



CITY COUNCIL STAFF REPORT



February 11, 2025

ITEM TITLE

Long-Term Financial Plan: Accept the General Fund Long-Term Financial Plan – Fiscal Years 2026-2035 Report

Report Number: 25-0002

Location: No specific geographic location

Department: Finance

G.C. § 84308 Regulation 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

Accept the General Fund Long-Term Financial Plan – Fiscal Years 2026-2035 report.

SUMMARY

The City of Chula Vista Fiscal Years 2026 – 2035 General Fund Long-Term Financial Plan (“LTFP”) serves as a long-range fiscal planning tool to identify financial trends, project budgetary surpluses or shortfalls, and encourage discussion to proactively address the City’s long-range needs. The goal of the LTFP is to assess the City’s ability over the term of the plan to: maintain current or expand service levels; preserve the City’s long-term fiscal health; and strategically increase the City’s reserve funds to meet the City’s reserve policies thresholds. The LTFP served as a guideline for the development of the current fiscal year (FY) 2024-25 General Fund budget but is only applicable for the City’s General Fund. Information related to the City’s non-General Fund funds can be found on the City’s website within the FY 2024-25 Adopted Budget (www.chulavista.gov).

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.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable

DISCUSSION

The City of Chula Vista’s General Fund LTFP for Fiscal Years 2026-2035 serves as a long-range fiscal planning tool to identify financial trends, identify projected budgetary surpluses or shortfalls, and encourage discussion to proactively address the City’s long-range needs. The LTFP focuses on baseline revenues and expenditures that are essential for the City to achieve the City’s strategic goals over the next ten years. These goals include:

- Providing the highest level of municipal services based upon available resources;
- Maintaining safe and appealing neighborhoods;
- Providing funding for City infrastructure; and
- Continuing to expand the City’s economic development and financial base.

In development of the LTFP projections, City staff reviewed historical budgeted and actual financial figures, reviewed current data, and researched current financial trends. City staff reviewed federal data (U.S. Bureau of Economic Analysis, Labor Statistics; Federal Reserve; U.S. Treasury), the UCLA Anderson Economic Outlooks, HdL (City sales tax consultant), the San Diego Tourism Authority, and other sources to develop the economic assumptions and growth rates included in the LTFP model and report (Attachment 1).

It is important to emphasize that the LTFP is not a budget. The LTFP does not make expenditure decisions or assume revisions to current service levels but rather highlights the need to prioritize the allocation of City resources to ensure the continuation of core City services. The purpose of the plan is to provide the City Council, key stakeholders, and the public an overview of the City’s fiscal health based on various financial and service level assumptions over the next ten years, and to allow for the discussion of necessary steps to be initiated during the development and implementation of future budgets. The LTFP is intended to look beyond the annual budget cycle, serving as a planning tool to bring a long-term perspective to the budget process. Should projected expenditures exceed projected revenues in any given year, the City Manager will identify steps to mitigate the shortfalls prior to presenting a balanced budget to the City Council for consideration during the annual budget development process.

Summary of Financial Projections

The LTFP forecasts General Fund revenues and expenditures based on current and known conditions, historical performance, economic data, and consultation from subject matter experts. The LTFP basis is the baseline operating revenues and expenditures in the City’s General Fund and includes adjustments to forecasts for revenues and expenditures based on maintaining the City’s service levels; anticipated new revenue streams and new projected costs (e.g., new facilities or financing); and other planned commitments.

Based on projections within the LTFP, overall General Fund revenues and expenditures are anticipated to increase throughout the ten-year Plan period. In some fiscal years, revenues are expected to exceed

expenditures, resulting in an operating surplus; in others, expenditures are expected to exceed revenues, resulting in an operating deficit.

Based largely on population growth and new development, continued growth in revenues and expenditures is anticipated throughout the LTFP period; staff employed a conservative yet reasonable approach in developing the projections based on City policy. Uncertainty related to several key factors impacting the economy (discussed in the Economic Overview of the report in Attachment 1) has led staff to moderate revenue and expenditure growth expectations. It should be noted that these projections do not incorporate any economic downturn during the LTFP period, which would likely negatively impact the LTFP projections. Projections within the LTFP will be monitored by staff and re-evaluated based upon future economic activity and available data.

While service levels are maintained in the LTFP model, growth in expenditures is anticipated to outpace the growth in revenues from fiscal year 2026 to fiscal year 2030, particularly due to labor contracts, insurance costs, deferred maintenance, and the opening of the Bayfront fire station; these are discussed in the Major Revenues and Expenditures section of Attachment 1. As shown in the summary table below, the overall General Fund shortfall is projected to fluctuate beginning in FY 2026 at approximately \$4.3 million and ending in FY 2030 at approximately \$1.3 million. A General Fund surplus is projected at approximately \$1.6 million in FY 2032 and ending in FY 2035 at \$0.1 million.

