

CITY OF EL CAJON MID-YEAR REPORT FISCAL YEAR 2019-20

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 major funds: the General Fund, the Low-Moderate Income Housing Asset Fund special revenue fund, the Wastewater enterprise fund, the HOME special revenue fund, and the City Capital Improvement Program 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 2020-21 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, 2019, General Fund Revenues and Sources of Funds totaled \$24.3 million, a decrease of 2.4% (\$590,331) from the same point last year. Expenditures and Uses of Funds totaled \$38.2 million, which is up approximately 13.1% (\$4.4 million) from last year’s midway point.

For this period, July through December 2019, Expenditures and Uses of Funds exceeded Revenues and Sources of Funds by approximately \$13.9 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.

	FY19-20 Budget*	FY19-20 Mid-Year	% of Budget	FY18-19 Mid-Year	FY17-18 Mid-Year
Revenues and Sources of Funds	\$77,209,960	\$24,324,932	31.5	\$24,915,262	\$26,173,956
Expenditures and Uses of Funds	78,143,274	38,209,136	48.9	33,772,231	32,083,154

By fiscal year end, Revenues and Sources of Funds are projected to total \$77.4 million, which is \$236,324 above budget and represents a 0.9% decrease from last year. This decrease is the net effect of insignificant variability across all revenue categories. Expenditures and Uses of Funds are estimated to be \$77.8 million at fiscal year-end. This

is 0.6% lower than last year, and is \$291,307 under budget. Included in last year’s totals is the transfer to the City CIP Program Fund (\$4.9 million) for improvements to the Magnolia. When last year’s balances are adjusted for this activity, year to year growth is 6.0% and is attributable to increases in salary and benefit expenditures, as well as increased CalPERS contributions. 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 83.2% 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 \$565,710 (4.1%) from the same point last year. The table below summarizes these balances, as well as those of the two previous years.

	FY19-20 Budget	FY19-20 Mid-Year	% of Budget	FY18-19 Mid-Year	FY17-18 Mid-Year
Sales Taxes	\$28,419,892	\$9,577,179	36.0	\$10,066,555	\$11,789,725
Sales Taxes (Proposition J)	10,313,308	3,576,535	35.1	3,652,870	4,414,801

Sales Taxes are expected to be below budgeted amounts by approximately \$1.4 million by fiscal year end. This decline is reflective of a general softening of the economy.

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, in total, are down approximately 5.5% (\$214,206) from this point last year. The majority of this decrease 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 4.7% (\$167,090) from the same point last year.

	FY19-20 Budget	FY19-20 Mid-Year	% of Budget	FY18-19 Mid-Year	FY17-18 Mid-Year
Property Taxes (PT)	\$9,084,217	\$3,697,592	40.7	\$3,530,502	\$3,356,157
PT – In Lieu VLF	9,763,367	-	-	-	-
PT – RPTTF Residual Distribution	1,281,163	-	-	381,296	-

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 7.7% (\$82,597) from last year. The table below illustrates Franchise Fees for the current year, as well as the two previous years.

	FY19-20 <u>Budget</u>	FY19-20 <u>Mid-Year</u>	% of <u>Budget</u>	FY18-19 <u>Mid-Year</u>	FY17-18 <u>Mid-Year</u>
Franchise Fees	\$5,371,717	\$1,151,313	21.4	\$1,068,716	\$1,054,148

Other Revenue Categories- The remaining revenue categories represent 16.8% 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.

	FY19-20 <u>Budget</u>	FY19-20 <u>Mid-Year</u>	% of <u>Budget</u>	FY18-19 <u>Mid-Year</u>	FY17-18 <u>Mid-Year</u>
Transient Occupancy Tax	\$2,148,547	\$625,921	29.1	\$634,768	\$453,873
Business Licenses	959,924	525,708	54.8	550,616	490,407
Real Property Transfer Tax	348,021	241,243	69.3	119,903	130,170
Ambulance/Paramedic Tax	350,000	64,677	18.5	97,812	53,139
Licenses and Permits	1,482,200	1,181,573	79.7	1,153,526	645,092
Intergovernmental Revenues	938,600	291,760	31.1	315,782	495,069
Charges for Services	2,997,517	1,635,519	54.6	1,622,938	1,585,879
Investment Earnings	400,000	247,064	61.8	206,267	153,895
Fines and Forfeitures	563,000	277,713	49.3	250,942	348,254
Other Revenue & Reimbursement	2,577,380	1,205,811	46.8	1,252,461	1,177,890
Other Financing Sources	211,107	25,323	12.0	10,308	25,458

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.

