

**TO:** Andrew P. Powers, City Manager

**FROM:** Jaime Boscarino, Finance Director

**DATE:** June 11, 2019

**SUBJECT: Proposed FY 2019-20 and FY 2020-21 Operating and Capital Improvement Program Budgets**

**RECOMMENDATIONS:**

1. Adopt resolution approving proposed Operating and Capital Improvement Program (CIP) Budgets for FY 2019-20 and FY 2020-21.
2. Adopt updated Financial and Budget Policies, including the Governmental Fund Balance Policy that establishes guidelines and procedures for allocating and reporting fund balance in the financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.
3. Authorize City Manager to carryover funds from FY 2018-19 to FY 2019-20 and from FY 2019-20 to FY 2020-21 for projects listed as requiring carryover included in the CIP Budget, Grants, and Project-Related Maintenance and Operations budgets.

**FINANCIAL IMPACT:**

**No Additional Funding Requested.** Total appropriations (Operating and CIP funding for all funds) for FY 2019-20 are \$214,420,075. Total appropriations (Operating and CIP funding for all funds) for FY 2020-21 are \$221,707,859. The budget for both fiscal years is balanced for operations and only uses reserves for one-time expenditures and capital projects, per City Council Financial Policies.

**BACKGROUND:**

The purpose of this public hearing is to provide City Council with an overview of the proposed Operating and CIP Budgets for all funds. The proposed budgets are 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/OperatingCIP19-21](http://www.toaks.org/OperatingCIP19-21).

The City has a biennial budget process where every two years City Council reviews and adopts an Operating Budget and CIP Budget for two separate fiscal years. The City's fiscal year begins July 1 and ends June 30.

### ***Two-Year Budget Timeline***

The biennial budget process began in September and involves coordination among each department. For the current budget process, below are key dates for City Council in the budget preparation timeline:

- September 25, 2018 – Budget Calendar
- February 26, 2019 – User Fees Study Session
- March 19, 2019 – City Council Goal Setting Workshop
- April 1, 2019 – Capital Facilities Committee Meeting
- April 1, 2019 – Planning Commission CIP General Plan Consistency
- April 2, 2019 – CIP Study Session
- April 23, 2019 – User Fees Public Hearing
- April 29, 2019 – Finance/Audit Committee Meeting
- May 14, 2019 – Operating Budget Study Session
- June 11, 2019 – Operating and CIP Public Hearing
- June 25, 2019 – GANN Limitation (Consent)
- July 1, 2019 – Start of FY 2019-20

### ***City Council Goal Setting***

On March 19, 2019, City Council proposed ten broad Citywide Goals for FY 2019-20 and FY 2020-21 and ten Citywide Top Priorities for FY 2019-20. The Budget contains sufficient resources to achieve City Council's Goals, Top Priorities, and Specific Objectives within each Department.

### ***Proposed Operating and Capital Budgets Study Sessions***

Study sessions were conducted for both the proposed Operating and CIP Budgets during which staff provided in-depth presentations outlining each budget. Staff presented City Council with a structurally balanced General Fund Budget, as well as the other Governmental and Enterprise Funds, at the May 14, 2019 study session, and there have been no material changes to the Budget since that time.

Staff presented City Council with the proposed CIP Budget at the April 2, 2019 Study Session. Revisions since the Study Session are as follows: the number of projects went from 132 to 125 projects and the total FY 2019-20 and FY 2020-21 CIP Budget went from \$97,138,557 to a revised proposed total of \$94,475,602.

The study session staff reports and presentations are located on the City's website at [www.toaks.org/budgetprocess](http://www.toaks.org/budgetprocess) and provide detailed discussions on the proposed Operating and CIP Budgets that were presented at the study sessions.

### ***Public Hearing***

The next step in the budget process is to conduct a public hearing for both the proposed FY 2019-20 and FY 2020-21 Operating and CIP Budgets. Once the public hearing has been completed and the necessary resolution adopted (Attachment #1), the FY 2019-20 budget cycle will commence on July 1, 2019.

**DISCUSSION AND ANALYSIS:**

The proposed FY 2019-20 and FY 2020-21 Operating 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.

**Summary of the Proposed FY 2019-20 and FY 2020-21 Budget**

Total proposed appropriations for the City, including capital and transfers, for all funds for FY 2019-20 is \$214,420,075 and for FY 2020-21 is \$221,707,859, as shown in the following table. The General Fund makes up the largest portion of the Budget at 40.7 percent and 39.5 percent of appropriations in FY 2019-20 and FY 2020-21, respectively.

