

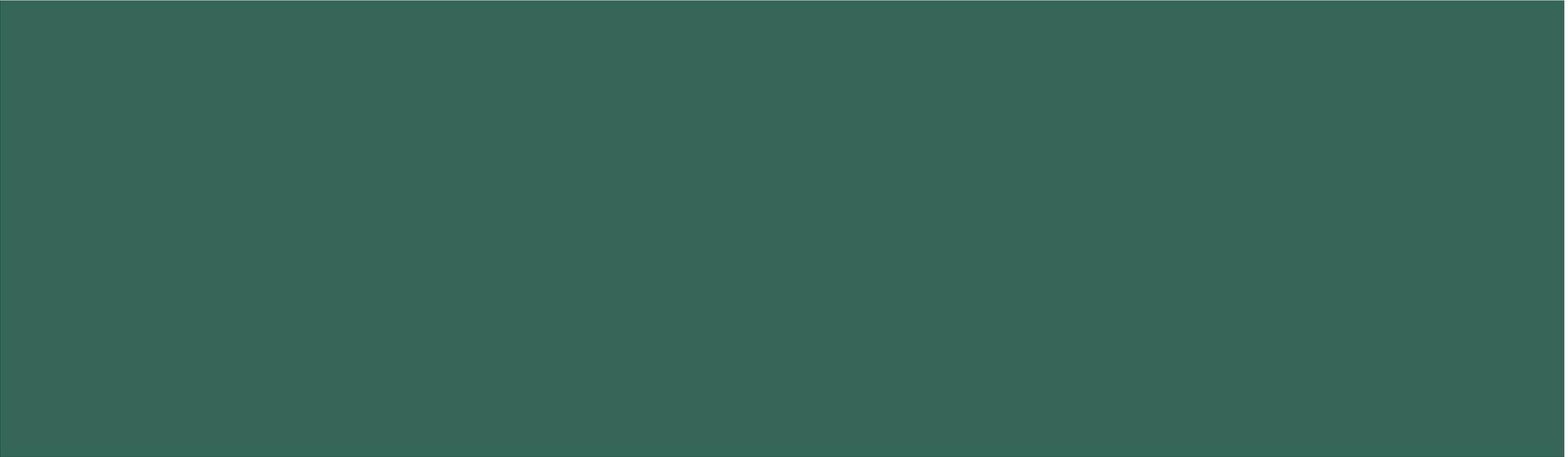


**CITY LEMON GROVE**



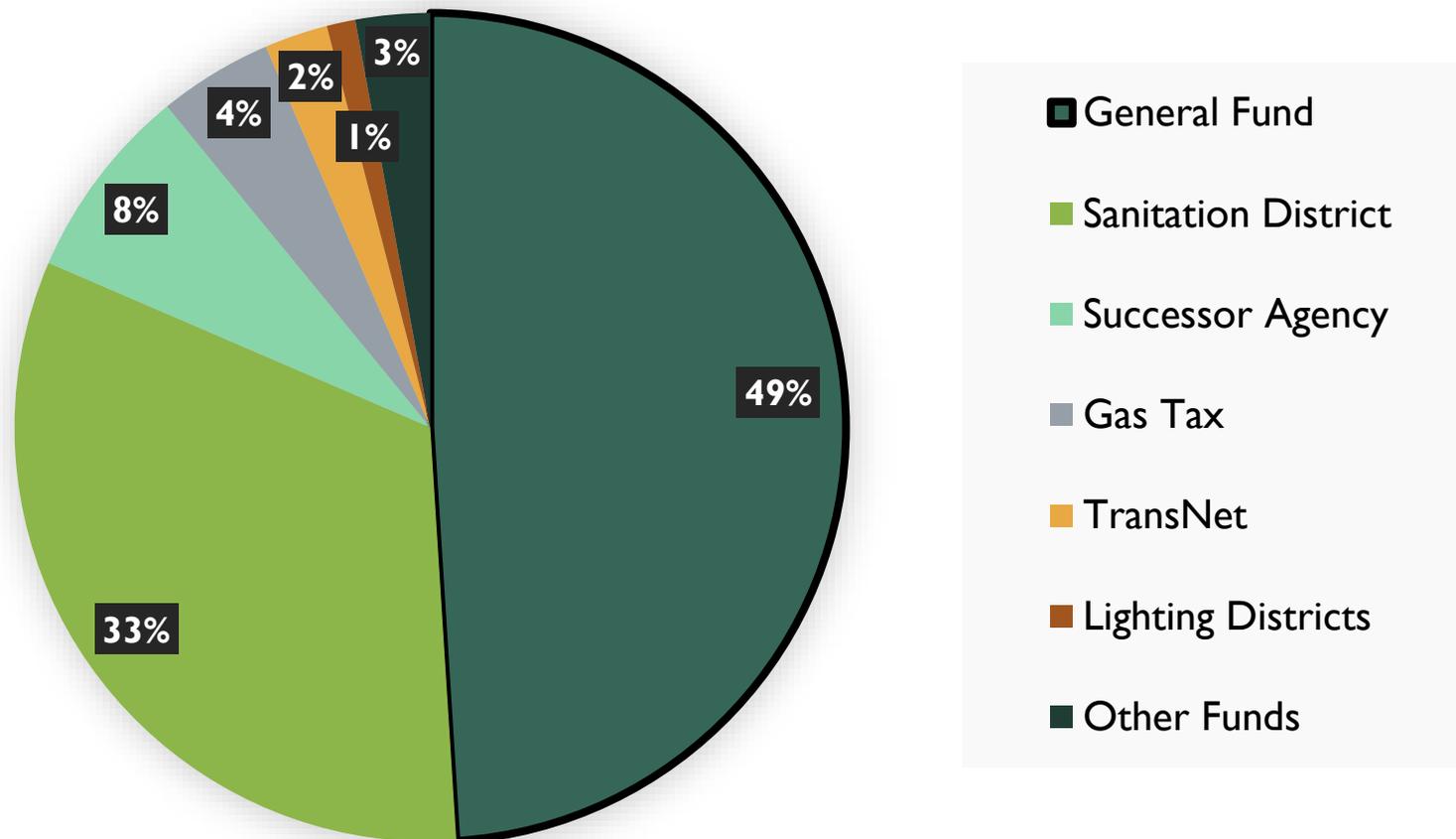
# LEMON GROVE GENERAL FUND BUDGET FINANCIAL OVERVIEW

FEBRUARY 2020

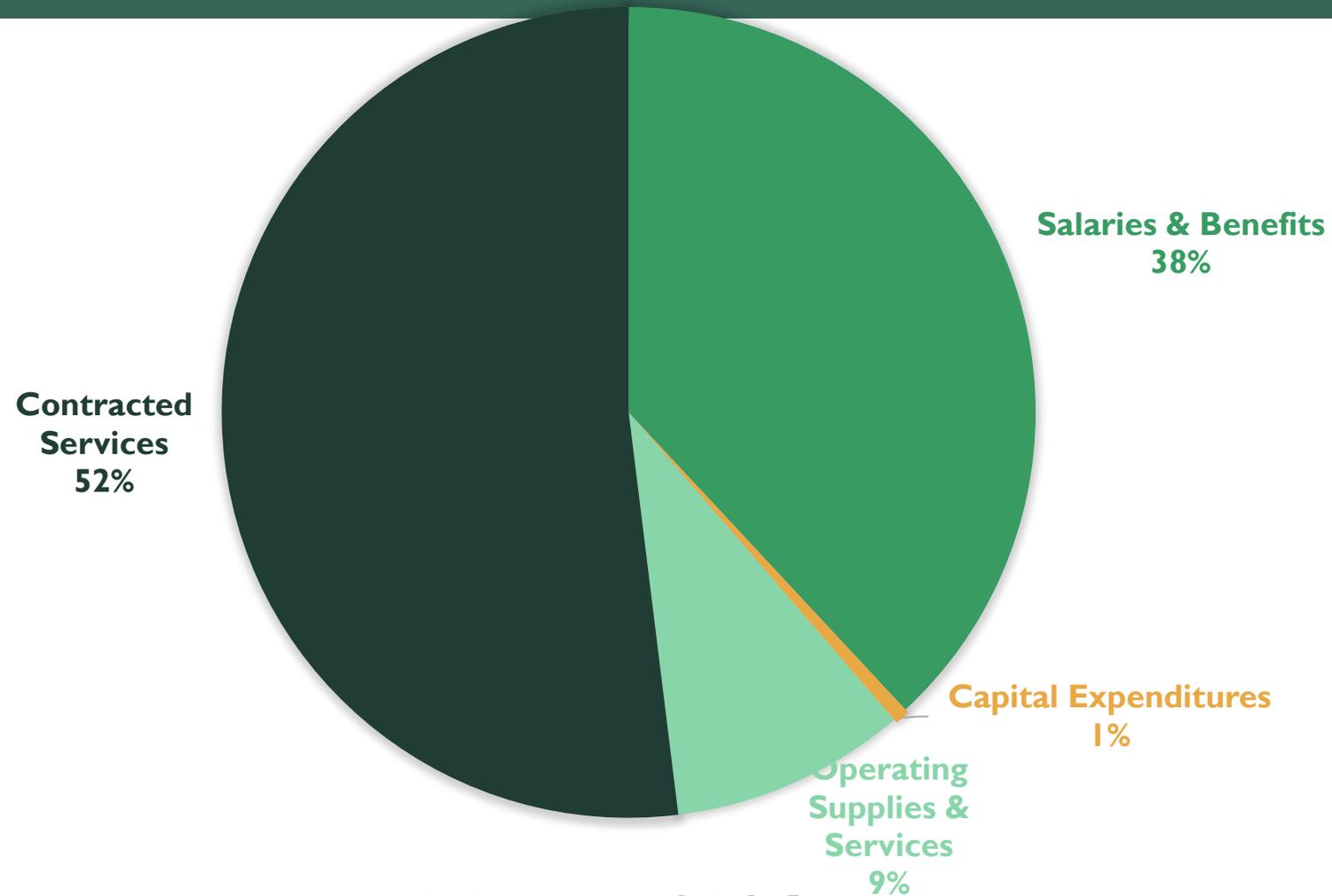


# FINANCIAL OVERVIEW

## FY 19/20 Consolidated Budget - \$32.8M



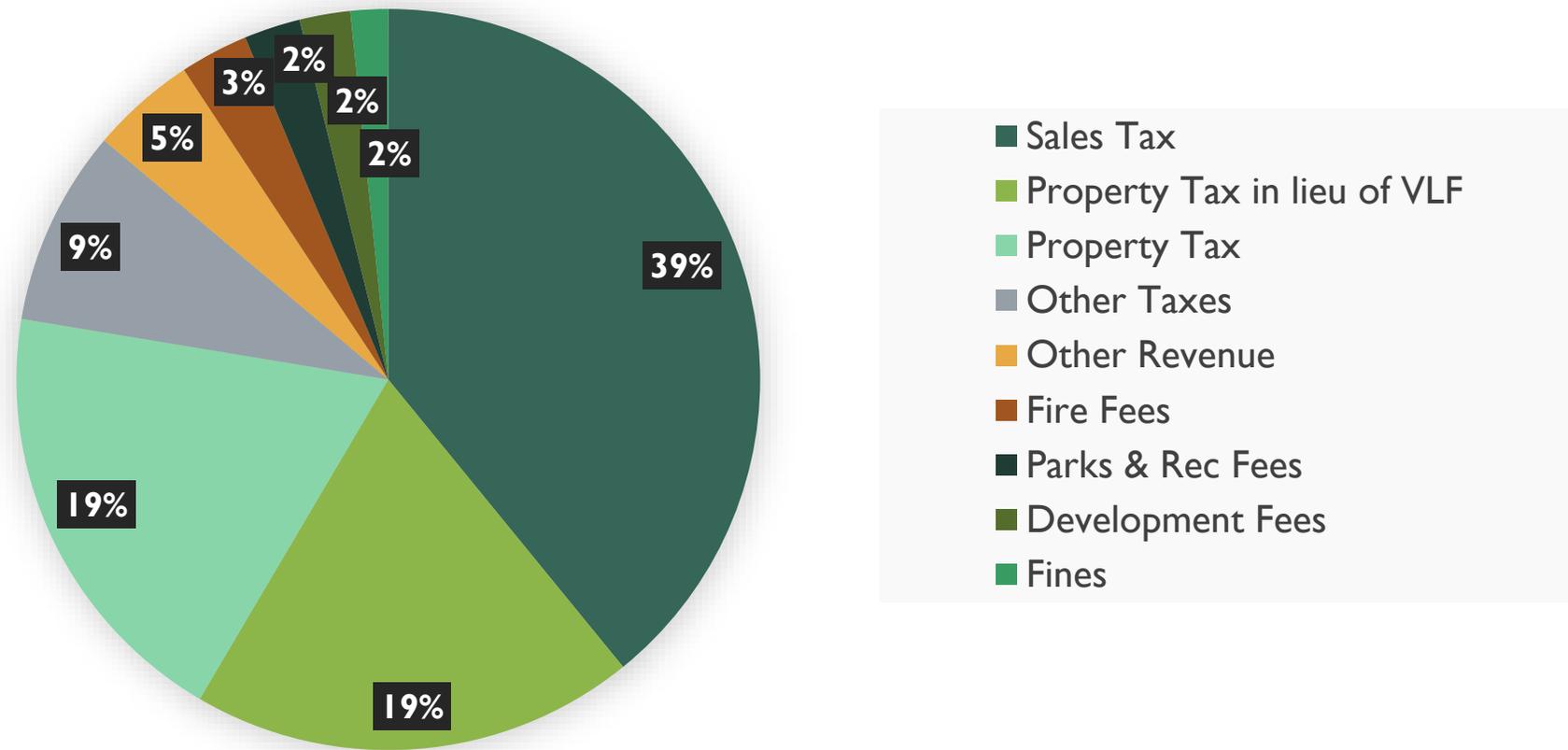
# GENERAL FUND EXPENDITURES



**Total Budget: \$14.6M**

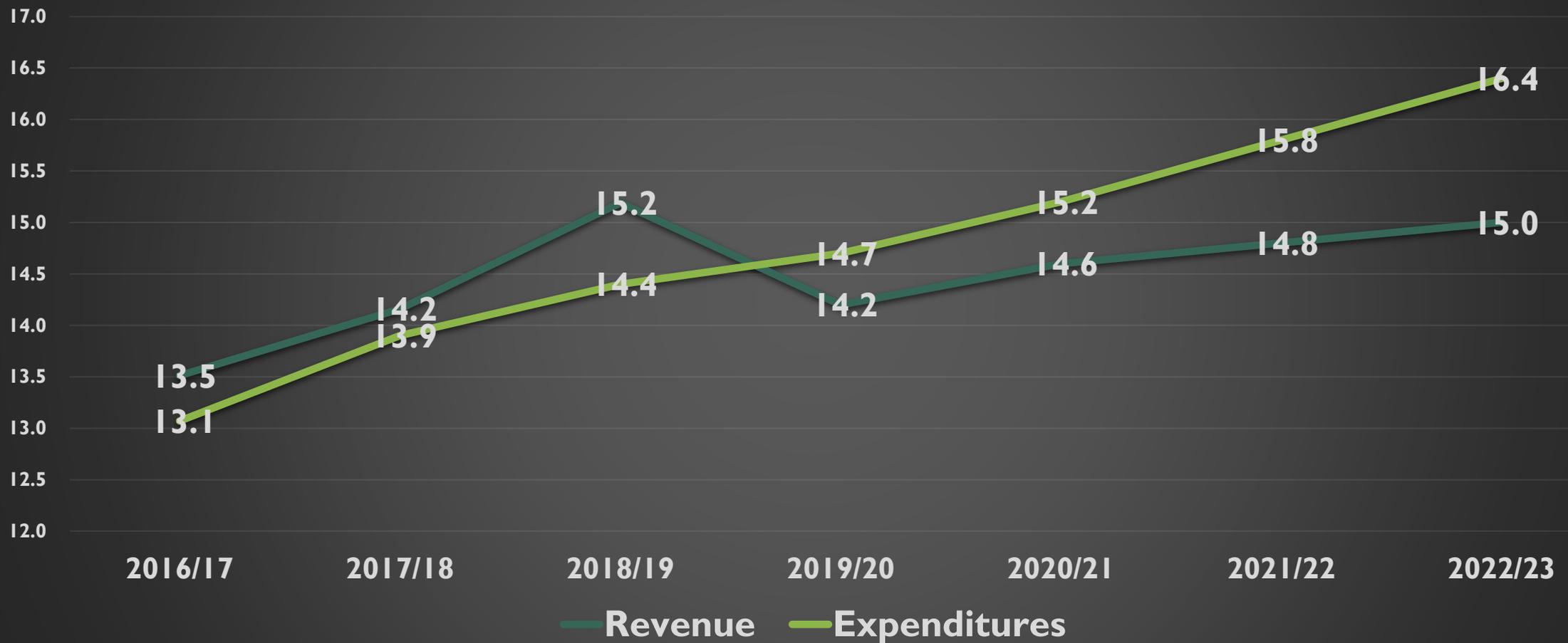
# FINANCIAL OVERVIEW - REVENUE

## FY19/20 General Fund Revenue by Source



# FINANCIAL OVERVIEW

## General Fund Revenue v Expenditure Projection in Millions



# FINANCIAL OVERVIEW

## **Why the growing disparity between General Fund revenue & expenditures?**

- Revenue growing about 2% per year
- Expenditures growing 4% per year

## **Structural deficit**

- FY 2019/20 General Fund adopted budget has deficit of \$500,000
- When expenditures are greater than revenues over a period of time regardless of the economy
- Projection on graph assumes a strong economy for the next five years
- Deficit will be much larger if there is a recession

# FINANCIAL OVERVIEW - REVENUE

## Why is revenue growth limited?

### Sales Tax – 39% of revenue

- Subject to volatility of market conditions
- 86% based on point-of-sale activity within City businesses
  - Local businesses do not have never-ending growth capacity
- Professional Sales Tax consultants (HdL) provide in-depth projections
  - Between FY18/19 to FY19/20 estimate decrease of 6%

# FINANCIAL OVERVIEW - REVENUE

## Why is revenue growth limited?

### Property Tax – 19% of revenue

- Prop 13 – caps assessed taxable value at 2% growth per year and caps tax bill at 1% of assessed value
- Of the 1% of property value paid in taxes, the City receives about 12%