	FY19-20 <u>Budget</u>	FY19-20 <u>Projected</u>	% of <u>Budget</u>
Sales Taxes	\$38,733,200	37,608,521	97.1
Property Taxes	20,128,747	20,371,195	101.2
Franchise Fees	5,371,717	5,588,340	104.0
All Other Categories	<u>12,976,296</u>	<u>13,878,228</u>	107.0
Total General Fund Revenue	<u>\$77,209,960</u>	<u>\$77,446,284</u>	100.3

Expenditures and Uses of Funds

Expenditures and Uses of Funds are \$38.2 million or 48.9% of budget at mid-year. This represents a 13.1% (\$4.4 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.

	FY19-20 <u>Budget</u>	FY19-20 <u>Mid-Year</u>	% of <u>Budget</u>	FY18-19 <u>Mid-Year</u>	FY17-18 <u>Mid-Year</u>
General Government	\$7,618,938	\$3,382,339	44.4	\$2,589,330	\$2,768,310
Public Safety- Police	37,304,619	19,010,683	51.0	16,813,815	15,540,276
Public Safety- Fire	16,831,076	8,289,657	49.3	7,537,743	7,169,174
Public Works	9,701,729	4,344,300	44.8	3,939,516	3,886,426
Recreation	3,411,698	1,600,543	46.9	1,499,496	1,321,217
Community Development	3,275,214	1,581,614	48.3	1,392,331	1,397,751
Other Financing Uses	-	-	-	-	-
Total General Fund Expenditures	<u>\$78,143,274</u>	<u>\$38,209,136</u>	48.9	<u>\$33,772,231</u>	<u>\$32,083,154</u>

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

	FY19-20 <u>Budget</u>	FY19-20 <u>Mid-Year</u>	% of <u>Budget</u>	FY18-19 <u>Mid-Year</u>	FY17-18 <u>Mid-Year</u>
Salaries and Benefits	\$59,719,337	\$30,534,117	51.1	\$26,207,160	\$25,027,433
Materials, Services, and Supplies	18,402,187	7,669,479	41.7	7,515,208	6,996,845
Capital Outlay	21,750	5,540	25.5	28,473	58,876
Other Financing Uses	-	-	-	21,390	-
Total General Fund Expenditures	<u>\$78,143,274</u>	<u>\$38,209,136</u>	48.9	<u>\$33,772,231</u>	<u>\$32,083,154</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.

	FY19-20 <u>Budget</u>	FY19-20 <u>Projected</u>	% of <u>Budget</u>
Salaries and Benefits	\$59,719,335	61,134,178	102.4%
Materials, Services, and Supplies	18,356,187	16,653,097	90.7%
Capital Outlay	21,750	18,690	85.9%
Other Financing Uses	-	-	-
Total General Fund Expenditures	<u>\$78,097,272</u>	<u>\$77,805,965</u>	99.6%

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 \$48.3 million. The following table illustrates projected reserve balances at year-end.

Projected General Fund Balance

	07/01/19 <u>Fund Balance</u>	06/30/20 Estimated <u>Fund Balance</u>
20% Operating Reserve	\$15,939,481	\$15,939,481
Economic Uncertainty Reserve	6,500,000	6,500,000
Reserve for Unfunded Retirement Obligation	8,000,000	8,000,000
Carryover Reserve **	<u>18,226,607</u>	<u>17,866,926</u>
Total Fund Balance	<u>\$48,666,088</u>	<u>\$48,306,407</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.

	FY19-20 <u>Budget</u>	FY19-20 <u>Mid-Year</u>	% of <u>Budget</u>	FY18-19 <u>Mid-Year</u>	FY17-18 <u>Mid-Year</u>
Expenditures	\$3,170,917	\$98,371	3.1	\$393,336	\$37,339
Revenues	487,421	226,128	46.4	103,960	303,313

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 \$8.4 million, which is down 16.1% 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>	FY19-20 Budget	FY19-20 Mid-Year	% of Budget	FY18-19 Mid-Year	FY17-18 Mid-Year
Sewer Service Fee	\$18,000,000	\$7,434,279	41.3	\$7,687,100	\$9,620,690
Septic Tank Disposal Fee	1,800,000	212,570	11.8	666,818	1,286,907
All Other Revenue	<u>652,500</u>	<u>768,802</u>	117.8	<u>1,678,547</u>	<u>391,060</u>
Total Revenue	<u>\$20,452,500</u>	<u>\$8,415,650</u>	41.15	<u>\$10,032,465</u>	<u>\$11,298,657</u>

Expenditures of \$10.0 million are 1.1% lower than the same period last year. It is anticipated that the Wastewater Fund expenditures will be within budget at year end.

