



City of Chula Vista

Legislation Details (With Text)

File #: 15-0607 **Name:**
Type: Consent Item **Status:** Agenda Ready
 In control: City Council
On agenda: 11/10/2015 **Final action:**
Title: A. QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDING SEPTEMBER 30, 2015
 B. RESOLUTION NO. 2015-267 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA
 MAKING VARIOUS AMENDMENTS TO THE FISCAL YEAR 2015/16 BUDGET TO ADJUST FOR
 VARIANCES AND APPROPRIATING FUNDS THEREFOR (4/5 VOTE REQUIRED)

Sponsors:

Indexes:

Code sections:

Attachments: 1. Item 4 - Resolution, 2. Item 4 - Attachment 1

Date	Ver.	Action By	Action	Result
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11/10/2015	1	City Council		
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A. QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDING SEPTEMBER 30, 2015

B. RESOLUTION NO. 2015-267 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA MAKING VARIOUS AMENDMENTS TO THE FISCAL YEAR 2015/16 BUDGET TO ADJUST FOR VARIANCES AND APPROPRIATING FUNDS THEREFOR (4/5 VOTE REQUIRED)

RECOMMENDED ACTION

Council accept the report and adopt the resolution.

SUMMARY

The Finance Department prepares quarterly financial reports for the General Fund that reflect budget to actual comparisons, projected revenues and expenditures, and highlight major variances that may require additional action or changes. The quarterly financial reports are in compliance with Section 504 (f) of the City Charter, which requires that quarterly financial reports be filed by the Director of Finance through the City Manager.

In preparing the quarterly financial projections, staff has identified various budget changes that are needed to better reflect actual revenues and expenditures or address changes in budgetary needs. For government entities, a budget creates a legal framework for spending during the fiscal year. After the budget is approved there are circumstances, which arise that could require adjustments to the approved budget. Council Policy 220-02 "Financial Reporting and Transfer Authority" was established in January of 1996 and allows for budget transfers to be completed. This report discusses budget adjustments that staff recommends in the General Fund as well as various other funds.

ENVIRONMENTAL REVIEW

The activity is not a “Project” as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

BOARD/COMMISSION RECOMMENDATION

Not applicable.

DISCUSSION

The Finance Department prepares quarterly financial reports for the General Fund that reflect budget to actual comparisons, projected revenues and expenditures, and highlight major variances that may require additional action or changes. The quarterly financial reports are in compliance with Section 504 (f) of the City Charter, which requires that quarterly financial reports be filed by the Director of Finance through the City Manager.

General Fund Overview

Attachment A - Quarterly Financial Report provides the financial outlook for the General Fund for the current fiscal year and includes summary information for revenues and expenditures.

The following chart summarizes the projections for the first quarter of fiscal year 2015/16 for the City’s General Fund. The amended budget column includes all Council approved changes to the fiscal year 2015/16 adopted budget that have taken place through the end of the first quarter ending September 30, 2015. The projected column lists the fiscal year 2015/16 projections for revenues and expenditures as of June 30, 2016. The following table reflects the unaudited General Fund reserves as of July 1, 2015 (beginning fund balance) as well as the projected General Fund reserves for June 30, 2016 (projected ending fund balance).

General Fund Reserve	Amended Budget	Projected (millions)
Reserves - July 1, 2015 (unaudited)	\$16.03	\$16.03
Revenues & Transfers In	\$139.88	\$140.73
Expenditures & Transfers Out	(\$139.88)	(\$139.88)
Pending Appropriations	-	(\$0.58)
Projected Surplus/Deficit	\$0.01	\$0.27
Projected Fund Balance for June 30, 2016	\$16.03	\$16.30
Percentage of Operating Budget	11.5%	11.6%

General Fund Summary

Notes:

1. The City Council Adopted budget was balanced and did not project an increase in fund balance for the General Fund. The budgeted surplus reflected in the Amended Budget column is a result of mid-year Council approved budget amendments that have resulted a minor surplus of revenues over expenditures.

2. The Amended Budget and projections reflected in this table do not include prior year appropriations for capital improvement projects and other encumbrances totaling \$5.3 million that were carried forward into the fiscal year 2015/16 budget. These expenditure impacts are already reflected in the estimated fund balance as of July 1, 2015 and are therefore not included in the above table.
3. Pending appropriations reflect the personnel cost increases related to the negotiated wage settlement with the Chula Vista Mid-Managers and Professionals Association, Western Council of Engineers, and various unrepresented employees. The wage settlement agreement with the Chula Vista Employees Association is also included in this projection though Council will consider this action as part of a different action on today's agenda. Accordingly, these costs are reflected in the amounts for pending appropriations. While these appropriations are outside of the reporting period, staff is including them in the report to better reflect projected expenditures for fiscal year 2016.

The City's financial outlook appears stable through the end of the first quarter. Revenues are projected to increase modestly from the amended budget level based on updated assumptions based on fiscal year 2015 actuals and continuing positive trends in the first quarter. There are no projected variances in expenditures to report at this time. Based on activity through the end of the first quarter, the General Fund is projected to end the fiscal year with a small increase in fund balance (\$0.27 million). As noted above, the City has yet to reach agreement with two of the City's bargaining groups. The projected expenditures reflect the increased costs related to these pending agreements.

Overall, General Fund revenues are projected to increase by \$0.85 million above the current amended budget. This increase is due to improved Property Tax, Motor Vehicle License Fee, Transient Occupancy Tax, Real Property Transfer Tax and Use of Money and Property revenues that are projected to increase by a combined \$1.0 million over the current budgeted level. The projected increases for these revenues are based on revised assumptions that have improved since the adoption of the budget and a review of previous fiscal year actuals for these revenues. The projected increase in these revenues is partially offset by a projected decrease of \$0.1 million in Other Revenue.

There are no variances to report for expenditures projected as of the end of the first quarter. Departmental expenditures are tracking within budgeted levels. Although departmental expenditures projected within budget levels, budgeted salary savings levels are not projected to be achieved based on the current trend. This is primarily due lower than anticipated employee attrition rates. Salary savings are currently budgeted at \$2.0 million in the General Fund, which reflects a 2% vacancy rate. Staff will continue to monitor salary savings levels and look for other potential cost saving measure in order to remain within budget.

The first quarter expenditure projection included above reflects \$0.61 million in appropriations approved after the end of the First Quarter. These appropriations reflect the personnel cost increases related to a negotiated wage settlement with the Chula Vista Mid-Managers, the Professionals Association and various unrepresented employees. The City will have considered a wage settlement with WCE and will be considering a wage settlement agreement with CVEA at the time this report presented. Accordingly, these costs are reflected in the amounts for pending appropriations.

Staff is working with the City's Sales Tax Consultant's, HdL, to identify the revenues the City will receive as a result of the end of the triple flip. These revenues will help address expenditures for major projects that were not included in the fiscal year 2015-16 adopted budget, but will likely require

funding in the current fiscal year. Staff will return to Council to identify the impact of the triple flip and make a recommendation on the allocation of those funds to address funding needs.

