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 Library, 251 South "A" Street and the City Clerk's Office, 305 West Third Street during customary business hours. Any materials to be presented at this meeting will be made available electronically 24 hours prior to the meeting, at the end of this agenda. The agenda reports are on the City of Oxnard web site at www.ci.oxnard.ca.us.

CITY OF OXNARD CALIFORNIA

AGENDA

OXNARD CITY COUNCIL
*OXNARD COMMUNITY DEVELOPMENT COMMISSION SUCCESSOR AGENCY
*OXNARD FINANCING AUTHORITY
OXNARD HOUSING AUTHORITY

Regular Meetings
City Council Chambers, 305 West Third Street, Oxnard
March 17, 2015
4:30 P.M. Closed Session

A. ROLL CALL/POSTING OF AGENDA

*** The Oxnard Community Development Commission Successor Agency and the Oxnard Financing Authority will not meet because there are no items requiring consideration on this date.**

B. PUBLIC COMMENTS ON CLOSED SESSION ITEMS

At this time, a person may address the legislative body only on matters appearing on the closed session agenda. The presiding officer shall limit public comments to three minutes.

C. CLOSED SESSION – (Please see Page 4 for a description of closed session items)

D. OPENING CEREMONIES – 6:00 P.M.

Pledge of allegiance to the flag of the United States.

E. CEREMONIAL CALENDAR

1. SUBJECT: Commendation to Recognize the Achievements of the 1972 Sunset Senior League All Star Team.

F. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA (30 Minutes)

At this time, the legislative body will consider public comments for a maximum of thirty 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. A person not able to address the legislative body at this time because the thirty minutes expires may do so just prior to adjournment of the meeting. The legislative body cannot enter into a detailed discussion or take any action on any items presented during public comments at this time. Such items may only be referred to the City Manager/ Executive Director/Secretary for administrative action or scheduled on a subsequent agenda for discussion. Persons wishing to speak on public hearing items should do so at the time of the hearing. The presiding officer shall limit public comments to three minutes.

G. TRANSMITTAL OF INFORMATION ONLY ITEMS

H. INFORMATION/CONSENT PUBLIC HEARINGS

I. PUBLIC HEARINGS

Housing Department – 6:15 P.M.

1. SUBJECT: Oxnard Housing Authority Agency Plan.
RECOMMENDATION: - **Continued to March 24, 2015**
Legislative Body: HA Contact: Carrie Sabatini Phone: 385-8096

J. APPOINTMENT ITEMS

K. REPORTS

City Manager Department

1. SUBJECT: Organizational Assessment and Audit of Corporate Support, Accountability and Value Systems—Management Partners and Renne Sloan Holtzman and Sakai, LLP. (001)
RECOMMENDATION: 1) Receive the "Organizational Assessment – Phase 1 Report" by Management Partners. Receive the audit report regarding the Human Resources Department by Renne Sloan Holtzman Sakai, LLP ("RSHS"); 2) Approve and authorize the Mayor to execute the Second Amendment to the Agreement with Management Partners, Inc., to increase the amount by $165,000 for a total amount not to exceed $360,000 to continue the services of Dave Millican, provide a long term financial forecast consistent with City Council policy, and to lead early implementation efforts for the high-priority issues described in the two reports; and 3) Authorize a budget appropriation in the amount of $75,000 from the General Fund Operating Reserve Fund.
Legislative Body: CC Contact: Greg Nyhoff Phone: 385-7430

Development Services

2. SUBJECT: New Channel Islands Harbor Memorandum of Agreement and License. (145)
RECOMMENDATION: 1) Approve a Memorandum of Agreement (MOA) with the County of Ventura (County) as it relates to operations and maintenance responsibilities in Channel Islands Harbor; 2) Approve a License Agreement to permit the County to enter and maintain the traffic median at the intersection of Channel Islands Boulevard and Harbor Boulevard; and 3) Endorse the concept of forming a Channel Islands Harbor joint powers authority to provide oversight for developments in Channel Islands Harbor and the Mandalay Bay Communities.
Legislative Body: CC Contact: Matthew Winegar Phone: 385-7896

Community Development Department

3. SUBJECT: Omnibus Amendment to Loan Documents (Sonata Apartments Acquisition, Predevelopment and Permanent Loan Agreement "Sonata Loan Agreement"). (169)
RECOMMENDATION: 1) Approve the proposed Omnibus Amendment to the Sonata Loan Agreement with Indemnification Agreement and authorize the Mayor (or designee) to execute the documents with such non-substantive changes as may be acceptable to the City Attorney; and 2) Authorize the City Manager (or designee) to prepare, revise, and sign all associated documents necessary to carry out and implement the Omnibus Amendment, and to administer the City's obligations, responsibilities, and duties pursuant to the Sonata Loan Agreement, as amended.
Legislative Body: CC Contact: Matthew Winegar Phone: 385-7896

L. REPORT OF CITY MANAGER/EXECUTIVE DIRECTOR/SECRETARY

The City Manager/Executive Director/Secretary shall report on items of interest to the legislative body occurring since the last meeting. The legislative body cannot enter into detailed discussion or take action on any item presented during this report. Such items may only be referred to the City Manager/Executive Director/Secretary for administrative action or scheduled on a subsequent agenda for discussion.

M. CITY COUNCIL/HOUSING AUTHORITY/SUCCESSOR AGENCY/FINANCING AUTHORITY BUSINESS/COMMITTEE REPORTS

N. PUBLIC COMMENTS ON REPORTS

At this time, a person may address the legislative body only on matters appearing on the reports. The presiding officer shall permit a person to address the legislative body after the staff presentation on the report and before the consideration of the report by the legislative body. The presiding officer shall limit public comments to three minutes.

O. PUBLIC COMMENTS ON STUDY SESSION

At this time, a person may address the legislative body only on matters appearing on the study session agenda. The presiding officer shall permit a person to address the legislative body after the staff presentation on the item and before the consideration of the item by the legislative body. The presiding officer shall limit public comments to three minutes.

P. STUDY SESSION

Q. REVIEW OF INFORMATION/CONSENT AGENDA

The members of the legislative body will consider whether to remove Information/Consent Agenda items for discussion later during the meeting.

R. PUBLIC COMMENTS ON INFORMATION/CONSENT AGENDA

At this time, a person may address the legislative body only on matters appearing on the information/consent agenda. The presiding officer shall limit public comments to three minutes.

S. INFORMATION/CONSENT AGENDA

City Manager Department

1. SUBJECT: Agreements for City Council Review. (191)
RECOMMENDATION: Pursuant to Ordinance 2835 and Resolution 13,932, approve and authorize the City Manager, to execute the attached agreements/contracts and change orders/amendments in amounts more than $25,000 but no more than $250,000, which are described on the attached list.
Legislative Body: CC Contact: Greg Nyhoff Phone: 385-7430

Development Services Department

2. SUBJECT: Second Reading of Ordinance No. 2890 Approving Planning and Zoning Permit No 13-580-05 (Zone Text Amendment) Regarding Regulations for Accessory Structures in Residential Zones. (193)
RECOMMENDATION: Second reading and adoption.
Legislative Body: CC Contact: Douglas Spondello Phone: 385-3919

C. CLOSED SESSION – Continued from Page 1

1. **CONFERENCE WITH LEGAL COUNSEL – POTENTIAL LITIGATION.**

CC On the advice of the Interim City Attorney, pursuant to Government Code section **54956.9 (d)(2)**, based on existing facts and circumstances, there is significant exposure to litigation against the City in four potential cases.

The City Manager and the Interim City Attorney requested that these items be discussed in closed session under the Brown Act exception of Conference with Legal Counsel – Potential Litigation.

T. ADJOURNMENT

CITY OF
OXNARD
CALIFORNIA

Meeting Date: 03/17/2015

ACTION	TYPE OF ITEM
☐ Approved Recommendation	☐ Info/Consent
☐ Ord. No(s). ______	■ Report
☐ Res. No(s). ______	☐ Public Hearing (Info/consent)
☐ Other ______	☐ Other ______

Prepared By: Greg Nyhoff, City Manager Agenda Item No. K-1

Reviewed By: City Manager GN City Attorney SMF Finance NWhitney Other *(Specify)*

DATE: March 17, 2015

TO: City Council

FROM: Greg Nyhoff, City Manager
Office of the City Manager

SUBJECT: **Organizational Assessment and Audit of Corporate Support, Accountability and Value Systems—Management Partners and Renne Sloan Holtzman and Sakai, LLP**

RECOMMENDATION

That the City Council

1. Receive the "Organizational Assessment – Phase 1 Report" by Management Partners.
Receive the audit report regarding the Human Resources Department by Renne Sloan Holtzman Sakai, LLP ("RSHS");

2. Approve and authorize the Mayor to execute the Second Amendment to the Agreement with Management Partners, Inc., to increase the amount by $165,000 for a total amount not to exceed $360,000 to continue the services of Dave Millican, provide a long term financial forecast consistent with City Council policy, and to lead early implementation efforts for the high-priority issues described in the two reports;

3. Authorize a budget appropriation in the amount of $75,000 from the General Fund Operating Reserve Fund.

DISCUSSION

Background

Upon assuming the position of City Manager, I immediately began a preliminary review of the City's operating practices. I very quickly came to the conclusion that a more thorough and comprehensive review was needed by outside consultants. On September 30, 2014, I recommended to the City Council that we retain the services of Management Partners and RSHS at which time my recommendation was approved. Management Partners submitted a 3-phase proposal based on the three "Building Blocks of Good Government" discussed in the background of their report. The first phase included an assessment of the City's Corporate Support, Accountability and Value Systems (see Attachment 1). They are ready to report out their observations and recommendation from this effort.

The RSHS firm was retained to provide consulting on any and all aspects of the City's Human Resource functions and a review and update all City personnel policies and procedures to ensure that City services are consistent with best practices. They are now ready to report their observations and recommendations as well (see Attachment 2).

Due to my concerns about the City's financial position, the impending need for budget planning and to meet with employee groups to discuss labor memoranda of understanding (MOU), I asked Management Partners to complete an unplanned review of our General Fund finances. Bob Deis of Management Partners came before the City Council on January 13, 2015 with a preview on the City's General Fund finances; however, Mr. Deis mentioned more work needed to occur by Mr. Millican to examine special funds that might have an impact on the General Fund. At the time, he mentioned that largely due to deficit spending in the Public Safety Retirement Fund (Carman Override), the General Fund would have an operating deficit of at least $3 million before addressing deferred investment needs. RSHS has been before the City Council a number of times since its retention to provide updates on excess paid leave accruals by City employees and present successor memoranda of understanding with certain of the City's bargaining units.

Observations

I believe it is important for the public to appreciate that the City Council took a bold step in commissioning this study. As Management Partners suggests, most public agencies are hesitant in putting themselves under the magnifying glass given the public scrutiny and criticism that comes with running a city. However, you cannot start healthy habits without going to the doctor in order to get that baseline physical. And while the results may be inconvenient, they provide the necessary roadmap for a healthy future.

Between the two firms, well over a hundred observations and recommendations have been put forward. A cursory review of them suggests that some will be difficult, some need to be addressed now, but all are within our collective ability to address over time.

I concur with the key points found in Management Partner's Executive Summary. The organizational culture is the underlying source for many of the errors and observations outlined in the report. We obviously need to address the high-priority issues now, but we cannot lose sight of the need to design, implement and reinforce a healthy organizational culture for the future. While I have already initiated steps to improve the organization, I encourage you to read the Management Partners' Executive Summary that discusses this point. You and I cannot do this alone. We need the entire organization rowing in the same direction.

It is clear that certain observations and recommendations need to be addressed now. To this end, I have formed a Phase 1 Implementation Committee that is already working on the top priority issues where: 1) they involve possible non-compliance with state or federal law; 2) delays may increase the exposure to the General Fund; and, 3) solutions may provide relief to a financially stressed General Fund.

The high-priority items are discussed below.

I. Management Partners Phase 1 Report—Corporate Support, Accountability and Value Systems

a. Public Safety Retirement Fund--Carman Override: In 1951, the City's residents approved joining the CalPERS retirement system. In the subsequent year the City began an annual tax levy dedicated to payment of public safety retirement costs. Oxnard is one of only twenty-four cities in the state with this type of tax. Thus, the expertise around this issue is not ubiquitous throughout the state. The state law that governs the use of this tax has been determined by the sum of voter-approved initiatives, court decisions, legislation and Attorney General opinions. It appears due to poor budgeting practices, the City's pension costs have exceeded its Carman Override revenues for the past few years, without a thorough vetting with the City Council. As of FY2015-16, the City will have used the remaining Carman Override fund balance and the General Fund will be responsible for covering any pension costs in excess of the Carman Override revenues. This was highlighted in Mr. Deis' report to City Council in January. Upon further review of the City's practices vis-à-vis current state law, it appears the allowable cost that is eligible for reimbursement from this special tax is less than current City practice. As a result, even more costs will be pushed onto the General Fund. We have engaged an independent retirement actuary experienced with this issue to determine the exposure to the General Fund. This will add to the forecasted General Fund deficit.

b. Assessment Districts: The City manages 58 assessment districts that pay for the maintenance and replacement of landscaping, streetlights and other neighborhood assets. Property owners are levied an assessment to pay for these activities. Allocation of these costs to property owners must be equitable and assessment amounts cannot be increased unilaterally, and depending on their formation date and enabling law, they may require a vote of these property owners. It appears that 25 of 58 assessment districts have negative fund balances that in the aggregate equal $3 million. The annual operating deficits of these funds ranged from $550,000 to $750,000 in the last four years. The remaining districts have positive fund balances, and some of them are rather large. In general, assessment district revenues should match their expenses; assessment districts should not run deficits but also should not carry significant fund balances. The only reason to accumulate large fund balances is to pay for replacement of assets, but there must be an explicit plan for its use.

The most critical problem is the negative fund balances, which never should have been allowed to accumulate. Absent a way to reduce or eliminate these, the General Fund may be required to fund these negative fund balances. Additionally, we need to bring in an engineering firm with experience in this area to immediately review our cost allocation methods. We also need to ensure ourselves that we use the most cost effective way to deliver services. Finally, we need to develop new financial plans for each District that will result in engaging property owners with options for each District. It will likely include service level reductions or assessment increases for some and possibly decreases for others. Given the annual operating deficit, time is of the essence given the risk to the General Fund. We have already issued a Request For Qualifications to solicit the engineering expertise.

c. Other Fund Deficits: Management Partners identified a number of other funds that have deficits. These include the City's Development Impact Fee funds, which currently have deficits of approximately $6 million in the aggregate, and the City's Golf and Performing Arts and Convention Center funds, which currently have deficits of approximately $5.7 million in the aggregate. Again, absent a plan to eliminate these deficits, the General Fund could be required to satisfy these obligations. This could have the affect of greatly reducing the estimated $14.8 million General Fund undesignated fund balance for June 30, 2015. More work needs to be done in this area.

II. Human Resources Department Audit--RSHS

On September 30, 2014, the City Council authorized the City Manager to engage RSHS to, among other things, provide consulting on any and all aspects of the City's Human Resource functions and review and update all City personnel policies and procedures to ensure that City services are consistent with best practices. Attached, as Attachment 2 is an audit report by RSHS, which identifies issues in the operations of the City's Human Resources Department. As detailed in the attached report, RSHS identified six broad categories of issues facing the City including:

i. Pension Program Management: The City maintains a number of retirement programs for its employees. However, based on our review, the City has not appropriately budgeted for its PARS plan and its retiree medical plan. This is especially problematic for the City because it is responsible to pay the full cost of PERS for classic employees and for any increases in PARS contributions. PARS costs are growing every year as a percent of payroll. In addition, although the City is obligated to provide a social security alternative plan to employees who do not qualify for either PERS or social security, it appears that the alternative plans offered by the City do not satisfy these obligations.

ii. Benefit Program Management: The City offers a number of benefits to its employees, including health insurance, life insurance, long term disability insurance, workers' compensation coverage and deferred compensation plans. However, we found that many of these programs are not being managed properly. As an initial matter, we were unable to determine whether all of the benefit programs offered to employees were authorized by the City Council. The City did not implement a comprehensive citywide plan related to the implementation of the Affordable Care Act (ACA), and has been providing certain benefits on a pre-tax basis even though these benefits are not eligible for pre-tax treatment, has not been appropriately taxing certain benefits provided to employees' domestic partners and may have altered the provisions of the City's thrift plan without authorization.

iii. Limited Benefit Employee and City Corps Employee Programs: The City has hired Limited Benefit Employees, ostensibly as temporary extra help but many of whom have, in practice, been employed by the City for many years without any of the benefits of permanent employment and without being subject to the more rigorous hiring process for permanent employees. The City has also employed individuals as part of the City Corps program, which is a youth jobs program. However, it appears that the City has retained City Corps employees who have aged out of the City Corps program. These programs need to be thoroughly reviewed and the LBE program needs complete revamping.

iv. HR Interfacing with Finance Department: There is a complete lack of communication between the City's human resources and finance departments. This has led to a number of costly mistakes, including the City paying for COBRA and/or dental insurance for employees who declined coverage.

v. Personnel Policies and Procedures: The City's personnel policies and procedures have not been subjected to a comprehensive review and revision since the late 1970s. As a result, many are out of date and do not reflect current best practices or applicable law.

vi. HR Department: The City's Human Resources Department is not sufficiently staffed in order to provide the full scope of human resources services. The City has not been able to engage in the expansive recruiting efforts it needs to fill its numerous vacant positions nor has the City conducted a classification study in nearly 20 years. Not only has the City not done this work but also it simply cannot complete these functions with its current staffing levels.

vii. Recommendations: In order to begin to address the issues detailed in the RSHS report, we recommend the following steps:

a. Fill the currently vacant department head positions and begin aggressively recruiting to fill other vacancies in the City, including personnel and benefits managers.
b. Improve management of the City's benefits programs by outsourcing certain functions that can be completed more efficiently by a third-party vendor and conduct a full audit of all of the City's benefit plans, including a tax review, to ensure that the City is providing benefits in the most cost-effective way possible and complying with all applicable laws.
c. Seek City Council authority to bargain with its employee groups, as necessary, to address issues identified in the RSHS report and to fund additional Human Resources staffing and retention of a benefits consultant and tax advisor in order to audit the City's benefits program.

III. Amendment to Agreement between the City and Management Partners

As mentioned earlier, we have a difficult budget process that will begin soon, that is more challenging given the vacancy of the Chief Financial Officer. We are currently recruiting for a replacement. I would like to continue Mr. Dave Millican's services to assist us in the budget effort along with providing other financial management advice as part of this assessment effort. An important City Council financial management policy was the requirement of a long-term financial forecast. This was not being done, thus, I asked Management Partners to address this shortcoming immediately given it will inform our budget planning. Finally, I asked Mr. Bob Deis to represent me in leading a City committee that is addressing the high-priority recommendations found in both reports today.

Attachment 3 includes Management Partners' proposal to address these three requests. I'm asking for authority to amend their contract with $165,000 of extra expenditure authority.

FINANCIAL IMPACT

The financial impact ($165,000) for action proposed tonight is for the contract amendment with Management Partners. The costs associated with Interim Chief Financial Officer, Mr. Millican ($90,000) will be largely covered by savings associated with the vacant Chief Financial Officer and Controller. The balance of the costs will be covered by undesignated fund balance in the General Fund or allocated to special funds, based on the benefits to those funds. (Attachment 4)

The cumulative financial impact of the 100 plus recommendations is impossible to quantify at this stage. I expect when the two firms return with a consolidated implementation plan, the financial impact will be clearer. However, it is clear the General Fund deficit for next year will be greater than what we discussed in January largely due to the Carman Override issue and possibly due to the assessment districts, depending upon when we implement solutions to this problem. Also, as Management Partners warned in January, while on the surface the $14.8 million General Fund balance appeared adequate at the time, the potential impact of these impaired special funds discussed above may greatly reduce this amount in the near future.

NEXT STEPS

As suggested above, Management Partners and RSHS are currently consolidating their recommendations along with suggested priorities. This will be brought back to your Council very soon along with an estimated cost and timeline for addressing the recommendations.

However, I am not waiting for this implementation plan to begin addressing the obviously important issues summarized above. To this end, I will be bringing contracts and proposals to City Council to address these high-priority items that have huge financial consequences to the City's General Fund.

Attachment #1 – Operational Assessment – Phase 1 Report

Attachment #2 – Human Resources Department Audit

Attachment #3 – Second Amendment to Agreement between the City and Management Partners

Attachment #4 – Budget Appropriation

City of Oxnard

Oxnard Strategic Plan: Phase 1 – Corporate Support, Accountability and Value Systems

March 11, 2015

Management Partners

ATTACHMENT 1
PAGE 1 OF 102

Management Partners

March 11, 2015

Mr. Greg Nyhoff
City Manager
City of Oxnard
300 West Third Street
Oxnard, CA 93030

Dear Mr. Nyhoff:

Management Partners is pleased to transmit this report containing the results of Phase 1 of the Oxnard 2020 Strategic Plan, a review of the City's Corporate Support, Accountability and Value Systems. This first phase includes a comprehensive assessment of those systems that serve and regulate the entire organization; allow service departments to operate; articulate practices that would improve service delivery to the Oxnard community; ensure accountability and maintain that high ethical standards are met. It also examines the City's organizational structure and relevant policies and procedures supporting corporate service delivery to ensure they represent current best practices in the industry.

As you know, the City has had leadership changes during the past several years culminating in your recent hiring. In addition, the City has undergone a good deal of external stress including a two-year investigation by the Public Integrity Unit of the Ventura County District Attorney's Office. While the investigation ultimately did not lead to criminal charges, it found improper activities associated with a "very small group" of persons in leadership positions, and pointed to a lack of accountability, weak internal control systems and other failures in corporate systems.

The most important message we hope to convey in this report is that, with proper leadership, the issues identified in this report are all within the City Council's and management's control to fix. However, doing so will require making some difficult decisions and changes in City practices. It is critical the City quickly addresses the higher priority issues outlined in the report but not lose sight of the need to change the organizational culture that allowed many of these issues to emerge. In interviews, it was clear the majority of City staff want an organization that has effective corporate support functions in which they can take pride. Staff should continue to

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be encouraged to bring issues forward, along with solutions to fix problems. By encouraging a culture of continuous improvement, Oxnard can become a very strong and successful organization.

Sincerely,

Andrew S. Belknap
Regional Vice President

ATTACHMENT 1
PAGE 3 OF 102

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Figures

Executive Summary

In commissioning this report the City of Oxnard took a bold step. It decided to ask for a thorough assessment of the ways the City currently does business. Many city organizations are reluctant to avail themselves of an outside expert assessment, so problems persist and even get worse. While this might be somewhat understandable, given the public scrutiny and criticism that comes with running a city, the fact is you cannot improve without admitting that there are problems and resolving to fix them. This is what Oxnard has done and it is worthy of note. Oxnard elected leadership, management and staff all want to improve. This report is a roadmap for that work.

This is a comprehensive assessment of the corporate support functions that support the overall operation of the City. In this regard it is similar to a physical examination, except the subject is an organization instead of an individual. Just as we sometimes receive feedback from a physical exam that may challenge us to change engrained habits, so too does this report. Like the analogy, this report provides the inconvenient facts, but it also provides the prescription for getting better.

Key Themes

Organizational Culture

Every organization has an organizational culture. It may be planned, with specific reinforcing programs and behaviors to create a certain organization, or it is unplanned and more of an organic compendium of behaviors that define it through individual actions, individual departments, or as a result of viewing others on what produces positive or negative results. The impression Oxnard gives is, at least for the departments that were visited, the City's culture is of the second variety.

The most important person in defining and reinforcing the appropriate culture is the city manager, and previous city managers did not actively set out to develop and reinforce certain values or behaviors. As a result staff members were left to define what to do for themselves, resulting in various instances described below.

This Phase 1 report primarily focuses on the support departments of the organization, thus the perceptions of the operating departments may be different. The aspects of Oxnard's culture that have been reviewed thus far have openly contributed to the issues and difficult choices listed in this report. While it is important to correct the mistakes or address the process and system issues highlighted in this report, defining and reinforcing the desired organizational culture will reduce the likelihood of having errors repeating in the future. Furthermore, it would be a "force multiplier" towards creating the type of city that the City Council, the city manager and the vast majority of the employees want. Some aspects of Oxnard's culture to consider include:

1) Leadership as a value should be reinforced through "owning" complete processes or problems that affect the entire City.
2) Organizational or process silos need to be eliminated for the betterment of the City.
3) Self-reflection by asking questions such as, "How can we do better?" or "What can we learn from our mistakes?" needs to be encouraged.
4) Investing in and reinforcing high professional standards should be stressed.
5) Accountability through performance evaluations and complying with City Council policy could be stronger.
6) The disinvestment and undervaluing of the support functions that provide internal controls for the City has contributed to problems.
7) Staff's perceptions of their role when interacting with City Council has contributed to the list of issues identified in this report.

Each of these issues is discussed in more detail later in this report, but a few brief examples here may prove helpful.

- This analysis found that there was a bifurcation in the accounts receivable function. As a result some collectables go back as far as 8 years. This occurred because of silos developing and a lack of ownership for the entire program, an example of a couple of the factors referenced above.

- Another issue was a general lack of training and investing in professional development. Not surprisingly this can lead to an undervaluing of professionalism and a gradual loss of professional ethos. An example of how this can surface can be found in the poor management surrounding assessment districts where deficit spending was allowed over a period of time with inadequate cash to support the budget in each district. When asked why this would occur staff noted direction from a previous Council committee. Assuming their recollection was accurate, clearly staff did not communicate to the Council the implications of their decisions, i.e., the professional thing to do.
- Another example along the same lines is the developing trend of deficit spending in the Public Safety Retirement Fund and negative fund balances within some special funds. When we asked why the City's budget did not include fund balances or other important information, the response was a perception that the City Council was not interested in it. Again this is not a professional reason for not tracking fund balance in the public budget document.
- There is a long-standing dissatisfaction with information technology services yet there appears to have been no concerted effort to address the concerns. This again suggests a reduced valuing of leadership, ownership of Citywide issues and crossing organizational silos. In response to this situation departments created their own information technology capacity, which is inefficient but necessary to get their work done.
- Finally, the City has undervalued the internal control functions of the City. It has not adequately funded the budgets for Human Resources and Finance Departments. It has not invested Fleet Management with the fiduciary role of managing this asset category using best management practices. The Information Technology role has not been given department status amongst peers.

Management Partners believes the City should address the high priority recommendations identified in this report with a sense of urgency. However, the City should consciously and persistently design, develop and reinforce a new Oxnard organizational culture that addresses the issues mentioned earlier. This will greatly enhance the capacity of the City to operate efficiently and effectively.

High Priority Issues

Management Partners and the Renne, Sloan, Holtzman and Sakai (RSHS) firm are working on a combined recommendation list from our separate reports using similar criteria for determining priorities. This will be brought back for Council review as a detailed Implementation Action Plan. However, it is readily apparent that some issues need to be addressed now.

One high priority is any area where a possible violation of the law exists due to past court decisions, e.g., IRS guidelines, state or federal law and where continuing certain practices risks further financial exposure to the General Fund. To this end, the city manager has formed a Phase 1 Implementation Committee and has already begun addressing these high priorities. Some examples include the Public Safety Retirement Fund (sometimes called the Carman Override Tax); the maintenance assessment districts; the negative fund balances for Golf and the Performing Arts Center Funds; the negative balances in the Development Impact Fee Funds; the proper tax treatment of employee benefits; compliance with employee memoranda of understanding (MOUs); and the Limited Benefit Employee (LBE) program.

Oxnard's General Fund

At the request of the city manager, Management Partners presented a preliminary overview of the City's General Fund budget for next year to the City Council. It suggested the City was facing a $3 million operating gap that can easily expand once the City takes into account deferred investments in areas such as fleet and technology. Subsequently, additional research was performed on the source for the Public Safety Retirement Fund (Carman Tax Override) that suggests the allowable costs eligible for this special tax may be reduced for the future.

With the deficit spending Management Partners uncovered previously, and the Carmen Tax Override issue recently identified, the City General Fund will be even more stressed going into the next budget cycle. An outside retirement actuary is assessing the potential impact from this evaluation of the Carmen Tax Override as this report is being written.

The City has a $14 million undesignated fund balance, which on the surface looked healthy, but the interim chief financial officer needs to complete a review of the condition of the various special funds that might have an impact on the General Fund. The following areas have deficit fund balances that should not have been allowed without a viable plan to eliminate them.

- Golf Fund $4 million deficit,
- Performing Arts Center $1.7 million deficit,
- Various maintenance assessment districts with a combined deficit of $3 million, and
- Development impact fee funds with a combined deficit of $6 million.

The City will need to develop viable plans to reduce or eliminate these fund balance deficits. If not, the City's General Fund may have to backstop these funds and the $14 million fund balance could be greatly reduced or eliminated.

Possible Solutions

All of these deficiencies are fixable and within the control of the City Council. However, some difficult choices and a change in practices are required for the General Fund to be in a sustainable position.

By far the largest expenditure category for the General Fund is compensation. As a result, the City will have to closely examine its compensation practices making sure they are all necessary to attract and retain a viable workforce.

Other recommendations, such as annual updates for user fees, separating Development Services into its own fund, examining overhead cost recoveries from grants and beefing up collection efforts are candidates for assisting in this effort.

Other hard choices may have to be made in both the method of service delivery and the level of services in the General Fund and Measure O Fund.

Next Steps

After presenting and discussing this report with the City Council, Management Partners and RSHS will return with a consolidated implementation plan. Management Partners also will present a proposal to conduct Phase 2 of the Organizational Assessment and Strategic Plan process. Finally, Management Partners is currently assisting the city manager in coordinating the immediate implementation of the high priority recommendations mentioned above.

A summary of recommendations in this report is provided in Attachment A.

Background

Management Partners was engaged in the fall of 2014 at the request of the new city manager who was hired by the City of Oxnard in June 2014. After being on the job for a few months, he saw organizational practices that caused concern. As a result, Management Partners and the law firm Renne, Sloan, Holtzman and Sakai (RSHS) made coordinated proposals to conduct a comprehensive assessment of the City organization. RSHS' work focused on examining practices in the Human Resources Department and their observations and recommendations have implications for the Finance Department as well. Management Partners' focus is on the balance of the organization. Both firms were in constant contact and both firm's reports represent a collaborative effort.

In order to understand the scope of this report and how it fits into a larger transformational context, an overview of Management Partners' original proposal is summarized below.

Oxnard Demographic and Background Information

Oxnard is a community of approximately 202,000 located in Ventura County, with a five-member City Council and an elected Mayor. The City government has approximately 1,800 employees and a total budget of $330 million.

As mentioned previously, the City has had leadership changes during the past several years and, most recently hired a new city manager. In addition, the City has undergone a good deal of external stress including a two-year investigation by the Public Integrity Unit of the Ventura County District Attorney's Office. While the investigation ultimately did not lead to criminal charges, it found improper activities associated with a "very small group" of persons in leadership positions, and pointed to lack of accountability and other failures in corporate systems.

A review of the City's organizational and corporate systems was timely to give the city manager, executive team, and City Council members a fresh perspective about organizational structure, cultural values, and business processes and systems designed to promote excellent service and ensure ethical business practices.

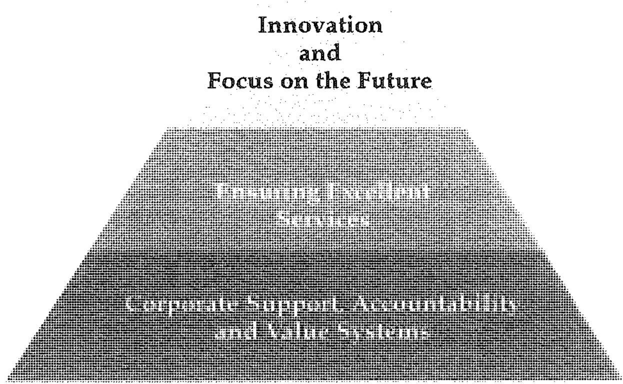
Whenever leadership changes, it is a good opportunity to have third-party assistance to determine whether there are ways to improve how the City's policy and program objectives are achieved. Over time, systems, policies and procedures can become dated, and reviewing those that are most essential to the effective functioning of the organization can be productive.

Recently and during the past few years, several issues have arisen that suggest a need for examining City practices. For example, the U.S. Department of Housing and Urban Development (HUD) recently indicated there are significant problems regarding HUD grants administered by the Housing Authority. There were issues with the management of accrued leave. Additionally, the City had about 140 vacancies, creating problems for City departments in delivering services. These issues raise concerns that there may be a variety of business practices in need of improvement.

Oxnard 2020 – Determining Our Future Now

Management Partner's proposal included three phases based on the "Building Blocks of Good Government" illustrated in Figure 1 below. Phase 1 of this project, focusing on the first level of the pyramid "Corporate Support, Accountability and Value Systems" is now completed and the observations and recommendations are contained in this report. Management Partners will follow with a proposed scope of work to examine and assess the City's practices in the operating departments or the second level of the pyramid "Ensuring Excellent Services." Upon completion of the second phase, the City will have key information to complete Phase 3, a strategic plan, the final building block "Innovation and Focus on the Future." The product of these efforts will be a very focused and transformative five-year strategic plan *"Oxnard 2020—Determining Our Future Now."*

Figure 1. Building Blocks of Good Government



Building Blocks of Good Government

Management Partners' experience is that local governments go through three basic developmental stages as depicted above. Each level in Figure 1 is foundational to the others. In other words, an organization must master a lower level in order to be proficient at the higher levels. Breakdowns in the lower levels will impact the ability to provide services or address strategic or emerging issues in the community. The results of this Phase 1 assessment bear this out, in that implementing the necessary fixes found in this report will have a direct impact on the City's capacity to provide services in the foreseeable future.

Corporate Support, Accountability and Value Systems

At the base is strong corporate-level support, helping departments with the elements they need to accomplish their missions. It involves having people, technology, policies and procedures in place that support stable financial management, accountability, compliance with City Council policies, teamwork, and demonstrated values as well as high ethical standards and professional practices.

Breakdowns at this level can create barriers to providing good service. Problems can create inefficiencies, errors, financial surprises or other inappropriate activity that affects the legitimacy of the City in the eyes of the public. Examples of policies and procedures in this area are internal controls, use of technology, purchasing activities, financial management, contract management, accounting, treasury, city manager office functions, asset management, risk management, managing for results and ethics. It is hard to accomplish work well and efficiently if these systems are not in place.

Ensuring Excellent Services

Ensuring excellent service is the mainstay of municipal operations. It encompasses service delivery operations for police, fire, public works, utilities, parks and more. This is the most visible part of the City. Service delivery involves having the right people in the right places along with the tools, policies and practices that support excellent services and the desired outcomes of the City Council and city manager.

This level is built upon the corporate support level; departments cannot improve what they do if they are constantly dealing with poor corporate support performance that does not allow them to focus on departmental priorities.

Innovation and Focus on the Future

The top building block is what moves a community or an organization forward. It is where innovation takes place, where staff and community members identify emerging issues, needs, problems and opportunities and develop strategies to address them. This includes managed risk-taking and trying new ideas with the recognition that needs change and approaches need to change as well. This is not a risk-free process.

If the first two building blocks of organizational development are not mastered, risk for error in this area is greatly increased and may lead to disappointing results. The amount of change and innovation that an organization can handle is directly related to the stability of its corporate support and service delivery systems.

Project Approach

Management Partners used various analytical and management techniques in completing this assessment. We reviewed numerous documents, conducted interviews with executive managers, supervisors, and line staff, assessed technology and business systems, conducted best practice research, implemented a Citywide employee survey, and facilitated six focus groups. Each of the analytical components is described in more detail below.

Document Review

Management Partners analyzed numerous documents related to this engagement. These included multi-year budgets, budget projections, financial documents including the Comprehensive Annual Financial Reports (CAFR) and fee schedules, and administrative and City Council policies and procedures.

Employee Engagement

Management Partners conducted 62 interviews with department directors, assistant directors, senior and mid-management staff, the assistant and deputy city managers. Six focus group discussions were held with the following groups: 1) senior staff, 2) mid-managers in internal service departments, 3) mid-managers in service delivery departments, 4) line staff in internal service departments, 5) line staff in service delivery departments, and 6) staff from facilities and capital improvement.

The purpose of the interviews and focus groups was to provide an opportunity for staff to suggest ideas for addressing the policies and procedures related to internal service delivery, as well as challenges and opportunities for improving accountability and ensuring high ethical standards are met. Many of our observations came from these interviews and focus groups.

In addition, all employees had an opportunity to provide input through a survey. Of the approximately 1,800 employees, 589 employees participated (a 33% response rate). This is a good response rate, suggesting employees care about this effort. All responses were confidential.

The key themes heard during employee engagement activities were:

- Communication about decision making, changes to policies and procedures, and issues that are critical to delivery of service has not been shared with departmental staff. Staff desires clearer communication of goals, defined responsibilities, expectations and more collaboration with key decisions such as the annual budget process.
- There is concern about the number of vacancies and the impact this has on the ability of staff to do their work.
- Staff throughout the organization is concerned about the purchasing process and the time it takes to get equipment, contracts and change orders processed.
- The budget process has been too centralized with minimal input from the departments responsible for implementing the approved budget.
- Many of the internal service responsibilities have been too decentralized, with departments doing much of the work that internal service departments were previously doing (e.g., executing and monitoring contracts, grants, purchasing, etc.).
- The lack of funds for equipment and fleet replacement and facilities maintenance is resulting in deterioration and costly maintenance and repairs.
- Hardware and software are outdated, and automation enhancements are lacking. Staff members have developed their own "workarounds" to be able to do their work.
- Staff has not had adequate training in the use of technology, procedures (i.e., purchasing, insurance requirements, contract management, grants management), customer service, ethics, or professional development. Nor has there been cross-training about departmental responsibilities.
- Employees desire to be part of changing the corporate culture to address the questionable practices processes that were identified in the District Attorney's report, and other issues that have arisen since it was issued, as well as any that may arise going forward.

The need for training is a key theme emerging from the employee engagement activities. Survey responses to questions involving access to job training suggest non-public safety employees were especially desirous of more investment in this area. This is due, in part, to the lack of mandatory training in non-safety departments vs. police and fire.

A summary of comments from the employee survey is provided in Attachment B.

Benchmarking

Benchmarking is used to ascertain where an agency stands in comparison with similar organizations. Peer agency benchmarking typically provides a general comparison of budget and staffing, sometimes it is used to validate or refute an observation or it may produce areas of additional inquiry. Management Partners takes great care in conducting benchmarking surveys. Benchmark data (as with any other source of information) should be analyzed in context with other data and research when making determinations about implementing relevant strategies.

Using publically available resources, benchmarking was used to compare Oxnard's resources and practices with several other cities. Comparisons were made with California cities with a similar population and services provided to the community. Table 1 shows the peer cities, their population, income, and how selected services are provided to constituents.

Table 1. Peer Cities, Population, Services Provided

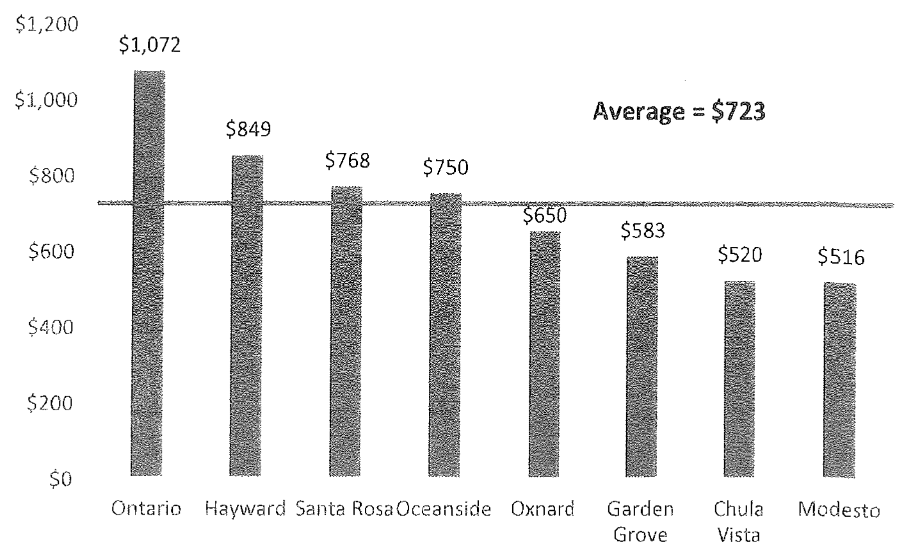
Peer	Population[1]	Median Household Income[2]	Charter or General Law City[3]	Services provided in-house		
				Police	Fire	Utilities
Chula Vista	256,139	$65,364	Charter	X	X	Wastewater Maintenance
Modesto	206,785	$49,205	Charter	X	X	Water, Wastewater
Oxnard	203,645	$60,700	General Law	X	X	Water, Wastewater, Refuse
Garden Grove	173,953	$59,988	General Law	X	X	Water
Oceanside	171,183	$61,181	Charter	X	X	Water, Wastewater
Santa Rosa	170,236	$60,525	Charter	X	X	Water
Ontario	167,382	$54,994	General Law	X	X	Water, Refuse
Hayward	151,037	$62,313	Charter	X	X	Water, Wastewater

[1] *Source: California Department of Finance; January 2014 data*
[2] *Source: US Census Bureau, Quickfacts; 2008-2012 data*
[3] *Source: League of California Cities: http://www.cacities.org/Resources/Charter-Cities*

Financial Comparisons

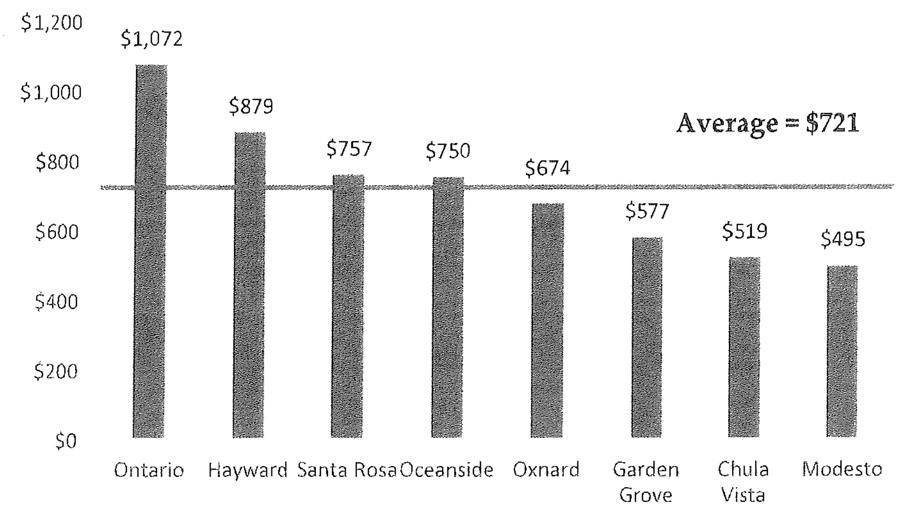
The financial peer comparisons are provided as a framework for the discussion in this report. When compared to peers, Oxnard is slightly below average in both General Fund revenue per capita (Figure 2) and General Fund expenditures per capita (Figure 3).

Figure 2. General Fund Revenue per Capita



Sources: City of Oxnard adopted FY 2014-15 budget document; Oxnard General Fund revenues include Measure O and Public Safety Retirement Fund revenues. Santa Rosa General Fund revenues include Measure O and Measure P (both 1/4 cent sales tax). Hayward General Fund revenues do not include Measure C (1/2 cent sales tax); Measure C was passed in June 2014 and these numbers were not available at the time of this study.

