EXECUTIVE 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 LTFP will also serve as a guideline for the development of the Fiscal Year (FY) 2026 General Fund budget.

The goal of the LTFP is to assess the City's ability over the term of the ten-year plan to:

- Maintain current or expand service levels;
- Preserve the City's long-term fiscal health; and
- Strategically maintain the City's reserve funds to meet the City's reserve policies thresholds.

The LTFP only addresses the City's General Fund. The General Fund serves as the principal source of revenues and expenditures that finance the City's core, day-to-day operating expenses. Information related to the City's non-General Fund funds can be found on the City's website within the FY 2025 Adopted Budget and the FY 2025 Amended Budget (Quarterly Financial Reports): https://www.chulavistaca.gov/departments/finance/budget-information

The LTFP focuses on baseline General Fund revenues and expenditures that are essential for the City to achieve the City's strategic goals over the next ten years.[1] 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.

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 LTFP 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.

[1] See the Strategic Plan on the City's Budget webpage: https://www.chulavistaca.gov/departments/finance/budget-information. The City's new Strategic Plan is expected to be completed in 2025.

REPORT OUTLINE

The LTFP report begins with summary financial projections for the ten-year term of the LTFP, followed by an overview of the current economic environment; key assumptions in the model; and highlights of 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 annual budget development process.

GENERAL FINANCIAL POLICY

The LFTP report follows guidance from the City's Finance Department's *100-01 General Financial Policy* in the following areas:

Budget Development
- Identify the resources required to fund identified programs and activities and enable accomplishment of program objectives.
- Maintain a balanced operating budget. Operating revenues will fully cover operating expenditures, including debt service, each fiscal year.
- Track revenues and expenditures on an on-going basis and attempt to anticipate future trends beyond the current budget cycle in order to maintain a balanced budget.
- Utilize a ten-year financial plan and a long-term financial forecast model to promote orderly spending patterns, engage in long-range planning, and reduce the time and resources spent preparing annual budgets.

Revenue Management
- Endeavor to maintain a diversified and stable revenue base.
- Revenue projections will be maintained for the current year and for future fiscal years, and estimates will be based on a conservative, analytical, and objective process.

Financial Constraints and Expenditure Management
- Track expenditures to evaluate trends and identify potential issues that will affect the budget.

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 tools); and other planned commitments. Based on projections within the LTFP, overall General Fund revenues and expenditures are anticipated to increase throughout the ten-year LTFP 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.

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, all to be discussed in the Major Revenues and Expenditures section of this report. As shown on the below summary table, 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 $0.4 million in FY 2031 and ending in FY 2035 at $0.2 million.

Based largely on population growth and 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) has led staff to further 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.

This space is intentionally left blank.

The following table presents the summary financial forecast for the General Fund for FY 2026 through FY 2035. A detailed table is provided in the Ten-Year Projections section of this document.

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.

ECONOMIC OVERVIEW

City staff reviewed information from federal data (U.S. Bureaus of Economic Analysis, Labor Statistics; Federal Reserve; U.S. Treasury), the quarterly 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.

Highlights – National

U.S. Economy Remains Strong, But Policy Uncertainties Abound – Economic indicators in labor, equities, and productivity in 2024 demonstrated that the post-COVID U.S. economy remains strong; however, the economy's trajectory as a new administration takes power is difficult to predict and factor in: the extent of deregulation, tariffs and trade wars, new/extended tax policies, and immigration and border regulations.[2] The latest UCLA Anderson Economic Outlook model is challenged by these uncertainties, but includes impacts from publicized policies that are likeliest to occur: 25% tariffs on all goods from Mexico and Canada; a 10% increase on tariffs on goods from China; deportation of up to 1 million undocumented immigrants annually; and, the permanent extension of the Tax Cuts and Job Acts of 2017.[2]

Consumers continue to feel elevated prices, though the Consumer Price Index (CPI) for All Urban Consumers increased only 2.7% percent from November 2023 to 2024—less than half the rate of two years ago—meaning inflation is still elevated but nearing the Fed's 2% target.[3] The Federal Reserve made three cuts to interest rates in 2024 and is projected to slow to two cuts in 2025 and one in 2026 and 2027 as inflation lingers.[2]

Inflation is widely projected to be higher in 2025, boosted by suggested tariffs, at an average of 3.0%.[2] These and other trade policies are expected to raise the price levels on many goods and services. Deportations creating labor shortages are expected to also boost inflation in 2025, coming down slightly at an average of 2.8% in 2026 as the labor market adjusts. Finally, proposed tax cuts could lead to increased demand (consumption) and prices as a result. Each of these factors point to impacts on Americans' increasing cost of living; the Federal Reserve will be challenged with responding to maintain its goal of stable prices.

National unemployment levels are currently at 4.2%, remaining relatively low.[4] However, there is a highly uncertain outlook for unemployment as well, with tariffs expected to push the rate up in 2025 due to a temporary reduction in labor demand. Mass deportation may lower unemployment to some degree from the large reduction in labor supply, but on the other hand, also increase the rate due to lack of substitute skills, such as in the construction, manufacturing, and food industries with undocumented labor.

---

[2] UCLA Anderson School of Management. Economic Outlook - Winter 2024. https://newsroom.ucla.edu/releases/ucla-anderson-forecast-uncertainties-underlie-economy-new-administration-policies

[3] U.S. Bureau of Labor Statistics. Consumer prices up 2.7 percent from November 2023 to November 2024 https://www.bls.gov/opub/ted/2024/consumer-prices-up-2-7-percent-from-november-2023-to-november-2024.htm

[4] U.S. Bureau of Labor Statistics The Employment Situation – November 2024. https://www.bls.gov/news.release/pdf/empsit.pdf

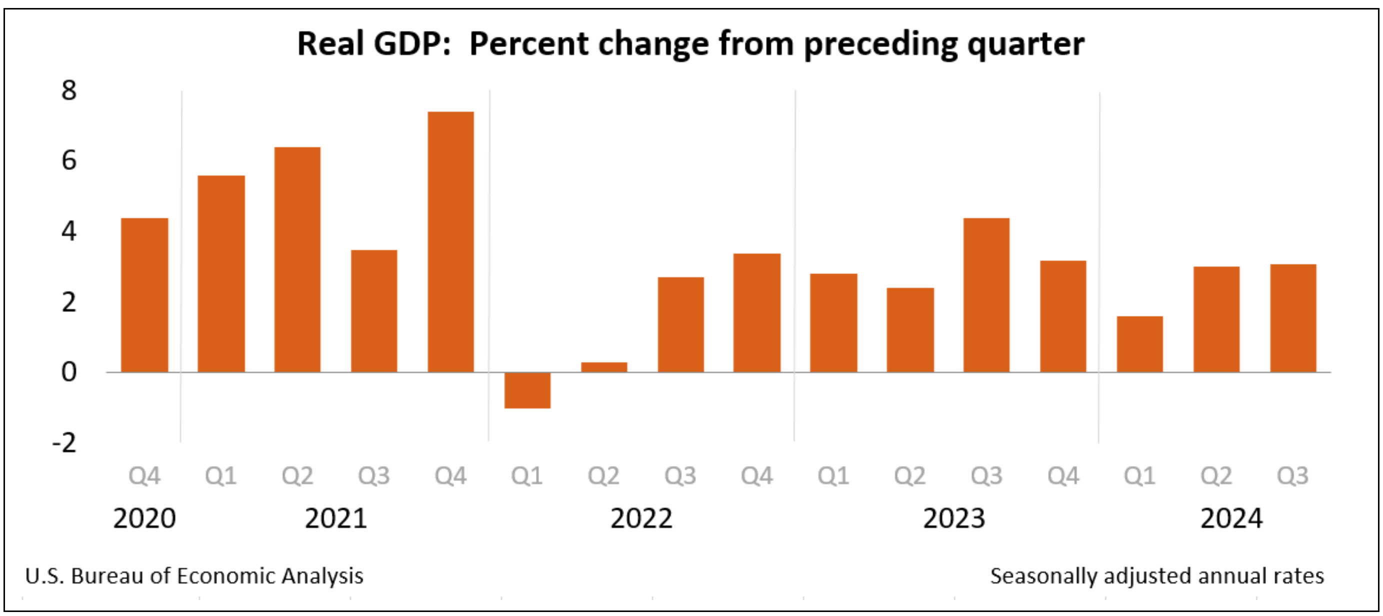
In summary, should substantial tariffs and deportations come to fruition, higher levels of inflation and interest rates are expected through 2026, along with a temporary hit to gross domestic product (GDP) in 2025 and normalizing in 2026 as the nation adjusts to tariffs and changes in consumption, as well as the change in composition and size of the labor force.[2] UCLA Anderson economists also warn the unemployment impacts are highly uncertain in 2026, largely due to a lack of empirical evidence on such conditions.