Development Services Fund Overview

The Development Services Department Enterprise fund consists of Land Development, Development Planning, the DSF Front Counter and the Building Division. Based on trends through the first quarter, staff is conservatively projecting to end the current fiscal year with a projected deficit. This projection is consistent with the previous fiscal year which indicated a similar trend. Staff will continue to monitor the Development Services Fund, and will make necessary adjustments in the current fiscal year to mitigate any impact to the fund.

Staff is recommending budget amendments in the Library, Non-Departmental, Police, Fire and Public Works departments. These changes result in no net fiscal impact to the General Fund.

Library - The Library has received several donations totaling \$48,060. The Friends of the Library, Civic Center Chapter donated \$20,000 to help fund the renovations of the Civic Center Library Auditorium. The Chula Vista Public Library Foundation donated \$10,000 to help fund staffing for expanded hours at the Otay Ranch Library; \$5,000 for the renovations of the auditorium; and \$5,000 for the relocation of the Heritage Museum. Donations were also received to continue support of two very popular programs: '1,000 Books Before Kindergarten' and Kindergarten Boot Camp. The Friends of the Library, Executive Board donated \$4,060.19 and the Altrusa Club of Chula Vista donated \$4,000.

Staff is requesting that these donations (totaling \$48,060) be appropriated as follows - \$10,000 to the Personnel Services expenditure category, \$13,060 to the Supplies and Services budget of the Library Department, and \$25,000 to be appropriated to the Non-CIP Project Expenditure category of the Non-Departmental budget for the Auditorium project.

Non-Departmental/Various - The fiscal year 2015/16 budget includes \$1.8 million in budgeted salary savings in the Non-Departmental budget. These savings are actually realized in the department budgets as turnover occurs. In order to reduce the amount of budgeted salary savings, staff recommends applying the known savings from the voluntary furlough program and medical premium savings. Staff is recommending the following adjustments:

1. The City continues to offer a voluntary furlough program where staff can elect to take unpaid leave. In the current fiscal year, this program will generate approximately \$166,213 in salary savings in various departments. Staff recommends reducing the budgeted salary savings in the Non Departmental budget and recognizing the salary savings in the department budgets generated by the voluntary furlough program. There is no net fiscal impact to the General Fund as a result of this change.
2. The fiscal year 2015/16 budget assumed a 5% increase in medical and dental insurance premiums. The actual medical premium increase was lower than anticipated in the budget, resulting in a budget savings of approximately \$260,448. Staff recommends recognizing the projected savings in health/flex benefits in the various department budgets and reducing the

budgeted salary savings in the Non-Departmental budget by the same amount. There is no net fiscal impact to the General Fund as a result of this change.

As discussed above, staff is also requesting a \$25,000 increase to the Non-CIP Project Expenditure category of the Non-Departmental budget to augment and existing project for improvements at the City Library auditorium. This increase will be offset by revenue a donation in to the Library budget resulting in no net impact.

Police Department - The Police department is requesting to transfer \$62,128 from the Capital expenditure category to the Supplies and Services Category in order to align budget with actual expenditures related to building maintenance costs that were initially budgeted as capital expenditures. This transfer will enable this purchase to be correctly reflected in the City's accounting and financial reporting systems. There is no net fiscal impact as a result of this change.

The Police Department is also requesting a change to the accounting for the 4% administrative fee the department receives for acting as the fiscal agent for the High Intensity Drug Trafficking Area (HIDTA) and Homeland Security Grant Program (HSGP). This change results in no net fiscal impact but will reclassify \$100,928 in revenues from the Revenue from Other Agencies category to the Other Revenues category.

Fire Department - The Fire Department is expected to receive reimbursements in the amount of \$862,235 from the State of California Office of Emergency Services (CalOES). These reimbursements are related to costs associated with staff time and travel for Chula Vista Fire Department strike team deployments for mutual aid agreements to assist in statewide firefighting efforts. Staff is requesting Council to amend the FY2016 Fire Department budget to appropriate \$854,740 in the Strike Team Personnel Services category offset overtime costs and \$7,495 in Supplies and Services expense category to offset travel costs.

The Fire Department has also received a grant from SDG&E in the amount of \$5,000 to support the Fire Department's Community Emergency Response Team (CERT) Program. These funds will be used for expenses related to the training of CERT volunteers. Staff is requesting Council to accept the donation in the amount of \$5,000 from SDG&E and amend the FY2016 Fire Department budget to appropriate the funds in the Fire Department's Services and Supplies expense category.

These changes result in no net fiscal impact to the General Fund.

Public Works - The Public Works department has received a \$1,000 grant from the American Public Works Association (APWA) - San Diego & Imperial Counties Chapter for an 8 week internship program. The APWA contribution is an incentive to public-private engineering agencies to offer an engineering experience for engineering students. The total grant agreement is for \$3,200 resulting in a \$2,200 match responsibility to the City if this request is approved. Sufficient appropriations are available in the Public Works Department Personnel Services budget to offset the City's portion of the grant agreement. The Public Works Department is requesting a \$1,000 appropriation to the Personnel Services budget offset by the grant revenue.

In addition to the General Fund changes requested above, staff is also recommending a number of

changes to other funds. These changes are as follows:

ALS Fund - Staff is requesting an appropriation of \$110,406 in the Advance Life Support Program Fund to continue implementing the First responder Advance Life support Program (FRALS) per the agreement with AMR. This appropriation will be made from the available fund balance of the ALS Fund and will be appropriated as follows:

- \$10,406 to the Supplies & Services expense category to purchase medical supplies.
- \$100,000 to the Personnel Services expense category for overtime costs related to paramedic training.

Police Grants Fund - The Police Department is requesting to appropriate \$160,843 to the Other Expenses category of the Police Grant Fund for the 4% administrative fee for acting as the fiscal agent of High Intensity Drug Trafficking Area (HIDTA) and Homeland Security Grant Program (HSGP) funding. This appropriation will allow for a more accurate accounting of the administrative costs incurred by the City to be reflected in the City's financial reporting systems. The appropriation is fully offset by the grant funding received by HIDTA & HSGP.

Asset Seizure Fund - The Police Department is the fiduciary agent for the Southwest Border Anti-Money Laundering Alliance (SWBAMLA) task force. The task force performs operations that help prosecute money laundering, narcotics trafficking, human trafficking, commerce fraud, and other criminal ventures. Part of the outcome from the operations can be the recovery of assets. The Police Department, as the fiduciary agent for SWBAMLA task force, is requesting a \$25,000 appropriation to the Supplies and Services expenditure category of the Asset Seizure Fund. The appropriation will be used to distribute equitable sharing of asset forfeitures to the participating agencies of the SWBAMLA task force.

