

CITY COUNCIL AGENDA STATEMENT



NOVEMBER 5, 2013, Item 5

ITEM TITLE: QUARTERLY FINANCIAL REPORT FOR THE QUARTER
ENDING SEPTEMBER 30, 2013

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
CHULA VISTA MAKING VARIOUS AMENDMENTS TO
THE FISCAL YEAR 2013/14 BUDGET TO ADJUST FOR
VARIANCES AND APPROPRIATING FUNDS THEREFOR

SUBMITTED BY: DIRECTOR OF FINANCE/CITY TREASURER *JK*

REVIEWED BY: CITY MANAGER *ASB*

ASSISTANT CITY MANAGER *Est*

4/5THS VOTE: YES NO

SUMMARY

The Finance Department prepares quarterly financial reports for the General Fund that reflect budget to actual comparisons, projected revenues and expenditures, and highlight major variances that may require additional action or changes. The quarterly financial reports are in compliance with Section 504 (f) of the City Charter, which requires that quarterly financial reports be filed by the Director of Finance through the City Manager.

In preparing the quarterly financial projections, staff has identified various budget changes that are needed to better reflect actual revenues and expenditures or address changes in budgetary needs. For government entities, a budget creates a legal framework for spending during the fiscal year. After the budget is approved there are circumstances, which arise that could require adjustments to the approved budget. Council Policy 220-02 "Financial Reporting and Transfer Authority" was established in January of 1996 and allows for budget transfers to be completed. This report discusses budget adjustments that staff is recommending in the current year General Fund as well as various other funds.

ENVIRONMENTAL REVIEW

The Environmental Review Coordinator has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined

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

RECOMMENDATION

That the City Council accept the report and approve the resolution.

BOARDS/COMMISSION RECOMMENDATION

Not applicable.

DISCUSSION

The Finance Department prepares quarterly financial reports for the General Fund that reflect budget to actual comparisons, projected revenues and expenditures, and highlight major variances that may require additional action or changes. The quarterly financial reports are in compliance with Section 504 (f) of the City Charter, which requires that quarterly financial reports be filed by the Director of Finance through the City Manager.

Attachment A – Quarterly Financial Report provides the financial outlook for the General Fund for the current fiscal year and includes summary information for revenues and expenditures.

The following chart summarizes the projections for the first quarter of fiscal year 2013/14 for the City’s General Fund. The amended budget column includes all Council approved changes to the fiscal year 2013/14 adopted budget that have taken place through the end of the first quarter ending September 30, 2013. The projected column lists the fiscal year 2013/14 budget projected budget actual amounts to revenues and expenditures including the projected impact to the City’s reserves as of the end of the first quarter.

General Fund Reserve	Amended Budget	Projected (millions)
Reserves - July 1, 2013 (unaudited)	\$14.3	\$14.3
Revenues & Transfers In	\$127.8	\$128.5
Expenditures & Transfers Out	(\$127.8)	(\$127.6)
Pending Appropriations	\$0.0	(\$0.5)
Projected Surplus/Deficit	\$0.0	\$0.4
Projected Fund Balance for June 30, 2014	\$14.3	\$14.7
Percentage of Operating Budget	11.2%	11.5%

Notes:

1. The Amended Budget and projections reflected in this table do not include prior year appropriations for capital improvement projects and other encumbrances that were carried forward into the fiscal year 2013/14 budget. These expenditure impacts are already reflected in the estimated

fund balance as of July 1, 2013 and are therefore not included in the above table.

2. July 1, 2013 reserves are unaudited. Final audited financials will be reported to Council later this year.

As noted on the table above, General Fund revenues are tracking to exceed budgeted levels. This is due to a projected increase in discretionary revenues for fiscal year 2013/14 based on first quarter actuals. Staff is recommending the use of this unanticipated revenue to address deferred maintenance issues at various facilities. These expenditures are one-time in nature and will not have an ongoing fiscal impact. This recommendation is presented in a separate staff report. The most recent Five Year Financial Forecast reflects a projected deficit of \$4.0 million in fiscal year 2014/15. The growth in revenue will help lower the projected deficit for the coming fiscal year. It should be noted that the City's financial situation is improving but at a modest pace.

Staff will continue to monitor departmental expenditures and may recommend additional adjustments in future quarterly financial reports.

General Fund Revenues – As discussed in the First Quarter Financial Report, General Fund revenue projections for fiscal year 2013/14 have been updated to reflect previous fiscal year actual receipts and the modestly improving economic trend. The projections indicate some improvement in discretionary revenues when compared to budget. In total, discretionary revenues are expected to exceed budgeted levels in the current fiscal year by a net \$1.25 million. The largest projected increase is in property tax and motor vehicle in-lieu revenues that have been updated to reflect the impact of a 3.4% increase in city-wide assessed property valuations. Based on earlier projections, the budget assumed a 2.0% increase in assessed valuations. Franchise Fees and Transient Occupancy Tax revenues are also projected to modestly increase based on previous fiscal year actual receipts.

The projected increase in discretionary revenues is offset by a \$0.53 million projected decrease in revenue from other agencies that will not be realized by the Police Department. This projected revenue shortfall is due to decreased participation in reimbursed task force activities. The reduction of participation in these task forces is due to the reassignment of staff to duties performed by positions that were vacant. This revenue shortfall is projected to be offset from salary savings that will be generated from vacant positions within the Police Department. Expenditures savings generated from salary savings are expected to decrease as the fiscal year progresses as vacant positions are filled.

General Fund Expenditures – Based on expenditure trends through the end of the first quarter, there are no major issues in departmental budgets. Staff is recommending an appropriation of \$415,000 in the Non-Departmental budget to fund increases in the following - the property damage insurance premium, a reduction in the salary savings liability in the General Fund and to increase Development Services Department subsidy for the promotion of energy efficiency items including solar panel and water heater installations. These are further discussed below. This appropriation will be offset by better than expected discretionary revenues.

