Economic & Planning Systems

Public Finance
Real Estate Economics
Regional Economics
Land Use Policy

CHULA VISTA INDEPENDENT FINANCIAL REVIEW

Prepared for:

City of Chula Vista

Prepared by:

Economic & Planning Systems, Inc.

April 2007

EPS #17006

BERKELEY

2501 Ninth Street, Suite 200
Berkeley, CA 94710-2515
www.epsys.com

phone: 510-841-9190
fax: 510-841-9208

SACRAMENTO

phone: 916-649-8010
fax: 916-649-2070

DENVER

phone: 303-623-3557
fax: 303-623-9049

TABLE OF CONTENTS

LIST OF FIGURES AND TABLES

I. INTRODUCTION

This independent financial review provides the City of Chula Vista with a set of findings and a related set of recommendations intended to address the current budget imbalance and to establish a sound and sustainable basis for future budgets. The financial review is focused upon determining the magnitude of the current budget problem and illuminating the factors that may have led to the current situation. This independent review is based upon a thorough review of prior City budgets, annual audits, and related financial information. The financial review also considered financial information and strategic plans provided by individual departments.

The City of Chula Vista is a vital, growing city located in the southern portion of the San Diego metropolitan region and covers about 50 square miles. The City is home to more than 220,000 people, marking it as the second largest city in San Diego County. The City has grown dramatically in recent years; in 2003, the Census Bureau identified Chula Vista as the seventh fastest growing city in the United States. Since 1990, the population grew at an average compounded rate of four percent annually. Recent trends indicate a slowing of this growth rate linked to the downturn in the housing market. Longer term prospects are sound – there remains substantial development capacity and regional economic trends are favorable.

The City's Budget has also grown substantially reflecting an ongoing effort to maintain and improve service standards and quality of life for the growing population. The City's municipal service standards are equal to or better than those of comparable cities in the State. The City's Growth Management Ordinance requires that these service standards be maintained or improved as the City grows. The approximately $170 million annual budget provides for a broad range of public services including general government, public works, police and fire, planning and building, community development, recreation and library. Staffing levels have generally grown proportionate to population growth in recent years. Major new construction of public facilities and infrastructure has occurred in recent years, funded in large part by impact fees but also relying upon general revenue sources as well. New facilities have included a new police station, a major renovation of the Civic Center complex, three fire stations, new city parks and three recreation centers, an animal shelter, a new corporation yard, and a significant amount of new road infrastructure improvements. The City is also undertaking redevelopment activities along its Bayfront, in the downtown, area and along older commercial corridors.

As the City transitions from a sustained period of high growth and development to a more stable level, it faces many transitional issues. Slowing revenue growth and continued cost growth create a significant set of challenges, compounded by current budget conditions, to achieving a fiscally sustainable city. While there are existing and future challenges to be faced, the prospects for the City are very sound given regional market conditions, local development opportunities, the extensive capital investments that have been made, and the capabilities of City staff.

II. BACKGROUND AND APPROACH

Following years of steady growth in municipal revenues and expenditures Chula Vista has encountered a period of fiscal stress, evidenced by increasing difficulty in balancing the budget in the past few years. Approaching the 2007-08 fiscal year, revenues continue to fall short of expenditures requiring further draws on reserves and reductions in expenditures.

In view of these difficulties, the City Council commissioned this independent financial review to shed light on the causes of the current problems, offer recommendations that address the current problem, and establish a sustainable approach to budgeting in the future. Specifically, the request for proposals for the independent financial review highlighted eight desired results:

- A summary of the current approach used by the City in managing its finances.
- A review of the current state of the City's financial condition.
- A determination of the most pressing factors on the City's financial condition in the five and ten-year time horizons.
- A discussion of the financial implications of major development including continued residential development and revitalization and redevelopment projects.
- A review of capital, infrastructure and maintenance commitments and spending.
- A review of past and current use and capability of tax increment financing.
- An assessment of the financial implications of unfunded retirement system liabilities.
- Recommendations for strengthening Chula Vista's financial condition.

The independent financial review has consisted of an intensive review of financial documents provided by the City, a detailed evaluation of fiscal (costs and revenue) trends, consideration of market trends and circumstances, a formal workshop with key City management and departmental staff involved in budget making, and selected interviews with key City staff members. The findings and recommendations included in this independent financial review are entirely the opinion of the consultant, based upon the technical analysis conducted.

III. FINDINGS

During the last decade, the City of Chula Vista has successfully managed a very rapid growth rate, requiring a substantial effort involved with planning, administering, and investing in necessary infrastructure and expansion of municipal services.

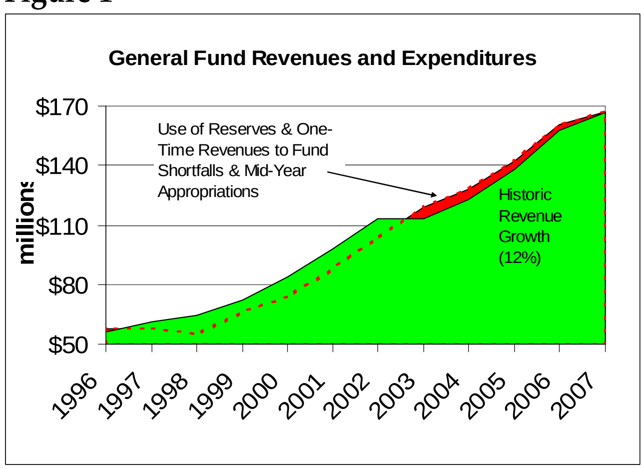
It has long been recognized that growth itself was generating substantial direct (e.g., service charges and fees) revenues that would subside along with development, both cyclically and as the community approaches "buildout". However, it has also been assumed that the more stable revenue base of the City, including property taxes and sales taxes, would also grow and eventually compensate for rapidly increasing recurring costs and a downturn in service charges and fees. Although it is likely that this is true in the long run, delays in the timing of stabilized revenues vs. the loss of development revenues have contributed, along with several other factors, to short-term financial stress.

The following findings respond to the first seven "desired results" of the independent financial review. A subsequent chapter addresses related recommendations.

FINANCIAL CONDITION

1. ***The City of Chula Vista financial condition was stressed in the current budget cycle (2006 and 2007).***

Figure 1



   a. Current budget conditions were precipitated by substantial increases in costs, and revenues falling behind growth seen in prior budgets. Figure 1 illustrates the recent use of reserves and one-time funding sources as expenditures outpaced revenues.

   b. Expenditure increases included significant salary increases (including an initial 8 to 10 percent increase for Public Safety employees beginning in FY06, an increase in debt service of $6 million annually over the past five years (a portion funded by the General Fund) to pay for major new public facilities, and a significant increase in Public Employee Retirement System (PERS) contribution rates.

   c. Mid-year appropriations have also had a major impact on the need to draw-down reserves. From FY01 through FY06, mid-year appropriations, net of offsetting revenues, totaled $24.2 million.

d. The effects on reserves were compounded by limited revenue growth, including revenue "take-aways" by the State; a loss of franchise revenue in 2003 caused by declining energy prices and adjustments to the method of fee calculation; the use of reserves to fund shortfalls which reduced interest earnings to the City; and a slowing of development-related revenues without a corresponding reduction in related costs.

e. Various "one-time" sources helped balance prior adopted budgets while reserves have been drawn down for special projects and expenditures; this strategy cannot be applied indefinitely without exhausting remaining reserves.

2. ***It will be challenging to meet budget obligations in the upcoming budget cycle.***

a. Going into the two-year budget cycle, recurring revenues are lagging expected expenditures. A combination of staff-related savings (e.g., freezing unfilled positions, reducing positions not required for core functions) and other spending reductions are needed to narrow the gap.

b. Expenditure controls on existing departmental functions, limitations on any new expenditures, and focus on increasing revenues will all be necessary to balance the budget and to create a more sustainable basis for future budgets.

c. The new budget provides a context for considering recommended reforms.

3. ***Over the longer term, the City's financial conditions will improve as its tax base expands and appropriate fiscal discipline is exercised.***

a. Growth prospects in Chula Vista remain sound; substantial development capacity remains and regional market conditions are favorable to Chula Vista. While current national economic trends affecting the housing market are expected to continue for several more years, a rebound will eventually occur, as is typical of the business cycle.

b. In addition to growth prospects, considerable opportunities exist to continue the expansion of the City's tax base (e.g., retail sales).

c. Existing collective bargaining agreements (MOUs) expire in 2010. Future negotiations should link employee compensation agreements to an achievable forecast of municipal revenues.

d. Recent completion of new public facilities provides capacity for substantial future growth without a corresponding need for future debt service.

FINANCIAL MANAGEMENT

4. The organizational structure and staff overseeing the City's finances and the budget process are sound.

a. The current organizational structure and budget-making procedures followed reflect common and well-accepted practices among municipalities around the State and country. Prior City budgets have been recognized for their excellence by professional organizations including the California Society of Municipal Finance Officers and the nationally-based Government Finance Officers Association.

b. Currently, the budget-making process formally begins with overall priority setting by the City Council followed by an interaction between the Office of Budget and Analysis (OBA), Finance, and the individual departments. In this process, departmental budget requests are typically based on prior budget appropriations, plus new expenditures to cover salary increases, expansion or improvement to services, and capital outlays. At the same time, OBA and Finance, being aware of overall revenue limitations, struggle to contain costs, find additional revenues, and balance the overall budget. Ultimately, the City Manager prepares a draft budget for consideration by the City Council.

c. Record keeping, data availability, and audited financial statements all reflect sound financial practices.

d. The two-year budget used by Chula Vista provides a sound approach to budgeting and can make the budget-making process more efficient and cost-effective; however, in periods of rapid change or stress, a single-year budget process may be necessary.

e. City staff has historically prepared revenue and cost forecasts, although their budget forecasting capabilities will be improved through implementation of the "Muni-Cast" model currently under development by the Finance Department.

f. While the City's budget making process formally begins with a priority-setting process; the process has apparently not comprehensively considered and prioritized all increases in expenditures, including employee compensation and benefit agreements, capital expenditures and debt service, and increases in services or service levels against a conservative forecast of revenues available.

g. The stresses underlying the FY 06-07 Budget were not described in the budget document. Future budgets should more transparently reveal issues and constraints being faced and how the budget responds to these issues and constraints.

h. The Capital Improvement Program (CIP) document, while comprehensive with regard to projects programmed, lacks transparent identification of how major capital expenditures are funded and the sources of this funding.

i. Departmental "strategic plans," while useful descriptions of accomplishments and ideal service and facility plans, are not fully responsive to the budget priority-setting process because they generally lack assessment of response to external conditions (e.g., cyclical or permanent reductions in development activity) or realistic funding constraints. Moreover, the strategic plans do not in all cases utilize common forecasting framework or consistently apply performance-related measures.

5. Cumulative budget implications of previous expenditure commitments, including major capital projects, staffing levels, and increased employee compensation, were not adequately anticipated.

a. During the period of rapid urban expansion, the combination of short-term revenue increases, the growing demands for facilities and services from new development, and the opportunities to improve civic facilities have focused the City's attention upon building major infrastructure and facilities and expanding services to meet new demands.

b. During this period, it is not clear that budgetary forecasts and constraints were adequately taken into account as the City Council considered expenditure commitments, either during the budget process, negotiations with bargaining units or when committing to major capital improvements.

c. In budgets prior to the current ('06-'07) budget, deferring consideration of major expenditures items to mid-cycle limited the ability of the City Council to consider and prioritize these expenditures in the context of overall budget conditions and capabilities.

FINANCIAL FORECAST

6. Budget prospects in the five-year timeframe (the next two or three budget cycles) indicate the need to carefully control costs, expand revenues, and rebuild reserve accounts.

a. At this juncture, beginning preparation of the 2007 and 2008 Budget, revenue constraints have become evident, along with the full implications of prior budget commitments.

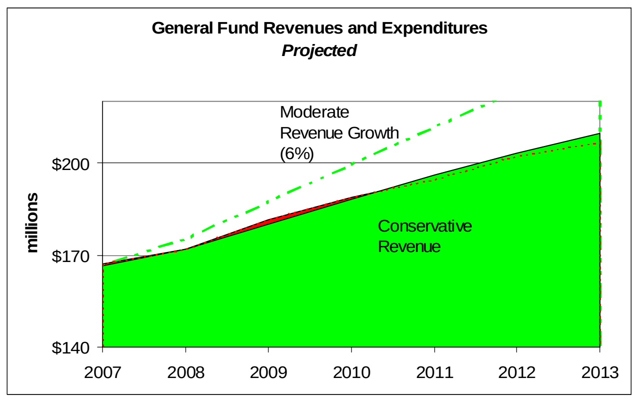
b. Compensation and benefit agreements with employee bargaining units committed the City to substantially increased costs through 2010.

c. Debt service for major facilities has become a significant General Fund obligation, totaling $13.7 million annually, although over half ($7.5 million) of these costs will ultimately be borne by the City's development impact fees. The debt service, and the General Fund share, will decline by over $2.5 million when the Pension Obligation Bonds are paid off in 2012. Debt service obligations, unlike service levels, are not discretionary and cannot be modified in response to changing revenue availability and budget priorities.

d. The City has recently completed an effort to quantify the cost of major facility maintenance, including roads and drainage facilities. The major expansion of infrastructure and facilities in recent years has greatly expanded these cost obligations, as well as costs associated with a broad range of other public assets including buildings, parks and recreation facilities for which maintenance costs have not been fully estimated. It will be necessary in the upcoming and future budgets to address the costs of preventative and deferred maintenance.

e. Anticipated (conservative) increases in recurring municipal revenues are not likely to match the total funding required because of baseline expenditure increases, new expenditures (e.g., full funding of maintenance costs), adjustments to funding of redevelopment, and rebuilding of reserve accounts. Figure 2 illustrates conservative revenues just meeting expenditures; however, this expenditure forecast does not include the full costs anticipated for meeting maintenance needs, nor for rebuilding reserves.

Figure 2



f. While positive economic activity and greater revenue growth will help address these funding issues, the City will continue to be subject to certain unpredictable risks that it has encountered in the past, including development downturns, fluctuations in energy prices and utility consumption, legal decisions regarding certain revenue sources, economic cycles affecting the value of its pension assets, and uncertain timing regarding major development projects.

