



# CITY COUNCIL AGENDA STATEMENT



May 29, 2019

File ID: 19-0208

## **TITLE**

A. QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDING MARCH 31, 2019

B. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA MAKING VARIOUS AMENDMENTS TO THE FISCAL YEAR 2018/19 BUDGET TO ADJUST FOR VARIANCES AND APPROPRIATING FUNDS THEREFORE (4/5 VOTE REQUIRED)

## **RECOMMENDED ACTION**

Council accept the report and adopt the resolution.

## **SUMMARY**

The Finance Department, in collaboration with City departments, 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 as of March 31, 2019. 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 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 by the City Council, 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 and adjustments to be completed. This report discusses budget adjustments that staff recommends in the General Fund as well as various other funds to address identified fiscal issues.

In addition to the Fiscal Year 2018/2019 budget recommendations for City funds, this report includes an update on Measure P actual revenues and expenditures as of March 31, 2019.

## **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.

## BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

## DISCUSSION

The Third Quarter Report is developed using nine months of recorded (July 2018 through March 2019) activity for Fiscal Year 2018/2019 as of March 31, 2019. The data in this report is the most current data available; however, the data and projections are subject to change.

This report will provide summary information for the following areas:

- Major General Fund Revenues
- Adjustments to General Fund Expenditures
- Adjustments to non-General Fund funds
- Update to the Measure P Fund
- Update to the Measure A Fund

Attachment A – Quarterly Financial Report provides additional information for the financial outlook for the General Fund for the current fiscal year including City revenues and expenditures; and a summary of the Long Term Financial Plan (LTFP) covering FY 2021 – FY 2030.

The Finance Department will continue to monitor the City’s actual revenues and expenditures and will provide any significant changes in subsequent quarterly budget monitoring reports.

### General Fund Overview

The City’s FY 2019 financial outlook continued to be positive as of the end of the third quarter as overall General Fund revenues are projected to exceed projected expenditures by approximately \$2.5 million. The projected improvement is primarily due to an anticipated positive correction from the State of California related to the amount of sales tax allocated to the City; an improved projection for Property Tax revenues; a positive adjustment to the Property Tax In-Lieu Vehicle License Fee based upon updated information from the County of San Diego; and increased reimbursements from the Federal Government for deployment of the City’s Fire Department Strike Team for assisting other jurisdictions responding to emergency situations(wildfires/storms). Additional information on General Fund revenue and expenditures are provided in the attachment to this report.

### Major General Fund Revenues

The City’s major General Fund revenues, which make up approximately 75% of the City’s General Fund revenues, are projected to be over the FY 2019 Revised Budget (Revised Budget) amounts by approximately \$1.6 million. The increased revenue projections are primarily due to an increased projection for the City’s Sales Tax Revenue (\$1.0 million), revised revenue projection for Property Tax (\$0.2 million) and the increased projection for Property Tax in Lieu of Vehicle License Fee (\$0.4 million). All other Major revenues are anticipated to meet their projected revenue year-end estimates. Table 1: Fiscal Year 2018/2019 Major General Fund Revenue Projections summarizes the revenue projections.

**Table 1 - Fiscal Year 2018/2019 Major General Fund Revenue Projections**

Revenue Category	FY 2019 Revised Budget	FY 2019 Projected Budget	Variance
Property Tax	\$ 35,301,979	\$ 35,452,775	\$ 150,796
Sales Tax	33,698,020	34,668,020	970,000
Measure P Sales Tax	18,085,000	18,085,000	-
Measure A Sales Tax <sup>1</sup>	13,430,000	13,430,000	-
PT in lieu of Motor Vehicle License Fee (VLF) <sup>2</sup>	21,886,241	22,333,660	447,419
Franchise Fees	11,691,841	11,691,841	-
Utility Users Taxes	5,605,396	5,605,396	-
Transient Occupancy Tax	4,102,798	4,102,798	-
<b>Total</b>	<b>\$ 143,801,275</b>	<b>\$ 145,369,490</b>	<b>\$ 1,568,215</b>

<sup>1</sup>Measure A Sales Tax approved by Chula Vista votes in June 2018 and tax commenced on October 1, 2018. Figure represents revenue projections for three quarters of the fiscal year.

<sup>2</sup>Property Tax in Lieu of Vehicle License Fees was previously accounted for as Motor Vehicle License fees (VLF) in the State Revenue category. VLF was replaced by a backfill from property taxes following the permanent reduction of the VLF rate from 2% to 0.65% in 2004.

The remaining General Fund revenues (not represented in Table 1) are anticipated to exceed the Revised Budget by approximately \$1.2 million. The projected increase in revenue is primarily due to increased reimbursements for the City's Fire Department Strike Team (\$0.7 million), an increase of approximately \$0.2 million in Staffing for Adequate Fire & Emergency Response (SAFER) Grant reimbursements, and a projected increase of \$0.3 million in department generated revenue from the Library Department for passport services.

All the General Fund revenue categories are shown in Attachment A. The overall General Fund revenues are projected to total \$193.8 million and exceed the Revised Budget of \$190.9 million by approximately \$2.8 million.

### Major General Fund Expenditures

The City's major General Fund expenditure categories (Personnel Services, Supplies and Services, and Utilities), which make up approximately 78% of the City's FY 2019 revised expenditure budget, are projected to be under budget by approximately \$2.3 million<sup>1</sup>. The decrease in projected expenditures is primarily due to a trend in additional salary savings over the revised budget amounts; and projected savings within the supplies and services category due to smaller than anticipated increases in costs. The increased salary savings are projected to generate approximately \$0.5 million in savings while supplies and services costs are projected to be \$1.7 million less than the revised budget amounts.

The major expense categories are shown in the following table and additional information related to departmental expenditures is provided in the attachment.

<sup>1</sup> Revised expenditure budget includes prior year appropriations encumbered in purchased orders which were carried forward into the fiscal year 2018/2019 budget.

