Written materials relating to an item on this agenda that are distributed to the legislative bodies within 72 hours before the item is to be considered at its regularly scheduled meeting will be made available for public inspection at the City Clerk's Office, 300 West Third Street 4th Floor during customary business hours. Agenda reports are also on the City of Oxnard web site at www.oxnard.org.

CITY OF OXNARD CALIFORNIA

AGENDA
OXNARD CITY COUNCIL
FINANCE AND GOVERNANCE COMMITTEE
Council Chambers, 305 West Third Street
September 24, 2019
Regular Meeting - 9:30 to 10:45 AM

A. ROLL CALL, POSTING OF AGENDA, FLAG SALUTE

B. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

At this time, the legislative body will consider public comments for a maximum of fifteen minutes. A person may address the legislative body only on matters not appearing on the agenda and within the subject matter jurisdiction of the legislative body. Speaker cards will not be accepted after the beginning of the general public comment period. Based on the number of speaker cards submitted, the presiding officer may impose time limits per speaker. Typically, speakers are limited to two minutes, but shorter time may be established as deemed necessary. A person not able to address the legislative body at this time because the fifteen minutes expires may do so just prior to adjournment of the meeting. The legislative body cannot enter into a detailed discussion or take action on any items presented during public comments at this time. Such items may only be referred to the City Manager for administrative action or scheduled on a subsequent agenda for discussion.

C. CONSENT AGENDA

1. City Clerk Department

SUBJECT: Approval of Minutes.

RECOMMENDATION: That the Finance and Governance Committee approve the minutes of the September 10, 2019 regular meeting as presented.

Contact: Michelle Ascencion, (805) 385-7805

D. REPORTS

1. Finance Department

SUBJECT: Preview of "Municipal Budgeting 101" presentation for City Council. (15/10/5)

RECOMMENDATION: That the Finance and Governance Committee receive a preview of, and provide feedback on, the "Municipal Budgeting 101" presentation for the City Council to be presented at the October 29, 2019, Council special meeting.

Contact: Kevin Riper, (805) 385-7475

E. ITEMS FOR FUTURE AGENDAS

F. ADJOURNMENT

In compliance with the Americans with Disabilities Act, if you require special assistance to participate in a meeting, please contact the City Clerk's Office at 385-7803. Notice at least 72 hours prior to the meeting will enable the City to reasonably arrange for your accessibility to the meeting.

Agenda Item time estimates: (Staff Presentation / Committee Discussion / Public Comment)

M I N U T E S
OXNARD CITY COUNCIL
FINANCE AND GOVERNANCE COMMITTEE
Regular Meeting
September 10, 2019

A. ROLL CALL, POSTING OF AGENDA, FLAG SALUTE

At 9:30 a.m., Chair Flynn called to order the regular meeting of the Oxnard City Council Finance and Governance Committee in the City Hall Council Chambers at 305 W. Third Street, Oxnard, California. The City Clerk called the roll and announced the posting of the agenda. Members Gabriela Basua, Bert Perello, and Chair Tim Flynn were present.

Staff members present were Alexander Nguyen, City Manager; Stephen Fischer, City Attorney; Shiri Klima, Deputy City Manager; Keith Brooks, Chief Information Officer; Kevin Riper, Chief Financial Officer; Lisa Boerner, Purchasing Manager; and Michelle Ascencion, City Clerk.

B. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

Public comments were received from Jim Lavery (refinancing of 2011 lease revenue bonds).

C. CONSENT AGENDA

City Clerk Department

1. SUBJECT: Approval of Minutes.
RECOMMENDATION: That the Finance and Governance Committee approve the minutes of the July 23, 2019 regular meeting as presented.

It was moved by Member Perello, seconded by Member Basua, to approve the minutes as presented. VOTE: Basua and Perello voted in favor; Flynn abstained (absent from the July 23, 2019 meeting). The motion carried 2-0-1.

D. REPORTS

Information Technology Department

1. SUBJECT: Purchase of Cisco network equipment from Insight Public Sector, Inc.
RECOMMENDATION: That the Finance and Governance Committee recommend the City Council approve a purchase order of $362,946.50 for Cisco networking equipment from Insight Public Sector, Inc.

It was moved by Member Perello, seconded by Member Basua, to approve the recommended action as presented. VOTE: Basua, Flynn, and Perello voted in favor; the motion carried 3-0.

2. SUBJECT: Enterprise Resource Planning (ERP) System Purchase.
RECOMMENDATION: That the Finance and Governance Committee recommends that City Council:

1. Award and authorize the Mayor to execute the agreement with Tyler Technologies, Inc. for an enterprise resource planning (ERP) system in an amount not to exceed $9,117,985 (which is $8,245,085 plus $872,900 implementation contingency) over a five-year term with future years' funding contingent on Council budget approval (recognizing the agreement is one component of the total, five-year project cost of $14,893,817, which also includes $5,775,832 in additional implementation costs and hardware/ software costs);
2. Authorize the Mayor to approve a budget appropriation in amount of $522,644 ($81,992 of Tyler fees plus $440,652 of implementation costs) for FY 2019-20 from future debt proceeds based on proposed Resolution of Intent to Reimburse from Lease Revenue Bond Proceeds; and
3. Adopt a resolution amending Resolution No. 15,241 to increase by two the full-time equivalent positions in the City service pursuant to Chapter 4 of the City Personnel Rules and Regulations.

