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AGENDA
OXNARD CITY COUNCIL
OXNARD HOUSING AUTHORITY
Special Meetings
Council Chambers, 305 West Third Street
June 14 and June 15, 2016
10:00 A.M. – 4:30 P.M.

A. ROLL CALL/POSTING OF AGENDA

B. OPENING CEREMONIES

Pledge of allegiance to the flag of the United States

C. PUBLIC COMMENTS

At a special meeting, a person may address the legislative body only on matters set forth on the agenda. The presiding officer shall limit public comments to three minutes per person. Public comments will be heard during City Council consideration of the item on the agenda.

D. REPORTS

City Managers Department

1. SUBJECT: Fiscal Year 2016-2017 Operating Budget - June 14 and 15 City Council Budget Workshops.

RECOMMENDATION: 1) Approve the recommended budget calendar and process leading to adoption of the Fiscal Year (FY) 2016-2017 Budget on June 28, 2016; and 2) Conduct two budget workshops on June 14 and 15 with the primary intent of (1) understanding the City's financial position, (2) understanding departmental accomplishments, goals and performance measures, and (3) providing input on priority based budget recommendations related to the Council strategic priorities and other departmental augmentation recommendations.

Legislative Body: CC/HA

Contact: Greg Nyhoff

Phone: 385-7430

E. ADJOURNMENT

In compliance with the Americans with Disabilities Act, if you require special assistance to participate in a meeting, please contact the City Clerk's Office at 385-7803. Notice at least 24 hours prior to the meeting will enable the City to reasonably arrange for your accessibility to the meeting.

City of Oxnard internet address: www.oxnard.org.

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**CITY COUNCIL
AGENDA REPORT**

TYPE OF ITEM: Report
AGENDA ITEM NO.: 1

DATE: June 14, 2016

TO: City Council

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

FROM: Greg Nyhoff, City Manager

SUBJECT: Fiscal Year 2016-2017 Operating Budget - June 14 and 15 City Council Budget Workshops

CONTACT: Greg Nyhoff, City Manager
Greg.Nyhoff@oxnard.org, 385-7430

RECOMMENDATION:

That City Council:

- 1) Approve the recommended budget calendar and process leading to adoption of the Fiscal Year (FY) 2016-2017 Budget on June 28, 2016;
- 2) Conduct two budget workshops on June 14 and 15 with the primary intent of (1) understanding the City's financial position, (2) understanding departmental accomplishments, goals and performance measures, and (3) providing input on priority based budget recommendations related to the Council strategic priorities and other departmental augmentation recommendations.

BACKGROUND

I choose to begin the 2016-2017 proposed budget narrative with hope and a positive outlook for a better Oxnard and City government. Prior to the initiation of this proposed budget the City Council adopted four Strategic Priorities that include; Quality of Life, Organizational Effectiveness, Economic Development and Infrastructure and Natural Resources. With clear priorities, community, City Council and City staff can far better partner to bring about positive change for Oxnard. I recommend a budget calendar, which is outlined in this report, which

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begins with two workshops where, unlike last year, introduces City Manager recommendations related to funding for implementation of Council strategic priorities and other departmental augmentation considerations. These budget workshops do not request formal City Council decisions, but rather, are intended to provide information, answer questions, and explain the fiscal condition of the City. We are interested, in general observations and reactions and in obtaining the Council's and community's feedback over the next couple of days.

We have made significant strides in getting our "fiscal house in order". Our local economy is improving as seen by increased revenue in property tax and sales taxes, which account for 51 percent of General Fund revenues. This winter we partnered with the Congress for New Urbanism California Chapter to hold a "Downtown Oxnard Vision Plan Charrette." The report has just recently been completed and we share the community's excitement about the plan and look forward to prioritizing and implementing it. A \$6 million dollar settlement of a related recent court case has provided resources for a strong start that will enable us to create some dynamic changes to our downtown.

The City began planning for recycled water over 20 years ago after the problems of local sea water intrusion and over pumping of groundwater aquifers were identified. After years of planning, adjusting to environmental regulatory changes, and construction, the City began operating our state of the art Advanced Water Purification Facility on a regular basis this year. The facility purifies our community's wastewater that normally would be treated and released into the ocean. The purified water is used for irrigation and industrial processes, which reduces the demand on our decreasing drinking water supplies. The City has also partnered with local water agencies to use the water to irrigate farmland that might otherwise be fallowed during the drought. The water is so pure that it reduces the amount of water used for irrigation, increases crop yield, and reduces salts in the aquifers; helping to keep farming viable on the Oxnard Plain. GREAT plan, GREAT partnerships and GREAT results.

There has been a lot of discussion this past year regarding both internal and external services. We have found much to improve on through assessments and audits. We have improved, but if our benchmark is to move from GOOD to GREAT, we still have work to do. Our leadership team and our employees are committed to raising the bar.

Through this difficult past of budgetary cuts, audit and financial uncertainty and position eliminations, our employees have "stepped up" by taking on additional responsibilities and addressing necessary internal control changes and efficiency recommendations. I salute them in appreciation of their efforts.

2015-2016 BUDGET RECAP

It is good to look in the rearview mirror and remind ourselves of the struggles we have been through in order to provide the proper context to view this new budget submittal. As you are painfully aware, with the help of an assessment we discovered numerous accounts and programs with cash deficits, deficit budgeting, and replacement funds for vehicles, equipment and facilities

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that were depleted. We were required to lower the Carman Override tax rate, which caused a significant reduction in property tax revenue that previously covered the costs for public safety pensions. Combining this change with the fact that the City was depleting fund balance from this source (deficit budgeting) and as pension costs continue to escalate, this revenue source did not cover our costs in this area. The General Fund had to absorb pension costs for the first time in FY 14/15. The cost now is \$5 million in public safety pension costs.

