

CITY COUNCIL STAFF REPORT

CITY OF CHULA VISTA

June 2, 2026

ITEM TITLE

Accept Financial Report and Appropriations: Quarterly Financial Report and Budget Appropriations for the Quarter Ending March 31, 2026 (Third Quarter Report)

Report Number: 26-0189

Location: No specific geographic location

Department: Finance

G.C. § 84308 Regulations Apply: No

Environmental Notice: The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines. Therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

Recommended Action

Accept the quarterly financial report for the quarter ended March 31, 2026 and adopt resolutions: A) making various amendments to the fiscal year 2025-26 budget and the fiscal year 2025-26 Capital Improvement Program budget to adjust for variances and appropriating funds for that purpose (**4/5 Vote Required**); and B) accepting donations in the amount of $31,600 from Tree San Diego in support of Public Works Department operations.

SUMMARY

The Finance Department, in collaboration with other City of Chula Vista ("City") departments, prepares quarterly financial reports for the General Fund that reflect budget to actual comparisons, projected revenues and expenditures, and highlights major variances that may require additional action or budgetary changes to the Amended Budget. This Third Quarter Report is as of March 31, 2026, and is submitted in accordance with Section 505(F) of the City Charter, which requires that quarterly financial reports be filed by the Director of Finance through the City Manager.

In preparing the Third Quarter Report, staff identified various budgetary changes that are needed to accurately reflect actual revenues and expenditures or address changes in budgetary needs. For government entities, a budget creates a legal framework for spending during the fiscal year. After the budget is approved by the City Council, there are circumstances which arise that could require adjustments to the approved

budget. Council Policy 220-02 "Financial Reporting and Transfer Authority" was established in January of 1996 and amended October of 2023 and allows for budget transfers across budget categories and other adjustments to be completed. Budget transfers and adjustments processed pursuant to this authority are provided as Attachments 2 and 3 to this report. This Third Quarter Report identifies recommended budget adjustments in the General Fund and other funds to address identified fiscal needs.

ENVIRONMENTAL REVIEW

The proposed activity has been reviewed for compliance with the California Environmental Quality Act ("CEQA"), and it has been determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines, because the proposed activity consists of a governmental fiscal/administrative activity which does not result in a physical change in the environment. Therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

The Finance Department, in collaboration with other City departments, prepares quarterly financial reports for the General Fund that reflect budget to actual comparisons, projected revenues and expenditures, and highlight major variances that may require additional action or changes to the Amended Budget. The Third Quarter Financial Report is in compliance with Section 505(F) of the City Charter, which requires that quarterly financial reports be filed by the Director of Finance through the City Manager.

The Third Quarter Report is developed using nine months of actual financial activity for fiscal year 2025-26 as of March 31, 2026. The data in this report represents the most current data available; staff will monitor the City's actual revenues and expenditures and will provide year-end actuals in the next quarterly financial report. The Third Quarter Financial Report provides summary information for the following areas:

- Current economic environment
- Overview of the General Fund
- Details of General Fund revenues and expenditures
- Discussion on significant General Fund revenue and expenditure variances
- Overview of Non-General Operating Funds
- Recommended budget adjustments to General Fund, Other Funds and Capital Improvement Project expenditures budgets

The following information provides an overview of the General Fund and recommended budget adjustments included in the attached Third Quarter Report

General Fund Overview

General Fund revenues and expenditures are both projected to be lower than the Amended Budget by approximately $2.4 million each. Staff anticipate major revenues to come in lower than budget by $3.7 million and other revenues to exceed the Amended Budget by $1.3 million, as detailed in the General Fund Revenues

section. The Third Quarter Report (Attachment 1) provides a comprehensive financial overview for the quarter.

Fiscal Year 2025-26 General Fund Overview
Table 1 *in millions*

	Adopted Budget	Amended Budget	Year-end Projection	Variance[1]
Revenue Source				
Major Discretionary Revenues				
Property Tax	$ 58.4	$ 58.4	$ 55.3	$ (3.2)
Property Tax in lieu of VLF	33.8	33.8	34.0	0.2
Sales Tax	51.2	51.2	51.1	(0.1)
Measure P Sales Tax	30.8	30.8	30.9	0.1
Measure A Sales Tax	30.8	30.8	30.9	0.1
Franchise Fees	15.4	15.4	16.0	0.6
Transient Occupancy Tax	21.7	21.7	20.4	(1.3)
Utility Users Tax	3.7	3.7	3.7	-
Major Discretionary Revenues Subtotal	246.0	246.0	242.3	(3.7)
Other General Fund Revenues				
Other Revenues	59.6	62.8	64.1	1.3
Other General Fund Revenues Subtotal	59.6	62.8	64.1	1.3
Total Revenues/Sources	**$ 305.6**	**$ 308.8**	**$ 306.4**	**$ (2.4)**
Expenditures				
Personnel Services	$ 161.8	$ 163.0	$ 161.7	$ 1.2
Non-Personnel				
Supplies and Services	28.6	33.8	32.7	1.1
Other Expenses	2.7	3.6	4.1	(0.6)
Transfers Out	100.0	103.0	101.7	1.3
Internal Services	4.6	4.6	4.6	-
Utilities	7.7	8.0	8.6	(0.6)
Other Expenditures Category[2]	0.2	0.5	0.5	-
Total Non-Personnel	143.8	153.5	152.3	1.2
Total Expenditures	**$ 305.6**	**$ 316.5**	**$ 314.1**	**$ 2.4**
Use of Prior Year Fund Balance	**$ -**	**$ (7.7)**	**$ (7.7)**	**$ -**
Total General Fund Surplus/(Deficit)	**$ -**	**$ -**	**$ -**	**$ -**

[1] Variance compares the Amended Budget and the Year-End Projection.
[2] Other Expenditures Category includes: Other Capital, Non-CIP Projects Expenditures and CIP Project Expenditures.
*Tables may not tie due to rounding

General Fund Revenues

The City's General Fund revenues are projected to be approximately $2.2 million lower than the Amended Budget. This variance is primarily driven by lower-than-anticipated Property Tax, Transient Occupancy Tax

("TOT") and Sales Tax revenues. Property Tax revenues are projected to be $3.2 million below the Adopted Budget, which was developed based on the assessed valuation report provided by the County. While we continue to see growth in property tax over the prior fiscal year's actuals of 6.6%, this growth is lower than anticipated in the budget. TOT revenues are projected to be $1.3 million below budget, reflecting the delayed opening of two new hotels and revised revenue assumptions informed by actual receipts in the current fiscal year. Sales Tax revenues are projected to be $0.1 million below budget, attributable to an increase in Bayfront revenues that are reverted into the project. Franchise Fees, Property Tax in Lieu of VLF, Measure A Sales Tax and Measure P Sales Tax are projected to exceed the Amended Budget by approximately $1.0 million combined. Other Revenues are projected to also exceed the Amended Budget by $1.3 million primarily from a transfer from the Other Post Employment Benefit ("OPEB") Reserve Fund of $0.8 million for eligible OPEB expenditures in the General Fund and an increase of anticipated investment earnings.

General Fund Expenditures

The City's General Fund expenditures are projected to be lower than the Amended Budget by $2.4 million. The projected overage in Other Expenses and Utilities totaling $1.2 million combined are expected to be offset with a decrease in Personnel Services, Supplies and Services and Transfers Out of $2.4 million combined, resulting in a positive fiscal impact. The reduction in Personnel Services and Supplies and Services is primarily attributable to savings from vacant positions citywide and lower than anticipated operational expenses in various departments. The reduction in Transfers Out is largely attributable to a decrease of $0.5 million for debt service obligations and $0.6 million to the Pension/Debt Reserve Fund.

Fiscal Year 2025-26 Budget Adjustments

Staff are recommending various budget adjustments, appropriations, and transfers to City Departmental and Fund budgets that require City Council authorization. Amendments with a net financial impact of $75,000 or greater are detailed in this report. For a comprehensive list of all other amendments, please refer to the Third Quarter Report (Attachment 1).

General Fund Adjustments

In the General Fund, there are no budget adjustments.

Other Fund Adjustments

The recommended adjustments in Table 2 below are for funds other than the General Fund that result in a fiscal impact at the revenue and expenditure level. Additional details by budget category can be found in Exhibit 1 to the Resolution.

The recommended adjustments are offset by additional current year revenues or the available fund balance of the respective funds.

Other Fund Budget Adjustments Summary *Table 2*					
Other Funds	**Personnel Services**	**Non-Personnel Expenditures**	**Total Expenditures**	**Total Revenue**	**Net Impact**
Pension/Debt Reserve	$ -	$ 4,685,854	$ 4,685,854	$ -	$ 4,685,854
Trunk Sewer Capital Reserve	-	3,335,000	3,335,000	(340,000)	2,995,000
State Grants	-	465,000	465,000	(70,000)	395,000
Parking Meter	-	350,000	350,000	-	350,000
Public Facilities DIF	-	340,000	340,000	-	340,000
Other Grants	-	57,500	57,500	(52,500)	5,000
Capital Improvement Projects	-	351,368	351,368	(351,368)	-
Equipment Vehicle Replacement	-	100,000	100,000	(100,000)	-
Donations	-	32,632	32,632	(32,632)	-
Total Other Funds	**$ -**	**$ 9,717,354**	**$ 9,717,354**	**$ (946,500)**	**$ 8,770,854**

Below are additional details of recommended expenditure budget adjustments exceeding $75,000:

Pension/Debt Reserve Fund: Increase to Non-Personnel Expenditures from available fund balance of $4,685,854 for OPEB expenditures and for debt service payments from the Bond Call Reserve Fund.

