.0 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 by \$9.6 m 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.



Revenues lost since 2008

Since 2008, the City has experienced a decline of

 18% Property Tax Receipts

 17% Sales Tax Receipts

 21% Franchise Fee Revenues

 28% Transient Occupancy Tax (TOT)

 14% Motor Vehicle License Fees (MVLF)

 39% Development Revenues

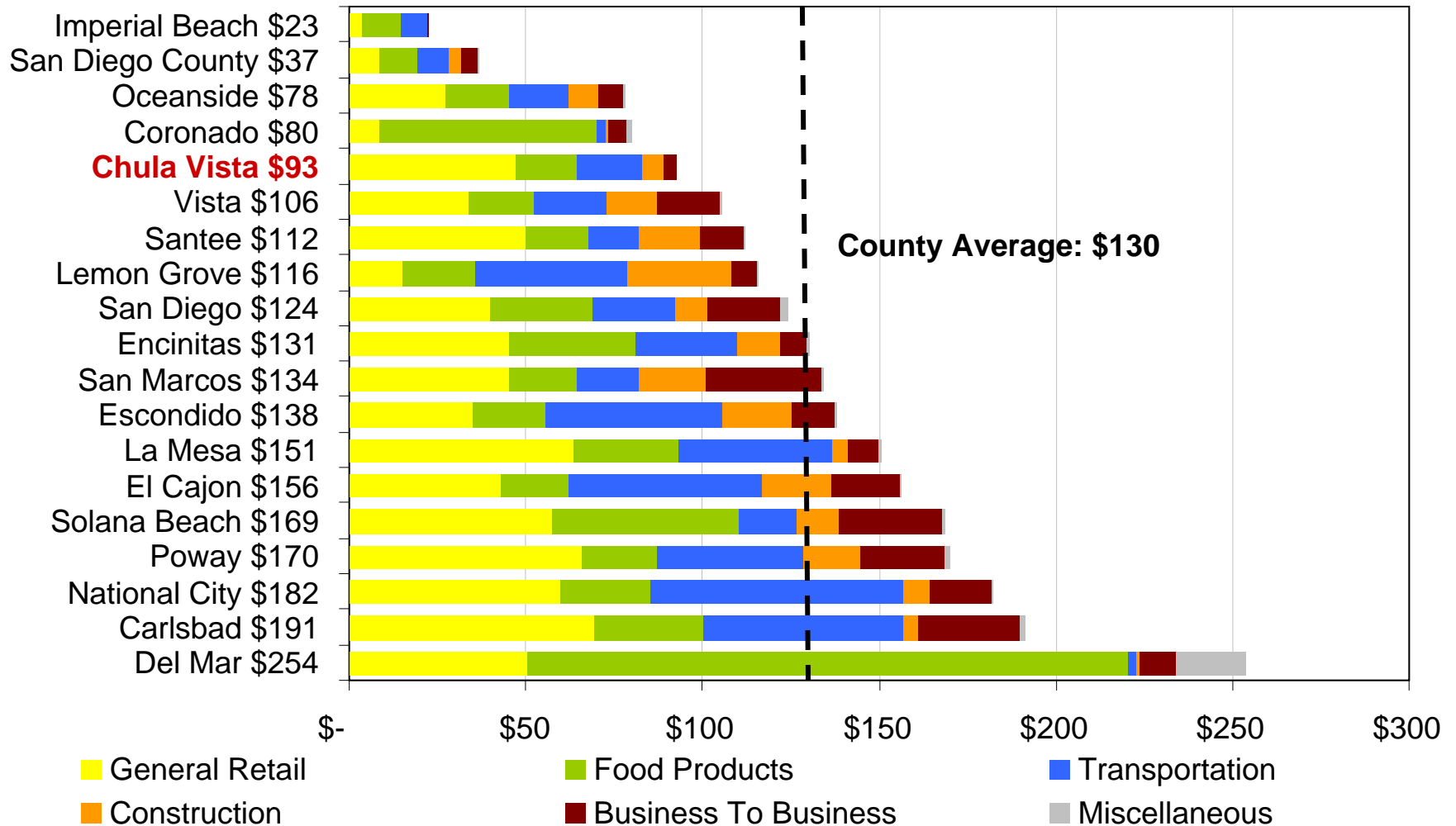
 A total General Fund major discretionary revenue loss from a high in fiscal year 2007-08 of \$97.1 million to the City's estimated receipts for fiscal year 2010-11 of \$83.0 million, a total loss of 15%.



Per Capita Sales Tax

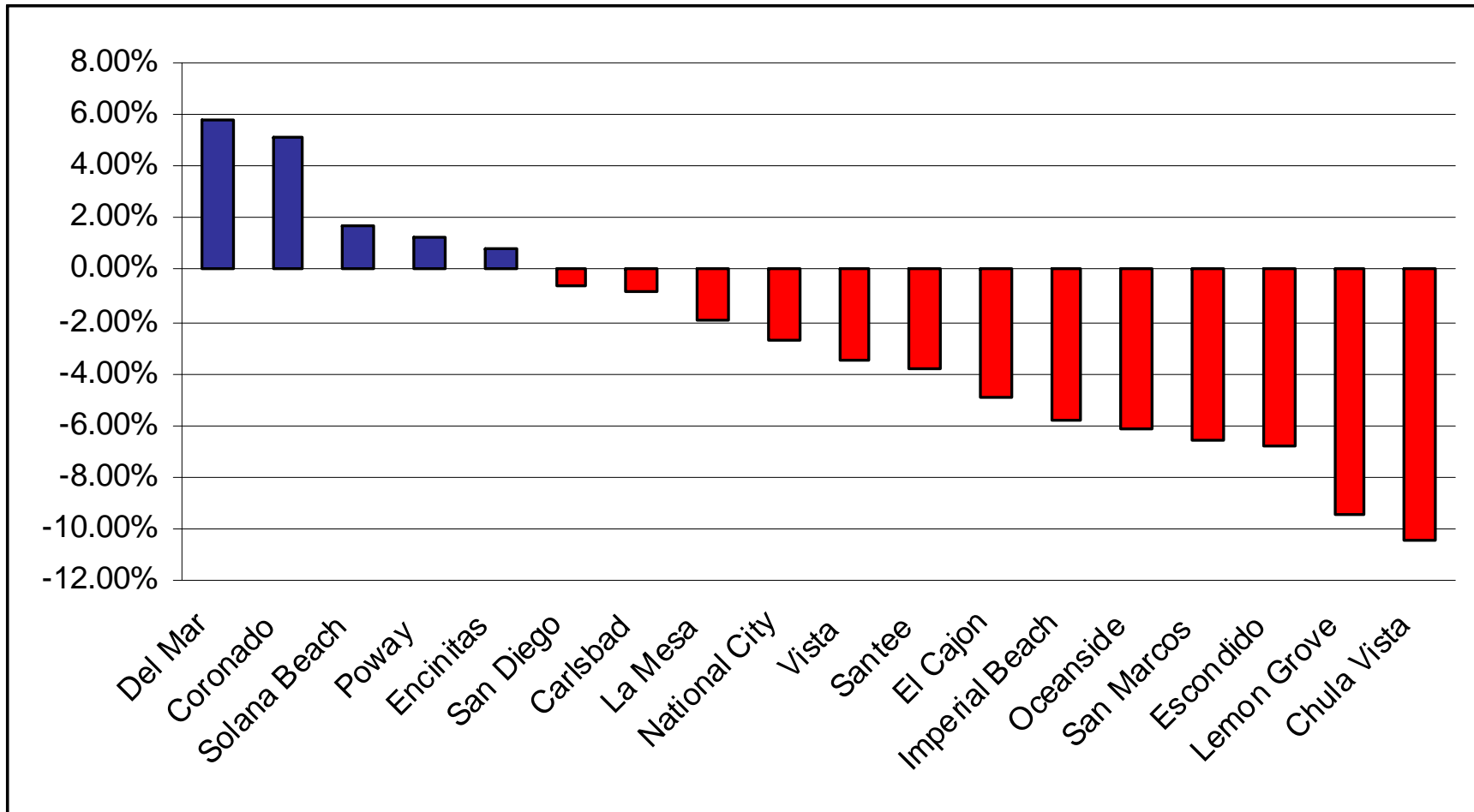
(18% of General Fund Revenues)

