

CITY OF EL CAJON CALIFORNIA



FISCAL YEAR 2014-15 MID-YEAR REPORT FIVE-YEAR BUSINESS PLAN

CITY OF EL CAJON MID-YEAR REPORT FISCAL YEAR 2014-15

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 comparisons to budgeted expectations. This analysis has been conducted for the City of El Cajon's major funds: the General Fund, Wastewater enterprise fund, the Emergency Medical Services special revenue fund, the Low-Moderate Income Housing Asset Fund special revenue 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 2015-16 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, 2014, General Fund Revenues and Sources of Funds totaled \$25.5 million, an increase of \$3.7 million from the same point last year. Expenditures and Uses of Funds totaled \$30.4 million, which is up approximately \$518,224 from last year's midway point.

For the period July through December, 2014, Expenditures and Uses of Funds exceeded Revenues and Sources of Funds by approximately \$4.9 million. Several of the General Fund's larger revenue streams 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.

	FY14-15 <u>Budget</u>	FY14-15 <u>Mid-Year</u>	% of <u>Budget</u>	FY13-14 <u>Mid-Year</u>	FY12-13 <u>Mid-Year</u>
Revenues and Sources of Funds	\$61,059,806	\$25,478,917	41.7	\$21,785,013	\$22,134,634
Expenditures and Uses of Funds	63,778,189	30,356,361	47.6	29,838,137	27,229,133

By fiscal year end, Revenues and Sources of Funds are projected to be \$63.5 million, which exceeds budget by \$2.5 million and represents a 2.0% increase from last year. Expenditures and Uses of Funds are estimated to be \$62.6 million. This is 3.0% higher than last year, but is \$1.2 million under budget. Together, this activity is expected to increase fund balance by an estimated \$992,047. 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 84.4% 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 taxes are 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 \$539,715 from the same point last year. A large portion of this drop is a reporting irregularity by one of the City’s primary sales tax generators. This issue is anticipated to be resolved by year-end. Proposition J sales tax is up \$269,489. The table below summarizes these balances, as well as those of the two previous years.

	FY14-15 Budget	FY14-15 Mid-Year	% of Budget	FY13-14 Mid-Year	FY12-13 Mid-Year
Sales Taxes	\$17,636,293	\$8,487,260	48.1	\$9,026,975	\$7,997,032
Sales Taxes (Proposition J)	8,635,500	4,457,554	51.6	4,188,066	4,207,738

Sales Taxes in total are expected to fall below budget by year-end as a result of decreasing gasoline prices. However, at the time of publication, sales tax returns have not been filed for the period of decrease, so the impact is not yet measurable. It is anticipated that better information will be available at the time of developing the Fiscal Year 2016 Annual Budget.

Property Taxes- Property taxes are comprised of four major components: regular property taxes, property taxes received in lieu of Sales Tax, property tax received in lieu of Vehicle License Fees, and the residual distribution from the Redevelopment Property Tax Trust Fund. In total, property taxes are up \$239,744 from this point last year.

	FY14-15 Budget	FY14-15 Mid-Year	% of Budget	FY13-14 Mid-Year	FY12-13 Mid-Year
Property Taxes (PT)	\$6,782,444	\$2,989,665	44.1	\$2,749,921	\$3,295,625
PT – In Lieu Sales Tax	6,150,909	0	0.0	0	0
PT – In Lieu VLF	7,191,000	0	0.0	0	0
PT – RPTTF Residual Distribution	400,000	0	0.0	0	114,770

The majority of this revenue is received in the second half of the fiscal year, and projections indicate that year-end results will be consistent with the total budget for this category.

Franchise Fees- Franchise fees are collected from San Diego Gas & Electric, Waste Management, Cox Communications, and Pacific Bell. At the midpoints of the fiscal year, current year Franchise Fees are significantly higher than previous year's results. However, this is largely due to timing differences of payments. This timing difference is expected to resolve itself by year-end. Projections suggest that receipts will slightly exceed budget at year-end, as well as improve on last year's performance. The table below illustrates Franchise Fees for the current year, as well as the two previous years.

	FY14-15 Budget	FY14-15 Mid-Year	% of Budget	FY13-14 Mid-Year	FY12-13 Mid-Year
Franchise Fees	\$4,750,000	\$1,981,519	41.7	\$988,045	\$1,014,377

Other Revenue Categories- The remaining revenue categories represent 15.6% 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.