The LTFP projects some inflationary impacts, with continued moderate expectations for growth in revenues and expenditures based on continued strong national and state economic results. Staff will continue to monitor for policy changes as enacted and determine potential impacts on local revenues and expenditures.

Real Gross Domestic Product (GDP)

The chart below from the U.S. Bureau of Economic Analysis displays recent quarterly results of real GDP, a measure of the value of all goods and services produced in a country over a period of time (adjusted for inflation), which is an economic indicator of growth. Estimated results for the third quarter (Q3) of 2024 were a 3.1% annual rate, up from the second quarter (Q2) results of 3.0%, and 1.3% for the first quarter (Q1) of 2024.[5] Continued positive growth each quarter generally allays economists' concerns that a recession is forthcoming. The Federal Reserve will be closely monitoring this relatively positive economic growth in its policy decisions to reduce inflation.

GDP: Percent Change from Preceding Quarter[6]



[5] US Bureau of Economic Analysis. News Release: Gross Domestic Product (Third Estimate), Corporate Profits (Revised Estimate), and GDP by Industry, Third Quarter 2024. https://www.bea.gov/news/2024/gross-domestic-product-third-estimate-corporate-profits-revised-estimate-and-gdp-1

UCLA Anderson economists predict a temporary reduction in GDP growth in 2025 to 1.5% because of tariffs and onset of deportations, followed by an increase to 2.4% in 2026 as the economy adjusts to those economic conditions.[2]

Highlights – California

The UCLA Anderson Winter 2024 Outlook predicts California's economy will continue to grow at a similar rate as the national rate through 2026. The 2024 2nd Quarter GDP growth was 2.8% for California and 3.1% nationally.[2] As noted in the National Highlights above, tariffs and deportations both also affect California as they affect the nation as a whole.

California's unemployment rate was 4.6% in November 2024, approximately 0.4% above the national rate.[7] The California labor force is expected to reduce based on anticipated deportations, but industries will be impacted differently. Undocumented workers are expected to decrease in areas such as construction, durable goods, and farming; whereas H1B visa workers, particularly in higher-compensated industries such as technology, are expected to increase based on suggested policy preferences.[2] Deportations are also assumed to accelerate the decline in California school enrollment (Kindergarten through Grade 12), impacting job growth in the education sector.

In summary, overall slower economic growth is expected in 2025 with some acceleration in 2026, which is on par with national growth. The size and timing of deportations, and extent of tariffs and resultant geopolitical retaliation of trading partners will affect the magnitude of impacts on the California economy.

This space is intentionally left blank.

[7] U.S. Bureau of Labor Statistics. Economy at a Glance. San Diego-Carlsbad-San Marcos, CA https://www.bls.gov/eag/eag.ca_sandiego_msa.htm

KEY ASSUMPTIONS

The LTFP prepares revenue and expenditure forecasts based on:

- Current expenditure spending
- Revenue collection trends
- Historical budgetary performance
- Prevailing general economic conditions
- External experts in economic forecasting
- City Departments input

The LTFP revenues and expenditure forecasts include the following key assumptions:

Baseline Revenues and Expenditure
- The LTFP utilizes the FY 2025 Adopted Budget, updates from the FY 2025 Amended Budget (as of the First Quarter FY 2025) and current labor agreements as the basis for future year forecasted revenues and expenditure growth.
- Future year forecasted figures are adjusted with anticipated growth rates and other inputs based on the FY 2025 Adopted and Amended Budgets, economic conditions, local development activity, one-time revenues and expenditures, and other factors.

Staffing
- The LTFP maintains current staffing and service levels throughout the term of the LTFP. No new staffing was included in the projections except for necessary staffing for new facilities becoming operational within the LTFP period. The projected expenditures for the additional staff for the new Bayfront Fire Stations are included in the New Development Expenditures category as these positions will be necessary to operate the new facilities accommodating City growth.

New Revenues
- In November 2024, voters approved a ten-year continuation of Measure P sales tax collection through 2037. Measure P Sales Tax revenues are included throughout the term of the LTFP.

Healthcare Costs
- The City participates in ongoing discussions with the City's labor groups to manage affordability, while maximizing options for City employees. Healthcare costs are assumed to grow at a rate of approximately 5% annually based on market conditions and historical costs.

Debt Issuances for Capital Projects
- The LTFP does not include any future debt issuances for capital projects.

Retirement
- Projected normal costs for the California Public Employees' Retirement System (CalPERS) for the annual cost of service accrual for the fiscal year for active employees are included in Retirement expenditures. The LTFP also includes the projected Unfunded Accrued Liability (UAL) expense for the period of the LTFP based on the information provided by CalPERS

actuarial report, adjusted for known differences such as actual investment earnings and current labor agreements. As discussed later in the report, the Section 115 Trust Fund (Pension Reserve)—a qualified trust fund that allows government entities to set aside tax-exempt funds for employee benefits after retirement—is available to pay current and future UAL costs that may arise in subsequent fiscal years.

Pension Obligation Bonds & Pension/Debt and OPEB Reserve Fund

- Debt service for the 2021 Pension Obligations Bonds (POBs) during the LTFP period is included in the Transfers/Debt Service expenditure category.
- Per the Citywide Reserve Policy – Fiscal Health Plan (220-03) net savings from the issuance of the POBs for the first ten years are first allocated to the City's UAL payment to CalPERS, the administrator of the City's pension plans (Miscellaneous and Safety). This policy helps minimize the fiscal impact of the annual increase in pension costs. Remaining savings are used to maintain the minimum level of the Pension Reserves. Annual Additional Discretionary Payments (ADPs) to CalPERS from the POB net savings are also considered annually to reduce the balance of the UAL. Finally, remaining POB net savings flow to the Bond Call and Other Post-Employment Benefit (OPEB) reserves.
- Contributions from POB net savings to the Pension, Bond Call and OPEB reserves are scheduled throughout the first half of the ten-year period of the LTFP, ending per the current Citywide Reserve Policy in FY2031.

New Development

The City generally expects to collect additional revenues and expend additional resources as the City grows and develops new residential units and businesses. The General Fund benefits from the additional revenues which fund a portion of the costs associated with new development based on available resources, policy goals, development agreements and other factors. Staff includes several key new development factors in the LTFP based on planned commitments, project status, contractual obligations/terms and General Fund impact. The LTFP was developed based on information available and known at the time of the preparation of the report.

Chula Vista Bayfront

The Port of San Diego and the City of Chula Vista are partnering to redevelop the Chula Vista Bayfront as a world-class destination in the South Bay, with residential, business, and recreational opportunities. Efforts have been under way to establish infrastructure for new public park space and recreational activities, housing, and improvements to the natural habitat. The catalyst development, the Gaylord Pacific Resort and Convention Center, is scheduled to open in summer 2025. Residents and visitors will see the vision for the Bayfront come to life over the coming decade, with potential to expand City General Fund revenues and City services. No development revenues related to the Bayfront are included in the LTFP at this time other than a modest portion of new sales tax, with most of the new property tax, sales tax, and Transient Occupancy Tax generated in the area being utilized for the public bond financing for the Bayfront Project which facilitated the Gaylord Pacific Resort and Convention Center development. As mentioned above, a new fire station proposed to help meet service demands in the Bayfront area has been added as New Development Expenditures; see below.

Otay Ranch Village 8 West SPA (Sectional Planning Area) is currently being developed by HomeFed and will include over 2,300 new residential units in east Chula Vista at completion. A new fire station and expanded City services are anticipated in FY 2026. Costs for operating the project's neighborhood parks will be borne solely by the developer. The LTFP includes projected City revenues as well as expenditures for Otay Ranch Village 8 West starting in FY 2026 and through the term of the LTFP. These figures are estimates; staff will update the LTFP when additional information is made available.