Federal Grants Fund - On June 2, 2015, the City Council approved a sub-award agreement with Community Health Improvement Partners for the Racial and Ethnic Approaches to Community Health (REACH) Project. This project was approved for \$30,000 in funding through the Center for Disease Control for staff time funding to develop policies and plans supporting healthy food access and active transportation. Due to the timing of the appropriation, staff did not expend the available funds in fiscal year 2015. Staff is requesting to appropriate the \$30,000 REACH sub-award to the fiscal year 2015-16 Federal Grant Funds Other Expenses category to support City staff time associated with this grant. Approval of this resolution will result in no net fiscal impact to the Federal Grants Fund.

In addition, staff is requesting an appropriation of \$1,391 in the Personnel Services Category of the Federal Grants Fund for emergency service expenses. On August 27, 2015 the Fire Department received notification of the FY2015 Emergency Management Performance Grant (EMPG) allocation amount. Council approved funds in the amount of \$60,230 as part of the fiscal year 2016 budget process; however, the revised grant amount is \$61,621. The appropriation is offset by grant funds resulting in no net fiscal impact to this fund.

State Grants Fund - An appropriation of \$8,331 to the Supplies and Services in the States Grant Fund for Mobile Recreation Program is requested. These are residual funds from the previous fiscal year that were not carried forward in the fiscal year 2015-16 budget. This funding was initially received from the California Parks and Recreation Department to support the City's Mobile

Recreation Program.

Emergency Solutions Grant Fund - The City receives Emergency Solutions Grant funds from the U.S. Department of Housing and Urban Development for the purpose of providing services to persons who are homeless or are at risk of the becoming homeless. A portion of the funds are to cover City staff time associated with the administration of the grant program. Staff is requesting to appropriate \$5,431 to the fiscal year 2015-16 Emergency Shelter Grant Program Other Expenses category for City Staff Services. These are residual funds that were unspent in the previous fiscal year and are available to be appropriated in the current fiscal year resulting in no net impact.

Staff is also requesting that \$7,663 be transferred from the Rapid ReHousing Project (project 1021) to the Homeless Management Information System Project (project 1024) in order to comply with the new HUD regulations. In May 2015, the City entered into a contract with South Bay Community Services to provide HPRP services on the City's behalf. The scope of services included maintenance of the HUD mandated Homeless Management Information System (HMIS), which collects data on homeless persons served. Subsequent to award of the contract, HUD issued regulations requiring all ESG activities to be monitored as separate projects. A new Non-CIP project, the Homeless Management Information System (project number 1024) has been created under ESG in order to distinguish and monitor separate from HPRP, in adherence to HUD regulations. Approval of this transfer will ensure that these funds are administered within HUD rules. There is no net fiscal impact as a result of this change.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the 500-foot rule found in California Code of Regulations Title 2, section 18702.2(a)(11), is not applicable to this decision for purposes of determining a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City of Chula Vista City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. This action supports the Operational Excellence goal by communicating the City's projected financial position for the current fiscal year in an open and transparent manner. This transparency supports City Initiative 1.3.1. - "Foster public trust through an open and ethical government."

CURRENT YEAR FISCAL IMPACT

There is no fiscal impact resulting from accepting the Quarterly Financial Report.

General Fund - Approval of the resolution amending the fiscal year 2015/16 budget will result in the following appropriations to the General Fund.

Summary of Budget Appropriations by Department

DEPT/FUND	DESCRIPTION	EXPENSE	REVENUE	NET
GENERAL FUND				
Non-Departmental/Various* (see table below)	Flexible Benefit & Work Furlough Savings to Offset Budgeted Salary Savings	\$0	\$0	\$0
	Non-Departmental CIP for Library Remodel Project	\$25,000	\$0	\$25,000
Library	Library Donations from various sources for literacy programs and Library remodel project	\$23,060	\$48,060	(\$25,000)
Police	Reclassification of Police Grant Revenues	\$0	\$0	\$0
	Transfer from Capital to Supplies and Services	\$0	\$0	\$0
Fire	Fire Community Emergency Response Team (CERT) Donation from SDG&E Appropriation	\$5,000	\$5,000	\$0
	Fire Strike Team Reimbursements for deployments to offset overtime and travel costs	\$862,235	\$862,235	\$0
Public Works	Public Works APWA Internship Grant appropriation to Personnel Services	\$1,000	\$1,000	\$0
	TOTAL GENERAL FUND	\$916,295	\$916,295	\$0

As part of the proposed budget amendments, staff is recommending reducing the personnel services budget of all departments to account for the savings from the voluntary furlough and the health/flex benefits. These reductions will offset a reduction in budgeted salary savings in the Non Departmental budget. These changes are reflected on the following table.

Summary of Changes to Departmental Personnel Service Budgets -

DEPARTMENT	ADJUSTMENT
City Clerk	(\$2,535)
City Attorney	(\$24,460)
Administration	(\$14,312)
Information Technology Svcs	(\$11,343)
Human Resources	(\$10,453)
Finance	(\$21,153)
Non-Departmental	\$419,540
Animal Care Facility	(\$5,672)
Development Svcs. Gen. Fund	(\$19,482)
Police	(\$144,174)
Fire	(\$37,334)
Public Works	(\$108,241)
Recreation	(\$13,113)
Library	(\$7,268)
TOTAL	\$ -

Flexible Benefits and Work Furlough Salary Adjustments

Net Impact - The changes in the General Fund are neutral and have no net fiscal impact. The recommended adjustments in the General Fund are either revenue offset or reflect offsetting transfers between expenditure categories.

Other Funds - Approval of the resolution amending the fiscal year 2015/16 budget will result in the following appropriations. The resulting fiscal impacts to various funds are also listed in the following table:

OTHER FUNDS	DESCRIPTION	EXPENSE	REVENUE	NET
Advanced Life Support Program Fund	ALS Fund Appropriation of Fund Balance for continued implementation of First Responder Advanced Life Support System (FRALS) program.	\$110,406	\$0	\$110,406
Police Grants Fund	Fiduciary 4% admin. costs and other revenue for HIDTA ,HSGP -SDLECC, and RCFL Grant funds.	\$160,843	\$160,843	\$0
Asset Seizure Fund	Appropriation of forfeiture revenues from the SWBA	\$25,000	\$25,000	\$0
Federal Grants Fund	Appropriation of REACH funds to Federal Grants fund	\$30,000	\$30,000	\$0
	EMPG Grant Adjustment for revised grant amount	\$1,391	\$1,391	\$0
State Grants Fund	Mobile Recreation Program Re-budget of Supplies and Services	\$8,331	\$0	\$8,331
Emergency Solutions Grant Fund	Reach Homeless program revenue and expense re-budget	\$5,431	\$5,431	\$0
	Transfer of Rapid Rehousing Project funds to new Project number	\$0	\$0	\$0

	TOTAL OTHER FUNDS	\$341,402		
		\$222,665		
		\$118,737		

There is no net fiscal impact to the following funds: Police Grant Fund, Asset Seizure Fund, and Emergency Solutions Grant Fund.

