

LA MESA

JEWEL OF THE HILLS

Budget Monitoring Report Quarter ending March 31, 2020



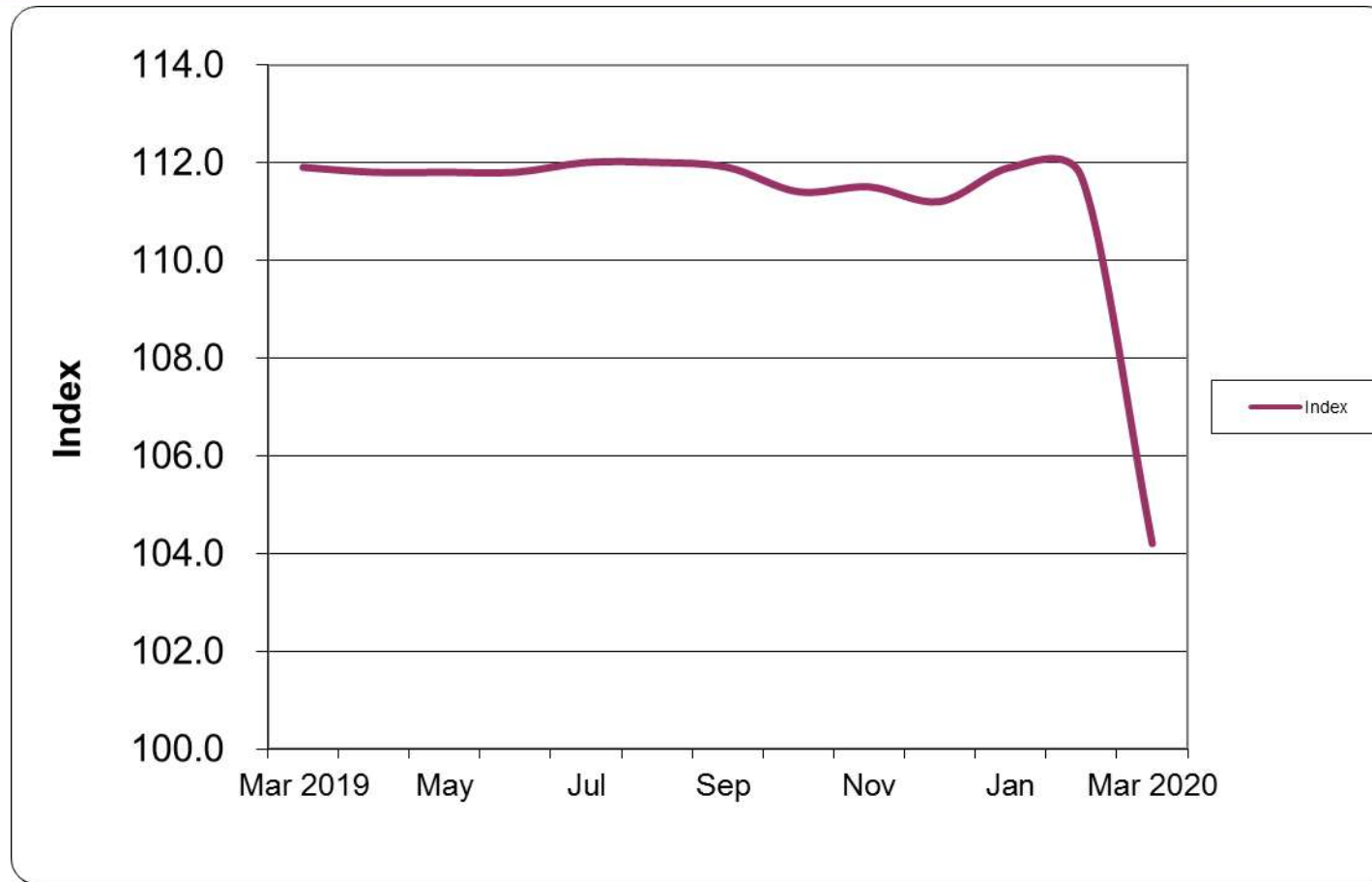
Economic Outlook



- **National Economy**

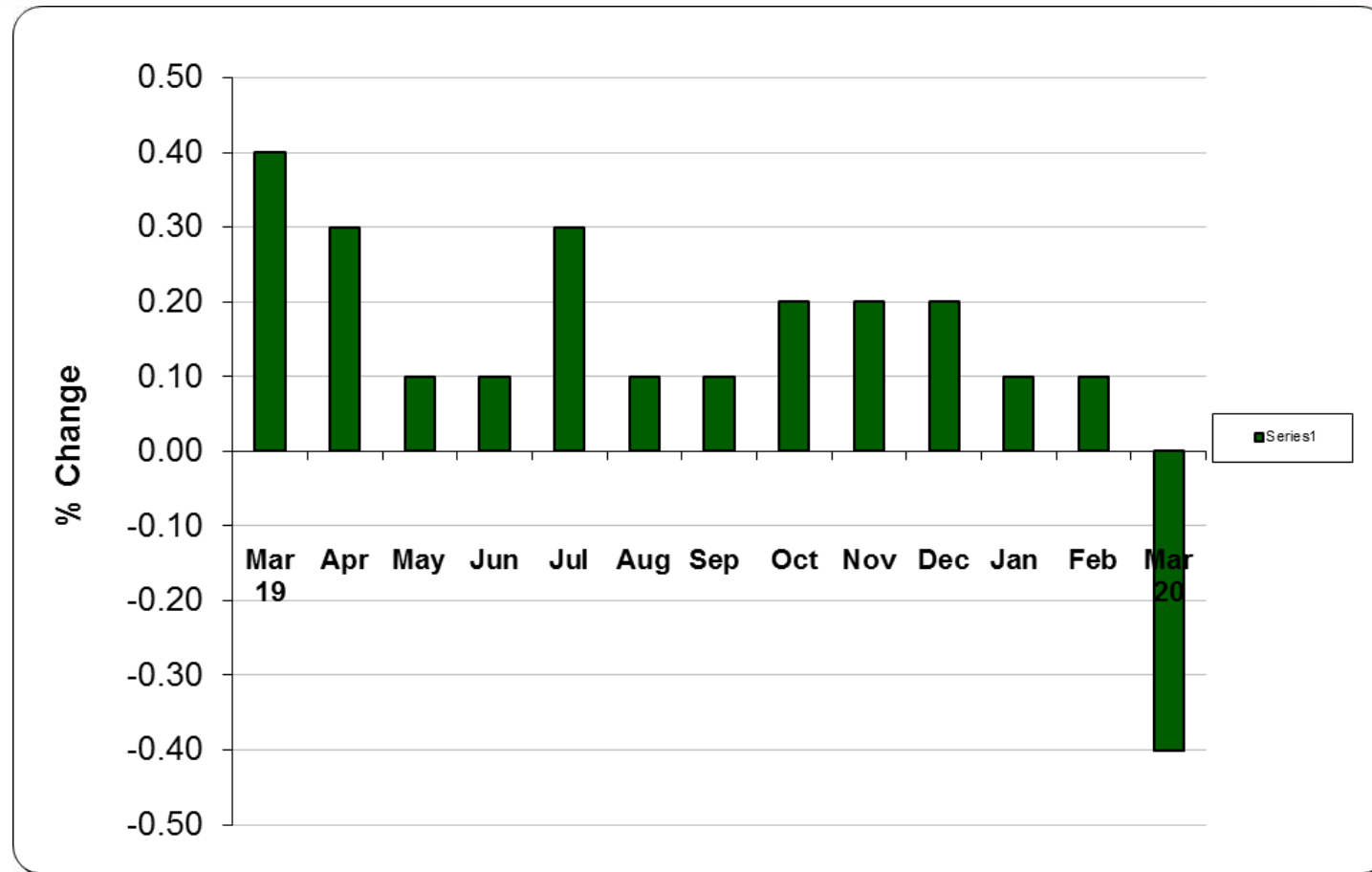
- Conference Board Leading Economic Index declined dramatically in March, with the largest declines coming from initial claims for unemployment insurance and stock prices
- “The Coronavirus represents the greatest threat to the nation’s economic expansion in over a decade... urging caution but not panic” (Beacon Economics, Spring 2020)