Figure 3. General Fund Expenditures per Capita



Sources: City of Oxnard adopted FY 2014-15 budget document; Oxnard General Fund expenditures include Measure O and Public Safety Retirement Fund expenditures. Santa Rosa General Fund expenditures include Measure O and Measure P (both 1/4 cent sales tax). Hayward General Fund expenditures do not include Measure C (1/2 cent sales tax); Measure C was passed in June 2014 and these numbers were not available at the time of this study.

Some of the issues uncovered in Oxnard are related to financial resources and staffing levels in some of the support departments. Figures 5 through 9 show comparisons of resources and staff support provided by the peer cities and the City of Oxnard. They provide comparisons of the expenditures as a percent of Citywide General Fund expenditures and full time equivalent employees (FTE) as a percent of citywide full time equivalent employees for the Finance Department, Human Resources and centralized Information Technology. Oxnard is below average when compared to peers in all comparisons and it contributes to our observations about these departments later in this report. The City has understaffed these support and control functions in the past.

Figure 4. Finance Department General Fund Expenditures as a Percent of Citywide General Fund Expenditures

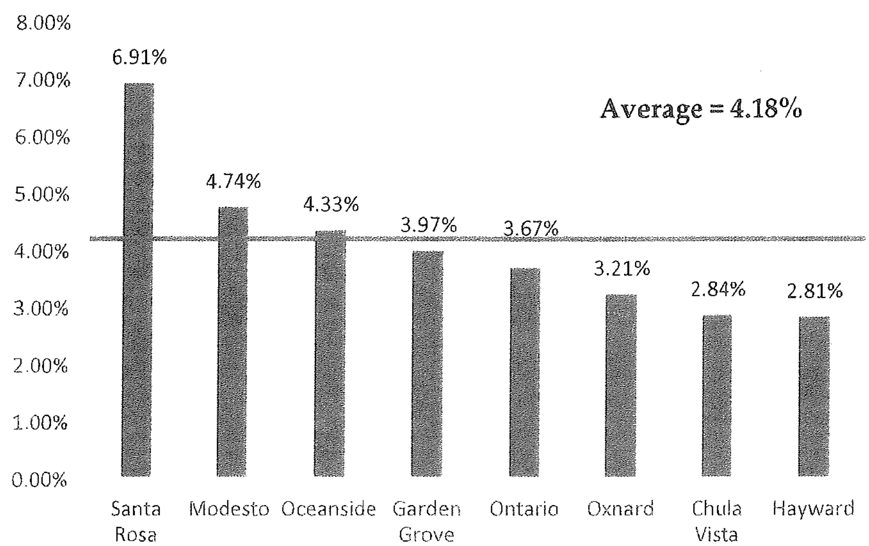
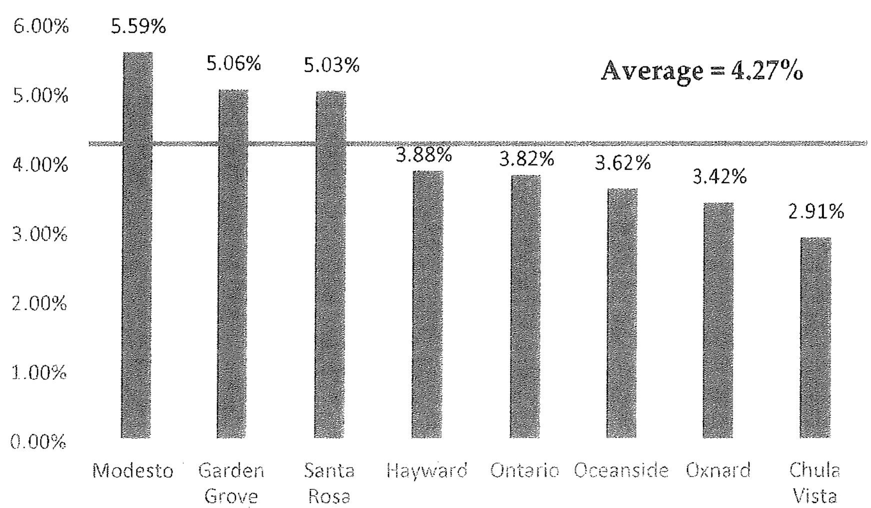


Figure 5. Finance Department FTEs as a Percent of Citywide FTEs



Note: The percent for Oxnard does not include Limited Benefit Employees.

Figure 6. Human Resources General Fund Expenditures as a Percent of Citywide General Fund Expenditures

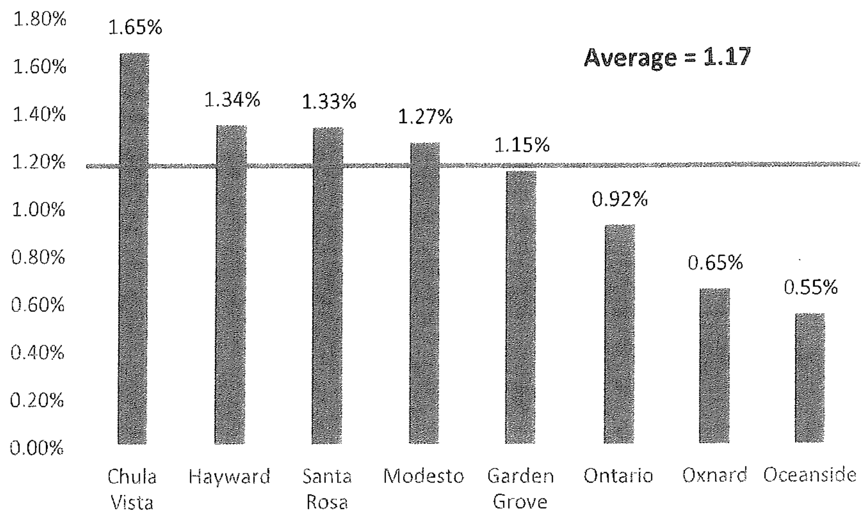
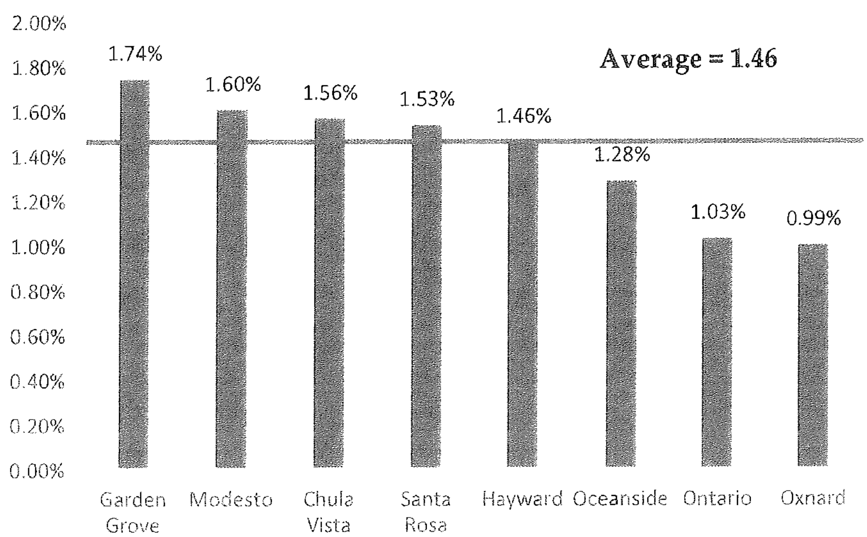
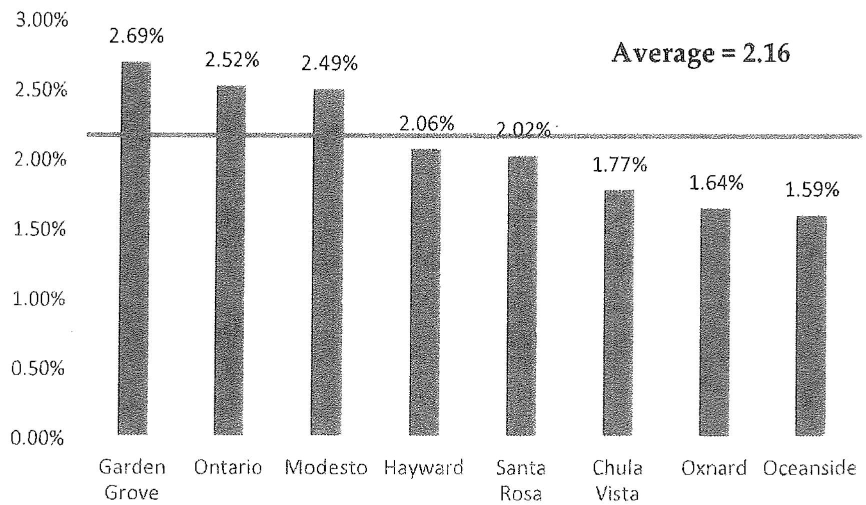


Figure 7. Human Resources Department FTEs as a Percent of Citywide FTEs



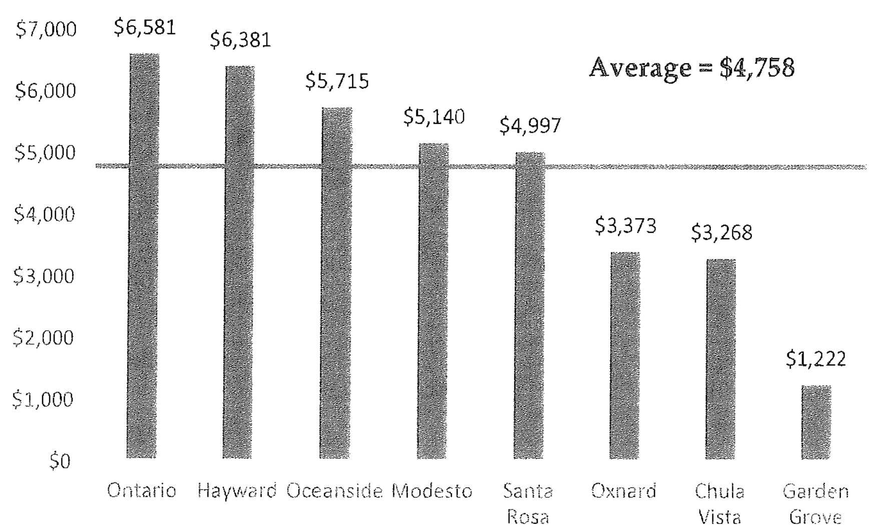
Note: The percent for Oxnard does not include Limited Benefit Employees.

Figure 8. Centralized Information Technology FTEs as a Percent of Citywide FTEs



Note: The percent for Oxnard does not include Limited Benefit Employees.

Figure 9. Centralized Information Technology Expenditures Per FTE (Citywide)



Note: The expenditures for Oxnard do not include Limited Benefit Employees.

Best Practices

A best management practice is a technique or methodology that has proven to reliably lead to a desired result. A commitment to using the best practices in any field is a commitment to using the knowledge and technology at one's disposal to ensure success. Best management practices are derived from the organizations that have developed innovative and successful programs.

Best management practice research requires identifying the practice, establishing a basis for calling it a best practice and ensuring the practices are applicable to the scale and scope of the organization being assessed. Sources of best management practices include professional organizations (e.g., the International City and County Management Association, Government Finance Officers Association, American Public Works Association, etc.), state governments that have commissioned studies of local government best practices, and academia. Best practices have been included where recommended improvements have been identified.

Review of Corporate Support Systems

Phase 1 of the Oxnard 2020 Strategic Plan is a review of the corporate support, accountability and value systems. When implemented, the strategic plan will set the City on a strong path to accountability and effective service delivery. This phase looks at aspects of the City Manager's Office, Finance, Human Resources, Information Technology, asset management, ethics, and related topics of a citywide nature that have great import to City performance.

In addition to Management Partners' review, Renne Sloan Holtzman Sakai is providing a more in-depth review of the City's human resources and labor relations functions, and NexLevel is conducting a more in-depth analysis of the City's information technology systems and policies. Management Partners is coordinating these analyses with these agencies, and they will be providing separate reports to the City.

Budget and Financial Management

Management Partners' initial review of City documents resulted in concerns about the evolving financial position of the City's General Fund. This prompted a more comprehensive review of the City's budgeting and financial practices, and a more in-depth review of the actual financial position of the City's General Fund. The results of this analysis were provided to the City as a separate report in January 2015. The analysis in this report focuses on the underlying causes that allowed the current financial conditions to occur.

Management Partners found a number of financial management practices that have impacted the City's General Fund and will cause even more harm if not fully addressed. In the past 10 to 15 years, the City Manager's Office had little involvement in the budget development process or financial management, generally.

Outside of a few staff members in the Finance Department, Oxnard's budget development process and budget document is not understood and managed by senior management within the City Manager's Office or the departments. Senior managers responsible for substantial programs seem unaware of their budgets and financial position. Department heads are not entirely sure what positions they have funded or which positions they can fill when they become vacant. Department heads have expressed concern about unilateral reductions to their department budgets without discussion. Six departments exceeded their budget in FY 2013-14. Some departments voiced concerns that budget overages occurred because of lack of knowledge about end-of-year reductions.

In reviewing City policies and practices, Management Partners found instances where Council policy is simply not being followed. This will be discussed in more detail below in the section entitled Budget and Financial Management. There are examples where previous City Councils made decisions that have negative consequences to City finances, but it is unclear to what extent the city manager, senior staff or the city attorney tried to communicate to Council the exact implications of their decisions (see discussion on maintenance district assessment funds below). In some cases, it appears Finance made changes to departmental budgets without vetting them with the city manager and City Council.

> **Recommendation 1. Restructure the budget process to provide greater oversight by the Office of the City Manager.** The city manager is ultimately responsible for City financial management and ensuring the organization conforms to Council's adopted policies.

The City Manager's Office needs to be more involved in the overall City planning and budget processes to ensure they follow best management practices, that Council members understand the financial position of the City, and that City Council financial management policies are being followed. The city manager should clarify the role of support departments' vis-à-vis the overall mission of the organization. Besides providing adequate support services, they provide an accountability function ensuring compliance with Council policy, best management practices, state and federal law and sound business practices that can withstand the test of public scrutiny.

> **Recommendation 2. Restructure the process for budget preparation to include departments in the development and ongoing monitoring of the budget.** Staff should be involved in the initial steps of developing the budget, budget review prior to going to the City Council for

discussion and approval, and for routine monitoring throughout the fiscal year.

Recommendation 3. Create a monitoring process that holds department heads accountable for operating within their budget limitations. Department heads should be expected to understand their financial operations and have proper staff in place to assist them.

Budgetary Controls

Areas identified as necessary for budgetary control included costs associated with personnel costs and the ability of departments to unilaterally adjust budget programs if within their total departmental appropriations. The issues associated with personnel costs are discussed briefly below. The personnel issues are discussed in greater detail in the report prepared by RSHS.

By far, personnel is the largest expenditure category in Oxnard's budget. However, the City does not appear to have a robust position control system to approve and track specific full-time equivalent employees in the budget such that departments can only recruit and fill budgeted positions. When a department wishes to recruit and fill a position that has been funded in the current budget, the review process requires approval by the City Manager's Office and often delays the approval.

The "Vacancy Management" program, where positions are listed in the budget document but not funded, exacerbates this situation. Additionally, departments have been allowed to expand the Limited Benefit Employee (LBE) program where they can hire staff without any kind of budgetary or human resource review. There are over 600 LBEs in the City, which has become a shadow form of creating permanent positions. This represents an internal control deficiency from a budgetary and human resource perspective. Each position should be evaluated to determine whether to recognize it as permanent, temporary or part-time based on workload requirements and City priorities.

In most local governments, there is a discussion during the budget process about service levels and expectations for work activities during the next fiscal year. If a department wants to make changes to service levels and requests a change in funding levels, they must justify why the service levels should be changed. The elected officials who approved the budget are also made aware of the request and make a decision about whether they concur during the budget process. Otherwise, there is an assumption that the approved service levels and associated activities are going forward.

Currently in Oxnard, department heads can adjust their budgets between programs if within their total departmental appropriations. Oxnard does not have a budget process that discusses service levels and expectations or a process to justify why changes to the budget should be made. This impacts accountability between staff and the City Council and between the City and the community in meeting service delivery expectations.

Recommendation 4. Create a position control system to allow only funded positions to be filled. If a position is funded and position control system is in place, the department should be allowed to fill that position without an additional review process through the City Manager's Office.

Recommendation 5. Eliminate the Vacancy Management Program. These positions were unfunded years ago and due to the current financial position of the City, there is little likelihood for funding in the future. The positions should be removed from the budget document and the approved position listing.

Recommendation 6. Evaluate Limited Benefit Employee positions to determine whether the positions should be made permanent, temporary or part-time based on workload requirements and City priorities. The use of LBEs should be restricted or eliminated going forward.

Recommendation 7. Review and tighten budgetary controls and authority for departments. This process should allow departmental authority for changes only within budgeted expenditure categories, (e.g. personnel services, materials and supplies). The department must conform to the authorized number of budgeted positions and levels of service within a division or a program as approved by the City Council.

City Service Planning and Budget Process

The City's overall service planning and budget process as well as the adopted budget document should be revamped to increase accountability in several areas. There is no evidence of a Citywide discussion about service levels based on community needs and Council priorities. These should be directly reflected in the budget document. Furthermore, the current budget document does not account for all the resources available to the City, such as fund balances, which has resulted in masking financial problems.

The condition of individual funds, special funds such as those for maintenance assessment districts, and development impact fees are not found in the budget document. There are no long-term financial projections for revenues and expenditures that put the current budget in the proper context. The current budget is not balanced for the Public Safety Retirement Fund in that resources do not equal expenditures. This must be corrected given it likely violates state law.

Any fund that has an operating budget where ongoing expenditures exceed ongoing revenues, creates a need to use one-time resources, i.e., fund balance to balance the budget. This can be a problematic trend that needs examining. This sets up a new budget hole in the following year. This situation should be highlighted in the budget and specifically discussed during the budget process. A negative unassigned or undesignated fund balance should be an extremely rare occurrence that is highlighted and discussed in the budget process, along with a viable plan to address it immediately. Management Partners found examples of these, which are discussed later in this report.

The City Council expressed discomfort with the budgeting process and their understanding of the City's financial position, which suggests a more comprehensive annual Council budget process should be implemented. This will take time. The typical starting point for a robust City planning and budget effort is to examine the municipal service level needs of the community. To do this effectively it takes time, resources and systems to effectively measure these variables. The City also has infrastructure and assets that are worth billions, the condition of which is critical to the daily lives of the residents.

Recommendation 8. Develop a multi-year plan to evaluate community conditions and needs, and associated service levels to address those needs, including capital master plans.

Once Recommendation 8 is effectuated, that information would guide the planning and budget efforts described in the following recommendations. However it will take time to create the systems to support this effort.

Recommendations 9 through 12 should be addressed as quickly as possible to increase accountability, highlight key concerns, address the Council's wishes for a comprehensive understanding of their City's condition, and to comport with state law and professional standards.

Recommendation 9. Incorporate City Council goals and priorities in the budget planning process and articulate how the budget incorporates the Council's goals.

Recommendation 10. Affirm that the City Council financial management policies are being followed or provide plans to address them.

Recommendation 11. Account for all City resources, liabilities and deferred investments in the budget. This should include an understanding what maintenance and other investment deferrals are being made and the implications of those deferrals.

Recommendation 12. Ensure City Council has a thorough understanding of the condition of their City and the organization's financial condition, along with areas of concern, e.g., negative fund balances, negative operating position as part of the annual budget review and monitoring.

Financial Management Policies

The City Council adopted a comprehensive set of financial management policies, which are supposed to guide the budget development and adoption process (see Appendix 1). Overall, the policies are comprehensive, but Management Partners' team members identified several key policy areas that were not being followed. Each is discussed below.

- City Council Budget Guideline 1 states, "The City Council will approve a multi-year revenue and expenditure forecast, which will provide parameters for the budget development process." Staff presents a multi-year revenue forecast but does not do the same for expenditures or changes in fund balances.
- There are three funds that are not included in the multi-year forecast: General Fund, Public Safety Retirement Fund and Measure O funds. These are inextricably tied together and should be part of the forecast. This practice could be expanded to other funds as well.
- City Council's Revenue Policies, Section B, User Fees and Rates, clearly states that the City should regularly update its user fees to avoid unwanted subsidization by the General Fund, but staff has not done so. There is no comprehensive annual review of user fees as stated in the policies. The cost allocation plan must be updated to identify indirect costs for grant-related programs. Internal Service Fund (ISF) charges (e.g., fleet and information technology) have not been updated in years and do not include an asset replacement program. This reflects lost revenue potentially, and contributes to the poor asset condition described later in this report. It will likely mask a growing financial deficit in certain funds, such as the General Fund, when considering these rates need to be updated and addressed in future budgets.
- City Council's Revenue Policies, Section C, Revenue Collection, directs staff to…"take all cost-effective actions available to collect revenues." While this is very subjective, it should be noted the treasurer does not have a proactive collection effort using an enforcement officer and there is a bifurcation of responsibilities for other collection efforts and monitoring of accounts receivable. This is discussed in the Treasury and Accounting section below.
- City Council's Reserve Policies, Section V states, "The City Council will endeavor to maintain operating reserves in the Water and Wastewater Enterprise Funds equal to 25 percent of the operating budget, and reserves in the Solid Waste Enterprise Fund equal to 9 percent of the operating budget." This section should be expanded to include a requirement that all bond covenants are complied with for coverage ratios. There is no reference in the budget document that informs whether the City is complying with this policy. The FY 2013-14 Comprehensive Annual Financial Report (CAFR) suggests that Water and Wastewater are meeting these standards, but the Solid Waste Enterprise is not. Also, the

Wastewater Fund violated revenue coverages found in the bond covenants, thus triggering a rating downgrade, which will increase interest costs in the future.

- The Reserve Policies, Section V, also calls for "Adequate reserves…for all known liabilities….including worker's compensation and self-insured retention limits." The City Council policies further elaborate what is "adequate" under Risk Management policies (Section VIII of the Financial Management Policies). The annual budget document does not discuss the relative adequacy of the budgeted reserves. Nor does it elaborate on plans for bringing them to "adequate" levels if they are inadequate. It does not appear that current reserve levels are adequate. Staff should elaborate on plans to restore reserve levels in the above-mentioned categories to "adequate" levels defined in Council policy. Current reserve levels, while not alarming given the recent recession, are inadequate for the long term by the definitions found in the Council policy (and when best management practices are applied).
- One of the practices in the Workers' Compensation Program contributing to a reserves shortfall is the use of actual payroll amounts as a variable in allocating costs to departments. Given the inherent vacancies in the City, this method always guarantees a shortfall in revenues in that fund.

While not calling out specific targets for each fund separately as with the utility funds mentioned above, the City Council does speak to requiring adequate fund balances and reserves in their Financial Management Policies, Section IV, Fund Balance Policy and Section V, Reserve Policies. To this end, Management Partners notes the following had negative unassigned or available fund balances:

- Golf Fund – $4 million deficit,
- Performing Arts Center – $1.7 million deficit,
- Aggregated benefit assessment funds – $3 million deficit available fund balance, and
- Aggregated development impact fee fund balances – $6 million deficit available fund balance.

These deficits were not highlighted in the budget document since it does not include fund balances. The CAFR aggregates all fund balances, thus the positive fund balances mask the negative ones. On the surface these are not consistent with the Council policy on fund balances and reserves.

While there has been some indirect policy discussion about the Golf and Performing Arts Center's annual operating deficits and General Fund subsidy, Management Partners was unable to find any discussion on the appropriateness and consequences of accumulated negative fund balances. It is our understanding the growing operating deficits in some benefit assessment funds were discussed with a previous City Council's Subcommittee but a solution to this growing issue was not forthcoming and was not discussed by Council. Staff state that the full cost of water usage in the Golf operations has not been allocated to this budget.

The Development Services Department is a department where the preponderance of costs should be recovered by fees. The exception to this premise is the cost associated with maintaining the City's General Plan, and fees can cover a portion of those costs. If the department is budgeted within the General Fund, the extent to which costs are actually recovered can be hidden or difficult to determine. If the department had its own fund, any subsidies would be more readily apparent.

With respect to the Development Impact Fee Funds, we could not find documentation of a Council discussion on the appropriateness of negative fund balances and the implicit loaning between the funds that have adequate resources and those that do not. In 2014, the City updated a fee study but before that the latest update was ten years ago. This program needs review on a regular basis because of the negative fund balances that have been uncovered, and to ensure the proper allocation of debt service for outstanding debt and the capital needs found in the General Plan and current Capital Improvement Program.

All these funds will require a plan to address their negative fund balances. Absent a plan for each, it is implied that the General Fund is the ultimate guarantor of these shortfalls. This could have the effect of eliminating the current General Fund, which has a fund balance of $14.8 million. This has serious consequences for the City's financial position.

Recommendation 13. Commission a multi-year revenue and expenditure forecast to set the parameters for the next budget cycle. Given the condition of the annual General Fund budget, with expected operating deficits that will grow over time, planning to manage and eliminate this deficit over time begins with the next budget cycle. The General Fund, Public Safety Retirement Fund and Measure O Fund should be included in this forecast, along with fund balances. It is important for the City to know how the budget decisions play out into the long term.

Recommendation 14. Create an annual user fee review and adoption process that revolves around Council policy direction on what fees should fully recover the cost of services and what services might be subsidized by the General Fund and at what levels. Fees should be annually updated to reflect the increase in cost (both direct and indirect) of doing business.

Recommendation 15. Move the Development Services Department budget into its own fund and fund operations with user fees. Other than the General Plan cost center, Development Services should be funded by fees. By isolating the costs and revenues of this operation, the City can ensure conformance to Council Policy III B, User Fees and Rates...."The City Council will attempt to recover the costs of services providing a private benefit to users through the imposition of user fees and charges."

Recommendation 16. Examine development impact fee rates now and every three to five years to ensure fee revenues cover the cost of operations. These fees need to be reviewed because of the negative fund balances that have been uncovered, the proper allocation of debt service for outstanding debt, and the capital needs found in the General Plan and current Capital Improvement Program.

Recommendation 17. Update internal service fund charges annually to reflect expected operating costs. The City needs to develop a program to gradually phase in a fee for asset replacement (discussed in the Asset Management section below).

Recommendation 18. Update the Indirect Cost Allocation Plan for internal indirect cost recovery and develop a Federal A-87 compliant plan to recover indirect costs on grants.

Recommendation 19. Include an explanation of whether "adequate" reserves are included in the annual budget, and an explanation of whether they conform to the "adequate" reserve policies for workers' compensation

and liability programs. If they do not, identify a plan to achieve compliance.

Recommendation 20. Prepare a comprehensive financial assessment of the Environmental Resources, Golf Fund, Performing Arts Center Fund, benefit assessment and development impact fee funds. The assessment should include an evaluation of costs allocated to those funds, the adequacy of revenues, and a plan to restore the fund balances to proper levels. Fee or assessment increases need to be evaluated along with more cost-effective service delivery methods for reducing costs. If fees are not covering operating costs and increases are not approved, then the service level must be reduced or the General Fund will have to subsidize these private benefits.

Recommendation 21. Review golf operations to ensure the fund is adequately paying for costs associated with water usage.

Recommendation 22. Allocate workers' compensation costs as a fixed cost, rather than using payroll. Payroll inherently falls short of the necessary amount due to vacancies.

Financial Management Policy and Practice Gaps

The Financial Management Policies for Capital Improvement Program (CIP) Policies, Section II A5, discusses the need for strategic and master plans for utilities, but is silent on facilities and parks. In fact, there is no master plan for facilities, and there is an underfunded master plan for parks. There is no discussion in the budget or CIP document about the City's compliance with this standard. In the CIP document, there is a lack of narrative when describing project requests and the lack of funding for facilities and parks projects. As a result, it is difficult for the City Council or the public to fully understand the status of the City's expensive asset inventory and the impacts of not adequately funding a Capital Improvement Program.

The Financial Management Policies has no equivalent discussion or direction on proper planning, i.e., master plans for other critical asset management areas such as fleet or information technology systems. These are discussed more in the appropriate sections below.

The City's Financial Management policies for debt are clear, but compliance with these policies is less clear. When evaluating each debt issuance, the policy references the use of industry standard debt ratios. Accrued leave liabilities should be part of evaluating debt loads.

While bond rating agencies and others use various data points and subjective criteria to evaluate risk, a simple method is to take annual debt service requirements as a percent of revenues. One might use the traffic signal as a metaphor when evaluating this data. In other words, a debt ratio of less than 10% is the equivalent of a green light (go forward with limited concerns). A debt ratio of 10 to 20% is the equivalent of a yellow light (slow down and proceed with caution). A debt ratio greater than 20% is the red light that should require the City to stop and consider revenue increases or cost reductions.

The General Fund (and related funds) is just passing the 10% level, the Wastewater Fund is at 15% and the Golf Fund is at 29%. The Wastewater Fund is also violating its bond covenants and is in need of a major capital program to replace aging facilities. The Golf Fund's position will be ameliorated within another year with the final payment of a large debt issuance.

Recommendation 23. Clarify that City Council's "Capital Improvement Program Policies Section II A5", covers all facilities and parks, in additional to utility infrastructure and improvements.

Recommendation 24. Ensure the Capital Improvement Program process and documents explicitly affirm compliance with Capital Improvement Program Policy A5. If there are areas of non-compliance they should be highlighted with dates for future compliance (see Asset Management discussion below).

Recommendation 25. Add a category with requisite policies to the Financial Management Policies entitled Asset Management.

Recommendation 26. Develop multi-year master plans for the management and replacement of fleet vehicles and information technology.

Recommendation 27. Prepare and present an overview of the City's collection efforts for accounts receivable and

the billing and collection activities in Treasury to ensure they comply with policy (see comments under the Treasury and Accounting section).

Recommendation 28. Clarify procedures for capital improvement projects to require background information about the overall condition of the City's investment in infrastructure, the impacts of deferring investments and the relative need for each project funding request.

Recommendation 29. Prepare an annual assessment of debt loads as part of the budget review process and include accrued leave balances and use in this evaluation.

Financial Health of the General Fund and Measure O Funds

The City Council recently received a preliminary overview of the General Fund for next year's budget. It estimates there is a minimum $3 million deficit that can easily increase after taking into account deferred investments in the fleet and information technology areas. There is growing deficit spending from the Public Safety Retirement Fund (Carman Override) and the need for the General Fund to subsidize an ever-increasing deficit in this fund. The presentation included a need for the interim chief financial officer to review the status of any other special funds that might indirectly impact the General Fund. Those issues are highlighted in the above discussion.

There are only 24 cities in California (out of 482) that can access the Carman Override special tax provisions to pay for public safety retirement costs. The expertise with this program is very limited in the state and it appears some of these cities have a slightly different set of facts related to this program. It should be noted there are court decisions that provide some direction on the proper use of this source. Management Partners believes the allowable public safety retirement costs that are eligible to be covered by this special tax are actually less than what is in the City's budget. This would have the effect of pushing more costs onto the General Fund, thus increasing the expected deficit for next year. The City has engaged an independent retirement actuary to estimate this impact.

The costs of the CalPERS and Public Agency Retirement Services (PARS) programs are going to increase faster than General Fund revenues over the next five years, at least. CalPERS alone will increase roughly 10% each year for the next five years (a 60% increase when compounded). The City's compensation practices impact the CalPERS liability. The PARS costs to the City will increase because under the Public Employees Pension Reform Act (PEPRA), new staff cannot participate with contributions to this program. Additionally, RHSH and Management Partners found that the City is not allocating the full Annual Required Contribution (ARC) for the PARS program, thereby adding even more costs to the program going forward.

The result is that the unfunded liability will be larger and allocated to a shrinking labor pool. A recession could increase the impact of this situation. Non-safety retirement rates (CalPERS and PARS) are exceeding 35% and are expected to increase in the future. The ARC for the City's retiree health, Other Post-Employment Benefits (OPEB), is $1.7 million per year, but the City is only contributing $400,000 per year. This has the effect of greatly increasing the cost of this program in future years. The City should consider budgeting the full ARC. These liabilities are in addition to the increasing unfunded amount in the City's CIP.

The City has created additional operating cost obligations to the Measure O fund. Measure O has a sunset date, albeit not for another 13 years. Staff suggested that over time the General Fund could gradually assume those responsibilities. This assumption is questionable given the liabilities identified in this report. The City should look at the longer term impacts on the budget once Measure O sunsets, perhaps freezing any use of Measure O funds until a comprehensive financial plan is complete.

After completing the multi-year projections for expenditures identified above, the city manager should work with the City Council on key drivers of budget deficits and trends to understanding, and determine options to manage these trends given their importance to the financial position of the City, and to the ability to maintain a viable workforce. The primary cost drivers are compensation; vacation, sick leave accruals and buyback provisions; CalPERS costs, PARS costs and retiree medical costs; and workers' compensation costs. As just one example, the recent $3.3 million estimate (an increase of $700,000) for annual leave buyback is a large expenditure item. The City might survey labor market comparators to see if this is a common practice. This might inform future labor negotiations or policy decisions.

Finally, it is hard to imagine, given the plethora of recommendations found in this report, the Finance Department has the capacity to effectuate these changes in a timely manner. As mentioned earlier, the department is understaffed compared to other cities, most of which will not have such an aggressive list of changes. As a result, the department should add a mid-level manager to assist the chief finance officer in addressing these recommendations and ensuring operations are not affected by these changes.

Recommendation 30. Conduct a workshop on key drivers of budget deficits and trends, focusing on understanding and determining options to manage these trends to improve the financial health of the City.

Recommendation 31. Reevaluate the reliance of the City on Measure O funds and develop a strategy to address short- and long-term impacts on the City's budget.

Recommendation 32. Examine case law for the Carman Override tax levy, engage a retirement actuary conversant with this law and make the appropriate budgetary adjustments.

Recommendation 33. Add a mid-level management position to the Finance Department to assist in addressing the recommendations in this report and to stabilize operations.

Purchasing Practices

Written purchasing policies and the Policy Manual together provide guidance on purchasing procedures including preparation and routing of requests for review and approval. The Purchasing Manual was adopted in October 1994 and revised in August 2007. The purchasing policies were adopted as early as 1987 and updated frequently over the years, most recently in 2010. However, it does not appear that the policy updates were incorporated into the Policy Manual on a regular basis, adding to what staff described as confusing procedures and requirements.

Current credit card usage policies are not incorporated in the manual. Credit card limits ($1,000) are lower than department purchasing limits of $2,500; however, it appears some departments are deferring to the higher limit to govern credit card usage. During interviews we heard some staff have rather large credit card limits.

There are no penalties for improper credit card use. (Some jurisdictions take cards away from employees who violate such policies.) Employees granted credit cards are allowing others to use them and it appears these practices may be in conflict with the credit card policy.

Purchasing cannot review credit card purchases until after the purchase has been made, and department controls are inconsistent across the organization. This is further exacerbated by lack of training. Employees admitted to having to "self-train" on procedures and were often given responsibilities without having had previous experience or without receiving training about proper procedures.

Recommendation 34. Review and update purchasing policies. All policies should be in the Policy Manual and made available to all staff with responsibility for purchasing activities.

Recommendation 35. Review and clarify policies for using credit cards and penalties if policies are violated. The limitations should be clear and there should be a graduated penalty program for violating policy.

Recommendation 36. Assign a senior manager in each department the responsibility of monitoring credit card use and compliance with policies.

Recommendation 37. Conduct mandatory training for all department staff involved in purchasing goods and services. New staff or newly assigned staff should receive training on a timely basis.

Purchasing Limits of Authority

The City of Oxnard revised the purchasing limits of authority in November 2010 in response to the findings of the District Attorney regarding fiscal practices that violated the City's ethical standards. The City tightened purchasing limits and procedures for purchases of supplies, equipment and trade services; professional services; and public works projects. Previous limits of authority were:

- Departments - $2,500
- Purchasing Agent/City Manager – $250,000

- City Council Authority – over $250,000

The resolution adopted November 16, 2010 amended authorization levels to:

- Departments - $2,500
- Purchasing Agent/City Manager – $25,000
- City Council Authority – over $25,000

Benchmarking data shows that purchasing authority levels in Oxnard are low when compared with peer agencies. Hayward is the exception at $25,000 for City Council approval. Of the peers responding, three require City Council approval over $50,000 and two require it over $100,000, as shown in Table 2.

Table 2. Financial approval/authority levels for purchasing goods and services

Peer	City Council	City Manager	Department Head/ Purchasing Agent
Chula Vista	Over $100,000	$50,001 - $100,000	$50,000
Modesto	Over $50,000	$25,001 - $50,000	$25,000
Oxnard	Over $25,000	$2,501 - $25,000	$2,500
Garden Grove	Over $50,000	$2,001 - $50,000	$2,000
Oceanside	Over $50,000	$25,001 - $50,000	$25,000
Santa Rosa	Over $100,000	$100,000	$10,000
Hayward	Over $25,000 for Professional Services; Over $35,000 for Public Works Projects	$2,501 to $25,000 for Professional Services; $2,501 to $35,000 for Public Works projects; unlimited for routine maintenance projects	$2,500

With proper training and internal controls the City should consider increasing the levels of authority to be more in line with peers. The median limits would suggest that Oxnard should, at minimum, increase the authority of the purchasing agent/city manager to $50,000. Although the median for departments is $2,500, the City may also want to increase the departmental level of approval to $10,000 to improve efficiency.

Recommendation 38. Increase the purchasing levels of authority for the purchasing agent/city manager to $50,000. Prior to increasing levels of authority, the City should have the purchasing polices updated and consolidated, and training in place for staff with purchasing responsibilities.

Time to process change orders was raised as a concern. Most large projects will have inevitable change orders and will likely exceed the current threshold of $25,000. Staff reported that contractors are told to stop work until the change orders are approved, which requires review by the Contract Compliance Review Committee (CCRC) and approval through the City Council agenda process. According to departments, this can easily exceed two to four weeks, which can create safety concerns requiring closing of construction in progress, e.g., trenches, etc. and protection of equipment in the field. The contractor then submits cost claims for the delays, increasing the cost of the project.

Staff expressed concern with getting approval for emergency change orders and stated there is "no defined process." However, policies are in place to get approvals with a signature by the city manager and the mayor. City Council can then approve the change order at the next scheduled Council meeting. Staff perceive this process results in micro managing given that the nature of some projects will result in inevitable change orders.

The City should consider changing thresholds for change orders, which will minimize the need for excessive or emergency change orders. Management Partners has identified three options for managing change orders more efficiently: 1) increase the threshold to match the recommended $50,000 purchasing threshold; 2) adopt a standard percentage of the contract cost to be delegated to the city manager (e.g., 10% of original contract or 10% but not to exceed a specified dollar amount); or 3) include a designated change order authority as part of the Council agenda item that approves the original contract. For example, if a contract is for $1 million, the staff request might be to give the city manager signature authority of 10% or $100,000. The staff report should explain the need for a certain change order authority given the scope for each project.

> **Recommendation 39. Revise the change order threshold levels to a standard percent of the contract costs delegated to the city manager to 10% of the original contract or 10% but not to exceed a specified dollar amount.** The City should provide clear direction and/or training to ensure the emergency change order process is fully understood by staff.

During the employee engagement activities, staff expressed confusion about how the City manages multiple contracts with a single vendor when the vendor serves more than one department. This should be streamlined through a master contract if the same service is being provided. This will also avoid the perception of circumventing the spirit and intent of contract approval thresholds by dividing a contract among multiple departments. Such contracts should be candidates for consolidating into one future bid or request for proposals to achieve better pricing. The practice of multiple small contracts with the same vendor ought to also be evaluated against the dollar thresholds for approval found in the purchasing policies, i.e., department authority, city manager authority, City Council approval.

Related to this, it appears that departments could benefit from a list of prequalified vendors with contracts to support field orders such as code enforcement or police actions in the field. As an example, circumstances arise in the field where code enforcement or public safety officials find it necessary to secure a building. Having a prequalified vendor to secure the facility frees up staff to continue with their routine work.

While no specific issues related to timely payment of invoices were identified, it is an industry best practice to monitor and pay invoices on time. The *2012 Public Procurement Benchmark Survey Report* prepared by the National Institute of Governmental Purchasing identified a need for an improved attention to customer satisfaction surveys and performance measurements for purchasing practices. They found that although administering evaluations of satisfaction and performance take time, no organizational change can be supported without a proper understanding of the status of a specific process. The result of such evaluations will identify areas that need improvement but also develop communication lines between the agency and its customers.

Recommendation 40. Review purchasing activity across departments that share the same vendor and/or the same goods or services and streamline into one master contract.

Recommendation 41. Prequalify vendors and develop contracts for work that must be directed from the field with short turnaround times.

Recommendation 42. Review all non-personnel-related expenditures and determine the extent these activities do not go through the purchasing control process and

evaluate for risk exposure. Currently, the City does not have a sense of what is outside the process.

Recommendation 43. Develop performance goals and measures for timely payment of invoices to vendors. Systems should be put in place to achieve these goals without unduly adding risk. This should be a standard operating procedure.

The purchasing process appears to be slowed by an information technology system that is not integrated or properly used. The system has many inactive vendor lists and related documentation. The City has contracted with NexLevel to conduct an assessment of its technologies citywide. This most likely will be addressed as part of their assessment.

Recommendation 44. Ensure the full functionality of the purchasing technology system is addressed as a component of the NexLevel review. Update and remove inactive vendor accounts and related information.

Contract Management

The contract management function is decentralized in Oxnard, which is not uncommon. However, in interviews with staff, there were concerns about poor and inconsistent contract management practices, partly due to turnover. Furthermore, it appears that departments are delegating contract management accountability too far down into the organization. This is an internal control weakness that needs correction. Utilities, environmental resources and general services were highlighted as areas that should receive attention first, given the magnitude, the complexity and risks associated with their responsibilities.

Chapter 9 of the Purchasing Manual provides some guidance for contracts associated with purchasing of goods and services and approval for payments. However, there are many other facets to contract management, such as cost sharing between government agencies, developers and other third parties; monitoring for termination dates to ensure timely renewal; vendor performance; and grants. Additionally, there are best practices with respect to contract management through the use of technology databases and Citywide standardization, e.g., documentation, controls, etc.

The City would be well served to develop a contract management manual to give direction to staff on what is required and expected when managing contracts. Additionally, each department should have designated senior or mid-level staff to oversee the process. Recognizing that staffing levels are already inadequate, the City may want to consider working with a specialist to create the manual and identify best practices that should be put in place. The best practices should include technology to support more efficient management and monitoring of contracts, e.g., one database created for contracts Citywide. The specialists can assist with training staff in the departments to ensure consistency citywide.

Recommendation 45. Develop a contract management manual to detail appropriate procedures for administering and monitoring contracts. The City should consider working with a specialist to develop the manual as quickly as possible and to ensure that the City is using current best practices.

Recommendation 46. Designate specific staff in each department to be accountable for complying with contract policies and procedures.

Recommendation 47. Include contract management practices as part of routine internal audits.

The Contract Compliance Review Committee provides value to the organization in that it makes sure that contracts are in compliance before going to the City Council for approval. However, some staff feel that the CCRC oversteps their authority by questioning why the contract is needed and how it supports a department's practice rather than making sure that all the financial information is correct, such as appropriate insurance and approvals are complete. The City should clarify the responsibilities of the CCRC and make sure all staff understand their role.

Management Partners' project team members have questions about the utility of the CCRC with regard to reviewing change orders. There is potential for the CCRC role to be accomplished more efficiently through an electronic routing process to key reviewers, i.e., risk management, purchasing, city attorney and department head. This process should be implemented only after other internal controls and contract administration programs are in place. Having technology to ensure that all requirements for the contracts are completed would enhance the process.

Recommendation 48. Clarify the responsibilities and role of the Contract Compliance Review Committee in writing to all senior department staff.

