



City of Chula Vista

Legislation Details (With Text)

File #: 16-0198 **Name:**

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On agenda: 5/24/2016 **Final action:**

Title: A. QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDING MARCH 31, 2016

B. RESOLUTION NO. 2016-096 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 11 - Resolution, 2. Item 11 - Attachment 1 - Q3 FY16 Financial Report

Date	Ver.	Action By	Action	Result
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5/24/2016	1	City Council		
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A. QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDING MARCH 31, 2016

B. RESOLUTION NO. 2016-096 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 Development Services Director has reviewed the proposed activity for compliance with the

California Environmental Quality Act (CEQA) and has determined that filing of the quarterly financial status report is not a “Project” as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change to the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the actions proposed are not subject to CEQA.

Environmental Notice

The activity is not a “Project” as defined under Section 15378 of 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 June 30, 2016 based on the revenue and expenditure trends through the third 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 third quarter ending March 31, 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 audited 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 (audited)	\$ 16.30	\$ 16.30
Revenues & Transfers In ¹	\$ 142.54	\$ 143.19
Expenditures & Transfers Out ²	\$ (143.09)	\$ (143.25)
Net Pending Appropriations ³	\$ -	\$ 0.06
Projected Surplus/Deficit	\$ (0.55)	\$ (0.002)
Projected Fund Balance for June 30, 2016	\$ 15.75	\$ 16.30
Percentage of Operating Budget	11.0%	11.4%

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 in 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 net appropriations reflect savings that will be realized by the General Fund as a result of the successful refinancing of various Certificates of Participation (COPS)

General Fund Summary

The City's financial outlook appears stable through the end of the third quarter. Revenues are projected to increase modestly from the amended budget level based on updated assumptions for fiscal year 2016 actuals and trends in the third quarter. Major factors affecting expenditures include: an FLSA overtime retro payment; and several expenditures with revenue offsets. The General Fund is projected to end the fiscal year at approximately the same fund balance as last year at \$16.3 million.

The City's discretionary revenues are in large part projected to exceed their budgeted levels. Departmental program revenues, however, are anticipated to fall short of their targets. Particularly Police jail reimbursements and grant revenue, as well as Fire permit and reimbursement revenue are not projected to meet the budgeted level. Overall, General Fund revenues are projected at \$0.7 million above the current amended budget. While there are projected shortfalls in the following revenue categories: Charges for Services (\$0.9 million), Revenue from Other Agencies (\$0.2 million), Licenses and Permits (\$0.05 million), and Fines, Forfeitures, and Penalties (\$0.05 million); these shortfalls were fully offset with improvements in the Other Local Taxes category of \$0.9 million, and Property Taxes of \$0.2 million. The projected fluctuations for these revenues are based on a review of previous fiscal year actuals, an analysis of actuals through March 31, 2016, and revised assumptions since the second quarter projections.

Departmental expenditures are tracking within budgeted levels as the majority of the departments are projected to realize savings as of the end of the fiscal year. Personnel Services are currently projected to end the fiscal year at a savings of \$0.7 million below the amended budget. Departmental expenditures for supplies and services are projected to increase by \$0.4 million over the amended budget. Utility expenditures are projected to end the year at a savings of \$0.3 million below the amended budget. As stated in the first quarter report, 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 \$1.6 million in the General Fund reflecting staff's first quarter recommendation to recognize the savings in the voluntary work furlough program and health insurance savings costs and apply these savings to reduce the budgeted salary savings in the Non-Departmental budget. Staff will continue to monitor salary savings levels and look for other potential cost saving measures in order to remain within budget.

As mentioned in the 2nd quarter report the City will receive additional sales tax revenue as a result of the ending of the Triple Flip allocation. 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. The majority of the triple flip allocation has been appropriated for various projects detailed in this report.

Development Services Fund Overview

The Development Services Department Enterprise fund consists of Land Development, Development Planning, the DSF Front Counter and the Building Division. As of July 1, 2015 The Development Services Fund had accumulated a deficit of \$16.5 million. This is in contrast to what was previously reported in the fiscal year 2015 third quarter report, which projected the fund at a deficit of \$0.2 million. The variance is due to the implementation of Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 71 requiring the accrual of net pension liabilities and the inclusion of compensated absences, which were formerly reported differently. If these are excluded from the calculation, as detailed in the table below, the projected reserves of the Development Services Fund was \$52,074, as of July 1, 2015.

Development Services Fund	Actuals
Total Net Position - July 1, 2015	(16,492,076)
Net Pension Contributions/Liabilities	16,164,018
Compensated Absences	380,132
Reserves - July 1, 2015	52,074

Comparing the budgeted revenue and expenditures to the projected revenues and expenditures for June 30, 2016, expenditures are currently on trend to exceed revenues. Although expenditures are projected to be under the current amended budgeted level, revenues are tracking at a much lower rate than anticipated. Based on trends through the third quarter, staff is conservatively projecting to end the current fiscal year with a projected deficit of \$0.5 million, which would put the Development Services Fund in an overall deficit (excluding the deficit caused by GASB 68 and 71 and compensated absences). Projections for the fiscal year 2015-16 second quarter estimated a deficit of \$0.7 million. The improvement since the second quarter is due to a better outlook on revenues based on current year trends.

Although there have been improvements in the current year, the fund is still projected to end the year in a deficit. Staff has been working on proposals to eliminate the deficit and mitigate any future impacts to the Development Services Fund.

Development Services Fund Summary

Development Services Fund	Amended Budget	Projected
Reserves - July 1, 2015	52,074	52,074
Revenues & Transfers In	7,403,694	6,898,432
Expenditures & Transfers Out	(7,524,953)	(7,367,801)
Projected Surplus/Deficit	(121,259)	(469,369)
Projected Fund Balance for June 30, 2016	(69,185)	(417,295)

It is important to note that the nature of the work in the enterprise fund is beginning to change from one of processing planning documents (deposit account based) to one of processing building and improvement plans (flat fee based). This change in activity may require modification to the existing composition of staff in Development Services Fund in order to remain responsive to the type and quantity of work being processed. This change in workload will require staffing and resource realignment, which have been taken into consideration during the development of the fiscal year 2016-17 proposed budget.

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

Administration - Staff is requesting a transfer of \$30,000 from the Personnel Services category to the Supplies and Services category of the Administration Department. This transfer is needed to address higher than anticipated travel and conference expenditures related to the Smart Cities initiative, the Olympic Training Center transfer and the Bayfront project that have resulted in Supplies and Services to be exceeded. This transfer will be funded from Personnel Services savings resulting in no net fiscal impact.

Non-Departmental - The following budget amendments are recommended for the Non-Departmental budget:

The Non-Departmental budget is projected to go over budget within the Supplies and Services category by approximately \$85,000, largely due to unanticipated attorney services for the Bayfront project. Staff is requesting an appropriation of \$85,000 to the Supplies and Services category of Non-Departmental budget. The appropriation will be offset by \$55,000 savings within the Utilities category and \$30,000 in one-time sales tax revenues resulting from the end of the triple flip. There is no net fiscal impact to the General Fund as a result of this action.

An appropriation of \$334,579 is also requested to the Supplies and Services category of the Non-Departmental budget. This request is for the financing of a capital lease for the acquisition of one (1) HME Ahrens - FOX 34D Type III Brush Engine. This appropriation will be offset by revenues of an equal amount derived from the secured lease financing of the Brush Engine.

