

TO: Andrew P. Powers, City Manager

FROM: Jaime Boscarino, Finance Director

DATE: May 14, 2019

SUBJECT: Proposed FY 2019-20 and FY 2020-21 Operating Budget Study Session

RECOMMENDATIONS:

1. Receive information on the Proposed FY 2019-20 and FY 2020-21 Operating Budget.
2. Schedule a public hearing for City Council review and adoption of the FY 2019-20 and FY 2020-21 Operating and CIP Budget on June 11, 2019.

FINANCIAL IMPACT:

Financial Impact to Be Determined. Financial impact of the Proposed FY 2019-20 and FY 2020-21 Operating Budget is \$212,455,035 and \$217,528,343, respectively. This is a study session only. City Council will be requested to adopt the FY 2019-20 and FY 2020-21 Operating Budget at its June 11, 2019 public hearing.

BACKGROUND:

The purpose of this study session is to provide City Council with an overview of the Proposed Budget for all funds. The Proposed Budget is provided under separate cover and available for review in the City Manager's Office Reading Area, the City Clerk Department, and at www.toaks.org/Operating19-21.

The operating budget preparation process began in January 2019. Staff has been diligently working since then on balancing appropriation requests with revenue estimates. The Proposed General Fund Budget is structurally balanced for both fiscal years and represents a fiscally sound plan that fully complies with City Council's formal Financial and Budget Policies.

Operating Budget Process

The City prepares a biennial operating budget which is part of the budget process that includes the review, update, and presentation of the City's User Fees and Capital Improvement Program (CIP) Budget. All departments are involved in the development of the Operating budget, which also includes the Citywide "Employee Count," and is included in the back of the FY 2019-20 & FY 2020-21 Operating Budget book as well as under separate cover.

Adhering to City Council Goals and Top Priorities

On March 19, 2019, City Council reaffirmed ten broad Citywide Goals for FY 2019-20 and FY 2020-21 (July 1, 2019 through June 30, 2021) and Top-Ten Citywide Priorities for FY 2019-20. The Goal Setting was held earlier in the year in order to provide staff the opportunity to include funding for City Council goals and top priorities. The final City Council Goals and Top-Ten Priorities were approved on April 23, 2019.

City Council Finance/Audit Committee

The City Council Finance/Audit Committee (Committee) was established in 2008 in order to comply with Statement on Auditing Standards (SAS) 114 and to promote additional financial transparency. The Committee provides a forum for open communication between the City's external auditors and City Council. Staff meets periodically with the Committee to provide updates on the City's budget and financial status, as well as to receive input from the Committee on financial strategies. Most recently, staff met with the Committee on April 29, 2019, and provided an update and overview on this Proposed Operating Budget.

Community Engagement & Community Attitude Survey

As a part of this Budget cycle, staff again launched the "Your City, Your Priorities" budget outreach and community engagement campaign. Staff used the knowledge collected and the tools used during the prior year's Community Engagement to obtain information from City residents. The goal of this year's Community Engagement was to have residents gain a better understanding of the City's budget process and show a connection between the budget and City actions. During this process there were over 20,000 social media engagements, 1,036 in-person talks, and over 900 budget webpage views.

Staff is using the information collected during City Council's Top-Ten Citywide Priorities for FY 2019-20, the results from the Community Engagement process, and the Community Attitude Survey to ensure that both staff and the Operating and CIP Budgets are focused on meeting citywide Goals and Priorities. Currently, the proposed budgets contain sufficient resources to make progress towards the City Council's Goals and Top Priorities.

Budget Management

With leadership from City Council and management, and guidance from the Financial Strategic Plan (FSP), the City maintained fiscal stability in an era of financial challenge, while limiting impacts on core service levels. It is through this sound leadership, fiscal conservatism, and long-term financial planning the City resisted expanding or adding new programs during strong economic times. This enabled the City to continue providing its core services to residents and businesses.

Reliance on sound leadership and long-term financial planning continues to play a vital role in the future of the City. The Proposed Budget anticipates continued financial support from the General Fund to the Library Fund and Stormwater Fund. The General Fund support to the Library Fund is less than budgeted in the current Budget as the Library Fund is continuing to increase efficiencies and become more self-supporting for its operations. The Stormwater Fund continues to face challenges which will be discussed further in the report.

With increases in major expenditures projected to outpace increases in major revenues, strategic decisions will be needed to ensure ongoing financial stability. The FSP will be updated in FY 2019-20 to determine the status of various funds and their ongoing fiscal sustainability, which will be used to guide the FY 2021-22 and FY 2022-23 Budget process and the long-term fiscal sustainability of the City.

Citywide Staffing – People Strategy

As shown in the chart below, Citywide staffing levels were reduced by 27 positions (or -5.2 percent) since FY 2011-12 in an effort to balance the budget, realign staffing levels given the transition to a “maintenance community”, and achieve greater efficiencies in service.

Citywide (All Funds) Ten-Year Position History*

	<u>Department</u>	<u>FY 2011-12</u>	<u>FY 2020-21</u>	<u># Change</u>	<u>% Change</u>
1	City Manager	15	15	0	0.0%
2	Human Resources	8	9	1	12.5%
3	City Clerk	8	6	-2	-25.0%
4	City Attorney	6	5	-1	-16.7%
5	Finance	51	56	5	9.8%
6	Community Development	57	48	-9	-15.8%
7	Public Works	198	186	-12	-6.1%
8	Cultural Affairs	15	16	1	6.7%
9	Library	49	39	-10	-20.4%
10	Community Services	0	1	1	100.0%
	Total City	407	381	-26	-6.4%
11	Police	109	108	-1	-0.9%
	Total Funded Positions	516	489	-27	-5.2%

* Positions include all full-time and designated part-time positions

In the past two calendar years, 66 full-time employees have left the City. This trend is expected to continue with up to 100 staff retiring in the next five-year cycle and increasing attrition due to a stronger labor market. Staff turnover resulted in the promotion of 31 existing employees and the hiring of 25 new full-time employees in calendar year 2018 alone.

Although the loss of institutional knowledge is challenging, turnover presents an opportunity to prepare for the future and re-align the structure of the organization to respond to existing and future needs. Through the People Strategy initiative, the organizational focus is on collaboration, communication, process improvement and efficiencies, and public engagement. In addition, resources will be devoted to enhancing recruiting efforts, improving on-boarding, and training and mentoring current staff to prepare for advancement.

New Programs

Generally, staff does not include new programs as part of the budget process as they represent an increase to annual, ongoing costs. However, at the March 19, 2019, City Council Goal Setting meeting, City Council included focusing on collaborative efforts to address homelessness and mental health issues as a top priority. To begin to address this priority and set aside resources, funding was included as part of the Proposed Budget. This includes a “Neighborhood and Social Services Liaison” position, who will be based out of the Community Development Department and will oversee the City’s efforts on homelessness issues, acting as a liaison between community partners. This is a re-alignment of an existing, budgeted analyst position. Also included is the addition of a Chevy Tahoe police vehicle for the dedicated homelessness officer.

Funding has also been included in the Proposed Budget for various “Technology Advancements,” which include a Land Management System and Integrated Library System. The purchase and implementation of a Land Management System will provide efficiencies for Community Development and Public Works staff and will provide an e-permitting tool to enable the public to electronically submit and receive feedback from plans. The Integrated Library System software will also increase efficiencies and integrate better with the City’s financial platform.