The projected increase in General Fund discretionary revenues will also afford the City the flexibility to address some of its critical needs. These critical needs are predominately in the area of deferred maintenance projects at major City facilities that have been deferred over the last several years due to lack of funding. Specific information and funding recommendations for the use of the additional projected revenues to address critical needs will be brought forward in a separate staff report; that will also be considered by Council on November 5, 2013.

The net impact of these changes is projected to be a positive impact of \$0.4 million to the City's reserves for the fiscal year ending June 30, 2014.

There are some areas of concern that staff will continue to monitor and will recommend adjustments as needed in the future quarterly financial reports. Areas of concern include the following:

Utilities – The fiscal year 2013/14 adopted budget reflected anticipated rate increases for utilities. The impact to electricity and water utility costs is estimated as follows:

- Utilities/Electricity – The preliminary estimated impact to the General Fund is estimated to be \$318,000. This estimate has been factored into the First Quarter Financial Report budget projection. Staff has been made aware of impending rate increases that are higher than anticipated for electricity costs that are due to take effect during the fiscal year. Staff will return with recommended adjustments to various departmental electric utility budgets when more information is available and staff is better able to project the impact to departmental budgets
- Utilities/Water - Based on the expenditures for water through the first quarter and prior year expenditures, the water expenditures are anticipated to exceed the amount budgeted for Parks by about \$150,000 and to exceed the amount budgeted for the Public Works department by about \$100,000. The actual budget deficit will depend largely on this year's rainfall. The expenditures will be closely monitored and assessed again at mid-year to determine if a budget amendment is warranted.

Fire Department – Fire overtime costs are trending higher than budgeted levels as of the end of the first quarter. Staff will continue to monitor these costs to determine if these costs can be offset with additional revenue or whether additional appropriations will be necessary.

Public Works/Central Garage - The fiscal year 2013/14 Supplies & Services budget for the Central Garage was decreased by about \$165,000 from the prior year in order to more closely align with projected revenues. Currently, the expenditures are within budget, but will continue to be closely monitored as result of the revised budgeted level. Potential risks to this budget may include higher than anticipated costs due to more frequent repairs

required by the City's aging fleet and increased expenditures that may result from an unanticipated level of vehicle accidents.

The net impact of these projections and revisions is a positive \$0.4 million improvement to the City's reserves for the fiscal year ending June 30, 2014.

Budget Amendments

General Fund Amendments

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

Public Works/Library – Staff is requesting a transfer in the amount of \$3,570 from the Supplies and Services budget of the Library Department to the Personnel Services budget of the Public Works Department. The appropriations will be used to pay for custodial services to be performed by Public Works staff at the Otay Ranch Library branch.

Library – Staff is requesting a transfer in the amount of \$2,352 of residual funds from the California Department of Education Section 321 Fund to the Library Department. This revenue was previously received by the City as part of a Literacy Grant from the State. The transferred funds will be used to purchase books for the Literacy Program in the Library Department. The Library Department is also requesting the appropriation of a \$300 donation for the purchase of books.

Non-Departmental – Staff is requesting an appropriation of \$415,000 to be offset by an unanticipated increase in discretionary revenues. These appropriations will be used to address the following:

- Increase in the transfer to the Development Services Fund (DSF) – The budget includes a transfer from the General Fund to the DSF to reimburse the DSF for permit subsidies that encourage energy efficiency related projects that include water heater and solar panel installations. Based on fiscal year 2012/13 construction permit activity, it is anticipated that the budget will fall short by approximately \$150,000. Staff is recommending an appropriation to the Transfers Out category of the Non-Departmental Budget to address this issue.
- Increased property insurance premium – The City pays its property insurance premium on an annual basis. The insurance premium for the current year has exceeded the budgeted amount by \$65,000. An appropriation to the supplies and services category of the Non-Departmental budget is requested to address this increase.
- Reduction in salary savings liability – The Non-Departmental budget includes \$870,000 in anticipated salary savings. Salary savings are budgeted in the Non-

Departmental budget but are realized in departments when turnover occurs. Due to lower than anticipated turnover, staff recommends an appropriation of \$200,000 to be made to the Non-Departmental personnel services budget in order to reduce the budgeted salary savings level.

The following changes are also requested in the Non-Departmental budget:

- Non-CIP Project - The City received unanticipated revenue from SDG&E in the amount of \$9,889 for utility incentives from past energy retrofit projects. These funds were placed in the American Recovery & Reinvestment Act (ARRA) Fund. However, the ARRA Fund is reserved for Federal funds. Staff is requesting approval of an appropriation of \$9,889 to the Non-Departmental CIP expense category that will be funded from a transfer from the ARRA fund in order to correctly account for these funds.
- Revenue Object Correction - Staff is requesting that revenue in the amount of \$161,000 that was budgeted in the Grant-Other Agency object account be transferred to the Donations object account to accurately reflect these revenues in the City's financial system. These revenues were applied for and received by the Mayor's office from Wells Fargo as part of the Roy and Marian Holleman Foundation. The revenue will be used to fund a Council approved capital improvement project at the City's Animal Care Facility.

Animal Care Facility – In December 2012, the County of San Diego Animal Services contracted with the Chula Vista Animal Care Facility (CVACF) to perform two spay and neuter clinics per week at their South County Animal Shelter. In August 2013, the County notified CVACF that they would like to add one additional clinic to their Central Animal Shelter effective September 1, 2013. The additional revenues will be used to pay for medical supplies and hourly wages for the “Spay Shuttle” staffing. Staff is requesting an appropriation of \$51,000 to Personnel Services and \$17,000 to Supplies & Services categories to the Animal Care Facility, which will be fully offset by the additional County revenues. The requested budget adjustment will have a no net fiscal impact to the General Fund.

Amendments to Other Funds

Staff is recommending budget amendments to the following other funds:

California Department of Education Section 321 Fund – Staff is requesting an appropriation of \$2,352 to the Transfers Out category of the California Department of Education Section 321 Fund to reimburse the General Fund for previous fiscal year expenses incurred on behalf of literacy programs that were funded by State Department of Education section 321 Grant Funds. The City no longer receives these grant funds, however staff is requesting the transfer of remaining residual funds to the General Fund to reimburse for expenses previously incurred by the City for reimbursable costs related to this grant.