Staff is also recommending the closure of the Bayfront Fire Station Non CIP Project. This project was established several years ago to conduct a feasibility study on the use of 610 Bay Boulevard as a potential site of the Bayfront fire station. The study was conducted and the remaining project funds of \$8,100 are no longer needed for this project. Staff recommends closing this project and

transferring these funds to the Supplies and Services expense category of the Non Departmental budget to address a projected budget overage due to unanticipated costs. This transfer results in a no net fiscal impact to the General Fund.

The City has successfully refinanced various Certificates of Participation (COPS) and staff is recommending a net reduction of \$57,842 in Transfers Out to 2004 Certificates of Participation - Civic Center Phase I and the Western Chula Vista Infrastructure (Fund 472) and 2006 Certificates of Participation - Civic Center Phase II and Nature Center (Fund 473) in order to reflect the refinance savings in the Non-Departmental Budget. An appropriation of \$573 in revenue associated with the COP refinancing is also requested.

Public Works - The following budget amendments are recommended for the Public Works Department:

- An appropriation of \$216,366 to the Supplies and Services Category of the Park Maintenance Budget and an additional appropriation of \$17,125 to Capital Category of the Open Space Administration Budget for irrigation controllers and conversions related to drought turf conversions. These appropriations will be offset from rebate revenue received from SoCal Water Smart for the drought turf conversions.
- An appropriation of \$22,000 to the Supplies and Services Category of the Construction & Repair Budget for an insurance deductible for the restoration of Fire Station 3 and for the replacement of the coil units for the HVAC system at Civic Center Building A. This appropriation will be offset by a transfer from projected savings in the Utilities budget.
- An appropriation of \$100,000 to the Supplies and Services Category of the Construction & Repair Budget for consulting services in regard to construction defects at the John Lippitt Public Works Center and constructions defects of a segmental retaining wall at Veteran's Park. This appropriation will be fully offset by in one-time sales tax revenues resulting from the end of the triple flip.

Information Technology Services - The Information Technology Services Department is requesting the transfer of \$60,000 the Capital expense category to Supplies and Services for the payment of the Dell Computer Lease. This transfer is necessary because it has been determined that these funds are more appropriately categorized under the Supplies and Services category as computers are not classified as capital items due to the useful life limitations.

Animal Care Facility - Staff is requesting an appropriation of \$20,000 to the Animal Care Facility Department's Utilities category. This is due to an increase in gas and electric charges that is resulting in the Animal Care Facility exceeding their budget within their Utilities category. This appropriation will be offset by unanticipated revenues and therefore have no impact to the General Fund.

Police - The Police Department is requesting a transfer of \$141,280 from the Personnel Services expense category to Supplies and Services. This transfer is required to address a projected deficit in the Supplies and Services expense category attributed to higher than expected costs for contracted services, wireless and data access, uniforms, supplies, training, other agency permits and fees and other ongoing costs. This transfer will be funded from salary savings costs generated by vacant positions.

Fire - The following budget amendments are recommended for the Fire Department:

- The Fire Department has received \$158,249 from the City of San Diego and State of California Office of Emergency Services (CalOES) for mutual aid, training, Task Force 8 (TF-8) members' deployments and statewide strike team deployments. The Fire Department is requesting to appropriate \$129,171 to Personnel Services to offset overtime costs and \$29,268 to the Supplies and Services Category to offset travel and related supply costs.
- The Fire Department is requesting to appropriate \$30,000 of unanticipated Fire Construction Fee revenue to the Supplies & Services Category. This funding will be used to cover unanticipated expenses for uniform and personal protective equipment gear, equipment repair and maintenance, other supplies associated with fire station operations.
- The Fire Department is also requesting the transfer of \$200,000 from the Non-CIP Project Expenditure Category to the Capital Expenditure category. These funds were approved to purchase equipment to outfit two (2) new fire engines and one (1) brush rig purchased during the fiscal year. The transfer will ensure that these expenditures are capitalized and are correctly reflected in the City's Financial Reporting systems.
- An appropriation in the amount of \$436,000 to the Personnel Services category of the Fire Department budget is requested in order to compensate International Association of Firefighter (IAFF) members for inaccuracies in the calculation of Fair Labor Standards Act (FLSA) "regular rate of pay" and in the amount of FLSA "overtime premium" paid to IAFF for the FLSA Overtime payout amount. These inaccuracies were revealed through the course of an audit of City payroll keeping processes conducted by the City. This appropriation will be offset by one-time sales tax revenues resulting from the end of the triple flip.

Library - The Library has received several donations totaling \$3,313. The sources these donations include: the Rotary Club (\$685), Catherine Danklefs and Ruth Hart (in memory of Suzanne Jung) (\$550) and the Executive Board of the Friends of the Chula Vista Library in the amount of \$2,078. Staff is requesting that these donations be appropriated to the Supplies and Services budget of the Library Department for book purchases.

Other Funds

Eastlake Maintenance District Zone - An appropriation of \$20,544 to the Supplies and Services Category of Eastlake Maintenance District Zone A budget is requested for reimbursement of drought turf conversion expenditures. The appropriation will be offset with rebate revenue received from SoCal Water Smart for the drought turf conversions.

Federal Grants Fund - The City has received approval from the County of San Diego to transfer \$25,800 of FY2015 Emergency Management Performance Grant (EMPG) funding from the Personnel Services category to Supplies and Services. This amount is available from Personnel Services savings resulting from the vacancy of the Full-Time Emergency Services Coordinator position that is funded through the EMPG. Approval of this transfer will allow for the purchase of firefighting personal protective equipment. Staff is requesting approval of this transfer.

States Grants Fund - The Library has received the second installment of the California Library Literacy Services (CLLS) grant in the amount of \$10,859. This funding will help offset staffing costs

for the Library's literacy programs. Staff is requesting the CLLS grant (\$10,859) be appropriated to the Personnel Services expenditure category of the States Grant Fund.

TUT Common Fund - Staff recommends that \$355,262 be transferred from the Supplies and Services category to the Capital category, in order to purchase 12 patrol vehicles from the TUT Common Fund. These funds became available in the current fiscal year Supplies and Services budget when the previously scheduled expenditure of these funds was re-scheduled for fiscal year 2016-17. Approval of this transfer results in no net fiscal impact to the TUT Common Fund.

Workers Compensation Fund - Staff is requesting an appropriation of \$400,000 to the Other Expenses category of the Workers Compensation Fund. These funds are needed due to a settlement that was not included in the fiscal year 2015-16 budget and higher than anticipated claim expenses. The appropriation will be made from the available balance of the Workers Compensation Fund. The fiscal impact of this appropriation will be determined by the actual expenditures in this fund at year end.

Bicycle Facilities Fund - The City has received \$100,000 in grant funding from the San Diego Association of Governments SANDAG for the Walk + Bike Chula Vista Education, Encouragement and Awareness Campaign. Program partners are the Recreation Department, Circulate San Diego, and the San Diego County Bicycle Coalition. The Walk+Bike Chula Vista Education Encouragement Awareness Campaign creates a unique partnership between the City of Chula Vista, Circulate San Diego, and the San Diego County Bicycle Coalition (SDCBC) to help build a positive multimedia campaign, coordinate and promote new walking and biking infrastructure projects to increase awareness on bicycle and pedestrian access, educate businesses and residents, and promote alternative transportation choices and improved safety in Chula Vista. The one-year campaign will include two message tracks: one message targeting the Third Avenue Village to encourage more walk and bike trips to the Village among Chula Vista residents and residents from nearby neighborhoods, and a second broader message to build awareness and encourage walking and biking trips within greater Chula Vista. Staff is recommending that \$35,000 of the grant amount be appropriated to the Supplies and Services expenditure category of the Bicycle Facilities Fund. The remaining balance of the will be included in the fiscal year 2016-17 budget.