Projected impacts to the remaining funds are as follows:

- The appropriation of \$110,406 in the Advanced Life Support Fund will be made from the available balance of this fund.
- The appropriation of \$8,331 in the States Grant Fund for the Mobile Recreation Program will be made from the available balance of this fund.

ONGOING FISCAL IMPACT

Staff will continue to monitor and analyze revenue and expenditure trends and incorporate changes as necessary into future financial reports and/or budgets.

ATTACHMENT

1. First Quarter Financial Report

Staff Contact: Angelica Aguilar, Finance Department

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA MAKING VARIOUS AMENDMENTS TO THE FISCAL YEAR 2015/16 BUDGET TO ADJUST FOR VARIANCES AND APPROPRIATING FUNDS THEREFOR

WHEREAS, the City Charter states that at any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative votes of at least four members; and

WHEREAS, staff has completed the budget review for the quarter ending September 30, 2015 and is recommending a number of budget amendments; and

WHEREAS, staff is recommending approximately \$0.9 million in new appropriations to various departments in the General Fund that will be fully offset by \$0.9 million in new revenues resulting in no net impact; and

WHEREAS, the appropriations to the Police Grant Fund, Asset Seizure Fund, Federal Grants and the Emergency Solutions Fund are revenue offset resulting in no net fiscal impact to these funds; and

WHEREAS, the appropriation in the Advanced Life Support (ALS) fund will be made from the available balance of this fund to continue the implementation of the First Responder Advance Life support Program (FRALS) per the agreement with AMR; and

WHEREAS, the appropriation of \$8,331 to the States Grant Fund is funded from residual funds from the previous fiscal year that were not carried forward in the fiscal year 2015-16 budget as funding was initially received from the California Parks and Recreation Department to support the City's Mobile Recreation Program.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chula Vista that it amends the fiscal year 2015/16 budget and approves the following transfers:

- A project transfer in the Emergency Solutions Grant Fund to reflect the following change:

Expense Category	From Project	To Project	Amount
Non CIP Projects	Rapid ReHousing Project	Homeless Management Information System Project	\$7,663

- A change in Police revenues as reflected below:

Current Revenue Category	Proposed Revenue Category	Amount
Revenue from Other Agencies	Other Revenues	\$100,928

BE IT FURTHER RESOLVED by the City Council of the City of Chula Vista that it amends the fiscal year 2015/16 budget and approves the following appropriations/transfers:

DEPARTMENT/FUND	PERSONNEL	SUPPLIES &	OTHER	Transfers Non-Dept.		TOTAL	TOTAL		
	SERVICES	SERVICES	EXPENSES	CAPITAL	Out	CIP	EXPENSE	REVENUE	NET COST
City Clerk	\$ (2,535)	\$ -	\$ -	\$ -		\$ -	\$ (2,535)	\$ -	\$ (2,535)
City Attorney	\$ (24,460)	\$ -	\$ -	\$ -		\$ -	\$ (24,460)	\$ -	\$ (24,460)
Administration	\$ (14,312)	\$ -	\$ -	\$ -		\$ -	\$ (14,312)	\$ -	\$ (14,312)
Information Technology Svcs	\$ (11,343)	\$ -	\$ -	\$ -		\$ -	\$ (11,343)	\$ -	\$ (11,343)
Human Resources	\$ (10,453)	\$ -	\$ -	\$ -		\$ -	\$ (10,453)	\$ -	\$ (10,453)
Finance	\$ (21,153)	\$ -	\$ -	\$ -		\$ -	\$ (21,153)	\$ -	\$ (21,153)
Non-Departmental	\$ 419,540	\$ -	\$ -	\$ -		\$ 25,000	\$ 444,540	\$ -	\$ 444,540
Animal Care Facility	\$ (5,672)	\$ -	\$ -	\$ -		\$ -	\$ (5,672)	\$ -	\$ (5,672)
Development Svcs. General Fund	\$ (19,482)	\$ -	\$ -	\$ -		\$ -	\$ (19,482)	\$ -	\$ (19,482)
Police	\$ (144,174)	\$ 62,128	\$ -	\$ (62,128)		\$ -	\$ (144,174)	\$ -	\$ (144,174)
Fire	\$ 817,406	\$ 12,495	\$ -	\$ -		\$ -	\$ 829,901	\$ 867,235	\$ (37,334)
Public Works	\$ (107,241)	\$ -	\$ -	\$ -		\$ -	\$ (107,241)	\$ 1,000	\$ (108,241)
Recreation	\$ (13,113)	\$ -	\$ -	\$ -		\$ -	\$ (13,113)	\$ -	\$ (13,113)
Library	\$ 2,732	\$ 13,060	\$ -	\$ -		\$ -	\$ 15,792	\$ 48,060	\$ (32,268)
TOTAL GENERAL FUND	\$ 865,740	\$ 87,683	\$ -	\$ (62,128)	\$ -	\$ 25,000	\$ 916,295	\$ 916,295	\$ -
OTHER FUNDS									
Advance Life Support Fund	\$ 100,000	\$ 10,406	\$ -	\$ -	\$ -	\$ -	\$ 110,406	\$ -	\$ 110,406
Police Dept Grants Fund	\$ -	\$ -	\$ 160,843	\$ -	\$ -	\$ -	\$ 160,843	\$ 160,843	\$ -
Federal Grants Fund	\$ 1,391	\$ -	\$ 30,000	\$ -	\$ -	\$ -	\$ 31,391	\$ 31,391	\$ -
Asset Seizure Fund	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000	
State Grants Fund	\$ -	\$ 8,331	\$ -	\$ -	\$ -	\$ -	\$ 8,331	\$ -	\$ 8,331
Emergency Solutions Grant Fund	\$ -	\$ -	\$ 5,431	\$ -	\$ -	\$ -	\$ 5,431	\$ 5,431	\$ -
TOTAL OTHER FUNDS	\$ 101,391	\$ 43,737	\$ 196,274	\$ -	\$ -	\$ -	\$ 341,402	\$ 222,665	\$ 118,737
TOTAL BUDGET AMENDMENTS	\$ 967,131	\$ 131,420	\$ 196,274	\$ (62,128)	\$ -	\$ 25,000	\$ 1,257,697	\$ 1,138,960	\$ 118,737

Presented by

Approved as to form by

 Maria Kachadoorian
 Deputy City Manager

 Glen R. Googins
 City Attorney

OVERVIEW

This financial report summarizes the City's General Fund financial position for fiscal year 2016 through September 30, 2015 and projecting out to June 30, 2016. 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.

ECONOMIC UPDATE

The National Forecast¹ - In the September 2015 report, UCLA Anderson Forecast Director Edward Leamer provides historical perspective regarding the current expansion that is now in its twenty-fifth quarter. Leamer says the expansion seems destined to continue for at least a couple more years and probably more due to other key factors: jobs, housing and cars. The expansion is projected to continue despite the anticipated interest rate increase the Federal Reserve Board. The forecast for GDP growth is in the 2% to 3% range, better in 2016 than the year after. The forecast anticipates an improving labor market, a declining unemployment rate and a rising employment to population ratio.

