



## FY2014-15 BUDGET SUMMARY

### Message from the City Manager



It is my pleasure to present the operating and capital improvement program budget for fiscal year 2014-15 for the City of Chula Vista. While not fully recovered from the effects of the national recession – the City is beginning to see modest economic growth in major revenue categories. The City's financial condition, while improving, remains fragile as there are many competing priorities with limited resources. The good news is that the General Fund presented in this document is balanced and includes funding for programs supported by the City Council in prior fiscal years.

Over the last few years the City has been challenged to find new ways to continue to deliver quality services with limited resources. Two programs that have helped the City in this endeavor are the Strategic Plan and Continuous Improvement program. In the coming year the City will continue to focus on the implementation of these programs.

- Strategic Plan –The Strategic Plan is a road map that identifies where we want to go and includes concrete steps of how the City will get there and focuses on the following City Goals and Initiatives:
  - ❖ Operational Excellence
    - Fiscal Health
    - Continuously Improve
    - Positive Experience
  - ❖ Connected Community
    - Civic Engagement
    - Enrichment Programming
  - ❖ Strong and Secure Neighborhoods
    - Public Infrastructure Maintenance
    - Crime Prevention and Emergency Preparedness
    - Response and Recovery
  - ❖ Health Community
    - Environment Fosters Health and Wellness
    - Restore and Protect Natural Resources
    - Assets and Facilities
  - ❖ Economic Vitality
    - Strong Vibrant City
    - Prosperous Residents and Businesses
- Continuous Improvement – The Continuous Improvement Program at the City of Chula Vista has significantly affected the City's strategic direction and increased the quality of services to residents and businesses. We made a lot of great strides with our Continuous Improvement program in fiscal year 2013-14. We designed an in-house Lean Enterprise Certificate program which offers training and coaching aimed at driving process improvement within the City. We had seventeen staff members go through the inaugural training. They worked on four project teams implementing positive improvements throughout the City organization. Below is a brief summary of these projects:
  - ❖ Within the Custodial Division a number of process improvements were put in place that have reduced travel time and increased service hours available using existing staff;
  - ❖ Simple process changes increased the efficiency and accuracy of the Police Department payroll function freeing up staff capacity to work on other important functions;
  - ❖ New employee onboarding procedures will increase employee engagement; and

- ❖ Countermeasures implemented within the Development Services Department will improve workloads for staff and responsiveness for citizen public records requests.

These accomplishments only demonstrate a sample of the improvements we made in the last year. Looking ahead, we will continue to advance the program and build upon our successes. Our in-house training program will expand to include an introductory class to provide a primer for many employees. We will again offer the Lean Enterprise Certificate program to train City employees to become process improvement leaders.

The City of Chula Vista has a bright future. We continue to make positive strides towards the development of the Bayfront, the University Project, and Millenia. These key projects will help strengthen Chula Vista's economic base.



In a recent survey of Chula Vista residents, 87% of respondents shared favorable opinions of the quality of life in Chula Vista. More than four-in-five respondents, or (83%), indicated that they are satisfied with the City's efforts to provide municipal services and facilities. 78% of respondents agree that the City is responsive to resident's needs. Chula Vista residents surveyed rated City staff high, 94%, on customer service rating.

The General Fund operating budget continues to provide the core services most important to our community. I am proud that staff continues to find ways to provide good customer service despite the significant reductions we have made to address the impact the recession had on our revenues. I would like to extend my sincere gratitude to City staff for their steadfast dedication to serving our community.

I would also like to thank the City Council and Executive Team for their continued leadership and support. Finally, I would like to recognize the Finance Department for their outstanding work in preparing the budget.