U.S. Leading Economic Index March 2019 – March 2020



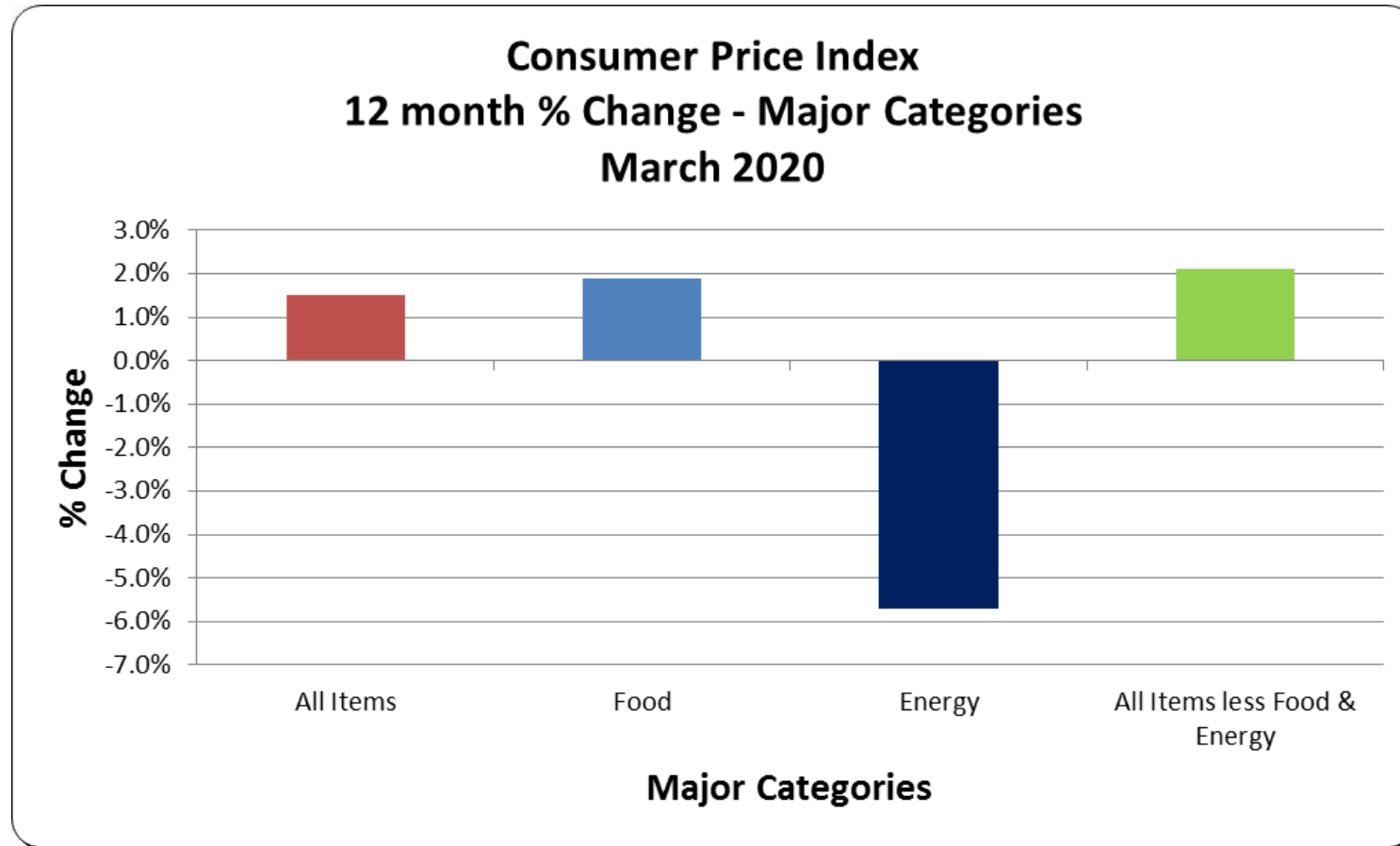
Source: The Conference Board

Consumer Price Index March 2019 – March 2020



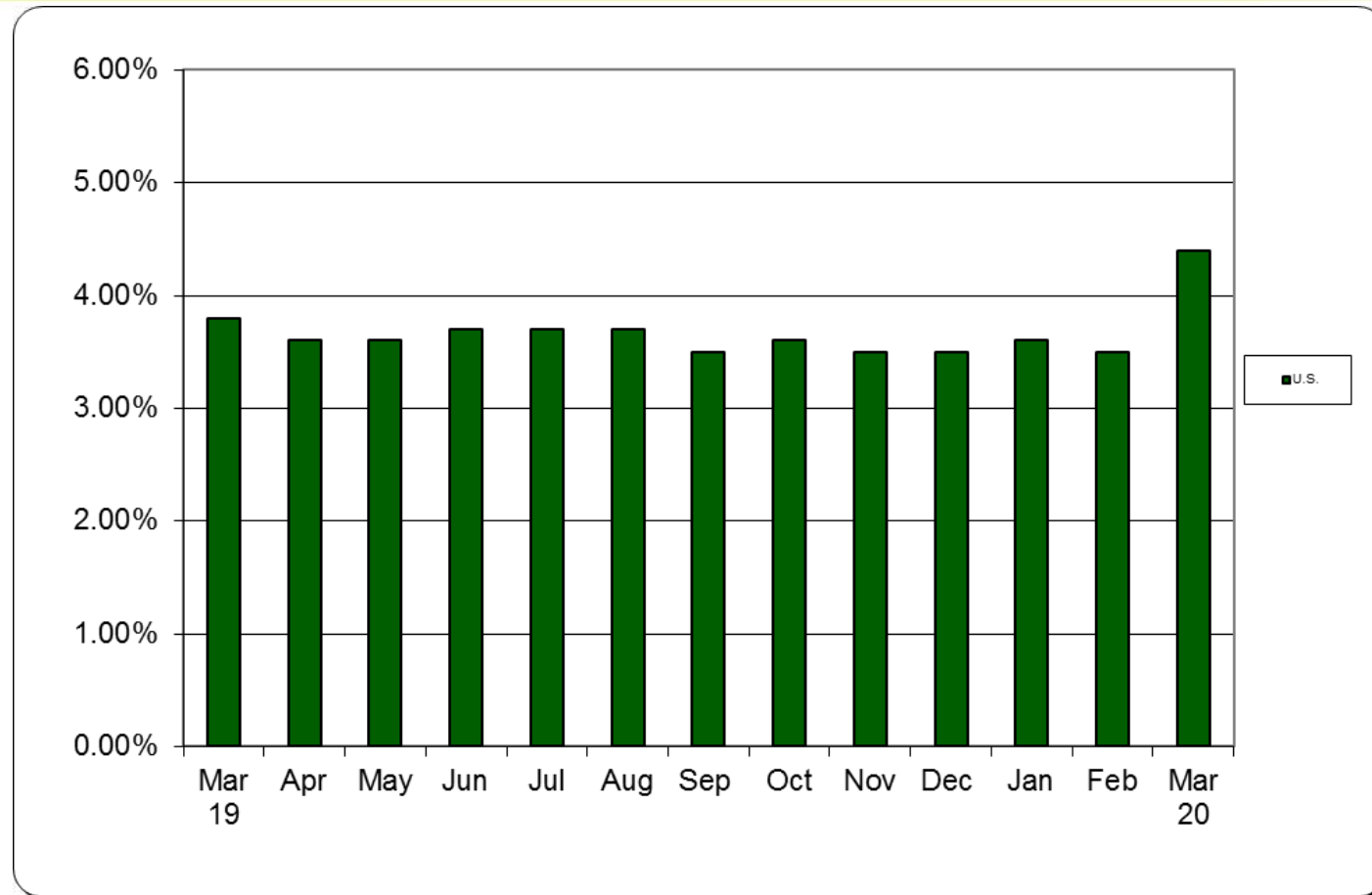
All Urban Consumers
One-month Percentage
Change

Consumer Price Index 12 Month % Change – March 2020



Source: U.S. Bureau of Labor Statistics

U.S. Unemployment Rate March 2019 – March 2020



Source: U.S. Bureau of Labor Statistics (Seasonally Adjusted)

