



Meeting Date: 5 / 20 / 14

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 Appointment Item

Prepared By: James Cameron

Agenda Item No. J-2

Reviewed By: City Manager

City Attorney

Finance

Other (Specify)

DATE: May 12, 2014

TO: City Council

FROM: James Cameron

Chief Financial Officer

SUBJECT: Fiscal Year 2014-15 Recommended Budget

RECOMMENDATION

That City Council:

1. Receive the recommended budget for Fiscal Year (FY) 2014-15
2. Provide direction on priority services
3. Approve the budget review and adoption calendar.

DISCUSSION

The FY 2014-15 Recommended Budget provides a financial plan for the City for the coming year. This budget sets forth a plan in which community services are the highest priority and ensures that the City provides effective leadership in achieving the City Council's goals, objectives, and top priorities.

The recommended budget is an update to the second year of the two year budget approved by the City Council for FYs 2013-14 and 2014-15. This budget includes the cost of implementing the Federal Affordable Care Act (ACA) and previously approved labor agreements. While this budget is in balance for governmental type funds, including the General Fund, there are funding issues that require Council direction regarding the Performing Arts and Convention Center and the Golf Course enterprise funds. Because economic growth continues to lag and with the additional cost of approved employee MOUs, the City has not been able to add back difficult reductions made in prior years.

The FY 2014-15 Recommended budget is proposed at \$358.4 million, a decrease of \$6.3 million from the FY 2013-14 budget.

The recommended budget consists of the following (\$ millions).

General Funds	\$ 113.1
Measure O ½ Cent Sales Tax	7.1
Special Revenue Funds	28.5
Other Governmental Funds	13.7
Enterprise Funds	104.6
Housing Authority	25.4
Internal Service Funds	27.4
Capital Improvements	4.0
Debt Service	34.6

The recommended budget is a decrease of \$67.7 million from the originally approved FY 2014-15 budget primarily due to the rescheduling of Capital Improvements.

Budget Schedule

Based on prior communications with City Council, staff is targeting June 17, 2014 for budget adoption. In order to meet that goal, Council received a presentation on projected revenues for FY 2014-15 on April 22, 2014 and the recommended budget is being transmitted May 20, 2014. In addition, the following schedule is proposed:

May 20	Receive Budget Document
May 22	<i>Publish Notice of Public Hearing</i>
June 2	Budget Study Session
June 2	<i>Publish Appropriations Limit</i>
June 10	Budget Hearing
June 17	Budget Adoption

FINANCIAL IMPACT

Because this item is for discussion purposes only, there is no financial impact.

Attachment: FY 2014-15 Recommended Budget, Budget Message



CITY MANAGER'S OFFICE

305 West Third Street • Oxnard, CA 93030 • (805) 385-7430 • Fax (805) 385-7595

May 20, 2014

TO: Mayor and City Councilmembers
Housing Authority Commissioners

FROM: Karen R. Burnham, Interim City Manager

SUBJECT: Fiscal Year 2014-15 Recommended Budget

The Budget Team and associated City staff are pleased to present the Fiscal Year (FY) 2014-15 Recommended Budget to the City Council. The recommended budget is an update to the second year of the two year budget approved by the City Council for FYs 2013-14 and 2014-15. This budget includes the cost of implementing the Federal Affordable Care Act (ACA) and previously approved labor agreements. While this budget is in balance for governmental type funds, including the General Fund, there are funding issues that require Council direction regarding the Performing Arts and Convention Center and the Golf Course enterprise funds.

The FY 2014-15 budget is proposed at \$358.4 million, a decrease of \$6.3 million from the FY 2013-14 budget. The recommended budget consists of:

General Funds	\$ 113,105,159
Measure O ½ Cent Sales Tax	7,079,923
Special Revenue Funds	28,474,869
Other Governmental Funds	13,723,177
Enterprise Funds	104,616,857
Housing Authority	25,370,833
Internal Service Funds	27,403,747
Capital Improvements	3,995,000
Debt Service	34,638,427
Total Recommended Budget	<u>\$ 358,407,992</u>

The recommended budget is a decrease of \$67.7 million from the originally approved FY 2014-15 budget primarily due to the rescheduling of Capital Improvements.

