



City of Chula Vista

Legislation Details (With Text)

File #:	16-0532	Name:	
Type:	Consent Item	Status:	Agenda Ready
		In control:	City Council
On agenda:	11/15/2016	Final action:	
Title:	A. QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2016 B. RESOLUTION NO. 2016-239 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA MAKING VARIOUS AMENDMENTS TO THE FISCAL YEAR 2016/17 BUDGET TO ADJUST FOR VARIANCES AND APPROPRIATING FUNDS THEREFOR (4/5 VOTE REQUIRED)		

Sponsors:

Indexes:

Code sections:

Attachments: 1. Item 13 - Resolution, 2. Item 13 - Attachment 1 - FY17 Q1 Financial Report - FINAL.pdf

Date	Ver.	Action By	Action	Result
11/15/2016	1	City Council		

A. QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2016

B. RESOLUTION NO. 2016-239 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA MAKING VARIOUS AMENDMENTS TO THE FISCAL YEAR 2016/17 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 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 2016/17 for the City’s General Fund. The amended budget column includes all Council approved changes to the fiscal year 2016/17 adopted budget that have taken place through the end of the first quarter ending September 30, 2016. The projected column lists the fiscal year 2016/17 projections for revenues and expenditures as of June 30, 2017. The following table reflects the unaudited General Fund reserves as of July 1, 2016 (beginning fund balance) as well as the projected General Fund reserves for June 30, 2017 (projected ending fund balance).

General Fund Reserve	Amended Budget	Projected (millions)
Reserves - July 1, 2016 (unaudited)	\$ 17.68	\$ 17.68
Revenues & Transfers In	\$ 146.54	\$ 148.03
Expenditures & Transfers Out	\$ (146.52)	\$ (148.88)
Projected Surplus/Deficit	\$ 0.02	\$ (0.85)
Projected Fund Balance for June 30, 2017	\$ 17.70	\$ 16.83
Percentage of Operating Budget	12.1%	11.3%

Notes:

1. The FY2016/17 City Council Adopted budget was balanced and did not project an increase in fund balance for the General Fund. The minor surplus reflected in the Amended Budget column is a result of a mid-year Council approved budget amendment.

2. The Amended Budget and projections reflected in this table do not include prior year appropriations for capital improvement projects and other encumbrances totaling \$5.7 million that were carried forward into the fiscal year 2016/17 budget. These expenditure impacts are already reflected in the estimated fund balance as of July 1, 2016 and are therefore not included in the above table.

General Fund Overview

The City's financial outlook is tentative through the end of the first quarter. Although revenues are projected to increase modestly from the amended budget level, expenditures are trending higher and are projected to exceed the budget as of first quarter review. Major factors affecting expenditures are the personnel services and supplies and services expenses within the Police and Fire Departments.

Based on a review of previous fiscal year actuals and an analysis of actuals through September 30, 2016, the City's General Fund discretionary revenues are in large part projected to meet their budgeted levels. Departmental program revenues are currently projected to exceed the amended budget. Overall, General Fund revenues are projected at \$1.5 million above the current amended budget. This increase is in large part due to the pending appropriation of \$1.2 million for Fire Strike Team reimbursements. Other changes include the following: (a) a projected increase of \$0.3 million for higher anticipated Police Reimbursements, (b) a projected shortfall of \$0.1 million in High Intensity Drug Trafficking Area (HIDTA) reimbursements, and (c) a \$0.1 million projected increase in negligent vehicle impound fees and parking citation revenue.

Although small variances exist within the departmental projections, it is anticipated that a majority of departments will mitigate these impacts within their current amended budget. Therefore, through the first quarter, the majority of departmental expenditures are projected to be within the budget, with the exception of the Police and Fire Departments that are currently projected to exceed their amended budgets. Personnel Services are currently projected to end the fiscal year at a deficit of \$1.8 million. This is due to an estimated overage in hourly expenditures in the Police Department as well as anticipated overages in overtime expenses in both the Police and Fire departments. Departmental expenditures for Supplies and Services are projected to increase by \$0.6 million over the amended budget, with the Police and Fire Departments each anticipating deficits of \$0.3 million. All other expenditure categories are projected to be within the amended budget.

The projected deficit within the Fire Department will be mitigated by the appropriation of revenues received as a result of Fire Strike Team reimbursements. The Police Department is proactively working on ways to help alleviate the structural deficit by implementing innovative changes including restructuring workloads, contracting out services and identifying key opportunities to reduce the need for overtime. However, these changes are not anticipated to eliminate the deficit completely. The department will revise the estimate in the second quarter.

Staff will continue to monitor General Fund expenses and look for potential cost saving measures in order to remain within budget.

Development Services Fund Overview

During the fiscal year 2016/17 budget development process, staff worked towards realigning resources and staffing to the change in workload activities within the Development Services Department. Based on fiscal year 2015/16 actuals and trends through the first quarter, staff is

projecting to end the fiscal year within the Development Services Fund budgeted levels. Staff will monitor the Development Services Fund, and will make adjustments should they be necessary.

Staff is recommending budget adjustments as summarized in the following tables.