Trunk Sewer Capital Reserve: Increase to Non-Personnel Expenditures for CIP Project # SWR0321 (RIDA Bayfront Sewer Improvements) partially offset by estimated revenues of $340,000 from interfund loan interest payment.

State Grants: Increase to Non-Personnel Expenditures of $465,000 partially offset from available fund balance of $395,000 and estimated revenues of $70,000 for grants in the Economic Development and Police Departments.

Parking Meter: Increase to Non-Personnel Expenditures from fund balance for CIP Project # GGV0280 (Third Ave Parking Elevator Mod).

Public Facilities DIF: Increase to Non-Personnel Expenditures by $340,000 in the Other Expenses category from available fund balance for interfund loan interest expense.

Capital Improvement Projects: Increase to Non-Personnel Expenditures of $351,368 for CIP Project # GGV0279 (Norman Park Senior Ctr Elevator Mod) and CTY0246 (Water Damage at Fire Station #12) fully offset by an increase to estimated revenues.

Equipment Vehicle Replacement: Increase to Non-Personnel Expenditures of $100,000 fully offset by estimated revenues for vehicle replacement purchases.

Capital Improvement Project Budget Amendments:

Staff are recommending several adjustments to the Capital Improvement Project Budget, which include transfer of expenditures and increases to various projects. Details of these amendments are provided in Table 3 below.

Capital Improvement Project Fund Budget Adjustments *Table 3*			
Fund	**Project**	**CIP Project Expenditures**	**Total Expenditures**
Capital Improvement Projects	GGV0279 – Norman Park Sr. Ctr Elevator Mod	$ 300,000	$ 300,000
Capital Improvement Projects	STM0408 – Pavement Rehabilitation Prog FY22	(300,000)	(300,000)
Capital Improvement Projects	STL0464 – F Street Promenade Phase 1	200,000	200,000
Capital Improvement Projects	DRN0214 – Install Full Capture Trash BMPs	100,000	100,000
Capital Improvement Projects	CTY0246 – Water Damage at Fire Station #2	51,368	51,368
Parking Meter	GGV0280 – Third Ave Parking Elevator Mod	350,000	350,000
Transportation Sales Tax	CTY0202 – CIP Advanced Planning	75,000	75,000
Transportation Sales Tax	CTY0242 – Water Damage at CC Library	(75,000)	(75,000)
Trunk Sewer Capital Reserve	SWR0321 - RIDA Bayfront Sewer Improvements	3,335,000	3,335,000
Total Amendments		**$ 4,036,368**	**$ 4,036,368**

Donations Acceptance

In accordance with Donations Policy 270-01, the Public Works Department is requesting City Council approval for the acceptance of various trees, supplies, and planting services with an estimated value of $31,600. These donations will provide trees in City Open Space and parks for long-term ecosystem services and environmental benefits.

Preparation of the Annual Comprehensive Financial Report

Staff recommend that the City Council authorize the City Manager to amend the fiscal year 2025-26 budget and approve appropriations and transfers in the General Fund and various other funds in order to ensure audited actuals resulting from final year-end closing entries do not exceed budget.

Staff recommend that the Director of Finance report any amendments to the fiscal year 2025-26 budget and appropriations and transfers to the General Fund and various other funds approved by the City Manager in the next quarterly financial report.

DECISION-MAKER CONFLICT

Staff have reviewed the decision contemplated by this action and have determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff are not independently aware and have not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

The Third Quarter Report presents projected revenue and expenditure amounts as of March 31, 2026, and reflects the most current information available. Approval of the resolution amending the fiscal year 2025-26 budget and the fiscal year 2025-26 Capital Improvement Program budget will result in the following fiscal impacts:

General Fund – The proposed amendment results in no net fiscal impact to the fiscal year 2025-26 budget.

Other Funds – The proposed adjustments result in a negative net impact to the fiscal year 2025-26 budgets of the Other (non-General Fund) Funds of $8,770,854. This includes an increase in appropriations of approximately $9,717,354 and an increase in estimated revenues of $946,500.

ONGOING FISCAL IMPACT

Staff will review the impacted budgets to identify potential ongoing fiscal impacts and will incorporate as required during the fiscal year 2026-27 quarterly monitoring process.

ATTACHMENTS

1. Fiscal Year 2025-26 Third Quarter Report
2. General Fund Budget Transfers
3. General Fund Budget Amendments

Staff Contact: *Ed Prendell, Budget and Analysis Manager*
Maritza Vargas, Fiscal and Management Analyst
Adrian Del Rio, Director of Finance/Treasurer

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA MAKING VARIOUS AMENDMENTS TO THE FISCAL YEAR 2025-26 BUDGET TO ADJUST FOR VARIANCES AND APPROPRIATING FUNDS THEREFOR

WHEREAS, the Charter of the City of Chula Vista states that at any meeting after the adoption of the budget, the City Council may amend or supplement the budget by a motion adopted by the affirmative votes of at least four members; and

WHEREAS, staff have completed the budget review for the quarter ending March 31, 2026 and recommend a number of budget amendments in the General Fund and various other funds to align the budget with anticipated year-end actuals where the actuals are expected to exceed the budget; and

WHEREAS, the Pension/Debt Reserve Fund, Trunk Sewer Capital Reserve Fund, State Grants Fund, Parking Meter Fund, Public Facilities DIF Fund, and Other Grants Fund will be negatively impacted due to adjustments that will add appropriations that will be made from the available balances of these funds or partially offset by increased estimated revenues; and

WHEREAS, the recommended adjustments to Capital Improvement Projects Fund, Equipment Vehicle Replacement Fund, and Donations Fund will result in no fiscal impact; and

WHEREAS, staff recommend amending the fiscal year 2025-26 Capital Improvement Program budget by increasing expense appropriations by $351,368 offset by increased estimated revenues resulting in no fiscal impact to the fiscal year 2025-26 Capital Improvement Program budget.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chula Vista, that it does hereby amend the fiscal year 2025-26 budget and approves the following appropriations and transfers:

Summary of Appropriations and/or Transfers for General Fund
General Fund Budget Amendments Summary – 3rd Quarter Fiscal Year 2025-26

Exhibit 1 details transfers within Non-Personnel Expenditures categories.

Summary of Appropriations and/or Transfers for Other Funds
Other Funds Budget Amendments Summary – 3rd Quarter Fiscal Year 2025-26

Other Funds	Personnel Services	Non-Personnel Expenses	Total Expense	Total Revenue	Net Impact
Pension/Debt Reserve	$ -	$ 4,685,854	$ 4,685,854	-	$ 4,685,854
Trunk Sewer Capital Reserve	-	3,335,000	3,335,000	(340,000)	2,995,000
State Grants	-	465,000	465,000	(70,000)	395,000

Parking Meter	-	350,000	350,000	-	350,000
Public Facilities DIF	-	340,000	340,000	-	340,000
Other Grants	-	57,500	57,500	(52,500)	5,000
Capital Improvement Projects	-	351,368	351,368	(351,368)	-
Equipment Vehicle Replacement	-	100,000	100,000	(100,000)	-
Donations	-	32,632	32,632	(32,632)	-
Total Other Funds	**$ -**	**$ 9,717,354**	**$ 9,717,354**	**$ (946,500)**	**$ 8,700,854**

*Table is shown in summary, funds with transfers within Non-Personnel Expenditures categories are detailed in Exhibit 1

Summary of Appropriations and/or Transfers for Capital Improvement Program Budget
Capital Improvement Program Budget Amendments Summary – 3rd Quarter Fiscal Year 2025-26

Fund	Project	CIP Project Expenditures	Total Expenditures
Capital Improvement Projects	GGV0279 – Norman Park Senior Ctr Elevator Mod	$ 300,000	$ 300,000
Capital Improvement Projects	CTY0246 – Water Damage at Fire Station #2	51,368	51,368
Capital Improvement Projects	STM0408 – Pavement Rehabilitation Prog FY22	(300,000)	(300,000)
Capital Improvement Projects	STL0464 – F Street Promenade Phase 1	200,000	200,000
Capital Improvement Projects	DRN0214 – Install Full Capture Trash BMPs	100,000	100,000
Parking Meter	GGV0280 – Third Ave Parking Elevator Mod	350,000	350,000
Transportation Sales Tax	CTY0202 – CIP Advanced Planning	75,000	75,000
Transportation Sales Tax	CTY0242 – Water Damage at CC Library	(75,000)	(75,000)
Trunk Sewer Capital Reserve	SWR0321 – RIDA Bayfront Sewer Improvements	3,335,000	3,335,000
Total Other Funds		**$ 4,036,368**	**$ 4,036,368**

BE IT FURTHER RESOLVED, by the City Council that it authorizes the City Manager to amend the fiscal year 2025-26 budget and approves appropriations and transfers in the General Fund and various other funds in order to ensure audited actuals resulting from final year-end closing entries do not exceed authorized budget; and

BE IT FURTHER RESOLVED, by the City Council that it directs the Director of Finance to report any amendments to the fiscal year 2025-26 budget and appropriations and transfers to the General Fund and various other funds approved by the City Manager in the next quarterly financial report following the release of the Annual Comprehensive Financial Report.

