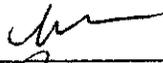
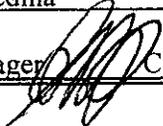
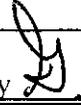
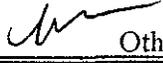




Meeting Date: 04/11/06

| ACTION | TYPE OF ITEM |
|--|--|
| <input type="checkbox"/> Approved Recommendation | <input type="checkbox"/> Info/Consent |
| <input type="checkbox"/> Ord. No(s). _____ | <input type="checkbox"/> Report |
| <input type="checkbox"/> Res. No(s). _____ | <input type="checkbox"/> Public Hearing (Info/consent) |
| <input type="checkbox"/> Other _____ | <input checked="" type="checkbox"/> Other 7:15 Appointment |

Prepared By: Marcie Medina  Agenda Item No. P-1

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

DATE: March 13, 2006

TO: City Council

FROM: Marcie Medina, Finance Director
Finance Department 

SUBJECT: General Fund Forecast 2006-2011

RECOMMENDATION

That City Council provide comments on and file the General Fund Forecast 2006-2011.

DISCUSSION

The General Fund Forecast 2006-2011 consists of base forecast, additional expenditures and revenues impact on net fund balance and base forecast assumptions. Forecast projections are based on historical trends and modified by specific events and factors known by staff.

FINANCIAL IMPACT

There is no financial impact associated with the recommendation.

MRM:ct

Attachment #1 - General Fund Forecast 2006-2011

CITY OF OXNARD

General Fund

FINANCIAL FORECAST 2006-2011

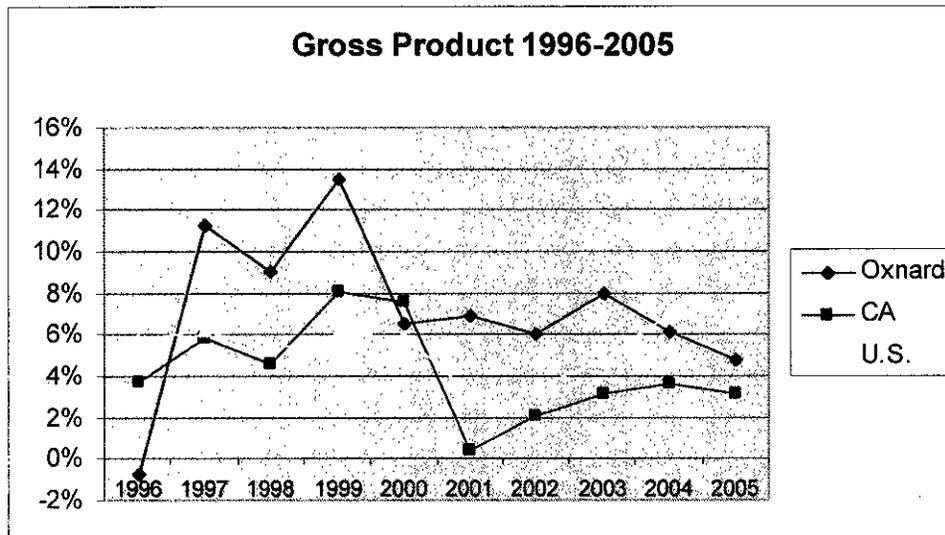
ECONOMIC OUTLOOK

The national economy continues to grow. GDP (Growth) should continue at a slower rate this year. The hurricanes caused an increase in energy prices that induced a spike in inflation. However, rebuilding activity in the hurricane-affected areas could boost activity. Retail sales are expected to remain resilient. Employment growth and wage increases continue at a slower rate. Rising interest rates, terrorism, housing affordability and inflation pressures are areas of concern.

The California economy has experienced growth in the past year at a slower rate than the National economy. California's employment rates have continued to increase. The housing market has been very robust. Economist concerns are the cooling of the superheated housing market and its effect on the state economy. In California, job recovery has been strongly dependent on construction. Also, consumer spending is strongly linked to rising home prices and low interest rates. With the cooling of the real estate market and rising interest rates, consumer spending could be adversely affected.