General Fund Adjustments

General Fund Department	Description	Expense	Revenue	Net Cost
Finance	Transfer \$40,000 from Personnel Services to Supplies and Services for unanticipated contractual services.	\$ -	\$ -	\$ -
Non-Departmental	Transfer from Capital Improvement Project expenditures to Transfers Out (\$9,757) for reimbursement to Sweetwater Authority for costs related to project STL400.	\$ -	\$ -	\$ -
	Appropriate \$334,579 to Capital category for the financing of a capital lease acquisition of one (1) HME Ahrens - Fox 34D Type III Brush Engine. This will be offset by revenues from the secured lease financing of the brush engine.	\$ 334,579	\$334,579	\$ -
	Appropriate \$27,347 to the Transfers Out category for expenditures posted to STL399 (\$26,777) and OP228 (\$570).	\$27,347	\$ -	\$27,347
Animal Care Facility	Transfer \$35,000 from Personnel Services to Supplies and Services due to delayed recruitment of the Veterinary position generating the need for additional contractual expenses.	\$ -	\$ -	\$ -
Fire	Accept \$5,000 SDG&E grant for Community Emergency Response Team (CERT) Program and appropriate the equivalent amount to the Supplies and Services category.	\$5,000	\$5,000	\$ -
	Appropriate \$933,208 to Personnel Services, \$251,615 to Supplies and Services, and \$112 to Capital for expenses related to fire strike team deployments. These costs are fully offset by reimbursement from the State of California Office of Emergency Services (CalOES).	\$1,184,935	\$1,184,935	\$ -
	Appropriate \$4,625 to Supplies and Services for costs related to specialized training classes. This is offset by tuition revenues received as part of holding the classes.	\$4,625	\$4,625	\$ -

Public Works	Reduction in Supplies and Services category to offset appropriation for expenditures posted to STL399 (\$26,777) and OP228 (\$570).	(\$27,347)	\$ -	(\$27,347)
Library	Appropriate \$5,900 to the Personnel Services category for the Veterans Connect grant.	\$5,900	\$5,900	\$ -
	Appropriate \$950 to the Supplies and Services category for book purchases based on donations received from various sources.	\$950	\$950	\$ -
Recreation	Budget realignment: Reallocate a net \$38,167 from various sources in Personnel Svcs., Supplies and Svcs., Utilities to Other Expenses (\$23,000) and Capital (\$15,167). Align \$5,673 in revenues from Use of Money and Property and Charges for Services Category to Other Revenue category.	\$ -	\$ -	\$ -
TOTAL GENERAL FUND		\$1,535,989	\$1,535,989	\$ -

Other Funds Adjustments

Fund	Description	Expense	Revenue	Net Cost
Gas Tax	Transfer from Capital Improvement Project expenditures to Transfers Out (\$5,837) for reimbursement to Sweetwater Authority for costs related to project STL400.	\$ -	\$ -	\$ -
State Grants Fund	Appropriate \$18,000 to the Personnel Services category of the Literacy Program based on funding from the California Library Literacy Service Grant.	\$18,000	\$18,000	\$ -
Advanced Life Support (ALS) Program	Appropriate \$130,000 to Personnel Services and \$20,771 to Supplies and Services for expenses related to the Advanced Life Support (ALS) program. These appropriations will come from the available balance of the fund.	\$150,771	\$ -	\$150,771
California Library Services Act	Appropriate \$2,138 from the available balance of the State Library Act Fund to the Supplies and Services category.	\$2,138	\$ -	\$2,138
Federal Grants Fund	Transfer \$42,190 from Supplies and Services to Capital to more accurately reflect the purchase of equipment.	\$ -	\$ -	\$ -
	Appropriate \$18,800 to Supplies and Services and \$90,164 to Capital for supplies and equipment for the training division. This appropriation will be offset by the Urban Areas Security Initiative (UASI) grant.	\$108,964	\$108,964	\$ -
Bicycle Facilities Fund	Reduce Supplies and Services by \$13,214 to match grant allocation.	(\$13,214)	\$ -	(\$13,214)

Other Transportation Programs	Appropriate \$2,377 from the available balance of this fund to the Transfers Out category to correct expenditures that were incorrectly posted for project STM377. Transfer will be reflected in the TransNet Fund.	\$2,377	\$ -	\$2,377
	Appropriate \$4,025 from the available balance of this fund to the Transfers Out category to correct expenditures that were incorrectly posted for project TF369. Transfer will be reflected as revenue in the Traffic Signal Fund.	\$4,025	\$ -	\$4,025
Transportation Sales Tax (TransNet)	Transfer In from Other Transportation Programs Fund to correct for expenditures posted to Project STM377.	\$ -	\$2,377	(\$2,377)
	Transfer In from the General Fund to correct for expenditures posted to Project STL399 (\$26,777) and OP228 (\$570).	\$ -	\$27,347	(\$27,347)
Traffic Signal	Transfer In from Other Transportation Programs Fund to correct for expenditures posted from Project TF369.	\$ -	\$4,025	(\$4,025)
Capital Improvement Fund	Transfer \$1,974 from Capital Improvement Project expenditures to Other Expenses and appropriate \$15,594 to the Other Expenses category for reimbursement to Sweetwater Authority for costs related to project STL400.	\$15,594	\$15,594	\$ -
TOTAL OTHER FUNDS		\$288,655	\$176,307	\$112,348

Furlough Adjustments

As part of the proposed budget adjustments, staff is recommending reducing the personnel services budgets of the following departments to account for the savings from the voluntary furlough program. These reductions will offset a reduction in budgeted salary savings in the various department budgets. These changes are reflected on the following table:

Department	Salary Savings Adjustment	Furlough Adjustment	Net Personnel Services Adjustment
City Council	\$ -	(\$1,469)	(\$1,469)
City Attorney	\$13,285	(\$13,285)	\$ -
Administration	\$ -	(\$1,667)	(\$1,667)
Information Technology Srvcs	\$1,449	(\$1,449)	\$ -
Human Resources	\$11,145	(\$11,145)	\$ -
Finance	\$9,195	(\$9,195)	\$ -
Economic Development	\$2,433	(\$2,433)	\$ -
Development Services - GF	\$6,570	(\$6,570)	\$ -