<u>Wastewater Expenditures</u>	FY19-20 Budget	FY19-20 Mid-Year	% of Budget	FY18-19 Mid-Year	FY17-18 Mid-Year
Salaries & Benefits	\$3,925,317	\$1,753,119	44.7	\$1,593,229	\$1,485,443
Materials, Services, and Supplies	19,988,891	7,434,614	37.2	7,037,003	6,807,514
Debt Service	592,204	469,546	79.3	47,456	36,559
Capital Outlay and Projects	4,691,000	329,884	7.0	1,424,811	2,891,900
Other Financing Uses	<u>-</u>	<u>-</u>	-	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$29,197,412</u>	<u>\$9,987,164</u>	34.2	<u>\$10,102,499</u>	<u>\$11,221,416</u>

HOME INVESTMENT PARTNERSHIPS (HOME) FUND

The Home Investment Partnerships (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.

	FY19-20 Budget	FY19-20 Mid-Year	% of Budget	FY18-19 Mid-Year	FY17-18 Mid-Year
Expenditures	\$579,460	\$23,790	4.1	\$343,545	\$264,457
Revenues	579,460	2,652	0.5	98,079	126,871

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	FY19-20 BUDGET	FY19-20 YTD EXPENDITURE	% of BUDGET
ECPAC Improvements	IFM3471	3,269,578	870,996	26.6%
Property Development Improvements	IFM3662	100,000	347,572	347.6%
City Hall HVAC	IFM3389	5,000	4,934	98.7%
Wells Park Improvements	PK3610	-	86	-
Recreation Center HVAC Improvements	IFM3679	330,000	1,437	0.4%
City Monument Sign - El Cajon Boulevard	IFM3644	52,000	38,103	73.3%
Fletcher Hills Recreation Center Sliding Glass Doors	IFM3641	46,200	111	0.2%
Transfer out to other capital project funds		386,000	88,985	23.1%
TOTAL		4,188,778	1,352,224	32.3%