**Table 2 - Fiscal Year 2018/2019 General Fund Major Expenditure Projections**

<b>Revenue Category</b>	<b>FY 2019 Revised Budget</b>	<b>FY 2019 Projected Budget</b>	<b>Variance</b>
Personnel Services	\$ 129,187,144	\$ 128,637,855	\$ (549,289)
Supplies and Services	\$ 16,846,207	\$ 15,145,901	\$ (1,700,306)
Utilities	\$ 4,800,388	\$ 4,763,233	\$ (37,155)
<b>Total</b>	<b>\$ 150,833,739</b>	<b>\$ 148,546,989</b>	<b>\$ (2,286,750)</b>

The remaining General Fund expenditure categories (not represented in Table 2) are anticipated to exceed the Revised Budget by approximately \$0.1 million. Overall, total projected expenditures are anticipated to total \$191.2 million and decrease by \$2.2 million from the Revised Budget of \$193.4 million. Staff continues to monitor expenses for potential impacts to current and future budgets.

One item of note is the assumed investment returns from the City's pension system (California Public Employees' Retirement System - CalPERS). One of the factors which influence the City's annual pension contribution (payment) is the annual investment return rate from the CalPERS investment portfolio. In calculating the City's pension contribution, CalPERS assumes a 7.25% return rate on their investments. However, in the current financial environment, CalPERS investments may not reach their return rate target. This would create a negative impact (increased contribution amount) on the projected future pension payments for the City. Staff will continue to monitor this issue and will make any necessary adjustments to the pension payment projections as more information is made available.

General Fund Adjustments

At the conclusion of the third quarter of FY 2019, the proposed adjustments are minor inter- and intra-Department transfers or are appropriations associated with offsetting revenue. The proposed adjustments are anticipated to result in a net zero impact to the General Fund. The following chart provides a summary of the proposed budgetary adjustments.

**Table 3 - General Fund Adjustments Summary - 3rd Quarter Fiscal Year 2018-19**

DEPARTMENT	Footnote	PERSONNEL SERVICES	SUPPLIES & SERVICES	TOTAL EXPENSE	TOTAL REVENUE	NET COST
<b>GENERAL FUND</b>						
Non-Departmental	1, 2, 5	(222,395)	20,930	(201,465)	(255,930)	(457,395)
Police	2	-	225,000	225,000	-	225,000
Fire	3	-	36,000	36,000	(36,000)	-
Public Works	4	-	75,000	75,000	(75,000)	-
Parks and Recreation	5	232,395	-	232,395	-	232,395
Library	6	-	54,724	54,724	(54,724)	-
<b>TOTAL GENERAL FUNDS</b>		<b>\$ 10,000</b>	<b>\$ 411,654</b>	<b>\$ 421,654</b>	<b>\$ (421,654)</b>	<b>\$ -</b>

General Fund Adjustments Footnotes

- 1 - Non-Departmental - Appropriate \$9,050 in revenue and expense for reimbursement from United Health Care to support the City's Wellness program; appropriate \$11,880 in revenue and expenses for insurance claim on Building C to make repairs due to a broken water pipe; appropriate \$10,000 in revenue and expenses for recently negotiated MM/PR labor agreement professional enrichment allocation; and, authorize the transfer of \$15,600 from Professional Enrichment - MM/PR to Professional Enrichment - MM UC/CF labor group as required under the current labor agreement.
- 2 - Police - Appropriate \$225,000 in the Police Department in Supplies and Services for body worn police cameras, and appropriate excess revenues in Non-Departmental from Property Tax in Lieu of VLF for \$225,000.
- 3 - Fire Department - Appropriate \$36,000 in revenue and expenses in Supplies and Services for the fire training program from unbudgeted revenues.
- 4 - Public Works - Appropriate \$75,000 in revenue and expenses in Supplies and Services for contractual services.
- 5 - Parks and Recreation Department - Budget \$232,395 correction related to the restructuring of the Parks Division when the FY19 Budget was build, which incorrectly posted One time salary savings in both Parks and Recreation Budget and Non-Departmental budget.
- 6 - Library - Appropriate \$54,724 in revenue and expenses to Supplies and Services for passport services and donations.

The significant adjustments to the General Fund Expenditures are described below.

- Appropriation of \$0.2 million in the Police Department in Supplies and Services for body worn police cameras, and appropriate excess revenue in Non-Departmental from Property Tax in Lieu of VLF for \$0.2 million to offset the expense.
- Budgetary correction of \$0.2 million related to the restructuring of the Parks Division in the FY 2019 Budget. One-time salary savings incorrectly posted to Parks Division, and will be transferred to Non-Departmental.

Other Funds Adjustments

The following recommended adjustments are for funds outside of the General Fund. The proposed adjustments, displayed in Table 4, have a net cost of approximately \$0.4 million, which are entirely funded with available fund balances or current year revenues. A brief discussion follows the table on the major proposed adjustments.

