

CITY OF EL CAJON MID-YEAR REPORT FISCAL YEAR 2018-19

This report is intended to evaluate the status of revenues and expenditures at the halfway point of the fiscal year, as well as communicate anticipated year-end results. In evaluating mid-year performance, current year activity is compared to that of previous years and budgeted expectations. This analysis has been conducted for the City of El Cajon’s six major funds: the General Fund, the Low-Moderate Income Housing Asset Fund special revenue fund, the Wastewater enterprise fund, the HOME special revenue fund, the City Capital Improvement Program fund, and the Public Safety Facilities Projects capital improvement fund. This report is useful for both managing operations for the remainder of this fiscal year, as well as contributing information necessary for the Five-Year Business Plan and developing the Fiscal Year 2019-20 Annual Budget.

Note: The following analysis was prepared solely for the purpose of determining how revenues and expenditures are performing as related to the budget. Consequently, the information contained herein may not be presented in accordance with generally accepted accounting principles.

GENERAL FUND

Overview

As of December 31, 2018, General Fund Revenues and Sources of Funds totaled \$24.9 million, a decrease of 4.8% (\$1.3 million) from the same point last year. Expenditures and Uses of Funds totaled \$33.8 million, which is up approximately 5.4% (\$1.7 million) from last year’s midway point.

For this period, July through December 2018, Expenditures and Uses of Funds exceeded Revenues and Sources of Funds by approximately \$8.9 million. Several of the General Fund’s larger revenue streams, such as Property Taxes, are received in the latter half of the fiscal year. During the first six months of the fiscal year, the General Fund cash flow needs are reliant upon the City’s 20% Operating Reserve which prevents the City from having to borrow funds (i.e. issue tax and revenue anticipation notes), thereby avoiding additional interest and issuance expenses.

The table below summarizes this activity for the current year, as well as the two previous years.

	FY18-19 <u>Budget*</u>	FY18-19 <u>Mid-Year</u>	% of <u>Budget</u>	FY17-18 <u>Mid-Year</u>	FY16-17 <u>Mid-Year</u>
Revenues and Sources of Funds	\$74,847,405	\$24,915,262	33.3	\$26,173,956	\$24,039,570
Expenditures and Uses of Funds	80,137,655	33,772,231	42.1	32,083,154	31,197,243

By fiscal year end, Revenues and Sources of Funds are projected to total \$75.3 million, which is \$460,960 above budget and represents a 1.6% increase from last year. This increase is attributable to growth in most minor revenue categories. Expenditures and

Uses of Funds are estimated to be \$78.5 million at fiscal year-end. This is 16.2% higher than last year, but is \$1.7 million under budget. The majority of this year-to-year increase is attributable to the transfer to the City CIP Program Fund (\$4.9 million), increased CalPERS contributions (\$2.2 million), as well as increases in other personnel costs (\$1.7 million). Together, this activity is expected to decrease fund balance by an estimated \$3.2 million. Further analysis of selected revenues and expenditures follows.

Revenue and Sources of Funds

While the General Fund has many sources of revenue, three major categories account for 84.1% of total budgeted revenue. These categories are: Sales Taxes, Property Taxes, and Franchise Fees. Each of these will be discussed separate of all remaining sources.

Sales Taxes- Sales tax revenue is comprised of two components: the City’s share of the State sales tax rate and a voter approved 0.5% general sales tax (Proposition J). At the mid-year point of the fiscal year, sales tax receipts are down \$2.5 million from the same point last year. The primary reason for this decrease is a change in accrual practices. With this adjustment made, the corrected difference is a real increase of \$474,108. The table below summarizes these balances, as well as those of the two previous years.

	FY18-19 Budget	FY18-19 Mid-Year	% of Budget	FY17-18 Mid-Year	FY16-17 Mid-Year
Sales Taxes	\$27,949,100	\$10,066,555	36.0	\$11,789,725	\$10,831,971
Sales Taxes (Proposition J)	10,418,500	3,652,870	35.1	4,414,801	4,023,924

Sales Taxes are expected to be below budgeted amounts by approximately \$707,202 by fiscal year end.

Property Taxes- Property tax revenue is comprised of three major components: regular property taxes, property tax received in lieu of Vehicle License Fees, and the residual distribution from the Redevelopment Property Tax Trust Fund. Property taxes are up approximately 16.6% (\$556,640) from this point last year. The majority of this increase is attributable to the timing of receipt of Redevelopment Property Tax Trust Fund distributions. Regular property tax, the key source in this revenue category, is up 5.2% (\$174,344) from the same point last year.

	FY18-19 Budget	FY18-19 Mid-Year	% of Budget	FY17-18 Mid-Year	FY16-17 Mid-Year
Property Taxes (PT)	\$8,803,963	\$3,530,502	40.1	\$3,356,157	\$3,103,430
PT – In Lieu VLF	9,220,221	-	-	-	-
PT – RPTTF Residual Distribution	1,307,047	381,296	29.2	-	-

The majority of this revenue is received in the second half of the fiscal year, and projections indicate that year-end results will meet budgetary expectations for this category.

Franchise Fees- Franchise fees are collected from San Diego Gas & Electric, Waste Management, Cox Communications, and Pacific Bell. At the midpoint of the fiscal year, current year Franchise Fees are up 1.4% (\$14,569) from last year. The table below illustrates Franchise Fees for the current year, as well as the two previous years.

	FY18-19 <u>Budget</u>	FY18-19 <u>Mid-Year</u>	% of <u>Budget</u>	FY17-18 <u>Mid-Year</u>	FY16-17 <u>Mid-Year</u>
Franchise Fees	\$5,278,923	\$1,068,716	20.2	\$1,054,148	\$1,018,726

Other Revenue Categories- The remaining revenue categories represent 15.9% of total General Fund Revenues and Sources of Funds. The following table details the mid-year performance of each category for the current year, as well as the two most recent years.

