CITY OF CHULA VISTA

General Fund Long-Term Financial Plan Fiscal Years 2027-2036



CITY OF CHULA VISTA • CALIFORNIA

EXECUTIVE SUMMARY

The City of Chula Vista Fiscal Years 2027 – 2036 General Fund Long-Term Financial Plan (LTFP) serves as a long-range fiscal planning tool to identify financial trends, project budgetary surpluses or shortfalls, and encourage discussion to proactively address the City's long-range needs. The LTFP will also serve as a guideline for the development of the Fiscal Year ("FY") 2027 General Fund budget.

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

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

The LTFP only addresses the City's General Fund. The General Fund serves as the principal source of revenues and expenditures that supports the City's core, day-to-day operating expenses. Information related to the City's non-General Fund funds can be found on the City's website within the FY 2026 Adopted Budget: chulavistaca.gov/budget.

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

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

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

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[1] See the Strategic Plan on the City's Budget webpage: chulavistaca.gov/budget. The City's new Strategic Plan is expected to be completed in Fiscal Year 2026.

REPORT OUTLINE

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

GENERAL FINANCIAL POLICY

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

Budget Development

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

Revenue Management

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

Financial Constraints and Expenditure Management

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

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SUMMARY OF FINANCIAL PROJECTIONS

The LTFP forecasts General Fund revenues and expenditures based on current and known conditions, historical performance, economic data, and consultation from subject matter experts. The LTFP basis is the baseline operating revenues and expenditures in the City's General Fund and includes adjustments to forecasts for revenues and expenditures based on maintaining the City's service levels; anticipated new revenue streams and new projected costs (e.g., new facilities or financing tools); and other planned commitments. Based on projections within the LTFP, overall General Fund revenues and expenditures are anticipated to increase throughout the ten-year LTFP period. In some fiscal years, revenues are expected to exceed expenditures, resulting in an operating surplus; in others, expenditures are expected to exceed revenues, resulting in an operating deficit.

While service levels are maintained in the LTFP model, growth in expenditures is anticipated to outpace the growth in revenues from Fiscal Year 2027 to Fiscal Year 2031, particularly due to personnel and insurance costs, as discussed in the Major Revenues and Expenditures and Capital Expenditures sections of this report. As shown on the summary table below, a General Fund shortfall is projected beginning in FY 2027 at approximately $5.3 million and ending in FY 2031 at approximately $2.2 million. A General Fund surplus is projected beginning in Fiscal Year 2032 at approximately $0.02 million and continuing through FY 2036 at $6.5 million.

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

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The following table presents the summary financial forecast for the General Fund for FY 2027 through FY 2036. A detailed table is provided in the Ten-Year Projections section of this document.

General Fund Long-Term Financial Plan
FY 2027 – FY 2036 (in millions)

	Adopted	Forecast									
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Revenues											
Major Revenues	244.7	250.5	261.3	272.5	283.0	294.0	304.6	314.4	326.0	337.9	349.7
Other Revenues	60.9	66.2	67.6	68.1	70.2	71.0	72.9	74.7	76.6	78.6	80.7
Total General Fund Revenues	**$305.6**	**$316.7**	**$328.9**	**$340.6**	**$353.2**	**$365.0**	**$377.5**	**$389.1**	**$402.6**	**$416.5**	**$430.4**
Year-Over-Year Change	**-**	**3.6%**	**3.8%**	**3.5%**	**3.7%**	**3.3%**	**3.4%**	**3.1%**	**3.4%**	**3.5%**	**3.3%**
Expenditures											
Personnel Expenditures	161.8	171.7	177.8	183.2	187.6	191.9	197.0	202.2	207.5	213.0	218.7
Non-Personnel Expenditures	143.8	150.3	157.6	161.7	169.4	175.3	180.5	185.7	193.1	200.0	205.2
Total General Fund Expenditures	**$305.6**	**$322.0**	**$335.4**	**$345.0**	**$357.0**	**$367.2**	**$377.5**	**$387.9**	**$400.6**	**$413.0**	**$423.8**
Year-Over-Year Change	**-**	**5.4%**	**4.2%**	**2.8%**	**3.5%**	**2.9%**	**2.8%**	**2.8%**	**3.3%**	**3.1%**	**2.6%**
General Fund Surplus/ (Deficit)	**$ 0.0**	**$(5.3)**	**$(6.5)**	**$(4.4)**	**$(3.8)**	**$(2.2)**	**$0.0**	**$1.3**	**$1.9**	**$3.5**	**$6.5**
Surplus/(Deficit) as a % of Budget	**-**	**(1.6)%**	**(1.9)%**	**(1.3)%**	**(1.1)%**	**(0.6)%**	**0.0%**	**0.3%**	**0.5%**	**0.9%**	**1.5%**

Footnotes

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

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

(3) **Personnel Expenditures** reflect the total of the following expenditure categories: Personnel Services, Health Insurance, Retirement (PERS).

(4) **Non-Personnel Expenditures** reflect the total of the following expenditure categories: Supplies and Services, Other Expenses, Transfers Out, Internal Services, Utilities and Other Expenditures Category (Other Capital, Non-Cip Projects Expenditures and CIP Project Expenditures).

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ECONOMIC OVERVIEW

City staff reviewed information from federal data (U.S. Bureaus of Economic Analysis, Labor Statistics; Federal Reserve; U.S. Treasury), the quarterly UCLA Anderson Economic Outlooks, HdL (City sales tax consultant), the San Diego Tourism Authority, and other sources to develop the economic assumptions and growth rates included in the LTFP model and report.

Highlights – National

The UCLA Anderson Forecast for Fall 2025 reports persistent weakness in the U.S. economy in the near-term based on declines in employment, increases in inflation, and slowing GDP growth.[2] The unprecedented uncertainty surrounding trade policies, new technology investments, and political pressures pose significant risks to their Forecast and its conclusion for a gradual economic recovery starting in mid-2026.[2]

Unemployment

While the labor market remains strong with a relatively low national unemployment rate of 4.3%, signs of weakness are becoming more apparent in the decline in labor supply affected by restrictive immigration policies and more baby boomers reaching retirement age.[3] Additionally, jobs gains in recent months have slowed and concentrated to just a few sectors.[3] The Forecast expects the labor market to mildly weaken through 2025 through mid-year 2026, recovering through the end of 2026 and in 2027 as tariff effects are normalized and stimulus actions are enacted.[2]

Inflation

Despite periods of trending downward in 2025, inflation began rising since May and continues to be elevated.[4] The seasonally adjusted annual rate of Consumer Price Index was 3.0% in September, the highest since January.[5] The Forecast predicts inflation will continue to rise through 2025 as tariff impacts further hit durable goods and services, peak at 3.6% in early 2026, and then begin to moderate.[2]

Interest Rates

The Federal Open Market Committee (FOMC), part of the Federal Reserve, is committed to Congress's mandate to promote maximum employment, stable prices (i.e., limited inflation), and moderate long-term interest rates. Reporting that job gains have slowed this year and unemployment remaining low but rising, in its latest meeting in October 2025, the Federal Reserve lowered the federal funds target range by one-quarter (1/4) of a percentage point to 3-3/4 to 4 percent.[6] This change in the rate is aimed to shift stimulate the economy by reducing unemployment

[2] UCLA Anderson School of Management. Weakness Persists in U.S. and California Economies, with Recovery Not Expected Until 2026. 1 Oct. 2025. www.anderson.ucla.edu/news-and-events/weakness-persists-us-and-california-economies-recovery-not-expected-until-2026.
[3] U.S. Bureau of Labor Statistics. Economic News Release: Employment Situation Summary. Aug. 2025. www.bls.gov/news.release/empsit.nr0.htm.
[4] U.S. Bureau of Labor Statistics. 12-month percentage change, Consumer Price Index, selected categories. www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category-line-chart.htm.
[5] U.S. Bureau of Labor Statistics. Consumer Price Index – September 2025. 24 Oct. 2025. www.bls.gov/news.release/pdf/cpi.pdf.
[6] Federal Open Market Committee. Press Release: Federal Reserve issues FMOC statement. 29 Oct. 2025. www.federalreserve.gov/newsevents/pressreleases/monetary20251029a.htm.