Other Grants Fund – Staff is requesting an appropriation of \$13,850 in the Other Expenses Category of the Other Grants Fund for continuation of the Centennial Greenbelt Signage Program. Council approved these funds in fiscal year 2012-13 as part of the San Diego Neighborhood Reinvestment program sponsored by the County of San Diego. The funds were granted to the City for the Centennial Greenbelt Signage Program. The appropriation is offset by grant revenue.

American Recovery & Reinvestment Act Fund – The City received unanticipated revenue from SDG&E in the amount of \$9,889 for utility incentives from past energy retrofit projects. Per Council Resolution 2012-074, the unanticipated revenue was appropriated to the Municipal Solar Photovoltaic- Phase II Project (GG206) Project Expenditures Budget category of the American Recovery & Reinvestment Act (ARRA) fund as these funds were going to be used in conjunction with ARRA funding. However, the ARRA fund is reserved for Federal funds. Staff is requesting an appropriation in the amount of \$9,889 to Transfers Out category of the American Recovery & Reinvestment Act Fund and a matching appropriation to the Transfers In category of the Non-Departmental CIP Fund be made to in order to correct the initial appropriation. These requested budget changes are neutral as they are being made from available budgeted funds.

TransNet Fund - All projects the City proposes to fund with TransNet funds must be included in Regional Transportation Improvement Program (RTIP). On March 27, 2012 per Council Resolution 2012-052 Council approved an amendment to the 2012 RTIP which included the reallocation of \$75,000 from completed TransNet projects to STL261 – Willow Street Bridge for Traffic Signal Design. This reallocation was to be incorporated into the Fiscal Year 2012-13 Capital Improvement Program (CIP). However, the appropriation to STL261 was not included in the adoption of the Fiscal Year 2012-13 CIP Program Budget. Staff is requesting to appropriate the approved \$75,000 allocation to STL261 from the TransNet fund. There are sufficient funds in the TransNet fund to cover this appropriation.

Transportation Sales Tax (TransNet) and Other Transportation Programs funds – Capital Improvement Projects TF368 and TF373 were funded from Transportation, Community, and System Preservation (TCSP) and Highway Safety Improvements Program grants respectively, within the Other Transportation Programs Fund. All eligible capital improvement program costs for these projects (TF368 and TF373) have been incurred; however expenditures totaling \$19,999 were posted to the TransNet Fund in error. Staff is requesting that an appropriation in the amount of \$19,999 from the available fund balance of the Other Transportation Programs Fund to the Transfers Out category and a matching appropriation to the Transfers In category of the TransNet fund be made to reimburse the TransNet fund for expenditures incurred in the prior fiscal year. The requested budget changes result in a negative impact to the Other Transportation Programs Fund in the amount of \$19,999 and a positive impact to the TransNet Fund in the matching amount.

DECISION MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site specific and consequently the 500-foot rule found in California Code of Regulations section 18704.2(a)(1) is not applicable to this decision. Staff is not independently aware, nor has staff been informed by any City Councilmember, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

CURRENT YEAR FISCAL IMPACT

There is no fiscal impact resulting from accepting the Quarterly Financial Report.

Approval of the resolution amending the fiscal year 2013/14 budget will result in the following appropriations. The resulting fiscal impacts to various funds are also listed in the following table.

Summary of Budget Appropriations and Amendments by Department and/or Fund

Dept/Fund	Description	Exp	Rev	Net
General Fund:				
Non-Departmental	ARRA funds transfer to Non-Dept. CIP Projects	\$ 9,889	\$ 9,889	\$ -
	General Purpose Revenue Appropriation for Insurance, Development Svcs. Subsidy and Salary Savings Reduction offset by Discretionary Revenue projected increase	\$ 415,000	\$ 415,000	\$ -
	Grant Other Agency Revenue Reclass to Donation	\$ -	\$ -	\$ -
Animal Care Facility	Animal Clinic Appropriations	\$ 68,000	\$ 68,000	\$ -
Public Works	Custodial Services Otay Branch Library	\$ 3,570		\$ 3,570
Library	CA Dept. Of Education Appropriations/Transfer	\$ 2,352	\$ 2,352	
	Custodial Services Otay Branch Library	\$ (3,570)		\$ (3,570)
	Library Donation for Books	\$ 300	\$ 300	\$ -
	TOTAL GENERAL FUND	\$ 495,541	\$ 495,541	\$ -
Other Funds				
Transp Sales Tax Fund	CIP Program appropriations from Trans Net Fund	\$ 75,000	\$ -	\$ 75,000
	Other Transport Fund transfer to Trans Net Fund	\$ -	\$ 19,999	\$ (19,999)
CA Dept of Educ Section 321	CA Dept. Of Education Appropriations/Transfer	\$ 2,352	\$ -	\$ 2,352
Other Grants Fund	Other Grants Fund appropriations S.D. Reinvest Prog.	\$ 13,850	\$ -	\$ 13,850
Amer. Recovery & Reinvest. Act	ARRA funds transfer to Non-Dept. CIP Projects	\$ -	\$ -	\$ -
Other Transportation Programs	Other Transport Fund transfer to Trans Net Fund	\$ 19,999	\$ -	\$ 19,999
	TOTAL OTHER FUNDS	\$ 111,201	\$ 19,999	\$ 91,202
	TOTAL BUDGET AMENDMENTS	\$ 606,742	\$ 515,540	\$ 91,202

Approval of the resolution results in no net fiscal impact to the General Fund and to the ARRA fund. Other Funds are affected as follows:

- The Transportation Sales Tax Fund will have a net impact of \$55,001.
- The California Department of Education Fund will have a net impact of \$2,352.
- The Other Grants Fund will have a net impact of \$13,850.
- The Other Transportation Programs Fund will have a net impact of \$19,999

ONGOING FISCAL IMPACT

There are no ongoing fiscal impacts resulting from the budget amendments described above.