	FY14-15 Budget	FY14-15 Mid-Year	% of Budget	FY13-14 Mid-Year	FY12-13 Mid-Year
Transient Occupancy Tax	\$1,071,000	\$418,451	39.1	\$356,928	\$363,799
Business Licenses	775,200	471,931	60.9	432,323	212,775
Real Property Transfer Tax	178,500	135,806	76.1	122,245	87,343
Licenses and Permits	787,800	616,201	78.2	508,704	438,559
Intergovernmental Revenues	481,375	525,207	109.1	177,621	134,887
Charges for Services	2,699,627	1,476,988	54.7	1,364,246	1,295,602
Investment Earnings	193,800	56,712	29.3	97,592	108,606
Fines and Forfeitures	507,000	346,223	68.3	326,924	476,469
Miscellaneous & Other Revenue	2,876,271	3,200,171	111.3	1,445,424	2,387,051

By year end, these categories are projected to exceed budget, as well as surpass previous year's results.

Expenditures and Uses of Funds

Expenditures and Uses of Funds are \$30,356,361 or 47.6% of budget at mid-year. This represents a 1.7% increase from the same point last year. The table below shows mid-year expenditures by category for the current year, as well as the two preceding years.

	FY14-15 Budget	FY14-15 Mid-Year	% of Budget	FY13-14 Mid-Year	FY12-13 Mid-Year
Salaries & Benefits	\$46,545,011	\$21,728,135	46.7	\$20,623,284	\$19,970,070
Materials, Supplies & Services	13,521,978	5,644,949	41.8	6,033,624	4,684,825
Capital Outlay	69,200	6,704	9.7	13,946	39,304
Uses of Funds	<u>3,642,000</u>	<u>2,976,573</u>	81.7	<u>3,167,283</u>	<u>2,534,934</u>
Total Expenditures	<u>\$63,778,189</u>	<u>\$30,356,361</u>	47.6	<u>\$29,838,137</u>	<u>\$27,229,133</u>

The table below illustrates the same expenditure information, but organized by function.

	FY14-15 <u>Budget</u>	FY14-15 <u>Mid-Year</u>	% of <u>Budget</u>	FY13-14 <u>Mid-Year</u>	FY12-13 <u>Mid-Year</u>
General Government	\$6,095,364	\$2,700,166	44.3	\$2,852,322	\$2,710,854
Public Safety- Police	29,004,156	13,866,172	47.8	12,500,622	12,152,659
Public Safety- Fire	10,778,376	5,192,716	48.2	4,485,664	4,391,167
Public Works	8,668,125	3,522,533	40.6	3,486,889	3,430,537
Recreation	2,416,192	1,119,857	46.4	1,000,413	1,011,148
Community Development	2,423,976	978,344	40.4	1,094,944	997,834
Other Financing Uses	<u>4,392,000</u>	<u>2,976,573</u>	67.8	<u>4,417,283</u>	<u>2,534,934</u>
Total Expenditures	<u>\$63,778,189</u>	<u>\$30,356,361</u>	47.6	<u>\$29,838,137</u>	<u>\$27,229,133</u>

Overall, General Fund expenditures are consistent with last year, with many accounts experiencing minor increases and decreases. The largest individual change was due to CalPERS contribution rate increases. Likewise, projected year end results anticipate the General Fund closing the year slightly under budget

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 structural 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 in Fiscal Year 2010-11 in order to begin tackling the increasing unfunded liability and higher employer contribution rates. Any remaining fund balance creates a Carryover Reserve.

The fund balance at the start of the fiscal year was \$27,284,503. Taking into consideration the projected revenues and expenditures at fiscal year-end, the fund balance is expected to be approximately \$28,602,825.

	07/01/14 <u>Fund Balance</u>	06/30/2015 Estimated <u>Fund Balance</u>
20% Operating Reserve	\$12,211,961	\$12,211,961
Economic Uncertainty Reserve	2,000,000	2,000,000
Reserve for Unfunded Retirement Obligation	4,020,000	4,020,000
Carryover Reserve **	<u>9,052,542</u>	<u>10,044,589</u>
Total Fund Balance	<u>\$27,284,503</u>	<u>\$28,276,550</u>

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

WASTEWATER ENTERPRISE FUND

Revenues at the midpoint of the fiscal year total \$9,777,637, which is a 55.9% improvement from the same point last year. Sewer service fee revenues continue to be impacted by the transition to the new billing service provider in October 2012. Although the situation has dramatically improved, the timing of final resolution and total collectability is uncertain, making accurate projections difficult. The chart below illustrates midyear performance for the current year, as well as the two preceding years.