Sales Tax per Capita
1st Quarter 2010





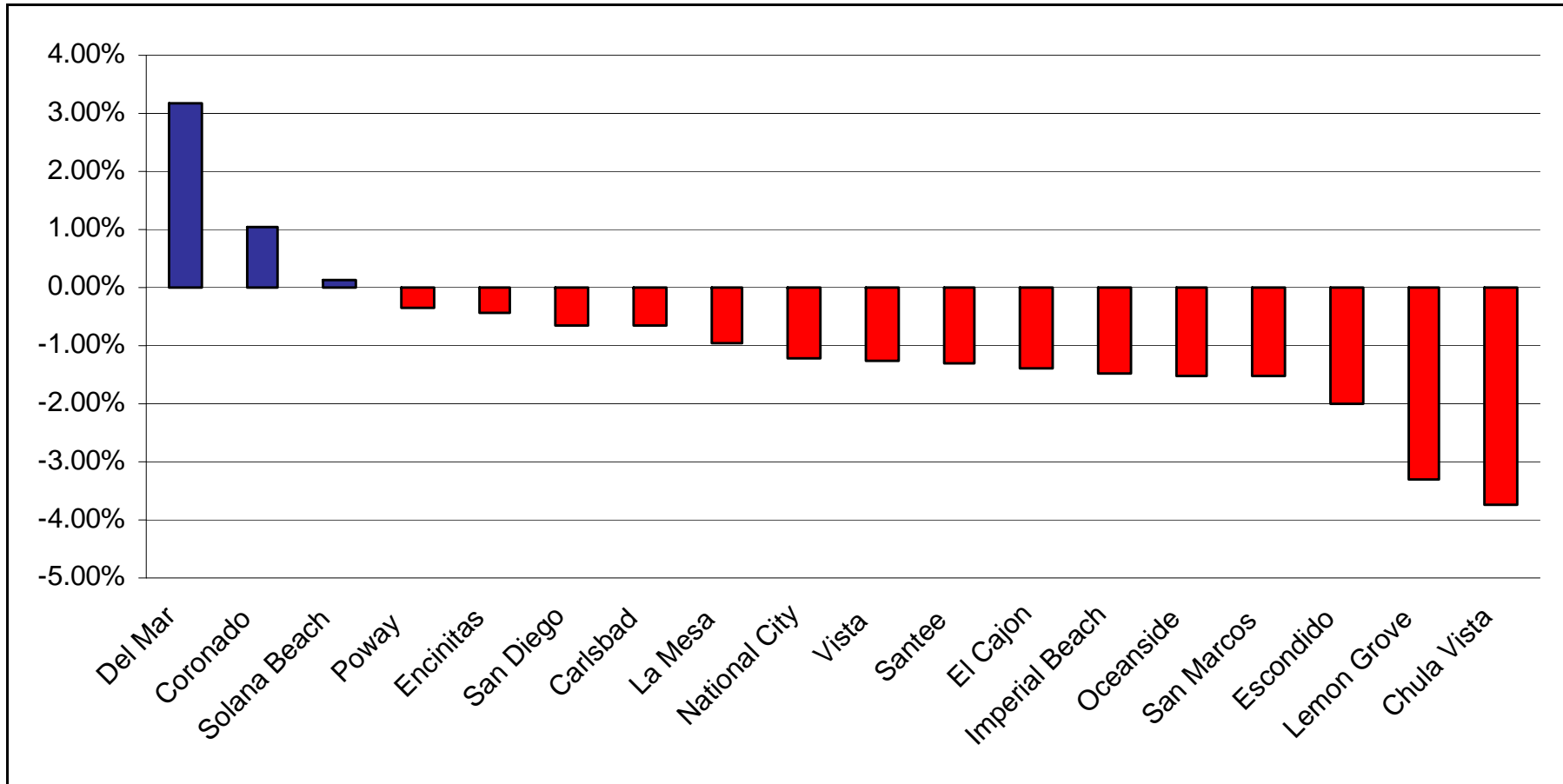
Assessed Value Change by City FY2009-10 (30% of General Fund Revenues)



Source: County of San Diego Assessors Office



Assessed Value Change by City FY 2010-11 (30% of General Fund Revenues)

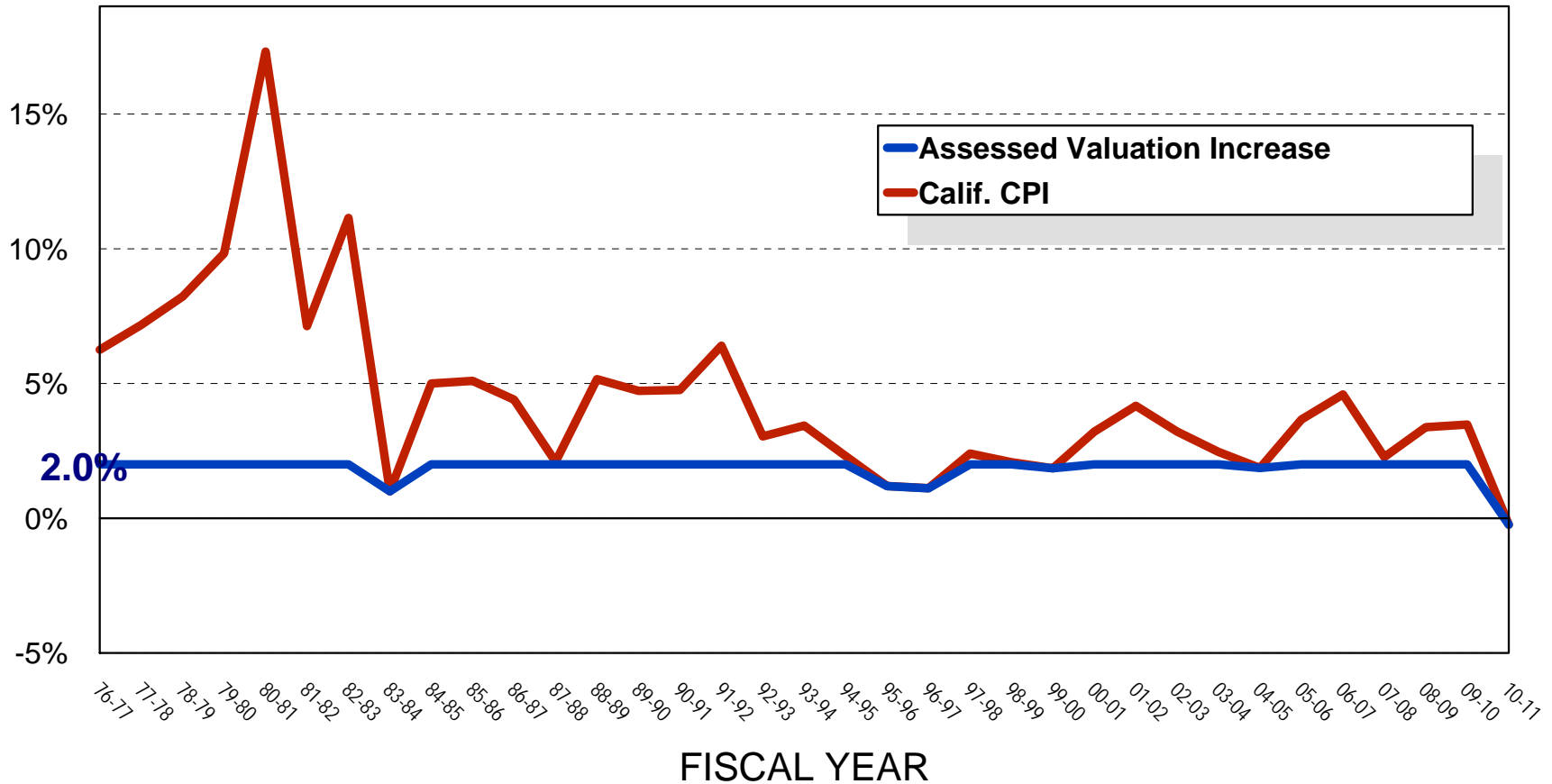


Source: County of San Diego Assessors Office



Proposition 13 Adjustments

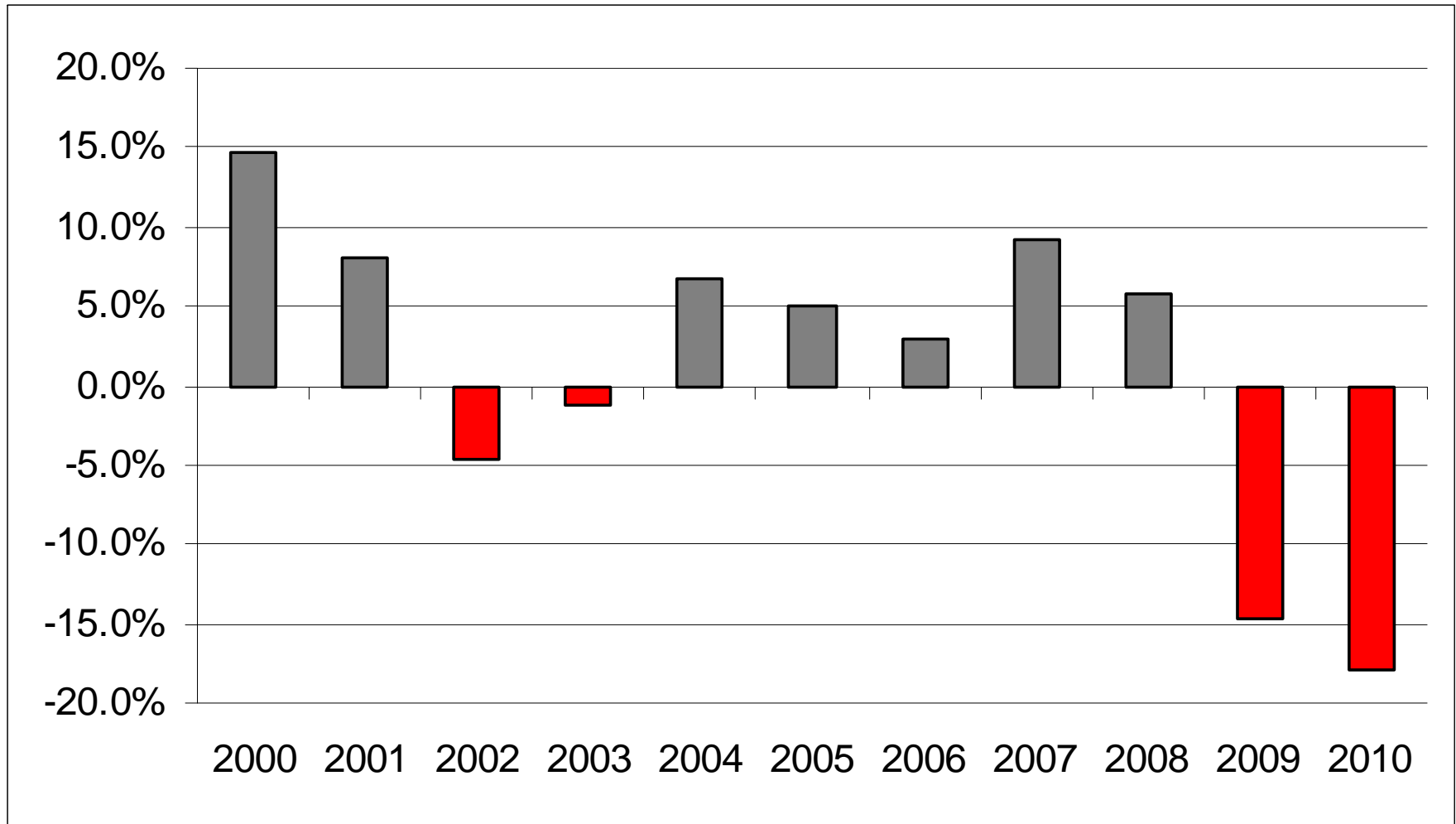
ASSESSED VALUATION ADJUSTMENTS DRIVEN BY CHANGES IN THE CPI





TOT (Hotel Tax) Revenue

(1% of General Fund Revenues)





