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AGENDA
OXNARD CITY COUNCIL
Special Meeting

City Council Chambers, 305 West Third Street, Oxnard
May 26 and May 28, 2015
4:00 P.M. to 8:15 P.M.

A. ROLL CALL/POSTING OF AGENDA

B. APPOINTMENT ITEMS – 4:00 P.M

City Manager's Office

1. SUBJECT: Fiscal Year 2015-16 Budget Process – May 26th and 28th Council Budget Workshops.
(001)

RECOMMENDATION: (1) Approve the recommended budget calendar and process leading to adoption of the FY 2015-16 Budget on June 23, 2015; and (2) Conduct two Budget Workshops on May 26 and 28 with the primary intent of: a) understanding the City's financial position and why we need to reduce the operating budget; b) understanding departmental accomplishments, objectives, priorities and service level impacts associated with possible budget reductions of 5%, 10%, and 15% and providing appropriate feedback; and c) solicit public input on options to balance the budget.

Legislative Body: CC

Contact: Greg Nyhoff

Phone: 385-7430

C. PUBLIC COMMENT

At a special meeting, a person may address the legislative body only on matters appearing on the agenda. The presiding officer will limit public comments to three minutes per speaker. Public comments will be considered at the time of consideration of the agenda item.

D. 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.ci.oxnard.ca.us.



Meeting Date: 05 / 26 /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

Agenda Item No. B-1

Reviewed By: City Manager GM

City Attorney RT

Finance BL

Other (Specify) _____

DATE: May 21, 2015

TO: City Council

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

SUBJECT: Fiscal Year 2015-16 Budget Process – May 26th and 28th Council Budget Workshops

RECOMMENDATION

That City Council:

1. Approve the recommended budget calendar and process leading to adoption of the FY 2015-16 Budget on June 23, 2015;
2. Conduct two Budget Workshops on May 26 and 28 with the primary intent of: a) understanding the City's financial position and why we need to reduce the operating budget; b) understanding departmental accomplishments, objectives, priorities and service level impacts associated with possible budget reductions of 5%, 10%, and 15% and providing appropriate feedback; and c) solicit public input on options to balance the budget.

DISCUSSION

Summary

This year reflects a unique time with a set of challenges for the City that requires a commensurately unique approach to developing and considering your FY 2015-16 Budget. To this end, I recommend a budget calendar (in this report) that is responsive to Council comments that have been shared with me publicly and privately and through the organizational assessment.

The unique aspect of the budget calendar is the two workshops where no City Manager recommendations are coming forward and no formal City Council decisions are being sought at these two sessions. It is a time for information sharing, questions and answers, all with the goal for the City Council and the public to understand why we are facing this difficult year and what options are available to balance the budget. We are interested in general observations and reactions.

In the spirit of identifying all viable options, I have scheduled a meeting with all employee groups to ensure they have the same information that you are receiving at the workshops and to address their

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specific questions. They have been invited to City Council workshops. I also want to hear about their ideas for balancing the budget and to discuss potential options that might be considered to assist the City in mitigating the impacts to the owners of the Oxnard municipal corporation, the residents of our City.

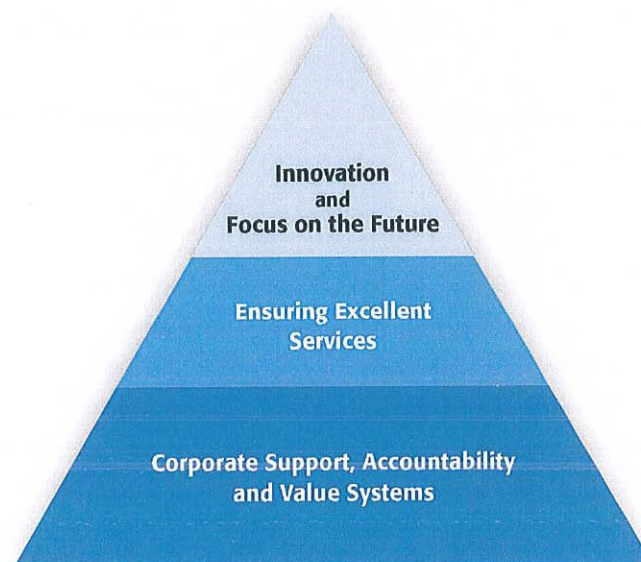
Note: Please retain this packet and bring it to the May 28th budget workshop as well.

The City's Financial Position

As you know, due to my concerns developed soon after I arrived at the City, we commissioned the first phase (of three) of an organizational assessment that focused on internal services (City Manager, Finance and Human Resources). It was premised on the three phases of municipal organizational development as depicted below.