ATTACHMENTS

First Quarter Financial Report

Prepared by: Angelica Aguilar, Budget and Analysis Manager, Finance Department

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OVERVIEW

This financial report summarizes the City's General Fund financial position for fiscal year 2014 through September 30, 2013 and projecting out to June 30, 2014. The purpose of this report is to provide the City Council, Management and the citizens of Chula Vista an update on the City's fiscal status based on the most recent financial information.

ECONOMIC UPDATE

The National Forecast¹ - In the September 2013 report, Senior Economist David Shulman of the UCLA Anderson Forecast says that Gross Domestic Product (GDP) will grow at an estimated 3.0% annual rate through 2015. Although this is a significant improvement, Shulman indicates that it's important to keep in mind that the forecasted rate of growth is still well below the typical 4%-6% rates of growth associated with prior recoveries. The forecast for inflation remains unchanged as inflation in excess of 2% in 2014 and 2015 is projected. Unemployment is projected to decline to 6.5% by the end of 2015. Interest rates are projected to rise as the Federal Reserve ramps down the Quantitative Easing Program. The program is intended to lower interest rates and spur economic growth.

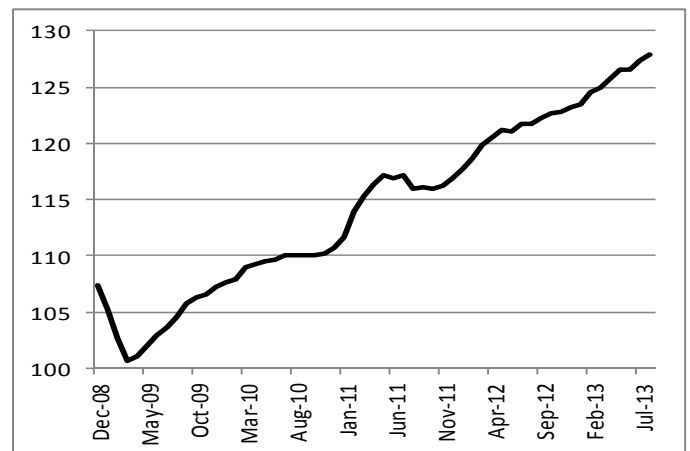
The California Forecast² - In the California forecast, Senior Economist Jerry Nickelsburg's report "Where are the Jobs California?" examines the employment trends underlying the structural changes that will define the state's future economy. According to Nickelsburg, California will continue to lead in the economic recovery as it outperforms the rest of the nation. However, Nickelsburg offers a geographical analysis that paints a bifurcated picture of the employment situations faced in California's counties. He describes the continuing trend where the coastal counties that benefit from investment, technology and trade will continue to outperform the inland counties that are driven by migration, construction and government. Nickelsburg supports his theme by comparing employment rates in the Bay Area, Ventura, Orange and San Diego Counties that have outperformed the U.S. employment growth rate. On the other hand, employment in the Sacramento Delta, San Joaquin Valley and Inland Empire counties is still below their previous peak levels. He still believes that as the world economy improves, and as investment in the U.S. improves, California will once again have a

disproportionate share of this improvement. Given this assessment, real personal income growth is forecast to be 1.9% in 2013, followed by 3.3% in 2014 and 2015. Unemployment will fall through 2013 and will average about 8.9% this year. In 2014, the unemployment rate is expected to fall to 7.9% and then to 6.9% in 2015.

The San Diego Forecast³ - The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.4 percent in August. This advance was led by sharp increases in consumer confidence and smaller gains in local stock prices. These gains outweighed declines in other factors including building permits, initial claims for unemployment insurance, and help wanted advertising. The USD Index has now gained for 12 consecutive months.

August's gain means that the forecast remains for positive growth in the local economy in the year ahead. However, the gain was relatively small as only three of the six components of the index increased. An area of concern was that the two employment components of the index were down signaling a slowdown in job growth. For the first time since December 2010, both labor market variables were negative. Initial claims for unemployment insurance, were up for the fourth consecutive month and help wanted advertising turned down after having rising for nine months in a row. The local unemployment rate still decreased to 7.4%. Building permits also decreased after being up sharply in July.

**San Diego Index of Leading Economic Indicators
San Diego County, 2009 - 2013**



¹Source: UCLA Anderson Forecast, September 2013

²Source: UCLA Anderson Forecast, September 2013

³Source: University of San Diego School of Business Administration, USD Index of Leading Economic Indicators, September 2013; retrieved from URL: <http://home.sandiego.edu/~agin/usdle/index.html>

GENERAL FUND SUMMARY

General Fund Reserves - The General Fund Reserve policy was established to ensure that the City's finances are managed in a manner which will:

1. Continue to provide for the delivery of quality services
2. Maintain and enhance service delivery as the community grows in accordance with the General Plan
3. Minimize or eliminate the need to raise taxes and fees because of temporary revenue shortfalls
4. Establish the reserves necessary to meet known and unknown future obligations and ability to respond to unexpected opportunities.

The following table reflects the audited General Fund reserves as of June 30, 2013 as well as the projected General Fund reserves for June 30, 2014.

General Fund Reserve	Amended Budget	Projected (millions)
Reserves - July 1, 2013 (unaudited)	\$14.3	\$14.3
Revenues & Transfers In	\$127.8	\$128.5
Expenditures & Transfers Out	(\$127.8)	(\$127.6)
Pending Appropriations (Critical Needs) ²		(\$0.5)
Projected Surplus/Deficit	\$0.0	\$0.4
Projected Fund Balance for June 30, 2014	\$14.3	\$14.7
Percentage of Operating Budget	11.2%	11.5%

Notes:

1. The Amended Budget and projections reflected in this table do not include prior year appropriations for capital improvement projects and other encumbrances that were carried forward into the fiscal year 2013/14 budget. These expenditure impacts are already reflected in the estimated fund balance as of July 1, 2013 and are therefore not included in the above table.
2. Pending appropriations are for City identified critical needs costs.