Recommendation 49. Revise the review and approval process through an electronic routing form and check sheet that is forwarded to key reviewers. The city manager or designee can execute the contracts after confirming that the proper reviews and approvals have been completed.

Treasury and Accounting

Management Partners' analysis indicates that the programs in both Treasury and Accounting would benefit from additional coordination and communication across multiple departments.

The treasurer does not have an enforcement officer or related resource to ensure monies due to the City are collected. There are various sources of potential revenue from outstanding accounts receivables where it is unclear who is responsible for monitoring and managing the enhanced collection efforts based on age of the receivable. It appears these efforts are split among city attorney, finance, police, and treasurer. There is no regular provision for reporting to the Council on collection efforts, outstanding receivables, and writing off of bad debts. A review of accounts receivables shows past due amounts that go back to 2006 (almost $2 million), with significant amounts past due for certain parties.

There is a need to review the way cash handling practices are monitored throughout the City to identify opportunities for better coordination, including the accounting for cash and accounts receivables between finance and the treasurer, given errors have been made but caught in the past reconciliation processes. This creates a potential for error in the treasurer's Annual Report, especially if Finance gets behind in the reconciliation process.

A common practice as well as a best management practice is for a City to have an Investment Advisory Committee with at least one member outside the City that has investment management experience. The City does not currently have one.

Recommendation 50. Allocate resources to the treasurer to create an enforcement officer position (or contract for the service) whose responsibility is to ensure the City is getting all the revenues it is due. The position or contract will likely pay for itself and more.

Recommendation 51. Document processes that lead to creation of accounts receivable from departments and all subsequent activity supporting the collection effort. This effort's primary goal is assigning appropriate responsibilities and accountabilities between departments to ensure successful collection of monies due the City. The City may want to consider contract assistance to complete this task in a timely manner.

Recommendation 52. Create a new "Bad Debt Policy" for review and approval by the City Council.

Recommendation 53. Audit all outstanding accounts receivable and report to the City Council annually.

Recommendation 54. Identify all cash handling points in the City and schedule audits on a rotating basis. Whenever a City department wishes to add a cash handling point in the City, finance should review procedures for proper internal controls.

Recommendation 55. Form an Investment Review Committee with at least one member appointed from outside the City organization.

Recommendation 56. Review all posting errors and reconciling items from past cash reconciliations to inform how the accounting for cash and investments can improve in the future.

Internal Controls

In the broadest sense, internal controls represent all the activities in place to ensure the City accomplishes its objectives while managing risk. The more common understanding of internal controls is ensuring City Council policies, city manager guidelines, and state, federal and city laws are complied with. Internal controls ensure good ethical and business practices are followed and that City resources are protected. The New

York State Controller's Internal Control Standards provide a good benchmark for this topic. A copy of these standards can be accessed at http://www.osc.state.ny.us/agencies/ictf/docs/intcontrol_stds.pdf.

There are numerous concerns that Oxnard has a high-risk environment. This was a concern of the District Attorney's report and it is Management Partners' concern, given our analysis. Management Partners' concern is based on:

- The amount of turnover in senior management,
- The lack of strong expectations from the City Manager's Office in past administrations,
- Limited professional development,
- Limited or no performance evaluations,
- Relatively modest staffing levels in the support functions of the City (e.g., human resources, finance, etc.),
- The decentralized contract administrative process,
- The purchasing process described in this report,
- The limited benefit employee (LBE) program and the lack of position control, and
- The lack of accountability found in the budget document and non-conformance with City Council policy.

Given the 2012 District Attorney investigation and the City's concerns of not repeating such an experience, along with the risk factors above, the City would benefit from an in-depth, comprehensive internal audit program whose work product would be reported to a City Council committee.

Some cities use contractors to do this work. An outside firm can be selected quickly and effectively address the needs of the City. A contracted model is preferable to an in-house one, ensuring independence from every aspect including the organizational culture. The internal auditor would work with the city manager and jointly propose a work plan to a City Council committee.

It is important that some objective criteria be used for determining audit priorities to avoid the politicization of the program. The internal auditor can also support a tip line where people can confidentially report concerns for investigations. The selected firm should complete a high-level evaluation of internal controls and then propose an ongoing internal audit program. Internally, the city manager would identify one staff member to be the internal control officer to ensure the internal auditor complies with national auditing standards of independence. The internal control officer should be responsible for the actual redesign and maintenance of the internal controls. Candidates for this role include the chief financial officer or assistant city manager.

Management Partners has identified potential candidates for internal audits. These include:

- Cash handling,
- Collections,
- Payroll (note the issues in the Renee Sloan report),
- Contract administration,
- Benefits administration,
- Credit card usage,
- Travel reimbursement,
- Use of limited benefit employees,
- Purchasing and payment administration and other partnerships with financial implications such as the Police Athletic League arrangement, and
- City Corp, because of their separate accounting, human resource and payroll systems and partial funding by the City's General Fund.

Recommendation 57. Create an internal audit program in the City and conduct a high-level evaluation of the key internal control systems of the City. The program will enable staff to focus on improving processes to reduce risk for the future (e.g., purchasing, contract administration, cash handling, payroll, benefits administration).

Recommendation 58. Appoint an internal control officer for the City. The position would have responsibility for ensuring a proper internal control environment is developed and maintained.

Payroll and Human Resources Internal Controls

The RSHS report covering human resources has identified issues in greater depth than this analysis, including deficiencies beyond just human resources. Many overlap into the finance/payroll area. In most local governments, the fair, legally compliant, consistent and accurate payment of compensation is a shared responsibility between human resources and finance. In fact, one is typically a check and balance to the other. This is not the case in Oxnard. It appears that many of the deficiencies were due to:

- Decisions by human resources that were not reviewed, questioned and checked by finance/payroll,
- Finance/payroll not following their responsibility to ensure compliance with IRS guidelines,
- Finance/payroll not considering it their responsibility for ensuring human resources directives were properly authorized, and
- Finance/payroll not ensuring that employees have the proper payments or payroll deductions for benefits.

As mentioned earlier, Management Partners and RSHS identified a budgeting error in the allocation of costs for the PARS program that goes back two years. It appears that human resources, rather than finance, assumed the responsibility for administering the PARS program and meeting with the actuaries to track cost trends and identify the necessary annual required contribution (ARC) for timely funding of that program. There was a breakdown between Human Resources and Finance and the ARC increases were not budgeted for two years, thus underfunding that program. The City is correcting the error for the balance of this year. The past error will be amortized as part of future actuarial evaluations.

Recommendation 59. Affirm the proper role for Finance/Payroll as the final "check and balance" ensuring that employees are properly compensated consistent with City Council authorization and pursuant to IRS guidelines. This includes making sure the City is not overpaying or under-collecting for benefit programs.

Recommendation 60. Assign responsibilities in Finance and Human Resources towards fixing the deficiencies found in the RSHS report.

Recommendation 61. Acquire the services of an IRS specialist to assist in ensuring compliance with the law now and as future changes in compensation practices are contemplated.

Recommendation 62. Establish a process that ensures the directors of Human Resources and Finance attest that all proper changes are made to pay and benefit rates in conformance with employee group memoranda of understanding.

Recommendation 63. Review the performance of the Public Agency Retirement Services system on an annual basis, at minimum with involvement of Finance and Human Resources. An annual report should be generated for the city manager.

Office of the City Manager

Management Partners identified the need for the Office of the City Manager to be more involved than previous administrations in the management of internal operations for the organization. This includes setting the overall tone and expectations of the organization, but also holding individuals accountable for those expectations. The employee engagement activities validated that staff want this to happen as well.

In the past, the City Manager's Office has given limited direction on administrative processes. At the same time, during interviews, staff expressed that in the past transactional processes were micromanaged by the City Manager's Office and documents languished or disappeared once sent to the city manager for approval.

Management Partners has documented poor financial management practices and a lack of understanding of budgets both within the City Manager's Office and in the departments. City Council members expressed desire for stronger professional staff members that will be problem solvers with well thought-out recommendations, but there continues to be frustration felt by some City Council members and City staff about their interaction.

The city manager needs to have an effective team that can take on more responsibility for executive leadership activities and free up the city manager's time to address some of the more immediate organizational issues facing Oxnard. This support will also be crucial to implementing the Oxnard 2020 strategic plan, including recommendations from the first two phases of the process.

The top leadership team of the City Manager's Office should be restructured to include two assistant city manager positions. One position would be responsible for operations and another for support and cultural services. We recommend that the police and fire chiefs report to the city manager.

When filling these positions, candidates with the leadership skills and value systems of a city manager should be selected. They should be assigned the task of implementing the transformational efforts outlined in the Phase 1 and 2 reports from Management Partners. They should also be capable of implementing the results of Phase 3, the development and implementation of the five-year strategic plan.

The City Manager's Office includes supervisory responsibility for the following divisions: general services, environmental resources, recreation, and library. These divisions should be merged into departments. How these are combined is subject to debate, but generally speaking, environmental services can be included with general services, and library and recreation can be folded into a Cultural or Community Services Department.

Water, wastewater and stormwater are complex issues in Oxnard. To allow for better focus and reduce the likelihood of errors in that complex environment, the city manager should consider moving the Streets Capital and Major Maintenance Program from Utilities and creating a Public Works Department by combining it with General Services, which has responsibility for street lighting and some street maintenance. It is somewhat unique that Oxnard currently splits street programs between two departments.

After the assistant city manager positions are filled, the city manager should reorganize the Executive Board to a more manageable size. There is no perfect way to organize a City, but the current executive team of 19 people is somewhat large to be an effective working group and its size can be a barrier to senior management development, problem solving and confidential communication. The team should consist of City Manager's Office staff of the city manager's choosing, and the balance should be limited to department heads (after reorganizing as mentioned above).

Recommendation 64. Create two assistant city manager positions, one responsible for operations and one for support and cultural services.

Recommendation 65. Restructure the General Services and Environmental Resources Divisions into a Public Works Department.

Recommendation 66. Restructure the Recreation and Library Divisions into a Cultural or Community Services Department.

Recommendation 67. Restructure the Utilities Department by moving the Streets Capital and Major Maintenance Program and General Services Division to a newly created Public Works Department.

Recommendation 68. Reorganize the Executive Board to consist of City Manager's Office staff of the city manager's choosing and department heads. Doing so will create a structure that provides for senior management development, problem solving and confidential communication.

Both the City Council and City staff have expressed concerns about their expectations for support from each other and a desire to create a more effective working relationship. The city manager should proactively take steps to create a working environment that is mutually supportive. City Council representatives and management could benefit from a joint workshop focused on working together for the future. The City Council should assign two representatives to lead this endeavor. Mutual needs, perceptions and expectations can be explored.

Based on these needs, and given the lack of training of the past several years, staff would benefit from a discussion and training in the areas of public presentations, written staff reports, PowerPoint presentations and posing and responding to questions. The training should be mandatory for any staff that will be presenting to Council. If it has not occurred to date, the City should budget and encourage Council to participate in the League of California Cities educational and conference programs.

Recommendation 69. Conduct a joint workshop with City Council representatives and appropriate City staff to address mutual needs, perceptions, current challenges and expectations for the future.

Recommendation 70. Create and conduct training for staff members who make presentations to City Council. Training should include making public presentations, writing staff reports, preparing PowerPoint presentations and responding to questions.

The City is uniquely positioned to transform the Oxnard organizational culture to support the desired values of the City Council and city manager. Many studies have shown that compensation is not the key for motivating employees. With the almost wholesale change of the department heads and turnover in the City Manager's Office, a new formal Professional Development Program should be created to clearly identify the desired traits and behaviors of middle and senior managers and provide resources to develop these traits.

A new performance evaluation system and hiring process can be designed to reinforce these behaviors while helping employees not engaged with the new direction to be successful. During interviews, staff helped Management Partners identify the need for greater consistency in conducting performance evaluations at all levels of the organization, including upper management.

The City should make additional investments in high performers in areas that motivate people, e.g., professional growth, expanded opportunities, and achievement. The desired behaviors and traits desired and needed for advancement in the City will become clear and employees will make appropriate choices. The lack of professional development, standards and expectations, coupled with a past culture that appears to have not tolerated interference from competent internal support departments has contributed to this long list of observations and recommendations. Professional development should be a priority even during difficult financial times.

Recommendation 71. Create and fund a formal professional development program that defines and rewards the desired traits and behaviors of middle and senior managers.

Recommendation 72. Create a performance evaluation system designed to reinforce professional and ethical behaviors and to assist employees who may not understand how the new direction will help the City be successful. The hiring process should be a key factor in identifying and hiring staff who support the values and opportunities in Oxnard.

Public Information Office

The budget for the City Manager's Office shows four FTEs supporting the Public Information Office (PIO) Division; however there are actually 13 FTE positions that report to the PIO when accounting for limited benefit employees and staff housed in other departments. When comparing to other cities, this is a large number of staff. However, many cities organize duties in this area differently. The PIO in Oxnard includes public information, recycling, neighborhood services, Council meeting broadcasts, webpage development and language translation services. The functions are housed in different parts of the City and "operate pretty much in silos," according to staff.

PIO staffing models were reviewed in the benchmark cities, which found staffing levels to range from one FTE to five FTEs while four cities had no dedicated PIO position. It is very hard to conduct a complete "apples-to-apples" evaluation given the varying functions for each city's PIO office. However, we can confidently say Oxnard's staffing levels are relatively high.

The PIO Neighborhood Services function supports 47 neighborhood groups, although only about 30 groups are active. They are well described in the budget. Many of these are the groups in the community that are critical of the City because, according to some staff, they feel neglected.

Examining whether this structure is the best use of resources to support this large number of neighborhood groups is in order. There may be more effective ways to conduct outreach and address the concerns of neighborhood groups in the City. A different model could be considered that may or may not retain this function within PIO. Regardless, with new techniques such as social media and others, the City should take a fresh look at the needs for these groups and how best to address and respond to them. The strategic planning process provides an opportunity to do this type of review with input from the neighborhood groups.

This program should be a candidate for further review, a possible reorganization and, given the City's difficult financial position, a candidate for cost savings. Given that there are actually 13 FTEs assigned to the PIO function, the City should consider how or whether to restructure the functions by potentially moving the responsibility for the recycling program to Utilities, where staff are already housed, and evaluate the neighborhood support needs and determine its appropriate placement. Based on a review of the peer data, the PIO function should be limited to the four budgeted FTE positions. The City may realize additional cost savings if functions such as graphics are outsourced.

Recommendation 73. Conduct a workload analysis of the Citywide Public Information Office functions to determine the level of support needed and opportunities to streamline the program and identify cost savings. This analysis should include opportunities to outsource functions.

Recommendation 74. Evaluate the neighborhood support needs, service delivery options and appropriate placement of the function. This recommendation may also be appropriate for Phases 2 and 3 of the Oxnard 2020 Strategic Planning process.

Information Technology

During interviews, Management Partners heard significant complaints about information technology from City staff. The complaint heard most often is the lack of functionality of the HTE enterprise system that supports finance, human resources and development services. A large portion of the personal computer inventory is well past its useful life.

Information technology staffing is partially decentralized, with the greatest level of support outside of Information Technology Division located in the Police Department. This typically occurs as a result of disappointment with support from the central Information Technology Division and a lack of central City oversight of support functions.

Fire wishes to receive their information technology support from police, which in turn wants more staff to assume this responsibility. Management Partners has determined that the HTE complaints are partly due to a lack of training and support from Information Technology, a lack of resources and a lack of collaborative leadership in the Information Technology Division.

There is a disconnect between customer department's expectations and the capacity and priorities from the centralized Information Technology program. There appears to be no forum for discussing City information technology priorities and the capacity of the centralized Information Technology to meet these needs. An internal governance model needs to be created to address these concerns. Absent this model, operating departments will continue to request their own dedicated information technology resources, which will be inefficient. Recommendation 76 should be addressed as quickly as possible to put a governance structure in place.

High-level benchmarking suggests when all the dedicated information technology staffing in various departments are aggregated with the central Information Technology Division, the City may be adequately staffed. However, data also suggest that central Information Technology may be understaffed and the overall budget for information technology services and capital is low. Figures 7 and 8 in the benchmarking section of this report show Oxnard below average in the number of centralized Information Technology FTEs as a percent of Citywide FTEs, and below average in expenditures per FTEs Citywide when compared with peers.

The decentralized information technology model and lack of dedicated leadership for information technology issues may contribute to the issue of having adequate staffing Citywide and poor service from the central Information Technology Division. One small example of the effect of the information technology silo is that despite attempts to improve this practice, the Information Technology Division is traditionally told very late and in a haphazard fashion when an employee leaves the City. As a result, former employees have access to Oxnard systems long after they are gone.

Because the City lacks a shared governance model, there is a limited focus or Citywide discussion about the opportunities and costs of investing in technology. It lacks a champion. One remedy would be to elevate the information technology function to a department level to provide leadership in addressing the numerous issues.

The City has separately funded a new Information Technology Master Plan being prepared by NexLevel that will examine many of the issues and opportunities, and make appropriate recommendations, especially about the HTE system. The last Master Plan six years ago proposed numerous staff additions in central Information Technology as well as capital investment. Since then, central Information Technology actually lost staff and adequate investments have not been made.

The following recommendations will likely be refined and expanded by the review currently underway by NexLevel. The Information Technology Master Plan in process should assess the source of discontent with information technology services and recommend specific strategies for each area of concern. The plan will identify a prioritized list of investments in technology that can be supported by the end users and will do so with consideration for the difficult General Fund financial position. Upon completion of the new Information Technology Master Plan, the City should develop an adequate funding plan to address the high-priority unmet needs identified in that plan.

Recommendation 75. Create an Information Technology director position with department head status. This executive should be responsible for ensuring information and technology needs of departments are properly planned for and delivered in a cost-effective manner.

Recommendation 76. Develop a governance structure comprised of an executive committee and a technical committee as follows: 1) City department heads that will provide advice on Citywide Information Technology priorities, and 2) department liaisons serving as a technical committee to ensure the department head priorities are implemented and coordinated. These two committees can be formed to assist in setting priorities and providing in the development of the new Information Technology Master Plan.

Recommendation 77. Examine the opportunities and benefits of consolidating all or most Information Technology staff in one department after the new Information Technology Department proves itself.

Recommendation 78. Create a process to notify the Information Technology Division when an employee leaves Oxnard employment.

Asset Management

The following review of asset management includes all activities that should be in place to ensure the City's massive investment in assets are properly maintained, replaced, and upgraded to support critical City services. These include: fleet, information technology, facilities, parks, streets (and related infrastructure), alleys, wastewater, water and stormwater facilities. The total value of these assets is likely in the $1 billion to $2 billion range, and may be more. Management Partners did not evaluate the service delivery methods or how assets are operated and maintained, but concentrated on whether a process is in place that plans for the timely replacement of City assets. Phase 2 of the Oxnard 2020 organizational assessment would delve into this with greater detail.

Fleet

The City's fleet assets is an area with great needs. It appears the City has not instituted a replacement program where money is set aside over the life of the asset to eventually replace it in a timely way. This is the most critical asset issue that needs to be addressed in the near term due to its impact on day-to-day services. However, properly addressing this issue will increase the expected General Fund deficit.

One of the primary reasons cited for not having a replacement program is operating department pushback about not wanting to consistently budget for it. This theme of pushback was repeated with respect to various support functions. The result is a haphazard approach where the department that "screams the loudest" gets new vehicles. Instead of being a planned process, it becomes ad hoc.

The Fire Department has resorted to budgeting for apparatus replacement via the Capital Improvement Program. This is not a best management practice.

The overall health of the fleet is very poor; almost half of the vehicles are eleven years old. The most critical area is in environmental resources because 44 of the 48 trucks need replacement now based on industry standards. The City should be concerned about whether the financial analyses that supported bringing the environmental program in-house adequately addressed this unfunded liability. A typical contracted model would require the firm to cover the cost of the fleet.

Other observations include:

- About 10% of the fleet is maintained by separate departments, which typically is not cost effective.
- The fleet manager has not been given the direction to be the City's fiduciary of the fleet assets. This is a best management practice,
- Using industry standards it appears the fleet operation may be overstaffed and a candidate for cost savings.
- There has been limited staff training.
- User rates and the fleet budget have not been updated for years.
- Departments are not complying with the request to bring in vehicles for preventative maintenance (only 16% comply vs. 95% best management practice).

- The ratio of repairs to preventative maintenance required for each vehicle is much higher than industry standard, thus exceeding the repair budgets.
- The City has underutilized vehicles that could be sold as surplus.

There is no Citywide take-home vehicle policy that is centrally managed. There are approximately 113 vehicles that are regularly taken home, but all may not be warranted. This is a decision that should be made by the City Manager's Office after deciding what is in the best interest of the City. A more comprehensive and independent study of the fleet operation is warranted and should include:

- Determining the feasibility of transferring fleet maintenance responsibility from Environmental Resources, Waste Water and Housing Authority to centralized fleet management;
- Conducting an activity-based cost analysis to evaluate potential overstaffing and inefficiencies;
- Developing service level agreements with customers;
- Reviewing actual fleet costs and update user charges;
- Developing shop labor rates for light, heavy, and miscellaneous work;
- Developing a replacement program for fleet that incorporates a chargeback system;
- Reviewing fleet utilization and seeking potential fleet reduction when appropriate;
- Reviewing unscheduled repair activity, the preventative maintenance program, and determining appropriate actions; and
- Developing realistic performance measures along with warranties for service with customers.

Recommendation 79. Conduct a comprehensive fleet management review to increase efficiencies and cost savings.

Recommendation 80. Develop a take-home vehicle policy that determines when it is in the City's best interest to allow vehicles to be taken home. The policy should solicit justification from departments for each take home vehicle.

Information Technology

This review of Information Technology's assets is a follow-on to the previous discussion. Although IT is in an internal service fund (ISF), they have no replacement funding mechanism. The program is expected to consume its entire fund balance this year for high priority capital replacement. This is the second highest priority asset management issue that needs to be addressed after fleet. The current Master Plan being developed should be able to quantify and schedule replacement needs over the next five years. Again, this will add to the General Fund structural deficit.

The Information Technology Division is responsible for distributing cell phones and monitoring usage in the City. In reality, the distribution of cell phones is decentralized with few internal controls. Oxnard has issued 519 cell phones to City staff. Cell phones are ubiquitous in society today.

For the City to buy an additional cell phone for someone who already owns one seems inefficient, especially considering the cost of administration. In reality, the City phones are also used for personal use. A stipend program could streamline program administration and it could be managed centrally based on usage consistent with City needs and City policies. Similar to the suggested take-home vehicle policy, each department should submit applications or justification for each stipend.

Recommendation 81. Develop an Information Technology funding plan consistent with the 2015 Master Plan to effectuate timely replacement of information technology assets.

Recommendation 82. Create a graduated stipend policy based on usage in lieu of issuing cell phones to minimize management of the cell phone program.

Facilities Management

Management Partners was unable to document a Master Plan for facilities management. A review of the current Capital Improvement Program identifies a long list of needs but almost all are unfunded. During the recession, the facilities fund balance was eliminated to fund the operating budget. Given the lack of narrative in the Capital Improvement Program budget for each project request, and the lack of a Master Plan, it is not likely the City Council, nor the City Manager's Office are able to fully comprehend the condition of this asset category and the implications of not funding projects or of transferring fund balances to support operations. Some facilities in recreation and the Performing Arts Center are not managed centrally by general services. Both have major facilities replacement issues. Funding a Facilities Master Plan will compete for General Fund dollars, given the City did not fund capital projects during the recession. However, it is important to do so.

Recommendation 83. Develop a Facilities Master Plan, with a priority listing of rehabilitative projects and associated costs. The development of this plan should culminate in a City Council workshop on this topic.

Recommendation 84. Reassign the responsibility for facilities management recreation and Performing Arts Center facilities to general services.

Parks

A comprehensive Parks Master Plan was submitted to the City Council in 2010. However, many of the near-term projects have been included in the City's Capital Improvement Program with very limited funding attached. It appears the needs in this area for simple repair and replacement are properly identified and growing. There has been very little funding granted in the recent past. Again, since the Capital Improvement Program project narratives are lacking in detail, it is difficult for a reader to understand the impacts of not funding this system's needs.

Recommendation 85. Update the Parks Master Plan and/or conduct a comprehensive workshop on progress made to date so the Council understands the current state of the park system.

Streets and Alleys

With respect to streets and alleys, it appears the department has various forms of master plans shared with the Council in 2010 to evaluate condition and options for rehabilitation over time. In fact, City Council just approved selling a bond to finance more improvements using Measure O funds. However, this will tie up even more Measure O funds for the future. Staff reports that the bond has an amortization schedule that coincides with the remaining life of Measure O.

The department just received approval to update their Pavement Management System to evaluate the condition of the system. This will provide the basis for a new Street Master Plan in 2015. Another potential looming challenge is adequate funding for preventive maintenance on those streets being rehabilitated. The most efficient way to do this is dedicated cost-efficient methods that avoid more expensive methods as the roads degrade over time (e.g., slurry and cape sealing early in the life cycle). Finding the money among reductions in revenues from the state will be challenging.

The weakness for the street system is the City's alley system. This system ($45 million) is not a candidate for state or federal funding, and due to its low volume of use, it is not a priority in the streets system.

> **Recommendation 86. Develop an updated Street Master Plan with funding strategies in 2015.**

> **Recommendation 87. Evaluate and pursue a strategy with neighboring residences to fund rehabilitation of the alley system.** One possibility may be assessment or maintenance districts.

Water

Staff brought its last Water Master Plan to the City Council in 2010. An update to that plan will be done in 2015. The largest part of the system planning now involves the provision for and transmission of recycled water, which will require additional capital investments. Furthermore, the use of the underground aquifer is being increasingly restricted, thus more expensive state water will be used in the near future. The water fees need to take this into account for financial planning purposes. It also appears the use of impact fees for water is not being monitored for timely project use.

> **Recommendation 88. Complete the Water Master Plan and report to Council in 2015.** The Plan should take into account the cost and rate impacts of the new sources of water (i.e., groundwater, vs. surface water and recycled water).

> **Recommendation 89. Review water accumulated impact fees to ensure they are used consistent with state law.**

Wastewater

The wastewater system is the infrastructure category with the most needs. When combined with a previous Council's reluctance to increase rates as requested by staff, there is a pent up need for increasing rates.

Furthermore, the bonds in this fund suffered a rating downgrade because revenues were not reaching the levels required in the bond covenants.

The last Master Plan was completed in the 1990s, and the department expects to complete an updated plan in 2015 that identifies as much as $300 to $350 million in needs. This will be very difficult to fund given the outstanding bond balance in the Wastewater Fund at this time.

This situation is not uncommon in California cities. However, due to the need for system improvements, Council reluctance to increase rates and the bond rating downgrades, Council will undoubtedly feel pressure to approve large rate increases to reduce interest penalties on future financing and provide necessary system upgrades.

The City should consider future needs in phases so it can gradually restore bond market confidence in the City. Near-term bond sales may suffer from interest penalties, but subsequent sales may benefit from restored confidence and reduced interest costs.

> **Recommendation 90. Complete and present the Wastewater Master Plan to the Council in 2015.** Staff should prioritize the $300 to $350 million list of projects and present a realistic but adequate phasing of rate increases to minimize interest costs on the bond issuance.

Stormwater

The stormwater system in most cities is often not properly funded. Most do not have a dedicated funding source largely due to Proposition 218 restrictions. In addition, there is growing demand from evolving regulations emanating from the National Point Discharge Elimination System (NPDES) permit process managed by Regional Water Quality Control Board (RWQCB). This is creating risk to General Funds in most cities and Oxnard is no exception.

The department is working on an updated Master Plan that will be brought to the Council in 2015. There is an estimated $60 million in Capital Improvement Program needs for this system with no dedicated funding source, except for the impact fees generated for that purpose. It appears the impact fees are not being monitored to ensure their timely use. Furthermore, there is no dedicated funding source for the $1 million in annual operating needs. It will be very difficult to get voter approval for such an invisible service that is relatively unappreciated until it is too late, i.e., during a storm. The City should take steps to inform the public about the issue. Without a dedicated funding source to address the issue, coupled with increasing NPDES requirements, the ultimate backstop is the General Fund.

Recommendation 91. Complete and present the Stormwater Master Plan to the Council in 2015. The Master Plan presentation to Council should be the kickoff to an organized effort that informs the public about the need, ultimately leading to a Proposition 218 vote for a dedicated funding source.

Recommendation 92. Review the accumulated impact fees for stormwater and develop a plan for their timely use consistent with state law.

Risk Management

This category should not be confused with the internal control discussion involving the management of risk generally. This discussion includes the typical programs associated with workers' compensation and liability programs.

The workers' compensation program is managed from the Human Resources Department. When asked for the latest actuarial study, the staff indicated they had not seen or reviewed it. Staff reported that approximately three years ago the City changed Third Party Claims Administrators (TPA) and after that, the reserve liability increased by 50%. Management Partners was told the TPA felt their predecessor did not provide for adequate reserves.

There has been limited communication between Human Resources and other departments when tracking the status of injured employees. During interviews, some individuals indicated that there were long waiting times for employees to see doctors. The firefighter MOU provides for discretionary participation in light duty or a return-to-work program. When one considers the generous benefits accorded safety employees while injured, seeing a doctor quickly, participating in light duty or a return to work program are important elements for managing the costs of a workers' compensation program. At one time the City had a safety position but it was eliminated in previous budgets. An effective safety officer covers their cost through reduced claims.

The workers' compensation program operated at a $960,000 operating loss for FY 2013-14, and has a negative fund balance position ($2.4 million deficit).

An audit of the workers' compensation program would help the City identify ways to improve practices and reduce costs. The program is underfunded, although many cities are underfunded as a result of the recent recession. However, this is a $6 million annual program that can easily be $7 million per year when considering the costs to backfill for injured workers. The self-insurance and excess insurance levels are common with local governments.

> **Recommendation 93. Conduct an independent audit of the workers' compensation program to improve practices and identify ways for reducing costs.** The audit should also examine reserve practices. The potential savings will likely pay for the study.

> **Recommendation 94. Review the condition of the Workers' Compensation Fund and its expected operating results for this fiscal year.** If necessary, consider amending the rates charged to departments for next year.

> **Recommendation 95. Reinstate the safety position for the Workers' Compensation Program.** The costs for this position will likely be covered by reduced claims.

The City's liability program is managed in the Finance Department. This fund is in a better fiscal position, although it too operated at a $776,000 loss for FY 2013-14. Management Partners' team members were told there is an active committee that reviews claims and the ultimate disposition of them, and there is a healthy dialogue about claims as a learning experience for improvement in departments. However, staff could be more involved in funding and instituting training (typically coordinated through Human Resources) that should reduce risk (e.g., sexual harassment and ethics training).

> **Recommendation 96. Develop or participate in available training programs that assist in preventing liability claims such as sexual harassment, ethics, etc.**

Grants Management

The City of Oxnard has two policies related to grants management. The oldest one, effective in 1987, was created to ensure that contracts and purchase orders are written to incorporate all requirements of the grantor while protecting the City interests. This policy has not been updated to reflect current purchasing and contracting requirements.

The second policy, effective in 1994, identifies various responsibilities, and includes a cost/benefit evaluation process. Based on interviews, staff appear to be unaware of this requirement. The policy references a Grants Coordinating Committee that is no longer in existence, and the Contract Compliance Review Committee (CCRC), which now does review. There is not a clear sense for who is responsible for submittals or the management audit process if the City receives the grant.

CCRC reviews all contracts for compliance (discussed in the purchasing section of this report). A concern cited by staff was that the committee gets too involved with the actual program vs. the financials, insurance, etc. Also, the same issue where the CCRC for contracting services because of the CCRC process is a concern of some staff.

It appears that too many departments view grants as "free money" and the costs of applying, monitoring and accounting are not factored into a cost/benefit analysis prior to making a recommendation and/or applying for the grant. It also appears that grants are not always focused on or tied to City priorities, which are not well defined. At times, the focus ends up being on what the grantor wants; not necessarily what the City needs.

City Council seems more focused than staff on community priorities yet there is little information provided to them regarding the cost of grants to the City. Grants are not screened to make sure longer term obligations can be addressed. Grants can add responsibilities without adding staff and, if positions are added, staff often doesn't factor in that they may be retained at a cost to the City after the grant is ended.

Requirements associated with state and federal grants are getting more complex and staff members have not been trained on grants management. In addition, the audit function is often delegated to lower level or untrained staff. The ability to manage a grant does not necessarily mean the staff person has the skills to conduct the audit function.

Recommendation 97. Review and revise the grant policy to give clear guidance on linking grants to City goals and priorities, performing a cost/ benefit analysis, considering ongoing commitments after the grant has ended, and requiring recovery of overhead costs.

Recommendation 98. Reaffirm the Contract Compliance Review Committee role in grant review and approval.

Recommendation 99. Require staff in the department receiving the grant to coordinate with Finance to ensure proper accounting systems are put in place to satisfy grantor requirements.

Managing for Results

The most basic strategy of managing for results is a well thought out performance evaluation/management system for all employees in the City. Every employee, no matter where they are in the organizational structure should have a discussion with their supervisor to jointly plan for the next year. Doing so should include identifying goals and needs, removing barriers for high achievement, and then reporting out at the end of the year, with a focus for planning for a better next year.

The typical Citywide process involves the Council developing goals and objectives annually as part of the planning and budget process mentioned above. These goals are then translated to department goals and progress is then reported and reviewed during the subsequent Council goal setting session, city manager performance evaluation, and individual department head evaluations.

The next layer requires departmental capacity to monitor and manage performance measures or outcomes that should be indicators about how departments are performing based on their mission and Council and city manager goals. These outcome measures can be compared to other similar cities or monitored for change over time. To the extent the performance deviates from some benchmark, the department can identify barriers such as resources, policies, and procedures to improve performance in the future. This is a good continuous improvement model.

To push the City goals further into the organization, performance plans for mid-managers, supervisors and line employees should address roles and expectations for their part in achieving the department's and the

City's goals. The performance plans should also have a personal/ professional development plan for each employee.

The ultimate managing for results system is coordinated across departments and goes beyond the City organization to make an impact on complex community-wide issues as they are emerging via a strategic plan.

There has been no coordinated and sustained Citywide effort for planning and managing for results. There are ad hoc activities in some departments, but it typically stops at the departmental boundaries. This is partly due to the fact the City Manager's Office has not instituted or practiced even the basic level of completing performance evaluations of department heads over the past several years. Many department heads have not had an evaluation in 8 to 10 years. The frequency of performance evaluations is somewhat greater deeper in the organization depending on the department, but it is not optimum. Thus, the components that encompass a "managing for results" system is not in place.

At the City Council level, Management Partners was not able to document a recent goal setting session where direction was clearly set, the goals articulated and operationalized within departments and in budgets, and ultimately reported back to the Council for the next planning round. There are anecdotal accounts of individual or ad hoc setting of goals as issues come up.

The City should consider a multi-year plan to implement some or all of the multiple layers of a "managing for results" system described above starting with:

- Review and update the City's performance evaluation/ management system consistent with Recommendations 71 and 72, and apply throughout the organization,
- Conduct an annual City Council goal setting process, informed by the results of this study,
- Identify two or three departments for tracking and reporting performance measures as a beta test,
- Refine and expand the beta test to other departments based on experience of the initial efforts at tracking and reporting performance, and
- Consider Phase 3 of the organizational assessment, which will culminate in the Oxnard 2020 strategic plan for the City.

Recommendation 100. Develop a multi-year plan to implement a system for managing by results.

A critical part of evaluating and planning for good performance, as suggested by City Council interviews, is the area of customer service. Customer surveys are tools that can assist the City to measure satisfaction, and combining feedback and performance data provides a more complete picture for improving business transactions. Departments could benefit from a facilitated discussion to define the various customers they serve, what their experience should be, and what is considered "good service." This topic could be a part of the performance evaluation system and Council goal setting sessions.

Recommendation 101. Conduct a customer service survey to improve business practices in the internal service departments. The survey should be conducted every two years.

Recommendation 102. Incorporate customer service training into employee performance evaluations.

Recommendation 103. Provide training to employees on customer service best practices. Customer service should include both internal and external customers.

Ethics

Ethics training is needed at all levels of the organization, not just for managers and supervisors. In all the employee engagement activities (interviews, survey, and focus groups), staff expressed a need for this to be a high priority. Employees want and need clearly stated expectations about what is acceptable or not acceptable in all aspects of City operations, including flex work time, coming in late after meetings, and use of City-owned vehicles.

Some employees expressed a feeling that they are operating in a culture of "if you mess up, you are out" rather than making honest mistakes a learning experience and giving staff a chance to grow. This makes staff risk-averse and afraid of innovation or making changes. Some employees are afraid to help others or put anything in writing. Morale is low because the errors of a few employees have come to symbolize the entire group, the majority of which do operate ethically.

The District Attorney's report identified abuses and individuals responsible for those abuses. Most, if not all of those employees are gone, but employees feel they are still being "painted with the same brush." The report clearly states that the findings are not intended as an indictment of the City, its residents, or the vast majority of employees. Oxnard employees are dedicated to public service and want and need clearly stated expectations for themselves and their coworkers.

Recommendation 104. Provide ethics training customized to each level of the organization (managers, supervisors, line staff).

Recommendation 105. Create a process for engaging employees in constructive ongoing dialogue about ethics. Employees need to know they will not be punished if they bring up an issue that needs to be addressed. This training should be coordinated with other state-mandated ethics training.

Implementation Plan

Implementing the recommendations in this report will require hard work as well as time. Taking any of the concepts to fruition will need detailed planning and many of the recommendations will not be easy to accomplish.

After this report is reviewed by the City and presented to the City Council, a draft Implementation Action Plan will be prepared by Management Partners in coordination with RSHS. It will prioritize the recommendations and provide action steps, estimated timelines for completion, and suggest responsible parties. Staff will be responsible for determining the actual milestones for each of the actions. This additional project deliverable will support decision making by management staff to prioritize and implement the results of this initiative.

Conclusion

This report primarily focuses on the support departments of the City of Oxnard. Many of the observations and recommendations need to be addressed soon to reduce General Fund liability and financial exposure and to inform the City on the upcoming budget process. Other recommendations may be a priority because they also provide General Fund dollars to assist in the budget.

In general, previous management with the City did not actively lead or manage, so people filled the void with their own sense of direction. In some cases this led to mistakes, but for the most part it created inconsistent processes across the organization. In addition, previous management did not value the support functions and understaffed and underfunded them. The City did not place value on leadership, high standards, and professional development.

The identification of issues in this report is a positive first step in taking actions that will restore accountability and best practices in service delivery to the residents of Oxnard. It is an opportunity to move Oxnard to the next level and on a path of continuous improvement.

The City Council and city manager should be commended for beginning this transformational effort. The hard work and difficult decisions lie ahead but the future will produce a city that will make 202,000 residents proud.

Attachment A – List of Recommendations

Recommendation 1. Restructure the budget process to provide greater oversight by the Office of the City Manager.

Recommendation 2. Restructure the process for budget preparation to include departments in the development and ongoing monitoring of the budget.

Recommendation 3. Create a monitoring process that holds department heads accountable for operating within their budget limitations.

Recommendation 4. Create a position control system to allow only funded positions to be filled.

Recommendation 5. Eliminate the Vacancy Management Program.

Recommendation 6. Evaluate Limited Benefit Employee positions to determine whether the positions should be made permanent, temporary or part-time based on workload requirements and City priorities.

Recommendation 7. Review and tighten budgetary controls and authority for departments.

Recommendation 8. Develop a multi-year plan to evaluate community conditions and needs, and associated service levels to address those needs, including capital master plans.

Recommendation 9. Incorporate City Council goals and priorities in the budget planning process and articulate how the budget incorporates the Council's goals.

Recommendation 10. Affirm that the City Council financial management policies are being followed or provide plans to address them.

Recommendation 11. Account for all City resources, liabilities and deferred investments in the budget.

Recommendation 12. Ensure City Council has a thorough understanding of the condition of their City and the organization's financial condition, along with areas of concern, e.g., negative fund balances, negative operating position as part of the annual budget review and monitoring.

Recommendation 13. Commission a multi-year revenue and expenditure forecast to set the parameters for the next budget cycle.

Recommendation 14. Create an annual user fee review and adoption process that revolves around Council policy direction on what fees should fully recover the cost of services and what services might be subsidized by the General Fund and at what levels.

Recommendation 15. Move the Development Services Department budget into its own fund and fund operations with user fees.

Recommendation 16. Examine development impact fee rates now and every three to five years to ensure fee revenues cover the cost of operations.

Recommendation 17. Update internal service fund charges annually to reflect expected operating costs.

Recommendation 18. Update the Indirect Cost Allocation Plan for internal indirect cost recovery and develop a Federal A-87 compliant plan to recover indirect costs on grants.

Recommendation 19. Include an explanation of whether "adequate" reserves are included in the annual budget, and an explanation of whether they conform to the "adequate" reserve policies for workers' compensation and liability programs.

Recommendation 20. Prepare a comprehensive financial assessment of the Environmental Resources, Golf Fund, Performing Arts Center Fund, benefit assessment and development impact fee funds.

Recommendation 21. Review golf operations to ensure the fund is adequately paying for costs associated with water usage.

Recommendation 22. Allocate workers' compensation costs as a fixed cost, rather than using payroll.

Recommendation 23. Clarify that City Council's "Capital Improvement Program Policies Section II A5", covers all facilities and parks, in additional to utility infrastructure and improvements.

Recommendation 24. Ensure the Capital Improvement Program process and documents explicitly affirm compliance with Capital Improvement Program Policy A5.

Recommendation 25. Add a category with requisite policies to the Financial Management Policies entitled Asset Management.

Recommendation 26. Develop multi-year master plans for the management and replacement of fleet vehicles and information technology.

Recommendation 27. Prepare and present an overview of the City's collection efforts for accounts receivable and the billing and collection activities in Treasury to ensure they comply with policy (see comments under the Treasury and Accounting section).

Recommendation 28. Clarify procedures for capital improvement projects to require background information about the overall condition of the City's investment in infrastructure, the impacts of deferring investments and the relative need for each project funding request.

Recommendation 29. Prepare an annual assessment of debt loads as part of the budget review process and include accrued leave balances and use in this evaluation.

Recommendation 30. Conduct a workshop on key drivers of budget deficits and trends, focusing on understanding and determining options to manage these trends to improve the financial health of the City.

Recommendation 31. Reevaluate the reliance of the City on Measure O funds and develop a strategy to address short- and long-term impacts on the City's budget.

Recommendation 32. Examine case law for the Carman Override tax levy, engage a retirement actuary conversant with this law and make the appropriate budgetary adjustments.

Recommendation 33. Add a mid-level management position to the Finance Department to assist in addressing the recommendations in this report and to stabilize operations.

Recommendation 34. Review and update purchasing policies. All policies should be in the Policy Manual and made available to all staff with responsibility for purchasing activities.

Recommendation 35. Review and clarify policies for using credit cards and penalties if policies are violated.

Recommendation 36. Assign a senior manager in each department the responsibility of monitoring credit card use and compliance with policies.

Recommendation 37. Conduct mandatory training for all department staff involved in purchasing goods and services.

Recommendation 38. Increase the purchasing levels of authority for the purchasing agent/city manager to $50,000.

Recommendation 39. Revise the change order threshold levels to a standard percent of the contract costs delegated to the city manager to 10% of the original contract or 10% but not to exceed a specified dollar amount.

Recommendation 40. Review purchasing activity across departments that share the same vendor and/or the same goods or services and streamline into one master contract.

Recommendation 41. Prequalify vendors and develop contracts for work that must be directed from the field with short turnaround times.

Recommendation 42. Review all non-personnel-related expenditures and determine the extent these activities do not go through the purchasing control process and evaluate for risk exposure.

Recommendation 43. Develop performance goals and measures for timely payment of invoices to vendors.