Presented by

Adrian Del Rio
Director of Finance/Treasurer

Approved as to form

Marco Verdugo
City Attorney

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA ACCEPTING DONATION FROM THE TREE SAN DIEGO

WHEREAS, in accordance with City Council Donation Policy 270-01, the Public Works Department requests that the City Council accept certain donation from the Tree San Diego (the "Donation"); and

WHEREAS, the Donation consists of various trees, supplies, and planting services with an estimated value of $31,600; and

WHEREAS, the Donation will provide trees in City Open Space and parks for long-term ecosystem services and environmental benefits; and

WHEREAS, the City Council finds that, consistent with Policy 270-01, the Donation serves a purpose consistent with the City of Chula Vista's ("City") goals and objectives and that acceptance of the Donation is in the best interests of the City.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chula Vista that it accepts the Donation with an estimated value of $31,600 from Tree San Diego; and

BE IT FURTHER RESOLVED that the City Manager is authorized to enter into and execute any and all agreements or documents necessary to accept the Donations and implement this resolution.

Presented by

Adrian Del Rio
Director of Finance/Treasurer

Approved as to form by

Marco A. Verdugo
City Attorney

Quarterly Financial Report

Period Ending March 31, 2026

INTRODUCTION

Chula Vista City Council adopted the fiscal year 2025-26 budget on May 20, 2025. The Finance Department, in collaboration with other City of Chula Vista ("City") departments, prepares quarterly financial reports for the General Fund that reflect budget to actual comparisons, projected revenues and expenditures, and highlight major variances that may require additional action or changes to the Amended Budget. Per Section 505 (f) of the City Charter, the Director of Finance has prepared and submitted the quarterly financial report for the quarter ended March 31, 2026 (Third Quarter Report) through the City Manager.

The Third Quarter Report is developed using nine months of actual financial activity for fiscal year 2025-26 as of March 31, 2026. The data in this report is the most current data available; however, due to the limited data available, projections are likely to change as the year progresses.

The Third Quarter Report provides summary information for the following areas:

- Current economic environment
- Overview of the General Fund
- Details on major General Fund revenues and expenditure categories
- Discussion on significant General Fund revenue and expenditure variances
- Overview of Non-General Operating Funds
- Recommended budget adjustments to General Fund, Other Funds, and Capital Improvement Project expenditure budgets

The Finance Department will continue to monitor the City's actual revenues and expenditures and will provide year-end actuals in the next quarterly financial report.

ECONOMIC OVERVIEW

City staff reviewed information from various sources including the following: 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 Third Quarter Report.

Highlights – National

The UCLA Anderson Forecast ("Forecast") for Spring 2026 expects stronger growth for 2026.[1] The

[1] UCLA Anderson School of Management. U.S. Economy Poised to Reaccelerate in 2026 as Fiscal Stimulus and AI Investment Intensify; California Growth Outpaces Nation Despite Ongoing Employment Weakness. 4 Mar. 2026. UCLA Anderson Forecast.

balance of risks, between tariffs and a stagnant labor market, have shifted toward reacceleration, mostly fueled by income tax cuts, expansion of fiscal stimulus and sustained artificial intelligence investment.[1]

Unemployment

The labor market remained unchanged at a national unemployment rate of 4.3%, with notable gains in health care, transportation and warehousing, though, federal government continued to decline.[2] The Forecast reflects the labor market beginning to show early signs of improvement.[1]

Inflation

Despite periods of trending downward in 2025, inflation continues to be elevated.[3] The seasonally adjusted annual rate of Consumer Price Index was 3.3% in March, the highest since June 2024.[4] The Forecast predicts inflation to increase slightly as a result of tariffs before gradually settling in the mid-to-low twos through 2027 and 2028. [1]

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 remained low this year and unemployment remaining stabilized, in its latest meeting in March 2026 the Federal Reserve maintained the federal funds target at 3-1/2 to 3-3/4 percent.[5]

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.

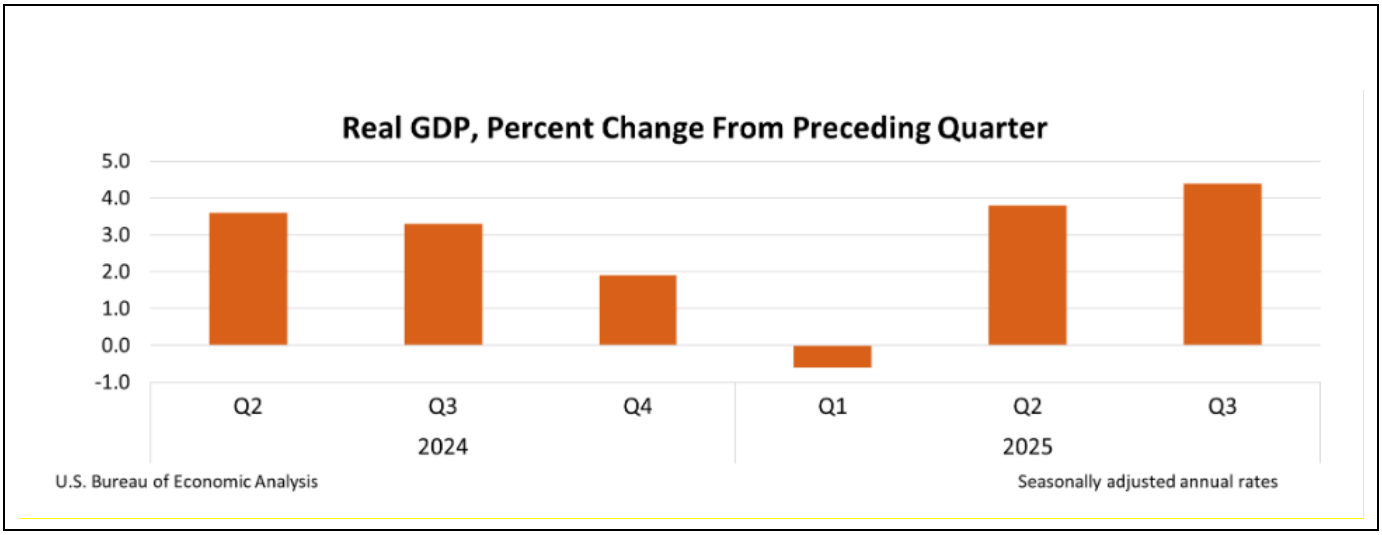
Real Gross Domestic Product (GDP)

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 fourth quarter (Q4) of 2025, real GDP grew at an annualized rate of 0.5%, a stark decline from the third quarter (Q3) of 4.4%.[6] Continued positive growth each quarter generally allays economists' concerns that a recession is forthcoming. The Q4 results largely reflect decreases in government spending due to the government shutdown and exports.[6] The Federal Reserve will be closely monitoring this

[2] U.S. Bureau of Labor Statistics. Economic News Release: Employment Situation Summary. Apr. 2026. U.S. Bureau of Labor Statistics.
[3] U.S. Bureau of Labor Statistics. Consumer Price Index – April 2026. 10 Apr. 2026. U.S. Bureau of Labor Statistics.
[4] Federal Open Market Committee. Press Release: Federal Reserve issues FMOC statement. 18 March. 2026. Federal Open Market Committee.
[5] U.S. Bureau of Economic Analysis. Gross Domestic Product, 3rd Quarter 2025 (Third Estimate), GDP by Industry, Corporate Profits (Revised), and Annual Update. U.S. Bureau of Economic Analysis.
[6] Reuters. US economic growth likely slowed to a still-brisk pace in fourth quarter. 19 Feb. 2026. Reuters.

marginal positive economic growth in its policy decisions to reduce inflation.

GDP: Percent Change from Preceding Quarter



The Forecast predicts GDP growth to approach 3% in 2026 and moderate in 2027 and 2028 as fiscal stimulus fades and AI infrastructure stabilizes.[7]

Highlights – California

The Forecast for California highlighted a contrasting pattern in the economy with strong output growth paired with weak payroll employment.[7] The Legislative Analyst Office indicates, despite improvements in revenues, the California budget problem is larger than anticipated. The strong income tax collections driven by enthusiasm around AI, have driven the stock market to be overheated and possibly not sustainable.[8]

The latest state employment reports show a 5.3% unemployment rate, marking the fifth consecutive month of reductions.[9] 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 are also exhibiting impacts on the non-durable goods (food) and agriculture sectors.

Overall, both the nation and the state economies are expected to see sluggish growth in early 2026, with potential improvement beginning in late 2026 and into 2027. The outlook for the state's economy remains subject to several uncertainties, including federal immigration policies and

[7] UCLA Anderson. Los Angeles on the Global Stage: World Cup, Super Bowl and the Olympics: Spring 2026 U.S. Economic Outlook. [Webinar]. 4 Mar. 2026. UCLA Anderson.
[8] California Legislative Analyst's Office. The 2026-27 California's Fiscal Outlook. 19 Nov. 2025. California Legislative Analyst's Office.
[9] California Employment Development Department. California Added 28,700 Jobs in March 2026. 1 May 2026. California Employment Development Department.

associated deportations, the scope and impact of tariffs and related trade responses and the pace and practical application of artificial intelligence technologies.[7]

GENERAL FUND OVERVIEW

General Fund revenues are projected to be lower than the Amended Budget by $2.4 million, and expenditures are also projected to be lower than the Amended Budget by $2.4 million. Staff anticipates major revenues to come in lower than budget by $3.7 million and other revenues to exceed the Amended Budget by $1.3 million, detailed in the General Fund Revenues section. Third quarter projections for expenditures, as well as any known significant expenditure budget adjustments are detailed in the General Fund Expenditures section.