Police	\$38,201	(\$38,201)	\$ -
Public Works	\$40,678	(\$40,678)	\$ -
Recreation	\$5,257	(\$5,257)	\$ -
Library	\$1,220	(\$1,220)	\$ -
TOTAL GENERAL FUND	\$129,433	(\$132,569)	(\$3,136)

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council of the City of Chula Vista members and has found no property holdings within 500 feet of the boundaries of the property which is the subject of this action. Consequently, this item does not present a disqualifying real property-related financial conflict of interest under California Code of Regulations Title 2, section 18702.2(a)(11), for purposes of 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 2016/17 budget will result in a positive impact of \$3,136 to the General Fund as a result of furlough adjustments. However, as stated in the report, overall the General Fund is projected to have a deficit of \$0.9 million, which staff will continue to work with the departments in order to mitigate. The other requested changes have a no net impact to the General Fund as these changes are neutral as they are either revenue offset or reflect offsetting transfers between expenditure categories.

Net Impact - The recommended changes in the Other Funds result in a total of \$0.3 million in appropriations to these funds that are partially offset by \$0.2 million in revenues. The total net impact of these changes is \$0.1 million to the Other Funds, which 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. FY2017 First Quarter Financial Report

*Staff Contact: Tessa Nguyen, Finance Department
David Bilby, Finance Department*

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
CHULA VISTA MAKING VARIOUS AMENDMENTS TO THE
FISCAL YEAR 2016/17 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 a 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, 2016 and is recommending a number of budget amendments; and

WHEREAS, staff is recommending approximately \$1.5 million in new appropriations to various departments in the General Fund that will be offset by \$1.5 million in new revenues resulting in no net impact; and

WHEREAS, the appropriations in the State Grants Fund, Federal Grants Fund and adjustments in the Capital Improvement Fund are revenue offset resulting in no net fiscal impact to these funds; and

WHEREAS, the Advanced Life Support, and Other Transportation Programs Funds will be negatively impacted due to adjustments that will add appropriations that will be made from the available balances of these funds; and

WHEREAS, the Bicycle Facilities Fund, Transportation Sales Tax Fund, and Traffic Signal Fund will be positively impacted as a result of a reduction of appropriations or increased revenues resulting from the recommended changes; and

WHEREAS, the recommended adjustments to the Gas Tax Fund consist of offsetting transfers between expenditure categories and are neutral resulting in no net impact to these funds; and

WHEREAS, the appropriation of \$2,138 to the California Library Services Act Fund is funded from residual funds from the previous fiscal year that were not carried forward in the fiscal year 2016-17 budget as funding was initially received from the State of California to be used to in support the Thinkabit Lab.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chula Vista, that it does hereby amend the fiscal year 2016/17 budget and approves the following appropriations:

Summary of General Fund Appropriations and/or Transfers

DEPARTMENT/FUND	PERSONNEL SERVICES	SUPPLIES & SERVICES	OTHER EXPENSES	CAPITAL	UTILITIES	TRANSFERS OUT	CIP	TOTAL EXPENSE	TOTAL REVENUE	NET COST
Finance	\$ (40,000)	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Departmental	\$ -	\$ -	\$ -	\$ 334,579	\$ -	\$ 37,104	\$ (9,757)	\$ 361,926	\$ 334,579	\$ 27,347
Animal Care Facility	\$ (35,000)	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fire	\$ 933,208	\$ 261,240	\$ -	\$ 112	\$ -	\$ -	\$ -	\$ 1,194,560	\$ 1,194,560	\$ -
Public Works	\$ -	\$ (27,347)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (27,347)	\$ -	\$ (27,347)
Library	\$ 5,900	\$ 950	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,850	\$ 6,850	\$ -
Recreation	\$ (7,664)	\$ (22,013)	\$ 23,000	\$ 15,167	\$ (8,490)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL GENERAL FUND	\$ 856,444	\$ 287,830	\$ 23,000	\$ 349,858	\$ (8,490)	\$ 37,104	\$ (9,757)	\$ 1,535,989	\$ 1,535,989	\$ -

Summary of Appropriations and/or Transfers for Other Funds

DEPARTMENT/FUND	PERSONNEL SERVICES	SUPPLIES & SERVICES	OTHER EXPENSES	CAPITAL	UTILITIES	TRANSFERS OUT	CIP	TOTAL EXPENSE	TOTAL REVENUE	NET COST
Gas Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,837	\$ (5,837)	\$ -	\$ -	\$ -
State Grants Fund	\$ 18,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,000	\$ 18,000	\$ -
Advanced Life Support (ALS) Program	\$ 130,000	\$ 20,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,771	\$ -	\$ 150,771
California Library Services Act	\$ -	\$ 2,138	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,138	\$ -	\$ 2,138
Federal Grants Fund	\$ -	\$ (23,390)	\$ -	\$ 132,354	\$ -	\$ -	\$ -	\$ 108,964	\$ 108,964	\$ -
Bicycle Facilities Fund	\$ -	\$ (13,214)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (13,214)	\$ -	\$ (13,214)
Other Transportation Programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,402	\$ -	\$ 6,402	\$ -	\$ 6,402
Transportation Sales Tax (TransNet)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,724	\$ (29,724)
Traffic Signal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,025	\$ (4,025)
Capital Improvement Fund	\$ -	\$ -	\$ 17,568	\$ -	\$ -	\$ -	\$ (1,974)	\$ 15,594	\$ 15,594	\$ -
TOTAL OTHER FUNDS	\$ 148,000	\$ (13,695)	\$ 17,568	\$ 132,354	\$ -	\$ 12,239	\$ (7,811)	\$ 288,655	\$ 176,307	\$ 112,348