**Other Funds Adjustments Summary - 3rd Quarter Fiscal Year 2018-19**

FUND	Footnote	PERSONNEL	SUPPLIES &	OTHER	OTHER	CIP	TRANSFERS	TOTAL	TOTAL		
		SERVICES	SERVICES	EXPENSES	CAPITAL	BUDGET	OUT	UTILITIES	EXPENSE	REVENUE	NET COST
<b>OTHER FUNDS</b>											
Transportation Grants-Gas Tax Fund	1	\$ -	\$ -	\$ -	\$ 320,000	\$ -	\$ -	\$ -	\$ 320,000	\$ -	\$ 320,000
Advanced Life Support Fund	2	10,188	21,000	-	17,000	-	-	-	48,188	(48,188)	-
Traffic Safety Fund	3	-	25,000	-	-	-	-	-	25,000	-	25,000
Other Grants Fund	4	(100,000)	(163,200)	265,793	(2,593)	-	-	-	-	-	-
Federal Grants Fund	5	-	60,000	-	-	-	-	-	60,000	(10,000)	50,000
State Grants Fund	6	32,707	28,400	-	-	-	3,401	-	64,508	(64,508)	-
Environmental Services Fund	7	-	122,000	22,000	-	-	-	10,520	154,520	(154,520)	-
CFD 11-M Rolling Hills McM Fund	8	-	-	-	(486)	-	-	-	(486)	-	(486)
CFD 12-M Otay Ranch Village 7 Fund	9	-	-	-	(5,540)	-	-	-	(5,540)	-	(5,540)
CFD 12M Village 7 Otay Ranch Fund	10	-	-	-	(2,326)	-	-	-	(2,326)	-	(2,326)
CFD 07M Eastlake Woods & Vista Fund	11	-	-	-	(5,304)	-	-	-	(5,304)	-	(5,304)
CFD 08M Vlg 6 McMillin & OR Fund	12	-	-	-	(3,940)	-	-	-	(3,940)	-	(3,940)
CFD 09M ORV II Brookfield-Shea Fund	13	-	-	-	(5,488)	-	-	-	(5,488)	-	(5,488)
CFD 99-2 Otay Ranch Vlg 1 West Fund	14	-	-	-	(4,192)	-	-	-	(4,192)	-	(4,192)
CFD 98-3 Sunbow 2 Fund	15	-	-	-	(4,424)	-	-	-	(4,424)	-	(4,424)
CFD 97-1 Otay Ranch Fund	16	-	5,633	-	(10,994)	-	-	-	(5,361)	(5,633)	(10,994)
Eastlake Maintenance Dist. I Fund	17	-	10,815	-	-	-	-	-	10,815	-	10,815
Open Space District #04 Fund	18	-	8,000	-	-	-	-	-	8,000	-	8,000
Open Space District #14 Fund	19	-	2,465	-	-	-	-	-	2,465	(2,465)	-
Otay Ranch Reserve Fund	20	-	35,150	-	-	-	-	-	35,150	-	35,150
Transit Capital Projects Fund	21	-	165,827	-	(165,827)	-	-	-	-	-	-
Development Services Fund	22	-	-	176,000	-	-	-	-	176,000	(176,000)	-
Transportation DIFs Fund	23	-	-	-	-	-	-	-	-	(107,415)	(107,415)
Other Transportation Program Fund	23	-	-	-	-	-	107,415	-	107,415	-	107,415
Capital Improvement Project Fund	24	-	-	-	-	-	75,000	-	75,000	(75,000)	-
Measure P Fund (Org Key 220368)	25	-	-	-	-	181,473	-	-	181,473	-	181,473
Measure P Fund (Org Key 220350)	25	-	-	-	-	(181,473)	-	-	(181,473)	-	(181,473)
Measure A Fund (Org Key 222088)	26	-	-	-	(75,000)	-	-	-	(75,000)	-	(75,000)
Measure A Fund (Org Key 222160)	26	-	-	-	75,000	-	-	-	75,000	-	75,000
<b>TOTAL OTHER FUNDS</b>		<b>\$ (57,105)</b>	<b>\$ 321,090</b>	<b>\$ 463,793</b>	<b>\$ 125,886</b>	<b>\$ -</b>	<b>\$ 185,816</b>	<b>\$ 10,520</b>	<b>\$ 1,050,000</b>	<b>\$ (643,729)</b>	<b>\$ 406,271</b>

Other Fund Adjustments Footnotes

- 1 - Transportation Grants-Gas Tax - Appropriate \$320,000 in expenses to purchase street sweeper and streets equipment from fund balance.
- 2 - Advanced Life Support Fund - Appropriate of \$48,188 in expenses from fund balance to support program operations.
- 3 - Traffic Safety - Appropriate \$25,000 from available fund balance to Supplies and Services.
- 4 - Other Grants - Reallocation of appropriations from Personnel Services, Supplies and Services, and Other Capital to Other Expenses to support program operations.
- 5 - Federal Grants - Appropriate \$10,000 in both revenue and expenses; and, appropriate \$50,000 from fund balance to Supplies and Services.
- 6 - State Grants - Appropriate \$64,508 in both revenue and expenses from State Grant to Personnel Services, Supplies and Services, and Transfers Out.
- 7 - Environmental Services - Appropriate \$154,520 in both revenue and expenses from CalRecycle program for Other Expenses, Supplies and Services, and Utilities.
- 8-16 - Appropriate \$37,061 for the purchase of vehicles that were posted incorrectly as part of the 2nd Quarter report.
- 17 - Eastlake Maintenance Dist. I - Appropriate \$10,815 from fund balance to Supplies and Services.
- 18 - Open Space District #04 - Appropriate \$8,000 from fund balance to Supplies and Services.
- 19 - Open Space District #14 - Appropriate \$2,465 in revenue and expenses for Supplies and Services.
- 20 - Otay Ranch Reserve - Appropriate \$35,150 from fund balance to Supplies and Services.
- 21 - Transit Capital Projects - Reallocation of \$165,827 in expense appropriations from Other Capital to Supplies and Services.
- 22 - Development Services Fund - Appropriate \$176,000 in revenue and expenses to Other Expenses.
- 23 - Transfer \$107,415 from the Other Transportation Program Fund to the Transportation DIFs Fund.
- 24 - Appropriate \$75,000 in revenue and expenses for interest earnings and transfer for contractual services.
- 25 - Transfer of \$181,473 in expense appropriation from Measure P Fund 220350 (CIP Expenditure) to Measure P Fund 220368 (CIP Expenditure) for Staff time reimbursements.
- 26 - Transfer of \$75,000 in expense appropriation from Measure A Fund 222088 (Other Capital) to Measure A Fund 222160 (Other Capital) for phone equipment for dispatchers.

**Measure P Fund Overview**

In November 2016, Chula Vista voters approved Measure P, authorizing a ½ cent sales tax increase on retail sales within the City for ten years. The funding from the sales tax measure is to allow the City to make progress toward replacing and repairing failing City assets. In December 2016, the City Council adopted the expenditure plan for the Measure P funding. The expenditure plan identified critical deferred maintenance and infrastructure projects for which the Measure P funding was to be allocated toward.

The following table provides an update on the allocation and expenditures (to date totals) for the Measure P Fund.