Performance Measures

The City revamped and implemented its current performance measures in 2018 as staff strives to continuously improve City operations. The current performance measures are robust, valuable, and a meaningful tool that is used to document quarterly/annual measures. These measures are used to guide the City's focus and ultimately improve the City's effectiveness and efficiency in delivering services. The performance measures will be included in the Operating Budget book presented at the City Council public hearing meeting held on June 11, 2019.

DISCUSSION AND ANALYSIS:

Overview of Proposed FY 2019-20 and FY 2020-21 Operating Budget

The Proposed Budget is organized into various sections as follows and is included under separate cover:

- Citywide Budget Summary: This section includes information on all funds both by revenue and by appropriation.
- General Fund Budget Summary: This section includes information on the General Fund's revenues and appropriations.
- Summaries by Fund: This section includes summaries by individual fund and by division within each department. Proposed goals and objectives and performance measures by function for each department are also included. Staff is in the process of completing goals and objectives, and performance measures.
- Position Summaries: This section includes a ten-year history of positions by department and a detailed position summary by fund.

Overall Budget Summary

Total proposed appropriations for the City, including capital and transfers, for all funds for FY 2019-20 is \$212,455,035 and for FY 2020-21 is \$217,528,343, as shown in the following table. The General Fund makes up the largest portion of the Budget at 41.2 percent and 40.3 percent of appropriations in FY 2019-20 and FY 2020-21, respectively.

Proposed FY 2019-20 & FY 2020-21 Operating Budget Summary

Funds	Proposed Budget 2019-2020	% of Total Budget	Proposed Budget 2020-2021	% of Total Budget
General Fund	\$ 87,436,472	41.2%	\$ 87,689,738	40.3%
Water Fund	38,067,495	17.9%	45,623,979	21.0%
Wastewater Fund	29,087,855	13.7%	24,062,754	11.1%
Transportation Fund	11,021,078	5.2%	9,480,632	4.4%
Street Improvement Funds	9,991,907	4.7%	8,298,000	3.8%
Library Fund	8,598,795	4.0%	8,924,142	4.1%
Landscaping Assessment District Fund	5,933,291	2.8%	7,004,213	3.2%
Los Robles Golf Course Fund	5,897,900	2.8%	6,203,400	2.9%
Theatres Fund	4,363,716	2.1%	4,419,960	2.0%
Capital Projects Funds	3,311,800	1.6%	2,465,400	1.1%
Lighting Assessment District Fund	2,614,560	1.2%	7,108,448	3.3%
Solid Waste Fund	1,595,578	0.8%	1,622,434	0.7%
ECTA - East County Transit Alliance	1,411,209	0.7%	1,463,865	0.7%
Public Financing Authority Fund	1,158,100	0.5%	1,156,100	0.5%
Stormwater / Flood Control Assessment Funds	1,153,350	0.5%	1,186,424	0.5%
Community Development Block Grant (CDBG)	580,000	0.3%	580,000	0.3%
Housing Trust Fund	231,929	0.1%	238,854	0.1%
Total Citywide Appropriations	\$ 212,455,035	100.0%	\$ 217,528,343	100.0%

The following is a summary of the City's Major Funds:

General Fund

The General Fund is the chief operating fund for the majority of the City's operations and services, including the following:

- Community development/building/housing/planning/zoning
- Community services (senior/teen/recreation)
- General governance administrative oversight
- Public works/highways/streets/engineering
- Public safety (Police)

The General Fund is the City's discretionary fund, thus revenue can be utilized for any purpose and is not restricted to a specific service or program. Staff ensures the General Fund is structurally balanced by making sure that ongoing revenues are above or equal to ongoing expenditures. Capital and maintenance improvement expenditures are paid for with the use of General Fund reserves, not ongoing revenues.

Revenue: The City is a very low-tax city, incorporating without a general municipal property tax. Although the City now receives a small portion of local property tax revenue, this represents only approximately 15.3 percent of the proposed General Fund budget. The primary source of revenue for the General Fund is sales tax, which responds quickly to economic cycles and is prone to large fluctuations. The City is limited in its ability to raise revenue and thus is largely reliant upon the overall health of the local economy.

Although the economy continues to perform well, staff is mindful of the fact that this is the longest period between recessions, and there is the potential of a recession during the upcoming budget cycle. Sales tax and fee revenue growth are limited due to the City being built-out. On a positive note, locally, the unemployment rate remains low, vacancy rates remain low, and median home prices are continuing to increase.

Staff has taken these economic indications into consideration and conservatively budgeted for modest adjustments in major General Fund revenue estimates. As illustrated on the following page, estimated revenue and transfers in for FY 2019-20 is \$85,409,788 and for FY 2020-21 is \$87,010,878. This is an overall increase of 0.9 percent from FY 2018-19 projected actuals and an increase of 1.9 percent for FY 2020-21 over FY 2019-20 proposed budget.

General Fund Revenue

<u>General Fund Revenue and Transfers</u>	<u>Prior Year Actual 2017-2018</u>	<u>Projected Actual 2018-2019</u>	<u>Projected Budget 2019-2020</u>	<u>Projected Budget 2020-2021</u>
Taxes and Fees:				
Sales and Use Tax	\$ 30,670,277	\$ 30,951,977	\$ 30,451,100	\$ 30,921,800
Property Tax In-Lieu of Vehicle License	12,168,229	12,701,511	13,218,405	13,747,141
Property Tax Apportionment	9,313,890	9,705,490	10,000,796	10,383,347
Property Transfer Tax	1,060,355	1,000,000	1,000,000	1,050,000
Franchise Fee	6,600,816	6,535,814	6,584,500	6,636,574
Transient Occupancy Tax	4,750,931	4,702,000	4,702,000	4,702,000
Other Taxes	30,302	32,000	32,000	32,000
Total Taxes and Fees	\$ 64,594,799	\$ 65,628,792	\$ 65,988,801	\$ 67,472,862
Licenses and Permits	7,098,983	6,279,297	6,105,800	6,055,800
Fines and Penalties	334,031	349,053	334,650	334,650
Revenue From Use of Money	2,799,672	2,928,550	2,919,900	2,922,400
Charges for Current Services	6,518,798	6,415,904	7,246,987	7,401,816
Revenue from Other Agencies	442,770	720,412	370,300	370,300
Reimbursements	521,277	255,252	204,450	206,150
Other Revenue	3,434,625	212,522	168,500	176,500
Total Revenue	\$ 85,744,955	\$ 82,789,782	\$ 83,339,388	\$ 84,940,478
Transfers From Other Funds	2,253,418	1,883,200	2,070,400	2,070,400
Total Revenue and Transfers	\$ 87,998,373	\$ 84,672,982	\$ 85,409,788	\$ 87,010,878

Total General Fund revenue is estimated to slightly decrease in FY 2019-20 and increase in FY 2020-21 with projections of Sales Tax, Property Tax in-lieu of Motor Vehicle License Fees, Property Tax, Franchise Fees, and Transient Occupancy Tax further discussed as follows:

- *Sales Tax* revenue is projected to decrease to \$30.5 million (-1.6 percent) in FY 2019-20 and is projected to increase to \$30.9 million (1.5 percent) in FY 2020-21. The decrease in FY 2019-20 is primarily due to the decline of new auto sales, and a continuing shift in sales from brick and mortar stores to online outlets, decreasing local point of sale transactions. Additionally, delayed payments from the California Department of Tax and Fee Administration (CDTFA) due to their software implementation have caused fluctuations in receipts. With the General Fund's major revenue source experiencing an overall decline from FY 2018-19 projected actuals, the City expects challenges moving forward that will be addressed with the FSP update in FY 2019-20.
- *Property Tax in-lieu of Motor Vehicle License Fee In-Lieu (VLF)* revenue is projected to increase to \$13.2 million (4.1 percent) in FY 2019-20 and projected to increase to \$13.7 million (4.0 percent) in FY 2020-21. Growth in VLF revenue is tied to the City's assessed valuation. Per the City's property tax consultant, assessed valuation and property tax revenue is expected to increase approximately four percent each fiscal year based on FY 2018-19 projected actuals.

