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

CITY OF OXNARD CALIFORNIA

AGENDA
OXNARD CITY COUNCIL
FINANCE AND GOVERNANCE COMMITTEE

Council Chambers, 305 West Third Street

May 26, 2020

Regular Meeting - 9:30 to 10:45 AM

This meeting is held pursuant to the State Emergency Services Act, the Governor's Emergency Declaration, and Governor's Executive Order N-29-20 to allow members of the City Council or staff to participate via teleconference.

Pursuant to the Ventura County Public Health Official's order and Governor's Executive Order N-33-20, all city buildings are temporarily closed to the public. The public is encouraged to view the meeting from home on the City's website at Oxnard.org/city-meetings, Spectrum channel 10, Frontier channel 35, or YouTube at Youtube.com/oxnardnews. Video recordings are typically available online immediately following the meeting.

The public may provide comments to the City Council via email at cityclerk@oxnard.org no later than 8:00 a.m. on the day of the meeting. Please identify the committee name, meeting date, and agenda item in the email Subject line.

A telephone option for public comments is also available at this time due to the State of California "Stay At Home" order. Requests to speak must be submitted no later than 8:00 a.m. on the day of the meeting. Use the form on the city's website to submit your request: Oxnard.org/city-meetings, or call the City Clerk's Office at (805) 385-7803, or email your request to cityclerk@oxnard.org.

A. ROLL CALL, POSTING OF AGENDA, FLAG SALUTE

B. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

At this time, the legislative body will consider public comments for a maximum of fifteen minutes. A person may address the legislative body only on matters not appearing on the agenda and within the subject matter jurisdiction of the legislative body. Speaker requests shall be submitted as set forth on the first page of this agenda. Based on the number of speaker requests submitted, the presiding officer may impose time limits per speaker. Typically, speakers are limited to two minutes, but shorter time may be established as deemed necessary. The legislative body cannot enter into a detailed discussion or take action on any items presented during public comments at this time. Such items may only be referred to the City Manager for administrative action or scheduled on a subsequent agenda for discussion.

C. CONSENT AGENDA

1. City Clerk Department

   SUBJECT: Approval of Minutes.

   RECOMMENDATION: That the Finance and Governance Committee approve the minutes of the May 12, 2020 regular meeting as presented.

   Contact: Michelle Ascencion, (805) 385-7805

D. REPORTS

1. Human Resources Department

   SUBJECT: City's Response to the Internal Audit Overtime. (10/10/5)

   RECOMMENDATION: That the Finance and Governance Committee receive the report and recommend to the City Council that they receive and file the City’s response to Price Paige and Company’s Overtime Usage Audit Report presented to the Committee on March 24, 2020.

   Contact: Steve Naveau, (805) 385-7947

2. Finance Department

   SUBJECT: FY 2020-21 General Fund Budget Preview. (10/10/10)

   RECOMMENDATION: That the Finance and Governance Committee receive and file a preview of the FY 2020-21 General Fund Proposed Budget and provide feedback.

   Contact: Kevin Riper, (805) 385-7475

E. ITEMS FOR FUTURE AGENDAS

F. ADJOURNMENT

M I N U T E S
OXNARD CITY COUNCIL
FINANCE AND GOVERNANCE COMMITTEE
Regular Meeting
May 12, 2020

A. ROLL CALL, POSTING OF AGENDA, FLAG SALUTE

At 9:33 a.m., Chair Flynn called to order the regular meeting of the Oxnard City Council Finance and Governance Committee in the City Hall Council Chambers at 305 W. Third Street, Oxnard, California. The City Clerk called the roll and announced the posting of the agenda. Members Vianey Lopez, Bert E. Perello, and Chair Tim Flynn were present via videoconference.

Staff members present were Alexander Nguyen, City Manager; Stephen M. Fischer, City Attorney; Kevin Riper, Chief Financial Officer; and Michelle Ascencion, City Clerk.

B. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA (None received.)

C. CONSENT AGENDA

City Clerk Department

1. SUBJECT: Approval of Minutes.
RECOMMENDATION: That the Finance and Governance Committee approve the minutes of the April 28, 2020 regular meeting as presented.