<u>Wastewater Revenues</u>	FY14-15 Budget	FY14-15 Mid-Year	% of Budget	FY13-14 Mid-Year	FY12-13 Mid-Year
Sewer Service Fee	\$16,000,000	\$9,305,798	58.2	\$5,852,475	\$5,233,095
Septic Tank Disposal Fee	750,000	348,177	46.4	268,906	313,199
State Revolving Loan Proceeds	11,300,000	0	0.0	0	0
All Other Revenue	<u>262,500</u>	<u>123,662</u>	47.1	<u>150,875</u>	<u>130,060</u>
Total Revenue	<u>\$28,312,500</u>	<u>\$9,777,637</u>	34.5	<u>\$6,272,256</u>	<u>\$5,676,354</u>

Expenditures of \$6,911,748 are slightly less than this period in the prior fiscal year. It is anticipated that the Wastewater Fund expenditures will be below budget at year end, primarily due to the timing of large capital expenditures.

<u>Wastewater Expenditures</u>	FY14-15 Budget	FY14-15 Mid-Year	% of Budget	FY13-14 Mid-Year	FY13-14 Mid-Year
Salaries & Benefits	\$3,351,260	\$1,416,008	42.3	\$1,394,772	\$1,335,637
Disposal - Metropolitan Sewer	13,388,795	5,451,857	40.7	5,663,871	5,906,369
Capital Outlay	13,832,200	43,883	0.3	58,161	300,395
Uses of Funds	<u>470,000</u>	<u>0</u>	0.0	<u>28,448</u>	<u>51,344</u>
Total Expenditures	<u>\$31,042,255</u>	<u>\$6,911,748</u>	48	<u>\$7,145,252</u>	<u>\$7,593,745</u>

EMERGENCY MEDICAL SERVICES FUND

Revenues collected for ambulance transportation services are slightly below those collected at the same point last year. However, it is anticipated that year-end results will be consistent with budgeted amounts. Overall, the fund is projected to conclude the year on budget.

<u>EMS Revenues</u>	FY14-15 Budget	FY14-15 Mid-Year	% of Budget	FY13-14 Mid-Year	FY12-13 Mid-Year
Ambulance Fees	\$2,800,000	1,423,015	50.8	\$1,569,022	\$1,376,104
Other Revenues	380,000	176,152	46.4	74,912	90,855
Subsidy from General Fund	<u>1,642,000</u>	<u>976,573</u>	59.5	<u>667,283</u>	<u>659,934</u>
Total Revenue	<u>\$4,822,000</u>	<u>\$2,575,740</u>	53.4	<u>\$2,311,217</u>	<u>\$2,126,893</u>

Mid-year expenditures total 2,453,874, and are at 48.9% of budget and are expected to end the fiscal year within budget.

<u>EMS Expenditures</u>	FY14-15 Budget	FY14-15 Mid-Year	% of Budget	FY13-14 Mid-Year	FY12-13 Mid-Year
Salaries & Benefits	\$3,799,540	1,914,373	50.4	1,658,944	1,596,460
Materials, Supplies & Services	<u>1,218,324</u>	<u>539,501</u>	44.3	<u>576,359</u>	<u>445,918</u>
Total Expenditures	<u>\$5,017,864</u>	<u>\$2,453,874</u>	48.9	<u>\$2,235,304</u>	<u>\$2,042,378</u>

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 by the former redevelopment agency.

	FY14-15 <u>Budget</u>	FY14-15 <u>Mid-Year</u>	% of <u>Budget</u>	FY13-14 <u>Mid-Year</u>	FY12-13 <u>Mid-Year</u>
Expenditures	\$5,886,522	\$109,098	1.9	\$210,316	\$1,545,725
Revenues	4,254,181	745,614	17.5	204,823	19,771

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.

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. The Public Safety Facilities Citizen's Oversight Committee receives periodic updates on the collection and use of Proposition O sales taxes and submits an annual report to the City Council. Proposition O expires on March 31, 2015. The table below shows the actual revenues and expenditures through December 31, 2014

SUMMARY OF REVENUES

<u>Account Name/Description</u>	<u>Inception to June 30, 2014</u>	<u>July 1, 2014 to December 31, 2014</u>	<u>Received To Date</u>
Sales Tax Revenue	\$73,409,396.50	\$4,428,068.86	\$77,837,465.36
Investment Earnings	2,644,626.61	10,296.97	2,654,923.58
Investment Earnings - Fiscal Agent	123,027.10	0.00	123,027.10
Sale of Property to Redevelopment Agency	2,955,856.89	0.00	2,955,856.89
Rental Income	77,905.37	0.00	77,905.37
Miscellaneous Reimbursement	494,379.34	0.00	494,379.34
Bond Proceeds	25,195,000.00	0.00	25,195,000.00
Premium on Bond Issuance	769,982.80	0.00	769,982.80
Total Revenues	\$105,670,174.61	\$4,438,365.83	\$110,108,540.44