All of these financial impacts left the City in a deficit position. If the City had not taken action, but had continued the status quo we would have run out of money in the General Fund. Difficult conversations and decisions were made to reduce spending and services. Those decisions to reset and begin to stabilize were crucial as we look at our position going into the FY 16/17 budget. We must not forget that not only did we need to cut approximately 10% of our budget, but we also utilized \$16 million from the Measure O fund in order to have cash available to operate even at reduced service levels. By Council resolution we are committed to restore the \$16 million back to the Measure O fund over a 10-year period. Consistent with this commitment, we have budgeted our annual installment on this loan this year.

Once we moved into the current year budget the \$12 million reductions in staffing and services were felt by the community and the organization. The impacts to both the organization and the community touched nearly all sectors of the services we provide. Public Safety, recreation, parks, library, development services, economic development and streets all have seen some decline in service levels and have placed strain throughout the organization. It is very hard to answer question after question about why service levels have declined. The alternative to not making the hard decisions to reduce costs was to run out of money.

Although service levels are not where we want them to be, we also are not covering the costs of the service levels we currently provide. The City continues to face the financial impacts of problems revealed last year which were significant and had one time costs. And we will need to prepare for new ongoing costs to maintain compliance. It will be these ongoing costs that make it important to carefully address priorities and control costs. I would call the FY 16/17 proposed budget one of stabilization to the new normal for the City. Council made the difficult decisions and impacts to service levels occurred in the community. Assessments, audits, vacancies and uncertainty were the word of the day this year. FY 16/17 is the year we stabilize.

FY 2016/17 BUDGET OVERVIEW

This new budget signals stabilization from the current year, yet we are far from the fiscal health goal we all wish to achieve. I am of the opinion that additional reductions to service levels will cause us to decline to a below satisfactory level. I am recommending very selective budget augmentations in areas that reflect the City Council priorities. Given our financial picture for the foreseeable future, our focus looking into the future should be “are we efficiently providing current services?” City employees have taken excellent strides towards gaining efficiencies. As our “Good to Great” culture continues to change, more will be realized.

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Due to very significant financial management and record keeping deficiencies, our independent auditors are in the final stages of completing our FY 14/15 audits. Due to multitudes of adjustments from a scouring of our books we only really were able to make assumptions about our beginning and ending fund balances until very recently. The fact that our CAFR is scheduled at the same time City Council considers adoption of the FY 16/17 budget is a second reason I propose what I will call a “stabilization budget”. In light of this very difficult timeframe we have not been able to fully implement a priority-based budget. However, with this budget you will see evidence of our actions to support City Council strategic goals.

I am happy to say this proposed budget does not ask for more reductions in staffing and services. However, we still have our work cut out for us.

We had many Council discussions about our utility rates during the past fiscal year. Oxnard, like many cities in our state, is facing water and wastewater revenue shortfalls. These shortfalls hit us at a particularly challenging time; a time when fundamental infrastructure repairs and investments are critically needed. Without the Council action to approve new Wastewater rate increases, we would have gone further down the dangerous path of running out of operating funds in our Wastewater Utility.

Although it currently has a higher cash balance, our Water Utility has a significant imbalance in its operating revenues and expenditures. Our Water Utility is burning through its operating cash at too high a rate and action must be taken soon to stabilize it. We plan on coming back to Council with recommendations after the results of the audit are presented.

We are just starting the second year into implementing several of the 128 recommendations found in the organizational assessment of our “Corporate Support, Accountability and Value Systems” and as we tackle and correct past practices the impacts continue to trickle in and affect our budget. Some of these I highlighted and cautioned you about within last year’s Budget Message in the “Additional Budget and Emerging Issues” section. On May 24th, you heard about \$3.6 million in General Fund audit adjustments that reduce our expected June 30, 2016 fund balance. Since the final audit report has not been issued as of date of publication of this document, further adjustments may be required as a result of the report that may impact fund balance.

Thankfully through a strong economy and aggressively monitoring the budget, we expect this year to add \$1.7 million to the General Fund—Fund Balance for a total of \$16.2 million (13.6% of expenditures). We must remember that the transfer of \$16 million dollar in loan proceeds to the General Fund last year preserved the General Fund balance and continues to do so this year. We need to focus on improving this number given Council’s goal of 18% and before we experience the next recession.

If we did not have to trudge through these corrections in our accounting, fiscal and operational practices, this budget would be considering tackling pent up capital needs in our technology, fleet and facilities or investing even more into the City Council policy priorities. This is because

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our revenues are increasing faster than what we expected at this time last year. However, this is offset by a \$2.3 million increase in CalPERS costs, the three-year payment schedule for non-compliance with social security replacement plans and roll out of “Emerging Issues” such as the Benefit Assessment Districts and impacts of accumulated issues in the PACC, Golf and the Animal Shelter contract. These have all caused a drag on the General Fund.