At the local level, Ventura County has experienced significant economic growth. Employment growth continues. Ventura County's employment, construction and retail growth outperforms the overall economy.

The City of Oxnard has experienced tremendous growth over the past year and above average growth in the last eight years. According to the UCSB Economic Forecast Project, Oxnard's Gross City Product is estimated to be \$8.4 billion for 2005. This is 4.8 percent gain from 2004. This growth is expected to continue due to housing-price differentials and new developments.



Source: UCSB Economic Forecast Project

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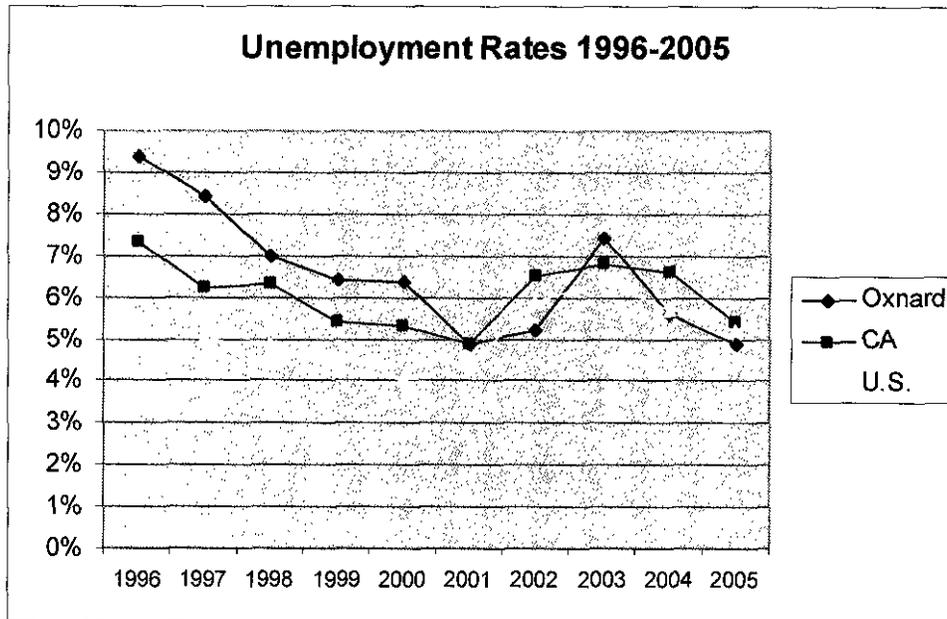
ATTACHMENT NO. 1
PAGE 1 OF 10

CITY OF OXNARD

General Fund

FINANCIAL FORECAST 2006-2011

Oxnard's unemployment rate has improved at a faster pace than the State and National rates in the past two years. The number of jobs continues to grow steadily. The UCSB forecasts job growth of 2.5 to 3.0 percent during the next few years.



Source: California Employment Development Department

The five year forecast of revenues and expenditures for the General Fund consists of the following: (Exhibit 1) – base forecast, additional expenditures and revenues impact on net fund balance; and (Exhibit 2) – forecast assumptions.

This report provides the reader with projections based on historical trends modified by specific events and factors known by staff. Forecast information provided by specialized firms and groups was used when available.