Fiscal Year 2025-26 General Fund Overview

Table 1 *in millions*

	Adopted Budget	Amended Budget	Year-end Projection	Variance[1]
Revenue Source				
Major Discretionary Revenues				
Property Tax	$ 58.4	$ 58.4	$ 55.3	$ (3.2)
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Utility Users Tax	3.7	3.7	3.7	-
Major Discretionary Revenues Subtotal	246.0	246.0	242.3	(3.7)
Other General Fund Revenues				
Other Revenues	59.6	62.8	64.1	1.3
Other General Fund Revenues Subtotal	59.6	62.8	64.1	1.3
Total Revenues/Sources	**$ 305.6**	**$ 308.8**	**$ 306.4**	**$ (2.4)**
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Utilities	7.7	8.0	8.6	(0.6)
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Total Non-Personnel	143.8	153.5	152.6	1.0
Total Expenditures	**$ 305.6**	**$ 316.5**	**$ 314.1**	**$ 2.4**
Use of Prior Year Fund Balance	**$ -**	**$ (7.7)**	**$ (7.7)**	**$ -**
Total General Fund Surplus/(Deficit)	**$ -**	**$ -**	**$ -**	**$ -**

[1] Variance compares the Amended Budget and the Year-End Projection.

[2] Other Expenditures Category includes: Other Capital, Non-CIP Projects Expenditures and CIP Project Expenditures.

*Tables may not tie due to rounding

GENERAL FUND REVENUES

As identified in Table 1 above, the City's General Fund revenues are projected to be lower than the Amended Budget by approximately $2.4 million. The shortfall in Property Tax of $3.2 million, Transient Occupancy Tax (TOT) of $1.3 million, and Sales Tax of $0.1 million is anticipated to be partially offset by the projected increase in Property Tax in Lieu of VLF, Franchise Fees, Measure A Sales Tax, Measure P Sales Tax, and Other Revenues of approximately $2.3 million combined.

Fiscal Year 2025-26 General Fund Overview

Table 2 *in millions*

Revenue Source	Adopted Budget	Amended Budget	Year-end Projection	Variance
Major Discretionary Revenues				
Property Tax	$ 58.4	$ 58.4	$ 55.3	$ (3.2)
Property Tax in lieu of VLF	33.8	33.8	34.0	0.2
Sales Tax	51.2	51.2	51.1	(0.1)
Measure P Sales Tax	30.8	30.8	30.9	0.1
Measure A Sales Tax	30.8	30.8	30.9	0.1
Franchise Fees	15.4	15.4	16.0	0.6
Transient Occupancy Tax	21.7	21.7	20.4	(1.3)
Utility Users' Tax	3.7	3.7	3.7	-
Major Discretionary Revenues Subtotal	246.0	246.0	242.3	(3.7)
Other General Fund Revenues				
Other Revenues	59.6	62.8	64.1	1.3
Other General Fund Revenues Subtotal	59.6	62.8	64.1	1.3
Total General Fund Revenues Surplus/(Deficit)	**$ 305.6**	**$ 308.8**	**$ 306.4**	**$ (2.4)**



Property Tax

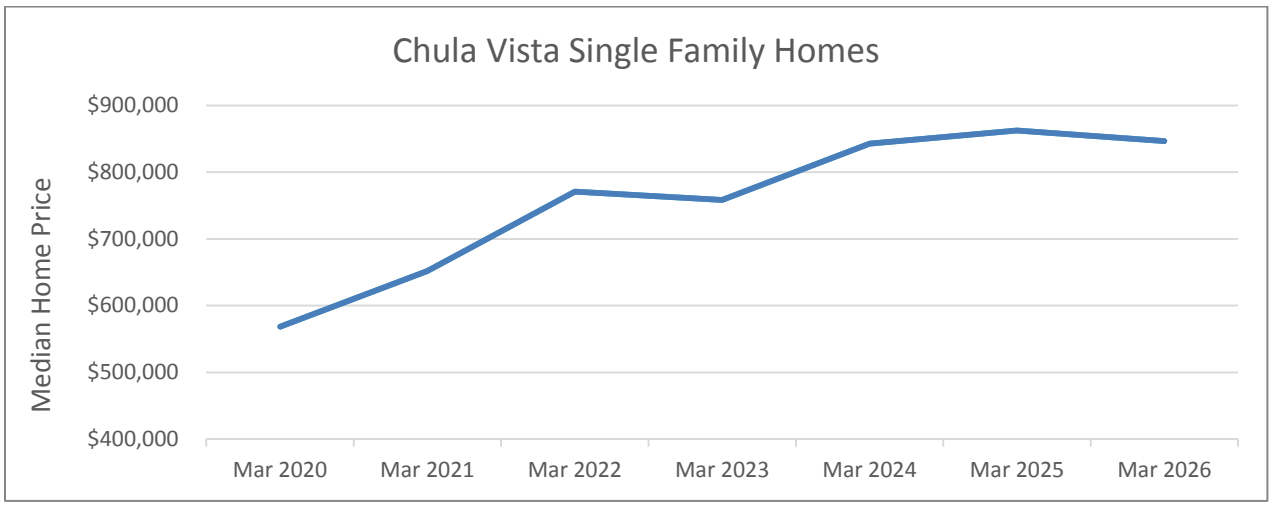
Property tax revenue derived from ad valorem taxes on real property and tangible personal property within the City boundaries. Property tax is administered by the County of San Diego and is limited by Proposition 13 to a general rate of 1% of assessed value. Currently, the City receives approximately 12.4% of property taxes revenues assessed for Chula Vista properties.

Property tax is the City's largest revenue source, representing 19.1% of General Fund revenues in the Adopted Budget. Property tax is projected to be $55.3 million; a $3.2 million decrease compared to the Adopted Budget, consistent with the Second Quarter Financial Report projection. Approximately $1.3 million of the shortfall is attributable to the property taxes associated with timing of the supplemental property tax assessments for the Gaylord Pacific Resort and Convention Center project. This reduction in projected revenues also results in a corresponding decrease to expenditures in the Transfers Out category, result in an overall net zero fiscal impact to the General Fund.

In addition, final updates to receivables from the County Assessor, combined with a decline in home sales, contributed to property tax growth that was lower than originally assumed in the

budget. Based on trends observed in the current and prior fiscal years, staff revised the forecasting methodology to a more conservative approach to better reflect current market conditions.

Based on the Zillow Home Value Index – March 2026, Chula Vista's median home price for a single-family home was $846,372, a 1.8% year-over-year decline. 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. A slowdown in home sales will have some degree of impact on the growth of property taxes in the City as homes are typically reassessed at higher values upon major construction/improvements or sale, with home prices generally increasing over time. Property tax growth is otherwise limited by the cap on Proposition 13 on assessed value growth to the lesser of the California Consumer Price Index (CPI) or 2%.



Source: Chula Vista Zillow Home Values Index (https://www.zillow.com/home-values/51405/chula-vista-ca/)

Property Tax in Lieu of VLF

Property tax in lieu of vehicle license fees ("VLF") revenues are generated from vehicle license fees paid with vehicle registrations with the State of California and then allocated to cities and counties. VLF fluctuate with changes in assessed values within the City.

Property tax in lieu of VLF is projected to be $34.0 million, a $0.2 million increase compared to the Adopted Budget, consistent with the Second Quarter Financial Report projections. Projections for fiscal year 2026 are based on updated information from the County.



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. 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, excluding voter-approved sales tax measures for Measure P and A.

Sales tax revenue is the second largest General Fund source, representing 16.8% of the total General Fund revenues in the Adopted Budget. Sales tax is projected to be $51.1 million, a slight decrease from the Adopted Budget of $51.2 million, reflecting softer-than-expected performance in select economic sectors.

Chula Vista's largest economic segments include general consumer goods, state & county pools (sales tax revenues from transaction with no specific place of sale, allocated to local jurisdictions on a proportional basis), restaurants & hotels and autos & transportation. Combined, these categories account for approximately 76% of total sales tax revenues. Recent data for the third quarter of fiscal year 2026 indicates a 3.2% increase in taxable sales compared to the same quarter of 2025. Despite these gains, the City's revenue fell slightly short of budgeted expectations due to uneven sector performance. The opening of the Gaylord Pacific Resort and Convention Center on May 15, 2025, is anticipated to continue to generate a boost in sales tax revenue from visitor spending beyond the Gaylord Pacific Resort and Convention Center property, as guests venture into surrounding areas and contribute to broader local retail and dining activity.

While the Adopted Budget assumed stable employment and consumer confidence, it did not anticipate ongoing fluctuations in consumer behavior and broader economic uncertainty. The City remains mindful of recent declines in consumer confidence and concerns about geopolitical instability. Nevertheless, local dining activity and new business openings continue to provide meaningful support to overall taxable sales.

Sales tax revenue will continue to be closely monitored and updated in the Fourth Quarter Report to account for any changes in spending trends or other economic indicators impacting sales tax receipts.

- **Measure P Sales Tax -** Voters approved Measure P in November 2016 as a temporary, ten-year, half-cent sales tax dedicated to addressing high-priority deferred maintenance needs. In 2024, voters approved the continuation of Measure P through 2037. 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 fiscal impact to the General Fund. Measure P sales tax is projected to be $30.9 million, reflecting a slight increase of $0.1 million from the Adopted Budget.

- **Measure A Sales Tax -** Voters approved Measure A in June 2018, established as a permanent half-cent sales tax to fund critical public safety needs and enhance staffing levels. Similar to Measure P sales tax, revenue is collected and tracked within the General Fund, and transfer 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 fiscal impact to the General Fund. Measure A sales tax is projected to be $30.9 million, reflecting a slight increase of $0.1 million from the Adopted Budget.



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 ("SDG&E") (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).

Franchise fee revenue is projected to be $16.0 million, a $0.6 million increase compared to the Adopted Budget, consistent with the Second Quarter Financial Report projection. The change is largely due to an increase in trash collection revenue from Republic Services, the city's solid waste services provider. SDG&E franchise revenues remain static, while cable franchise revenues are down. The decrease represents the number of subscription service subscribers for cable television providers (premium video, equipment rental, on-demand, and programming services) as more customers continue to move to streaming services.