In summary, we essentially have a balanced budget in conformance with state law, but our ongoing expenses are exceeding our ongoing revenues by approximately \$500,000. This needs to be monitored through this next budget cycle; however, there are General Fund costs in the calculation that are not truly ongoing such as the social security replacement program IRS penalty and other one-time augmentations. The candidates for helping with this issue next year include: internal audits of our overtime usage, the PACC and Golf programs - staying the course on fixing our Benefit Assessment District subsidies and continued evaluation of major cost drivers in our budget, via internal audit review and other means.

Finally, what received a large amount of attention in last year’s budget process and during this fiscal year was the request for employee assistance in plugging the budget gap, from both a short and long-term perspective. As I write this message we had tentative agreements with two employee groups but one did not ratify their agreement. This budget assumes that we will ultimately be successful in partnering with our employee groups and in achieving concessions that strike a balance between maintaining a market competitive compensation package and that fits within our financial parameters.

BUDGET CALENDAR

CITY COUNCIL BUDGET WORKSHOPS (JUNE 14TH AND JUNE 15TH):

The City Council will hold two budget workshops where Council will listen to the major departments present their accomplishments, goals and how their specific departments will contribute to the Council strategic priority areas. I am not asking Council to make formal decisions on this date. The two budget workshops are a chance to share information, listen to Council’s concerns, address Council’s questions of staff and solicit input. It is a time to contemplate and consider options, particularly related to the Council’s strategic priority areas.

City Manager’s Proposed Budget for FY 16/17:

My proposed budget for FY 16/17 will be distributed to Council, staff and the public on this date. I will begin the workshop with a detailed overview of the proposed budget for this coming year.

The budget calendar leading to the City Council adoption of the FY 16/17 budget is as follows:

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JUNE 14, 2016:

<u>TIME</u>	<u>TOPIC</u>
10:00 - 10:30 A.M.	WELCOME & BUDGET OVERVIEW
10:30 – 11:00 A.M.	POLICE DEPARTMENT
11:00 – 11:30 A.M.	FIRE DEPARTMENT
11:30 – 12:00 P.M.	DEVELOPMENT SERVICES
12:30 – 12:45 P.M.	CITY MANAGER’S OFFICE
12:45 – 1:15 P.M.	FINANCE
1:15 – 1:45 P.M.	HUMAN RESOURCES
1:45 – 2:00 P.M.	INFORMATION TECHNOLOGY
2:00 - 2:15 P.M.	ECONOMIC DEVELOPMENT
2:15 – 2:45 P.M.	HOUSING DEPARTMENT
2:45 – 3:15 P.M.	CULTURAL & COMMUNITY SERVICES
3:15 – 3:45 P.M.	MEASURE “O” AND OTHER FUNDS
3:45 – 4:00 P.M.	CLOSING COMMENTS

JUNE 15, 2016:

<u>TIME</u>	<u>TOPIC</u>
10:00 - 10:30 A.M.	INTRODUCTORY REMARKS
10:30 - 11:00 A.M.	CITY ATTORNEY/ CITY CLERK/CITY TREASURER
11:00 – 12:00 P.M.	PUBLIC WORKS –NON-UTILITIES
12:30 – 1:30 P.M.	UTILITIES: SOLID WASTE
1:30 - 2:30 P.M.	UTILITIES: WATER
2:30 – 3:30 P.M.	UTILITIES: WASTEWATER
3:30 - 4:00 P.M.	WRAP UP & NEXT STEPS

JUNE 21, 2016

Public Hearing On Proposed FY 16/17 Operating Budget

JUNE 28, 2016

FY 16/17 Budget Adoption

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BUDGET SUMMARY:

While it is difficult to compare budgets between fiscal years, it is an obligatory task in every governmental budget. As a result, you will find below a comparison between this year's budget and my proposed budget for next year.

BUDGET SUMMARY - ALL FUNDS

FUND	FY 2015/16 Revised	FY 2016/17 Budget
General Fund	\$115.5	\$122.6
Measure O	\$10.9	\$15.2
Assessment Districts	\$4.5	\$4.5
Community Facility Districts	\$10.4	\$10.2
Debt Service	\$6.0	\$7.0
Golf Course	\$5.6	\$5.3
Impact Fees	\$2.1	\$1.7
Internal Service	\$26.3	\$26.6
PACC	\$1.5	\$1.7
Public Safety Retirement	\$10.5	\$10.4
Solid Waste/Environmental Resources	\$42.9	\$43.0
Special Revenue Funds	\$23.9	\$17.0
Stormwater	-0-	\$1.2
Wastewater	\$33.3	\$34.1
Water	\$63.1	\$60.5
Housing Authority (Non-City)	\$24.8	\$25.0
Total All Funds	\$381.3	\$385.9

The table above illustrates that the proposed FY 16/17 Budget for all funds is \$385.9 million, which is \$4.6 million more than in the FY 15-16 revised budget.

The General Fund reflects a 6% increase in expenditures primarily due to \$2.5 million in mandatory expenses that include a PEMHCA employer contribution, an increase in the animal services contract, a golf course and storm water subsidy requirement, and an anticipated payment to the IRS resulting from the IRS audit. Additionally, there are a total of \$3 million in recommended funding this fiscal year to implement Council strategic priorities, to address IT, building and fleet maintenance related needs, and other policy priorities, such as the establishment of the internal audit program.

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Measure O continues to fund approximate \$10 million in ongoing projects and an additional \$3.6 million of one-time expenditures are recommended. The City recognizes that there is a need for critical repair and replacement needs across the organization that include replacement for public safety vehicles, repairs and improvements to various City facilities, and improvements to neighborhood and community parks. The 39% increase in Measure O recommended expenditures focus on key project enhancements to address public safety vehicle replacement and equipment, investment for deferred maintenance for parks, sidewalks, and community facilities including the Performing Arts Center (PAC) and recommended improvements to La Colonia Gym. The projects recommended for funding are listed and discussed further in this budget message.