General Fund (Fund 100) / 2004 Certificates of Participation - Civic Center Phase I and Western Chula Vista Infrastructure (Fund 472) / 2006 Certificates of Participation - Civic Center Phase II and Nature Center (Fund 473) / 2015 Refunding Certificates of Participation - Civic Center Project (Fund 476) / PFDIF - Civic Center Expansion (Fund 572) / Residential Construction & Conversion (Fund 717) - The City refinanced the 2004 and a portion of the 2006 COPs in September 2015 replacing both with the 2015 COPs. Multiple appropriations are requested to facilitate the closure of Fund 472 and a partial wind down of Fund 473, which accounted for activity related to the 2004 and the 2006 COPs, respectively. The new 2015 COPs will be accounted for in Fund 476. The transfers out related to the debt service in Funds 100, 572, and 717, will be reduced as result of the refunding savings. In addition, the transfers out budgets in these funds will be redirected to Fund 476 from Funds 472 and 473. Per the table below, Staff is requesting the following appropriations and budget amendments to various funds, which reflects the impact by fund, net of intra-category changes:

DEPARTMENT/FUND	SUPPLIES & SERVICES	OTHER EXPENSES	Transfers Out	TOTAL EXPENSE	TOTAL REVENUE	NET COST
Non-Departmental			\$ (57,842)	(57,842)	573	(58,415)
TOTAL GENERAL FUND	\$ -	\$ -	\$ (57,842)	\$ (57,842)	\$ 573	\$ (58,415)
OTHER FUNDS						
PFDF - Civic Center Expansion			\$ (225,452)	(225,452)	2,552	\$ (228,004)
Resident. Construct/Conver Fund			\$ (151,986)	(151,986)	1,235	\$ (153,221)
2004 COP Civ Ctr Proj Phase I		\$ 28,011,843	\$ 2,884,006	30,895,849	28,437,406	\$ 2,458,443
2006 COP Civ Ctr Proj Phase II		\$ 7,107,692	\$ 164,759	7,272,451	7,128,556	\$ 143,895
2015 Refunding COP	\$ 4,040	\$ 2,091,246	\$ 37,002,752	39,098,038	41,321,452	\$ (2,223,414)
TOTAL OTHER FUNDS	\$ 4,040	\$ 37,210,781	\$ 39,674,079	\$ 76,888,900	\$ 76,891,201	\$ (2,301)
TOTAL BUDGET AMENDMENTS	\$ 4,040	\$ 37,210,781	\$ 39,616,237	\$ 76,831,058	\$ 76,891,774	\$ (60,716)

RDA Successor Agency (Fund 318) / 2006A TABs (Fund 663) / 2008 TABs (Fund 665) - An appropriation of \$15,458 is requested to the Transfers Out category of the RDA Successor Agency Fund. This appropriation will be made from the available fund balance. This request is for curing two Debt Service Reserve Fund (DSRF) deficits that were discovered by Staff, as a result of the RDA/Successor Agency Trustee’s bond document interpretation and calculation errors. The specific DSRF deficits are: a) 2006A Tax Allocation Bonds: \$8,671; and b) 2008 Tax Allocation Bonds: \$6,787. With these additional appropriations, the reserve funds for both bond issues will be fully funded. This results in a positive fund balance impact for the 2006A Tax Allocation Bonds Fund (\$8,671) and the 2008 Tax Allocation Bond Fund (\$6,787).

RDA Successor Agency (Fund 318) / Long-Term Advances DSF-RDA SA (Fund 692) - The Long-Term Advances DSF-RDA SA Fund accounts for Successor Agency interfund loans. The proposed budget change allows for better tracking and consistency within the Transfers in & Transfers out budget categories. The proposed changes would only shift existing appropriations from one line item to another in the same category in both funds. This shift will provide budgetary congruence and results in no net fiscal impact on either fund.

Otay Ranch Village 1, 2, 5, & 6 Pedestrian Bridge Development Impact Fee (DIF) - Staff is recommending the appropriation of \$6,000 to the Other Expenses category of the Otay Ranch Village 1, 2, 5, & 6 Pedestrian Bridge Development DIF Fund. This appropriation is needed in order to reimburse for staff time expended in the current fiscal year updating this DIF program. The appropriation will be made from the available balance of this fund.

Trunk Sewer Capital Reserve (Fund 413) / Sewer Facility Replacement (Fund 428) / Long-term Advances DSF-City (Fund 451)/ Transportation DIF (Fund 591) / Park Land Acquisition and Development Fund (Fund 715) - The City established the Long-term Advances DSF-City (Fund 451) in order to account for City inter-fund loan repayments. The Finance Department staff has reviewed existing inter-fund loan repayments and is updating the budget to more clearly account for inter-fund loan repayments. Staff is requesting the following appropriations to various funds:

Fund	Category	Amount	Fund	Category	Amount
451	Transfers Out	210,000	428	Transfers In	210,000
451	Transfers Out	515,000	715	Transfers In	515,000
451	Transfers Out	1,045,000	591	Transfers In	1,045,000
451	Transfers Out	1,120,000	413	Transfers In	1,120,000
Totals:		2,890,000			2,890,000

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.

DEPARTMENT/FUND	DESCRIPTION	EXPENSE	REVENUE	NET COST
Administration	Admin Dept. Transfer from Personnel Svcs. To Supplies and Svcs. (\$30,000)	0	0	0
Information Technology Sservices	ITS Department Transfer of Computer Lease Payment to Supplies and Svcs. from Capital (\$60,000)	0	0	0
Non-Departmental	Appropriation for capital lease for the acquisition of Brush Rig from Lease Financing Proceeds	334,579	334,579	0
	Consulting Services for Public Works Ctr. Assessment Revenue Offset	0	100,000	-100,000
	Non-Departmental Transfer to Supplies and Svcs. For Attorney and Revenue Offset Appropriations	30,000	30,000	0
	Closure of Bayfront Fire Station Captital Improvement Project and Transfer to Supplies and Services (\$8,100)	0	0	0
	Certificate of Participation Refinance Adjustment	-57,842	573	-58,415
	IAFF FLSA Overtime Cost Payout Agreement	0	436,000	-436,000
Animal Care Facility (ACF)	ACF Revenue Offset Utilities Appropriation	20,000	20,000	0
Police	Police Transfer to Supplies and Svcs. From Personnel Savings	0	0	0
Fire	Appropriation of Unanticipated Fire Construction Fee Revenue Cal OES and City of San Diego Task Force 8 & Strike Team	30,000	30,000	0
	Reimbrsement for Overtime Expenses	158,429	158,429	0
	IAFF FLSA Overtime Cost Payout Agreement	436,000	0	436,000
	Transfer from Non-CIP to Capital of Fire Engine Outfitting Costs	0	0	0
Public Works	Consulting Services for Public Works Ctr. Assessment	100,000	0	100,000
	Insurance deductible for Fire Station 3/HVAC replacment/repairs costs at Civic Center (\$22,000)	0	0	0
	Turf Conversion Project Revenue Rebate Appropriation	233,491	233,491	0
Library	Library Donations for Book Purchases	3,313	3,313	0
TOTAL GENERAL FUND		\$ 1,287,970	\$ 1,346,385	\$ (58,415)

Net Impact - The recommended changes in the General Fund will result in a positive impact of \$58,415 due to the COP refinancing savings in the Non-Departmental Budget. All of the other requested changes are neutral as they are either revenue offset or reflect offsetting transfers between expenditure categories resulting in no net fiscal impact.

