Written materials relating to an item on this agenda that are distributed to the legislative bodies within 24 hours before the item is to be considered at this special 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
Special Meeting
City Council Chambers, 305 West Third Street, Oxnard
May 4, 2015
5:00 p.m. Closed Session

A. ROLL CALL/POSTING OF AGENDA

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 2 for a description of closed session items)

D. OPENING CEREMONIES

Pledge of allegiance to the flag of the United States.

E. PUBLIC COMMENTS

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

F. REPORTS

Finance Department

1. SUBJECT: Oxnard Financial Forecast and Impact of Major Assessment Findings (001)
RECOMMENDATION: Receive and consider the presentation and verbal report on the City's financial forecast by David Millican, Special Advisor with Management Partners, Inc.
Legislative Body: CC Contact Person: Dave Millican Phone 385-7475

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.ci.oxnard.ca.us.

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 six potential cases.

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

G. ADJOURNMENT

CITY OF
OXNARD
CALIFORNIA

Meeting Date: 05 / 04 /15

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

Prepared By: Dave Millican Agenda Item No. F-1

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

DATE: May 1, 2015

TO: City Council

FROM: David N. Millican
Special Advisor, Management Partners, Inc.

SUBJECT: **Oxnard Financial Forecast and Impact of Major Assessment Findings**

RECOMMENDATION

That the City Council receive and consider the presentation and verbal report on the City's financial forecast by David Millican, Special Advisor with Management Partners, Inc.

DISCUSSION

The presentation is intended to describe the financial model of the City of Oxnard's revenues and expenditures for all funds. It also describes the assumptions and data used to build the model and the results of the forecast used for the Fiscal 2015-2016 budget process. The model will be the tool for analyzing the budget and producing information for the City Council and other users, including the budget document and resolutions.

The verbal report and presentation will provide the basis for City Council's questions and comments about the budget, policies and the information produced by the model.

DM:lal

Attachment #1 – Oxnard Financial Forecast and Impact of Major Assessment Findings

Oxnard Financial Forecast & Impact of Major Assessment Findings

City of Oxnard
Introduction to the Financial Model

Ten year history and forecast

Vary assumptions and recompute scenarios rapidly

Data reviewed by budget staff and departments

Can model all authorized positions

Current programs and services (but not all costs).

The Forecast is not the Budget

City of Oxnard
Vacancies

- High vacancy rates in permanent positions
  - All funds – 263 of 1268 authorized are vacant (21%)
  - General Fund – 113 of 704 are vacant (16%)

- Some vacant for years

- "Vacancy Management" – turned hiring on and off

- Vacancies in the forecast
  - Vacant positions almost entirely unfunded
  - Ongoing 3% vacancy rate