7. ***Budget prospects in the ten-year timeframe are sound. However, caution and continued revenue enhancement will still be necessary.***

   a. Growth prospects are sound and ample opportunities exist to expand the City's retail and visitor-serving sectors. These opportunities, as realized, will underpin steady revenue increases during the ten-year time frame.

b. While major capital expenditures have been made in the past few years, reducing the need for a continuation of capital investment at recent levels, there will be a continuing need to invest in infrastructure and new facilities in order to maintain service levels mandated by the Growth Management Ordinance.

c. Concerted action to control costs and to expand existing revenues during the next five years will contribute to a sustainable fiscal base for Chula Vista in subsequent years.

d. Significant additional costs are anticipated and will need to be funded in the ten-year time frame. These include:

   - Continued increases in staff salaries (to be determined in the next round of negotiations with bargaining units in 2010);
   - Funding deferred and scheduled maintenance of major municipal facilities and infrastructure; and
   - Assuring adequate reserve accounts.
   - Additional staff needs to maintain service standards and thresholds.

e. Despite the City's sound growth prospects, *future revenues will not be sufficient to cover all expenditures*. The City will continue to face the potential adverse impacts of economic cycles, the magnitude of required capital maintenance (deferred and preventative), and other risks to existing sources of recurring revenues. Accordingly, seeking efficiencies in service delivery and other cost savings along with additional sources of revenue for funding desired capital projects or maintaining or improving service levels may be required.

8. The financial forecast for Chula Vista ultimately depends upon the quality of information provided by City staff and the budget decisions taken by future City Councils.

a. The forecasts provided above, or the more detailed forecasts that will be made as a part of the subsequent budget-making process, provide a basis for decisions.

b. Forecasting should anticipate possible variations in costs and revenues, but it cannot predict unforeseen circumstances, including changing economic conditions, changes in State statutes affecting local government finance, and legal challenges.

c. The fiscal sustainability and well-being of Chula Vista depends on actions by this and future City Councils, including:

   - Fully recognizing revenue limitations and risks.
   - Achieving economic development objectives.

– Establishing clear expenditure priorities.
– Balancing decisions regarding capital improvements, staffing levels and compensation, and services against conservative revenue forecasts.

IMPLICATIONS OF FUTURE DEVELOPMENT

9. ***There is substantial remaining residential development capacity in Chula Vista that will require additional expenditures and, at the same time, generate municipal revenues.***

a. The recently updated General Plan included a substantial definition of development capacity throughout the City; the physical capacity for an additional 30,000 units exists. As shown on Table 1, the majority of this capacity is located in eastern Chula Vista.

Table 1: Chula Vista Residential Development Capacity

	Residential Development Type			
City Sub-Area	**Single-Family**	**Multifamily**	**Total**	**%**
Eastern Chula Vista	6,356	11,084	17,440	55%
Northwestern Chula Vista	117	7,667	7,784	25%
Southwestern Chula Vista	62	3,792	3,854	12%
Bayfront	0	2,400	2,400	8%
Total	6,535	24,943	31,478	100%
	21%	79%	100%	

Source: Chula Vista Planning & Building Services, based on General Plan.

b. Residential development capacity is dominated by "multifamily" housing prototypes (e.g., townhomes) of a higher density than the traditional single-family product that has dominated the market in recent decades.

c. The mix of residential density types will generally tend to generate somewhat lower average sale prices (and related property taxes). However, the population growth and related service demands will be slightly less per unit, relative to single-family development.

d. Over the next decade residential (and related population) growth rates are expected to be, on average, below those experienced during the early part of the current decade. For purposes of budget forecasting, a figure of 1,600 units per year is a sound estimate for the next ten-year period, although annual rates will vary around this number. It appears that fewer units than the longer-term average may be built in the next few years as the housing downturn continues. Near-term revenue forecasts and staffing decisions should reflect the likelihood of this continuing weak housing market trend.

10. Growth Management Ordinance "threshold standards" obligates the City to maintaining or improving service levels to this new development (along with all existing development).

a. The City has successfully expanded facilities and services during the period of rapid growth and has generally met the "threshold standards" established in the Growth Management Ordinance.

b. With the City's major infrastructure in place, average additional capital investments per resident should decline as existing investments full capacity is realized.

11. Opportunities exist for the City to improve its revenue performance by capturing a larger share of local retail sales.

a. At the present time residents of Chula Vista continue to make retail purchases (particularly "regional" shopping goods) in other retail venues in the San Diego region.

b. Current retail sales tax per capita is $106, which is approximately 75 percent of the State and Countywide averages.

c. Over time the City's retail performance has improved; however, there is an opportunity to capture a higher percentage of local sales and attract regional sales to the City. Major projects under development or in the "pipeline" include the Otay Ranch Town Centre Mall, the Eastern Urban Center, and expansion of the Chula Vista Auto Park.

d. These specific opportunities to increase retail sales, along with new business throughout the City will contribute to a continued increase in retail sales tax in the City's budget.

12. Four major nodes of development will transform the City.

a. The Bayfront area will be transformed by the major destination resort/conference center currently being planned and negotiated by the City, a private developer (Gaylord) and the Port of San Diego.

b. The pending adoption of the Urban Core Specific Plan along with subsequent implementation efforts will set the stage for revitalization and redevelopment of the Urban Core Area.

c. The University Park and Research Center (UPRC) will be located on a 500-acre site in eastern Chula Vista. The UPRC will combine the academic activities of a number of institutions of higher learning, private-sector research and development and a commercial center.

d. The Eastern Urban Center (EUC) is envisioned as a major urban center located along the alignment of the new State Route 125 in eastern Chula Vista. The Eastern Urban Center will include a dynamic mix of higher density housing, a town center area, community parks and other recreational amenities and a business park/industrial area.

e. Taken as a whole, these projects will establish a vital new urban context for the City, attracting new business and services, and creating new educational, recreational, and commercial opportunities.

13. ***The current organization of the City's planning and community development functions inhibits the City's ability to achieve economic development and redevelopment objectives.***

a. The Planning and Building Services Department historically has focused its efforts on development activity in the eastern portions of the City, whereas the Community Development department has focused on redevelopment and planning in the City's western area.

b. The traditional geographic division and conflicts between the Planning and Community Development Departments inhibit the City's efforts to achieve specific economic development initiatives, restore and revitalizing existing urban areas, and sustain quality of life throughout the City.

c. While the strong commitment to managing new development in the eastern portion of the City should continue, a balanced approach to revitalizing existing commercial areas and neighborhoods throughout the City will also be needed, including redirection of development-related staff resources to code enforcement and neighborhood revitalization. As this transition occurs, cost recovery through service charges to new development will proportionately diminish, increasing the general fund support for planning and building-related services.

CAPITAL INVESTMENTS AND RELATED MAINTENANCE OBLIGATIONS

14. The City has aggressively pursued major capital investments during the past decade.

a. During the past five years the City has significantly increased its infrastructure and public facilities assets, the estimated value of which grew from $370 million to over $900 million, an increase of over $500 million (not including "construction in progress").

b. These improvements have included the infrastructure necessary to support development in the east, primarily constructed by developers as conditions of approval and the City's development impact fees, and also major civic facilities including the police headquarters, the renovated City Hall, the new corporation yard, the three new recreation centers, and the three new fire stations.

Table 2: Additions to City Assets

	Fiscal Year Ending (1)					
Item	**2002**	**2003**	**2004**	**2005**	**2006**	**5-Year Total**
Land	$4.8	$3.9	$6.6	$8.7	$2.5	$26.5
Construction in Progress	22.9	29.6	30.0	32.8	42.5	157.8
Buildings	0.1	27.5	1.0	--	77.2	105.8
Other Improvements	--	2.0	3.4	5.7	4.0	15.1
Machinery and Equipment	3.9	3.5	3.4	3.7	3.0	17.5
Infrastructure	11.7	153.9	60.4	69.8	67.1	362.9
Total	$43.4	$220.4	$104.8	$120.7	$196.3	$685.6

(1) 2006 shows governmental activities; other years include business-type activities.

Sources: Comprehensive Annual Financial Reports, Notes to Financial Statements; Economic and Planning Systems, Inc.

15. Funding for capital improvements has come from a variety of sources that might not be sustained in the future.

a. Funding for the new capital improvements has been derived from development impact fees, tax increment financing, other special funds, and increasingly, the General Fund.

b. As the level of development has stabilized and existing financial capacity has been tapped, the rate of investment that has occurred recently will not be sustained.

16. Additional capital improvements will be necessary as growth continues; the Growth Management Ordinance "threshold standards" establish a quantitative link between facilities and new development.

a. Recent investments and pending agreements assure that a complement of facilities needed to achieve "threshold standards" either are built or will be built.

b. Generally, growth-related infrastructure is funded with the City's development impact fees. Major facilities, such as the new City Hall, the policy headquarters, and the corporation yard, all have capacity to meet demands of buildout levels of population.

c. Additional facilities, including new fire stations, parks and recreation centers, and the proposed new library will be needed to meet threshold standards as the City continues to grow.

17. Operating and maintaining infrastructure and civic facilities will place an increasing financial burden on City.

a. As the facilities age, maintenance costs will grow. Future costs will be even greater if inadequate funds are committed to maintenance in initial years, and deferred maintenance is allowed to grow.

b. Maintenance of existing facilities has, in some cases, been deferred, so there will be additional costs involved in addressing this deferred maintenance.

TAX INCREMENT FINANCING

18. Over the past 30 years the City established five redevelopment project areas which have subsequently been amended, expanded, and merged.

a. Five redevelopment projects areas have been formed in Chula Vista including Town Centre I (1976), Town Centre II (1978), Otay Valley (1983), the Southwest Area (1990), and the Bayfront (1974).

b. These redevelopment project areas have been amended over the years, and more recently, merged into two larger project areas, the Merged Chula Vista Redevelopment Project Area and the Merged Bayfront/Town Centre I Redevelopment Project Area.

c. Despite the mergers, the original duration of the original (now constituent) project areas remain; the Town Centre areas (I and II) will come to term (the time beyond which no debt can be issued) in the next decade.

d. The Redevelopment Plan areas have substantial tax increment and bonding potential remaining, per the legal limits as set forth in the enabling redevelopment plans; however this capacity has not been realized due to lack of growth in assessed value.

19. *Funding from redevelopment project area property tax increments is allocated to a variety of redevelopment-related activities and obligations.*

a. Taken as a whole, the redevelopment project areas generate approximately $10.4 million in property tax increments annually.

b. Under the terms of the original redevelopment plans approximately $2.3 million of tax increment funding is "passed through" to the County and other taxing jurisdictions.

c. Under the provisions of State Redevelopment Law, 20 percent of tax increments must be set aside for affordable housing projects in the City; at the present time nearly $2 million annually is set aside for affordable housing subsidies, which is slightly less than 20 percent of the total increment. The percentage is less than 20 percent because of prior expenditures of tax allocation bond for affordable housing projects.

d. Current debt obligations, including tax allocation bonds and payments on certificates of participation, total $3.9 million annually. These debt commitments will be relatively stable in the coming decade.

20. *Current funding commitments constrain future use of property tax increment financing to stimulate desired private investment.*

a. The tax increment remaining after "pass-throughs", affordable housing, and debt service is approximately $2.5million annually. All of this remaining increment has been consumed in recent years entirely by operational and administrative costs. In fact, costs applied to the redevelopment fund have exceeded redevelopment tax increment funding available in recent years.

b. In the FY 05-06 Budget, approximately $4.3 million of costs were applied to redevelopment. Of these charges $3 million were for Community Development Staff while the remaining $1.3 million were for other department staff, most significantly the City Attorney, Administration, and Planning and Building departments.

c. The direct cost of Community Development staff (without the City overhead factor) was approximately $1.5 million.

d. Savings to the tax increment fund could be achieved if the current Community Development staff were charged directly (without the applied City overhead factor) and other City department direct costs were more limited. However, this shift in cost allocation would come at the expense of the City's General Fund.

e. In any event, virtually no tax increment funding remains for project-related investments. The future ability of Redevelopment Agency to make substantial investments will depend upon increases in the assessed value within the Redevelopment Project Areas, which in turn is linked to success of revitalization and economic development efforts.

21. *Major investments funded with tax increment have not in all cases led to corresponding private investment and related redevelopment activity.*

a. Major investments made with redevelopment funds, including sites for public facilities (police station), parking garages, and streetscape improvements, were not directly linked and strategically targeted to incentivize private development.

b. In the past no objective criteria appear to have been applied by the Community Development Department in making project-related investments. State statutory requirements, while directive, are rather broad and subject to interpretation.

c. The adoption of the Urban Core Specific Plan and pursuing its implementation will remove current land use policy constraints that limit potential redevelopment and revitalization activity in the Urban Core Area. Redevelopment of the area will help achieve economic development and redevelopment goals which in turn will contribute to the City's revenue base.

22. *Prospects for the deployment of redevelopment powers and resources in Chula Vista are favorable.*

a. Market conditions in the redevelopment project areas, as is the case throughout the City, are sound, despite the current downturn in the housing market. Ample business opportunities consistent with City's redevelopment objectives exist, as is evidenced by the pending exclusive negotiating agreements.

b. There are many competing uses for redevelopment activity throughout the project areas including improving existing neighborhoods, subsidizing affordable housing, leveraging (and thus stimulating) private investment in beneficial projects that would otherwise be infeasible, and providing beneficial urban amenities that generally stimulate private investment.

RETIREMENT LIABILITIES

23. *The City has entered into agreements with public employed bargaining units under which the City must fund an expanding retirement obligation through PERS.*

a. At the present time, payments on behalf of City employees to the retirement system equal 16 percent of the City's General Fund.

b. As employee salaries increase, future retirement obligations and required contributions similarly increase. The 8 to 10 percent salary increase for Public Safety employees beginning in FY06 created an additional liability that may trigger an increase in contribution rates, depending on the future performance of the PERS investments.

24. *In addition to the direct payments made on behalf of the employees to the retirement system, the performance of the PERS portfolio, which is subject to market forces, could be a further drain on City financial resources.*

a. Since 2002, contribution rates increased dramatically, largely because of adverse impacts of market conditions on PERS investments. As shown in **Table 3**, stock market gains during the late 1990s provided adequate funding for the retirement plan. The subsequent losses required a significant, multimillion annual contribution by the City to assure adequate funding.

b. Future economic cycles could similarly cause significant cost increases to the City's budget, although the "smoothing" strategy implemented by PERS will limit year-to-year fluctuations in financial market performance.

Table 3: PERS Required Contribution Rates (1)

Category	Fiscal Year Ending 2002	2003	2004	2005	2006
Public Safety					
Employer	0.00%	0.00%	5.78%	24.47%	23.25%
Other (2)	9.00%	9.00%	9.00%	9.00%	9.00%
Total	9.00%	9.00%	14.78%	33.47%	32.25%
Miscellaneous					
Employer	0.00%	0.00%	12.02%	15.98%	20.15%
Other (2)	8.00%	8.00%	8.00%	8.00%	8.00%
Total	8.00%	8.00%	20.02%	23.98%	28.15%

(1) Does not include additional costs to repay City's Pension Obligation Bond.
(2) "Other" includes City-funded employee share.