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

FUND	CURRENT YEAR / FY2019-20				PRIOR YEAR / FY2018-19			
	BUDGET	REVENUE	BALANCE	%	BUDGET	REVENUE	BALANCE	%
101	GENERAL FUND							
103000	84,000.00	25,980.00	58,020.00	30.93	82,000.00	4,664.40	77,335.60	5.69
106000	-	-	-	-	-	4,362.16	(4,362.16)	-
107000	25,000.00	9,200.00	15,800.00	36.80	340.00	3,280.00	(2,940.00)	964.71
110000	85,000.00	16,329.98	68,670.02	19.21	60,000.00	26,283.17	33,716.83	43.81
114000	70,867,503.00	21,021,891.49	49,845,611.51	29.66	69,077,825.00	21,852,036.35	47,225,788.65	31.63
123000	46,800.00	23,230.83	23,569.17	49.64	56,727.00	13,201.93	43,525.07	23.27
130110	1,682,707.00	466,939.19	1,215,767.81	27.75	1,621,365.00	445,453.53	1,175,911.47	27.47
130230	-	-	-	-	150.00	-	150.00	-
135000	223,100.00	124,784.43	98,315.57	55.93	178,018.00	105,027.00	72,991.00	59.00
140000	50,200.00	105,359.52	(55,159.52)	209.88	120,200.00	253,936.57	(133,736.57)	211.26
141000	200,000.00	50,174.18	149,825.82	25.09	-	8,749.92	(8,749.92)	-
145000	50,000.00	35,399.25	14,600.75	70.80	-	5,411.27	(5,411.27)	-
146000	796,000.00	389,125.40	406,874.60	48.89	901,000.00	368,042.99	532,957.01	40.85
151330	250,000.00	158,911.51	91,088.49	63.56	250,000.00	133,171.03	116,828.97	53.27
151900	700,000.00	400,115.88	299,884.12	57.16	750,000.00	352,681.22	397,318.78	47.02
152310	19,000.00	12,686.00	6,314.00	66.77	21,000.00	7,503.00	13,497.00	35.73
152320	-	-	-	-	-	224.78	(224.78)	-
160000	10,000.00	1,112.41	8,887.59	11.12	10,000.00	6,526.69	3,473.31	65.27
165000	172,750.00	78,661.38	94,088.62	45.53	156,280.00	75,116.24	81,163.76	48.07
170110	363,900.00	92,937.07	270,962.93	25.54	250,500.00	49,550.42	200,949.58	19.78
170510	315,000.00	315,083.48	(83.48)	100.03	243,000.00	242,301.57	698.43	99.71
171000	1,269,000.00	997,009.60	271,990.40	78.57	1,069,000.00	957,738.05	111,261.95	89.59
TOTAL GENERAL FUND	77,209,960.00	24,324,931.60	52,885,028.40	31.50	74,847,405.00	24,915,262.29	49,932,142.71	33.29
209	26,000.00	(715.87)	26,715.87	(2.75)	-	855.74	(855.74)	-
211	2,658,894.00	1,328,313.70	1,330,580.30	49.96	2,508,711.00	911,451.06	1,597,259.94	36.33
213	94,555.00	100,744.77	(6,189.77)	106.55	92,701.00	97,537.86	(4,836.86)	105.22
215	222,500.00	149,143.35	73,356.65	67.03	157,000.00	132,903.07	24,096.93	84.65
221	77,588.00	(54,843.18)	132,431.18	(70.69)	78,392.00	(64,792.00)	143,184.00	(82.65)
222	16,000.00	12,072.72	3,927.28	75.45	15,000.00	9,868.75	5,131.25	65.79
223	-	9,860.58	(9,860.58)	-	-	5,674.91	(5,674.91)	-
224	485,100.00	203,667.78	281,432.22	41.98	420,000.00	156,772.46	263,227.54	37.33
225	298,078.00	88,615.82	209,462.18	29.73	286,655.00	34,667.47	251,987.53	12.09
240	625,600.00	351,783.64	273,816.36	56.23	598,280.00	342,065.53	256,214.47	57.17
241	651,434.00	-	651,434.00	-	1,643,434.00	-	1,643,434.00	-
253	62,940.00	(51,680.00)	114,620.00	(82.11)	98,902.00	(389,915.81)	488,817.81	(394.24)
254	-	154.56	(154.56)	-	-	107.67	(107.67)	-
265	-	-	-	-	190,000.00	-	190,000.00	-
266	28,000.00	17,100.00	10,900.00	61.07	57,000.00	23,158.06	33,841.94	40.63
270	1,327,381.00	259,038.88	1,068,342.12	19.52	1,508,227.00	102,682.29	1,405,544.71	6.81
275	579,460.00	2,652.26	576,807.74	0.46	602,319.00	98,078.56	504,240.44	16.28
280	-	-	-	-	275,750.00	-	275,750.00	-
298	487,421.00	226,128.06	261,292.94	46.39	1,227,421.00	103,960.44	1,123,460.56	8.47
299	-	2,072.96	(2,072.96)	-	-	1,444.15	(1,444.15)	-
501	156,500.00	33,336.16	123,163.84	21.30	6,457,507.00	551,430.85	5,906,076.15	8.54
502	-	25,547.94	(25,547.94)	-	20,000.00	19,859.14	140.86	99.30
503	7,355,446.00	321,041.78	7,034,404.22	4.36	5,716,706.00	352,900.51	5,363,805.49	6.17
505	1,539,393.00	120,292.15	1,419,100.85	7.81	1,187,799.00	167,434.02	1,020,364.98	14.10
506	-	1,664.21	(1,664.21)	-	-	578.69	(578.69)	-
515	10,000.00	32,213.48	(22,213.48)	322.13	5,000.00	24,166.74	(19,166.74)	483.33
550	22,772,152.00	888,843.05	21,883,308.95	3.90	10,354,911.00	1,258,968.96	9,095,942.04	12.16
552	11,010,993.00	(1,296.19)	11,012,289.19	(0.01)	2,347,397.00	742,139.13	1,605,257.87	31.62
553	75,000.00	274,813.42	(199,813.42)	366.42	75,000.00	203,930.17	(128,930.17)	271.91
554	1,747,141.00	693,035.89	1,054,105.11	39.67	1,707,152.00	652,793.39	1,054,358.61	38.24
601	1,485,159.00	855,647.25	629,511.75	57.61	1,250,471.00	600,234.00	650,237.00	48.00
605	400,000.00	199,992.00	200,008.00	50.00	750,000.00	380,406.00	369,594.00	50.72
610	2,576,000.00	1,248,302.49	1,327,697.51	48.46	2,200,000.00	1,285,214.32	914,785.68	58.42
611	2,392,879.00	1,227,735.51	1,165,143.49	51.31	-	-	-	-
615	3,905,798.00	1,952,892.00	1,952,906.00	50.00	4,042,248.00	2,021,142.00	2,021,106.00	50.00
620	1,050,000.00	525,024.60	524,975.40	50.00	1,600,000.00	800,010.00	799,990.00	50.00
650	20,452,500.00	8,415,650.43	12,036,849.57	41.15	23,806,500.00	10,032,465.27	13,774,034.73	42.14