	FY18-19 <u>Budget</u>	FY18-19 <u>Mid-Year</u>	% of <u>Budget</u>	FY17-18 <u>Mid-Year</u>	FY16-17 <u>Mid-Year</u>
Transient Occupancy Tax	\$1,441,795	\$634,768	44.0	\$453,873	\$416,608
Business Licenses	838,902	550,616	65.6	490,407	521,176
Real Property Transfer Tax	325,000	119,903	36.9	130,170	112,620
Ambulance/Paramedic Tax	378,000	97,812	25.9	53,139	-
Licenses and Permits	1,233,200	1,153,526	93.5	645,092	543,084
Intergovernmental Revenues	764,800	315,782	41.3	495,069	299,210
Charges for Services	3,178,334	1,622,938	51.1	1,585,879	1,422,315
Investment Earnings	400,000	206,267	51.6	153,895	34,237
Fines and Forfeitures	538,000	250,942	46.6	348,254	270,432
Other Revenue & Reimbursement	2,558,705	1,252,461	48.9	1,177,890	1,212,256
Other Financing Sources	212,915	10,308	4.8	25,458	240,581

By year end, these categories in total are projected to exceed budgeted amounts. Projected results for each major revenue category is shown in the following table.

	FY18-19 <u>Budget</u>	FY18-19 <u>Projected</u>	% of <u>Budget</u>
Sales Taxes	\$38,367,600	37,660,398	98.2
Property Taxes	19,331,231	19,316,477	99.9
Franchise Fees	5,278,923	5,371,717	101.8
All Other Categories	<u>11,869,651</u>	<u>12,959,773</u>	109.2
Total General Fund Revenue	<u>\$74,847,405</u>	<u>\$75,308,365</u>	100.6

Expenditures and Uses of Funds

Expenditures and Uses of Funds are \$33.8 million or 42.1% of budget at mid-year. This represents a 5.4% (\$1.7 million) increase from the same point last year. The following table shows mid-year expenditures organized by function for the current year, as well as the two preceding years.

	FY18-19 <u>Budget</u>	FY18-19 <u>Mid-Year</u>	% of <u>Budget</u>	FY17-18 <u>Mid-Year</u>	FY16-17 <u>Mid-Year</u>
General Government	\$6,687,367	\$2,589,330	38.7	\$2,768,310	\$3,131,343
Public Safety- Police	35,625,470	16,813,815	47.2	15,540,276	14,500,008
Public Safety- Fire	7,537,743	7,537,743	48.1	7,169,174	5,329,098
Public Works	9,942,372	3,939,516	39.6	3,886,426	3,370,522
Recreation	3,290,657	1,499,496	45.6	1,321,217	1,197,396
Community Development	3,053,797	1,392,331	45.6	1,397,751	1,209,453
Other Financing Uses	<u>5,850,000</u>	<u>-</u>	-	<u>-</u>	<u>2,462,528</u>
Total General Fund Expenditures	<u>\$80,137,655</u>	<u>\$33,772,231</u>	42.1	<u>\$32,083,154</u>	<u>\$31,200,348</u>

General Fund expenditures are also shown by category in the following table.

	FY18-19 <u>Budget</u>	FY18-19 <u>Mid-Year</u>	% of <u>Budget</u>	FY17-18 <u>Mid-Year</u>	FY16-17 <u>Mid-Year</u>
Salaries and Benefits	\$55,996,716	\$26,207,160	46.8	\$25,027,433	\$23,188,254
Materials, Services, and Supplies	18,160,789	7,515,208	41.4	6,996,845	5,922,390
Capital Outlay	63,150	28,473	45.1	58,876	2,176
Other Financing Uses	<u>5,917,000</u>	<u>21,390</u>	0.4	<u>-</u>	<u>2,087,528</u>
Total General Fund Expenditures	<u>\$80,137,655</u>	<u>\$33,772,231</u>	42.1	<u>\$32,083,154</u>	<u>\$31,200,348</u>

By year end, these categories in total are projected to total less than budgeted amounts. Projected results for each expenditure category is shown in the following table.

	FY18-19 <u>Budget</u>	FY18-19 <u>Projected</u>	% of <u>Budget</u>
Salaries and Benefits	\$55,996,716	56,503,819	100.9%
Materials, Services, and Supplies	18,160,789	16,199,081	89.2%
Capital Outlay	130,150	61,859	47.5%
Other Financing Uses	<u>5,850,000</u>	<u>5,350,000</u>	91.5%
Total General Fund Expenditures	<u>\$80,137,655</u>	<u>\$78,114,759</u>	97.5%

Fund Balance

Fund balance is comprised of reserves and designations for specific operating needs or purposes. The 20% Operating Reserve is used to provide sufficient cash flow during the first half of the fiscal year, primarily resulting from the timing differences between expenditures and revenues. The Economic Uncertainty Reserve is established for the purpose of stabilizing delivery of City services during periods of budget deficits and to mitigate the effects of major economic uncertainties resulting from unforeseen changes in revenues and/or expenditures. The Reserve for Unfunded Retirement Obligation was established to address increasing unfunded liabilities and higher employer contribution rates. Any remaining fund balance creates a Carryover Reserve.

The fund balance at the start of the fiscal year was \$48.7 million. Taking into consideration projected revenues and expenditures at fiscal year-end, fund balance is expected to total approximately \$45.5 million. The following table illustrates projected reserve balances at year-end.

Projected General Fund Balance

	07/01/18 <u>Fund Balance</u>	06/30/2019 Estimated <u>Fund Balance</u>
20% Operating Reserve	\$13,052,990	\$15,695,067
Economic Uncertainty Reserve	6,500,000	6,500,000
Reserve for Unfunded Retirement Obligation	8,000,000	8,000,000
Carryover Reserve **	<u>21,113,098</u>	<u>15,304,053</u>
Total Fund Balance	<u>\$48,666,088</u>	<u>\$45,499,120</u>

** Carryover Reserve is available to bridge any imbalance of expenditures exceeding revenues.

LOW-MODERATE INCOME HOUSING ASSET FUND

The Low-Moderate Income Housing Asset Fund (LMIHAF) is a special revenue fund used to manage the housing programs and projects to increase affordable housing opportunities for the City’s lower income households. The fund is administered by the City’s Community Development Department, and is funded primarily by revenues generated from the housing assets transferred from the former redevelopment agency.

	FY18-19 <u>Budget</u>	FY18-19 <u>Mid-Year</u>	% of <u>Budget</u>	FY17-18 <u>Mid-Year</u>	FY16-17 <u>Mid-Year</u>
Expenditures	\$4,091,005	\$393,336	9.6	\$37,339	\$56,876
Revenues	1,227,421	103,960	8.5	303,313	255,132

The activity in this fund is largely project based, and therefore highly impacted by timing differences. However, it is anticipated that year-end results will be within budget.