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- *Property Tax and Property Transfer Tax* revenue is projected to increase to \$11.0 million (2.8 percent) in FY 2019-20; projected to increase to 11.4 million (3.6 percent) in FY 2020-21. The increases in FY 2019-20 and FY 2020-21 are due to an increase in assessed valuations. Property Tax revenue also included Property Transfer Tax, which is projected flat based on historical actuals and estimated change in ownership of real property within the City.
- *Franchise Fee* revenue is projected to slightly increase to \$6.6 million (0.7 percent) in FY 2019-20 and FY 2020-21. Only moderate increases to franchise fee revenue are expected as the increase to rubbish and utility taxes will be partially offset by the decrease in cable franchise taxes.
- *Transient Occupancy Tax (TOT)* revenue is projected to remain flat at \$4.7 million for both FY 2019-20 and FY 2020-21 due to no change in the number of hotels/motels within City limits and the conservative estimates in hotel occupancy.
- *Licenses and Permits* revenue is projected to experience a decline from FY 2017-18 actuals of \$7.1 million to the \$6.3 million projected (-11.6 percent) in FY 2018-19. This is primarily due to a decrease year over year in Building Permits and Inspections. The budget decrease of approximately \$0.1 million between FY 2018-19 and the proposed FY 2019-20 budget by \$0.1 million (-2.6 percent) is primarily due to a projected slowing in Citywide development due to increased construction costs and rising interest rates.

Appropriations: The two largest expenditure requirements of the General Fund are staffing costs and Police Contract costs. Salaries and Benefits are approximately 43.8 percent and 44.0 percent of the operating requirements and Police Contract costs are approximately 39.6 percent and 40.1 percent of the operating requirements for FY 2019-20 and FY 2020-21, respectively. Police Contract costs are primarily made up of salary and benefits costs for police personnel. As illustrated in the table below, the Proposed Budget for General Fund appropriations for FY 2019-20 is \$87,436,472 and for FY 2020-21 is \$87,686,738.

	Prior Year Actual 2017-2018	Proposed Actual 2018-2019	Proposed Budget 2019-2020	Proposed Budget 2020-2021
Appropriations				
Salaries and Benefits	\$ 28,746,658	\$ 31,446,838	\$ 34,845,094	\$ 36,161,978
Maintenance and Operations	22,954,478	16,900,386	20,147,988	20,085,092
Police Contract Services	28,873,349	30,031,462	31,520,250	32,931,000
Charge Backs	(6,634,742)	(6,418,841)	(6,958,829)	(6,997,107)
Capital Outlay	355,328	646,548	3,050,863	958,332
Use of Asset Replacement	(306,220)	(625,279)	(3,050,863)	(958,332)
Total Operating Requirements	73,988,851	71,981,114	79,554,503	82,180,963
Capital Improvements	2,022,064	1,700,000	3,344,900	2,024,900
Maintenance Improvements	768,436	1,300,000	1,960,000	490,000
Transfers to Other Funds	7,065,729	6,862,900	2,577,069	2,990,875
Total Estimated Requirements	\$ 83,845,080	\$ 81,844,014	\$ 87,436,472	\$ 87,686,738

General Fund Appropriations

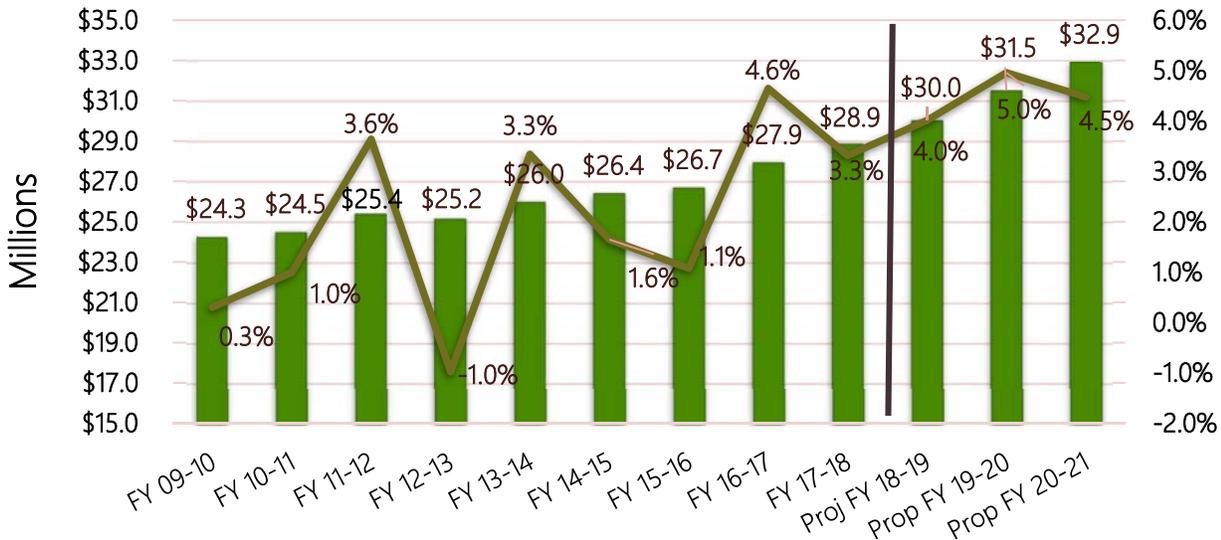
Salaries and Benefits – During the past several years, the General Fund has seen reductions in staffing due to retirements, reassignments, and attrition. There are currently 15 General Fund positions that are unfilled, and the Proposed Budget assumes all of these positions will be funded.

As part of the People Strategy initiative, each department continues to develop long-term staffing plans and reassess its organizational structure to provide quality services to residents in the most efficient and cost-effective manner. This includes implementation of the new homelessness program with the conversion of a vacant analyst position to the newly created Neighborhood and Social Services Liaison position located in the Community Development Department.

One of the primary challenges all cities are facing is rising pension costs. The CalPERS Board recently voted to reduce the discount rate from 7.5 percent to 7.0 percent. This change is estimated to significantly increase the City's pension payments in the next seven years from 21.1 percent of payroll to 33.5 percent of payroll. The City has been proactive in addressing this challenge during the past several years by making one-time additional payments of approximately \$1.5 million based on salaries and benefits savings. In addition, City Council approved the CalPERS fresh start program which reduces the amortization period of the unfunded liability from 30 years to 15 years, projected to save the City \$30.0 million and the establishment of a pension rate stabilization trust fund (PRSTF) with a \$22.5 million contribution in FY 2018-19. These efforts will help reduce long-term costs associated with the pension program and the PRSTF acts as a rainy-day fund in case of future economic downturn. The majority of the increase in salaries and benefits costs for FY 2019-20 is due to the implementation of the CalPERS fresh start program.