The Chief Information Officer and Chief Financial Officer gave a report. Discussion ensued among the Committee and staff. Public comments were received from Phillip Molina and Jim Lavery. Further discussion ensued.

It was moved by Member Basua, seconded by Member Perello, to approve the recommended action as presented. VOTE: Basua, Flynn, and Perello voted in favor; the motion carried 3-0.

E. ITEMS FOR FUTURE AGENDAS (No requests were made.)

F. ADJOURNMENT

There being no further business on the agenda, and without objection, Chair Flynn adjourned the meeting at 10:33 a.m.

MICHELLE ASCENCION, CMC
City Clerk

TIM FLYNN
Chair

CITY OF OXNARD CALIFORNIA

FINANCE AND GOVERNANCE COMMITTEE
AGENDA REPORT

REPORTS
AGENDA ITEM NO. D.1.

DATE: September 24, 2019

TO: Finance & Governance Committee

FROM: Kevin Riper, Chief Financial Officer, (805) 385-7475, kevin.riper@oxnard.org

SUBJECT: Preview of "Municipal Budgeting 101" presentation for City Council. (15/10/5)

RECOMMENDATION

That the Finance and Governance Committee receive a preview of, and provide feedback on, the "Municipal Budgeting 101" presentation for the City Council to be presented at the October 29, 2019, Council special meeting.

BACKGROUND

The Mayor and Mayor Pro Tem requested that the Finance Department prepare and deliver a presentation to the City Council to provide a common understanding of the City's budget, budgeting process and financial policies. This is a preview of that presentation to solicit feedback on the content from the Finance and Governance Committee.

STRATEGIC PRIORITIES

This agenda item supports the Organizational Effectiveness strategy. The purpose of the Organizational Effectiveness strategy is to strengthen and stabilize the organizational foundation of the City in the areas of Finance, Information Technology, and Human Resources, and to improve workforce quality while increasing transparency to the public. This item supports the wing goals and objectives:

Goal 2. Increase transparency with Council, community and staff related to the City’s budget and financial management processes.

FINANCIAL IMPACT

There is no financial impact.

Prepared by: Donna Ventura, Assistant Chief Financial Officer

ATTACHMENTS

1. Glossary of Terms
2. Municipal Budgeting 101

Appropriation – money set aside by formal action for a specific use

Bond – an interest bearing promise to repay a specified sum of money borrowed (principal) by a certain date

Capital Improvement Program (CIP) – an agency's plan for capital improvement projects, such as street or park improvements, building construction, and various kinds of major facility maintenance

Capital Outlay – spending that results in the acquisition of or addition to the agency's land, buildings, equipment, machinery, vehicles, and the like to provide services to the community

Debt Service Fund – A fund established to track payments made to repay principal and interest on debt

Encumbrance – a commitment within an organization to use funds for a specific purpose (such as with a purchase order)

Enterprise Fund – a separate fund used to account for services supported primarily by service charges

Expenditure – amount paid for goods and services associated with the provision of public services, including payments for debt and capital outlays

FTE – full-time equivalent, the number of hours per year that a full-time employee is expected to work

Fund – a self-balancing set of accounts; accounting information is organized into funds, each with separate revenues, expenditures, and fund balances

Fund Balance – Difference between the assets (revenues and other resources) and liabilities (amounts spent or committed) of a particular fund

General Fund – Fund used to account for all financial resources except those accounted for in another fund (for example, enterprise or grant funds).

GASB – Government Accounting Standards Board, the body that sets accounting standards for governmental entities at the state and local levels

Grant – payment of money from one entity to another for a specified purpose, activity or facility. Generally grants do not have to be repaid by the recipient, as long as funds are used for promised purpose.

Intergovernmental Revenue – revenues from other public agencies in the form of grants, entitlements, shared revenues or payments in lieu of taxes

Investment Earnings – revenue earned from the investment of public funds

Local Agency Investment Fund (LAIF) – a special investment fund in the State Treasury into which local agencies may deposit money for investment

Other Post Employment Benefits (OPEB) – A pension is a form of post-employment benefit, that is, a benefit an employee receives after their service to the agency ends. Other forms of such benefits include health insurance and other health-related benefits provided to retirees.

Reserve – amounts set aside to provide a funding source for extraordinary or unforeseen expenses or revenue shortfalls. Sometimes also referred to as "fund balance."

Revenue Bonds – a form of debt in which the agency pledges the income received from the operation of the facilities being financed with the debt to repay the amounts borrowed plus interest

Special Revenue Fund – funds used to account for proceeds from specific revenue sources that are legally restricted as to how the revenues may be spent. A special revenue fund must have a separate budget adopted annually.

Total Appropriations and Total Revenues – the consolidation of all revenues and expenditures for all funds. The purpose is to report accurately the full amount of governmental revenues and expenditures for the budget period.