REVENUE ANALYSIS AND FORECAST

Property Tax

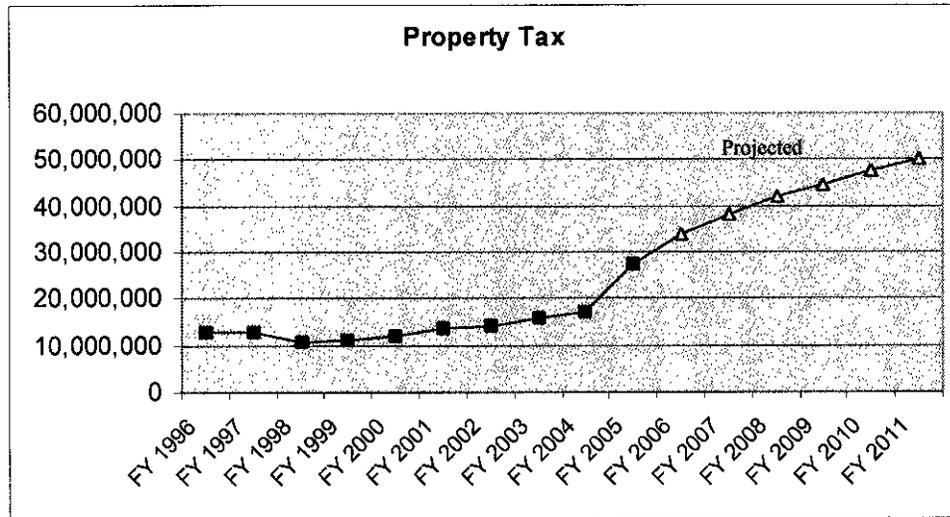
Property tax revenues have grown significantly in the past five years. Property tax increased due to the shift of the Vehicle License Fee (VLF) to property tax in lieu of VLF as of fiscal year 2004-05 (Triple-Flip). Property tax in lieu of VLF will grow at the same rate as assessed valuation and is now a component of property tax. Property tax is 1% of assessed valuation. The City's general fund portion is .17% of the 1% Tax. Assessed valuation increases on an annual basis by a standard 2% inflationary rate. The City's growth in assessed valuation has exceeded this inflationary rate. The base forecast

CITY OF OXNARD

General Fund

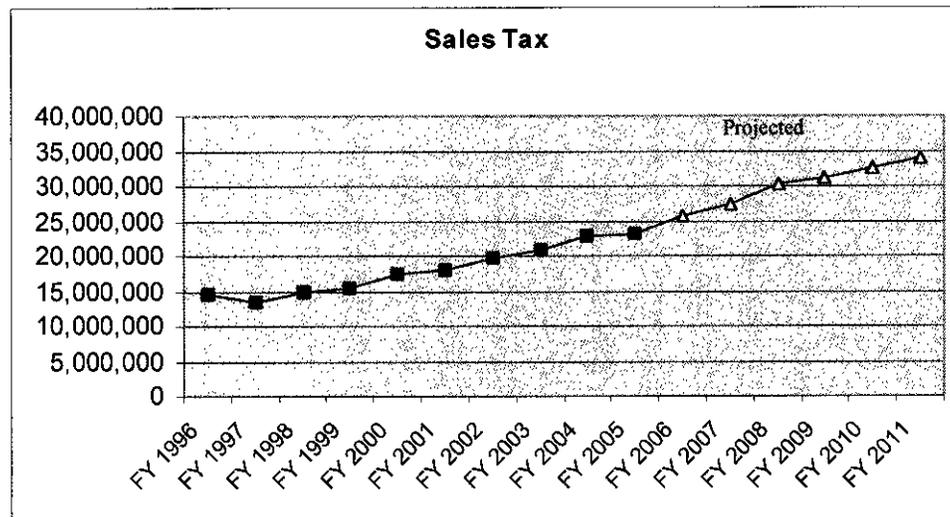
FINANCIAL FORECAST 2006-2011

projection assumes a 5% inflationary rate, which provides for additional growth in assessed valuation due to re-evaluation of properties as they are sold. The 5% does not provide for growth due to new construction. New construction projections are provided as additional revenues to the base forecast.



Sales Tax

Another General Fund major revenue is sales tax. Sales tax has grown at a constant rate over the past eight years. The base forecast projections provide for sales tax increases for the next five years from 2.5% to 3.5%. Additional sales tax revenue due to new retail operations are noted as additional revenues beyond the base forecast.