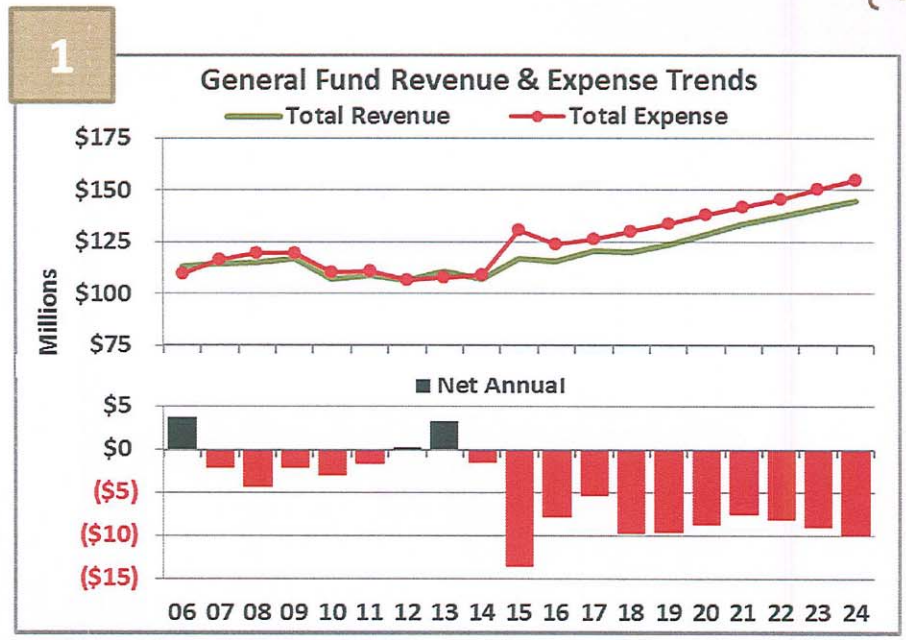
Shortfall

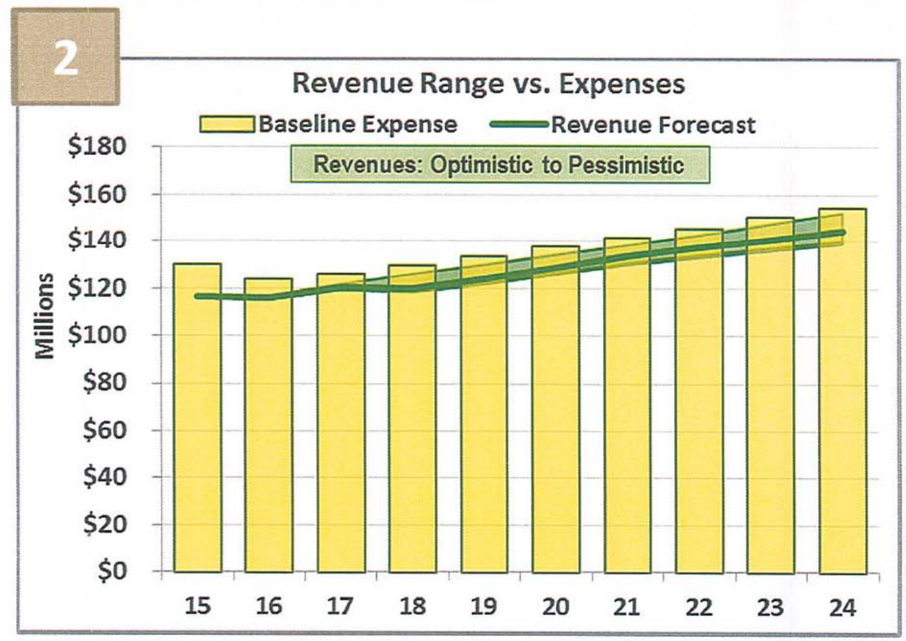
- General Fund shortfall increases to $13.6M in current FY 14-15, grows to $9.9M by FY 23-24
- Average annual shortfall of $8.5M from FY 15-16 through FY 23-24
- Fillmore sales tax allocation caused error by State and County

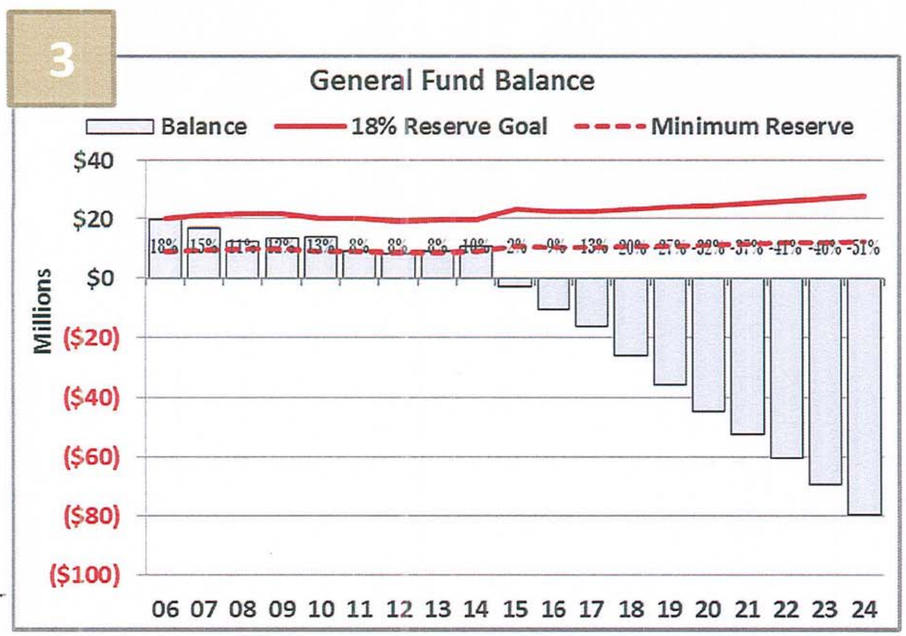
($ in Millions)	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24
Baseline Revenues	107.1	116.6	115.8	120.3	119.9	123.8	128.7	133.7	137.3	140.9	144.6
Baseline Expenditures	107.6	113.4	112.5	115.7	119.4	122.9	126.6	130.1	134.2	138.4	142.8
Baseline Net Annual	(0.6)	3.2	3.3	4.6	0.5	1.0	2.1	3.6	3.1	2.5	1.7
Net Carman Impact	0.0	0.0	6.3	6.3	6.3	6.3	6.2	6.1	5.9	5.8	5.6
Revised Net Annual	(0.6)	3.2	(3.0)	(1.7)	(5.8)	(5.3)	(4.1)	(2.5)	(2.8)	(3.3)	(3.9)
Debt Shift Impact	0.0	1.7	1.2	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Revised Net Annual	(0.6)	1.5	(4.2)	(2.6)	(6.7)	(6.2)	(5.0)	(3.4)	(3.7)	(4.2)	(4.8)
Assessment Dists	0.0	3.1	0.6	0.7	0.7	0.7	0.8	0.8	0.9	0.9	1.0
Impact Fees	0.0	5.7	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
PACC	0.9	2.8	1.2	1.2	1.2	1.3	1.3	1.4	1.4	1.4	1.5
Golf Course/Debt	0.0	3.1	1.2	0.3	0.4	0.4	0.5	0.6	0.7	0.8	1.0
Internal Service	0.0	0.4	0.5	0.6	0.8	0.9	1.1	1.2	1.4	1.5	1.7
Revised Net Annual	(1.5)	(13.6)	(7.9)	(5.4)	(9.9)	(9.7)	(8.9)	(7.5)	(8.2)	(9.0)	(9.9)