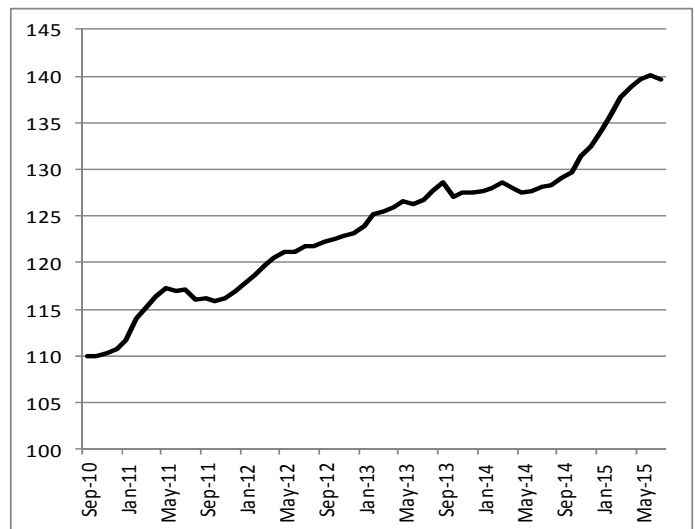
The California Forecast² - In the California forecast, Senior Economist Jerry Nickelsburg examines the labor market. He estimates total employment growth at 2.7% in 2015, 2.2% in 2016 and 1.4% in 2017. Real personal income growth is estimated to be 4.6% in 2015 and forecast to be 4.5% and 4.2% in 2016 and 2017, respectively. At the same time, the unemployment rate should drop below 6.0% through the balance of 2015. Unemployment will fall throughout the next year and will average 5.2% -- unchanged from the June forecast. In 2017, Nickelsburg expects the unemployment rate to be approximately 4.8%, same as in the U.S. Nickelsburg also estimates that that home prices in California will become increasingly less affordable over the next two years, as the amount of building will not meet new demand. This forecast is somewhat in contrast to the overall national housing outlook that is projected to garner strength as it returns to previous average growth levels. The national improvement in the real estate market is anticipated to be driven by housing starts that are projected to modestly increase over the forecast period.

The San Diego Forecast³ - The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County decreased 0.4 percent in July 2015. Five of the six components in the Index were down, led by big drops in initial claims for unemployment insurance and help wanted advertising. Down more moderately was consumer confidence and the outlook for the national economy.

July's decrease broke a string of thirteen consecutive monthly increases in the USD Index. Although the increase in the Index had slowed in recent months, the decline was unexpected as a couple of recently strong components (building permits and the outlook for the national economy) turned negative. Despite the drop and despite concern that five of the six components were negative, the outlook for positive growth in the local economy remains unchanged. Changes in the labor market provided the utmost concern as initial claims for unemployment insurance jumped above the 16,000 mark for the first time since last August, while help wanted advertising hit its lowest level since October of last year. This impact has not been reflected yet in the local labor market.

The upcoming months will be closely watched as Economists usually look for three consecutive changes in a leading index as a signal of a turning point in an economy.

**San Diego Index of Leading Economic Indicators
San Diego County, 2010 - 2015**



¹Source: UCLA Anderson Forecast, September 2015

²Source: UCLA Anderson Forecast, September 2015

³Source: University of San Diego School of Business Administration, USD Index of Leading Economic Indicators, September 2014; retrieved from URL: <http://home.sandiego.edu/~agin/usdle/i/index.html>

GENERAL FUND SUMMARY

General Fund Reserves - The General Fund Reserve policy was established to ensure that the City's finances are managed in a manner which will:

1. Continue to provide for the delivery of quality services
2. Maintain and enhance service delivery as the community grows in accordance with the General Plan
3. Minimize or eliminate the need to raise taxes and fees because of temporary revenue shortfalls
4. Establish the reserves necessary to meet known and unknown future obligations and ability to respond to unexpected opportunities.

The following table reflects the unaudited General Fund reserves as of June 30, 2015 as well as the projected General Fund reserves for June 30, 2016.

General Fund Reserve	Amended Budget	Projected (millions)
Reserves - July 1, 2015 (unaudited)	\$16.03	\$16.03
Revenues & Transfers In ¹	\$139.88	\$140.73
Expenditures & Transfers Out ²	(\$139.88)	(\$139.88)
Pending Appropriations ³	-	(\$0.58)
Projected Surplus/Deficit	\$0.01	\$0.27
Projected Fund Balance for June 30, 2016	\$16.03	\$16.30
Percentage of Operating Budget	11.5%	11.6%

Notes:

1. The City Council Adopted budget was balanced and did not project an increase in fund balance for the General Fund. The budgeted surplus reflected in the Amended Budget column is a result of mid-year Council approved budget amendments that have resulted a minor surplus of revenues over expenditures.
2. The Amended Budget and projections reflected in this table do not include prior year appropriations for capital improvement projects and other encumbrances totaling \$5.3 million that were carried forward into the fiscal year 2015/16 budget. These expenditure impacts are already reflected in the estimated fund balance as of July 1, 2015 and are therefore not included in the above table.
3. Pending appropriations reflect the personnel cost increases related to the negotiated wage settlement with the Chula Vista Mid-Managers and Professionals Association, Western Council of Engineers, and various unrepresented employees. The wage settlement agreement with the Chula Vista Employees Association is also included in this projection though Council will consider this action as part of a different action on today's agenda. Accordingly, these costs are reflected in the amounts for pending appropriations. While these appropriations are outside of the reporting period, staff is including them in the report to better reflect projected expenditures for fiscal year 2016.

The City's financial outlook appears stable through the end of the first quarter. Revenues are projected to increase modestly from the amended budget level based on updated assumptions based on fiscal year 2015 actuals and continuing positive trends in the first quarter. There are no projected variances in expenditures to report at this time. Based on activity through the end of the first quarter, the General Fund is projected to end the fiscal year with a small increase in fund balance (\$0.27 million).

Overall, General Fund revenues are projected to increase by \$0.85 million above the current amended budget. This increase is due to improved Property Tax, Motor Vehicle License Fee, Transient Occupancy Tax, Real Property Transfer Tax and Use of Money and Property revenues that are projected to increase by a combined \$1.0 million over the current budgeted level. The projected increases for these revenues are based on revised assumptions that have improved since the adoption of the budget and a review of previous fiscal year actuals for these revenues. The projected increase in these revenues is partially offset by a projected decrease of \$0.1 million in Other Revenue.