## HOW YOUR PROPERTY TAX DOLLAR IS DIVIDED



# FINANCIAL OVERVIEW - REVENUE

## Why is revenue growth limited?

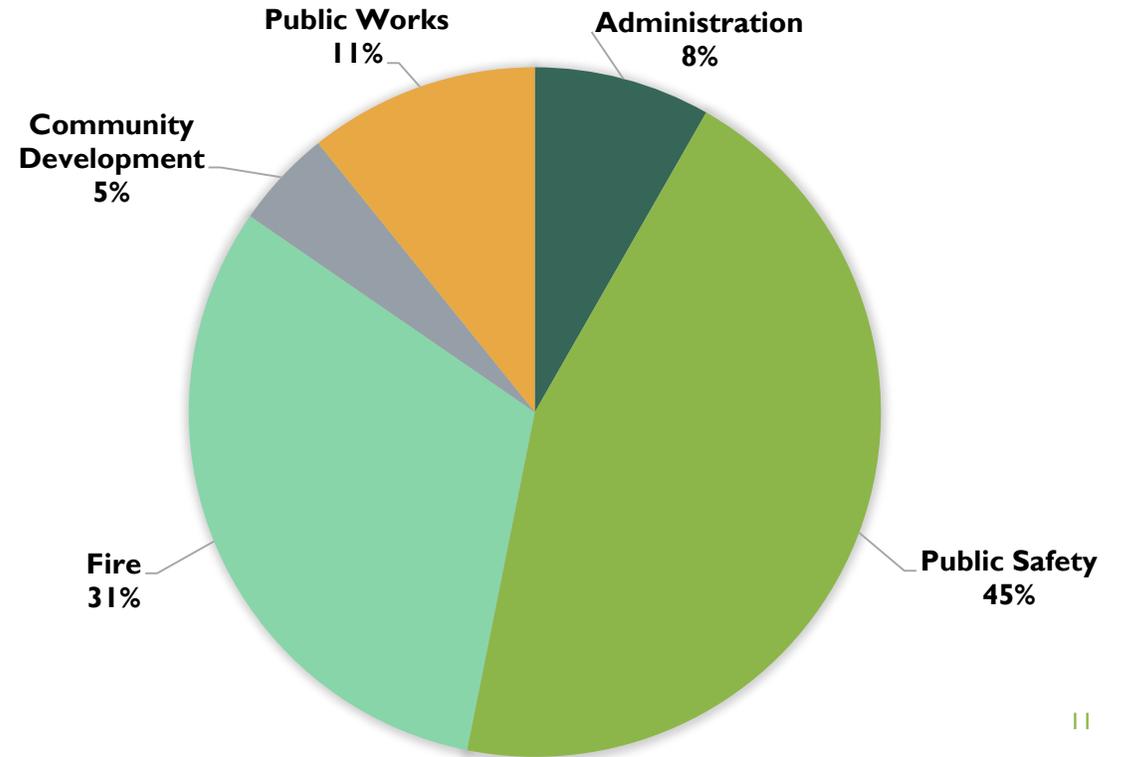
### Property Tax – 19% of revenue

- 1978 Prop 8 – triggers automatic reduction in taxable property values when the real estate market declines
- In 2009, about 20% of LG parcels were adjusted, with 8% of parcels still remaining at taxable values lower than pre-recession values
- Going in the right direction, but growth is slow. In FY18/19, median sale price for single family residential surpassed the peak price before the recession

# FINANCIAL OVERVIEW - EXPENDITURES

Department	FY 19/20 Budget	% of Total
Administration	\$1,210,485	8%
Public Safety	\$6,590,770	45%
Fire	\$4,621,524	31%
Community Development	\$676,876	5%
Public Works	\$1,580,741	11%
<b>Total Expenditures</b>	<b>\$14,680,396</b>	<b>100%</b>

## GENERAL FUND BY DEPARTMENT



# FINANCIAL OVERVIEW - EXPENDITURES

## **What are the main drivers of the 4% average expenditure growth?**

- San Diego Sheriff Contract Annual Increases
- Inflation
  - 2018 CPI was 3.7% for the San Diego region according to the Bureau of Labor Statistics (BLS)
  - Impacts cost of supplies and contractor agreements

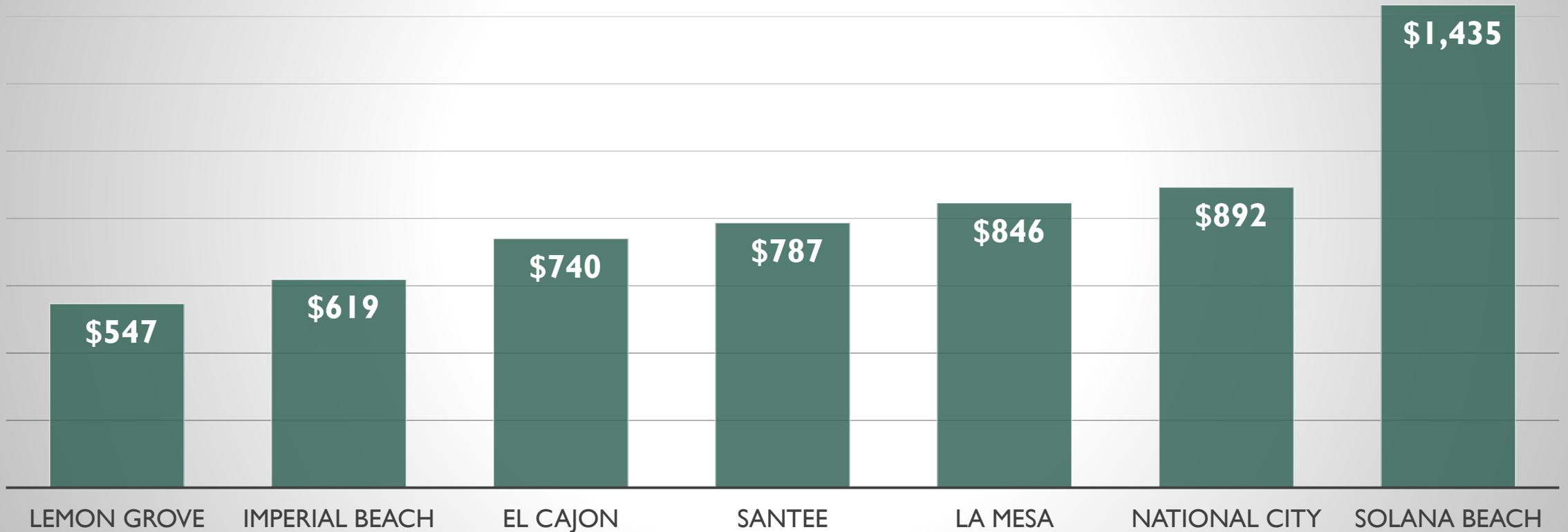
# HOW DID WE GET HERE?

- It certainly did not happen overnight.



# FINANCIAL OVERVIEW - BENCHMARKING

FY19/20 General Fund Expenditures per Capita



# FINANCIAL OVERVIEW

## General Fund FY19/20 Budget Unfunded Needs:

- Fire Engine - \$450-750k
- Fire Station Generator - \$35k
- Fire Prevention Vehicle - \$15k
- SCBA Compressor - \$50k
- Community Center Roof - \$44k
- Tree Maintenance - \$275k
- Public Works Truck Replacement - \$30k
- Code Enforcement Vehicle - \$25k
- ADA Facility Improvements - \$2.3M
- IT Equipment Replacement - \$15k
- Total Unfunded Needs: \$3.5 million

- Deferring investment in capital replacement is not a long-term solution

# FINANCIAL OVERVIEW

## General Fund Reserves

- Reserve policy: 25% or more of General Fund adopted operating budget
- Have balance to pay for \$500,000 FY19/20 deficit
- Not long-term solution to the General Fund structural deficit

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Annual Bottom Line</b>	\$440,969	\$178,881	\$804,924	(\$500,000)	(\$575,720)	(\$991,217)	(\$1,452,364)
<b>Ending Fund Balance</b>	\$5,297,118	\$5,475,999	\$6,280,923	\$5,780,923	\$5,205,203	\$4,213,986	\$2,761,622
<b>Reserves as % of GF Exp</b>	41%	39%	44%	39%	34%	27%	<b>17%</b>

# FINANCIAL OVERVIEW - SUMMARY

- Lemon Grove provides basic local government services for the lowest cost per capita in the area
- Structural deficit will grow over time due to imbalance between revenue & expenditure growth rates
- Deferring investment in capital replacement is not a long-term solution
- Using reserves is only an option for two more fiscal years
  