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%
MMLF	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%

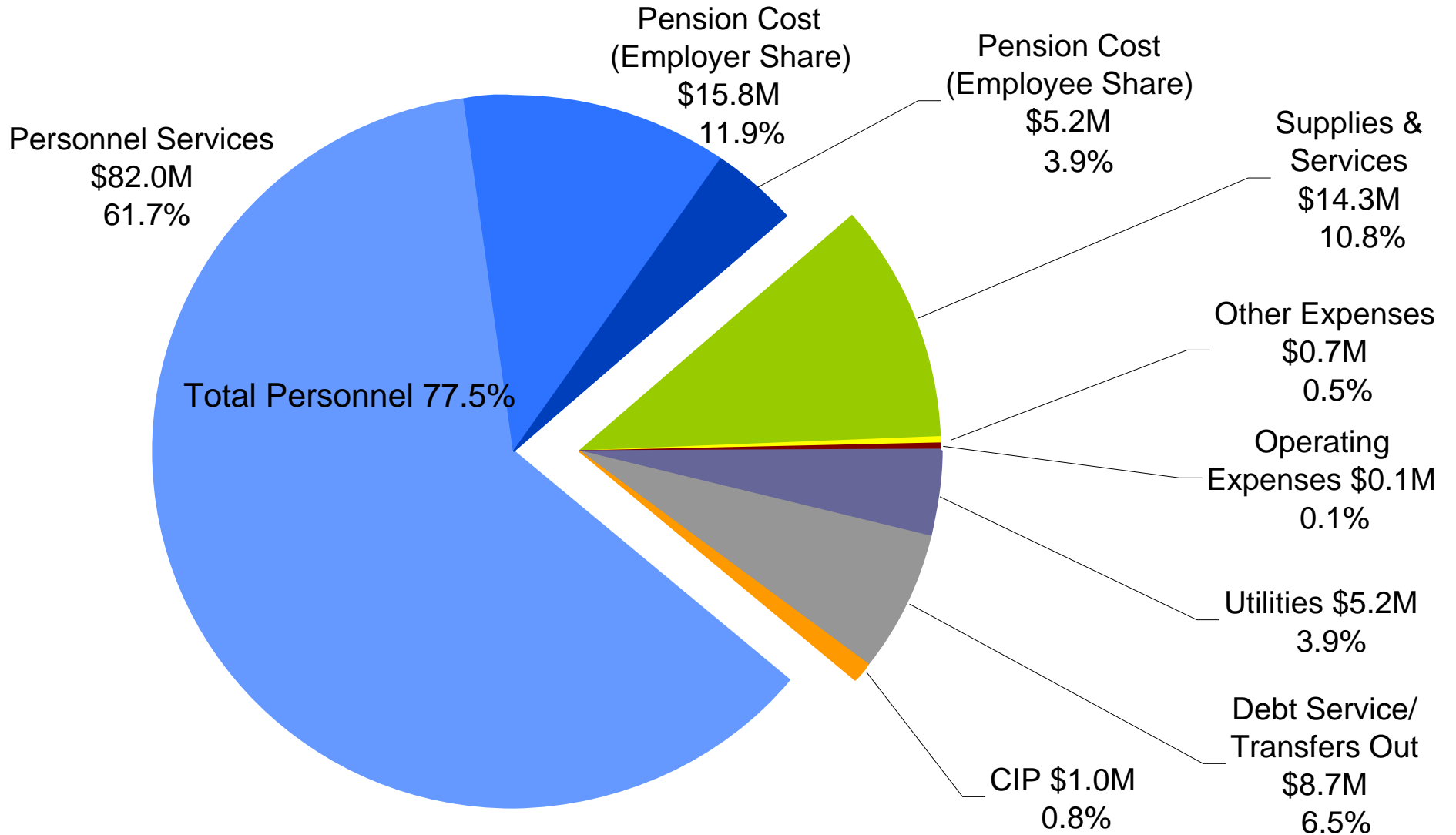
Notes:

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 Expenditures

\$133.0 Million





FY 2011-12 Expenditure Changes

- Personnel Services increase of \$3.4 million (3.2%) includes:
 - \$1.2 million for POA and IAFF cost of living adjustments
 - \$0.9 million for flex cost increases
 - \$1.3 million for PERS cost increases, step increases, increased overtime costs, and other miscellaneous changes
- Supplies & Services increase of \$0.3 million (2.0%)
- Utilities increase of \$0.3 million (5.0%)
- No General Fund CIP expenditures included in FY12



General Fund Summary

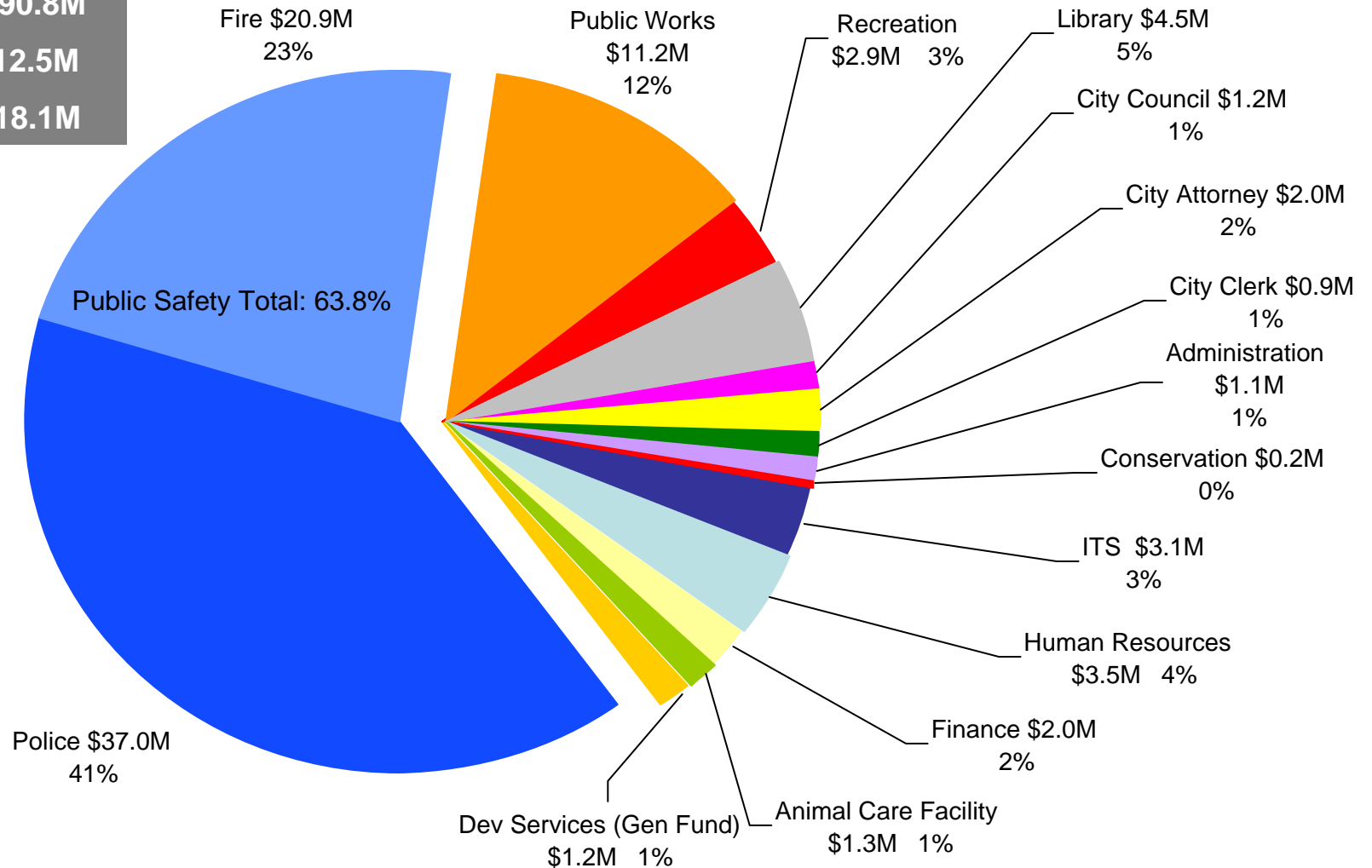
General Fund Expenditures	\$ 133.2
Program Revenue	\$ 31.1
<hr/>	
Net Cost	\$ 102.1
Excluded Non Dept Expenditures	\$ (11.3)
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Adjusted Budget	\$ 90.8

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



General Fund Net Cost

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



Review of 5-Year Financial Forecast

Report from Public Financial Management, Inc.





Purpose of the Review

- Review the assumptions and calculations in the 5-Year Financial Forecast
- Evaluate the reasonableness of the projections and identify risks to the forecast



Results of the Review

- The City's assumptions appear reasonable and the underlying calculations are generally accurate
- The City's revenues (like most local governments) are highly variable and there is a potential for higher or lower revenues and costs



Results of the Review (Cont.)