MUNICIPAL BUDGETING 101

Presentation for City Council

October 29, 2019

AGENDA

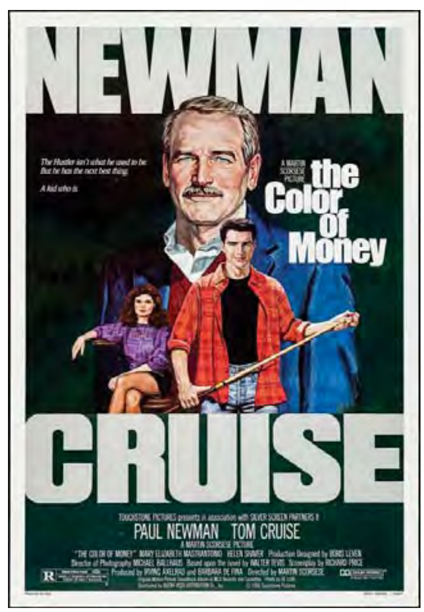
- Fund Types, Classification and Chart of Accounts
- Budget Process and Key Financial Policies
- Cash Management and Investments
- Revenue Sources and Restrictions
- Glossary of Terms (Appendix)

BUDGET BUILDING BLOCKS

Fund Types, Classification and Chart of Accounts

WHAT IS A FUND?

- A fund is a set of accounts for all financial transactions of specific activities – similar to a company's set of books
- Individual funds are created because of laws, grant requirements, or the fiscal decisions of the City Council
- All activity that has not been assigned to a specific individual fund is then accounted for in the General Fund



Think of each fund as a different "color of money"

OVERALL FINANCIAL STRUCTURE – FUND TYPES

Governmental Funds	Proprietary Funds	Fiduciary Funds
Traditional government operations	Business-like activities	"Not our money"

OVERALL FINANCIAL STRUCTURE – FUND TYPES

Governmental Funds

- General Fund Group
- Capital Projects
- Debt Service
- Special Revenue
  - Federal/State Grants
  - Special Taxes
  - Special Districts
  - Development Fees

Proprietary Funds

- Enterprise
  - Water
  - Wastewater
  - Environmental Resources (solid waste)
- Internal Service
  - Fleet
  - Facilities
  - Info. Technology
  - Workers' Comp & Public Liability
  - Utility Billing

Fiduciary Funds

- Pension Trust Fund
- Successor Agency
- Improvement Districts
- Artworks
- Joint Powers Authority

The City has over 175 active individual funds

GOVERNMENTAL FUNDS

General Fund Group

Fund #	Fund Description
101	General Fund
102	GF - Carryover
103	GF – Police Dept. Training
104	Half-Cent Sales Tax (Measure O)
105	Street Maintenance
114	Storm Water Management
119	Public Safety Retirement
542	Payroll Clearing
543	Carnegie Clearing
545	Housing Payroll
551	Police Dept. Property Room
555	City Corps
571	Contributions
641	Performing Arts Center
651	Golf Course

Special Revenue Funds

Fund #	Fund Description
121-177	Special Districts (Landscape Maintenance, Community Facilities)
178-296	Federal & State Grants, Gas Tax, Transportation Development Act
351-358	Development Impact Fees
370, 373	Certified Unified Program Agencies
371-372	Affordable Housing

Debt Service Funds

Fund #	Fund Description
654	Golf Course Debt Service
801	City of Oxnard Financing Authority

Capital Projects Funds

Fund #	Fund Description
301-315	Capital Outlay Funds
481	Downtown Improvement Fund

PROPRIETARY & FIDUCIARY FUNDS

PROPRIETARY

Enterprise Funds

Fund #	Fund Description
601-609	Water Funds
611-628	Wastewater Funds
631-638	Environmental Resources (Solid Waste) Funds

Internal Service Funds

Fund #	Fund Description
701	Public Liability & Property Damage
702	Workers' Compensation
725	Customer Billing Operations (Utility Billing)
731	Information Technology
735	Facilities Maintenance
741	Fleet Services
742	Fleet Vehicle Replacement

FIDUCIARY

Fund #	Fund Description
429	Successor Agency
565, 586	Pension Trust (PARS)
546	Artworks
503-538	Improvement Districts
561	Downtown Management District
850	RiverPark Joint Powers Authority

CONCEPT OF FUND BALANCE

- Roughly analogous to "retained earnings" in a private company – the difference between revenues and expenditures accumulated over time
- Provides cushion against contingencies and unplanned expenditures
- Different fund balance classifications identify different levels of constraints

FUND BALANCE CLASSIFICATIONS

Nonspendable	Resources not in spendable form or are legally required to be maintained intact
Restricted	Constraint EXTERNALLY imposed by third party: bondholders, grantors, state law or by enabling legislation. Legally enforceable by external parties.
Committed	Constraint INTERNALLY imposed by formal action of City Council.
Assigned	Constraint is an INTERNAL expression of intent by City Council or authorized official
Unassigned	No constraints. Only a General Fund can have a positive unassigned fund balance. All other funds have some constraint.