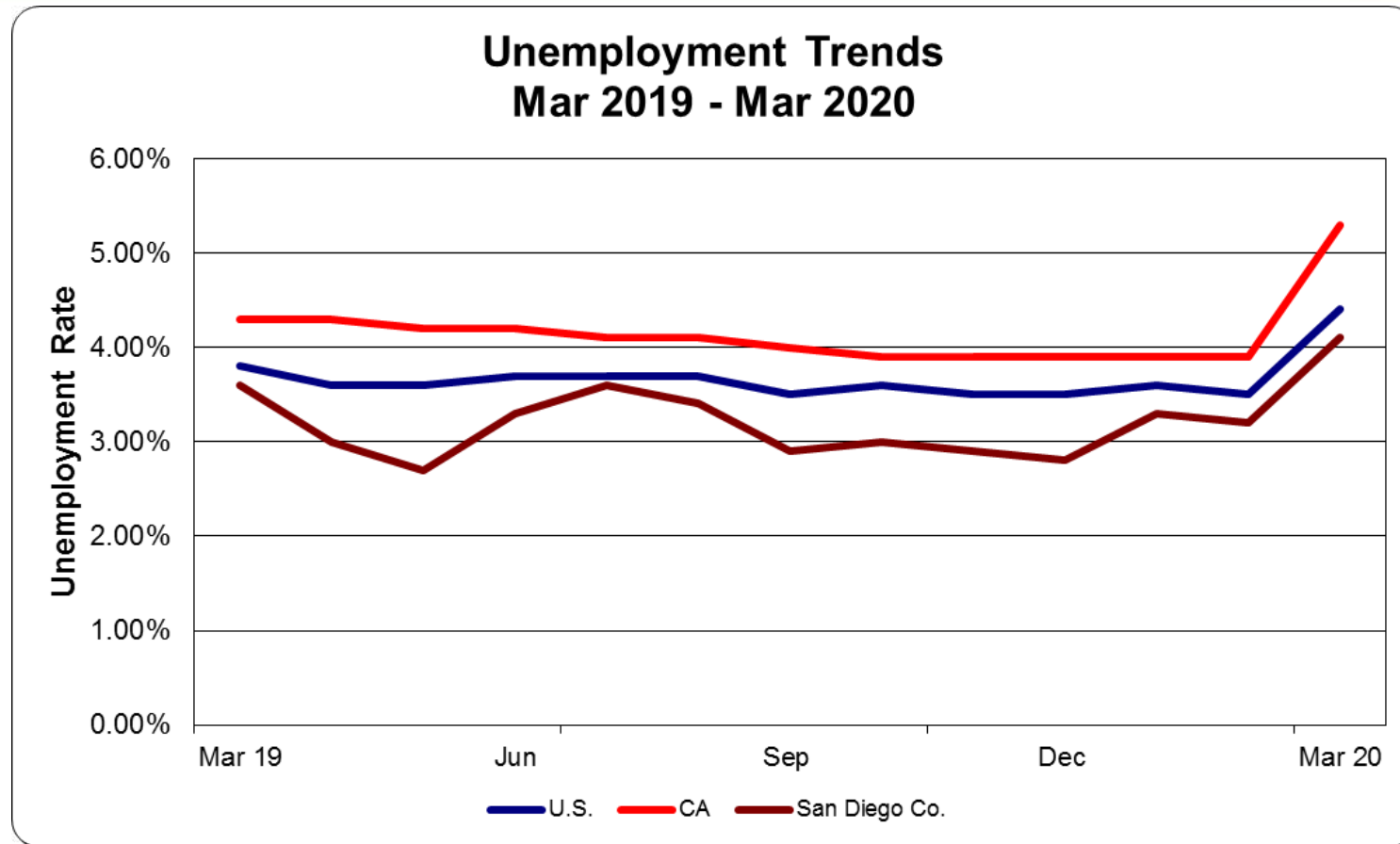
State/Local Economic Outlook

Unemployment



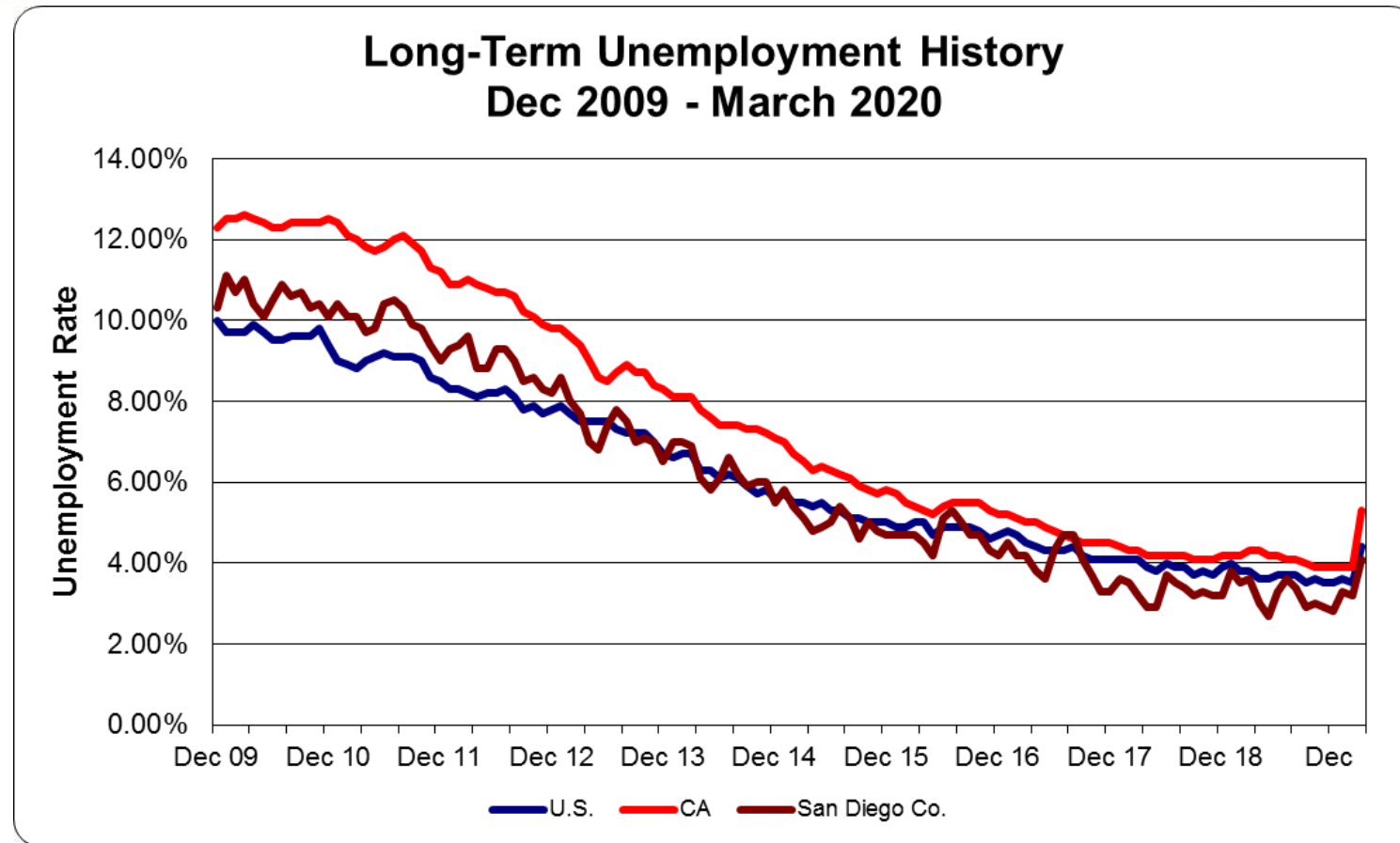
- State unemployment rates increased to 5.3 percent in March, reflecting the effects of the Coronavirus and the efforts to contain it
- The County of San Diego and the City of La Mesa unemployment rates both increased in March, ending the quarter at 4.1 and 4.3 percent respectively
- Initial claims for unemployment in the first two weeks April will further increase the State as well as local unemployment figures

Unemployment Comparison U.S./State/County



Source: U.S. Bureau of Labor Statistics
California Employment Development Department

10-Year Unemployment Trends U.S./State/County



Source: U.S. Bureau of Labor Statistics
California Employment Development Department