Transient Occupancy Tax

Transient Occupancy Tax ("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 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 contractual requirements for the Gaylord Pacific Resort & Convention Center project.

TOT revenue is projected to be $20.4 million, an increase of $2.0 million compared to the Second Quarter Financial Report projection, though still $1.3 million below the Adopted Budget. This revised projection reflects stronger-than-anticipated revenue performance, driven primarily by increased business travel and conferences at the Gaylord Pacific Resort & Convention Center. The remaining $1.3 million shortfall is due to the delay in anticipated opening of two hotels—now expected in future fiscal years beyond 2025‑26—as well as updated revenue assumptions based on actual collections to date. Together, these factors reduce the estimated growth rate relative to the Adopted Budget, as reported in the Second Quarter Financial Report.



Utility Users' Tax

Utility User's Tax ("UUT") is a local excise tax imposed on the consumption of utility services by residents and businesses. Specifically, the City imposes a UUT on the use of telecommunications (cable, telephone) at the rate of 4.75% of gross receipts and UUT on natural gas services of $0.00919 per therm and $0.00250 per kilowatt on electricity services, which equates to approximately a 1% tax. UUT is collected by utility companies as part of its regular billing and then remit to the City.

UUT is projected to align with the Second Quarter Financial Report projection and Adopted Budget at $3.7 million. While some modest growth is anticipated in revenues from the natural gas and

electricity utilities based upon population growth and the increases in utility prices, adoption of solar energy and conservations efforts suggest a decline in consumption of those utilities which reduce revenues. Additionally, consumption of telecommunications utilities is also expected to continue to decline due to changes in technology and consumer preferences.

Other Revenues

Other Revenues include the following revenue categories: Charges for Services, Federal Revenue, Fines and Penalties, Licenses & Permits, Other Revenue, State Revenue, Transfers In and Use of Money/Property. Other Revenues category is anticipated to exceed the Adopted Budget by $1.3 million. Transfers In and Use of Money/Property reflects a positive variance of $1.6 million combined related to a transfer from the Other Post Employment Benefit (OPEB) Reserve Fund to reimburse the General Fund for eligible OPEB expenditures in the General Fund and an increase of anticipated investment earnings. Charges for Services, Federal Revenue, Fines and Penalties and Licenses and Permits reflect a $0.5 million positive variance combined primarily related to increased staff time reimbursements and permit fees. Other Revenue and State Revenue reflect a negative variance of $0.7 million combined, mostly driven by a reduction in actual tax receipts collected from cannabis businesses when compared to previous years.

Fiscal Year 2025-26 General Fund Overview

Table 3 *in millions*

Revenue Source	Adopted Budget	Amended Budget	Year-end Projection	Variance
Other Revenues				
Charges for Services	$ 13.6	$ 14.1	$ 14.3	$ 0.2
Federal Revenue	0.5	0.5	0.6	0.1
Fines and Penalties	1.1	1.1	1.2	0.1
Licenses & Permits	2.0	2.0	2.1	0.1
Other Revenue	20.7	23.2	22.6	(0.6)
State Revenue	1.0	1.0	0.9	(0.1)
Transfers In	15.0	15.0	15.8	0.8
Use Money/Property	5.6	5.6	6.4	0.8
Other Agency Revenue	-	0.3	0.3	-
Total Other Revenues	**$ 59.6**	**$ 62.8**	**$ 64.1**	**$ 1.3**

Departmental Revenues

Table 4 below provides the Amended General Fund revenues budget, projected year-end revenues, and the variance (difference) between both at the department level. Additionally, Appendix A contains a net impact summary of each department within the General Fund.

Fiscal Year 2025-26 General Fund Departmental Revenues *Table 4*				*in thousands*
Department	**Amended Budget**		**Year-end Projection**	**Variance**
City Clerk	$ 65.6	$	91.6	$ 26.0
City Attorney	439.0		313.6	(125.4)
Administration	167.7		168.8	1.0
Information Technology	336.0		256.0	(80.0)
Human Resources	1,595.4		1,535.3	(60.2)
Finance	1,203.3		1,386.5	183.2
Non-Departmental	17,739.4		18,046.7	307.3
Animal Care Facility	1,090.3		1,227.2	136.9
Economic Development	1,643.2		1,382.7	(260.5)
Development Services	2,264.9		2,076.1	(188.8)
Engineering/Capital Projects	8,579.3		8,557.0	(22.3)
Police	6,436.5		7,007.6	571.1
Fire	6,851.1		6,735.3	(115.8)
Public Works	9,210.9		10,002.9	792.0
Parks and Recreation	4,597.4		4,699.0	101.6
Library	585.2		610.5	25.3
Total Departmental Revenue	**$ 62,805.2**	**$**	**64,096.7**	**$ 1,291.4**

This section documents the justifications for significant budget variances with an anticipated impact greater than $250,000.

Non-Departmental – Increase of $0.3 million in Use of Money/Property for projected higher investment earnings.

Economic Development – Decrease of $0.3 million mainly in Other Revenues due to decreased staff time reimbursements following department restructuring.

Police – Increase of $0.6 million in Charges for Services and Fines and Penalties from special events reimbursements and an increase in penalties collected.

Public Works – Increase of $0.8 million in Charges for Services and Other Revenue from increased staff reimbursements from development fees and community facility districts.

GENERAL FUND EXPENDITURES

General Fund expenditures are projected to be $2.4 million below the Amended Budget. A combined overage of $1.2 million in Other Expenses and Utilities is expected to be fully offset by a combined $3.6 million decrease in Personnel Services, Supplies and Services, and Transfers Out. Overall, these adjustments result in a positive fiscal impact.

Fiscal Year 2025-26 General Fund Overview *Table 5*				*in millions*
Expenditures	**Adopted Budget**	**Amended Budget**	**Year-end Projection**	**Variance**
Personnel Services	$ 161.8	$ 163.0	$ 161.7	$ 1.2
Non-Personnel				
Supplies and Services	28.6	33.8	32.7	1.1
Other Expenses	2.7	3.6	4.1	(0.6)
Transfers Out	100.0	103.0	101.7	1.3
Internal Services	4.6	4.6	4.6	-
Utilities	7.7	8.0	8.6	(0.6)
Other Expenditures Category	0.2	0.5	0.5	-
Total Non-Personnel	143.8	153.5	152.3	1.0
Total Expenditures	**$ 305.6**	**$ 316.5**	**$ 314.1**	**$ 2.4**

Personnel Services

Updated projections for Personnel Services category are expected to be $1.2 million below the Amended Budget. The decrease is primarily driven by vacancies in both the Police and Fire Departments, which offset the overage reflected in the Public Works Department. The overage in the Public Works Department is expected to be offset by excess revenues from staff-time reimbursements.

Fiscal Year 2025-26 General Fund Overview *Table 6*				*in millions*
Expenditure Category	**Adopted Budget**	**Amended Budget**	**Year-end Projection**	**Variance**
Personnel Services				
Salary	$ 103.7	$ 103.5	$ 98.0	$ 5.5
Hourly	4.5	4.5	5.1	(0.6)
Overtime	10.9	12.2	14.2	(1.9)
PERS	20.9	20.9	20.2	0.7
FLEX	15.9	15.9	14.2	1.7
Other Personnel	6.0	6.0	10.2	(4.2)
Total Personnel Services	**$ 161.8**	**$ 163.0**	**$ 161.7**	**$ 1.2**

Supplies and Services

The Supplies and Services category is projected to be $1.1 million below the Amended Budget. This savings is primarily due to $0.2 million in the City Clerk's Department resulting from the removal of an elected official from the June 2026 ballot, and a combined $0.6 million reduction in the Human Resources and Finance Departments due to lower-than-anticipated contracted services.

Fiscal Year 2025-26 General Fund Overview *Table 7*				*in millions*
Expenditure Category	**Adopted Budget**	**Amended Budget**	**Year-end Projection**	**Variance**
Supplies and Services	$ 28.6	$ 33.8	$ 32.7	$ 1.1
Total Supplies and Services	**$ 28.6**	**$ 33.8**	**$ 32.7**	**$ 1.1**

Other Expenses

The Other Expenses category includes a wide variety of relatively minor costs within the General Fund, such as sales tax administration costs, small tools, credit card transaction fees and bank charges, and reimbursements to other agencies. The Other Expenses category is projected to exceed the Amended Budget by $0.6 million. This variance is primarily due to increased credit card transaction fees, bank charges and reimbursements to other agencies.

Fiscal Year 2025-26 General Fund Overview

Table 8 *in millions*

Expenditure Category	Adopted Budget	Amended Budget	Year-end Projection	Variance
Other Expenses	$ 2.7	$ 3.6	$ 4.1	$ (0.6)
Total Other Expenses	**$ 2.7**	**$ 3.6**	**$ 4.1**	**$ (0.6)**

Transfers Out

The Transfers Out category represents authorized transfers of cash between City funds and is projected to be below the Amended Budget by $1.3 million. The variance is primarily due to a reduction in debt service payment transfers from the General Fund, resulting from the use of the Bond Call Reserve Fund for these expenses.

Fiscal Year 2025-26 General Fund Overview

Table 9 *in millions*

Expenditure Category	Adopted Budget	Amended Budget	Year-end Projection	Variance
Transfers Out	$ 100.0	$ 103.0	$ 101.7	$ 1.3
Total Transfers Out	**$ 100.0**	**$ 103.0**	**$ 101.7**	**$ 1.3**

Internal Services

Expenditures in this category are for vehicle maintenance charges associated with the use of City vehicles and equipment. These charges are based on the actual vehicles that reside within a department and include costs ranging from routine maintenance (oil changes, preventive maintenance) to major repairs (drivetrain, repairs, accident repairs), as well as fuel costs. Internal services are projected to remain at budget through fiscal year end.