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

FUND		CURRENT YEAR / FY2019-20				PRIOR YEAR / FY2018-19			
		BUDGET	EXPENDITURE	BALANCE	%	BUDGET	EXPENDITURE	BALANCE	%
101	GENERAL FUND								
101000	CITY COUNCIL	461,733.00	284,899.54	176,833.46	61.70	490,078.00	181,554.27	308,523.73	37.05
103000	COMMUNITY SVCS & E	257,450.00	111,300.34	146,149.66	43.23	249,300.00	94,994.77	154,305.23	38.10
103100	CENTENNIAL CELEBRA	100,000.00	25,000.00	75,000.00	25.00	100,000.00	42,950.00	57,050.00	42.95
104000	CONTINGENCY	1,100,000.00	156,846.00	943,154.00	14.26	-	-	-	-
106000	CITY ATTORNEY	857,646.00	301,781.23	555,864.77	35.19	830,753.00	251,796.10	578,956.90	30.31
107000	CITY CLERK AND ELE	495,267.00	229,782.70	265,484.30	46.40	528,676.00	193,713.09	334,962.91	36.64
110000	CITY MANAGER	1,542,159.00	828,129.48	714,029.52	53.70	1,551,576.00	612,760.68	938,815.32	39.49
114000	FINANCE	2,064,681.00	1,124,702.08	939,978.92	54.47	1,932,329.00	830,794.39	1,101,534.61	42.99
118000	HUMAN RESOURCES	933,516.00	393,273.78	540,242.22	42.13	911,335.00	320,739.79	590,595.21	35.19
122000	ADMINISTRATIVE SER	63,936.00	37,924.06	26,011.94	59.32	342,620.00	154,813.77	187,806.23	45.19
123000	FACILITIES MAINTEN	2,196,483.00	942,936.17	1,253,546.83	42.93	2,639,514.00	797,588.22	1,841,925.78	30.22
130110	POLICE ADMINISTRAT	3,388,132.00	1,766,026.43	1,622,105.57	52.12	3,299,282.00	1,620,451.37	1,678,830.63	49.12
130120	INSPECTION & TRAIN	2,081,178.00	1,050,409.04	1,030,768.96	50.47	2,050,621.00	1,013,421.85	1,037,199.15	49.42
130130	RECORDS	1,178,861.00	557,307.09	621,553.91	47.28	1,310,520.00	484,758.27	825,761.73	36.99
130150	COMMUNICATIONS	2,681,135.00	1,212,867.75	1,468,267.25	45.24	2,576,147.00	1,050,756.19	1,525,390.81	40.79
130160	PATROL	14,825,189.00	8,325,995.81	6,499,193.19	56.16	14,745,216.00	7,400,732.21	7,344,483.79	50.19
130170	SPECIAL OPERATIONS	2,805,350.00	1,623,181.90	1,182,168.10	57.86	2,785,523.00	1,338,929.26	1,446,593.74	48.07
130190	TRAFFIC ENFORCEMEN	2,073,683.00	857,048.72	1,216,634.28	41.33	1,938,644.00	785,148.22	1,153,495.78	40.50
130210	INVESTIGATION	6,101,271.00	2,627,582.16	3,473,688.84	43.07	4,776,483.00	2,160,986.01	2,615,496.99	45.24
130220	LABORATORY	947,089.00	486,115.38	460,973.62	51.33	950,627.00	448,318.31	502,308.69	47.16
130230	AUXILIARY	171,570.00	56,596.10	114,973.90	32.99	181,780.00	41,805.47	139,974.53	23.00
135000	ANIMAL CONTROL	1,051,161.00	447,552.58	603,608.42	42.58	1,010,627.00	468,507.58	542,119.42	46.36
140000	FIRE ADMINISTRATIO	1,995,144.00	1,103,063.98	892,080.02	55.29	1,980,458.00	1,041,405.58	939,052.42	52.58