FY 2014-15 Recommended Budget
May 20, 2014

The recommended budget does not include the budget for the Successor Agency to the Community Development Commission (CDCSA) as those amounts are approved by the California Department of Finance (DOF) in six month Recognized Obligation Payment Schedules (ROPS). While the ROPS for the period of July to December 2014 has been submitted to the DOF, the ROPS for the period of January 2015 to June 2015 has not yet been prepared for approval by the DOF.

The recommended budget is based on several primary drivers. Revenues are projected based on economic trends while expenditures are primarily based on salary and benefit adjustments. General Fund revenues are anticipated to grow compared to the current year based on moderate economic growth including improving employment and housing trends. Enterprise revenues are based on current rates as approved by Council. The need for future enterprise rate increases will be reviewed during FY 2014-15 to meet requirements for replacement of aging infrastructure, primarily in Wastewater.

In FY 2009-10, the Council approved Memoranda of Understanding (MOUs) for various employee groups covering two prior years and three future years for a combined five year period. While the same salary adjustments of 0% in FYs 2009-10 and 2010-11, and increases of 2% effective January 2012, 3% January 2013, and 3% January 2014 were offered to all represented employee groups, only Police, Fire, and IUOE accepted. In addition to the annual increases, the employees in these groups receive 5% increases, which have been included in the recommended budget. SEIU did not accept the agreement; however, Council approved a 1.5% agreement in FY 2012-13 and subsequently approved a step plan consisting of 10 steps with 5% increases beginning in FY 2014-15. Confidential employees were also approved for a step plan consisting of 12 steps with 5% increases. Mid-managers have not received increases since 2008; however they have organized as the Oxnard Mid-managers Association (OMMA) and are currently in negotiations. Upper management employees, except those covered by separate employment contract, have not received increases since 2008 and are in the process of organizing in order to enter into negotiations. The cost of the current MOUs as well as changes to CalPers pension contribution rates and ACA in FY 2014-15 are as follows (\$ millions):

	General	
	<u>Fund</u>	<u>Total</u>
MOU	\$1.9	\$2.8
PERS	\$0.2	\$1.5
ACA	\$0.8	\$1.3

The amounts for the MOUs include the impact of the prior mid-year adjustment (January 2014) and the cost of step increases.

As previously stated, the recommended budget continues the balancing strategies of recent years. This includes management of vacant positions based on an updated analysis of those positions

FY 2014-15 Recommended Budget
May 20, 2014

and reflects the lag time in filling positions. This is particularly true in the case of Police where, recruiting and training qualified officers is both challenging and time consuming. Even recruitment of non-public safety positions has been difficult, especially attracting candidates with the skills needed to effectively serve the City. A list of vacant positions incorporated in the budget recommendations can be found in attachment A.

Budget Schedule

Based on prior communications with City Council, staff is targeting June 17, 2014 for budget adoption. In order to meet that goal, Council received a presentation on projected revenues for FY 2014-15 on April 22, 2014 and the recommended budget is being presented May 20, 2014. In addition, the following schedule is proposed:

May 20	Receive Budget Document
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General Fund

The recommended FY 2014-15 general fund budget of \$113.1 million represents an increase of \$4.7 million or 4% from the FY 2013-14 adopted budget. The FY 2014-15 budget includes the full year impact of approved salary increases effective January 2014 for a \$1 million increase as well as step increases of approximately \$0.9 million. As indicated in the table above, PERS and ACA added \$1 million. Finally, the debt service for the Service Center, which houses Development Services, City Treasurer, Fire and the CDCSA, is included in the recommendations as a rental charge to those departments at a cost of \$1.7 million.