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

D. REPORTS

City Manager Department

1. SUBJECT: Fiscal Year 2020-2021 Preliminary Budget Preview.
RECOMMENDATION: That the Finance and Governance Committee receive the attached preliminary budget preview for Fiscal Year 2020-2021 and provide feedback.

The City Manager and Chief Financial Offier gave a report. Public comments were received from Ray Blattel, Jim Lavery, and Gabriel Teran. Written comments were received from Ray Blattel. Discussion ensued among the Committee and staff. No formal action was required.

Finance Department

2. SUBJECT: Interfund Borrowing Authority to Support Cash Flow for the General Fund.
RECOMMENDATION: That the Finance and Governance Committee recommend the City Council adopt a resolution authorizing the City Manager through June 30, 2021 to (i) borrow on behalf of the General Fund (101) up to $10,000,000 from each of the Water Fund, Wastewater Fund, and Environmental Resources Fund to support cash flow needs

during the public health emergency and its aftermath; and (ii) establish a 10-year repayment schedule, with interest charged at the City Treasurer's pooled cash portfolio earnings rate.

The Chief Financial Officer gave a report. Public comments were received from Lawrence Stein, Ray Blattel, and Jim Lavery. Written comments were received from Lawrence Stein and Ray Blattel. Discussion ensued among the Committee and staff.

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

E. ITEMS FOR FUTURE AGENDAS

Member Perello requested information on whether the State and County's "non-essential business" restrictions apply to short-term rental properties. Brief discussion ensued.

F. ADJOURNMENT

There being no further business on the agenda, and without objection, Chair Flynn adjourned the meeting at 11:11 a.m.

MICHELLE ASCENCION, CMC City Clerk	TIM FLYNN Chair

CITY OF OXNARD CALIFORNIA

FINANCE AND GOVERNANCE COMMITTEE
AGENDA REPORT

REPORTS
AGENDA ITEM NO. D.1

DATE: May 26, 2020

TO: Finance & Governance Committee

FROM: Steve Naveau, Human Resources Director, (805) 385-7947, steve.naveau@oxnard.org

SUBJECT: City's Response to the Internal Audit Overtime. (10/10/5)

RECOMMENDATION

That the Finance and Governance Committee receive the report and recommend to the City Council that they receive and file the City's response to Price Paige and Company's Overtime Usage Audit Report presented to the Committee on March 24, 2020.

BACKGROUND

On March 24, 2020 the Committee received an overtime report presented by Price Paige and Company. Within the report were a total of seven recommendations. This item provides the City's response to each of those recommendations.

Hire versus Overtime Analysis

Auditor Recommendation

The Police and Fire Departments utilize a significant amount of overtime to back fill positions (due to vacancy, vacation, sick, etc.). The high use of overtime indicates that there is a shortage of staff available to fill vacant or open positions. Both departments should conduct a hire versus overtime analysis to determine what is most cost effective as the cost of hire may be less costly than the high use of overtime. The Police and Fire Departments should conduct this analysis on the top positions to determine what the ideal balance is for vacant positions. In addition, both Departments should work in conjunction with the Human Resources Department of the City to fill these positions as quickly as possible to minimize the use of overtime.

City Response

The City agrees with the recommendation. The City's entire workforce experiences levels of turnover every year due primarily to retirements, and police and fire are no exception. However, police and fire safety personnel are very different when it comes to the recruitment and training of those personnel. The hiring and training cycle for the two departments are driven largely by legal requirements which apply to every police and fire department in the State.

Whereas it may take on average 120 days to recruit and hire a non-safety employee in a recruitment that is not considered a "hard to fill" recruitment, public safety positions can take upwards of 20 months from the time a candidate applies for the position to the point where they are available to work independently. It is not until such time as the employee can work independently that the impact to overtime usage is eliminated. In that intervening period, overtime is often used in the training of that employee.