Figure 1 Otay Ranch Village 8 West

Bayfront Fire Station: In accordance with the City's Master Fire Facility Master Plan to address City growth and Fire Department facilities and service needs, operating costs for an additional fire station and staffing are included in the LTFP. The Bayfront Fire Station is assumed to be operational in FY 2025, with two engine companies in late FY 2026. A portion of operating costs (73.6%) will be funded by Bayfront Project revenues. Facilities costs will be jointly funded by the PFDIF and one-time General Fund monies.

Figure 2 Gaylord Bayfront Convention Center rendering

Millenia Library Building: In September 2023, the City of Chula Vista broke ground on a 168,000 square foot Class "A" office building, which will house a 60,000 square foot Library and other tenants. This is the City's first new library built since 1995. The library will be located in east Chula Vista, which has experienced significant population growth in recent years, and aims to meet resident, industry, and academic needs. Project plans include expanded library space, office space for leasing, a passport office, and space for community gatherings. The construction of the facility is partially funded by a $30 million grant from the California State Library Targeted State Grant Program. The LTFP currently includes an estimate for operating costs for the Millenia Library in east Chula Vista starting in FY 2026. Fiscal impacts related to new private partnerships will be factored in future LTFP as terms are finalized.

Figure 3 Millenia Library rendering

FACTORS NOT INCLUDED IN THE LTFP

Development Impacts

As new major developments are proposed in the City, each developer is required to submit a fiscal impact analysis to ensure that the City's revenues generated from the project will meet or exceed the anticipated expenditures. However, the actual timing of the impact from new development in revenues and expenditures is difficult to predict. As the development projects vary, such as new hotels or new housing, various factors influence the impact of the projects. The timing of the revenues related to new development can vary greatly depending on how fast the market can absorb the new inventory and the economic condition throughout the development process.

Economic Downturn(s)

As previously discussed, the potential for an economic downturn is plausible. However, the LTFP does not attempt to incorporate the impact of a downturn as the timing and duration of a downturn is difficult to project. While the growth projections incorporated into the LTFP are conservative, the growth factors will be re-evaluated as needed based upon future economic indicators and as data becomes available.

This section is intentionally left blank.

MAJOR REVENUES AND EXPENDITURES

The following section highlights major revenue and expenditure projections and associated assumptions used in the preparation of the LTFP.

REVENUES

The City's major revenue sources include **Property Tax, Sales Tax, Measure P Sales Tax, Measure A Sales Tax, Property Tax in lieu of VLF, Franchise Fees, Transient Occupancy Tax (TOT), and Utility Users' Tax (UUT)**. The listed revenues account for approximately $220.5 million, or 76.9%, of the City's General Fund projected revenues for the FY 2025 Amended Budget. These revenues are categorized as general revenues, or "**major discretionary revenues**," broadly defined as revenues that are generated not by any given government activity, but by general or specific taxing authority, such as a local sales tax measure (Measure A and Measure P) or state law (Property Tax). Discretionary funds are generally not restricted as to use, and fund the majority of the City's core, day-to-day and long-term operating expenses. The following are brief descriptions of the major General Fund revenue sources.

Property Tax

Property tax revenue is generated from a 1% ad valorem tax on "real property" (land, buildings, and other permanent structures/improvements), based upon the assessed value of the property within the City, as certified by the County of San Diego Assessor. Property tax revenue is the City's most stable revenue source and is generated from both residential and commercial property. The chart below shows the distribution of property tax dollars by the County amongst various jurisdictions.

Property Tax Dollar Distribution by Jurisdiction

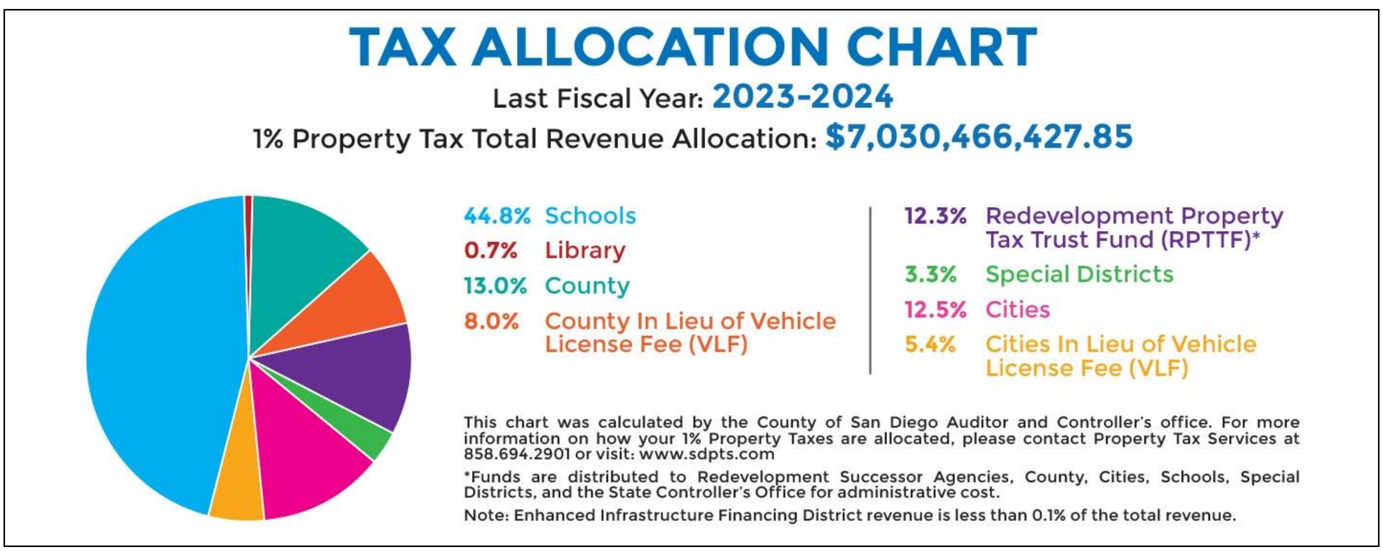


Figure: Tax Allocation Chart – San Diego County Treasurer-Tax Collector

For FY 2026, property tax revenue is projected to total $56.2 million, a $3.1 million increase, or 6.0% increase from the FY 2025 Amended Budget, based on updates from the County property tax roll.

Economic Analysis and Forecast

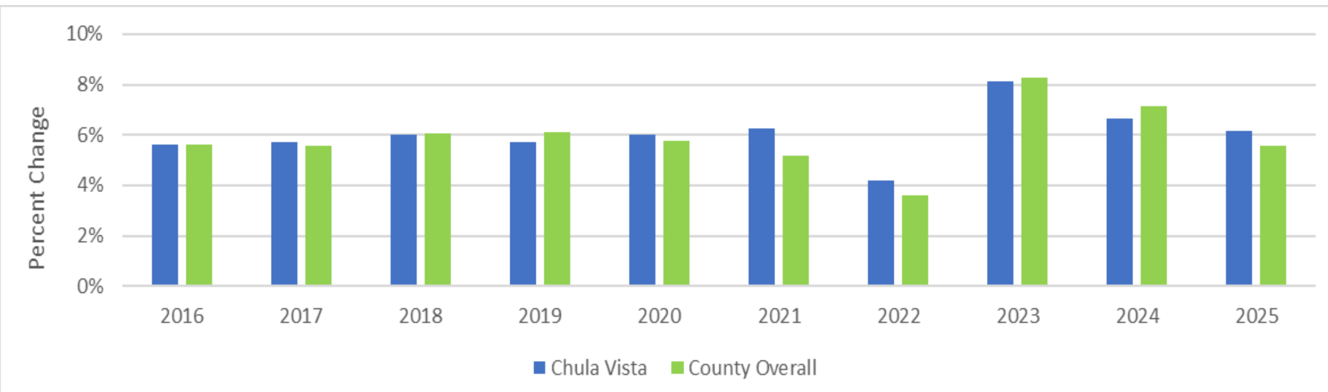
Property tax revenue is driven by home sales (rate of turnover) and home prices (the value at which tax is assessed) and limited by the California Consumer Price Index (CCPI) and Proposition 13, which restricts assessed valuation (AV) growth to the lesser of CCPI or 2.0 percent. While home prices peaked during the pandemic, prices remain elevated and the recent decline in property sales is largely attributed to higher interest rates, which continues to impact affordability in the region.