Summary of Furlough Adjustments

Department	Salary Savings Adjustment	Furlough Adjustment	NET PERSONNEL SERVICES ADJUSTMENT
City Council	\$ -	\$ (1,469)	\$ (1,469)
City Attorney	\$ 13,285	\$ (13,285)	\$ -
Administration	\$ -	\$ (1,667)	\$ (1,667)
Information Technology Svcs	\$ 1,449	\$ (1,449)	\$ -
Human Resources	\$ 11,145	\$ (11,145)	\$ -
Finance	\$ 9,195	\$ (9,195)	\$ -
Economic Development	\$ 2,433	\$ (2,433)	\$ -
Development Services - GF	\$ 6,570	\$ (6,570)	\$ -
Police	\$ 38,201	\$ (38,201)	\$ -
Public Works	\$ 40,678	\$ (40,678)	\$ -
Recreation	\$ 5,257	\$ (5,257)	\$ -
Library	\$ 1,220	\$ (1,220)	\$ -
TOTAL GENERAL FUND	\$ 129,433	\$ (132,569)	\$ (3,136)

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 2017 through September 30, 2016 and projecting out to June 30, 2017. 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 report, UCLA Anderson Forecast Director Ed Leamer looks into the factors driving the current U.S. economy, one that has been growing steadily at 2% following quarterly growth rates of 3% for the 40 years between 1965 and 2005. However Leamer points out that growth since 2010 has been so eerily steady that it is defining an entirely new corridor at 2% instead of 3%. Overall, Leamer forecasts that although the economy continues to be on track for moderate growth, enthusiasm has dampened and expectations are revised slightly downward. Instead of looking for 3.3% growth in real GDP for 2016 on a fourth quarter-basis, the Anderson Forecast anticipates a more modest 2.7% growth rate. Despite the lower GDP growth rate, the economy remains on track to create 2.7 million jobs this year and 2.1 million jobs next year, as the economy operates at full employment.

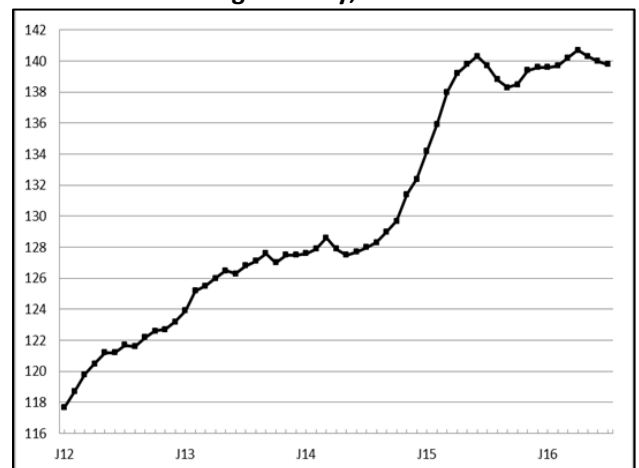
The California Forecast² - In the California forecast, Senior Economist Jerry Nickelsburg focuses on the state's employment situation. Although California experiences "full employment," Nickelsburg warns of a number of risks, including the extension of Prop 30, which is on the September ballot (Prop 30, first passed in 2012, taxes the state's top earners at a higher rate, leaving the state government vulnerable in times of recession) and the upcoming presidential election, as the next president's policies might have an impact on international trade, a sector on which California relies. The California Forecast has been revised downward slightly, as a consequence of slower than expected growth in the U.S. in 2016. Overall, the current Forecast calls for continued steady gains in employment through 2018 and a steady decrease in the unemployment rate in California over the next two years. Nickelsburg further estimates total employment growth

for 2016 to be 2.0%, and forecasts 1.6% and 0.8% growth for 2017 and 2018 respectively. Payrolls will grow at about the same rate over the forecast horizon. Real personal income growth is estimated to be 3.1% in 2016 and forecast to be 3.4% in 2017 and 3.0% in 2018.

The San Diego Forecast³ - The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators County rose 0.1 percent in August. The gain was led by a strong gain in local stock prices. There were also moderate increases in residential units authorized by building permits and consumer confidence. These outweighed a big drop in help wanted advertising and small losses in initial claims for unemployment insurance and the outlook for the national economy to push the USD Index to a gain which broke a streak of three consecutive monthly declines.

The slight gain in the index relieved some concern that the local economy might be turning negative after 3 months of decline in the index. The gain in August validated the non-turning point view, but it was close, with the gain being small and with declining components matching advancing ones. The outlook for the local economy remains positive, but the rate of growth is likely to slow.

**San Diego Index of Leading Economic Indicators
San Diego County, 2012 – 2016**



¹ Source: UCLA Anderson Forecast, September 2016

² Source: UCLA Anderson Forecast, September 2016

³ Source: University of San Diego School of Business Administration, USD Index of Leading Economic Indicators, September 2016; 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, 2016 as well as the projected General Fund reserves for June 30, 2017.