Recommendation 44. Ensure the full functionality of the purchasing technology system is addressed as a component of the NexLevel review.

Recommendation 45. Develop a contract management manual to detail appropriate procedures for administering and monitoring contracts.

Recommendation 46. Designate specific staff in each department to be accountable for complying with contract policies and procedures.

Recommendation 47. Include contract management practices as part of routine internal audits.

Recommendation 48. Clarify the responsibilities and role of the Contract Compliance Review Committee in writing to all senior department staff.

Recommendation 49. Revise the review and approval process through an electronic routing form and check sheet that is forwarded to key reviewers.

Recommendation 50. Allocate resources to the treasurer to create an enforcement officer position (or contract for the service) whose responsibility is to ensure the City is getting all the revenues it is due.

Recommendation 51. Document processes that lead to creation of accounts receivable from departments and all subsequent activity supporting the collection effort.

Recommendation 52. Create a new "Bad Debt Policy" for review and approval by the City Council.

Recommendation 53. Audit all outstanding accounts receivable and report to the City Council annually.

Recommendation 54. Identify all cash handling points in the City and schedule audits on a rotating basis.

Recommendation 55. Form an Investment Review Committee with at least one member appointed from outside the City organization.

Recommendation 56. Review all posting errors and reconciling items from past cash reconciliations to inform how the accounting for cash and investments can improve in the future.

Recommendation 57. Create an internal audit program in the City and conduct a high-level evaluation of the key internal control systems of the City.

Recommendation 58. Appoint an internal control officer for the City.

Recommendation 59. Affirm the proper role for Finance/Payroll as the final "check and balance" ensuring that employees are properly compensated consistent with City Council authorization and pursuant to IRS guidelines.

Recommendation 60. Assign responsibilities in Finance and Human Resources towards fixing the deficiencies found in the RSHS report.

Recommendation 61. Acquire the services of an IRS specialist to assist in ensuring compliance with the law now and as future changes in compensation practices are contemplated.

Recommendation 62. Establish a process that ensures the directors of Human Resources and Finance attest that all proper changes are made to pay and benefit rates in conformance with employee group memoranda of understanding.

Recommendation 63. Review the performance of the Public Agency Retirement Services system on an annual basis, at minimum with involvement of Finance and Human Resources.

Recommendation 64. Create two assistant city manager positions, one responsible for operations and one for support and cultural services.

Recommendation 65. Restructure the General Services and Environmental Resources Divisions into a Public Works Department.

Recommendation 66. Restructure the Recreation and Library Divisions into a Cultural or Community Services Department.

Recommendation 67. Restructure the Utilities Department by moving the Streets Capital and Major Maintenance Program and General Services Division to a newly created Public Works Department.

Recommendation 68. Reorganize the Executive Board to consist of City Manager's Office staff of the city manager's choosing and department heads.

Recommendation 69. Conduct a joint workshop with City Council representatives and appropriate City staff to address mutual needs, perceptions, current challenges and expectations for the future.

Recommendation 70. Create and conduct training for staff members who make presentations to City Council.

Recommendation 71. Create and fund a formal professional development program that defines and rewards the desired traits and behaviors of middle and senior managers.

Recommendation 72. Create a performance evaluation system designed to reinforce professional and ethical behaviors and to assist employees who may not understand how the new direction will help the City be successful.

Recommendation 73. Conduct a workload analysis of the Citywide Public Information Office functions to determine the level of support needed and opportunities to streamline the program and identify cost savings.

Recommendation 74. Evaluate the neighborhood support needs, service delivery options and appropriate placement of the function.

Recommendation 75. Create an Information Technology director position with department head status.

Recommendation 76. Develop a governance structure comprised of an executive committee and a technical committee as follows: 1) City department heads that will provide advice on Citywide Information Technology priorities, and 2) department liaisons serving as a technical committee to ensure the department head priorities are implemented and coordinated.

Recommendation 77. Examine the opportunities and benefits of consolidating all or most Information Technology staff in one department after the new Information Technology Department proves itself.

Recommendation 78. Create a process to notify the Information Technology Division when an employee leaves Oxnard employment.

Recommendation 79. Conduct a comprehensive fleet management review to increase efficiencies and cost savings.

Recommendation 80. Develop a take-home vehicle policy that determines when it is in the City's best interest to allow vehicles to be taken home.

Recommendation 81. Develop an Information Technology funding plan consistent with the 2015 Master Plan to effectuate timely replacement of information technology assets.

Recommendation 82. Create a graduated stipend policy based on usage in lieu of issuing cell phones to minimize management of the cell phone program.

Recommendation 83. Develop a Facilities Master Plan, with a priority listing of rehabilitative projects and associated costs.

Recommendation 84. Reassign the responsibility for facilities management recreation and Performing Arts Center facilities to general services.

Recommendation 85. Update the Parks Master Plan and/or conduct a comprehensive workshop on progress made to date so the Council understands the current state of the park system.

Recommendation 86. Develop an updated Street Master Plan with funding strategies in 2015.

Recommendation 87. Evaluate and pursue a strategy with neighboring residences to fund rehabilitation of the alley system.

Recommendation 88. Complete the Water Master Plan and report to Council in 2015.

Recommendation 89. Review water accumulated impact fees to ensure they are used consistent with state law.

Recommendation 90. Complete and present the Wastewater Master Plan to the Council in 2015.

Recommendation 91. Complete and present the Stormwater Master Plan to the Council in 2015.

Recommendation 92. Review the accumulated impact fees for stormwater and develop a plan for their timely use consistent with state law.

Recommendation 93. Conduct an independent audit of the workers' compensation program to improve practices and identify ways for reducing costs.

Recommendation 94. Review the condition of the Workers' Compensation Fund and its expected operating results for this fiscal year.

Recommendation 95. Reinstate the safety position for the Workers' Compensation Program.

Recommendation 96. Develop or participate in available training programs that assist in preventing liability claims such as sexual harassment, ethics, etc.

Recommendation 97. Review and revise the grant policy to give clear guidance on linking grants to City goals and priorities, performing a cost/ benefit analysis, considering ongoing commitments after the grant has ended, and requiring recovery of overhead costs.

Recommendation 98. Reaffirm the Contract Compliance Review Committee role in grant review and approval.

Recommendation 99. Require staff in the department receiving the grant to coordinate with Finance to ensure proper accounting systems are put in place to satisfy grantor requirements.

Recommendation 100. Develop a multi-year plan to implement a system for managing by results.

Recommendation 101. Conduct a customer service survey to improve business practices in the internal service departments.

Recommendation 102. Incorporate customer service training into employee performance evaluations.

Recommendation 103. Provide training to employees on customer service best practices. Customer service should include both internal and external customers.

Recommendation 104. Provide ethics training customized to each level of the organization (managers, supervisors, line staff).

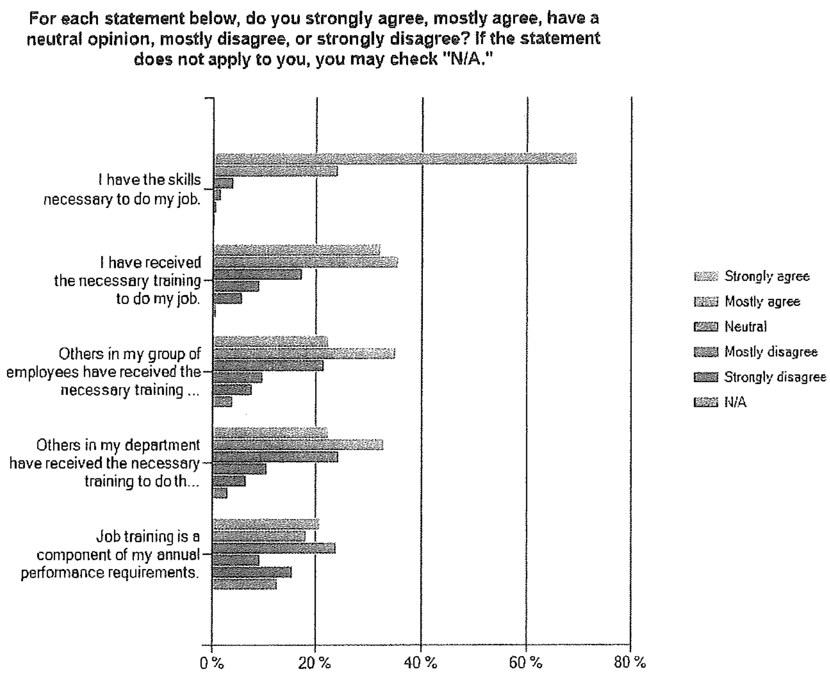
Recommendation 105. Create a process for engaging employees in constructive ongoing dialogue about ethics.

Attachment B – Employee Survey: All Departments

Participants: A total of 589 (57% of respondents) had more than 10 years of experience with the City of Oxnard

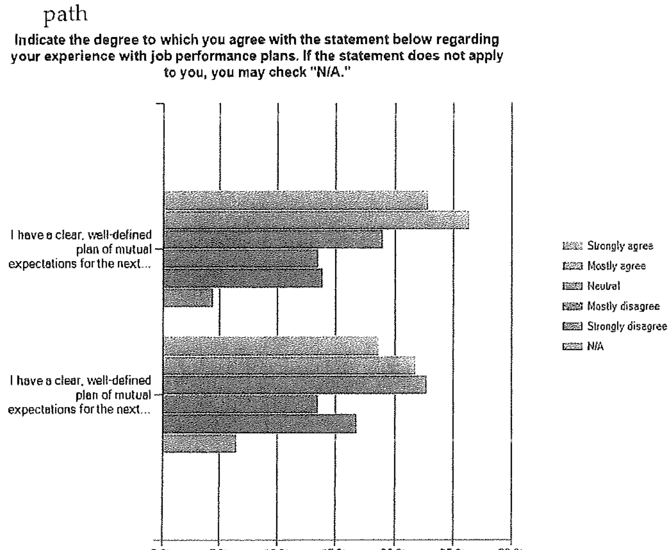
Statements:

- I have the skills necessary to do my job.
- I have the necessary training to do my job.
- Others in my group of employees have received the necessary training to do their jobs.
- Others in my department have received the necessary training to do their jobs.
- Job training is a component of my annual performance evaluation.



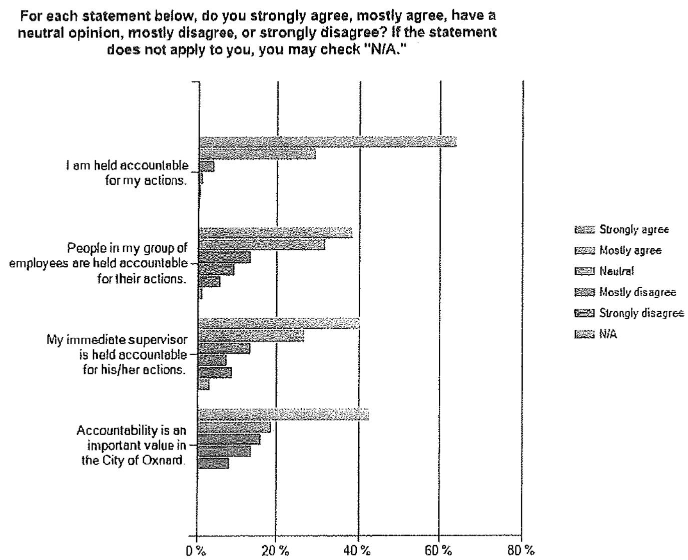
Statements:

- I have a clear, well-defined plan of mutual expectations for the next one to two years for my current job
- I have a clear, well-defined plan of mutual expectations for the next one to two years for my career development path



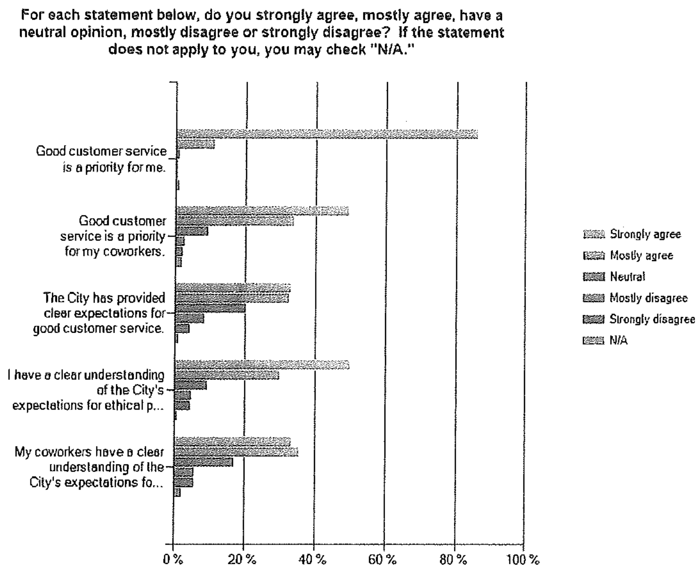
Statements:

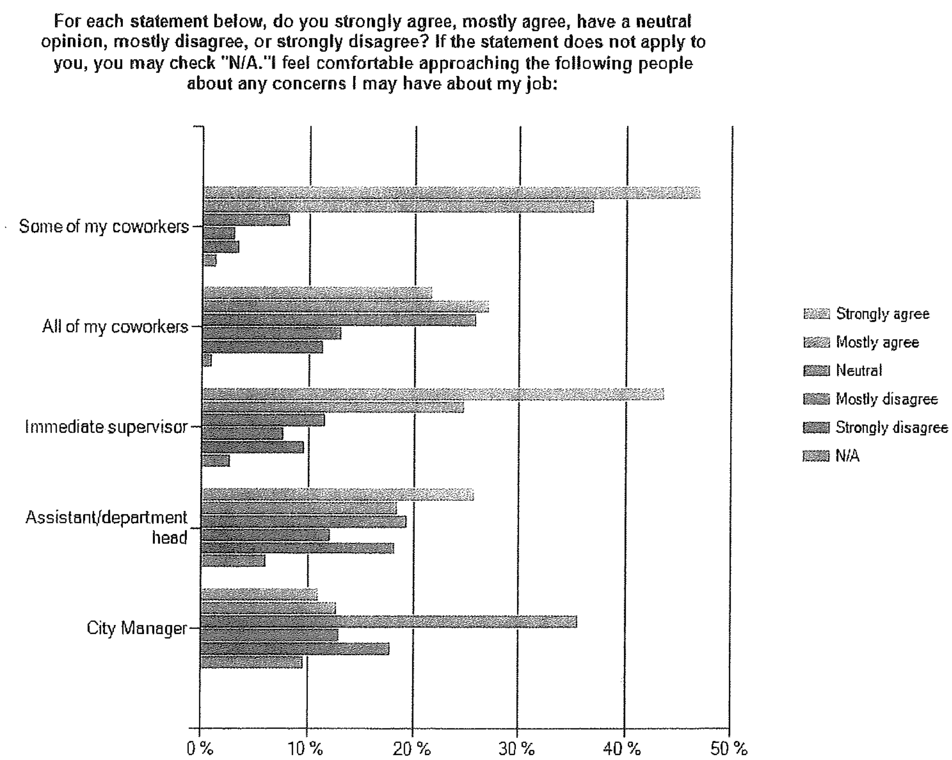
- I am held accountable for my actions.
- People in my group of employees are held accountable for their actions.
- My immediate supervisor is held accountable for his/her actions.
- Accountability is an important value in the City of Oxnard.

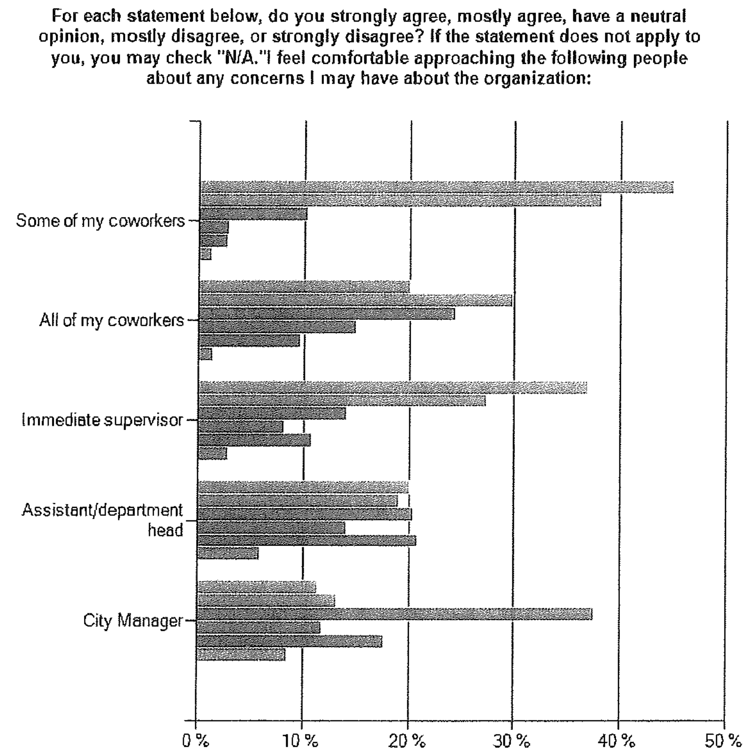


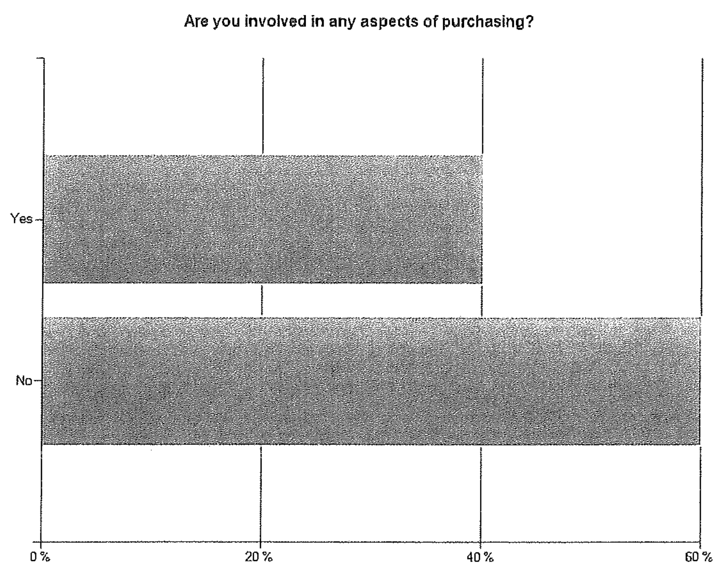
Statements:

- Good customer service is a priority for me.
- Good customer service is a priority for my coworkers.
- The City has provided clear expectations for good customer service.
- I have a clear understanding of the City's expectations for ethical professional standards.
- My coworkers have a clear understanding of the City's expectations for ethical professional standards.


For each statement below, do you strongly agree, mostly agree, have a neutral opinion, mostly disagree or strongly disagree? If the statement does not apply to you, you may check "N/A."
Good customer service is a priority for me.
Good customer service is a priority for my coworkers.
The City has provided clear expectations for good customer service.
I have a clear understanding of the City's expectations for ethical p...
My coworkers have a clear understanding of the City's expectations fo...
0 %
20 %
40 %
60 %
80 %
100 %
Strongly agree
Mostly agree
Neutral
Mostly disagree
Strongly disagree
N/A


For each statement below, do you strongly agree, mostly agree, have a neutral opinion, mostly disagree, or strongly disagree? If the statement does not apply to you, you may check "N/A."I feel comfortable approaching the following people about any concerns I may have about my job:
Some of my coworkers
All of my coworkers
Immediate supervisor
Assistant/department head
City Manager
0 %
10 %
20 %
30 %
40 %
50 %
Strongly agree
Mostly agree
Neutral
Mostly disagree
Strongly disagree
N/A

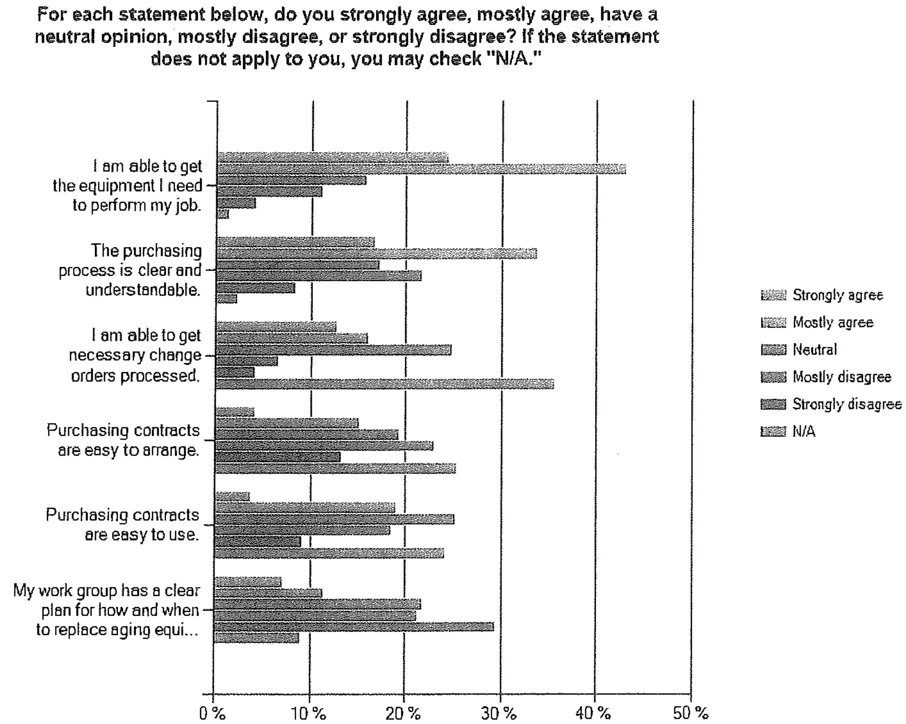


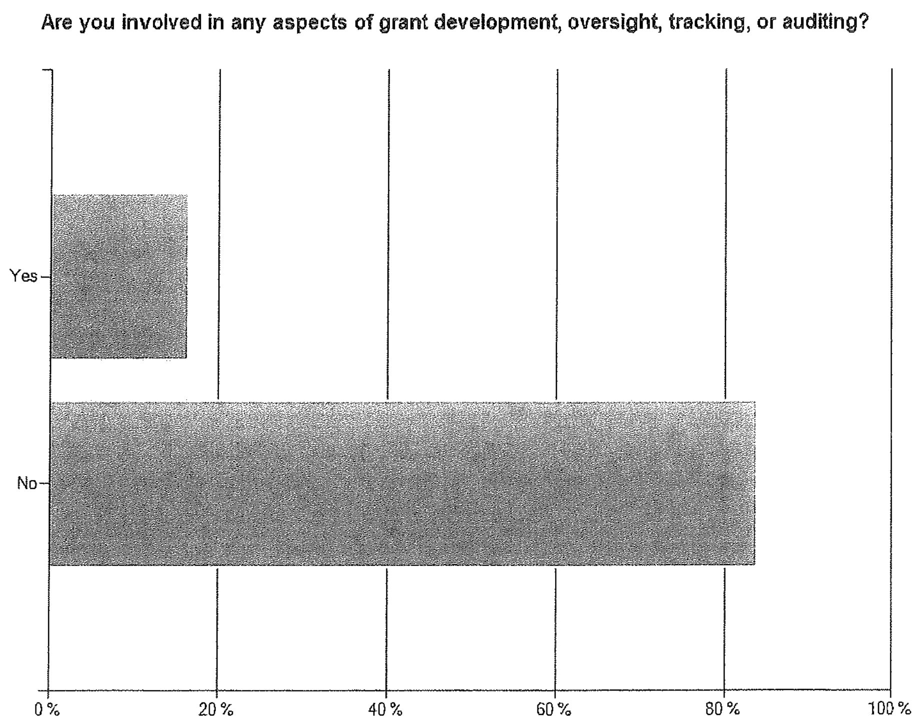


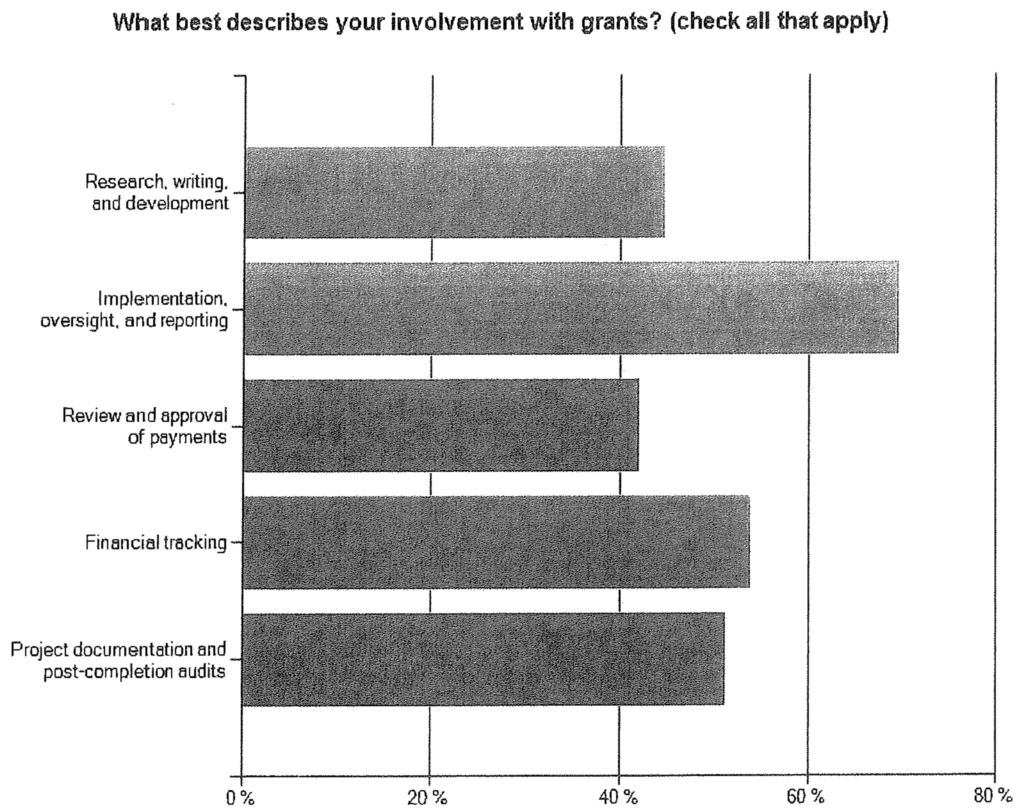
Statements:

- I am able to get the equipment I need to perform my job.
- The purchasing process is clear and understandable.
- I am able to get necessary change orders processed.
- Purchasing contracts are easy to arrange.
- Purchasing contracts are easy to use.

- My work group has a clear plan for how and when to replace aging equipment.



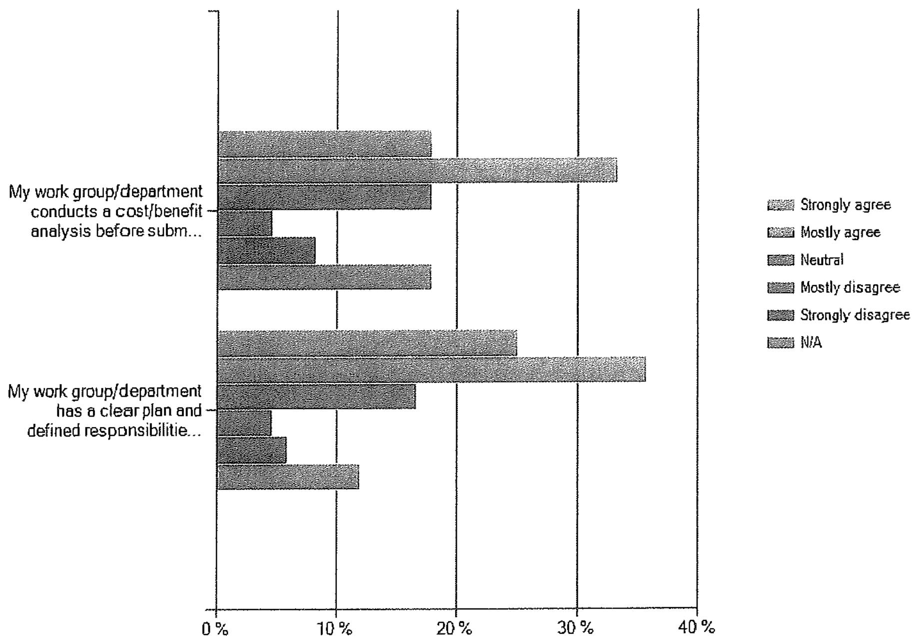




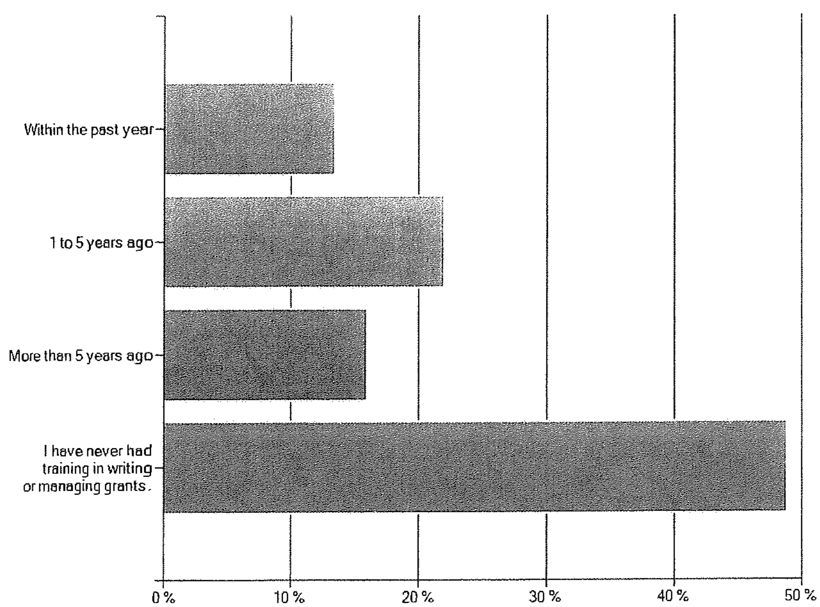
Statements:

- My work group/department conducts a cost/benefit analysis before a grant application.
- My work group/department has a clear plan and defined responsibilities for Managing grants (e.g., applying, administering, monitoring for compliance, accounting)

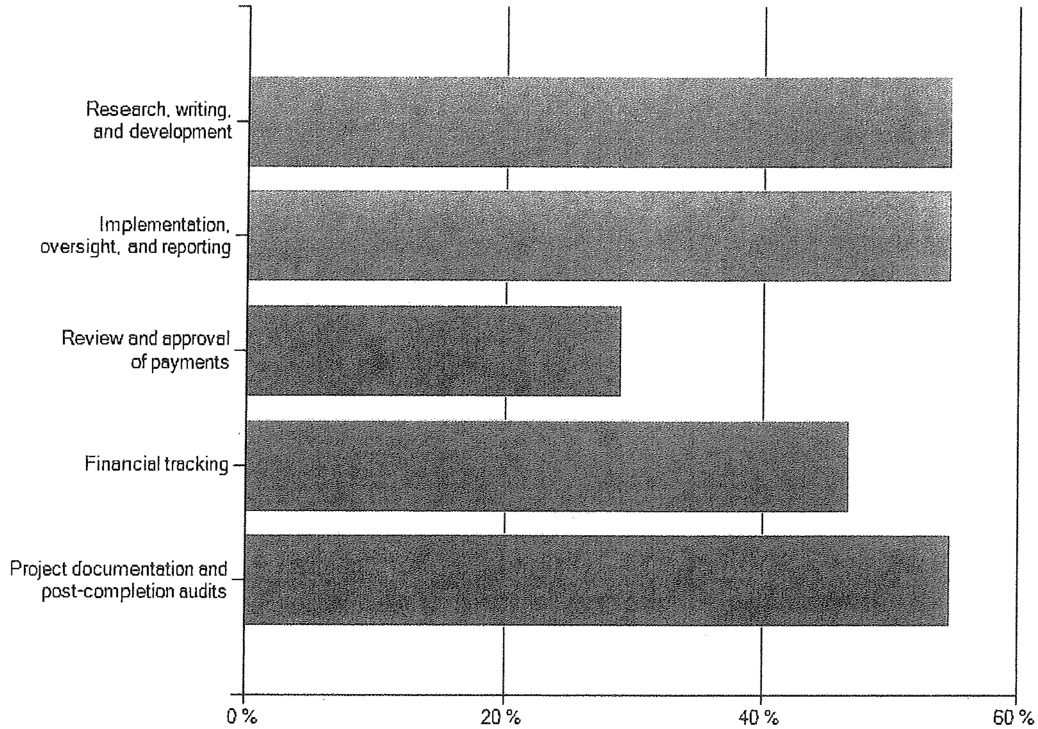
For each statement below, do you strongly agree, mostly agree, have a neutral opinion, mostly disagree, or strongly disagree? If the statement does not apply to you, you may check "N/A."



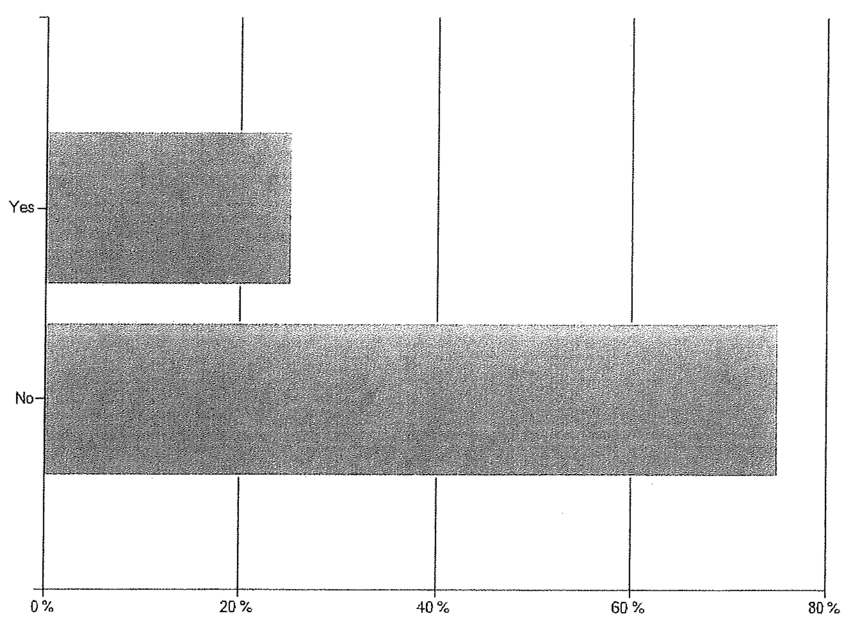
When did you last receive training in writing and/or managing grants?



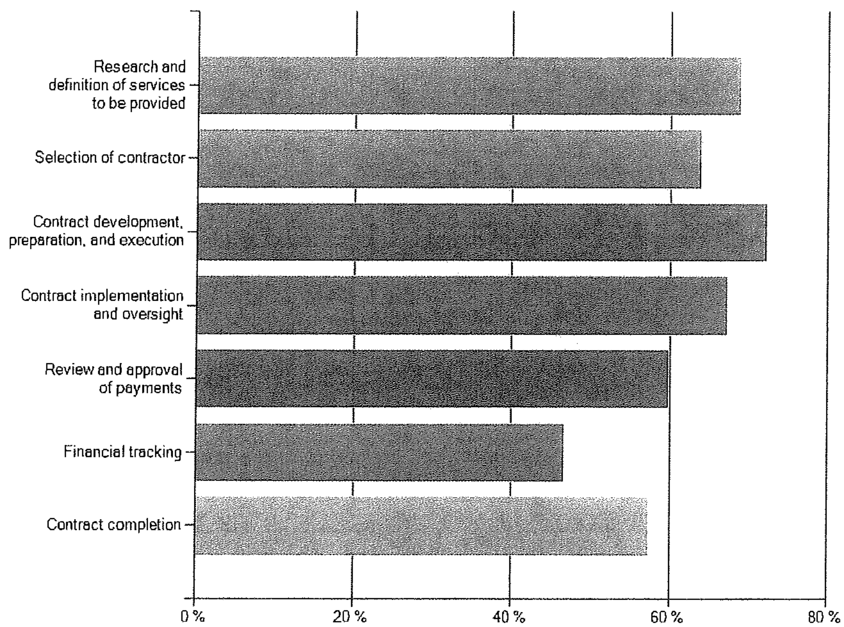
Indicate the areas in which you feel you need additional grants training. (check all that apply)



Are you involved in any aspects of contracts or contract management?



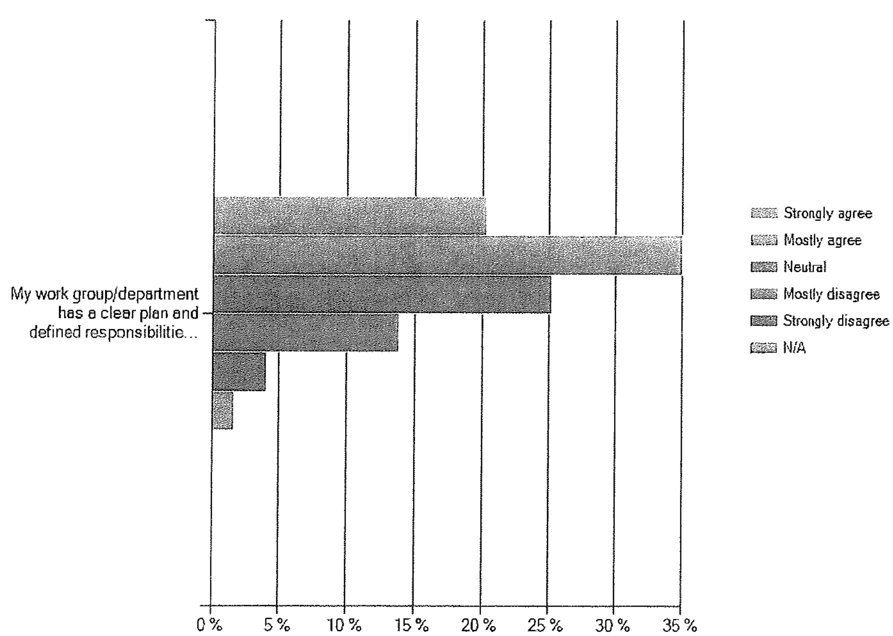
What best describes your involvement with contracts? (check all that apply)



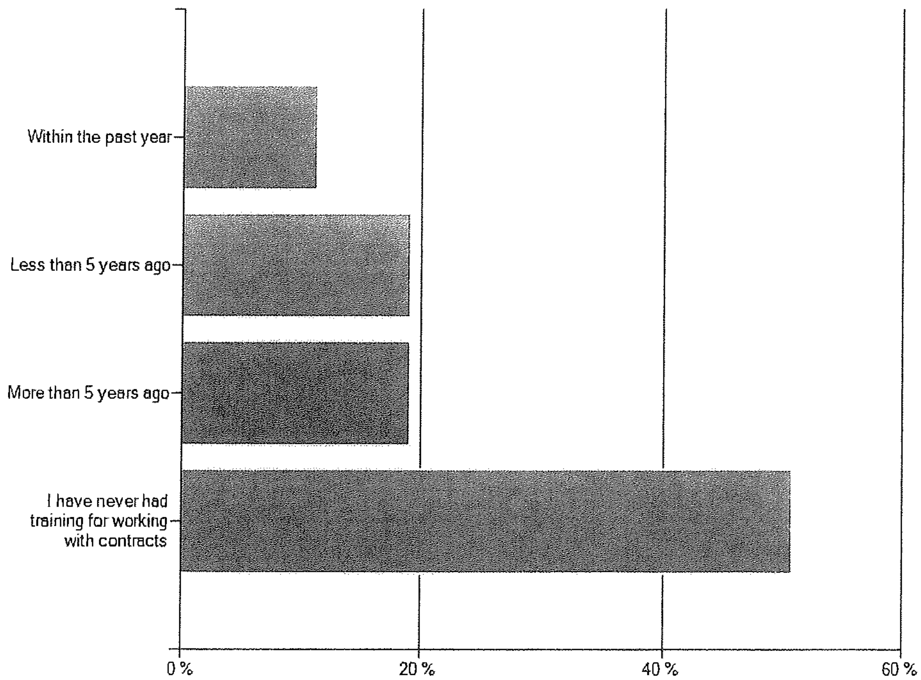
Statement:

- My work group/department has a clear plan and defined responsibilities for managing contracts (e.g., administering, monitoring for compliance, accounting)

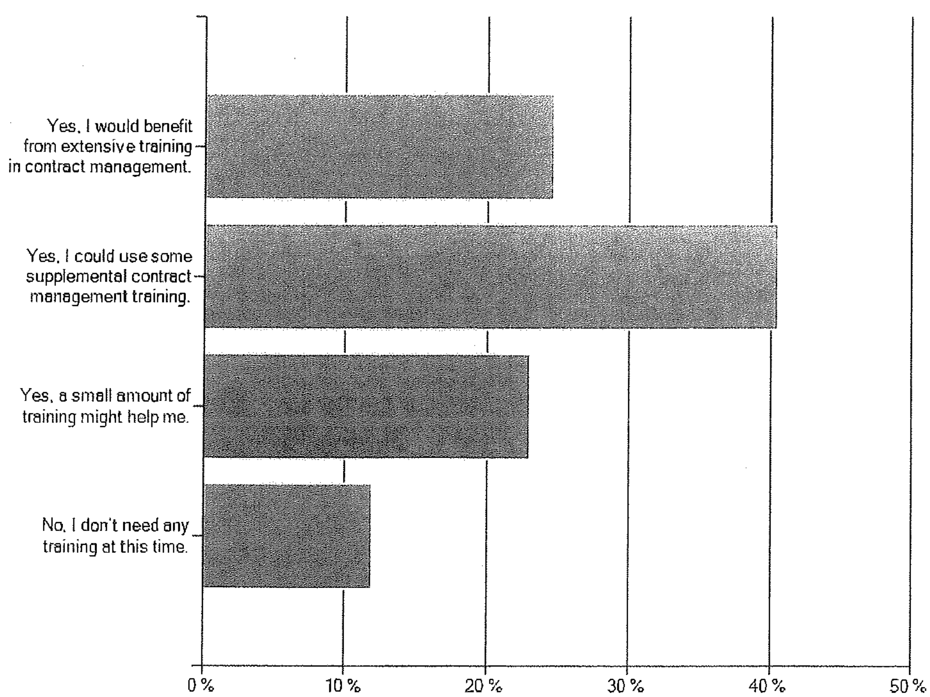
For the statement below, do you strongly agree, mostly agree, have a neutral opinion, mostly disagree, or strongly disagree? If the statement does not apply to you, you may check "N/A."



When did you last receive training for working with contracts?



Do you feel that you need additional training involving contracts?



Appendix 1 – City Council Financial Management Policies

CITY COUNCIL OF THE CITY OF OXNARD

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OXNARD ESTABLISHING FINANCIAL MANAGEMENT POLICIES

WHEREAS, the City Council wishes to establish financial management policies to be followed in the development and implementation of the City budget.

NOW, THEREFORE, the City Council of the City of Oxnard hereby resolves that the following policies will guide the development and implementation of the City's Operating and Capital Improvement Project Budgets.

I. BUDGET POLICIES

A. Budget Guidelines

1. The City Council will approve a multi-year revenue and expenditure forecast, which will provide parameters for the budget development process.

2. The budget process will include the development of a balanced two-year budget. The two-year budget will include an approach that City Council approves appropriations for a one-year operating budget and capital improvement plan.

3. The budget will be organized in a department/service level format.

4. The budget development process will include the identification and evaluation of policy options for service levels. However, the adopted budget will include only those policy options approved by City Council.