Forecast Recap After Consultant Findings

1. Ongoing revenue shortfall approaches $10M in out-years
2. Likely range of revenue (+/- 0.5%) is well below costs even at optimistic level
3. Deficit balance begins in current FY 14-15 and worsens over time



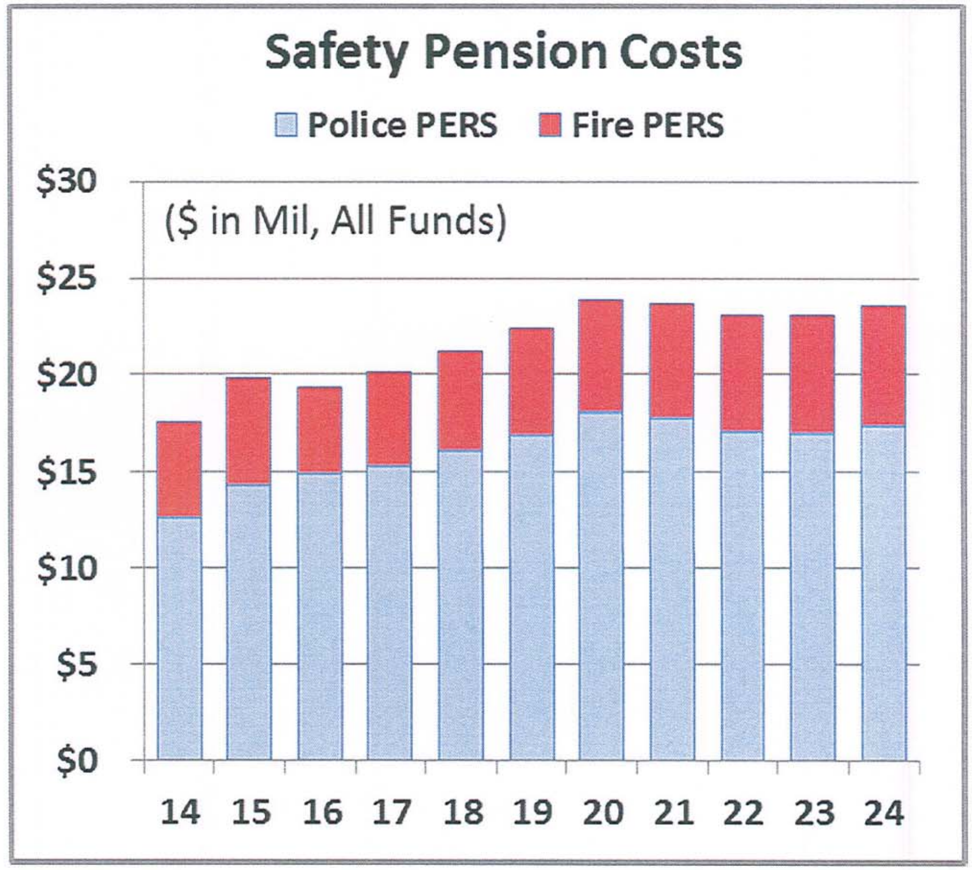




ATTACHMENT 1
PAGE 5 OF 15

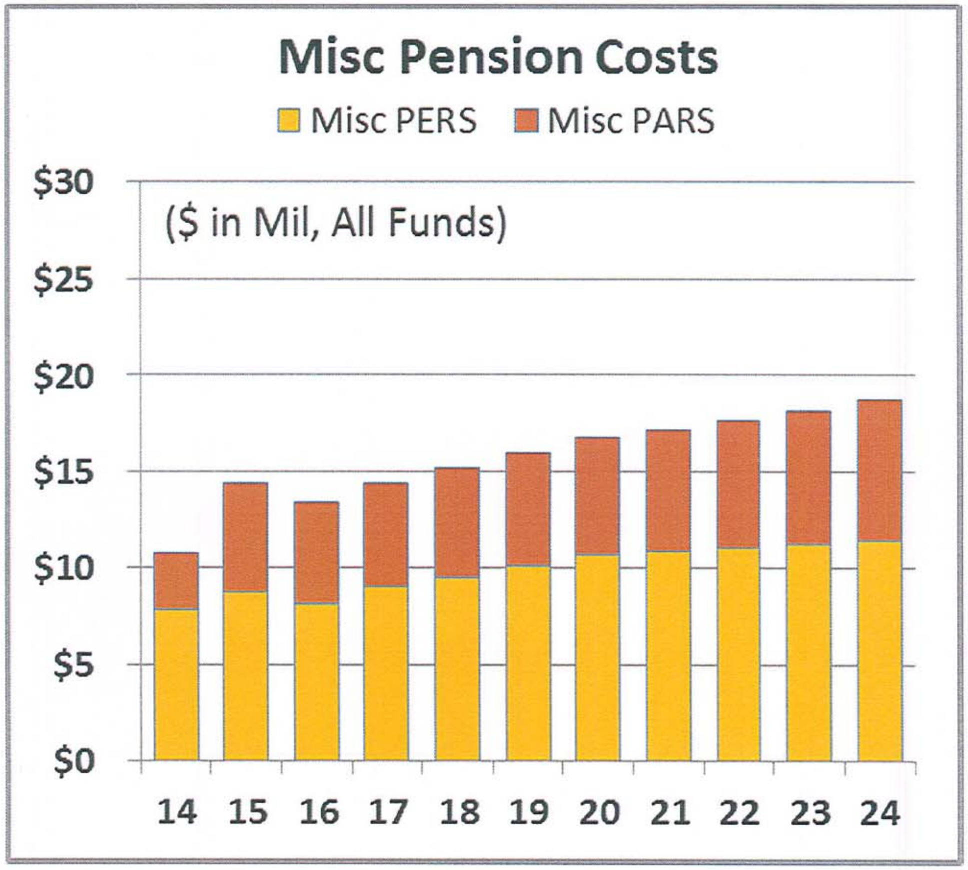
Substantial Growth in Public Safety Pension Costs Through 2020