Sources: CalPERS Actuarial Valuation Reports

IV. STRENGTHENING CHULA VISTA'S FINANCIAL CONDITION

The findings of this financial review effort expressed above lead to a set of recommendations for strengthening Chula Vista's financial condition. As noted in the findings the circumstances faced by the City are entirely manageable; while there are existing and future challenges to be faced, the prospects for the City are very sound given regional market conditions, related development opportunities, the investments that have been made and the capabilities of City staff.

The key to facing the challenges will be a commitment to a set of changes including those related to budget making, departmental management, and reorganization.

1. ***Decisive action is necessary in the current budget cycle to contain costs allowing recurring municipal revenues to "catch up" with sustained expenditure levels.***

   a. A substantial effort will need to be made to contain expenditures through such actions as freezing or eliminating certain unfilled positions and limiting non-essential capital outlays, and curtailing or eliminating non-core services.

   b. It will be important for this cost-containment effort not to inhibit essential capabilities or impede activities that have potential for increasing municipal revenues, including maintaining an adequate complement of staff in key development services functions including processing development applications, implementation of key planning and community development initiatives including major retail expansion projects, the Bayfront, and the Urban Core Area.

   c. Funding expenditures that in the longer term are viewed as essential (e.g., re-establishing a sufficient reserve fund) will need to be deferred until sufficient revenues become available.

   d. Consider reverting to a single-year budget cycle for a period of the next four years.

2. ***Continue transitioning to a more "program planning" and "performance- based" budget process utilizing departmental strategic planning and effective City-wide priority setting.***

   a. City staff has been moving toward program- and performance-based budgeting for the past several budget cycles. A program-oriented budget is based primarily on programs (and program priorities) and secondarily on traditional budget unit characters and objects. The major benefit of a program planning approach lies in the planning and priority setting process, i.e., the process of making budget decisions that support specific multi-year plans and related performance measurement.

b. However, as noted in the findings, the current budget making process does not necessarily provide a full opportunity for requested expenditures to be fully prioritized in view of budget constraints and strategic objectives, while at the same time information that would allow such prioritization currently exists (or can be included) in the strategic plans prepared by the individual operating departments.

c. Departmental "strategic plans" typically serve as a basis of a program-oriented approach to budgeting. The City's departmental strategic plans, in the future, should incorporate assessment of potential external forces influencing service costs (e.g., growth rates), consider likely constraints on general fund revenues, and focus on specific program outcomes and service standards and on ways to increase efficiency and scale operations to reasonable expectations of service demands.

d. At all times but particularly at a time of fiscal stress, priority setting – making strategic choices responding to limited budget resources is essential.

3. *Strengthening reserve accounts should be a primary objective budget policy in future budget cycles.*

a. Current reserve policy, at 8 percent, may be inadequate, given the contingencies and risks faced by the City as time goes forward. While there is no "magic" number, a target of 15 percent would provide a more comfortable cushion against unforeseen events and circumstances. During peak growth periods, larger contributions will help to buffer against inevitable downturns.

b. Reserve funds should be retained for the purpose of dealing with unforeseen circumstances or expenditures. Thus, the City Council should be required to make specific findings regarding the proposed expenditure in order to transfer funds from reserves to the General Fund or special projects. At the same time a more thorough effort to anticipate costs in the adopted budget will minimize the need for drawing down reserves.

c. In addition to general reserves, a number of special reserve funds should be created and funded at an appropriate level including the existing equipment replacement fund and a facility maintenance fund. Longer term replacement of major facilities will also be an expenditure at some point in the future. The levels can be determined through a combination of risk assessment, "life-cycle" cost analysis, and evaluation of existing conditions and optimal levels of repair/replacement.

4. ***Applying the financial forecasting capability presently being developed by City staff will help assure that expenditure commitments are offset by realistic expectations of municipal revenues.***

   a. City staff is currently deploying a new budget forecasting capability using the "Muni-Cast" software. This new forecasting ability will improve the ability of staff to forecast future budget conditions, conduct sensitivity analysis, and assist in the priority-setting actions of the City Council.

   b. Improved technical capability to estimate costs associated with maintenance of municipal infrastructure will assist in budgeting for this purpose.

   c. The departmental strategic plans should incorporate and respond to the City's overall revenue forecast and be developed in sufficient financial detail (annual costs and phasing) to facilitate incorporation into the cost forecasting effort.

   d. The cost and revenue forecasting process should including specific "sensitivity" analysis of potential budget circumstances such as loss of a vulnerable revenue source, continued downturn in development-related revenues, and failure to achieve economic development objectives. For example, during the next few years the implications of a protracted slowdown in housing starts should be explored.

5. ***The City should focus its planning and economic development efforts upon coherent effort to promote development consistent with the General Plan, thereby expanding the City's tax base.***

   a. This expansion should occur through economic development, redevelopment, strengthening of existing retail business, and revitalization of existing neighborhoods.

   b. A concerted effort of the City, engaging the talents of all related departments, should be focused upon achieving key economic development and redevelopment objectives including the Bayfront, the Urban Core revitalization, the Eastern Urban Center, the University Park and Research Center, and the expansion of retail shopping opportunities throughout the City.

   c. Objective criteria should be established to determine the appropriate type and amount of financial assistance to development projects. As an example, redevelopment investments should meet a range of "tests" including such requirements as the "but for" test (without assistance the project would not happen); "proportional direct private investment" (private investment should match redevelopment expenditures by a factor of ten or more); and "economic development and fiscal benefits" (e.g., jobs, retail sales taxes, blight removal, etc.).

d. Reorganization of the City's planning, redevelopment, economic development, housing, and development services functions and related policy and procedural reforms can improve the efficiency and effectiveness of planning and economic development efforts. Given history, such reorganization will be challenging. An independent management study should be conducted to determine the most optimal organizational structure and the steps necessary to achieve this structure.

e. In any event, the Redevelopment Agency should be maintained as a separate budget unit.

6. ***Attaining and sustaining maximum "cost recovery" for development related services should be implemented through regularly updating service fee schedules.***

   a. A review of development service charges for services, impact fees, and related development-related revenues should be conducted. Consistent with recent completed technical analysis, service charges and fees should approach full "cost recovery" levels.

   b. Service charges and fees should be "indexed" annually and/or updated every year or two to assure that they remain able to cover related costs.

   c. The potential economic effects of service charges and fees should, at the same time, be considered and policies established for balancing cost recovery efforts with economic development objectives.

7. ***The City should monitor regional and State trends related to pension reform.***

   a. It is recognized that the City will need to continue offering competitive salary and benefit packages to assure attraction and retention of high quality staff; however, cost increases, especially for public safety functions, will likely continue to escalate faster than existing recurring revenues, placing continued pressure on the budget.

   b. This issue is of concern to cities throughout the State (and around the entire Country) and thus responses at the State level will continue to be a possibility. The City should, through its legislative efforts and participation in the League of Cities, monitor and participate in the formulation of appropriate reforms.

8. ***New sources of revenue, especially related to maintenance and capital replacement obligations, should be sought.***

   a. Major, currently unfunded expenditures will be needed to maintain the City's growing infrastructure and public facilities assets.

b. Alternatives for funding these maintenance costs should be considered including the creation of City-wide maintenance districts, creation of development-specific maintenance districts or assessments, or expansion of general revenues to cover these costs (e.g., sales tax measure).

9. ***Special funding should be sought for major civic facilities in the future (e.g., general obligation bonds).***

   a. The City has benefited from growth over the past several decades; this development has, through the City's development impact fees and other revenues and agreements, funded a substantial improvement in the City's infrastructure and public facilities.

   b. Additionally, as general revenues have increase, the City has funded new public facilities with general revenue sources using certificates of participation and other funding mechanisms including redevelopment tax increments.

   c. Development-related and general revenue sources will both be more constrained in the future and thus the City may need to seek funding from voter-approved bonds. Such bonds (e.g., a general obligation bond) can be used for a variety of community improvements including deferred maintenance projects and new public facilities.

BIBLIOGRAPHY

BIBLIOGRAPHY

1. Bob McSeveney, Principal Management Assistant. City of Chula Vista Department of Planning and Building. Memorandum to Maria Kachadoorian, Director of Finance via J.D. Sandoval, Director of Planning & Building. "POs Not Carried Over to FY 06/07." January 5, 2007.

2. Bob McSeveney, Principal Management Assistant. City of Chula Vista Department of Planning and Building, Memorandum to Maria Kachadoorian, Director of Finance and Ed Van Eenoo, Director of Office of Budget and Analysis via J.D. Sandoval, Director of Planning & Building. "FY07 Redevelopment Revenues." August 28, 2006.

3. Bob McSeveney, Principal Management Assistant. City of Chula Vista Department of Planning and Building. Memorandum to Ed Van Eenoo, Office of Budget and Analysis Director via J. D. Sandoval, Planning and Building Director. "Code Enforcement FY06/07 Revenues Budget." July 21, 2006.

4. Brad Remp, Assistant Director/Building Official. City of Chula Vista Department of Planning and Building. Memorandum to File. "Building Fee Study Adoption." January 24, 2007.

5. "CalPERS Actuarial Valuation – June 30, 1999. Miscellaneous Plan of the City of Chula Vista Employer Number 195." October 26, 2000.

6. Chula Vista Fire Department. "Strategic Business Plan 2004 - 2010." July 1, 2004.

7. Chula Vista Public Library. "Chula Vista Public Library Strategic Plan 2002-2006." April 2002.

8. Chula Vista Recreation Department. "Strategic Plan 2003 – 2008."

9. City of Chula Vista. "Chula Vista Municipal Code."

10. City of Chula Vista. "Construction Valuation, Property Tax, and Employment Projections for New Residential, Commercial and Industrial Parcels within the Major Project Area as of 2003 - 2006." March 28, 2007.

11. City of Chula Vista. "Planning Fee Schedule." March 26, 2007.

12. City of Chula Vista. "2007 Annual Growth Management Review Cycle: Residential Growth Forecast Years 2007 through 2011." January 2007.

13. City of Chula Vista. "Adopted Budget Fiscal Years 2006-2007: Volume I"

14. City of Chula Vista. "Adopted Budget Fiscal Years 2006-2007: Operating Budget: Volume II"

15. City of Chula Vista. "Comprehensive Annual Financial Report for the Year Ended June 30, 2006." October 26, 2006.

16. City of Chula Vista. "Memorandum of Understanding between the City of Chula Vista and Chula Vista Police Officer's Association FY 2005/06 through 2009/10." August 2006.

17. City of Chula Vista. "Fiscal Year 2007 Budget Update." July 1, 2006.

18. City of Chula Vista. "General Fund Five Year Forecast 2007-2001." May 25, 2006.

19. City of Chula Vista. "Budget Update Fiscal Year 2007: Capital Improvement Program." May 23, 2006.

20. City of Chula Vista. "Comprehensive Annual Financial Report for the year ended June 30, 2005." September 30, 2005.

21. City of Chula Vista. "Recirculated Draft Environmental Impact Report." September 2005.

22. City of Chula Vista. "Memorandum of Understanding between the City of Chula Vista and Chula Vista Employees Association July 1, 2005 – June 30, 2010."

23. City of Chula Vista. "Memorandum of Understanding between the City of Chula Vista and Local 2180 International Association of Firefighters AFL-CIO July 1, 2005 - June 30, 2010."

24. City of Chula Vista. "Memorandum of Understanding between the City of Chula Vista and Western Council of Engineer July 1, 2005 – June 30, 2010."

25. City of Chula Vista. "Adopted Budget Fiscal Years 2006/2007: Volume I Budget Summary." June 28, 2005.

26. City of Chula Vista. "Adopted Budget Fiscal Years 2006 & 2007: Capital Improvement Program." May 24, 2005.

27. City of Chula Vista. "Adopted Budget Fiscal Years 2006/2007: Volume II Operating Budget."

28. City of Chula Vista. "Draft General Plan: Document 1 of 2." December 2004.

29. City of Chula Vista. "Comprehensive Annual Financial Report for the year ended June 30, 2004." October 1, 2004.

30. City of Chula Vista Growth Management Oversight Commission. "2003-2004 GMOC Annual Report." September 14, 2004.

31. City of Chula Vista Grown Management Oversight Commission. "2003-2004 Annual Report Appendices." September 2004.

32. City of Chula Vista. "Adopted Capital Improvement Program Fiscal Years 2004 & 2005."

33. City of Chula Vista. "Adopted Budget Fiscal Years 2004 & 2005: Volume II Operating Budget."

34. City of Chula Vista. "Adopted Budget Fiscal Year 2005." May 20, 2004.

35. City of Chula Vista. "Comprehensive Annual Financial Report for the year ended June 30, 2003." October 3, 2003.

36. City of Chula Vista. "Adopted Budget Fiscal Years 2004 & 2005: Volume I Budget Summary." June 17, 2003.

37. City of Chula Vista Council Agenda Statement. May 20, 2003.

38. City of Chula Vista. "Strategic Themes." April 9, 2003.

39. City of Chula Vista. "Comprehensive Annual Financial Report for the Year Ended June 30, 2002." October 18, 2002.

40. City of Chula Vista. "Adopted Budget Fiscal Year 2003." June 18, 2002.

41. City of Chula Vista. "Policy Threshold/Standards and Growth Management Oversight Commission." 5th revision, May 2002.

42. City of Chula Vista. "Indirect Cost Allocation/Full Cost Recovery Plan FY 2000-01 Update."

43. City of Chula Vista. "Comprehensive Annual Financial Report for the year ended June 30, 2001." November 14, 2001.

44. City of Chula Vista. "Adopted Budget Fiscal Years 2002/2003." June 19, 2001.

45. City of Chula Vista. "Proposed Capital Improvements Program Fiscal Year 2001-02 and 2002-03."

46. City of Chula Vista. "2001-02 and 2002-03 Capital Improvements Program."

47. City of Chula Vista. "Proposed Budget Fiscal Years 2002 and 2003." May 29, 2001.

48. City of Chula Vista. "Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2000." December 12, 2000.

49. City of Chula Vista. "Adopted Budget Fiscal Year 2000-2001." August 24, 2000.

50. City of Chula Vista. "Proposed Capital Improvements Program Fiscal Year 2000-01."

51. City of Chula Vista. "Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1999." October 1, 1999.

52. City of Chula Vista. "Adopted Budget Fiscal Year 1999-2000." May 25, 1999.

53. City of Chula Vista. "Proposed Capital Improvements Program Fiscal Year 1999-00." May 13, 1999.

54. City of Chula Vista. "Report on Audited Financial Statements for the Year Ended June 30, 1998."

55. City of Chula Vista. "Proposed Budget Fiscal Year 1998-99." May 26, 1998.

56. City of Chula Vista. "Proposed Capital Improvements Program Fiscal Year 1998-99." May 4, 1998.

57. City of Chula Vista. "Annual Financial Report for the Fiscal Year Ended June 30, 1997." November 21, 1997.

58. City of Chula Vista. "Proposed Budget Fiscal Year 1997-98." May 12, 1997.

59. City of Chula Vista. "Proposed Capital Improvements Program Fiscal Year 1997-98." May 2, 1997.

60. City of Chula Vista. "Annual Financial Report for the Fiscal Year Ended June 30, 1996." November 8, 1996.

61. City of Chula Vista. "Proposed Budget Fiscal Year 1996-97." May 23, 1996.

62. City of Chula Vista. "Proposed Capital Improvements Program Fiscal Year 1996-97." May 20, 1996.

63. City of Chula Vista. "Proposed Capital Improvements Program FY 1995-96." May 8, 1995.

64. Community Development Department. "Five-Year Strategic Plan." March 28, 2006.

65. Dana M. Smith, Assistant City Manager. Memorandum to Jim Sandoval, Director of Planning and Building via Jim Thomson, Interim City Manager. "Development Services FY 2007 Budget Recommendations." November 8, 2006.