Police Contract – Police Contract costs are budgeted at \$31.5 million in FY 2019-20 (5.0 percent increase over FY 2018-19 full-contract costs); and \$32.9 million in FY 2020-21 (4.5 percent increase). As shown in the following graph, the average increase in actual Police Contract costs during the past five years is 2.8 percent and during the past ten years is 2.6 percent. Actual costs generally come in under budget primarily due to savings from vacancies throughout the year. Staff is estimating rates to increase approximately 4.0 percent each of the next two years, however, actual rate increases will not be available until March/April each year and could be less or more than the budgeted increases. City staff maintains regular dialogue with Ventura County Sheriff's Department leadership on current law enforcement needs and strategically plans for the future.

Ten-Year History – Contract Costs & Annual Percent Change



Maintenance & Operations (M&O) – M&O costs are budgeted at \$20.1 million in FY 2019-20 and FY 2020-21 (19.2 percent increase compared to FY 2018-19 Projected Actuals) The increase is primarily due to projected M&O cost savings across departments in FY 2018-19 compared to the revised budget. The increase in the proposed budgets were also due to the rising costs in Contracted Services (\$1.0 million), the costs of maintaining the City’s fleet (\$0.7 million), the increase in insurance claims (\$0.5 million), and an increase in Supplies and Equipment costs over the prior year (\$0.2 million). M&O costs are higher in FY 2017-18 due to non-recurring expenditures for Sapwi Trails Community Park and to support the newly formed Thousand Oaks Alliance for the Arts (TOARTS).

The Proposed Budget reflects funding for all grants (Cultural Endowment, Sports Facilities, and Social Services).

Transfers to Other Funds

As previously mentioned, the Proposed Budget includes General Fund support to the Library Fund in the amount of \$715,619 in FY 2019-20 and \$762,051 in FY 2020-21 and the Stormwater Fund in the amount of \$618,350 in FY 2019-20 and \$640,724 in FY 2020-21. The General Fund may be further impacted in the long-term by other funds, such as the Lighting, Landscape, and Street Improvements Funds, if long-term strategies are not implemented. Transfers out are lower in the proposed FY 2019-20 and FY 2020-21 budget due to \$5.6 million and \$5.2 million transfers to streets in FY 2017-18 and FY 2018-19, respectively. The General Fund transfer to Open Space (\$100,000) is also included.

Library Fund

The Library Fund accounts for operations at the Grant R. Brimhall Library and Newbury Park Branch Library. The total Proposed Budget for FY 2019-20 and FY 2020-21 is \$8.6 million and \$8.9 million respectively, which includes salaries and benefits, maintenance and operations, and capital improvements.

Library Fund

	Prior Year Actual 2017-2018	Projected Actual 2018-2019	Proposed Budget 2019-2020	Proposed Budget 2020-2021
Revenues:				
Property Tax - Library District	\$ 6,521,606	\$ 6,771,442	\$ 7,065,675	\$ 7,344,590
Property Tax Pass Thru Agreement	518,395	500,000	520,000	520,000
Library Fines and Fees	142,889	141,000	169,000	169,000
Interest Income	14,375	22,000	13,000	13,000
Miscellaneous	232,045	313,582	115,501	115,501
Total Estimated Revenues	<u>7,429,309</u>	<u>7,748,024</u>	<u>7,883,176</u>	<u>8,162,091</u>
Transfers From Other Funds	-	-	715,619	762,051
Reserve Account	-	209,155	-	-
Total Amount Available for Allocation	<u>\$ 7,429,309</u>	<u>\$ 7,957,179</u>	<u>\$ 8,598,795</u>	<u>\$ 8,924,142</u>
Appropriations:				
Salaries and Benefits	\$ 4,430,628	\$ 4,881,304	\$ 5,551,088	\$ 5,741,287
Maintenance and Operations	1,764,195	2,457,565	2,534,257	2,539,405
Total Operating Expenses	<u>6,206,823</u>	<u>7,338,869</u>	<u>8,085,345</u>	<u>8,280,692</u>
Capital Improvements	1,000	200,000	313,450	93,450
Maintenance Improvements	-	-	200,000	550,000
Reserve Account	1,221,486	-	-	-
Total Estimated Requirements	<u>\$ 7,429,309</u>	<u>\$ 7,538,869</u>	<u>\$ 8,598,795</u>	<u>\$ 8,924,142</u>

Revenue: Library revenues are restricted for library operations and capital improvements. The Library Fund's primary revenue source is property tax. Property tax is projected to increase four percent based on the projected FY 2018-19 revenue totals. The Library Fund also receives a transfer from the General Fund to support library operations and capital improvements. The General Fund transfer is budgeted at \$0.7 million in FY 2019-20 and \$0.8 million in FY 2020-21 primarily due to capital improvement projects. The Library fully supported its operations and capital improvements in FY 2017-18 and is projected to do so in FY 2018-19 as well.

Appropriations: Approximately 65 percent of the Library Fund appropriations each year are allocated to salaries and benefits. The materials budget (primarily for the purchase of books) is included in Supplies/Equipment within Maintenance and Operations (M&O) appropriations and is approximately \$0.7 million.

Other Governmental Funds

Stormwater Fund – The Stormwater Fund program ensures, through the requirements of the Clean Water Act, that the City achieves compliance with the regulations of the federally mandated Stormwater Quality Management Program. This program implements the requirements of National Pollutant Discharge Elimination System (NPDES) permit. This permit provides for regulations in the areas of illicit discharge/dumping response and abatement, public education and outreach, public infrastructure maintenance, construction site pollution controls, ongoing monitoring, and new development discharge controls.

Stormwater Fund

	Prior Year Actual 2017-2018	Projected Actual 2018-2019	Proposed Budget 2019-2020	Proposed Budget 2020-2021
Revenues:				
County Flood Control Zone 3	\$ 176,438	\$ 165,000	\$ 183,600	\$ 187,300
Miscellaneous Revenue/Interest	328,168	304,000	348,400	355,400
Total Estimated Revenues	<u>504,606</u>	<u>469,000</u>	<u>532,000</u>	<u>542,700</u>
Transfers From Other Funds	275,064	779,458	621,350	643,724
Reserve Account	-	-	-	-
Total Amount Available for Allocation	<u>\$ 779,670</u>	<u>\$ 1,248,458</u>	<u>\$ 1,153,350</u>	<u>\$ 1,186,424</u>
<u>Estimated Requirements</u>				
Operating Expenses:				
Salaries and Benefits	\$ 485,611	\$ 517,283	\$ 422,950	\$ 439,024
Maintenance and Operations	185,695	477,175	428,400	448,400
Charge Backs	92,154	104,000	96,000	99,000
Total Operating Expenses	<u>763,460</u>	<u>1,098,458</u>	<u>947,350</u>	<u>986,424</u>
Capital Improvements	-	150,000	-	-
Maintenance Improvements	-	-	206,000	200,000
Reserve Account	16,210	-	-	-
Total Estimated Requirements	<u>\$ 779,670</u>	<u>\$ 1,248,458</u>	<u>\$ 1,153,350</u>	<u>\$ 1,186,424</u>

The primary revenue source is from special assessment fee revenue and sale of reclaimed water. The special assessment fee revenue comes from a countywide special assessment and can only be increased by a County ballot measure. The General Fund has been providing support over the past several years to the Stormwater Fund to offset the cost of this mandated program.