General Fund Reserve	Amended Budget	Projected (millions)
Reserves - July 1, 2016 (unaudited)	\$ 17.68	\$ 17.68
Revenues & Transfers In ¹	\$ 146.54	\$ 148.03
Expenditures & Transfers Out ²	\$ (146.52)	\$ (148.88)
Projected Surplus/Deficit	\$ 0.02	\$ (0.85)
Projected Fund Balance for June 30, 2017	\$ 17.70	\$ 16.83
Percentage of Operating Budget	12.1%	11.3%

Notes:

1. The City Council Adopted budget was balanced and did not project an increase in fund balance for the General Fund. The minor surplus reflected in the Amended Budget column is a result of a mid-year Council approved budget amendment.
2. The Amended Budget and projections reflected in this table do not include prior year appropriations for capital improvement projects and other encumbrances totaling \$5.7 million that were carried forward into the fiscal year 2016/17 budget. These expenditure impacts are already reflected in the estimated fund balance as of July 1, 2016 and are therefore not included in the above table.

The City's financial outlook is tentative through the end of the first quarter. Although revenues are projected to increase modestly from the amended budget level, expenditures are trending higher and are projected to exceed the budget as of first quarter review.

The City's major discretionary revenues including Property Tax, Sales Tax and Motor Vehicle Licenses are projected to be within budget. Overall, General Fund revenues are projected to exceed the budget by \$1.5 million. The projected increase is primarily due to a Fire Strike Team

reimbursement received by the Fire Department that will be used to offset overtime costs incurred as a result of responding to fire emergencies outside of the City. Other smaller increases in Charges for Services revenues (\$0.3 million) and Fines and Forfeiture revenues (\$0.1) million are also projected. It is important to note that anticipated increases to Charges for Services offset anticipated increases in overtime in the Police Department for special events.

Departmental expenditures are tracking within budgeted levels with the exception of the Police and Fire Departments. Although there are small variances that exist within the department projections, it is anticipated that the departments will mitigate these impacts within their current amended budget. Therefore, the majority of the departments are projected to be within their budgets as of the end of the fiscal year. Personnel Services are currently projected to end the fiscal year at a deficit of \$1.8 million over the amended budget. Departmental expenditures for Supplies and Services are also projected to be over by \$0.6 million over the amended budget. All other expenditure categories including Utilities, Other Expenses, Transfers Out and Capital expenditures are projected to be within budget as of the first quarter.

The anticipated deficits are in the Police and Fire departments as each is projecting overages in Personnel Services and Supplies Services. The projected deficits for both departments are largely due to overages in hourly wages and overtime expenditures.

The Police Department is proactively working on ways to help mitigate the structural deficit by implementing innovative changes including restructuring workloads, contracting out services and identifying key opportunities to reduce the need for overtime. However, these changes are not anticipated to eliminate the deficit completely. The department will revise the estimates in the second quarter. The projected deficit for Supplies and Services within the Police department is primarily associated with ammunition, uniform, training and existing contract related operating expenditures. The department will continue to look for ways to offset the impact to the General Fund by looking for alternative funding sources.

The deficit for the Fire Department is due to overtime for constant minimum staffing in Personnel Services and for

automotive repair expenses in the Supplies and Services expense category. This projected deficit will be mitigated by the appropriation of revenues received as a result of Fire Strike Team reimbursements.

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 \$1.5 million above the current amended budget. The major variances are as follows:

Category	Amended Budget as of 9/30/2016	Q1 Projected as of 9/30/2016	Variance
Property Taxes	\$ 31,174,827	\$ 31,174,827	\$ -
Sales Tax	\$ 32,350,442	\$ 32,350,442	\$ -
Motor Vehicle License	\$ 19,692,436	\$ 19,692,436	\$ -
Other Revenue	\$ 12,024,594	\$ 13,206,543	\$ 1,181,949
Transfers In	\$ 11,949,135	\$ 11,949,135	\$ -
Franchise Fees	\$ 11,795,951	\$ 11,795,951	\$ -
Charges for Services	\$ 7,079,282	\$ 7,361,400	\$ 282,118
Revenue from Other Agencies	\$ 2,079,908	\$ 2,018,947	\$ (60,961)
Utility Users Tax	\$ 6,379,964	\$ 6,379,964	\$ -
Transient Occupancy Taxes	\$ 3,654,779	\$ 3,654,779	\$ -
Use of Money & Property	\$ 2,731,601	\$ 2,731,901	\$ 300
Other Local Taxes	\$ 2,256,753	\$ 2,256,753	\$ -
License and Permits	\$ 1,321,085	\$ 1,321,085	\$ -
Fines, Forfeitures, Penalties	\$ 1,020,700	\$ 1,107,305	\$ 86,605
Real Property Transfer Tax	\$ 1,023,661	\$ 1,023,661	\$ -
TOTAL REVENUES	\$ 146,535,118	\$ 148,025,129	\$ 1,490,011

- A projected \$1.2 million increase in the Other Revenue category due to pending appropriations for Fire Strike Team reimbursements. This increase is offset with an increase in anticipated expenditures within the Fire Department.
- A projected \$0.3 million net increase in Charges for Services, largely due to higher projected Police Reimbursement revenues for special events. It is important to note however that this revenue has an inherent offsetting expenditure related to overtime expenditures.

- A projected shortfall of \$0.1 million in the Revenue from Other Agencies category due to anticipated decreases in High Intensity Drug Trafficking Area (HIDTA) reimbursements. This is due to a reallocation of support from HIDTA efforts to continue supporting the Southwest Border Anti-Money Laundering Alliance (SWBAMLA) operations.
- A projected \$0.1 million increase in the Fines, Forfeitures, Penalties categories for higher than anticipated negligent vehicle impound processing fees and parking citation revenues. The updated projections for these revenues are in alignment with prior year trends.