66. David D. Rowlands, Jr., City Manager and Maria Kachadoorian, Director of Finance/Treasurer. "City of Chula Vista General Fund Five Year Forecast 2007-2001." May 25, 2006.

67. Dean Witter Reynolds, Inc. "$3,115,000 1993 Certificates of Participation (Town Centre II Parking Project – Phase Two) Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to Be Made by the City of Chula Vista." December 15, 1993.

68. Dean Witter Reynolds, Inc. "$11,285,000 1993 Refunding Certificates of Participation (Town Centre II Parking Project) Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to Be Made by the City of Chula Vista." February 18, 1993.

69. Director of Budget and Analysis and Director of Human Resources. Council Agenda Statement. "Resolution Approving Salary and Benefit Enhancements for the Chula Vista Police Officers Association and Appropriating Funds Therefore." September 13, 2005.

70. Director of Budget and Analysis and Director of Human Resources. Council Agenda Statement. "Resolution Approving Salary and Benefit Enhancements for the International Association of Firefighters Local 2180 and Appropriating Funds Therefore." September 13, 2005.

71. Director of Budget and Analysis and Director of Human Resources. Council Agenda Statement. "Resolution Approving Salary and Benefit Enhancements for the Chula Vista Employees Association, the Western Council of Engineers, and for All Non-represented Employees and Appropriating Funds Therefore." September 13, 2005.

72. Director of Finance/Treasurer. Council Agenda. "Quarterly Financial Status Report for the Quarter Ended December 31, 2006." March 6, 2007.

73. Director of Finance/Treasurer. Council Agenda Statement. "Quarterly Financial Status Report for the Quarter Ended September 30, 2006." December 19, 2006.

74. Director of Finance/Treasurer. Council Agenda Statement. "Quarterly Financial Status Report for the Quarter Ended September 30, 2006." December 19, 2006.

75. Director of Finance/Treasurer. Council Agenda Statement. "Report comparing General Fund reserve levels with the 18 cities within San Diego County and other cities of comparable size." December 12, 2006.

76. "Economic Development Element." *City of Chula Vista General Plan.*

77. Economics Research Associates. "Fiscal Impact Analysis of the General Plan Update." January 2005.

78. Ed Van Eenoo, Director of Budget and Analysis. City of Chula Vista Office of Budget & Analysis. Memorandum to Department Heads. "Preliminary Fiscal Year 2008 Baseline." December 4, 2006.

79. Ed Van Eenoo, Director of Budget and Analysis. Office of Budget and Analysis. Memorandum to Jim Sandoval, Director of Planning and Building. "FY 2007 Budget Changes." March 28, 2006.

80. Ed Van Eenoo, Director of Budget and Analysis. City of Chula Vista Office of Budget & Analysis. Memorandum to Jim Sandoval, Director of Planning. "Planning Revenue Analysis." March 9, 2006.

81. Growth Management Oversight Commission. "2006 Questionnaire (Review Period 7/1/04-6/30/05 and Five Year Forecast)."

82. James D. Sandoval, Director of Planning and Building. City of Chula Vista Department of Planning and Building. Memorandum to Ed Van Eenoo, Director of Budget & Analysis. "Planning & Building Department 2007 Budget." March 23, 2006.

83. James D. Sandoval, Director of Planning and Building. City of Chula Vista Department of Planning and Building. Memorandum to Maria Kachadoorian, Director of Finance. "Planning and Building Department Budget." March 10, 2006.

84. Jim Thompson, Interim City Manager. Memorandum to Honorable Mayor and Council. "Fiscal Year 2007-2008 Budget Projections." February 5, 2007.

85. Jim Thomson, Interim City Manager. City of Chula Vista City Manager's Office. Memorandum to Honorable Mayor and Council. "Fiscal 2006-07 Budget Contingency Plan Summary." January 4, 2007.

86. Jim Thomson, Interim City Manager. City of Chula Vista City Manager's Office. Memorandum to Department Heads. "Budget Update and Contingency Plan Implementation Guidelines." November 21, 2006.

87. Jim Sandoval, Director of Planning and Building. City of Chula Vista Department of Planning and Building. Memorandum to Jim Thomson, Interim City Manager, "Planning & Building Department Budget." December 1, 2006.

88. Jim Sandoval, Planning and Building Director. City of Chula Vista Department of Planning and Building. Memorandum to Jim Thompson, Interim City Manager. "Directed Fiscal year 07 Planning and Building Budget Cuts." November 27, 2006.

89. John E. Bartel. Bartel Associates, LLC. "City of Chula Vista Miscellaneous Plan: CalPERS Actuarial Issues – 6/30/05 Valuation." December 7, 2006.

90. John E. Bartel. Bartel Associates, LLC. "City of Chula Vista Safety Plan: CalPERS Actuarial Issues – 6/30/05 Valuation." December 7, 2006.

91. John McCann, Deputy Mayor. City of Chula Vista. Memorandum to Dave Rowlands, City Manager. "2007 Fiscal Year Budget." May 30, 2006.

92. Maria Kachadoorian, Director of Finance/Treasurer. Memorandum to Honorable Mayor and City Council via Jim Thompson, Interim City Manager. "FY 2005-2006 Annual Financial Status Report." October 27, 2006.

93. Maria Kachadoorian, Director of Finance/Treasurer and Ed Van Eenoo, Director of Budget and Analysis. Council Information Item to Honorable Mayor and City Council via Jim Thomson, City Manager. "TaxpayersAdvocate.org Report 'A Fiscal Analysis of the City of Chula Vista.'" October 27, 2006.

94. Maria Kachadoorian, Director of Finance/Treasurer. Memorandum to Honorable Mayor and City Council via Jim Thomson, City Manager. "Voice of San Diego July 31, 2006 Opinion Article." August 3, 2006.

95. Maria Kachadoorian, Director of Finance/Treasurer. City of Chula Vista Finance Department. Council Information to Honorable Mayor and City Council via Jim Thomson, Interim City Manager. "Budget Line Item Analysis." June 16, 2006.

96. Maria Kachadoorian, Director of Finance/Treasurer, City of Chula Vista Finance Department. Council Information to Honorable Mayor and City Council via David D. Rowlands, Jr., City Manager and Jim Thompson, Assistant City Manager. "Quarterly Financial Status Report for the Quarter Ended March 31, 2006." May 15, 2006.

97. Maria Kachadoorian, Director of Finance/Treasurer. City of Chula Vista Finance Department, Council Information to Honorable Mayor and City Council via David D. Rowlands, Jr., City Manager and Jim Thomson, Assistant City Manager. "Quarterly Financial Status Report for the Quarter Ended December 31, 2005." February 28, 2006.

98. Maria Kachadoorian, Director of Finance/Treasurer. City of Chula Vista Finance Department. Council Information to Honorable Mayor and City Council via David D. Rowlands, Jr., City Manager and Jim Thomson, Assistant City Manager. "Quarterly Financial Status Report for the Quarter Ended September 30, 2005." October 18, 2005.

99. Maria Kachadoorian, Director of Finance/Treasurer. City of Chula Vista Finance Department. Council Information to Honorable Mayor and City Council via David D. Rowlands, Jr., City Manager. "FY 2004-2005 Annual Financial Status Report." October 18, 2005.

100. Maria Kachadoorian, Director of Finance/Treasurer. City of Chula Vista Finance Department. Council Information to Honorable Mayor and City Council via David D. Rowlands, Jr., City Manager. "General Fund Quarterly Fiscal Status Report for the Quarter Ended March 31, 2005." April 19, 2005.

101. Maria Kachadoorian, Director of Finance/Treasurer. City of Chula Vista Finance Department. Council Information to Honorable Mayor and City Council via David D. Rowlands, Jr., City Manager. "General Fund Quarterly Fiscal Status Report for the Quarter Ended December 31, 2004." February 1, 2005.

102. Maria Kachadoorian, Director of Finance/Treasurer. City of Chula Vista Finance Department. Council Information to Honorable Mayor and City Council via David D. Rowlands, Jr., City Manager. "Quarterly Financial Status Report for the Quarter Ended September 30, 2004." October 26, 2004.

103. Maria Kachadoorian, Director of Finance/Treasurer. City of Chula Vista Finance Department. Council Information to Honorable Mayor and City Council via David D. Rowlands, Jr., City Manager. "FY 2003-2004 Annual Financial Status Report." October 19, 2004.

104. Maria Kachadoorian, Director of Finance/Treasurer. City of Chula Vista Finance Department. Council Information to Honorable Mayor and City Council via David D. Rowlands, Jr., City Manager. "Quarterly Fiscal Status Report for the Quarter Ended March 31, 2004." April 28, 2004.

105. Maria Kachadoorian, Director of Finance/Treasurer. Council Information to Honorable Mayor and City Council via David D. Rowlands, Jr., City Manager. "Quarterly Fiscal Status Report for the Quarter Ended December 31, 2003." January 27, 2004.

106. Maria Kachadoorian, Director of Finance. Council Information to Honorable Mayor and City Council via David D. Rowlands, Jr., City Manager. "FY 2002-2003 Annual Financial Status Report." October 22, 2003.

107. Maria Kachadoorian, Director of Finance/Treasurer. Council Information to Honorable Mayor and City Council via David D. Rowlands, Jr., City Manager. "Quarterly Financial Status Report for the Quarter Ended September 30, 2003." October 22, 2003.

108. Maria Kachadoorian, Director of Finance/Treasurer. Council Information to Honorable Mayor and City Council via David D. Rowlands, Jr., City Manager. "Quarterly Fiscal Status Report for the Quarter Ended March 31, 2003." April 22, 2003.

109. National Coalition on Health Care. "Facts on Health Care Costs."

110. Office of Budget & Analysis. "Public Facilities Development Impact Fee." March 2006.

111. Office of Communications. "Strategic Plan Presentation." 2004.

112. "Owner Participation Agreement," signed by Stephen Padilla, Chairman and Uri Feldman, Vice President on May 18 and Ann Moore, Agency Attorney on June 1, 2005.

113. Planning and Building Department. "Report of Permits Issued from 7/1/1996 – 6/30/1997." March 6, 2007.

114. Planning and Building Department. "Final Report City of Chula Vista Planning and Building User Fee Studies." January 18, 2007.

115. Planning and Building Department. "Appendix 2: Building Fee Schedules." January 18, 2007.

116. Planning and Building Department. "City of Chula Vista Planning & Building Fee Studies." January 2007.

117. Planning & Building Department. "Strategic Plan & Work Program Year 2006-2010." August 16, 2006.

118. Public Works Operations Department "Strategic Business Plan." January 10, 2006.

119. "Proposed City of Chula Vista Economic Development Strategy [EDS]." March 4, 2003.

120. Redevelopment Agency of Chula Vista. "Basic Financial Statements and Independent Auditor's Reports for the year ended June 30, 2006." October 26, 2006.

121. Redevelopment Agency of Chula Vista. "Five Year Implementation Plan 2005 – 2009." Adopted July 18, 2006.

122. Redevelopment Agency of Chula Vista. "Basic Financial Statements and Independent Auditor's Reports for the year ended June 30, 2005." September 30, 2005.

123. Redevelopment Agency of Chula Vista. "Basic Financial Statements and Independent Auditors' Reports for year ended June 30, 2004." October 1, 2004.

124. Redevelopment Agency of Chula Vista. "Basic Financial Statements and Independent Auditors' Reports for year ended June 30, 2003." October 3, 2003.

125. Redevelopment Agency of Chula Vista. "Basic Financial Statements and Independent Auditors' Reports for the year ended June 30, 2002." October 11, 2002.

126. Redevelopment Agency of Chula Vista. "Component Unit Financial Statements and Independent Auditors' Report for the year ended June 30, 2001." September 21, 2001.

127. Redevelopment Agency of Chula Vista. "Report on Audited Component Unit Financial Statements for the year ended June 30, 2000." October 6, 2000.

128. Redevelopment Agency of Chula Vista. "Report on Audited Component Unit Financial Statements for the year ended June 30, 1999." October 1, 1999.

129. Redevelopment Agency of Chula Vista. "Report on Audited Component Unit Financial Statements for the year ended June 30, 1998." October 9, 1998.

130. Redevelopment Agency of Chula Vista. "Annual Financial Report, June 30, 1997." November 21, 1997.

131. Redevelopment Agency of Chula Vista. "Annual Financial Report, June 30, 1996." November 8, 1996.

132. Robert W. Powell, Assistant City Manager. Council Information to Honorable Mayor and City Council via David D. Rowlands, Jr., City Manager. "Quarterly Fiscal Status Report for the Quarter Ended December 31, 2002." February 18, 2003.

133. Robert W. Powell, Assistant City Manager. Council Information to Honorable Mayor and City Council via David D. Rowlands, Jr., City Manager. "Quarterly Fiscal Status Report for the Quarter Ended September 30, 2002." October 22, 2002.

134. Ron Seeling. CalPERS Actuarial & Employer Services Division. "MISCELLANEOUS PLAN OF THE CITY OF CHULA VISTA (Employer #195). Annual Valuation Report as of June 30, 2001." October 16, 2002.

135. Ron Seeling. CalPERS Actuarial & Employer Services Division. "MISCELLANEOUS PLAN OF THE CITY OF CHULA VISTA (Employer #195)." September 24, 2001.

136. Ron Seeling. CalPERS Actuarial & Employer Services Division. "SAFETY PLAN OF THE CITY OF CHULA VISTA (Employer #195)." September 24, 2001.

137. Ron Seeling. CalPERS Actuarial & Employer Services Division. "SAFETY PLAN OF THE CITY OF CHULA VISTA (Employer #195)." October 25, 2000.

138. Ron Seeling. CalPERS Actuarial & Employer Services Division. "MISCELLANEOUS PLAN OF THE CITY OF CHULA VISTA (Employer #195)." October 25, 2000.