The Special Revenue funds decrease is attributed to the ending of some major grants, including \$700,000 in State Cops Grants, \$550,000 in Gang Violence Grant, and the Rice Ave Project is completed therefore that Federal Transportation Grant will end this year. Other funds essentially remain flat year-to-year and the Housing Authority estimated budget only increases \$200,000. There is an \$800,000 increase in Wastewater operations and a Debt service payments have increased by \$1 million.

GENERAL FUND SUMMARY

(In Millions)	FY 15/16 Revised Budget	FY 15/16 Projected Actuals	FY 16/17 Proposed Budget	Changed from Revised
REVENUES:				
Property Taxes	\$47.2	\$47.9	\$52.1	\$4.9
Sales Tax	27.20	29.07	28.73	1.53
Other Revenues	30.66	33.72	30.40	(0.25)
Internal Service/Intergovernmental	10.47	10.40	10.86	0.39
Total Revenues	\$115.50	\$121.12	\$122.11	\$6.61
EXPENDITURES:				
City Attorney	1.52	1.57	1.82	0.30
City Clerk	0.44	0.41	0.73	0.29
City Council	0.35	0.35	0.36	0.01
City Manager	2.38	2.41	2.07	(0.31)
City Treasurer	1.36	1.37	1.38	0.02
Human Resources	2.14	2.07	2.32	0.19
Finance	3.94	3.88	4.37	0.43
Cultural Services	8.83	8.17	8.57	(0.27)
Development Services	7.26	7.26	7.43	0.18
Economic Development	1.02	1.17	1.55	0.53
Housing	0.38	0.38	0.54	0.16
Fire	15.15	15.09	15.92	0.77

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Police	52.03	52.61	52.54	0.52
Public Works	10.12	9.51	10.24	0.12
Non-Departmental	11.75	13.16	12.59	0.84
Total Expenditures	\$118.66	\$119.42	\$122.43	3.77
Net Change in Balance	(3.16)	1.70	(0.33)	2.83
Beginning Balance		14.46	16.16	
Ending Balance		\$16.16	\$15.84	

Some key points that I wish to draw attention are not all readily apparent by looking at the above summary schedule. For example, our revenues are projected to surpass budgeted amounts by approximately \$5.6 million in FY 15/16. Most of that is due to the one-time \$3.5 million Successor Agency payment in this year that will not be budgeted for next year. Next year's revenues look relatively flat compared to projections. Yet, the story is more complicated. Our General Fund is experiencing robust growth in property and sales tax revenues. However, losing the one-time Successor Agency payment offsets this.

Again, on the surface it appears budgeted expenditures between the two years have increased by \$7 million; however, this is primarily due to a change in budgeting practices. In order to conform to state law and generally accepted accounting practices, the City historically transfers cash from the General Fund to various grant funds that have negative cash balances at June 30th. The grant funds are waiting for reimbursement from grantors. This transaction is immediately reversed on July 1 because the grant funds will get reimbursed the next year. This "paper" transfer (\$6 million) is now being properly budgeted for the first time. The balance of the changes is nominal in total. Yet again, the details suggest another story. Our CalPERS costs are increasing by \$2.3 million. Our subsidy of the PACC will be increasing to \$910,000; the Animal Control contract is increasing another \$180,000; the General Fund portion of storm water costs are now budgeted at \$664,000; and, the subsidy to the Golf Fund continues to be \$600,000.

CITY COUNCIL'S FOUR STRATEGIC PRIORITY AREAS

The October 29, 2015 Council prioritization workshop last fall resulted in Council identifying four strategic priority areas. I formed inter-departmental teams to develop Strategy Business Plans to ensure implementation of these priorities and, on May 17, 2016; Council adopted the four 2-year business plans to ensure those goals are realized. Council's identification of these four strategic priority areas and related business plans are explained in more detail at the end of this budget message. The recommended funding for this upcoming year ensures that funding priority was given to the implementation of these four strategic priority areas.

QUALITY OF LIFE:

The purpose of the Quality of Life strategy is to build relationships and create opportunities within the community for safe and vibrant neighborhoods, which will showcase the promising future of Oxnard.

There are several key initiatives outlined in the Quality of Life strategy business plan. Recommended funding includes a code compliance inspector for the rental inspection program, a homeless assistance program coordinator position and funding for a number of other public safety related programs, including three new police officers: a homeless liaison officer, a crisis intervention officer and a neighborhood policing supervisor. There is also funding for a Fire Academy to fill badly needed vacancies to enhance service levels and response times.

We also are proposing \$1.2 million in neighborhood and community park improvements as well as sidewalk repair to ensure that public facilities and spaces continue to be in safe and proper conditions for public use.

ORGANIZATIONAL EFFECTIVENESS:

The purpose of the Organizational Effectiveness strategy is to strengthen and stabilize the organizational foundation of the City in the areas of Finance, Information Technology and Human Resources and to improve workforce quality while increasing transparency to the public. There are various investments proposed in this budget that improve the City's capacity to deliver better results including: a new classification and compensation study, a new Assistant City Clerk position to support customer service needs and to improve support to the Council; additional finance Information Technology (IT) staff; a Benefit Assessment coordinator; and, and IT fiber master plan. Funding enhancements for staff training and development was added through the budget to ensure that the city maintains and grows a well trained staff to serve the community.