SUMMARY OF EXPENDITURES BY ACTIVITY/PROJECT

<u>Activity/Project Name</u>	<u>Activity/ Project #</u>	<u>Inception to June 30, 2014</u>	<u>July 1, 2014 to December 31, 2014</u>	<u>Total to Date</u>
Program Support	502000	\$1,294,626.20	\$12,080.82	\$1,306,707.02
Debt Service	502000	16,934,234.45	7,730,627.59	24,664,862.04
<u>Projects:</u>				
Public Safety Center	PS0010	62,625,450.79	363.50	62,625,814.29
Animal Shelter	PS0020	361,380.51	33,850.53	395,231.04
Fire Station 8	PS0030	1,659,969.25	0.00	1,659,969.25
Fire Station 6 - Roof & HVAC	PS0040	1,071,387.03	0.00	1,071,387.03
Fire Station 6 - Kitchen Remodel	PS0041	95,440.47	0.00	95,440.47
Fire Station 6 - Add'l Improv	PS0042	156,219.99	0.00	156,219.99
Fire Station 7	PS0050	71,583.68	0.00	71,583.68
Fire Station 9	PS0060	1,581,118.66	0.00	1,581,118.66
	Projects Subtotal	67,622,550.38	34,214.03	67,656,764.41
Total Expenditures		\$85,851,411.03	\$7,776,922.44	\$93,628,333.47