Respectfully,

### Council Adopts Fiscal Year 2014-15 Budget

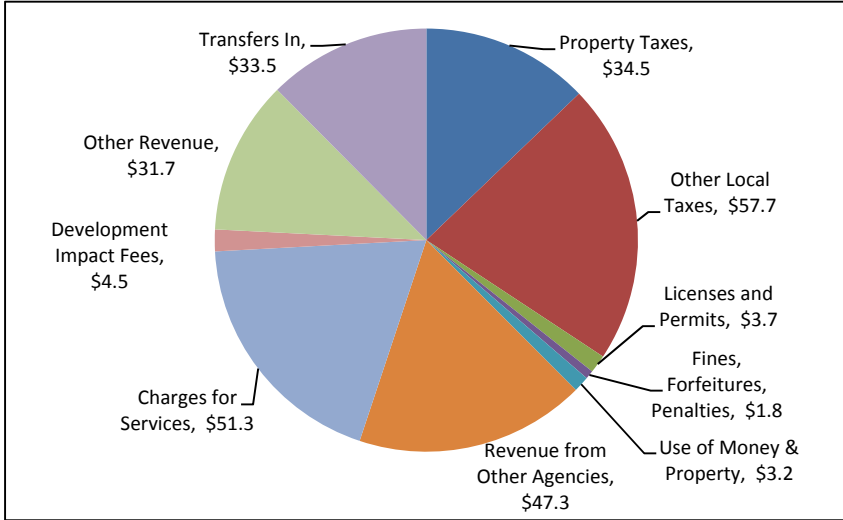
A total All Funds budget of \$283.6 million was adopted by Council on June 17, 2014. This total budget includes a General Fund operating budget of \$132.8 million, a Capital Improvement Program (CIP) budget of \$19.8 million, \$33.5 million in inter-fund transfers, and the remaining \$97.5 million in operating budget for other funds including Sewer, Successor Agency to the Redevelopment Agency, Development Services, Transit, and Fleet.

### All Funds Revenue

The combined revenue budget for all City funds totals \$269.2 million; \$33.5 million represents inter-fund transfers. Projected revenues for all funds are anticipated to increase by \$8.1 million when compared to the fiscal year 2013-14 adopted budget of \$261.1 million.

The following chart summarizes fiscal year 2014-15 all City revenues by category. The largest category is Other Local Taxes, which includes revenues such as Sales Tax, Telephone Users' Tax, Franchise Fees, and Transient Occupancy Taxes.

**Total Revenues Fiscal Year 2014-15 (All Funds Combined)**



**All Funds Expenditures**

The Fiscal Year 2014-15 All Funds expenditure budget totals \$283.6 million.

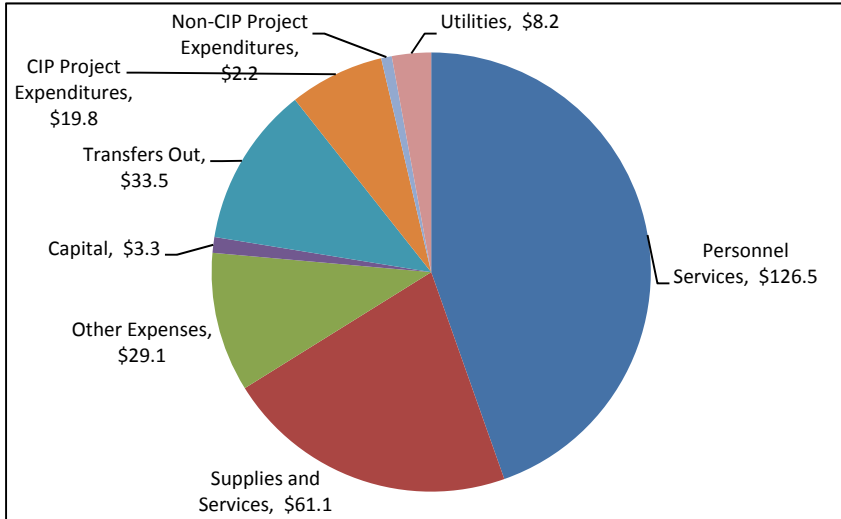
When compared to the prior year adopted budget, the fiscal year 2014-15 adopted budget reflects an increase of \$15.7 million.