## Measure P

### Citywide Infrastructure, Facilities and Equipment Expenditure Plan

#### 1/2 cent Sales Tax Revenues over 10 year period

#### Summary Table as of 3/31/19

Total by Major Category	10-Year Timeframe	To Date Totals	Remaining Balance
<b>REVENUES:</b>			
Sales Tax Revenues	186,299,869	34,270,188	152,029,681
Investment Earnings	-	1,372,528	(1,372,528)
Miscellaneous	-	150,842	(150,842)
<b>Total Revenues</b>	<b>\$ 186,299,869</b>	<b>\$ 35,793,558</b>	<b>\$ 150,506,311</b>
<b>EXPENDITURES:</b>			
Fire Stations Repairs/Replacement	24,611,549	146,481	24,465,068
Fire Response Vehicles	19,847,580	4,816,393	15,031,187
Fire Safety Equipment	5,197,913	355,809	4,842,104
<b>Total Fire Services</b>	<b>\$ 49,657,042</b>	<b>\$ 5,318,683</b>	<b>\$ 44,338,359</b>
Police Response Vehicles	13,301,470	2,383,311	10,918,159
Public Safety Communication Systems	8,678,863	2,164,503	6,514,360
Police Facility Repairs	2,101,000	604,039	1,496,961
Police Equipment	611,145	159,719	451,426
<b>Total Police Services</b>	<b>\$ 24,692,478</b>	<b>\$ 5,311,572</b>	<b>\$ 19,380,906</b>
Streets	24,474,861	6,816,635	17,658,226
Other Public Infrastructure	14,154,295	1,461,801	12,692,494
Sports Fields and Courts	16,966,595	595,819	16,370,776
Non-Safety Vehicles	11,195,100	2,469,200	8,725,900
Recreation and Senior Centers	5,000,000	233,254	4,766,746
Civic Center and South Libraries	3,250,000	828,585	2,421,415
Other Public Facilities	6,036,000	754,404	5,281,596
Traffic Signal Systems	7,000,000	87,817	6,912,183
Park Infrastructure	10,307,740	752,917	9,554,823
Citywide Network Replacement	2,080,700	1,951,309	129,391
Citywide Telecommunications	2,000,000	1,715,222	284,778
<b>Total Infrastructure</b>	<b>\$ 102,465,291</b>	<b>\$ 17,666,963</b>	<b>\$ 84,798,328</b>
<b>Total Proposed Allocations</b>	<b>\$ 176,814,811</b>	<b>\$ 28,297,218</b>	<b>\$ 148,517,593</b>

## Measure A Fund Overview

In June 2018, the citizens of Chula Vista approved Measure A which enacted the ½ cent sales tax to support public safety staffing. The measure imposed a ½ cent transaction and use tax (sales tax) on retail sales within the City of Chula Vista and became effective on October 1, 2018. Concurrent with the approval of placing the measure on the ballot, the City Council adopted an Intended Public Safety Expenditure Plan for the anticipated revenues generated from the measure. By doing so, the City Council expressed its intent to spend the sales tax revenues exclusively on the critical staffing needs of the City's police and fire departments, including necessary equipment and support provided by other City departments.

The following table provides an update on the allocation and expenditures (to date totals) for the Measure A funds.

**Measure A**

**Intended Public Safety Expenditure Plan**

**Phase I - Critical Needs**

**Summary Table as of 3/31/19**

<b>POLICE DEPARTMENT</b>	<b>FY 2019 Budget</b>	<b>As of 03/31/2019</b>
<b>REVENUES:</b>		
Transfer In	6,715,000	3,101,699
<b>Total Police Department Revenues</b>	<b>\$ 6,715,000</b>	<b>\$ 3,101,699</b>
<b>EXPENDITURES:</b>		
Personnel Costs	825,116	79,152
Civilian Non-Personnel Costs	15,000	-
Computers and Other Equipment	100,000	-
Police Vehicles, Outfitting, Maint., Fuel, etc.	110,000	-
Temporary Public Safety Training Facility	200,000	-
Reimbursement for Support Staff (IT, Fin, HR, City Attorney)	251,813	83,938
<b>Total Police Department Expenditures</b>	<b>\$ 1,501,929</b>	<b>\$ 163,090</b>
<b>FIRE DEPARTMENT</b>		
	<b>FY 2019 Budget</b>	<b>As of 03/31/2019</b>
<b>REVENUES:</b>		
Transfer In	6,715,000	3,101,699
<b>Total Fire Department Revenues</b>	<b>\$ 6,715,000</b>	<b>\$ 3,101,699</b>
<b>EXPENDITURES:</b>		
Personnel Costs	2,542,768	878,623
Academy Costs	-	-
PPE Maintenance	118,272	5,652
Computers and Other Equipment	14,168	-
Fire Vehicles, Outfitting, Maint., Fuel, etc.	1,416,640	13,737
Reimbursement for Support Staff (IT, Fin, HR, City Attorney)	251,813	83,938
<b>Total Fire Department Expenditures</b>	<b>\$ 4,343,661</b>	<b>\$ 981,950</b>
<b>Total Measure A Revenues</b>	<b>\$ 13,430,000</b>	<b>\$ 6,203,398</b>
<b>Total Measure A Expenditures</b>	<b>\$ 5,845,590</b>	<b>\$ 1,145,040</b>

**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 1,000 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**

The Third Quarter Monitoring Report presents updates to revenue and expenditure projections as of March 31, 2019. As a result of the revised projected revenues and expenditures within this report, the overall General Fund revenues are projected to exceed projected expenditures by approximately \$2.5 million. Actions within this report result in a net zero impact to the General Fund budget. Staff will continue to monitor actual revenue receipts and expenditures to determine if any budget adjustments will be needed in the future.

Across the non-General Fund funds, multiple actions are recommended for the third quarter, leading to a net cost of approximately \$0.4 million to non-General Fund funds. These costs are to be addressed with fund balances or revenues from current year services.

## **ONGOING FISCAL IMPACT**

There is no ongoing fiscal impact related to this action for the General Fund.

## **ATTACHMENTS**

1. FY2019 Third Quarter Financial Report

*Staff Contact: David Bilby, Finance Department*

## Overview

This financial report summarizes the City's General Fund financial position for Fiscal Year 2018-2019 through March 31, 2019, and projections for the remainder of the year ending on June 30, 2019. 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.

This report also includes information from the City's long-term financial plan (LTFP). The LTFP is a forecast of ten future years based upon information available at the time and is updated annually to reflect the most current information available. The full LTFP can be found on the City's website at <https://www.chulavistaca.gov/departments/finance/financial-reports>.