- Next up, departmental review



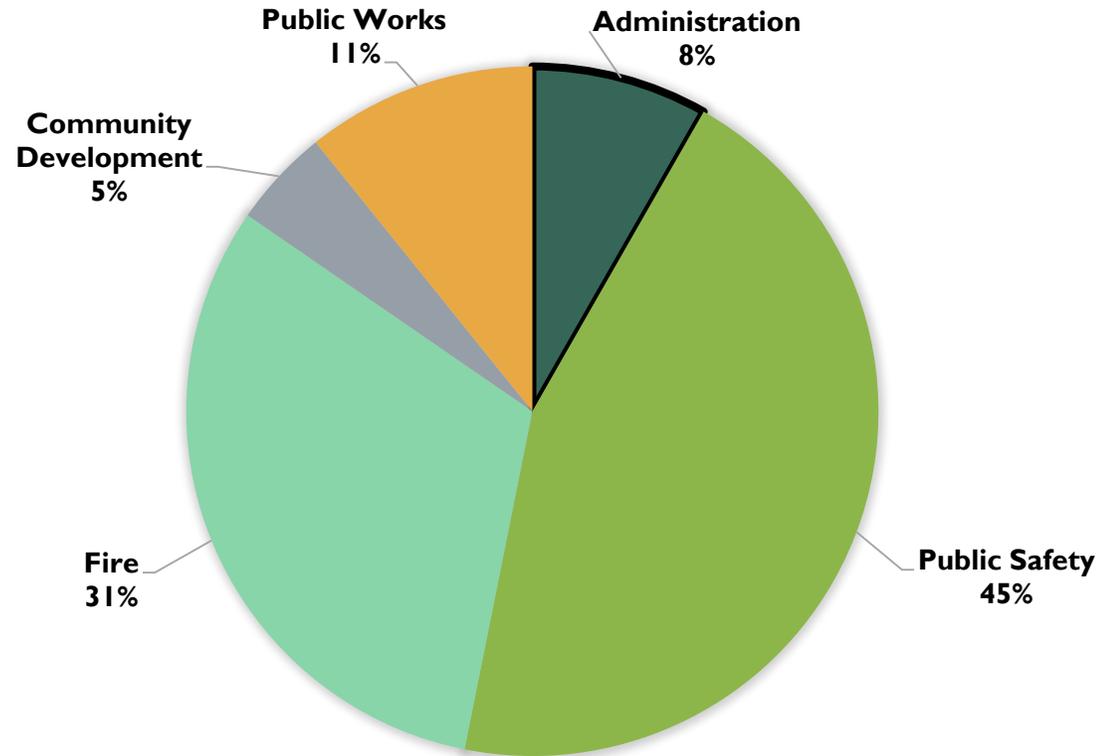
# DEPARTMENT REVIEW



# ADMINISTRATION

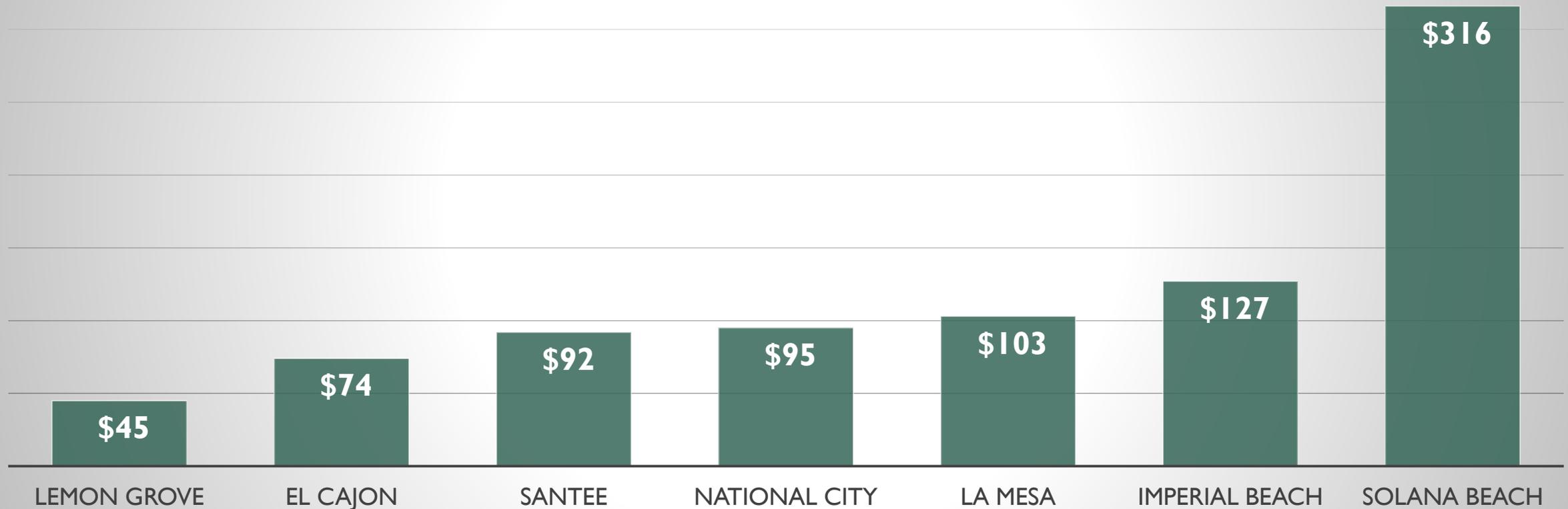
- Administration includes:
  - City Council
  - City Manager
  - City Clerk
  - Human Resources
  - Finance
  - City Attorney
  - Non-departmental
  - 8 FT and 7 PT Employees