OTHER FUNDS	DESCRIPTION	EXPENSE	REVENUE	NET COST
TUT Common Fund	Transfer for purchase 12 patrol vehicles in the TUT Common Fund (\$339,010)	0	0	0
Federal Grants Fund	EMPG Funds Transfer to Supplies and Services from Personnel (\$25,800)	0	0	0
State Grants Fund	State Literacy Grant 2nd Installment	10,859	10,859	0
Eastlake Maintenance Dist 1	Turf Conversion Project Revenue Rebate Appropriation	20,544	20,544	0
Redv Obligation Retirement Fnd	Transfer Out - Fund Debt Service Reserve Fund deficit, corre	15,458	0	15,458
Trunk Sewer Capital Reserve	Transfer in from Fund 451 Interfund loan	0	1,120,000	-1,120,000
Sewer Facility Replacement	Transfer in from Fund 451 Interfund loan	0	210,000	-210,000
Long-term Advances DSF-City	Transfer out from Fund 451 Interfund loan	2,890,000	0	2,890,000
2004 COP Civ Ctr Proj Phase I	Certificate of Participation Refinance Adjustment	30,895,849	28,437,406	2,458,443
2006 COP Civ Ctr Proj Phase 2	Certificate of Participation Refinance Adjustment	7,272,451	7,128,556	143,895
2015 Refunding COP	Certificate of Participation Refinance Adjustment	39,098,038	41,321,452	-2,223,414
PFDF - Civic Center Expansion	Certificate of Participation Refinance Adjustment	-225,452	2,552	-228,004
Transportation DIF	Transfer in from Fund 451 Interfund loan	0	1,045,000	-1,045,000
06 TABs Series A - SA	Transfer In - Fund Debt Service Reserve Fund deficit, correction	0	8,671	-8,671
08 TABs - SA	Transfer In - Fund Debt Service Reserve Fund deficit, correction	0	6,787	-6,787
Long-term Advances DSF-RDA SA	Intra-category adjustment (\$3.9 million)	0	0	0
Park Land Acquisition Fund	Transfer in from Fund 451 Interfund loan	0	515,000	-515,000
Resident. Construct/Conver Fnd	Certificate of Participation Refinance Adjustment	-151,986	1,235	-153,221
Otay Ranch PED Bridget DIF Fund	Additional Funding for Staff Time Reimbursements	6,000	0	6,000
Bicycle Facilities Fund	SANDAG Bicylce Grant	35,000	35,000	0
Workers Compensation Fund	Additional Funding for Unanticipated and Higher Claims	400,000	0	400,000
TOTAL OTHER FUNDS		\$ 80,266,761	\$ 79,863,062	\$ 403,699

Net Impact - The recommended changes in the Other Funds result in a total of \$80.3 million in

appropriations to these funds that are offset by \$79.9 million in revenues. The net impact of these changes is \$0.4 million that will be absorbed by the available fund balances of these funds.

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.

ATTACHMENTS

1. Third Quarter Financial Report

Staff Contact: David Bilby, 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 March 31, 2016 and is recommending a number of budget amendments; and

WHEREAS, staff is recommending approximately \$1.28 million in new appropriations to various departments in the General Fund that will be offset by \$1.34 million in new revenues resulting in a positive impact of \$0.06 million; and

WHEREAS, the recommended appropriations in the General Fund include \$0.3 million for a capital lease to acquire a new brush rig for the Fire Department, \$0.4 million for a one-time payout for an FLSA premium overtime payment agreement reached with the International Firefighters Association (IAFF) member, and \$0.2 million in reimbursements for a drought turf conversion project; and

WHEREAS, the appropriations to the State Grants Fund, Eastlake Maintenance District 1 and the Bicycle Facilities Fund are revenue offset resulting in no net fiscal impact to these funds; and

WHEREAS, the budget adjustments to the Telecommunications Users Tax (TUT) Common Fund, Long-Term Advances Debt Service RDA Successor Agency Fund, Low and Moderate Income Housing Successor Agency Fund, consist of offsetting transfers between expenditure categories within these funds for the purpose of achieving budget congruence resulting in no net fiscal impact to these funds; and

WHEREAS, the appropriation of \$2.9 million in the Long-Term Advances Debt Service Fund-City Transfers-Out expenditure category is required to more clearly account for inter-fund loan repayments based on the most recent review by the Finance Department; and

WHEREAS, the appropriation of \$2.9 million in the Long-Term Advances Debt Service Fund-City Transfers-Out expenditure category will result in Transfer-In revenue to the following funds: Trunk Sewer Capital Reserve Fund (\$1.2) million, Sewer Facility Replacement Fund (\$0.2) million, Transportation Development Impact Fee Fund (\$1.0) million, and Parkland Acquisition Fund \$(0.5) million; and

WHEREAS, staff is requesting the appropriation of \$78.6 million across various funds in order to accurately reflect and administer the refinancing of the City's 2004 and 2006 Certificates of Participation that took place in September 2015 resulting in a net savings to the City; and

WHEREAS, the requested appropriation of \$15,458 to the Transfers-Out expenditure category of the Redevelopment Obligation Retirement will be made from the available balance of this fund and is needed in order to address deficits in two other debt service reserve funds; and

WHEREAS, the requested appropriation of \$15,458 to the Transfers-Out expenditure category of the Redevelopment Obligation Retirement will be reflected as Transfers-In revenue to the 06 Tax Allocation Bond Series A – SA Fund and the 08 Tax Allocation Bond – SA Fund in the amounts of \$8,671 and \$6,787, respectively; and

WHEREAS, the requested appropriation of \$6,000 to the Other Expenses category of the Otay Ranch Village 1, 5 & 6 will be made to the available balance of this fund and is necessary to offset staff time reimbursements.