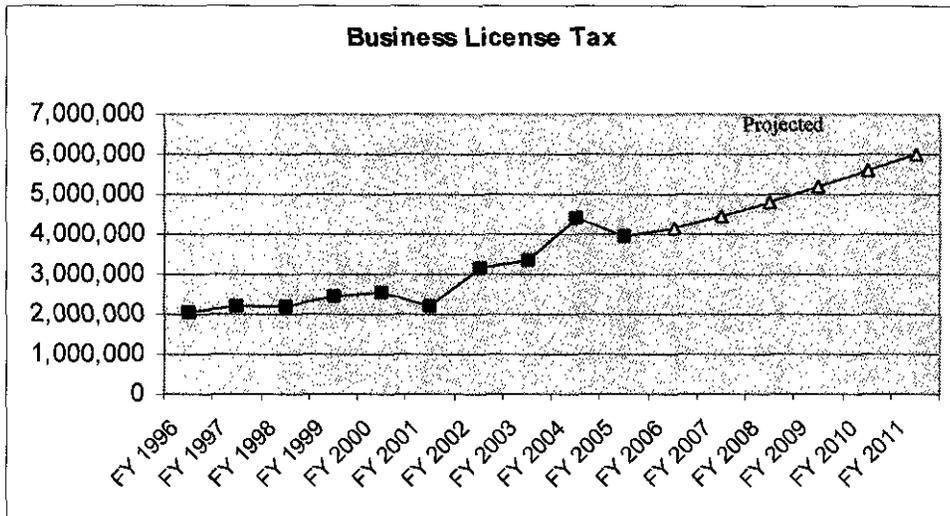
CITY OF OXNARD

General Fund

FINANCIAL FORECAST 2006-2011

Business License Tax

Business License Tax has been increasing over time with a couple of temporary declines in the last ten years. The first decrease in business license tax in 2001 was the result of closure of businesses during the development of the new Esplanade. There was another decline in 2005 in business tax collections that was attributed to major tax collection programs in place in 2004 that generated increased collections for the year and resulted in a decline for 2005. Business License Tax is paid on gross receipts or a flat rate based on number of employees. The tax is adjusted on an annual basis per the consumer price index (CPI). Projected increases provide for the CPI rate and five percent growth.



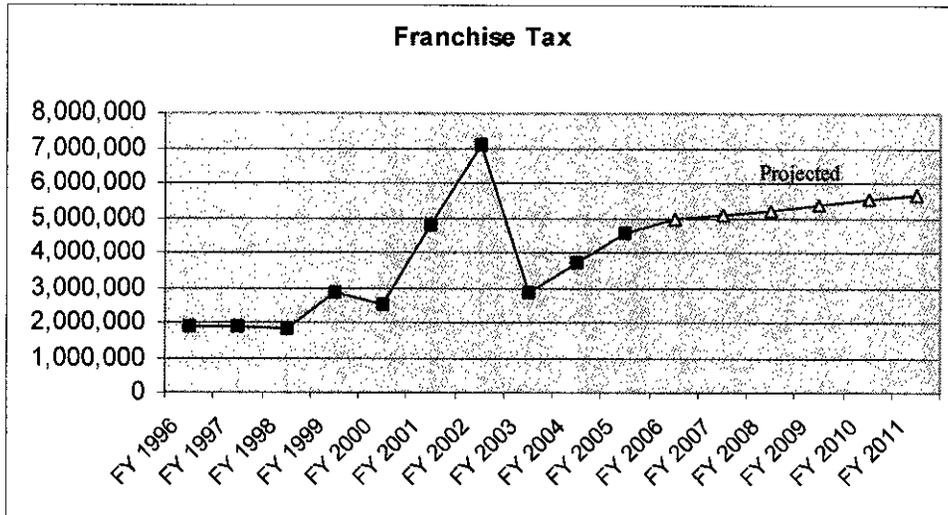
Franchise Tax

Franchise Taxes are collected for natural gas, electricity, and cable services. Franchise fees fluctuate with franchisee gross revenues. One of the factors that affect franchise revenues is the use of natural gas by the two power plants. There was a spike in Franchise Fees in 2002 due mainly to high utility rates for both gas and electricity. Franchise Fees are expected to increase by the CPI rate. There is pending legislation that may impact cable franchise revenues in the future. Staff will continue to monitor such legislation.