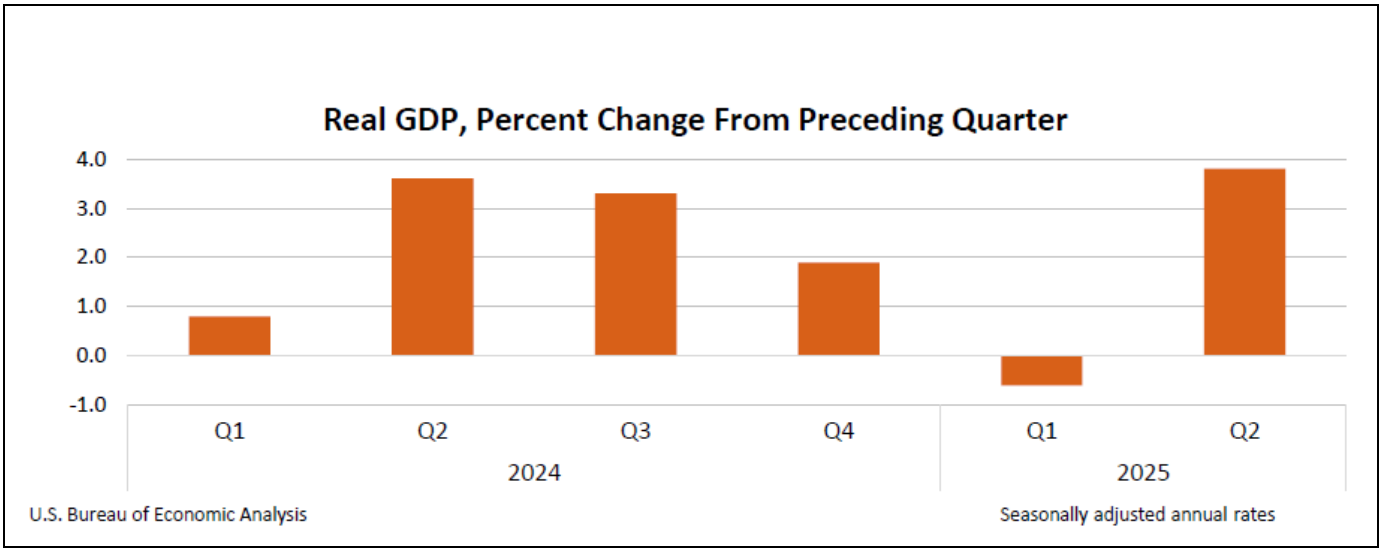
levels by lowering the cost of borrowing for consumers and businesses.

The "federal funds rate" established by the FOMC sets the interest rate at which banks lend money to other banks to maintain overnight reserves of funds. When the federal funds rate increases, the cost to banks for lending increases and passed on to businesses and consumers on other borrowing, such as for business investments, credit cards, cars, mortgages and other bank loans. Interest rate fluctuations impact the City's finances by affecting: borrowing costs for capital projects and long-term investments; private investments growth; and investment returns on its cash balances.

Real Gross Domestic Product (GDP)

The chart below from the U.S. Bureau of Economic Analysis displays recent quarterly results of real GDP, a measure of the value of all goods and services produced in a country over a period of time (adjusted for inflation), which is an economic indicator of growth. In the second quarter (Q2) of 2025, real GDP grew at an annualized rate of 3.8%, rebounding from a 0.6% decline in the first quarter (Q1).[7] Continued positive growth each quarter generally allays economists' concerns that a recession is forthcoming. The Q2 results reflect strong business investment and consumer spending despite persistent inflationary pressures and labor market softness.[8] The Federal Reserve will be closely monitoring this relatively positive economic growth in its policy decisions to reduce inflation.

GDP: Percent Change from Preceding Quarter[7]



The UCLA Anderson Fall 2025 Forecast predicts GDP growth to slow in 2025 to below 1% by the end of 2025 because of the impacts from tariffs, immigration policy and economic uncertainty, followed by a recovery to 2% by the end of 2026 as the fiscal and monetary stimulus kick in.[9]

[7] U.S. Bureau of Economic Analysis. Gross Domestic Product, 2nd Quarter 2025 (Third Estimate), GDP by Industry, Corporate Profits (Revised), and Annual Update. www.bea.gov/data/gdp/gross-domestic-product.
[8] Reuters. US economy notches fastest growth pace in nearly two years in second quarter. 25 Sept. 2025. www.reuters.com/business/us-second-quarter-gdp-growth-revised-sharply-higher-2025-09-25/.
[9] UCLA Anderson. A Summer of Inflection Points: Fall 2025 U.S. Economic Outlook. [Webinar]. 1 Oct. 2025. www.youtube.com/watch?v=f4cceQDtkck.

Highlights – California

The UCLA Anderson Fall 2025 Forecast for California highlighted the economic implications of state bills, including: redistricting, emissions cap and trade bills, CEQA streamlining development, and film and TV tax credits all affecting business decisions in hiring and investments.[9] However, the California spending reductions outlined by the Legislative Analyst Office indicate future budget problems will offset some of the expansionary effects of these bills.[10]

The latest state employment reports, showing a 5.5% unemployment rate demonstrate a shrinking of the labor force and contraction in the California economy, particularly in the once-strong technology sector, durable goods manufacturing, entertainment and logistics sectors.[11] Some factors impacting California labor include changes in H-1B visas and artificial intelligence (AI) development in the technology sector and a general decline in manufacturing. National immigration policies also exhibiting impacts on the non-durable goods (food) and agriculture sectors.

Overall, California's economic growth is projected to remain slower than that of the United States as a whole through 2025 and 2026, with potential improvement beginning in 2027 as conditions in the technology sector strengthen. The outlook for the state's economy remains subject to several uncertainties, including federal immigration policies and associated deportations, the scope and impact of tariffs and related trade responses and the pace and practical application of artificial intelligence technologies.[9]

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[10] California Legislative Analyst's Office. The 2025-26 Multiyear Budget Outlook. 24 May 2025. lao.ca.gov/Publications/Report/5052.

[11] California Employment Development Department. Unemployment Rate Remains Steady at 5.5 Percent. 19 Sept. 2025. edd.ca.gov/en/about_edd/news_releases_and_announcements/unemployment-august-2025/.

KEY ASSUMPTIONS

The LTFP prepares revenue and expenditure forecasts based on:

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

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

Baseline Revenues and Expenditure

- The LTFP utilizes the FY 2026 Adopted Budget, expenditure and revenue projections, and current labor agreements as the basis for future year forecasted revenues and expenditure growth.
- Future year forecasted figures are adjusted with anticipated growth rates and other inputs based on the FY 2026 Adopted Budgets, expenditure and revenue projections, economic conditions, local development activity, one-time revenues and expenditures, and other factors.

Staffing

- The LTFP maintains current staffing and service levels throughout the term of the LTFP. The 10-year plan anticipates an additional position in the City Clerk Department starting in FY 2027 to comply with Assembly Bill 707 which expands and modernizes open meeting and teleconferencing requirements under the Brown Act.

Healthcare Costs

- The City participates in ongoing discussions with the City's labor groups to manage affordability, while maximizing options for City employees. Healthcare costs are assumed to grow at a rate of approximately 3.7% annually based on market conditions and historical costs.

Debt Issuances for Capital Projects

- The LTFP does not include any future debt issuances for capital projects.

Retirement

- Projected normal costs for the California Public Employees' Retirement System (CalPERS), representing the annual cost of pension benefits earned by active employees during the fiscal year, are included in Retirement expenditures. The LTFP also includes the projected Unfunded Accrued Liability (UAL) expense for the period of the LTFP based on the most recent CalPERS actuarial valuation report. As discussed later in the report, the Section 115 Trust Fund (Pension Reserve Fund)—a qualified trust fund that allows government entities to set aside tax-exempt funds for post-employee benefits—is available to pay current and future UAL costs that may arise in subsequent fiscal years.