141000	SUPPRESSION	12,435,334.00	6,221,725.05	6,213,608.95	50.03	11,347,821.00	5,668,545.73	5,679,275.27	49.95
145000	HEARTLAND FIRE & R	2,132,375.00	914,802.21	1,217,572.79	42.90	2,037,245.00	768,194.10	1,269,050.90	37.71
146000	FIRE EMERGENCY MED	268,223.00	50,065.96	218,157.04	18.67	322,468.00	59,597.90	262,870.10	18.48
150000	PW ADMINISTRATION	671,086.00	308,472.92	362,613.08	45.97	585,781.00	249,539.52	336,241.48	42.60
151310	ENG - OTHER	25,506.00	25,127.69	378.31	98.52	24,774.00	66,259.55	(41,485.55)	267.46
151330	ENG - PRIVATE DEVE	594,588.00	269,184.87	325,403.13	45.27	619,780.00	249,668.62	370,111.38	40.28
151900	ENG - CIP PROJECTS	1,090,582.00	546,339.30	544,242.70	50.10	1,047,199.00	483,184.85	564,014.15	46.14
152310	TRAFFIC ENGINEERIN	1,132,037.00	553,855.15	578,181.85	48.93	1,076,487.00	530,579.16	545,907.84	49.29
152320	TRAFFIC MAINTENANC	859,038.00	292,979.13	566,058.87	34.11	757,433.00	184,294.55	573,138.45	24.33
160000	PARKS	2,237,154.00	952,077.63	1,285,076.37	42.56	2,092,408.00	887,850.07	1,204,557.93	42.43
161000	ST MEDIAN MAINT &	895,255.00	453,327.02	441,927.98	50.64	1,098,996.00	490,551.93	608,444.07	44.64
165000	RECREATION	3,154,248.00	1,489,242.91	1,665,005.09	47.21	3,041,357.00	1,404,501.14	1,636,855.86	46.18
170110	HOUSING & SA ADMIN	600,613.00	273,358.23	327,254.77	45.51	401,075.00	237,389.11	163,685.89	59.19
170510	PLANNING DIVISION	1,355,988.00	650,513.68	705,474.32	47.97	1,214,483.00	541,361.99	673,121.01	44.58
171000	BUILDING AND FIRE	1,318,613.00	657,741.60	660,871.40	49.88	1,438,239.00	613,579.76	824,659.24	42.66
190000	OTHER FINANCING US	-	-	-	-	5,850,000.00	-	5,850,000.00	-
	TOTAL GENERAL FUND	78,143,274.00	38,209,135.67	39,934,138.33	48.90	80,137,655.00	33,772,023.38	46,365,631.62	42.14
209	CA BEVERAGE GRANT	26,286.00	9,807.03	16,478.97	37.31	171,742.00	-	171,742.00	-
211	GAS TAX	3,249,387.00	1,090,058.74	2,159,328.26	33.55	3,202,135.00	1,066,302.30	2,135,832.70	33.30
213	TRANSIT	360,173.00	97,820.84	262,352.16	27.16	352,987.00	165,105.48	187,881.52	46.77
215	STATE COPS GRANT-B	315,403.00	134,410.69	180,992.31	42.62	289,458.00	140,956.07	148,501.93	48.70
221	ST HOMELAND SEC GR	77,588.00	12,792.22	64,795.78	16.49	78,392.00	7,359.02	71,032.98	9.39
222	ASSET FORFEITURE	67,709.00	4,849.04	62,859.96	7.16	67,709.00	25,047.33	42,661.67	36.99
223	STATE ASSET FORFEI	13,000.00	5,630.00	7,370.00	43.31	19,000.00	7,633.78	11,366.22	40.18
224	LOCAL PUB SAFETY P	479,207.00	266,770.70	212,436.30	55.67	502,007.00	287,104.16	214,902.84	57.19