Local Economic Outlook



Beacon Economics March 2020 Forecast for the State and Region indicates:

- Long term impact of COVID-19 public health emergency on the state and local economy is almost impossible to predict
- Dependent on how quickly emergency is resolved, mandates are lifted, and to what degree life returns to “normal”
- Structurally the economy is in much better shape than it has been in the past, particularly during the 2008 Financial Crisis and Great Recession

Sales Tax Revenues Fourth Quarter 2019

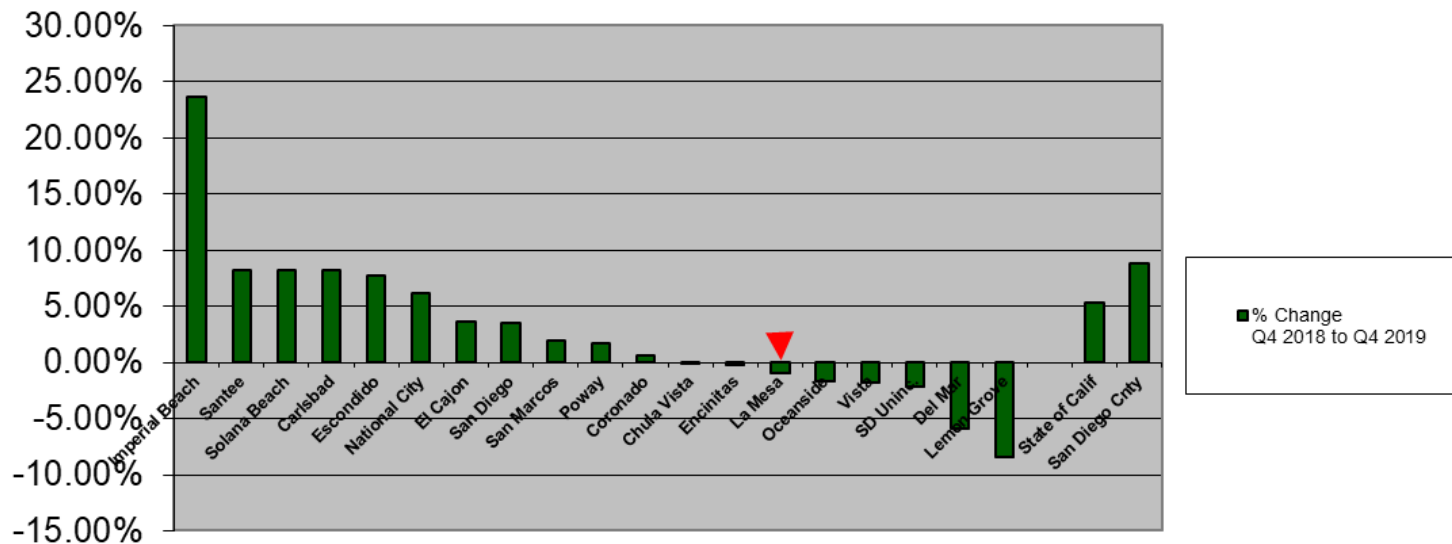


- Reported sales tax revenues for fourth quarter 2019 decreased by 0.9 percent below the same quarter last year
- Reflects sales that occurred between October through December 2019
- La Mesa's Q4 sales tax revenues remain at about the median when compared to other agencies, County and the State,
- Staff will continue to monitor sales tax revenue and report significant changes or challenges

Sales Tax Revenues Fourth Quarter 2019



**Sales Tax Allocations
Fourth Quarter % Change* 2018 to 2019**



*Reported on a cash basis and includes allocations from the State and County Pool

**Sales Tax Allocation Totals
Fourth Quarter 2019
% Change
Q4 2018 to Q4 2019**

	Q4 2019
Imperial Beach	23.70%
Santee	8.20%
Solana Beach	8.20%
Carlsbad	8.20%
Escondido	7.70%
National City	6.20%
El Cajon	3.60%
San Diego	3.50%
San Marcos	1.90%
Poway	1.70%
Coronado	0.60%
Chula Vista	-0.10%
Encinitas	-0.20%
La Mesa	-0.90%
Oceanside	-1.70%
Vista	-1.80%
SD Uninc.	-2.20%
Del Mar	-5.90%
Lemon Grove	-8.40%
State of Calif	5.34%
San Diego Cnty	8.76%