At the end of the third quarter, the City's financial outlook is projected to continue to be positive as revised revenue projections are anticipated to exceed revised expenditure projections by \$2.5 million as the City is receiving one-time adjusted allocations in sale tax amounts and increased reimbursements from the deployment of fire department staff. Based on current projections, revenues are anticipated to increase by \$2.8 million over the revised budget from \$190.9 million to \$193.8 million. Expenditures are projected to decrease by \$2.2 million from the revised budget from \$193.4 million to \$191.2 million.

## Revenues

The following table shows the FY 2019 General Fund Revised Budget revenues and the year-end Projected Budget revenues. The Projected Budget includes all the change in projections included in this report. Overall, General Fund revenues are projected to increase by approximately \$2.8 million above the Revised Budget amounts. The primary drivers of the increase in revenue are due to:

(1) The State of California did not distribute all of the City's Sales Tax revenue resulting in a decrease of actual sales tax receipts for FY 2018 by approximately \$1M. The City is now receiving FY 2018 Sales Tax during the current fiscal year. Based on information from the City's sales tax

consultant, the City is projecting an overall increase of Sales Tax by the amount not distributed in FY 2018;

- (2) An increase of \$0.7 million in reimbursements from the Federal Government for deployment of the City's Fire Department Strike Team to assist other jurisdiction in their dealing with emergency situations. The reimbursements for the deployment of the Fire Department Strike Team are difficult to estimate as deployment of staff is based upon emergency situations in other jurisdictions and varies from year to year. Based on deployment during the current fiscal year, staff is revising the projected reimbursement amounts for this fiscal year;
- (3) An increase of \$0.4 million to the Property Tax In-Lieu of Vehicle License Fees projection based on information provided by the County of San Diego after the development and adoption of the FY 2019 Budget;
- (4) An increase of \$0.2 million in reimbursements from the Staffing for Adequate Fire & Emergency Response (SAFER) Grant reimbursements for fire staff hired in fiscal year 2018;
- (5) An increase of \$0.3 million is department generated revenue from the Library Department for passport services;
- (6) And an increase of \$0.2 million in Property Tax revenues based on review of current revenue collections and revenue distribution schedules from the County of San Diego.

The projected revenue adjustments are shown within the respective revenue categories in the following table.



**GENERAL FUND PROJECTED REVENUE AS OF 3/31/2019**

Revenue Category	FY 2019 Revised Budget	FY 2019 Projected Budget	Variance
Property Taxes	\$ 35,301,979	\$ 35,452,775	\$ 150,796
Sales Tax	33,698,020	34,668,020	970,000
Measure P Sales Tax	18,085,000	18,085,000	-
Measure A Sales Tax	13,430,000	13,430,000	-
PT in lieu of Motor Vehicle License Fee (VLF)	21,886,241	22,333,660	447,419
Franchise Fees	11,691,841	11,691,841	-
Utility Users Tax	5,605,396	5,605,396	-
Transient Occupancy Taxes	4,102,798	4,102,798	-
Development Revenue	1,250,153	1,379,930	129,777
License and Permits	1,987,643	2,064,623	76,980
Fines, Forfeitures, Penalties	1,241,423	1,243,756	2,333
Use of Money & Property	2,953,166	3,057,231	104,065
Other Local Taxes	2,598,193	2,600,739	2,546
Police Grants	837,440	837,440	-
Revenue from Other Agencies	1,346,964	1,392,200	45,236
Charges for Services	7,921,718	8,830,138	908,420
Interfund Reimbursements	11,495,070	12,569,796	1,074,726
Other Revenue	2,002,265	2,146,215	143,950
Transfers In	13,478,325	12,265,992	(1,212,333)
<b>TOTAL REVENUES</b>	<b>\$ 190,913,635</b>	<b>\$ 193,757,550</b>	<b>\$2,843,915</b>

**GENERAL FUND EXPENDITURES AS OF 3/31/2019**

Department	FY 2019 Revised Budget	Expended as of 3/31/19	% Expended
City Council	\$ 1,626,561	1,115,078	68.6%
Boards & Commissions	27,783	10,453	37.6%
City Clerk	1,048,694	746,474	71.2%
City Attorney	3,208,389	2,043,825	63.7%
Administration	2,216,056	1,608,406	72.6%
Information Technology	3,840,194	2,507,595	65.3%
Human Resources	2,899,632	1,876,903	64.7%
Finance	4,106,113	2,804,218	68.3%
Non-Departmental	41,111,100	23,249,902	56.6%
Animal Care Facility	2,976,306	2,129,162	71.5%
Economic Development	2,136,750	1,661,729	77.8%
Planning & Building	2,900,096	1,993,960	68.8%
Engineering/Capital Project	9,120,142	6,216,244	68.2%
Police	56,698,061	42,023,400	74.1%
Fire	32,453,059	23,925,727	73.7%
Public Works	11,917,454	8,489,917	71.2%
Parks and Recreation	11,008,375	7,885,955	71.6%
Library	4,127,195	2,812,787	68.2%
<b>TOTAL EXPENDITURE BUDGET</b>	<b>\$ 193,421,960</b>	<b>\$ 133,101,736</b>	<b>68.8%</b>

The Finance Department will continue to monitor the City’s actual revenues and will provide any significant changes in subsequent quarterly budget monitoring reports.

**Expenditures**

The following table reflects the FY 2019 General Fund Revised Budget expenditures and actual expenditures by department as of March 31, 2019. In total, departments have expended approximately \$133.1 million or 69% of the General Fund Revised Budget after 75% of the fiscal year has elapsed. Overall, departmental expenditures are tracking lower than the total Revised Budget as of the end of the third quarter. The Police and Fire departments are the largest department by expenditure and are trending slightly lower than 75% of their respective budgets. This is even with the additional costs of Fire Strike-Team deployment to support other agencies over the course of the year.

Staff will continue to monitor department expenditures to identify any costs that might trend higher than anticipated and proposed future actions to address these trends as appropriate.

The following table reflects the projected expenditures for June 30, 2019. As noted earlier, department expenses are trending slightly lower than the revised budget. Staff anticipates this trend to continue until the end of the year.