The largest change in expenditures is reflected in the Personnel Services category. This category is expected to grow by \$5.1 million when compared to the fiscal year 2013-14 adopted budget. The increase reflects changes such as a net increase of 10.75 positions citywide, increase in costs related to retirement and medical (flex) benefits, annualized cost of the salary increases approved for miscellaneous employees during fiscal year 2013-14, and an increase in workers comp charges based on higher expenditure trends.

The chart on the left summarizes the fiscal year 2014-15 All Funds expenditure budget by category.

When comparing the fiscal year 2014-15 All Funds revenues to expenditures there is a net decrease of \$15.2 million in reserves for all funds.

**Total Expenditures Fiscal Year 2014-15 (All Funds Combined)**



This includes changes in reserves to following: TUT Common Fund, Capital Project Funds, Sewer Funds, Successor Agency, Public Liability Trust Fund, Workers Compensation Fund, and Other Funds. The impact to reserves is largely a result of revenues that were collected in prior years for specific expenditures including capital improvement projects or debt service payments.

**Citywide Staffing**

The Fiscal Year 2014-15 All Funds budget includes 960.75 positions. This is a net increase of 10.75 positions when compared to the Fiscal Year 2013-14 adopted budget which included 950.00 authorized positions

The main portion of the net increase (7.00 positions) reflects Council approved changes during Fiscal Year 2013-14. The subsequent table details the following by City department/fund: 1) The Fiscal Year 2013 - 14 Adopted Budget; 2) Fiscal Year 2013 - 14 authorized mid-year changes; 3) Fiscal Year 2014 - 15 changes; and 4) the Fiscal Year 2014 - 15 Adopted Budget.

**Fiscal Year 2014-15 Position Changes**

| Department/Fund                 | FY13-14<br>Adopted | FY14 Mid Year<br>Changes | FY14-15<br>Changes | FY14-15<br>Adopted |
|---------------------------------|--------------------|--------------------------|--------------------|--------------------|
| City Council                    | 14.00              |                          |                    | 14.00              |
| City Clerk/Elections            | 5.00               |                          |                    | 5.00               |
| City Attorney                   | 13.00              |                          |                    | 13.00              |
| Administration                  | 13.00              |                          | 1.00               | 14.00              |
| Information Technology Services | 17.00              |                          |                    | 17.00              |
| Human Resources                 | 15.00              |                          |                    | 15.00              |
| Finance                         | 28.00              |                          |                    | 28.00              |
| Animal Care Facility            | 20.50              |                          | 0.50               | 21.00              |
| Development Services            | 19.50              |                          | 0.75               | 20.25              |
| Public Works                    | 163.00             |                          |                    | 163.00             |
| Police                          | 319.00             | 1.00                     | 1.50               | 321.50             |
| Fire                            | 136.00             |                          |                    | 136.00             |
| Recreation                      | 17.00              |                          |                    | 17.00              |
| Library                         | 21.50              |                          |                    | 21.50              |
| <b>TOTAL GENERAL FUND</b>       | <b>801.50</b>      | <b>1.00</b>              | <b>3.75</b>        | <b>806.25</b>      |
| Advanced Life Support           | 1.00               |                          |                    | 1.00               |
| Development Services Fund       | 44.50              |                          | 1.00               | 45.50              |
| Police Grants/CBAG              | 37.00              | 4.00                     | (1.00)             | 40.00              |
| UASI                            | 1.00               |                          | 1.00               | 2.00               |
| Environmental Services          | 5.00               |                          |                    | 5.00               |
| Housing Authority               | 4.00               |                          |                    | 4.00               |
| Successor Agency                | 1.00               |                          | (1.00)             | 0.00               |
| Fleet Management                | 8.00               | 2.00                     |                    | 10.00              |
| Transit                         | 1.00               |                          |                    | 1.00               |
| Sewer                           | 46.00              |                          |                    | 46.00              |
| <b>TOTAL OTHER FUNDS</b>        | <b>148.50</b>      | <b>6.00</b>              | <b>-</b>           | <b>154.50</b>      |
| <b>ALL FUNDS TOTAL</b>          | <b>950.00</b>      | <b>7.00</b>              | <b>3.75</b>        | <b>960.75</b>      |