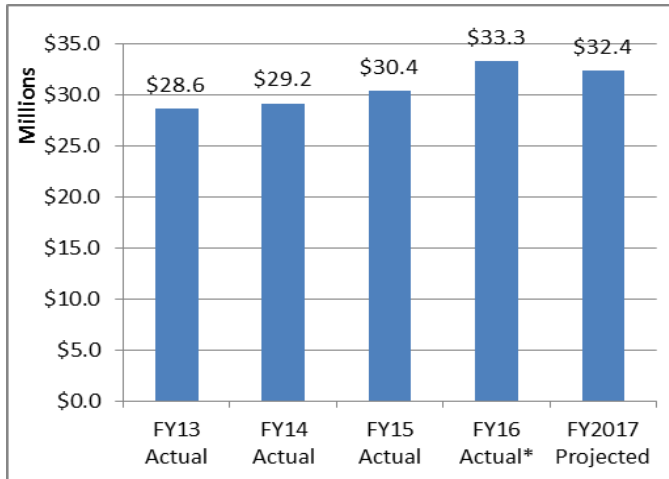
General Fund Major Revenues

Sales Tax - is projected to be the City's largest revenue source, representing 22.1% of General Fund revenues in the fiscal year 2016/17 amended budget. HdL Companies, the City's Sales Tax consultant, has provided data for second quarter of calendar year 2016. They report that the change in sales tax receipts between second quarter calendar year 2015 and second quarter calendar year 2016 has decreased by 0.2% 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 2.2% in Chula Vista when compared to the same quarter for 2015. The largest sector contributing to the decline in Sales Tax growth was the decrease in Fuel and Service Stations by 17.0%. Other sectors experienced increases when compared to the same quarter in 2015, these included: Autos and Transportation (4.9%), Business and Industry (4.5%), Restaurants and Hotels (3.9%), and Building and Construction (3.5%).

Sales Tax revenues has been projected at the amended budget levels, however staff will continually monitor the trends in economic activity to more accurately reflect projected earnings within this category.

The following chart represents actual Sales Tax collections since fiscal year 2012/13 and the projection for fiscal year 2016/17.

SALES TAX



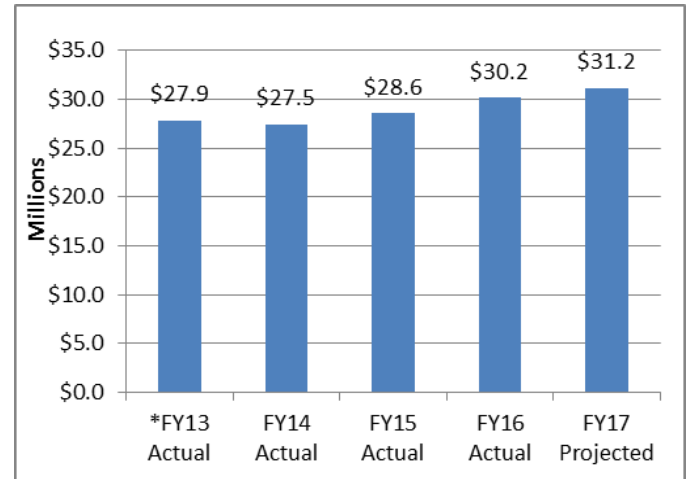
*Note: FY2016 Sales Tax revenues include a one-time payment related to the wind down of the Triple Flip allocation.

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 21.3% of General Fund revenues in the fiscal year 2016/17 budget.

At this time, staff has projected the City's Property Tax revenues at the budgeted levels. Although the Assessed Valuation (AV) provided by the County of San Diego assumed a higher AV growth than budgeted, other components within the Property Tax category are estimated to come in lower than anticipated. So, while individual projections within the property tax category have varied, overall the initial assumption for property tax revenue growth remains unchanged.

The following chart represents actual Property Tax revenues since fiscal year 2012/13 and the projection for fiscal year 2016/17.

PROPERTY TAXES

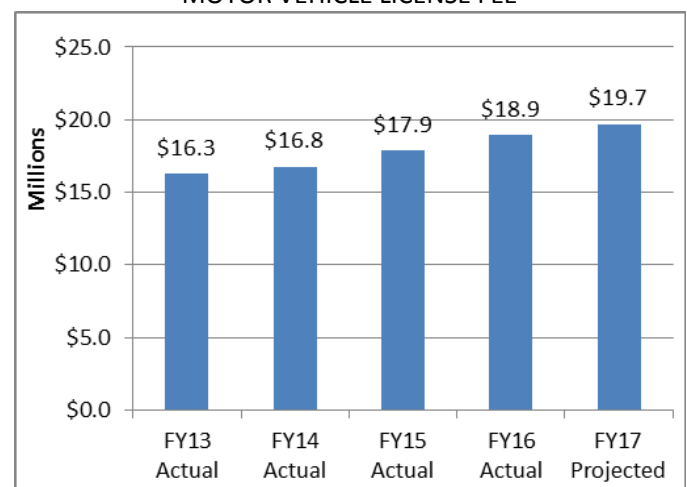


*Note: FY2013 Property Tax revenues include a one-time payment related to the elimination of the City's Redevelopment Agency.

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.

The projection for VLF revenues remained unchanged from the amended budget. The following chart represents actual VLF revenues since fiscal year 2012/13 and the projection for fiscal year 2016/17.