Fiscal Year 2025-26 General Fund Overview

Table 10 *in millions*

Expenditure Category	Adopted Budget	Amended Budget	Year-end Projection	Variance
Internal Services	$ 4.6	$ 4.6	$ 4.6	$ -
Total Internal Services	**$ 4.6**	**$ 4.6**	**$ 4.6**	**$ -**

Utilities

The Utilities category is currently projected to exceed the Amended Budget by $0.6 million. Projections account for an 8% rate increase in water and electric rates effective January 2026 and current consumption in both San Diego Gas & Electric (SDG&E) and water. The Engineering Department is impacted by rising costs to power city streetlights and traffic signals. The Library Department is experiencing higher electricity costs due to Heating, Ventilation, and Air Conditioning (HVAC) system issues requiring additional temporary cooling units. The Police Department reflects

increased utility expenses caused by HVAC issues, while the Public Works Department is projected to exceed budget primarily related to pending solar system repairs.

Fiscal Year 2025-26 General Fund Overview

Table 11 *in millions*

Expenditure Category	Adopted Budget	Amended Budget	Year-end Projection	Variance[1]
Utilities	$ 7.7	$ 8.0	$ 8.6	$ (0.6)
Total Utilities	**$ 7.7**	**$ 8.0**	**$ 8.6**	**$ (0.6)**

Other Expenditures Category

The Other Expenditures Category includes Other Capital, Non-CIP Projects Expenditures and CIP Project Expenditures budget categories. The Other Expenditures category is expected to align with the Amended Budget of $0.5 million.

Fiscal Year 2025-26 General Fund Overview

Table 12 *in millions*

Expenditure Category	Adopted Budget	Amended Budget	Year-end Projection	Variance
Other Expenditures Category	$ 0.2	$ 0.5	$ 0.5	$ -
Total Other Expenditures	**$ 0.2**	**$ 0.5**	**$ 0.5**	**$ -**

Departmental Expenditures

Table 13 below provides the Amended General Fund expenditure budget, projected year-end expenditures, and the variance (difference) between both at the department level. Additionally, Appendix A contains a net impact summary of each department within the General Fund.

Fiscal Year 2025-26 General Fund Departmental Expenditures

Table 13 *in thousands*

Department	Amended Budget	Year-end Projection	Variance
City Council	$ 1,888.0	$ 1,880.5	$ 8.0
Boards & Commissions	7.1	7.1	-
City Clerk	2,356.2	2,190.1	166.1
City Attorney	4,111.4	3,779.2	332.2
Administration	3,284.6	3,000.6	284.0
Information Technology	5,469.8	5,521.4	(51.6)
Human Resources	4,181.6	4,060.4	121.2
Finance	5,785.7	5,462.1	323.6
Non-Departmental	118,820.2	118,399.9	420.3
Animal Care Facility	4,022.9	3,947.9	75.0
Economic Development	1,834.7	1,792.8	41.9
Development Services	3,476.1	3,441.3	34.8
Engineering/Capital Projects	11,815.4	11,815.9	(0.4)
Police	66,402.0	65,824.5	577.5
Fire	42,764.7	42,059.1	705.6
Public Works	28,612.3	29,255.6	(643.3)
Parks and Recreation	6,961.9	7,053.0	(91.1)
Library	4,707.0	4,806.9	(99.9)
Total Expenditure Budget	**$ 316,501.5**	**$ 314,298.0**	**$ 2,204.0**

This section documents the justifications for significant budget variances with an anticipated impact

greater than $250,000.

City Attorney – Decrease of $0.3 million in Personnel Services from department vacancies.

Administration – Decrease of $0.3 million in Personnel Services from department vacancies.

Finance – Decrease of $0.3 million in Supplies and Services driven by a reduction in contracted services.

Non-Departmental – Decrease of $0.4 million in Transfers Out from a reduction to debt service payments from the General Fund.

Police – Decrease of $0.6 million, primarily in Personnel Services savings offset with an increase in utility costs. The decrease in Personnel Service savings is attributable to department vacancies, while Utilities reflect overages in SDG&E costs exceeding budget by $0.1 million.

Fire – Decrease of $0.7 million in Personnel Services from department vacancies.

Public Works – Increase of $0.6 million in Personnel Services and Utilities. The overage in Personnel Services is mostly attributable to an increase in overtime and hourly costs related to Capital Improvement Projects, of which is expected to be offset by excess revenues from staff time reimbursements. Increase in Utilities reflect overages in SDG&E costs exceeding budget by $0.1 million.

OTHER FUNDS

The following section includes projections for other funds that provide support for significant operating activities throughout the City. These funds have an operating budget of over $15.0 million, with all fund projections available in Appendix B.

2018 Measure A Sales Tax

This fund accounts for the permanent half-cent sales tax voters approved to fund critical public safety needs and enhance public safety staffing levels.

2018 Measure A Sales Tax revenues are projected to exceed the Amended Budget by $1.2 million due to strike team reimbursements in the Fire Department. Similarly, expenditures are projected to exceed the Amended Budget by $0.9 million, also due to overtime expenses from strike team deployments.

Fiscal Year 2025-26 Measure A Fund Overview				
Table 14				*in millions*
	Adopted Budget	**Amended Budget**	**Year-End Projection**	**Variance**
Revenue	**$ 30.9**	**$ 30.9**	**$ 32.1**	**$ 1.2**
Expenditures				
Personnel Services	26.7	28.1	28.8	(0.8)
Non-Personnel	6.9	23.3	23.4	(0.1)
Expenditure Subtotal	**33.7**	**51.3**	**52.3**	**(0.9)**
Total Fund Surplus/(Deficit)	**$ (2.7)**	**$ (20.4)**	**$ (20.2)**	**$ 0.2**

Development Services

This fund accounts for revenues and expenses related to the processing of development plans and permits.

Development Services revenues are projected to be lower than the Amended Budget by $4.0 million by year-end, largely based on timing of receipts for building permits and developer fees and deposits. Expenditure projections are expected to be lower than the Amended Budget by $1.8 million, primarily in the Personnel Services category due to vacancies.

Fiscal Year 2025-26 Development Services Fund Overview				
Table 15				*in millions*
	Adopted Budget	**Amended Budget**	**Year-End Projection**	**Variance**
Revenue	**$ 13.2**	**$ 13.1**	**$ 9.1**	**$ (4.0)**
Expenditures				
Personnel Services	10.1	10.1	9.0	1.1
Non-Personnel	5.3	5.4	4.7	0.7
Expenditure Subtotal	**15.4**	**15.5**	**13.6**	**1.8**
Total Fund Surplus/(Deficit)	**$ (2.2)**	**$ (2.4)**	**$ (4.5)**	**$ (2.2)**

Transport Enterprise

This fund was established to account for all activities related to providing Ambulance Transport Services to the residents of Chula Vista, Bonita, and Imperial Beach.

Transport Enterprise revenues are expected to exceed the Amended Budget by $1.4 million based on current trend of ambulance transports. Expenditure projections are expected to be less than the Amended Budget by $1.7 million in the Other Capital category, driven primarily from deferred vehicle replacements.

Fiscal Year 2025-26 Transport Enterprise Fund Overview				
Table 16				*in millions*
	Adopted Budget	Amended Budget	Year-End Projection	Variance
Revenue	**$ 21.3**	**$ 21.3**	**$ 22.6**	**$ 1.4**
Expenditures				
Personnel Services	9.3	9.3	9.1	0.2
Non-Personnel	12.0	13.9	12.5	1.4
Expenditure Subtotal	**21.3**	**23.3**	**21.6**	**1.7**
Total Fund Surplus/(Deficit)	**$ -**	**$ (2.0)**	**$ 1.1**	**$ 3.1**

Sewer Service Revenue Fund

This fund is used to account for all activities related to providing sewer services to the residents of Chula Vista.

Sewer Service revenues are projected to exceed the Amended Budget by $0.1 million by year-end. Expenditure projections are expected to be lower than the Amended Budget by $0.7 million, mainly in the Transfers Out category attributable to projected staff time reimbursements on Sewer related projects.

Fiscal Year 2025-26 Sewer Fund Overview				
Table 17				*in millions*
	Adopted Budget	Amended Budget	Year-End Projection	Variance
Revenue Subtotal	**$ 47.6**	**$ 47.6**	**$ 47.7**	**$ 0.1**
Expenditures				
Personnel Services	5.9	5.9	5.7	0.2
Non-Personnel	41.7	44.6	44.1	0.5
Expenditure Subtotal	**47.6**	**50.5**	**49.8**	**0.7**
Total Fund Surplus/(Deficit)	**$ -**	**$ (2.9)**	**$ (2.1)**	**$ 0.8**

FISCAL YEAR 2025-26 BUDGET ADJUSTMENTS

General Fund Adjustments

The recommended adjustment in the General Fund reflects a transfer in the Public Works Department of Non-Personnel Expenditures from Supplies and Services to Transfers Out of $300,000 for CIP Project# GGV0279 (Norman Park Senior Ctr Elevator Mod).

Other Funds Adjustments

The recommended adjustments in Table 18 are for funds outside of the General Fund. The adjustments are offset by additional revenues or from available fund balance of the respective funds.