## General Fund Budget

The General Fund is the City’s main operating fund that is used to pay for City services. The Adopted Operating Budget for the General Fund for Fiscal Year 2014-15 totals \$132.8 million, which reflects an increase of \$5.3 million (4.2 percent) from the Fiscal Year 2013-14 General Fund Adopted Operating Budget. The General Fund CIP Budget for Fiscal Year 2014-15 is \$1.7 million, bringing the total for both operating and capital expenses General Fund Adopted Budget to \$134.5 million. The Fiscal Year 2014-15 General Fund Adopted Budget is balanced at \$134.5 million. While a number of adjustments were needed to balance the budget, no significant reductions in service levels are anticipated from these changes.

## General Fund Revenues

The estimated General Fund operating revenues for Fiscal Year 2014-15 total \$133.3 million. Combined with the estimated reimbursement revenue for Capital Improvement Projects (CIP) the total estimated General Fund revenues are \$134.5 million.

The change in estimated total General Fund revenues in comparison to the adopted revenues for Fiscal Year 2013-14 total General Fund revenues of \$127.5 million is approximately \$5.8 million (excluding CIP reimbursement revenue). This net change can be attributed to revenue increases in some revenue categories such as Property Tax,

Sales Tax, and the revenue projected for the wireless telephone users' tax in Utility Users Taxes. These revenue increases are offset by the decrease in revenues in the following categories: Other Revenues, Police Grants, and Inter-fund Reimbursements.

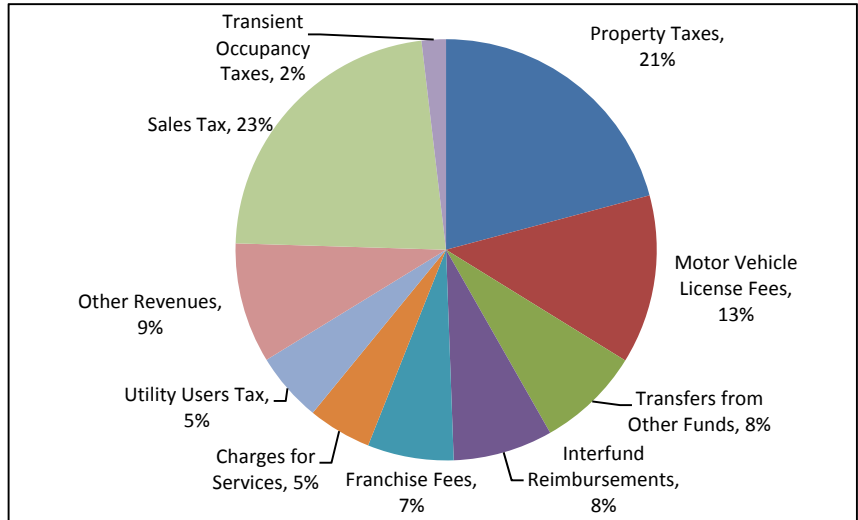
**Where Do City Funds Come From?**

The City has six major General Fund discretionary revenue sources. These major general revenues are Sales Tax, Property Tax, Franchise Fees, Motor Vehicle License Fees, Utility Users Tax, and Transient Occupancy Tax (TOT).

The largest General Fund revenue sources for Fiscal Year 2014-15 are Sales Tax at 22.6 percent of total General Fund Revenues, followed by Property Taxes at 20.8 percent.

The chart to the right provides a summary view of the General Fund revenue sources for Fiscal Year 2014-15. To follow is a short discussion of the two largest General Fund revenue sources.