The City's financial outlook appears stable and modestly improved at the end of the first quarter as projected revenues for fiscal year 2013-14 are trending slightly higher based on tepidly improved economic conditions. Based on activity through the end of the first quarter, the General Fund is projected to end the fiscal year with a positive balance of \$0.4 million. This is based on a projected increase of \$1.2 million in general fund discretionary revenues. This increase is partially offset by a \$0.5 million projected decrease in program revenues resulting in a projected net revenue gain of \$0.7 million. The projected increase in General Fund discretionary revenues affords the City the

flexibility to address some of its critical needs. These critical needs are predominately in the area of deferred maintenance projects at major City facilities, that have been deferred due to lack of available funding in previous budgets. Specific prioritization and recommendations regarding these projects will be brought to the City Council in a separate report.

Staff is recommending the appropriation of \$415,000 of the projected discretionary revenue increase to fund increases in: the Development Services Department subsidy, the property damage insurance premium and to reduce the salary savings liability in the City's Central General Fund.

Although City revenues are experiencing modest improvement in revenue growth, there are some areas concerning City expenditures that staff will continue to monitor throughout the fiscal year. These include projected increased utility costs for water and electricity, fire overtime costs, and supplies and services costs in the City's Garage operations.

Revenues

The following table compares the projected revenues included in the adopted budget and the updated revenue projections for discretionary and departmental program revenues. The projections indicate some variances in discretionary revenues when compared to budget but in total, revenues are expected to slightly exceed budgeted levels by a net \$0.7 million. This increase consists of a \$1.2 million projected increase in discretionary revenues that are offset by a \$0.5 million projected decrease in revenue from other agencies that will not be realized by the Police Department. Variances in discretionary revenues include the following changes:

- A net increase of \$0.6 million in Property Tax revenue reflecting the impact of a 3.4% increase in city-wide assessed property valuations.
- A \$0.3 million increase in projected motor vehicle license fee revenues reflecting the impact of a 3.4% increase in city-wide assessed property valuations.
- A \$0.2 million increase in franchise fee revenues reflecting prior fiscal year actual franchise fee revenues.
- \$0.1 million increases Transient Occupancy adjusted to reflect prior year actual revenues.
- A decrease of \$0.5 million in Revenue from Other Agencies that will not be earned by the Police Department as result of decreased participation in grant reimbursed task force activities. The

decreased participation levels are due to the reassignment of current staff to duties performed by vacant positions. This revenue shortfall is projected to be offset from salary savings that are generated from vacant positions within the Police Department. These salary savings will decrease as the fiscal year progresses and vacant positions are filled.

General Fund Revenues

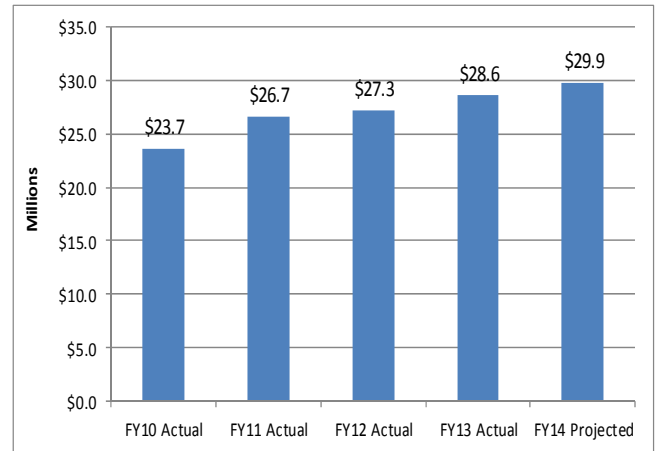
Category	Amended Budget as of 9/30/13	Q1 Projected 6/30/14	Variance
Property Taxes	\$ 25,952,576	\$ 26,609,623	\$ 657,047
Sales Tax	\$ 22,579,885	\$ 22,109,947	\$ (469,938)
Sales Tax In Lieu	\$ 7,274,800	\$ 7,744,738	\$ 469,938
Motor Vehicle License	\$ 16,487,870	\$ 16,781,019	\$ 293,149
Other Revenue	\$ 12,646,472	\$ 12,617,815	\$ (28,657)
Transfers In	\$ 10,102,965	\$ 10,102,965	\$ -
Franchise	\$ 8,472,850	\$ 8,719,199	\$ 246,349
Charges for Services	\$ 7,612,879	\$ 7,613,769	\$ 890
Revenue from Other Agencies	\$ 3,962,051	\$ 3,449,086	\$ (512,965)
Utility Users Tax	\$ 3,512,026	\$ 3,512,026	\$ -
Transient Occupancy Taxes	\$ 2,365,005	\$ 2,468,950	\$ 103,945
Use of Money & Property	\$ 2,281,640	\$ 2,255,907	\$ (25,733)
Other Local Taxes	\$ 1,335,889	\$ 1,335,889	\$ -
Licenses and Permits	\$ 1,309,447	\$ 1,313,247	\$ 3,800
Fines, Forfeitures, Penalties	\$ 1,110,800	\$ 1,092,023	\$ (18,777)
Real Property Transfer Tax	\$ 800,482	\$ 800,482	\$ -
Total General Fund	\$127,807,637	\$128,526,685	\$ 719,048

Sales Tax (Sales Tax and Sales Tax in lieu) - Sales tax is projected to be the City's largest revenue source, representing 23.2% of General Fund revenues in the fiscal year 2013/14 amended budget. Sales tax is improving modestly as HdL Companies, the City's sales tax consultant, recently reported data for the second quarter of calendar year 2013. They report that the change in sales tax receipts between second quarter calendar year 2013 and second quarter calendar year 2012 increased by 7.0% Statewide, by 3.9% in San Diego County and 0.1% in Chula Vista.

Projections for sales tax and sales tax in-lieu for the current fiscal year indicate that sales tax is tracking at the budgeted levels.

The following chart represents actual sales tax collections since fiscal year 2009/10 and the projection for fiscal year 2013/14.