- Certain assumptions may be overly conservative
- However, changes in these assumptions do not significantly impact the forecast



Possible Additional Revenue

- UUT and franchise fees: South Bay Power Plant continues to operate (+570K)
- EUC: additional TOT, VLF, and property and sales tax if building occurs (+1.5M)



Possible Additional Revenue

- Development revenue: resumption in building activity could generate significant service fee revenue
- Sales tax: economists predict an upswing, but their forecasts are not reliable



Possible Reduced Revenue/ Additional Costs

- UUT (TUT): failure to pass modernization ordinance could result in falloff of revenue **(-\$5.0M)**
- Debt Service: payments starting FY 2013/14 rely on resumption of PFDIF revenue **(-\$6.0M)**



Possible Reduced Revenue/ Additional Costs

- PERS: Contributions in FY 2013/14 and 2014/15 are dependent on investment returns (+3.8M)
- PERS: Changes to “smoothing” or GASB rules could substantially increase contributions



FY 2011-12 Risk Analysis

City's 5-Year Financial Forecast	FY 2011-12 (Millions)
Revenues	\$123.8
Expenditures	(136.3)
Surplus/(Deficit)	(\$12.5)

Financial Advisor's Optimistic Scenario	FY 2011-12 (Millions)
Revenues	\$124.8
Expenditures	(136.3)
Surplus/(Deficit)	(\$11.5)

Financial Advisor's Pessimistic Scenario	FY 2011-12 (Millions)
Revenues	\$121.8
Expenditures	(136.6)
Surplus/(Deficit)	(\$14.7)



Summary

- The City's projected fiscal results appear reasonable
- Actual revenues and expenditures could differ, but would not materially change the projected deficit for FY 2011/12
- The forecast could be much different depending on building activity, UUT (TUT) vote, and PERS investment earnings

City Manager's Budget Reduction Plan





Historic Cuts by Service Area FY 2006-07 through FY 2010-11

Service Area	Personnel and Services & Supplies Budget Cuts			Personnel Cuts (FTEs)		
	FY 2006-07	FY07-FY11 Reduction	%	FY 2006-07	FY07-FY11 Reduction	%
Service Cuts						
Library	9,964,000	(5,571,000)	-56%	70.75	(31.00)	-44%
Recreation/ Nature Center	7,432,000	(3,251,000)	-44%	43.25	(17.25)	-40%
Legislative/ Admin	21,675,000	(5,129,000)	-24%	144.50	(39.75)	-28%
Dev/ Maintenance	56,755,000	(11,135,000)	-20%	472.75	(121.00)	-26%
Police	50,351,000	(2,365,000)	-5%	381.50	(34.00)	-9%
Fire (Excluding Dispatch)	22,071,000	(656,000)	-3%	140.00	(5.00)	-4%
Service Transfers						
Fire Dispatch*	1,158,000	(698,000)	-60%	11.00	(11.00)	-100%
Total	169,406,000	(28,805,000)	-17%	1,263.75	(259.00)	-20%
COLA Eliminations		(8,820,715)				
Total Personnel Cuts		(37,625,715)				

*Fire Dispatch services now provided via contract with City of San Diego, with no reduction in service levels.



Budget Reduction Plan Deficit Reduction Summary

Description	Amount (Millions)
General Fund Budget Shortfall	
Estimated General Fund Deficit (Five-Year Financial Forecast)	\$ 12.5
Budgeted Salary Savings (2%)	\$ 1.9
Total General Fund Budget Shortfall	\$ 14.4
City Manager's Budget Reduction Plan (Annual Value)	
Cuts Implemented to Date	
Pension Pick Up - Unrepresented Employees ¹	\$ (0.7)
Vacancies (all bargaining groups)	\$ (0.9)
Non-Personnel Expenditure Reductions/ New Revenues	\$ (1.6)
Cuts to be Implemented	\$ (8.6)
Total City Manager's Budget Reduction Plan	\$ (11.8)
Early Implementation (January 2011)	
Pension Pick Up - Unrepresented Employees ¹	\$ (0.3)
Layoffs (Identified in Budget Reduction Plan) ²	\$ (2.0)
Hourly Wage Reductions (Identified in Budget Reduction Plan)	\$ (0.2)
Total Estimated Early Implementation Savings	\$ (2.6)
Remaining General Fund Deficit	\$ -

- Total value of unrepresented employee pension pick up for FY2011 through FY2012 is \$1,004,000.*
- Value of early implementation of layoffs identified in City Manager's Budget Reduction plan is an estimate only. Actual value of early implementation of layoffs will vary based on the value of leave balance payouts for individual employees and increased unemployment insurance costs.*



Budget Reduction Plan

Net Cost Reduction by Dept

Department	FY 2010-11 Net Cost	Personnel Exp	Other Exp	Revenue	Budget Savings	% Net Cost Reduction
Development Svcs (GF)	1,236,000	493,000	159,000	149,000	802,000	-64.89%
Boards & Commissions	15,000	-	4,000	-	4,000	-26.67%
Recreation	2,905,000	478,000	216,000	(56,000)	638,000	-21.96%
Public Works	11,237,000	2,240,000	(77,000)	(21,000)	2,141,000	-19.05%
Library	4,491,000	283,000	368,000	(7,000)	644,000	-14.34%
Animal Care Facility	1,273,000	168,000	-	-	168,000	-13.20%
Administration	1,352,000	125,000	67,000	(15,000)	177,000	-13.09%
Police	37,025,000	4,840,000	-	(503,000)	4,337,000	-11.71%
City Attorney	1,964,000	207,000	-	-	207,000	-10.54%
Finance	1,979,000	198,000	4,000	-	202,000	-10.21%
Fire	20,899,000	2,126,000	22,000	(101,000)	2,047,000	-9.79%
City Council	1,202,000	117,000	-	-	117,000	-9.73%
ITS	2,352,000	71,000	107,000	-	178,000	-7.57%
Human Resources	2,025,000	84,000	42,000	-	126,000	-6.22%
City Clerk	884,000	98,000	5,000	(50,000)	52,000	-5.88%
General Fund Total	90,839,000	11,528,000	917,000	(604,000)	11,840,000	-13.03%



Budget Reduction Plan

Personnel Cuts by Department

Department	FY 2010-11 Authorized FTE	FTEs Cut			% Cut
		Vacant	Layoff	Total	
City Council	13.00	-	-	-	0%
City Clerk	6.50	-	(1.00)	(1.00)	-15%
City Attorney	11.00	(1.00)	-	(1.00)	-9%
Administration	10.00	-	(0.50)	(0.50)	-5%
ITS	19.00	(1.00)	-	(1.00)	-5%
Human Resources	16.75	-	-	-	0%
Finance	27.00	(1.00)	(1.00)	(2.00)	-7%
Animal Care Facility	19.25	-	(2.50)	(2.50)	-13%
Development Services (GF)	27.00	(2.00)	(1.00)	(3.00)	-11%
Police	321.50	(1.00)	(37.00)	(38.00)	-12%
Fire	135.00	-	(5.00)	(5.00)	-4%
Public Works	192.50	(9.00)	(20.00)	(29.00)	-15%
Recreation	26.00	(1.00)	(1.00)	(2.00)	-8%
Library	39.75	(3.50)	(2.50)	(6.00)	-15%
General Fund Total	864.25	(19.50)	(71.50)	(91.00)	-11%
Other Funds	140.50	-	-	-	0%
All Funds Total	1,004.75	(19.50)	(71.50)	(91.00)	-9%



Historic Cuts by Service Area + Budget Reduction Plan (FTEs)

Service Area	Historic Personnel Cuts (FTEs)			Budget Reduction Plan (FTEs)		
	FY 2006-07	FY07–FY11 Reduction	%	Proposed Cuts	Cumulative Reduction	%
Service Cuts						
Library	70.75	(31.00)	-44%	(6.00)	(37.00)	-52%
Recreation/ Nature Center	43.25	(17.25)	-40%	(2.00)	(19.25)	-45%
Legislative/ Admin	144.50	(39.75)	-28%	(5.50)	(45.25)	-31%
Dev/ Maintenance	472.75	(121.00)	-26%	(34.50)	(155.50)	-33%
Police	381.50	(34.00)	-9%	(38.00)	(72.00)	-19%
Fire (Excluding Dispatch)	140.00	(5.00)	-4%	(5.00)	(10.00)	-7%
Service Transfers						
Fire Dispatch*	11.00	(11.00)	-100%	-	(11.00)	-100%
Total	1,263.75	(259.00)	-20%	(91.00)	(350.00)	-28%

*Fire Dispatch services now provided via contract with City of San Diego, with no reduction in service levels.



Budget Reduction Plan + Early Implementation by BU

Bargaining Unit	Budget Reduction Plan				Early Implementation		
	Wage Cuts	Vacant FTEs Cut	Layoffs	Total Personnel Savings	Wage Cuts	Layoffs	Total Personnel Savings
Unrepresented	669,000	271,000	27,000	967,000	335,000	13,000	348,000
CVEA	-	518,000	2,636,000	3,154,000	-	894,000	894,000
MM/PROF	162,000	-	51,000	213,000	-	19,000	19,000
IAFF	1,247,000	-	429,000	1,676,000	-	50,000	50,000
POA	-	156,000	3,160,000	3,316,000	-	1,047,000	1,047,000
WCE	124,000	-	-	124,000	-	-	-
Total	2,203,000	946,000	6,304,000	9,452,000	335,000	2,023,000	2,358,000

Personnel Expenditures, Not BU Specific*	775,000	202,000
Non Personnel Expenditures/ New Revenues	1,613,000	-

Total Cuts	11,840,000	2,560,000
Budget Reduction Plan + Early Implementation		14,400,000

**Personnel expenditures not assignable to a specific bargaining unit include hourly wages, salary savings, and transfers of staff from the General Fund to other funds.*

Budget Reduction Plan Service Impacts

Summary by Service Area





Legislative/ Administration

- Elimination of dedicated City graphic & web design and marketing capability
- Elimination of passport services
- City Clerk's Office will reduce public hours by approx 50%
- Delays in processing payments and researching liens
- Reduced Finance front counter hours
- Increased dependence on online resources to communicate with employees
- No advertisement of vacancies
- Delays in updating City's website
- Increased demand for services due to administrative & clerical cuts in operating departments



Development & Maintenance

- Discontinued support of the Otay Valley Regional Park (OVRP)
- Elimination of the entire Park Ranger Program
- Elimination of all customer support for the Park Reservation Program
- Elimination of support for Starlight Parade lighting
- Elimination of the graffiti abatement crews
- Reduce Urban Forestry services funding by 38%