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 appropriations/transfers:

DEPARTMENT/FUND	PERSONNEL SERVICES	SUPPLIES & SERVICES	OTHER EXPENSES	CAPITAL	NON-CIP CAPITAL	TRANSFERS OUT	UTILITIES	TOTAL EXPENSE	TOTAL REVENUE	NET COST
Administration	\$ (30,000)	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Information Technology Svcs	\$ -	\$ 60,000	\$ -	\$ (60,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Departmental	\$ -	\$ 93,100	\$ -	\$ 334,579	\$ (8,100)	\$ (57,842)	\$ (55,000)	\$ 306,737	\$ 901,152	\$ (594,415)
Animal Care Facility	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Police	\$ (141,280)	\$ 141,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fire	\$ 565,161	\$ 59,268	\$ -	\$ 200,000	\$ (200,000)	\$ -	\$ -	\$ 624,429	\$ 188,429	\$ 436,000
Public Works	\$ -	\$ 338,366	\$ -	\$ 17,125	\$ -	\$ -	\$ (22,000)	\$ 333,491	\$ 233,491	\$ 100,000
Library	\$ -	\$ 3,313	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,313	\$ 3,313	\$ -
TOTAL GENERAL FUND	\$ 393,881	\$ 725,327	\$ -	\$ 491,704	\$ (208,100)	\$ (57,842)	\$ (57,000)	\$ 1,287,970	\$ 1,346,385	\$ (58,415)
OTHER FUNDS										
TUT Common Fund	\$ -	\$ (355,262)	\$ -	\$ 355,262	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants Fund	\$ (25,800)	\$ 25,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Grants Fund	\$ 10,859	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,859	\$ 10,859	\$ -
Redv Obligation Retirement Fnd	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,458	\$ -	\$ 15,458	\$ -	\$ 15,458
Low & Mod Income Housing - SA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Eastlake Maintenance Dist 1	\$ -	\$ 20,544	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,544	\$ 20,544	\$ -
Trunk Sewer Capital Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,120,000	\$ (1,120,000)
Sewer Facility Replacement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,000	\$ (210,000)
Long-term Advances DSF-City	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,890,000	\$ -	\$ 2,890,000	\$ -	\$ 2,890,000
2004 COP Civ Ctr Proj Phase I	\$ -	\$ -	\$ 28,011,843	\$ -	\$ -	\$ 2,884,006	\$ -	\$ 30,895,849	\$ 28,437,406	\$ 2,458,443
2006 COP Civ Ctr Proj Phase 2	\$ -	\$ -	\$ 7,107,692	\$ -	\$ -	\$ 164,759	\$ -	\$ 7,272,451	\$ 7,128,556	\$ 143,895
2015 Refunding COP	\$ -	\$ 4,040	\$ 2,091,246	\$ -	\$ -	\$ 37,002,752	\$ -	\$ 39,098,038	\$ 41,321,452	\$ (2,223,414)
PFDF - Civic Center Expansion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (225,452)	\$ -	\$ (225,452)	\$ 2,552	\$ (228,004)
Otay Ra Vlg 1,5&6 Ped Brid DIF	\$ -	\$ -	\$ 6,000	\$ -	\$ -	\$ -	\$ -	\$ 6,000	\$ -	\$ 6,000
Transportation DIF	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,045,000	\$ (1,045,000)
06 TABs Series A - SA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,671	\$ (8,671)
08 TABs - SA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,787	\$ (6,787)
Long-term Advances DSF-RDA SA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Park Land Acquisition Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 515,000	\$ (515,000)
Resident. Construct/Conver Fnd	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (151,986)	\$ -	\$ (151,986)	\$ 1,235	\$ (153,221)
Bicycle Facilities Fund	\$ -	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,000	\$ 35,000	\$ -
TOTAL OTHER FUNDS	\$ (14,941)	\$ (269,878)	\$ 37,216,781	\$ 355,262	\$ -	\$ 42,579,537	\$ -	\$ 79,866,761	\$ 79,863,062	\$ 3,699
TOTAL BUDGET AMENDMENTS	\$ 378,940	\$ 455,449	\$ 37,216,781	\$ 846,966	\$ (208,100)	\$ 42,521,695	\$ (57,000)	\$ 81,154,731	\$ 81,209,447	\$ (54,716)

Presented by

Approved as to form by

David Bilby
Director of Finance/Treasurer

Glen R. Googins
City Attorney

OVERVIEW

This financial report summarizes the City's General Fund financial position for fiscal year 2016 through March 31, 2016 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 March 2016 report, Senior Economist David Shulman points out that the economy has for the most part weathered the disturbances caused by the fall in oil and stock prices as well as the predicted economic slowdown in China and stagnation in Europe. Shulman indicates that the markets have calmed down and wiped out much of their earlier losses as strong data from the consumer side of the economy indicated that retail sales were solid and employment growth remained robust. As such, aside from modest declines in the industrial sector, there was no recession in the data.

The California Forecast² - In the California forecast, Senior Economist Jerry Nickelsburg revisits the bifurcated recovery undergone by the State as coastal regions have gained traction while the inland regions stagnated, or in some cases contracted. Nickelsburg differentiates that the economy in the eastern part the State was predominately driven by construction, traditional manufacturing, government and agriculture. While in the western part, the economy was predominately one based on services, particularly technology-laden services. Nickelsburg further states that economic growth is currently being more influenced by the presence of a vibrant tech oriented sector(s) or by the presence of extractive energy resources as opposed to "business friendly" governmental policies.

Based on a higher than forecasted employment growth rate of 3.1% for 2015 the forecast has been revised downward. The estimate for total employment growth in 2016 is 1.9% and for 2017 and 2018 the forecast is for 1.6% and 1.0%. Payrolls will grow more at about the same rate over the forecast horizon. Real personal income growth is estimated to be 3.6% in 2016 and forecast to be 3.2% and 3.0% in 2017 and 2018, respectively.

¹Source: UCLA Anderson Forecast, March 2016

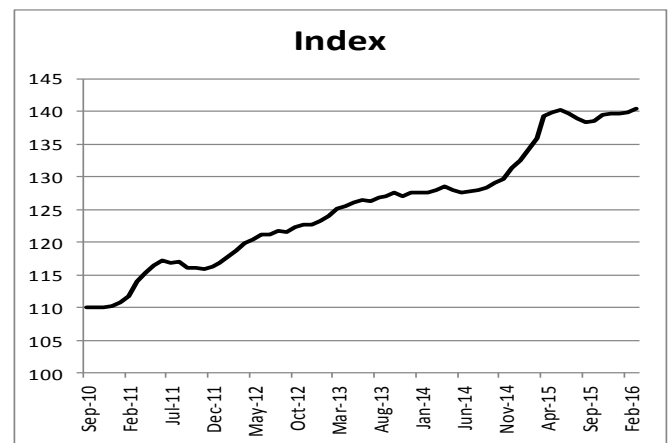
²Source: UCLA Anderson Forecast, March 2016

The San Diego Forecast³ - The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.1 percent in February. The advance was led by a sharp increase in online help wanted advertising along with a moderate gain in initial claims for unemployment insurance. There were smaller gains in building permits and the outlook for the national economy. On the downside was another big loss for local stocks and a small decline in consumer confidence.

With February's gain, the USD Index has now been positive four of the last five months. As a result, the outlook for the local economy remains positive for the rest of 2016. The index was boosted by employment gains as the two employment components of the index posted gains signaling a strong trend for overall growth. Overall, nearly 40,000 wage and salary jobs were added in San Diego County last year.

The index was also strengthened by performance in the construction sector as more than 600 residential construction permits were approved in February and a gain in the national economy as growth in the fourth quarter of 2015 was better than initially reported. The gains in the index were offset decreases in consumer confidence, which fell for the fourth straight month and local stock prices that have yet to recover the losses experienced at the beginning of the year. The decrease in consumer confidence is of concern as consumer activity is typically more than two-thirds of all economic activity in an economy.