Pension Obligation Bonds & Pension/Debt and OPEB Reserve Fund

- Debt service for the 2021 Pension Obligations Bonds (POBs) during the LTFP period is included in the Transfers/Debt Service expenditure category.
- In accordance with the Citywide Reserve Policy – Fiscal Health Plan (220-03) the net savings generated from the issuance of the POBs through FY2031 are first applied to the City's UAL payment to CalPERS, the administrator of the City's pension plans (Miscellaneous and Safety). This policy helps minimize the fiscal impact of the annual increase in pension costs. Any remaining savings are used to maintain the minimum level of the pension reserves. Each year, the City also evaluates the use of the POB net savings to make Additional Discretionary Payments (ADPs) to CalPERS to further reduce the balance of the UAL. After these allocations, any remaining POB net savings are directed to the Bond Call Fund and Other Post-Employment Benefit (OPEB) Reserve Fund.

NEW DEVELOPMENTS

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

Chula Vista Bayfront

The Port of San Diego and the City of Chula Vista are partnering to redevelop the Chula Vista Bayfront as a world-class destination in the South Bay, with residential, business, and recreational opportunities. Efforts have been under way to establish infrastructure for new public park space and recreational activities, housing, and improvements to the natural habitat. The catalyst development, the Gaylord Pacific Resort and Convention Center opened in May 2025. Residents and visitors will see the vision for the Bayfront come to life over the coming decade, with potential to expand City General Fund revenues and City services. At this time, no new development-related revenues related to the Bayfront are included in the LTFP at this time other than property tax, sales tax, and Transient Occupancy Tax generated within the Bayfront area that are contractually required to be transferred from the General Fund to a separate fund based on the project financing agreements which facilitated the Gaylord Pacific Resort and Convention Center development.

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Millenia Library Building: In September 2023, the City of Chula Vista broke ground on a 168,000 square foot Class "A" office building, which will house a 60,000 square foot Library as well as spaces for San Diego State University, Sweetwater Union High School District, and the Chula Vista Entertainment Complex. This is the City's first new library built since 1995. The library will be located in east Chula Vista, which has experienced significant population growth in recent years, and aims to meet resident, industry, and academic needs. Project plans include expanded library space, office space for leasing, a passport office, and space for community gatherings. The construction of the facility is partially funded by a $30 million grant from the California State Library Targeted State Grant Program. During FY 2024 and FY 2025, significant progress was made in construction of the Millenia Library, and Library operations are projected to begin in July 2026. The LTFP currently includes an estimate for operating costs for the Millenia Library in east Chula Vista starting in FY 2027. Fiscal impacts related to new private partnerships will be factored in future LTFP as terms are finalized.



Millenia Library rendering

FACTORS NOT INCLUDED IN THE LTFP

Development Impacts

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

Economic Downturn(s)

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

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MAJOR REVENUES AND EXPENDITURES

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

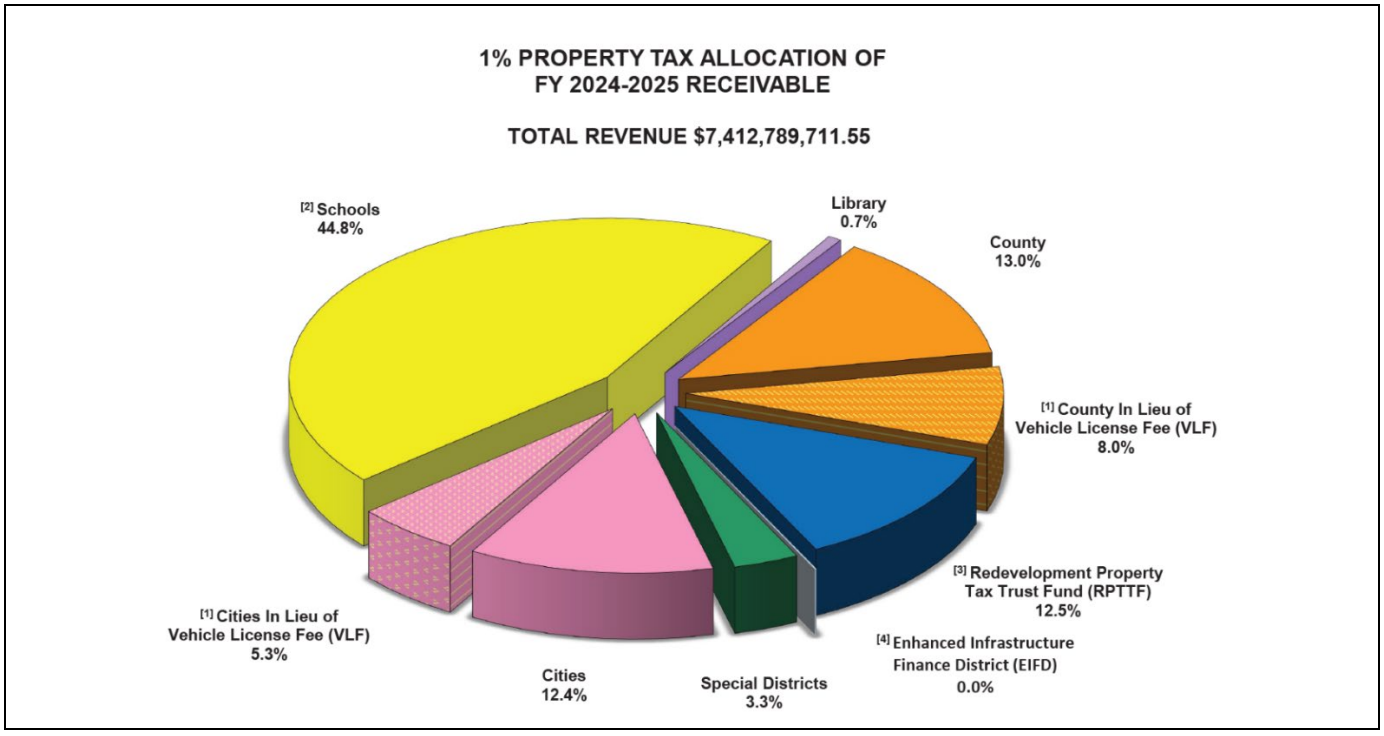
REVENUES

The City's major revenue sources include **Property Tax, Sales Tax, Measure P Sales Tax, Measure A Sales Tax, Property Tax in lieu of VLF, Franchise Fees, Transient Occupancy Tax (TOT), and Utility Users' Tax (UUT)**. The listed revenues account for approximately $244.7 million, or 80.1%, of the City's General Fund FY 2026 Adopted Budget revenues. These revenues are categorized as "**major revenues**," broadly defined as revenues that are generated not by any given government activity, but by general or specific taxing authority, such as a local sales tax measure (Measure A and Measure P) or state law (Property Tax). General Fund revenues are generally not restricted as to use, and fund the majority of the City's core, day-to-day and long-term operating expenses. The following are brief descriptions of the major General Fund revenue sources.

Property Tax

Property tax revenue is generated from a 1% ad valorem tax on "real property" (land, buildings, and other permanent structures/improvements), based upon the assessed value of the property within the City, as certified by the County of San Diego Assessor. Property tax revenue is the City's most stable revenue source and is generated from both residential and commercial property. The chart below shows the allocation of property tax revenues by the County amongst various jurisdictions in FY 2024-2025.