B. Appropriation Priorities

1. In evaluating the level of appropriations for department enhancements, or expense reductions, staff will apply the following principles in the priority order given:

   a. Essential services that provide for the health and safety of residents.

   b. Adequate ongoing maintenance of facilities and equipment.

   c. All other services.

2. When reductions in personnel are necessary to reduce expenditures, to the greatest extent possible this will be accomplished through normal attrition.

C. Supplemental Services

The City Council may budget for certain services that may also be provided by other governmental agencies or the private sector. The provision of these services will be based on a demonstrated community need or benefit over time. When appropriate, these services will be supported in whole or in part by user fees.

D. Appropriation Changes

1. Changes to the City Council adopted budget for the fiscal year shall occur as follows:

2. By City Council action for all changes that either increase or decrease fund appropriations adopted in the annual budget appropriation resolution.

3. By the City Manager for appropriation transfers between departments within a fund.

4. By the Department Director for appropriation transfers between programs, as long as funding is available in the department as a whole.

II. CAPITAL IMPROVEMENT PROGRAM POLICIES

A. Capital Planning Period

1. Staff will budget all capital improvements in accordance with an adopted Capital Improvement Project (CIP) Plan.

2. The City's long-range capital planning period will be a minimum of five years, or longer where appropriate.

3. The Five-Year Capital Improvement Project Plan will be reviewed and approved by City Council every other year or as needed based on economic and funding outlooks. City Council will approve appropriations annually. Appropriation changes will be in accordance with Section I.D.

4. The CIP Plan will be in conformance with and support the City's major planning documents: the most current General Plan, project specific plans, and Citywide master plans for related infrastructure improvements.

5. Staff will prepare strategic plans and master plans for major infrastructure and utility improvements with a 10- or 20-year planning horizon when appropriate.

B. Capital Project Priorities

1. Staff will evaluate and prioritize each proposed capital project against the following criteria:

    a. Linkage with community needs as identified in the City's major planning documents.

    b. Cost/benefit analysis identifying all financial and community impacts of the project.

    c. Identification of available funding resources.

2. Staff will develop the CIP Plan with funding priorities in the following order:

    a. Projects that maintain and preserve existing facilities.

    b. Projects that replace existing facilities which no longer meet the needs of the community or that can no longer be maintained cost effectively.

    c. Projects that provide new and expanded services to the community.

C. Capital Project Management

1. Capital projects will be managed in a phased approach. The project phases will become a framework for appropriate decision points and reporting. The phasing will consist of:

    a. Conceptual/schematic proposal
    b. Preliminary design and cost estimate
    c. Engineering and final design
    d. Bid administration
    e. Acquisition/construction
    f. Project closeout

2. Each capital improvement project will have a project manager who will prepare the project proposal, ensure that required phases are completed on schedule, authorize payment of expenditures approved as required by the City's Purchasing Manual, ensure that all regulations and laws are observed, periodically report project status, track project expenditures and perform the project closeout according to current procedures.

III. REVENUE POLICIES

A. Maintenance of Revenues

1. The City Council will attempt to maintain a diversified and stable revenue base to shelter the City from short-term fluctuations in any one revenue source.

2. The City Council will promote an increase in the City's revenue base through economic development programs that maintain and enhance a vigorous local economy.

3. The City Council will seek to supplement the City's revenue base through the identification of and application for State and federal grant funds, which will support identified needs.

B. User Fees and Rates

1. The City Council will attempt to recover the costs of services providing a private benefit to users through the imposition of user fees and charges.

2. The City Council will establish all user fees and charges at a level related to the direct and indirect costs of providing services and the degree of public versus private benefit.

3. Staff will recalculate annually the full costs of activities supported by user fees and rates to identify the impact of inflation and other cost increases.

4. The City Council will set fees and user rates for each enterprise fund (e.g., water, wastewater, solid waste) at a level that fully supports the total direct and indirect costs of the activity.

C. Revenue Collection

1. Staff will take all cost-effective actions available to collect revenues.

2. Staff will grant use fee waivers and debt forgiveness under the following conditions:

   a. All requests will be approved or disapproved by the City Council on a case-by-case basis.

   b. Each request will be considered and City Council action will be by resolution.

c. All categorical fee waivers will be subject to a sunset provision as determined by the City Council.

3. Staff will not grant development and permit fee waivers.

D. Interest Earnings

1. Staff will assign interest earnings to the appropriate fund based on available cash balances.

2. Investment policies will be reviewed annually by the Investment Review Committee and the City Council.

IV. FUND BALANCE POLICIY

This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the City against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs the Chief Financial Officer to prepare financial reports which categorize fund balance in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

A. Procedures

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the City is bound to honor constraints on the specific purposes for which amounts can be spent.

- Nonspendable fund balance
- Restricted fund balance
- Committed fund balance
- Assigned fund balance
- Unassigned fund balance

The first two components listed above are not addressed in this policy due to the nature of their restrictions. An example of nonspendable fund balance is a prepaid item. Restricted fund balance is either imposed by law or constrained by grantors, contributors, or laws or regulations of other governments. This policy is focused on financial reporting of unrestricted fund balance, or the last three components listed above. These three components are further defined below.

B. Committed Fund Balance

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as ordinance or resolution. These committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same type of action it employed to commit those amounts. City Council action to commit fund balance should occur within the fiscal reporting period; however the amount can be determined in the subsequent period.

C. Assigned Fund Balance

1. Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance.

2. This policy hereby designates the authority to assign amounts to be used for specific purposes to the Chief Financial Officer for the purpose of reporting these amounts in the annual financial statements.

D. Unassigned Fund Balance

These are residual positive net resources of the general fund in excess of what can be properly classified in one of the other four categories.

V. RESERVE POLICIES

A. Adequate reserves will be maintained for all known liabilities, including payable employee leave balances, workers' compensation, and self-insured retention limits.

B. The City Council will endeavor to maintain an operating reserve equal to 18 percent of the General Fund operating budget. The operating reserve shall be available to: cover cash flow requirements; meet unanticipated revenue shortfalls; take advantage of unexpected opportunities; invest in projects with a rapid payback; ensure against physical or natural disasters; and provide interest earnings.

C. The City Council will endeavor to maintain operating reserves in the Water and Wastewater Utility Enterprise Funds equal to 25 percent of the operating budgets, and reserves in the Solid Waste Enterprise Fund equal to 9 percent of the operating budget.

VI. DEBT POLICIES

A. Use of Debt

1. Any tax and revenue anticipation borrowing will be consistent with State and federal laws and regulations.

2. The City Council will review the issuance of long-term debt only for:

   a. Construction and acquisition of land, capital improvements, or equipment when the useful life of the asset is equal to or greater than the term of the debt.

   b. The creation of contractually-required reserves.

   c. The payment of judicial awards or settlements or the establishment of actuarial reserves to pay such awards.

3. Debt financing will not be appropriate for current operating or maintenance expenses or for any recurring purposes.

B. Conditions of Use

1. The City Council will use long-term debt to finance a major equipment acquisition, a capital project, or reserve only if a cost/benefit analysis establishes that the financial and community benefits of the financing exceed the costs.

2. Benefits can include, but are not limited to, the following:

   a. Present value benefit: The current cost plus the financing cost is less than the future cost of the project or acquisition.

   b. Maintenance value benefit: The financing cost is less than the maintenance cost of deferring the project or acquisition.

   c. Equity benefit: Financing provides a method of spreading the cost of a project or acquisition back to the users of the project or acquisition over time.

   d. Community benefit: Debt financing of the project or acquisition enables the City Council to meet an immediate community need.

3. Debt financing will be used only when project revenues or other identified revenue sources are sufficient to service the debt.

4. The City Council by resolution will periodically establish industry standard bond debt ratios to assess maximum debt carrying capacity and will apply these ratios to each proposed debt.

5. When the City obtains debt financing on behalf of or benefiting a third party (as with assessment districts) such debt will be issued in conformance with existing City Council priorities and policies without contingent liability of the City and with all costs of issuance and administration fully reimbursed by the third party.

C. Methods

1. Staff will retain the following contract advisors for the issuance of debt:

   a. Bond Counsel - To be selected by RFP periodically.

   b. Special Counsel - To be selected by RFP periodically to protect the City's interest in complex negotiations and document review.

   c. Financial Advisor - To be selected by RFP periodically to assist the City in assessing financing opportunities and options, selection of underwriters, preparation of all required financing documents, and other financial advisory assistance as required.

   d. Underwriters - To be selected periodically by RFP for negotiated financings. For bond issues that are competitively bid, underwriter will be selected on the basis of lowest true interest cost (TIC).

2. The City Council's preference is to issue fixed-rate long-term debt with level debt service, but variable rate debt or other debt service structure may be considered if an economic advantage is identified for a particular project.

3. Bond proceeds will be held by an independent bank acting as trustee or fiscal agent.

4. The City Council's bond rating objective for the City for all debt issues is a Standard & Poor's rating of AA. Credit enhancements will be used to achieve higher ratings when there is an economic benefit.

VII. ACCOUNTING POLICIES

A. Accounting Standards

1. The City's accounting systems and procedures will comply with the Generally Accepted Accounting Principles (GAAP) and standards promulgated by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB) to the extent necessary to achieve an unqualified audit opinion and adequate internal controls.

2. The City will adopt the Historical Cost method of fixed asset reporting to comply with GASB and the capitalization policy will be $5,000 or more.

3. Staff will prepare regular monthly, quarterly, and annual financial reports to present a summary of financial performance and position.

4. Staff will provide full disclosure in the annual financial statements and bond representations.

5. The City's budgetary system will be integrated and compatible with the accounting system.

B. Independent Auditor

1. The City will retain an independent certified auditing firm to annually conduct an audit of the financial records in accordance with all State and federal requirements.

2. The selection of the City's audit firm will be by an RFP submitted to a limited number of qualified audit firms with recognized credentials in municipal auditing.

3. In order to promote continuity in the audit process, the engagement of the audit firm will be for a minimum period of three years. Such three-year engagement may be extended on an annual basis at the option of the City Manager.

VIII. RISK MANAGEMENT POLICIES

A. The City will maintain a risk management program for public liability, workers' compensation, and loss of property exposures. This program will emphasize avoidance of risk, whenever possible, funding for losses which cannot be avoided, and transfer of risk to third parties whenever appropriate.

B. The risk management process will include the systematic and continuous identification of loss perils and exposures, the analysis of these perils and exposures in terms of frequency and severity probabilities, the application of sound risk control procedures and the financing of risk consistent with the City's financial resources.

C. If the loss potential in dollars for a particular risk is substantial and cannot be absorbed within the City's annual operating budget, the staff will develop and maintain a program of purchased insurance, funded self-insurance, or debt.

D. Staff will endeavor to promptly settle justified claims but will vigorously defend claims which are doubtful, frivolous, or unsupported.

E. Staff will maintain separate self-insurance funds to identify and segregate the financial resources necessary to cover insurance premiums and self-insured retentions.

1. Revenues into the insurance funds will be generated by charges to operating programs allocated to reflect loss experience.

2. Resources will be established at the end of each year to fund liability for open claims, incurred but not reported claims, and a catastrophic loss reserve as periodically recommended by an independent actuarial consultant, or as authorized for GAAP.

F. To assist in the overall administration of the risk management program, the City Council will utilize the following consultants:

1. Claims adjuster for workers' compensation and public liability/property damage.

2. Claims auditor, actuarial consultant, and risk management program auditor.

3. Insurance broker of record.

DATE: March 12, 2015

TO: Mayor, Mayor Pro Tem and members of the City Council
Greg Nyhoff, City Manager

FROM: Dania Torres Wong and Burke Dunphy, Renne Sloan Holtzman Sakai, LLP

SUBJECT: RSHS Phase I Human Resources Department and Programs Organizational Audit

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I. Background

On September 30, 2014, the City retained our firm along with Management Partners to provide a review of the City's operations and return to the City Council with a report detailing our findings. As part of this Phase 1 project, RSHS was asked to review the Human Resources ("HR") Department's operations and all of the programs associated with management of the City's HR programs.

Attachment A to this report sets forth the issues that our office has identified through our review of HR operations. The sheer number of issues identified thus far may seem daunting; there are no small, easily resolvable issues. It is also important to note that, on an almost weekly basis, new issues come to light and will likely be added to Attachment A as this comprehensive review process continues. It would be easy to be overwhelmed with the number and complexity of the issues in this one department's operations. However, the opportunities to finally address an area that has been so broken for many years are great. The City is currently recruiting for three of the top HR management positions, including the HR Director, who will have a significant impact in rebuilding a merit-based HR Department from bottom up. While it will take significant attention and resources to address all of the issues identified in order to rebuild the HR Department, the City has taken a significant step forward by commissioning this Phase 1 review and moving towards generating an implementation plan to address and resolve the identified issues.

As discussed in the Management Partners' report, which is being concurrently presented to the City Council, Management Partners, in coordination with RSHS, will prepare a draft Implementation Plan that will prioritize the recommendations and provide action items for executing these recommendations, estimated timelines for completion and suggest responsible parties.

II. Observations

- The City's HR Department, Finance Department, City Attorney's office and the City Manager's office did not coordinate amongst themselves, leading to a breakdown in accountability and an absence of checks and balances, which in turn led to many of the issues identified in Attachment A. The principle cause of this communications breakdown was the centralization of all HR functions within the HR Department and its exclusion of any other internal service department from the analysis of or decision making process related to these HR functions.

- By centralizing all decision making with respect to employee salaries and benefits and other HR functions and excluding the other internal service departments from this process, the HR Department appears to have implemented changes to benefits that were inconsistent with program, MOU and City Council policy. This will require the City to conduct a full detailed review of virtually all these programs.

- A number of the items in Attachment A will require the City to retain tax and benefit consultants to review compliance issues and will also require coordination with the Finance Department, the HR Department, and the City Attorney's office to develop solutions and coordination with the Management Partners and RSHS teams to implement these solutions.

- To the extent that solutions to the issues identified in Attachment A trigger meet and confer obligations with the City's represented employees, the City intends to satisfy these obligations.

- The HR Department is unable to provide the City with the appropriate level of HR services in its current form and with its current staffing levels. Simply put, the HR Department needs to be completely rebuilt. The HR Department does not have any business operation or merit systems in place, has not updated the City's personnel policies and procedures in nearly forty (40) years, does not consistently administer the HR policies that are in place, is not subject to any checks and balances by or otherwise coordinate with the City's other internal service departments. These breakdowns in service have resulted in a lapse in payroll and contract compliance and inadequate staffing to provide day to day HR services.

- The HR Director and two other supervisory positions in the HR Department are currently vacant. Upon hiring, one of the HR Director's most immediate tasks will be to provide recommendations for restructuring the HR Department, including a staffing structure that ensures the appropriate number of employees with the appropriate skills to fulfill the needs of the reformed HR Department. Even before the HR Director Recruitment process is complete, however, the City needs to upgrade one of the two vacant supervisory positions to an assistant HR Director. This will ensure that the HR Department will have at least two strong high-level managers able to start the rebuilding process as soon as they are hired.

III. Recommendations

It is recommended that:

- Consistent with the recommendation in the Management Partners' report, which is being concurrently presented to the City Council, Management Partners, in coordination with RSHS, prepare a draft Implementation Plan that will prioritize the recommendations and provide action items for executing these recommendations, estimated timelines for completion and suggest responsible parties;

- The City reclassify one vacant HR Manager Position to an Assistant HR Director in order to increase the HR Department's professional staff with a higher level of HR skills, abilities and experience to assist the new HR director in not only rebuilding the entire HR Department and Programs but assist the City's team to address the numerous issues listed in Appendix A of this report.

- The New HR Director return to City Council during the budget process with recommendations related to HR staffing needs necessary to provide the day to day HR functions for the City.

- The City contract with a benefits vendor to assist the HR Department in managing the administration of its benefit programs.

IV. Discussion

As part the Phase 1 review of the Human Resources Department and Programs, the following issues stood out as critical issues amongst the many issues identified in Attachment A.

A. Internal Systems and Policies & Procedures

There are virtually no established systems or updated policies or procedures governing the core functions of the HR Department. While we have identified over 150 administrative policies, City ordinances and resolutions, and personnel policies governing the City's HR functions, many are outdated, do not reflect current legal requirements, have not been updated in decades, are inconsistent with current practices and, when applied, are applied inconsistently among bargaining units. This has rendered the HR Department unable to properly manage and administer these policies. Attachment C lists all of the existing HR policies and procedures currently in effect and that have been identified to date.

Recommendation: As part of the Implementation Plan, include a framework with a timeline to review and update all personnel-related policies and procedures.

B. Recruitment and Examination

There is significant backlog of recruitments that the HR Department has been unable to address, some dating back as far as 2013. Currently, the City has approved 60 recruitments for 103 vacant positions and the HR Department has 18 recruitment currently open. The City's service departments have been adversely impacted by these recruitment delays, which in turn has a detrimental impact on service to the public. The HR Department has currently allocated less than one analyst position to conduct all recruitment and examination activities to clear this backload. This is clearly insufficient. The City does have a contract with Cooperative Services ("CPS") that remains in place until May of this year. Under this agreement, the City can use CPS's validated pre-hiring examinations. This would relieve the burden on the City's HR staff to generate its own tests for each recruitment. Additionally, CPS provides services related to screening and administering tests onsite.

Recommendation: This will likely be a high priority area for the new HR Director, who will need to review the City's current recruitment and examination process and determine the necessary resources to conduct and complete City recruitments in a timely manner. In the meantime, the City is already working to identify its most critical recruitment needs and is reviewing its contract with CPS to determine whether the City would benefit from extending this agreement past May 2015 and whether CPS's additional service would be useful in augmenting the City's recruitment resources to clear the current backlog

C. Classification and Salary Administration Program

Based on our review, it appears that the City has not engaged in a classification system study since 1998. This is a contributing factor to the recruitment backlog. For example, new positions require the HR Department to create new job specifications and evaluate salary alignment. Under the HR Department's current structure, there is no analyst level professional staff assigned to conduct classification and compensation work. This is highly unusual as this is a key HR function. Because the City did not employ dedicated analyst-level classification and compensation staff, in lieu of conducting a full classification review, the HR Department either (i) stopped any recruitments that required the development of new or updated job specifications or classification study or (ii) hired employees into existing classifications that did not directly address recruitment needs. This practice has created numerous inconsistencies in the City's classification system.

Recommendation: As a result of the considerable inconsistencies in the City's classification and compensation program, the City needs to conduct a review of its entire classification and compensation program. A "Request for Proposals" has been issued by the City to conduct a citywide review of its current classification and compensation system. With a new HR Director likely to join the City in the near term, it would be prudent to have the new director involved in a review of this matter and in providing the City Council with related recommendations as part of the City's upcoming budget process.

D. Employee Benefit Programs

One of the most important functions of the HR Department administration of the City's employee benefit programs in accordance with the City's contractual obligations with its various employee groups, authority from the City Council and in compliance with any and all plan documents, local, state and/or federal laws and regulations. Proper management of these programs is critical because of the adverse impact on the City and its employees of a compliance failure. The HR Department must not only prioritize the management of its benefits program but must also work collaboratively with the Finance Department and the City Manager's office to ensure that all interested parties, including the City Council and the public, understand the financial implications of these benefit programs.

Unfortunately, as part of our review, it became clear that the HR Department did not manage many of its benefits programs nor did it consult with or provide complete information to the Finance Department or the City Manager's office as to the extent and cost of changes in benefit programs. Because the HR Department centralized all information related to employee benefit programs, these programs now require audits in order to verify whether they comply with applicable laws and determine the operational and financial impact of these programs as they are currently administered. It must be noted that Attachment A lists only those issues that have been discovered as of the date of this report. It is likely that as each program is reviewed, additional issues will be identified and will then be reported to the City Council as part of subsequent reports. More importantly, in many cases, Attachment A identifies potential areas of concern that must be thoroughly reviewed by the City's team, in some cases in collaboration with tax counsel and/or benefits specialist, to determine the full depth of the issue. Only after these issues have been fully investigated will the City be able to develop a comprehensive plan to resolve them.

At this time the Benefits Manager position is vacant and, as with the City's recruitment staffing, the current allocation of positions is inadequate to fully manage the various benefit programs. It is likely that a new HR Director will need to analyze the staffing for this program and address any staffing issue with the City Manager in the future.

Below are additional details related to the main employee benefit issues listed in Attachment A.

- **CalPERS Pension**: The City provides pension benefits to both safety and miscellaneous employees through CalPERS, the state's public employees' retirement system. The City maintains three pension plans with CalPERS, one for miscellaneous employees, one for sworn police employees (safety) and one for sworn fire employees (safety). Classic miscellaneous employees hired on or before December 31, 2012 are eligible for the 2%@55 CalPERS pension formula. Classic safety employees (sworn fire and police staff) hired on or before December 31, 2012 are covered by the 3%@ 50 CalPERS pension formula. On January 1, 2013, the Public Employees' Pension Reform Act ("PEPRA") took effect and required that member agencies create a new tier of pension benefits for employees hired on or after January 1, 2013 that provides a lower benefit than the plans for so-called "classic" employees. For miscellaneous employees the lower benefit is the 2%@62 formula and for safety the lower benefit is the 2.7%@ 57 formula. Under PEPRA, new employees are required to pay at least one-half of the "normal cost" of their pension. The "normal cost" of pension is the present value of pension benefits that can be attributed to services rendered in the current year and currently employees are paying 6.75% for miscellaneous employees, 15% for sworn police employees and 8% for sworn fire employees. Consistent with the City's current contract agreements with the employee groups, the City pays 100% of all pension costs for all "classic" employees, which includes both the employee and employer share. CalPERS has set the employee share for "classic" sworn police and fire employees at 9% of pensionable compensation and 7% of pensionable compensation for "classic" miscellaneous employees here at the City of Oxnard.

As described in the staff report and in more detail in the Management Partners' report, a portion of the pension costs for sworn police and fire employees only is covered by a specially designated property tax, commonly referred to as the "Carman Override." In 1951, the City's residents approved a tax levy dedicated to payment of public safety retirement costs. Following the 1978 implementation of Proposition 13, the California Supreme Court held in *Carman v. Alvord*, 31 Cal.3d 318 that voter approved pension costs constituted debt that could be supported by a tax levy in excess of the 1% maximum allowed by Proposition 13. Oxnard is one of only twenty-four cities and one county in the state with this type of tax. While the revenues from the Carman Override tax at one point covered the full cost of public safety pensions, the growth in pension costs now outpaces the Carman Override revenues. The City had a fund balance of Carman Override revenues from past years that was sufficient to cover the excess costs but, as of FY2015-16, the City will have used the remaining Carman Override fund balance. Once this fund balance has been exhausted, the City's General Fund will be responsible for covering any pension costs in excess of the Carman Override revenues. As stated in the Management Partners' Report, the City has retained an actuary to review the Carmen Override issue. The City's CalPERS costs will be addressed as part of the City's budget process and likely discussed with employee organizations in the negotiation process.

As a result of changes to CalPERS actuarial assumptions related to morality, a decrease in investment return rates and a modification to its smoothing policy, which requires agencies to pay down their unfunded liabilities over a fixed thirty year period with a related change in contribution rates to be phased in over the next five years, the City will be experiencing significant increases in its employer contributions. As set forth by CalPERS in its most recent valuations of the City's pension plans:

- The City's contributions towards its Miscellaneous Pension Plan is projected to increase by nearly 36.6% from FY2012-13 to FY2020-21. This includes both the employer contribution plus the 7% employee contribution which the City is required to pay under the applicable MOUs;
- The City's contributions toward its Police Pension Plan is projected to increase by nearly 24% from FY2012-13 to FY2020-21. This includes both the employer contribution plus the 9% employee contribution which the City is required to pay under the applicable MOUs; and.

- The City's contributions toward its Fire Pension Plan is projected to increase by nearly 13% from FY2012-13 to FY2015-16. This includes both the employer contribution plus the 9% employee contribution which the City is required to pay under the applicable MOUs. It should be noted that because the Fire Pension Plan has less than 100 members from the City of Oxnard, this plan is pooled with other Cities with less than 100 members as well and CalPERS and only provides anticipated rates for three years for pooled plans.

In light of these steep rate increases, the City will work with its actuary to analyze issues related to its Carman Override revenues and will address these increased CalPERS as part of the City's budget process.

- **Public Agency Retirement Services or "PARS"**: In addition to its CalPERS pension benefits, the City offers a supplemental pension benefit to its miscellaneous employees through the Public Agency Retirement Services or "PARS." Under the CalPERS system, miscellaneous employees are generally provided with a lesser benefit than sworn public safety employees; under the formulas available to the City's safety and miscellaneous employees, safety employees receive an approximately 30% higher benefit. The PARS benefit was meant to augment pension benefits for classic miscellaneous employees in addition to the current CalPERS pension benefit to closely mirror the CalPERS pension benefits of safety employees. Under PEPRA, new employees hired on or after January 1, 2013 are not eligible for the current PARS benefit.

  Through our review, we identified a several issues related to the City's PARS program. These issues include whether the PARS plan document was appropriately authorized by the City Council, whether or not Limited Benefit Employees are eligible for PARS benefits, how the City treated prior years of service for employees who had a break in City service prior to retirement, and how the City determined whether new employees were eligible for PARS benefits.

  Like CalPERS, the annual cost associated with PARS is broken down into two portions – the employee contribution and the employer contribution. Under its MOUs with its represented miscellaneous employees, the City is obligated to pay both the full employer contribution to PARS plus a portion of the employee contribution. The City also pays the full employer contribution and a portion of the employee contribution for its unrepresented miscellaneous employees; this had been past practice of the City and this practice is now embodied in the City's salary resolution covering its unrepresented employees. Much like CalPERS rates, it is anticipated that PARS contribution rates will continue to increase, especially because PEPRA prohibits new members from joining PARS.

  Recommendation: The City needs to conduct a full audit related to the implementation of the PARS program along with a review of the City's calculation of service credit, actuary cost requirements and future funding and the effect of all of these issues on the City's budget.

- **Alternative Pension Programs**: As part of the recommendation to audit each of the City's benefit programs for compliance issues, the City needs to work with tax counsel and a benefits consultant to determine whether or not the City is in compliance with its obligation to provide an alternative retirement plan for employees who are neither eligible for CalPERS or Social Security benefits. At a minimum, the applicable statute requires that the City establish a plan and contribute at least 7.5% of impacted employees' salary annually. This contribution can be made either by the City, by the employees or a combination of both. It appears that the group of City employees most likely to be impacted by this review are in LBE or City Corps positions. As part of this review, the City should analyze whether LBEs are in fact eligible for PARS benefits. As discussed above, there is conflicting information about LBE eligibility for PARS and any PARS benefits should be evaluated to determine whether they satisfy the City's obligations to provide a Social Security alternative to eligible employees.

As part of this review, the City should analyze whether its "Temporary Employee Retirement Plan" satisfies its obligations to provide a qualifying social security alternative to eligible employees. Since 1992 the City has provided a pension plan for its temporary employees, which has largely used by employees hired through the City Corps program. It does not appear as though limited benefit employees were permitted to participate in this Temporary Employee Retirement Plan. Unfortunately, there is very little documentation related to this retirement plan. It is our understanding that the City manages this plan itself whereas most jurisdictions use a third party administrator to manage these types of retirement plans. The lack of documentation concerning this plan raises a number of questions, including whether the City Council ever approved this plan and how the costs of the plan are allocated and funded. The only document currently available is a brochure that provides that the maximum contribution by employees under this program is 2%. This is well under the statutorily required 7.5 % contribution and the City needs to review the history of contributions towards this program to determine whether or not the additional 5.5% contribution has been made.

This City has engaged a tax attorney and will be engaging a benefits consultant to review the City's compliance with its obligations under its existing retirement plans and under applicable law to provide a Social Security alternative to employees who are not eligible for these other retirement programs.

- **Employee Thrift Plan**

In December 2002, the City Council adopted an Employee Thrift Plan. As detailed in the staff report related to this issue dated December 31, 2002, certain employee groups sought to create a mechanism by which they could deposit the cash value of accrued vacation, sick or annual leave into a tax-deferred account prior to retirement. The City sought and received approval of the initial Employee Thrift Plan from the Internal Revenue Service ("IRS"). However, as part of our review, we determined that the Employee Thrift Plan has been amended numerous times since its initial approval in 2002. It is not clear whether the City Council approved these changes or whether, following these changes, the Employee Thrift Plan remains compliant with the applicable IRS regulations.

Less than ten (10) City employees are participating in the Employee Thrift Plan but the Employee Thrift Plan is referenced in the City's contracts with certain bargaining units. Similar to the City's Temporary Employee Retirement Plan, the Employee Thrift Plan needs to be reviewed with the assistance of tax counsel and a benefits consultant. However, if these consultants identify any major issues that render this plan non-compliant with applicable IRS regulations or other laws, given the low level of participation, we would likely recommend that the City consider eliminating the Employee Thrift Plan, subject to any meet and confer obligations it may have with impacted employee bargaining groups.

- **Limited Benefit Employee and City Corps Employee Programs**

Most California public agencies have two types of employees: permanent employees and extra help or temporary employees. Permanent employees, working on either a full-time or part-time basis, fill authorized allocated positions adopted and budgeted by the legislative body. These employees have an expectation of ongoing employment and their employment is covered by a jurisdiction's personnel rules and contracts between the jurisdiction and the applicable bargaining unit. Extra help or temporary employees do not have an expectation of ongoing work but rather are hired on an as-needed basis, are employed on an at-will basis and do not fill budget-allocated positions. In general, extra help employees are not permitted to work more than 900 hours per year.

Our review of City records shows that, in the past, the City's use of permanent and temporary employees were consistent with this structure, hiring temporary employees for genuinely limited term work and laying these employees off once the project ended. More recently (i.e. for at least the past ten to fifteen years), the City has employed "Limited Benefit Employees" or "LBEs." While it appears that the original intent of the LBE program was to use LBEs as extra help employees, in practice many LBEs have been employed by the City for years without receiving the full benefits of full-time, permanent employees. As of October 2014, the City employed approximately 640 LBEs with the majority of the LBE's in employed in the Recreation and Community Services Department (378), Parks (95) and Environmental Resources (49).

Our review of the LBE program identified a number of issues with the way in which LBEs are hired and compensated. These include:

- The City does not have any clear hiring standards for LBEs. LBEs are hired directly by department heads, without oversight by the HR Department, are not subject to the same testing requirements as permanent employees, do not need to satisfy the same minimum qualifications as permanent employees, are not subject to any safeguards against nepotism and, in some cases, are not hired into classifications that have been established by the City.

- There is no system for monitoring the use of LBEs and we have identified numerous situations in which LBEs have been working for the City for many years and are engaged in ongoing work for the City, which under normal circumstances would be completed by a permanent employee. Some departments are almost entirely staffed by LBEs.

- Certain departments have resorted to hiring LBEs to fill what would otherwise be permanent, budget-allocated positions as a result of delays in recruiting permanent staff by the HR Department.

- Department heads have the ability to override the pay rates adopted by the City Council and pay LBEs at a higher rate than they are authorized to receive.

- The costs of LBEs are not fully accounted for in the City's budget.

Consistent with Management Partners' recommendation, a consultant with RSHS has begun a department by department review of LBE usage and will analyze the departments' usage of LBEs in light of each department's operational needs. To date, most of the department heads have been interviewed; however, two of the outstanding interviews are with the heads of departments with the highest number of LBEs. The purpose of this review is to evaluate LBE positions to determine whether the positions are genuinely temporary or whether the positons should be converted to permanent positions, either full time or part time. This determination will be informed by the workload requirements of each position. Departments will be required to provide recommendations for the appropriate classification of these positions, including their costs, as part of the ongoing budget process. Additionally, this review will include the creation of clear policies and procedures that identify the differences between permanent positions and truly temporary positions in order to eliminate or restrict the use of LBEs going forward.

- **ACA Implementation**

Implementation of changes stemming from the ACA is another area in which the City struggled to manage its benefits. The ACA requires that employers provide affordable healthcare to their full time employees (as defined in the ACA). An employer's contribution must be sufficient to ensure that employees need not spend more than 9.5% of their wages on the lowest cost, employee-only plan. Based on our review of the City's salary schedule, we calculated that the City would need to contribute a minimum of approximately $150 per month towards employee healthcare in order to ensure compliance with the ACA. Because the City provides health insurance to its employees through the Public Employees' Medical and Hospital Care Act ("PEMHCA"), this $150 per month contribution would be comprised of the minimum contribution required under PEMHCA and a contribution to a cafeteria plan. The PEMHCA minimum contribution for calendar year 2015 is $122 per month.

The City's current contribution levels for full-time, permanent employees exceed this minimum contribution level. These contribution levels were authorized by the City Council as part of the City's memoranda of understanding with its bargaining units and in the salary resolution applicable to unrepresented employees. Accordingly, the primary concern identified with respect to the City's ACA implementation relates to LBEs. It appears that the City Council authority limited health care contributions to eligible LBEs to the ACA-required minimum.

As part of our review, we learned that, absent City Council authority, in January 2014, the HR Department authorized an increase in cafeteria plan contributions to LBEs who qualify as "eligible employees" equal to the amounts contributed to full time, permanent employees in the applicable bargaining units. The HR Department, following consultation with the applicable departments regarding the job duties of their LBEs, determined whether an LBE was eligible for the cafeteria plan contribution provided to SEIU represented employees, IUOE represented employees or a combination of both. The HR Department then directed payroll to increase the City's contributions towards LBEs' healthcare to (i) $719.36 for LBEs who the HR Department determined were covered by the SEIU MOU, (ii) $470.34 per month for employees the HR Department determined were covered by the IUOE MOU and (iii) $597.03 per month for the fifteen employees that the HR Department determined were eligible for the "combined rate." In addition to the cafeteria plan contributions, the City makes a direct contribution to PEMHCA on behalf of eligible LBEs and part-time employees equal to the $122 per month statutory minimum, for a total monthly City contribution of $841.36 for SEIU-equivalent employees, $719.03 for "combo rate" employees and $592.34 for IUOE-equivalent employees. All of these amounts appear to exceed any City Council authority for healthcare contributions to eligible LBEs.

The City was not required, either under the ACA or any of its City Council-adopted contracts, to provide LBEs with healthcare contributions in excess of the ACA-required minimum. The City is currently in the process of engaging a benefits consultant to audit the City's ACA implementation. Once this review is complete, City staff will be return to the City Council with recommended next steps to ensure compliance with both the ACA and the City Council's original authorization, including any cost implications associated with the current implementation.

V. Conclusion

While the issues identified in this report are many, every one of them can be resolved in time. Through this report, we sought to highlight those issues that should be addressed most immediately, with a particular focus on items that may potentially have an immediate impact on a critical City functions and/or the City's budget. We also sought to lay out a path forward for rebuilding the City's HR Department, ensuring that it is sufficiently staffed, that its staff is appropriately trained, and that it can provide the level of service needed by a city of Oxnard's size.

Identifying the issues detailed in this report, and developing a plan to implement changes required to resolve them, are critical steps on Oxnard's continued path forward towards an organizational culture of accountability and transparency. While the resolution of these issues will require a significant commitment of City resources, the end result will be an efficient, effective organization that provides the excellent service that its employees and its residents deserve.

Finally, consistent with the recommendation in the Management Partners' report, which is being concurrently presented to the City Council tonight, the next step of this process is for Management Partners to drafting an Implementation Plan, in coordination with RSHS, Implementation Plan that will prioritize the recommendations and provide action items for executing these recommendations, estimated timelines for completion, suggest responsible parties and return to Council with that Implementation Plan.

ATTACHMENT A

1. **The City Must Analyze Its Retirement Plans to Ensure Provision of a Retirement Plan for Non-PERS/Social Security Eligible Employees**

The City is obligated to provide a Social Security alternative to employees who are not eligible for CalPERS retirement benefits or for Social Security. The minimum required contribution to a qualified Social Security alternative plan is 7.5% of salary per year and this contribution can by fully funded by the employer, the employee or a combination of both. The City provides a "Temporary Employee Retirement Plan" to its City Corps employees, under which the City makes a 2% per year contribution and employees make no contributions. The City needs to determine if it provides a similar plan for its limited benefit employees who do not qualify for CalPERS or Social Security benefits through another existing City program or not and, if not, create a program that does so.

The City must analyze its various retirement plans to ensure compliance with applicable statutes. This includes (i) analyzing whether the Temporary Employee Retirement Plan satisfies the City's obligations to provide a qualifying Social Security alternative plan and (ii) ensuring that the City offers a qualifying Social Security alternative to all employees who are not otherwise eligible for CalPERS or Social Security benefits.

2. **The City Must Review its ACA Implementation Process to Ensure Compliance with both City Council Authority and Federal Law**

Generally: The City does not appear to have engaged in a methodical or consistent process for implementing necessary changes to ensure compliance with the ACA.

ACA Impact on LBEs: The City's implementation of benefits under the ACA for qualifying limited benefit employees exceeded both the minimum legal requirements for health coverage and City Council authority, which appears to have limited contributions for eligible limited benefit employees to the ACA-required minimum contribution. There is no evidence that the budget impacts of the City's ACA implementation were disclosed to the City Council or to the public.

Based on the ACA minimum requirements, the City is obligated contribute not less than approximately $150 per month towards employee healthcare. This amount is comprised of the PEMHCA statutory minimum ($122 per month in 2015) and a contribution towards a cafeteria plan. For LBEs who qualify as "full-time" under the ACA, the HR Department authorized contributions equal to those granted to employees in the SEIU and IUOE bargaining units. The HR Department reviewed limited benefit employees' job duties with the impacted departments to determine the appropriate bargaining unit for such employees. In some cases, it was determined that the job duties were a combination of SEIU and IUOE-type duties and, as such, the HR Department applied a combined contribution rate that equals the approximate mid-point between the $719.36 per month contribution to SEIU employees and the $470.34 per month contribution to IUOE employees.

These excess contributions are likely to have an impact on the City's budget.

3. The City Must Review its Required CalPERS Contributions and Analyze Their Impact on the City's Budget

The City provides pension benefits to eligible miscellaneous and safety employees through CalPERS, the state's public employees' retirement system. With respect to "classic" employees (i.e. those who are not subject to the lower benefit formula required under PEPRA), the City is obligated to pay not only the employer share of pension costs but also the employee share of pension costs. This obligation arises under the City's MOUs with its bargaining units and the employee contribution is equal to 7% of pensionable compensation for miscellaneous employees and 9% of pensionable compensation for safety employees. Employees subject to the PEPRA pension tier are required to pay the employee share of pension costs.

CalPERS has notified the City of steep increases in its required annual contributions towards its pension plans. These increases are the result of changes in CalPERS' actuarial assumptions and are wholly outside the control of the City. A portion of the pension costs for the City's safety employees is covered by a special tax levy, commonly referred to as the Carman Override. Oxnard is one of only 25 jurisdictions in the state (24 cities and one county) that have a Carman Override tax. In prior years, revenue from the Carman Override exceeded the CalPERS required contributions. However, recently that trend has reversed itself and the City has been using its fund balance to cover the difference in Carman Override revenues and pension costs. However, the Carman Override fund balance will be exhausted as of FY2015-16 and the City's General Fund will be obligated to cover any shortfall.

The City has retained an actuary to review issues related to the Carman Override and will address the increasing CalPERS rates as part of the budget process.

4. The City Must Review Its Administration of Its Public Agency Retirement System ("PARS") Benefits

Calculating Service Credit: When implemented, the PARS plan gave employees credit for all past City service, which had not been funded and therefore increased the City's liability from the start of the plan. It also appears as though the City may have credited certain employees with all past City service even though these employees had a break in service during which time they did not work for the City.

Eligibility for PARS: There is very little documentation available on the PARS plan. It is not clear whether (i) the City Council authorized the PARS benefit plan prior to the City agreeing to the benefit with its employee groups, (ii) the prior PARS actuary reports were ever placed on the City Council's public agenda for review by the City Council or the public, or (iii) whether LBEs are eligible for PARS benefits under the terms of the PARS contract.

5 The City Has Not Properly Administered its Employee Benefit Programs

Program Administration, Generally: The City does not have any systems or processes by which to manage its numerous employee benefit programs. The City does not conduct internal reconciliations or audits of benefit accounts in order to confirm employment status, whether employees are eligible for the benefits for which the City is paying on their behalf and whether the amounts collected through payroll are the amounts actually being paid to benefit vendors.

As a result, it is difficult to identify mistakes in the administration of the City's benefit programs and typically these mistakes are a cost to the City, as opposed to employees or vendors. Specific issues related to benefit program administration are listed below:

Life Insurance Benefits: The City has not updated rates for life insurance that it offers to employees and for which employees are supposed to pay, meaning that the City has been covering the cost of rate increases. This has gone on for at least the last six years, possibly longer. There is evidence that the City may have not properly reported withholdings on employee-purchased voluntary life insurance over $50,000 nor maintained adequate documentation necessary when life insurance vendors changed over the years.

Dental Benefits: The City has continued to pay for dental benefits for retirees who declined coverage and in some cases enrolled employees in two dental plans at the same time due to HR errors.

COBRA Benefits: The City has continued to pay for COBRA coverage for employees who either (i) declined coverage or (ii) are no longer eligible for COBRA benefits due to HR errors. The City also self-administers its COBRA program, which is a function that is typically done by a third-party vendor

Medical Coverage: The City has not charged employees for their share of healthcare costs while such employees are out of work and being paid through workers' compensation. The City is also paying for medical and dental coverage for employees who are on unpaid leaves of absence from the City and who are, therefore, not eligible for City medical contributions.

Retiree Life Insurance Benefits: The City self-administers its retiree life insurance program, which results in the City effectively advancing funds for up to two months before retirees make their payments. The cost of this is two-fold: (i) the cost of advance and (ii) a staffing expense associated with administering the program.

Long Term Disability Benefits: The City has been overpaying its vendor for Long Term Disability Insurance for some unknown period of time and it appears that these program payments have not been audited.

Cafeteria Plan: The City offers medical benefits to employees through an IRS Section 125 cafeteria plan and the City needs to audit the program to ensure compliance.

Deferred Compensation Plans: The City offers numerous deferred compensation plans including an IRS Section 457 plan and the Employee Thrift Plan. Documentation related to these plans is not easily accessible to either City staff or the City employees who participate in them. In addition, it does not appear that the City has any system for reconciling contributions by individual employees to deferred compensation plans in order to ensure that employees are not contributing amounts in excess of the IRS limits.

Employee Thrift Plan: This plan was initially approved by the City Council in 2002 and initially deemed by the IRS as a qualifying deferred compensation plan. However, we discovered evidence that substantial changes have been made to the Employee Thrift Plan that were not authorized by the City Council. We also found no evidence that, following these changes, the City took steps to confirm that the Employee Thrift Plan remained a "qualifying plan" under the applicable IRS rules and regulations.

Impact of Domestic Partnership and Same Sex Marriage Laws: The City's dental and life insurance benefit programs have not been updated to reflect changes in the law related to domestic partnership or same sex marriage. It is unclear whether employees have been advised as to the domestic partnership provisions of the City's CalPERS, PARS and PEMHCA medical benefits. In addition, the City should review how taxing medical benefits for domestic partners is handled to ensure compliance with applicable state and federal law.

Use of Sick Leave: The City requires employees to use all leave, including sick leave, before being allowed to take an unpaid leave of absence. In some cases this results in employees being forced to use sick leave for non-sick leave reasons. In addition, the City maintains a sick leave donation policy under which employees can donate sick leave, not vacation leave, to other employees who are on extended leave based on a long-term illness. The standard industry practice is to require employees to donate vacation leave, which is a benefit to the City because vacation leave, unlike sick leave, generally must be paid out at its full value when an employee separates from City service.