- Drop in 2016 from vacancy assumption
- PERS-Safety Plan costs projected to increase by 33% by 2020
- PEPRA savings plus liability payoff



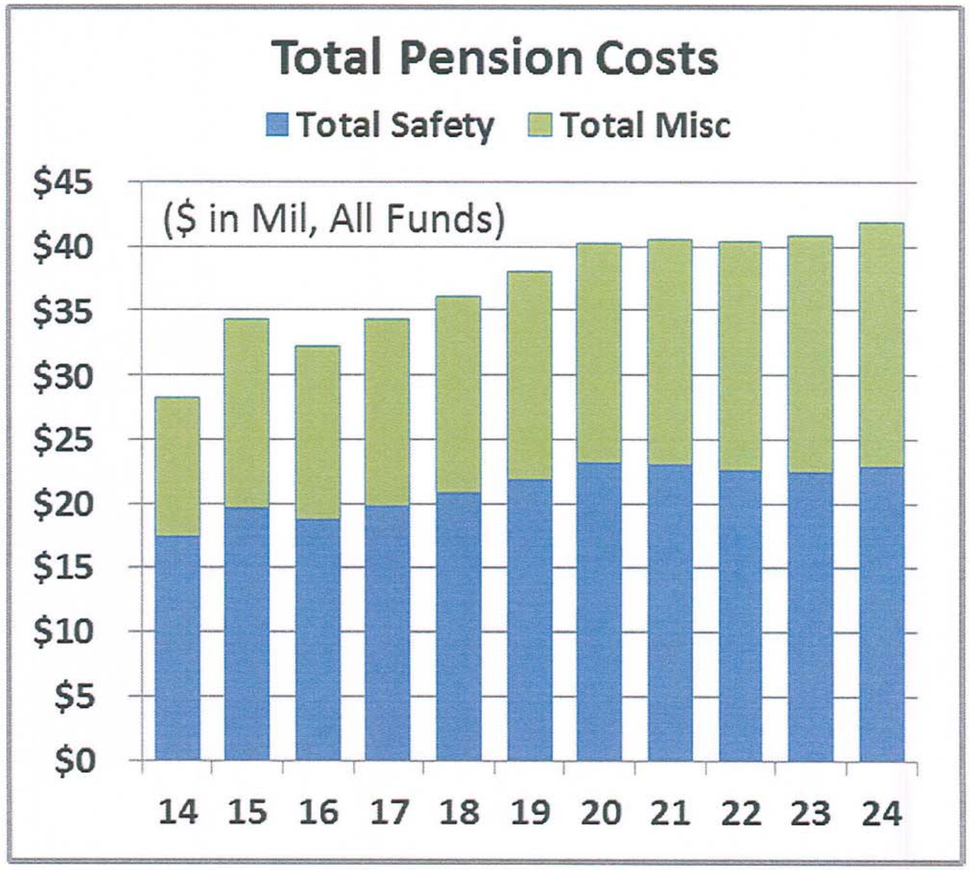
Substantial Growth in Non-Sworn Pension Costs Through 2020

- Drop in 2016 from vacancy assumption
- FY15 PARS fix
- 10 year growth despite PEPRA
- Total pension costs increase by 74% by 2024