Fire Department

- Arson Investigations Program
 - Reduced investigation capabilities
 - Elimination of Arson K-9
 - Delay of fire investigations; not all fires will be investigated
- Fire Safety Engineering Program
 - Impacts to fire and life safety plan review & building permit plan review; no local control/oversight
 - Outsourcing services would result in potential additional cost to developers
- Fire Inspections Program
 - Delays in code compliance for business inspections
 - Delays in permit issuance and business license inspections
 - Elimination of Weed abatement and Wildland Urban Interface enforcement
- Public Education
 - All public education will be eliminated



Police Department

- **Elimination of School Resource Officer (SRO) Program**
 - Transfers 2,600 calls for service (school generated) and 14,000 officer generated contacts to Patrol
 - Will negatively impact GMOC response thresholds – Priority 2 threshold has not been met since 1996
 - Shifts coordination of 1,800 School Safety Patrol children to school staff
- **50% reduction in Street Team staffing**
 - Reduces proactive enforcement of high activity areas, crime series and gang enforcement
- **17% reduction in Investigations staffing**
 - Increase in caseload by 67% for Property Crimes
 - Increase caseload and delays in investigative follow-up by Family Protection Unit investigators for domestic violence, child abuse and sex crime cases
- **Reduction in traffic enforcement staffing**
 - Traffic Motors – 25% reduction – reduces enforcement at problematic locations
 - DUI Officers – 33% reduction – reduces DUI enforcement and education



Library Department

- Reduced public service hours and support at Civic Center and South branches
 - Civic Center Branch closed on Sundays (South Branch is currently closed on Sundays as a result of previous cost cutting measures)
- Reduced operational staffing
 - Population served/FTE: 7,038
 - CA statewide mean: 3,092
 - Chula Vista ranks 166 out of 180 CA library systems
 - Bottom 10% statewide
- Loss of programs for children and teens
 - Cut baby and toddler storytimes and after-school diversion programs
 - Fewer class tours and school visits
- Book and materials budget reduced to \$1.33 per capita
 - CA statewide mean: \$3.23 per capita
 - Chula Vista ranks 148 out of 180 CA library systems
 - Bottom 20% statewide



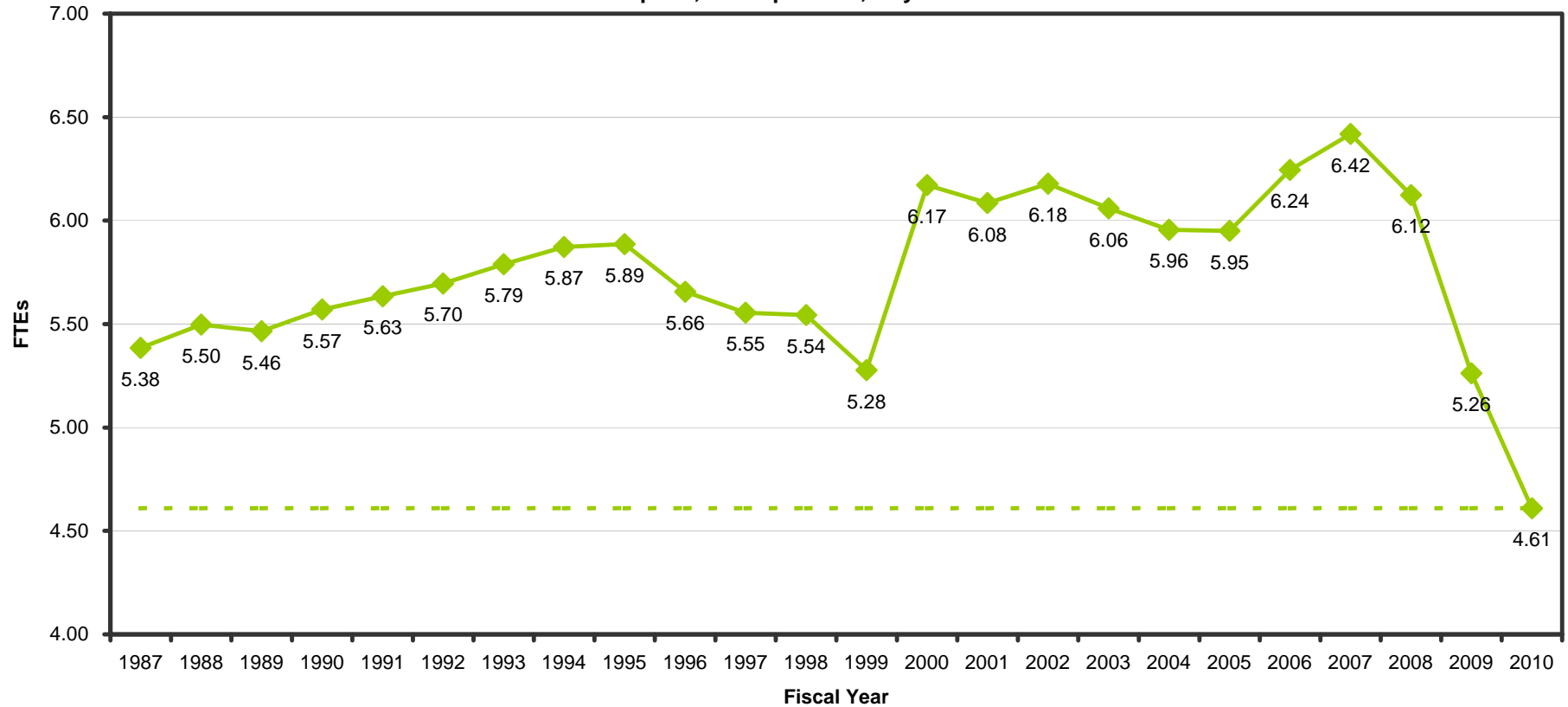
Recreation Department

- Close Norman Park Senior Center
- Close remaining facilities (11) on Mondays as result of reduction of part-time staffing and associated supplies & services budgets
 - Facilities are currently closed on Sundays as a result of previous cost cutting measures
- Elimination of 90% of free activities at Otay Recreation Center
- Elimination of City support for Nature Center utilities



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.



Mid-Year 2010 San Diego Region Crime Statistics

Table 2
ANNUALIZED FBI INDEX CRIME RATES BY JURISDICTION
San Diego Region, Mid-Year 2006, 2009, and 2010

	2006	2009	2010	Change	
				2006-2010	2009-2010
Carlsbad	28.89	20.39	18.39	-36%	-10%
Chula Vista	36.57	25.03	24.51	-33%	-2%
Coronado	21.10	21.94	23.25	10%	6%
El Cajon	40.51	31.12	31.15	-23%	<1%
Escondido	37.44	32.08	33.62	-10%	5%
La Mesa	48.13	34.78	44.02	-9%	27%
National City	52.09	42.02	39.69	-24%	-6%
Oceanside	33.59	26.92	24.81	-26%	-8%
San Diego	39.16	28.30	26.89	-31%	-5%

Table 3
ANNUALIZED FBI INDEX VIOLENT CRIME RATES BY JURISDICTION
San Diego Region, Mid-Year 2006, 2009, and 2010

	2006	2009	2010	Change	
				2006-2010	2009-2010
Carlsbad	3.42	2.95	1.80	-47%	-39%
Chula Vista	4.49	3.18	2.79	-38%	-12%
Coronado	1.22	0.86	1.09	--	--
El Cajon	4.98	4.73	3.73	-25%	-21%
Escondido	5.20	4.37	4.49	-14%	3%
La Mesa	4.47	3.68	3.75	-16%	2%
National City	10.10	7.12	7.61	-25%	7%
Oceanside	5.14	4.08	3.56	-31%	-13%
San Diego	4.80	4.28	4.03	-16%	-6%

Source: Crime in the San Diego Region Mid-Year 2010 Statistics, October 2010; Criminal Justice Research Division, SANDAG



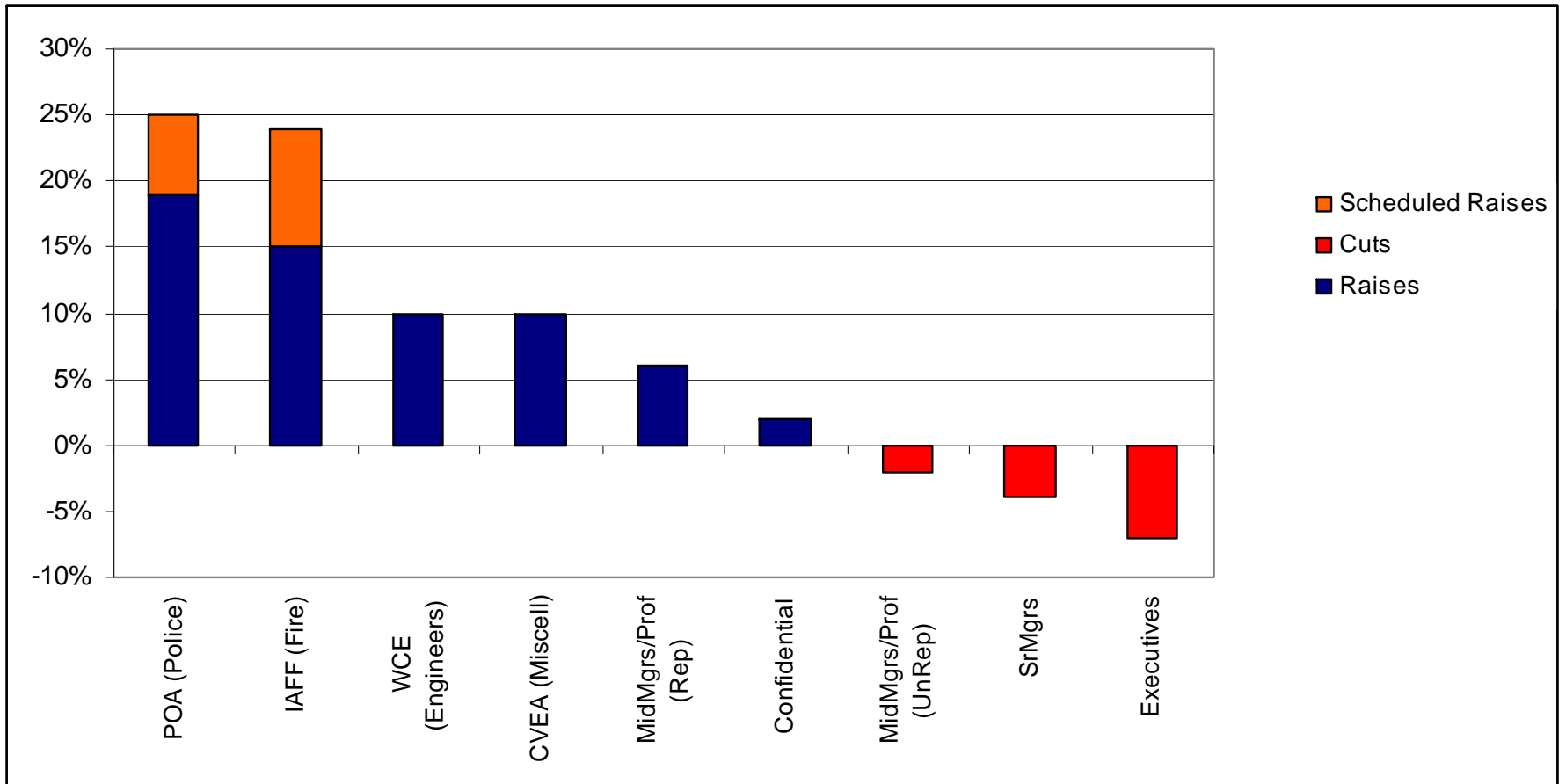
Compensation Change Current Contracts 2006-2013