WASTEWATER ENTERPRISE FUND

Revenues at the midpoint of the fiscal year total \$10.0 million, which is down 11.2% from the same point last year. The chart below illustrates mid-year performance for the current year, as well as the two preceding years.

<u>Wastewater Revenues</u>	FY18-19 <u>Budget</u>	FY18-19 <u>Mid-Year</u>	% of <u>Budget</u>	FY17-18 <u>Mid-Year</u>	FY16-17 <u>Mid-Year</u>
Sewer Service Fee	\$18,000,000	\$7,687,100	42.7	\$9,620,690	\$9,198,448
Septic Tank Disposal Fee	1,500,000	666,818	44.5	1,286,907	723,807
All Other Revenue	<u>4,306,500</u>	<u>1,678,547</u>	39.0	<u>391,060</u>	<u>264,879</u>
Total Revenue	<u>\$23,806,500</u>	<u>\$10,032,465</u>	42.1	<u>\$11,298,657</u>	<u>\$10,187,134</u>

Expenditures of \$10.1 million are 10.0% lower than the same period last year, largely as a result of the timing of capital expenditures. It is anticipated that the Wastewater Fund expenditures will be within budget at year end.

<u>Wastewater Expenditures</u>	FY18-19 <u>Budget</u>	FY18-19 <u>Mid-Year</u>	% of <u>Budget</u>	FY17-18 <u>Mid-Year</u>	FY16-17 <u>Mid-Year</u>
Salaries & Benefits	\$4,318,970	\$1,593,229	36.9	\$1,485,443	\$1,447,411
Materials, Services, and Supplies	19,618,900	7,037,003	35.9	6,807,514	6,241,231
Debt Service	500,000	47,456	9.5	36,559	25,086
Capital Outlay and Projects	8,217,082	1,424,811	17.3	2,891,900	561,412
Other Financing Uses	-	-	-	-	<u>28,628</u>
Total Expenditures	<u>\$32,654,952</u>	<u>\$10,102,499</u>	30.9	<u>\$11,221,416</u>	<u>\$8,303,768</u>

HOUSING INVESTMENT PARTNERSHIP (HOME) FUND

The Housing Investment Partnership (HOME) Fund is a special revenue fund used to manage various housing related programs such as the First Time Homebuyer and Rehabilitation Loan Programs. The fund is administered by the City’s Community Development Department, and is funded primarily by revenues generated from federal grants and its programs.

	FY18-19 <u>Budget</u>	FY18-19 <u>Mid-Year</u>	% of <u>Budget</u>	FY17-18 <u>Mid-Year</u>	FY16-17 <u>Mid-Year</u>
Expenditures	\$602,319	\$343,545	9.6	\$264,457	\$386,340
Revenues	602,319	98,079	16.3	126,871	863,424

The activity in this fund is largely project based, and therefore highly impacted by timing differences. However, it is anticipated that year-end results will be within budget.

CITY CAPITAL IMPROVEMENT PROGRAM FUND

This capital fund includes capital projects primarily funded by general tax revenues. However, some projects include additional funding sources. While many projects are multi-year in nature, each project has an annual budget for anticipated activity in the current fiscal year. The following table illustrates the annual budget and expenditures through the half-way point in the year for each capital project in this fund.

PROJECT DESCRIPTION	PROJECT NUMBER	FY 2018-19 BUDGET	FY 2018-19 YTD EXPENDITURE	% of BUDGET
ECPAC Improvements	IFM3471	6,305,347	562,679	8.9%
City Hall and Council Chambers HVAC	IFM3389	1,560,538	874,875	56.1%
Property Development Improvements	IFM3662	1,000,000	-	0.0%
Recreation Center HVAC Improvements	IFM3642	100,000	4,181	4.2%
City Monument Sign - El Cajon Boulevard	IFM3645	54,300	-	0.0%
City Monument Sign	IFM3637	50,700	47,262	93.2%
Security Improvements	IFM3643	50,000	-	0.0%
Fletcher Hills Recreation Center Sliding Glass Doors	IFM3641	48,000	481	1.0%
Transfer out to other capital project funds		350,050	67,777	19.4%
TOTAL		9,518,935	1,557,255	16.4%

PUBLIC SAFETY FACILITIES PROJECTS FUND

The voters approved Proposition O in 2004, a one-half cent sales tax which is dedicated to the construction and/or improvement of public safety facilities. Proposition O expired on March 31, 2015. While many projects are multi-year in nature, each project has an annual budget for anticipated activity in the current fiscal year. The following table illustrates the annual budget and expenditures through the half-way point in the year for each capital project in this fund.

PROJECT DESCRIPTION	PROJECT NUMBER	FY 2018-19 BUDGET	FY 2018-19 YTD EXPENDITURE	% of BUDGET
Fire Station #9 Driveway	PS0061	100,000	-	0.0%
Fire Station #9 Extractors	PS0062	40,000	492	1.2%
TOTAL		140,000	492	0.4%