**CITY OF EL CAJON
MID-YEAR REVENUE COMPARISON REPORT**

FUND	CURRENT YEAR / FY2014-15				PRIOR YEAR / FY2013-14			
	BUDGET	REVENUE	BALANCE	%	BUDGET	REVENUE	BALANCE	%
101 GENERAL FUND								
103000 COMMUNITY SVCS & E	77,500.00	16,024.00	61,476.00	20.68	57,500.00	-	57,500.00	-
104000 CONTINGENCY	-	8,702.19	(8,702.19)	-	-	-	-	-
106000 CITY ATTORNEY	-	25.00	(25.00)	-	-	12.40	(12.40)	-
107000 CITY CLERK AND ELE	5,800.00	3,320.00	2,480.00	57.24	-	676.00	(676.00)	-
110000 CITY MANAGER	80,000.00	26,922.38	53,077.62	33.65	50,000.00	62,501.38	(12,501.38)	125.00
114000 FINANCE	56,669,223.00	23,111,786.59	33,557,436.41	40.78	55,075,855.00	19,477,698.74	35,598,156.26	35.37
118000 HUMAN RESOURCES	-	-	-	-	-	6.45	(6.45)	-
121000 INFORMATION TECHNO	-	2.99	(2.99)	-	-	-	-	-
123000 FACILITIES MAINTEN	38,376.00	31,377.09	6,998.91	81.76	38,376.00	19,671.70	18,704.30	51.26
130110 POLICE ADMINISTRAT	1,427,507.00	645,137.48	782,369.52	45.19	1,526,282.00	464,717.67	1,061,564.33	30.45
130230 AUXILIARY	650.00	937.50	(287.50)	144.23	650.00	800.00	(150.00)	123.08
135000 ANIMAL CONTROL	178,000.00	108,415.00	69,585.00	60.91	203,000.00	97,768.00	105,232.00	48.16
140000 FIRE ADMINISTRATIO	10,300.00	88,145.11	(77,845.11)	855.78	87,000.00	53,931.98	33,068.02	61.99
150000 PW ADMINISTRATION	-	-	-	-	-	84.80	(84.80)	-
151330 ENG - PRIVATE DEVE	200,000.00	155,115.52	44,884.48	77.56	200,000.00	181,037.90	18,962.10	90.52
151900 ENG - CIP PROJECTS	925,000.00	318,037.21	606,962.79	34.38	875,000.00	514,351.71	360,648.29	58.78
152310 TRAFFIC ENGINEERIN	22,000.00	9,991.00	12,009.00	45.41	28,000.00	11,552.25	16,447.75	41.26
160000 PARKS	56,500.00	14,890.60	41,609.40	26.36	5,300.00	23,494.25	(18,194.25)	443.29
165000 RECREATION	148,525.00	79,566.90	68,958.10	53.57	160,125.00	80,001.61	80,123.39	49.96
170110 HOUSING & SA ADMIN	348,925.00	146,969.78	201,955.22	42.12	343,238.00	218,396.69	124,841.31	63.63
170510 PLANNING DIVISION	199,500.00	182,116.78	17,383.22	91.29	246,100.00	119,161.51	126,938.49	48.42
171000 BUILDING AND FIRE	672,000.00	531,434.16	140,565.84	79.08	686,000.00	459,148.05	226,851.95	66.93
190000 OTHER FINANCING US	-	-	-	-	20,000.00	-	20,000.00	-
TOTAL GENERAL FUND	61,059,806.00	25,478,917.28	35,580,888.72	41.73	59,602,426.00	21,785,013.09	37,817,412.91	36.55
209 CA BEVERAGE GRANT	26,113.00	26,685.77	(572.77)	102.19	26,442.00	27,477.44	(1,035.44)	103.92
211 GAS TAX	2,930,000.00	1,549,315.98	1,380,684.02	52.88	2,926,795.00	1,287,637.13	1,639,157.87	43.99
213 TRANSIT	198,000.00	-	198,000.00	-	1,267,094.00	1,576.38	1,265,517.62	0.12
215 STATE COPS GRANT-B	100,000.00	74,708.03	25,291.97	74.71	161,895.00	68,431.52	93,463.48	42.27
221 ST HOMELAND SEC GR	68,630.00	-	68,630.00	-	61,737.00	-	61,737.00	-
222 ASSET FORFEITURE	21,200.00	46,630.80	(25,430.80)	219.96	42,200.00	17,931.78	24,268.22	42.49
223 STATE ASSET FORFEI	-	4.50	(4.50)	-	-	5,264.22	(5,264.22)	-
224 LOCAL PUB SAFETY P	365,000.00	201,355.89	163,644.11	55.17	341,700.00	192,841.90	148,858.10	56.44
225 POLICE MISC GRANTS	224,966.00	253,586.35	(28,620.35)	112.72	361,267.00	76,646.35	284,620.65	21.22
240 RECREATION PROGRAM	552,277.00	328,966.50	223,310.50	59.57	551,950.00	333,615.29	218,334.71	60.44
250 EMERGENCY MEDICAL	4,822,000.00	2,575,739.78	2,246,260.22	53.42	4,643,000.00	2,311,216.72	2,331,783.28	49.78
253 UASI GRANTS	-	5,181.96	(5,181.96)	-	148,526.00	-	148,526.00	-
254 INDIAN GAMING GRAN	224,121.00	460.13	223,660.87	0.21	60,978.00	61,048.91	(70.91)	100.12
270 CDBG	2,167,885.00	188,661.73	1,979,223.27	8.70	919,889.00	230,062.41	689,826.59	25.01
275 HOME	1,805,546.00	839,023.54	966,522.46	46.47	350,196.00	40,058.95	310,137.05	11.44
298 LOW/MOD HOUSING AS	4,254,181.00	745,614.17	3,508,566.83	17.53	1,413,076.00	204,822.68	1,208,253.32	14.49
299 HOUSING IN LIEU FE	-	327.12	(327.12)	-	800.00	697.03	102.97	87.13
311 ANIMAL SHELTER DON	-	260.00	(260.00)	-	-	592.00	(592.00)	-
322 ANMAL SHLTR BLDG D	-	2,012.67	(2,012.67)	-	-	1,035.00	(1,035.00)	-
331 URBAN FOREST DONAT	-	190.00	(190.00)	-	-	233.79	(233.79)	-
402 PSF TAX REVENUE BO	7,904,700.00	7,735,848.76	168,851.24	97.86	7,922,600.00	7,908,081.66	14,518.34	99.82
501 CITY CAPITAL IMPRO	4,746,000.00	2,062,142.30	2,683,857.70	43.45	3,041,753.00	2,527,439.78	514,313.22	83.09
502 PUBLIC SFTY FACILI	8,725,000.00	4,438,365.83	4,286,634.17	50.87	8,600,000.00	4,404,064.64	4,195,935.36	51.21
503 TRANSNET	4,153,402.00	49.08	4,153,352.92	-	3,870,025.00	1,080,496.55	2,789,528.45	27.92
504 SPECIFIC ST OBLIGA	-	-	-	-	697,797.00	334.80	697,462.20	0.05
505 PARKS & REC IMPROV	3,991,000.00	9,549.10	3,981,450.90	0.24	482,963.00	9,857.22	473,105.78	2.04
513 PARKS & REC PROP 4	-	-	-	-	-	4,713.00	(4,713.00)	-
515 PARKS IMPACT FEES	15,000.00	955.51	14,044.49	6.37	16,000.00	3,506.87	12,493.13	21.92
550 PW TRANSPORTATION	9,929,773.00	873,004.03	9,056,768.97	8.79	10,361,171.00	2,151,173.71	8,209,997.29	20.76
552 TRANSPORTATION GRA	2,789,416.00	259,825.38	2,529,590.62	9.31	2,008,976.00	218,509.93	1,790,466.07	10.88
553 REG TRANS CONGSTIO	153,272.00	11,480.72	141,791.28	7.49	55,500.00	338.00	55,162.00	0.61
601 VEHICLE/EQUIP MAIN	2,500,000.00	1,249,980.00	1,250,020.00	50.00	2,552,076.00	1,276,044.00	1,276,032.00	50.00
605 VEHICLE/EQUIP REPL	1,110,207.00	548,184.00	562,023.00	49.38	882,867.00	846,296.00	36,571.00	95.86
610 SELF-INSURANCE	817,000.00	435,281.93	381,718.07	53.28	818,242.00	382,192.71	436,049.29	46.71
615 IT REPLACEMENT FUN	1,031,000.00	216,000.00	815,000.00	20.95	716,000.00	500,000.00	216,000.00	69.83
620 OTHER POST-EMP BEN	1,100,000.00	560,354.63	539,645.37	50.94	1,100,000.00	559,923.15	540,076.85	50.90
650 WASTEWATER	28,312,500.00	9,777,636.76	18,534,863.24	34.53	15,372,000.00	6,272,255.83	9,099,744.17	40.80
700 DEPOSIT TRUST FUND	-	9,998.56	(9,998.56)	-	-	10,000.00	(10,000.00)	-