With the mandated cost of compliance with the NPDES permit continuing to rise and the City's inability to raise additional special assessment revenue, General Fund support of the Stormwater Fund is estimated to increase. The estimated transfer from the General Fund is \$0.6 million for both FY 2019-20 and FY 2020-21. This is a challenge that all cities are facing. City staff is working on strategies to reduce the General Fund support for this program.

Lighting Fund – The Lighting Fund provides for maintenance and improvements in the City’s Lighting and Landscape Assessment District (LLAD), which includes maintenance of the City’s traffic signal safety lighting and street lights. The primary source of revenue is Property Tax and special assessments from property owners located within the LLAD.

With strategies taken as part of the Fiscal Sustainability Study, the Lighting Fund began adding to fund balance beginning in FY 2015-16 which helped establish a reserve for capital projects. The Proposed Budget is projected to draw upon the fund balance to pay for the capital improvement projects proposed to upgrade and maintain traffic signals throughout the City. During the upcoming two fiscal years, a major project to acquire street lights from Southern California Edison is proposed with an approximate cost of \$4.5 million. If the acquisition is successful, staff recommends the General Fund loan the Lighting Fund the funds required to complete the purchase. Staff would return to City Council at the time of purchase with the loan agreement.

Lighting Fund

	Prior Year Actual 2017-2018	Revised Budget 2018-2019	Proposed Budget 2019-2020	Proposed Budget 2020-2021
Revenues:				
Special Assessments - Lighting	\$ 432,685	\$ 445,100	\$ 460,000	\$ 473,000
City - Lighting Property Tax	1,485,885	1,411,300	1,501,400	1,527,900
Interest Income	12,317	-	20,000	20,000
Miscellaneous Income	65,803	21,500	10,000	10,000
Total Estimated Revenues	1,996,690	1,877,900	1,991,400	2,030,900
Transfers From Other Funds	142,627	180,000	180,000	180,000
Reserve Account	-	-	443,160	4,897,548
Total Amount Available for Allocation	\$ 2,139,316	\$ 2,057,900	\$ 2,614,560	\$ 7,108,448
Allocations:				
Salaries and Benefits	\$ 185,424	\$ 185,619	\$ 229,560	\$ 238,248
Maintenance and Operations	1,564,010	1,817,019	1,655,000	1,690,200
Total Operating Expenses	1,749,434	2,002,638	1,884,560	1,928,448
Capital Improvements	-	-	380,000	4,830,000
Maintenance Improvements	-	-	350,000	350,000
Reserve Account	389,882	55,262	-	-
Total Estimated Requirements	\$ 2,139,316	\$ 2,057,900	\$ 2,614,560	\$ 7,108,448

Revenue: The Lighting Fund receives revenue primarily from special assessments and property tax. FY 2019-20 and FY 2020-21 revenues are estimated at \$2.0 million and \$2.0 million, respectively.

Appropriations: Proposed FY 2019-20 and FY 2020-21 Lighting Fund Budget for total appropriations is \$2.6 million and \$7.1 million, respectively, which includes estimated capital appropriations for FY 2019-20 and FY 2020-21 of \$7.3 million and \$5.2 million, respectively. A majority of the capital appropriations is related to the acquisition of street lights in the amount of \$4.5 million, where funding could possibly come from a General Fund loan.

Landscaping Fund – The Landscaping Fund provides for maintenance and improvements in the City’s Lighting and Landscape Assessment District (LLAD). The main source of revenue is Property Tax and special assessments from property owners located within the LLAD. The Landscaping Fund has sufficient revenues to cover operating expenditures and sufficient fund balance currently to pay for capital improvement projects proposed.

Landscaping Fund

	Prior Year Actual 2017-2018	Projected Actual 2018-2019	Proposed Budget 2019-2020	Proposed Budget 2020-2021
Revenues:				
Special Assessments - Landscaping	\$ 4,176,278	\$ 4,311,000	\$ 4,430,700	\$ 4,563,700
City - Landscaping Property Tax	884,345	910,000	938,600	967,200
Interest Income	114,356	116,000	121,400	125,200
Miscellaneous Income	41,951	15,000	40,000	40,000
Total Estimated Revenues	<u>5,216,930</u>	<u>5,352,000</u>	<u>5,530,700</u>	<u>5,696,100</u>
Reserve Account	-	-	402,591	1,308,113
Total Amount Available for Allocation	<u>\$ 5,216,930</u>	<u>\$ 5,352,000</u>	<u>\$ 5,933,291</u>	<u>\$ 7,004,213</u>
Allocations:				
Salaries and Benefits	\$ 951,535	\$ 960,000	\$ 1,031,297	\$ 1,073,869
Fringe Benefits	353,179	336,489	391,691	415,937
Maintenance and Operations	2,838,014	2,800,000	3,415,190	3,419,040
Supplies and Equipment	109,876	127,200	136,000	136,000
Repairs and Maintenance	-	15,000	25,000	25,000
Professional/Contractual Services	1,595,335	1,634,269	1,847,000	1,847,000
Utilities	1,132,224	1,196,500	1,403,300	1,406,900
Training and Memberships	579	3,880	3,890	4,140
Charge Backs	778,528	790,000	851,804	861,304
Total Operating Expenses	<u>4,568,077</u>	<u>4,550,000</u>	<u>5,298,291</u>	<u>5,354,213</u>
Capital Improvements	-	100,000	145,000	-
Maintenance Improvements	46,959	50,000	490,000	1,650,000
Reserve Account	601,894	652,000	-	-
Total Estimated Requirements	<u>\$ 5,216,930</u>	<u>\$ 5,352,000</u>	<u>\$ 5,933,291</u>	<u>\$ 7,004,213</u>

Revenue: The Landscaping Fund receives revenue primarily from special assessments and property tax. FY 2019-20 and FY 2020-21 revenues are estimated at \$5.5 million and \$5.7 million, respectively.

Appropriations: Proposed FY 2019-20 and FY 2020-21 Landscaping Fund Budget for total appropriations is \$5.9 million and \$7.0 million, respectively, which includes estimated capital appropriations for FY 2019-20 and FY 2020-21 of \$0.6 million and \$1.7 million, respectively.

One of the challenges facing the Landscaping Fund is the ability to fund capital projects. For the next two fiscal years, the City will be working on three LLAD demonstration sites (MI 2545) from the 2017 Forestry and Landscape Master Plan at a cost of approximately \$1.4 million, \$0.9 million from the Landscaping Fund and the remaining from the General Fund, which will impact fund balance. This project will provide improvements and upgrades of landscaped areas and irrigation

systems, which will lower long-term maintenance costs and improve operational efficiencies and water conservation.

To address the challenges the Landscaping Fund will face in the near future, staff is looking into various strategies to maintain fiscal sustainability, including re-zoning and adding more communities to Landscape Assessment Districts.

Street Improvement Fund – Street Improvement Fund revenues are proposed at \$10.1 million and \$9.4 million for FY 2019-20 and FY 2020-21, respectively, with expenditures at \$10.0 million and \$8.3 million.

In FY 2016-17 the State passed SB 1, the Road Repair and Accountability Act (RRAA), an investment of \$54.0 billion over the next decade to repair streets, roads, freeways, and bridges through an increase of the gas tax and other various taxes/fees. This is projected to bring revenue of \$2.2 million to the City in FY 2019-20 and \$3.3 million in FY 2020-21. In addition, California State Assemblymember Jacqui Irwin sponsored legislation last year to allow the City to utilize TDA funds for streets and roads after meeting transit needs. This amounted to \$1.0 million in FY 2018-19 and is estimated at approximately \$1.0 million annually over the next two fiscal years.