**CITY OF EL CAJON
MID-YEAR REVENUE AND SOURCES OF FUNDS COMPARISON REPORT**

FUND	CURRENT YEAR / FY2018-19				PRIOR YEAR / FY2017-18				
	BUDGET	REVENUE	BALANCE	%	BUDGET	REVENUE	BALANCE	%	
101	GENERAL FUND								
103000	COMMUNITY SVCS & E	82,000.00	4,664.40	77,335.60	5.69	76,000.00	10,925.00	65,075.00	14.38
106000	CITY ATTORNEY	-	4,362.16	(4,362.16)	-	-	78,550.00	(78,550.00)	-
107000	CITY CLERK AND ELE	340.00	3,280.00	(2,940.00)	964.71	340.00	1,000.00	(660.00)	294.12
110000	CITY MANAGER	60,000.00	26,283.17	33,716.83	43.81	60,000.00	25,680.67	34,319.33	42.80
114000	FINANCE	69,077,825.00	21,852,036.35	47,225,788.65	31.63	64,368,723.00	23,314,566.90	41,054,156.10	36.22
123000	FACILITIES MAINTEN	56,727.00	13,201.93	43,525.07	23.27	56,466.00	28,969.48	27,496.52	51.30
130110	POLICE ADMINISTRAT	1,621,365.00	445,453.53	1,175,911.47	27.47	1,459,601.00	617,773.21	841,827.79	42.32
130230	AUXILIARY	150.00	-	150.00	-	150.00	-	150.00	-
135000	ANIMAL CONTROL	178,018.00	105,027.00	72,991.00	59.00	155,000.00	101,955.18	53,044.82	65.78
140000	FIRE ADMINISTRATIO	120,200.00	253,936.57	(133,736.57)	211.26	120,200.00	196,231.65	(76,031.65)	163.25
141000	FIRE SUPPRESSION	-	8,749.92	(8,749.92)	-	-	-	-	-
145000	HEARTLAND FIRE & R	-	5,411.27	(5,411.27)	-	-	-	-	-
146000	FIRE EMERGENCY MED	901,000.00	368,042.99	532,957.01	40.85	750,000.00	351,789.72	398,210.28	46.91
151330	ENG - PRIVATE DEVE	250,000.00	133,171.03	116,828.97	53.27	250,000.00	208,172.04	41,827.96	83.27
151900	ENG - CIP PROJECTS	750,000.00	352,681.22	397,318.78	47.02	750,000.00	321,011.50	428,988.50	42.80
152310	TRAFFIC ENGINEERIN	21,000.00	7,503.00	13,497.00	35.73	16,000.00	22,190.75	(6,190.75)	138.69
160000	PARKS	-	224.78	(224.78)	-	-	-	-	-
165000	RECREATION	10,000.00	6,526.69	3,473.31	65.27	10,000.00	5,424.49	4,575.51	54.24
170110	HOUSING & SA ADMIN	156,280.00	75,116.24	81,163.76	48.07	150,625.00	77,544.47	73,080.53	51.48
170510	PLANNING DIVISION	250,500.00	49,550.42	200,949.58	19.78	235,500.00	98,718.25	136,781.75	41.92
170520	PLANNING - ADVANCE	243,000.00	242,301.57	698.43	99.71	228,500.00	147,518.54	80,981.46	64.56
171000	BUILDING AND FIRE	1,069,000.00	957,738.05	111,261.95	89.59	1,067,000.00	565,934.55	501,065.45	53.04
	TOTAL GENERAL FUND	74,847,405.00	24,915,262.29	49,932,142.71	33.29	69,754,105.00	26,173,956.40	43,580,148.60	37.52
209	CA BEVERAGE GRANT	-	855.74	(855.74)	-	-	616.87	(616.87)	-
211	GAS TAX	2,508,711.00	911,451.06	1,597,259.94	36.33	2,854,237.00	988,475.14	1,865,761.86	34.63
213	TRANSIT	92,701.00	97,537.86	(4,836.86)	105.22	90,883.00	265,860.07	(174,977.07)	292.53
215	STATE COPS GRANT-B	157,000.00	132,903.07	24,096.93	84.65	100,000.00	122,915.70	(22,915.70)	122.92
221	ST HOMELAND SEC GR	78,392.00	(64,792.00)	143,184.00	(82.65)	62,249.00	9,075.00	53,174.00	14.58
222	ASSET FORFEITURE	15,000.00	9,868.75	5,131.25	65.79	30,000.00	7,420.86	22,579.14	24.74
223	STATE ASSET FORFEI	-	5,674.91	(5,674.91)	-	-	7,202.69	(7,202.69)	-
224	LOCAL PUB SAFETY P	420,000.00	156,772.46	263,227.54	37.33	400,000.00	188,373.51	211,626.49	47.09
225	POLICE MISC GRANTS	286,655.00	34,667.47	251,987.53	12.09	700,907.00	77,326.94	623,580.06	11.03
240	RECREATION PROGRAM	598,280.00	342,065.53	256,214.47	57.17	546,080.00	344,287.22	201,792.78	63.05
241	ECPAC FUND	1,643,434.00	-	1,643,434.00	-	-	-	-	-
253	UASI GRANTS	98,902.00	(389,915.81)	488,817.81	(394.24)	489,961.00	-	489,961.00	-
254	INDIAN GAMING GRAN	-	107.67	(107.67)	-	-	25.53	(25.53)	-
265	COMM DEV MISC GRAN	190,000.00	-	190,000.00	-	275,428.00	10,347.23	265,080.77	3.76
266	STATE CASP (AB1379)	57,000.00	23,158.06	33,841.94	40.63	-	-	-	-
270	CDBG	1,508,227.00	102,682.29	1,405,544.71	6.81	1,308,960.00	38,817.00	1,270,143.00	2.97
275	HOME	602,319.00	98,078.56	504,240.44	16.28	435,000.00	126,871.05	308,128.95	29.17
280	CAL HOME GRANT	275,750.00	-	275,750.00	-	394,000.00	59,650.00	334,350.00	15.14
298	LOW/MOD HOUSING AS	1,227,421.00	103,960.44	1,123,460.56	8.47	1,594,421.00	303,313.05	1,291,107.95	19.02
299	HOUSING IN LIEU FE	-	1,444.15	(1,444.15)	-	-	901.28	(901.28)	-
501	CITY CAPITAL IMPRO	6,457,507.00	551,430.85	5,906,076.15	8.54	1,912,998.00	41,668.67	1,871,329.33	2.18
502	PUBLIC SFTY FACILI	20,000.00	19,859.14	140.86	99.30	-	38,405.97	(38,405.97)	-
503	TRANSNET	5,716,706.00	352,900.51	5,363,805.49	6.17	3,693,113.00	485,000.00	3,208,113.00	13.13
505	PARKS & REC IMPROV	1,187,799.00	167,434.02	1,020,364.98	14.10	1,099,053.00	88,143.86	1,010,909.14	8.02
506	TRAFFIC CONGESTION	-	578.69	(578.69)	-	-	-	-	-
515	PARKS IMPACT FEES	5,000.00	24,166.74	(19,166.74)	483.33	5,000.00	7,783.55	(2,783.55)	155.67
550	PW TRANSPORTATION	10,354,911.00	1,258,968.96	9,095,942.04	12.16	6,986,912.00	736,912.09	6,249,999.91	10.55
552	TRANSPORTATION GRA	2,347,397.00	742,139.13	1,605,257.87	31.62	2,796,685.00	105,772.54	2,690,912.46	3.78
553	REG TRANS CONGSTIO	75,000.00	203,930.17	(128,930.17)	271.91	-	43,979.27	(43,979.27)	-
554	ROAD MAINT & REHAB	1,707,152.00	652,793.39	1,054,358.61	38.24	-	-	-	-
601	VEHICLE/EQUIP MAIN	1,250,471.00	600,234.00	650,237.00	48.00	2,400,000.00	1,204,710.06	1,195,289.94	50.20
605	VEHICLE/EQUIP REPL	750,000.00	380,406.00	369,594.00	50.72	750,000.00	382,206.00	367,794.00	50.96
610	SELF-INSURANCE	2,200,000.00	1,285,214.32	914,785.68	58.42	898,260.00	487,978.73	410,281.27	54.32
615	IT SERVICES FUND	4,042,248.00	2,021,142.00	2,021,106.00	50.00	3,797,029.00	1,898,514.00	1,898,515.00	50.00
620	OTHER POST-EMP BEN	1,600,000.00	800,010.00	799,990.00	50.00	1,500,000.00	750,006.00	749,994.00	50.00
650	WASTEWATER	23,806,500.00	10,032,465.27	13,774,034.73	42.14	19,222,500.00	10,609,898.98	8,612,601.02	55.20