Sales Tax

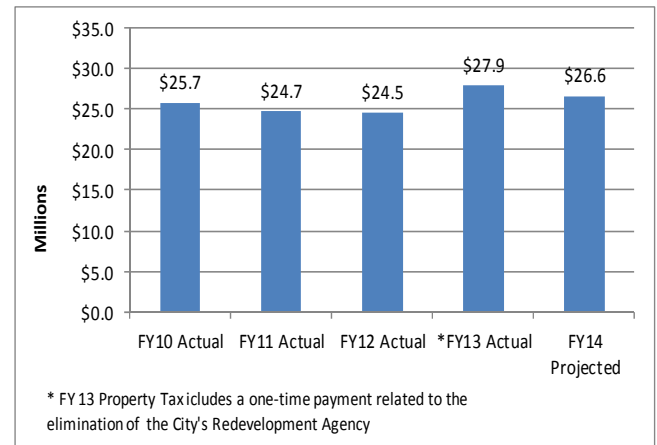


Property Taxes - The City of Chula Vista receives property tax revenue based upon a 1.0% levy on the assessed value of all real property. Property tax is the City's second largest revenue source, representing 20.3% of General Fund revenues in the fiscal year 2012/13 adopted budget.

Property tax projections reflect a net increase of \$0.6 million when compared to budget. Projected Property tax revenues have been increased to reflect the impact of a 3.4% increase in city-wide assessed property valuations. Property tax revenue growth was assumed at 2% in the adopted fiscal year 2013/4 budget based on the initial County Assessor's estimate for assessed value growth.

The following chart represents actual property tax revenues since fiscal year 2008/09 and the projection for fiscal year 2013/14.

Property Tax



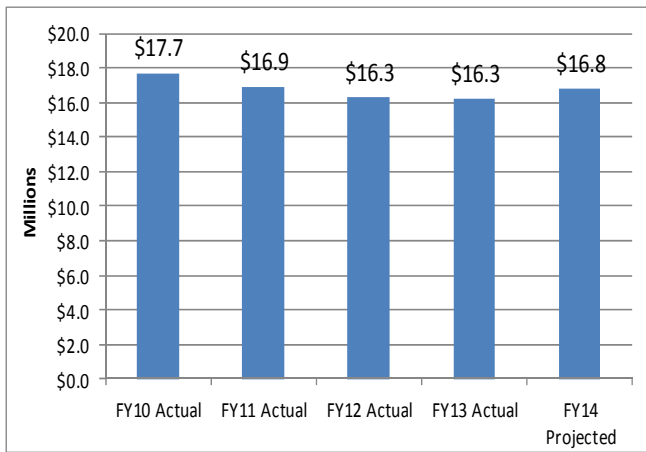
Motor Vehicle License Fee (VLF) - With the State Budget Act of 2004, the allocation of VLF revenues to cities and counties was substantially changed. Since 2005/06 the majority of VLF revenues for each city grew

essentially in proportion to the growth in the change in gross assessed valuation. Due to the new formula by the State, 96% of the City's VLF revenues fluctuated with changes in assessed values in the City.

The other 4% of VLF revenues received by the City were based on a per capita formula but has since been shifted per SB89. Provisions in SB89 shifted hundreds of millions of Vehicle License Fee revenues to fund the state law enforcement grants. Statewide, SB89 took \$130 million of city general revenue and shifted it to save state law enforcement grant programs. This change applied to the 4% of VLF revenues that were based on a per capita formula. The City of Chula Vista lost approximately \$700,000 annually due to the State take away.

VLF revenue projections have been revised to reflect the impact of the 3.4% increase in city-wide assessed valuation projected for fiscal year 2013-14. The following chart represents actual VLF revenues since fiscal year 2009/10 and the projection for fiscal year 2013/14.

Motor Vehicle License Fee



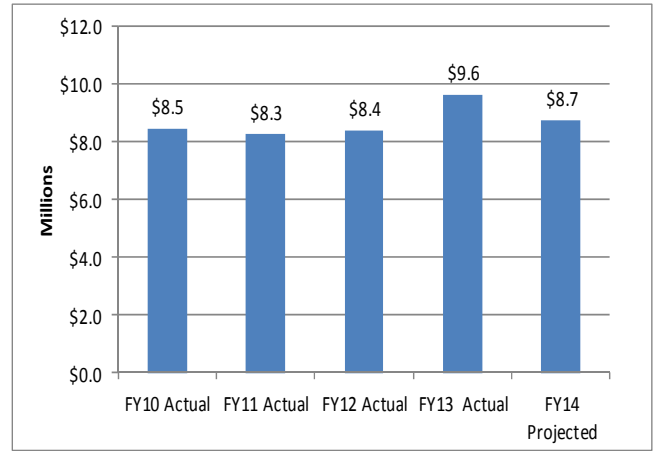
Franchise Fees - Franchise fee revenues are generated from public utility sources such as San Diego Gas & Electric (2% on gas and 1.25% on electricity), trash collection franchises (9.05% fee), and cable franchises (5% fee) conducting business within City limits. The Utilities collect the franchise fee from Chula Vista customers and remit these revenues to the City.

Projections for Franchise Fee revenues have been updated to reflect increased actual prior fiscal year Franchise fee revenues.

The following chart represents actual franchise fee revenues since fiscal year 2009/10 and the projection for fiscal year 2013/14. Fiscal year actual 2012-13

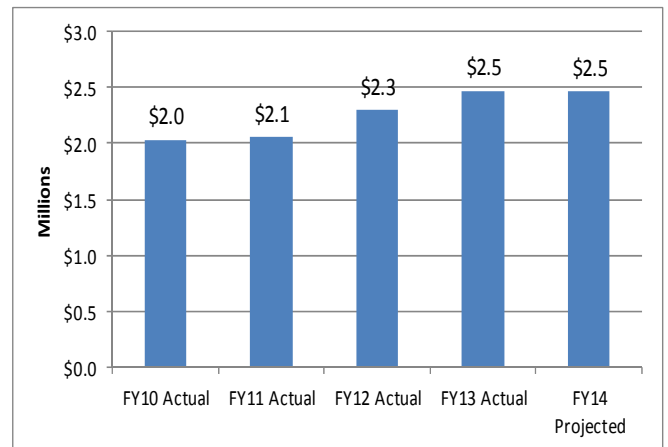
revenues reflect previously accrued Franchise Fee revenues that were realized by the City.