139. Ron Seeling. CalPERS Actuarial & Employer Services Division. "MISCELLANEOUS PLAN OF THE CITY OF CHULA VISTA (Employer #195)." October 27, 1999.

140. Ron Seeling. CalPERS Actuarial & Employer Services Division. "SAFETY PLAN OF THE CITY OF CHULA VISTA (Employer #195)." October 19, 1999.

141. Ron Seeling. CalPERS Actuarial & Employer Services Division. "MISCELLANEOUS PLAN OF THE CITY OF CHULA VISTA (Employer #195)." December 15, 1998.

142. Ron Seeling. CalPERS Actuarial & Employer Services Division. "SAFETY PLAN OF THE CITY OF CHULA VISTA (Employer #195)." December 15, 1998.

143. Ron Seeling. CalPERS Actuarial & Employer Services Division. "SAFETY PLAN OF THE CITY OF CHULA VISTA." March 24, 1998.

144. Ron Seeling. CalPERS Actuarial & Employer Services Division. "MISCELLANEOUS PLAN OF THE CITY OF CHULA VISTA." March 24, 1998.

145. Ronald L. Seeling. CalPERS Actuarial Office. "MISCELLANEOUS PLAN OF THE CITY OF CHULA VISTA (Employer #195) Annual Valuation Report as of June 30, 2005." October 19, 2006.

146. Ronald L. Seeling. CalPERS Actuarial Office. "SAFETY PLAN OF THE CITY OF CHULA VISTA (EMPLOYER #195) Annual Valuation Report as of June 30, 2005." October 4, 2006.

147. Ronald L. Seeling. CalPERS Actuarial Employer Services Division. "MISCELLANEOUS PLAN OF THE CITY OF CHULA VISTA (EMPLOYER #195) Annual Valuation Report as of June 30, 2004."October 7, 2005.

148. Ronald L. Seeling. CalPERS Actuarial Employer Services Division. "SAFETY PLAN OF THE CITY OF CHULA VISTA (EMPLOYER #195) Annual Valuation Report as of June 30, 2004."October 7, 2005.

149. Ronald L. Seeling. CalPERS Actuarial & Employer Services Division. "MISCELLANEOUS PLAN OF THE CITY OF CHULA VISTA (EMPLOYER #195) Annual Valuation Report as of June 30, 2003." October 18, 2004.

150. Ronald L. Seeling. CalPERS Actuarial & Employer Services Division. "SAFETY PLAN OF THE CITY OF CHULA VISTA (EMPLOYER #195) Annual Valuation Report as of June 30, 2003." October 18, 2004.

151. Ronald L. Seeling. CalPERS Actuarial & Employer Services Division. "MISCELLANEOUS PLAN OF THE CITY OF CHULA VISTA (EMPLOYER #195) Annual Valuation Report as of June 30, 2002." June 14, 2004.

152. Ronald L. Seeling. CalPERS Actuarial Employer Services Division. "SAFETY PLAN OF THE CITY OF CHULA VISTA (EMPLOYER #195) Annual Valuation Report as of June 30, 2002." September 11, 2003.

153. Ronald L. Seeling. CalPERS Actuarial Office. "SAFETY PLAN OF THE CITY OF CHULA VISTA (EMPLOYER #195." October 16, 2002.

154. Salomon Smith Barney. "Redevelopment Agency of the City of Chula Vista: $17,000,000 2000 Tax Allocation Bonds (Merged Redevelopment Project)." October 11, 2000.

155. Standard & Poor's Ratings Services. Letter to Maria Kachadoorian, Finance Director. "City of Chula Vista, California, Certificates of Participation (SPUR)." November 2, 2006.

156. Stone & Youngberg LLC. "$22,565,000 City of Chula Vista Community Facilities District No. 12-I (McMillan Otay Ranch Village Seven) 2005 Special Tax Bonds." November 18, 2005.

157. Tanya Mannes. "Chula Vista Financial Study Draws a Rebuttal." Taxpayersadvocate.org. February 8, 2007. <http://www.taxpayersadvocate.org>

158. Tanya Mannes. "Official Aims to Cut $10 Million in Budget," San Diego Union Tribune. February 7, 2007. <http://www.signonsandiego.com>

159. TaxpayersAdvocate.org. "A Fiscal Analysis of the City of Chula Vista, Chula Vista-the Looming Fiscal Crisis." October 25, 2006.

160. Weidner Consulting, Inc. Strategic Business Plan. "General Services Department." 2005.

161. Weidner Consulting, Inc. Strategic Business Plan. "City of Chula Vista Finance Department." 2004.

162. Weidner Consulting, Inc. Strategic Business Plan. "Chula Vista Information Technology Services Department." 1999.

163. Weidner Consulting, Inc. Strategic Business Plan. "Chula Vista Police Department." 1999.

164. Zucker Systems. "Community Planning Assessment." April 2003.

165. Zucker Systems. "Charting of Planning, Building & Engineering Processes." August 2000.

166. Zucker Systems. "Charting of Planning, Building & Engineering Processes, Draft." June 1, 2000.

167. Zucker Systems. "Analysis of Building Division." January 2000.

Economic & Planning Systems

Public Finance
Real Estate Economics
Regional Economics
Land Use Policy

APPENDIX A:

BACKGROUND DATA

Table of Contents
Appendix
Chula Vista Financial Review; EPS# 17006

Figure #	Name
Figure A-1	Residential Building Permits
Figure A-2	Cumulative Residential Units and Population
Figure A-3	General Fund Revenues
Figure A-4	General Fund Expenditures
Figure A-5	Chart of General Fund Revenues and Expenditures
Figure A-6	Chart of General Fund Revenues and Expenditures
Figure A-7	Chart of Projected General Fund Revenues and Expenditures
Figure A-8	Redevelopment Agency Revenues
Figure A-9	Redevelopment Agency Expenditures
Figure A-10	Personnel Positions and Service Costs
Figure A-11	Additions to City Assets
Figure A-12	PERS Required Contribution Rates

Figure A-1
Residential Building Permits
Chula Vista Financial Review; EPS #17006

Agency	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 (1)	2007	2008	2009	2010	2011
GMOC	914	1,028	1,339	2,505	2,618	3,525	2,250	3,143	3,300	1,654	1,180	1,761	2,530	2,095	2,890	2,875
OBA	914	1,028	1,339	2,505	2,618	3,525	2,250	3,143	3,300	1,654	1,180	1,601	1,873	1,732		

(1) 1996-2006 residential building permits use actual figures and 2007-2011figures are forecasted using GMOC.

Sources: Growth Management Oversight Commission, Office of Budget Analysis, Economic & Planning Systems, Inc.

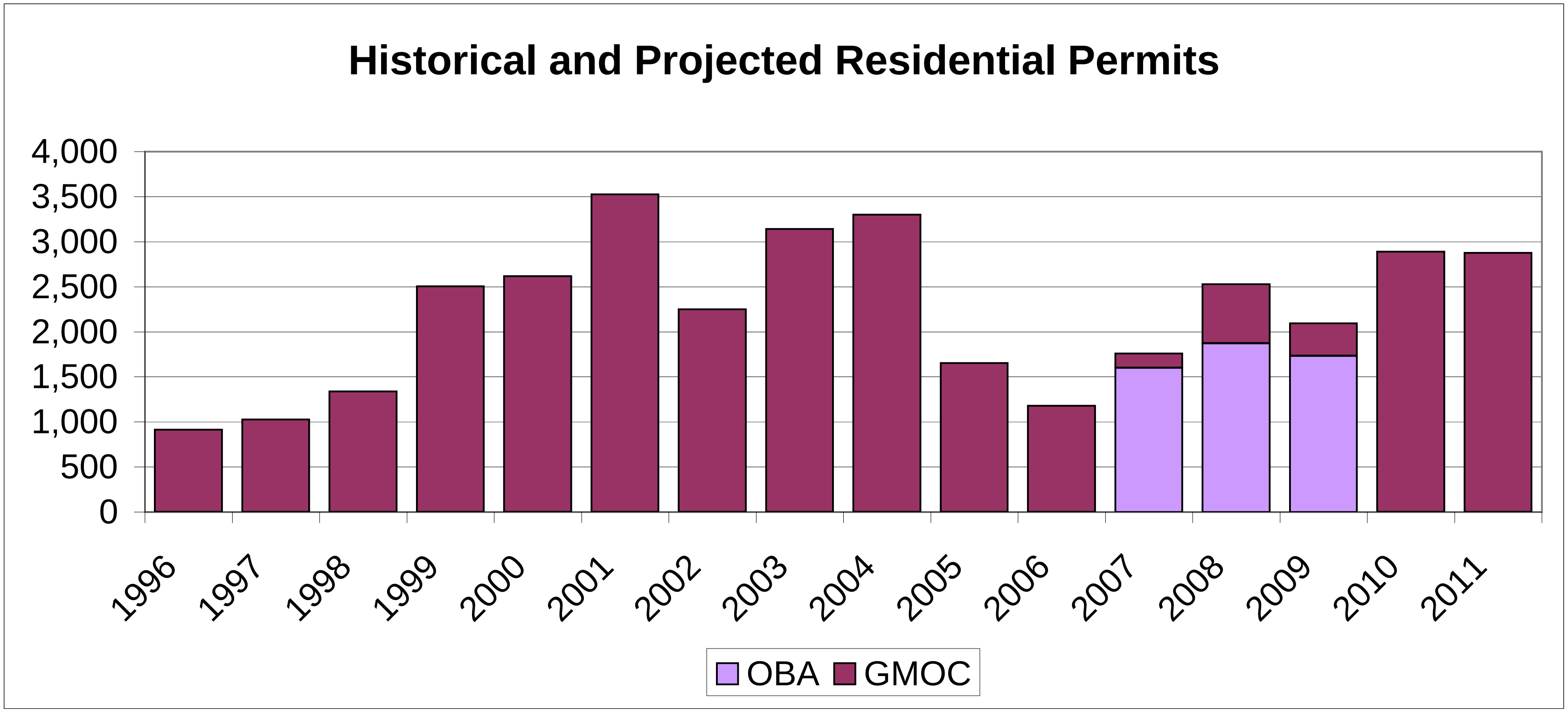


Figure A-2
Cumulative Residential Units and Population
Chula Vista Financial Review; EPS #17006

Chula Vista	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 (1)	2007 (2)	2008	2009	2010	2011
Units (1)	54,438	55,258	56,250	57,344	59,333	61,502	64,437	67,360	70,067	73,115	75,640	77,401	79,931	82,026	84,916	87,791
Population (2)	151,300	154,500	159,500	164,200	173,556	181,453	191,033	200,378	208,675	216,694	223,423	228,752	236,408	242,747	251,492	260,192
Annual Pop. Growth		2.1%	3.2%	2.9%	5.7%	4.6%	5.3%	4.9%	4.1%	3.8%	3.1%	2.4%	3.3%	2.7%	3.6%	3.5%

Sources: Chula Vista CAFR, Department of Finance, Economic & Planning Systems, Inc.

(1) 1996-2006 residential unit numbers use actual DOF figures. The 2007-2011 figures are calculated using GMOC forecasted residential permits from Table 1.
(2) 1996-2006 use actual DOF population figures and 2007-2011 figures are forecasted using the amount of GMOC residential permits and DOF 2006 person per household figure of 3.026.

Figure A-3
General Fund Revenues
Chula Vista Financial Review; EPS #17006

Functions/ Programs	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Property Tax											
Property Tax	$8,212,625	$8,342,059	$8,739,780	$9,378,123	$10,262,227	$11,525,823	$13,068,820	$14,649,804	$16,356,953	$18,134,869	$22,192,789
Total	**$8,212,625**	**$8,342,059**	**$8,739,780**	**$9,378,123**	**$10,262,227**	**$11,525,823**	**$13,068,820**	**$14,649,804**	**$16,356,953**	**$18,134,869**	**$22,192,789**
Other Local Taxes											
Sales Tax	$12,301,465	$12,891,662	$14,182,954	$15,051,971	$16,952,378	$18,820,155	$18,812,328	$19,612,779	$21,421,090	$23,600,000	$26,715,515
Franchise Fees	$2,169,052	$2,133,765	$2,442,580	$2,506,858	$4,771,768	$7,316,343	$11,195,480	$4,301,710	$7,820,569	$9,837,800	$9,492,759
Utilities Users Tax	$2,756,337	$2,921,407	$3,101,835	$3,452,338	$3,655,093	$3,931,223	$4,015,262	$4,770,817	$5,622,545	$6,579,578	$6,363,446
Business License Tax	$768,991	$753,433	$765,085	$876,991	$865,005	$1,081,811	$1,108,566	$1,085,986	$1,063,847	$1,185,187	$1,234,912
Transient Occupancy Tax	$1,337,981	$1,445,351	$1,684,156	$1,734,852	$1,990,855	$2,153,060	$2,051,203	$2,024,366	$2,159,678	$2,268,944	$2,336,204
Real Property Transfer Tax	$248,182	$329,006	$411,802	$517,577	$700,585	$882,413	$1,206,059	$1,359,756	$1,989,898	$2,439,190	$2,122,860
Total	**$19,582,008**	**$20,474,624**	**$22,588,412**	**$24,140,587**	**$28,935,684**	**$34,185,005**	**$38,388,898**	**$33,155,414**	**$40,077,627**	**$45,910,699**	**$48,265,696**
Licenses and Permits											
Licenses	$52,119	$63,020	$62,145	$69,697	$98,895	$93,276	$96,398	$109,162	$115,080	$105,408	$117,381
Dev/Improvement Permits	$1,406,447	$1,703,847	$1,821,583	$3,167,891	$3,214,904	$4,052,257	$3,101,806	$4,186,441	$4,690,902	$3,210,092	$2,697,584
Regulatory Permits	$204,380	$207,326	$224,635	$241,820	$241,264	$246,853	$260,441	$273,691	$261,786	$334,210	$401,576
Other Permits	$0	$0	$0	$1,313	$2,398	$2,139	$0				
Total	**$1,662,946**	**$1,974,193**	**$2,108,363**	**$3,480,721**	**$3,557,461**	**$4,394,525**	**$3,458,645**	**$4,569,294**	**$5,067,768**	**$3,649,710**	**$3,216,541**
Fines, Forfeitures, Penalties											
Community Appearance Penalties		$90,829	$64,621	$180,790	$329,550	$312,747	$249,031	$259,780	$242,795	$197,942	$458,749
Law Enforcement Penalties		$125,420	$147,277	$160,528	$181,774	$214,219	$177,086	$157,988	$176,629	$148,739	$168,900
Parking Penalties		$198,577	$180,118	$183,138	$240,885	$230,625	$316,287	$302,578	$344,756	$273,171	$307,647
Other Penalties		$186,762	$195,287	$196,181	$179,052	$139,668	$178,127	$202,591	$204,333	$205,049	$208,893
Total	**$570,217**	**$601,588**	**$587,303**	**$720,637**	**$931,261**	**$897,259**	**$920,531**	**$922,937**	**$968,513**	**$824,901**	**$1,144,189**
Use of Money & Property											
Investment Earnings		$638,252	$909,018	$1,698,539	$1,076,432	$1,856,461	$2,795,157	$1,831,324	-$238,982	$1,044,926	$279,277
Sales of Real Property		$22,816	$343,345	$19,318	$276,132	$64,760	$50,569	$1,184	$18,179	$123	$361
Sales of Personal Property		$160	$400	$100	$877	$570	$21,306	$25,555	$6,627	$13,742	$11,182
Rental/Lease of Equipment		$81,046	$77,873	$62,493	$65,016	$86,029	$81,226	$83,522	$122,819	$137,472	$123,365
Rental/Lease of Land and Space		$80,897	$345,058	$337,449	$354,238	$357,220	$381,504	$378,802	$416,185	$423,664	$444,915
Rental/Lease of Buildings		$182,034	$204,342	$223,265	$318,128	$297,531	$265,920	$421,121	$512,236	$435,460	$638,821
Totals	**$1,258,403**	**$1,005,205**	**$1,880,036**	**$2,341,164**	**$2,090,823**	**$2,662,571**	**$3,595,682**	**$2,741,508**	**$837,064**	**$2,055,387**	**$1,497,921**
Revenues from Other Agencies											
Sales Tax	$353,270	$370,281	$435,991	$463,871	$537,779	$592,875	$573,304	$600,308	$655,051	$720,941	$777,551
State Grants		$950,571	$987,039	$431,385	$381,898	$1,314,803	$774,360	$841,248	$1,565,194	$821,142	$797,928
State Tax Sharing		$179,520	$180,009	$177,311	$187,662	$194,151	$210,796	$216,868	$233,672	$250,606	$275,999
Motor Vehicle License Fees		$6,048,901	$6,539,413	$7,245,046	$8,079,382	$9,213,568	$10,252,818	$11,007,909	$9,137,716	$13,941,204	$18,354,839
State Subvention-Booking Fees		$0	$0	$0	$269,192	$269,192	$269,192	$269,192	$269,192	$269,192	$305,049
State Reimbursements		$3,405	$37,837	$50,556	$29,573	$5,573	$3,245	$2,926	$5,428	$4,485	$773,879
Federal Grants		$1,111,793	$1,663,599	$1,837,613	$2,757,141	$2,470,840	$2,743,760	$2,554,912	$2,617,845	$2,215,218	$2,656,964
Federal Reimbursements		$22,417	$29,704	$58,959	$22,328	$66,921	$115,208	$91,615	$49,274	$83,467	$97,138
Other Agency Grants		$50,000	$12,500	$40,996	$31,600	$17,082	$56,177	$105,290	$115,286	$108,467	$46,110
Other Agency Revenue		$0	$0	$0	$613,500	$670,551	$883,440	$865,992	$955,276	$1,145,566	$1,330,798
Totals	**$6,840,471**	**$8,736,888**	**$9,886,092**	**$10,305,737**	**$12,910,055**	**$14,815,556**	**$15,882,300**	**$16,556,260**	**$15,603,934**	**$19,560,288**	**$25,416,255**