Based on information as of the end of the third quarter, staff anticipates departmental salary savings to generate higher than budgeted savings by year-end. Staff estimates an additional \$0.5 million in salary savings over the revised budget. Additionally, staff anticipates approximately \$1.7 million in savings within the Supplies and Services expenditure category as actual expenditures are lower than budgeted amounts. The savings are distributed amongst the various departments as the majority of city departments are anticipated to end the year under their revised budgets.

At the end of the fiscal year, should any department exceed their revised budget, the Finance Department will be seeking to make transfers from other expenditure categories with projected savings and to appropriate available revenues to fully utilize resources and mitigate any departmental deficits.



GENERAL FUND PROJECTIONS BY DEPARTMENT  
 FOR JUNE 30, 2019

Department	FY 2019 Revised Budget	FY 2019 Projected Budget	Variance
City Council	\$ 1,626,561	\$ 1,516,897	\$ (109,664)
Boards & Commissions	27,783	10,453	(17,330)
City Clerk	1,048,694	1,053,467	4,773
City Attorney	3,208,389	3,056,109	(152,280)
Administration	2,216,056	2,174,704	(41,352)
Information Technology	3,840,194	3,646,918	(193,276)
Human Resources	2,899,632	2,565,705	(333,927)
Finance	4,106,113	3,890,841	(215,272)
Non-Departmental	41,111,100	42,700,821	1,589,721
Animal Care Facility	2,976,306	2,968,946	(7,360)
Economic Development	2,136,750	2,169,334	32,584
Development Services	2,900,096	2,673,780	(226,316)
Engineering/Capital Project	9,120,142	8,621,422	(498,720)
Police	56,698,061	56,333,697	(364,364)
Fire	32,453,059	31,385,731	(1,067,328)
Public Works	11,917,454	11,620,362	(297,092)
Parks and Recreation	11,008,375	11,066,641	58,266
Library	4,127,195	3,781,148	(346,047)
<b>TOTAL EXPENDITURE BUDGET</b>	<b>\$ 193,421,960</b>	<b>\$ 191,236,976</b>	<b>\$(2,184,984)</b>

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

**LONG-TERM FINANCIAL PLAN UPDATE – FISCAL YEARS 2021 TO 2025**

A focus of this financial report is to review the Long-Term Financial Plan (LTFP) and look beyond the current fiscal year at fiscal issues facing the City on the horizon.

The following table displays the updated financial projections for fiscal years 2021 through 2025. A more detailed table that includes all ten years is provided at the end of this report.

Long-Term Financial Plan FY 2021 - 2025

Description	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025
<b>MAJOR DISCRETIONARY REVENUES</b>	\$ 156.24	\$ 159.63	\$ 162.64	\$ 165.71	\$ 168.86
OTHER REVENUES	44.31	44.15	44.43	44.71	45.00
NEW DEVELOPMENT REVENUES	3.36	4.13	4.46	4.77	5.07
<b>TOTAL REVENUES</b>	<b>\$ 203.92</b>	<b>\$ 207.91</b>	<b>\$ 211.53</b>	<b>\$ 215.19</b>	<b>\$ 218.93</b>
Year-over-Year Change	3.49%	1.96%	1.74%	1.73%	1.73%
<b>Expenditures:</b>					
PERSONNEL SERVICES EXPENDITURES	\$ 139.19	\$ 143.50	\$ 148.14	\$ 152.05	\$ 156.26
OTHER EXPENDITURES	71.13	72.89	72.02	73.24	74.00
NEW DEVELOPMENT EXPENDITURES	2.14	2.88	2.99	3.11	3.23
<b>TOTAL EXPENDITURES</b>	<b>\$ 212.45</b>	<b>\$ 219.27</b>	<b>\$ 223.15</b>	<b>\$ 228.40</b>	<b>\$ 233.49</b>
Year-over-Year Change	4.43%	3.21%	1.77%	2.35%	2.23%
<b>TOTAL GENERAL FUND SURPLUS/(DEFICIT)</b>	<b>\$ (8.54)</b>	<b>\$ (11.36)</b>	<b>\$ (11.62)</b>	<b>\$ (13.21)</b>	<b>\$ (14.57)</b>
<b>SURPLUS/(DEFICIT) AS % OF BUDGET</b>	<b>-4.02%</b>	<b>-5.18%</b>	<b>-5.21%</b>	<b>-5.78%</b>	<b>-6.24%</b>
<b>HIGH PRIORITY PROGRAMS</b>					
Peace Officer Funding <sup>1</sup>	\$ 1.72	\$ 2.71	\$ 3.80	\$ 4.96	\$ 6.24
<b>TOTAL GENERAL FUND SURPLUS/(DEFICIT)</b>	<b>\$ (10.25)</b>	<b>\$ (14.07)</b>	<b>\$ (15.42)</b>	<b>\$ (18.17)</b>	<b>\$ (20.81)</b>
<b>SURPLUS/(DEFICIT) AS % OF BUDGET</b>	<b>-4.83%</b>	<b>-6.42%</b>	<b>-6.91%</b>	<b>-7.96%</b>	<b>-8.91%</b>

(1) Figure represents City's goal of adding five additional peace officer positions each year to address anticipated growth in City's population. Positions not incorporated in the Intended Public Safety Expenditure Plan for Measure A Sale Tax Measure.

The LTFP assumes the FY 2020 Budget will be balanced. Based on a balanced FY 2020 Budget, the LTFP projects budget deficits beginning in FY 2021. Assuming no additional financial measures or policy changes to either increase revenues or reduce expenditures, FY 2021 projects a revenue shortfall of \$8.5 million, growing to a deficit of \$14.8 million in FY 2025 and \$26.1 million in FY 2030.

For revenues, additional revenue sources or increasing growth in existing revenue sources will be needed. The City of Chula Vista continues to pursue development opportunities that have the potential to positively impact revenue for the City. These include the development of the Eastern Urban Center (Millenia) and the approval of the Bayfront Development Project. However, these large developments are still several years away from being built and occupied.

For expenditures, the most significant drivers of the long-term growth in expenses are related to the increase in public safety costs and the increasing costs associated with public employee salaries and benefits.