FUND BALANCE: "GOLDILOCKS AND THE THREE BEARS"

How much fund balance (or "reserve") is necessary?

- ***Too Little*** – A fund runs out of cash, has to borrow from other funds
- ***Too Much*** – City holds taxpayer/ratepayer money that would be better invested in City's infrastructure
- ***Just Right*** – A balancing act between the two

CITY OF OXNARD CALIFORNIA

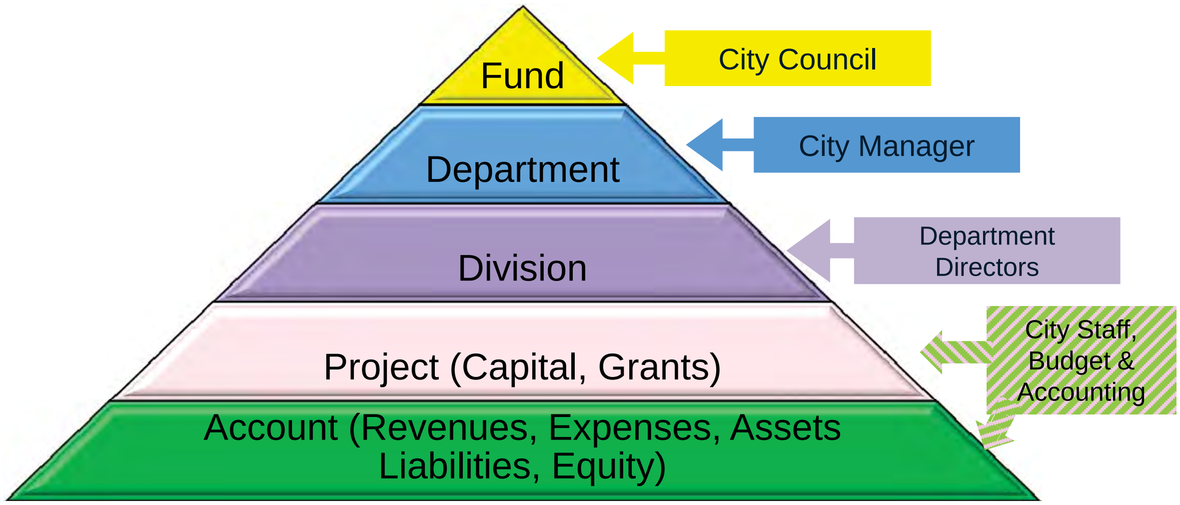
CURRENT FUND BALANCE POLICY TARGETS

General Fund (101) → **12%** of operating budget

Enterprise Funds → **25%** of operating budget

- Water
- Wastewater
- Environmental Resources

BUDGETS ARE DEVELOPED AT MANY LEVELS OF CONTROL



The City's chart of accounts assigns specific codes to each level of control for tracking and reporting purposes

UNDERSTANDING THE CITY'S CHART OF ACCOUNTS

All financial transactions use the following account structure in THE which identifies the fund, department, division, type of transaction and project, if applicable

ACCOUNT STRUCTURE

FUND	DEPT	DIV	ACT - SUB	ELEM	OBJECT	PROJECT
1 2 3	1 2	1 2	1 2 3	1 2	3 4	1 2 3 4 5 6
Fund: 104	Dept: 10	Div: 01	Act: 101	Elem: 01	Obj: 00	

Shown in H.T.E as 104-1001-101.01-00

ACT – SUB

Assets	Liabilities	Fund Balance /Equity	Revenue	Expenditures
1xx	2xx	3xx	5xx - 799	8xx

UNDERSTANDING THE BUDGET

Budgets serve a different purpose in a government than they do in a business

- In a business, they are a plan to shoot for; often they can be an aggressive plan that you may or may not be likely to achieve
- In a government, the expenditure side of the budget is called "appropriations," and it is the legal authority for management to spend toward a given level of services
- The budget appropriation is not a forecast of the amount the City expects to spend; it is the **maximum amount that management is allowed to spend**

CITY OF OXNARD CALIFORNIA

THE PURPOSE OF A BUDGET

What it is…

- ✓ A spending plan/financial planning tool
- ✓ A reflection of community priorities and Council policies
- ✓ A communication device
- ✓ Primarily cash flow driven
- ✓ Anchored to long term forecasts

What it is not…

- Comprehensive Annual Financial Report (CAFR) – the financial statements
  - Accrual basis
  - Reflection on the past year's results
  - Audited
- Static Document
  - Requires constant monitoring and reporting
  - Amended as-needed
- A Once a Year Exercise