Franchise Fees



Transient Occupancy Tax (TOT) - The City receives 10% of hotel and motel room rates for stays less than 30 days. Projections for TOT revenues have been updated to reflect the positive trend that began in fiscal year 2012. Updated projections indicate that these revenues will continue to track at modestly increasing rate in fiscal year 2013-14, continuing the previous fiscal year trend. The following chart represents actual TOT revenues since fiscal year 2009/10 and the projection for fiscal year 2013/14.

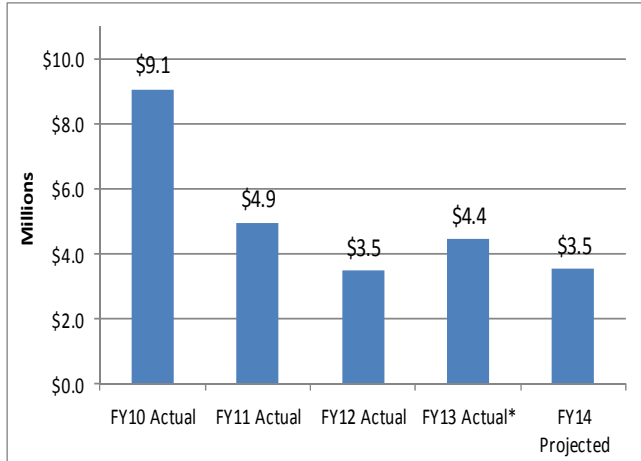
Transient Occupancy Tax (TOT)



Utility Users Tax (UUT) - The City adopted its Utility Users Tax (UUT) in 1970. The City of Chula Vista imposes a UUT on the use of telecom at the rate of 5% of gross receipts. The UUT on natural gas services is \$0.00919 per therm and \$0.00250 per kilowatt on electricity services, which equates to approximately a 1% tax. Current projections for UUT revenues indicate these revenues are tracking at budget. The following

chart reflects actual UUT revenue since fiscal year 2009/10. Fiscal year 2013/14 is projected and does not reflect actual collections.

Utility Users Tax (UUT)



*Increased fiscal year 2013-14 Utility User's tax revenue reflects a mid-year appropriation (Council resolution 2013-092) of previously collected wireless telecommunication related tax revenue that was utilized to fund attorney and City administrative costs pertaining to a City class-action lawsuit.

Expenditures

The General Fund's Amended Budget reflects the Council adopted budget of \$127.8 million mid-year appropriations of \$51,501 approved by City Council and \$4.1 million of prior year encumbrances that were carried over into the current fiscal year. The following table reflects the General Fund amended budget and actual expenditures by department as of September 30, 2013. In total, Departments have expended 21% of the General Fund budget after 25% of the fiscal year has elapsed.

Based on the first three months of actual expenditures there are no major variances to report in expenditures as most City Departments are projected to be within budgeted levels with the exception of the Police Department and Non-Departmental. As discussed in the revenue section of this report, the Police department is projecting a \$0.5 million short fall in revenue from other agencies as result of decreased grant funded taskforce activity that is due to the reassignment of current staff to duties performed by positions that were vacant. This revenue short-fall is projected to be offset by salary savings. The Non-Departmental budget includes additional projected expenditures of \$0.4 million to fund increases for: the Development Services Department subsidy, the property damage insurance premium and to reduce the

salary savings liability in the City's General Fund. These items will be funded from projected discretionary revenue increases.

As also previously noted, there are some areas of concern on the expenditure side that staff will continue to monitor. These include: projected increased utility costs for water and electricity, fire overtime and supplies and services costs in the City's Garage operations. Staff will continue to monitor these areas and return with specific recommendations to remedy cost overruns if needed.

General Fund Expenditures as of 9/30/2014

Department	Amended Budget as of 9/30/13	Expended as of 9/30/13	% Expended
City Council	\$ 1,244,068	\$ 264,079	21%
Boards & Commissions	\$ 10,076	\$ 4,500	45%
City Clerk	\$ 921,023	\$ 161,962	18%
City Attorney	\$ 2,504,783	\$ 518,008	21%
Administration	\$ 2,570,038	\$ 552,463	21%
Information Tech Svcs	\$ 2,964,734	\$ 771,666	26%
Human Resources	\$ 2,105,911	\$ 463,455	22%
Finance	\$ 3,630,781	\$ 838,097	23%
Non-Departmental	\$ 9,746,649	\$ 1,394,685	14%
General Services	\$ 2,544,425	\$ 560,187	22%
Dev Services (GF)	\$ 2,368,314	\$ 527,968	22%
Police	\$ 45,381,856	\$ 9,659,049	21%
Fire	\$ 24,042,935	\$ 5,554,992	23%
Public Works	\$ 24,609,485	\$ 5,188,898	21%
Recreation	\$ 3,912,194	\$ 793,142	20%
Library	\$ 3,367,024	\$ 744,918	22%
Total Expenditures	\$ 131,924,296	\$ 27,998,069	21%

General Fund Expenditure Projections by Department
for June 30, 2014

Department	Amended Budget as of 9/30/14	Q1 Projected 6/30/14	Variance
City Council	\$ 1,244,068	\$ 1,244,068	\$ -
Boards & Commissions	\$ 10,076	\$ 10,076	\$ -
City Clerk	\$ 921,023	\$ 921,023	\$ -
City Attorney	\$ 2,504,783	\$ 2,504,783	\$ -
Administration	\$ 2,570,038	\$ 2,570,038	\$ -
Information Tech Svcs	\$ 2,964,734	\$ 2,964,734	\$ -
Human Resources	\$ 2,105,911	\$ 2,105,911	\$ -
Finance	\$ 3,630,781	\$ 3,630,781	\$ -
Non-Departmental	\$ 9,746,649	\$ 10,161,649	\$ 415,000
Animal Care Facility	\$ 2,544,425	\$ 2,544,425	\$ -
Dev Services (GF)	\$ 2,368,314	\$ 2,368,314	\$ -
Police	\$ 45,381,856	\$ 44,851,046	\$ (530,810)
Fire	\$ 24,042,935	\$ 24,042,935	\$ -
Public Works	\$ 24,609,485	\$ 24,609,485	\$ -
Recreation	\$ 3,912,194	\$ 3,912,194	\$ -
Library	\$ 3,367,024	\$ 3,367,024	\$ -
Total Expenditures	\$ 131,924,296	\$131,808,486	\$ (115,810)

Budget Transfers

The following table reflects the administrative budget transfers that have been approved through the first quarter.