Direct Deposit of Paychecks: The City does not require its employees to be paid through direct deposit but instead permits employees to receive a paper check. This is an added administrative cost for the City and it is becoming standard practice for cities to either require that employees be paid by direct deposit or pay an administrative fee related to the processing of paper checks.

6. The City is Not Paying the Full Cost of its Retiree Medical Benefits

The City has unfunded liability related to its retiree medical benefits, commonly referred to as "Other Post-Employment Benefits" or "OPEB." The City's OPEB actuary issues a report every two years that sets forth the City's Annual Required Contribution (the "ARC"), with is the total of (i) a portion of the City's unfunded liability and (ii) the normal cost of the OPEB. Although the amount of the ARC that an employer chooses to pay is a policy decision, by paying the full ARC, the City will be able to pay down a portion of its unfunded liability, benefit from investment returns on this contribution and, ultimately, benefit from a lower contribution rate. However, this is a policy issue that is normally discussed in the context of the City's budget process.

Currently, the City is only paying the "pay-as-you-go" amount on its OPEB liability, which is simply the annual cost associated with these benefits and does not include any portion of the City's unfunded OPEB liability.

7. The Limited Benefit Employee Program Must Be Reformed or Eliminated

Limited benefit employees or LBEs are employees who are hired outside the normal HR process and who are largely not eligible for the same benefits that permanent employees receive. LBE status is not defined in MOUs or other policies so it is unclear what, if any benefits these employees are entitled to, what rules govern their hiring and separation from City service, how these positions are funded and what limits are placed on their use.

It appears that LBEs have been hired into classifications that do not exist under the City's classification system and are not subject to the same minimum qualifications or testing as permanent employees. In addition, pay rates for LBEs appear to be set by departments, not as part of the Citywide salary schedules.

Use of LBEs varies by department; some departments use LBEs as truly temporary employees, other use LBEs as a stopgap measure pending the hiring of permanent employees to fill vacant positions while other departments are almost entirely staffed by LBEs. Certain departments acknowledge that they have hired employees as LBEs because they could not satisfy the minimum qualifications necessary for permanent status.

The City does not have any process for monitoring the number of hours worked by LBEs. As a result, many LBEs have been allowed to become eligible for CalPERS benefits by working in excess of 900 hours in a fiscal year, which increases City costs by an estimated 20% and likely have not been budgeted. This creates unnecessary and unplanned expense that is ongoing as long as the individual employee remains employed by the City. In addition, the City's current practice of allowing departments to override the payroll system without any authority to make these changes and without any review by the City's HR or Finance Departments has created an issue in which employees who are doing the same work but are being paid different wages without any documented rationale to support the departments' action.

The City needs to audit this entire program and determine how to reduce the usage of LBE or eliminate the program and move to a truly temporary only classification that is limited to the maximum allowable hours per fiscal year as designated by CalPERS.

8. **The City's Workers' Compensation Program is Not Appropriately Administered**

Lack of Coordination Between Departments: There is a broad lack of coordination between HR and Finance with respect to workers' compensation. HR staff, which administers the workers' compensation program, has no involvement in developing the program budget. Finance staff, which develops the program budget, has no familiarity with the program and does not review historical spending or liability exposure when setting budget amounts. As a result, claims exposure has been under-budgeted in recent years.

No Flexibility in Settlement Authority: The HR Department, which is responsible for managing, and in some cases settling claims, has no ability to use reserve funds in order to cover settlement costs. This issue is in part exacerbated by the fact that the City increased reserves and rates charged to departments but did not similarly increase expenditures in the workers' compensation budget.

Use of Workers' Compensation Funds: In general, the City pays workers' compensation claims directly. In some cases, the City is reimbursed by its excess insurance carrier. This claims payment process is managed by the HR Department. The HR Department directs any reimbursements to the Finance Department. However, it appears that the Finance Department does not deposit these reimbursements into the workers' compensation fund or account for them in the workers' compensation budget. Instead, reimbursements are shown as general fund revenue.

9. **There is No Citywide Policy for Controlling Access to Payroll Systems**

We found evidence that departments have the ability to override City Council approved salary amounts and increase rates paid to employees and in some cases have actually done so. This has been identified as a particular issue with respect to departments overriding the payroll system to set LBEs salary. This practice is inconsistent to best practices, reflects an absence of appropriate checks and balances and should be eliminated

10. The City Must Update its Classification and Compensation System and Determine Whether Reclassifications Are Appropriate

No Recent Classification and Compensation Study: It appears that the City has not undergone a full classification and compensation study since at least 1998. This means that there has been no comprehensive review of employees' job duties to confirm that they are appropriate classified and appropriately paid.

No Clear Basis for Reclassifications: Although the City has not completed a full classification and compensation study, there is evidence that the City has reclassified a number of employees. However, we found no record of the criteria used for approving or denying reclassification requests. It also appears that some employees were reclassified into classifications that have no clear specifications.

No Compensation Surveys: We did not find any evidence that, in setting compensation levels for employees, the City reviewed or analyzed comparable agencies to determine the appropriate salary ranges. We also did not find any rationale for the internal relationships in establishing pay ranges for new classes.

No Explicit Council Approval of Reclassifications or Salary Changes: Based on our review, it appears that while it was the City's past practice to include reclassifications and salary changes as part of the annual or bi-annual budget agenda item, this practice may have ceased. The City needs to memorialize in a policy to ensure Council approval of all salary actions.

11. The HR Department, as Currently Structured, Does Not Provide the Appropriate Level of Support to City Operations

HR Department Staffing is Not Sufficient to Provide HR Services and Must Be Review: Currently, the HR Department has vacant positions and most of its management positions are currently unfilled. The current HR staff is comprised almost entirely of clerks and technicians.

HR Does Not Have an Efficient Process for Communicating to or among Its Staff: Under the prior City administration, information in the HR Department was largely centralized with the HR Director. Information was not filtered down to staff and staff has typically not been involved in making decisions in their program areas. HR staff is also generally not familiar with program areas other than their own and does not have a sense of how the various program areas relate to each other. This lack of information sharing and involvement by HR staff in the development and management of their own program areas has been an impediment to providing service to the City's service and other administrative departments.

HR Does Not Have Standard Practices for Maintaining Records: The HR Department does not have a standard practice for filing or preserving records. As a result, many records have been misfiled, are difficult to find or are wholly inaccessible.

12. The City Must Restructure its Recruiting and Examination Practices

Inability to Fill Vacancies: The City's has in excess of 100 staffing vacancies. The City's recruiting process has largely been limited to placing advertisements on a state website that provides listings for jobs in public agencies throughout the state. The City's recruiting staff has not been proactive in seeking out candidates for these positions and the staffing shortage has had a detrimental impact both on current employees and on service to the public. This issue was compounded by the City's misapplication of some administrative rules related to hiring.

Outdated Recruiting Materials: It appears that many of the materials used in recruiting new employees have outdated information or include mistakes. Specifically, recruiting materials continued to advertise PARS benefits for new hires even though this benefit was eliminated for new hires under the Public Employees' Pension Reform Act ("PEPRA").

Pre-Hire Testing and Examinations: Need to review finger print and drug test policies and procedures as current practice may be inconsistent with current law.

13. The City Must Establish a Standard Procedure For Reporting Employee Separation from City Service and Establish a Position Control System

The City does not have a standard procedures for departments to record employee separations from City service. This has resulted in (i) separated employees retaining access to City computers and networks although they no longer work for the City and (ii) employees remaining on payroll and registered for benefits after leaving City service.

This is particularly problematic for the City because the City does not maintain a position control system. A position control system allows the HR Department, and other City staff, to track staffing information based on budget-authorized positions as opposed to individual employees. Currently, HR staff engages in position control by confirming whether the particular position was filled previously instead of reviewing the number of budgeted positions that are filled versus the number that are vacant. The HR Department and Finance Department normally work collaboratively to manage position allocations. As recommended in the Management Partners' report, the City should establish a position control system.

14. The City Must Train Its Employees With Respect to HR Issues and Maintain Appropriate Records

Training of HR Staff: Based on our discussions with current HR staff, it appears as though many members of the HR staff have not been properly training in program areas that they are charged with managing or administering. The HR budget contains little to no funding for training or expanded staffing.

Training of Managers on Discipline Issues: Department managers and supervisors have not had training on addressing discipline issues, and there are no policies and procedures to assist them. As an example, under the prior administration, departments were not allowed to conduct their "Skelly" discipline hearings contrary to standard practice.

Maintaining Records on State-mandated Trainings: The City does not have a standard practice for maintaining records with respect to state-mandated trainings on issues such as sexual harassment. Not only is there no standard procedure for maintaining these records but there is no member of the HR Department staff charged with this task.

15. The City Must Develop Internal Systems and Update its Personnel Policies and Procedures and Apply Them Consistently

There are virtually no established systems or updated policies or procedures governing the core functions of the HR Department. The City's current personnel policies and procedures have not undergone a comprehensive update since 1978 and, as a result, have not been updated to reflect changes in state and federal law. As an example, the City does not have process for reasonable accommodation as required under the Americans with Disabilities Act ("ADA"). Similarly, the City does not have an up-to-date policy related to the Family Medical Leave Act ("FMLA") nor does the City have a comprehensive nepotism policy and current nepotism language does not clearly apply to limited benefit employees.

There is also no process by which either HR or management staff is trained on the applicable policies and procedures. It also appears that the HR Department has been inconsistent in its application of existing personnel policies. There are approximately 150 policies that must be reviewed and updated.

16. The City Must Provide Broader Access to Personnel Materials

The City does not have a central database in which HR staff, department heads, supervisors and employees can access HR Department documents, including the City's personnel policies and procedures, administrative policies and benefits information. Managers appear to be unaware of certain policies and have no place to readily access this information.

17. **The City Must Implement a Standard Practice For Council Approval of Benefits**

In accordance with state law, certain issues, including those related to employee compensation and benefits, need to be reviewed and adopted or accepted (as applicable) by the City Council as part of an open session hearing. Based on our review of City records, it appears that, with the exception of memoranda of understanding between the City and its bargaining units, the City has not presented other benefits to the City Council for review and approval prior to granting the benefit to employees.

In addition, the City has no procedure by which the Finance Department can confirm that salary and benefits changes have been approved by the City Council. The Finance Department has a practice of processing directions received from the HR Department without clear City Council direction authorizing such changes.

18. **Inconsistency Among Bargaining Units**

The City has agreed to a wide variety of compensation policies and practices for each bargaining unit. For example, City pay ranges have "control points" but no control points exist in any compensation policy or MOU. In addition, "time-in-step" rules, which dictate when an employee moves from one salary step to another, are inconsistent among bargaining units. Many compensation practices are not written down in many cases and are not consistent with best practices. Even where compensation policies are written down, many are not consistently applied. Similarly, the City has agreed to a variety of different vacation and paid leave policies with its bargaining units. The inconsistency leads to increased difficulty with managing all contracts and payroll processing.

19. **Review Compliance with Federal Labor Standard Act/FLSA Rules**

Impact of FLSA on 9/80 Schedules: The City's allows employees who work a 9/80 schedule (i.e. 9 hours per day with every other Friday off) to switch their non-working Friday in order to take off from work on the day after Thanksgiving and the day after Christmas when that falls on a Friday. This practice must be reviewed to determine compliance with FLSA.

Time Recording by Exempt Employees: Based on current payroll practices, exempt employees routinely code their time as "time worked' even if they have been off of work for up to 8 hours. The City needs to update its payroll time slip policy to provide clear instruction on how to fill out timesheets for exempt employees.

20. **Reporting of Unemployment Statistics**

The City may be underreporting its unemployment statistics by only including regular, permanent staff, not including LBEs and City Corps employees.

ATTACHMENT B

City of Oxnard Administrative Manual Section E: Personnel and Employee Relations

E-1	Orientation for New Employees
E-2	Equal Employment Opportunity
E-3	Use of Temporary Employees
E-4	Flexible Staffing
E-5	Administrative Leave
E-6	Vacation Leave Interruptions
E-7	Bilingual Pay
E-8	Employee Identification Cards
E-9	Management Benefit Option Program – REPEALED 10/21/03
E-10	Tuition Reimbursement
E-11	Educational Incentive Award Program
E-12	Trainee Program
E-13	Pre-Disciplinary Procedures
E-14	Personal Conduct
E-15	Employees Subpoenaed to Serve as Witnesses
E-16	Employee Performance Evaluations
E-17	Residence Requirement
E-18	Temporary Lead worker Appointments
E-19	Wellness Program
E-20	Smoking Policy
E-21	Discrimination, Harassment and Retaliation In Employment Policy and Complaint Procedures
E-22	Workers' Compensation Claims Review Committee – REPEALED 10/21/03
E-23	Personal Use of City Owned Vehicles
E-24	Injury and Illness Prevention Program
E-25	Drug and Alcohol Testing Policy for Employees with Commercial Drivers' Licenses
E-26	Standards of Ethics
E-27	Reasonable Accommodation
E-28	Supplemental Post-Retirement Benefit – REPEALED 5/8/12
E-29	Designated Medical Facilities for Work-Related Injuries or Illnesses (Revised 4/1/2008)

I. Oxnard City Code Chapter 3: Employer-Employee Relations

ARTICLE I.	**General Provisions**
SEC. 3-1.	Department Established; Composition; Duties.
SEC. 3-2.	Adoption of Rules and Regulations by City Council.
SEC. 3-3.	Competitive Service System Established.
SEC. 3-4.	Employment; Tests; Appointment.
ARTICLE II.	**Employer-Employee Relations**
SEC. 3-35.	Short Title.
SEC. 3-36.	Purpose of Article.

SEC. 3-37.	Definitions.
SEC. 3-38.	Employee Rights.
SEC. 3-39.	City Rights.
SEC. 3-40.	Meetings on Matters Within Scope of Representation; Time Off for Meeting.
SEC. 3-41.	Consultations on Certain Matters.
SEC. 3-42.	Notice to Affected Employee Organizations of Matters Proposed to City Council.
SEC. 3-43.	Procedure for Recognition of Majority Representative; Filing of Petition.
SEC. 3-44.	Determination of Appropriateness. DETERMINATION OF APPROPRIATENESS.
SEC. 3-45.	Procedure for Unit Placement of New or Modified Classes.
SEC. 3-46.	Procedure for Recognition of Majority Representative; Secret Ballots; Formal Recognition; Challenged Recognition.
SEC. 3-47.	Municipal Employee Relations Officer.
SEC. 3-48.	Resolution of Impasse.
SEC. 3-49.	Grievances.
SEC. 3-50.	Memorandum of Understanding.
SEC. 3-51.	Effect of Other Laws, Legal Rights.
ARTICLE III.	**Employer-Employee Relations for Non-Fire and Non-Police Personnel**
SEC. 3-60.	Short Title.
SEC. 3-61.	Applicability of Article.
SEC. 3-62.	Purpose of Article.
SEC. 3-63.	Definitions.
SEC. 3-64.	Employee Rights.
SEC. 3-65.	City Rights.
SEC. 3-66.	Rights of Exclusive Representation.
SEC. 3-67.	Meetings on Matters Within Scope of Representation; Time Off for Meeting.
SEC. 3-68.	Consultations on Certain Matters.
SEC. 3-69.	Notice to Affected Employee Organizations of Matters Proposed to City Council.
SEC. 3-70.	Procedure for Recognition of Majority Representative; Filing of Petition.
SEC. 3-71.	Determination of Appropriateness.
SEC. 3-72.	Procedure for Unit Placement of New or Modified Classes.
SEC. 3-73.	Procedure for Recognition of Majority Representative; Secret Ballot; Formal Recognition; Challenged Recognition.
SEC. 3-74.	Municipal Employee Relations Officer.
SEC. 3-75.	Resolution of Impasse.
SEC. 3-76.	Memorandum of Understanding.
SEC. 3-77.	Effect of Other Laws, Legal Rights.

II. City of Oxnard Personnel Rules and Regulations (Revised 3/1/1978)

SECTION I.	**General Provisions**
Article 1.	Authority for Personnel Rules and Regulations.
Article 2.	Violation of Personnel Rules and Regulations.
Article 3.	Fair Employment Practices
Article 4.	Political Activity.
Article 5.	Disclosure of Political Affiliation.

SECTION VI.	**Changes in Employment Status**
Article 1.	Transfer.
Article 2.	Demotion.
Article 3.	Promotion.
SECTION VII.	**Separation from the Service**
Article 1.	Suspension.
Article 2.	Discharge.
Article 3.	Lay-Off.
Article 4.	Resignation.
Article 5.	Compulsory Retirement.
Article 6.	Reemployment and Reinstatement.
Article 7.	Retirement.
SECTION VIII.	**Appeals and Hearings**
Article 1.	Written Charges.
Article 2.	Appeal to Board of Review.
Article 3.	Presentation of Grievance.
Article 4.	Board of Review Hearings.
Article 5.	Power of Board of Review.
Article 6.	Board of Review Findings.
Article 7.	Vacancy During Suspension or Pending Appeal.
SECTION IX.	**Employee Training**
Article 1.	Responsibility and Method of Training.
Article 2.	Credit for Training.
Article 3.	Reporting Training.
Article 4.	Training Subsidy.
SECTION X.	**Personnel Records**
Article 1.	Records in Personnel Office.
Article 2.	Payroll Records
SECTION XI.	**Miscellaneous**
Article 1.	Off-Job Activities.
Article 2.	Residence Requirement.
Article 3.	Oxnard City Employees Association.
Article 4.	Uniform or Clothing Allowance.
Article 5.	Private Automobile Expenses.
Article 6.	Travel.
SECTION XII.	**Classification and Salary Schedule**

III. Resolutions Affecting Personnel Rules and Regulations

Resolution No.	
1,479	Adopting and Approving Personnel Policies
1,532	Amending Classification and Salary in Personnel Rules & Regulations
1,787	Salary Compensation Changes in Personnel Rules & Regulations
1,832	City Budget for Fiscal Year 1957-1958 and Approving Changes in Personnel Regulations
1,878	Salary Changes
1,989	Amend Salary & Classifications in the Personnel Rules & Regulations
1,993	Amend Personnel Rules & Regulations
2,224	Salary Compensation

2,309	Salary & Classifications
2,402	Increase Compensation
2,509	Salary & Compensation
2,571	Adopting and Approving Personnel Rules and Regulations, as Revised
2,717	Salary & Compensation
2,733	Salary & Compensation
3,001	Salary Adjustments
3,179	Amendment to Personnel Rules and Regulations Prohibiting Political Campaigning
3,393	Salary Changes
3,735	Salary Adjustments FY 1965-66
4,010	Salary Adjustments FY 1966-67
4,335	Overtime
4,359	Overtime
4,378	Overtime and Stand-By
4,645	Reclassifications
4,695	Uniform or Clothing Allowance
4,886	Salary Plan
5,252	Amendments to Personnel Rules and Regulations
6,847	Amendments to Personnel Rules and Regulations
6,892	Amendment to Grievance Procedures
7,211	Amendments to Personnel Rules and Regulations
7,221	Amendments to Personnel Rules and Regulations
7,849	Adjusting Salaries and Benefits
7,952	Classification and Salary Schedule
8,198	Adjusting Salaries and Benefits
8,205	Adjusting Salaries and Benefits
12,905	Adjust Fees & Charges
8,699	Adjusting Salaries and Benefits
8,698	Adjusting Salaries and Benefits Police
8,690	Adjusting Salaries and Benefits
8,764	Amendment to Personnel Rules & Regulations
8,758	Amendment to Personnel Rules & Regulations
8,715	Adjusting Salaries and Benefits Fire
8,709	Adjusting Salaries and Benefits
8,873	Adjusting Salaries and Benefits
8,860	Adjusting Salaries and Benefits
8,858	Adjusting Salaries and Benefits
9,049	Adjusting Wages and Benefits
9,048	Adjusting Wages and Benefits
9,024	Authorizing Permanent Positions and Schedule of Salaries
9,149	Adjusting Wages
9,256	Adjusting Salary and Benefits

Agreement No. 6926-14-CM

SECOND AMENDMENT TO AGREEMENT FOR CONSULTING SERVICES

This Second Amendment ("Second Amendment") to the Agreement for Consulting Services ("Agreement") is made and entered into in the County of Ventura, State of California, this 6th day of March, 2015, by and between the City of Oxnard, a municipal corporation ("City"), and Management Partners, Inc., ("Consultant"). This Second Amendment amends the Agreement entered into on October 9, 2014, by City and Consultant. The Agreement has previously been amended on December 16, 2014, by a First Amendment.

City and Consultant agree as follows:

1. As of March 6, 2015, in Section 1 of the Agreement, Exhibits A and A-1 are supplemented with Exhibit A-2, attached hereto and incorporated herein by reference.

2. As of March 6, 2015, in Section 14a of the Agreement, Exhibits C and C-1 are supplemented with Exhibit C-2, attached hereto and incorporated herein by reference.

3. In Section 14a of the Agreement, the figure "$125,000" is deleted and replaced with the figure "$360,000", reflecting compensation for additional services set forth in Exhibits A-1 and A-2.

4. As so amended, the Agreement remains in full force and effect.

CITY OF OXNARD

____
Tim Flynn, Mayor

MANAGEMENT PARTNERS, INC.

____
Gerald E. Newfarmer, President and CEO

APPROVED AS TO FORM:

____
Stephen M. Fischer, Interim City Attorney

APPROVED AS TO INSURANCE:

____
Risk Manager

APPROVED AS TO AMOUNT:

____
Greg Nyhoff, City Manager

ATTACHMENT 3
PAGE 1 OF 10

Management Partners

EXHIBIT A-2

March 2, 2015

Mr. Greg Nyhoff
City Manager
City of Oxnard
300 W. Third Street
Oxnard, CA 93030

Dear Mr. Nyhoff:

Thank you for the opportunity to submit a proposal to provide financial consulting services on a variety of matters. As you know, Management Partners is completing Phase 1 of our organizational assessment i.e. review of corporate support functions, including financial management along with numerous recommendations for change and improvement, some of which needs immediate attention. In addition we have been providing financial expertise and advice required due, in part, to the resignation of the chief financial officer. The City has identified a need for a multi year financial forecast and additional consulting assistance on several issues, as described further below. Management Partners has a well-qualified team available to provide this assistance to the City of Oxnard.

About Management Partners

Management Partners was founded in 1994 with a specific mission to help local government leaders improve their service to the public. We are a national consulting firm headquartered in Cincinnati, Ohio, with offices in San Jose and Costa Mesa, California. We have a well-established track record of helping public sector organizations throughout the United States, including all of the services provided by cities, counties, towns and special districts at the local level.

During our 20 years of service, we have earned a national reputation by delivering quality, actionable work products to our clients. We bring extensive experience to this project, along with first-hand knowledge of local government operations. We are distinguished by the fact that each team we assign is led and staffed by associates who have actual experience in direct public service and experience working together as a team. The work we do is not an academic exercise; it is grounded in the real world of customer service and accomplishment in the public sector. As a result, we have a bias for producing value-added work for each client that will be actionable, and will be implemented.

ATTACHMENT 3
PAGE 2 OF 10

1730 MADISON ROAD • CINCINNATI, OH 45206 • 513 861 5400 • FAX 513 861 3480 MANAGEMENTPARTNERS.COM
2107 NORTH FIRST STREET, SUITE 470 • SAN JOSE, CALIFORNIA 95131 • 408 437 5400 • FAX 408 453 6191
3152 RED HILL AVENUE, SUITE 210 • COSTA MESA, CALIFORNIA 92626 • 949 222 1082 • FAX 408 453 6191

The firm is staffed with about 80 professionals who are experienced public service managers as well as qualified management consultants. This group includes generalists as well as subject-matter experts. Our consultants have years of experience working in all aspects of local government management and have built a track record of extraordinary quality service for our clients.

The firm has extensive experience helping improve both the efficiency and effectiveness of local government services. We have completed organizational staffing and improvement projects in virtually every type of local government service, including reviews of entire governments as well as selected studies of individual departments and functional activities.

We offer a balance of perspectives with a practitioner's bias and a proven track record of successful consulting engagements. This experience gives us a sensitivity that produces positive outcomes. Each of our projects is individually tailored to the unique needs of the client. We have a deep understanding of the service environment of local government and we are proud to say that as a result of our quality work, many of our clients ask us to complete subsequent assignments.

Understanding of the Engagement

Various Management and Financial Consulting Recommendations

Management Partners is completing our Phase 1 review of Corporate Support, Accountability and Value Systems. You have identified areas in need of immediate change and improvement, and requiring expert advice on a myriad of financial issues. You have created a committee to begin implementation of the recommendations found in the draft report. We are providing the initial staffing for that committee. Additionally, the City does not currently have a chief financial officer, which exacerbates the fact that critical financial expertise is not available within the organization. The Management Partners team will provide financial expertise to the City in a number of areas, as listed below.

- Provide advice and recommendations regarding implementing changes needed to address complex issues identified in our phase one assessment;
- Provide recommendations and advice regarding implementation of improvements in internal controls;
- Provide an outside evaluation regarding the master planning and rate studies being conducted by an outside engineering firm for assessment districts;
- Prepare a long range financial forecast;
- Provide recommendations regarding financial policies, analysis and financial operations best practices; and,
- Develop and overall implementation strategy, advice and assistance on financial policy and system changes;
- Provide other budgetary and financial assistance as needed.

Financial Forecast
Management Partners has developed a comprehensive budget forecasting model methodology for a number of California cities including Stockton, Santa Ana, El Monte, Benicia, Modesto, Morro Bay, and Berkeley. In Stockton the model methodology and assumptions were aggressively tested in bankruptcy court by extremely sophisticated creditors; and the court found the financial plan was a reasonable basis for projecting the city's fiscal position. The city's plan of adjustment was found to be feasible and it was approved.

The model is adapted to the unique aspects of each city. It contains modifiable assumptions surrounding major types of revenues and expenditures. It also includes a payroll model component that allows for differential assumptions across and between bargaining groups and unrepresented employees. Importantly we have developed a methodology for estimating CalPERS costs beyond the timeframe provided in the standard annual actuarial report, which provides the city with more time to plan for both positive and negative impacts associated with this critical cost center.

As you know, the Oxnard's City Council Financial Management policies call for a long-term financial forecast, something that hasn't been done by staff. Using the Management Partner's model we can satisfy this policy goal, provide the proper context for next year's budget and simulate the City of Oxnard's fiscal situation around any number of variables and project fund balances so policy makers can make decisions about public and internal service levels, resources, and compensation. It is a valuable component in facilitating a meaningful community-wide discussion about services, expenditures, and resources. It is also a valuable planning tool that allows the city to analyze how budget decisions today will affect future budgets. It also provides time to address future concerns before they come to fruition.

Once the model is completed we will use it to develop recommendations for consideration by the City. We will then turn the model over to finance staff and train them in its use so they can maintain the model over time to assist with budget development and to chart progress toward achieving fiscal sustainability.

We will obtain data from the City to create this forecast. The financial forecast will include the following components.

- **Identify baseline cost assumptions.** Among the assumptions we will include are those pertaining to remaining competitive in the labor marketplace, meeting funding requirements for pension commitments, internal service fund levels that lead to timely replacement, reserves, and other major factors. The expenditure forecast will include trend data.

- **Identify baseline revenue assumptions.** This will include all major existing revenue sources along with identifying risk factors pertaining to any of those sources. The revenue forecast will include trend data.

- **Create model scenarios.** The forecast will include model scenarios, including baseline and scenarios based on different sets of assumptions. Scenarios above the baseline will include unmet needs that have been quantified by the City, such as capital, maintenance, internal support and service level increases.

Project Team

Management Partners has a strong project team that is well-qualified to complete this work for Oxnard. This project will be a top priority for Management Partners and our team members will be available in whatever capacity and with whatever availability will contribute to the success of the project. Bob Deis, will continue to serve as the overall project manager for the organizational assessment and lead the Phase 1 Implementation Committee. He will be assisted by Dave Millican, Bob Leland, Tom Gardner, Heain Lee and others from our Management Partners team, including Andy Belknap and Jan Perkins as needed. Bob Leland will be the lead consultant for the multi year forecast. Dave Millican will be the lead consultant for technical financial consulting expertise and implementation assistance for changes recommended through our Management Partners organization assessment, as well as with providing overall financial expertise to the organization during this transitional period.

The qualifications of these team members are briefly summarized below.

Andrew Belknap, Regional Vice President

Andrew Belknap, Regional Vice President, has more than 20 years of local government experience, including service as a city manager, public works director, in a variety of interim management positions and as consultant to many municipalities and special districts. He is an expert in local government financial management and has led numerous projects to address structural fiscal deficits in diverse settings including the cities of San Jose, Morro Bay, Tracy, Sacramento, and Ventura, California as well as the Port of Sacramento. He has led Management Partners' cost of service analyses and fee studies in the western United States, including Orange County, Woodside, Brentwood, Tracy, and Santa Cruz, California; Pima County, Arizona; and Ketchum, Idaho. A trained economist, Andy brings a special expertise to fiscal analysis, fee studies and public finance issues. His blend of quantitative skills, coupled with a practitioner's understanding of public services and management systems, adds value to all types of organizational and policy analysis.

Jan Perkins, Senior Partner

Jan Perkins has 30 years of management experience in local government. Before joining Management Partners in 2005 she served in several California and Michigan jurisdictions, including as city manager in Fremont and Morgan Hill, California. She also served the cities of Santa Ana, California; Grand Rapids, Michigan; and Adrian, Michigan. She provides assistance to government leaders in organizational analysis, leadership development, facilitation, strategic planning, teambuilding, executive performance evaluation, and policy board/staff effectiveness. Jan is a frequent speaker at conferences and has authored a number of articles. Jan holds an undergraduate degree in sociology and a master's of public administration from the University of Kansas. She completed the Program for Senior Executives in State and Local Government from Harvard University and is an ICMA Credentialed Manager.

Bob Deis, Special Advisor

Bob Deis has a distinguished 34-year public service career managing the finances of cities and counties in California, Oregon and Washington. He provides consulting services to a variety of local governments. He has been a city manager and county administrator, all within council/manager forms of government. He has managed organizations ranging from 200 to 5,000 employees. Bob led the complete transformation of two cities and two counties by tackling intransigent issues and creating new organizational cultures around good governance. He created results through disciplined implementation of strategic plans that involved community opinion leaders, city council members, senior management and line staff. Bob recently retired as the city manager of Stockton. He inherited an insolvent city of 300,000 that was chaotic and in distress from operational, budget and governance perspectives. In 3.5 years, he installed a new management team, created a new organizational culture, put the city on a path to solvency by taking the severe but necessary step of seeking bankruptcy protection, restructuring long term obligation and passing a revenue measure. He also designed and implemented a Marshall Plan on Crime to address public safety concerns.

Dave Millican, Special Advisor

David Millican has more than 35 years experience working in and providing services to state and local governments. He provides financial consulting services to a variety of agencies. He started his career as an audit supervisor and state and local government industry audit specialist for a major CPA firm, taught accounting as a Peace Corp volunteer in Afghanistan and has served as vice president of a municipal management information software provider where he assisted over 30 cities in the selection and installation of application software. After moving to local government as finance director of Burlingame California, he also served as finance director of South Lake Tahoe. In Fremont, California he held the positions of finance director, deputy city manager, chief financial officer, and interim city manager. Following his retirement from Fremont, Dave served as interim financial services manager in Santa Rosa, California while the city recruited a chief financial officer. Dave recently served as finance and administrative services director for Santa Fe, New Mexico. Dave has extensive experience using participative budget and change management processes to redefine municipal services and business models. He is an experienced negotiator in labor relations, integrated waste management, redevelopment, land entitlement, complex contracts and legal settlements. He has also succeeded in securing additional resources without increasing taxes to assure that adequate funding was available to support core municipal services, infrastructure and economic development initiatives.

Robert Leland, Senior Manager

Bob Leland joined Management Partners in 2012, after 37 years of experience in state and local government finance. He was director of finance for 26 years for the City of Fairfield, California, a city long known for its entrepreneurial management and long-term financial planning. He previously served as assistant finance director for the City of Sacramento, where he managed the city budget, and as a staff consultant to the Assembly Revenue and Taxation Committee, where he drafted and analyzed legislation and worked on the team implementing Proposition 13. Since 2010 Bob has consulted in his area of special expertise, municipal budgeting and long-range forecasting. He is a leader in his profession, having been elected by his peers as president of both the California Society of Municipal Finance Officers and the League of California Cities' Fiscal Officers Department. Bob was the recipient of the 2010 Award of Excellence in Public Finance from the California Public Securities Association, which recognizes exceptional work, creativity, service and leadership by a municipal finance professional.

Tom Gardner, Special Advisor

Tom Gardner, DPA, provides expert assistance in the development of financial plans, fiscal analysis and strategies for organizational innovation and structure. As member of the Management Partner's team, Tom has worked with Brentwood, Fresno and Placentia on fiscal assessments and long-term financial planning. Other fiscal studies have included internal rate studies (Anaheim), transit agency fiscal assessment and medium range fiscal plan (Fresno), and an evaluation of finance department performance (Santa Monica). Before joining Management Partners, Tom's practical experience included 30 years in county and city government management as a budget analyst, manager and finance director, with work in Fresno County, Yolo County, and the cities of Ventura and Vista.

Heain Lee, Management Analyst

Heain Lee is a trained public policy analyst who is adept at analyzing and framing issues, both quantitatively and qualitatively. She has an in-depth understanding of economics and experience with data collection and analysis, measuring outcomes in various sectors. Her analytic training includes multivariate economic analysis, cost-benefit analysis, modeling and operations research, public financial management and budgeting, and strategic planning for the public sector. She is experienced using these tools with data, whether readily available or not, to produce tangible recommendations in team settings.

References

Management Partners specializes in providing quality professional consulting assistance to local government clients. Our website, www.managementpartners.com contains information about our clients, and you are welcome to contact any of them about the quality of our work.

We believe our track record of completing similar projects on time and on budget, with quality deliverables specifically designed to be implemented, make Management Partners well qualified to execute this work for the City of Oxnard.

Stockton, California

Management Partners has provided expert financial advice and analysis to the City of Stockton since 2011. We were first engaged to conduct a review of the City's financial condition. We concluded that the City had a serious deficit and that immediate, significant measures would be required. Management Partners was then asked to continue providing financial advice and expertise, which included preparing a ten-year financial forecast and associated models, and providing experts to serve in various positions, including chief financial officer, budget officer and accounting manager. We then were engaged to serve as the project manager for a then new mediation process required under California State Law AB 506. Our role continued through the City's bankruptcy, with Management Partners being taking the lead in coordinating and managing the process with multiple outside experts, City staff, and the City Council. We are still actively assisting the City with the process.

Client Contact: Ms. Laurie Montes, Deputy City Manager
425 N. El Dorado Street
Stockton, CA 95202
(209) 937-8843

Benicia, California

Management Partners was engaged to prepare a ten-year forecast for the City of Benicia's general fund. The result was a clear picture of the city's finances and a model that could be easily updated by city staff in the future. The model contains modifiable assumptions surrounding major revenue and expenditure types. It includes a payroll model component that allows for differential assumptions across bargaining groups and a methodology for estimating CalPERS costs beyond the timeframe provided in the standard annual actuarial report. The model enables the city to see the impact of various assumptions on the forecast and project fund balances so policy makers can make decisions about service levels, resources and compensation. The model serves as a valuable planning tool that allows the city to analyze how budget decisions today will affect future budgets.

Client Contact: Mr. Brad Kilger, City Manager
250 East L Street
Benicia, CA 94510
(707) 746-4215

Santa Ana, California

Management Partners was engaged in 2011 to conduct a review of the organization and operations of the government to develop recommendations to allow Santa Ana to continue to provide services within its projected resource capacity. We conducted interviews with elected, appointed and labor leaders and collaborated with a project steering committee to identify alternatives for analysis. We also reviewed each labor association's memoranda of understanding to identify significant cost drivers. In 2013, our firm prepared a ten-year forecast for the City. We also conducted an update of the earlier report to identify those actions that were implemented and those that remained to be implemented, and provided a roadmap for implementation.

Client Contact: Mr. Kevin O'Rourke, Former Interim City Manager
(707) 249-5356; kevin@kolgs.com
Mr. Francisco Gutierrez, Financial Services Director
20 Civic Center Plaza
Santa Ana, CA 92701
(714) 647-5422

Conclusion

We would enjoy working with you on this important initiative. Please feel free to contact Andrew Belknap at 805-320-1702 or Bob Deis if you have any questions.

Sincerely,

Gerald E. Newfarmer
President and CEO

EXHIBIT C-2

Fee Proposal

Given the complexity of issues involved and the hours that will be required to complete the scope of work described in this proposal, we recommend that the City authorize a contract in the amount of $165,000. Of this, approximately $40,000 is estimated for the ten-year forecast, but we suggest a $10,000 contingency for unforeseen needs. $90,000 is for Dave Millican's services with the balance ($ 25,000) available for assistance to Dave and Bob Deis in the trouble shooting and early implementation of the Phase 1 recommendations. This proposal assumes the use of the remaining funds ($20,000 for specialized services) in the organizational assessment contract for Bob Deis' time.

We will bill on an hourly rate, based on the schedule below. Other consultants who may be needed on this engagement will be billed at their regular hourly rates, ranging from $95 to $250 per hour. Travel expenses will also be billed.

- Regional Vice President: $250 per hour
- Senior Partner: $220 per hour
- Special Advisor: $190 per hour, except for Dave Millican who will be billed at $125 per hour
- Senior Manager: $175 per hour
- Senior Management Advisor: $140 per hour
- Management Analyst: $75 per hour

REQUEST FOR BUDGET APPROPRIATION

Department: City Manager **Date:** March 24, 2015
Project/Program
Manager: Greg Nyhoff **Phone:** x7483

Reason for Appropriation:

Provide funding to amendment 2 of Agreement No. 6926-14-CM in amount of $165K, $75K from General Fund Operating Reserve and $90K for continuation of Interim Chief Financial Officer from salary savings of vacanted CFO and Controller positions.

Accounts and Descriptions		AMOUNT
Fund: GENERAL FUND (101)		
Expenditures/Transfers Out		
CITY MANAGER (1401)		
101-1401-801.82-09	CONTRACTS & SERVICES / SVCS-OTHER PROF/CONTRACT	75,000
FINANCE ADMINISTRATION (1600)		
101-1600-801.80-01	PERSONAL SERVICES / DIRECT LABOR-REGULAR	(32,000)
101-1600-801.80-40	PERSONAL SERVICES / PARS	(3,000)
101-1600-801.80-41	PERSONAL SERVICES / EMPLOYEE BENEFITS	(4,000)
101-1600-801.80-43	PERSONAL SERVICES / PERS	(7,000)
101-1600-801.82-09	CONTRACTS & SERVICES / SVCS-OTHER PROF/CONTRACT	90,000
GENERAL ACCOUNTING (1601)		
101-1601-801.80-01	PERSONAL SERVICES / DIRECT LABOR-REGULAR	(30,000)
101-1601-801.80-41	PERSONAL SERVICES / EMPLOYEE BENEFITS	(14,000)
	Sub-total Expenditures	**75,000**
	Net Change to Fund Balance	**(75,000)**

Approvals

Department Director ______________________

BV
Chief Financial Officer ______________________

City Manager ______________________

ATTACHMENT 4
PAGE 1 OF 1

BA# (Finance Use Only)__________
BA Doc# (Finance Use Only)__________
Revised : 2/23/2012

REQUIRES CITY COUNCIL AUTHORIZATION

CITY OF
OXNARD
CALIFORNIA

Meeting Date: 03/17/15

ACTION	TYPE OF ITEM
☐ Approved Recommendation	☐ Info/Consent
☐ Ord. No(s). ______	■ Report
☐ Res. No(s). ______	☐ Public Hearing (Info/consent)
☐ Other ______	☐ Other ______

Prepared By: Matthew G. Winegar, AICP ______ Agenda Item No. K-2

Reviewed By: City Manager ______ City Attorney ______ SBB Finance ______ Other *(Specify)* ______

DATE: February 26, 2015

TO: City Council

FROM: Greg Nyhoff, City Manager
City Manager's Office

SUBJECT: **New Channel Islands Harbor Memorandum of Agreement and License**

RECOMMENDATION

That City Council 1) approve a Memorandum of Agreement (MOA) with the County of Ventura (County) as it relates to operations and maintenance responsibilities in Channel Islands Harbor; 2) approve a License Agreement to permit the County to enter and maintain the traffic median at the intersection of Channel Islands Boulevard and Harbor Boulevard; and 3) endorse the concept of forming a Channel Islands Harbor joint powers authority to provide oversight for developments in Channel Islands Harbor and the Mandalay Bay Communities.

DISCUSSION

On November 19, 1963, the County of Ventura (County) and the City of Oxnard (City) entered into an agreement (Agreement) related to the development of a Channel Islands Harbor. The Agreement rose out of the County's need for infrastructure to facilitate the development of the Harbor, including improvements such as sewer services, streets, and park areas. In exchange for the City providing all or a portion of these improvements, the County agreed to annex the land portion of the Harbor into the City. By virtue of this Agreement and the annexation, the City receives the local share of sales, property or possessory interest, and transient occupancy taxes, along with business license and other fees. The City has received this income as the Harbor has developed since 1963.

Examples of improvements constructed and costs borne by the City included:

- A sewer interceptor and lift station on the new Harbor peninsula with City funds, with half of this cost later reimbursed on a pro rata basis by Lessees in the Harbor.
- Additional sewer facilities were built, as and when needed, with ongoing maintenance funded through fees charged to customers.
- A water main on the Peninsula to the parcel at the location of the former Casa Sirena Hotel and Lobster Trap Restaurant.

- Trash containers at all public parking areas, parks, and other publicly owned facilities supplied and maintained by the City at no cost to the County, with trash pickup for the County's Harbor lessees provided on a normal fee basis.
- Maintenance and operation of public parks and related parking lots, after fifty percent (50%) cost sharing on initial development.
- Police and fire services within the City's incorporated area.

The County retained the right to plan development within the Harbor under the Agreement.

There have been seven amendments and two time extensions to the Agreement over the years (two separate amendments were each identified as the second amendment), as well as a separate lease agreement in 1976 for the City Fire Station 6 located on Peninsula Road. Most of these amendments focus on clarifying details, such as locations of parks and parking lots subject to the Agreement. One amendment, the fourth, outlines an agreement to share costs for an engineering study to determine the impacts of the development of the Mandalay Bay area on the Harbor channels. None of the terms of these amendments are currently at issue.

There have been numerous discussions over the last several years regarding renewal or further amendment of this Agreement. In 2013 both parties mutually agreed to extend the Agreement for one year to November 2014 to reach terms of a new Agreement. In December 2014, both parties agreed to extend the Agreement to March 18, 2015 to allow staff of both agencies to continue to work on a new agreement which would focus exclusively on the matters of ongoing maintenance responsibilities as well as provide clarity as to land use and building permit authority of the two parties.

During the past year the City created the Channel Islands Harbor Task Force (CIHTF) where Mayor Flynn, Councilmember Perello, City staff, and the community discussed the terms of the original agreement. A residents group has made recommendations to the CIHTF regarding issues of concern. Both the Task Force and the residents committee have expressed interest in crafting a new agreement which would look more strategically at broader issues of public participation in the County's Harbor development and planning process, a new governance model for the administration of the Harbor and entire Mandalay Bay area, and a review of Harbor Patrol services levels. It was the consensus of all parties that it would be prudent to craft a new agreement which clarified roles and responsibilities established under the 1963 agreement and defer the broader issues for further discussion by the Task Force and ultimately with the County staff.

The proposed agreement is a result of almost weekly meetings between County and City staff during the four month extension period. Both staffs believe the terms and conditions of the new agreement are acceptable to both parties and will assist in the orderly administration of day-to-day maintenance and administrative functions of the Harbor.

The Board of Supervisors is scheduled to consider this time extension on March 24, 2015.