Date of Salary Change	POA	IAFF	CVEA ⁽¹⁾	WCE	CONF	PROF & MM ⁽²⁾	CONF/UC PROF & MM	SM	EXEC
Jan-06	10%	8%	3%	3%	3%	3%	3%	3%	3%
Jan-07	4%	2%	3%	3%	3%	3%	3%	3%	3%
Jul-07	0%	2%	0%	0%	0%	0%	0%	0%	0%
Jan-08	4%	4%	4%	4%	4%	0%	0%	0%	0%
January 2009 ⁽³⁾	0%	0%	0%	0%	0%	0%	0%	-2%	-5%
Jul-09	0%	-1%	0%	0%	0%	0%	0%	0%	0%
Jan-10	0%	0%	0%	0%	0%	0%	0%	0%	0%
Jul-10	1%	0%	0%	0%	0%	0%	0%	0%	0%
Subtotal TD (Compounded)	20.2%	15.7%	10.3%	10.3%	10.3%	6.1%	6.1%	4.0%	0.8%
January 2011 ⁽⁴⁾	1%	2%	0%-4%	0%	-8%	0%	-8%	-8%	-8%
July 2011 ⁽⁵⁾	1%	2.50%	0%	0%	0%	0%	0%	0%	0%
Jan-12	1.50%	1.50%	0%-4%	0%	0%	0%	0%	0%	0%
Jul-12	1.50%	1.50%							
Jan-13	1.00%	1.50%							
Compound Change Jan 2006 - Jan 2013	27.5%	26.5%	See Note (1)	10.3%	1.5%	6.1%	-2.4%	-4.3%	-7.3%
Average Change per Year	3.4%	3.3%	See Note (1)	1.3%	0.2%	0.8%	-0.3%	-0.6%	-0.9%

1. CVEA employees could receive increases up to 4% in Jan 2011 and Jan 2012 based on a benchmark market study. Increases will vary depending on the final negotiated terms.
2. Professional and Mid Manager's salary is subject to re-opener and subsequent meet and confer during the term of the MOU, January 1, 2010 to June 30, 2012.
3. City eliminated 401a contributions for Executives and Senior Managers on January 15, 2009.
4. Non-Represented Employees to begin paying their share of pension cost in January 2011. Miscellaneous employees to pay 8% towards pension costs and Public Safety employees to pay 9% towards pension costs.
5. July 2011 IAFF adjustment reflects 1.5% salary increase per Side Letter of Agreement dated February 9, 2009 reinstatement of 1% salary reduction implemented in July 2009 per Side Letter of Agreement dated June 16, 2009.
6. Past date of existing contracts.
7. As of July 3, 2009, the car allowance for Executives and Senior Managers was reduced by 10% and the remaining amount was rolled into base wages.



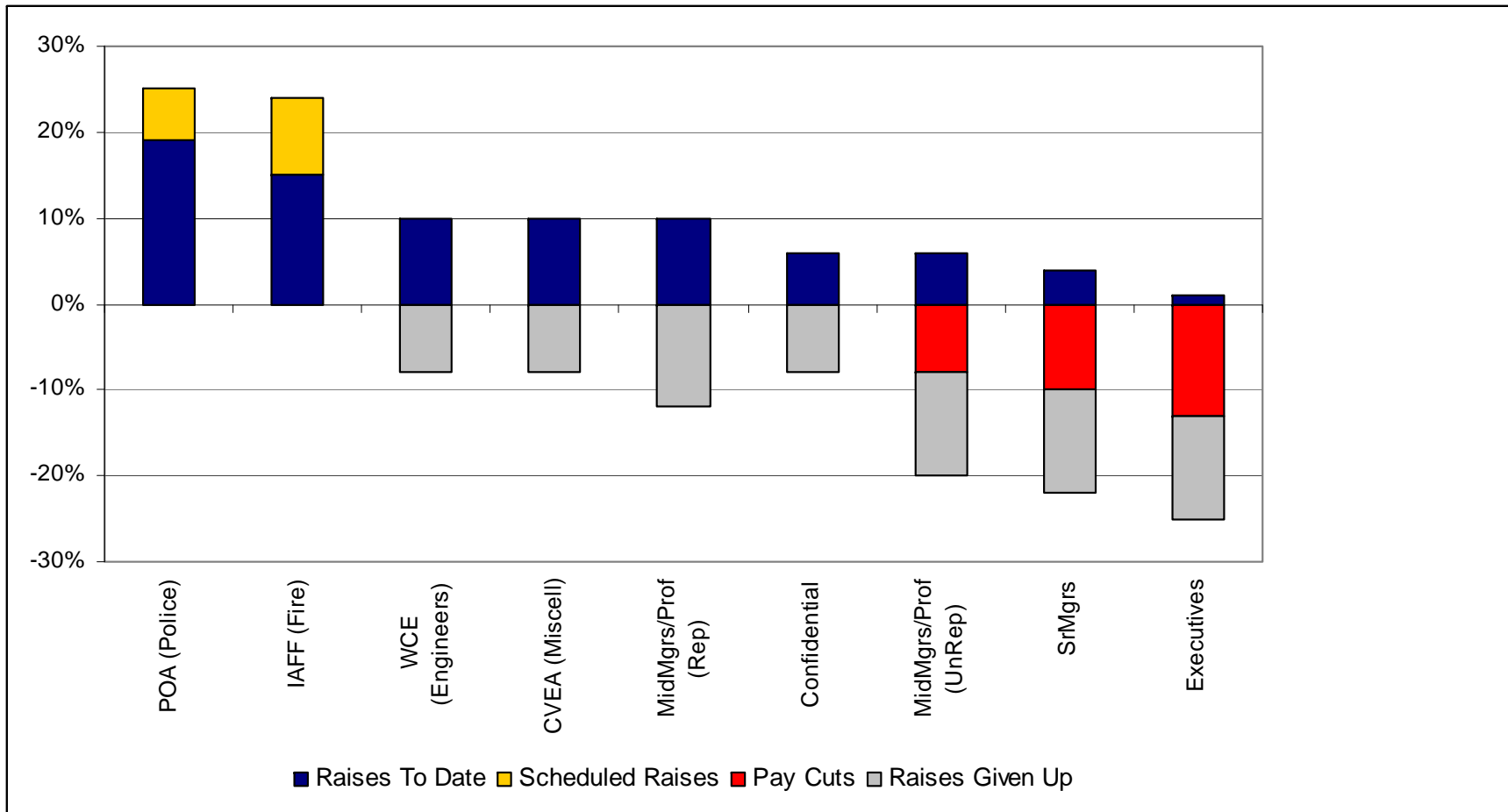
Compensation Change w/ Pension Payments by Unrepresented Groups



Beginning in January 2011 the Unrepresented Employees will begin paying their share of pension cost which is 8% for Miscellaneous Employees and 9% for Public Safety Employees.