**San Diego Index of Leading Economic Indicators
San Diego County, 2010 – 2016**



³Source: University of San Diego School of Business Administration, USD Index of Leading Economic Indicators, September 2015; retrieved from URL: <http://home.sandiego.edu/~agin/usdle/index.html>

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 audited 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 (audited)	\$ 16.30	\$ 16.30
Revenues & Transfers In ¹	\$ 142.54	\$ 143.19
Expenditures & Transfers Out ²	\$ (143.09)	\$ (143.25)
Net Pending Appropriations ³	\$ -	\$ 0.06
Projected Surplus/Deficit	\$ (0.55)	\$ (0.002)
Projected Fund Balance for June 30, 2016	\$ 15.75	\$ 16.30
Percentage of Operating Budget	11.0%	11.4%

Notes:

1. The City Council Adopted budget was balanced and did not project an increase in fund balance for the General Fund.
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 net appropriations reflect savings that will be realized by the General Fund as a result of the successful refinancing of various Certificates of Participation (COPS)

The City's financial outlook appears stable through the end of the third quarter. Revenues are projected to increase modestly from the amended budget level based on updated assumptions for fiscal year 2016 actuals and trends in the third quarter. Major factors affecting expenditures include: an FLSA overtime retro payment; and several expenditures with revenue offsets. The General Fund is projected to end the fiscal year at approximately the same fund balance as last year at \$16.3 million.

The City's discretionary revenues are in large part projected to exceed their budgeted levels. Departmental program revenues however are anticipated to fall short of their targets. Particularly Police jail reimbursements and grant revenue, as well as Fire permit and reimbursement revenue are not projected to meet the budgeted level. Overall, General Fund revenues are projected at \$0.7 million above the current amended budget. Revenue shortfalls are projected to be fully offset with improvements in the Other Local Taxes category of \$0.9 million, and Property Taxes of \$0.2 million.

Departmental expenditures are tracking within budgeted levels as the majority of the departments are projected to realize savings as of the end of the fiscal year. Personnel Services are currently projected to end the fiscal year at a savings of \$0.7 million below the amended budget. Departmental expenditures for supplies and services are projected to increase by \$0.4 million over the amended budget. Utility expenditures are projected to end the year at a savings of \$0.3 million below the amended budget. As stated in the first quarter report, 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 \$1.6 million in the General Fund reflecting staff's first quarter recommendation to recognize the savings in the voluntary work furlough program and health insurance savings costs and apply these savings to reduce the budgeted salary savings in the Non-Departmental budget. Staff will continue to monitor salary savings levels and look for other potential cost saving measures in order to remain within budget.

As previously discussed in the 2nd quarter report, the City will receive additional sales tax revenue as a result of the ending of the Triple Flip allocation. 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. The majority of the triple flip allocation has been appropriated for various projects detailed in the Council staff report that accompanies this report.

Revenues

The following table compares the projected revenues included in the adopted budget and the updated revenue projections for discretionary and departmental program revenues. Overall, General Fund revenues are projected at \$0.65 million above the current amended budget. The major variances are as follows:

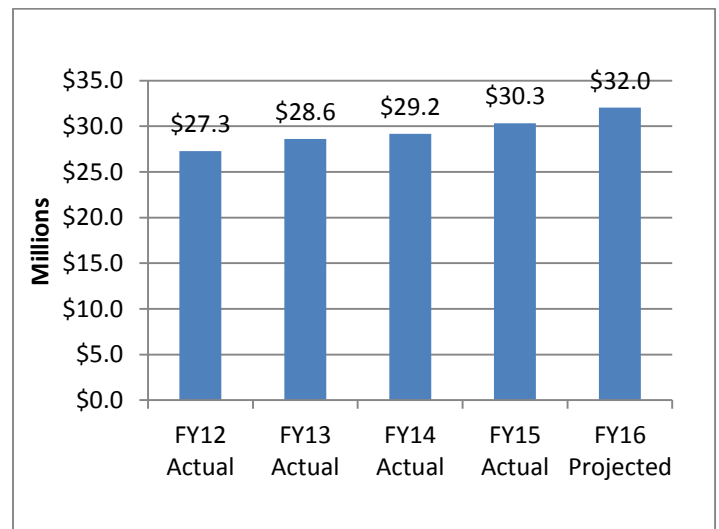
- A projected \$1.0 million decrease in Charges for Services revenues due to lower Police jail reimbursements.
- A \$0.5 million decrease in projected Utility User Tax based on the current fiscal year trend and reflecting previous fiscal year actual revenues.
- A \$0.3 million projected decrease in Revenue from Other Agencies due to lower grant revenues.
- A \$0.7 million projected decrease in Other Revenues from prior year revenues that are no longer anticipated to be received.
- A projected \$1.0 million increase in Transient Occupancy Taxes based on an improved growth trend and previous fiscal year collections.
- A \$0.7 million increase in other revenues due to projected higher reimbursement revenue.
- A \$0.4 million increase in Sales Tax revenue.

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, has provided data for the third fourth of calendar year 2015. They report that the change in sales tax receipts between third quarter calendar year 2014 and third quarter calendar year 2015 increased by 2.6% in Chula Vista. General Consumer Goods represents the largest major industry group for Sales Tax generation. In this category, the change in Sales Tax increased 1.4% in Chula Vista when compared to the same quarter for 2014. Other sectors that also increased included: Building and Construction 28.4%, Restaurants and Hotels 6.9% and Autos and Transportation 11.6%.

The projection for Sales Tax revenues has been increased to reflect improved economic activity.

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



General Fund Revenues

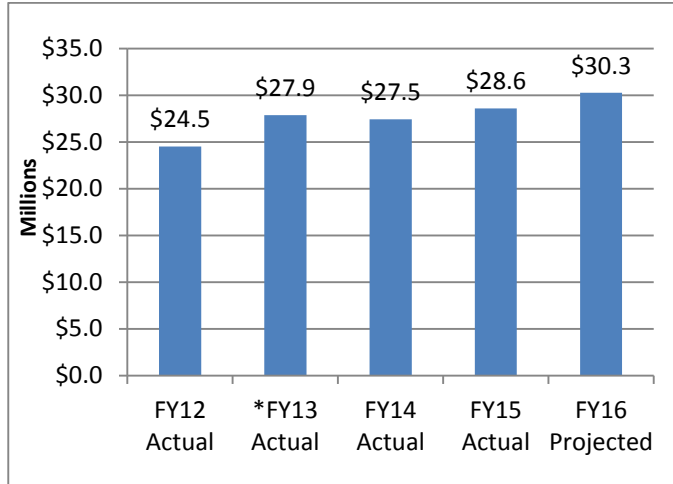
Category	Amended Budget as of 3/31/16	Q3 Projected 6/30/16	Variance
Property Taxes	\$ 30,052,206	\$ 30,267,152	\$ 214,946
Sales Tax	\$ 25,720,448	\$ 26,073,710	\$ 353,262
Sales Tax In Lieu	\$ 5,981,593	\$ 5,981,593	\$ -
Motor Vehicle License	\$ 18,887,001	\$ 18,934,512	\$ 47,511
Other Revenue	\$ 12,195,378	\$ 12,882,703	\$ 687,325
Transfers In	\$ 10,022,271	\$ 9,993,254	\$ (29,017)
Franchise	\$ 11,426,283	\$ 11,525,886	\$ 99,603
Charges for Services	\$ 7,748,531	\$ 6,804,427	\$(944,104)
Revenue from Other Agencies	\$ 2,730,917	\$ 2,526,127	\$(204,790)
Utility Users Tax	\$ 6,500,000	\$ 5,959,903	\$(540,097)
Transient Occupancy Taxes	\$ 2,890,853	\$ 3,826,580	\$ 935,727
Use of Money & Property	\$ 2,733,590	\$ 2,613,650	\$(119,940)
Other Local Taxes	\$ 2,245,437	\$ 2,223,353	\$ (22,084)
Licenses and Permits	\$ 1,309,447	\$ 1,263,747	\$ (45,700)
Fines, Forfeitures, Penalties	\$ 1,133,800	\$ 1,287,672	\$ 153,872
Real Property Transfer Tax	\$ 962,865	\$ 1,023,661	\$ 60,796
Total General Fund	\$142,540,620	\$143,187,930	\$ 647,310

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 21.1% of General Fund revenues in the fiscal year 2015/16 budget.