Oxnard 2020 Project

"Determining our Future- NOW"



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A key message was that cities cannot be innovative and at the “top of their game”, in this case the top of the pyramid, without mastering the building block(s) below it. More specifically, a city is constrained from providing the best services possible (the second building block) if it cannot master the Corporate Support, Accountability and Value Systems building block. I think Oxnard is the “poster child” illustrating the danger of ignoring fundamentals in this model. As you know, the first phase of the organizational assessment (received by City Council on March 17th) focused on this first building block. It identified 129 observations and recommendations for change, some of which greatly impacted the City’s financial foundation and identified the need to reduce our general fund operating budget by nearly \$11 million to stabilize the City’s financial condition. This in turn is going to greatly impact City services, the second building block.

The observations and recommendations that impact this year’s finances and next year’s budget were very alarming. It can best be summarized as the City’s financial position was based on practices that did not conform to state and federal law and generally accepted accounting practices. However, the ends do not justify the means in good governance. We must correct these practices, live with the consequences and make the difficult choices now to get on a more sustainable path in the future.

It is important that we make the difficult choices now for two reasons. First, it simply makes for good stewardship of the public’s monies in not “kicking the can down the road”. Due to the magnitude of the shortfall, the expenditure reductions will impact nearly all departments and other organizations the City contribute funding. Second, the credit markets and rating agencies will be watching how we respond to this challenge. Our response to this challenge will have a direct effect on our credit ratings. As you know, we will likely issue debt in the future, mainly for our wastewater operation. Thus, our response and its effect on our credit rating can create an interest penalty or savings to our ratepayers of \$25 to \$50 million.

As we shared with you on May 5th, the difference between available general fund resources and the baseline projected expenditures for next year, after providing for a targeted ending fund balance (some refer to this as reserves) is \$10.6 million. A summary of the general fund baseline budget is below.

General Fund Baseline Budget Fiscal Year 2015-16

Beginning Fund Balance	\$ 12,944,420
Revenues	<u>114,997,464</u>
Total Resources	\$ 127,941,884
Baseline Expenditures	\$ 124,062,308
Targeted Ending Fund Balance (12.2%)	<u>14,479,914</u>
Total Uses	\$ <u>138,542,222</u>
Difference (shortfall)	\$ <u>10,600,338</u>

Again, on May 5th we presented a comprehensive projection of our financial position for next year and nine additional years. This is the kind of prudent financial planning called out in your Financial

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Management Policies and the organizational assessment that heretofore was not implemented for some time. Every annual budget should be viewed in the long term context. Cuts of this magnitude are indeed needed for long-term financial sustainability as outlined in that May 5th projection.

The May 5th presentation to Council mentioned the major components of the \$10.6 million deficit. However, it is important to mention this figure was developed after eliminating the Vacancy Management positions that have not been funded in the budget for several years. Of greatest significant impact to the City will be the elimination of most vacant positions that are funded in the FY 2014-15 budget. This last item represents 100 positions and total savings of approximately \$8 million.

The \$10.6 deficit is the result of many financial management errors, some of which are being corrected now and others that will take more time. The \$10.6 million figure is also part of multi-year plan of ensuring fund balance does not get dangerously low in the short term, but instead, it gradually builds to the (18 percent) target identified in your Financial Management Policies. The causes for the deficit are many, but the major reasons for it are summarized below.

Extraordinary Cost Increases Between FY 2014-15 and FY 2015-16 Budgets

Carman Override Tax For Public Safety Pensions (This reflects ineligible costs that cannot be funded by this tax, thus the general fund must assume the costs)	\$6.8 M
Reallocation of debt service costs for Development Service Center (This reflects costs transferred to the general fund to conform to state law)	1.2 M
Mid-year correction of budgeting error for non-safety supplemental retirement (PARS) program cost increases	1.3 M
PERS rate increases	1.0 M
Animal Shelter contract increases (This reflects an approx. 70% increase)	.7 M
Budget correction—Golf Debt Service payment not budgeted In FY 2014-15	1.2 M
Assessment Districts and Development Impact Fees shortfall	.9 M
Performing Arts & Comm. Center additional operating deficit not budgeted	.5 M
First payment on \$16M loan from Measure O	1.9M
Other budget adjustments along with revenue increases	- <u>4.9 M</u>
Total	<u>\$10.6 M</u>

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FY 2015-16 Budget Calendar

I heard loud and clear through the organizational assessment, through your deliberations as the Council and individual meetings that: 1) you did not want to rush the budget; 2) you wanted a more thorough understanding of the condition of your City; 3) you did not want to be a “rubber stamp” and wished to “roll up your sleeves” and review options; and, 4) you wanted the public to have ample chance to provide input on the budget. To this end I have proposed a budget calendar and process below that tries to respond to your comments.