The addition of RRAA funding and the renewal of TDA funding for streets and roads is projected to match the current required street maintenance needs of \$6.5 million. The 2014 Pavement Management Program is currently in the process of being updated, and staff anticipates the amount will increase due to higher construction costs and inflation. Thus, it is anticipated for the next biennial budget process there will once again be a shortfall in street maintenance funding, which will need to be addressed.

Capital Projects Fund – Developer fee revenue has declined steadily during the past decade since the City has reached residential build-out. It is expected that this trend will continue in future budget cycles and will not be a major source of revenue for funding future capital projects. Developer Fees revenue, which includes transfers from other funds, is proposed at \$1.0 million for both FY 2019-20 and FY 2020-21, with expenditures at \$3.3 million and \$2.5 million, resulting in the use of fund balance of \$2.3 million and \$1.5 million.

Enterprise Funds

Water Fund

The City's water system distributes up to 15 million gallons of water each day to serve more than 16,000 residential and commercial customers. With the exception of a few small areas outside the City limits, the City distributes water to 37 percent of the area within its incorporated boundaries. The total value of water assets is \$128 million (based on the January 2018 Water Financial Plan Update), representing a major capital asset. The Proposed FY 2019-20 and FY 2020-21 Water Operating and Capital Budget is \$38.1 million and \$45.6 million, respectively.

Water Fund (Operations/Capital) Summary

	Prior Year Actual 2017-2018	Projected Actual 2018-2019	Proposed Budget 2019-2020	Proposed Budget 2020-2021
Revenues:				
Plant Investment Fees	\$ 219,808	\$ 350,000	\$ 350,000	\$ 350,000
Base Charges	6,378,410	6,165,900	6,477,975	6,479,775
Metered Water Sales	21,216,916	23,077,000	23,381,200	23,381,200
Lift Charges	677,736	506,500	715,300	729,500
Stand-By (Fire Detectors)	53,126	53,000	55,300	56,500
Fire Flow Surcharge	19,620	25,000	25,000	25,000
Backflow Prevention	33,398	30,000	34,800	35,500
Installation - Meter	59,244	21,700	21,700	21,700
Rental of City Facilities	30,361	30,100	31,900	32,500
Interest Income	173,361	285,000	860,000	860,000
Miscellaneous Revenue	682,923	255,500	430,900	439,300
Total Estimated Revenues	<u>29,544,903</u>	<u>30,799,700</u>	<u>32,384,075</u>	<u>32,410,975</u>
Reserve Account	-	-	5,683,420	13,213,004
Total Amount Available for Allocation	<u>\$ 29,544,903</u>	<u>\$ 30,799,700</u>	<u>\$ 38,067,495</u>	<u>\$ 45,623,979</u>
Appropriations:				
Salaries and Benefits	\$ 3,697,701	\$ 4,188,152	\$ 4,831,575	\$ 5,017,759
Maintenance & Operations	18,714,818	18,448,517	21,105,920	21,791,220
Charge Backs	(21,576)	(21,576)	-	-
Capital Outlay	32,418	745,445	89,937	50,000
Use of Asset Replacement	(13,745)	(365,445)	(89,937)	(50,000)
Total Operating Expenses	<u>22,409,616</u>	<u>22,995,093</u>	<u>25,937,495</u>	<u>26,808,979</u>
Capital Improvements	1,175,933	2,000,000	11,695,000	18,745,000
Maintenance Improvements	74,762	4,607	435,000	70,000
Reserve Account	5,884,592	5,800,000	-	-
Total Estimated Requirements	<u>\$ 29,544,903</u>	<u>\$ 30,799,700</u>	<u>\$ 38,067,495</u>	<u>\$ 45,623,979</u>

Revenue: The Water Fund receives revenue primarily from metered water sales and base charges. FY 2019-20 and FY 2020-21 Water Fund revenues are estimated at \$32.4 million for both fiscal years.

Appropriations: Proposed FY 2019-20 and FY 2020-21 Water Fund operating appropriations are estimated at \$25.9 million and \$26.8 million, respectively. The estimated capital requirements for FY 2019-20 and FY 2020-21 are \$12.0 million and \$18.8 million, respectively. Major capital projects include the Los Robles Greens Golf Course Groundwater Utilization budgeted at \$15.8 million in FY 2020-21. This project is a City Council Priority related to environmental sustainability. The pilot program is underway and grant funding of approximately \$6,000,000 is anticipated. This will supply potable water to the City's water customers, lessening

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reliance on imported water. Pump Station and Reservoir Improvements are budgeted at \$4.1 million in carryover funding from FY 2018-19 and \$2.4 million in FY 2019-20.

Wastewater Fund

Hill Canyon Treatment Plant (HCTP) serves more than 37,300 wastewater accounts and provides service to approximately 90 percent of the City. HCTP treats an average of 10.5 million gallons of wastewater per day. The total value of wastewater assets is \$364 million (based on the January 2018 Wastewater Financial Plan Update), representing a major capital asset. Proposed FY 2019-20 and FY 2020-21 Wastewater Operating and Capital Budget is \$29.1 million and \$24.1 million, respectively.

Wastewater Fund (Operations/Capital) Summary

	Prior Year Actual 2017-2018	Projected Actual 2018-2019	Proposed Budget 2019-2020	Proposed Budget 2020-2021
Revenues:				
Residential Service Charge	\$ 12,770,983	\$ 12,681,700	\$ 13,287,000	\$ 13,552,800
Industrial Service Charge	1,165,203	796,600	1,212,300	1,236,600
Commercial Service Charge	3,489,460	3,385,550	3,630,500	3,703,200
Residential Connection Fees	307,199	300,000	300,000	300,000
Commercial Connection Fees	264,734	300,000	300,000	300,000
Inspection Fees	32,968	26,800	34,400	35,200
Plan Checking/Filing Fee	1,625	5,000	2,800	2,900
Interest Income	229,271	440,000	816,500	816,500
Miscellaneous Revenue	2,443,554	3,075,300	2,253,100	2,287,100
Total Estimated Revenues	<u>20,704,998</u>	<u>21,010,950</u>	<u>21,836,600</u>	<u>22,234,300</u>
Reserve Account	-	1,500,000	7,251,255	1,828,454
Total Amount Available for Allocation	<u>\$ 20,704,998</u>	<u>\$ 22,510,950</u>	<u>\$ 29,087,855</u>	<u>\$ 24,062,754</u>
Allocations:				
Salaries and Benefits	\$ 6,404,844	\$ 7,307,569	\$ 7,759,645	\$ 8,050,344
Maintenance and Operations	6,928,737	6,817,718	8,532,910	8,647,110
Charge Backs	(21,576)	(21,576)	-	-
Capital Outlay	197,189	857,239	357,957	179,832
Use of Asset Replacement	(128,437)	(50,000)	(357,957)	(179,832)
Total Operating Expenses	<u>13,380,757</u>	<u>14,910,950</u>	<u>16,292,555</u>	<u>16,697,454</u>
Capital Improvements	1,261,755	3,000,000	8,130,000	1,700,000
Maintenance Improvements	102,952	-	2,630,000	3,630,000
Debt Service	3,580,275	4,600,000	2,035,300	2,035,300
Reserve Account	2,379,259	-	-	-
Total Estimated Requirements	<u>\$ 20,704,998</u>	<u>\$ 22,510,950</u>	<u>\$ 29,087,855</u>	<u>\$ 24,062,754</u>

Revenue: The Wastewater Fund receives revenue primarily from residential and commercial service charges and capital revenue. FY 2019-20 and FY 2020-21 revenues are estimated at \$21.8 million and \$22.2 million, respectively.