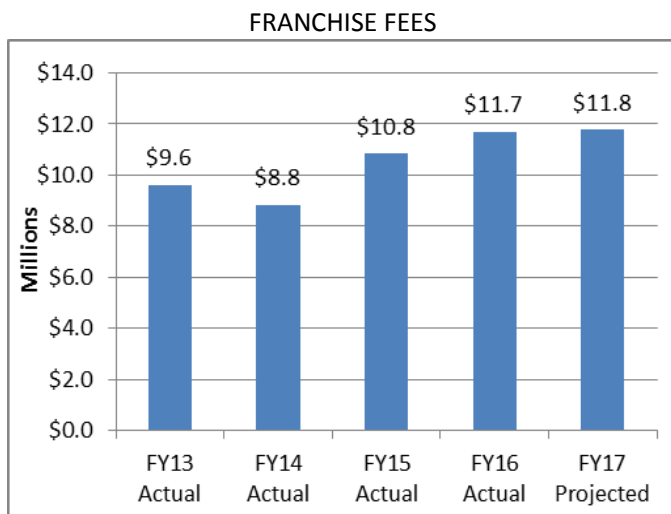
MOTOR VEHICLE LICENSE FEE



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 currently projected to meet the budget revenues of \$11.8 million. This is an increase over fiscal year 2015/16 actuals of approximately 1%.

The following chart represents actual franchise fee revenues since fiscal year 2012/13 and the projection for fiscal year 2016/17. Note that fiscal year actual 2012-13 revenues reflect previously accrued Franchise Fee revenues that were realized by the City.

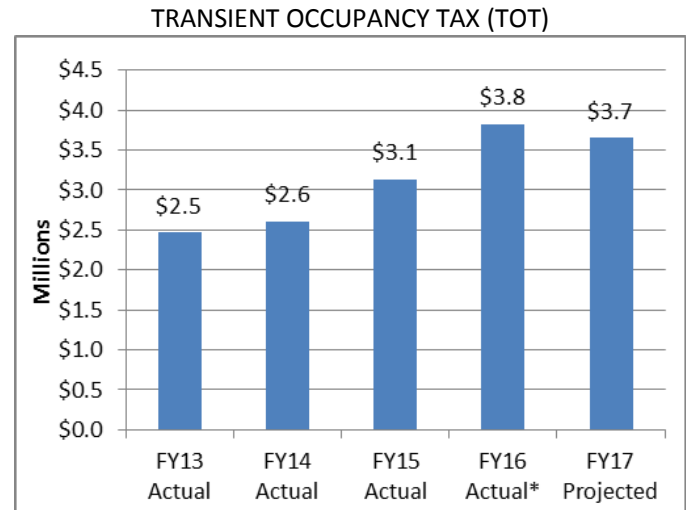


Transient Occupancy Tax (TOT) - The City receives 10% of hotel and motel room rates for stays less than 30 days. Projections for TOT revenues have been updated to reflect the positive trend that began in fiscal year 2012 and has subsequently continued. Fiscal year 2016/17 TOT revenues are estimated at \$3.7 million based on the previous fiscal year's growth trend. Eliminating prior year collections included in fiscal year 2015/16 actuals of \$0.3 million, TOT revenues are projected to increase by 3.0% in fiscal year 2016/17.

The potential for significant revenue growth is feasible provided additional hotels are built capturing the market

created by the growth in the eastern section of the City. Several impending new hotel developments are being proposed in the City, primarily in the Millenia and Bayfront projects.

The following chart represents actual TOT revenues since fiscal year 2012/13 and the projection for fiscal year 2016/17.



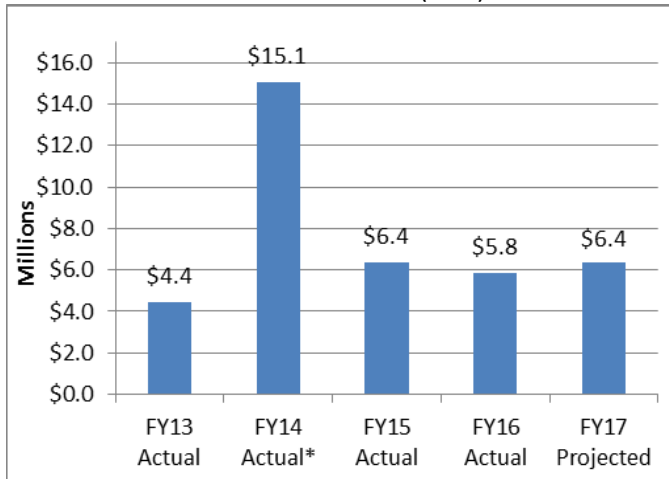
*Note: FY2016 TOT revenues include \$0.3 million in payments for prior year collections.

Utility Users Tax (UUT) - by 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.

UUT revenues are currently projected at the fiscal year 2016/17 budgeted levels. Fiscal year 2016/17 projected revenues include a full year of anticipated prepaid wireless UUT revenues that became effective on January 1, 2016.

The following chart reflects actual UUT revenue since fiscal year 2012/13. Fiscal year 2016/17 is projected and does not reflect actual collections.

UTILITY USERS TAX (UUT)



*Note: 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 \$146.5 million, Council approved mid-year appropriations of \$0.6 million, and \$5.7 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 \$152.3 million.

The following table reflects the General Fund amended budget and actual expenditures by department as of September 30, 2016. In total, Departments have expended 34% of the General Fund budget after 25% of the fiscal year has elapsed. Expenditures are tracking ahead of the budget as of the end of the First Quarter as a result the City's decision to incur the full annual costs for retirement (CalPERS) costs in effort to generate savings as a result of an early payment incentive that was offered.