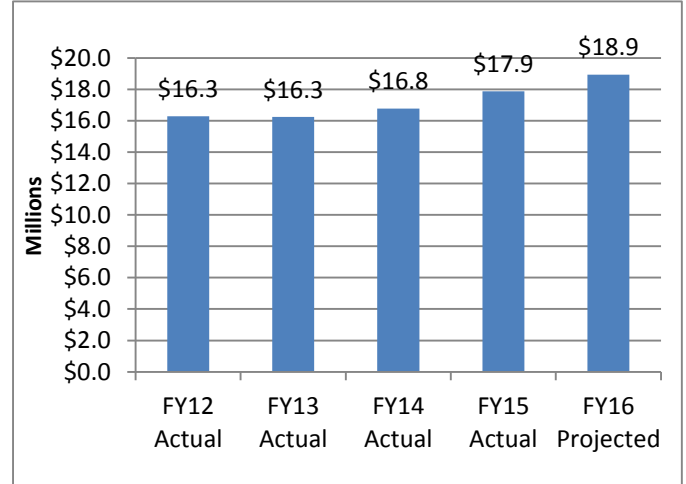
The Property tax revenue projection has been increased by \$0.2 million over the second quarter to reflect the receipt of Redevelopment Agency and residual pass through payments. Overall the initial assumption for

property tax revenue growth of 5.6% remains unchanged from the second quarter projection.

Property Tax



Motor Vehicle License Fee



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 were revised to in the first quarter to reflect the change in the city-wide assessed valuation projection growth rate of 5.6% for fiscal year 2015-16 versus the 4% projected growth rate assumed in the adopted budget. The projection for VLF revenues remained unchanged for the second quarter. The third quarter projection indicates that VLF revenues will increase by \$46,000 over the second quarter projection based on the current trend,

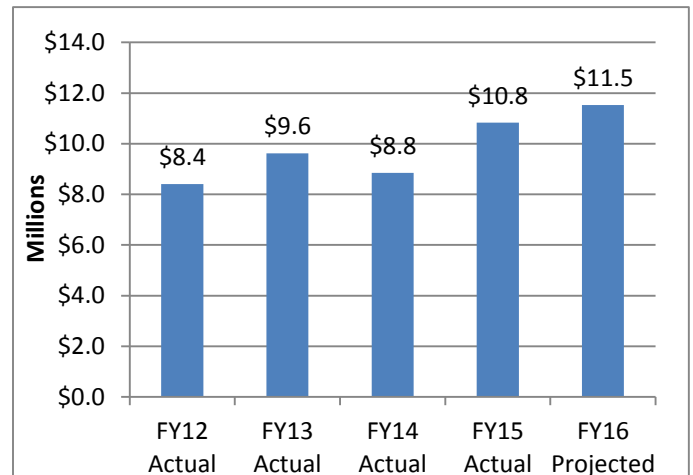
The following chart represents actual VLF revenues since fiscal year 2011/12 and the projection for fiscal year 2015/16.

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 have been revised in the third quarter and are projected to exceed the second quarter projection by \$0.1 million. This increase is attributed to a higher than anticipated monthly average collection of Franchise Fee revenues from the City’s franchise operators.

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.

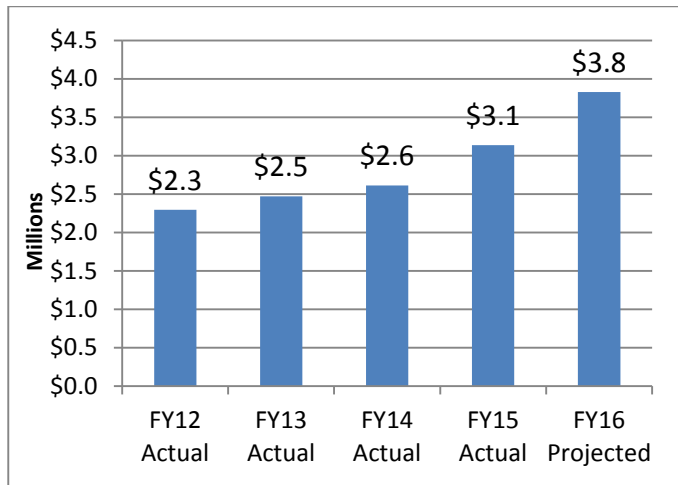
Franchise Fees



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 subsequently continued. The projection for fiscal year 2015/16 was been increased by \$0.9 million when compared to the adopted budget in the second quarter based on the previous fiscal year's growth trend, and \$0.3 million due to previous fiscal year collections that were received the current fiscal year. The third quarter projection for TOT revenues remains unchanged.

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

Transient Occupancy Tax (TOT)

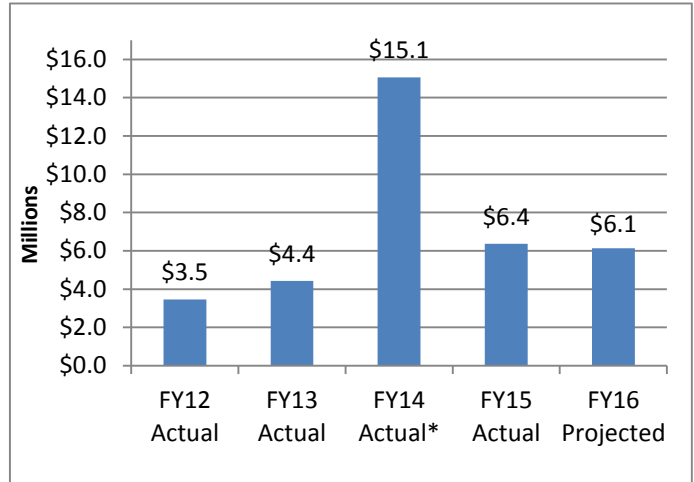


Utility Users Tax (UUT) - The City adopted its Utility Users Tax (UUT) in 1970. The City of Chula Vista imposes a UUT on the use of telecom at the rate of 4.75% of gross receipts. The UUT on natural gas services is \$0.00919 per therm and \$0.00250 per kilowatt on electricity services, which equates to approximately a 1% tax.

The projection for UUT revenues was reduced by \$0.37 million from the adopted budget in the second quarter. This downward trend has continued through the third quarter as the projection for UUT revenues has been decreased by an additional \$0.17 million. Overall, UUT revenues are estimated to be under budget by \$0.6 million. This decrease is partially offset by \$0.2 million from realized prepaid wireless UUT revenues that became effective on January 1, 2016.

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

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.

Expenditures

The General Fund's amended budget reflects the Council adopted budget of \$139.8 million, Council approved mid-year appropriations of \$3.3 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 \$148.4 million.