County of San Diego 1% Property Tax Revenues Allocation (FY 2024-2025)



Source: County of San Diego Auditor and Controller

Economic Analysis and Forecast

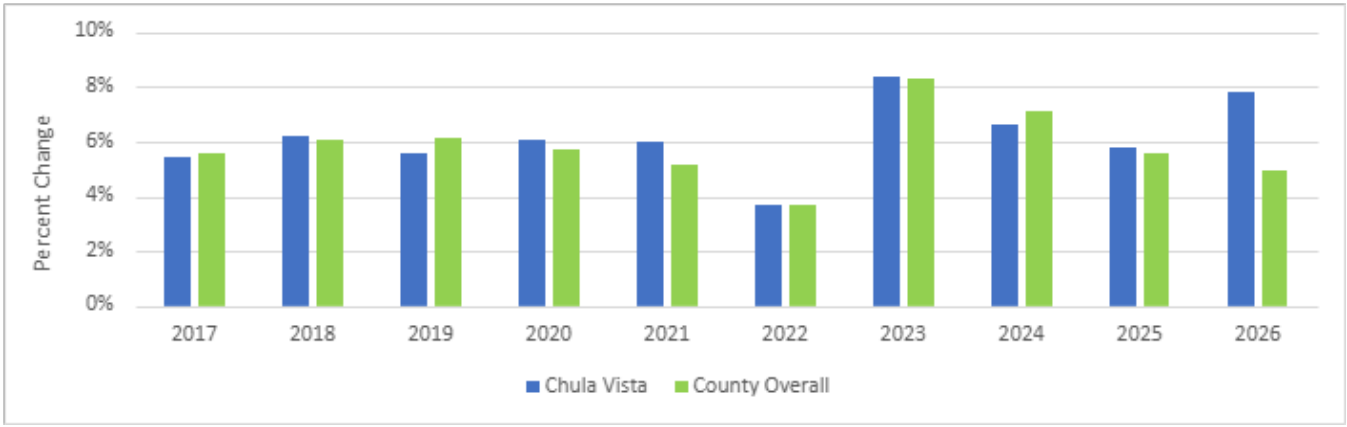
Property tax revenue is driven by home sales (rate of turnover or new inventory) and home prices (the value at which tax is assessed) and limited by the California Consumer Price Index (CCPI) and Proposition 13, which restricts assessed valuation (AV) growth to the lesser of CCPI or 2.0 percent. Home prices increased significantly during the COVID-19 pandemic and prices remain elevated. Recent declines in property sales are generally associated with broader economic conditions and higher interest rates, which have affected overall housing affordability in the region.

Chula Vista's median home price for single family homes rose to $875,384 in September 2025 based on the Zillow Home Value Index – September 2025, a 2% year-over-year decline.[12] A cooling trend in the housing market is apparent, with declines in sales across the San Diego region. Buyer enthusiasm has waned due to affordability constraints and mortgage rates remaining high despite recent Federal Reserve interest cuts, as mentioned in the Economic Overview section. A slowdown in home sales will have some degree of impact the growth of property taxes in the City as homes are typically reassessed at higher values upon turnover (sale). This can be offset with new inventory an due to rising home prices and major construction or improvements.

As shown in the chart below, the City's assessed value has increased steadily since FY 2017, and this positive trend is anticipated to continue into FY 2027. The latest assessment for Chula Vista showed AV rising 7.81% for FY 2026.

Historical Change in Assessed Value

City of Chula Vista and Countywide Comparison



Property tax is projected to be $60.5 million in FY 2027, a $2.1 million or 3.6% increase compared to the FY 2026 Adopted Budget. The LTFP projects a growth rate of 6.4% in FY 2028 and FY 2029. In FY 2029 through the term of the LTFP, the rate is projected to gradually decline to 5.4% to a low of 3.9% by FY 2036. In addition to the increase in property tax base from property sales, the City is continuing to see new residential and commercial development resulting in additional property tax. The gradual decline in the rate of property tax growth in the LTFP is based on an anticipated slowing of new development in the City as properties available for new development are expected to diminish over time.

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

Property Tax Ten-Year Forecast ($ In Millions)											
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	3.6%	6.4%	6.4%	5.4%	5.4%	5.4%	4.4%	4.4%	4.4%	3.9%
Projection	58.4	60.5	64.4	68.5	72.2	76.2	80.3	83.8	87.5	91.4	95.0

Property Tax in lieu of Vehicle License Fee (VLF)

VLF revenues are generated from vehicle license fees paid with vehicle registrations to the State of California Department of Motor Vehicles; fees are then allocated back to cities and counties. VLF revenues fluctuate with changes in assessed property values within the City. As such, this revenue category reflects $36.2 million Property Tax in lieu of Vehicle License Fee revenues for FY 2027, a $2.4 million or 7.1% increase in comparison to the FY 2026 Adopted Budget. A growth rate is applied, largely in alignment with Property Tax revenues, of 6.5% in FY 2028 and gradually declining to 4.2% by FY 2036.

Property Tax in lieu of Motor Vehicle License Fees (MVLF) Ten-Year Forecast ($ In Millions)											
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	7.1%	6.5%	6.5%	5.6%	5.6%	5.6%	4.6%	4.7%	4.7%	4.2%
Projection	33.8	36.2	38.6	41.1	43.4	45.9	48.4	50.7	53.0	55.5	57.9

Sales and Use Tax (Sales Tax)

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

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

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

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

Economic Analysis and Forecast

Consumer confidence, unemployment rates and the Consumer Price Index (CPI) largely drive the spending and resulting sales tax receipts that make up the City's second largest revenue stream. The San Diego region unemployment rate remained elevated at 5.0% in September 2025, which is up slightly from 4.9% one year ago.[13] Increases in unemployment tend to lower consumer spending and reduce sales tax receipts. As for CPI, the latest data (July 2025) was a 4.0% increase in prices compared to one year ago.[14] Increases in prices will generally lead to higher sales tax receipts in the short-run; however, consumer spending habits will eventually lead to consumers shifting their spending, particularly as signs of weakening economy are presented and consumers reduce their spending.

Following a 17.5% increase in FY 2022 during the COVID-19 pandemic and related economic stimulus, sales tax growth in Chula Vista slowed to 3.2% in FY 2023, 3.9% in FY 2024 and 0.1% in FY 2025. Modest growth in taxable sales is expected in the near term as broader economic conditions, including a cooling labor market, slightly higher unemployment, and ongoing inflationary pressures, influence consumer spending.

Sales tax is projected to be $50.8 million in FY 2027, a $0.8 million or 1.8% increase compared to the FY 2026 Adopted Budget. The LTFP assumes between a 1.8% and 3.0% increase in sales tax revenues through the term of the LTFP. Persistent inflation may impact this revenue source further as rising prices would generate additional sales tax revenue; however, increased prices may also decrease sales of goods and services in the long-term as consumers adjust. Staff engages an outside consultant, HdL, to assist in the current year monitoring and projections for all sales tax related revenues and will monitor this revenue source for updates to the LTFP.

[13] California Employment Development Department. Labor Market Division: San Diego-Chula Vista-Carlsbad Metropolitan Statistical Area (San Diego County). labormarketinfo.edd.ca.gov/file/lfmonth/sand$pds.pdf.
[14] U.S. Bureau of Labor Statistics. Consumer Price Index, San Diego Area — July 2025 www.bls.gov/regions/west/news-release/consumerpriceindex_sandiego.htm

Sales Tax Ten-Year Forecast ($ In Millions)											
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	1.8%	2.7%	2.8%	2.8%	2.8%	2.0%	2.0%	3.0%	3.0%	3.0%
Projection	50.0	50.8	52.2	53.7	55.2	56.7	57.9	59.0	60.8	62.6	64.5

Measure P Sales Tax

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

For FY 2027, Measure P Sales Tax revenue is projected to total $31.1 million, a $0.3 million or 0.8% increase from the FY 2026 Adopted Budget. The LTFP assumes between a 0.8% and 3.0% increase in Measure P Sales Tax revenues through the term of the LTFP.

Measure P Sales Tax Ten-Year Forecast ($ In Millions)											
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	0.8%	2.7%	2.7%	2.6%	2.7%	2.0%	2.0%	3.0%	3.0%	3.0%
Projection	30.8	31.1	31.9	32.8	33.7	34.5	35.2	35.9	37.0	38.1	39.3

Measure A Sales Tax

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

For FY 2027, Measure A Sales Tax revenue is projected to total $31.1 million, a $0.3 million or 0.8%

increase from the FY 2026 Adopted Budget. The LTFP assumes between a 0.8% and 3.0% increase in Measure A Sales Tax revenues through the term of the LTFP.