CITY OF OXNARD

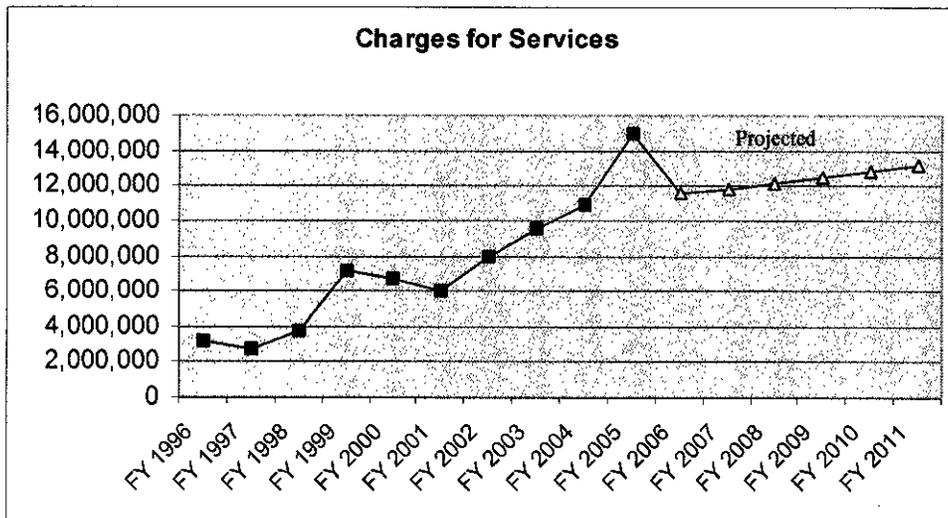
General Fund

FINANCIAL FORECAST 2006-2011



Charges for Services

Charges for services category is made up of user fees charged by various city departments. Fee for service is charged for such services as document processing, false alarm, animal impound, zoning, plan check, and inspection. Charges for service fees will vary depending on use of service provided and on fee charged. The fluctuation from year to year is mainly due to development activity. Fees charged by development services for plan checks, zoning and inspections vary from year to year depending on building activity in the City. FY 2005 the increase in charges for services is due to recognizing of development services deferred revenues. Projected growth is based on CPI increases.



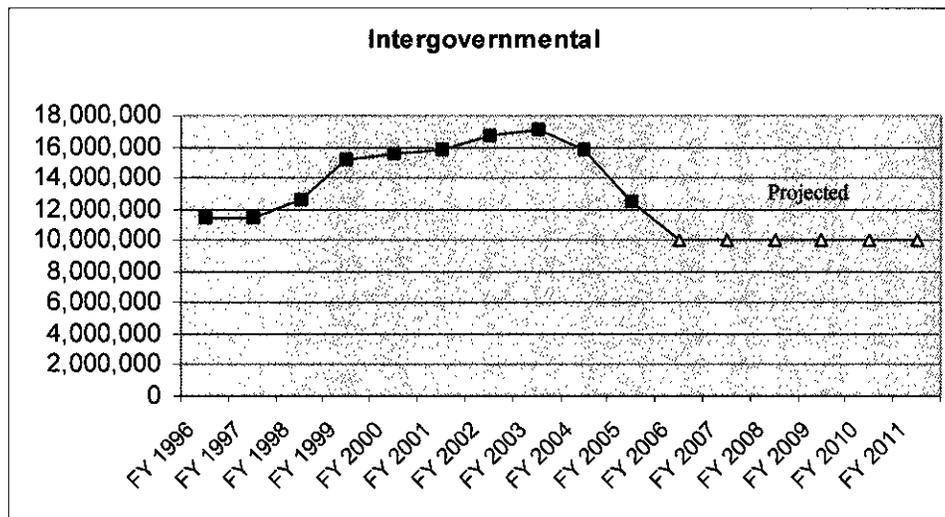
CITY OF OXNARD

General Fund

FINANCIAL FORECAST 2006-2011

Intergovernmental

Intergovernmental revenues are comprised of State and Local shared revenues. The two main revenues are Vehicle License Fee (VLF) and indirect cost reimbursements. The impact of VLF is noticeable as of 2004 when the State changed the allocation of VLF Revenues to cities and counties. The State Budget Act of 2004 eliminated the VLF Backfill and altered the allocation formula. A new revenue, the Property Tax In-Lieu of VLF ("VLF Adjustment Amount") compensates cities and counties for the backfill amount. The change resulted in a shift in revenues from intergovernmental to property tax. Property tax increased by the Property Tax In-Lieu of VLF and Intergovernmental revenues decreased by VLF adjustment amount.