ECONOMIC DEVELOPMENT:

The purpose of the Economic Development strategy is to develop and enhance Oxnard's business climate, promote the City's fiscal health and support economic growth in a manner consistent with the City's unique character.

There are several key initiatives outlined in the Economic Development strategy that are recommended for funding including: additional resources to improve plan check turnaround times and supporting regional economic development efforts. A project manager position was added for redevelopment efforts. A \$350K investment was added for the PACC to address deferred maintenance issues to upgrade the facility to attract more shows and events to the downtown and to the City.

INFRASTRUCTURE AND NATURAL RESOURCES:

The purpose of the Infrastructure and Natural Resources strategy is to establish, preserve and improve the City's infrastructure and natural resources through effective planning, prioritization and efficient use of available funding.

There are several key initiatives outlined in the Infrastructure strategy that are recommended for funding, including: subject matter experts to support Council goals for the SOAR initiatives, Ormond Beach and coastal development issues; sand moving resources at beaches; Colonia Gym repairs, PACC Auditorium repairs, and \$1 million in facility and sidewalk repairs.

A more detailed discussion of Council priorities and strategies is appended to this budget message.

EMERGING ISSUES THAT WILL AFFECT OUR FINANCES

Similar to last year, I would like to draw attention to the issues that will be playing out this next year that will have a material impact on the City finances. I have to fulfill my statutory obligation to submit a budget before the fiscal year, but there are emerging issues, which your Council will have to address that may cause changes to the budget throughout the year.

Utility Rate Increases

As you know from extensive workshops, the three utilities i.e. water, wastewater and solid waste require rate increases to provide adequate and sustainable services and to comply with the plethora of regulatory standards from various agencies and levels of government.

Council approved the wastewater rates and has yet to approve the water and solid waste rates. There is justified frustration in the community about the proposed rate increases and there is a movement to reverse the wastewater rate increase through an initiative petition process.

Rolling back the rate increases does not eliminate the need for infrastructure repairs or the investments that need to be made. These repairs and investments are at the foundation of our ability to provide safe and reliable wastewater services.

Notwithstanding the legal efficacy of the rate reversal effort, if successful, it would significantly challenge our ability to provide regulatory compliant services. Without a way to increase revenues or decrease expenses to comply with bond provisions, bond rating agencies and capital market credit departments markets could penalize the City by further downgrading our bonds.

Variable rate wastewater bonds affected by the initiative would face large increases in interest rates and agreements intended to cap variable rate payment risk could be terminated. Millions of dollars of cost would be added to the fund that, before the rate increase, was not covering its cost

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of operations and existing debt payments. Issuing debt for critical infrastructure would be, at best very expensive and achieving \$10 million in savings by refunding existing debt would probably be impossible. Loss of capital market confidence in Oxnard's willingness to pay and meet its contractual obligations could have consequences for General Fund supported debt to the point of affecting service levels. The city could face the prospect of reducing payments to bondholders if net revenues are inadequate to cover bond payments, which would harm to both the City's ability to issue future debt and the overall reputation of the City of Oxnard for years to come. This could create continued financial distress

We also need to increase the rates for Water and Solid Waste. As you know, these two funds are unable to sustain operations and replace the assets required to provide services without increases. Not investing in our infrastructure will negatively impact every Oxnard resident and business owner.

Maintenance Assessment Districts (MADs)

The Council has worked on this issue in recent months, and has been well briefed on the conditions of the districts. Implementation of organizational assessment recommendations relating to MADs resulted in audits and analysis performed by NBS, Inc., experts in land secured financing and services. They found serious problems with the City's administration of the MADs, including lack of compliance with state code and court decisions interpreting the provisions of Proposition 218. Issues relating to the process of allocating cost between general and property owner benefit affected both districts that were unable to cover the costs of services, and those that could produce adequate revenues.

We need to stay the course and focus on educating assessment payers about the costs and benefits of services provided by these districts and stay the course in aligning assessment revenues with the cost of services. Correcting those problems will impose new costs on the City's General Fund, adjustment of assessment levels and revision of service levels. During the course of FY 16/17 a series of reports and proposed changes will be presented to increase efficiency, continue to improve cost allocation, reengineer districts, add multi-year budgeting and provide appropriate service levels.

Internal Audit Program

This program is becoming more important to the City's financial picture as time goes by. We need to maintain our resolve and award a contract to a contractor soon so we examine ways to save money. The immediate candidates for review include the ever-increasing subsidies for the PACC and Golf operations and our overtime usage.

Asset Management

While I'm comfortable that we understand our capital needs associated with utilities, I am less so about tackling our substantial needs in facilities, fleet, parks and technology. I propose a modest

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contribution of \$1.2 million from the General Fund and \$2.7 million from Measure O funds towards these programs. We generally know our needs in technology but we need updated master plans in the other areas and a robust financing plan for all. This will be our challenge in the coming years. Part of this investment will be made in \$450,000 in vehicle replacement for first responder police vehicles.

Increase Cost of Pension

Pension cost for public safety employees for FY 16/17 is estimated at \$18 million, \$7 million of which is paid for by the Carman Override tax. PERS rates increased from FY 15/16 to FY 16/17 by 1.9% for Police and 1% for Fire classic members and -.37% for miscellaneous classic members. These increases were the key driver in overall personnel costs in the General Fund increasing 6.8% from \$80.0 million in the FY 15/16 adopted budget to \$85.5 million in the FY 16/17 budget. Across all funds, personnel costs are increasing 1.9% from \$146.5 million in FY 15/16 to \$149.3 million in FY 16/17.