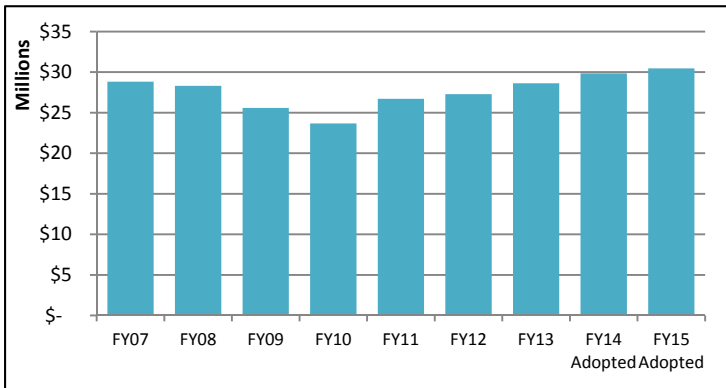
**Fiscal Year 2014-15 General Fund Revenues by Category**



Note: Other Revenues include the following categories: Use of Money & Property, Other Agency Revenue, Other Local Taxes, Police Grants, Development Revenue, Licenses and Permits, Fines, Forfeitures & Penalties, and Other Revenue.

**Sales Tax**

**City of Chula Vista Sales Tax Revenues**  
Fiscal Year 2007 - Fiscal Year 2015



Sales tax revenue is the City's largest discretionary revenue source at \$30.5 million, or 22.6 percent of total General Fund revenues. The City receives 1 percent of sales tax revenue applied to all taxable retail sales that occur within the City's boundaries.

Sales tax revenue is highly sensitive to economic conditions. Recent trends show that sales tax revenues are beginning to increase due to improvement in local economic indicators. This is reflected in the adopted budget with an increase of 2.0 percent or approximately \$0.6 million from the Fiscal Year 2013-14 Adopted Budget. The

graph to the left illustrates the decrease in Sales Tax revenue, due to the economic recession, and the slow ascent to pre-recession levels.

Chula Vista however continues to be challenged in the generation of taxable sales per capita when compared to other cities in San Diego County. This indicates that the City's residents spend a high percentage of their retail dollars elsewhere.

In an effort to boost sales tax receipts, the City has launched the "Shop Chula Vista Now" campaign, which promotes purchases by Chula Vista residents, visitors, and employees at Chula Vista businesses. The "Shop Chula Vista Now" program is discussed in more detail later in this publication.

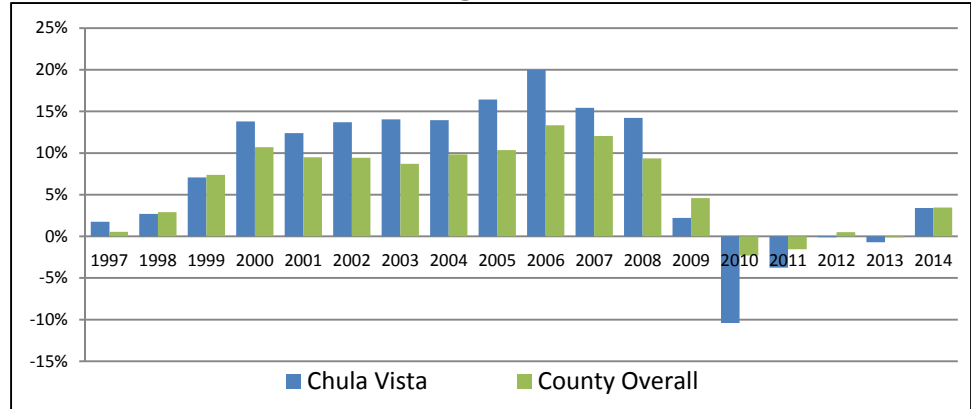
**Property Tax**

Property tax revenues comprise the City's second largest discretionary revenue source at \$28.0 million, and account for 20.8 percent of the total General Fund revenues. Revenues are based on a 1.0 percent levy on assessed value of

all real property within the City’s limits. When compared to the most recent fiscal year 2013-14 projections, Property Tax revenues are projected to grow by 4%.