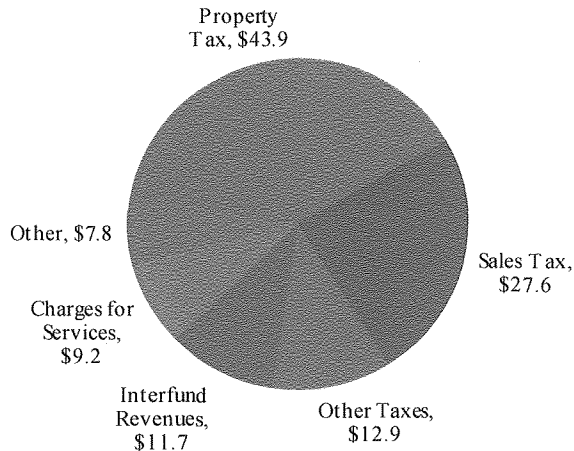
The increase in revenues reflects an economy improving at a modest pace. Tax revenues are projected \$3.1 million or 4% higher than the FY 2013-14 adopted budget. Property and Sales taxes are projected to increase \$1.6 million and \$0.9 million respectively, with other taxes increasing \$0.6 million. The remaining increase in General Fund revenues is primarily the result of development related permits and service charges.

FY 2014-15 Recommended Budget
May 20, 2014

The following charts summarize the revenues and expenditures recommended for FY 2014-15.

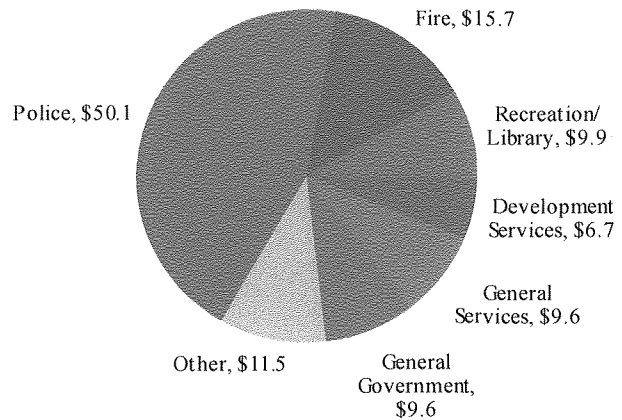
General Fund Revenues

(\$ millions)



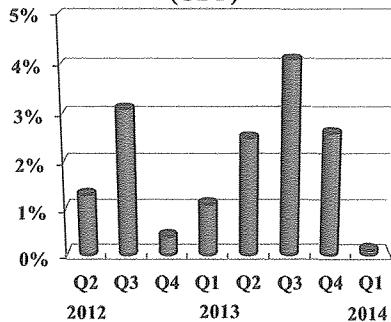
General Fund Appropriations

(\$ millions)



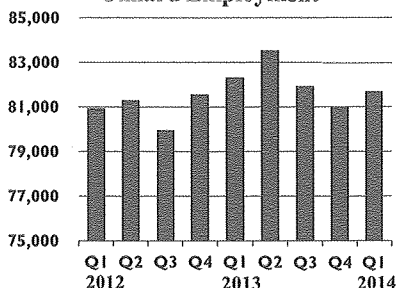
Economic Trends and Revenue Impact

Gross Domestic Product (GDP)



As noted previously, the economy continues to impact the budget. Even though National GDP measures have recovered from a negative 6.4% in the first quarter of 2009, it has averaged under 2 % over the last eight quarters, with significant variation. The preliminary reading for the first quarter 2014 was only 0.1%; however calendar year 2014 growth is generally predicted to be 2.6% increasing 3.5% in 2015 by the Organization for Economic Cooperation and Development (OECD).

Oxnard Employment

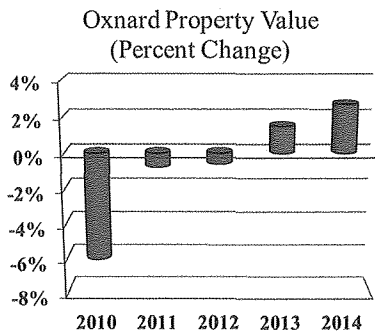


Although the unemployment rate has declined significantly from its peak of more than 15%, it has stagnated over the past year at around 10%.