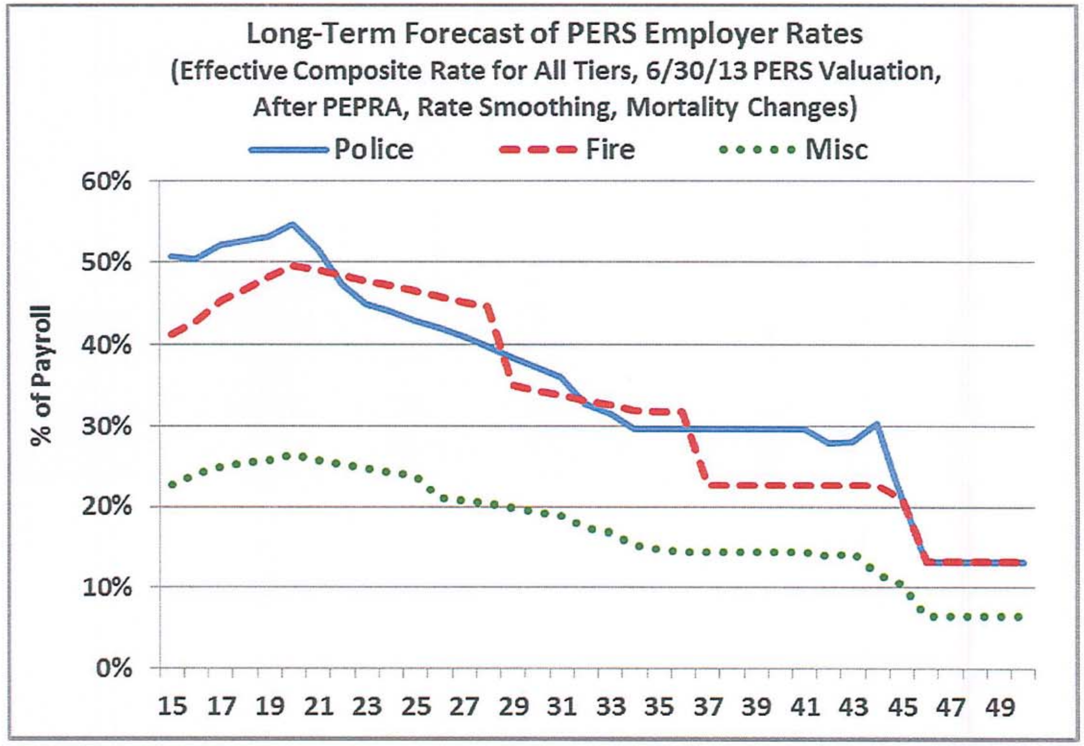
Substantial Growth in Citywide Pension Costs Through 2020

- Total pension costs projected to increase by 47% by 2024
- General Fund will bear greater share of Safety costs:
  - Costs exceed override tax rate
  - Retirement fund reserves depleted
  - Eligible costs restricted
- Moderate PERS impact



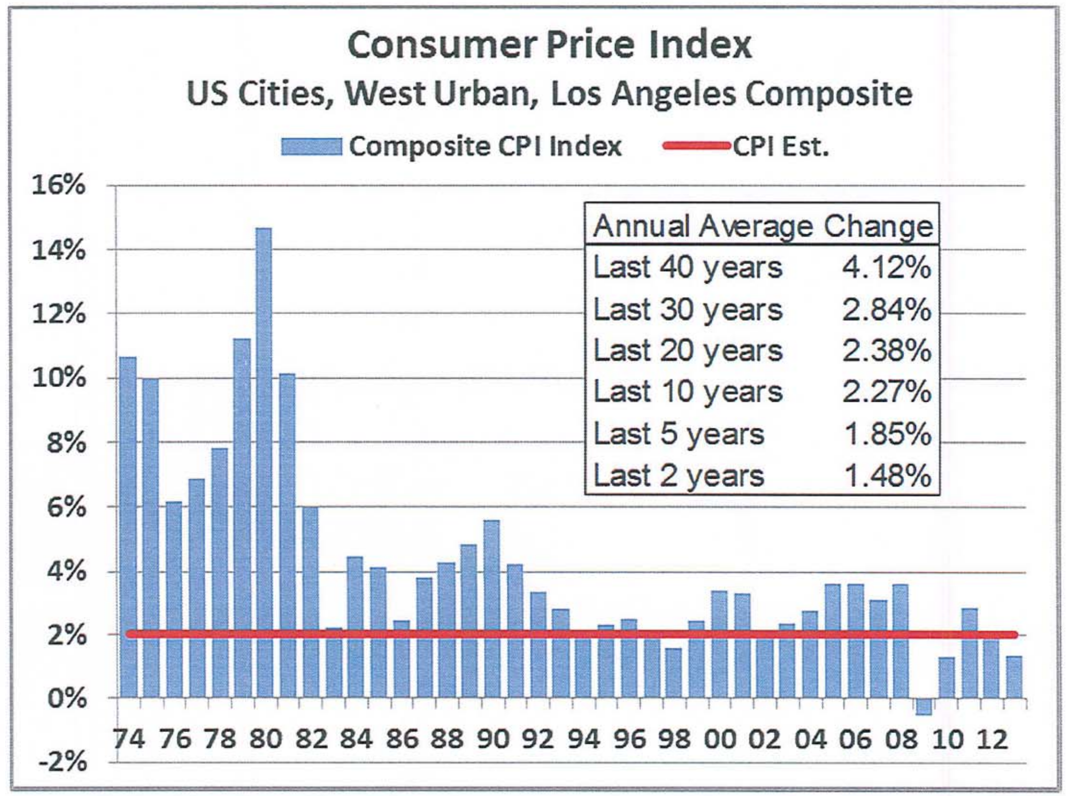
City of Oxnard
PERS Rates Rise in Near-Term, Drop in (Very) Long-Term