**Proposed FY 2019-20 & FY 2020-21 Operating/CIP Budget Summary**

<b>Fund</b>	<b>Proposed Budget 2019-2020</b>	<b>% of Total</b>	<b>Proposed Budget 2020-2021</b>	<b>% of Total</b>
General Fund	\$ 87,189,599	40.7%	\$ 87,498,924	39.5%
Water Fund	38,168,495	17.8%	45,594,379	20.6%
Wastewater Fund	29,343,200	13.7%	24,090,688	10.9%
Street Improvement Funds	9,991,907	4.7%	8,998,000	4.1%
Transportation Fund	9,346,234	4.4%	8,838,155	4.0%
Library Fund	8,871,783	4.1%	9,159,630	4.1%
Capital Projects Funds	6,100,800	2.8%	6,457,795	2.9%
Landscaping Assessment Dist Fund	5,935,887	2.8%	7,009,309	3.2%
Los Robles Golf Course Fund	5,897,900	2.8%	6,203,400	2.8%
Theatres Fund	4,713,716	2.2%	4,425,960	2.0%
Lighting Assessment Dist Fund	2,614,560	1.2%	7,108,448	3.2%
Solid Waste Fund	1,662,578	0.8%	1,647,434	0.7%
East County Transit Alliance	1,461,209	0.7%	1,515,365	0.7%
Public Financing Authority Fund	1,158,100	0.5%	1,156,100	0.5%
Stormwater Funds	1,153,350	0.5%	1,186,424	0.5%
Comm Dev Block Grant (CDBG)	580,000	0.3%	580,000	0.3%
Housing Trust Fund	230,757	0.1%	237,848	0.1%
<b>Total</b>	<b>\$ 214,420,075</b>	<b>100.0%</b>	<b>\$ 221,707,859</b>	<b>100.0%</b>

***General Fund***

The following table summarizes the proposed FY 2019-20 and FY 2020-21 General Fund Budget, which is structurally balanced. Reserves are only used for capital improvement projects to maintain facilities and infrastructure or other one-time operating expenditures, which is compliant with City Council Financial Policies.

**Proposed FY 2019-20 and FY 2020-21 Operating and CIP Budget**

**June 11, 2019**

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**General Fund**

	<b>Prior Year Actual 2017-2018</b>	<b>Revised Budget 2018-2019</b>	<b>Proposed Budget 2019-2020</b>	<b>Proposed Budget 2020-2021</b>
<b>Revenues:</b>				
Current Revenues	\$ 85,744,955	\$ 81,538,455	\$ 83,169,915	\$ 84,765,021
Transfers From Other Funds	2,253,418	1,883,200	2,025,400	2,025,400
Reserve Account	-	26,164,638	1,994,284	708,503
Total Amount Available for Allocation	<u>\$ 87,998,373</u>	<u>\$ 109,586,293</u>	<u>\$ 87,189,599</u>	<u>\$ 87,498,924</u>
<b>Appropriations</b>				
Salaries and Benefits	\$ 29,972,904	\$ 32,949,441	\$ 34,663,122	\$ 35,974,515
Maintenance and Operations	16,343,599	16,724,236	13,022,877	13,264,946
Police Contract Services	28,873,349	31,182,288	31,649,250	33,065,200
Capital Outlay	49,108	63,104	-	-
Total Operating Requirements	<u>\$ 75,238,960</u>	<u>\$ 80,919,069</u>	<u>\$ 79,335,249</u>	<u>\$ 82,304,661</u>
Capital & Maintenance Improv.	2,790,500	19,821,118	5,104,900	2,314,900
Transfers to Other Funds	7,065,729	8,846,106	2,749,450	2,879,363
Reserve Account	2,903,184	-	-	-
Total Estimated Requirements	<u>\$ 87,998,373</u>	<u>\$ 109,586,293</u>	<u>\$ 87,189,599</u>	<u>\$ 87,498,924</u>

***General Fund Budget Changes Since the Study Session***

Since the May 14, 2019, Operating Budget study session, there was one significant change to the General Fund in the proposed FY 2019-20 and FY 2020-21 Operating Budget. Staff transferred the General Fund support of \$300,000 to the Transportation Fund in FY 2020-21 to the Air Quality Impact Fee Fund.

Overall, the proposed General Fund Budget since the Study Session has been decreased by \$0.2 million (or -0.3 percent) and \$0.2 million (or -0.2 percent) for FY 2019-20 and FY 2020-21, respectively.

***Other Governmental and Enterprise Funds***

There were a couple of significant changes since the May 14, 2019 Operating Budget study session. Staff revisited revenues in the Water Fund and made appropriate adjustments in FY 2020-21 and the Transportation Fund adjusted based on the updated MV Transportation contract that was presented and approved by City Council on May 21, 2019.

Other than that, there are no significant changes to any other funds in the proposed Public Hearing Operating Budget for FY 2019-20 and FY 2020-21.