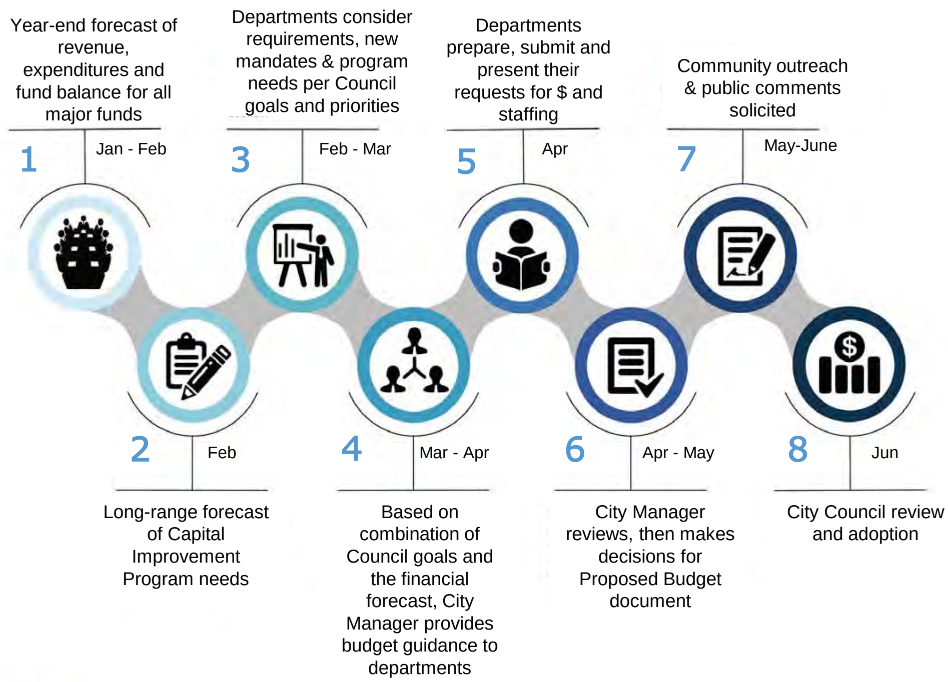
WHAT'S IN A BUDGET?

A budget is an estimate of revenues and expenditures for a set period of time and should include:

- Projected revenue by type and source
- Estimated expenditures by department, division, project (including capital projects and debt service)
- Separate budgets for each fund
- Balanced annual revenues and expenditures
- Realistic estimates based on history of actual revenues / expenditures and anticipated future changes

BUDGET PROCESS & KEY POLICIES

BUDGET DEVELOPMENT IS A MULTI-STEP, SEVERAL MONTH LONG PROCESS



KEY FINANCIAL MANAGEMENT POLICIES RELATED TO BUDGET

- The **City Manager** has responsibility for preparation of the budget and multi-year forecast
- **City Council** approves appropriations for a one-year operating budget and first year of a five-year Capital Improvement Program
- Once adopted by the City Council, changes to the budget occur as follows:
  - **City Council** must approve all increases or decreases in *fund* appropriations
  - **City Manager** can approve transfers *between departments within a fund*
  - **Department Directors** can approve transfers between programs (line items, projects) *within the same fund and department*

CASH MANAGEMENT & INVESTMENTS

WHY IS CASH IMPORTANT?

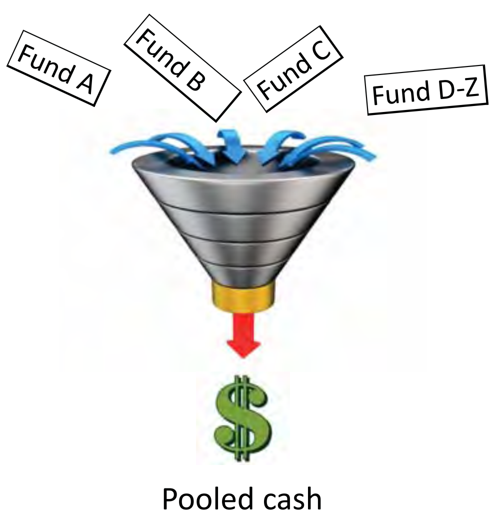
- Cash - simplest, most broadly accepted and reliable form of payment, many businesses only accept cash, requires no extra processing.
- Checks - can bounce.
- Credit Cards - can be declined.

The Treasurer receives cash for payments of Business License, Permits, Utility Billing, etc. at the cashiers' windows.

The City Treasurer's Department (CTD)

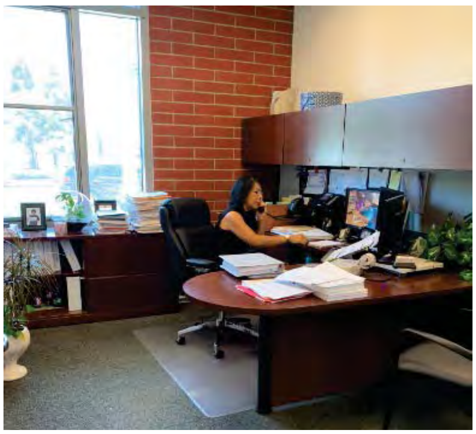
Goal 1: Keep assets safe using prudent management;
Goal 2: Ensure the depository bank provides adequate security;
Goal 3: provide for funding needs; and
Goal 4: Maximize the earning of interest .

The Treasurer's Department handles $2.3 billion of cash inflow, outflow and investments every year.



The Treasurer first manages the cash liquidity needs for the City and invests all idle cash funds daily, using the "cash pool" of all funds to makeup the $212 million portfolio.