Appropriations: Proposed FY 2019-20 and FY 2020-21 Wastewater Fund Budget for operating appropriations is \$16.3 million and \$16.7 million, respectively. The estimated capital appropriations for FY 2019-20 and FY 2020-21 are \$10.8 million and \$5.3 million, respectively.

The City realizes the challenge in funding necessary capital improvements while maintaining reasonable water and wastewater rates. The City prepares Water and Wastewater Financial Plans (Plans) every two years to coincide with the budget process. The Plans establish a framework for future planning of Water and Wastewater system capital needs and establish rates that integrate capital requirements. Both Plans and the revised Water and Wastewater Rates are adopted by City Council on a biennial basis. Although the proposed capital and maintenance improvements budget is greater than in previous years, the funds have been setting aside funding to pay for the anticipated CIP expenses. Some of the major water projects are Lang Ranch Reservoir Improvements, Supervisory Control and Data Acquisition (SCADA) Master Plan, and La Granada Pump Station. Staff is currently in the process of updating the Water and Wastewater Financial Plans and will return to City Council in the Fall.

Solid Waste Fund

The Solid Waste Fund is responsible for the following programs: Recycling Program, Sustainability, Household Hazardous Waste Program, Community Enhancement Program, Caltrans Adopt-A-Highway Program, and the Community Enhancement Grant Program.

Solid Waste Fund

	Prior Year Actual 2017-2018	Projected Actual 2018-2019	Proposed Budget 2019-2020	Proposed Budget 2020-2021
Revenues:				
Landfill Facility Fee	\$ 313,615	\$ 296,400	\$ 327,700	\$ 334,300
Residential Recycling	260,654	258,300	271,200	276,700
Commercial Recycling	627,122	603,400	652,500	665,600
Temporary Drop Box & Bin	143,115	155,000	148,900	151,900
Interest Income	13,079	25,000	60,000	60,000
Grants - Recycling and Hazardous Waste	57,169	67,000	97,000	97,000
Miscellaneous	137,976	135,150	134,750	134,750
Total Estimated Revenues	<u>1,552,730</u>	<u>1,540,250</u>	<u>1,692,050</u>	<u>1,720,250</u>
Reserve Account	-	100,000	-	-
Total Amount Available for Allocation	<u>\$ 1,552,730</u>	<u>\$ 1,640,250</u>	<u>\$ 1,692,050</u>	<u>\$ 1,720,250</u>
Appropriations:				
Salaries and Benefits	\$ 476,994	\$ 662,890	\$ 584,228	\$ 605,584
Maintenance and Operations	703,994	840,000	1,011,350	1,016,850
Total Operating Expenses	<u>1,180,988</u>	<u>1,502,890</u>	<u>1,595,578</u>	<u>1,622,434</u>
Capital Improvements	-	37,360	-	-
Maintenance Improvements	-	100,000	-	-
Reserve Account	371,742	-	96,472	97,816
Total Estimated Requirements	<u>\$ 1,552,730</u>	<u>\$ 1,640,250</u>	<u>\$ 1,692,050</u>	<u>\$ 1,720,250</u>

Revenues: The Solid Waste Fund receives revenues from various sources including commercial recycling fees, landfill facility fees, residential recycling fees, temporary drop box and bin fees, and state grants for recycling and hazardous waste. Proposed FY 2019-20 and FY 2020-21 revenues are estimated at \$1.7 million for each respective fiscal year.

Appropriations: Proposed FY 2019-20 and FY 2020-21 appropriations are estimated at \$1.6 million each year. The Solid Waste Fund is projected to operate with a minimal surplus at the end of each fiscal year.

Transportation Fund

The Transportation Fund provides transportation services in the form of the Thousand Oaks Transit (TOT) bus system and Dial-A-Ride to the residents of the Conejo Valley to help reduce traffic, air pollution, and conserve energy resources. The Transportation Fund is also responsible for providing various transportation services to the City of Westlake Village (Los Angeles County), City of Agoura Hills (Los Angeles County), Oak Park (unincorporated Ventura County), and City of Moorpark. The bus and Dial-A-Ride services are provided by MV Transportation.

Fares for TOT have not increased since 2012 despite an approximate 50 percent increase in program costs. For every \$5.00 increase in bus service costs, an additional \$1.00 increase in fare revenue must be collected to maintain the required farebox collection ratio. After the last rate adjustment, the City met farebox requirements each fiscal year through FY 2016-17. The shortfall for FY 2018-19 is anticipated to be \$312,000, rising to almost \$450,000 in FY 2019-20. Staff is coming back to City Council to discuss transit challenges and strategies to address farebox shortfalls.

Appropriations for operations and capital are funded primarily with Transportation Development Act (TDA) Article 8c funds and numerous federal grants. While these resources will be sufficient for the foreseeable future, prudence is required to ensure efficient use of funds.

Transportation Fund

	Prior Year Actual 2017-2018	Projected Actual 2018-2019	Proposed Budget 2019-2020	Proposed Budget 2020-2021
Revenues:				
Sales Tax on Gasoline, SB325	\$ 3,408,859	\$ 3,260,750	\$ 4,850,000	\$ 4,850,000
Bus Fares	138,555	177,500	150,000	150,000
Dial-A-Ride	47,066	230,000	225,000	250,000
Interest Income	76,579	20,000	150,000	150,000
Federal and State Grants	1,127,301	1,000,000	800,000	1,800,000
Non-City Bus Services	1,465,493	1,425,000	2,250,000	2,400,000
Miscellaneous	966,022	1,036,750	1,243,000	1,418,050
Total Estimated Revenues	<u>7,229,875</u>	<u>7,150,000</u>	<u>9,668,000</u>	<u>11,018,050</u>
Transfers From Other Funds	268,926	350,000	275,000	650,000
Reserve Account	-	500,000	1,078,078	-
Total Amount Available for Allocation	<u>\$ 7,498,801</u>	<u>\$ 8,000,000</u>	<u>\$ 11,021,078</u>	<u>\$ 11,668,050</u>
Allocations:				
Salaries and Benefits	\$ 525,107	\$ 530,613	\$ 471,805	\$ 487,516
Maintenance and Operations	5,795,450	6,969,387	8,151,673	8,420,516
Capital Outlay	25,458	-	-	-
Total Operating Expenses	<u>6,346,015</u>	<u>7,500,000</u>	<u>8,623,478</u>	<u>8,908,032</u>
Capital Improvements	251,493	500,000	2,397,600	572,600
Reserve Account	901,293	-	-	2,187,418
Total Estimated Requirements	<u>\$ 7,498,801</u>	<u>\$ 8,000,000</u>	<u>\$ 11,021,078</u>	<u>\$ 11,668,050</u>

Revenue: The Transportation Fund receives revenues from various sources including, sales tax on gasoline, SB325, state and federal grants, operating transfers, bus fares, Dial-A-Ride fares, and interest income. FY 2019-20 and FY 2020-21 revenues are estimated at \$9.9 million and \$11.7 million, respectively.