***Position History***

There have been no changes to the position count since the Operating Budget study session, which is still at 381 funded positions. Refer to the chart on the following page.

**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	16	1	6.7%
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	57	6	11.8%
6	Community Development	57	48	-9	-15.8%
7	Public Works	198	185	-13	-6.6%
8	Cultural Affairs	15	16	1	6.7%
9	Library	49	38	-11	-22.4%
10	Community Services	0	1	1	100.0%
	<b>Total City</b>	<u>407</u>	<u>381</u>	<u>-26</u>	<u>-6.4%</u>
11	Police	<u>109</u>	<u>108</u>	<u>-1</u>	<u>-0.9%</u>
	<b>Total Funded Positions</b>	<u>516</u>	<u>489</u>	<u>-27</u>	<u>-5.2%</u>

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

**Proposed FY 2019-20 and FY 2020-21 Capital Improvement Program Budget**

The proposed CIP Budget for FY 2019-20 and FY 2020-21 is \$46,794,257 and \$47,681,345, respectively. The following chart illustrates the proposed CIP appropriations for FY 2019-20 and FY 2020-21:

**Proposed FY 2019-20 & FY 2020-21 CIP Budget**

<u>No.</u>	<u>Category</u>	<u>Carryover</u>	<u>FY 2019/20</u>	<u>FY 2020/21</u>	<u>Total</u>
1	Facility Projects	\$13,714,096	\$4,640,950	\$2,490,950	\$7,131,900
2	Landscape/Streetscape Projects	2,975,000	3,415,000	6,100,000	9,515,000
3	Library Projects	0	670,000	725,000	1,395,000
4	Open Space Projects	2,851,000	445,000	95,000	540,000
5	Stormwater Projects	0	1,091,657	450,000	1,541,657
6	Street Projects	3,357,430	12,171,650	11,238,900	23,410,550
7	Transportation/Traffic Projects	7,167,132	2,645,000	3,106,495	5,751,495
8	Undergrounding Projects	327,700	160,000	80,000	240,000
9	Wastewater Projects	5,937,100	10,760,000	5,280,000	16,040,000
10	Water Projects	10,653,000	10,795,000	18,115,000	28,910,000
	<b>Grand Total</b>	<u>\$46,982,458</u>	<u>\$46,794,257</u>	<u>\$47,681,345</u>	<u>\$94,475,602</u>

***Capital Improvement Program Budget Changes Since the Study Session***

Since the April 2, 2019, CIP study session, there have been minor funding revisions to eight projects and one project was added to the proposed CIP Budget, as indicated below:

Eight projects were either deleted or funding was moved out to future years (FY 2020-21 through FY 2023-24) and one project was added as follows:

Project deleted from CIP Budget:

1. Bus Stop Traffic Lane Turnouts (CI5509, Transportation/Traffic) – Project will be brought back to City Council if grant funding is received by the City.

**Proposed FY 2019-20 and FY 2020-21 Operating and CIP Budget**

**June 11, 2019**

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2. Meadows Reservoir Altitude Valve (CI5382, Water) – Project will be performed in-house.
3. Automated Chlorine Installation (CI5394, Water) – Project will be included as part of Supervisory Control and Data Acquisition Master Plan and Programmable Logic Controllers (CI5284, Water).

Project funding moved out to future years (FY 2021-22 through FY 2023-24):

4. Civic Arts Plaza Flooring Replacement (CI5416, Facility) – Budget moved from FY 2020-21 to FY 2021-22.
5. Electric Vehicle (EV) Charging Infrastructure (CI5473, Transportation/Traffic) – Budget moved from FY 2020-21 to FY 2021-22.
6. Electric Vehicle (EV) Bus Purchase (CI5575, Transportation/Traffic) – Budget moved from FY 2020-21 to FY 2021-22.
7. Freeway Reservoir Access Road (CI5280, Water) – Budget moved from FY 2019-20 to FY 2021-22.
8. Calleguas Turnouts Pipeline Upgrades I (CI5493, Water) – Budget moved from FY 2020-21 to FY 2021-22.

Project added to CIP Budget:

9. Local Roadway Safety Plan (MI 2598, Street) – Project is recommended by Caltrans to apply for HSIP Cycle 10 (2020) funds and it will be required to apply for HSIP Cycle 11 (2022) funds.

As a result, the above-mentioned revisions decreased the proposed CIP Budget in the amount of \$2.7 million in FY 2019-20 and FY 2020-21, since the April 2, 2019 Study Session.

**Financial Policies and Procedures**

Financial policies are central to a strategic, long-term approach to financial management. The Government Finance Officers Association (GFOA) recommends that local governments formally adopt certain financial policies including, but not limited to budget, debt, investment, and capital. These policies have been incorporated in Section X (Financial Policies and Procedures) of the proposed FY 2019-20 and FY 2020-21 Operating Budget.