Property tax revenues decreased significantly during the economic recession, with Chula Vista being one of the hardest hit areas. Historically, Chula Vista has kept pace or exceeded the county average assessed valuation growth. The historical change in assessed values is depicted in the graph below. The housing crisis caused most home resale values to drop, resulting in a large reduction in supplemental property tax revenue.

**Historical Change in Assessed Value**

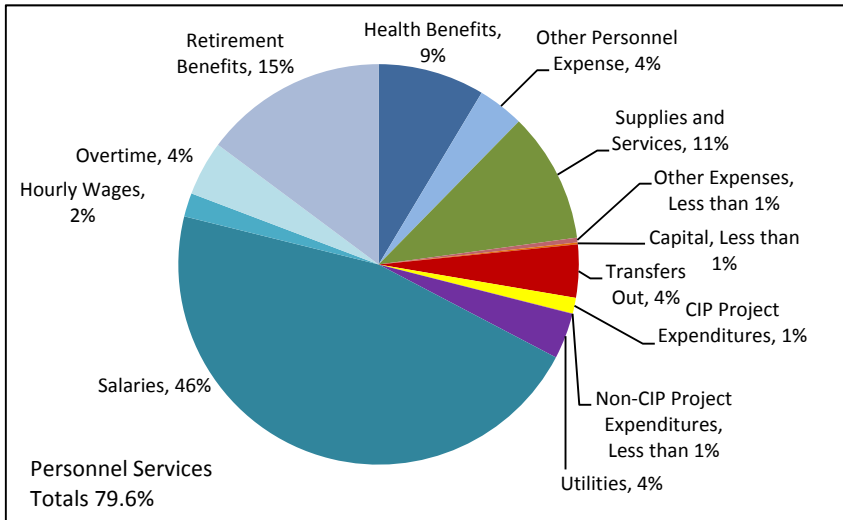


Source: County of San Diego Assessors Office.

As recently as fiscal year 2012-13 assessed values decreased by 0.7 percent based on data from the County of San Diego Assessors Office. The reductions in assessed valuations and the less than full application of the growth factor to the assessment roll resulted in negative growth in property tax revenues for the City during several years of the recession. The City depends on property tax as a stable revenue source that consistently increases in order to compensate for other revenue fluctuations. A recently improved housing market and modest increase in the California Consumer Price Index (CPI) may signal the beginning of a recovery for the City’s property tax base.

**General Fund Expenditures**

**Fiscal Year 2014-15 General Fund Expenditures by Category**



As previously mentioned, the General Fund is the City’s main operating fund that is used to pay for City services. As a full service city, Chula Vista provides fire and police services, as well as recreational and cultural opportunities. The graph on the left details the General Fund operating budget by category. As detailed in the chart, a majority of the City’s resources are dedicated to Personnel Services with it comprising 79.6 percent of the General Fund.

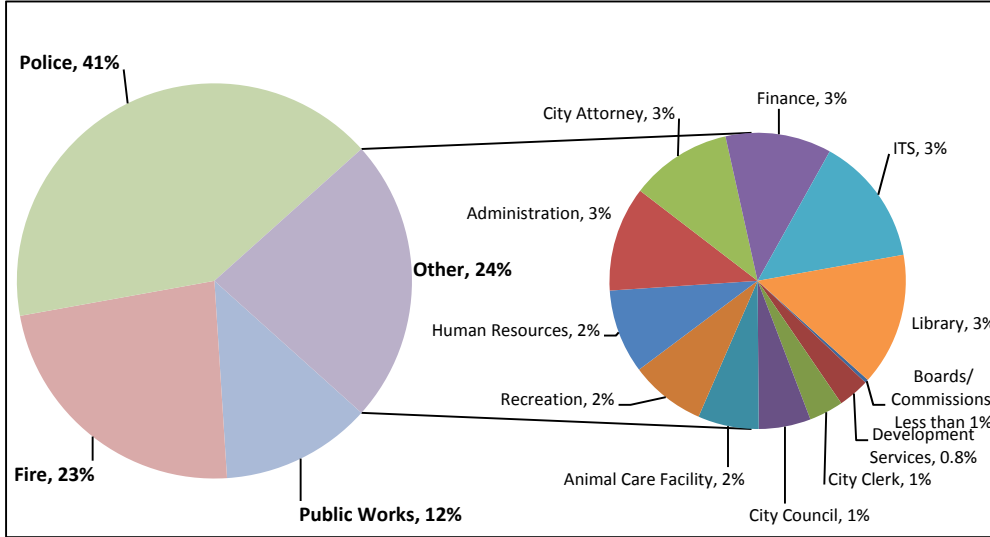
The Fiscal Year 2014-15 General Fund Operating Budget totals \$132.8 million and the General Fund Capital Improvement budget totals \$1.7