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

	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	0.8%	2.7%	2.7%	2.6%	2.7%	2.0%	2.0%	3.0%	3.0%	3.0%
Projection	30.8	31.1	31.9	32.8	33.7	34.5	35.2	35.9	37.0	38.1	39.3

Franchise Fees

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

For FY 2027, total franchise fee revenue is projected to be $16.0 million, a $0.6 million or 4.0% increase from the FY 2026 Adopted Budget. The LTFP projects these revenues to grow at a rate between 2.2% and 3.2% through the term of the LTFP.

Franchise Fees Ten-Year Forecast ($ In Millions)

	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	4.0%	2.2%	2.4%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%
Projection	15.4	16.0	16.4	16.8	17.2	17.7	18.2	18.7	19.3	19.9	20.5

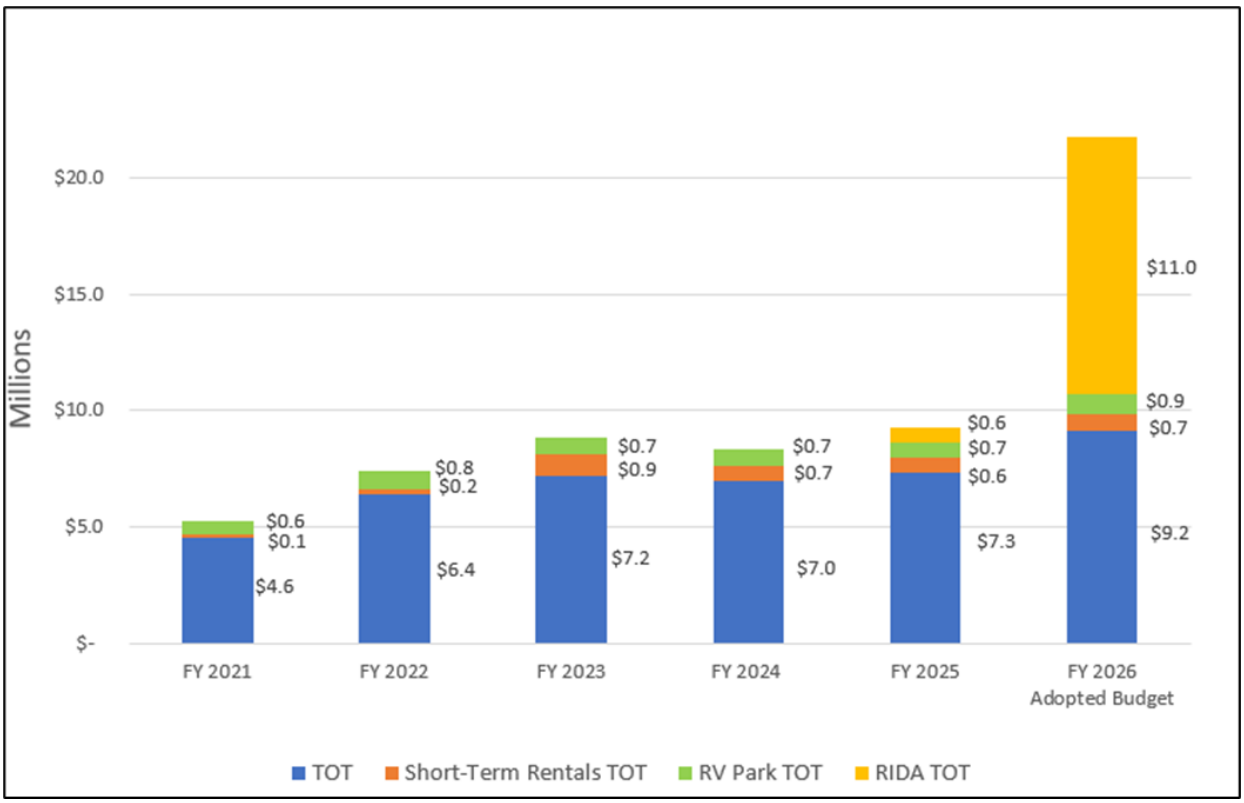
Transient Occupancy Tax (TOT)

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

During the height of the COVID-19 pandemic, TOT initially fell due to government restrictions but in FY 2021, TOT revenues rebounded to $5.3 million, increasing by 17%, and by 41% in FY 2022 at

$7.4 million. In FY 2023, TOT revenues again significantly increased, by 19% to $8.8 million. However, in FY 2024, TOT declined 5.5% to $8.35 million. With the opening of the Gaylord Pacific Resort & Convention Center in late FY 2025, TOT revenues again grew by 11.2% to $9.3 million.

Transient Occupancy Tax
Fiscal Year 2021 to Fiscal Year 2026



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Staff expects the Gaylord Pacific Resort & Convention Center project to bring renewed interest in business, recreation and other activity to the Chula Vista Bayfront and surrounding areas. As additional projects advance through the development process, staff will update the LTFP to include General Fund impacts on revenues and expenditures. Staff will monitor overall TOT revenues closely for updates to the LTFP, particularly if a recession were to occur as travel would likely be impacted by declines in consumer confidence and spending.

For FY 2027, TOT revenue is projected at $20.9 million, a $0.8 million or 3.8% decrease, from the FY 2026 Adopted Budget. This projected decrease in FY 2027 is tied to anticipated delays in new hotels coming online assumed in the FY 2026 Adopted Budget and updated projections to TOT revenue in FY 2026.

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

	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	-3.8%	5.0%	3.6%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Projection	21.7	20.9	22.0	22.7	23.5	24.2	25.0	25.8	26.7	27.5	28.4

The LTFP projects TOT revenue growth of 5.0% in FY 2028 and moderating to between 3.2% and 3.6% through the term of the LTFP based on inflation in room rates over time. Projections will be updated as hotel planning and development processes advance, and new hotels begin operations within the City.

Utility Users' Tax (UUT)

The City adopted its Utility Users' Tax (UUT) in 1970. The City of Chula Vista imposes a UUT on the use of telecommunications (cable, telephone) at the rate of 4.75% of gross receipts. The UUT on natural gas services is $0.00919 per therm and $0.00250 per kilowatt on electricity services, which equates to approximately a 1% tax. City staff recently conducted an analysis to project revenues for each utility type; technology, consumer behavior and legislative changes have positioned this revenue category as less secure over the long-term with essentially flat growth. For FY 2027, revenues are projected to total $3.8 million, a $0.1 million or 2.7% increase over the FY 2026 Adopted Budget. The LTFP assumes a 2.7% growth rate in UUT revenues throughout the term of the LTFP based on current trends.

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

	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Projection	3.7	3.8	3.9	4.0	4.1	4.3	4.4	4.5	4.6	4.7	4.9

Other Revenues

Other Revenues include the following revenue categories: **Development Revenue**, **Other Agency Revenue**, **Other Local Taxes, Other Revenues**, **Use of Money & Property**, **Licenses and Permits**, **Interfund Reimbursements**, **Other Revenues**, **Police Grants**, **Fines**, **Forfeitures & Penalties**, **Charges for Services,** and **Transfers from Other Funds**. These revenue categories reflect a range of growth assumptions, from less than 1% growth (Transfers from Other Funds) to 3.1% growth (Other Agency Revenue) annually based on the various sources and drivers of revenues.