It is important to know that Oxnard’s budget will evolve and improve greatly over these next few years. Even though this year’s budget process is truncated because of the rather late findings and unexpected impacts from the Phase 1 report, we are and will be addressing many of the recommendations found in that same report—right now in this budget. Yet, more improvements will have to take time such as getting a handle on our fleet and information systems replacement needs and our capital improvement needs as master plans are completed and brought to City Council for review. I am not satisfied with this year’s process but given the constraints, staff along with contracted help, have stepped up and greatly improved the overall process. One of those processes is that we have created a new budget forecast that includes a 10 year financial model.

FY 2015-16 Budget Calendar

City Council Budget Workshops	May 26 and 28
City Manager’s Proposed Budget distributed	June 4 th
City Manager reviews Proposed Budget with City Council	June 9 th
Possible Council Workshops on Proposed Budget	June 10, 11 and 12
Council Public Hearing on Proposed Budget	June 16 th
Council adoption of FY 2015-16 Budget	June 23 rd

City Council Budget Workshops (May 26 and 28)--I have attached a proposed agenda for the two workshops (see Attachment 1). We wish to ensure your understanding of the City’s financial position and how we got here. Second, we want to provide time for the Council to understand the City’s service system, from the perspective of the departments, along with options and service-related impacts of reducing budgets by 5, 10 and 15 percent.

Again, I am not asking you to make formal decisions on this date. It is a chance to share information, listen to your concerns, address your questions of staff and solicit input. It is a time to contemplate and consider the options.

City Manager’s Proposed Budget distributed—My proposed budget will be distributed to Council, staff and the public on this date.

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City Manager provides initial presentation of Budget to Council—This is a scheduled Council meeting where I will present the City of Oxnard's Proposed Budget document. I will provide a detailed overview of my recommendations along with rationale. This will provide another opportunity for public input but also to solicit your reaction to my recommendations. No formal Council action will be requested from me other than possible follow up requests of staff.

Possible Council Workshops on Proposed Budget (June 10, 11 and 12)—These are possible dates that the Council may want to utilize to discuss and evaluate the recommendations found in the Proposed Budget. This will largely be contingent and a result of our June 9th discussions on the budget.

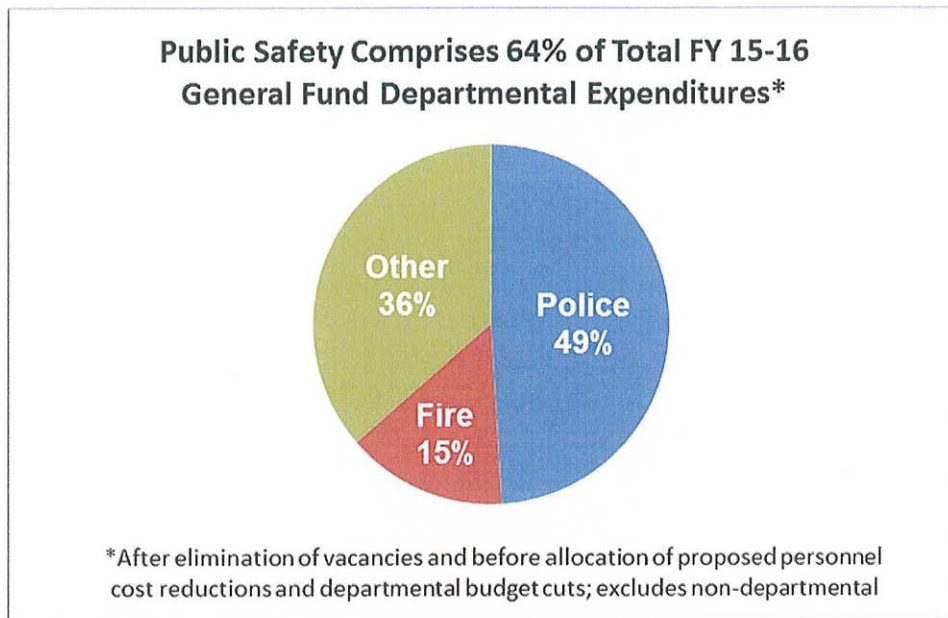
Council Public Hearing on Proposed Budget (June 16th) —This is the formal public hearing on the Proposed Budget. After closing the hearing, it would be helpful for the Council to start deliberating around an acceptable Adopted Budget in order to facilitate the actual adoption on June 23rd. If there is clear consensus, Council direction at this time would be appreciated.

Council adoption of FY 2015-16—This is when we will submit the formal resolution and associated financial and employee count schedules to adopt the budget.