Source: Hinderliter de Llamas and Associates

General Fund Performance Tax Revenues



- Overall revenues are meeting budgetary expectations and being received at about the same levels when compared to the same time last fiscal year
- Property tax revenues received through the third quarter are slightly greater than the same time period last fiscal year and within budgetary expectations
- Base sales tax and Proposition L sales tax revenues are slightly below the same time last year

General Fund Performance Tax Revenues



General Fund Tax Revenues					
	<u>Current Fiscal Year</u>			<u>Prior Year Comparison</u>	
	2019-2020	YTD	%	YTD	%
Through 75% of Fiscal Year	Budget	Collected	Budget	Collected	Budget
Taxes					
Property Tax*	\$ 15,019,400	\$ 8,342,406	55.5%	\$ 7,818,499	54.2%
Sales Tax	12,776,400	7,791,685	61.0%	7,996,206	61.6%
Prop L	8,673,000	5,451,233	62.9%	5,493,090	63.9%
Other Taxes	<u>3,779,050</u>	<u>1,655,453</u>	43.8%	<u>1,620,165</u>	48.2%
Taxes received thru 09/30/19	40,247,850	23,240,778	57.7%	22,927,960	58.2%

*Property Tax includes former tax increment revenue received as a result of the dissolution of redevelopment

General Fund Performance Expenditures



- Most departments are at or slightly below expectations through 75 percent of the fiscal year
- Departments that are higher than budget are due to the carry forward and encumbrance of prior year obligations and the payment of full fiscal year appropriations in some specialized services accounts

General Fund Performance Expenditures



General Fund Expenditures

Through 75% of Fiscal Year	2019-2020 Budget ¹	YTD Encumbered /Expended ²	% of Budget
General Fund Department Expenditures			
Police	\$ 20,112,330	\$ 14,653,273	72.9%
Fire	11,846,590	8,521,933	71.9%
Public Works	9,445,430	6,869,809	72.7%
Administrative Services	6,322,940	4,504,423	71.2%
Community Development	2,427,250	2,117,386	87.2%
Community Services	1,814,820	1,254,962	69.2%
Total General Fund Expenditures	<u>\$ 51,969,360</u>	<u>\$ 37,921,786</u>	73.0%

¹ Budget reflects any amendments approved by the City Council through the end of the quarter

² Includes expenditures encumbered through end of quarter reported

General Fund Performance Reserves



- Audited actual ending General Fund Reserves for the fiscal year ending June 30, 2019 are \$31,481,239, or 60.3 percent of operating expenditures, \$2.5 million higher than previously reported
- Original General Fund Financial Forecast estimated ending General Fund Reserves for fiscal year ending June 30, 2020 at \$29,263,033 or 57.7 percent
- Forecast projections for June 30, 2020 updated with impact of COVID-19 to \$27,874,007 or 56.3 percent
- General Fund reserves are projected to meet both the 15% Rainy Day and the 25% Cash Flow reserve targets

General Fund Performance Reserves



	Actuals			FY 2019 - 2020		
	FY 16-17	FY 17-18	FY 18-19	Biennial Budget Updated	Ending Reserves (Forecast)	Revised Ending Reserves (Forecast)
Available Reserves at June 30	29,696,208	31,578,785	31,481,239	28,121,085	29,263,033	27,874,007
Reserves as % of Operating Expenditures	60.7%	65.3%	60.3%	54.1%	57.7%	56.3%
Source of Reserves:						
Property Sale (Police Station)	3,050,000	3,050,000	3,050,000	3,050,000	3,050,000	3,050,000
Property Sale (Other land)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Proposition L Revenues	8,406,483	8,916,466	8,940,142	8,673,000	8,673,000	8,673,000
Reserves from Operations	14,239,724	15,612,320	15,491,097	12,398,085	13,540,033	12,151,007
Total Ending General Fund Reserves	29,696,208	31,578,785	31,481,239	28,121,085	29,263,033	27,874,007

Budget Monitoring Report Quarter Ending March 31, 2020



Questions/Comments