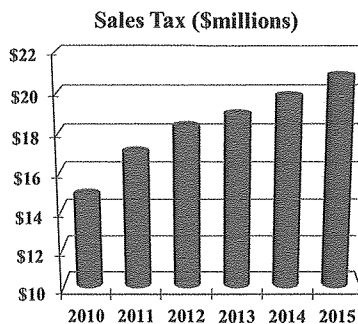
The chart to the left depicts employment in Oxnard to show an alternative view. While generally trending up, employment growth has been inconsistent even when taking into consideration seasonalities. Employment is an important measure for predicting sales tax revenues.

FY 2014-15 Recommended Budget
May 20, 2014

Like many cities, Oxnard experienced significant revenue reductions due to the recession in FYs 2008-09 and 2009-10. Recent economic growth, while not strong, has resulted in just over 2% General Fund revenue growth between FYs 2010-11 and 2013-14 on average, after adjusting for one-time items. Revenue growth is projected to increase 4% for FY 2014-15.



The growth in property taxes is projected to continue improving in the coming year consistent with the assessed valuation trend as shown in the chart to the left. Assessed valuations grew 2.7% for FY 2013-14. In addition, home prices were 17% higher in the 1st quarter of 2014 compared to the prior year.



Sales tax revenues are projected to continue to grow moderately in FY 2014-15 at 5% which is in line with the average growth rate over the last three years. The chart to the right shows consistent growth in the base sales tax excluding the triple flip.

General Fund Operating Reserve

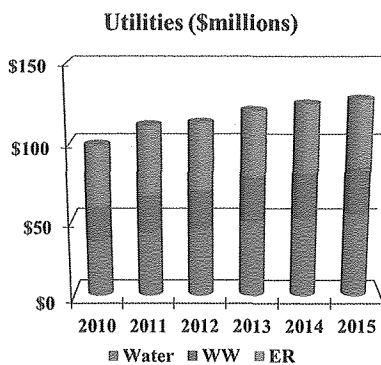
The operating reserve policy states that the City Council will endeavor to maintain an operating reserve equal to 18 percent of the General Fund Operating Budget. The operating reserve shall be used to cover cash flow requirements; meet unanticipated revenue shortfalls; take advantage of unexpected opportunities; invest in projects with a rapid payback; ensure against physical or natural disasters; and provide interest earnings. Based on the recommended budget for FY 2014-15 of \$113.1 million, an 18 percent operating reserve would be in excess of \$20 million. At the end of FY 2012-13, the General Fund Operating Reserve was just over \$11 million, which was 10% of operating expenses.

Enterprise Funds

City Council has consistently adjusted enterprise fund rates to meet anticipated financial needs of the Water, Wastewater, and Environmental Resource utilities. Mid-year rate adjustments during FY 2012-13 resulted in higher revenues in FY 2013-14; which reflects the full year impact of those adjustments. In addition, the third of three rate increases in Wastewater beginning in October 2013 result in an overall increase in FY 2014-15 in that fund. Increases in Water and ER

FY 2014-15 Recommended Budget
May 20, 2014

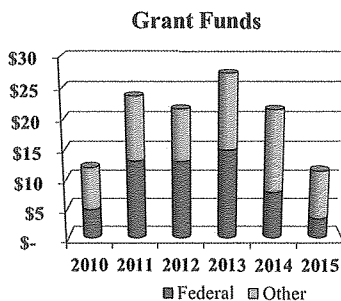
are based on trends apart from rate adjustments. While the transfer of the ER recycling facility to City operation is anticipated to reduce operating costs, it is difficult to project revenues with the limited data available. Enterprise funds have been subjected to the same rigorous cost cutting measures as other operating funds, in order to hold down costs.



Utilities are capital intensive activities that require a long-term approach to improving and maintaining infrastructure. In the case of water and wastewater, treatment facilities and pipelines must be maintained or upgraded. Environmental Resources vehicles and equipment must be replaced to avoid increasingly expensive maintenance and to take advantage of alternative fuels to reduce costs.

Every year, rates must be evaluated in terms of debt coverage requirements in existing bond covenants as well as meeting ongoing operating costs. Taking a long-term approach, rates are designed to avoid significant variations in future rate adjustments.