million bringing the total General Fund Adopted Budget to \$134.5 million, which is a \$6.8 million increase (5.3 percent) when compared to the Council Adopted Budget for Fiscal Year 2013-14. The majority of the increase is in the Personnel Services category (\$4.3 million) primarily related to the salary costs for increases approved in fiscal year 2013-14, the addition of positions, and scheduled step increases, as well as an increase in retirement costs and salary increases for current negotiations.



## General Fund Net Cost

Fiscal Year 2014-15 General Fund Net Cost by Department



The Fiscal Year 2014-15 General Fund Adopted Budget of \$134.5 million includes discretionary revenues totaling \$103.4 million. The remaining funds come from non-discretionary, or program revenues, totaling \$31.2 million.

Program revenues are broadly defined as those revenues generated by a given activity (e.g. grant revenues, charges for services, licenses, permits, etc.). General

revenues, or “discretionary revenues”, are generally defined as those revenues that are generated not by any given activity, but by general or specific taxing authority such as property taxes and sales tax.

Departments that generate small amounts of revenue relative to their size generally have high net costs. Departments that generate large amounts of revenue relative to their size generally have lower net costs. The majority of discretionary revenue for Fiscal Year 2014-15 is allocated to public safety services, with Police at 41.2 percent followed by Fire at 23.2 percent. The next highest portion is allocated to Public Works at 12.3 percent.

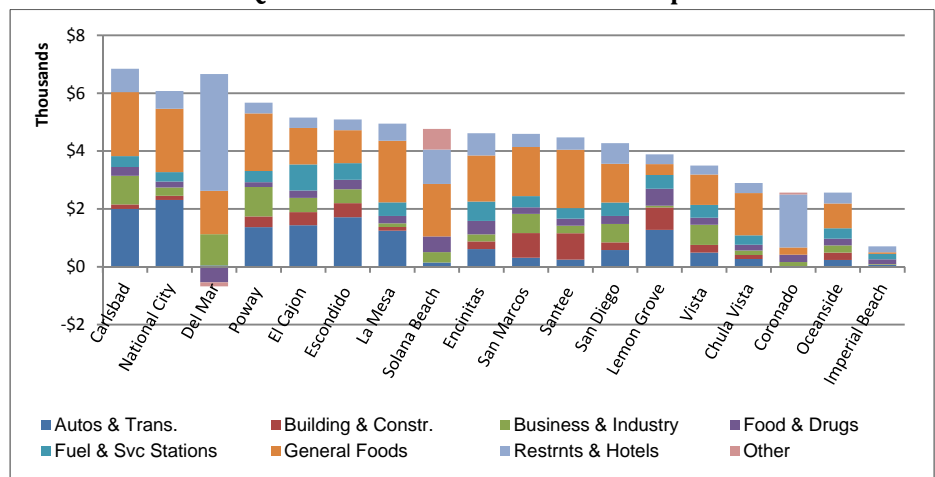
The chart above depicts the net costs of each department, excluding Non-Departmental, based on the Fiscal Year 2014-15 Adopted Budget.