- Pension costs increase over next 5 years based on CalPERS rate policies
- Longer-term trend is for lower rates
- Investment returns are the major risk



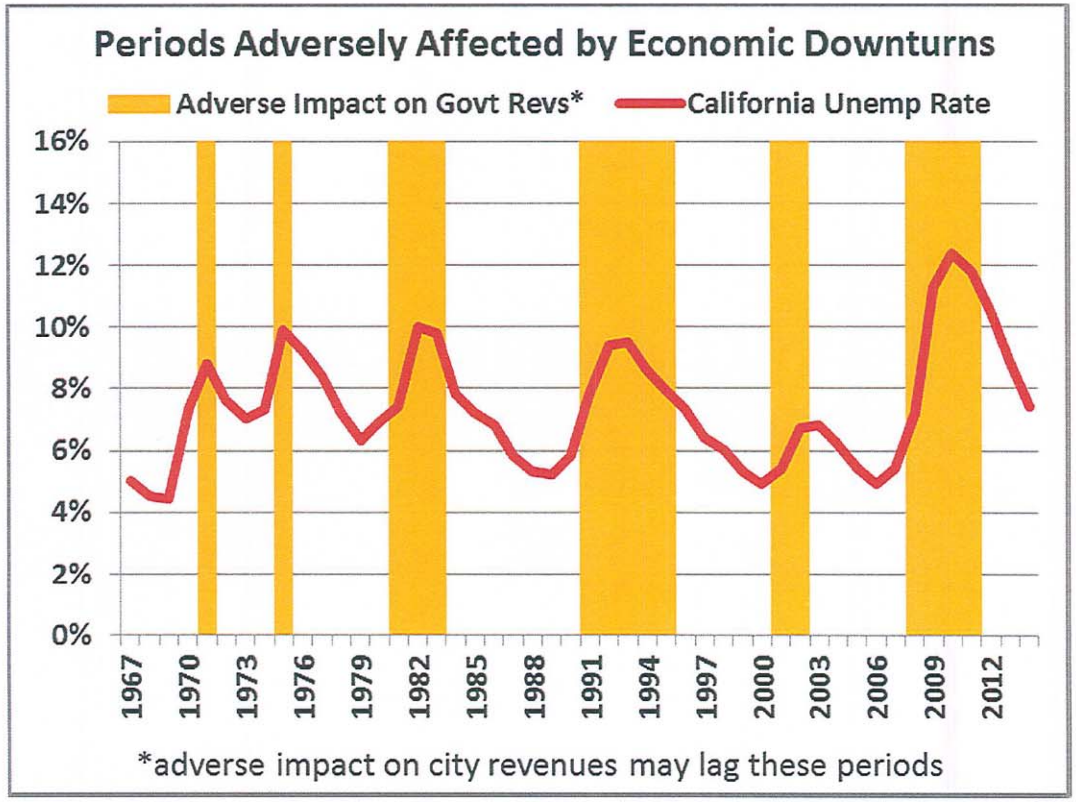
Inflation Impact Included in Forecast

- Five year avg. = 1.85%
- 2% assumed for personnel and most costs
- Inflation tests sustainability
- Labor market will drive costs to attract and retain employees