## GENERAL FUND BY DEPARTMENT



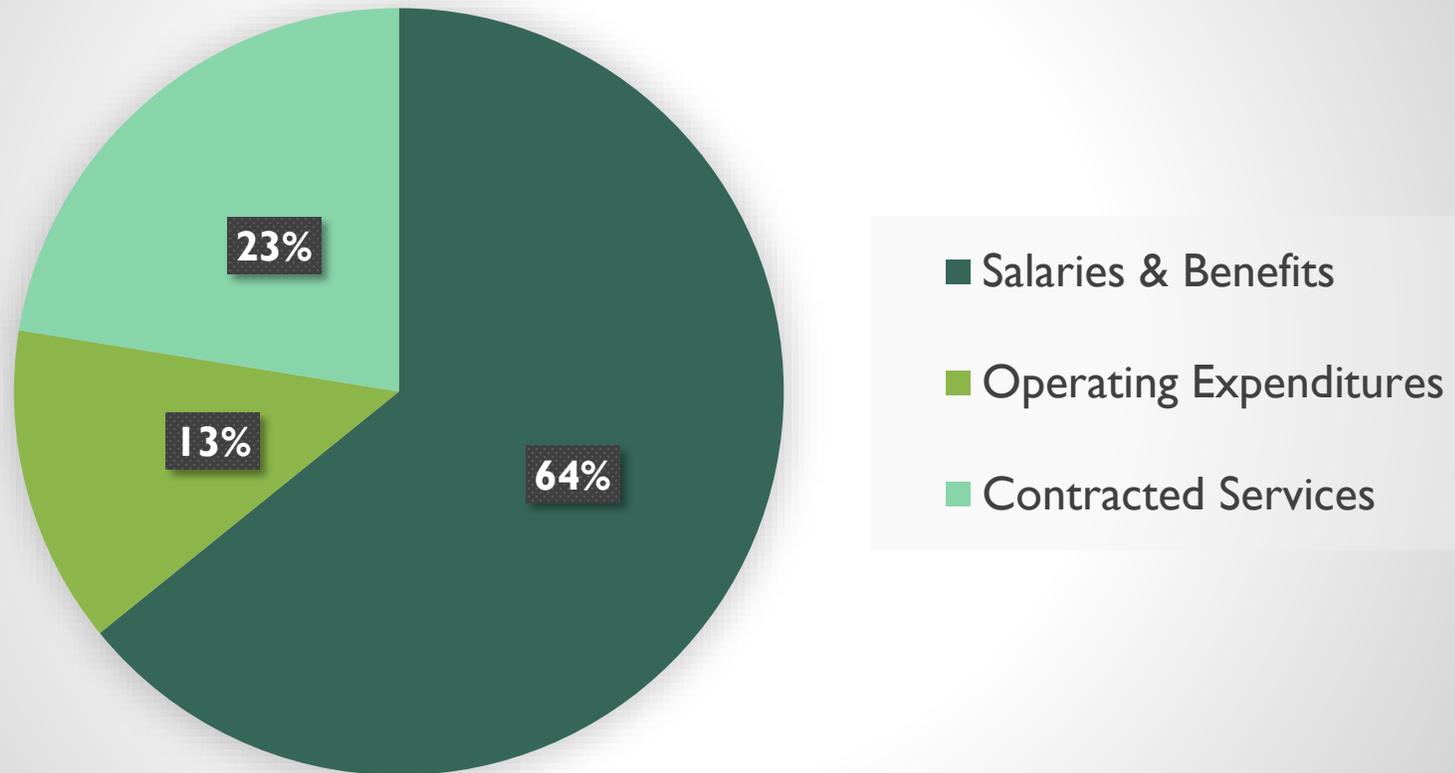
# ADMINISTRATION - BENCHMARKING

FY 19/20 Admin Expenditures per Capita



# ADMINISTRATION

## FY 19/20 Administrative Budget





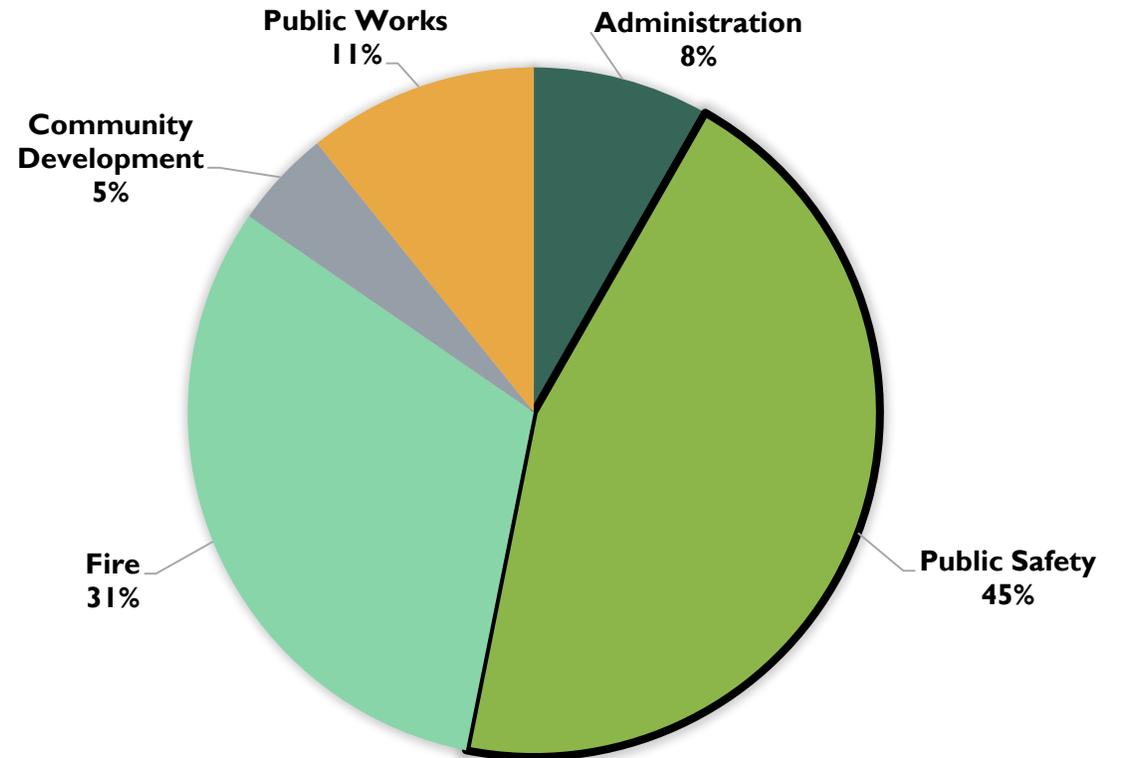
# PUBLIC SAFETY



# PUBLIC SAFETY

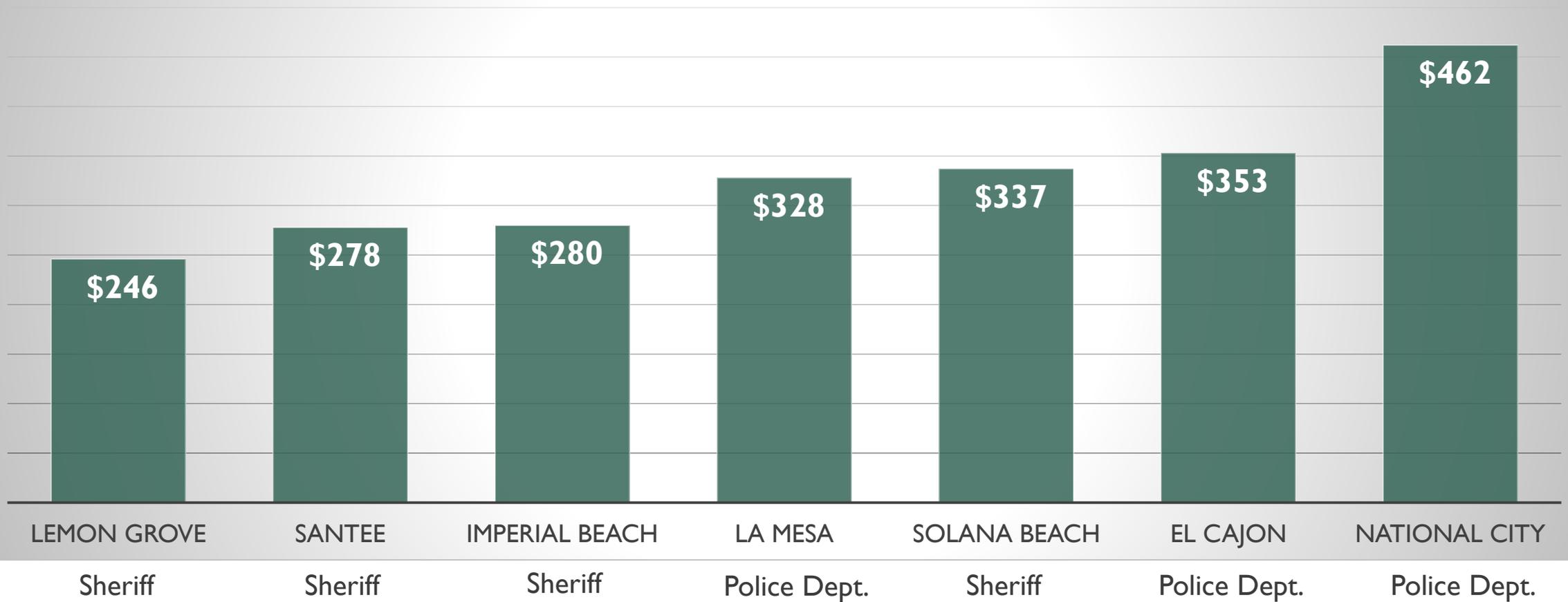
## GENERAL FUND BY DEPARTMENT

- Includes:
  - Animal Control with Chula Vista
  - Law Enforcement with SD Sheriffs
  - LG Sheriff Substation



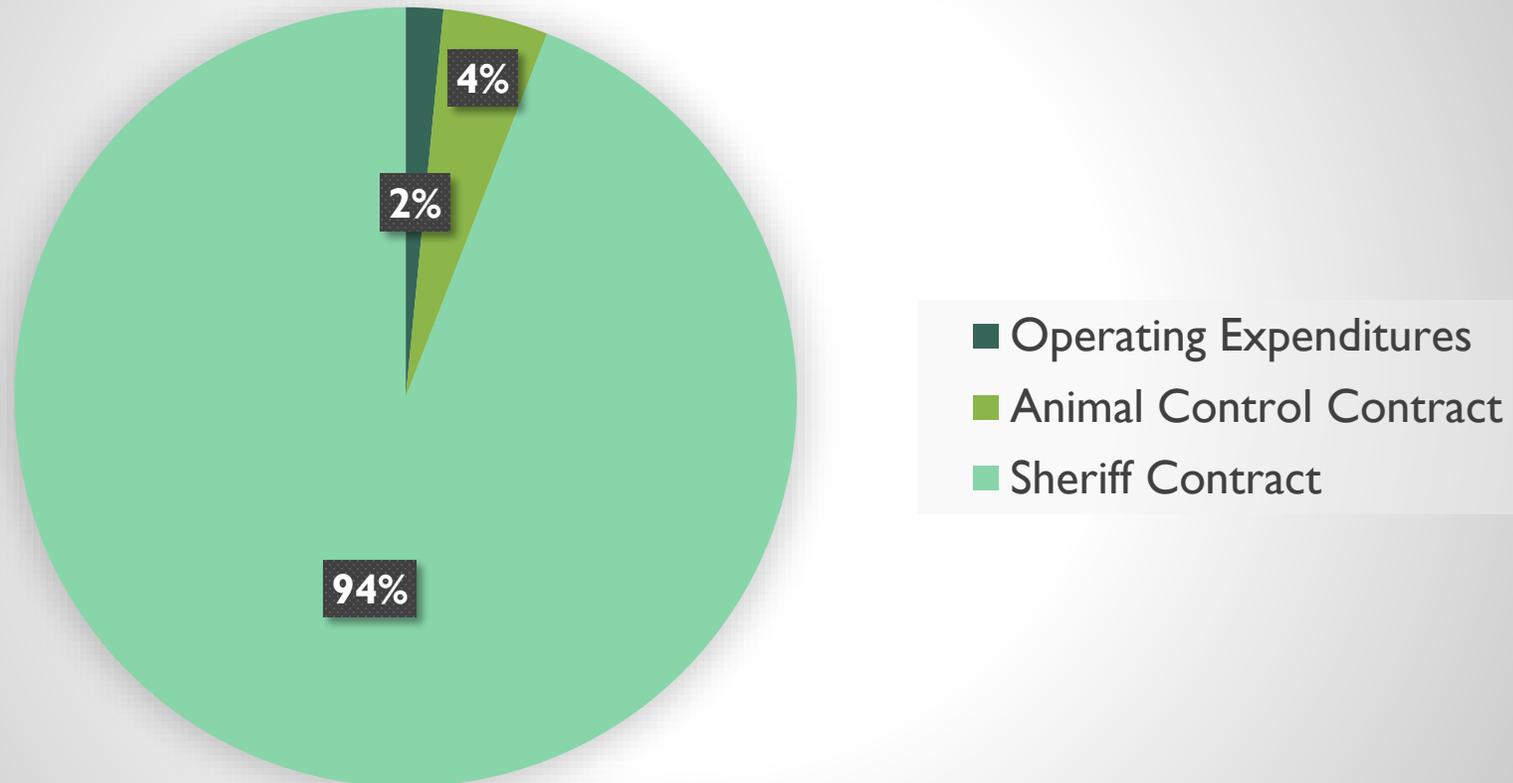
# PUBLIC SAFETY - BENCHMARKING

FY19/20 Public Safety Expenditures per Capita



# PUBLIC SAFETY

## FY 19/20 Public Safety Budget



# PUBLIC SAFETY – SHERIFF CONTRACT

## Key Contract Provisions

- Term: July 1, 2017- June 30, 2022
- By May 1 each year, have to notify level of law enforcement services for next FY
- Min staffing:
  - 24-hour patrol unit
  - 8.5 hour, 7 days/week traffic unit
- Indemnity from claims for City

## Price

- FY17/18 = \$5,546,604 (6%)
- FY18/19 = \$5,879,400 (6%)
- FY19/20 = \$6,202,767 (5.5%)
- FY20/21 = \$6,512,905 (5%)
- FY21/22 = \$6,805,986 (4.5%)

# PUBLIC SAFETY – SHERIFF CONTRACT

## Current Authorized Contracted Positions

- 1 Lieutenant
- 2 Sergeants (1 patrol, 1 traffic)
- 13 Patrol Deputies
- 3 Traffic Deputies
- 2 Detectives
- 1 Community Service Officer (CSO)
- 1 Senior Office Assistant
- 2 Office Assistants
- 1 Property & Evidence Specialist

Position	Average Activity Level
Patrol Deputy	75 calls/month
Traffic Deputy	36 calls/month
Detective	63 cases/month