225	POLICE MISC GRANTS	365,658.00	130,310.47	262,347.53	28.25	347,791.00	81,467.50	266,323.50	23.42
240	RECREATION PROGRAM	708,932.00	255,573.43	453,358.57	36.05	606,015.00	278,708.12	327,306.88	45.99
241	ECPAC FUND	651,434.00	296,755.69	354,678.31	45.55	643,434.00	19,315.66	624,118.34	3.00
253	UASI GRANTS	62,940.00	47,260.16	15,679.84	75.09	98,902.00	47,846.70	51,055.30	48.38
265	COMM DEV MISC GRAN	-	-	-	-	190,000.00	15,044.50	174,955.50	7.92
266	STATE CASP (AB1379)	28,740.00	949.50	27,790.50	3.30	31,000.00	1,355.56	29,644.44	4.37
270	CDBG	1,327,381.00	379,294.15	948,086.85	28.57	1,508,227.00	340,070.84	1,168,156.16	22.55
275	HOME	579,460.00	23,790.16	555,669.84	4.11	602,319.00	343,545.30	258,773.70	57.04
280	CAL HOME GRANT	64,588.00	-	64,588.00	-	275,750.00	-	275,750.00	-
298	LOW/MOD HOUSING AS	3,170,917.00	98,370.62	3,072,546.38	3.10	4,091,005.00	393,336.19	3,697,668.81	9.61
299	HOUSING IN LIEU FE	287,000.00	-	287,000.00	-	287,000.00	-	287,000.00	-
501	CITY CAPITAL IMPRO	4,188,778.00	1,352,223.21	2,836,554.79	32.28	9,565,613.00	1,557,543.22	8,008,069.78	16.28
502	PUBLIC SFTY FACILI	3,840,800.00	112,056.25	3,728,743.75	2.92	209,900.00	11,108.44	198,791.56	5.29
503	TRANSNET	7,355,446.00	262,742.38	7,092,703.62	3.57	5,374,709.00	317,488.53	5,057,220.47	5.91
505	PARKS & REC IMPROV	1,539,393.00	130,061.92	1,409,331.08	8.45	1,206,286.00	175,936.22	1,030,349.78	14.58
515	PARKS IMPACT FEES	90,000.00	-	90,000.00	-	-	-	-	-
550	PW TRANSPORTATION	22,772,152.00	895,252.52	21,876,899.48	3.93	10,354,911.00	1,258,968.96	9,095,942.04	12.16
552	TRANSPORTATION GRA	11,010,993.00	64,279.27	10,946,713.73	0.58	2,347,397.00	927,063.81	1,420,333.19	39.49
553	REG TRANS CONGSTIO	500,000.00	342,616.41	157,383.59	68.52	-	-	-	-
554	ROAD MAINT & REHAB	3,352,152.00	98,377.91	3,253,774.09	2.93	2,293,457.00	43,741.62	2,249,715.38	1.91
601	VEHICLE/EQUIP MAIN	2,367,875.00	1,159,435.20	1,208,439.80	48.97	2,786,598.00	1,036,029.15	1,750,568.85	37.18
605	VEHICLE/EQUIP REPL	860,800.00	229,198.15	631,601.85	26.63	1,492,742.00	199,845.58	1,292,896.42	13.39
610	SELF-INSURANCE	2,103,259.00	1,293,650.99	809,608.01	61.51	1,904,018.00	938,496.90	965,521.10	49.29
611	WORKERS COMP SELF-	2,392,879.00	895,462.00	1,497,417.00	37.42	-	-	-	-
615	IT SERVICES FUND	3,986,487.00	1,952,513.83	2,033,973.17	48.98	4,263,279.00	1,966,982.91	2,296,296.09	46.14
620	OTHER POST-EMP BEN	1,250,000.00	163,957.84	1,086,042.16	13.12	1,632,400.00	932,223.11	700,176.89	57.11
650	WASTEWATER	29,197,412.00	9,987,163.73	19,210,248.27	34.21	32,654,952.00	10,102,498.80	22,552,453.20	30.94