In regards to the Police Department, the City is constantly recruiting to fill vacant police officer positions. There are no police officer positions that are held back if viable candidates are found. The overtime analysis made in the recommendation pertains primarily to the Fire Department. The Fire Department holds positions to hire so that they may reach an economy of scale when it comes to running a recruitment and holding a Fire Academy. Fire Academies are developed and held by personnel in the Fire Department and overtime is needed to offset staff coming off suppression shifts to teach in the academy.

Memorandum of Understandings and Productive Time

Auditor Recommendation

Some of the City's memorandum of understandings with different unions allow for vacation, sick and other similar time off to be counted as productive hours, in which overtime is then applicable if an employee exceeds a certain work hour threshold based on applicable laws and regulations. For certain classes of employees, if vacation is taken and the employee returns to work, overtime premiums may be required due to vacation and sick time being considered productive hours if the applicable thresholds are exceeded. The inclusion of vacation and sick time as productive hours in the computation of overtime appears to be a standard practice and typically include in the MOUs with different unions. We recommend that the City evaluates whether continuing with such a policy is prudent.

City Response

The City agrees with the recommendation. In a prior MOU the City agreed to include sick leave and vacation as time worked for purposes of calculating overtime on time worked. Under State law the City may only eliminate this benefit through an agreement with the Unions. Absent an agreement the City is unable to make a unilateral change to the Union contract.

Highest and Best Use Approach

Auditor Recommendation

Departments within the City manage their own overtime usage, which includes determining how staffing arrangements are handled when overtime is needed. There may be instances in which the departments employ a rank-for-rank approach, in which a position that is vacant is filled with an equally qualified candidate. It may also give more tenured or seasoned employees the first opportunity to work overtime as an incentive. This approach may inadvertently and adversely impact the City's resources. All Departments within the City should consider implementing a highest and best use approach where appropriate. Under the highest and best use approach, a vacant position would be filled with a lower ranking position employee who is "as qualified" for the position or, at the maximum, an employee who is of equal rank. Allowing more tenure employees to fill a vacant position that's of lower rank through the use of overtime increases the total cost to fill those positions due to higher salaries and pay rates. Allowing employees of a lower rank that are qualified to fill in a higher rank vacant position would provide them with invaluable experience and professional growth. The City and individual departments should research whether such an approach is in line with applicable laws and regulations and beneficial to the City.

City Response

The City disagrees with the recommendation. Employees who are in the same classification as the employee who is absent are offered the overtime work. To do this, departments may either allow employees who are in the same classification to show interest in the shift or the department may assign the overtime through the use of a seniority list. Both processes are detailed in the relevant Memorandum of Understanding with the Unions. If a shift is unable to be covered by an employee who is in the same classification as the vacant shift, then the department(s) may use a lower level classification provided that the employee in the lower classification qualifies. When an employee of a lower rank is used their pay is increased to be within the range of the higher level classification that they are working.

Auditor Comment

Based on the work performed in the overtime audit, while the approach in the City's response might be the policy, the actual practice may differ. An example of this would be when reviewing the total number of overtime an employee works. In our audit of public safety, we noted a very high number of overtime hours worked for specific individuals, year over year. If the approach as outlined by the City above was applied in practice, it would be expected that there's a more balanced level of overtime for all staff rather than specific individuals (unless they were the ONLY ones available as a replacement which appears unlikely).

Our recommendation is to consider the benefits of employing the highest and best use when appropriate, and the City must also consider the potential impact on union groups. There may be classes of positions who aren't union and this approach may be beneficial.

Cost of Compensatory Time

Auditor Recommendation

Establish Compensatory Time Carryover Limits In Accordance With FLSA Guidelines.
The City should consider adopting the compensatory carryover limit policy to be more in line with FLSA guidelines. The current policy allows for employees to carry over compensatory balances above and beyond the maximum thresholds established by FLSA. Reducing the carryover limit, as well as paying those balances out on periodic basis, should reduce the potential for these employee liabilities to increase year over year.