Audit-Related Impacts

The IRS audit completed a couple of months ago resulted in an estimated \$1.5 million dollar liability to the City for non-compliance with social security replacement plans. The City plans to request a deferred payment arrangement to preserve cash for contingencies. Included in the budget this year is \$560,000 in preparation for a deferred payment arrangement. The Independent Audit will be presented at the same time and confirms the issues that have been identified in last year's and this year's transmittal message.

User Fees

This past budget I highlighted the inconsistencies between the specific direction around user fees outlined in the financial management policies and past practices. I also recommended that a thorough review of our practices in this area was needed with the ultimate goal of having a Council adopted master fee schedule that was consistent with the Council's financial management policies. We are on the verge of recommending a subject matter expert to review our use of development mitigation or impact fees to ensure they comply with the most recent court interpretations for this program. To the extent that we grow, it is critical that growth pays for its impacts on the City infrastructure. Absent a plan, the General Fund would be the backstop for funding a Capital Improvement Plan.

MEASURE O

Last year, due to the City's commitment to eliminate the deficits in various funds, the City's General Fund received a loan from Measure O fund in the amount of \$16 million dollars. Council's commitment to repay the loan over a period of ten years at 4% interest with annual

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transfers from the General Fund begins this year. This year's budget includes a payment from General Fund to Measure O in the amount of \$1,875,688.

Additionally, given that Measure O funding expires in 2028, I recommended that future funding be limited to one-time expenditures. For FY 16/17, I recommend using Measure O funding for critical one-time funding needs that comply with the spirit of Measure O. These projects include a number of fleet, Information Technology, and building maintenance related items, as well as several public safety related projects. The nine specific projects recommended for funding this year include body cameras, public safety vehicle replacement, and several public safety related items. Table 1 below lists the specific projects totaling \$1.37 million.

TABLE 1: MEASURE O FY 16/17 RECOMMENDED FUNDING

PROJECTS	FY 16/17 Recommended Funding
Colonia Gym Facility Repairs	\$18,000
PACC Auditorium & other Repairs	\$350,000
Fire Standards of cover Study	50,000
Breathing Apparatus	100,000
Fiber Master Plan	\$100,000
Body Cameras	\$220,000
Public Safety Vehicle Replacement	\$450,000
Police-Efficient Workforce Scheduling Software	\$60,000
Animal Shelter Feasibility Study	\$25,000
SUBTOTAL:	\$1,373,000

Additionally, there are critical facility, park and sidewalk improvement needs across the City which requires immediate attention. A total of \$2.25 Million dollars are recommended for funding from Measure O for Facilities maintenance and repairs, neighborhood and community park improvements, and sidewalk repairs. These repairs are listed on Table 2 below.

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TABLE 2: PROJECT CATEGORIES RECOMMENDED FOR FUNDING FOR FY 16/17

PROJECTS	FY 16/17 Recommended Funding
Facilities Maintenance and Repairs	\$500,000
Neighborhood Parks Improvements	\$500,000
Community Parks Improvements	\$750,000
Sidewalk Repairs	\$500,000
SUBTOTAL (Categories):	\$2,250,000

These one-time funding recommendations will begin to restore a neglected asset management strategy and address repairs that are past due. There is, however, an additional \$10.1 million worth of ongoing programs being funded by Measure O on an ongoing basis that will need to be evaluated over the next several years. While it is twelve years off, we need to discuss our reliance on this supplemental sales tax for ongoing operations and develop a plan to transition these costs to another sustainable funding source, like general fund, evaluate and refine priority core services, and begin weaning ourselves off a short term funding source long before its sunset date.

SUMMARY

Upon reflecting on this budget I think one can find good and challenging news in it. The good being our property values and local economy continues to strongly come back. We are not experiencing the massive surprises from last year where we had to make huge reductions to balance the budget. We are able to make modest investments in the Council priority areas, consistent with priority-based budgeting.

The challenging side of this budget picture is the fact that our General Fund—Fund Balance has not reached Council’s target and the majority of the funds currently in the fund balance are loan proceeds from Measure O. We are still being affected by the cleanup of past practices, such as the Maintenance Assessment District subsidies, the audit adjustments, and continued high subsidies for the PACC and Golf operations. We also need to take a hard look at our Animal Control contract given the huge increase in costs over the last few years. Yet, we haven’t taken our eye off the ball and have plans to grapple with these challenges.

Again, Council should be proud on how you have tackled all the surprises thrown your way. As a result, the list is getting smaller by the year as we pivot and focus on the City Council priorities and the reasons you became elected officials.

I look forward to working with you in both understanding and ultimately adopting a budget for FY 16/17.

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FINANCIAL IMPACT

There is no financial impact with the presentation and discussion of this proposed budget until such time as the City Council adopts the budget.

ATTACHMENTS:

Attachment A: 6-14-16 & 6-15-16 Budget Workshop Schedule

Attachment B: Organizational Effectiveness Strategic Priority Summary Chart

Attachment C: Quality of Life Strategic Priority Summary Chart

Attachment D: Economic Development Strategic Priority Summary Chart

Attachment E: Infrastructure And Natural Resources Strategic Priority Summary Chart

BUDGET WORKSHOP SCHEDULE
JUNE 14, 2016
10:00 A.M. – 4:00 P.M.