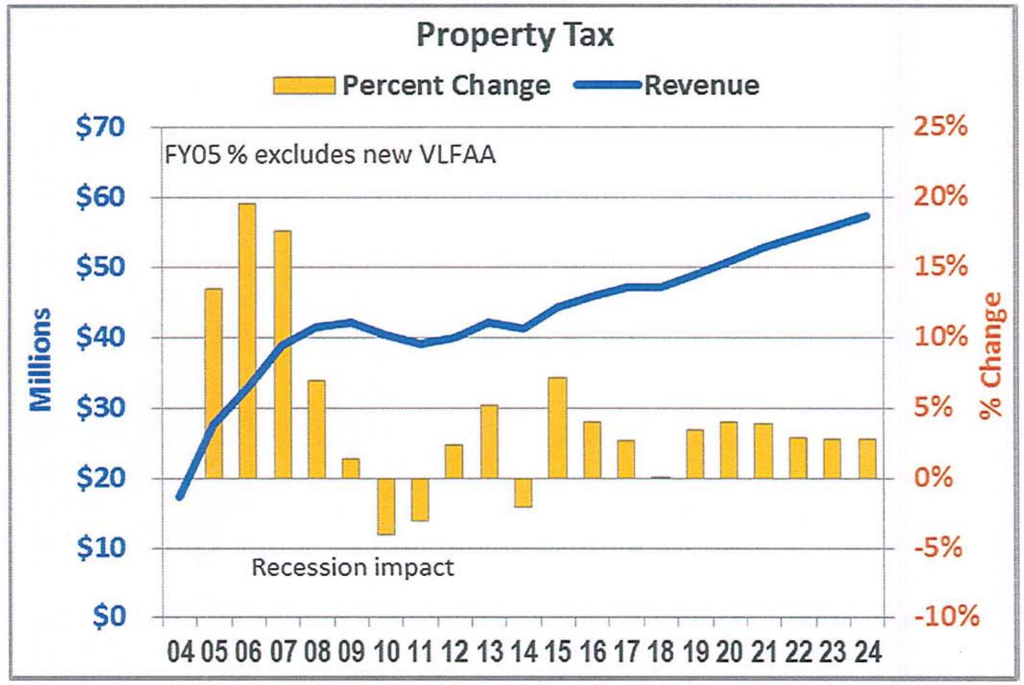
City of Oxnard
Recession Impact Considered in Context of Long-Term Plan

- Every 6.5 years since 1928
- Depth and length are hard to predict
- Build in impact to test sustainability
- Forecast assumes recession in 2017



City Oxnard
Property Tax: Long-Term Stability Delayed Response to Economy

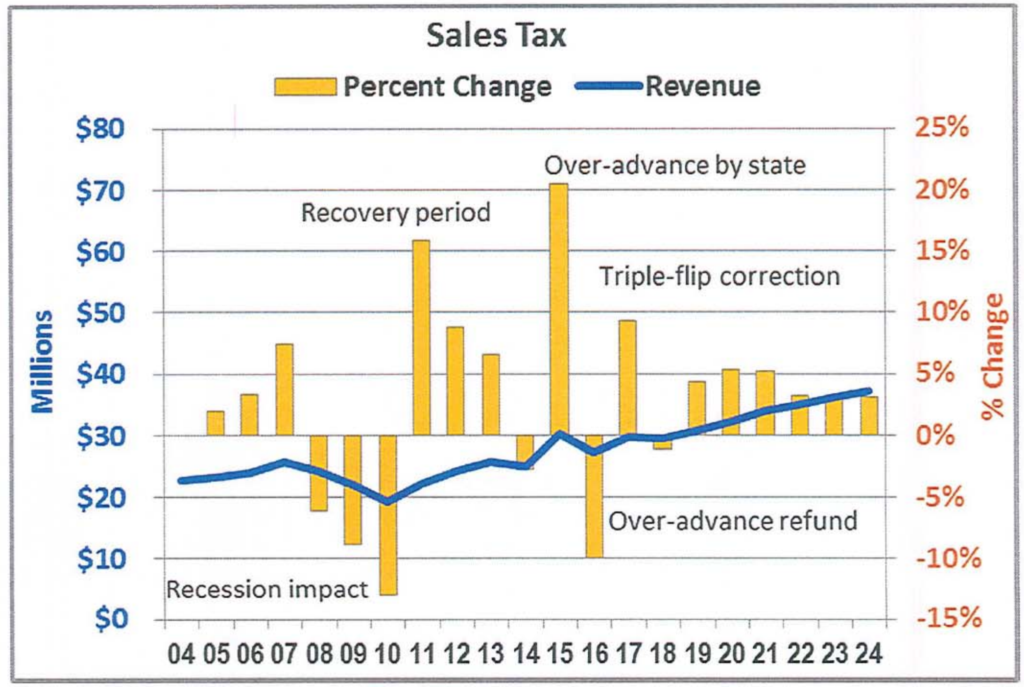
- Moderate impact during great recession
- Regained FY09 peak in FY13
- Impact lags recession



Largest revenue source at 40%, includes Property Tax in Lieu of VLF (former VLF payments from state converted to property tax)

City of Oxnard
Sales Tax: Short-Term Volatility
Faster Response to Economy

- Based on HdL 5-year forecast
- Significant impact during great recession
- Regained FY07 peak in FY13
- Annual growth of 3.3% without recession
- Assumes recession in 2017; higher growth in subsequent years regains most of loss in sales



Significant changes during FY15-17 due to the triple-flip transition period, exacerbated by an over- advance and subsequent correction