**CITY OF EL CAJON
MID-YEAR EXPENDITURE AND USES OF FUNDS COMPARISON REPORT**

FUND		CURRENT YEAR / FY2018-19				PRIOR YEAR / FY2017-18			
		BUDGET	EXPENDITURE	BALANCE	%	BUDGET	EXPENDITURE	BALANCE	%
101	GENERAL FUND								
101000	CITY COUNCIL	490,078.00	181,554.27	308,523.73	37.05	482,181.00	183,123.95	299,057.05	37.98
103000	COMMUNITY SVCS & E	249,300.00	94,994.77	154,305.23	38.10	250,000.00	74,405.60	175,594.40	29.76
103100	CENTENNIAL CELEBRA	-	-	-	-	36,613.00	6,205.10	30,407.90	16.95
104000	CONTINGENCY	100,000.00	42,950.00	57,050.00	42.95	100,000.00	66,875.00	33,125.00	66.88
106000	CITY ATTORNEY	830,753.00	251,796.10	578,956.90	30.31	798,620.00	239,141.68	559,478.32	29.94
107000	CITY CLERK AND ELE	528,676.00	193,713.09	334,962.91	36.64	471,692.00	205,459.72	266,232.28	43.56
110000	CITY MANAGER	1,551,576.00	612,968.68	938,607.32	39.51	1,641,187.00	602,423.10	1,038,763.90	36.71
114000	FINANCE	1,932,329.00	830,794.39	1,101,534.61	42.99	1,960,349.00	962,665.31	997,683.69	49.11
118000	HUMAN RESOURCES	911,335.00	320,739.79	590,595.21	35.19	754,206.00	235,849.41	518,356.59	31.27
122000	ADMINISTRATIVE SER	342,620.00	154,813.77	187,806.23	45.19	421,675.00	192,161.08	229,513.92	45.57
123000	FACILITIES MAINTEN	2,639,514.00	797,588.22	1,841,925.78	30.22	2,102,876.00	863,210.90	1,239,665.10	41.05
130110	POLICE ADMINISTRAT	3,299,282.00	1,620,451.37	1,678,830.63	49.12	4,198,849.00	2,057,341.22	2,141,507.78	49.00
130120	INSPECTION & TRAIN	2,050,621.00	1,013,421.85	1,037,199.15	49.42	1,912,132.00	752,810.42	1,159,321.58	39.37
130130	RECORDS	1,310,520.00	484,758.27	825,761.73	36.99	1,112,512.00	381,464.38	731,047.62	34.29
130150	COMMUNICATIONS	2,576,147.00	1,050,756.19	1,525,390.81	40.79	2,179,948.00	950,735.24	1,229,212.76	43.61
130160	PATROL	14,745,216.00	7,400,732.21	7,344,483.79	50.19	13,180,530.00	6,582,265.91	6,598,264.09	49.94
130170	SPECIAL OPERATIONS	2,785,523.00	1,338,929.26	1,446,593.74	48.07	2,150,865.00	1,099,175.72	1,051,689.28	51.10
130190	TRAFFIC ENFORCEMEN	1,938,644.00	785,148.22	1,153,495.78	40.50	1,909,386.00	914,533.50	994,852.50	47.90
130210	INVESTIGATION	4,776,483.00	2,160,986.01	2,615,496.99	45.24	5,178,142.00	2,043,689.51	3,134,452.49	39.47
130220	LABORATORY	950,627.00	448,318.31	502,308.69	47.16	842,976.00	270,305.35	572,670.65	32.07
130230	AUXILIARY	181,780.00	41,805.47	139,974.53	23.00	173,652.00	72,487.53	101,164.47	41.74
135000	ANIMAL CONTROL	1,010,627.00	468,507.58	542,119.42	46.36	878,792.00	415,466.22	463,325.78	47.28
140000	FIRE ADMINISTRATIO	1,980,458.00	1,041,405.58	939,052.42	52.58	1,853,956.00	1,003,673.21	850,282.79	54.14
141000	SUPPRESSION	11,347,821.00	5,668,545.73	5,679,275.27	49.95	11,152,855.00	5,324,933.31	5,827,921.69	47.75
145000	HEARTLAND FIRE & R	2,037,245.00	768,194.10	1,269,050.90	37.71	2,074,503.00	795,832.42	1,278,670.58	38.36
146000	FIRE EMERGENCY MED	322,468.00	59,597.90	262,870.10	18.48	201,058.00	44,735.48	156,322.52	22.25
150000	PW ADMINISTRATION	585,781.00	249,539.52	336,241.48	42.60	641,249.00	318,810.24	322,438.76	49.72
151310	ENG - OTHER	24,774.00	66,259.55	(41,485.55)	267.46	198,810.00	82,965.83	115,844.17	41.73
151330	ENG - PRIVATE DEVE	619,780.00	249,668.62	370,111.38	40.28	534,341.00	213,777.71	320,563.29	40.01
151900	ENG - CIP PROJECTS	1,047,199.00	483,184.85	564,014.15	46.14	968,733.00	378,907.37	589,825.63	39.11
152310	TRAFFIC ENGINEERIN	1,076,487.00	530,579.16	545,907.84	49.29	963,628.00	357,318.24	606,309.76	37.08
152320	TRAFFIC MAINTENANC	757,433.00	184,294.55	573,138.45	24.33	727,695.00	197,696.89	529,998.11	27.17
160000	PARKS	2,092,408.00	887,850.07	1,204,557.93	42.43	2,110,258.00	852,044.07	1,258,213.93	40.38
161000	ST MEDIAN MAINT &	1,098,996.00	490,551.93	608,444.07	44.64	972,331.00	588,069.64	384,261.36	60.48
165000	RECREATION	3,041,357.00	1,404,501.14	1,636,855.86	46.18	3,005,130.00	1,321,217.05	1,683,912.95	43.97
170110	HOUSING & SA ADMIN	401,075.00	237,389.11	163,685.89	59.19	438,243.00	255,241.30	183,001.70	58.24
170510	PLANNING DIVISION	1,214,483.00	541,361.99	673,121.01	44.58	1,250,713.00	488,471.32	762,241.68	39.06