The Valley of Opportunity

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CITY OF EL CAJON FIVE-YEAR BUSINESS PLAN FISCAL YEAR 2015-16 UPDATE

The Five-Year Business Plan is used to evaluate and update revenue and expenditure assumptions for the General Fund and other interdependent funds based on current economic conditions. Long-range forecasting horizons can also 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 improve during 2014, and growth is expected to continue at a steady pace.

University of San Diego Professor Alan Gin publishes a highly respected monthly index that measures and reflects on the direction of the San Diego economy. The most recent report was issued on January 29, 2015. In this report, he states:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose a strong 1.3 percent in November and followed it with a solid 0.8 percent gain in December. Both months featured big positive moves in initial claims for unemployment insurance and help wanted advertising and gains in all the other components except for building permits. November benefited from a sharp increase in local stocks prices and a smaller drop in building permits.

With the gains in November and December, the USD Index has increased for seven consecutive months, and November's gain was the largest monthly gain since February 2011. San Diego's economy did well in 2014, with jobs increasing by about 34,000 (before revisions). With the strong uptrend in the indicators and with most of them positive, the forecast is for continued growth in the local economy at least through the end of 2015. The forecast for the year ahead is for job growth in the 35,000 to 40,000 range, which will drive the seasonally adjusted unemployment rate below 5 percent. Sectors expected to do well are professional, scientific, and technical services, health care, and leisure and hospitality.

The UCLA Anderson Forecast, in a December 10, 2014 press release, spoke to the national economy in the following terms.

The UCLA Anderson Forecast is predicting that the weak growth rates of 2009-14 that hovered around 2 percent are in the past, as the economy ramps up to a sustained period of 3 percent growth in real GDP. "Specifically, we are forecasting 2.8 percent growth in the current quarter and anticipate growth to average 3.1 percent in both 2015 and 2016," says Senior Economist David Shulman, the author of the national forecast. He adds that this growth will bring "a sense of economic progress on Main Street," a feeling not necessarily brought on by the tripling of stock prices since the lows of March 2009.

Shulman reports that the economy will generate 200,000-260,000 jobs monthly, reducing the unemployment rate to 5 percent by the end of 2016.

In that same press release, the UCLA Anderson Forecast addressed California's economy with the following comments.

"Our estimate for the 2014 total employment growth is 1.8 percent, and for 2015 and 2016 the forecast is for 2.1 percent and 2.2 percent," [Senior Economist Jerry] Nickelsburg writes....the unemployment rate will hover around 7.1 percent through the balance of 2014. Unemployment will fall through 2015 and will average approximately 6.6 percent, a slight decrease from the previous forecast. In 2016 the unemployment rate is predicted to be approximately 5.6 percent, a half percent higher than the U.S. forecast.

A January 28, 2015 press release from the Federal Reserve echoed many of these comments with the following statement.

Information received since the Federal Open Market Committee met in December suggests that economic activity has been expanding at a solid pace. Labor market conditions have improved further, with strong job gains and a lower unemployment rate. On balance, a range of labor market indicators suggests that underutilization of labor resources continues to diminish. Household spending is rising moderately; recent declines in energy prices have boosted household purchasing power. Business fixed investment is advancing, while the recovery in the housing sector remains slow. Inflation has declined further below the Committee's longer-run objective, largely reflecting declines in energy prices. Market-based measures of inflation compensation have declined substantially in recent months; survey-based measures of longer-term inflation expectations have remained stable.