The following table reflects the General Fund amended budget and actual expenditures by department as of March 31, 2016. In total, Departments have expended 69% of the General Fund budget after 75% of the fiscal year has elapsed.

General Fund Expenditures as of 3/31/2016

Department	Amended Budget as of 3/31/16	Expended as of 3/31/16	% Expended
City Council	\$ 1,499,840	\$ 989,621	66%
Boards & Commissions	\$ 77,520	\$ 48,311	62%
City Clerk	\$ 942,667	\$ 575,198	61%
City Attorney	\$ 3,038,310	\$ 1,926,864	63%
Administration	\$ 3,375,975	\$ 2,264,266	67%
Information Tech Svcs	\$ 3,604,224	\$ 2,395,763	66%
Human Resources	\$ 2,600,103	\$ 1,759,485	68%
Finance	\$ 3,720,758	\$ 2,481,583	67%
Non-Departmental	\$ 12,149,286	\$ 9,149,171	75%
Animal Care Facility	\$ 2,988,449	\$ 2,032,290	68%
Dev Services (GF)	\$ 2,482,554	\$ 1,682,263	68%
Police	\$ 49,528,234	\$ 35,032,382	71%
Fire	\$ 26,838,645	\$ 19,060,935	71%
Public Works	\$ 27,359,798	\$ 17,929,563	66%
Recreation	\$ 4,332,469	\$ 2,768,722	64%
Library	\$ 3,875,332	\$ 2,640,620	68%
Total Expenditures	\$ 148,414,164	\$ 102,737,037	69%

The following table reflects the projected expenditures for June 30, 2016. As noted on the table, all of the operating departments with the exception of the Fire Department are projecting to be within budget or realize savings in the current fiscal year. A \$1.4 million deficit is projected for the Non-Departmental budget due to budgeted salary savings levels that are not projected to be achieved based on the trend identified in the first quarter. In an effort to mitigate this short-fall, Council implemented staff's recommendation to decrease the salary savings level and offset it with savings from the voluntary work furlough program and health insurance savings costs as part of the budget adjustments approved in the first quarter. The projected deficit in the Fire Department is due to higher personnel costs due to overtime and projected higher

supplies and services costs due to a Fire Academy that is scheduled to take place in the current fiscal year. The deficit will be largely mitigated through the appropriation of strike team and other reimbursement revenues that have been received by the Fire Department.

Overall, General Fund expenditures are projected to be over budget by \$0.1 million in the current fiscal year as a result of encumbrance savings targets assigned to departments. This deficit however, should be corrected with the budget amendments in the following paragraph.

For the third quarter, the major staff recommended budget adjustments include funding of \$0.4 million for the agreement reached between the City and the membership of the International Association of Firefighters (IAFF) regarding a discrepancy in the FLSA premium overtime payout to IAFF members that will occur in the current fiscal year. In addition, an appropriation of \$0.3 for the capital asset lease financing to acquire a fire brush rig is also included as well as a \$0.2 appropriation to the Public Works Department for reimbursement revenue received as part of a city-wide drought turf conversion project. The net fiscal impact to the General Fund of these and the other staff recommended adjustments is \$(0.06) million. These recommendations will be included in the Council staff report that accompanies this report.

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 3/31/16	Q3 Projected 6/30/16	Variance
City Council	\$ 1,499,840	\$ 1,435,735	\$ 64,105
Boards & Commissions	\$ 77,520	\$ 77,520	\$ -
City Clerk	\$ 942,667	\$ 907,421	\$ 35,246
City Attorney	\$ 3,038,310	\$ 3,000,306	\$ 38,004
Administration	\$ 3,375,975	\$ 3,302,212	\$ 73,763
Information Tech Svcs	\$ 3,604,224	\$ 3,483,914	\$ 120,310
Human Resources	\$ 2,600,103	\$ 2,433,485	\$ 166,618
Finance	\$ 3,720,758	\$ 3,491,642	\$ 229,116
Non-Departmental	\$ 12,149,286	\$ 13,550,371	\$ (1,401,085)
Animal Care Facility	\$ 2,988,449	\$ 2,936,802	\$ 51,647
Dev Services (GF)	\$ 2,482,554	\$ 2,446,964	\$ 35,590
Police	\$ 49,528,234	\$ 49,044,793	\$ 483,441
Fire	\$ 26,838,645	\$ 27,143,010	\$ (304,365)
Public Works	\$ 27,359,798	\$ 27,194,366	\$ 165,432
Recreation	\$ 4,332,469	\$ 4,283,820	\$ 48,649
Library	\$ 3,875,332	\$ 3,804,676	\$ 70,656
Total Expenditures	\$ 148,414,164	\$ 148,537,037	\$ (122,873)

Budget Transfers

The following table reflects the administrative budget transfers that have been approved through the third 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
Public Works			
Nov-15	Transfer for Turf Replacement	\$15,000	Utilities to Supplies & Services
Nov-15	Transfer for Vehicle Outfitting	\$11,245	Capital to Supplies & Services
Nov-15	Transfer for Emergency Facility Repairs	\$15,000	Personnel to Supplies & Services
Nov-15	Transfer for Park Sports Field Lighting	\$15,000	Utilities to Supplies & Services
Administration			
Jan-16	Transfer for Consulting Services	\$15,000	Personnel to Supplies & Services
Fire			
Jan-16	Cell Phone Stipend Adjustment	\$1,530	Supplies & Services to Personnel
Animal Care Facility			
Mar-16	Transfer for Animal Clinic's Doctors Payments	\$15,000	Personnel to Supplies & Services
Human Resources			
Mar-16	Transfer for copier lease	\$352	Supplies & Services to Personnel

Third Quarter Budget Amendments

Third Quarter expenditure appropriations approved through March 31, 2016 totaled \$3,331,493. The City Council approved changes to budgeted revenues of \$2,734,451. Combined, these changes result in a positive net impact of \$597,042.

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 Bl Property Improvements for AIM Lease (Non-Departmental)	\$ 10,000	\$ 10,000	\$ -
10/6/2014	Unrepresented, Conf./Non Conf. MOU Salary Adjustments (Various)	\$ 244,511	\$ 244,511	\$ -
11/3/2015	Animal Care Facility Roof Repair (Animal Care Facility)	\$ 33,736	\$ 33,736	\$ -
11/3/2015	Western Council of Engineers MOU Salary Adjustments (Various)	\$ 29,590	\$ 29,590	\$ -
11/3/2015	1st Quarter Budget Adjustments (Various)	\$ 916,295	\$ 916,295	\$ -
11/3/2015	Chula Vista Employees Assoc. MOU Salary Adjustments (Various)	\$ 301,020	\$ 301,020	\$ -
12/15/2015	Attorney Services for Case at Bay and E. (Non-Departmental)	\$ 460,000	\$ 460,000	\$ -
2/23/2016	2nd Qtr. Budget Adjustments (Various)	\$ 441,396	\$ 1,044,742	\$ 603,346
2/23/2016	California Public Library Broadband Proj. Grant (Library)	\$ 30,000	\$ 30,000	\$ -
3/8/2016	Application for U3 Advisors Inc. (Non-Departmental)	\$ 200,000	\$ 200,000	\$ -
	Total Appropriations to date:	\$2,734,451	\$ 3,331,493	\$ 597,042

- The above table does not reflect a -\$49,518 accounting adjustment to the Non-Departmental budget that was made as a result of the close-out of a capital improvement project (CIP).