Other Revenues Ten Year-Forecast
($ In Millions)

	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	8.7%	2.1%	0.7%	3.1%	1.1%	2.7%	2.5%	2.5%	2.6%	2.6%
Projection	60.9	66.2	67.6	68.1	70.2	71.0	72.9	74.7	76.6	78.6	80.7

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EXPENDITURES

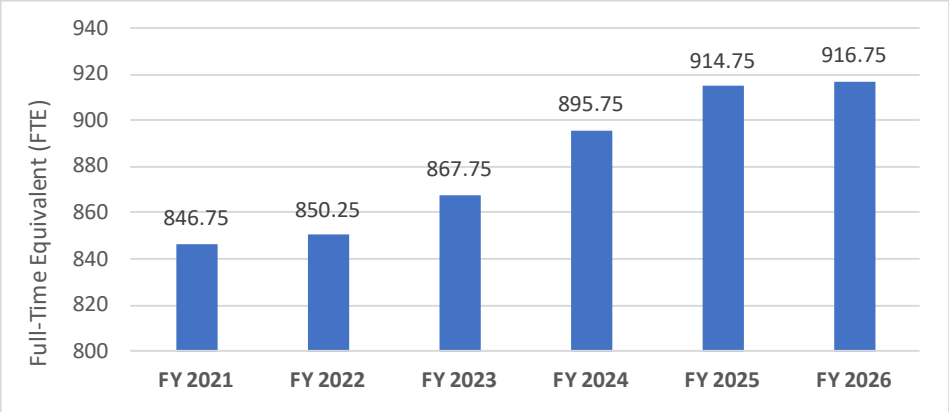
The City's **Personnel Expenditures** include the categories **Personnel Services, Health Insurance,** and **Retirement Benefits.** These expenditures categories account for approximately $161.8 million or 52.9% of the City's General Fund FY 2026 Adopted Budget. **Non-Personnel Expenditures** account for approximately $143.8 million or 47.1% of the FY 2026 Adopted Budget and include the following categories: **Supplies and Services, Other Expenses, Transfers Out, Internal Services, Utilities,** and **Other Expenditures Categor**y. The following sections are brief descriptions of the listed expenditure categories.

Personnel Services (Salaries/Wages)

Since the last economic recession, the City has focused on recovering its staffing levels to support City services. For FY 2026, the Adopted Budget General Fund includes 916.75 Full Time Equivalents (FTEs) positions, with personnel costs of 124.9 million for salaries/wages, excluding retirement and health. This staffing level is assumed to be continue through the LTFP period as the baseline for Personnel Services. The projected Personnel Services costs for FY 2027 are $132.6 million, an increase of $7.7 million or 6.2%, over the FY 2026 Adopted Budget.

Adopted Budget General Fund Staffing

Fiscal Year 2021 to Fiscal Year 2026 (in FTEs)



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

	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	6.2%	3.5%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Projection	124.9	132.6	137.2	141.1	145.0	149.1	153.3	157.6	162.0	166.6	171.3

The LTFP includes the annualized costs of negotiated salary increase approved per the current Memorandum of Understanding (MOU) with each of the City's employee groups. The MOUs vary in

negotiated salary annual increases and vary in duration until they expire. Beyond the expiration of the current MOUs (through FY 2028), the LTFP assumes wage inflation for each bargaining group of approximately 2.8% increase in accordance with CalPERS salary growth assumptions through the term of the LTFP, from FY 2029 through FY 2036.

Health Insurance

The City currently offers qualified benefitted employees four medical plan options: Aetna Sharp Accountable Care Organization (ACO), Aetna Full Network HMO, the Aetna PPO, and Kaiser Health Maintenance Organization (HMO). For FY 2027, health insurance expenses are projected to total approximately $16.1 million, an increase of $0.2 million or 1.5% from the FY 2026 Adopted Budget. The expected growth rate for health care insurance costs is 3.7% through the term of the LTFP.

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

	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	1.5%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Projection	15.9	16.1	16.7	17.3	18.0	18.7	19.3	20.1	20.8	21.6	22.4

Retirement Benefits

California Public Employees' Retirement System (CalPERS)

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

Normal Costs & Unfunded Accrued Liability

The Normal Costs and Unfunded Accrued Liability (UAL) and payment amounts are used to calculate the City's fiscal year pension contribution amounts. The City's Normal Cost to CalPERS is the required contribution for the annual cost of pension benefits earned by active employees during the fiscal year. This is the amount of funds the City will need to contribute for the current fiscal year towards pension costs. For FY 2026, the required estimated employer Normal Cost contributions for the Miscellaneous [Employees] and Public Safety [Employees] plans total $16.5 million and the projected cost for FY 2027 is $16.9 million, an increase of $0.4 million or 2.4%. For FY 2026, the UAL is $4.5 million and the projected cost for FY 2027 is $6.0 million, an increase of $1.5 million or 33.5% based on assumptions from CalPERS and current labor agreements.

Pension Obligation Bonds

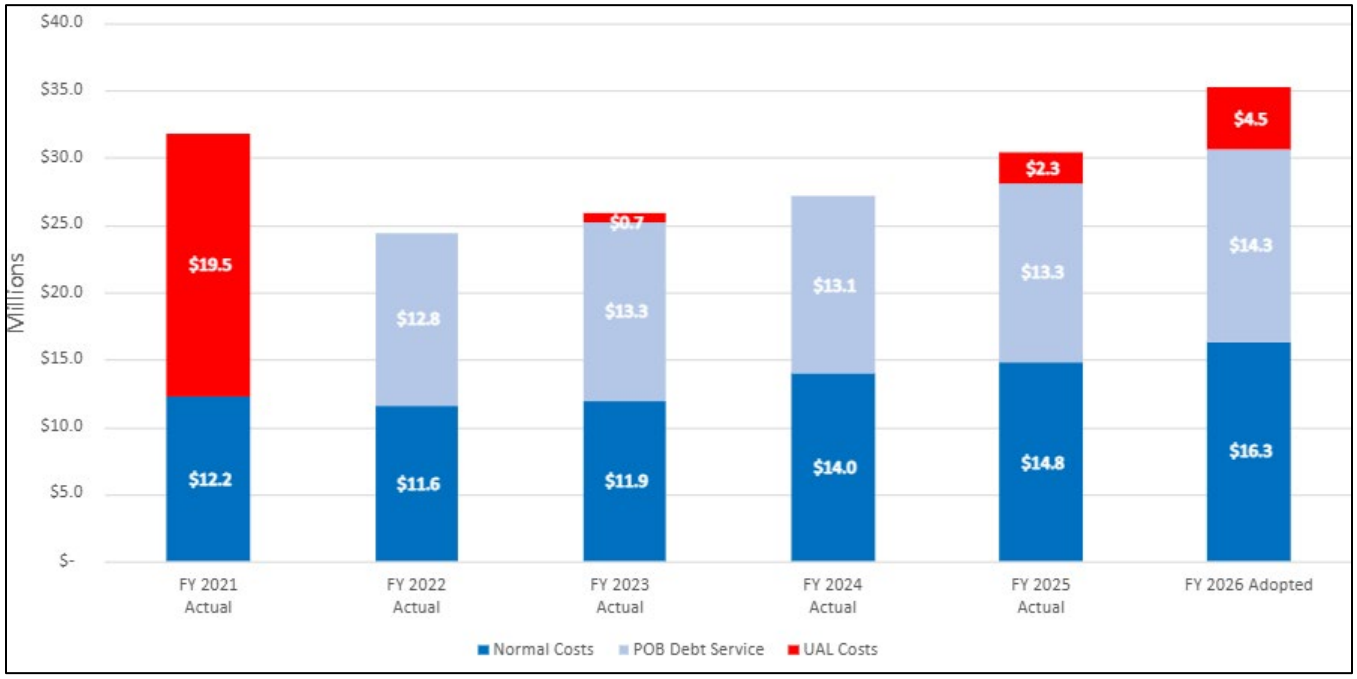
In February 2021, the City issued $350 million in pension obligation bonds (POBs) with a Standard and Poor's Global Ratings extremely strong 'AA' credit rating at historically low interest rates of 2.54% to refund the UAL based on the CalPERS Actuarial Valuation as of June 30, 2019. The issuance

of the POBs provides the City several benefits, including: (1) generating cash flow savings to the City through historically low interest rates relative to the CalPERS discount rate assumption; (2) creating a repayment shape for the City's pension liabilities that increases more gradually than currently mandated by CalPERS; (3) enhancing budget predictability and long-term fiscal sustainability by creating a smoother repayment shape at a lower level; (4) leveraging the projected savings to adequately fund various reserves; and, (5) setting aside a portion of the future savings into a Section 115 Trust a Fund (Pension Reserve Fund) established in 2021 to mitigate future pension cost increases.