City Response

The City agrees with the recommendation. The current policy and practice is that employees are not able to accrue compensatory time off above the legal threshold provided for under the Federal Fair Labor Standards Act (FLSA). The maximum threshold for public safety is 480 hours. It is acknowledged that within the time frames the audit occurred that some public safety employees had been allowed to exceed the 480 hour limit, however since July 2019 this practice has been discontinued.

With regards to periodically paying these balances out, two of our non-safety employee contracts have provisions where the full leave banks are paid out in June of every year. The City will need to negotiate similar language with its public safety contracts when those contracts are up for renegotiation in 2021.

Centralized Payroll Department

Auditor Recommendation

The overtime audit considered all departments within the City that utilize overtime. During our interviews with City staff, it was determined that the payroll function was de-centralized, in which the Police Department, Fire Department and Miscellaneous (referred to all other departments that do not fall under the Police or Fire Department) processed and monitored their own payroll as well as maintaining their own payroll records. Having a decentralized payroll system increases the risk of errors or fraud since it generally does not have the same level of oversight as a centralized function. We recommend that the City re-evaluate whether a de-centralized payroll system is the ideal system for the size and complexity of the City. We recommend that the Payroll Administration Department ultimately be responsible and oversee all functions of payroll, including payroll and overtime at the Police and Fire Departments. The level of oversight involvement by the Payroll Administration Department should be discussed and ultimately determined.

City Response

The City agrees with the recommendation. As part of the Enterprise Resources Planning System (ERP) the City is currently implementing Executime, a new timekeeping system which will result in electronic time sheets that all employees will complete and which will be signed off electronically by supervisors and managers. This new system will be the repository of all time keeping records which will be maintained in accordance with City policy as well as State and Federal laws. This system will also centralize all payroll functions.

Development of an Overtime Monitoring System

Auditor Recommendation

Currently, the City does not have a formal overtime administration and monitoring policy that outlines how overtime should be administered, utilized and monitored. Individual departments are currently monitoring their own overtime usage but do not formally report the results to an oversight department. Cities the size of Oxnard benefit from having a designated person responsible for the administration, utilization, monitoring and oversight of overtime usage as well as compliance with the City's policies and procedures related to payroll. We recommend that the City invest the resources to hire an additional personnel in the Payroll Department to specifically oversee the use of overtime. The responsibilities of this position should include pay period monitoring of the City's overtime usage by department, compliance with overtime approval polices, evaluating incurred overtime costs compared to budgeted amounts, working with individual departments to identify the source of labor shortages and proactively providing timely solutions. The overtime cost savings should more than pay for the cost of such a position.

City Response

The City agrees with the recommendation. One of the components of the Enterprise Resources Planning System (ERP) is a reporting tool that will allow the City to track and report on City finances including such items as overtime usage. Once implemented, departments will be able to see and track overtime use to ensure that they remain within budget. In regards to biweekly time sheet reporting, the City is anticipating that this summer we will be moving to Executime which will ensure that overtime is only paid out when required under the relevant Memorandum of Understanding and/or State or Federal law.

Retention of Payroll Records

Auditor Recommendation

During our audit, we conducted various tests including testing of internal control procedures related to the use of overtime. As part of that process, we requested employee timesheets. It was noted that the Fire Department did not maintain payroll records prior to the most recent two years available. As a result, payroll records dating June 30, 2015 and prior were not available for our review. We expanded our testing selections to include the years in which information was available. The Fire Department should adhere to the City's document retention policy to ensure all relevant financial information is properly retained. The development of a more centralized payroll system in which one department has access to all the information should reduce the risk of non-compliance with the City's documentation retention policies.

City Response

The City agrees with the recommendation. The City is currently in the process of implementing Executime which will result in electronic time sheets that all employees will complete and which will be signed off electronically by supervisors and managers. This new system will be the repository of all time keeping records which will be maintained in accordance with City policy as well as State and Federal laws.

STRATEGIC PRIORITIES

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

FINANCIAL IMPACT

There is no financial impact.