Treasurer's staff coordinates with banks and brokers to purchase various securities to meet City investment goals and policy. This produces interest earnings which the CFO allocates to various funds.



BUDGETING BY FUND, AND RELATIONSHIP TO CASH

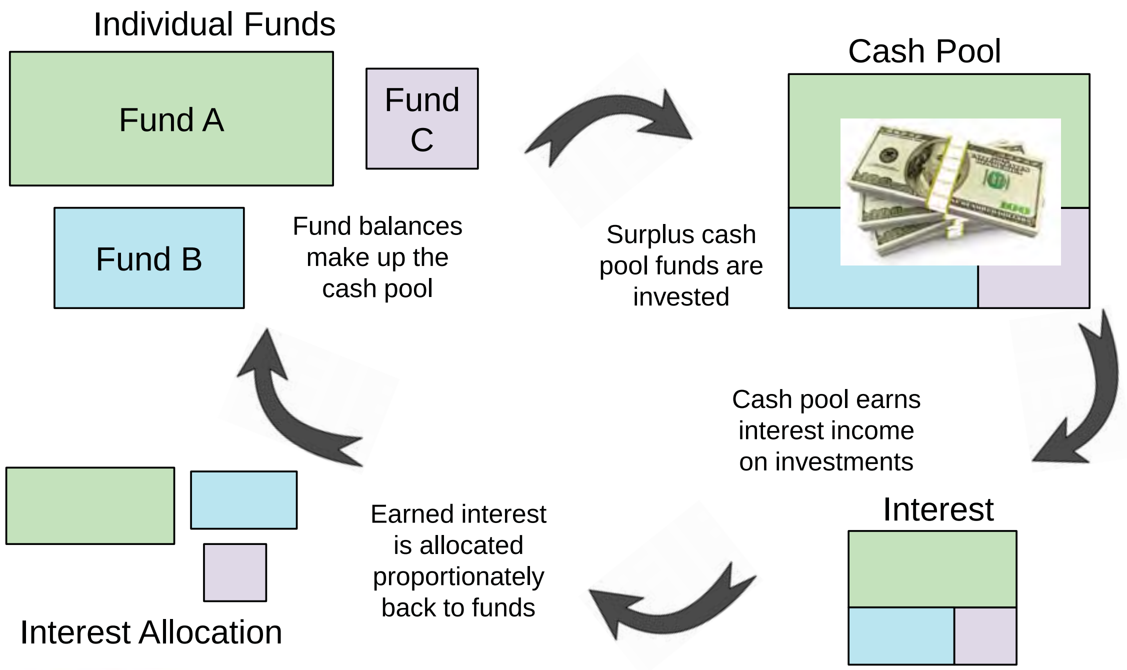
Cash is also important in its own right, because…

Not enough cash → fund can't pay its bills

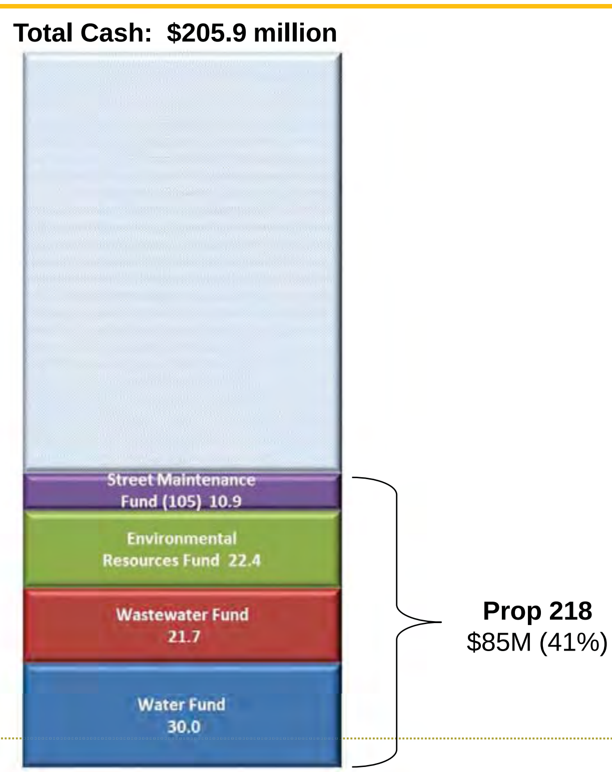
Recall there is more than $200 million of cash in the investment pool…

"Why can't all that cash be spent to support *(fill in the blank)*?"