EXPENDITURE ANALYSIS AND FORECAST

Expenditure projections are based on a combination of historical trends and assumptions about the future.

Operating expenses include personnel costs, contract services, supplies, general liability insurance, facility charges, information systems charges and general expenses.

Capital outlay includes fixed asset expenditures, such as, autos, equipment, buildings and improvements. Projections are based on the average dollar amount expenditure over the last five years.

Transfers to other funds includes transfers to special revenue funds, capital improvement funds and transfers for debt service.

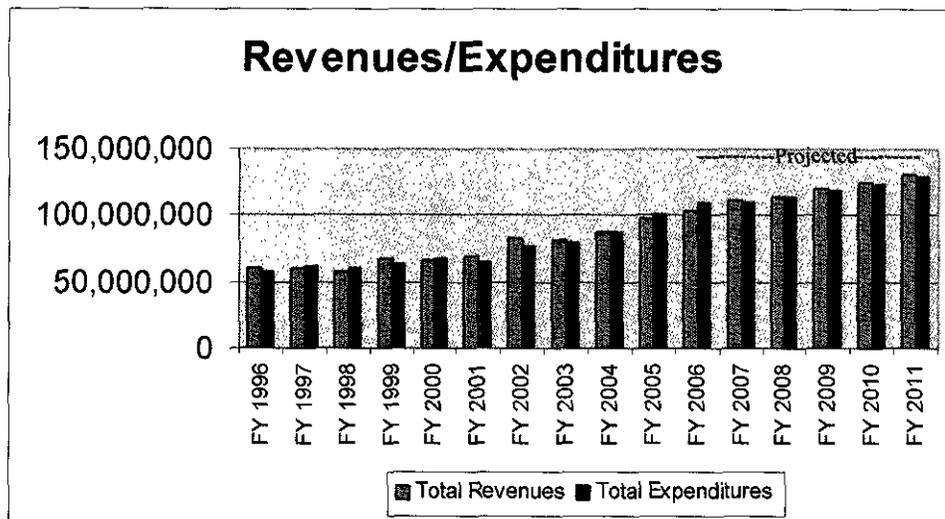
CITY OF OXNARD

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COMPARISON OF REVENUE AND EXPENDITURE TRENDS

In the past ten years, total revenues and total expenditures have fluctuated. FY2001 thru FY2005 revenues and expenditures have been consistently increasing. The fluctuation in revenues FY2002 was due to proceeds from debt.



Revenues and expenditures FY2006 thru 2011 are projected.

FACTORS NOT INCLUDED IN THE FORECAST

- This forecast is based on the General Fund only.
- No new or enhanced programs are included in the forecast.
- The forecast does not provide for funding of new capital projects.
- The forecast does not provide for compensation adjustments for future years labor negotiations.

FINANCIAL CHALLENGES AND ACCOMPLISHMENTS

In the past five years, the City has faced unprecedented challenges. State budget cuts resulted in reduction of VLF revenue. Although this revenue has been restored, the revenues for FY2004 thru FY2006 were impacted. The take-away and restoration of state revenues created fluctuations in the City's revenue streams. The City has also been faced with escalating healthcare and pension costs. However, the impact of state take-aways and increasing costs was offset to a certain extent by increases in other revenues due to a strong local economy.

Based on current revenue and expenditure trends, the financial forecast predicts a positive operating position for the five year forecast period (Exhibit 1). Additional revenues due

CITY OF OXNARD

General Fund

FINANCIAL FORECAST 2006-2011

to new developments and growth in the economic base provide for revenues that exceed expenditures FY2007 thru FY2011.