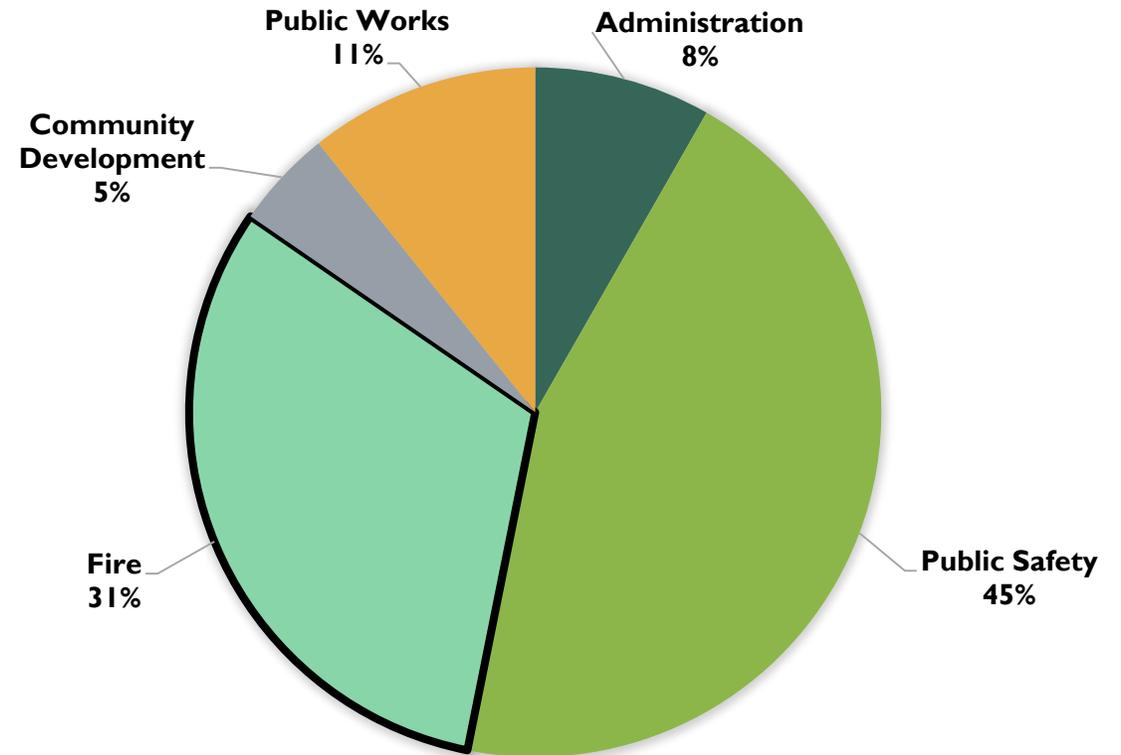
# FIRE



# FIRE

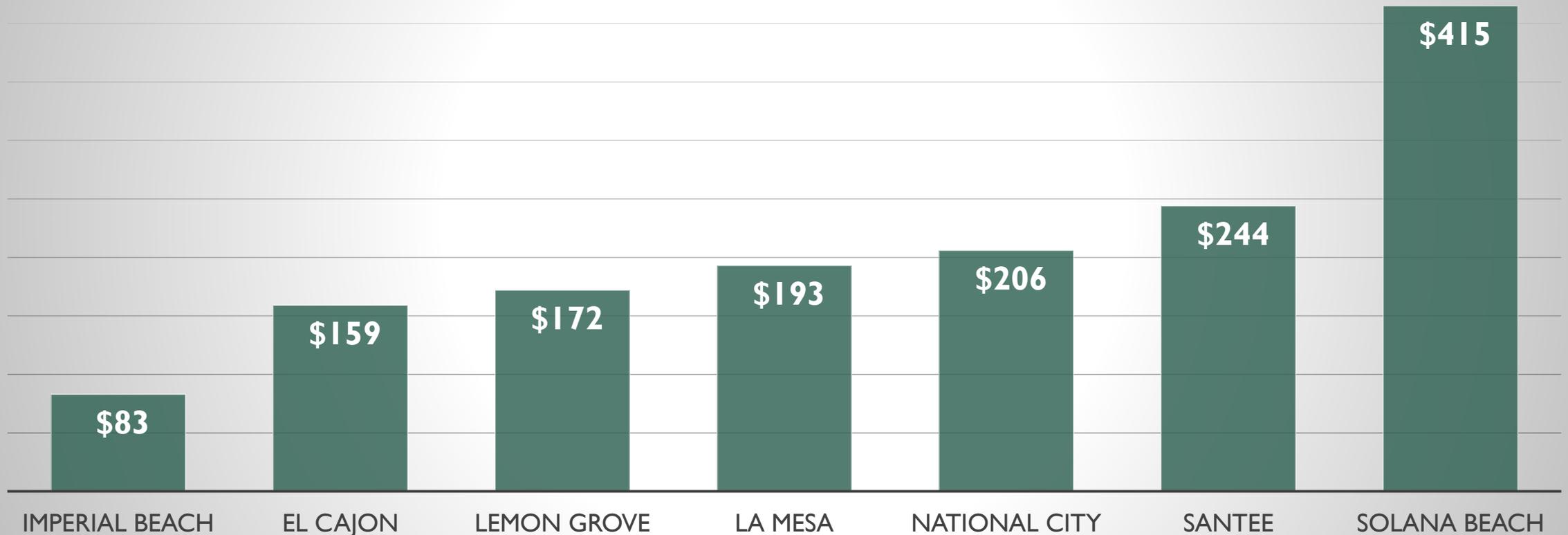
## GENERAL FUND BY DEPARTMENT

- Includes:
  - 20 FT and One PT Staff
  - One LG fire station
  - Heartland JPA Participation



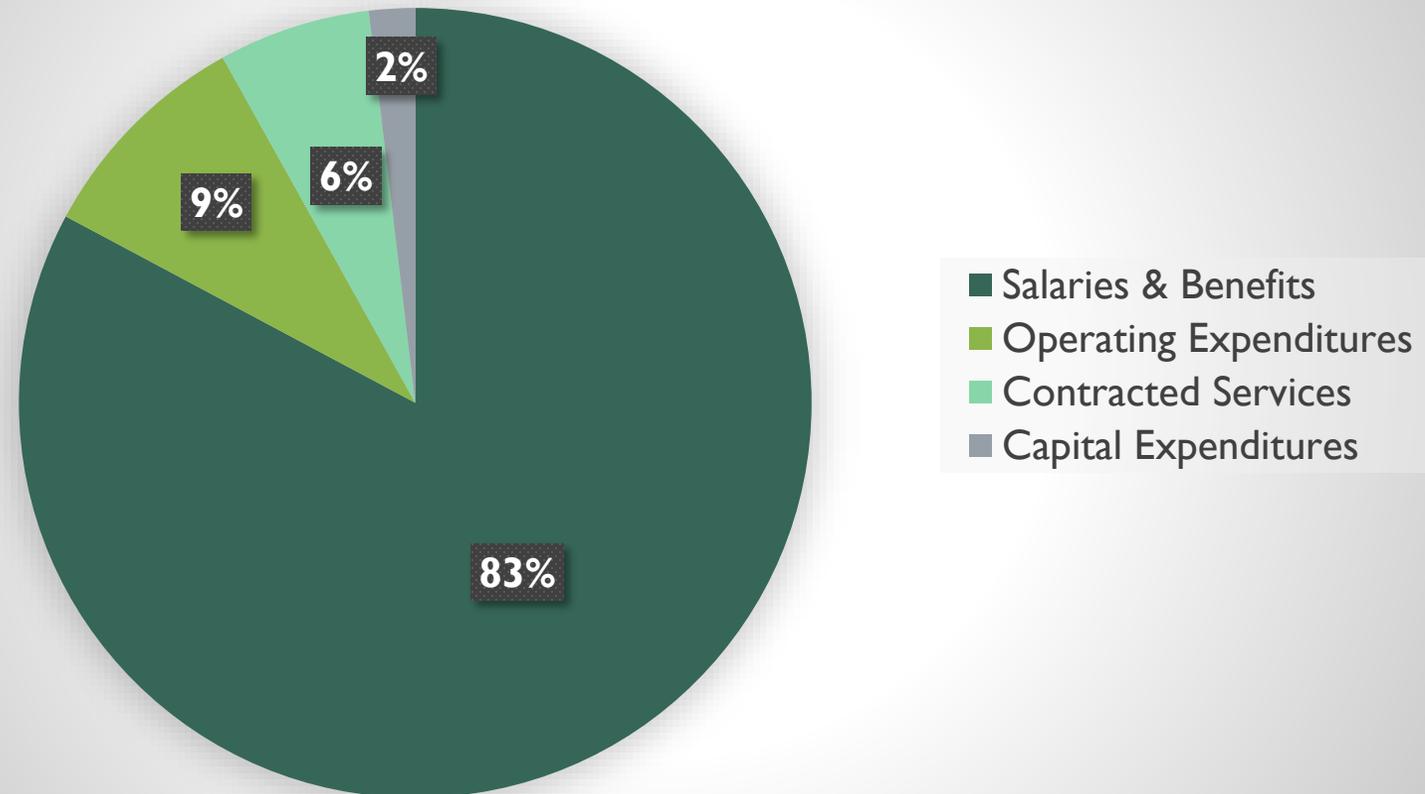
# FIRE - BENCHMARKING

**FY19/20 Fire Expenditures per Capita**



# FIRE

## FY 19/20 Fire Department Budget



# FIRE - BACKGROUND

## Heartland Fire & Rescue JPA Structure

- In 2010, the JPA was formed to serve the communities of Lemon Grove, La Mesa, & El Cajon
- To share in cost savings, the three Cities agreed on a formula to split the personnel expenses of the organization's management level and administrative employees
- Lemon Grove currently pays 14.38% of those overhead personnel expenditures
- Our 14.38% includes direct employment of the LG Battalion Chief & one PT admin
- In addition, we reimburse La Mesa or El Cajon to bring our portion of the overhead up to the 14.38%
  - This portion pays for the Heartland Fire Chief, Division Chiefs, Fire Marshall, Emergency Planning and additional administrative support

# FIRE – DEFERRED CAPITAL REPLACEMENTS

The FY 19/20 budget does not include saving for capital items that will no longer be usable in the near future. When these items break, the sizable replacement costs will have to come from fund balance.

## **Fire Apparatus & Vehicles**

- Current reserve fire engine is 22 years old. Replacement = \$450,000-\$750,000
- Fire Prevention vehicle is a 2004 with 96,000 miles. Replacement = \$15,000

# FIRE – DEFERRED CAPITAL REPLACEMENTS

The FY 19/20 budget does not include saving for capital items that will no longer be usable in the near future. When these items break, the sizable replacement costs will have to come from fund balance.