FUND CASH BALANCES ARE MANAGED AS A POOL FOR INVESTMENT PURPOSES



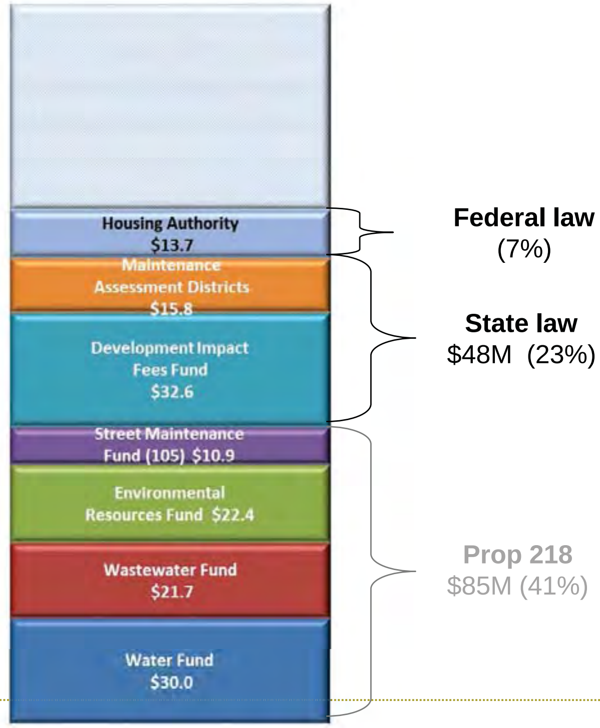
CASH MANAGED AND INVESTED BY CITY TREASURER
AS OF JUNE 30, 2018



CASH MANAGED AND INVESTED BY CITY TREASURER

AS OF JUNE 30, 2018

Total Cash: $205.9 million

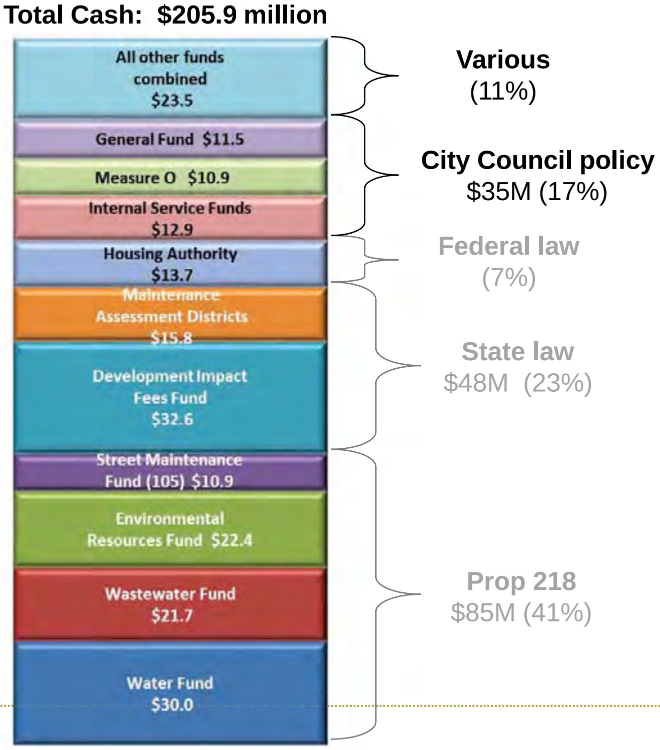


OXNARD

CASH MANAGED AND INVESTED BY CITY TREASURER

AS OF JUNE 30, 2018

Total Cash: $205.9 million



OXNARD

INVESTING VS. SPENDING FUND CASH

The City's Investment Policy governs how pooled cash is **invested**; individual fund *restrictions* and budget *appropriations* constrain how fund cash is **spent**

Grants ← Funds can only be spent on grant-specific eligible expenses

Special Districts ← Funds can only be spent on district-approved activities

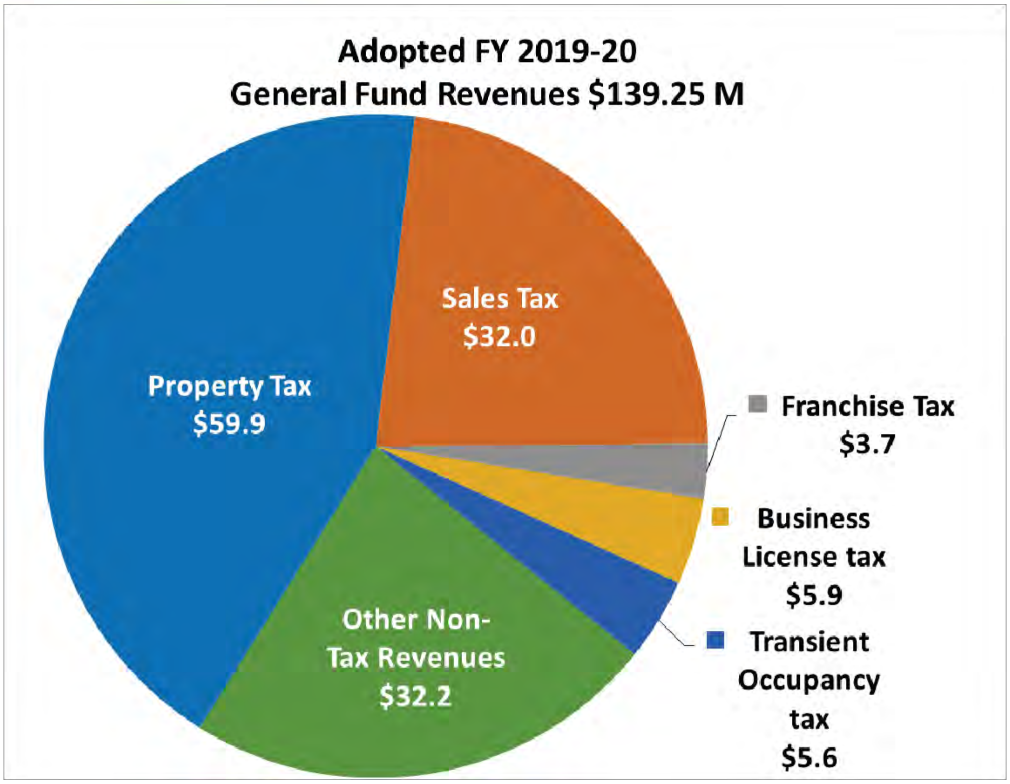
Enterprise Funds ← Funds can only be spent on respective water, wastewater and solid waste operations and capital