Federal and State Funds



Federal and non-federal grant funding fluctuate from year to year depending on available funding and programming needs that are eligible for Federal, State, and other agency grants. During the fiscal year, grants may be awarded to the City, which may not be reflected in the recommended and adopted budgets. Beginning in FY 2010-11 the City was awarded both Federal and State Transportation Grants as well as a Bureau of Reclamation grant for the GREAT program.

Internal Service Funds

The City uses several internal service funds (ISFs) to provide services between departments. In conformance with accounting standards, the City strives to maintain internal fees at levels adequate to meet annual costs without creating excess cash balances. Over the last several years, these fees have been adjusted to reflect the cost structures of the ISFs and excess cash balances returned to major funds based on the original contributions. Cash balances at the end of FY 2012-13 were as follows:

Public Liability Fund	\$4.3 million
Workers' Compensation Fund	\$8.6 million
Information Systems Fund	\$2.1 million
Utility Customer Service	\$0.4 million
Facilities and Fleet	\$0.4 million

FY 2014-15 Recommended Budget
May 20, 2014

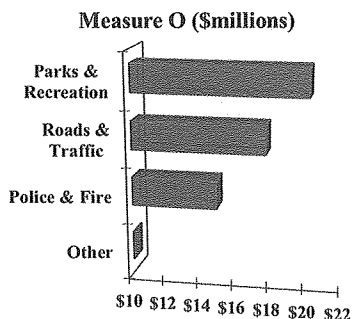
These balances are adequate to cover current and anticipated claims in the case of Public Liability and Workers' Compensation funds.

Capital Improvement Program

City Council approved a Five-year Capital Improvement Program (CIP) during the budget adoption process last year. The original CIP for FY 2014-15 primarily consisted of Water and Wastewater projects that would have been funded with new bond issuances. The schedule for the majority of these projects has slipped to FY 2015-16 to allow time for completion of master plans and other operational studies of the Wastewater Treatment Plant. For example some projects originally anticipated in the original CIP such as reconstruction of the bio-towers at the wastewater treatment plant will likely be replaced with alternative improvements at a lower cost. In addition, regulatory issues regarding the recycled water have delayed planned improvements to that system. While the FY 2014-15 CIP has been reduced to \$4 million, it is anticipated that a significant part of the FY 2013-14 budget of \$81.5 million will be carried over into FY 2014-15.

Measure O ½ cent Sales Tax

In November of 2008, the community approved the Measure O ½ cent sales tax. Through community surveys and discussions with the City Council, various priority areas have been identified, including the City's approved priorities for clean, safe, prosperous, and attractive neighborhoods. Similar priorities were identified in several surveys. Since the collection of the Measure O sales tax began in April of 2009, \$54 million has been collected. The City Council has appropriated \$57 million of which \$39 million has been expended or is under contract through the first five years of the Measure O program.



While most of the early appropriations supported parks and recreational facilities as well as road repair and traffic mitigation efforts, expenditures for Police and Fire will grow in the future as most programs have ongoing costs, such as the lease of the new Fire Station 8.

The recommended budget for FY 2014-15 includes \$7.1 million of new funding for ongoing costs of approved programs. These programs are listed in attachment B.

Conclusion

The FY 2014-15 Recommended Budget provides a financial plan for the City for the coming year. This budget sets forth a plan in which community services are the highest priority and ensures that the City provides effective leadership in achieving the City Council's goals, objectives, and top priorities. Because economic growth continues to lag and with the additional cost of approved employee MOUs, the City has not been able to add back difficult reductions made in prior years. The Recommended Budget has been prepared through the efforts of employees throughout the City.