There are no variances to report for expenditures projected as of the end of the first quarter. Departmental expenditures are tracking within budgeted levels. Although departmental expenditures projected within budget levels, budgeted salary savings levels are not projected to be achieved based on the current trend. This is primarily due to lower than anticipated employee attrition rates. Salary savings are currently budgeted at \$2.0 million in the General Fund, which reflects a 2% vacancy rate. Staff will continue to monitor salary savings levels and look for other potential cost saving measures in order to remain within budget.

Revenues

The following table compares the projected revenues included in the adopted budget and the updated revenue projections for discretionary and departmental program revenues. The projections indicate some variances in discretionary revenues when compared to budget but in total, revenues are expected to slightly exceed budgeted levels by a net \$0.85 million. Variances in revenues reflect the following changes:

- An increase of \$0.3 million in Motor Vehicle License Fee revenues resulting from increased assessed values for property.
- An increase of \$0.3 million in Transient Occupancy Taxes and \$0.2 million in Real Property Transfer Tax revenue based on continued improved collection trends from the previous fiscal year.
- A net \$0.2 million projected increase in Property Tax revenues based on better than anticipated growth rate of 5.6% in assessed property valuations.
- A \$0.1 million projected decrease in Other Revenues from prior year revenues that are no longer anticipated to be received.

General Fund Revenues

Category	Amended Budget as of 9/30/15	Q1 Projected 6/30/15	Variance
Property Taxes	\$ 29,896,925	\$ 30,052,207	\$ 155,282
Sales Tax	\$ 25,033,204	\$ 25,033,204	\$ -
Sales Tax In Lieu	\$ 5,981,593	\$ 5,981,593	\$ -
Motor Vehicle License	\$ 18,597,204	\$ 18,887,001	\$ 289,797
Other Revenue	\$ 10,768,807	\$ 10,664,733	\$ (104,074)
Transfers In	\$ 10,022,271	\$ 10,022,271	\$ -
Franchise	\$ 11,426,283	\$ 11,426,283	\$ -
Charges for Services	\$ 7,722,775	\$ 7,722,775	\$ -
Revenue from Other Agencies	\$ 2,795,845	\$ 2,795,845	\$ -
Utility Users Tax	\$ 6,500,000	\$ 6,500,000	\$ -
Transient Occupancy Taxes	\$ 2,890,853	\$ 3,168,215	\$ 277,362
Use of Money & Property	\$ 2,726,806	\$ 2,763,259	\$ 36,453
Other Local Taxes	\$ 2,245,437	\$ 2,245,437	\$ -
Licenses and Permits	\$ 1,309,447	\$ 1,309,447	\$ -
Fines, Forfeitures, Penalties	\$ 1,133,800	\$ 1,133,800	\$ -
Real Property Transfer Tax	\$ 832,822	\$ 1,023,661	\$ 190,839
Total General Fund	\$139,884,072	\$140,729,731	\$ 845,659

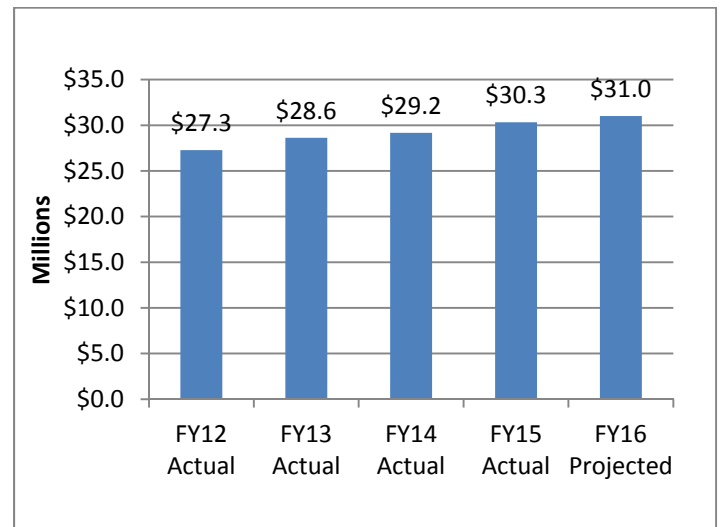
Sales Tax (Sales Tax and Sales Tax in lieu) - Sales tax is projected to be the City's largest revenue source, representing 22.2% of General Fund revenues in the fiscal year 2015/16 amended budget. HdL Companies, the City's Sales Tax consultant, recently provided data

for the second quarter of calendar year 2015. They report that the change in sales tax receipts between second quarter calendar year 2014 and second quarter calendar year 2015 increased by 3.9% in Chula Vista. General Consumer Goods represents the largest major industry group for Sales Tax generation. In this category, the change in Sales Tax decreased by 1.0% in Chula Vista when compared to the same quarter for 2014. This decrease was offset by gains in other sales tax producing categories that included Business and Industry 21%, Restaurants and Hotels 10% and Autos and Transportation 10%.

The fiscal year 2015/16 budget assumed a 4% increase in Sales Tax revenues. Sales Tax revenues are projected to be at the budgeted level as of the first quarter.

The following chart represents actual sales tax collections since fiscal year 2011/12 and the projection for fiscal year 2015/16.

Sales Tax and Sales Tax in Lieu



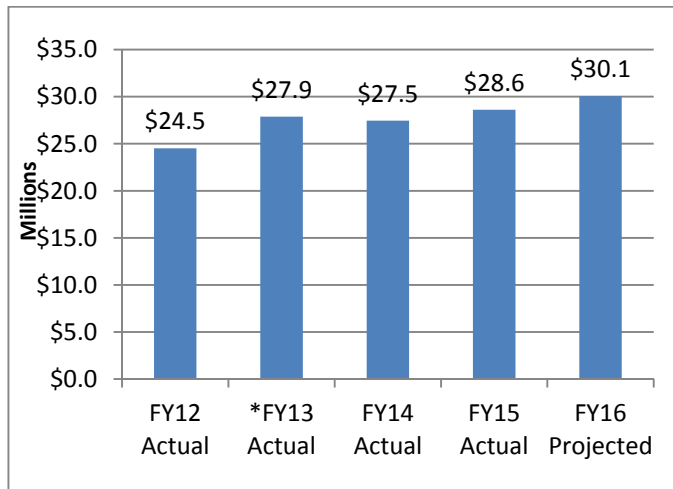
Property Taxes - Property Taxes - The City of Chula Vista receives property tax revenue based upon a 1.0% levy on the assessed value of all real property. Property tax is the City's second largest revenue source, representing 21.4% of General Fund revenues in the fiscal year 2015/16 budget.

Since the adoption of the budget, the City received information from the County regarding assessed property values (AV) for the City of Chula Vista. The adopted budget reflected 4% growth in AV however, based on the County's most recent report the City should experience 5.6% growth in AV. This new growth rate was then applied to the fiscal year 2014/15 actuals

received for the Current Secured portion of property taxes, less the portion received as an RDA pass-through. This new growth resulted in approximately \$0.3 million in additional Current Secured Property Tax. However, lower than anticipated fiscal year 2014/15 actual revenues in other property tax types, State Secured Unitary and Delinquent Taxes resulted in a lower projection for these two property tax categories by \$0.1 million.

