



# CITY COUNCIL STAFF REPORT



February 11, 2025

## ITEM TITLE

Annual Report: Accept the Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2024, and Update on Reserve Funds

**Report Number:** 25-0041

**Location:** No specific geographic location

**Department:** Finance

**G.C. § 84308 Regulations Apply:** No

**Environmental Notice:** The activity is not a “Project” as defined under Section 15378 of the California Environmental Quality Act State Guidelines. Therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

## Recommended Action

Adopt a resolution accepting the Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2024.

## SUMMARY

Presented for City Council information and acceptance are the audited basic financial statements included in the Annual Comprehensive Financial Report for the fiscal year ending June 30, 2024, as prepared by the City and audited by the independent audit firm of Rogers, Anderson, Malody & Scott, LLP. The audit report submitted to the City reflects an unmodified (clean) opinion from the independent audit firm. An update on reserves is also provided.

## ENVIRONMENTAL REVIEW

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a “Project” as defined under Section 15378 of the State CEQA Guidelines because the proposed activity consists of a governmental fiscal/administrative activity which does not result in a physical change in the environment. Therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

## BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

## DISCUSSION

Pursuant to City Charter Section 1012, an annual audit of the City's financial records is performed by an independent accounting firm. The Annual Comprehensive Financial Report ("ACFR") report is included as Attachment 1 to this report. The firm of Rogers, Anderson, Malody & Scott, LLP has audited the basic financial statements of the City of Chula Vista and has issued their opinion that the statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the City as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Additionally, Rogers, Anderson, Malody & Scott, LLP considered the City's internal control over financial reporting to determine the appropriate audit procedures for expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. The Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards is included in the ACFR for fiscal year 2024.

## Reserve Update

Below is an update of General Fund, Pension, Bond Call, and Other Post Employment Benefit (OPEB) reserve funds in accordance with the City of Chula Vista Council Policy Citywide Reserve Policy - Fiscal Health Plan (Policy No. 220-03). The table below reflects the reserve target %, current reserve %, and current reserve amounts as of June 30, 2024, for each reserve.

Reserve Funds	Reserve Target %	Current Reserve %	Current Reserve \$ (in millions)	Target Met
General Fund				
Operating Reserve	15.0%	15.0%	\$ 27.3	✓
Economic Contingency Reserve	5.0%	5.0%	\$ 9.1	✓
Catastrophic Event Reserve	3.0%	3.0%	\$ 5.5	✓
Pension Reserve	15.0%	15.4%	\$ 27.9	✓
Bond Call Reserve	N/A	N/A	\$ 2.6	N/A
OPEB Reserve	N/A	N/A	\$ 0.9	N/A

### *Operating Reserve*

The Operating Reserve represents unrestricted resources available for appropriation by the City Council to address extraordinary needs of an emergency nature, such as a major storm drain repair, litigation, settlement costs or an unexpected liability created by Federal and State legislative action. This reserve has a minimum level of no less than 15% of the annual General Fund budgeted operating expenditures.

The General Fund ended fiscal year 2024 with \$27.3 million in the Operating Reserve. This fully funds the Operating Reserve at 15% of the prior fiscal year 2023 budgeted operating expenditures. This is the City's seventh consecutive year fully funding the General Fund Operating Reserve.

#### *Economic Contingency and Catastrophic Event Reserves*

The Economic Contingency Reserve represents monies set aside to mitigate service impacts during a significant downturn in the economy which impacts City revenues such as sales tax and property tax, etc. This reserve has a minimum level of no less than 5% of the annual General Fund budgeted operating expenditures. The General Fund ended fiscal year 2024 with \$9.1 million in the Economic Contingency Reserve. This fully funds the Economic Contingency Reserve at 5% of the prior fiscal year 2023 budgeted operating expenditures. This is the City's fifth consecutive year fully funding the Economic Contingency Reserve.

The Catastrophic Event Reserve represents monies set aside to fund unanticipated expenses related to major or natural disasters in the City. This reserve has a target level of 3% of the annual General Fund budgeted operating expenditures. The General Fund ended fiscal year 2024 with \$5.5 million in the Catastrophic Event Reserve. This fully funds the Catastrophic Event Reserve at 3% of the prior fiscal year 2023 budgeted operating expenditures.

#### *Pension, Bond Call, and OPEB Reserve Funds*

Pension, Bond Call, and OPEB Reserve Funds ensure the City has adequate reserves to fund future pension, debt, and OPEB liabilities. These reserves are funded by annual, net savings related to the City's 2021 POBs and remaining General Fund surplus funds after meeting the minimum targets of the General Fund Reserves.

The Pension Reserve is a reserve in the form of an irrevocable Section 115 Trust (Trust). Pension Reserve contributions are deposited in a Trust for the following purposes: (1) City's annual unfunded accrued liability ("UAL") payment to CalPERS, (2) City's annual normal cost payment to CalPERS, (3) reimbursement to the City for prior-year and current-year payments to CalPERS, and (4) Additional Discretionary Payments to CalPERS. This reserve has a minimum level of 15% of the annual General Fund budgeted operating expenditures. The fiscal year ended with \$27.9 million in the Pension Reserve. This fully funds the Pension Reserve at 15.4% of the prior fiscal year 2023 budgeted operating expenditures.

Bond Call Reserves are funds available to be used to pay outstanding debt prior to maturity that results in net annual savings. These funds will allow the City to accumulate funds to eliminate debt early. Fiscal year 2024 ended with \$2.6 million in the Bond Call reserve.

OPEB Reserves are funds available to provide funding for the City's outstanding OPEB liability. OPEB Reserves will be funded up to 75% of the outstanding OPEB liability in the most recent annual actuarial valuation, to ensure there are adequate reserves to fund this liability in future years. These reserves do not have a minimum level and use of reserves will be recommended to the City Council during the budget process to fund and reduce future pension, debt, and OPEB liabilities. Fiscal year 2024 ended with \$0.9 million in the OPEB Reserve.

Pursuant to the Citywide Reserve Policy, the table below reflects the five-year reserve balance projections.

<b>Estimated Reserve Balance (in millions)</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
General Fund					
Operating Reserve	\$ 29.1	\$ 31.2	\$ 33.4	\$ 35.0	\$ 36.4
Economic Contingency Reserve	\$ 9.7	\$ 10.4	\$ 11.2	\$ 11.7	\$ 12.1
Catastrophic Event Reserve	\$ 5.8	\$ 6.2	\$ 6.7	\$ 7.0	\$ 7.3
Pension Reserve <sup>1</sup>	\$ 29.1	\$ 31.2	\$ 33.4	\$ 35.0	\$ 36.4
Bond Call Reserve <sup>1</sup>	\$ 5.6	\$ 5.0	\$ 5.0	\$ 6.8	\$ 7.8
OPEB Reserve <sup>1</sup>	\$ 2.7	\$ 3.6	\$ 4.4	\$ 5.2	\$ 5.7

<sup>1</sup> Balances include contributions from all operating funds of the City, including non-general funds.

### **DECISION-MAKER CONFLICT**

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware and has not been informed by any City Council member, 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 current-year fiscal impact as a result of this action.

### **ONGOING FISCAL IMPACT**

There is no ongoing fiscal impact as a result of this action.

### **ATTACHMENTS**

1. Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2024

*Staff Contact: Sarah Schoen, Director of Finance/Treasurer  
Amy Pope, Finance Manager, Finance Department*