Prepared by: Steve Naveau, Human Resources Director

ATTACHMENTS

1. Overtime Report Presentation

Internal Audit of Overtime City Staff Response

Presented to: Finance and Governance Committee
May 26, 2020

1

Hire Versus Overtime Analysis

- Auditor Recommendation
  - Departments should perform an analysis to determine when it is more cost effective to hire new employees than utilize overtime.
- City Response – City agrees with the recommendation
  - Within the Police Department the City is always in the process of hiring replacement officers.
  - Vacancies are held within the Fire Department until an economies of scale is reached to hold a Fire Academy.

2

MOU and Productive Time

- Auditor Recommendation
  - Eliminate allowing unproductive time such as vacation and sick leave to be considered as time worked when calculating overtime.
- City Response – City agrees with the recommendation
  - The City will need to negotiate the elimination of this benefit with the City's bargaining units.

Highest and Best Use Approach

- Auditor Recommendation
  - When a position is vacant the department should fill from a lower rank provided the employee is qualified or from the same rank as the vacancy.
- City Response – The City disagrees
  - When a position is vacant the department offers the overtime to employees in the same classification as the vacant position. If the shift is unable to be covered by an employee in the same classification, some departments will then offer the shift to a lower level employee who qualifies for the higher classification.
  - Changes to this process would be subject to meeting with Unions.

Cost of Compensatory Time

- Auditor Recommendation
  - Adopt compensatory overtime limits in line with the Fair Labor Standards Act (FLSA)
- City Response – City agrees with the recommendation
  - The legal maximum for public safety under the FLSA is 480 hours. The City has enacted those limits in its payroll system.
  - The limits for non-safety has been 100 hours pursuant to the MOU's and the City has stayed within those limitations paying out the hours at the end of the fiscal year.

5

Centralized Payroll Department

- Auditor Recommendation
  - Centralize the City's payroll system given the size and complexity of the City.
- City Response – City agrees with the recommendation
  - The City is currently in the process of implementing a new timekeeping system.

6

Development of Overtime Monitoring System

- Auditor Recommendation
  - Create a position with the responsibility to monitor and evaluate departments overtime usage so that trends in overtime use may be proactively identified.
- City Response – City agrees with the recommendation
  - The City is in the process of implementing the Enterprise Resource Planning System (ERP) which contains reporting capability to track expenditures such as overtime usage.

7

Retention of Payroll Records

- Auditor Recommendation
  - Develop a more centralized payroll system to ensure compliance with City's Centralize the City's payroll system given the size and complexity of the City.
- City Response – City agrees with the recommendation
  - With the implementation of the new timekeeping system all documentation will be housed electronically within the system which centralizes the function to payroll.

8

Next Steps

Once the report is recommended for approval by the Finance and Governance Committee, the combined audit report and City responses will be presented to Council in a future meeting.

Questions?

CITY OF OXNARD CALIFORNIA

FINANCE AND GOVERNANCE COMMITTEE
AGENDA REPORT

REPORTS
AGENDA ITEM NO. D.2

DATE: May 26, 2020

TO: Finance & Governance Committee

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

SUBJECT: FY 2020-21 General Fund Budget Preview. (10/10/10)

RECOMMENDATION

That the Finance and Governance Committee receive and file a preview of the FY 2020-21 General Fund Proposed Budget and provide feedback.

BACKGROUND

For the FY 2019-20 Mid-Year Budget Estimate presented to the Finance & Governance Committee in February, the staff projection for the General Fund operating deficit was $2.0 million on a $142 million spending base.

Three months later, amid a global pandemic and accompanying recession shaping up to be the deepest since the Great Depression, the projected operating deficit for the current fiscal year has widened to $10.8 million. All of that is due to a collapse in General Fund revenue, as detailed in earlier presentations to the Committee. If the projections hold -- no sure thing in such an uncertain and fast-changing economic environment -- then the General Fund at June 30, 2020 will have an $8.9 million available fund balance, or 6.2% of total expenditures + transfers out. (City Council's policy goal is for 12% available fund balance.)

For the budget year, FY 2020-21, staff is projecting less than a 3% increase in General Fund revenue from the already-depressed level of FY 2019-20. Even with $3.3 million of General Fund spending reductions proposed by the various operating departments and endorsed by the City Manager in his forthcoming Proposed Budget, a projected operating deficit as of this writing of $5.3 million still remains. If realized, this operating deficit would push available fund balance down to $3.6 million at June 30,m 2021, or 2.5% of total expenditures + transfers out.