According to Zillow market research as of January 2025, the median sale price for existing single-family homes in Chula Vista increased 4.4% over the past year to $847,065.[8] If interest rates cuts occur in 2025, the housing market could experience some decline in prices and an increase in demand. The housing shortage across the state and especially in the San Diego region will continue to impact housing costs, which are increasing faster than income levels.[9]

As shown in the chart below, the City's assessed value has increased steadily since FY 2016, and this positive trend is anticipated to continue into FY 2026. The latest assessment for Chula Vista showed AV rising 6.16% for FY 2025.

Historical Change in Assessed Value

City of Chula Vista and Countywide Comparison



Property Tax Ten-Year Forecast ($ In Millions)											
	FY 2025 Amended	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Growth Rate	-	6.0%	6.0%	6.0%	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%
Projection	53.1	56.2	59.6	63.2	66.4	69.7	73.2	76.8	79.9	83.1	86.4

The LTFP includes a 6.0% increase in property tax revenues in FY 2026 through FY 2028; a growth rate of 5.0% in FY 2029 through FY 2032; and a terminal growth rate of 4.0% in FY 2033 through 2035.

---

[8] Zillow Home Values-Chula Vista, CA Housing Market. https://www.zillow.com/home-values/51405/chula-vista-ca/

[9] Bentz, Alex. Legislative Analysts' Office. California Housing Affordability Tracker (3rd Quarter 2024). https://lao.ca.gov/LAOEconTax/Article/Detail/793#:~:text=Housing%20Costs%20Have%20Grown%20More%20Quickly%20Than%20Wages.&text=From%20January%202020%20to%20September,grown%20more%20quickly%20than%20wages.

In addition to the increase in property tax base from property sales, the City is continuing to see new residential and commercial development resulting in additional property tax. The gradual decline in the rate of property tax growth in the LTFP is based on expected development in the City to taper off; properties available for new development will diminish.

Property Tax in lieu of Vehicle License Fee (VLF)

VLF revenues are generated from vehicle license fees paid with vehicle registrations to the State of California Department of Motor Vehicles; fees are then allocated back to cities and counties. With the State Budget Act of 2004, the allocation of VLF revenues to cities and counties were substantially changed, permanently reducing the VLF tax and increasing transfers of property tax funds from the State in lieu of VLF. Since 2006, the majority of VLF revenues for each city grew essentially in proportion to the growth in the change in gross property assessed valuation. Due to the new formula by the State, 96% of the City's VLF revenues fluctuated with changes in assessed property values within the City. As such, this revenue category reflects $33.8 million Property Tax in lieu of Vehicle License Fee revenues for FY 2026, a 6.0% increase in comparison to the FY 2025 Amended Budget; a growth rate of 6.0% in FY 2027 through FY 2028; a growth rate of 5.0% in FY 2029 through FY 2032; and a terminal growth rate of 4.0% in FY 2033 through FY 2035.

Property Tax in lieu of Motor Vehicle License Fees (MVLF) Ten-Year Forecast ($ In Millions)

	FY 2025 Amended	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Growth Rate	-	6.0%	6.0%	6.0%	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%
Projection	31.9	33.8	35.9	38.0	39.9	41.9	44.0	46.2	48.1	50.0	52.0

Sales and Use Tax (Sales Tax)

The Bradley-Burns Uniform Local Sales and Use Tax (Sales Tax) tax revenue is generated from a percentage tax imposed on the sale of retail goods and services that occur within the City of Chula Vista. Sales tax revenue is highly sensitive to economic conditions, and reflects the factors that drive taxable sales, including levels of unemployment, consumer confidence, per-capita income, and business investment. The total citywide sales tax rate is 8.75%, of which the City's General Fund receives 1.0% of all the sales transactions within the City, not including the City transaction taxes for Measure P and A.

The table below shows the distribution of sales tax for the City of Chula Vista.

State General Fund (includes K-12/Community Colleges)	3.94%
Public Safety (Prop 172)	0.50%
County Realignment (Mental Health/Welfare/Public Safety)	1.56%
Countywide Transportation Fund	0.25%
San Diego County Regional Transportation Commission (TransNet)	0.50%
State and County Subtotal	**6.75%**
Local Jurisdiction (City or County of place sale/use) *(City Share)*	1.00%
City Transaction Tax (Measure P)	0.50%
City Transaction Tax (Measure A)	0.50%
City Subtotal	**2.00%**
Total Sales Tax Rate – Chula Vista [1]	**8.75%**

[1] Total sales tax rates will vary by City due to local sales tax initiatives.

The General Fund sales tax revenue is anticipated to be approximately $49.4 million in FY 2026, a 3.0% increase in comparison to the FY 2025 Amended Budget. The Sales Tax revenues category represents the second largest revenue source for the City's General Fund.

Economic Analysis and Forecast

Consumer confidence, unemployment rates and the Consumer Price Index (CPI) largely drive the spending and resultant sales tax receipts that make up the City's second largest revenue stream. The San Diego region employment rate remained steady at 4.6% in November 2024, which is up 0.3% since November 2023.[10] The CPI for November 2024 was 2.6% above prices one year ago.[11]

After surging nearly 10% in FY 2021 and 15% in FY 2022 during the pandemic, taxable sales growth in Chula Vista slowed to 3.1% in FY 2023 and 3.7% in FY 2024. Further weakening in taxable sales growth is expected in the short run as the labor market cools, unemployment ticks up, pandemic savings dry up, and overall economic headwinds spur consumers to dial back spending. While part of the projected slowdown in the near term is due to economic headwinds, slower near-term growth is also a function of coming off of skyrocketing gains in FY 2021 and FY 2022. Sales tax revenues are expected to moderate as consumers struggle with rising prices due to inflation.

Sales Tax Ten-Year Forecast
($ In Millions)

	FY 2025 Amended	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Growth Rate	-	3.0%	3.0%	3.0%	3.0%	3.5%	3.5%	4.0%	4.0%	4.0%	4.0%
Projection	48.0	49.4	50.9	52.5	54.0	55.9	57.9	60.2	62.6	65.1	67.7

[10] U.S. Bureau of Labor Statistics. Economy at a Glance: San Diego-Carlsbad-San Marcos, CA https://www.bls.gov/eag/eag.ca_sandiego_msa.htm
[11] U.S. Bureau of Labor Statistics. Consumer Price Index, San Diego Area — November 2024 https://www.bls.gov/regions/west/news-release/consumerpriceindex_sandiego.htm

The LTFP assumes a 3.0% growth factor for FY 2026 through FY 2029; a 3.5% growth factor for FY 2030 and 2031; and a terminal growth rate of 4.0% in FY 2032 through FY 2035. Inflation may impact this revenue source further as rising prices would generate additional revenue; however, increased prices may also decrease sales of goods and services in the long-term. Staff engages an outside consultant, HdL, to assist in the current year monitoring and projections for all sales tax related revenues and will monitor this revenue source for updates to the LTFP.

Measure P Sales Tax

In 2016, voters approved the Measure P Sales Tax Measure which established a temporary ten-year ½ percent sales tax rate upon sales within the City (which is included in the total 8.75% tax rate). In 2024, voters approved the renewal of the Measure for an additional 10 years through 2037. The Measure P Sales Tax revenue is restricted for supporting repair and replacement of City infrastructure. While the revenue generated from the Measure P Sales tax is collected in the General Fund, the General Fund transfers this revenue to the Measure P Sales Tax Fund for accountability and transparency in the usage of these funds. These actions result in an overall net zero impact to the General Fund.

For FY 2026, Measure P Sales Tax revenue is projected to total $30.2 million, a $0.9 million increase, or 3.0% increase from the FY 2025 Amended Budget. The LTFP assumes a 3.0% growth factor from FY 2026 through FY 2029; a 3.5% growth factor for FY 2030 and 2031; and a terminal growth factor in FY 2032 through FY 2035 of 4.0%. Generally, economic factors impacting the [Bradley-Burns] Sales Tax revenues similarly impact the Measure P Sales Tax revenues.