171000	BUILDING AND FIRE	1,438,239.00	613,579.76	824,659.24	42.66	1,391,912.00	654,038.75	737,873.25	46.99
190000	OTHER FINANCING US	5,850,000.00	-	5,850,000.00	-	-	-	-	-
	TOTAL GENERAL FUND	80,137,655.00	33,772,231.38	46,365,423.62	42.14	71,222,598.00	32,049,528.68	39,173,069.32	45.00
209	CA BEVERAGE GRANT	171,742.00	-	171,742.00	-	197,616.00	-	197,616.00	-
211	GAS TAX	3,202,135.00	1,066,302.30	2,135,832.70	33.30	2,606,999.00	883,540.30	1,723,458.70	33.89
213	TRANSIT	352,987.00	165,105.48	187,881.52	46.77	303,170.00	82,225.95	220,944.05	27.12
215	STATE COPS GRANT-B	289,458.00	140,956.07	148,501.93	48.70	253,802.00	97,629.66	156,172.34	38.47
221	ST HOMELAND SEC GR	78,392.00	7,359.02	71,032.98	9.39	62,249.00	-	62,249.00	-
222	ASSET FORFEITURE	67,709.00	25,047.33	42,661.67	36.99	121,434.00	29,440.93	91,993.07	24.24
223	STATE ASSET FORFEI	19,000.00	7,633.78	11,366.22	40.18	-	-	-	-
224	LOCAL PUB SAFETY P	502,007.00	287,104.16	214,902.84	57.19	469,559.00	270,928.29	198,630.71	57.70
225	POLICE MISC GRANTS	347,791.00	81,467.50	266,323.50	23.42	825,293.00	205,382.46	619,910.54	24.89
240	RECREATION PROGRAM	606,015.00	278,708.12	327,306.88	45.99	547,273.00	268,457.54	278,815.46	49.05
241	ECPAC FUND	643,434.00	19,315.66	624,118.34	3.00	-	-	-	-
253	UASI GRANTS	98,902.00	47,846.70	51,055.30	48.38	489,961.00	39,921.15	450,039.85	8.15
254	INDIAN GAMING GRAN	-	-	-	-	5,464.00	-	5,464.00	-
259	FIRE MISC GRANTS	-	-	-	-	545.00	-	545.00	-
265	COMM DEV MISC GRAN	190,000.00	15,044.50	174,955.50	7.92	25,885.00	69,738.41	(43,853.41)	269.42
266	STATE CASP (AB1379)	31,000.00	1,355.56	-	4.37	-	-	-	-
270	CDBG	1,508,227.00	340,070.84	1,168,156.16	22.55	1,737,337.00	218,294.44	1,519,042.56	12.56
275	HOME	602,319.00	343,545.30	258,773.70	57.04	2,237,453.00	264,456.91	1,972,996.09	11.82
280	CAL HOME GRANT	275,750.00	-	275,750.00	-	394,000.00	119,300.00	274,700.00	30.28
298	LOW/MOD HOUSING AS	4,091,005.00	393,336.19	3,697,668.81	9.61	4,040,661.00	37,339.45	4,003,321.55	0.92
299	HOUSING IN LIEU FE	287,000.00	-	287,000.00	-	287,000.00	-	287,000.00	-
501	CITY CAPITAL IMPRO	9,565,613.00	1,557,543.22	8,008,069.78	16.28	5,748,105.00	80,401.93	5,667,703.07	1.40
502	PUBLIC SFTY FACILI	209,900.00	11,108.44	198,791.56	5.29	10,123,100.00	2,682,889.94	7,440,210.06	26.50
503	TRANSNET	5,374,709.00	317,488.53	5,057,220.47	5.91	3,693,113.00	621,125.05	3,071,987.95	16.82
505	PARKS & REC IMPROV	1,206,286.00	175,936.22	1,030,349.78	14.58	1,099,053.00	90,924.42	1,008,128.58	8.27
550	PW TRANSPORTATION	10,354,911.00	1,258,968.96	9,095,942.04	12.16	6,986,912.00	717,878.13	6,269,033.87	10.27
552	TRANSPORTATION GRA	2,347,397.00	927,063.81	1,420,333.19	39.49	2,796,685.00	99,476.69	2,697,208.31	3.56
553	REG TRANS CONGSTIO	-	-	-	-	280,000.00	-	280,000.00	-
554	ROAD MAINT & REHAB	2,293,457.00	43,741.62	-	1.91	-	-	-	-
601	VEHICLE/EQUIP MAIN	2,786,598.00	1,036,029.15	1,750,568.85	37.18	2,733,476.00	999,163.40	1,734,312.60	36.55
605	VEHICLE/EQUIP REPL	1,492,742.00	199,845.58	1,292,896.42	13.39	1,474,798.00	472,495.74	1,002,302.26	32.04
610	SELF-INSURANCE	1,904,018.00	938,496.90	965,521.10	49.29	1,709,485.00	889,631.66	819,853.34	52.04
615	IT SERVICES FUND	4,263,279.00	1,966,982.91	2,296,296.09	46.14	4,011,063.00	1,447,361.88	2,563,701.12	36.08
620	OTHER POST-EMP BEN	1,632,400.00	932,223.11	700,176.89	57.11	1,610,000.00	157,274.90	1,452,725.10	9.77
650	WASTEWATER	32,654,952.00	10,102,498.80	22,552,453.20	30.94	35,525,584.00	11,221,416.10	24,304,167.90	31.59

CITY OF EL CAJON FIVE-YEAR BUSINESS PLAN FISCAL YEAR 2019-20 UPDATE

The Five-Year Business Plan is used to evaluate and update revenue and expenditure assumptions for the General Fund and other funds based on current economic conditions. Long-range forecasting can reveal imbalances not apparent today, providing time to take corrective action in a proactive way. Accordingly, financial planning is central to how the City is governed and managed. This long-range financial forecast is not intended as a budget, but as a decision-making tool.