AGENDA

<u>TIME</u>	<u>TOPIC</u>	<u>LEAD</u>
10:00 - 10:30 A.M.	WELCOME & BUDGET OVERVIEW (30/0)	GREG NYHOFF
10:30 – 11:00 A.M.	POLICE DEPARTMENT (15/15)	CHIEF WILLIAMS
11:00 – 11:30 A.M.	FIRE DEPARTMENT (15/15)	CHIEF BRYCE
11:30 – 12:00 P.M.	DEVELOPMENT SERVICES (15/15)	ASHLEY GOLDEN
12:00 – 12:30 P.M.	LUNCH BREAK	
12:30 – 12:45 P.M.	CITY MANAGER’S OFFICE (5/10)	GREG NYHOFF
12:45 – 1:15 P.M.	FINANCE (15/15)	DAVE MILLICAN
1:15 – 1:45 P.M.	HUMAN RESOURCES (15/15)	MARIA HURTADO
1:45 – 2:00 P.M.	INFORMATION TECHNOLOGY (15/15)	KEITH BROOKS
2:00 - 2:15 P.M.	ECONOMIC DEVELOPMENT (10/5)	KYM HORNER
2:15 – 2:45 P.M.	HOUSING DEPARTMENT (10/5)	ARTURO CASILLAS
2:45 – 3:15 P.M.	CULTURAL & COMMUNITY SVCS. (15/15)	INGRID HARDY
3:15 – 3:45 P.M.	MEASURE “O” AND OTHER FUNDS (15/15)	GREG NYHOFF
3:45 – 4:00 P.M.	CLOSING COMMENTS	

BUDGET WORKSHOP SCHEDULE
JUNE 15, 2016
10:00 A.M. – 4:00 P.M.



AGENDA

<u>TIME</u>	<u>TOPIC</u>	<u>LEAD</u>
10:00 -10:30 A.M.	INTRODUCTORY REMARKS (30/0)	GREG NYHOFF
10:30 -11:00 A.M.	CA/CC/CITY TREASURER (15/15) CITY ATTORNEY CITY TREASURER CITY CLERK	STEPHEN FISCHER DANIELLE NAVAS DANIEL MARTINEZ
11:00 – 12:00 P.M.	PUBLIC WORKS –NON-UTILITIES (20/40)	DAN RYDBERG
12:00 – 12:30 P.M.	LUNCH	
12:30 – 1:30 P.M.	UTILITIES: SOLID WASTE (20/40)	DAN RYDBERG
1:30 -2:30 P.M.	UTILITIES: WATER (20/40)	DAN RYDBERG
2:30 – 3:30 P.M.	UTILITIES: WASTEWATER (20/40)	DAN RYDBERG
3:30 P.M. -4:00 P.M.	WRAP UP & NEXT STEPS	GREG NYHOFF

Purpose: To strengthen and stabilize the organizational foundation in the areas of Finance, Information Technology, and Human Resources, and improve workforce quality while increasing transparency to the public.



**City Council
Strategic Priorities
2016-2018**

GOAL 1

To help foster a healthy and accountable corporate foundation by strengthening the support functions, which include Finance, Information Technology and Human Resources.

OBJECTIVES

- Ensure the 128 recommendations outlined in the organizational assessment are implemented through the 3 phased implementation action plans adopted by Council in July, 2015, and provide periodic reports to Council on the status of the implementation plans.
- Establish an Internal Audit Program to complete performance audits of identified programs to ensure compliance with state and federal law and Council policy is adhered to.
- Develop written procedures to address Internal Control recommendations from Auditor.
- Ensure adequate systems are established, reviewed, and updated within the Human Resources Department related to personnel policies and procedures, employee compensation, benefits, recruitments, testing and other human resources related systems.

PERFORMANCE MEASURES

- Address 40% of all organizational assessment recommendations by end of Fiscal Year 2016-17.
- Complete 90% of Priority 1A assessment recommendations.

GOAL 2

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

OBJECTIVES

- Initiate a priority based budgeting program incorporating departmental performance measures and the Council Strategic priorities.
- Prepare Quarterly Budget Updates and have month-end financial reports available via City's Website.
- Create a standardized template to present financial and other data to the general public.

PERFORMANCE MEASURES

- Report assessment progress to Council during all 4 quarters of Fiscal Year 2016-17.
- Complete at least 2 of the performance audits in Fiscal Year 2016-17 (PACC, Golf Course, City Corps, Worker's Comp).

GOAL 3

Focus on creating a culture of learning and talent development that will lead to a quality workforce which meets the needs of our community.

OBJECTIVES

- Develop a training program that focuses on strengthening the effectiveness of supervisory/ management staff by establishing a common understanding of basic HR, IT, and fiscal policies and procedures.
- Develop a talent development initiative that engages, trains, transforms, and works collaboratively with mid-managers to change the organizational culture into one that focuses on a high performing organization.
- Develop an employee recognition program that recognizes talent developers, high performers, and employees that exhibit the values of the organization.
- Establish a Leadership Development Team (LDT) with the purpose of identifying and growing internal leaders to fill future vacancies & attract talent into the organization.

PERFORMANCE MEASURES

- Hold 2 employee recognition events in Fiscal Year 2016-17.
- Provide upgraded employee orientation training to 100% of new hires during Fiscal Year 2016-17.
- Written internal control procedures are being followed at least 75% of the time.