LICENSE AGREEMENT

The County also requests approval of a license agreement that would grant the County the right to enter, improve, and maintain the traffic median at the intersection of Channel Islands Boulevard and Harbor Boulevard. The intersection is the western gateway to the Harbor and the County requests permission to improve the area with new entry monuments and would maintain the features in the future.

CHANNEL ISLANDS HARBOR AUTHORITY

A recurring concern of the Channel Islands Task Force and the residents committee has been the perceived disconnect between development in Channel Islands Harbor and stakeholders in the Mandalay Bay and adjacent coastal neighborhoods. The CIHTF has endorsed the concept of a joint powers authority, perhaps similar to the Oxnard Airport Authority, to provide input and guidance to City and County staff concerning issues relative to all areas of the Harbor and Mandalay Bay area. Should the Council endorse this concept, staff would continue discussions with County staff to foster the proposal as well as address other issues of concern to City residents.

FINANCIAL IMPACT

The new agreement extends the current service levels for landscape and parking lot maintenance provided by the City of Oxnard. Staff's analysis is that the revenue received from taxes on uses within the Harbor cover the cost of the direct services provided. The Harbor also receives other general municipal and public safety services on an incremental basis. The new agreement provides for cost recovery for City planning and building services, and for solid waste services to Harbor lessees.

MGW/mgw

Attachment #1 - New Channel Islands Harbor Agreement
Attachment #2 –Draft License Agreement

MEMORANDUM OF AGREEMENT BETWEEN CITY OF OXNARD AND COUNTY OF VENTURA REGARDING CHANNEL ISLANDS HARBOR

This Memorandum of Agreement (MOA) is made and entered into this 17th day of March, 2015, by and between the City of Oxnard, a municipal corporation (City), and the County of Ventura, a political subdivision of the State of California (County) (collectively referenced as "the Parties").

WITNESSETH:

WHEREAS, in 1963, the Parties entered into an annexation agreement (Agreement) that provided for the annexation of certain unincorporated land then within the County by City, which land County owns in fee and has since developed as Channel Islands Harbor, a small craft harbor adjacent to the Pacific Ocean and lying between Harbor Boulevard to the west and Victoria Avenue to the east, south of Channel Islands Boulevard (Channel Islands Harbor); and

WHEREAS, the Agreement had as its subject the known and contemplated County and County lessee improvements related to the development of the Channel Islands Harbor land area, and assigned responsibility for those public improvements between the City and County; and

WHEREAS, the public improvements described in the Agreement have been accomplished, as well as County lessee development of the landside and waterside areas, notwithstanding remaining undeveloped parcels, likely redevelopment of parcels, and the desire for enhanced public improvements such as parks and promenades; and

WHEREAS, new development activity in the Channel Islands Harbor largely consists of significant County and County lessee capital reinvestment in both landside and waterside facilities, structures, and property; as well as completion of development as outlined in the Channel Islands Harbor Public Works Plan as approved by the Ventura County Board of Supervisors and as certified by the California Coastal Commission (Commission); and

WHEREAS, both the City and the County consider Channel Islands Harbor to be a significant regional and community recreational amenity and economic element and therefore merits the highest attention to the upgrading of facilities and development to insure the success of Harbor businesses and continued enjoyment of the Harbor by the community; and

WHEREAS, the landside portions of the Harbor are within the City's jurisdictional boundaries and the City is receiving the local share of property, possessory interest, sales, and business license taxes, as well as construction permit fees, from the businesses that are lessees of the County in the Channel Islands Harbor; and

WHEREAS, the City operates a system of parks and utilities to serve the City and its businesses and residents, including those who occupy and use the landside portions of the Harbor; and

WHEREAS, it is necessary and proper for the public health and safety of the City and its businesses and residents that the Harbor continue to be provided with adequate parks, infrastructures, and services; and

WHEREAS, the Parties have separate agreements governing County patrol of City water areas in Seabridge, Westport and Mandalay, and a land lease for the Fire Station Six building; and

WHEREAS, County has a separate agreement with the Channel Islands Beach Community Services District (CIBCSD) regarding provision of water services in the Channel Islands Harbor but may desire water services from the City when the CIBCSD agreement terminates; and

WHEREAS, the Agreement executed by the Parties in 1963, and twice extended by the Parties thereafter, expires on March 18, 2015;

NOW, THEREFORE, the Parties agree as follows:

Definitions

Landside: The land area of Channel Islands Harbor located within the City.

Waterside: The unincorporated water area of the Channel Islands Harbor.

Maintenance: The routine and customary care and replacement of grounds, buildings, irrigation systems, lighting, and pavement, and the like, not requiring significant outlays of capital.

Capital Replacement: The replacement of parts or portions of public improvements, such as buildings, structures, pavement, irrigation systems, lighting features and the like, which have met or exceeded their prescribed life cycles or which have been damaged by accident, acts of third parties, weather and other acts of nature, and the like, requiring significant outlays of capital.

Capital Improvement: The installation, construction or reconstruction of public improvements.

Baseline Services: The levels of service and maintenance provided by the City and County relative to their various responsibilities as of the date of this MOA.

City and County Maintenance and Service Obligations within Channel Islands Harbor

1. City agrees to continue to maintain all public parks, streets and parking areas (including public boat launch areas) within the Channel Islands Harbor, as shown in Exhibit 1 (Areas of Responsibility), including performing street and parking lot sweeping at the same frequency and service level as provided to other City streets and parking lots, at no cost to the County, but excluding areas held by County lessees where such are maintained by lessees pursuant to their lease agreements, as shown in Exhibit 2. The County agrees to include terms in future leases to require County lessees to be responsible for maintenance of such areas.

2. The City shall continue to provide and service refuse containers to control litter and service public refuse needs located at all improved public parking areas, parks, and other non-leased County land in the Harbor at no cost to the County. The County agrees to include terms in future leases to require County lessees to be responsible for the cost of refuse service provided exclusively by the City, including any demolition debris.

3. The City shall continue to maintain public street lighting, lighting of non-leased public parking areas, and lighting of public parks and parkways in the Harbor. City shall have responsibility for the capital replacement of these features. New public improvements such as streets, water and sewer systems constructed by County or County lessees to City standards shall become the responsibility of City and shall be accepted into City inventory. New public parks or substantial improvements to existing parks shall be jointly reviewed by County and City. New parks and/or landscape areas accepted by City shall become part of the City parks inventory, as currently reflected in Exhibit 3, and become subject to the terms of paragraph 1 of this MOA.

4. The City shall provide baseline services, as outlined in Exhibit 4, to all improved public parking areas established as of the date of this MOA as shown in Exhibit 1 at the sole cost of the City, excluding the parking areas held by County lessees, as shown in Exhibit 2.

5. The City agrees to achieve a pavement maintenance index (PMI) of 50 for all streets and parking lots on non-leased County owned land. The City agrees to draft and provide the County with a street paving schedule by July 1, 2015, which schedule the County will not unreasonably reject. If the City fails to produce such a schedule, or the County rejects the proposed schedule, the Parties agree to mediate to resolution any issues related thereto.

6. The County shall be responsible for the cost of any new water or wastewater services or connections on County property as may be required or sought by the County for new development or redevelopment in order to achieve required water service conditions.

7. Capital re-investment or replacement of public facilities desired by the County in parks facilities in Channel Islands Harbor listed in the City of Oxnard parks inventory shall be the responsibility of the County.

8. Capital re-investment or replacement of dedicated and/or accepted public improvements in or adjacent to Channel Islands Harbor including, but not limited to, streets, street lights, parking lots as outlined in Exhibit 1, water systems, and sewer systems are entirely the responsibility of City.

Public Safety Responsibilities

9. Except to the extent otherwise agreed by the Parties, in writing, the City shall continue to provide fire response and police patrol, dispatch, traffic, detective, and code enforcement services in and for the landside portions of the Channel Islands Harbor and the County shall provide such services in and for the waterside areas of the Harbor. (Safety services in areas outside the boundaries of the Channel Islands Harbor are the subject of separate agreements between the Parties and others.)

10. County agrees to provide water safety personnel (lifeguards) to the area known as "Kiddie Beach" in the Channel Islands Harbor at no cost to the City, as long as the County continues to provide lifeguard services to nearby public beaches, including Silver Strand and Hollywood Beaches. City agrees to maintain the Kiddie Beach restroom at no cost to the County.

Planning, Building, and Business Tax Certificates

11. The Parties agree that, pursuant to the County's Public Works Plan (PWP), as amended and approved by the Ventura County Board of Supervisors, and as certified by the Commission, that it shall not be necessary for the County to obtain City approval of coastal permits for any proposed development done pursuant to such authority.

12. County agrees to submit proposals for development of any landside portions of the Harbor to City staff for comments and, to the extent required by law, for the City's approval.

13. Each landside development project contemplated in Channel Islands Harbor will be reviewed by County for conformance with both the PWP and the City's Local Coastal Program (LCP), in consultation with Commission staff. Any County proposal that requires an amendment to the City's LCP will be submitted by County to City after initial consultation with City and Commission staff. City agrees to expeditiously process and timely act on any proposed amendments submitted by County that request or require an amendment to the City's Local Coastal Program (LCP), General Plan, or ordinances, which requests shall only be submitted to City by County after consultation with Commission staff.

14. Whenever the County proposes any new development on land within the Channel Islands Harbor that consists of new buildings or uses, the County agrees to follow a public outreach protocol as outlined in this paragraph: County will post all notices outlined below on its web site and notify by mail interested parties who reside within 500 feet of any proposed project site, as well as any immediately adjacent neighborhood councils recognized by the City of Oxnard and current presidents of any immediately adjacent homeowners' associations within 60 days of the presentation of a project concept to the Board of Supervisors of the County. County shall require project developers approved by the Board of Supervisors to offer to meet publicly with these local groups prior to finalizing project design. County will provide notice, as outlined above, at least one week prior to any meeting of the Board of Supervisors regarding project design. Notices of the type and timing required by the Commission will be provided to the same parties prior to any public hearing before the Commission as required by law. This process shall not apply to the replacement of existing facilities, such as restrooms, in kind replacement of casualty losses, or maintenance or repair projects.

15. City agrees to initially consult with County and to timely submit to County any proposed changes to the City's LCP affecting the area in or around the Channel Islands Harbor for the County's review and comment prior to any public hearing or approval by City.

16. When requested to do so, City agrees to continue to process building permits and to conduct all building inspections for improvements built by County or County lessees for public purposes, at County's discretion. If County so elects, County agrees to pay, on the same

ATTACHMENT # 7
PAGE 4 OF 11

basis as other parties similarly situated, any and all building and development fees due City for review. Land use/coastal development approvals for County projects in Channel Islands Harbor on County-owned property will be permitted by the County acting alone and, in its discretion and at its sole option, after consultation with City. If, after the review of any County projects as described in 13, above, the County or the Commission determine that an amendment to the City's LCP is required, County agrees to pay, on the same basis as other parties similarly situated, any and all planning fees for review of such LCP Amendment.

17. When requested to do so, City agrees to continue to process building permits and to conduct all building inspections for improvements built by County's Lessees and tenants for landside facilities and structures within Channel Islands Harbor, at County's discretion. However, the Parties agree that no permit for construction of improvements within Channel Islands Harbor, whether on land or water, will be issued by City without the County's prior, written approval or consent. All County lessee landside development projects in Channel Islands Harbor shall be subject to building and development fees that apply to private development elsewhere in the City. If, after the review of private landside projects as described in paragraph 13, above, the County or the Commission determine that an amendment to the City's LCP is required, these County lessee project applicants will be subject to, on the same basis as other parties similarly situated, any and all planning fees for review of such LCP Amendment.

18. Before issuing a building permit to a County lessee or tenant, the City will review all plans presented for improvements to ensure that they conform to the City's Building and Safety requirements and provide County with an opportunity to evaluate whether such plans contain any material variations from requirements under said applicants' leases with the County; at County's option, City shall require applicants to conform their plans to the terms of their leases and the County's development guidelines.

19. City agrees that its fees, including for building permits and inspections as well as any traffic impact mitigation fees, charged to County and its Lessees, shall not exceed the fees paid for similar projects elsewhere within the City and shall be governed by the terms of the ordinances and agreements (including the Parties' Traffic Impact Mitigation Fee Agreement) that govern such fees for those projects.

20. County agrees to require its lessees and tenants to comply with the City's Business Tax Certificate (BTC) codes and requirements for all permanent and temporary businesses within the Channel Islands Harbor. Temporary businesses shall include vendors at such events as farmers markets, festivals, food trucks, and other similar uses. The City encourages the use of "blanket" BTCs to minimize compliance costs. All special events and temporary uses and activities shall be subject to the City's temporary use permit procedures, or other relevant procedures, to ensure coordinated traffic and event management and City Code compliance. Events contained entirely within privately held leaseholds (Exhibit 2) will not be submitted to temporary use permits.

21. Immediately upon the expiration of the CIBCSD agreement for water service (referenced in the Recitals to this MOA), County currently intends to construct connection infrastructure to the City water system as approved by City, and City shall thereafter provide water services for all Channel Islands Harbor users, including County, City, County's lessees and

tenants, and visitors, for all properties owned by County, at the same rates charged other users within the City.

General Requirements and Conditions

22. Neither the City nor any officer or employee thereof shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by County or its officers and employees under or in connection with any work, authority, jurisdiction, or delegation of power to County made pursuant to the terms of this MOA. Pursuant to Government Code section 895.4, County shall fully indemnify and hold City harmless from any and all liability imposed for any injury (as defined in Government Code section 810.8) occurring by reason of anything done or omitted to be done by County or its officers and employees under or in connection with any work, authority, jurisdiction, or delegation of power to County pursuant to the terms of this MOA.

23. Neither the County nor any officer or employee thereof shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by City or its officers and employees under or in connection with any work, authority, jurisdiction, or delegation of power to City made pursuant to the terms of this MOA. Pursuant to Government Code section 895.4, City shall fully indemnify and hold County harmless from any and all liability imposed for any injury (as defined in Government Code section 810.8) occurring by reason of anything done or omitted to be done by City or its officers and employees under or in connection with any work, authority, jurisdiction, or delegation of power to City pursuant to the terms of this MOA.

24. The term of this MOA shall be for a period of ten (10) years commencing on the date this MOA is executed by both Parties.

25. In the event that any provision or provisions of this MOA are adjudged to be for any reason unenforceable or invalid, it is the specific intent of the Parties that the remaining provisions of this MOA be and remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this MOA to be executed by the parties' authorized officials in Ventura County, California, on the date(s) set forth above.

CITY OF OXNARD	COUNTY OF VENTURA
By: ______________________ Tim Flynn Mayor	By: ______________________ Kathy Long Chair, Board of Supervisors
ATTEST:	ATTEST: Michael Powers Clerk of the Board of Supervisors County of Ventura, State of California
By: ______________________ City Clerk	By: ______________________ Deputy Clerk of the Board

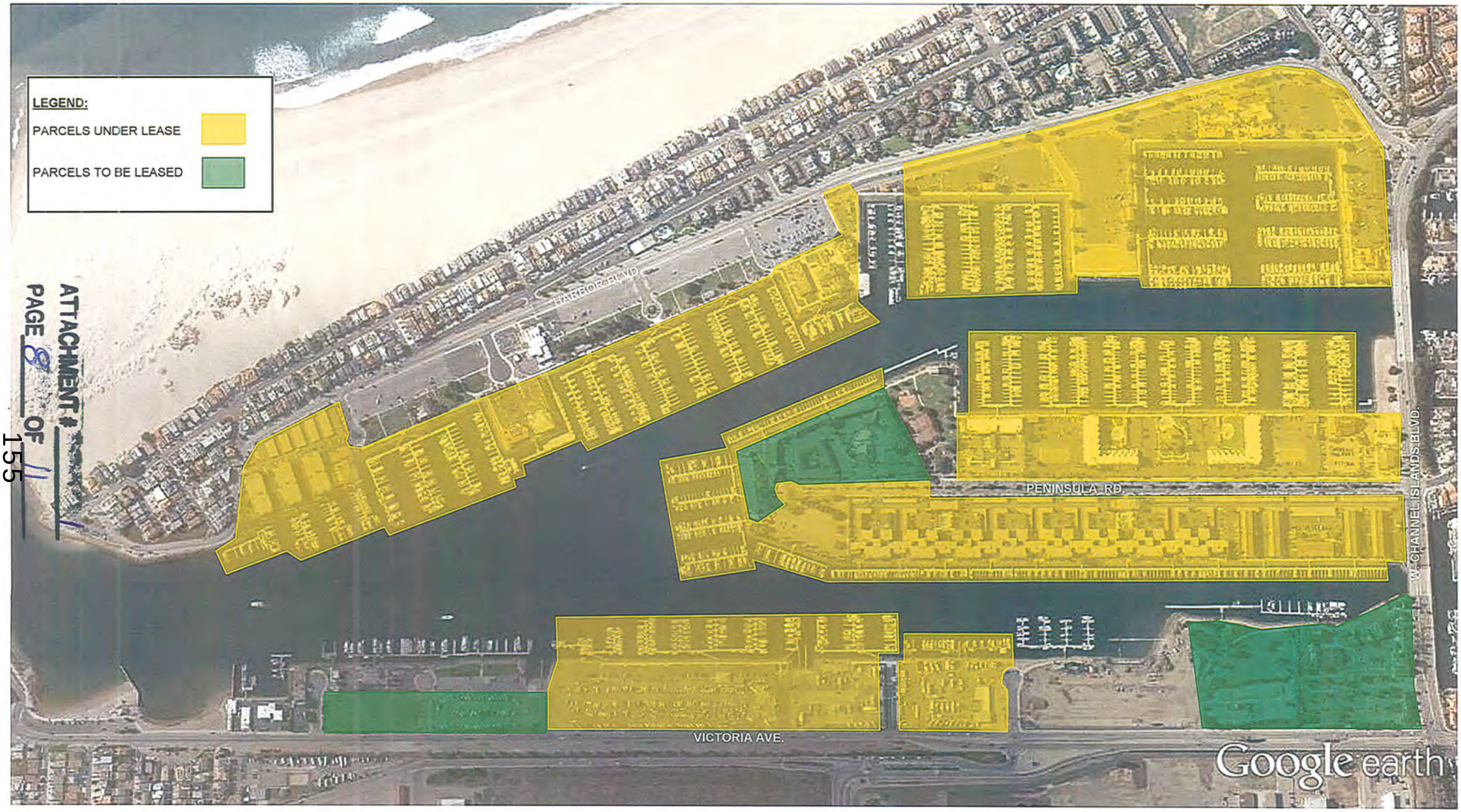
EXHIBIT 1:

ATTACHMENT # 1
PAGE 7 OF 11

DRAFT
03/04/2015

Areas of Responsibility
CHANNEL ISLANDS HARBOR

EXHIBIT 2:



ATTACHMENT # 1

PAGE 8 OF 11

DRAFT
03/02/2015

Aerial Depiction Harbor Leaseholds
CHANNEL ISLANDS HARBOR

EXHIBIT 3:

CITY OF Oxnard "The City That Cares" CALIFORNIA	Year Built	Acreage	Area Lighting	Ball Diamond	Bandstand	Basketball Court	Bleachers	Crafts Building	Drinking Fountain	Exercise Stations	Horseshoes	Jogging Path	Lawn Bowling	Off Street Parking	Group Picnic Area	Picnic Shelter	Picnic Tables	Playground	Recreation Bldg.	Restrooms	Shower	Shuffleboard	Soccer Field	Swimming	Tennis Court	Volleyball	Concrete Walks	Turf Area	Concession Bldg.	Gymnasium	Dog Park
1 Beck Park-600 West Kamala	1956	8.5	X	2/1*		1.5	X		X					X	X		X	1		X								X	X		
*2 Borchard Oak Park-Roble Lane	1999	1	X						X																			X			
3 Cabrillo Park-1600 Ebony Drive	1995	6	X															1									X	X			
4 Campus Park-309 So. "K" Street		30		3			X													X								X		X	
5 Carty Park-3900 So. "F" Street	1967	5		1			X		X								X	1		X					1			X	X		
**6 Central Park-3200 No. Oxnard Boulevard	2008	4.89	X																									X			
6 Channel View-Harbor Blvd. & Ocean Drive	1965	0.78	X											X			X										X	X			
7 College Estates Park-1400 Gary Drive	1985	6.5	X	1		1.5			X	X					X		X	1		X					1	2	X	X			
8 College Park-3250 So. Rose Avenue	2000	75				3			X					X	X	X²	X			X							X	X			X
9 Colonia Park-170 No. Juanita Ave.	1950	10	X	2/1*		3*	X		X								X	1	X	X				X			X	X	X	1	
10 Community Center East Park-800 Hobson Way	1967	11	X		2	1*			X		X			X	2	X²	X	1	X	X							X	X			
11 Community Center West Park-801 Hobson Way	1981	4	X	2*			X		X					X			X	1	X	X					8*			X	X		
12 Connelly Park-2101 Bevra	1995	3.1	X						X			X														1		X			
13 (Old) Del Sol-1500 Camino Del Sol	1975	4	X											X									1					X			
14 Del Sol-1500 Camino Del Sol	1981	13.5	X				X		X					X	X	X²	X	1		X	X		2				X	X	X		
16 Durley-800 W. Hill Street	1950	11	X	3		1*	X	X	X					X			X	1	X	X							X	X	X		
**17 East Park-351 Indus Place	2007	4.49	X			1			X						X	X	X	1		X					1			X			
18 Eastwood-1401 No. "F" Street	1959	4.2	X	2		1	X		X						X		X	1		X						1		X	X		
19 Fremont Tot Park-1130 No. "M" Street	1976	1.5							X								X	1							2		X	X			
20 Garden City Acres Park-5302 Cypress Road	2007	5.5				1			X	X				X			X			X							X	X			
**21 Gateway Park-Forrest Park Blvd./River Park Blvd.	2007	2.56	X																									X			
22 Johnson Creek-501 East Johnson Road	1978	8.5	X	3			X		X						X		X	1		X							X	X	X		
23 Kohala-Kohala Street	1989	1.1							X								X											X			
24 Lathrop Park-600 East Guava Street	1960	3	X			1			X								X	1								1		X			
25 Lemonwood Park-2055 East San Mateo Place	1978	9.5	X	1		1			X						X		X	1		X					2	1	X	X			
*26 Linear-Hemlock Street @Pearl Way	1989-90	3	X						X					X														X			
27 Marina West-1300 So. Novato Drive	1976	6.3	X						X								X	2		X					2		X	X			
28 Neptune Square Park-Neptune Square	1965	0.4				0.5												1						X							
29 Orchard Park-2130 Edelweiss Street	1981	12.6	X			0.5			X						X		X	1		X					1		X	X			
30 Oxnard Beach Park-1601 So. Harbor Boulevard	1989	62	X						X					X	X	X²	X	1		X	X			X		4	X	X			
31 Peninsula-3333 So. Peninsula Road	1977	3.5	X						X					X			X	1	X	X					2		X	X			
*32 Pfeiler-C/O Chavez Dr. & Pinata	2005	3.2																									X	X			
33 Plaza Park-500 So. "C" St. C/O 5th & "C" St.	1902	2	X		1				X																		X	X			
34 Pleasant Valley-4501 Justin Way	1977	9.7	X			1			X						X		X	1		X					2	1	X	X			
35 Public Beaches		15.6																						X							
***36 Rio del Mar Elementary-3150 Thames River Dr.	2006	9.08															X	1		X					1	1	X	X			
37 Rio Lindo Park-841 Blanca Street	1988	8.5	X	1		1			X	X		X			X		X	1		X					1		X	X			
***38 Rio Vista Middle School-3050 Thames River Dr.	2007	16.47															X	2		X					1		X	X			
39 Sea Air Park-2011 Ninth Street	1986	8.6	X	1		1			X	X		X			X		X	2		X					2		X	X			
*40 Seabridge-3900 LMD W. Wooley	2008	13.62	X														X	1		X					2	1	X	X			
41 Sea View Park-1001 Offshore Street	1981	6.4	X	1		1			X						X	X		2									X	X			
42 Sierra Linda Park-1040 Indigo Place	1983	6.2	X	1					X	X								1		X								X			
43 South Bank Park-2610 Woodside Place	1995	6	X																									X			
44 Southwest Community Park-2500 W. Fifth St.	1998	26												X				1					2					X			
45 SW Community Park Ext.-2500 W. Fifth St.	2007	5.5	X			1			X	X		X					X	X		X							X	X			
46 South Winds Park-455 W. Clara Street	1979	7.5	X	1					X		X	X			X													X			
*47 Sports Park - LMD-Entrada Dr. & Morado Pl.	2001	4																1										X			
48 Sports Park - Gen. Fund-100 E. Gonzales Road	Future	20																													
49 Swim Beach-Victoria Avenue	1965	3.75	X						X					X				1		X											
50 Thompson Park-201 No. Imperial St.	1965	3	X	1		2			X						X	X		1										X			
51 Via Marina Park-3301 Keel Way	1980	12	X	1		1	X		X		X				X		X	1		X					1			X			
52 Victoria Launch Ramps		2.1																													
**52 Village Green Park-3002 Moss Landing Blvd.	2007	1.25	X														X			X								X			
**53 Vineyard Park-2790 Smokey Mountain Dr.	2007	7															X														
54 West Channel	1965	11.65	X						X								X			X								X			
55 West Village-1501 Cesar Chavez Drive	1997	6	X	1		3			X	X					X		X	2				X						X			
56 Westport-4352 LMD W. Wooley	2004	5																													
57 Wilson Park-350 No. "C" Street	1974	5	X					X	X		X		X	X	X		X	1	X	X		X									
**58 Windrow Park-802 Owens River	2008	5	X			1			X							X	X	X		X											
TOTAL ACRES		552.54																													

*Facility is lighted. ²By reservation

City of Oxnard Parks Inventory 2015

CHANNEL ISLANDS HARBOR

ATTACHMENT # 1
PAGE 9 OF 11

EXHIBIT 4:

Baseline Services for the Channel Islands Harbor For City Areas of Responsibility

A. Litter/Debris Control:

Litter/debris pick up and removal shall be done on a daily basis and shall include sidewalks adjacent to areas of responsibility.

B. Irrigation:

Irrigation water shall be carefully applied and in quantities required by the different plant species, time of the year, and other basic environmental factors.

All irrigation equipment shall be maintained in good working condition and shall function properly at all times.

C. Weed Control:

All shrub bed and groundcover areas shall be kept in an aesthetically pleasing condition and free of weeds either manually or with chemicals.

D. Pruning and Edging of Shrubs and Groundcovers:

The City shall be responsible for the pruning of all shrubs and groundcover. Shrubs shall be pruned as needed for natural shape, pest control, and safe flow of traffic. All plant growth shall be prevented from entering onto walkways, roadways, hard surface areas, and along fences and walls.

E. Mowing and Edging of Turf:

The City shall be responsible for mowing and edging all turf grass. Mowing shall occur once a week during the growing season and once every other week during the winter months. All turf grass shall be edged along sidewalks, paved and hard surface areas as necessary to prevent overgrowth.

F. Tree Maintenance:

All pruning work shall conform to the current 2006 ANSI A300 standards in conjunction with International Society of Arboriculture Publication "Tree Pruning Guidelines" and in a manner to be consistent with the Channel Islands Harbor Public Works Plan.

Tree pruning shall be done to prevent encroachment of walkways, streets and to preclude obstruction of signs.

G. Restrooms, Playgrounds and Exercise Stations:

City shall supply all labor to maintain restrooms, play structures and exercise stations.

The restrooms shall be inspected and maintained daily. The play structures and exercise stations should be inspected weekly to ensure its good and safe operating condition.

H. Benches, Picnic Tables, Trash Receptacles, Etc.:

City will maintain all benches, picnic tables and trash receptacles to keep them in good appearance and operating condition. The trash receptacles should be emptied daily or as otherwise agreed to in writing with the General Services Director.

I. Kiddie Beach
County shall continue to provide sand cleaning.

J. Landscape Replacement:

County shall identify on an annual basis and submit in writing to the General Services Director or his representative for review landscape areas which fail to perform well and should be considered for replacement.

K. Street and Parking Lot Sweeping

City shall provide the same frequency and service as provided to other City streets and parking lots. As of date of this baseline document, that is once a week for street sweeping and twice a month for parking lot sweeping.

L. Electrical System Lighting:

The City shall be responsible for the electrical lighting and shall take corrective action whenever damage or failure occurs to any lighting fixtures, luminaire, ballast, or bulb located on the premises of the work site. City must keep a clean appearance on all light fixtures including touch up paint. Corrective action shall include but not be limited to graffiti removal, or replacing damaged or worn elements. After notification of a problem, corrective action shall take place within 48 hours of notification.

M. Vandalism, Theft and Graffiti:

The City shall be responsible for all repairs within 48 hours to remove, replace or otherwise correct items affected by vandalism and theft. The City shall be responsible to provide all labor and material to remove graffiti within 48 hours of notification.

N. Weather Damage:

The City shall correct and repair all weather damage incurred through out the year by trees, shrubs, mud on sidewalks/gutters/etc.

LICENSE AGREEMENT

THIS LICENSE AGREEMENT (**"License"**) is entered into this 17th day of March, 2015, by and between the City of Oxnard (**"City"**) and the County of Ventura (**"Licensee"**).

WHEREAS, the City owns the public property commonly referred to as the "triangle parcel", as further described and depicted in attached Exhibit A (**"Property"**); and

WHEREAS, the City wishes to grant a License to Licensee to enter the Property for the purpose of future construction and ongoing maintenance of entry monuments for Channel Islands Harbor and to maintain the current signage and landscape features (**"Activity"**); and

WHEREAS, the City desires to make the Property available to Licensee to conduct the Activity.

NOW, THEREFORE, the City and Licensee hereby agree as follows:

1. <u>License Granted</u>

a. Subject to the conditions contained in this License, the City grants to Licensee a non-exclusive, revocable license to conduct the Activity on the Property.

b. The fee for this License is $1, receipt of which is acknowledged.

2. <u>Maintenance</u>

a. In consideration for this License, Licensee shall at all times:

(1) Maintain the Property and the area immediately surrounding the Property free of litter, trash and other debris, except to the extent the same are present at the commencement of the License period.

(2) Cooperate with the City staff as requested.

(3) Conduct the Activity in a safe, sane and reasonable manner so as not to cause injury to persons or property.

(4) Return the Property in as good a condition as when the License commenced.

(5) Provide appropriate traffic control and safety measures as required by the City for all construction and maintenance activities.

3. Term of License

The term of this License shall begin on the date state above, and shall have a term of twenty-five (25) years, unless extended or terminated as provided for herein.

4. Termination

a. This License may be immediately terminated by the City Manager or designee (**"Manager"**), with or without cause, by notifying Licensee in writing of Manager's desire to terminate the License. Notwithstanding anything to the contrary stated elsewhere herein, should the City Manager terminate the License, without cause, prior to the expiration of the term of this license, as defined in paragraph 3, above, City shall reimburse, on a pro rata basis, all costs of construction of any monuments expended by Licensee pursuant to this License.

b. This License may be immediately terminated by Licensee, with or without cause, if Licensee notifies the City Manager in writing of Licensee's desire to terminate the License.

5. Permits, Plan Approvals, Licenses and Certificates

Licensee, at Licensee's expense, shall obtain and maintain during the term of this License, all permits, licenses and certificates required in connection with the conduct of the Activity. Prior to any construction of new improvements, Licensee shall provide the City with plans and specifications for approval along with any required fees for plan check, inspection, and encroachment permits.

6. Taxes

Licensee shall be liable for and agrees to pay promptly and prior to delinquency, any tax or assessment, including but not limited to any possessory interest tax, levied by any governmental authority: (a) against the Activity, Property and/or any personal property, fixtures or equipment of Licensee used in connection therewith or (b) as a result of the Activity.

7. Mutual Indemnity

Each party shall hold harmless, and indemnify the other party and its directors, officers, agents and employees against any and all loss, liability, damage, or expense, including any direct, indirect or consequential loss, liability, damage, or expense, for injury or death to persons, including employees of either party, and damage to property, including property of either party, arising out of or resulting from or in connection with the indemnifying party's performance or failure to perform any of its obligations in this License. However, neither party shall indemnify the other party for any loss, liability, damage, or expense resulting from the other party's sole negligence or willful misconduct.

8. Insurance

a. Licensee shall remain self-insured during the term of this License for the insurance coverages as specified in **Exhibit INS-N**, attached hereto and incorporated herein by this reference, unless the Risk Manager waives, in writing, the requirement that Licensee obtain and maintain such insurance coverages.

b. Licensee shall, prior to use of the Property, file with the Risk Manager evidence of self-insurance coverage as specified in **Exhibit INS-N**. Evidence of self-insurance coverage shall be forwarded to the Risk Manager, addressed as specified in **Exhibit INS-N**.

9. Governing Law

The construction and interpretation of this License and the right and duties of the City and Licensee hereunder shall be governed by the laws of the State of California.

10. Compliance with Laws

Licensee shall comply with all State, federal, and local laws, rules and regulations, now or hereafter in force, pertaining to Licensee's use of the Property.

11. Notices

a. Any notices to the City may be delivered by mail addressed to: City of Oxnard, Parks Division, 300 West Third Street, Oxnard, California 93030, Attention: Parks Superintendent.

b. Any notice to Licensee may be delivered by mail addressed to County of Ventura, 3900 Pelican Way, Oxnard, CA 93035 Attention: Harbor Director.

12. Assignment

Licensee may not delegate its rights or duties under this License without the written consent of the Manager, which consent may not be unreasonably withheld for any reason.

13. Successors and Assigns

This License shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the City and Licensee, for the benefit of the Property.

14. Amendment

This License may be reviewed or amended at any time. Any amendments to this License shall become effective only when agreed to in writing by both the Manager and Licensee.

15. Entire Agreement

This License constitutes the entire agreement of the City and Licensee regarding the subject matter hereof and supersedes all prior communications, agreements and promises, either oral or written.

CITY OF OXNARD

COUNTY OF VENTURA - LICENSEE

Tim Flynn
Mayor

Kathy Long
Chair, Board of Supervisors

ATTEST:

ATTEST: Michael Powers
Clerk of the Board of Supervisors
County of Ventura, State of California

Daniel Martinez, City Clerk

By:____________________________
Deputy Clerk of the Board

APPROVED AS TO FORM:

For

Stephen M. Fischer, Interim City Attorney

APPROVED AS TO INSURANCE:

Risk Manager

ATTACHMENT 2
PAGE 4 OF 10

EXHIBIT A

PROPERTY DESCRIPTION

ATTACHMENT # 2
PAGE 5 OF 10

EXHIBIT INS-N

INSURANCE REQUIREMENTS

ATTACHMENT # 2
PAGE 6 OF 10

INSURANCE REQUIREMENTS FOR LEASES OF LAND OR BUILDINGS (WITHOUT AUTOMOBILE LIABILITY REQUIREMENT)

1. Lessee shall obtain and maintain during the term of the lease the following insurance against claims for injuries to persons or damages to property which may arise from or in connection with the lease by lessee, its agents, representatives, employees or sublessees.

a. Commercial General Liability Insurance, including Contractual Liability, in an amount not less than $1,000,000 combined single limit for bodily injury and property damage for each claimant for general liability with coverage equivalent to Insurance Services Office Commercial General Liability Coverage (Occurrence Form CG 0001). If a general aggregate limit is used, that limit shall apply separately to the project or shall be twice the occurrence amount;

b. Workers= Compensation Insurance in compliance with the laws of the State of California, and Employer=s Liability Insurance in an amount not less than $1,000,000 per claimant.

c. Property Insurance against all risks of loss to any tenant improvements or betterments in the amount of the full replacement cost of the improvement or betterment with no co-insurance provisions.

2. Lessee shall, prior to occupation of the premises, file with the Risk Manager certificates of insurance with original endorsements effecting coverage required by this Exhibit INS-N. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements are to be on the attached forms or on other forms approved by the Risk Manager. All certificates and endorsements are to be received and approved by the Risk Manager before occupation of the premises. City reserves the right to require complete certified copies of all required insurance policies at any time. The certificates of insurance and endorsements shall be forwarded to the Risk Manager, addressed as follows:

City of Oxnard
Risk Manager
Reference No. ______
300 West Third Street, Suite 302
Oxnard, California 93030

3. Lessee agrees that all insurance coverages shall be provided by a California admitted insurance carrier with an A.M. Best rating of A:VII or better and shall be endorsed to state that coverage may not be suspended, voided, canceled by either party, or reduced in coverage or limits without 30 days' prior written notice to the Risk Manager. The Risk Manager shall not approve or accept any endorsement if the endorsement contains "best effort" modifiers or if the insurer is relieved from the responsibility to give such notice.

4. Lessee agrees that the Commercial General Liability and Business Automobile Liability Insurance policies shall be endorsed to name City, its City Council, officers, employees and volunteers as additional insureds as respects: liability arising out of activities performed by or on behalf of lessee; products and completed operations of lessee; premises owned, occupied or used by lessee; or automobiles owned, leased, hired or borrowed by lessee. The coverage shall contain no special limitations on the scope of protection afforded to City, its City Council, officers, employees and volunteers. **The General Liability Special Endorsement Form attached to this Exhibit INS-N or substitute form containing the same information and acceptable to the Risk Manager shall be used to provide the endorsements (ISO form CG 2010 1//85 or if not available, CG 2010 with an edition date prior to 01/04 and CG 2037).**

5. The coverages provided to City shall be primary and not contributing to or in excess of any existing City insurance coverages **(this must be endorsed)**. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to City, its City Council, officers, employees and volunteers. The insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

6. Any deductibles or self-insured retentions must be declared to and approved by the Risk Manager. At the option of the Risk Manager, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects City, its City Council, officers, employees and volunteers, or the lessee shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

7. All insurance standards applicable to lessee shall also be applicable to lessee=s sublessees. Lessee agrees to maintain appropriate agreements with sublessees and to provide proper evidence of coverage upon receipt of a written request from the Risk Manager.

INSTRUCTION FOR SUBMITTING INSURANCE CERTIFICATES AND ENDORSEMENT FORMS

Certificates of Insurance

The sample accord form on the following page is provided to facilitate your preparation and submission of certificates of insurance. You may use this or any industry form that shows coverage as broad as that shown on the attached sample. **Please note the certificate holder address must be as shown on the attached sample accord form with the contract number and insurance exhibit identification information completed.** Improperly addressed certificates may delay the contract start-up date because the City's practice is to return unidentifiable insurance certificates to the insured for clarification as to the contract number. **Cancellation provisions must be endorsed to the policy. Modifying the certificate does not change coverage or obligate the carrier to provide notice of cancellation.**

Endorsement Forms

Original endorsement is required for commercial general liability insurance policies and must be attached to the applicable certificate of insurance. City preference is that you use the endorsement forms which are attached. Substitute forms will be accepted, however, as long as they include provisions comparable to the attached.

INS-N.doc

ACORD CERTIFICATE OF INSURANCE

ISSUE DATE (MM/DD/YY)

PRODUCER	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.
CODESUB-CODE	**COMPANIES AFFORDING INSURANCE COVERAGE**
INSURED	COMPANY LETTER ASPECIFY COMPANY NAMES IN THIS SPACE
	COMPANY LETTER B

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	**GENERAL LIABILITY** [x] COMMERCIAL GENERAL LIABILITY [ ] CLAIMS MADE [x] OCCUR [x] OWNER'S & CONTRACTOR'S PROT				GENERAL AGGREGATE	$1,000,000
					PRODUCTS COMP/OP AGG	$1,000,000
					PERSONAL & ADV INJURY	$1,000,000
					EACH OCCURRENCE	$1,000,000
					FIRE DAMAGE (Any one fire)	$
					MED EXPENSE (Any one person)	$
A	**AUTOMOBILE LIABILITY** [x] ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS HIRED AUTOS NON-OWNED AUTOS GARAGE LIABILITY				COMBINED SINGLE LIMIT	$
					BODILY INJURY (Per person)	$
					BODILY INJURY (Per accident)	$
					PROPERTY DAMAGE	$
A	**EXCESS LIABILITY** UMBRELLA FORM OTHER THAN UMBRELLA FORM				EACH OCCURRENCE	$
					AGGREGATE	$
A	**WORKERS' COMPENSATION** AND EMPLOYERS' LIABILITY				STATUTORY LIMITS	
					EACH ACCIDENT	$1,000,000
					DISEASE-POLICY LIMIT	$1,000,000
					DISEASE-EACH EMPLOYEE	$1,000,000
A	**OTHER**					

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/RESTRICTIONS/SPECIAL ITEMS

CERTIFICATE HOLDER

City of Oxnard
Attn: Risk Manager
Reference No. __________
300 W. Third Street, Suite 302
Oxnard CA 93030

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ~~ENDEAVOR TO~~ MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, ~~BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.~~

AUTHORIZED REPRESENTATIVE

ATTACHMENT # 2
PAGE 9 OF 10

SUBMIT IN DUPLICATE

GENERAL LIABILITY SPECIAL ENDORSEMENT
FOR THE CITY OF OXNARD (the ACity@)

ENDORSEMENT NO.	ISSUE DATE (MM/DD/YY)

PRODUCER

Telephone:

POLICY INFORMATION:
Insurance Company:
Policy No.:
Policy Period: (from) (to)
LOSS ADJUSTMENT EXPENSE ❒ Included in Limits ❒ In Addition to Limits

❒ Deductible ❒ Self-Insured Retention (check which) of $ ____________ with an Aggregate of $__________ applies to ____________ coverage. ❒ Per Occurrence ❒ Per Claim (which)

NAMED INSURED

APPLICABILITY. This insurance pertains to the operations, products and/or tenancy of the named insured under all written agreements and permits in force with the City unless checked here ❒ in which case only the following specific agreements and permits with the City are covered:

CITY AGREEMENTS/PERMITS

TYPE OF INSURANCE

GENERAL LIABILITY
❒ COMMERCIAL GENERAL LIABILITY ❒ Claims Made
❒ COMPREHENSIVE GENERAL LIABILITY Retroactive Date ____
❒ OWNERS & CONTRACTORS PROTECTIVE ❒ Occurrence

OTHER PROVISIONS

COVERAGES

	LIABILITY LIMITS IN THOUSANDS $	
	EACH OCCURRENCE	AGGREGATE
❒ GENERAL		
❒ PRODUCTS/COMPLETED OPERATIONS		
❒ PERSONAL & ADVERTISING INJURY		
❒ FIRE DAMAGE		
❒ ____________		
❒ ____________		

CLAIMS: Underwriter=s representative for claims pursuant to this insurance.

Name: ____________
Address: ____________
____
Telephone: ( ) ____________

In consideration of the premium charged and notwithstanding any inconsistent statement in the policy to which this endorsement is attached or any endorsement now or hereafter attached thereto, insurance company agrees as follows:

1. **INSURED.** The City, its officers, agents, employees and volunteers are included as insureds with regard to liability and defense of suits arising from the operations, products and activities performed by or on behalf of the named insured.

2. **CONTRIBUTION NOT REQUIRED.** As respects: (a) work performed by the named insured for or on behalf of the City; or (b) products sold by the named insured to the City; or (c) premises leased by the named insured from the City, the insurance afforded by this policy shall be primary insurance as respects the City, its officers, agents, employees or volunteers; or stand in an unbroken chain of coverage excess of the named insured=s scheduled underlying primary coverage. In either event, any other insurance maintained by the City, its officers, agents, employees or volunteers shall be in excess of this insurance and shall not contribute with it.

3. **SEVERABILITY OF INTEREST.** This insurance applies separately to each insured against whom claim is made or suit is brought except with respect to the company=s limits of liability. The inclusion of any person or organization as an insured shall not affect any right which such person or organization would have as a claimant if not so included.