Measure P Sales Tax Ten-Year Forecast ($ In Millions)

	FY 2025 Amended	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Growth Rate	-	3.0%	3.0%	3.0%	3.0%	3.5%	3.5%	4.0%	4.0%	4.0%	4.0%
Projection	29.3	30.2	31.1	32.0	33.0	34.2	35.3	36.8	38.2	39.8	41.3

Measure A Sales Tax

In 2018, voters approved the Measure A Sales Tax Measure which established a ½ percent sales tax on goods and services sold within the city to support local public safety needs. This increased the overall sales tax rate to 8.75% as of October 1, 2018, and the ½ percent sales tax will continue until repealed by voters. The Measure A Sales Tax revenue is restricted for supporting the public safety needs of the City. While revenue is collected and tracked within the General Fund, the General Fund transfers this revenue to the Measure A Sales Tax Fund for accountability and transparency in the usage of these funds. Separate accounts (one for the Fire department and one for the Police department) were established to support the monitoring and allocation of these funds. These actions result in an overall net zero impact to the General Fund.

For FY 2026, Measure A Sales Tax revenue is projected to total $30.2 million, a $0.9 million increase, or 3.0% increase from the FY 2025 Amended Budget. The LTFP assumes a 3.0% growth factor from FY 2026 through FY 2029; a 3.5% growth factor for FY 2030 and 2031; and a terminal growth factor in FY 2032 through FY 2035 of 4.0%. Generally, economic factors impacting the [Bradley-Burns]

Sales Tax revenues similarly impact the Measure A Sales Tax revenue.

Measure A Sales Tax Ten-Year Forecast ($ In Millions)											
	FY 2025 Amended	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Growth Rate	-	3.0%	3.0%	3.0%	3.0%	3.5%	3.5%	4.0%	4.0%	4.0%	4.0%
Projection	29.3	30.2	31.1	32.0	33.0	34.2	35.3	36.8	38.2	39.8	41.3

Franchise Fees

Franchise fees are revenue generated from agreements with private utility companies in exchange for use of the City's rights-of-way. The fee compensates the City for the use of its property, such as its streets. Franchise fees are collected from three primary sources: San Diego Gas & Electric (2% on gas and 1.25% on electricity), Republic Services trash collection franchises (20% fee), and AT&T and Cox Communications cable franchises (5% fee).

For FY 2026, total franchise fee revenue is projected to be $15.4 million, a $0.3 increase, or 2.0% increase, from the FY 2025 Amended Budget. The LTFP anticipates these revenues, in the aggregate, to grow slightly over the term of the LTFP, at a rate of 2.0%.

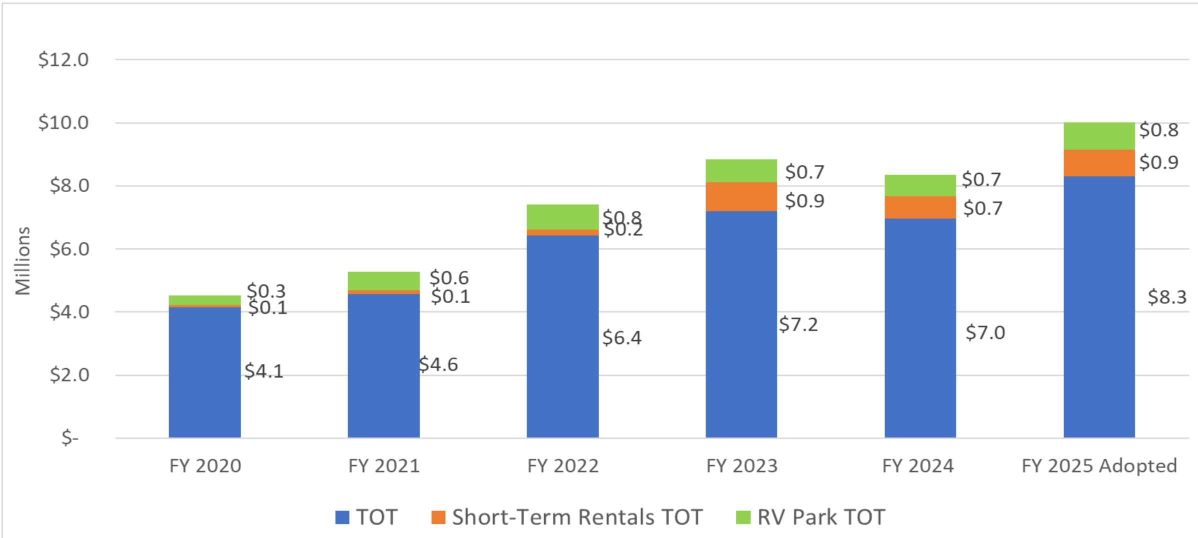
Franchise Fees Ten-Year Forecast ($ In Millions)											
	FY 2025 Amended	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Growth Rate	-	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Projection	15.1	15.4	15.7	16.0	16.3	16.7	17.0	17.3	17.7	18.1	18.4

Transient Occupancy Tax (TOT)

TOT is a tax imposed on occupants of hotel and motel rooms, short-term rentals, and RV parks within the City. The current TOT tax rate in the City is 10%. Major economic drivers for TOT revenue include room rates, average occupancy rates, and seasonal and non-seasonal tourism. The City of Chula Vista has experienced strong growth in TOT in recent years with a string of new hotel developments on both the west and eastern portions of the City as well as an expansion of the short-term rental compliance program. Additionally, it is important to note that the TOT revenue generated from the RV Park in the Bayfront area is transferred out from the General Fund to the Bayfront Lease Revenue Fund as part of the financing arrangement for the Bayfront Project.

During the height of the COVID-19 pandemic, TOT revenues fell in FY 2020 by 3.6% as compared to FY 2019 to $4.5 million. In FY 2021, TOT revenues rebounded to $5.3 million, increasing by 18%, and by 41% in FY 2022 at $7.4 million. In FY 2023, TOT revenues again significantly increased, by 19%. However, in FY 2024, TOT declined 5.5% to $8.4 million from the FY 2023 high of $8.8 million. Staff will monitor this revenue category closely for updates to the LTFP, particularly if a recession were to occur as travel would likely be impacted by declines in consumer confidence and spending.

Transient Occupancy Tax
Fiscal Year 2020 to Fiscal Year 2025



Despite the dip in TOT revenues in FY24, it is anticipated that TOT revenues will continue to increase as a result of new hotels being developed within the City over the next several years. Staff expects the Gaylord Pacific Resort & Convention Center project to bring renewed interest in business, recreation and other activity to the Chula Vista Bayfront and surrounding areas. As additional projects advance through the development process, staff will update the LTFP to include General Fund impacts.

For FY 2026, TOT revenue is projected at $10.6 million, a $0.6 million increase, or 5.9% increase, from the FY 2025 Amended Budget.

Transient Occupancy Tax Ten-Year Forecast
($ In Millions)

	FY 2025 Amended	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Growth Rate	-	5.9%	5.8%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Projection	10.0	10.6	11.2	11.4	11.7	11.9	12.2	12.4	12.7	12.9	13.2

The LTFP projects a 5.8% growth in FY 2027 based on confirmed hotel developments within the development pipeline (i.e., permits, inspections, construction). From FY 2028 through FY 2035, growth is moderate, projected at 2.1% growth. Projections will be updated as planning and development processes advance, and new hotels begin operations.

Utility User Tax (UUT)

The City adopted its Utility Users Tax (UUT) in 1970. The City of Chula Vista imposes a UUT on the use of telecommunications (cable, telephone) at the rate of 4.75% 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. City staff recently conducted an analysis to project revenues for each utility type; technology, consumer behavior and legislative changes have positioned this revenue category as less secure over the long-term with essentially flat growth. For FY 2026, revenues are projected to total $3.9 million, a 0% increase over the FY 2025 Amended Budget. The LTFP assumes a 0% growth rate) in UUT throughout the term of the LTFP based on current trends.

Utility Users' Tax Ten Year-Forecast
($ In Millions)

	FY 2025 Amended	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Growth Rate	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Projection	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9

This space is intentionally left blank.