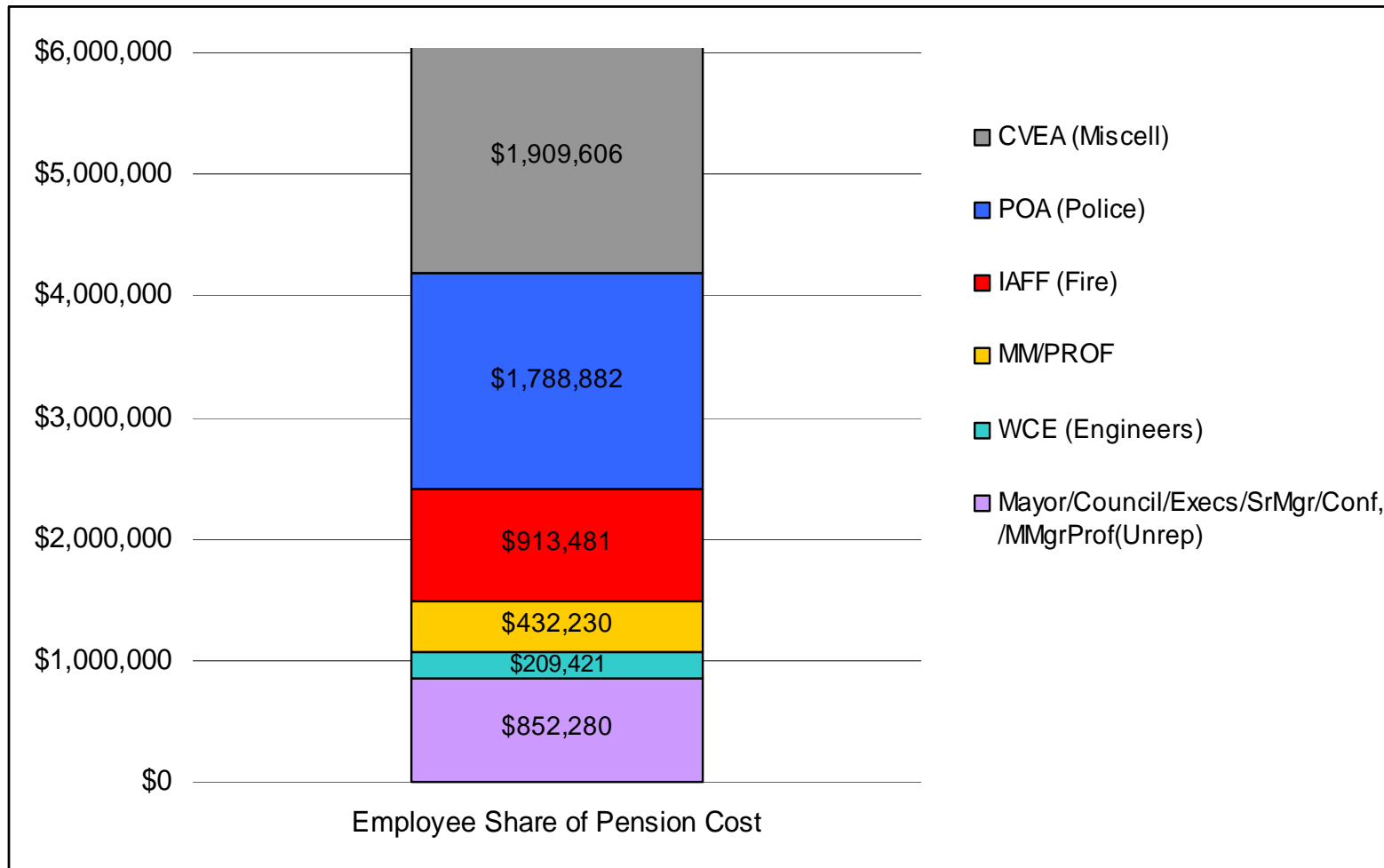
Compensation Change (Current Contracts 2006-2012/2013)



- Executives, Senior Managers, Confidential, MMgr/Prof will begin paying their share of the pension cost in January 2011. This is reflected in the chart above.
- Chart does not account for step increases, promotions, reclassifications etc.



Employee Share of Pension Cost (\$6.0 m)



Mayor/Council/Executives/Senior Managers/MidMgrProf (unrep.) and Confidential employees have agreed to pay their share of pension cost beginning in January 2011.



Current Pension Plan

Miscellaneous Employees

- Pension Benefits
 - 3% of salary @ age 60
 - EPMC
 - Based on highest 1 year salary
 - Retiree healthcare costs subsidized via pooling with active employees
- Pension Contribution
 - City pays “Employer Share”
 - City pays “Employee Share”: 8%
 - City pays EPMC

Public Safety Employees

- Pension Benefits
 - 3% of salary @ age 50
 - EPMC
 - Based on highest 1 year salary
 - Retiree healthcare costs subsidized via pooling with active employees
- Pension Contribution
 - City pays “Employer Share”
 - City pays “Employee Share”: 9%
 - City pays EPMC



Pension Second Tier

Miscellaneous Employees

- Pension Benefits
 - **2% of salary @ age 60**
 - Based on 3 year average highest salary
 - Retiree healthcare costs **no longer** subsidized via pooling with active employees
- Pension Contribution
 - City pays “Employer Share”
 - **Employee** pays “Employee Share”: 8%

Public Safety Employees

- Pension Benefits
 - **2% of salary @ age 50**
 - Based on 3 year average highest salary
 - Retiree healthcare costs **no longer** subsidized via pooling with active employees
- Pension Contribution
 - City pays “Employer Share”
 - **Employee** pays “Employee Share”: 9%



Impact of Tier 2 on Employee Pension Benefits

Miscellaneous Employee Example

Tier 1

Retirement Formula (3% @ 60)

Annual Salary	\$ 75,000
EPMC (8%)	\$ 6,000
Total Salary	<u>\$ 81,000</u>

Years of Service	30
Benefit Factor	3.0%
Annual Pension (% of Pay)	<u>90%</u>

Total Annual Pension \$ 72,900

Tier 2

Retirement Formula (2% @ 60)

Annual Salary	\$ 75,000
EPMC (8%) Eliminated	\$ -
Total Salary	<u>\$ 75,000</u>

Years of Service	30
Benefit Factor	2.0%
Annual Pension (% of Pay)	<u>60%</u>

Total Annual Pension \$ 45,000

Reduced Pension Benefits -38%

Began working in Chula Vista at age 30
Retired after 30 years at age 60

Public Safety Employee Example

Tier 1

Retirement Formula (3% @ 50)

Annual Salary	\$ 75,000
EPMC (9%)	\$ 6,750
Total Salary	<u>\$ 81,750</u>

Years of Service	30
Benefit Factor	3.0%
Annual Pension (% of Pay)	<u>90%</u>

Total Annual Pension \$ 73,575

Tier 2

Retirement Formula (2% @ 50)

Annual Salary	\$ 75,000
EPMC (9%) Eliminated	\$ -
Total Salary	<u>\$ 75,000</u>

Years of Service	30
Benefit Factor	2.0%
Annual Pension (% of Pay)	<u>60%</u>

Total Annual Pension \$ 45,000

Reduced Pension Benefits -39%

Began working in Chula Vista at age 20
Retired after 30 years at age 50



Historic Cuts (FTEs) by BU

Bargaining Unit	Historic Personnel Cuts (FTEs)			
	FY 2006-07	FY07-FY11 Reduction	% Cut to Date	FY07-FY11 Layoffs
Senior Managers	47.00	(20.00)	-43%	(3.00)
Mid Managers*	65.00	(27.00)	-42%	(3.00)
Executives	24.00	(9.00)	-38%	-
Professionals*	76.50	(27.50)	-36%	(7.00)
CVEA	609.25	(162.75)	-27%	(23.00)
WCE	37.00	(10.00)	-27%	(1.00)
CONF	24.00	(4.75)	-20%	(1.00)
POA (Police Officers Association)	247.00	(11.00)	-4%	-
Mayor & Council	5.00	-	0%	-
IAFF (International Association of Firefighters)	112.00	12.00	11%	-
TOTAL (less CBAG)	1,246.75	(260.00)	-21%	(38.00)
CBAG	17.00	1.00	6%	-
TOTAL CITYWIDE	1,263.75	(259.00)	-20%	(38.00)

**The Mid Manager and Professional groups were unrepresented in FY 2006-07. As a result, it is not possible to identify historic unrepresented versus represented FTE counts for these groups.*



Historic Cuts + Budget Reduction Plan (FTEs) by BU

Bargaining Unit	Historic Personnel Cuts (FTEs)			Budget Reduction Plan		
	FY 2006-07	FY07–FY11 Reduction	% Cut to Date	Proposed FTE Cuts	Cumulative Reduction	%
Senior Managers	47.00	(20.00)	-43%	(2.00)	(22.00)	-47%
Mid Managers*	65.00	(27.00)	-42%	(1.00)	(28.00)	-43%
Executives	24.00	(9.00)	-38%	-	(9.00)	-38%
Professionals*	76.50	(27.50)	-36%	(1.50)	(29.00)	-38%
CVEA	609.25	(162.75)	-27%	(49.50)	(212.25)	-35%
WCE	37.00	(10.00)	-27%	-	(10.00)	-27%
CONF	24.00	(4.75)	-20%	-	(4.75)	-20%
POA	247.00	(11.00)	-4%	(34.00)	(45.00)	-18%
Mayor & Council	5.00	-	0%	-	-	0%
IAFF	112.00	12.00	11%	(3.00)	9.00	8%
TOTAL (less CBAG)	1,246.75	(260.00)	-21%	(91.00)	(351.00)	-28%
CBAG	17.00	1.00	6%	-	1.00	6%
TOTAL CITYWIDE	1,263.75	(259.00)	-20%	(91.00)	(350.00)	-28%

**The Mid Manager and Professional groups were unrepresented in FY 2006-07. As a result, it is not possible to identify historic unrepresented versus represented FTE counts for these groups.*