## **Gear & Equipment**

- Twelve self-contained breathing apparatus (SCBAs) are at least 13 years old. When they become 15 years old, Federal law mandates replacement. Replacement = \$65,000.
- Air compressor used to fill air bottles is original to station (1988). Due for rebuild at \$15,000. Replacement = \$50,000
- Station/EOC generator original to building (1988). Replacement = \$35,000



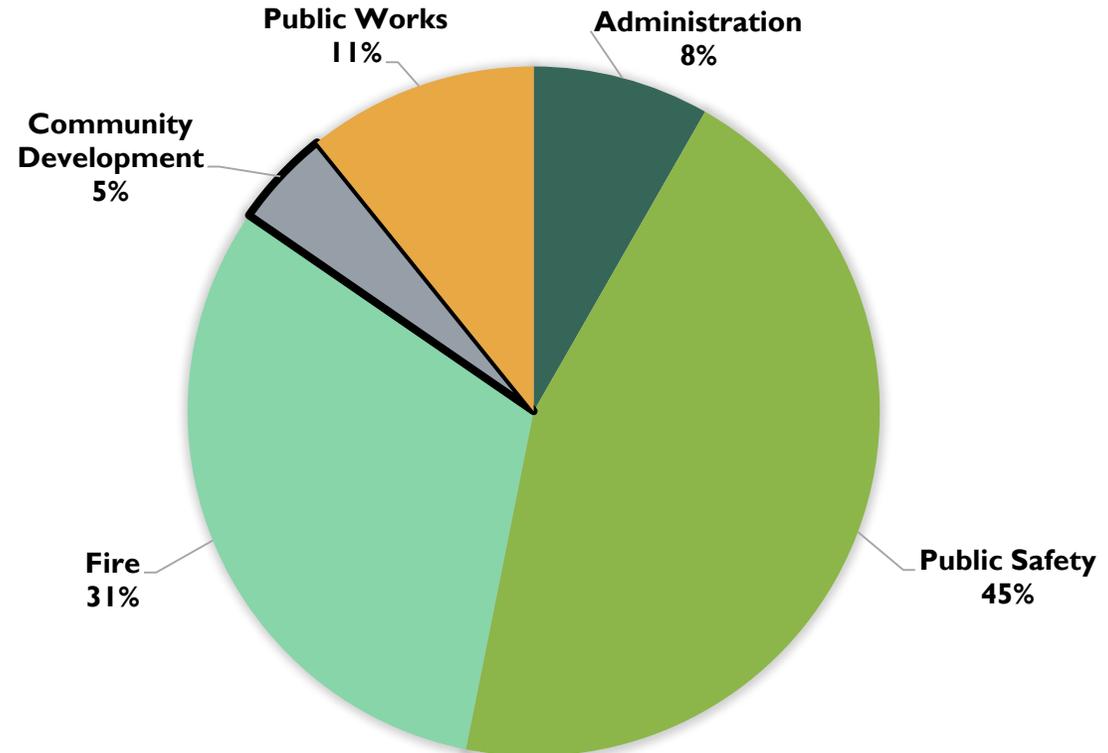
# COMMUNITY DEVELOPMENT



# COMMUNITY DEVELOPMENT

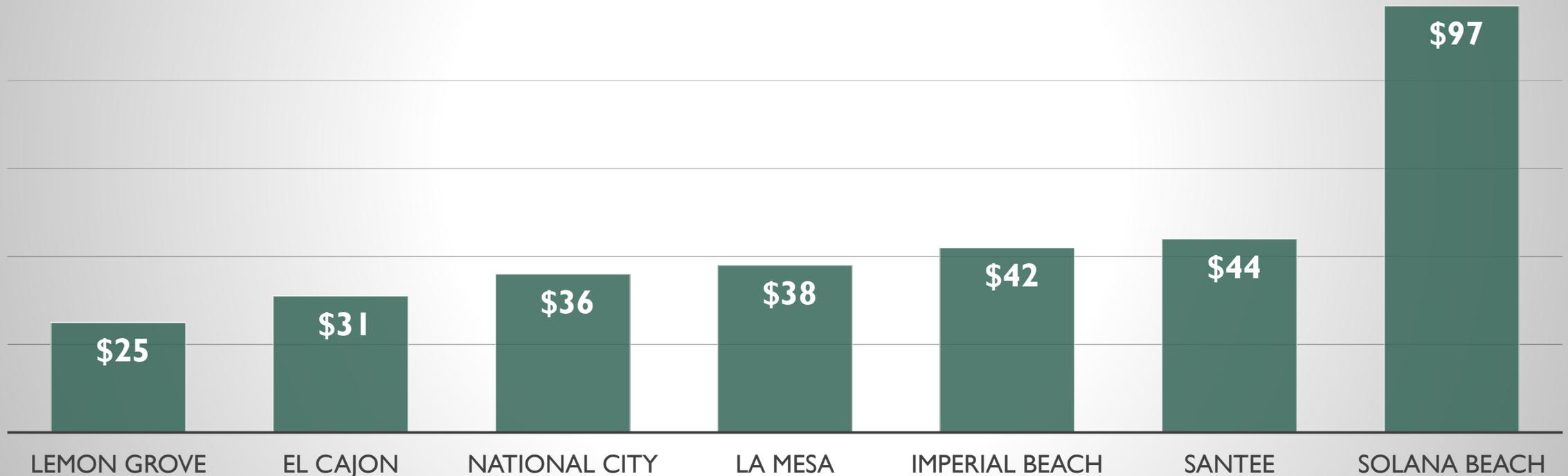
- Includes:
  - Building (contract)
  - Planning
  - Code Enforcement
  - 50% of 5 FT Employees