EXPENDITURES

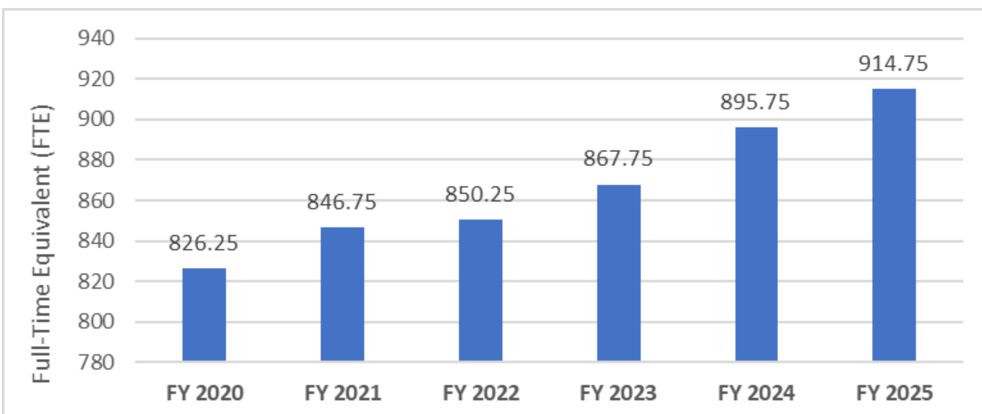
The City's major expenditure categories include **Personnel Services, Retirement Benefits, and Health Insurance.** These expense categories account for approximately $149.9 million or 52.3% of the City's General Fund FY 2025 Amended Budget. The following are brief descriptions of the listed expenditure categories.

Personnel Services (Salaries/Wages)

Since the last economic recession, the City has focused on recovering its staffing levels to support City services. For FY 2025, the total Adopted Budget General Fund staffing is 914.75 Full Time Equivalents (FTEs). For FY 2025, personnel costs, including salary/wages but not including retirement benefits or health insurance, were amended at $119.5 million. This staffing level is assumed to be ongoing and extrapolated out through the remainder of the LTFP as the new Personnel Services baseline budget. The projected Personnel Services costs for FY 2026 are $127.3 million, an increase of $6.3 million, or 5.3%, over the FY 2025 Amended Budget.

Adopted Budget General Fund Staffing

Fiscal Year 2020 to Fiscal Year 2025 (in FTEs)



Personnel Services Expenditures Ten-Year Forecast ($ In Millions)

	FY 2025 Amended	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Growth Rate	-	5.3%	5.4%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Projection	121.0	127.3	134.2	138.0	141.9	145.9	150.1	154.3	158.7	163.2	167.8

The LTFP includes the annualized costs of negotiated salary increase approved per the current Memorandum of Understanding (MOU) with each of the City's employee groups. The MOUs vary in negotiated salary annual increases and vary in duration until they expire. Beyond the expiration of the current MOUs, the LTFP assumes wage inflation for each bargaining group of approximately

2.8% increase in accordance with CalPERS salary growth assumptions.

Health Insurance

The City currently offers qualified benefitted employees four medical plan options: Aetna Sharp Accountable Care Organization (ACO), Aetna Full Network HMO, the Aetna PPO, and Kaiser Health Maintenance Organization (HMO). For FY 2026, health insurance expenses are projected to total approximately $15.8 million. This represents an increase of $0.8 million or 5.0% from the Fiscal Year 2025 Amended Budget. The expected growth rate for health care insurance costs is 5.0% through the term of the LTFP.

Health Insurance Expenditures Ten-Year Forecast ($ In Millions)

	FY 2025 Amended	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Growth Rate	-	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Projection	15.0	15.8	16.5	17.4	18.2	19.2	20.1	21.1	22.2	23.3	24.4

Retirement Benefits

California Public Employees' Retirement System (CalPERS)

The City contracts with CalPERS retirement benefits for all full-time benefitted employees. The City has two employee retirement plans (*Miscellaneous* and *Safety*), each with three tiers of employees based upon their start date within the CalPERS system and the City of Chula Vista. The Miscellaneous plan covers all qualified City employees except those which are considered public safety employees (sworn Fire and Police personnel). The Public Safety plan covers all qualified public safety employees.

Normal Costs & Unfunded Accrued Liability

The Normal Costs and Unfunded Accrued Liability (UAL) and payment amounts are used to calculate the City's fiscal year pension contribution amounts. The City's Normal Cost to CalPERS is the required employer contribution for the annual cost of service accrual for the upcoming fiscal year for active employees. This is the amount of funds the City will need to contribute for the current fiscal year towards pension costs. For FY 2026, the required estimated employer Normal Cost contributions for the Miscellaneous [Employees] and Public Safety [Employees] plans total $14.1 million. For FY 2026, the UAL is $4.6 million based on assumptions from CalPERS and current labor agreements.

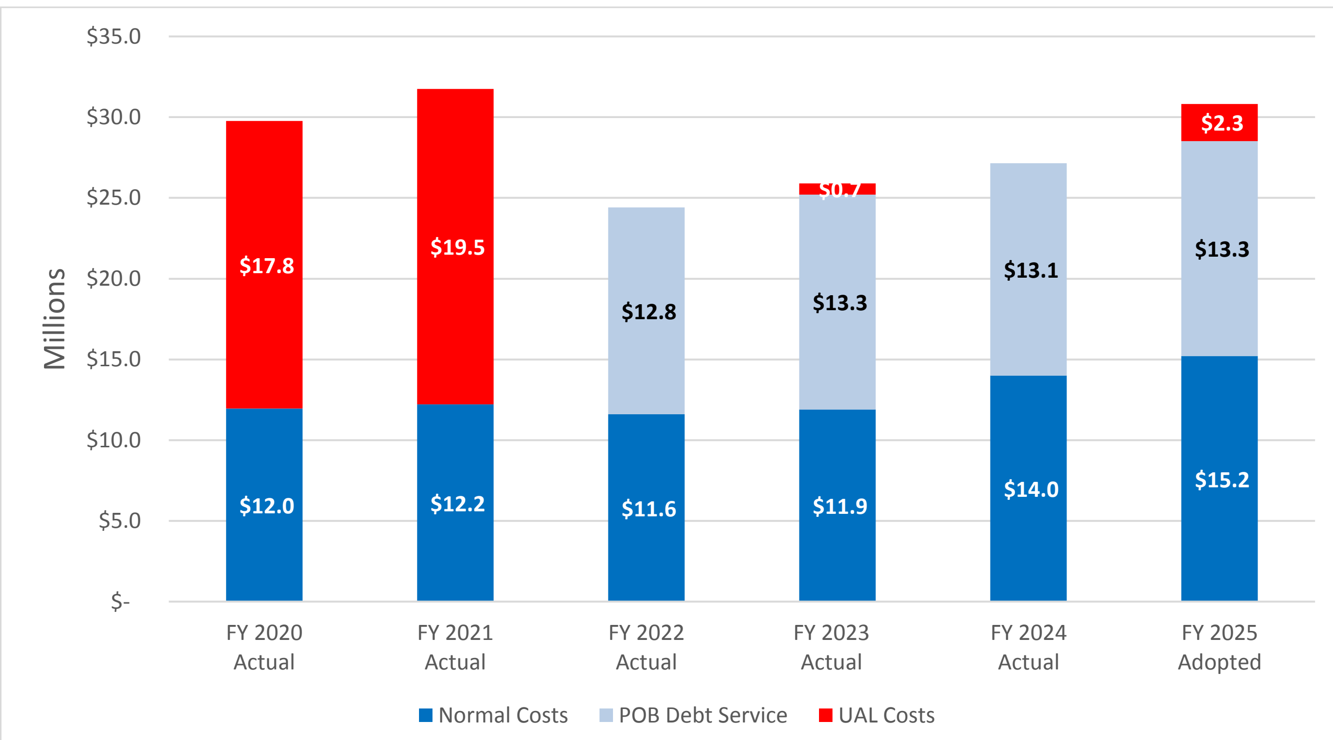
Pension Obligation Bonds

In February 2021, the City issued $350 million in pension obligation bonds (POBs) with a Standard and Poor's Global Ratings extremely strong 'AA' credit rating at historically low interest rates of 2.54% to refund the UAL based on the CalPERS Actuarial Valuation as of June 30, 2019. The issuance of the POBs provides the City several benefits, including: (1) generating cash flow savings to the City through historically low interest rates relative to the CalPERS discount rate assumption; (2) creating a repayment shape for the City's pension liabilities that increases more gradually than currently mandated by CalPERS; (3) enhancing budget predictability and long-term fiscal sustainability by creating a smoother repayment shape at a lower level; (4) leveraging the projected savings to adequately fund various reserves; and, (5) setting aside a portion of the future savings into a Section 115 Trust a Fund(Pension Reserve) established in 2021 to mitigate future pension cost increases.