The purpose of the plan is to assist City staff in making better business decisions by assessing mid-term and long-term financial implications of current economic conditions and proposed obligations, policies, programs, and assumptions. As such, the Five-Year Business Plan is an important tool in preparation of the upcoming budget. The plan represents the opportunity to take a broad view of the City's operating finances before considering the details of the Annual Budget.

Economic Outlook

The economic outlook for the county, state, and nation are taken into consideration when updating the Five-Year Business Plan. The economy continued to grow in 2018, but many economists are beginning to recognize a softening in the economy.

In January 2019, the Federal Open Market Committee made the following comments.

Information received since the Federal Open Market Committee met in December indicates that the labor market has continued to strengthen and that economic activity has been rising at a solid rate. Job gains have been strong, on average, in recent months, and the unemployment rate has remained low. Household spending has continued to grow strongly, while growth of business fixed investment has moderated from its rapid pace earlier last year. On a 12-month basis, both overall inflation and inflation for items other than food and energy remain near 2 percent. Although market-based measures of inflation compensation have moved lower in recent months, survey-based measures of longer-term inflation expectations are little changed.

These comments are consistent with many assessments of the economy over the past few years. More recently, in a March 2019 press release, the UCLA Anderson Forecast stated "After growing at a 3.1% clip on a fourth-quarter to fourth-quarter basis in 2018, growth will slow to 1.7% in 2019 to a near-recession pace of 1.1% in 2020." Looking a little further ahead, the report added "by mid-2021, growth is forecast to be around 2%." These comments clearly indicate the Forecast's expectations regarding the economy's declining condition, as well as recovery.

Also signaling changes in the economy is information received from the City's sales tax consultants which have tempered sales tax growth expectations. In a recent report, these consultants quoted a January 2019 statement in the Wall Street Journal which stated "More than half of the economists, 56.6%, said they expected a recession to start in 2020,

a presidential election year, while another 26.4% of those surveyed expect a recession in 2021.” Importantly, the report identified the following problem.

The partial shutdown of the U.S. government is making it harder to read the economy at a critical moment. Economic data produced by the Commerce Department are not being released during the government shutdown, nor are some key data from other economic agencies.

While much of this delayed information has now been released, there hasn’t been much opportunity for it to be fully analyzed and reflected in many sources of economic reporting and forecasting. However, it does seem that the majority of economic pundits are sharing a common belief we are on the leading edge of a change in the economy, opinions still differ significantly on impact and timing.

Specific to California, the UCLA Anderson forecast also spoke to the housing market by stating “Home prices are falling in California, as is the level of building, and mortgage rates are higher, yet the fundamentals would suggest that there would be a surge in buying.” Additionally, the release contemplated the effect of mortgage interest rates by saying

With our national forecast for slowing economic growth, continued discussion on when the next recession will be, and the Fed indicating that the peak of the interest rate cycle could be near, we now expect weaker housing markets into 2020.

Employee Retirement – CalPERS

The City is a member of the California Public Employees’ Retirement System (CalPERS). All City employees who work at least 1,000 hours per fiscal year are eligible to participate in CalPERS. Participants in the plan vest after five years of employment.

Over the past few years the CalPERS Board approved significant changes to actuarial policies and assumptions to enhance the long-term stability of the fund. As a result of these changes, along with investment performance, employer retirement contribution rates have increased, and are expected to continue to grow. The largest portion of this rate increase is attributed to the unfunded liability of the miscellaneous and safety plans. The following table shows the actual employer contributions over a five-year period.

CALPERS EMPLOYER CONTRIBUTION RATES

Miscellaneous Members	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>
Normal Cost	10.042%	10.012%	10.575%	10.512%	11.002%
Unfunded Rate	<u>20.103%</u>	<u>23.749%</u>	<u>27.185%</u>	<u>30.285%</u>	<u>35.200%</u>
Total Miscellaneous Rate	<u>30.145%</u>	<u>33.761%</u>	<u>37.760%</u>	<u>40.797%</u>	<u>46.202%</u>
Safety Members	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>
Normal Cost	18.029%	18.188%	18.933%	18.687%	19.627%
Unfunded Rate	<u>24.028%</u>	<u>29.271%</u>	<u>30.878%</u>	<u>39.038%</u>	<u>44.000%</u>
Total Safety Rate	<u>42.057%</u>	<u>47.459%</u>	<u>49.811%</u>	<u>57.725%</u>	<u>63.627%</u>

*The rates stated above are employer rates only; employee rates apply in addition to the above rates.

As of the most recent actuarial valuation date, June 30, 2017, the City’s combined plans cover 1,563 current and former employees, of which 770 are retired. Safety plan retirees receive an average annual benefit of \$55,612, while miscellaneous plan members receives an average annual benefit of \$24,697. The combined unfunded retirement liability was \$185.4 million, and the combined plans were funded to 64.9%.

CalPERS annual investment goal has been 7.5% for the past several years, but the system has significantly underperformed that goal (on average). The result of these poor returns has been an annual underfunding of most CalPERS plans by greatly reducing the plans’ primary funding mechanism: investment returns. After several years of underperformance, the unfunded retirement liability and contribution rate have grown, and the plans’ funded status have shrunk.

Presented below are projected employer contributions rates.

CALPERS PROJECTED TOTAL EMPLOYER CONTRIBUTION RATES

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
Miscellaneous Plan	53.0%	56.4%	59.0%	61.0%	61.6%
Safety Plan	67.7%	72.6%	76.5%	79.4%	80.7%

*The rates stated above are employer rates only; employee rates apply in addition to the above rates.