**Future Year Budget Balancing**

The purpose of this review is to highlight the structural imbalances that the City will face in the coming fiscal years, and to focus problem solving efforts toward a menu of viable options. These projections will continue to evolve as new information becomes available. The projections

within this report assume continued economic growth. Even a small or short-lived economic downturn will amplify the projected deficits shown in the LTFP.

### **SUMMARY AND NEXT STEPS**

At the conclusion of the third quarter of fiscal year 2018-19, the current year budget is on track for revenues and expenditures, with minor modifications. Staff is watching expenditures and revenue projections to assess whether further modifications will be necessary later in the year.

The longer-term projections for the City's General Fund continue to pose serious challenges, because revenues will not be sufficient to cover projected costs that are on the horizon. Because the City has limited abilities to impact near-term revenue, its staff and policy makers will need to focus their efforts on the cost side by finding savings, modifying service levels, cost cuts or cost delays for the upcoming year, even as efforts continue to address economic development opportunities throughout the City.



Long-Term Financial Plan FY 2021 - 2030

Description	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030
<b>Revenue Projections (millions)</b>										
Property Taxes	\$ 37.45	\$ 38.57	\$ 39.72	\$ 40.91	\$ 42.13	\$ 43.39	\$ 44.69	\$ 46.03	\$ 47.40	\$ 48.82
Sales Tax	34.38	34.72	35.07	35.42	35.77	36.13	36.49	36.86	37.22	37.60
Measure P Sales Tax	19.15	19.34	19.53	19.73	19.92	20.12	15.24	-	-	-
Measure A Sales Tax	19.15	19.34	19.53	19.73	19.92	20.12	20.73	21.35	21.99	22.65
Franchise Fees	12.16	12.41	12.66	12.91	13.17	13.43	13.70	13.97	14.25	14.54
Utility Users Taxes	5.66	5.69	5.72	5.75	5.78	5.81	5.83	5.86	5.89	5.92
Transient Occupancy Taxes	5.09	5.66	5.78	5.91	6.04	6.16	6.30	6.43	6.57	6.71
Motor Vehicle License Fees	23.22	23.92	24.63	25.37	26.13	26.92	27.73	28.56	29.41	30.30
<b>SUBTOTAL MAJOR DISCRETIONARY REVENUES</b>	<b>\$ 156.24</b>	<b>\$ 159.63</b>	<b>\$ 162.64</b>	<b>\$ 165.71</b>	<b>\$ 168.86</b>	<b>\$ 172.08</b>	<b>\$ 170.70</b>	<b>\$ 159.05</b>	<b>\$ 162.74</b>	<b>\$ 166.53</b>
Development Revenue	2.06	2.07	2.08	2.08	2.09	2.10	2.10	2.11	2.11	2.12
Licenses and Permits	1.51	1.54	1.57	1.60	1.63	1.66	1.70	1.73	1.77	1.80
Fines, Forfeitures & Penalties	1.29	1.32	1.34	1.37	1.40	1.43	1.46	1.48	1.51	1.54
Use of Money and Property	2.57	2.59	2.61	2.63	2.66	2.68	2.70	2.73	2.75	2.77
Other Local Taxes	2.65	2.68	2.70	2.73	2.76	2.79	2.81	2.84	2.87	2.90
Police Grants	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84
Other Agency Revenue	2.30	2.32	2.34	2.36	2.39	2.41	2.44	2.46	2.49	2.51
Charges for Services	7.99	8.03	8.08	8.12	8.17	8.21	8.27	8.33	8.40	8.44
Interfund Reimbursements	9.83	9.49	9.58	9.68	9.77	9.87	9.97	10.07	10.17	10.27
Other Revenues - Miscellaneous	1.08	1.08	1.09	1.09	1.10	1.10	1.11	1.12	1.12	1.13
Transfers From Other Funds	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20
<b>SUBTOTAL OTHER REVENUES</b>	<b>\$ 44.31</b>	<b>\$ 44.15</b>	<b>\$ 44.43</b>	<b>\$ 44.71</b>	<b>\$ 45.00</b>	<b>\$ 45.29</b>	<b>\$ 45.60</b>	<b>\$ 45.91</b>	<b>\$ 46.22</b>	<b>\$ 46.52</b>
<b>NEW DEVELOPMENT REVENUES</b>										
Property Taxes - New Development	0.68	0.72	0.76	0.80	0.84	0.89	0.93	0.96	0.99	1.02
Sales Tax - New Development	0.35	0.39	0.44	0.46	0.48	0.49	0.51	0.53	0.54	0.56
Franchise Fees - New Development	0.24	0.24	0.25	0.25	0.26	0.26	0.26	0.27	0.27	0.28
Utility Users Taxes - New Development	0.14	0.17	0.20	0.23	0.26	0.29	0.29	0.29	0.30	0.30
Transient Occupancy Taxes - New Development	0.50	0.99	1.01	1.04	1.07	1.10	1.13	1.17	1.20	1.23
Motor Vehicle License Fees - New Development	0.71	0.75	0.78	0.82	0.86	0.91	0.95	1.00	1.05	1.10
Other Revenues - Miscellaneous - New Development	0.50	0.62	0.74	0.86	0.98	1.06	1.16	1.17	1.18	1.20