Listed below are the major General Fund changes expected to be included in the FY2020-21 Proposed Budget, in alphabetical order by department name:

<u>City Clerk</u>: $0.1 million increase for November 2020 election costs

<u>Community Development</u>: A $0.2 million net reduction in revenue, more than offset by $0.6 million of expenditure savings from freezing 7 vacant positions for the entire fiscal year, for a net benefit to the General Fund of $0.4 million.

Fire: Savings in overtime of $876,000 from a redeployment of the paramedic squad, offset by an increase of $1,000,000 for station coverage and overtime required for minimum staffing. Combined, these two recommendations add $124,000 to General Fund expenditures.

Police: Reduced revenue of $0.4 million due to the Oxnard School District's cancellation of its agreement with the City to provide 3 sworn School Resources Officers, way more than offset by $1.8 million of reduced expenditures from the elimination of 17 positions, most of which are currently vacant. Combined, these two items save $1.4 million for the General Fund.

Public Works: Reallocation of all or parts of 9 FTE in the Engineering, Design, and Construction Administration Division to the three utility enterprise funds (Water, Wastewater, Environmental Resources), where they will work on utility enterprise fund projects, rather than on General Fund projects. Resulting savings to the General Fund will be $0.9 million.

STRATEGIC PRIORITIES

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

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

FINANCIAL IMPACT

The financial impact of the recession induced by the global pandemic and the resulting decline in General Fund revenue for the current fiscal year (FY 2019-20) and for the budget year (FY 2020-21) will, under the Proposed Budget as it stands as if this writing, deplete almost all of the General Fund reserves by the end of the budget year. This projection assumes the General Fund revenue forecast comes true, which is calibrated at the 50% confidence level, meaning staff judges the forecast to be equally likely to prove too low as too high.

Prepared by: Kevin Riper, Chief Financial Officer

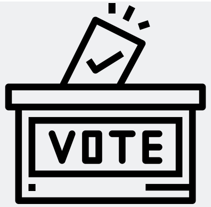
ATTACHMENTS

1. Proposed Major Budget Changes_FINAL v2 (1)

FY2020-21 Proposed Budget

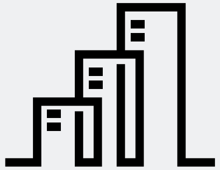
PROPOSED MAJOR GENERAL FUND CHANGES

CITY CLERK



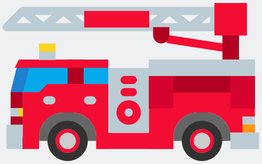
- **$0.1 million increase** for November 2020 election costs

COMMUNITY DEVELOPMENT



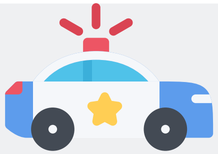
- **$0.2 million net reduction** in revenue
- **$0.6 million of expenditure savings** from freezing 7 vacant positions for the entire fiscal year
- **Net benefit to the General Fund of $0.4 million**

FIRE DEPARTMENT



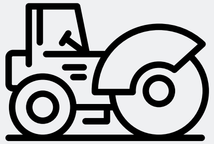
- **Savings in overtime of $876,000** from a redeployment of the paramedic squad
- **Increase of $1,000,000 for station coverage** and overtime required for minimum staffing
- Combined, these two recommendations **add $124,000 to General Fund expenditures**

POLICE DEPARTMENT



- **Reduced revenue of $0.4 million** due to OSD's cancellation of contract for Officers
- Was offset by **$1.8 million due mostly to reduced expenditures** from the elimination of vacant positions
- Combined, **save $1.4 million for the General Fund**

PUBLIC WORKS



- Reallocation of 9 FTE in the Engineering, Design, & Construction Administration Division to the utility enterprise funds, to work on utility projects, rather than on General Fund projects
- Resulting **savings to the General Fund will be $0.9 million**