Cash with Fiscal Agent

← Bond proceeds held in special trust accounts until appropriate expenditures are made and reimbursements requested from the trustee – this cash is not included in the Cash Pool invested by the Treasurer until the funds are reimbursed back to the City by the trustee (Wells Fargo)

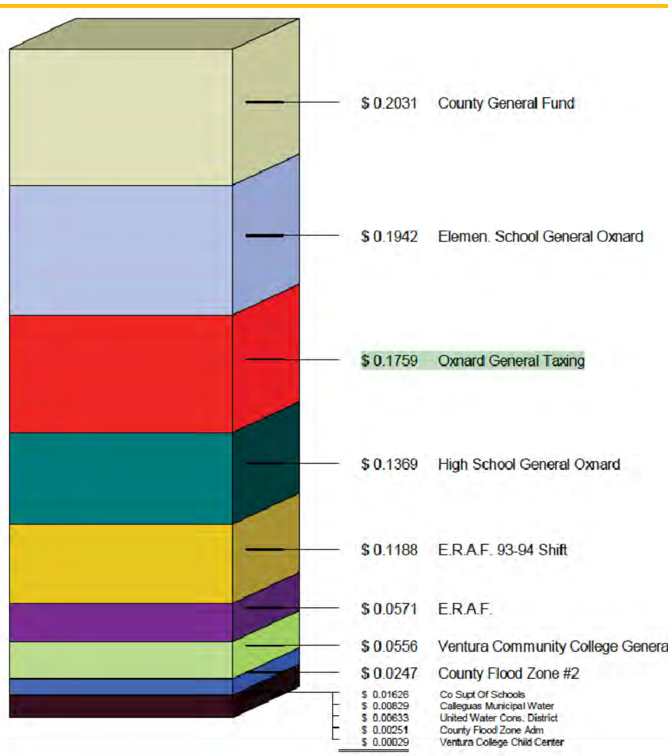
REVENUE SOURCES & RESTRICTIONS

General Fund Revenues - Unrestricted



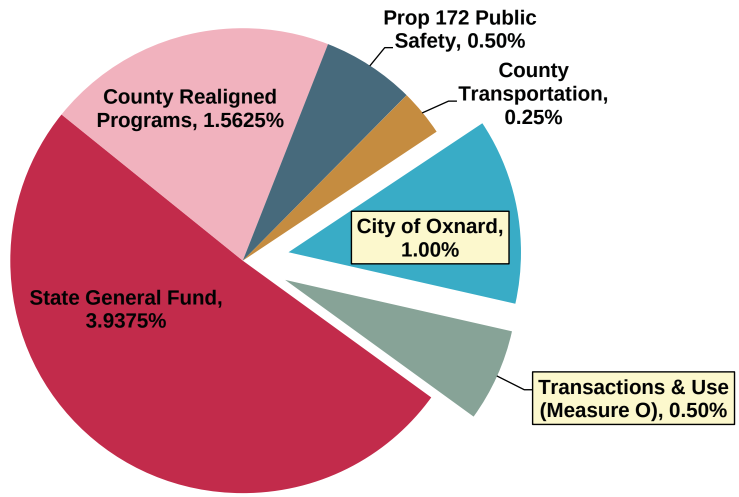
Property Tax – 1% Prop 13 Rate Allocation

FOR EVERY $1 COLLECTED, THE CITY GETS ABOUT 17.6 CENTS



Sales Tax

OF 7.75% RATE IN VENTURA COUNTY, 1.5% GOES TO THE CITY



When you purchase a $20 t-shirt at the Collection, the City gets $0.30 of the total $1.55 in sales tax collected

RESTRICTED REVENUES

- Utilities – Charges for water, wastewater and solid waste services
- Federal & State Grants – housing, transportation, infrastructure, community services
- Special Taxes (i.e., the Gas Tax) – streets and rights of way
- Special Assessments (collected on top of 1% property tax) – Landscape Maintenance & Community Facilities Districts, Public Safety Pension Override
- Bond proceeds

QUESTIONS & DISCUSSION

RECOMMENDATION

That the Finance and Governance Committee receive a preview of, and provide feedback on, the "Municipal Budgeting 101" presentation for the City Council to be presented at the October 29, 2019, Council special meeting.