Taking into account the above mentioned changes, projected Property Tax revenues have been increased by \$0.2 million when compared to the fiscal year 2015/16 adopted budget and \$1.4 million over fiscal year 2014/15 actuals.

Property Tax

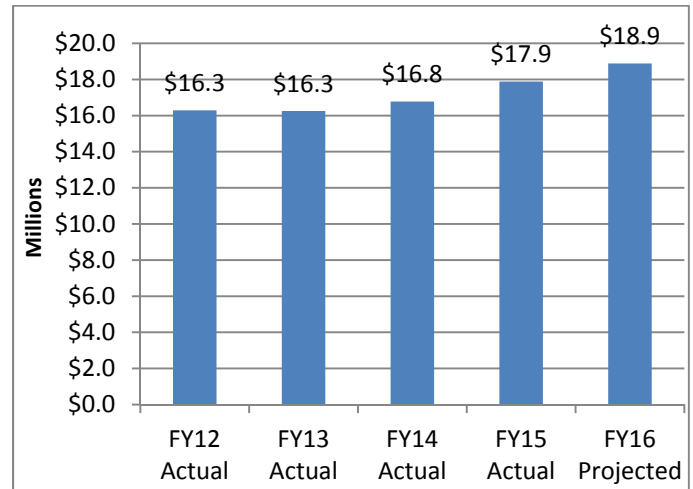


Motor Vehicle License Fee (VLF) – Since the State Budget Act of 2004, the allocation of VLF revenues to cities and counties was substantially changed. Beginning in 2005/06, the majority of VLF revenues for each city grew essentially in proportion to the growth in the change in gross assessed valuation. Due to this change in the formula by the State, the majority of the City’s VLF revenues fluctuate with changes in assessed values in the City.

VLF revenue projections have been revised to reflect the change in city-wide assessed valuation projected for fiscal year 2015-16. As discussed above, assessed property values (AV) for the City of Chula Vista are projected to grow by 5.6% as opposed to the 4% reflected in the adopted budget. The projection for VLF revenues has been revised to reflect this change.

The following chart represents actual VLF revenues since fiscal year 2011/12 and the projection for fiscal year 2015/16.

Motor Vehicle License Fee

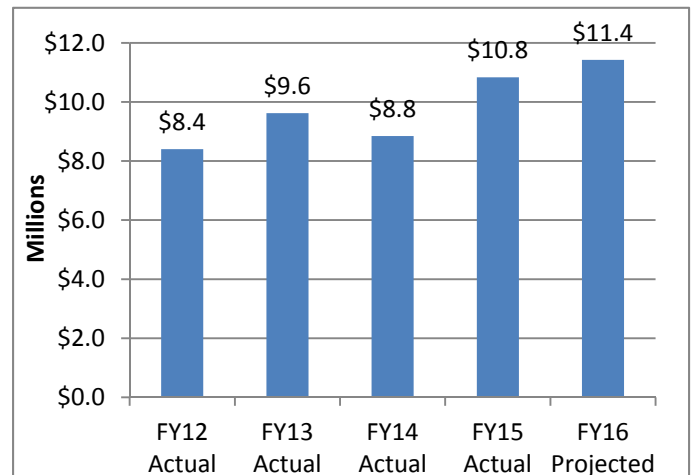


Franchise Fees - Franchise fee revenues are generated from public utility sources such as San Diego Gas & Electric (2% on gas and 1.25% on electricity), trash collection franchises (20% fee), and cable franchises (5% fee) conducting business within City limits. SDG&E collects the franchise fee from Chula Vista customers and remits these revenues to the City. Trash franchise fees and cable fees are based on fixed rates.

Franchise Fee revenues are projected to be realized at the budgeted level as of the end of first quarter.

The following chart represents actual franchise fee revenues since fiscal year 2011/12 and the projection for fiscal year 2015/16. Fiscal year actual 2012-13 revenues reflect previously accrued Franchise Fee revenues that were realized by the City.

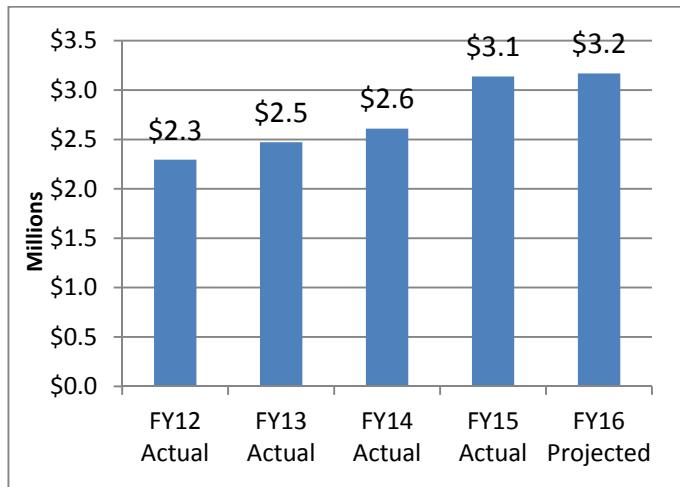
Franchise Fees



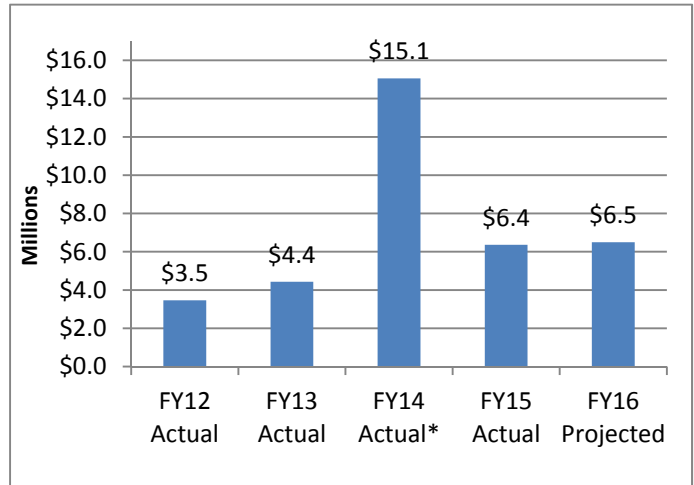
Transient Occupancy Tax (TOT) - The City receives 10% of hotel and motel room rates for stays less than 30 days. Projections for TOT revenues have been updated to reflect the positive trend that began in fiscal year 2012 and has continued. Based on better than anticipated revenues in fiscal year 2015, the projection for fiscal year 2015/16 has been increased by \$0.3 million when compared to the adopted budget. It is anticipated that TOT will continue to grow at a modest pace.

The following chart represents actual TOT revenues since fiscal year 2011/12 and the projection for fiscal year 2015/16.