The City's pension actuary consultant GovInvest prepared an analysis for the City that compares the funding status of the City's CalPERS plans before and after the issuance of the POBs. The funded status is based on the market value of assets relative to the funding target produced by the entry age actuarial cost method and actuarial assumptions adopted by the CalPERS board. For the year ended June 30, 2021, the City's plans were 109.5% funded after the issuance of the POB. Prior to the POB the estimated plan funded status would have been at 78.0%. For the year ended June 30, 2024 (latest CalPERS results), the City's Plans are funded at 93%.

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

Total General Fund Retirement Costs (Including POB)



CalPERS valuation reports also provide the City with a five-year projection of future employer contribution amounts that the City utilizes in making long-term projections. Based on the projections within the valuation reports, the City's General Fund retirement contributions toward its Normal Costs and UAL are projected to increase in FY 2027 through FY 2029, followed by modest

decreases in FY 2030 and FY 2031, followed by modest increases through the remainder of the LTFP period, as shown in the table below.

Retirement Expenditures Ten-Year Forecast ($ In Millions)

	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	9.1%	4.1%	3.9%	-1.0%	-1.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Projection	21.0	22.9	23.9	24.8	24.6	24.1	24.3	24.5	24.7	24.8	25.0

Part-Time Employees Retirement Benefits

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

Supplies and Services

The Supplies and Services category includes expenditures for contracted services, software, equipment, and other materials. For FY 2027, the projected Supplies and Services costs are $33.7 million, a 17.8% increase over the FY 2026 Adopted Budget. This significant increase in costs is largely due to the estimated increases in insurance (i.e., general liability insurance) costs for the City. Insurance costs are projected to increase 30.5% in FY 2027 compared to actual costs in FY 2026 reflecting current market conditions and vendor estimates. Additional increases of 8.6% are anticipated in FY 2028, 8.7% in both FY 2029 and FY 2030; and 3% annually from FY 2031 through FY 2036.

Supplies & Services Expenditures Ten-Year Forecast ($ In Millions)

	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	17.8%	7.4%	0.7%	6.7%	1.6%	1.5%	1.9%	3.7%	2.6%	1.1%
Projection	28.6	33.7	36.2	36.5	38.9	39.6	40.1	40.9	42.4	43.5	44.0

Other Expenses

Other Expenses include a wide variety of relatively minor costs of the General Fund, such as sales tax administration costs, small tools, credit card transaction fees and bank charges, and reimbursements to other agencies. Other Expenses are expected to grow at annual rate between 0.9% and 1.4% during the term of the LTFP.

Other Expenses Ten-Year Forecast ($ In Millions)											
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	1.0%	1.1%	1.2%	1.2%	1.2%	0.9%	0.9%	1.4%	1.4%	1.4%
Projection	2.7	2.8	2.8	2.8	2.8	2.9	2.9	2.9	3.0	3.0	3.1

Transfers Out

Transfers out from the General Fund to the other City funds are for a variety of costs related to City policy, debt service and other commitments. Examples of transfers include:

- Transfer to the Pension Reserve Fund, Bond Call, and OPEB Reserve Fund required per the Citywide Reserve Policy.
- Transfers to the Measure A and Measure P Sales Tax Funds for sales tax collected.
- Transfer for payment of General Fund debt.
- Transfers to fund required vehicle replacements and support infrastructure/deferred maintenance
- Contractual commitments
    - Property tax, sales tax (excluding Measure A and P sales tax) and transient occupancy tax revenues generated by the Gaylord Pacific Resort and Convention Center collected in the General Fund are transferred to a separate fund as part of the City's contractual commitment to the Bayfront project.
    - Various grant matches (federal, state and other grants).
- Self-insurance via the Public Liability Trust Fund for claims against the City.

Transfers Out are projected at $100.5 million in FY 2027, an increase of $0.5 million or 0.5% compared to the FY 2026 Adopted Budget. Transfers Out are scheduled through the LTFP term based on various factors, with growth rates ranging from 0.5% to 4.1% from FY 2028 through FY 2036.

Transfers Out Ten-Year Forecast ($ In Millions)											
	FY 2026 Adopted	FY2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	0.5%	4.0%	2.9%	4.1%	4.0%	3.7%	3.1%	3.9%	3.9%	2.7%
Projection	100.0	100.5	104.5	107.5	111.9	116.4	120.7	124.4	129.3	134.3	137.9

Internal Services

Internal services are fees that a particular fund or department may charge to departments/ funds to cover the costs of shared support services. Currently, the only internal services charges in the City are the Central Garage Fund's fees for utilizing City vehicles and equipment ("fleet") that are billed as vehicle maintenance charges. These charges are based on the actual vehicles that reside

within a department/fund and include costs ranging from routine (oil changes, preventive maintenance) to major (transmission repair, accident repair), as well as fuel costs. Internal Services costs are projected to be $4.6 million, a $0.1 million or 2.0% increase compared to the FY 2026 Adopted Budget. Internal Services are expected to grow at annual rate of 2.0% during the term of the LTFP.

Internal Services Ten-Year Forecast ($ In Millions)

	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Projection	4.6	4.7	4.8	4.9	5.0	5.1	5.2	5.3	5.4	5.5	5.7

Utilities

Utilities costs to the General Fund include phone service, gas and electricity, trash disposal service charges, and water and sewer charges. Each utility in the Utilities category has a different applicable growth rate assumption based upon historical data, known rate increases or estimates from respective utility agencies. These growth rates assumptions are 3% annually for phone services; 8% annually for gas and electric charges; and 5% annually for trash disposal services. Water and sewer charges are expected to growth at a rate of 6% in FY 2027, 6.5% in FY 2028 through FY 2030, and at 4% in FY 2031 through FY 2036.

Utility costs are projected to be $8.5 million in FY 2027, an increase of $0.8 million or 11% compared to the FY 2026 Adopted Budget. For FY 2028 through FY 2036, growth rates range from 6.6% to 7.3%.

Utilities Ten-Year Forecast ($ In Millions)

	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	11.0%	7.3%	7.3%	7.3%	6.4%	6.5%	6.5%	6.6%	6.6%	6.6%
Projection	7.7	8.5	9.1	9.8	10.5	11.2	11.9	12.7	13.6	14.5	15.4

Other Expenditures

The Other Expenditures category includes expenses in the Other Capital, Non-CIP Projects Expenditures and CIP Project Expenditures categories. This category is approximately $0.2 million in FY2027 and no growth, or an annual growth rate of 0.0%, is anticipated for the Other Expenditures category through the term of the LTFP.

A variety of other funding sources and expenditure categories support capital improvement projects in the City, including federal and state funding, development impacts fees, and the Measure P Sales Tax which will continue to support infrastructure and equipment needs through the term of

the LTFP. Information on the City's Capital Improvement Project can be found on the City website: https://www.chulavistaca.gov/departments/public-works/projects.

Other Expenditures Ten-Year Forecast ($ In Millions)											
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Growth Rate	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Projection	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

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CAPITAL EXPENDITURES

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

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

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

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

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

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

OUTSTANDING CITY DEBT

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

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

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

While the City has several outstanding bond issuances, the General Fund's portion of the annual debt service payments, including administration costs, is approximately $17.5 million in the FY 2026 Adopted Budget. This represents approximately 5.7% of the FY 2026 Adopted Budget General Fund revenues. Minimizing the annual General Fund debt service payments supports maintaining flexibility within the General Fund, as a low percentage of the General Fund revenue is dedicated to long-term ongoing obligations. The Bond Call Fund represents funds available for appropriation by the City Council to be used to pay any outstanding debt prior to maturity that results in net annual savings. These funds will allow the City to accumulate funds to eliminate debt early. For example, beginning in June 2031, the POBs are eligible to be called (a return of principal and accumulated interest to bond holders), saving on interest costs and reducing future POB debt service payments.

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

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

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RESERVE FUNDS

The City accumulates and maintains adequate reserves to help ensure both financial stability and the ability to provide core services during difficult times. Sufficient reserves create financial stability resulting in increased credit quality and allow the City to better weather downturn in the economy and the impacts of negative events, both major and minor. The establishment of prudent financial reserves is important to ensure long-term fiscal health of the City. The City's Citywide Reserve Policy – Fiscal Health Plan (Policy No. 220-03) establishes reserves, reserve levels, and the use of reserves in the General Fund and other funds. The City's reserves include three General Fund Reserves (Operating Reserve, Economic Contingency Reserve, and Catastrophic Event Reserve), as well as three reserves established with the issuance of the 2021 POBs, the Pension Reserve Fund, Bond Call Fund, and OPEB Reserve Fund.