CITY OF EL CAJON FIVE-YEAR BUSINESS PLAN FISCAL YEAR 2020-21 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 2019, but has experienced significant uncertainty so far in 2020.

In a March 15, 2020 press release, the Federal Open Market Committee made the following comments.

The coronavirus outbreak has harmed communities and disrupted economic activity in many countries, including the United States. Global financial conditions have also been significantly affected. Available economic data show that the U.S. economy came into this challenging period on a strong footing. Information received since the Federal Open Market Committee met in January indicates that the labor market remained strong through February and economic activity rose at a moderate rate. Job gains have been solid, on average, in recent months, and the unemployment rate has remained low. Although household spending rose at a moderate pace, business fixed investment and exports remained weak. More recently, the energy sector has come under stress. On a 12-month basis, overall inflation for items other than food and energy are running below 2 percent. Market-based measures of inflation compensation have declined; survey-based measures of longer-term inflation expectations are little changed.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The effects of the coronavirus will weigh on economic activity in the near term and pose risks to the economic outlook. In light of these developments, the Committee decided to lower the target range for the federal funds rate to 0 to ¼ percent. The Committee expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals.

UCLA Anderson Forecast economist David Shulman stated in a March 2020 report titled Coronavirus: Supply Shock and Demand Shock "The realization that the coronavirus

known as COVID-19 has the potential to wreak havoc with the global economy hit the securities markets like a shockwave in the last week of February.” He continued with the following comments.

As a result, we are assuming a two quarter hit to real GDP growth in the second and third quarters of this year with very modest increases of 1.3% and 0.6% respectively compared to the 2% plus growth we previously forecast. That would put 2020 growth on a fourth-quarter to fourth-quarter basis to a low 1.5%. You can view our forecast as the midpoint between the coronavirus having a minimal effect to it causing a full-blown recession.

It is clear to most observers that significant events impacting the economy are occurring. While there seems to be few pundits signaling optimism at this time, most seem guarded to pessimistic. With events unfolding as rapidly as they are, and with little economic data available this early, it is certainly a time to exercise caution. The City will monitor events closely, and continue to make sound decisions based on data, rather than speculation.

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 2015-16</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>
Normal Cost	10.012%	10.575%	10.512%	11.002%	12.044%
Unfunded Rate	<u>23.749%</u>	<u>27.185%</u>	<u>30.285%</u>	<u>35.200%</u>	<u>40.974%</u>
Total Miscellaneous Rate	<u>33.761%</u>	<u>37.760%</u>	<u>40.797%</u>	<u>46.202%</u>	<u>53.018%</u>
Safety Members	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>
Normal Cost	18.188%	18.933%	18.687%	19.627%	20.445%
Unfunded Rate	<u>29.271%</u>	<u>30.878%</u>	<u>39.038%</u>	<u>44.000%</u>	<u>47.295%</u>
Total Safety Rate	<u>47.459%</u>	<u>49.811%</u>	<u>57.725%</u>	<u>63.627%</u>	<u>67.740%</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, 2018, the City’s combined plans cover 1,608 current and former employees, of which 797 are retired. Safety plan retirees receive an average annual benefit of \$56,968, while miscellaneous plan members receive an average annual benefit of \$25,671. The combined unfunded retirement liability was \$204.1 million, and the combined plans were funded to 63.8%.

CalPERS has significantly underperformed (on average) its annual investment goal over the past several years. 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 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>
Miscellaneous Plan	55.6%	58.5%	60.7%	61.6%	52.4%
Safety Plan	75.5%	79.7%	82.8%	84.2%	85.5%

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

In Fiscal Year 2019-20, total citywide CalPERS employer contributions for both plans is expected to total \$19.2 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 2020-21	21,111,727
FY 2021-22	22,900,516
FY 2022-23	24,471,023
FY 2023-24	25,606,602
FY 2024-25	24,919,953

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 anticipated Fiscal Year 2019-20 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.
3. Property tax revenues are projected to grow by 4.0% annually.

- 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 no new General Fund funding of the City’s capital improvement program.
- 4. 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 2019-20	77,446,284	77,805,965	(359,681)
FY 2020-21	79,214,576	80,652,783	(1,438,207)
FY 2021-22	81,254,097	84,306,393	(3,052,296)
FY 2022-23	83,306,109	87,812,684	(4,506,575)
FY 2023-24	85,373,008	90,977,005	(5,603,997)
FY 2024-25	87,482,818	92,263,849	(4,781,031)

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.
 - 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	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25
Projected Total Ending Fund Balance	\$48,248,556	\$46,810,349	\$43,758,052	\$39,251,478	\$33,647,480	\$28,866,449

Guidelines for Fiscal Year 2020-21 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.