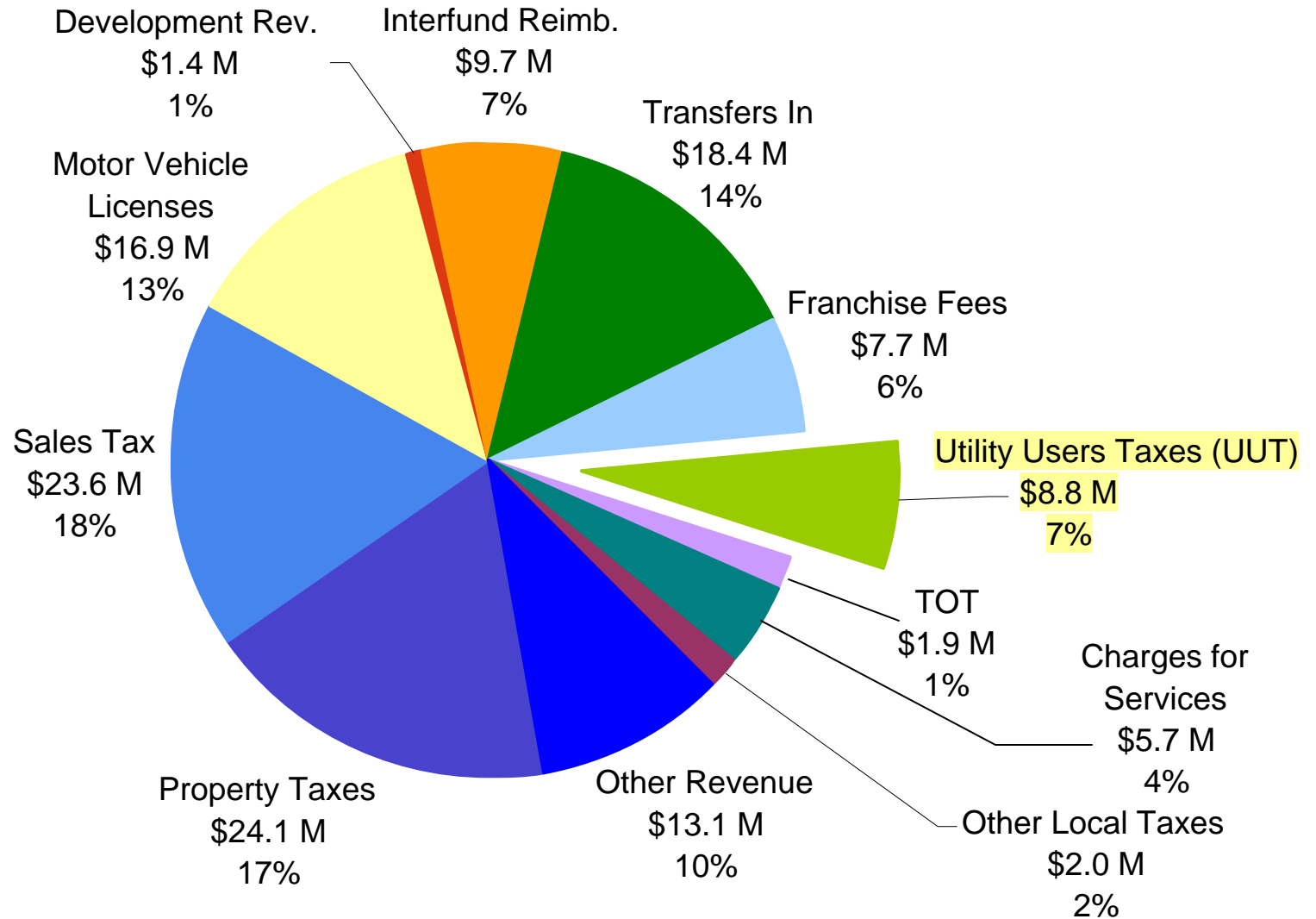
Telecommunications User's Tax

Proposition H





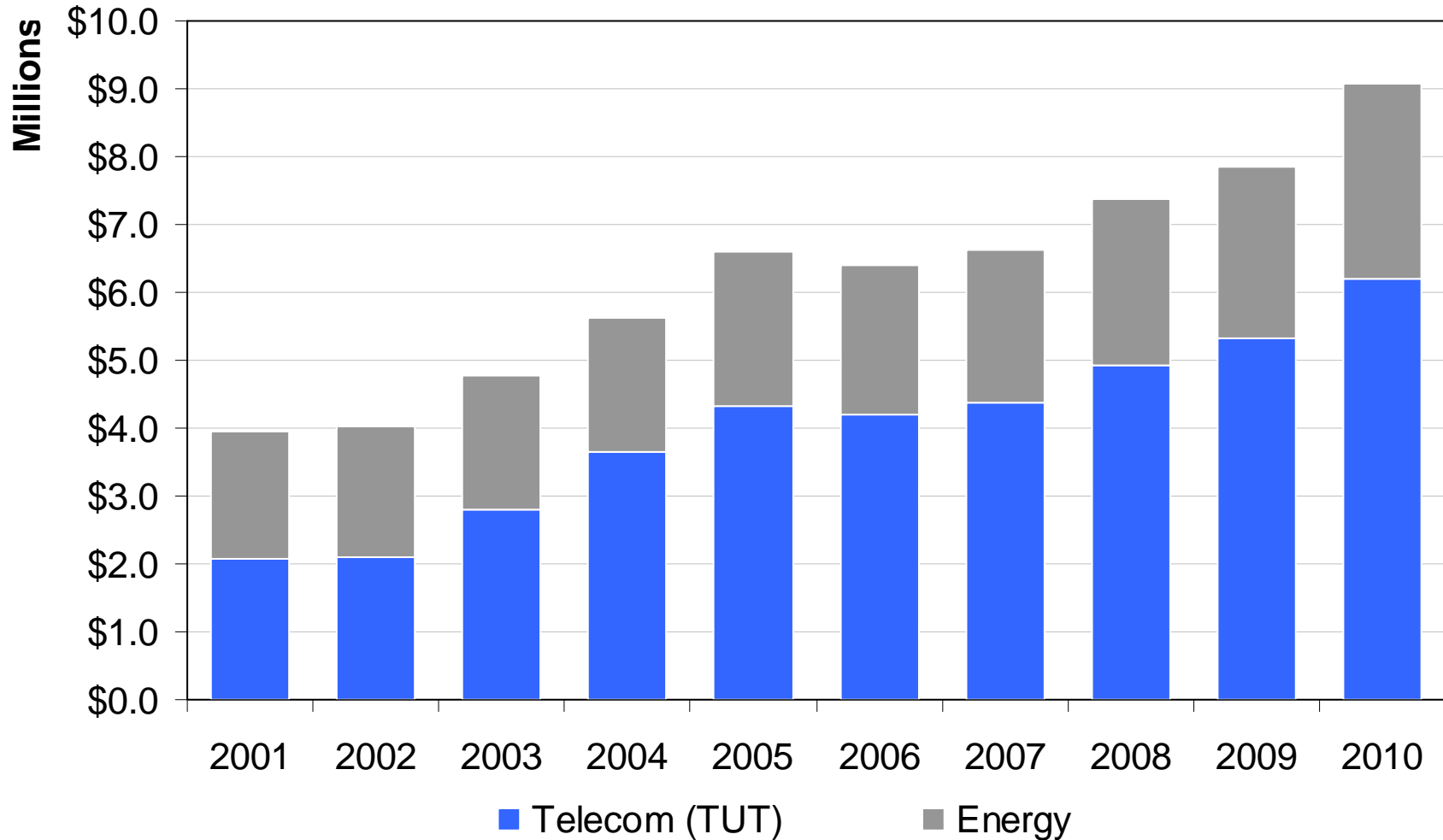
General Fund Revenues FY2010-11





Historic UUT Revenues

(Since 2001)



Per Audited Financial Statements



Telecommunications Users' Tax (TUT)

- Component of Utility Users' Tax (UUT)
- Proposition H
- November 2010 ballot
- Modernization of ordinance to reflect new technologies
- Possible loss of \$5-6 million of current revenues
- If not approved by voters, additional cuts would be necessary



Prioritized Program Cuts with Failure of Proposition H (\$5m to \$6m)

Department	Description	Cuts	FTE Cut
Public Works	Reduced Administrative & Fiscal Support	\$ 63,655	1.00
Boards & Comm.	Supplies & Services	\$ 2,608	-
Library	Eliminate Youth Lib Svcs and Library Educational After School Program (LEAP)	\$191,098	2.00
Library	Reduce Tech Svcs Support & further cuts to Book Budget	\$468,313	3.00
Recreation	Cut Principal Recreation Manager eliminate professional oversight of programs & activities	\$128,197	1.00
Recreation	Reduce Youth Athletics	\$ 7,684	-
Recreation	Reduce Services at Veterans/Heritage/Monteville and eliminate Mobile Rec Program	\$195,865	3.00
City Council	Reduce City Council Support Staff	\$212,735	-
Development Svcs	Reduce Advanced Planning Staffing	\$173,198	1.50
Library	Close Eastlake Library - No Library Services in Eastern CV	\$113,818	1.50
Library	Reduce Programming Civic Center and South CV Libraries	\$335,490	3.00
Library	Reduce hrs of operations for Civic Center (-40%) and South CV (-30%) Libraries	\$449,546	6.75
Recreation	Close Otay Rec Center - No Recreational Svcs in Southwest CV	\$114,757	1.00
Recreation	Close Loma Verde	\$198,592	2.00
Recreation	Close Parkway Pool	\$109,646	1.00
Recreation	Close Salt Creek Center	\$167,172	2.00
Recreation	Close Parkway Center/Parkway Gym/Memorial Bowl	\$270,232	3.00
Administration	Reduced Communication Notices to the Public and support for City Managers Office	\$ 91,591	1.00
HR/IT	Eliminate Volunteer coordination & reduce Maintenance Contracts	\$125,246	1.75
City Clerk	Further Reduction in Operational Hrs and Delays in Reporting	\$100,097	1.00
	Slide Subtotal	\$3,519,540	35.50



Prioritized Program Cuts with Failure of Proposition H (\$5m to \$6m)

Department	Description	Cuts	FTE Cut
Finance	Severe backlog in Purchase Orders and Payments to Vendors	\$ 195,010	2.00
IT	Significant reduction in Micro Computer Support and IT Administration	\$ 235,581	1.50
Public Works	Reductions of Custodial Services, Building and Equipment Maintenance	\$ 605,674	8.00
Public Works	Elimination of Graffiti Removal Program	\$ 69,255	1.00
Development Svcs	Eliminate Economic Development Program	\$ 279,596	3.00
Public Works	Reduce Street Maintenance Services	\$ 433,177	2.00
Public Works	Reduce Tree Trimming services & Oversight Citywide	\$ 381,445	1.00
Public Works	Reduce NPDES staffing	\$ 108,085	1.00
	Slide Subtotal	\$2,307,823	19.50
	Total	\$5,827,363	55.00



In Summary...

- The proposed cuts DO NOT:
 - Add to General Fund operating reserves
 - Fund equipment & technology replacement needs
 - Add reserves to our public liability fund or bring down unfunded pension liabilities
- The proposed cuts DO:
 - Allow the City to stay in balance and avoid deficit spending
 - Assume economic stabilization and no further loss of revenues



Next Steps

- No action by City Council requested at this time
- City management will continue to reach out to bargaining units
- If no concessions from bargaining units
 - November – December 2010: Conduct exit interviews
 - January 13, 2011: Layoffs occur
- Balanced FY 2011-12 budget will be presented to Council in Spring 2011

Full presentation will be available on the City's website @ www.chulavistaca.gov and on the City's intranet site.