Figure A-3
General Fund Revenues
Chula Vista Financial Review; EPS #17006

Functions/ Programs	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Charges for Services											
Zoning Fees		$214,093	$224,778	$267,624	$763,976	$1,220,130	$1,941,654	$2,359,485	$7,966,767	$7,539,149	$8,162,093
Subdivision Fees		$420,652	$517,345	$636,860	$10	$21	$0				
Document Fees		$50,638	$58,727	$96,071	$109,931	$88,252	$28,575	$25,797	$24,904	$27,698	$45,301
Plan Check Fees		$1,173,887	$1,320,999	$2,635,746	$2,226,197	$2,607,829	$1,115,341	$1,693,248	$1,614,866	$1,760,972	$1,951,512
Inspection Fees		$467,726	$421,332	$580,950	$1,187,545	$1,709,384	$1,378,983	$1,550,483	$109,826	$124,098	$168,880
Filing Fees		$126,547	$93,835	$59,037	-$1,011	$432,531	$198,545	$45,285	$0	$228	$0
Development Agreement Fees		$529,904	$950,572	$1,790,019	$2,000,665	$2,247,120	$2,627,890	$3,158,867	$0	$0	$0
Other Development Fees		$13,251	$87,914	$78,726	$42,693	$141,987	$65,792	$122,186	$38,647	$9,152	
Animal Shelter Contracts		$5,540	$4,518	$3,640	$7,949	$8,075	$8,435	$7,359	$5,540	$6,655	$8,930
Dispatch Contracts		$44,832	$45,068	$47,608	$40,717	$65,412	$17,160				
Information Systems Services		$126,839	$127,561	$114,371	$52,951	$34,345	$30,334	$18,416	$12,671	$16,242	$12,114
Services to the Port District		$742,140	$715,552	$931,700	$732,957	$851,433	$864,006	$1,053,659	$919,332	$953,058	$544,810
Youth Center Utilities Reimb		$16,921	$14,746	$12,389	$12,628	$6,606	$34,698	$24,246	$35,304	$39,144	$35,181
Recreation Program Fees		$458,287	$384,685	$396,619	$439,421	$509,664	$548,526	$598,324	$736,773	$757,219	$836,950
Class Admission Fees		$26,888	$25,168	$92,693	$196,581	$152,723	$180,781	$241,980	$277,439	$309,698	$360,164
Referral Fees		$26,214	$31,523	$49,018	$61,260	$63,020	$51,105	$53,466	$44,018	$41,589	$68,902
Staff Services Reimb		$493,720	$682,629	$767,629	$898,276	$1,192,534	$1,700,396	$1,729,211	$1,684,792	$1,869,142	$1,999,799
Fees for Other Services		$290,232	$276,100	$328,432	$558,126	$816,769	$679,064	$721,734	$924,925	$1,028,870	$1,023,739
Totals	**$2,801,116**	**$5,228,311**	**$5,983,052**	**$8,889,132**	**$9,330,872**	**$12,147,835**	**$11,471,285**	**$13,403,746**	**$14,395,804**	**$14,482,914**	**$15,218,375**
Other Revenue											
Gas Tax Reimb					$0	$1,888	$0				
DIF Reimbursements		$585,293	$461,591	$326,742	$520,381	$569,103	$947,979	$1,552,538	$1,379,332	$1,620,897	$1,359,035
Transit Reimbursements		$0	$286,164	$409,543	$332,302	$489,480	$552,983	$719,966	$791,975	$844,585	$762,460
Redevelopment Agency Reimb		$1,612,012	$1,515,233	$1,688,694	$2,028,005	$2,709,784	$3,181,408	$3,056,624	$3,380,363	$3,933,859	$4,253,714
Open Space/ Assess Dist Reimb		$0	$414,391	$512,241	$555,000	$771,195	$882,587	$1,042,910	$1,345,418	$1,660,065	$1,822,198
CIP Reimb		$1,233,446	$1,055,576	$929,756	$1,162,478	$1,929,333	$2,243,742	$2,600,141	$3,197,833	$3,870,831	$4,333,556
CDBG/HOME Reimb		$0	$383,450	$398,894	$584,916	$542,282	$503,942	$637,652	$741,080	$1,044,783	$1,567,320
Other City Funds Reimb		$1,600,758	$182,697	$164,915	$342,117	$518,429	$447,437	$603,185	$802,028	$995,498	$2,767,452
Assessments		$0	$23,498	$9,897	$3,874	$3,700	$3,695	$3,533	$3,865	$3,689	$3,693
Collection Charges		$81,540	$75,267	$79,275	$27,177	$15,157	$74,360	$121,276	$92,863	$183,391	$150,673
Sales of Goods		$411	$0	$0	$0	$0	$758	$50,103	$55,026	$51,440	$57,385
Other Revenues		$1,504,174	$540,195	$1,149,507	$2,750,619	$1,666,579	$2,488,383	$3,143,052	$3,942,909	$3,229,578	$2,489,702
Totals	**$9,019,972**	**$6,617,634**	**$4,938,062**	**$5,669,464**	**$8,306,869**	**$9,216,930**	**$11,327,274**	**$13,530,980**	**$15,732,692**	**$17,438,616**	**$19,567,188**
Transfers In											
Gas Tax Fund		$2,329,827	$2,322,066	$2,334,775	$2,260,000	$2,365,320	$2,559,533	$2,559,533	$3,102,012	$3,096,211	$3,858,092
Fed Aid to Urb					$0	$0	$0	$0	$332,154	$0	$0
Traffic Signal		$0	$0	$0				$0	$50,000	$0	$0
Workers Comp Fund								$447,045	$0	$0	$0
Traffic Safety		$143,516	$141,802	$279,489	$385,182	$300,000	$417,768	$460,301	$686,015	$633,645	$527,984
Asset Seizure Fund		$114,068	$249,836	$65,000	$45,000	$334,710	$0	$63,620	$0	$200,000	$0
CA Library Service		$276,636	$165,533	$258,199	$145,682	$44,500	$74,509	$82,126	$71,875	$92,112	$74,612
Public Library		$99,500	$92,232	$191,598	$280,285	$288,850	$281,187	$179,535	$88,956	$84,276	$70,647

Figure A-3
General Fund Revenues
Chula Vista Financial Review; EPS #17006

Functions/ Programs	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Disaster Assist		$0	$0	$123,000	$0	$0	$0	$0	$323,140	$0	$0
Sewer Service Rsrv		$3,225,028	$3,559,046	$3,563,356	$3,795,745	$4,362,849	$6,019,077	$6,485,503	$7,376,486	$7,961,050	$8,581,664
Strom Drain Rev		$120,384	$127,083	$130,179	$236,015	$299,228	$413,157	$525,331	$700,227	$996,694	$1,357,355
CV Hsng Authority								$0	$0	$0	$147,000
CDBG					$0	$0	$0	$32,900	$0	$0	$232,235
Central Garage					$0	$0	$25,000	$25,000	$27,500	$29,562	$31,188
Equipment Rplcmnt											$2,400,000
Central Stores					$0	$0	$0	$0	$15,000	$15,000	$1,000,000
Transit/CVT Fund								$0	$0	$0	$119,767
03 Ref COP Fund								$2,250,000	$0	$0	$0
PFDIF- Civic Center					$0	$0	$0	$0	$0	$1,030,387	$0
PD Facility Remdl		$0	$0	$0	$245,426	$0	$0	$0	$447,428	$0	$0
Corp Yard Relocate		$0	$0	$0	$189,034	$0	$0	$0	$120,160	$334,546	$0
Lib East Territory					$0	$0	$0	$0	$0	$288,262	$2,154,748
Fire Sup Sys Expn					$0	$0	$0	$0	$0	$475,224	$0
RDA BF/TC I		$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$385,443	$385,443	$385,443	$15,000
CIP Fund					$0	$0	$5,205,000	$0	$0	$797	$0
CIP w/ fiscal agent											$391,311
Bike Facilities Fd								$0	$0	$0	$31,734
Swr Facility Repl								$0	$0	$82,990	$281,079
Parking Meter Fund		$50,000	$50,000	$35,000	$35,000	$0	$0				
Special Sewer Fund		$0	$18,290	$0	$0	$50,000	$0				
CFD 07M-EL Woods					$0	$0	$0				
CFD 08M-Vlg 6 MM/OR					$0	$0	$0				
CFD 09M- OR Vlg II					$0	$0	$0				
BECA Corporation		$0	$0	$0	$307	$0	$0				
CDBG Hsg Prgm		$0	$0	$0							
Low & Mod Inc Hsng		$0	$0	$16,590							
Open Space District 4		$0	$0	$0							
PFDIF Fire		$0	$293,000	$31,262							
PFDIF		$0	$0	$0							
RDA TC II		$0	$0	$0							
Public Liability Trust		$156,000	$400,000	$0							
Unemployment Insurance		$0	$0	$25,503							
Las Flores Assess		$0	$141,136	$0							
Other Funds		$1,658,271	$125,616	$198,739							$16,595
Totals	**$6,186,131**	**$8,188,230**	**$7,700,640**	**$7,267,690**	**$7,632,676**	**$8,060,457**	**$15,010,231**	**$13,496,337**	**$13,726,396**	**$15,706,199**	**$21,291,011**
General Fund Total	**$56,133,889**	**$61,168,732**	**$64,411,740**	**$72,193,255**	**$83,957,928**	**$97,905,961**	**$113,123,666**	**$113,026,280**	**$122,766,751**	**$137,763,583**	**$157,809,965**

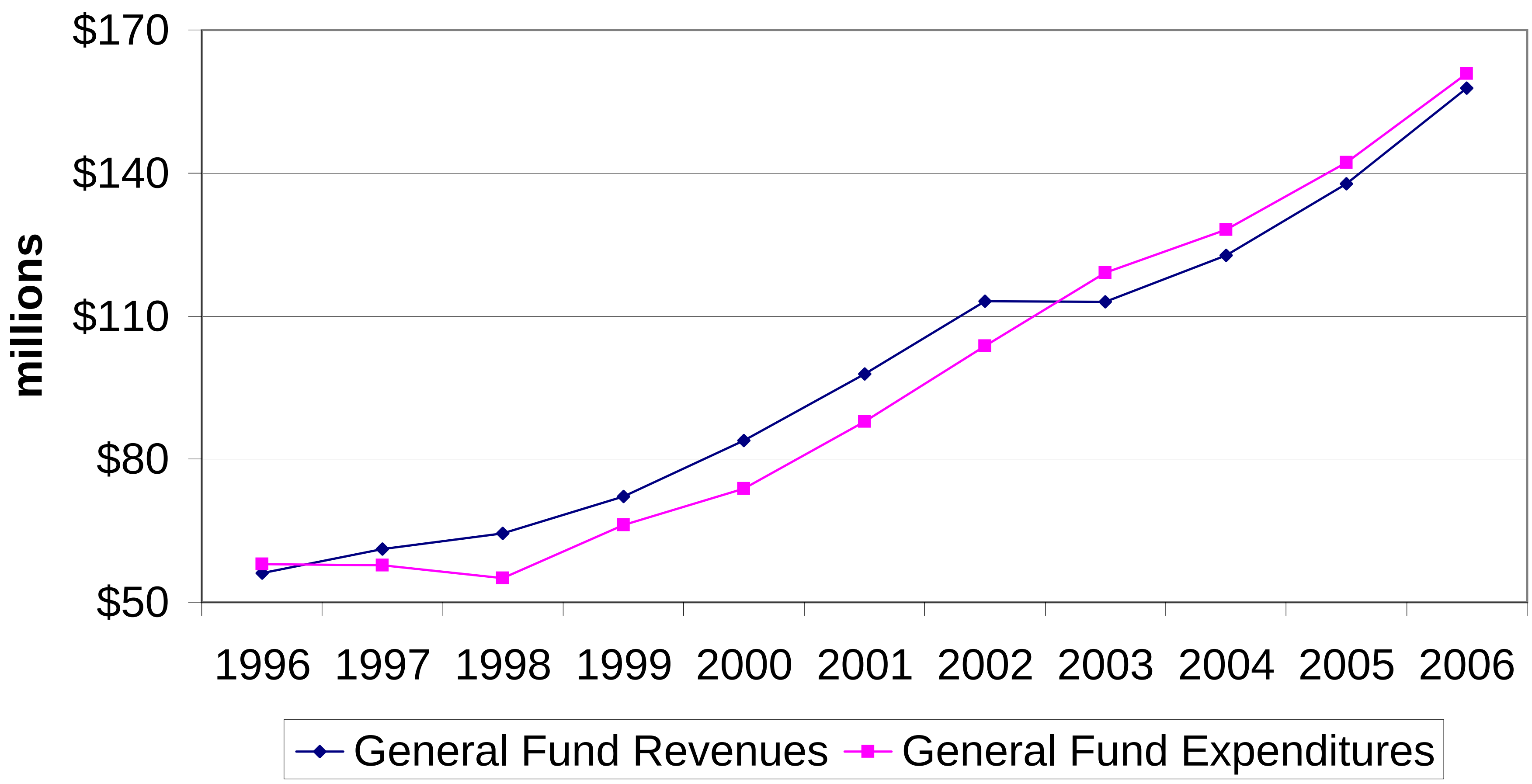
Sources: MuniCast (03-20-07), FY 2007 Adopted Budget Update, FY '04 & '05 Adopted Budget Vol. I, FY '00-01 Adopted Budget, FY '99-00 Adopted Budget.