## Shop Chula Vista Now

As mentioned earlier, when compared to other County cities, Chula Vista is challenged in the generation of taxable sales per capita. As noted in the chart to the below, the City ranks 15<sup>th</sup> out of 18 cities in San Diego County. To improve the City’s position, the City is continuing its efforts on developing the retail business base by focusing on projects such as the expansion of the auto park, the Millenia project, and development of its Bayfront.

The City has also put into place programs to help capture more sales tax revenues. One of these programs is the “Shop Chula Vista Now” campaign. The Shop Chula Vista Now campaign promotes purchases by Chula Vista residents, visitors, and employees at Chula Vista businesses. The program seeks to educate residents, public officials, businesses and community leaders about how buying goods

4<sup>th</sup> Quarter 2013 Taxable Sales Per Capita



Note: Prior budget documents reflected Sales Tax Per Capita information, which changes the scale of the presentation presented above but does not change the City’s standing when compared to other cities.

and services locally translates into more money for Chula Vista services, improves the success of local businesses, creates employment, and benefits the local economy and future of the City.



The “Shop Chula Vista Now” program is continually expanding. To-date, more than 200,000 Shop Chula Vista Now incentive cards have been distributed to those who live, work, shop, and visit in Chula Vista. More than 150 Chula Vista stores, restaurants, hotels, beauty salons, gas stations, attractions, and other businesses are offering

special “Shop Chula Vista Now” discounts to incentive card holders. The City is actively promoting the program at member businesses, on ShopChulaVistaNow.com, Facebook and Twitter, as well as other communications vehicles.

In fiscal year 2014-15, expanded efforts will include updating the website, adding a mobile/smart phone feature, advertising in targeted media, more partnerships and additional cross-promotional efforts with local businesses as well as with Third Avenue Village Association and the Chula Vista Chamber of Commerce.

### Who Can I Contact?

The City is committed to providing quality services to the community. Below is a list of departments and contact information for services provided by the City that you might find helpful. Please also visit [www.chulavistaca.gov](http://www.chulavistaca.gov) for the latest news and information.

| <b>City Departments/Services</b>      |                |                                    |                |
|---------------------------------------|----------------|------------------------------------|----------------|
| <b><u>Administration Services</u></b> |                | <b><u>Development Services</u></b> |                |
| City Manager                          | (619) 691-5031 | Planning                           | (619) 691-2101 |
| City Attorney                         | (619) 691-5037 | Building                           | (619) 691-5272 |
| City Clerk                            | (619) 691-5041 | Code Enforcement                   | (619) 691-5280 |
| Finance                               | (619) 691-5250 | Inspection                         | (619) 409-5868 |
| Human Resources                       | (619) 691-5096 | Building Inspection                | (619) 409-5434 |
|                                       |                | Business License                   | (619) 691-5250 |
|                                       |                | Zoning                             | (619) 585-5621 |
|                                       |                | Housing                            | (619) 691-5047 |
| <b><u>Community Services</u></b>      |                | <b><u>Public Safety</u></b>        |                |
| Animal Care                           | (619) 691-5123 | Fire                               |                |
| Conservation                          | (619) 409-3893 | Emergency                          | 911            |
| Library Branches                      |                | Administration                     | (619) 691-5055 |
| Civic Center                          | (619) 691-5069 | Police                             |                |
| South Chula Vista                     | (619) 585-5755 | Emergency                          | 911            |
| Otay Ranch                            | (619) 397-5740 | Non-Emergency                      | (619) 691-5151 |
| Parks                                 | (619) 397-6000 | General Inquiries                  | (619) 691-5137 |
| Public Works                          | (619) 397-6000 |                                    |                |
| Recreation                            | (619) 409-5979 |                                    |                |
| Recycling                             | (619) 409-3893 |                                    |                |
| Transit                               | (619) 397-6058 |                                    |                |