Appropriations: Proposed Transportation Fund appropriations are primarily for maintenance and operation of the transit system, which comprise 63 percent of expenses for the combined proposed two-year budget. The City contracts with MV Transportation for the operation of the transit system and the Transportation Fund requires limited City staffing. The City's contract with MV Transportation was just negotiated and will be taken to City Council on May 14, 2019. Costs are approximately \$6.3 million for FY 2019-20 budget, an increase of approximately \$1.2 million or 22.9 percent. Proposed FY 2019-20 and FY 2020-21 appropriations are estimated at \$11.0 million and \$9.5 million, which includes capital improvements of \$2.4 million and \$0.6 million, respectively.

Golf Course Fund

On October 24, 2006, City Council approved a ten-year management agreement with EAGLE (now known as Arcis) Golf to manage the Los Robles Greens Golf Course (LRGGC), effective January 1, 2007 through December 31, 2016. On December 31, 2016, the contract was extended for an additional five-years to run through December 31, 2021.

LRGGC is projected to generate revenues of approximately \$5.8 million per year, and have expenses of approximately \$5.6 million, which does not include capital improvements, debt service, and transfers totaling approximately \$400,000.

Theatres Fund

The Theatres Fund maintains and operates the Civic Arts Plaza’s two theatres:

- Fred Kavli Theatre – 1,800-seat performing arts theatre, hosts performances from the contemporary to the classic, including nationally renowned shows.
- Janet and Ray Scherr Forum Theatre – 400-seat community theatre and meeting site, caters primarily to performances by the local community, the bi-monthly City Council meetings, and other City functions.

The Theatres Fund has been operating without General Fund support for operational expenses since 2007, but in doing so used reserves (Net Position) to bridge the operating gap periodically.

Theatres Fund

	Prior Year Actual 2017-2018	Projected Actual 2018-2019	Proposed Budget 2019-2020	Proposed Budget 2020-2021
Revenues:				
Box Office Charges	\$ 260,588	\$ 245,250	\$ 220,000	\$ 232,625
Charges for Services	1,112,395	1,110,000	1,233,500	1,259,250
Labor Sales	1,129,857	1,125,000	1,060,500	1,080,250
Performance Rehearsal Rents	416,913	425,000	411,000	453,500
Concession Rental	7,863	8,000	6,000	6,000
Parking	292,164	300,000	318,500	318,500
Alliance for the Arts	300,000	300,000	500,000	500,000
Advertising/Promotion/Lobby Sales	165,177	168,500	206,500	192,750
Cost Allocations	449,094	438,649	360,000	364,000
Interest Apportionment	10,472	70,000	70,000	70,000
Miscellaneous	4,392	-	-	-
Total Estimated Revenues	<u>4,148,915</u>	<u>4,190,399</u>	<u>4,386,000</u>	<u>4,476,875</u>
Reserve Account	-	196,984	-	-
Total Amount Available for Allocation	<u>\$ 4,148,915</u>	<u>\$ 4,387,383</u>	<u>\$ 4,386,000</u>	<u>\$ 4,476,875</u>
Allocations:				
Salaries and Benefits	\$ 1,740,755	\$ 1,937,958	\$ 2,263,196	\$ 2,335,055
Maintenance and Operations	2,219,740	1,944,425	2,100,520	2,084,905
Capital Outlay	196,620	50,000	95,000	85,000
Use of Asset Replacement	(196,620)	(50,000)	(95,000)	(85,000)
Total Operating Expenses	<u>3,960,495</u>	<u>3,882,383</u>	<u>4,363,716</u>	<u>4,419,960</u>
Maintenance Improvements	-	505,000	-	-
Reserve Account	188,420	-	22,284	56,915
Total Estimated Requirements	<u>\$ 4,148,915</u>	<u>\$ 4,387,383</u>	<u>\$ 4,386,000</u>	<u>\$ 4,476,875</u>

Although the General Fund has not been supporting the Theatres Fund for its operational expenses, during the past few fiscal years, the General Fund provided necessary capital improvements. The Proposed FY 2019-20 and FY 2020-21 budgets include a carryover in maintenance improvements of \$2.6 million for the Kavli Theatre improvements and upgrades project. This is the only project that the Theatres Fund will be responsible for in the upcoming CIP budget. In FY 2019-20, proposed revenues of \$4.4 million exceed proposed appropriations of \$4.4 million by \$22,284 and in FY 2020-21, proposed revenues of \$4.5 million exceed proposed appropriations of \$4.4 million by \$56,915. These reserves will be used to assist the Theatres Fund increase its Net Position for future projects and improvements and provide support during future economic downturns.

Future Challenges

In the years ahead, the City will experience financial challenges for many reasons, including aging infrastructure, declining revenue sources, and increasing expenditure costs. Several funds are currently or are projected to face future financial challenges, including the Lighting Fund, Landscaping Fund, Stormwater Fund, and Transportation Fund.

Staff last presented a FSP update in 2012 and based on feedback from City Council, the Fiscal Sustainability Study was presented to City Council on January 26, 2016, with long-term strategy options for various City Funds with the goal of achieving and maintaining balanced budgets for various City Funds. Some strategies were implemented, resulting in structural changes in funds, such as the Lighting Fund. Staff developed various strategies to maintain long-term financial stability citywide. Both of these Plans were reviewed and taken into account when preparing the FY 2019-20 and FY 2020-21 Operating Budget. In order to strategically address these challenges and continue to focus long-term to remain financially sustainable, staff plans to prepare an updated FSP in FY 2019-20.

Budget Preparation Timeline

- February 26, 2019 – User Fees Study Session
- March 19, 2019 – City Council Goal Setting Meeting
- April 1, 2019 – CIP Budget to Planning Commission
- April 2, 2019 – CIP Study Session, User Fees Public Hearing
- April 29, 2019 – Finance/Audit Committee Meeting
- May 14, 2019 – Operating Budget Study Session
- June 11, 2019 – Operating & CIP Budget Public Hearing
- June 25, 2019 – GANN Appropriation Limit

Summary

The Proposed Budget for the next two fiscal years represents a spending plan that is fiscally responsible, responsive to the community's current needs, and structurally balanced. The City remains committed to long-term strategic fiscal planning with a focus on examining the financial, operational, and service needs of the community and adjusting staffing configurations accordingly. As employees transition, there continues to be opportunities to evaluate and align staff resources to current organizational priorities. The ongoing People Strategy is addressing training needs of current staff, recruitment methodologies to attract new staff, and enhancements to the on-boarding process.

Staff continues to work diligently to maintain local municipal services that residents, businesses, and visitors have come to expect. Strategic decisions are continuing to be made to provide services more efficiently by investing in technology and implementing process improvements. Management empowers employees to think creatively and innovate.

Staff will continue to monitor the City's revenues and expenditures on a monthly basis to ensure that any material changes to revenues or expenditures are communicated to City Council. Staff will continue to take proactive steps to ensure strong financial health for the City in the future.

COUNCIL GOAL COMPLIANCE:

Meets City Council Goal B:

- B. Operate City government in a fiscally and managerially responsible and prudent manner to ensure that the City of Thousand Oaks remains one of California's most desirable places to live, work, visit, recreate, and raise a family.

Prepared by: Brent S. Sakaida, Budget Officer

Document Provided Under Separate Cover:

#1 – Proposed FY 2019-2020 and FY 2020-2021 Operating Budget