General Fund Reserves

General Fund Reserves are comprised of following three distinct reserves: General Fund Operating Reserve (minimum 15%), Economic Contingency Reserve (minimum 5%), and Catastrophic Event Reserve (minimum 3%) for a total recommended minimum reserve level for the three reserves of 23% of the prior year's Adopted General Fund budgeted operating expenditures. These reserves are maintained through surplus funds available after the annual closing of the General Fund.

General Fund Operating Reserve

The General Fund Operating Reserves represent resources available for appropriation by the City Council to address extraordinary needs of an emergency nature, such as a major storm drain repair, litigation, settlement costs or an unexpected liability created by Federal and State legislative action.

Economic Contingency Reserve

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

Catastrophic Event Reserve

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

Pension Reserve Fund, Bond Call Fund, and OPEB Reserve Funds

Pension Reserve Fund, Bond Call Fund, and OPEB Reserve Funds ensure the City has adequate reserves to fund future pension, debt, and OPEB liabilities. These reserves are funded by annual, net savings related to the City's 2021 POBs and remaining General Fund surplus funds after meeting the minimum targets of the General Fund Reserves.

Pension Reserve Fund

The Pension Reserve Fund is a reserve in the form of an irrevocable Section 115 Trust (Trust). Pension Reserve Fund contributions are deposited in a Trust for the following purposes: (1) City's annual UAL payment to CalPERS, (2) City's annual normal cost payment to CalPERS, (3) reimbursement to the City for prior-year and current- year payments to CalPERS, and (4) Additional Discretionary Payments to CalPERS.

This reserve has a minimum level of no less than 15% of the prior year's Adopted General Fund budgeted operating expenditures.

Bond Call Fund and Other Post-Employment Benefits (OPEB) Reserve Fund
As discussed earlier, the Bond Call Fund reserve are funds available to be used to pay any outstanding debt prior to maturity that results in net annual savings. These funds will allow the City to accumulate funds to eliminate debt early.

OPEB Reserve Fund are funds available to provide funding for the City's outstanding OPEB liability. OPEB Reserves will be funded up to 75% of the outstanding OPEB liability in the most recent annual actuarial valuation, to ensure there are adequate reserves to fund this liability in future years.

These reserves do not have a minimum level and use of reserves will be recommended to the City Council during the budget process to fund and reduce future pension, debt, and OPEB liabilities throughout the LTFP.

STRATEGIES TO ADDRESS INFRASTRUCTURE FUNDING NEEDS

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

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

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

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CONCLUSION

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

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

The following table projects revenue and expenditure categories for the City's General Fund for Fiscal Years 2027 – 2036.

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General Fund Long-Term Financial Plan

FY 2027 – FY 2036 (in millions)

	Adopted	Forecast									
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Revenues											
Major Revenues											
Property Taxes	$ 58.4	$ 60.5	$ 64.4	$ 68.5	$ 72.2	$ 76.2	$ 80.3	$ 83.8	$ 87.5	$ 91.4	$ 95.0
Property Tax in lieu of VLF	33.8	36.2	38.6	41.1	43.4	45.9	48.4	50.7	53.0	55.5	57.9
Sales Tax	50.0	50.8	52.2	53.7	55.2	56.7	57.9	59.0	60.8	62.6	64.5
Measure P Sales Tax	30.8	31.1	31.9	32.8	33.7	34.5	35.2	35.9	37.0	38.1	39.3
Measure A Sales Tax	30.8	31.1	31.9	32.8	33.7	34.5	35.2	35.9	37.0	38.1	39.3
Franchise Fees	15.4	16.0	16.4	16.8	17.2	17.7	18.2	18.7	19.3	19.9	20.5
Transient Occupancy Taxes	21.7	20.9	22.0	22.7	23.5	24.2	25.0	25.8	26.7	27.5	28.4
Utility User Taxes	3.7	3.8	3.9	4.0	4.1	4.3	4.4	4.5	4.6	4.7	4.9
Total Major Revenues	**244.7**	**250.5**	**261.3**	**272.5**	**283.0**	**294.0**	**304.6**	**314.4**	**326.0**	**337.9**	**349.7**
Other Revenues	**60.9**	**66.2**	**67.6**	**68.1**	**70.2**	**71.0**	**72.9**	**74.7**	**76.6**	**78.6**	**80.7**
Total General Fund Revenues	**$305.6**	**$316.7**	**$328.9**	**$340.6**	**$353.2**	**$365.0**	**$377.5**	**$389.1**	**$402.6**	**$416.5**	**$430.4**
Year-Over-Year Change	**-**	**3.6%**	**3.8%**	**3.5%**	**3.7%**	**3.3%**	**3.4%**	**3.1%**	**3.4%**	**3.5%**	**3.3%**
Expenditures											
Personnel Expenditures											
Personnel Services	$124.9	$132.6	$137.2	$141.1	$145.0	$149.1	$153.3	$157.6	$162.0	$166.6	$171.3
Health Insurance	15.9	16.1	16.7	17.3	18.0	18.7	19.3	20.1	20.8	21.6	22.4
Retirement (PERS)	21.0	22.9	23.9	24.8	24.6	24.1	24.3	24.5	24.7	24.8	25.0
Total Personnel Expenditures	**161.8**	**171.7**	**177.8**	**183.2**	**187.6**	**191.9**	**197.0**	**202.2**	**207.5**	**213.0**	**218.7**
Non-Personnel Expenditures											
Supplies and Services	$ 28.6	$ 33.7	$ 36.2	$ 36.5	$ 38.9	$ 39.6	$ 40.1	$ 40.9	$ 42.4	$ 43.5	$ 44.0
Other Expenses	2.7	2.8	2.8	2.8	2.8	2.9	2.9	2.9	3.0	3.0	3.1
Transfers Out	100.0	100.5	104.5	107.5	111.9	116.4	120.1	123.7	128.6	133.3	136.9
Internal Services	4.6	4.7	4.8	4.9	5.0	5.1	5.2	5.3	5.4	5.5	5.7
Utilities	7.7	8.5	9.1	9.8	10.5	11.2	11.9	12.7	13.6	14.5	15.4
Other Expenditures	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Non-Personnel Expenditures	**143.8**	**150.3**	**157.6**	**161.7**	**169.4**	**175.3**	**180.5**	**185.7**	**193.1**	**200.0**	**205.2**
Total General Fund Expenditures	**$305.6**	**$322.0**	**$335.4**	**$345.0**	**$357.0**	**$367.2**	**$377.5**	**$387.9**	**$400.6**	**$413.0**	**$423.8**
Year-Over-Year Change	**-**	**5.4%**	**4.2%**	**2.8%**	**3.5%**	**2.9%**	**2.8%**	**2.8%**	**3.3%**	**3.1%**	**2.6%**
General Fund Surplus/(Deficit)	**$ 0.0**	**$ (5.3)**	**$ (6.5)**	**$ (4.4)**	**$ (3.8)**	**$(2.2)**	**$ 0.0**	**$1.3**	**$1.9**	**$3.5**	**$6.5**
Surplus/(Deficit) as a % of Budget	**0.0%**	**(1.6)%**	**(1.9)%**	**(1.3)%**	**(1.1)%**	**(0.6)%**	**0.0%**	**0.3%**	**0.5%**	**0.9%**	**1.5%**

Footnotes

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

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

(3) **Personnel Expenditures** reflect the total of the following expenditure categories: Personnel Services, Health Insurance, Retirement (PERS).

(4) **Non-Personnel Expenditures** reflect the total of the following expenditure categories: Supplies and Services, Other Expenses, Transfers Out, Internal Services, Utilities and Other Expenditures Category (Other Capital, Non-Cip Projects Expenditures and CIP Project Expenditures).