Table 18					
Other Funds	**Personnel Services**	**Non-Personnel Expenditures**	**Total Expenditures**	**Total Revenue**	**Net Impact**
Pension/Debt Reserve	$ -	$ 4,685,854	$ 4,685,854	$ -	$ 4,685,854
Trunk Sewer Capital Reserve	-	3,335,000	3,335,000	(340,000)	2,995,000
State Grants	-	465,000	465,000	(70,000)	395,000
Parking Meter	-	350,000	350,000	-	350,000
Public Facilities DIF	-	340,000	340,000	-	340,000
Other Grants	-	57,500	57,500	(52,500)	5,000
Capital Improvement Projects	-	351,368	351,368	(351,368)	-
Equipment Vehicle Replacement	-	100,000	100,000	(100,000)	-
Donations	-	32,632	32,632	(32,632)	-
Total Other Funds	**$ -**	**$ 9,717,354**	**$ 9,717,354**	**$ (946,500)**	**$ 8,770,,854**

Pension/Debt Reserve Fund: Increase to Non-Personnel Expenditures from available fund balance of $4,685,854 for OPEB expenditures and for debt service payments from the Bond Call Reserve Fund.

Trunk Sewer Capital Reserve: Increase to Non-Personnel Expenditures for CIP Project# SWR0321 (RIDA Bayfront Sewer Improvements) of $3,335,000 partially offset by estimated revenues of $340,000 from the Public Facilities DIF Fund.

State Grants: Increase to Non-Personnel Expenditures of $465,000 partially offset from available fund balance of $395,000 and estimated revenues of $70,000 for grants in the Economic Development and Police Departments.

Parking Meter: Increase to Non-Personnel Expenditures from fund balance for CIP Project # GGV0280 (Third Ave Parking Elevator Mod).

Public Facilities DIF: Increase to Non-Personnel Expenditures by $340,000 in the Other Expenses category from available fund balance for interfund loan interest expense.

Other Grants: Increase to Non-Personnel Expenditures of $57,500 partially offset with increased estimated revenues of $52,500.

Capital Improvement Projects: Increase to Non-Personnel Expenditures of $351,368 for CIP Project# GGV0279 (Norman Park Senior Ctr Elevator Mod) and CTY0246 (Water Damage at Fire Station #12) fully offset by an increase to estimated revenues.

Equipment Vehicle Replacement: Increase to Non-Personnel Expenditures of $100,000 fully offset by estimated revenues for vehicle replacement purchases.

Donations: Increase to Non-Personnel Expenditures and estimated revenues of $32,632 for donations received from LiveNation.

Capital Improvement Project Adjustments

The recommended adjustments for the Capital Improvement Project expenditure budgets are included in the table below. The adjustments are offset by additional revenues or the available fund

balance of the respective funds.

Table 19			
Fund	**Project**	**CIP Project Expenditures**	**Total Expenditures**
Capital Improvement Projects	GGV0279 – Norman Park Senior Ctr Elevator Mod	$ 300,000	$ 300,000
Capital Improvement Projects	STM0408 – Pavement Rehabilitation Prog FY22	(300,000)	(300,000)
Capital Improvement Projects	STL0464 – F Street Promenade Phase 1	200,000	200,000
Capital Improvement Projects	DRN0214 – Install Full Capture Trash BMPs	100,000	100,000
Capital Improvement Projects	CTY0246 – Water Damage at Fire Station #2	51,368	51,368
Parking Meter	GGV0280 – Third Ave Parking Elevator Mod	350,000	350,000
Transportation Sales Tax	CTY0202 – CIP Advanced Planning	75,000	75,000
Transportation Sales Tax	CTY0242 – Water Damage at CC Library	(75,000)	(75,000)
Trunk Sewer Capital Reserve	SWR0321 - RIDA Bayfront Sewer Improvements	3,335,000	3,335,000
Total Amendments		**$ 4,036,368**	**$ 4,036,368**

CONCLUSION

The City takes great pride in being good stewards of taxpayer funds and providing transparent financial reporting. The Third Quarter Financial Report updates the preliminary fiscal year 2025-26 trajectory with year-to-date results. The financial outlook continues to remain cautious but stable, further details will be provided in the Fourth Quarter Financial Report.

APPENDICES

A. General Fund Net Impact
B. Other Funds Year-End Projections

APPENDIX A

General Fund Net Impact

The following table outlines the net impact of each department within the General Fund. Department generated revenues are broadly defined as those revenues generated by a given activity (e.g., grant revenues, charges for services, licenses, permits). General revenues, or "discretionary revenues," are broadly defined as those revenues that are generated not by any given activity, but by general or specific taxing authority such as property taxes and sales tax that are included in Non-Departmental and not assigned to a specific department.

Fiscal Year 2025-26 General Fund Net Impact			*in thousands*
Department	**Year-end Expenditures Projection**	**Year-end Revenue Projection**	**Net Impact**
City Council	$ 1,880.5	$ -	$ 1,880.5
Boards & Commissions	7.1	-	7.1
City Clerk	2,190.1	91.6	2,098.5
City Attorney	3,779.2	313.6	3,465.6
Administration	3,000.6	168.8	2,831.8
Information Technology	5,521.4	256.0	5,265.4
Human Resources	4,060.4	1,535.3	2,525.1
Finance	5,462.1	1,386.5	4,075.6
Animal Care Facility	3,947.9	1,227.2	2,720.7
Economic Development	1,792.8	1,382.7	410.1
Development Services	3,441.3	2,076.1	1,365.2
Engineering/Capital Projects	11,815.9	8,557.0	3,258.9
Police	65,824.5	7,007.6	58,816.8
Fire	42,059.1	6,735.3	35,323.8
Public Works	29,255.6	10,002.9	19,252.7
Parks and Recreation	7,053.0	4,699.0	2,354.0
Library	4,806.9	610.5	4,196.4
Total General Fund[1]	**$ 195,898.1**	**$ 46,050.0**	**$ 149,848.2**

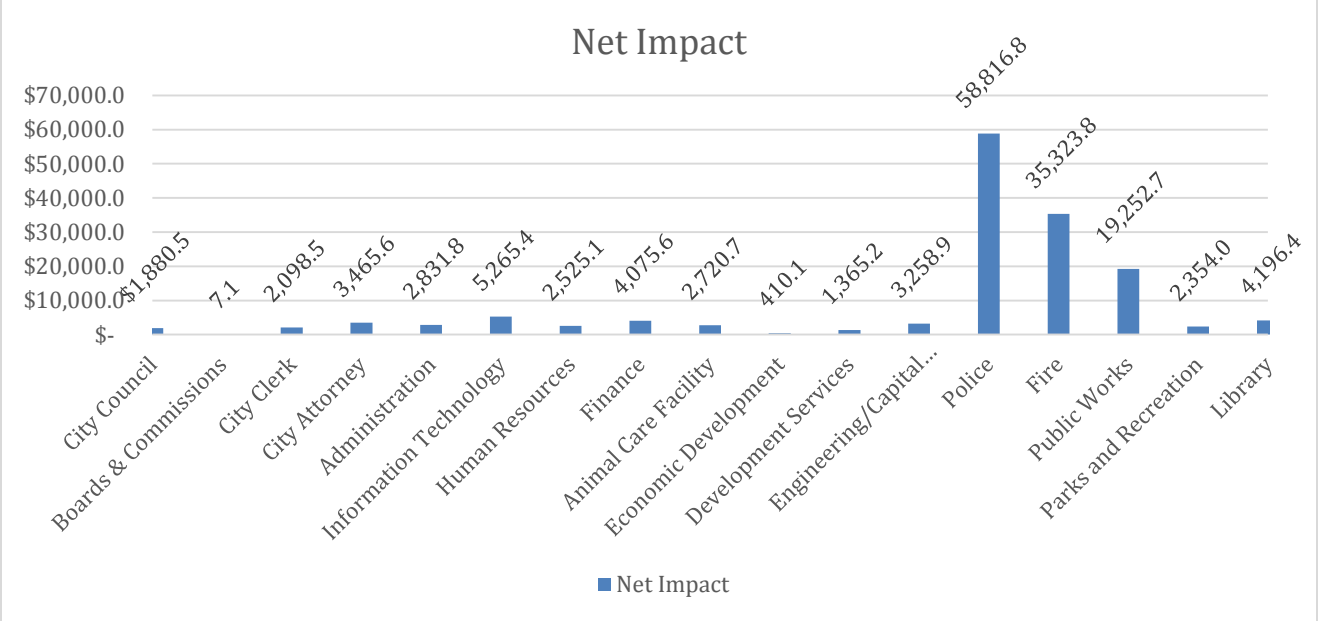
[1] Excludes Non-Departmental Department since activity is not directly related to any single department.

The chart below compares the projections as detailed in the report above to the net impact that was anticipated in the Adopted Budget.

Fiscal Year 2025-26 General Fund Net Impact				*in thousands*
Department	**Adopted Budget Net Impact**	**Year-end Projection Net Impact**	**Net Impact Variance**	
City Council	$ 1,862.2	$ 1,880.5	$ 18.3	
Boards & Commissions	2.1	7.1	5.0	
City Clerk	2,208.1	2,098.5	(109.6)	
City Attorney	3,490.8	3,465.6	(25.2)	
Administration	3,079.8	2,831.8	(248.0)	
Information Technology	4,874.9	5,265.4	390.5	
Human Resources	2,586.0	2,525.1	(60.9)	
Finance	4,579.3	4,075.6	(503.7)	
Animal Care Facility	2,917.2	2,720.7	(196.5)	
Economic Development	67.9	410.1	342.2	
Development Services	1,065.7	1,365.2	299.5	
Engineering/Capital Projects	2,967.7	3,258.9	291.2	
Police	59,963.9	58,816.8	(1,147.1)	
Fire	35,720.6	35,323.8	(396.8)	
Public Works	18,923.0	19,252.7	329.7	
Parks and Recreation	2,358.4	2,354.0	(4.4)	
Library	3,996.7	4,196.4	199.7	
Total General Fund[1]	**$ 150,664.3**	**$ 149,848.2**	**$ (816.1)**	

[1] Excludes Non-Departmental Department since activity is not directly related to any single department.