Figure A-4
General Fund Expenditures
Chula Vista Financial Review; EPS #17006

Functions/ Programs	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Legislative and Administration											
City Council	$380,298	$384,869	$386,238	$427,298	$464,134	$507,754	$541,594	$716,351	$940,902	$1,177,743	$1,513,721
Boards and Commissions	$35,074	$35,814	$3,350	$31,154	$3,005	$4,192	$8,964	$6,759	$7,101	$4,837	$5,995
City Attorney	1,037,706	$948,690	$830,290	$1,042,314	$1,122,987	$1,201,620	$1,560,672	$1,662,470	$2,071,101	$2,008,371	$2,444,294
City Clerk	$249,961	$223,899	$207,533	$387,302	$370,506	$517,128	$629,133	$668,859	$800,545	$870,782	$1,153,689
Administration	$981,780	$869,962	$949,916	$1,066,884	$2,347,135	$2,882,289	$3,505,693	$5,437,290	$4,754,977	$4,911,195	$3,921,934
Management & Information	$797,470	$742,588	$774,906	$1,335,157	$1,704,658	$2,178,672	$2,770,009	$2,979,419	$3,159,711	$3,427,130	$4,014,506
Human Resources	$2,643,251	$2,503,969	$2,156,343	$2,770,528	$2,360,617	$2,568,973	$4,516,488	3,205,628	$3,796,945	$3,961,465	$5,110,626
Finance	$1,354,048	$1,317,897	$1,447,874	$1,614,124	$1,871,512	$2,051,558	$2,078,252	$2,309,412	$2,449,968	$2,568,824	$2,974,595
Non Departmental	$148,974	-$659,943	$736,424	$1,613,367	-$130,713	$3,603,542	$5,311,468	$9,398,676	$4,136,247	$3,172,232	$5,472,116
Total	**$7,628,562**	**$6,367,745**	**$7,492,874**	**$10,288,128**	**$10,113,841**	**$15,515,728**	**$20,922,273**	**$26,384,864**	**$22,117,497**	**$22,102,579**	**$26,611,476**
Development & Maintenance Services											
General Services							$900	$0	$4,807,890	$13,172,220	$10,309,362
Community Development	$2,285,059	$1,924,054	1,328,638	$1,325,809	$1,463,041	$1,892,933	$2,220,258	$2,512,732	$3,162,834	$3,741,911	$3,944,663
Planning & Building	$2,908,870	$2,684,869	2,755,303	$3,923,974	$4,914,868	$5,577,760	$6,866,918	$7,785,878	$9,125,870	$9,782,397	$10,693,725
Engineering							$0	$9,377,811	$10,254,124	-$839	$7,096,250
Public Works Operation	$10,734,719	$10,665,860	11,070,424	$14,351,591	$16,538,617	$19,516,242	$23,160,640	$16,267,336	$14,906,954	$18,693,366	$19,635,280
Total	**$15,928,648**	**$15,274,783**	**$15,154,365**	**$19,601,374**	**$22,916,526**	**$26,986,935**	**$32,248,716**	**$35,943,757**	**$42,257,672**	**$45,389,055**	**$51,679,280**
Culture & Leisure											
Library	$3,684,479	$3,686,905	$3,873,056	$6,501,979	$5,500,634	$6,355,834	$6,900,255	$7,630,165	$7,513,643	$8,929,753	$9,680,387
Recreation	$5,043,472	$5,187,435		$0	$2,762,900	$3,618,944	$4,197,104	$3,861,033	$3,846,337	$4,308,327	$5,178,954
Nature Center						$0	-$187	$851,496	$912,945	$995,407	$1,031,090
Total	**$8,727,951**	**$8,874,340**	**$3,873,056**	**$6,501,979**	**$8,263,534**	**$9,974,778**	**$11,097,172**	**$12,342,694**	**$12,272,925**	**$14,233,487**	**$15,890,431**
Public Safety											
Police	$18,311,865	19,600,759	$20,725,683	$21,754,962	$24,236,995	26,583,207	29,269,841	$33,448,840	$37,152,174	$42,544,921	$45,340,398
Fire	$7,359,668	7,657,753	$7,768,328	$7,984,623	$8,322,527	$8,865,914	10,140,026	$10,920,654	$14,307,475	$17,925,475	$21,305,375
Total	**$25,671,533**	**$27,258,512**	**$28,494,011**	**$29,739,585**	**$32,559,522**	**$35,449,121**	**$39,409,867**	**$44,369,494**	**$51,459,649**	**$60,470,396**	**$66,645,773**
Subtotal	**$57,956,694**	**$57,775,380**	**$55,014,306**	**$66,131,066**	**$73,853,423**	**$87,926,562**	**$103,678,028**	**$119,040,809**	**$128,107,743**	**$142,195,517**	**$160,826,960**

Sources; Muni cast (03-20-07), FY 06-07 Adopted Budget Vol II, FY 04&05 Adopted Budget Vol II, FY 02 & 03 Adopted Budget, FY 00-01 Adopted Budget, FY 99-00 Adopted Budget, FY 98-99 Proposed Budget, FY 97-98 Proposed Budget, Economic & Planning Systems, Inc.

Figure A-5
Chart of General Fund Revenues and Expenditures



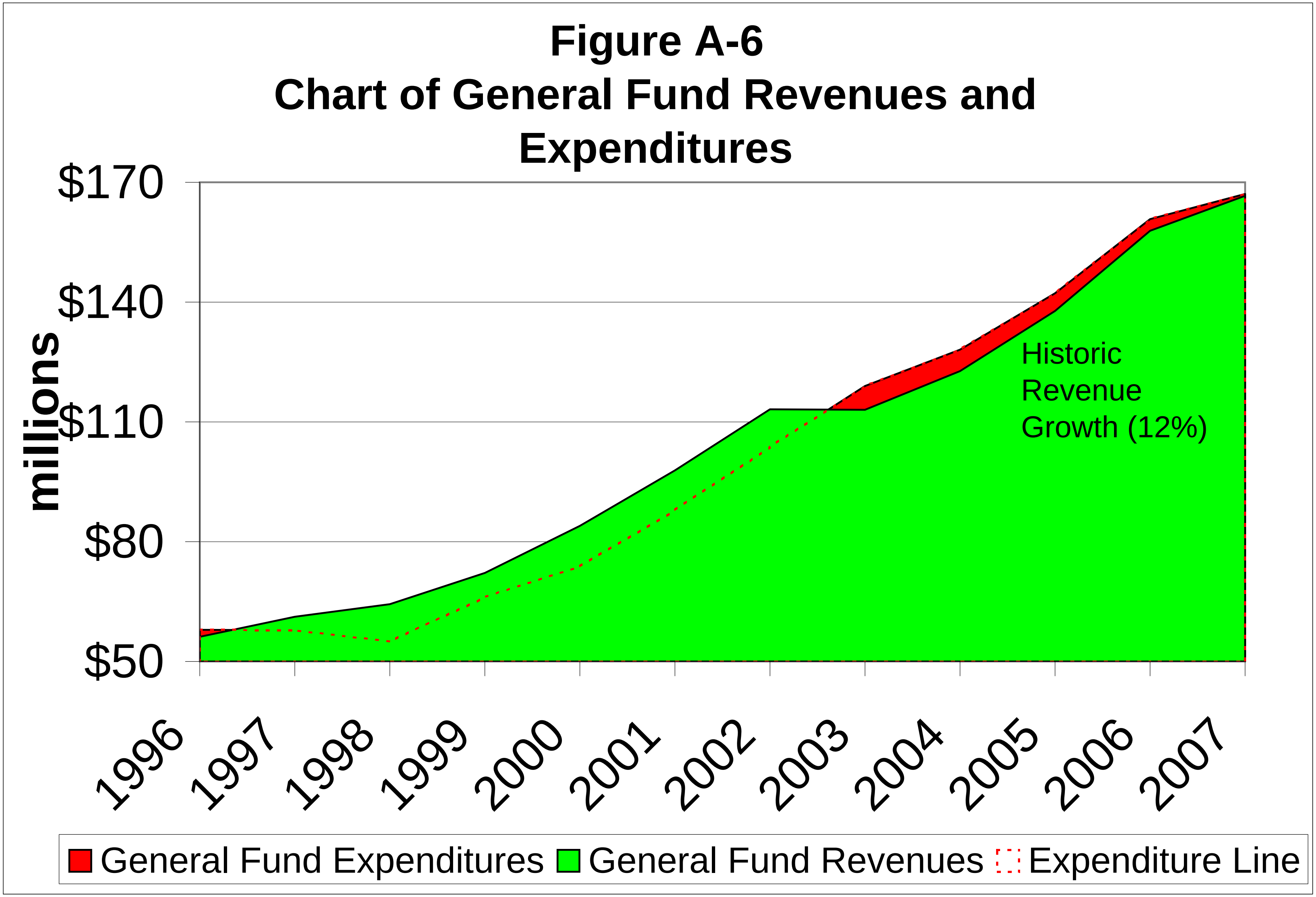


Figure A-6
Chart of General Fund Revenues and Expenditures
millions
$170
$140
$110
$80
$50
Historic
Revenue
Growth (12%)
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
General Fund Expenditures
General Fund Revenues
Expenditure Line

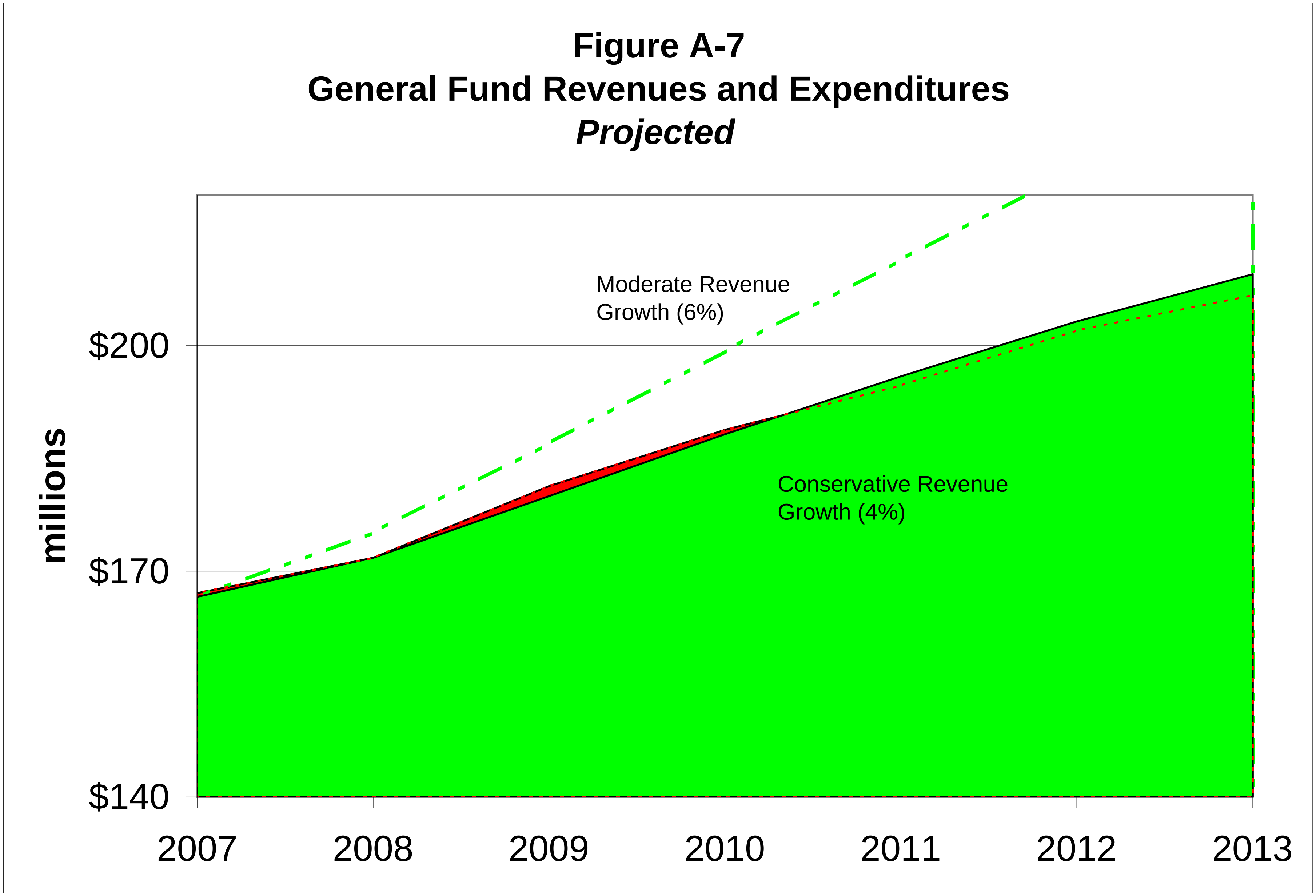


Figure A-7
General Fund Revenues and Expenditures
Projected
Moderate Revenue Growth (6%)
Conservative Revenue Growth (4%)
millions
$200
$170
$140
2007
2008
2009
2010
2011
2012
2013