Other Local Taxes - New Development	0.26	0.26	0.28	0.31	0.33	0.35	0.30	0.30	0.31	0.31
<b>SUBTOTAL NEW DEVELOPMENT REVENUES</b>	<b>\$ 3.36</b>	<b>\$ 4.13</b>	<b>\$ 4.46</b>	<b>\$ 4.77</b>	<b>\$ 5.07</b>	<b>\$ 5.34</b>	<b>\$ 5.54</b>	<b>\$ 5.68</b>	<b>\$ 5.83</b>	<b>\$ 5.99</b>
<b>TOTAL REVENUES</b>	<b>\$ 203.92</b>	<b>\$ 207.91</b>	<b>\$ 211.53</b>	<b>\$ 215.19</b>	<b>\$ 218.93</b>	<b>\$ 222.71</b>	<b>\$ 221.84</b>	<b>\$ 210.64</b>	<b>\$ 214.80</b>	<b>\$ 219.04</b>
<b>Year-over-Year Change</b>	<b>3.49%</b>	<b>1.96%</b>	<b>1.74%</b>	<b>1.73%</b>	<b>1.73%</b>	<b>1.73%</b>	<b>-0.39%</b>	<b>-5.05%</b>	<b>1.97%</b>	<b>1.97%</b>
<b>Expenditure Projections (millions)</b>										
Personnel Services	\$ 93.59	\$ 94.89	\$ 96.66	\$ 98.47	\$ 100.32	\$ 102.20	\$ 104.12	\$ 106.10	\$ 108.11	\$ 111.15
Retirement - PERS	33.51	36.19	38.50	40.02	41.76	43.51	45.32	47.22	49.20	51.26
Health Insurance	13.86	14.21	14.79	15.40	16.03	16.69	17.38	18.11	18.86	19.65
Salary Savings (On Going)	(1.77)	(1.79)	(1.81)	(1.83)	(1.85)	(1.87)	(1.89)	(1.91)	(1.93)	(1.95)
<b>PERSONNEL SERVICES EXPENDITURES</b>	<b>\$ 139.19</b>	<b>\$ 143.50</b>	<b>\$ 148.14</b>	<b>\$ 152.05</b>	<b>\$ 156.26</b>	<b>\$ 160.53</b>	<b>\$ 164.94</b>	<b>\$ 169.51</b>	<b>\$ 174.24</b>	<b>\$ 180.11</b>
Supplies and Services	17.22	18.35	16.65	17.09	17.09	17.23	17.59	17.95	18.32	18.69
Utilities	4.53	4.79	5.07	5.40	5.71	6.04	6.39	6.76	7.16	7.57
Other Expenses	0.93	0.93	0.95	0.97	0.99	1.02	1.03	1.05	1.07	1.09
Equipment (Capital not CIP)	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22
Internal Services	3.08	3.14	3.20	3.26	3.33	3.40	3.46	3.53	3.60	3.68
Measure A Obligations	19.15	19.34	19.53	19.73	19.92	20.12	20.73	21.35	21.99	22.65
Transfers/Debt Service	26.01	26.13	26.40	26.57	26.74	26.92	21.97	7.38	7.48	7.49
<b>OTHER EXPENDITURES</b>	<b>\$ 71.13</b>	<b>\$ 72.89</b>	<b>\$ 72.02</b>	<b>\$ 73.24</b>	<b>\$ 74.00</b>	<b>\$ 74.95</b>	<b>\$ 71.39</b>	<b>\$ 58.24</b>	<b>\$ 59.84</b>	<b>\$ 61.38</b>
<b>NEW DEVELOPMENT EXPENDITURES</b>										
Millenia Parks Maintenance	0.40	0.41	0.42	0.42	0.43	0.44	0.45	0.46	0.46	0.46
Millenia Fire Station	1.74	1.83	1.91	1.99	2.08	2.16	2.25	2.32	2.36	2.36
Bayfront Fire Station	-	0.64	0.67	0.69	0.72	0.74	0.77	0.79	0.80	0.80
<b>NEW DEVELOPMENT EXPENDITURES</b>	<b>2.14</b>	<b>2.88</b>	<b>2.99</b>	<b>3.11</b>	<b>3.23</b>	<b>3.34</b>	<b>3.47</b>	<b>3.57</b>	<b>3.62</b>	<b>3.62</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 212.45</b>	<b>\$ 219.27</b>	<b>\$ 223.15</b>	<b>\$ 228.40</b>	<b>\$ 233.49</b>	<b>\$ 238.82</b>	<b>\$ 239.80</b>	<b>\$ 231.32</b>	<b>\$ 237.70</b>	<b>\$ 245.10</b>
<b>Year-over-Year Change</b>	<b>4.43%</b>	<b>3.21%</b>	<b>1.77%</b>	<b>2.35%</b>	<b>2.23%</b>	<b>2.28%</b>	<b>0.41%</b>	<b>-3.53%</b>	<b>2.76%</b>	<b>3.12%</b>
<b>TOTAL GENERAL FUND SURPLUS/(DEFICIT)</b>	<b>\$ (8.54)</b>	<b>\$ (11.36)</b>	<b>\$ (11.62)</b>	<b>\$ (13.21)</b>	<b>\$ (14.57)</b>	<b>\$ (16.11)</b>	<b>\$ (17.96)</b>	<b>\$ (20.68)</b>	<b>\$ (22.90)</b>	<b>\$ (26.06)</b>
<b>SURPLUS/(DEFICIT) AS % OF BUDGET</b>	<b>-4.02%</b>	<b>-5.18%</b>	<b>-5.21%</b>	<b>-5.78%</b>	<b>-6.24%</b>	<b>-6.75%</b>	<b>-7.49%</b>	<b>-8.94%</b>	<b>-9.63%</b>	<b>-10.63%</b>
<b>HIGH PRIORITY PROGRAMS</b>										
Peace Officer Funding <sup>1</sup>	\$ 1.72	\$ 2.71	\$ 3.80	\$ 4.96	\$ 6.24	\$ 7.59	\$ 9.05	\$ 10.52	\$ 11.98	\$ 13.47
<b>TOTAL GENERAL FUND SURPLUS/(DEFICIT)</b>	<b>\$ (10.25)</b>	<b>\$ (14.07)</b>	<b>\$ (15.42)</b>	<b>\$ (18.17)</b>	<b>\$ (20.81)</b>	<b>\$ (23.70)</b>	<b>\$ (27.01)</b>	<b>\$ (31.19)</b>	<b>\$ (34.87)</b>	<b>\$ (39.54)</b>
<b>SURPLUS/(DEFICIT) AS % OF BUDGET</b>	<b>-4.83%</b>	<b>-6.42%</b>	<b>-6.91%</b>	<b>-7.96%</b>	<b>-8.91%</b>	<b>-9.92%</b>	<b>-11.26%</b>	<b>-13.49%</b>	<b>-14.67%</b>	<b>-16.13%</b>

(1) Figure represents City's goal of adding five additional peace officer positions each year to address anticipated growth in City's population. Positions not incorporated in the Intended Public Safety Expenditure Plan for Measure A Sale Tax Measure.