Other Sources of economic information, such as the Bureau of Labor Statistics and the Bureau of Economic Analysis, support a consensus view that the economy continues to improve and strengthen. Some estimates suggest an increasing rate of expansion. Overall this supports a positive outlook, with the impact on sales tax revenue from lower gas prices being the only real economic concern for the near-term.

Legislative Outlook

California state legislators and the Governor continue to discuss issues related to economic development and the dissolution of redevelopment agencies. There continues to be support for a development funding mechanism driven by tax increment. Rather than open ended options, like the former redevelopment agencies, most comments seem to favor defined, specific needs based approaches. Additionally, much discussion has taken place about streamlining the Recognized Obligation Payments Schedule (ROPS) process for those agencies that have largely wound-down their redevelopment agencies.

Another significant issue impacting California municipalities is the subject of falling Highway Use Tax revenues. These revenues are expected to continue to shrink as the amount of gasoline used in the state declines. However, street and highway maintenance and construction needs are increasing. A solution is sought in developing a new funding mechanism, rather than continued reliance on the amount of gasoline consumed, such as a tax on mileage driven.

New accounting guidance related to how pension obligations are reported in governmental financial statements is expected to spark attention nation-wide. While not changing pension obligations themselves, how they are calculated and reported will change. For those agencies most impacted, it will be difficult to remind readers that a change in reality has not occurred, but simply the accounting treatment of their obligation.

Other Considerations

CalPERS employer contribution rates, and the City's unfunded pension liability, still represent one of the biggest challenges for many years to come. As of the most recent actuarial assumption, projected employer contribution rates are expected to increase as illustrated in the table below.

Plan	New Rate	Projected Future Employer Contribution Rates				
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Safety	47.459%	51.2%	53.9%	56.6%	59.2%	59.2%
Miscellaneous	33.761%	36.3%	38.2%	40.0%	41.9%	42.1%

Fiscal Year 2015-16 will be the first year of new labor agreements with the City's labor unions. The negotiations related to these agreements have not taken place at this time. Therefore, for the purpose of this plan, no salary, benefit, or staffing level changes are assumed, but will be included in future planning once negotiated.

Assumptions Utilized in the Five-Year Business Plan

The Five-Year Business Plan is based on a number of inherently conservative assumptions regarding the future. These assumptions are detailed below.

General Fund Revenue Assumptions

1. Revenue projections are based on the anticipated Fiscal Year 2014-15 revenues as determined in the mid-year analysis, the most recent data available.
2. Sales tax revenue projections are the most conservative estimates as provided by the City's sales tax consultant/analyst. These estimates were updated based on information from the 3rd quarter sales tax information. While this is the most current information available, it may not fully represent the impact of falling gasoline prices.
3. Property tax revenues are projected to grow by 2.0% annually.
4. Franchise fees from SDG&E, Waste Management, Cox Communication, and AT&T are projected to increase 0.5% annually.
5. Ongoing residual revenue distribution resulting from the dissolution of the redevelopment agency, net of expenses, is conservatively projected with no growth.
6. Assumes most other revenues to grow 2.0% annually.
7. Anticipates no further revenue reductions to aid in balancing the State's budget.

General Fund Expenditure Assumptions

1. Salary and wages are projected at current rates. Existing labor agreements extend through June 30, 2015; and negotiations for new labor agreements have not taken place. Rather than speculate on potential terms, these projections are based on current rates.
2. Overtime expenditures are projected without increase.
3. Pension related costs are projected based on rates provided by CalPERS as part of the actuarial valuations.
3. Assumes Workers Compensation Insurance rates increase slightly higher than the inflation assumptions.
4. Continues the General Fund subsidy for the EMS operational costs not supported by the EMS benefit fee and user fee revenues.
5. Contributions to the Vehicle/Equipment Replacement Fund, IT Replacement Fund, and Capital Improvement Project Fund projected at recommended annual contribution levels.
6. Maintains the Council contingency at \$100,000 per year.
7. Utilities are projected to increase at 5.50% annually.
8. Materials and Supplies expenditure growth is projected at 2.75% 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.