## GENERAL FUND BY DEPARTMENT



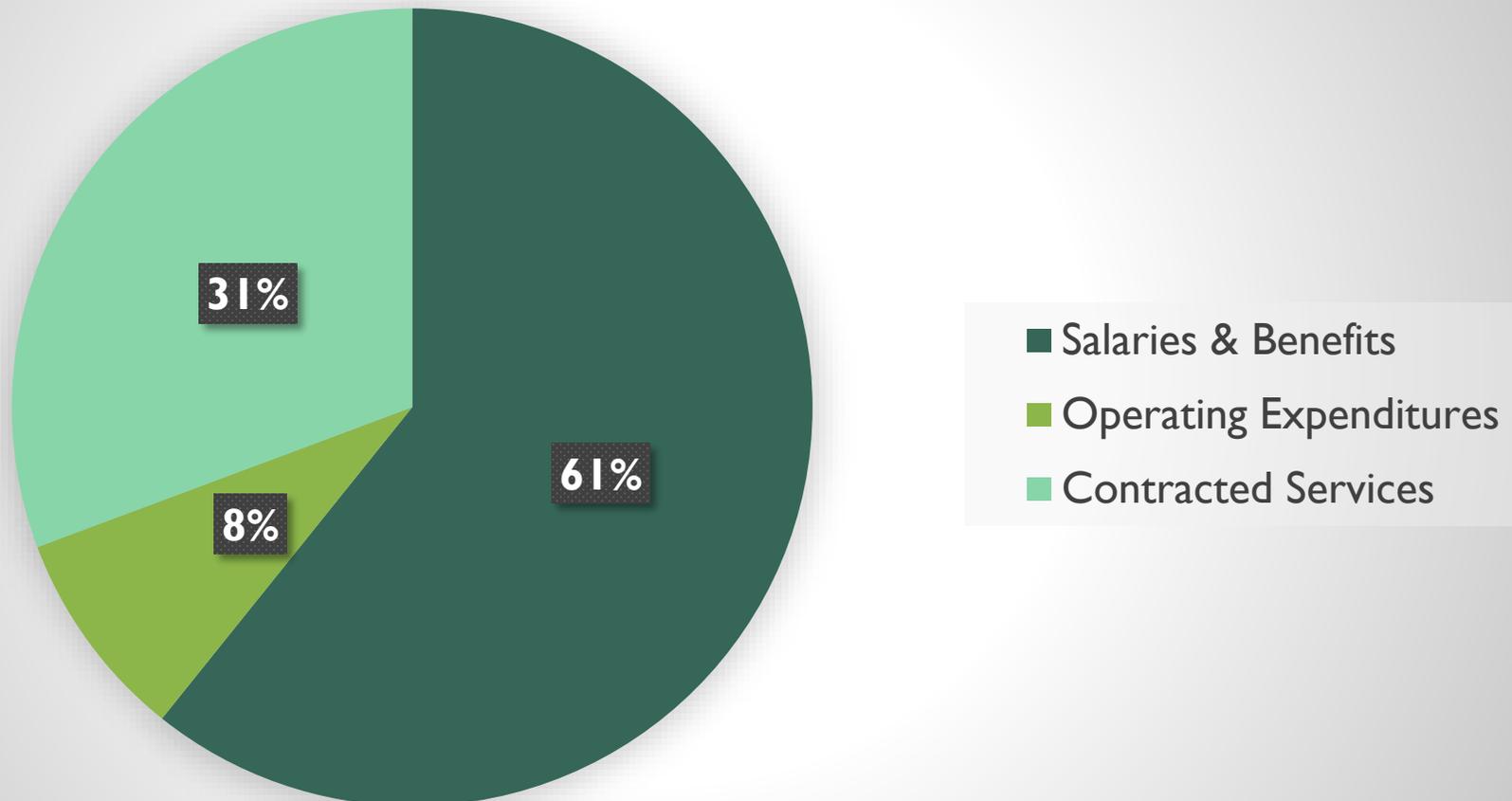
# DEVELOPMENT SERVICES - BENCHMARKING

## FY19/20 Community Development Expenditures per Capita



# COMMUNITY DEVELOPMENT

**FY 19/20 Community Development Budget**





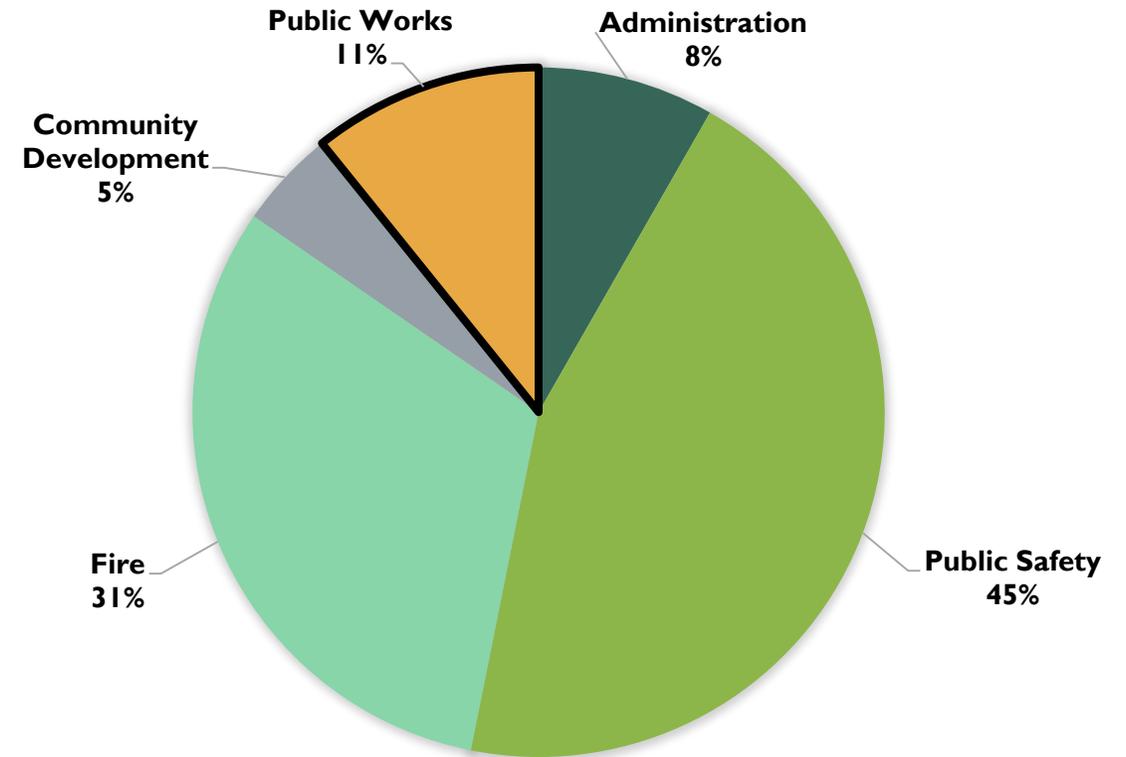
# PUBLIC WORKS



# PUBLIC WORKS

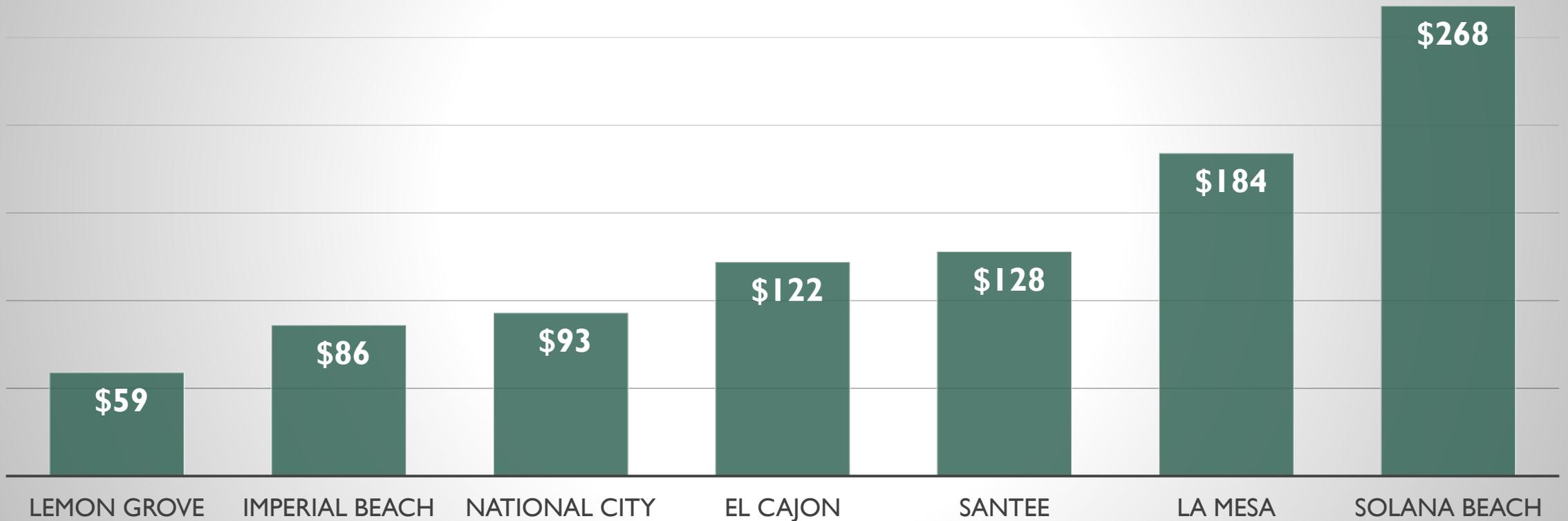
- Includes:
  - Administration
  - Engineering (contract)
  - Community Services
  - Facilities
  - Streets
  - Grounds
  - Two FT & Portion of 12 FT Employees

## GENERAL FUND BY DEPARTMENT



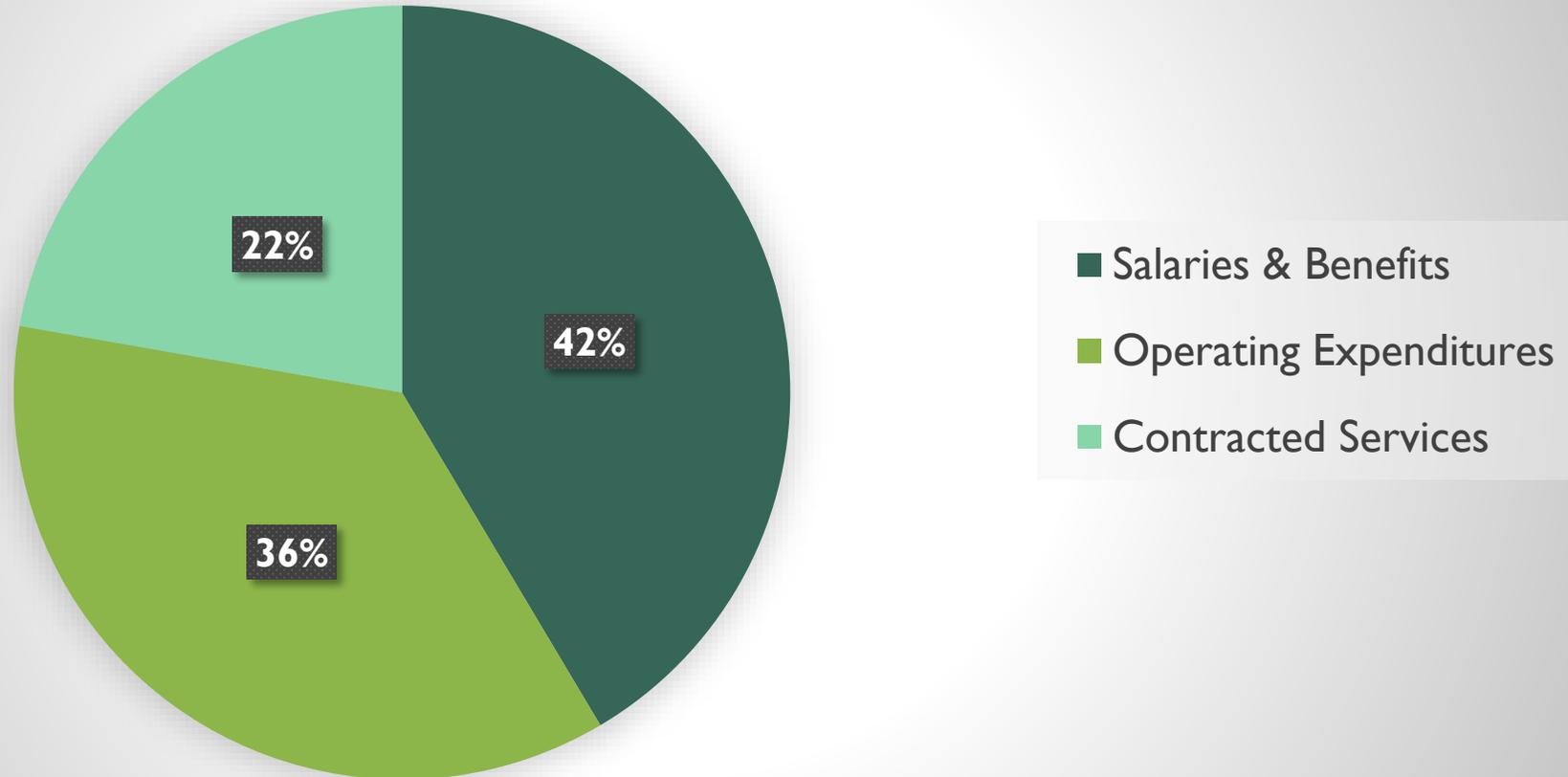
# PUBLIC WORKS - BENCHMARKING

## FY19/20 Public Works Expenditures per Capita



# PUBLIC WORKS

## FY 19/20 Public Works Budget



# REVENUE DIVERSIFICATION

- Cost Savings and Revenue Generating Projects
  - Electronic agenda packets for both City Council and Planning Commission
  - Contract for CEQA reviews
  - Staff re-organization to consolidate & reduce a management position
  - Eliminated Adult Softball & field maintenance
  - Opened passport acceptance facility
  - Adopted policy regulating short term rentals to increase TOT collection
  - Built additional park gazebos as rentals
  - Sold Massachusetts Ave cell tower lease
  - Sold remnant parcel to Mossey Honda to expand dealership
  - Approved lease agreement with Outfront Media for electronic billboard

# FINANCES & FUTURE

*STABILIZE, SUSTAIN AND STRENGTHEN LEMON GROVE*

- We must develop new and viable sources of revenue
- Continue to do more with less
- *Stabilize* the City's current level of service
- *Sustain* Lemon Grove's future
- *Strengthen* our City finances to *Strengthen* Our Community





# THANKYOU!

Lydia Romero, City Manager

📞 619.825.3801

✉️ [lromero@lemongrove.ca.gov](mailto:lromero@lemongrove.ca.gov)

🌐 [www.lemongrove.ca.gov](http://www.lemongrove.ca.gov)



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