Ongoing challenges the City faces are the continued increase in healthcare and pension costs. Also, as the City grows so does the need for services. This in turn may result in increase of operational expenses as well as capital outlay for infrastructure.

To deliver services, the City must devote continuing resources to its public buildings, streets, parks and other facilities. Through development fees, working with developers and establishment of assessment districts, the City continues its efforts to provide the resources necessary to improve and maintain the City's general fund infrastructure. Currently the City is in the process of purchasing a police annex facility, the new South Oxnard library is close to completion, construction has begun on a new permit center, new street projects are expected to begin this spring, and a new fire station #7 is now in operation.

The City has been successful in the past five years in increasing its revenues. In spite of the national and state economic downturn, the local economy has continued to thrive. The City has undergone tremendous growth. New developments, completed or upcoming, include Westport, Northwest Golf Course, Seabridge, RiverPark and Northshore. Furthermore, the City has been active in economic development. The new Esplanade has been in operation since FY2001. The new Downtown theatre opened last fall and most of the restaurants in the plaza are now in operation. Fry's opened its doors just in time for the Holiday Season. A new Lowe's is expected to open later this year.

The City's Comprehensive Annual Financial Report continues to receive awards and recognition from State and National associations. The City has managed to maintain its "A" credit rating. Also, the City received three Helen Putnam Awards last fall for Satellite City Hall, the Great Program and PreSchool to You.

CITY OF OXNARD

General Fund

FINANCIAL FORECAST 2006-2011

EXHIBIT 1 - Forecast (\$000)

| | <i>Budget</i> <i>2005-06</i> | <i>Estimated</i> <i>2005-06</i> | <i>Projected</i> <i>2006-07</i> | <i>Projected</i> <i>2007-08</i> | <i>Projected</i> <i>2008-09</i> | <i>Projected</i> <i>2009-10</i> | <i>Projected</i> <i>2010-11</i> |
|-------------------------------------|---------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Revenues: | | | | | | | |
| Property Tax | 31,629 | 33,700 | 37,915 | 40,376 | 42,870 | 45,445 | 48,104 |
| Sales Tax | 24,620 | 25,830 | 26,783 | 27,587 | 28,414 | 29,409 | 30,438 |
| Franchise Tax | 4,953 | 4,953 | 5,086 | 5,226 | 5,370 | 5,518 | 5,670 |
| Business License | 5,085 | 4,150 | 4,469 | 4,815 | 5,188 | 5,590 | 6,023 |
| Other Taxes | 2,692 | 2,828 | 2,920 | 2,947 | 2,975 | 3,003 | 3,031 |
| Subtotal Taxes | 68,979 | 71,461 | 77,173 | 80,951 | 84,817 | 88,965 | 93,266 |
| Intergovernmental | 11,605 | 9,993 | 9,993 | 9,993 | 9,993 | 9,993 | 9,993 |
| Charges for Services | 9,637 | 11,526 | 11,835 | 12,160 | 12,494 | 12,838 | 13,191 |
| Other Revenues | 17,098 | 10,206 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |
| Total Operating Revenues | 107,319 | 103,186 | 106,501 | 110,604 | 114,804 | 119,296 | 123,950 |
| Transfers In | 4,801 | 4,926 | 3,200 | | | | |
| | 112,120 | 108,112 | 109,701 | 110,604 | 114,804 | 119,296 | 123,950 |
| Expenditures: | | | | | | | |
| Operating | 92,963 | 95,378 | 102,044 | 105,958 | 109,353 | 114,237 | 119,349 |
| Capital Outlay | 1,985 | 1,834 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Total Operating Expenditures | 94,948 | 97,212 | 103,544 | 107,458 | 110,853 | 115,737 | 120,849 |
| Transfers Out | 9,925 | 9,925 | 4,802 | 4,967 | 5,003 | 5,105 | 5,086 |
| TOTAL EXPENDITURES | 104,873 | 107,137 | 108,346 | 112,425 | 115,856 | 120,842 | 125,935 |
| CHANGE IN FUND BALANCE | | | | | | | |
| BALANCE | 7,247 | 975 | 1,355 | (1,821) | (1,052) | (1,546) | (1,985) |
| Additional Debt Service | | | 550 | 550 | 550 | 550 | 550 |
| South Oxnard Library | | | | | | | |
| Staffing for six months | | | 161 | 161 | 161 | 161 | 161 |
| PD Building Maintenance | | | 341 | 350 | 360 | 370 | 380 |
| Increased Workers Compensation | | | | | 604 | 651 | 701 |
| Increase in PERS | | | | | 540 | 567 | 596 |
| Midyear Budget: | | | | | | | |
| On-going | | 683 | 772 | 772 | 772 | 772 | 772 |
| One-time | | 1,513 | | | | | |
| ADDITIONAL EXPENDITURES | | 2,196 | 1,824 | 1,833 | 2,987 | 3,071 | 3,160 |
| Property Tax Adjustments | | | 318 | 1,493 | 1,901 | 2,098 | 2,190 |
| Sales Tax Adjustments | | | 560 | 2,600 | 2,630 | 3,260 | 3,680 |
| ADDITIONAL REVENUES | | | 878 | 4,093 | 4,531 | 5,358 | 5,870 |
| NET CHANGE IN FUND BALANCE | 7,247 | (1,221) | 409 | 439 | 492 | 741 | 725 |