The City's pension actuary consultant GovInvest prepared an analysis for the City that compares the funding status of the City's CalPERS plans before and after the issuance of the POBs. The funded status is based on the market value of assets relative to the funding target produced by the entry age actuarial cost method and actuarial assumptions adopted by the CalPERS board. For the year ended June 30, 2021, the City's plans were 109.5% funded after the issuance of the POB. Prior to the POB the estimated plan funded status would have been at 78.0%. For the year ended June 30, 2023 (latest CalPERS results), the City's Plans are funded at 91.7%, decreasing from the year prior due to lower than expected investment performance and other factors.

The following table shows the City's General Fund total retirement costs, including the POB payment.

Total General Fund Retirement Costs (Including POB)



CalPERS valuation reports also provide the City with a five-year projection of future employer contribution amounts that the City utilizes in making long-term projections. Based on the projections within the valuation reports, the City's General Fund retirement contributions toward its normal costs and UAL are projected to increase in FY 2026 through FY2029 followed mostly by modest increases through the remainder of the LTFP period, shown in the table below.

Retirement Expenditures Ten-Year Forecast ($ In Millions)											
	FY 2025 Amended	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Growth Rate	-	5.4%	6.4%	8.5%	7.0%	1.3%	(2.0%)	1.5%	2.4%	1.4%	1.5%
Projection	17.7	18.7	19.9	21.5	23.1	23.4	22.9	23.2	23.8	24.2	24.5

Part-Time Employees Retirement Benefits

Part-time employees receive retirement benefits through Public Agency Retirement System (PARS). PARS is an alternative to Social Security for Part-Time, Seasonal, and Temporary employees. The City and employees both currently contribute 3.75% of salary towards the PARS contribution amount of 7.5%, which is a defined benefits plan.

Supplies and Services

The Supplies and Services category includes expenditures for contracted (professional) services, software, equipment, and other materials. For FY 2026, the projected Supplies and Services costs are $27.8 million, a 11.3% increase over the FY 2025 Amended Budget. This somewhat significant increase is due to the estimated increases in insurance (i.e., general liability insurance) costs for the City.

Except for insurance which is estimated at approximately 5.0% for the remainder of the plan, the LTFP assumes a terminal growth rate in FY 2027 through 2035 of approximately 2.0%. This rate is consistent with the Federal Reserve policy goal of 2.0% inflation.

Supplies & Services Expenditures Ten-Year Forecast ($ In Millions)											
	FY 2025 Amended	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Growth Rate	-	11.3%	3.0%	3.0%	3.0%	3.0%	3.0%	3.1%	3.1%	3.1%	3.1%
Projection	25.0	27.8	28.6	29.5	30.4	31.3	32.3	33.2	34.3	35.3	36.4

CAPITAL EXPENDITURES

To identify the City's infrastructure and capital needs, the City developed an asset management plan. The asset management plan inventoried all City infrastructure and property assets, conducted condition assessments on each asset, prioritized the assets by risk level and importance, and performed a life cycle cost assessment. This information allowed the City to develop a cost estimate for the capital improvement program. The asset management plan sorted the City assets into three categories: red (high risk), yellow (medium risk), and green (low risk). This allows for the City to make necessary decisions on each asset (repair, replace, renovate, liquidate, shut down, relocate, etc.), and to budget available resources towards the repair and replacement of these assets.

In light of the projected costs to repair and replace the City's capital assets, the City Council placed a temporary ten-year ½ percent sales tax measure (Measure P) on the November 2016 ballot to address the high priority capital needs over a ten-year period. In November 2016, Chula Vista voters approved Measure P. The sales tax has generated roughly $245 million in additional revenue since 2017, funding projects such as irrigation systems, emergency equipment, and the Loma Verde Community Center renovations. In November 2024, voters overwhelmingly approved a ten-year renewal of Measure P sales tax collection through 2037.

To guide the expenditure of these revenues, the City developed the Intended Infrastructure, Facilities and Equipment Expenditure Plan (IFEEP) based on information from the City's asset management plan. As the Measure P Sales Tax has a limited term, the IFEEP focuses on critical one-time items to address deferred maintenance and improve the safety of the City's infrastructure. As the IFEEP focuses on one-time allocations, any additional operating costs for new or improved facilities, such as fire stations, will need to have an alternative funding source. Examples of ongoing operational costs include additional staff or increased operation and maintenance costs.

The LTFP includes the Measure P Sales Tax revenues as General Fund revenues. These revenues are paired with a corresponding transfer out of the General Fund to the Measure P fund. The transfer of the funds provides for accurate monitoring of the allocation and expenditure of these funds to ensure compliance with the original intent of the sales tax measure. The corresponding transfer results in a net zero impact to the General Fund. Information on Measure P allocations and projects can be found on the City's website: https://www.chulavistaca.gov/departments/engineering.

As future LTFPs will include fiscal years beyond the voter-approved, scheduled conclusion of the Measure P Sales Tax revenue collection period (through April 2037), it is anticipated that the General Fund will begin to incur additional capital program, operation and maintenance costs. As such, the LTFP includes contributions toward operations and maintenance support and the capital program in the Transfers Out category.

General Fund alternative funding sources, such as grants and transportation funds, support the City's capital program. However, as the LTFP only addresses the General Fund, these resources and expenditures are not included in this report at this time. Additional information related to the City's capital program and funding sources can be found on the City' website: https://www.chulavistaca.gov/departments/public-works/projects.

OUTSTANDING CITY DEBT

The City has three outstanding Certificates of Participation (COP) that are funded with General Fund contributions, Public Facilities Development Impact Fees (PFDIF), and/or the Residential Construction Tax Funds (RCT). The Chula Vista Public Financing Authority (CVPFA) outstanding COPs consist of the 2014 Refunding COP, the 2015 Refunding COP, and the 2016 Refunding COP. These COPs have refunded the outstanding principal of various earlier COPs which were used to fund the construction of the City's Police Facility, Civic Center improvements, Corporation Yard, Western Chula Vista Infrastructure projects, and Nature Center Improvements.

In addition to the outstanding COPs, the City has four outstanding lease revenue bond issuances (LRBs), including lease revenue refunding bonds (LRRBs), previously refunded (refinanced). These include: the Chula Vista Municipal Financing Authority (CVMFA) 2016 Lease Revenue Refunding Bonds (2016 LRRBs); the 2017 Lease Revenue Bonds (2017 LRBs); and the New Clean Renewable Energy Bonds Series 2017A and Series 2017B LRBs. The 2016 LRRBs refunded earlier COPs that were used to fund Civic Center and Corporation Yard improvements. The 2017 LRBs (Measure P) were issued to finance infrastructure, facilities, and equipment; and the 2017A and 2017B LRBs were issued to finance photovoltaic (solar) energy systems at various City facilities. Funding from the Measure P sales Tax will address the annual debt service for the 2017 LRBs.

In 2021, the City issued approximately $350 million in Pension Obligation Bonds (POBs) to finance the UAL balance based on the CalPERS Actuarial Valuation as of June 30, 2019. More discussion on POBs is provided in the *Expenditures* section of this document.

While the City has several outstanding bond issuances, the General Fund's portion of the annual debt service payments is approximately $18.1 million for FY 2025. This represents approximately 6.6% of the General Fund revenues for FY 2025. Minimizing the annual General Fund debt service payments supports maintaining flexibility within the General Fund, as a low percentage of the General Fund revenue is dedicated to long-term ongoing obligations. The Bond Call Fund represents funds available for appropriation by the City Council to be used to pay any outstanding debt prior to maturity that results in net annual savings. These funds will allow the City to accumulate funds to eliminate debt early. For example, beginning in June 2031, the POBs are eligible to be called (a return of principal and accumulated interest to bond holders), saving on interest costs and reducing future POB debt service payments.