Purpose: To build relationships and create opportunities within the community for safe and vibrant neighborhoods which will showcase the promising future of Oxnard.



**City Council
Strategic Priorities
2016-2018**

GOAL 1

Improve community safety and quality of life through a combination of prevention, intervention, and suppression efforts that address crime and underlying issues.

OBJECTIVES

- Create a renewed focus on police/community relations with underserved communities and youth population.
- Explore alternatives for youth through recreation programs and intervention services.
- Highlight our continued efforts to address Domestic Violence.
- Examine options for long term sustainability of our public safety services to ensure an efficient public safety service delivery model.
- Develop a rental inspection program.

PERFORMANCE MEASURES

- Increase the city's social media followers by 10% each year.
- Increase the number of youth referred to employment through youth services by 5% each year.

GOAL 2

Address homelessness through the development and implementation of a multi-tiered strategy.

OBJECTIVES

- Identify the City's homelessness mission and create a 5-year plan to address homelessness.

PERFORMANCE MEASURES

- Creation and implementation of 10-year plan to address homelessness by 6/30/2017.

GOAL 3

Strengthen neighborhood development, and connect City, community and culture.

OBJECTIVES

- Create a renewed focus on establishing a positive outlook and orientation of our City, neighborhoods and overall community.
- Empower and connect our Inter-Neighborhood Council Organizations (INCOs), Community Advisory Groups (CAGs) and Neighborhood Watch Program.
- Improve our methods of communicating with residents, businesses, and neighborhoods (e.g. leverage social media and tools like Nextdoor).
- Discuss CAG goals at respective meetings and develop an action plan for annual implementation.
- Create a pilot revitalization project for Southwinds Neighborhood.
- Develop a co-sponsorship policy with criteria that would enable the City to encourage local community events.

PERFORMANCE MEASURES

- City will activate 2 new Neighborhoods annually.
- City will increase the number of community event collaborations by 5% each year.

Purpose: To develop and enhance Oxnard's business climate, promote the City's fiscal health, and support economic growth in a manner consistent with the City's unique character.



**City Council
Strategic Priorities
2016-2018**

GOAL 1

Create vibrant and economically sustainable commercial, industrial and retail industries throughout the City.

OBJECTIVES

- Focus available resources on a comprehensive effort to promote economic activity in Oxnard, including a marketing program that communicates the City's available resources and assets.

PERFORMANCE MEASURES

- Increase in annual number of new businesses opened in Oxnard by 5%.

GOAL 2

Enhance business development throughout the City.

OBJECTIVES

- Develop a strong citywide economy which attracts investment, increases the tax base, creates employment opportunities, and generates public revenue.
- Improve relationships and communication between the City and the business community.
- Capitalize on historic, cultural and natural resources.
- Public safety will collaborate with the business community to promote an environment that supports economic development.

PERFORMANCE MEASURES

- 10% Improvement in the building permit turnaround time.

GOAL 3

Enhance business retention and attraction.

OBJECTIVES

- Implement an economic development plan for attracting and retaining business.

PERFORMANCE MEASURES

- 5% improvement in City's annual retention rate.

GOAL 4

Implement a "one stop shop" effort at the City's Service Center.

OBJECTIVES

- Streamline internal process to ensure government efficiencies.

PERFORMANCE MEASURES

- Turnaround time for 1st plan checks is less than 4 weeks 90% of time.
- Turnaround time for discretionary permits is less than 6 months 90% of the time.
- Customer satisfaction surveys with approval ratings over 85%.

GOAL 5

Revitalize Oxnard's downtown and pursue economic development opportunities.

OBJECTIVES

- Develop a vision and plan (with timelines) for downtown revitalization to create a vibrant center for our community, emphasizing cultural arts, diversity, and historic assets.

PERFORMANCE MEASURES

- 5% increase in number of visitors/tourists to Oxnard for the next two years.

Purpose: To establish, preserve and improve our infrastructure and natural resources through effective planning, prioritization, and efficient use of available funding.



**City Council
Strategic Priorities
2016-2018**

GOAL 1

Ensure Master Plans for all City infrastructure are current, synchronized and consistent with the General Plan.

OBJECTIVES

- Complete the Public Works Integrated Master Plan.
- Develop master plans for other City facilities and vehicles.

PERFORMANCE MEASURES

- Ensure integrated master plan is at least 70% implemented.

GOAL 2

Develop an asset management program that includes fleet, facilities, parks, streets, alleys, water, wastewater and stormwater.

OBJECTIVES

- Develop a City-wide asset management program.
- Develop an asset management funding plan.
- Sell unneeded City assets.

PERFORMANCE MEASURES

- Reduce maintenance backlog by 20% annually.

GOAL 3

Ensure funding is adequate to meet the goals of the master plans.

OBJECTIVES

- Maximize funding sources.
- Set rates and fees to fully recover cost.

PERFORMANCE MEASURES

- Increase number of grants applied for by 10%.

GOAL 4

Ensure proper construction and maintenance of infrastructure to provide maximum benefit with lowest life cycle cost following CIP plans.

OBJECTIVES

- Implement CIP plans.
- Catch up on deferred maintenance for City facilities.

PERFORMANCE MEASURES

- Complete 20% of CIP projects.

GOAL 5

Ensure orderly development and long-range conservation and management of our natural resources and coastal assets.

OBJECTIVES

- Develop and implement a sustainability program.
- Protect ocean and waterways.

PERFORMANCE MEASURES

- Ensure coastal plan is at least 25% implemented.