Figure A-8
Redevelopment Agency Revenues
Chula Vista Financial Review; EPS #17006

Functions/ Programs	1999	2000	2001	2002	2003 budget	2004	2005 projected	2006 adopted
Redevelopment Agency Fund 600								
Property Taxes	$2,294,733	$2,390,425	$2,505,015	$2,218,854	$1,947,926	$3,978,613	$3,049,166	$2,650,245
Use of Money and Property	$550,625	$204,276	$2,536,843	$6,003,571	$883,118	$416,235	$2,979,534	$1,175,060
Revenue from Other Agencies		$0	$361,367					
Development Impact Fees	$0	$450	($19)			$6,874	$0	$0
Other Revenue	$2,342,085	$2,921,966	$19,366,936	$283,336	$75,000	$620,131	$0	$50,000
Transfer In	$402,367	$556,000	$545,000	$1,948,043	$2,496,609	$0	$625,000	$135,200
Total	**$5,589,810**	**$6,073,117**	**$25,315,142**	**$10,453,804**	**$5,402,653**	**$5,021,853**	**$6,653,700**	**$4,010,505**
SW Tax Agreement Funds 670								
Property Taxes	$0	$401,583	$557,237	$441,523	$773,019	$734,166	$814,429	$890,691
Use of Money & Property	$0	$27,559	$36,386	$45,328	$33,025	$4,290	$11,595	$615
Total	**$0**	**$429,142**	**$593,623**	**$486,851**	**$806,044**	**$738,456**	**$826,024**	**$891,306**
Housing Program Funds 310								
Property Taxes	$1,183,503	$1,164,961	$1,405,176	$1,293,521	$1,433,039	$1,950,856	$1,644,412	$1,677,292
Use of Money & Property	$437,653	$437,428	$400,731	$340,826	$316,209	$80,224	$109,822	$116,523
Revenue from Other Agencies	$0	$0	$0			$0	$87,169	$87,011
Charges for Service	($330)							
Other Revenue	$5,871	$85,228	$97,210	$103,717	$9,625	$44,196	$42,753	$181,442
Transfer In	$284,306	$862,020	$306,613	$305,946	$323,347	$6,332	$11,000	$10,000
Total	**$1,911,003**	**$2,549,637**	**$2,209,730**	**$2,044,010**	**$2,082,220**	**$2,081,608**	**$1,895,156**	**$2,072,268**
Industrial Dev Authority Fund 725								
Use of Money	$0	$391	$441	$329	$430	$221	$351	$0
Total	**$0**	**$391**	**$441**	**$329**	**$430**	**$221**	**$351**	**$0**
Debt Service- RDA Funds 680								
Property Taxes	$2,383,789	$2,431,700	$3,072,817	$3,078,368	$3,538,327	$3,653,939	$3,507,080	$3,742,725
Use of Money & Property	$206,786	$336,407	$422,367	$382,284	$72,785	$184,185	$278,631	$231,000
Transfer In	$0	$1,926,110	$1,985,026	$9,885,743	$3,163,938	$750,300	$5,347,343	$5,394,310
Total	**$2,590,575**	**$4,694,217**	**$5,480,210**	**$13,346,395**	**$6,775,050**	**$4,588,424**	**$9,133,054**	**$9,368,035**
Total Revenues								
Property Taxes	$5,862,025	$6,388,669	$7,540,245	$7,032,266	$7,692,311	$10,317,574	$9,015,087	$8,960,953
Use of Money and Property	$1,195,064	$1,006,061	$3,396,768	$6,772,338	$1,305,567	$685,155	$3,379,933	$1,523,198
Revenue from Other Agencies	$0	$0	$361,367	$0	$0	$0	$87,169	$87,011
Development Impact Fees	$0	$450	($19)	$0	$0	$6,874	$0	$0
Other Revenue	$2,347,956	$3,007,194	$19,464,146	$387,053	$84,625	$664,327	$42,753	$231,442
Transfer In	$686,673	$3,344,130	$2,836,639	$12,139,732	$5,983,894	$756,632	$5,983,343	$5,539,510
Charges for Service	($330)							
Total	**$10,091,388**	**$13,746,504**	**$33,599,146**	**$26,331,389**	**$15,066,397**	**$12,430,562**	**$18,508,285**	**$16,342,114**

Sources: FY 2006 & 2007 Adopted Budget, FY 2004 & 2005 Adopted Budget Vol. II, FY 2003 Adopted Budget, FY 2002 & 2003 Adopted Budget, FY 2000-2001 Adopted Budget

Figure A-9
Redevelopment Agency Expenditures
Chula Vista Financial Review; EPS #17006

Functions/ Programs	1999	2000	2001	2002	2003 budget	2004	2005 projected	2006 adopted
Redevelopment Agency Fund 600								
Personnel Services	$0	$2,074						
Supplies and Services	$2,218,976	$482,128	$662,175	$781,820	$763,355	$542,361	$655,109	$887,859
Other Expenses	$4,413,984	$2,880,529	$4,724,112	$3,872,360	$3,176,751	$3,146,697	$5,892,276	$4,576,169
Capital	$83,458	$31,714	$24,806	$1,300,000	$867,600			
Transfers Out	$0	$2,520,104	$2,023,020	$10,001,840	$4,305,722	$1,022,752	$3,794,600	$4,252,335
CIP Project Expenditures	$0	$258,603	$823,918	$4,933,616	$435,291	$588,186	$849,189	$303,000
Total	**$6,716,418**	**$6,175,152**	**$8,258,031**	**$20,889,636**	**$9,548,719**	**$5,299,996**	**$11,191,174**	**$10,019,363**
SW Tax Agreement Funds 670								
Supplies and Services	$2,990,334							
Other Expenses	$0	$382,430	$589,801	$462,447	$806,224	$740,760	$826,024	$953,076
Total	**$2,990,334**	**$382,430**	**$589,801**	**$462,447**	**$806,224**	**$740,760**	**$826,024**	**$953,076**
Housing Program Funds 310								
Personnel Services	$0	$0	$0	$0	$1,065			
Supplies and Services	$35,275	$66,676	$29,539	$152,213	$151,050	$141,721	$200,362	$189,277
Other Expenses	$290,026	$422,759	$492,326	$807,036	$2,139,554	$783,191	$744,461	$892,645
Capital	$209,633	$137,186	$165,722	$156,713	$321,767	$124,495	$321,967	$321,967
Transfer Out	$0	$867,915	$557,508	$11,841	$486,985	$11,872	$15,509	$160,404
Non-CIP Project Expenditures						$0	$87,169	$82,661
Total	**$534,934**	**$1,494,536**	**$1,245,095**	**$1,127,803**	**$3,100,421**	**$1,061,279**	**$1,369,468**	**$1,646,954**
Industrial Dev Authority Fund 725								
Supplies and Services	$0	$0	$0	$0	$985	$0	$985	$0
Other Expenses	$0	$0	$0	$0	$1,820	$0	$2,152	$0
Total	**$0**	**$0**	**$0**	**$0**	**$2,805**	**$0**	**$3,137**	**$0**
Debt Service- RDA Funds 680								
Supplies and Services	$5,153	$18,367	$18,279	$18,276	$30,200	$18,397	$19,700	$24,950
Other Expenses	$0	$4,609,487	$4,948,945	$7,021,809	$5,728,699	$14,837,271	$5,332,230	$5,466,403
Transfer Out				$1,948,044	$115,000	$483,618	$1,993,754	$2,510,255
Total	**$5,153**	**$4,627,854**	**$4,967,224**	**$8,988,129**	**$5,873,899**	**$15,339,286**	**$7,345,684**	**$8,001,608**
Total Expenditures								
Personnel Services	$0	$2,074	$0	$0	$1,065	$0	$0	$0
Supplies and Services	$5,249,738	$567,171	$709,993	$952,309	$945,590	$702,479	$876,156	$1,102,086
Other Expenses	$4,704,010	$8,295,205	$10,755,184	$12,163,652	$11,853,048	$19,507,919	$12,797,143	$11,888,293
Capital	$293,091	$168,900	$190,528	$1,456,713	$1,189,367	$124,495	$321,967	$321,967
Transfers Out	$0	$3,388,019	$2,580,528	$11,961,725	$4,907,707	$1,518,242	$5,803,863	$6,922,994
CIP Project Expenditures	$0	$258,603	$823,918	$4,933,616	$435,291	$588,186	$849,189	$303,000
Non-CIP Project Expenditures	$0	$0	$0	$0	$0	$0	$87,169	$82,661
Total	**$10,246,839**	**$12,679,972**	**$15,060,151**	**$31,468,015**	**$19,332,068**	**$22,441,321**	**$20,735,487**	**$20,621,001**

Sources: FY 2006 & 2007 Adopted Budget, FY 2004 & 2005 Adopted Budget Vol. II, FY 2003 Adopted Budget, FY 2002 & 2003 Adopted Budget, FY 2000-2001 Adopted Budget

Figure A-10
Personnel Positions and Service Costs
Chula Vista Financial Review; EPS #17006

Functions/ Programs	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Personnel Service Cost (1)	$47,677,843	$44,486,785	$49,585,887	$52,834,707	$57,449,732	$66,574,000	$74,197,000	$85,407,000	$97,424,000	$113,081,000	$122,674,000
Annual Average Growth Rate		-7%	11%	7%	9%	16%	11%	15%	14%	16%	8%
Permanent Positions	843	846	873	918	946	993	1,060	1,087	1,169	1,205	1,227
Positions per 1,000 Population	5.6	5.5	5.5	5.6	5.5	5.5	5.6	5.4	5.6	5.6	5.5
Cost Per Employee	$56,565	$52,579	$56,813	$57,532	$60,717	$67,043	$69,981	$78,564	$83,332	$93,816	$99,960

(1) All personnel service cost include PERS.

Sources: FY 2006 & 2007 Adopted Budget Vol. I, FY 2004 & 2005 Adopted Budget Vol. I, FY 2002 & 2003 Adopted Budget. FY 2000-2001 Adopted Budget, FY 1999-2000 Adopted Budget, FY 1998-1999 Proposed Budget, FY 1997-1998 Proposed Budget, FY 1996-1997 Proposed Budget

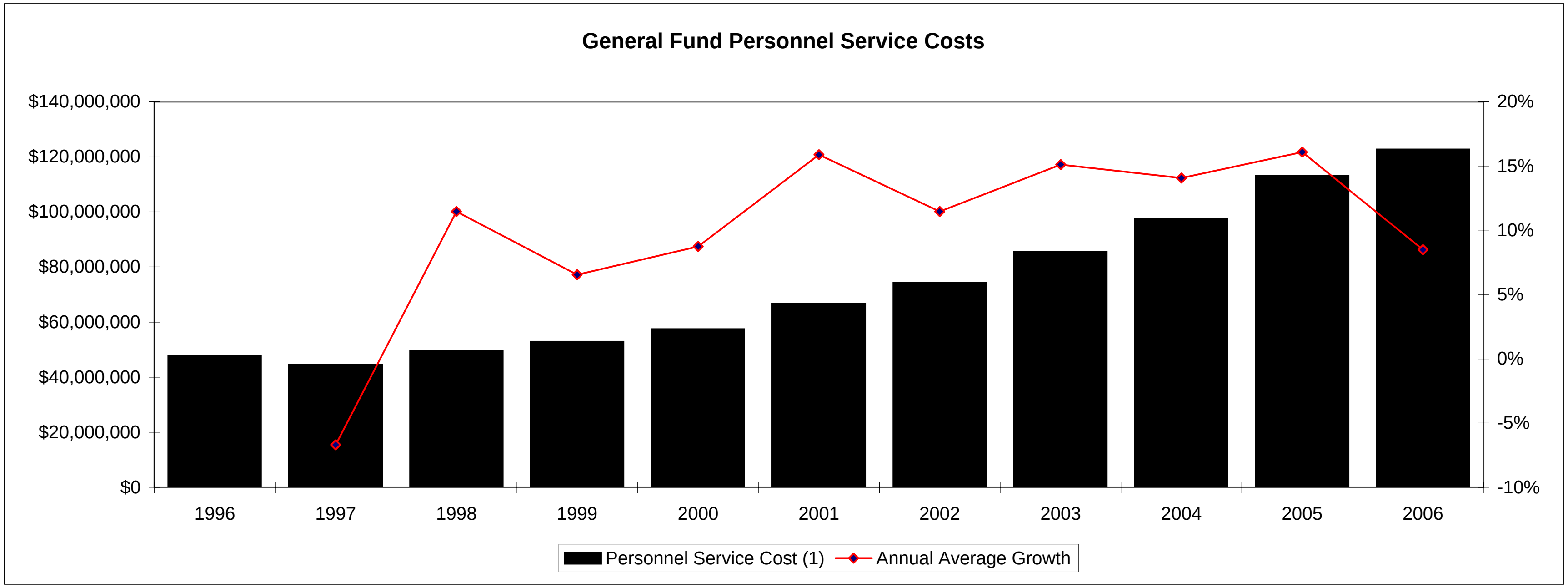


Figure A-11
Additions to City Assets
Chula Vista Financial Review

Item	Fiscal Year Ending (1) 2002	2003	2004	2005	2006	5-Year Total
Land	$4.8	$3.9	$6.6	$8.7	$2.5	$26.5
Construction in Progress	22.9	29.6	30.0	32.8	42.5	157.8
Buildings	0.1	27.5	1.0	--	77.2	105.8
Other Improvements	--	2.0	3.4	5.7	4.0	15.1
Machinery and Equipment	3.9	3.5	3.4	3.7	3.0	17.5
Infrastructure	11.7	153.9	60.4	69.8	67.1	362.9
Total	$43.4	$220.4	$104.8	$120.7	$196.3	$685.6

(1) 2006 shows governmental activities; other years include business-type activities.

Sources: Comprehensive Annual Financial Reports 2002-2006, Notes to Financial Statements; Economic and Planning Systems, Inc.

Figure A-12
PERS Required Contribution Rates
Chula Vista Financial Review; EPS# 17006

Contribution	Fiscal Year Ending 2002	2003	2004	2005	2006
Public Safety					
Employer (1)	0.00%	0.00%	5.78%	24.47%	23.25%
Other (2)	9.00%	9.00%	9.00%	9.00%	9.00%
Total	9.00%	9.00%	14.78%	33.47%	32.25%
Miscellaneous					
Employer (1)	0.00%	0.00%	12.02%	15.98%	20.15%
Other (2)	8.00%	8.00%	8.00%	8.00%	8.00%
Total	8.00%	8.00%	20.02%	23.98%	28.15%

(1) Does not include additional City costs to repay Pension Obligation Bond.

(2) "Other" includes City funded employee share.

Sources: CalPERS Actuarial Valuation Reports