Transient Occupancy Tax (TOT)



Utility Users Tax (UUT)



*Increased fiscal year 2013/14 Utility User's tax revenue reflect a mid-year appropriation (Council resolution 2013-092) of previously collected wireless telecommunication related tax revenue that was utilized to fund attorney and City administrative costs pertaining to a City class-action lawsuit.

Utility Users Tax (UUT) - The City adopted its Utility Users Tax (UUT) in 1970. The City of Chula Vista imposes a UUT on the use of telecom at the rate of 5% of gross receipts. The UUT on natural gas services is \$0.00919 per therm and \$0.00250 per kilowatt on electricity services, which equates to approximately a 1% tax. Current projections for UUT revenues indicate these revenues are tracking at budget.

The following chart reflects actual UUT revenue since fiscal year 2011/12. Fiscal year 2015/16 is projected and does not reflect actual collections.

Expenditures

The General Fund's amended budget reflects the Council adopted budget of \$139.8 million, Council approved mid-year appropriations of \$0.1 million, and \$5.3 million of prior year encumbrances that were carried over into the current fiscal year. As of the end of the First Quarter, the amended budget totals \$145.2 million.

The following table reflects the General Fund amended budget and actual expenditures by department as of September 30, 2015. In total, Departments have expended 21% of the General Fund budget after 25% of the fiscal year has elapsed.

General Fund Expenditures as of 9/30/2015

Department	Amended Budget as of 9/30/15	Expended as of 9/30/15	% Expended
City Council	\$ 1,488,642	\$ 311,168	21%
Boards & Commissions	\$ 77,520	\$ 5,209	7%
City Clerk	\$ 941,785	\$ 165,325	18%
City Attorney	\$ 3,044,005	\$ 517,458	17%
Administration	\$ 3,374,999	\$ 637,861	19%
Information Tech Svcs	\$ 3,587,516	\$ 866,166	24%
Human Resources	\$ 2,551,814	\$ 494,337	19%
Finance	\$ 3,721,803	\$ 728,233	20%
Non-Departmental	\$ 10,059,499	\$ 1,295,265	13%
General Services	\$ 2,942,623	\$ 596,606	20%
Dev Services (GF)	\$ 2,476,400	\$ 548,595	22%
Police	\$ 49,568,159	\$ 10,596,896	21%
Fire	\$ 26,001,801	\$ 6,447,914	25%
Public Works	\$ 27,263,895	\$ 5,208,141	19%
Recreation	\$ 4,319,287	\$ 828,477	19%
Library	\$ 3,784,257	\$ 840,165	22%
Total Expenditures	\$ 145,204,005	\$ 30,087,816	21%

The following table reflects the projected expenditures for June 30, 2016. As noted on the table, there are no variances to report for expenditures projected as of the end of the first quarter. Departmental expenditures are tracking within budgeted levels. Although departmental expenditures projected within budget levels, budgeted salary savings levels are not projected to be achieved based on the current trend. This is primarily due lower than anticipated employee attrition rates. Salary savings are currently budgeted at \$2.0 million in the Non-Departmental budget.

In an effort to mitigate this short-fall, staff is recommending to decrease the salary savings level

and offset it with savings from the voluntary work furlough program and health insurance savings costs. The fiscal year 2015/16 budget assumed a 5% increase in medical and dental insurance premiums. The actual medical premium increase was lower than anticipated in the budget, resulting in a budget savings of approximately \$256,423. Savings from the work furlough program are projected to generate an additional \$163,117 savings.

A recommendation to recognize the savings from these sources in the various department budgets and reduce the budgeted salary savings in the Non-Departmental budget by the same amount are included in the Council staff report that accompanies this report.

As discussed earlier in this report, there are some areas of concern that are not reflected in the in the projections summarized below. Staff will continue to work to address these issues and mitigate potential impacts to the General Fund.

General Fund Projections by Department
for June 30, 2016

Department	Amended Budget as of 9/30/15	Q1 Projected 6/30/16	Variance
City Council	\$ 1,488,642	\$ 1,488,642	\$ -
Boards & Commissions	\$ 77,520	\$ 77,520	\$ -
City Clerk	\$ 941,785	\$ 941,785	\$ -
City Attorney	\$ 3,044,005	\$ 3,044,005	\$ -
Administration	\$ 3,374,999	\$ 3,374,999	\$ -
Information Tech Svcs	\$ 3,587,516	\$ 3,587,516	\$ -
Human Resources	\$ 2,551,814	\$ 2,551,814	\$ -
Finance	\$ 3,721,803	\$ 3,721,803	\$ -
Non-Departmental	\$ 10,059,499	\$ 10,059,499	\$ -
Animal Care Facility	\$ 2,942,623	\$ 2,942,623	\$ -
Dev Services (GF)	\$ 2,476,400	\$ 2,476,400	\$ -
Police	\$ 49,568,159	\$ 49,568,159	\$ -
Fire	\$ 26,001,801	\$ 26,001,801	\$ -
Public Works	\$ 27,263,895	\$ 27,263,895	\$ -
Recreation	\$ 4,319,287	\$ 4,319,287	\$ -
Library	\$ 3,784,257	\$ 3,784,257	\$ -
Total Expenditures	\$ 145,204,005	\$145,204,005	\$ -

Budget Transfers

The following table reflects the administrative budget transfers that have been approved through the first quarter. These changes result in no net fiscal impact to the General Fund budget and are within the Council policy allowing for transfers up to \$15,000.

Summary of General Fund Budget Transfers

Date	Description	Amount	From/To
Development Services GF			
Jul-15	Transfer for copier lease	\$500	Supplies & Services to Capital
Human Resources			
Jul-15	Transfer to Other Expenses (Refund)	\$56	Supplies & Services to Other Expenses
Boards and Commissions			
Sep-15	Transfer for Personnel Services	\$100	Supplies & Services to Personnel

Mid-Year Budget Amendments

Mid-year expenditure appropriations approved through September 30, 2015 totaled \$71,599. The City Council approved changes to budgeted revenues of \$77,903. Combined, these changes result in a positive net impact of \$6,304.

The City Council approved the following budget amendments during through the first quarter:

Summary of General Fund Budget Amendments

Date	Description/Dept	Revenue	Expenditure	Net Impact
7/14/2015	DHS Contraband Kit Purchase (Police)	\$ 21,599	\$ 21,599	\$ -
7/21/2015	HIDTA Position Reclassification (Police)	\$ 1,479	\$ -	\$ (1,479)
7/28/2014	FA Supervising Intel Analyst Admin Fee Revenue (Police)	\$ 4,825	\$ -	\$ (4,825)
9/15/2015	San Ysidro Health Clinic Amended Lease (Non-Departmental)	\$ 40,000	\$ 40,000	\$ -
8/5/2014	610 Bay BI Property Improvements for AIM Lease (Non-Departmental)	\$ 10,000	\$ 10,000	\$ -
	Total Appropriations to date:	\$ 77,903	\$ 71,599	\$ (6,304)