Reaching balance

- Internal loans of $16M in FY14-15 (repaid in 10 years at 3% interest)
- $11M in net budget cuts
- Cuts = Service reduction, cost reduction or revenue increase

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Revised Net Annual	(0.6)	1.5	(4.2)	(2.6)	(6.7)	(6.2)	(5.0)	(3.4)	(3.7)	(4.2)	(4.8)
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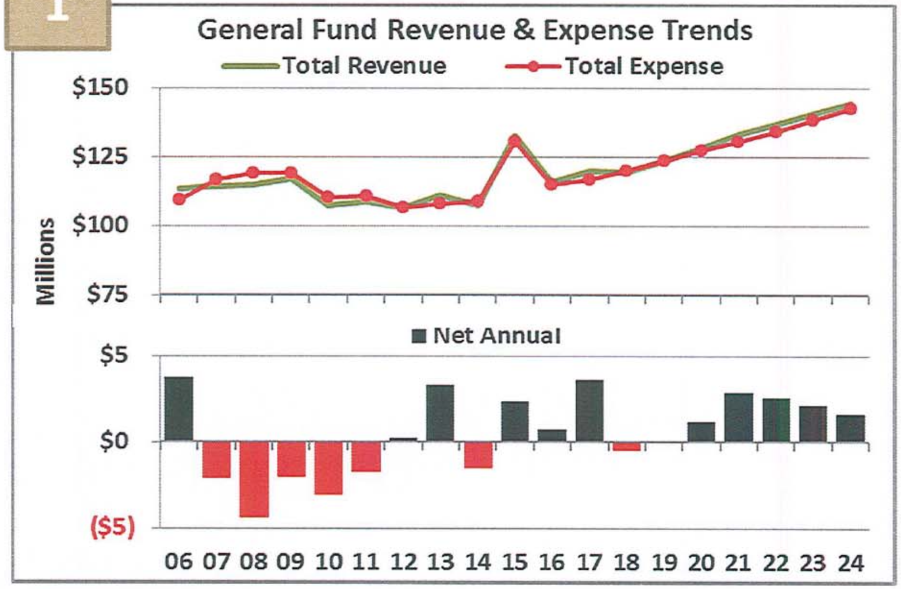
Revised Net Annual	(1.5)	(13.6)	(7.9)	(5.4)	(9.9)	(9.7)	(8.9)	(7.5)	(8.2)	(9.0)	(9.9)
Loan Proceeds	0.0	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loan Repayments	0.0	0.0	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Budget Cuts	0.0	0.0	10.6	10.9	11.2	11.6	11.9	12.3	12.7	13.1	13.5
Revised Net Annual	(1.5)	2.4	0.8	3.6	(0.5)	0.0	1.2	2.9	2.6	2.2	1.6

Forecast After $16M Loan and $11M Cuts (9.6%)

1. Internal Loan (Measure O, Water) needed for FY 14-15 (3%/10 yrs)
2. Most likely revenue level meets expenses over time
3. Reserve starts at 10% and builds up to 18% over 7 years

1



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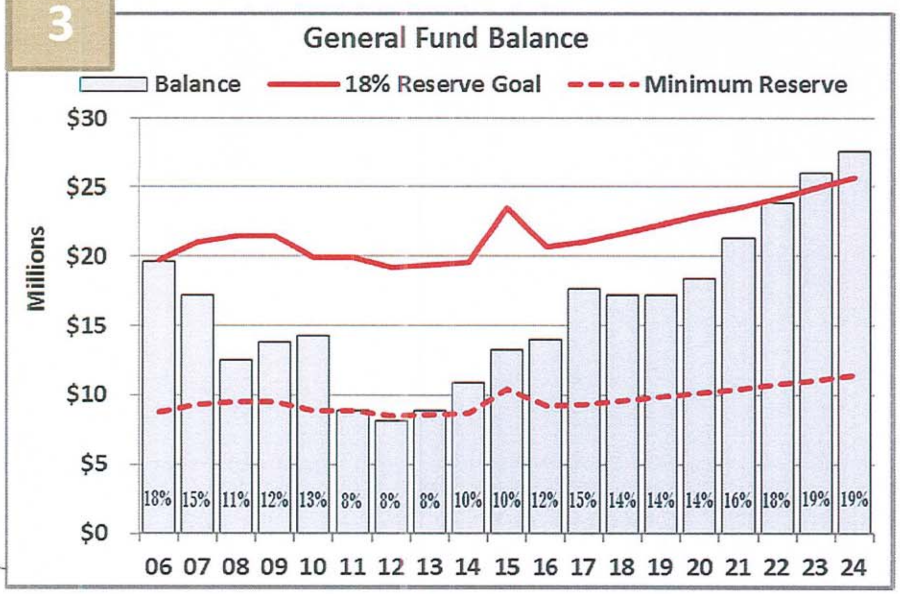

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