Karen R. Burnham
Interim City Manager

ATTACHMENT A

Fiscal Year 2014-15 Vacancy Management

	Number of Full-Time Equivalents
General Fund	
Community Development Commission (CDC)	
REDEVELOPMENT PROJECT MANAGER	1
CDC Total	1
City Attorney	
ASSISTANT CITY ATTORNEY	1
City Attorney Total	1
City Clerk	
ASSISTANT CITY CLERK	1
City Clerk Total	1
City Manager	
EXECUTIVE ASSISTANT I	1
LEGISLATIVE AFFAIRS MANAGER	1
MANAGEMENT ANALYST III	1
NEIGHBORHOOD SVC'S COORDINATOR	1
City Manager Total	4
City Treasurer	
CODE COMPLIANCE INSPECTOR II	1
ACCOUNT CLERK II *	1
City Treasurer Total	2
Development Services	
BUILDING INSPECTOR II	1
CIVIL ENGINEER	1
DEVELOPMENT SVCS MANAGER	1
OFFICE ASSISTANT II	4
PLAN CHECK ENGINEER	1
ASSOCIATE PLANNER *	1
PLAN & ENV SRVCS MANAGER *	1
Development Services Total	10
Finance	
ACCOUNT CLERK I	0.5
CUSTOMER SERVICE REP II	1
ACCOUNTING MANAGER *	1
Finance Total	2.5
General Services	
GROUNDWORKER I	2
SR GROUNDWORKER	2
SR TREE TRIMMER	1
TREE TRIMMER I	2
TREE TRIMMER II	1
GROUNDWORKER II *	1
General Services Total	11

Human Resources	
EMPLOYEE RELATIONS COORDINATOR	1
ADMINISTRATIVE TECHNICIAN (C) *	0.5
HUMAN RESOURCES MANAGER *	1
Human Resources Total	2.5
Library	
LIBRARIAN I	2
LIBRARIAN III	1
LIBRARY AIDE I	0.5
LIBRARY AIDE II	0.5
LIBRARY SERVICES SUPERVISOR	1
OFFICE ASSISTANT I	1
SYSTEMS ANALYST III	1
LIBRARY AIDE I *	1
LIBRARIAN I *	1
Library Total	9
Police	
ASSISTANT POLICE CHIEF	1
COMMUNITY SERVICE OFFICER	1
CROSSING GUARD	2.5
DATA ENTRY OPERATOR I	1
DATA ENTRY OPERATOR II	0.5
POLICE WORD PROCESSOR II	0.5
PROGRAMMER ANALYST	1
SR CODE COMPLIANCE INSPECTOR	1
Police Total	8.5
Public Works	
STREET MAINT WKR I	1
Public Works Total	1
Recreation	
ADMINISTRATIVE TECHNICIAN	1
LEISURE AND RECREATION SUPT	1
MANAGEMENT ANALYST I	1
RECREATION SUPERVISOR	1
RECREATION/HUMAN SERV COORD	0.5
RECREATION/HUMAN SERV LDR III	1.75
RECREATION SUPERVISOR *	1
Recreation Total	7.25
General Fund Total	58.75

* Vacancy for 8 months

ATTACHMENT B
Fiscal Year 2014-15 Measure O Appropriations Summary

Parks & Open Space

College Park Operational	600,000	
Comm Center Snack Bar	5,000	
Del Sol Track	5,000	
Durley Park Annual Operational	5,000	
Total recommended Parks & Open Space		<u>615,000</u>

Public Safety & Gang Prevention / Intervention

City Corps Townkeeper	550,000	
Enhanced Community Policing - Ongoing	2,596,741	
Fire Engine Replacement	169,182	
Police CAD/RMS	800,000	
Fire Station 8	100,000	
Total recommended Public Safety & Gang Prevention / Intervention		<u>4,215,923</u>

Recreation & Youth Programming

Community Based Organization Contributions	150,000	
Day at the Park - Special Needs	12,000	
Homework Center at Main Library	30,000	
Library - WiFi	2,000	
Mobile Activity Center Services	30,000	
PAL	200,000	
Preschool To You Enhancement	135,000	
Senior Nutrition Program Enhancement	40,000	
Total recommended Public Safety & Gang Prevention / Intervention		<u>599,000</u>

Traffic & Road Improvement

Alley & Roadway Repair	500,000	
ITS (annual software maint)	100,000	
Parking Lot / Alley Maint.	1,000,000	
Total recommended Traffic & Road Improvement		<u>1,600,000</u>

Other Community Improvements

Spanish Language Interpretation	50,000	
		<u>50,000</u>

FY 2014-15 Measure O Recommended Budget

7,079,923