Summary of General Fund Budget Transfers

Date	Description	Department	Amount	From/To
Jul-13	Transfer for refund of over payment	Human Resources	\$ 34	Supplies & Services to Other Expenses
Sep-13	Transfer for folding machine purchase	Finance	\$ 2,875	Supplies & Services to Capital
Sep-13	Transfer to reallocate budget	City Council	\$ 500	Supplies & Services to Personnel Services
Sep-13	Aquatics Security Alarm Repairs	Recreation	\$ 2,700	Personnel Services to Supplies & Services
Sep-13	Transfer for intern reimbursement	City Council	\$ 2,260	Personnel Services to Supplies & Services

Mid-Year Budget Amendments

Mid-year appropriations approved through September 30, 2013 totaled \$51,505 with offsetting revenues of \$56,605 resulting in a positive net impact of \$5,004.

The City Council approved the following budget amendments during through the first quarter:

Summary of General Fund Budget Amendments

Date	Description/Dept	Revenue	Expenditure	Net Impact
7/9/2013	EB Memorial Grant (Police)	\$ -	\$ (6,057)	\$ (6,057)
7/9/2013	EB Memorial Grant (Non-Departmental)	\$ -	\$ 6,057	\$ 6,057
7/23/2013	Solar Financing Project (Non-Departmental)	\$ -	\$ 50,930	\$ 50,930
7/23/2013	Solar Financing Project (Public Works)	\$ -	\$ (44,450)	\$ (44,450)
7/23/2013	Solar Financing Project (Recreation)	\$ -	\$ (6,480)	\$ (6,480)
8/6/2013	Book Donation (Library)	\$ 1,500	\$ 1,500	\$ -
8/6/2013	Salary Adj. Mid. Mgrs./Prof. (Variou s)	\$ -	\$ 448,908	\$ -
8/6/2013	Salary Adj. Mid. Mgrs./Prof. (Non-Departmental)		\$ (448,907)	
8/13/2013	Harborfest 2013 (Non-Departmental)	\$ 50,000	\$ 50,000	\$ -
8/13/2013	SDLECC Support Admin Fee (Police)	\$ 5,005		\$ (5,005)
9/10/2013	Salary Adj. CVEA/WCEM (Variou s)		\$ 553,629	\$ 553,629
9/10/2013	Salary Adj. CVEA/WCE (Non-Departmental)		\$ (553,629)	\$ (553,629)
	Total Appropriations to date:	\$ 56,505	\$ 51,501	\$ (5,004)

RESOLUTION NO. 2013-_____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA MAKING VARIOUS AMENDMENTS TO THE FISCAL YEAR 2013/14 BUDGET TO ADJUST FOR VARIANCES AND APPROPRIATING FUNDS THEREFOR

WHEREAS, the City Charter states that at any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative votes of at least four members; and

WHEREAS, staff is recommending various transfers between expense categories in order to better align the budget with actual revenues and expenditures; and

WHEREAS, the recommended appropriations in the General Fund reflect a net increase in expenditures of \$495,541 that are revenue offset which results in no net impact to the General Fund; and

WHEREAS, the recommended appropriations to other funds reflect an increase in expenditures of \$111,201 that are partially offset by revenues of \$19,999; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Chula Vista does hereby amend the fiscal year 2013/14 budget and approve the following appropriations:

DEPARTMENT/FUND	PERSONNEL SERVICES	SUPPLIES & SERVICES	OTHER EXPENSES	CIP BUDGET	TRANSFERS OUT	TOTAL EXPENSE	TOTAL REVENUE	NET IMPACT
GENERAL FUND:								
Non-Departmental	\$ 200,000	\$ 65,000		\$ 9,889	\$ 150,000	\$ 424,889	\$ 424,889	
General Services	\$ 51,000	\$ 17,000				\$ 68,000	\$ 68,000	
Public Works	\$ 3,570					\$ 3,570		\$ 3,570
Library		\$ (918)				\$ (918)	\$ 2,652	\$ (3,570)
TOTAL GENERAL FUND	\$ 254,570	\$ 81,082	\$ -	\$ 9,889	\$ 150,000	\$ 495,541	\$ 495,541	\$ -
OTHER FUNDS:								
Transp Sales Tax Fund				\$ 75,000		\$ 75,000	\$ 19,999	\$ 55,001
CA Dept of Educ Section 321					\$ 2,352	\$ 2,352		\$ 2,352
Other Grants Fund			\$ 13,850			\$ 13,850		\$ 13,850
Amer. Recovery & Reinvest. Act				\$ (9,889)	\$ 9,889	\$ -		
Other Transportation Programs					\$ 19,999	\$ 19,999		\$ 19,999
TOTAL OTHER FUNDS	\$ -	\$ -	\$ 13,850	\$ 65,111	\$ 32,240	\$ 111,201	\$ 19,999	\$ 91,202
TOTAL BUDGET AMENDMENTS	\$ 254,570	\$ 81,082	\$ 13,850	\$ 75,000	\$ 182,240	\$ 606,742	\$ 515,540	\$ 91,202

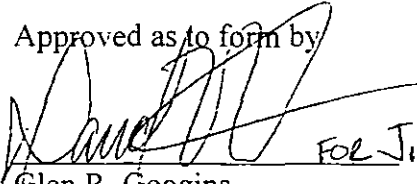
Resolution No. _____

Page 2

Presented by

Maria Kachadoorian
Director of Finance/Treasurer

Approved as to form by


Glen R. Googins
City Attorney

FOR JILL MALAND