GENERAL FUND EXPENDITURES AS OF 09/30/2016

Department	Amended Budget as of 9/30/2016	Expended as of 9/30/2016	% Expended
City Council	\$ 1,569,741	\$ 557,464	36%
Boards and Commissions	\$ 19,179	\$ 13,983	73%
City Clerk	\$ 1,115,332	\$ 313,870	28%
City Attorney	\$ 3,080,052	\$ 1,039,748	34%
Administration	\$ 2,095,030	\$ 802,330	38%
Information Technology Svcs	\$ 4,063,239	\$ 1,326,143	33%
Human Resources	\$ 2,726,895	\$ 929,630	34%
Finance	\$ 3,686,920	\$ 1,338,899	36%
Non-Departmental	\$ 12,181,629	\$ 1,181,755	10%
Animal Care Facility	\$ 2,973,062	\$ 967,714	33%
Economic Development	\$ 1,947,006	\$ 700,222	36%
Development Svcs - GF	\$ 2,688,047	\$ 960,463	36%
Police	\$ 50,442,444	\$ 19,514,001	39%
Fire	\$ 28,109,564	\$ 10,783,365	38%
Public Works	\$ 27,177,617	\$ 8,836,655	33%
Recreation	\$ 4,476,993	\$ 1,337,210	30%
Library	\$ 3,901,570	\$ 1,386,086	36%
TOTAL EXPENDITURES	\$ 152,254,320	\$ 51,989,538	34%

The following table reflects the projected expenditures for June 30, 2017. The majority of departmental expenditures are projected to be within the budget, with the exception of the Police and Fire Departments that are currently projected to exceed their amended budgets. Personnel Services are currently projected to end the fiscal year at a deficit of \$1.8 million. This is due to an estimated overage in hourly expenditures in the Police Department as well as anticipated overages in overtime expenses in both the Police and Fire departments.

Departmental expenditures for Supplies and Services are also projected to increase by \$0.6 million over the amended budget, with the Police and Fire Departments each anticipating deficits of \$0.3 million respectively. Overall, General Fund expenditures are tracking to exceed the budget by \$2.4 million as of the end of the First Quarter. All other expenditure categories are projected to be within the amended budget.

The Fire Department will be offsetting its projected deficits in Personnel Services and Supplies and Services categories by appropriating \$1.2 million in Strike Team reimbursements received for responding to out of City fire incidents. This recommendation will be brought forward



for approval in an agenda report to Council that accompanies this report.

Staff will continue to monitor General Fund expenses and look for potential cost saving measures in order to remain within budget during the current fiscal year.

**GENERAL FUND PROJECTIONS BY DEPARTMENT
FOR JUNE 30, 2017**

Department	Amended Budget as of 9/30/2016	Q1 Projected as of 9/30/2016	Variance
City Council	\$ 1,569,741	\$ 1,569,741	\$ -
Boards and Commissions	\$ 19,179	\$ 19,179	\$ -
City Clerk	\$ 1,115,332	\$ 1,115,332	\$ -
City Attorney	\$ 3,080,052	\$ 3,080,052	\$ -
Administration	\$ 2,095,030	\$ 2,095,030	\$ -
Information Technology Svcs	\$ 4,063,239	\$ 4,063,239	\$ -
Human Resources	\$ 2,726,895	\$ 2,726,895	\$ -
Finance	\$ 3,686,920	\$ 3,686,920	\$ -
Non-Departmental	\$ 12,181,629	\$ 12,181,629	\$ -
Animal Care Facility	\$ 2,973,062	\$ 2,973,062	\$ -
Economic Development	\$ 1,947,006	\$ 1,947,006	\$ -
Development Svcs - GF	\$ 2,688,047	\$ 2,688,047	\$ -
Police	\$ 50,442,444	\$ 51,606,292	\$ (1,163,848)
Fire	\$ 28,109,564	\$ 29,306,039	\$ (1,196,475)
Public Works	\$ 27,177,617	\$ 27,177,617	\$ -
Recreation	\$ 4,476,993	\$ 4,476,993	\$ -
Library	\$ 3,901,570	\$ 3,901,570	\$ -
TOTAL EXPENDITURES	\$ 152,254,320	\$ 154,614,643	\$ (2,360,323)

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
Human Resources			
Jul-16	Transfer for copier lease	\$352	Supplies and Services to Capital
Animal Care Facility			
Sep-16	Transfer to cover contract expenditures	\$15,000	Personnel Services to Supplies and Services

Mid-Year Budget Amendments

Mid-year expenditure appropriations approved through September 30, 2016 totaled \$55,212. The City Council approved changes to budgeted revenues of \$73,788. Combined, these changes result in a positive net impact of \$18,576.

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
7/1/2016	Principal Management Analyst and Senior Civil Engineer Reclassification (Public Works)	\$ 32,212	\$ 32,212	\$ -
7/1/2016	Senior Economic Development Specialist Classification review (Economic Development)	\$ -	\$ -	\$ -
8/2/2016	Addition of 1.00 Latent Print Examiner through County of San Diego Cal-ID Program (Police)	\$ 23,000	\$ 23,000	\$ -
8/16/2016	Budget adjustments related to the new ERP Software with Tyler Technologies (Various)	\$ -	\$ -	\$ -
9/13/2016	Addition of Administrative Fees for Fiscal Agent Positions (Police)	\$ 18,576	\$ -	\$ 18,576
Total Appropriations to Date		\$ 73,788	\$ 55,212	\$ 18,576