Additional information for your Budget Workshops on May 26 and 28

General Fund Budget Allocations By Department

We have broken out how the baseline general fund budget is allocated between departments (see below). The key message from this table is that we cannot exclude the public safety departments from the budget reductions simply because they represent the largest piece of the financial pie. To do so would require shutting down major parts of the other departments to achieve the \$10.6 million goal.



Community Priorities

As another aid to your deliberations, I have also attached the results of the Community Forum that discussed community priorities. This priority setting process is a work-in-progress however it provides general themes that might guide your decisions. This is Attachment 2.

GN:lal

Attachment #1 - Proposed City Council Budget Workshops
#2 - Community Priorities for 2015

Agenda

Proposed City Council Budget Workshops

Tuesday, May 26, 2015

- 4:00 – 4:15 p.m. Introductory Remarks and Financial Overview by
City Manager Greg Nyhoff
- 4:15 – 5:00 p.m. Police Department
- 5:00 – 5:45 p.m. Fire Department
- 5:45 – 6:30 p.m. General Services Department
- 6:30 – 7:15 p.m. Development Services Department
- 7:15 – Community Development Department
- Public Comments
- Concluding Comments (City Council and City Manager)



Agenda

Proposed City Council Budget Workshops

Thursday, May 28, 2015

- 4:00 – 4:30 p.m. Library Department
- 4:30 – 5:00 p.m. Recreation Department
- 5:00 – 5:45 p.m. Human Resources and Finance Departments
- 5:45 – 7:00 p.m. Utilities - Water Division and Wastewater Division
- 7:00 – 7:30 p.m. Environmental Resources
- 7:30 – Wrap-up and Next Steps
 (Include calendar of next steps)
- Public Comments
- Concluding Comments (City Council and City Manager)

Priorities for 2015

This list ranks the 8 major categories in order of the most votes received, and shows the amount of votes that each item received. It also consists of subcategories that received the highest level of support in each category, along with those subcategories that staff and City Council have identified as key priorities.

	<u>Votes</u>
1) <u>Investing in our Community</u>	422
a. Youth Development	163
i. Build strong relationships with schools and youth organizations	228
ii. Promote healthy growth through youth and league sports	119
iii. Gang Prevention and intervention	91
iv. More youth training opportunities	78
v. Community building through connected youth	67
vi. Update the youth "Master Plan"	9
b. Senior population	48
i. Assistance programs	31
ii. Develop a Senior Center	30
c. Housing Initiatives	
i. Affordable Rental Housing Development	32
2) <u>Public Safety</u>	65
a. Provide timely Police and Fire responses to calls for service	59
b. Enhance effort to reduce crime rate	39
c. Provide lifeguards at Oxnard's Beaches	28
d. Enhance Community Relations	1
3) <u>Infrastructure: Utilities, Streets, and Transportation</u>	57
a. Utilities: Conduct a comprehensive rate study and adjust rates to provide Long-term viability	1
b. Water: Expand the recycled water system to offset reductions due to drought	33
c. Wastewater: Rehabilitate the wastewater treatment plant	17
d. Streets / Interchanges: Street Improvements: Citywide assessment and repair	28
e. Storm Water: Levees	16
4) <u>Parks and Open Spaces</u>	33
i. Campus Park (old Oxnard High School)	71
ii. Restoration of Ormond Beach and remediation of EPA Halaco Site	29
iii. Protect the Coast from future invasive projects	14
5) <u>Strengthening Neighborhoods / Community Building</u>	28
a. Bring our Libraries into the 21st century	31
b. Support the Public Access Channel	25
c. Empower Neighborhood Councils	9
d. Work more closely with Citizen Advisory Groups (CAGS)	1

Priorities for 2015

6) <u>Economic Development</u>	23
a. Job creation and business retention: Bring jobs and businesses to Oxnard	31
b. Develop a Downtown marketing revitalization plan	20
c. Support Port of Hueneme job creation and development	8
7) <u>Effective and Innovative Government:</u>	19
i. Public Wi-Fi hot spots	33
ii. Priority Based Budgeting	9
iii. Deploy police body-worn cameras in 2015	9
iv. Emphasis on Ethics / Integrity	8
v. Focus on Improving Employee Morale	7
vi. Provide Timely and Responsive Customer Service	6
vii. Employee Commitments	4
viii. One-stop shop	1
ix. Upgrade the agenda process	0
8) <u>Our Oxnard: Destination Development</u>	16
a. Support Arts and Culture	
i. Museums / art galleries / public place art / community partnerships	23
b. Support and promote community events	15
c. Enhance public relations / marketing and communication	15
d. Continue developing the "Oxnard Brand"	11