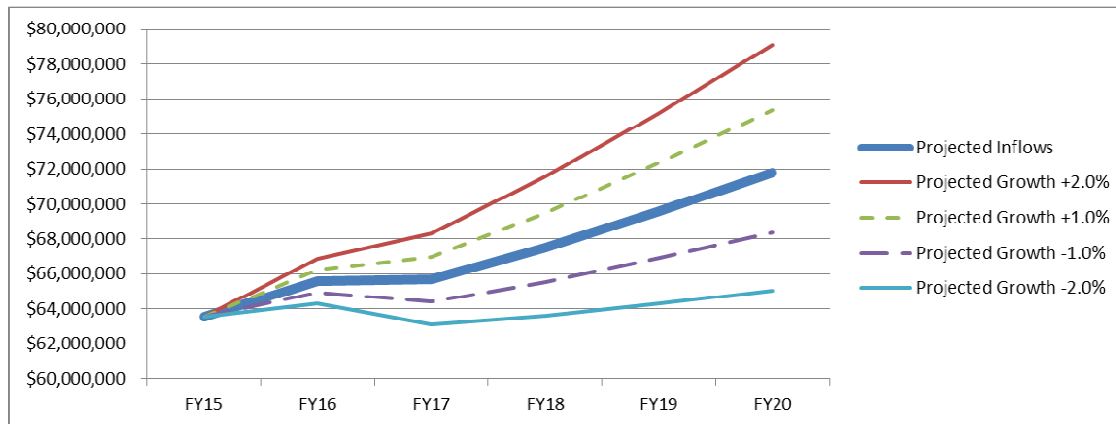
General Fund Projection Results

Once these assumptions are taken in account, and weighed alongside objective information, a picture of anticipated results emerges. The overall conclusion is that revenue growth is likely to be slow and steady over the next five years, and largely offset by expenditure growth at similar rates. While some years may indicate a net decrease in fund balance, it is important to recognize that the average change in fund balance over this period is less than 1.0% of revenues in any given year. Likewise, the impact of unforeseen events may have much bigger impacts that what is anticipated here. The information presented below indicates a remarkably balanced foundation on which adjustments can be made during the annual budget process to ensure balanced budgets going forward.

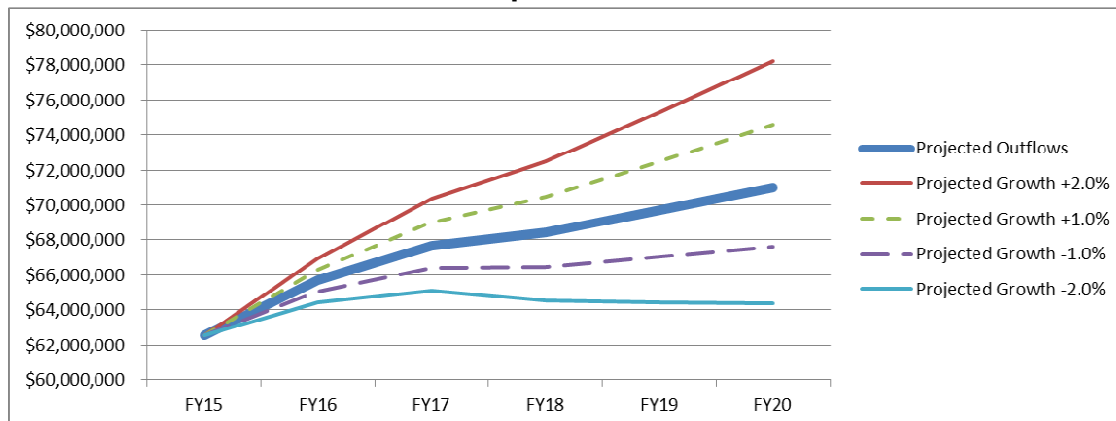
Summary of Projected General Fund Activity

Fiscal Year	Projected Inflows	Projected Outflows	Change in Fund Balance
FY15	\$63,543,909	\$62,551,862	\$ 992,047
FY16	65,100,229	65,680,399	(580,170)
FY17	65,197,389	67,693,558	(2,496,169)
FY18	66,993,640	68,443,292	(1,449,652)
FY19	69,089,851	69,711,093	(621,242)
FY20	71,264,577	71,008,971	255,606

General Fund Total Revenues and Sources of Funds



General Fund Total Expenditures and Uses of Funds



Fund Balance

City Council Policy B-12, Fund Balance, establishes a policy that will ensure 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 in Fiscal Year 2010-11 in order to begin tackling 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 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, the table below summarizes the impact on fund balance of anticipated activity over the next five years.

GENERAL FUND	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20
Projected Ending Fund Balance	\$27,696,381	\$25,200,212	\$23,750,560	\$23,129,318	\$23,384,924

Guidelines for Fiscal Year 2015-16 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 inflation/cost increases only.

Opportunities to prefund liabilities should be maximized.

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