The following table presents the 10-year financial forecast for the General Fund for FY 2025 through FY 2034. Additional information related to forecasted revenues and expenditures is provided within the attached report (Attachment 1).

General Fund Long Term Financial Plan											
FY 2026 - FY 2035 (in millions)											
	Amended FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Revenues											
Major Discretionary Revenues ⁽¹⁾	220.5	229.8	239.4	249.1	258.2	268.3	278.8	290.4	301.2	312.5	324.3
Other Revenues ⁽²⁾	66.2	54.5	55.6	56.3	57.1	58.0	58.8	59.7	60.6	61.5	62.4
New Development Revenues ⁽³⁾	-	2.7	3.5	3.8	4.0	4.1	4.2	4.4	4.5	4.7	4.8
Total General Fund Revenues	\$286.8	\$286.9	\$298.4	\$309.2	\$319.3	\$330.3	\$341.8	\$354.4	\$366.3	\$378.7	\$391.5
Year-over-Year Change	-	0.0%	4.0%	3.6%	3.3%	3.4%	3.5%	3.7%	3.4%	3.4%	3.4%
Expenditures											
Personnel Services Expenditures	149.6	158.0	166.5	172.7	178.8	183.9	188.4	193.9	199.7	205.5	211.5
Other Expenditures ⁽⁴⁾	138.3	127.3	131.4	135.4	138.1	142.2	147.2	153.0	160.2	165.8	172.8
New Development Expenditures ⁽³⁾	-	5.9	5.6	5.2	5.5	5.4	5.7	5.8	6.1	6.8	7.1
Total General Fund Expenditures	\$287.9	\$291.2	\$303.6	\$313.3	\$322.4	\$331.6	\$341.3	\$352.7	\$366.0	\$378.1	\$391.3
Year-over-Year Change	-	1.1%	4.3%	3.2%	2.9%	2.8%	2.9%	3.3%	3.8%	3.3%	3.5%
General Fund Surplus	\$ (1.2)	\$ (4.3)	\$ (5.1)	\$ (4.1)	\$ (3.1)	\$ (1.3)	\$ 0.4	\$ 1.7	\$ 0.3	\$ 0.6	\$ 0.2
Surplus/(Deficit) as a % of Budget	-	(1.5)%	(1.7)%	(1.3)%	(1.0)%	(0.4)%	0.1%	0.5%	0.1%	0.2%	0.0%

Notes:

1) **Major Discretionary Revenues** reflect the total of the following budget revenue categories: Property Tax, Sales Tax, Measure P Sales Tax, Measure A Sales Tax, Property Tax in lieu of Vehicle License Fees (VLF), Franchise Fees, Transient Occupancy Tax (TOT), and Utility Users' Tax (UUT).

2) **Other Revenues** reflect the total of the following budget revenue categories: Development Revenue, Licenses and Permits, Fines, Forfeitures & Penalties, Use of Money and Property, Other Local Taxes, Police Grants, Other Agency Revenue, Charges for Services, Interfund Reimbursements, Other Revenue, and Transfers from Other Funds.

3) **New Development Revenues & New Development Expenditures** include revenues and expenditures projected for the Otay Ranch Village 8 West Development, Millenia Library, and Bayfront Fire Station anticipated to come online during the LTFP term.

4) **Other Expenditures** reflect the total of the following expenditure categories: Supplies and Services, Utilities, Other Expenses, Equipment (Capital not CIP), Internal Services, Measure P Obligations (Transfers Out), Measure A Obligations (Transfers Out), Transfers Out.

LTFP Outline (Attachment 1)

The LTFP report begins with summary financial projections for the ten-year term of the Plan, followed by an overview of the current economic environment; key assumptions in the model; and highlights on major revenues and expenditures. The LTFP provides context on capital expenditures, outstanding City debt, and reserve levels. Based on the input and discussions from the City Council and the public during public hearings, City staff will gather additional information and develop recommendations to address future budget surpluses and shortfalls during the City's budget development process.

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 related to acceptance of the General Fund LTFP.

ONGOING FISCAL IMPACT

Staff will monitor and incorporate impacts to the General Fund LTFP in future quarterly budget monitoring reports to the City Council.

It is important to note that, with the exception of the New Development Expenditures described above, the LTFP does not assume any funding for increased staffing or service levels. As the community's service demands continue to increase, this will create additional pressure on the General Fund. This is particularly true for the City's Police and Public Works Departments, who have yet to return to their pre-recession

staffing ratios. Staff will continue to pursue revenue enhancements and operational efficiencies in the coming years to increase funding for these critical services.

ATTACHMENTS

1. General Fund Long-Term Financial Plan – Fiscal Years 2026-2035

Staff Contact: Sarah Schoen, Director of Finance/Treasurer