In Fiscal Year 2018-19, total citywide CalPERS employer contributions for both plans is expected to total \$16.8 million. The following table details projected CalPERS employer combined safety and miscellaneous plan contributions.

CALPERS PROJECTED TOTAL EMPLOYER CONTRIBUTIONS

<u>Fiscal Year</u>	<u>Projected Contributions</u>
FY 2019-20	19,012,821
FY 2020-21	20,831,877
FY 2021-22	22,486,875
FY 2022-23	23,942,840
FY 2023-24	24,937,724

CalPERS employer contributions, and the City’s unfunded pension liability, continue to represent one of the most significant challenges for the foreseeable future . Pension cost increases will result in millions of dollars in additional costs for the City each year, which will significantly offset anticipated revenue growth.

Assumptions Utilized in the Five-Year Business Plan

The Five-Year Business Plan is based on the following assumptions regarding the future.

General Fund Revenue Assumptions

1. Revenue projections are based on the anticipated Fiscal Year 2018-19 revenues as determined by mid-year analysis, as well as the most recent data available.
2. Sales tax revenue projections are based on estimates provided by the City's sales tax consultant/analyst. These estimates were updated based on information from the 2nd quarter sales tax information.
3. Property tax revenues are projected to grow by the most recent three year average of approximately 5.8%.
4. Franchise fees from SDG&E, Waste Management, Cox Communication, and AT&T are projected to increase 2.0% annually.
5. Ongoing residual revenue distribution resulting from the dissolution of the redevelopment agency, net of expenses, is conservatively projected based on experience.
6. Assumes most other revenues to grow 2.0% annually.
7. Anticipates no revenue reductions to aid in balancing the State's budget.

General Fund Expenditure Assumptions

1. Salary and wages are projected using negotiated rates where available, and assumes 2.0% growth where applicable.
2. Pension related costs are projected based on information provided by CalPERS as part of the actuarial valuations.
3. Assumes Workers Compensation Insurance rates increase slightly higher than the inflation assumptions.
4. Contributions to the Vehicle/Equipment Replacement Fund, projected based on anticipated needs.
5. Assumes no new General Fund funding of the City's capital improvement program.
6. Materials and Supplies expenditure growth is projected at 2.0% annually.

Projection Limitations

Projections are designed to anticipate future performance based on past results, but unforeseen events can dramatically impact anticipated results. Projections should therefore be used as a planning tool and to identify structural flaws. The mitigation of these unforeseen events takes place during the annual budget process and the daily operation of the organization.

General Fund Projection Results

Once the assumptions identified above are taken into account, and weighed alongside objective information, a picture of anticipated results emerges. The overall conclusion is that revenue growth is anticipated to be slow, and offset by expenditure growth primarily in pension and salary costs. The impact of unforeseen events may have much bigger impacts than what is anticipated here. The information presented below indicates the starting point from which adjustments can be made during the annual budget process to ensure balanced budgets going forward.

Summary of Projected General Fund Activity

Fiscal Year	Projected Inflows	Projected Outflows	Change in Fund Balance
FY 2018-19	75,308,365	78,114,759	(2,806,394)
FY 2019-20	75,192,576	78,902,761	(3,710,185)
FY 2020-21	77,807,510	82,334,116	(4,526,606)
FY 2021-22	80,296,369	85,698,631	(5,402,262)
FY 2022-23	82,824,023	88,922,621	(6,098,598)
FY 2023-24	85,400,205	91,810,480	(6,410,275)

Fund Balance

City Council Policy B-12, Fund Balance, establishes a policy that ensures the City maintains adequate fund balance and reserves to provide sufficient cash flow for daily needs, secure and maintain investment grade bond ratings, offset significant economic downturns and revenue shortfalls, and provide funds for unforeseen expenditures related to emergencies.

In accordance with the Policy, the General Fund, Fund Balance is currently segregated into an operating reserve, an economic uncertainty reserve, an unfunded pension obligation reserve, and a carryover reserve. The purpose for each of these reserves is discussed more fully below.

Operating Reserve – The Operating Reserve is recomputed annually at 20% of expenditures and is maintained each year. The Operating Reserve serves the following essential purposes:

1. Provides cash flow to avoid borrowing (tax and revenue anticipation notes) during low cash periods (typically the first six-months of the fiscal year).
2. Provides interest-earning revenues to benefit the General Fund.
3. Serves as the single most important practice evaluated by credit rating agencies when rating a municipality.
4. Protects the City from unforeseeable circumstances such as:
 - Unexpected costs resulting from a national or local disaster.
 - A sudden worsening in the economy, such as the recent prolonged recession and existing effects.
 - Unanticipated external factors, such as litigation or negative actions of other governments.

Economic Uncertainty Reserve – This reserve is established for the purpose of stabilizing delivery of City services during periods of structural budget deficits and to mitigate the effects of major economic uncertainties resulting from unforeseen changes in revenues and/or expenditures.

Unfunded Retirement Obligation Reserve - This reserve was established to address the increasing unfunded liability and higher employer contribution rates. CalPERS conducts periodic evaluations of the actuarial assumptions and, after due consideration by its Board, modifies the assumptions based on actual experience.

Carryover Reserve – The Carryover Reserve is available for the following purposes, and, without mitigation, is expected to be significantly reduced over the course of the Five-Year Business Plan:

- 1. Allocating additional contributions to vehicle/equipment replacement, information technology replacement, and capital improvement projects for long-term fiscal sustainability.
- 2. Stabilizing delivery of City services during periods of operational budget deficits.
- 3. Mitigating the effects of major economic uncertainties resulting from unforeseen changes in revenues and/or expenditures.

Based on projections, and without mitigation, the table below summarizes the impact on fund balance of anticipated activity over the next five years.

GENERAL FUND	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
Projected Total Ending Fund Balance	\$45,859,694	\$42,149,508	\$37,622,903	\$32,220,641	\$26,122,042	\$19,711,767

Guidelines for Fiscal Year 2019-20 Budget Development

Personnel changes (additions and/or reclassifications), if needed, must be offset by cost reductions or revenue enhancements.

Overtime must be limited to only covering vacancies and other staffing shortfalls.

Contain material, supplies, and services growth allowing for only inflation/cost increases where applicable.

Non-General Fund resources should be utilized as a first priority for capital needs.