As you can see from the chart below, the majority of discretionary revenue is allocated to public safety services, with the Police Department expenditure at $58.8 million followed by the Fire Department at $35.3 million. The next highest portion is allocated to Public Works Department at $19.3 million.



APPENDIX B

Other Funds Year-End Projections

The following table outlines the year-end projection for other funds that provide support for significant operating activities throughout the City.

Fiscal Year 2025-26 Other Funds Year-End Projections

in millions

Other Funds	Revenue/Expense	Adopted Budget	Amended Budget	Year-end Projection	Variance
2018 Measure A Sales Tax	Revenue	30.9	30.9	32.1	1.2
	Expense	33.7	51.3	52.3	(0.9)
	Net Year-End Projection	**(2.7)**	**(20.4)**	**(20.2)**	**0.2**
Advanced Life Support Program	Revenue	3.0	3.0	3.3	0.3
	Expense	3.1	3.1	3.3	(0.2)
	Net Year-End Projection	**(0.1)**	**(0.1)**	**-**	**0.1**
Parking Meter	Revenue	1.1	1.1	1.0	(0.1)
	Expense	1.0	1.2	1.1	0.1
	Net Year-End Projection	**0.1**	**(0.1)**	**(0.1)**	**-**
Local Grants	Revenue	-	-	0.2	0.2
	Expense	2.5	2.7	2.4	0.3
	Net Year-End Projection	**(2.5)**	**(2.7)**	**(2.2)**	**0.5**
Federal Grants	Revenue	0.1	0.3	0.3	-
	Expense	0.1	0.3	0.3	-
	Net Year-End Projection	**-**	**-**	**-**	**-**
State Grants	Revenue	0.7	0.7	0.8	0.1
	Expense	0.7	0.8	0.7	0.1
	Net Year-End Projection	**-**	**(0.1)**	**0.1**	**0.2**
Environmental Services	Revenue	2.0	2.0	2.3	0.3
	Expense	3.1	3.1	2.7	0.4
	Net Year-End Projection	**(1.1)**	**(1.1)**	**(0.4)**	**0.7**
Chula Vista Housing Authority	Revenue	2.7	2.7	6.7	4.0
	Expense	2.6	8.2	7.2	1.0
	Net Year-End Projection	**0.2**	**(5.5)**	**(0.5)**	**5.0**
Central Garage Fund	Revenue	6.3	6.3	7.0	0.7
	Expense	6.3	6.4	7.0	(0.6)
	Net Year-End Projection	**-**	**(0.1)**	**-**	**0.1**
Development Services Fund	Revenue	13.2	13.1	9.1	(4.0)
	Expense	15.4	15.5	13.6	1.8
	Net Year-End Projection	**(2.2)**	**(2.4)**	**(4.5)**	**(2.2)**
Transport Enterprise	Revenue	21.3	21.3	22.6	1.4
	Expense	21.2	23.3	21.6	1.7
	Net Year-End Projection	**-**	**(2.0)**	**1.1**	**3.1**
Sewer Service Revenue	Revenue	47.6	47.6	47.7	0.1
	Expense	47.6	50.5	49.8	0.7
	Net Year-End Projection	**-**	**(2.9)**	**(2.1)**	**0.8**

General Fund Budget Amendment Transfers
Approved by Administration
Fiscal Year 2025-26 (as of March 31, 2026)

Attachment 2

Department	From	To	Reason	Amount
Administration	Personnel Services	Supplies & Services	Large Cities Executive Forum	$ 64,000
Administration	Personnel	Supplies & Services	Contracted Services	50,000
Administration	Personnel	Supplies & Services	Large Cities Executive Forum	20,000
Engineering	Personnel	Supplies & Services	Supplies & Services overages	74,762
Engineering	Supplies & Services	Supplies & Services	Supplies & Services object code transfers	19,100
Information Technology	Other Capital	Supplies & Services	Supplies & Services overages	75,000
Information Technology	Personnel Services	Supplies & Services	Interim Director contract extension	75,000
Information Technology	Other Capital/Personnel	Supplies & Services	Supplies & Services overages	42,890
Library	Personnel	Supplies & Services	Security services contract	75,000
Library	Personnel	Supplies & Services	Supplies & Services overages	50,000
Library	Supplies & Services	Personnel	Reverse transfer	50,000
Library	Supplies & Services	Utilities	Utilities overages	39,904
Library	Supplies & Services	Other Expenses	Credit card expenses	1,400
Public Works	Supplies & Services	Supplies & Services/Other Expenses	Reallocation of supplies funds between divisions category	71,740
Public Works	Personnel	Other Expenses	Emergency repairs for monument wall	70,000
Public Works	Supplies & Services	Other Capital	Bobcat equipment	24,528
Public Works	Supplies & Services	Other Capital	Transfer for trailer	15,100
Public Works	Personnel	Other Expenses	Emergency repairs to 3rd Ave Bollards	12,460
			Total General Fund Budget Transfers	**$ 830,884**

General Fund Budget Amendments
Fiscal Year 2025-26 (as of March 31, 2026)

Attachment 3

Resolution	Date	Budget Amendments	Department	Revenue	Expenditure	Net Impact
2025-114	7/8/2025	Position Restructure - Classification and Comp Schedule Updates	Engineering	$ -	$ 189,737	$ (189,737)
			Public Works	-	(189,737)	189,737
2025-146	9/9/2025	Position Restructure - Classification and Comp Schedule Updates	Engineering	(614,284)	(266,308)	(347,976)
			Public Works	614,284	266,308	347,976
			Non Departmental	-	(75,651)	75,651
			Economic Development	-	75,651	(75,651)
2025-205	12/2/2025	Position Restructure - Classification and Comp Schedule Updates	City Council	-	(94,728)	94,728
			City Council	-	94,728	(94,728)
			City Clerk	-	64,459	(64,459)
			Non-Departmental	-	(64,459)	64,459
2025-206	12/2/2025	First Quarter Amendments	City Council	-	14,640	(14,640)
			Information Technology	-	(94,380)	94,380
			Information Technology	-	121,094	(121,094)
			Non Departmental	-	(3,036,741)	3,036,741
			Non Departmental	-	2,995,387	(2,995,387)
			Economic Development	1,070,160	1,070,160	-
2026-047	3/17/2026	Second Quarter Amendments	Boards & Commissions	-	5,000	(5,000)
			City Clerk	-	17,885	(17,885)
			Development Services	-	142,633	(142,633)
			Fire	1,297,696	1,297,696	-
			Information Technology	-	231,220	(231,220)
			Library	-	80,000	(80,000)
			Non-Departmental	250,000	(476,738)	726,738
			Parks and Recreation	325,000	325,000	-
			Police	118,000	118,000	-
			Public Works	113,000	363,000	(250,000)
			Total General Fund Budget Amendments	**$ 3,173,856**	**$ 3,173,856**	**$ -**

EXHIBIT 1

GENERAL FUND BUDGET AMENDMENTS SUMMARY – 3rd QUARTER FISCAL YEAR 2025-26

DEPARTMENT	PERSONNEL SERVICES	SUPPLIES & SERVICES	OTHER EXPENSES	OTHER CAPITAL	UTILITIES	TRANSFERS OUT	NON-CIP EXPENDITURES	TOTAL EXPENDITURES	TOTAL REVENUE	NET IMPACT
GENERAL FUND										
Public Works	-	(300,000)	-	-	-	300,000	-	-	-	-
TOTAL GENERAL FUND	**$ -**	**$ (300,000)**	**$ -**	**$ -**	**$ -**	**$ 300,000**	**$ -**	**$ -**	**$ -**	**$ -**

OTHER FUNDS BUDGET AMENDMENTS SUMMARY – 3rd QUARTER FISCAL YEAR 2025-26

	PERSONNEL SERVICES	SUPPLIES & SERVICES	OTHER EXPENSES	OTHER CAPITAL	CIP BUDGET	TRANSFERS OUT	NON-CIP BUDGET	TOTAL EXPENDITURES	TOTAL REVENUE	NET IMPACT
OTHER FUNDS										
Pension/Debt Reserve	$ -	$ -	$ -	$ -	$ -	$ 4,685,854	$ -	$ 4,685,854	$ -	$ 4,685,854
Trunk Sewer Capital Reserve	-	-	-	-	3,335,000	-	-	3,335,000	(340,000)	2,995,000
State Grants	-	70,000	-	395,000	-	-	-	465,000	(70,000)	395,000
Parking Meter	-	-	-	-	350,000	-	-	350,000	-	350,000
Public Facilities DIF	-	-	340,000	-	-	-	-	340,000	-	340,000
Other Grants	-	5,000	52,500	-	-	-	-	57,500	(52,500)	5,000
Capital Improvement Projects	-	-	-	-	300,000	-	51,368	351,368	(351,368)	-
Equipment Vehicle Replacement	-	-	-	100,000	-	-	-	100,000	(100,000)	-
Donations	-	-	32,632	-	-	-	-	36,632	(32,632)	-
TOTAL OTHER FUNDS	**$ -**	**$ 75,000**	**$ 425,132**	**$495,000**	**$ 3,985,000**	**$4,685,854**	**$ 51,368**	**$ 9,717,354**	**$ (946,500)**	**$8,770,854**