CITY OF OXNARD

General Fund

FINANCIAL FORECAST 2006-2011

EXHIBIT 2 - Assumptions (\$000)

| | <i>Projected 2006-07</i> | <i>Projected 2007-08</i> | <i>Projected 2008-09</i> | <i>Projected 2009-10</i> | <i>Projected 2010-11</i> |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| INFLATION: Based on UCSB Economic Forecast Project and on Highmark Capital Mngmt, Inc. Projections. | 2.68% | 2.75% | 2.75% | 2.75% | 2.75% |
| Revenue Factors | | | | | |
| TAXES: | | | | | |
| Property Tax analysis provided by HdI and adjusted by staff for new construction and growth; assumptions provide for inflationary growth at 5% of Real Property AV. | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Sales Tax projections provided by HdI and adjusted by staff for new retail developments | 2.50% | 3.00% | 3.00% | 3.50% | 3.50% |
| Franchise Tax assumptions provide inflationary increase per CPI. | 2.68% | 2.75% | 2.75% | 2.75% | 2.75% |
| Business License provides CPI inflationary increase and growth factor per staff projections. | 7.68% | 7.75% | 7.75% | 7.75% | 7.75% |
| Other Taxes based on staff projections. | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| INTERGOVERNMENTAL: | | | | | |
| State and Local Shared Revenues (Motor Vehicle License Fee, Public Safety Augmentation, Infrastructure Fee & Indirect Cost Reimbursement) based on staff projections. | \$9,993 | \$9,993 | \$9,993 | \$9,993 | \$9,993 |
| CHARGES FOR SERVICES: | | | | | |
| Estimated increase based on inflation. | 2.68% | 2.75% | 2.75% | 2.75% | 2.75% |
| OTHER REVENUES: | | | | | |
| Based on staff estimates. | | | | | |
| TRANSFERS IN: | | | | | |
| Based on staff estimates. | \$4,801 | \$4,926 | \$3,200 | \$ | \$ |
| Expenditure Factors | | | | | |
| OPERATING: | | | | | |
| Based on staff estimates. | \$102,044 | \$105,958 | \$109,353 | \$114,237 | \$119,349 |
| CAPITAL OUTLAY: | | | | | |
| Staff projections based on fixed amount. | \$1,500 | \$1,500 | \$1,500 | \$1,500 | \$1,500 |
| TRANSFERS OUT: | | | | | |
| Staff projections based on current transfers to special revenue and enterprise funds and debt service schedule for transfers to COFA. | \$4,802 | \$4,967 | \$5,003 | \$5,105 | \$5,086 |