The City complies with the City's Debt Policy goal to limit the total amount of annual debt payments payable by no more than 10% of estimated total General Fund revenues.

Additional information related to the City's outstanding debt can be found on the City's website (Debt Management): https://www.chulavistaca.gov/departments/finance/financial-reports.

RESERVE FUNDS

The City accumulates and maintains adequate reserves to help ensure both financial stability and the ability to provide core services during difficult times. Sufficient reserves create financial stability resulting in increased credit quality and allow the City to better weather downturn in the economy and the impacts of negative events, both major and minor. The establishment of prudent financial reserves is important to ensure long-term fiscal health of the City. The City's Citywide Reserve Policy – Fiscal Health Plan (Policy No. 220-03) establishes reserves, reserve levels, and the use of reserves in the General Fund and other funds. The City's reserves include General Fund Reserves (Operating Reserve, Economic Contingency Reserve, and Catastrophic Event Reserve), Pension Reserve Fund, Bond Call Fund, and OPEB Reserve Fund.

General Fund Reserves

General Fund Reserves are comprised of following three distinct reserves: General Fund Operating Reserve (minimum 15%), Economic Contingency Reserve (minimum 5%), and Catastrophic Event

Reserve (minimum 3%) for a total recommended minimum reserve level for the three reserves of 23% of the prior year's Adopted General Fund budgeted operating expenditures. These reserves are maintained throughout the LTFP.

General Fund Operating Reserve

The General Fund Operating Reserves represent 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.

Economic Contingency Reserve

The Economic Contingency Reserves represent funds available for appropriation by the City Council to mitigate service impacts during a significant downturn in the economy which impacts City revenues such as sales tax, property tax, transient occupancy tax.

Catastrophic Event Reserve

The Catastrophic Event Reserves represent funds available for appropriation by the City Council to fund unanticipated expenses related to a major natural disaster in the City.

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.

Pension Reserve

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 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 no less than 15% of the prior year's Adopted General Fund budgeted operating expenditures.

Bond Call and Other Post-Employment Benefits (OPEB) Reserve

As discussed earlier, the Bond Call reserve are funds available to be used to pay any outstanding debt prior to maturity that results in net annual savings. These funds will allow the City to accumulate funds to eliminate debt early.

OPEB Reserve 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 throughout the LTFP.

POTENTIAL SOLUTIONS TO RESOLVE STRUCTURAL INFRASTRUCTURE DEFICIT

The City's assets continue to age and will require additional repair and rehabilitation in the coming decade and beyond. Measure P, passed in November 2016 and was renewed in November 2024 to continue through 2037. These measures will continue to provide much needed funding for a significant portion of the City's Asset Management Program.

The City's Infrastructure, Facilities and Equipment Expenditure Plan has guided implementation of Measure P sales tax funds and has been successfully used to upgrade police, fire, paramedic and 9-1-1 equipment, vehicles and facilities; fund streets and sidewalks; replace storm drains to prevent sinkholes; improve parks; repair recreation facilities; and repair and replace other city infrastructure.

While Measure P does address a significant amount of deferred maintenance items, the infrastructure needs of the City identified in the asset management exceed the funding anticipated to be generated from Measure P. The extension of Measure P allows the City to plan and identify additional funding sources to address the City's ongoing capital needs.

CONCLUSION

The LTFP presents a baseline scenario for City General Fund resources over a ten-year period based on currently available information.

Based on projections within the LTFP, the City will be facing modest General Fund structural deficits in the first six years of the 10-year LTFP period. In order to preserve and maintain the valuable resources, current service levels, and quality of life the community has enjoyed over the years, the City will need to make a concerted effort to monitor the growth of revenues in comparison to expenditures. Proactive planning and a commitment to a fiscally sustainable service delivery model will be required.

The following table projects revenue and expenditure categories for the City's General Fund for Fiscal Years 2026 – 2035.

This section is intentionally left blank.

General Fund Long-Term Financial Plan
FY 2026 - 2035 (in millions)

	FY 2025 Amended	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Revenues											
Property Taxes	53.1	56.2	59.6	63.2	66.4	69.7	73.2	76.8	79.9	83.1	86.4
Sales Tax	48.0	49.4	50.9	52.5	54.0	55.9	57.9	60.2	62.6	65.1	67.7
Measure P Sales Tax	29.3	30.2	31.1	32.0	33.0	34.2	35.3	36.8	38.2	39.8	41.3
Measure A Sales Tax	29.3	30.2	31.1	32.0	33.0	34.2	35.3	36.8	38.2	39.8	41.3
Franchise Fees	15.1	15.4	15.7	16.0	16.3	16.7	17.0	17.3	17.7	18.1	18.4
Utility User Taxes	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Transient Occupancy Taxes	10.0	10.6	11.2	11.4	11.7	11.9	12.2	12.4	12.7	12.9	13.2
Property Tax in lieu of VLF	31.9	33.8	35.9	38.0	39.9	41.9	44.0	46.2	48.1	50.0	52.0
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**
Development Revenue	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.9	1.9
Licenses and Permits	1.7	1.8	1.8	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.1
Fines, Forfeitures & Penalties	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.3
Use of Money and Property	5.3	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Other Local Taxes	4.8	5.0	5.2	5.3	5.5	5.7	5.9	6.2	6.4	6.6	6.8
Police Grants	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other Agency Revenue	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Charges for Services	10.1	10.3	10.6	10.9	11.1	11.3	11.6	11.9	12.1	12.4	12.7
Interfund Reimbursements	10.6	9.5	9.8	10.0	10.2	10.3	10.5	10.7	10.9	11.1	11.3
Other Revenue	4.8	4.8	4.8	4.8	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Transfers From Other Funds	24.5	13.6	13.8	14.0	14.1	14.2	14.3	14.5	14.6	14.7	14.9
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]	**0.0**	**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		**0.1%**	**4.0%**	**3.6%**	**3.3%**	**3.4%**	**3.5%**	**3.7%**	**3.4%**	**3.4%**	**3.4%**
Expenditures											
Personnel Services	121.0	127.3	134.2	138.0	141.9	145.9	150.1	154.3	158.7	163.2	167.8
Retirement - PERS	15.4	14.1	14.5	14.9	14.9	15.0	15.1	15.5	16.1	16.4	16.8
Unfunded Accrued Liability (UAL)	2.3	4.6	5.4	6.7	8.1	8.4	7.8	7.8	7.7	7.7	7.7
Health Insurance	15.0	15.8	16.5	17.4	18.2	19.2	20.1	21.1	22.2	23.3	24.4
Salary Savings (Ongoing/One-Time)	(4.2)	(3.8)	(4.1)	(4.3)	(4.4)	(4.5)	(4.7)	(4.8)	(5.0)	(5.1)	(5.3)
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**
Supplies and Services	25.0	27.8	28.6	29.5	30.4	31.3	32.3	33.2	34.3	35.3	36.4
Utilities	6.8	7.2	7.5	7.9	8.3	8.7	9.1	9.5	10.0	10.5	11.0
Other Expenses	2.4	1.9	1.9	2.0	2.0	2.1	2.2	2.2	2.3	2.4	2.4
Equipment (Capital not CIP)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Internal Service Charges	4.6	4.7	4.8	4.9	5.0	5.1	5.2	5.3	5.4	5.6	5.7
Measure P Obligations (Transfers Out)	29.3	30.2	31.1	32.0	33.0	34.2	35.3	36.8	38.2	39.8	41.3
Measure A Obligations (Transfers Out)	29.3	30.2	31.1	32.0	33.0	34.2	35.3	36.8	38.2	39.8	41.3
Transfers Out	40.7	25.1	26.1	26.9	26.2	26.5	27.6	28.9	31.5	32.4	34.4
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**
Millenia Library	-	0.8	0.8	0.9	0.9	0.9	1.1	1.1	1.1	1.6	1.6
Otay Ranch Village 8 West	-	2.5	3.2	3.7	4.0	4.1	4.2	4.3	4.4	4.5	4.6
Bayfront Fire Station	-	2.6	1.5	0.6	0.6	0.4	0.4	0.4	0.5	0.7	0.8
New Development Expenditures [3]	**0.0**	**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 / (Deficit)	**(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%**

(1) M**ajor 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 VLF (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), and Transfers Out.