4. **CANCELLATION NOTICE.** With respect to the interests of the City, this insurance shall not be canceled, or materially reduced in coverage or limits except after thirty (30) days prior written notice by receipted delivery has been given to the City.

5. **PROVISIONS REGARDING THE INSURED=S DUTIES.** Any failure to comply with reporting provisions of the policy or breaches or violations of warranties shall not affect coverage provided to the City, its officers, agents, employees or volunteers.

6. **SCOPE OF COVERAGE.** This policy, if primary, affords coverage at least as broad as:
   a. Insurance Services Office Commercial General Liability Coverage, "occurrence" form CG 0001; or
   b. If excess, affords coverage which is at least as broad as the primary insurance form CG 0001.

Except as stated above nothing herein shall be held to waive, alter or extend any of the limits, conditions, agreements or exclusions of the policy to which this endorsement is attached.

ENDORSEMENT HOLDER

CITY OF OXNARD
Attn: Risk Manager
Reference No. _______
300 W. Third Street, Suite 302
Oxnard, CA 93030

AUTHORIZED REPRESENTATIVE
❒ Broker/Agent ❒ Underwriter ❒ ____________

I ____________ (print/type name), warrant that I have authority to bind the above-mentioned insurance company and by my signature hereon do so bind this company to this endorsement.

Signature ____________
(original signature required)

Telephone: ( ) ____________ Date Signed ____________

Rev. 3/15

ATTACHMENT # 2
PAGE 10 OF 10

CITY OF
OXNARD
CALIFORNIA

Meeting Date: 03/17/15

ACTION	TYPE OF ITEM
☐ Approved Recommendation	☐ Info/Consent
☐ Ord. No(s). ______	■ Report
☐ Res. No(s). ______	☐ Public Hearing (Info/consent)
☐ Other ______	☐ Other: ______

Prepared By: Kymberly Horner K.H. Agenda Item No. K-3

Reviewed By: City Manager JM City Attorney SMF Finance Other N/A

DATE: March 3, 2015

TO: City Council

FROM: Kymberly Horner, Interim Redevelopment Services Manager Kymberly Horner
Community Development Department

Matthew Winegar, Development Services Director
Development Services Department

SUBJECT: **Omnibus Amendment to Loan Documents (Sonata Apartments Acquisition, Pre-development and Permanent Loan Agreement: "Sonata Loan Agreement")**

RECOMMENDATION:

That City Council:

1. Approve the proposed Omnibus Amendment to the Sonata Loan Agreement with Indemnity Agreement and authorize the Mayor (or designee) to execute the documents with such non-substantive changes as may be acceptable to the City Attorney.

2. Authorize the City Manager (or designee) to prepare, revise, and sign all associated documents necessary to carry out and implement the Omnibus Amendment, and to administer the City's obligations, responsibilities, and duties pursuant to the Sonata Loan Agreement, as amended.

DISCUSSION

Through a series of transactions dating back to July 21, 2009, the City Council and former Community Development Commission ("Commission") approved three separate pre-development loans totaling $3 million for the Resonate and Mosaic Apartment projects located within RiverPark (collectively the "Pre-development Loan"). The Pre-development Loan facilitated the assemblage of land, preparation of design plans, and procurement of land use entitlements preparatory to developing affordable housing required under the Owner Participation and Development Agreements governing RiverPark.

In an action unrelated to RiverPark, the City and Commission entered into a Cooperation Agreement whereby all assets of the Commission, including funds in the Low and Moderate Income Housing Fund, were transferred and assigned to the City on January 18, 2011. This action was precipitated by impending dissolution of redevelopment and was undertaken as a protective measure to complete ongoing redevelopment projects. This protective measure effectively substituted the City in place of the Commission in regard to administering pre-existing loan obligations.

Following this action, the Pre-development Loan and associated affordable housing obligations specific to RiverPark were assigned to Sonata Partners for developing 53 affordable apartments on what is commonly referred to as Lot 17A (Attachment No. 1). Sonata Partners has since secured construction and permanent financing through Wells Fargo Bank and California Community Reinvestment Corporation. In order to close these loans, and retain tax credits procured through the State Tax Credit Allocation Committee, certain amendments in the Loan Documents must be made by March 23, 2015.

Accompanying this memorandum as Attachment No. 2 is an Omnibus Agreement that accomplishes the following:

1. Extension of the Loan term from 22 to 55 years in exchange for increasing the City's share of Residual Receipts from 50 percent to 75 percent.
2. Recordation of Affordability Covenants specific to Sonata at RiverPark Partners, LP (the "Partnership") to assure development of 53 affordable units on Lot 17A.
3. Recordation of a Promissory Note and Deed of Trust, assuring payments in lieu of taxes ("PILOT").
4. Clarification of terminology regarding Permitted Mortgages, Residual Receipts, and Operating Expenses.
5. Substitution/Update of Legal Description, Construction Budget, and Schedule of Performance.

ENVIRONMENTAL IMPACT

An Environmental Impact Report ("EIR") was prepared for the Historic Enhancement and Revitalization of Oxnard ("HERO") Project Area under the provisions of the California Environmental Quality Act of 1970, amended ("CEQA"), and was certified by the Planning Commission and City Council in 1997 at the time of adoption of the HERO Redevelopment Plan. In accordance with CEQA Section 21090 and CEQA Guidelines Sections 15180, 15162 and 15163, no subsequent EIR or supplement to the EIR need be prepared for the Omnibus Amendment and no further documentation is required under CEQA.

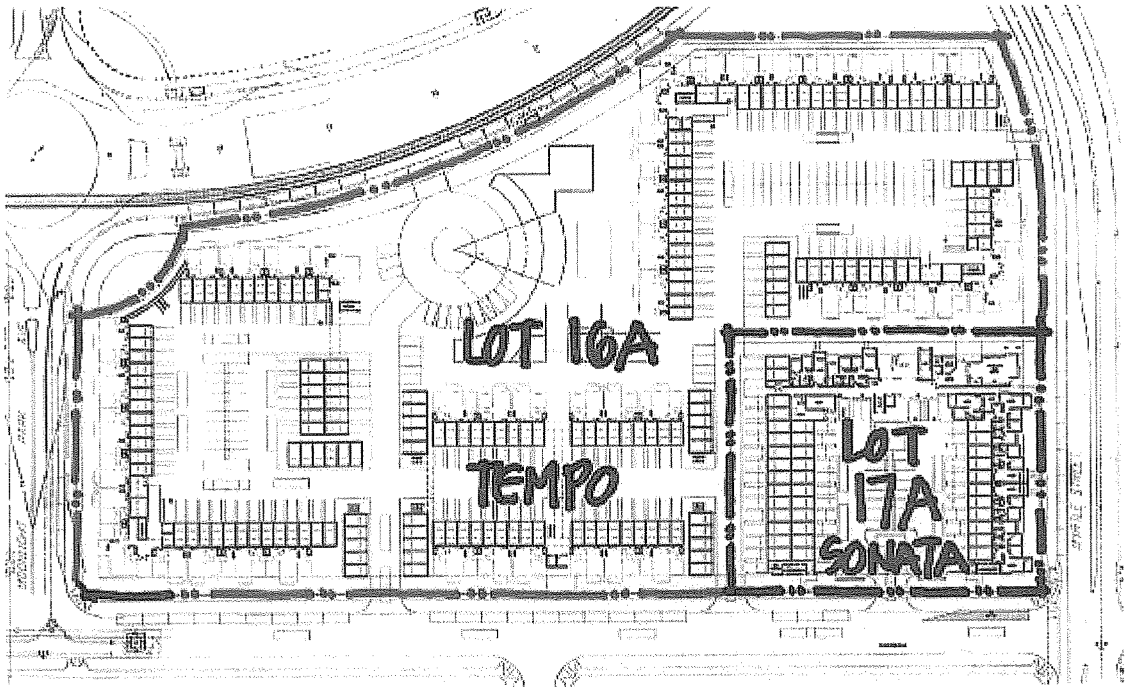
FINANCIAL IMPACT

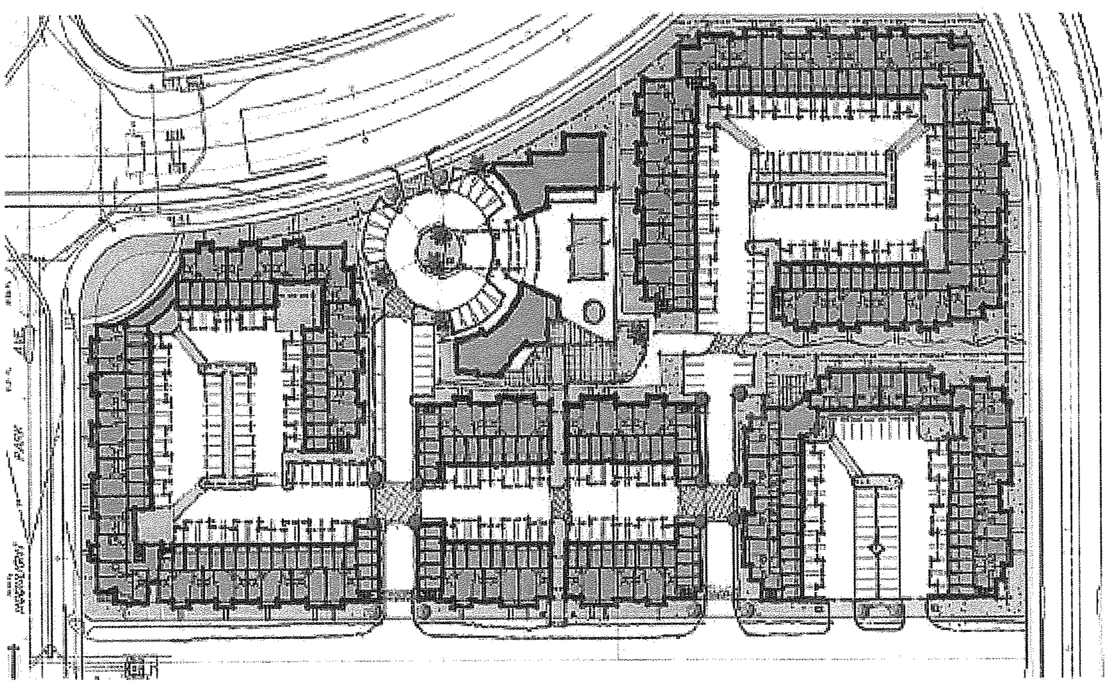
In July of 2009, the Commission approved a special budget appropriation in the amount of $3 million from the Housing Set-Aside fund balance for the Sonata Project. As noted above, these assets have already been transferred to the City and no new appropriations are required. The modification of Loan Term from 22 to 55 years would defer payoff of the City's $3 million loan, but this is consistent with the practice employed for other comparable affordable housing projects. Likewise, changes in the terminology of Operating Expenses would reduce near-term payments toward PILOT; however, total payments over 55 years would be $2.9 million more than is currently forecast due to an increase from 50 percent to 75 percent in the City's share of residual receipts.

Attachment 1 - Lot 17A Configuration
2 - Omnibus Amendment
3 - Indemnity Agreement

ATTACHMENT 1

Lot 17A Configuration





Attachment #1

ATTACHMENT 2

Omnibus Amendment

OMNIBUS AMENDMENT TO LOAN DOCUMENTS

This Omnibus Amendment to Loan Documents (this "**Amendment**") is executed as of March ___, 2015 by the CITY OF OXNARD, a municipal corporation of the State of California (the "**City**") and SONATA AT RIVERPARK PARTNERS, LP, a California limited partnership (the "**Partnership**").

RECITALS

A. In connection with the Partnership's acquisition of certain property in the City of Oxnard, California (referred to herein as "**Lot 17A**") and the development of a fifty-three (53) unit low-income housing project to be known as Sonata at Riverpark thereon, the City and the Partnership entered into that certain Acquisition, Predevelopment and Permanent Loan Agreement dated as of April 26, 2011 (the "**Loan Agreement**"), pursuant to which the City made a loan to the Partnership in the amount of Three Million Dollars ($3,000,000) (the "**Loan**"), which Loan is evidenced by that certain Promissory Note Secured by Deed of Trust dated as of July 15, 2013 (the "**Note**") and secured by that certain Deed of Trust, Security Agreement, and Fixture Filing Recorded Against Property (With Assignment of Rents) dated as of July 15, 2013 (the "**Deed of Trust**"). The Loan Agreement, Note, and Deed of Trust, along with the Agreement Containing Covenants, Notice of Affordability Restrictions, PILOT Promissory Note, and PILOT Deed of Trust to be signed as contemplated herein shall be collectively referred to herein as the "**Loan Documents**".

B. It is anticipated that Wells Fargo Affordable Housing Community Development Corporation (the "**Investor**") will be admitted to the Partnership as the investor limited partner in exchange for its agreement to make capital contributions to the Partnership pursuant to the terms of the Amended and Restated Agreement of Limited Partnership of the Partnership (the "**Partnership Agreement**").

C. In connection with the Investor's admission to the Partnership, the Investor has requested certain amendments and clarifications to the Loan Documents, and the City is willing to agree to such amendments as set forth herein.

D. The parties hereto desire to enter into this Amendment to clarify, supplement, and/or amend the terms of the Loan Documents, as described herein. In the event of any conflict between any of the Loan Documents and the terms of this Amendment, the terms of this Amendment shall control. Capitalized terms not defined herein shall have the definitions set forth in the Loan Documents.

NOW THEREFORE, the City and the Partnership hereby agree as follows:

1. The Loan Documents are presently in full force and effect, and have not been modified or amended prior to the date hereof. No event of default, and no event or failure thereof that with the giving of notice or the passage of time or both would be an event of default under any of the Loan Documents, has occurred.

2. Notwithstanding anything to the contrary set forth in the Loan Documents, the Term of the Loan shall be fifty-five (55) years from the date hereof, expiring on March ___, 2070.

3. Exhibits A-1, B and C to the Loan Agreement are hereby deleted in their entirety and replaced with Exhibits A-1, B and C attached hereto, respectively.

4. The Agreement Containing Covenants and Notice of Affordability Restrictions attached as Exhibits F and G to the Loan Agreement were not previously executed and will be executed on or about the date hereof. Upon the execution and recordation thereof, the following documents will be terminated and released from record with respect to Lot 17A: (a) Agreement Containing Covenants Affecting Real Property dated as of June 12, 2001 and recorded in the Official Records of Ventura County (the "**Official Records**") on June 18, 2001 as Instrument No. 2001-0114394, as amended, (b) Agreement Containing Covenants Affecting Real Property dated as of April 19, 2012 and recorded in the Official Records on April 27, 2012 as Instrument No. 20120427-00076899, and (c) Notice of Affordability Restrictions on Transfer of Property recorded in the Official Records on April 27, 2012 as Instrument No. 20120427-00076900.

5. The Assignment of Architect's Contract attached as Exhibit H to the Loan Agreement was not previously executed and will be executed on or about the date hereof.

6. The PILOT Promissory Note and PILOT Deed of Trust attached as Exhibits I and J to the Loan Agreement were not previously executed and will be executed on or about the date hereof.

7. As of the date hereof, $1,350,000 of the Loan has been disbursed and the remaining unfunded balance of the Loan is $1,650,000.

8. The Loan is (or will be) subordinate to (i) that certain construction loan from Wells Fargo Bank, National Association ("**Wells Fargo**") to the Partnership in the approximate amount of $10,504,467 and (ii) that certain first mortgage permanent loan from California Community Reinvestment Corporation ("**CCRC**") to the Partnership in the approximate amount of $3,200,000. These loans are deemed to be Permitted Mortgages as such term is defined in Section 1.40 of the Loan Agreement and are superior to the Loan. In addition, a third mortgage construction/permanent loan from RHF Foundation, Inc. to the Partnership in the amount of at least $1,500,000 encumbers Lot 17A and is subordinate to the Loan and payable from the Partnership's share of Residual Receipts as described in Paragraph 9 below.

9. Notwithstanding anything to the contrary in the Loan Documents, the Loan shall be repaid from Residual Receipts (as such term is defined in the Loan Documents) in accordance with and in the order described below, with any unpaid balance of principal and interest due and payable upon maturity of the Loan.

(a) Terminology. The term "Operating Expenses," as defined in Section 1.37 of the Loan Agreement, expressly includes replacement reserve deposits (not to exceed $350 per unit per year), credit adjuster payments (including interest), asset management fees (not to exceed $17,500 per year with an annual adjustment of 3%), deferred management fees (if not fully paid in any given year), replenishment of operating reserves (capped at $134,531), deferred developer fees, repayment of loans made by the Investor Limited Partner and repayment of operating deficit loans (with any such payments to be applied first to accrued but unpaid interest and then to principal).

(b) Distribution. Residual Receipts shall be distributed in the following priority: (i) 75% shall be paid to the City and first applied to pay PILOT fees and second to repay any amounts then owed with respect to the Loan; and (ii) 25% shall be paid to the Partnership for use and disposition as specified in the Partnership Agreement.

10. Intentionally Deleted.

11. With revisions and clarifications provided herein, the Partnership is hereby deemed to be fully compliant with the terms and conditions of the Loan Agreement, as amended. In this regard, the second sentence of Section 6.1 of the Loan Agreement is hereby amended to read as follows: "Sonata Partners shall complete construction of all of the Affordable Units and obtain a Certificate of Occupancy by no later than the date shown on Exhibit C hereto.

12. Any notice to be provided to the Partnership under any of the Loan Documents shall be sent to the following addresses:

Sonata at Riverpark Partners, LP
911 N. Studebaker Road
Los Angeles, CA 90815-4900
Attn: Laverne R. Joseph

with a copy to:

Wells Fargo Affordable Housing Community Development Corporation
Its Successors and Assigns ATIMA,
301 South College Street, MAC D1053-170
Charlotte, NC 28288-0173
Attn: Director of Tax Credit Asset Management

13. The City agrees to give notice of the occurrence of any default under any of the Loan Documents and notice of the occurrence of any condemnation action or any actions with the insurance company with respect to Lot 17A to Wells Fargo and CCRC at the following addresses (or at such other address as Wells Fargo and/or CCRC provide to the City from time to time):

Wells Fargo Bank, National Association
Community Lending and Investment
333 S. Grand Avenue, 7th Floor
MAC# E2064-075
Los Angeles, California 90071
Tel. No.: 213-253-7260

Fax No.: 213-253-7296
Attention: Sandra Smith-Martin

and

California Community Reinvestment Corporation
225 West Broadway, Suite 120
Glendale, California 91204
Attention: President

14. Permitted Transfers.

(a) Notwithstanding anything to the contrary, no approval of the City shall be required for (i) the removal and replacement of the general partner of the Partnership by the Investor with an affiliate of Investor pursuant to the Partnership Agreement or (ii) the transfer of limited partnership interests by the Investor pursuant to the Partnership Agreement.

(b) To the extent necessary under any of the Loan Documents, the City hereby approves of Sonata RHF Housing, Inc. as the general partner of the Partnership and Wells Fargo Affordable Housing Community Development Corporation as the investor limited partner of the Partnership.

15. Investor Cure Rights. The Investor shall have the right, but not the obligation, to cure any default of the Partnership under any of the Loan Documents within the cure periods set forth therein. Notwithstanding the foregoing, if the Investor elects to remove the general partner of the Partnership in connection with any such cure, then so long as the Investor commences proceedings and diligently proceeds to remove such general partner, the cure period shall be extended for so long as reasonably necessary for the Investor to remove such general partner and effectuate the cure.

16. Miscellaneous. This Amendment shall bind, and shall inure to the benefit of, the successors and assigns of each party hereto. This Amendment may be executed in counterparts with the same force and effect as if the parties had executed a single instrument. This Amendment shall be governed by the laws of the State of California. The Recitals set forth above shall be incorporated herein in their entirety.

17. Effectuation. This Amendment shall not become effective until or unless all of the following have occurred: the City Council and Partnership approve this document as evidenced by their respective signatures below.

[Signature page follows]

Executed as of the date first written above.

"CITY":

CITY OF OXNARD,
a municipal corporation of the State of California

By: ______________________________
Name: ______________________________
Title: ______________________________

APPROVED AS TO FORM:

ity Attorney

Date: ____________________, 2015

ATTEST:

By: ______________________________
Name: ______________________________
Title: ______________________________

"PARTNERSHIP"

SONATA AT RIVERPARK PARTNERS, LP

By: ______________________________
Laverne R. Joseph, President

EXHIBIT A-1

All that certain real property situated in the County of Venture, State of California described as follows:

That portion of Lot 17 of Tract No. 5352-1, in the City of Oxnard, County of Ventura, State of California, as per map recorded in Book 150, Pages 76 through 92 of Maps, in the Office of the County Recorder of said County, more particularly described as follows:

Parcel 4, as shown on Exhibit "B" of that certain document entitled "Certificate of Approval for Lot Line Adjustment", recorded December 13, 2011, as Instrument No. 20111213-00189661-0, of Official Records of Ventura County, State of California.

Except therefrom all oils, gas, minerals and other hydrocarbon substances in and from under said land, without, however, the right of surface entry to a depth of 500 feet below the surface and surfaces as reserved in deeds recorded:

June 16, 1954, in Book 1209, Page 182;

December 22, 1954, in Book 1252, Page 429;

In Book 4723, Page 472 and

December 8, 1986, as Instrument No. 86-175822,

as instrument No. 86-175823,

as instrument No. 86-175824,

as instrument No. 86-175827 and

as Instrument No. 86-175828, all of Official Records.

Assessors Parcel Number: 132-0-230-185

EXHIBIT B

Sonata
Oxnard, CA 93036
Development Budget

SOURCES		
First Mortgage	$	2,765,000
Limited Partner Equity	$	10,224,361
GP Equity	$	1,022
Oxnard CDD Loan	$	3,000,000
Fee Waiver	$	87,523
Angelus Trust - Gap Loan	$	1,500,000
Deferred Developer Fee	$	(0)
Total Sources	**$**	**17,577,906**

USES		Total Cost
Land	$	1,425,000
Land Remediation	$	35,000
Offsite Improvements	$	307,000
Performance Bond	$	103,663
Site Improvements	$	1,057,500
Hard Construction Costs	$	8,035,750
General Requirements	$	45,595
Contractor Overhead	$	181,865
Contractor Profit	$	545,595
Construction Contingency	$	523,498
Furnishings & Equipment	$	115,000
Architect	$	282,200
Civil Engineering	$	72,200
Construction Consultants	$	179,310
Construction Insurance GC & RHF	$	225,000
Construction Interest	$	495,191
Lender Construction Loan Fee	$	63,611
Lender Permanent Loan Fee	$	27,650
Lender Legal & 3rd Party	$	55,000
Lender inspection Fees	$	12,800
Soft Cost Contingency	$	153,500
Taxes	$	35,000
Appraisal	$	10,000
Market Study	$	10,000
Environmental Phase I &II	$	31,250
Housing Credit Application Fee	$	2,000
Housing Credit Allocation Fee	$	27,646
Housing Credit Performance Deposit	$	-
Compliance Monitoring Fee	$	21,730
Title and Recording	$	45,000
Legal Fees	$	100,000
Accounting	$	20,000
Developer Fee	$	1,916,754
Consultant Fee	$	-
Organizational	$	2,500
Operating Reserves	$	134,943
Rent-Up Reserve	$	50,000
Marketing	$	24,542
Impact Fees	$	546,612
Permits	$	158,000
Total Costs	**$**	**17,577,906**

EXHIBIT C
TO LOAN AGREEMENT

SCHEDULE OF PERFORMANCE

Execution and Recordation of the Implementing Documents Section 3.15	Satisfy conditions precedent by June 30, 2015.
Submission – Corporate Authorizing Documents, Certificate of Status, Legal Opinion. Section 3.15	Prior to, and as a condition precedent to recording of the Implementing Documents.
Submission – ALTA Lender's Policy. Section 3.7	Concurrent with the recording of the Implementation Documents.
Submission – Insurance Policies. Section 3.15.	Prior to, and as a condition precedent to recording of the Implementation Documents.
Conditions Precedent to Disbursement Section 4.3	Satisfy conditions precedent by June 30, 2015.
Submission – Permits, Licenses, & Approvals.	Within thirty (30) days prior to the Second Draw.
Construction Sign. Sonata Partners shall cause to be erected on the Site a construction sign describing the development and the participants in accordance with City specifications.	Prior to Commencement of Construction.
Submission – Plans and Specifications. Section 5.4.	Prior to Commencement of Construction.
Review and Approval - Plans and Specification. Section 5.4.	Within thirty (30) days after submission by Sonata Partners (applies only to City).
Orientation. Sonata Partners shall coordinate a preconstruction orientation meeting with Sonata Partner's general contractors and City.	Prior to Commencement of Construction.
Submission – Management Plan. Section 5.6.	Within ninety (90) days prior to completion of construction.

Review and Approval – Management Plan. Section 5.6.	Within thirty (30) days after submission by Sonata Partners.
Submission - Construction Budget. Section 5.1.	Within thirty (30) days prior to the Second Draw.
Review and Approval - Construction Budget. Section 5.1.	Within thirty (30) days after submission by Sonata Partners.
Submission – Construction Contract and Construction Schedule. Section 5.5.	Within thirty (30) days prior to the Second Draw.
Commencement of Construction. Section 6.3.	No later than six (6) months following the issuance of a tax credit reservation by CTCAC.
Completion of Construction. Sonata Partners shall complete construction of the Project as evidenced by issuance of a Certificate of Occupancy by City. Section 6.4.	Within twenty-four (24) months after Commencement of Construction
Final Inspection. City shall conduct a final inspection of all Improvements.	Within fifteen (15) days after request by Sonata Partners.
Submission - Audit of Construction Cost. Sonata Partners shall submit a certified breakdown of Development Costs.	Within one hundred and twenty (120) days after the issuance of the Certificate of Occupancy by City.
Issuance of City Release of Construction Covenants. City shall issue in recordable form the Release of Construction Covenants. Section 6.15.	Within thirty (30) days after receipt by City of Sonata Partner's written request, provided all requirements for issuance have been satisfied.

APPROVED:

THE CITY OF OXNARD

By: Curtis P. Cannon 6-27-13

Curtis Cannon, Director of
Community Development

SONATA AT RIVERPARK PARTNERS, L.P.

By: ______________________
Frank Fonseca, Manager
Sonata at Riverpark Developers, LLC
Its Administrative General Partner

By: ______________________
Laverne Joseph, President
Sonata RHF Housing, Inc.
Its Managing General Partner

DATE: June 26, 2013

ATTACHMENT 3

Indemnity Agreement

INDEMNITY AGREEMENT

This Indemnity Agreement (this "***Agreement***") is made as of March ___, 2015 by RHF Foundation, Inc., a California nonprofit corporation ("***Indemnitor***"), in favor of the City of Oxnard, a municipal corporation (the "***City***", and collectively with the Indemnitor, the "***Parties***").

RECITALS

A. Sonata at Riverpark Partners, LP, a California limited partnership (the "Partnership") has acquired certain real property located within the RiverPark area of the HERO Redevelopment Project (as more particularly described in Exhibit A attached hereto and incorporated herein) (the "Property") for the development of rental apartments affordable to persons and families of low and very low income (the "Project").

B. The Partnership and the City entered into that certain loan (the "Loan") in the amount of Three Million and NO/100 Dollars ($3,000,000.00), which is set forth in that Acquisition, Predevelopment and Permanent Loan Agreement, dated April 26, 2011 (the "Loan Agreement").

C. The Parties wish to amend certain terms of the Loan Agreement, and related documents, and shall enter into simultaneously herewith that certain Omnibus Amendment to Loan Documents (the "Amendment").

D. As a condition to entering into the Amendment, the City has required that the Indemnitor, an affiliate of the Partnership, agree to provide certain indemnities related to the possible order of the California State Controller to return the Loan funds to the Oxnard Community Development Commission Successor Agency, a public body, corporate and politic (the "**Successor Agency**") pursuant to California Health and Safety Code Section 34167.5 that may arise as a result of the modification of certain terms of the Loan as set forth in the Amendment.

NOW, WHEREFORE, in consideration of the Amendment, the Parties hereto agree as follows:

AGREEMENT

1. Indemnity. Indemnitor unconditionally agrees to indemnify, defend and hold harmless the City and its employees (collectively "***Indemnitees***" and individually "***Indemnitee***") from and against any and all liability, costs and expenses (other than arising from the willful misconduct or gross negligence of an Indemnitee), including, but not limited to, reasonable attorneys' fees and costs, loss or damage, and from any suits, claims or demands arising directly from an order of the California State Controller to return all or any part of the Loan funds to the Successor Agency pursuant to California Health and Safety Code Section 34167.5 in response to the agreement by the City to modify the terms of the Loan by the Amendment, excluding those claims arising from Section 6 of the Amendment relating to the PILOT documents. Upon receiving knowledge of any suit, claim or demand asserted by a third party that any Indemnitee believes is covered by this indemnity, the City shall give Indemnitor prompt written notice

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thereof. Indemnitor may engage legal counsel reasonably satisfactory to the City to defend such matter.

2. Covered Costs. Indemnitor's indemnification is intended to include damages, fees and/or costs awarded against or incurred by the Indemnitees, if any, and costs of defense, including without limitation reasonable attorneys' fees and other costs, liabilities and expenses incurred in connection with any matters covered under Section 1 of this Agreement. Indemnitor shall pay to Indemnitees, within sixty (60) calendar days upon written demand, any amount owed to the Indemnitees as a result of the Indemnitees incurring any such costs, liabilities or expenses due to their right to be defended under the terms of this Agreement. The Indemnitees must approve any settlement affecting the rights and obligations of the Indemnitees.

3. Counterparts / Signatures. This Agreement may be executed in any number of counterparts which together shall constitute the contract of the Parties. Signatures of the Parties transmitted electronically by email or by facsimile shall be deemed binding.

4. Attorneys' Fees. In the event of any action or proceeding by any party hereto for breach or to enforce the provisions of this Agreement, the prevailing party in such action or proceeding shall be entitled to recover reasonable attorneys' fees and costs as the court may determine. In addition to the foregoing award of attorney's fees and costs, the prevailing party shall be entitled to its attorney's fees and costs incurred in any post-judgment proceedings to collect or enforce any judgment. This provision is separate and shall survive the merger of this provision into any judgment on this Agreement.

5. Waiver. The waiver by either party of a default or breach hereunder shall not be construed as a waiver of any other default or breach hereunder by such party.

6. Notices. All notices, requests and demands given under the terms of this Agreement shall be in writing and may be effected by personal delivery, including by any commercial courier or overnight delivery service, or by United States registered or certified mail, return receipt requested, with all postage and fees fully prepaid. Notices shall be effective upon receipt by the party being given notice, as indicated by the return receipt if mailed; except that if a party has relocated without providing the other party with its new address for service of notice, or if a party refuses delivery of a notice upon its tender, the notice shall be effective upon the attempt to serve the notice at the last address given for service of notices upon that party. Alternatively, notices may be served by facsimile transmission, in which case service shall be deemed effective only upon receipt by the party serving the notice of telephonic or return facsimile transmission confirmation that the party to whom the notice is directed has received a complete and legible copy of the notice. Notices shall be addressed to the addresses shown under the respective Parties' signatures to this Agreement. The address(es) for service of notice on any party may be changed by that party serving a notice upon the other of the new address, except that any change of address to a post office box shall not be effective unless a street address is also specified for use in effectuating personal service.

7. Incorporation of Preamble, Recitals and Exhibits. The preamble, recitals and exhibits hereto are hereby incorporated into this Agreement and made a part hereto.

8. Changes, Wavier, Discharge and Modification in Writing. No provision of this Agreement may be changed, waived, discharged or terminated except by an instrument in

writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

9. Entire Agreement. This Agreement constitutes the entire agreement and understanding of Indemnitor and Indemnitees with respect to the matters set forth herein and therein.

10. Conflicts. In the event of any conflict between the provisions of this Agreement and those of the Loan Agreement or Amendment, this Agreement shall prevail; provided however that, with respect to any matter addressed in both such documents, the fact that one document provides for greater, lesser or different rights or obligations than the other shall not be deemed a conflict unless the applicable provisions are inconsistent and could not be simultaneously enforced or performed.

11. Severability. The invalidity or unenforceability of any one or more provisions of this Agreement shall not affect the validity or enforceability of any other provision.

12. Applicable Law/Venue. This Agreement shall be construed and enforced in accordance with the laws of the State of California. The exclusive venue for any dispute hereunder shall be a court of competent jurisdiction in Ventura County, California.

13. Mutuality. This Agreement shall be construed according to its fair meaning as if prepared by all Parties hereto. This Agreement shall not be construed for or against any of the Parties hereto.

[*SIGNATURE PAGE IS THE NEXT PAGE*]

IN WITNESS WHEREOF, this Agreement is executed as of the date first stated above.

INDEMNITOR RHF Foundation, Inc., a California nonprofit corporation By: ______________________ Name: Laverne R. Joseph Its: President Address for Indemnitor: RHF Foundation, Inc. 911 N. Studebaker Road Los Angeles, CA 90815-4900 Attn: Laverne R. Joseph	

(signatures continue on following page)

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INDEMNITEE

CITY OF OXNARD,
a municipal corporation

By: ____________________
Name: ________________
Its: ________________

APPROVED AS TO FORM AND CONTENT:

KANE, BALLMER & BERKMAN
Redevelopment Special Counsel

By: Todd C. Mooney
Name: Todd C. Mooney
Title: Senior Associate

Address for Indemnitee:

City of Oxnard
Community Development Department
214 South C Street
Oxnard, California 93030
Attn: Interim Redevelopment Services Manager

Exhibit A

Legal Description

All that certain real property situated in the County of Ventura, State of California, described as follows:

That portion of Lot 17 of Tract No. 5352-1, in the City of Oxnard, County of Ventura, State of California, as per map recorded in Book 150, Pages 76 through 92 of Maps, in the Office of the County Recorder of said County, more particularly described as follows:

Parcel 4, as shown on Exhibit "B" of that certain document entitled "Certificate of Approval for Lot Line Adjustment", recorded December 13, 2011, as Instrument No. 20111213-00189661-0, of Official Records of Ventura County, State of California.

Except therefrom all oils, gas, minerals and other hydrocarbon substances in and under said land, without, however, the right of surface entry to a depth of 500 feet below the surface and subsurface as reserved in deeds recorded:

June 16, 1954, in Book 1209, Page 182; December 21, 1954, in Book 1252, Page 429; in Book 4723, Page 472 and December 8, 1986, as Instrument No. 86-175822, as Instrument No. 86-175823, as Instrument No. 86-175824, as Instrument No. 86-175827 and as Instrument No. 86-175828, all of Official Records.

CITY OF
OXNARD
CALIFORNIA

Meeting Date: 3/17/2015

ACTION	TYPE OF ITEM
☐ Approved Recommendation	■ Info/Consent
☐ Ord. No(s). ______	☐ Report
☐ Res. No(s). ______	☐ Public Hearing (Info/consent)
☐ Other ______	☐ Other ______

Prepared By: Greg Nyhoff, City Manager Agenda Item No. S-1

Reviewed By: City Manager GN City Attorney SMF Finance ___ Other *(Specify)*

DATE: March 10, 2015

TO: City Council

FROM: Greg Nyhoff, City Manager
City Manager's Office

SUBJECT: **Agreements for City Council Review**

RECOMMENDATION

That City Council, pursuant to Ordinance 2835, and Resolution No. 13,932, approve and authorize the City Manager to execute the agreements/contracts and change orders/amendments in amounts more than $25,000 but no more than $250,000, which are described on the attached list.

DISCUSSION

On November 16, 2010, the City Council approved changes to the City's Purchasing Procedures reducing the threshold for City agreements/contracts and change orders/amendments requiring City Council approval to $25,000. The agreements/contract and change orders/amendments described on the attached list involve amounts above $25,000 and up to $250,000.

FINANCIAL IMPACT

Funding information is included on the attached list.

Attachment - #1 – List of Agreements/Contracts and/or Change Orders/Amendments

NOTE: Copies of the agreement/contracts and change orders/amendments on the list are available in the City Clerk's Office prior to the Council meeting.

City Manager Contract List for 03/17/2015

Item	Type	Department/Contact	Vendor/Agreement Number	Description/Purpose	Amount
A	Original Agreement	**Utilities/CPM** Raymond Williams 385-7902	**Clear Channel Outdoor** Agreement No.	**Billboard Removal for PW03-18 Hueneme Road Widening Project** For the removal of a billboard sign on Hueneme Road between Salvador Drive and Arcturus Avenue to accommodate the road widening. PW03-18 Hueneme Road Widening Project requires the billboard be removed in order to accommodate the new road width which is being widened from 2 lanes to 4 lanes. Clear Channel is the owner of the facility and under contract with the Port of Hueneme for the use of this location which is on the Ventura County Railroad right-of-way. Funding is available in Project 133116 Hueneme Road Widening. **Total Contract Amount: $58,000** **FundingSource: Federal Grant Funds and State Grant Funds**	$58,000
B	Change Order	**Utilities/CPM** Lou Balderrama 340-5358	**Toro Enterprises, Inc.** Agreement No. A-7724 Change Order 1	**Rose Ave & Other Locations Resurfacing Project** Change Order No. 1 reflects a credit of $161,869 for the reduction of quantities of rubberized asphalt for the resurfacing of the Multi-Service Center parking lot and Camino Del Sol Park parking lot. It was determined that the rubberized asphalt in the bid was not the best material to use for the project due to the amount of hand work required in the parking lot. This contract was a Public Bid in accordance with the City's procurement policy, with Toro Enterprises, Inc. being the lowest bidder. **Total Contract Amount: $2,651,396** **FundingSource: CDBG Funds**	-$161,869
C	Change Order	**Utilities/CPM** Lou Balderrama 340-5358	**Toro Enterprises, Inc.** Agreement No. A-7724 Change Order 2	**Rose Ave & Other Locations Resurfacing Project** Change Order No. 2 is for the cost of conventional asphalt paving material and for changes in quantities for the resurfacing of the Multi-Service Center parking lot and Camino Del Sol Park parking lot. It was determined that the rubberized asphalt in the bid was not the best material to use for the project due to the amount of hand work required in the parking lot. This contract was a Public Bid in accordance with the City's procurement policy, with Toro Enterprises, Inc. being the lowest bidder. **Total Contract Amount: $2,810,755** **FundingSource: CDBG Funds**	$159,359

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AGENDA ITEM NO.
S-2

CITY COUNCIL OF THE CITY OF OXNARD

ORDINANCE NO. 2890

ORDINANCE OF THE CITY OF OXNARD, CALIFORNIA, AMENDING CHAPTER 16 (ZONING) OF THE CITY CODE TO REVISE §16-10, DEFINITIONS, AND §16-301, ACCESSORY STRUCTURES, EXEMPTIONS, TO CLARIFY THE DEFINITIONS AND MODIFY HEIGHT, SIZE, AND SETBACKS OF EXEMPT ACCESSORY STRUCTURES AND BUILDINGS. FILED BY CITY OF OXNARD, DEVELOPMENT SERVICES DEPARTMENT, 214 SOUTH C STREET, OXNARD, CA 93030.

WHEREAS, this zone text amendment was prepared to provide residents with more flexibility for the size and placement of accessory structures and buildings on residential lots without the need for a building permit, subject to the proposed criteria for placement and size; and

WHEREAS, on June 19, 2014, September 18, 2014, and October 16, 2014 the Planning Commission conducted a noticed public hearing on the proposed zone text amendment, accepted comments and recommended approval to the City Council; and

WHEREAS, on March 3, 2015, the City Council conducted a noticed public hearing on the proposed amendments; and

WHEREAS, the City Council finds that the proposed zone text amendment serves the public interest and general welfare by encouraging the orderly development of small accessory structures and/or buildings on residential lots and providing residents with increased flexibility for the size and placement of small accessory structures and/or buildings; and

WHEREAS, the City Council finds that the proposed zone text amendment conforms to the following City of Oxnard 2030 General Plan Goals and Policies:

CD-14: Expectations of higher quality design. The proposed zone text amendment conforms to the City of Oxnard 2030 General Plan Goals and Policies since its approval will ensure higher quality design. Consistent with policy CD-14.2, the Development Advisory Committee reviewed the proposed zone text amendment for consistency with the City's development policies and the appropriateness of the project for the proposed site.

WHEREAS, Section 15303 of Title 14 of the California Code of Regulations exempts the location of limited numbers of new, small facilities or structures from the requirement for the preparation of environmental documents imposed by the State California Environmental Quality Act.

NOW, THEREFORE, the City Council of the City of Oxnard does ordain as follows:

Part 1. Section 16-10(A)(1) is amended to read as follows:

"ACCESSORY BUILDING Any structure built for the support, shelter, or enclosure of property that is separate from but related, subordinate, and secondary to the main use of the property, such as but not limited to: storage sheds, greenhouses, and garages."

Part 2. Section 16-10(A)(3) is amended to read as follows:

"ACCESSORY STRUCTURE A man-made object other than ornamental statuary, having a permanent location on the ground and more than six inches above the finished grade that is separate from but related, subordinate, and secondary to the main use of the property, such as but not limited to: patio covers, gazebos, and children's play structures."

Part 3. Section 16-301 is amended to read as follows:

"SEC. 16-301. ACCESSORY STRUCTURES AND ACCESSORY BUILDINGS, EXEMPTIONS.

(A) Accessory structures and accessory buildings shall be allowed in any residential lot zone, notwithstanding other provisions of this chapter, provided they comply with the following standards:

1. The total aggregate floor area of all accessory structures and accessory buildings shall not exceed 15% of the total open area between the residence and adjacent rear property line or one hundred and twenty (120) square feet, whichever is less.

2. Minimum setback from any property line: three (3) feet.

3. Maximum height: Height shall be measured from the average grade within five (5) feet of the accessory structure or accessory building to the highest point of the accessory structure or accessory building. Accessory structures or accessory buildings with a flat roof shall not exceed a height of eight (8) feet. For accessory buildings with a sloped roof, the height limit may be increased six (6) inches for each additional one-foot increase to the required setbacks, graduated over the length of the structure, not to exceed a height of twelve (12) feet. Accessory structures or accessory buildings set against the residence shall not exceed the height of the adjacent eave or parapet.

a. Regulation-size sports equipment such as a basketball hoop, volleyball net, etc. which are un-covered and non-moveable and feature no more than two supporting posts shall be exempt from the aforementioned height restriction when a minimum five (5) -foot setback is provided to adjacent property lines, as determined by the Planning Manager.

4. Maximum extension of roof eaves: twelve (12) inches.

5. An accessory structure or accessory building shall not be located in any required front yard.

6. With the exception of greenhouses featuring translucent glass panels, exterior siding and roofing shall be made of non-reflective materials.

7. The accessory structure or accessory building is not served by utilities.

8. The accessory structure or accessory building is not attached to, accessed from, nor blocking openings of any other structure or building.

9. The accessory structure or accessory building shall not be located so as to block required clearances around equipment, vents, utilities and similar items.

10. The accessory structure or accessory building meets the criteria set by the California Building Code to be found exempt from permit requirements.

11. The accessory structure or accessory building shall not be occupied for living or sleeping purposes.

12. Furniture, plants and similar items shall not be placed on or above any accessory structure or accessory building.

(B) Accessory structures or accessory buildings not meeting the above standards shall be subject to the provisions of this chapter."

Part 4. Within 15 days after passage, the City Clerk shall cause this Ordinance to be published one time in a newspaper of general circulation published and circulated in the City. Ordinance No.______ was first read on__________, and finally adopted on ______, to become effective thirty (30) days thereafter.

PASSED AND ADOPTED this ___ day of _______________, by the following vote:

AYES:

NOES:

ABSENT:

____
Tim Flynn, Mayor

ATTEST:

____
Daniel Martinez, City Clerk

APPROVED AS TO FORM:

____
Stephen M. Fischer, Interim City Attorney