The following policies have been included in the Public Hearing Operating Budget book for review and adoption as follows: Budget, Budget Appropriation/Transfers, Capital Improvement Program, Capital Asset Capitalization, User Fee, Governmental Fund Balance, Accounting, Audit, Fixed Asset Replacement, Investment, and Debt Policies.

Staff has critically analyzed the existing policies and compared the policies to best practice guidelines established by GFOA. The investment policy is reviewed annually and presented to City Council for adoption separately. It was last adopted by City Council on January 22, 2019. The debt policy is reviewed biennially and approved through the budget process unless substantive changes are suggested. Since no significant changes were necessary, independent consideration is not required and the amended policy may be adopted through the budget process.

The proposed General Fund Budget fully complies with City Council's formal Financial and Budget Policies.

### **Citywide Performance Measures**

As part of the Citywide performance measurement initiative, the City has been tracking and reporting performance measures data for one fiscal year. At the end of each quarter, performance measure results are collected and reported for both internal and external measures. The results are used to guide the City's focus and ultimately improve the City's effectiveness and efficiency in delivering services.

City department's external performance measures related to FY 2017-18 have been included in Section XI of the Proposed Operating Budget book.

### **Summary**

During the past few years, staff has worked diligently to maintain local municipal services that residents, businesses, and visitors have come to expect. The proposed budgets for the next two fiscal years represent a spending plan that is fiscally responsible and responsive to our community's current needs. In the years ahead, the City will be faced with challenges due to its transition from a growth-oriented community to a maintenance-oriented community with an aging local infrastructure system.

### **Long-Term Fund Strategy Options / Financial Strategic Plan**

Staff presented the Long-Term Financial Strategic Plan 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. Staff developed various strategies to maintain long-term financial stability citywide, which were used to develop the proposed FY 2019-20 and FY 2020-21 Operating and CIP Budgets.

At the May 14, 2019 City Council meeting, Finance staff informed City Council that the Financial Strategic Plan (FSP) would be updated in FY 2019-20 and the results will be used to prepare the next FY 2021-22 and FY 2022-23 Operating and CIP Budgets.

Staff will continue to monitor City revenues and expenditures on a monthly basis to ensure that any material changes to revenues or expenditures/expenses are

communicated to City Council, with staff taking proactive steps to ensure strong financial health for the City in the future.

### ***Acknowledgments***

Preparation of the City's Operating and CIP Budgets would not be possible without the leadership, dedication, and hard work from City Council, the Citywide Budget Team, and staff from all departments who spent time working on the budgets. It is through cooperation and teamwork between all departmental staff that have allowed for an efficient budget preparation process. A list of the City's Budget Team is included in Attachment #2.

### **COUNCIL GOAL COMPLIANCE:**

Meets City Council Goals A and B:

- A. Provide municipal government leadership which is open and responsive to residents, and is characterized by ethical behavior, stability, promoting public trust, transparency, confidence in the future, and cooperative interaction among civic leaders, residents, business representatives, and staff, while recognizing and respecting legitimate differences of opinion on critical issues facing the City.
- 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

Attachments:

Attachment #1 – Resolution Adopting Annual Operating and CIP Budgets for FY 2019-20 and FY 2020-21

Attachment #2 – Citywide Budget Team

Documents Provided Under Separate Cover:

#1 – Proposed FY 2019-20 and FY 2020-21 Operating Budget

#2 – Proposed FY 2019-20 and FY 2020-21 CIP Budget

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF THOUSAND OAKS ADOPTING THE ANNUAL CITY OF THOUSAND OAKS OPERATING AND CAPITAL IMPROVEMENT PROGRAM BUDGETS FOR FISCAL YEARS 2019-2020 AND 2020-2021; AND ADOPTING FINANCIAL POLICIES

WHEREAS, in September 2018 the budget process began with a calendar being set for all critical deadlines in order to conclude the budget preparation process with a June 11, 2019, Public Hearing; and

WHEREAS, on April 1, 2019, the Thousand Oaks Planning Commission reviewed the Capital Improvement Program Budget and found it to be consistent with the General Plan; and

WHEREAS, on April 2, 2019, the City Council held a Study Session to review the Capital Improvement Program Budget; and

WHEREAS, on May 14, 2019, the City Council held a Study Session to review the Operating Budget; and

WHEREAS, the City Manager's recommended budgets have been forwarded to the City Council; and

WHEREAS, a Public Hearing was noticed and held by the City Council on June 11, 2019; and

WHEREAS, included in the City of Thousand Oaks Operating Budget are Financial Policies which include: Budget, Budget Appropriation/Transfer, Capital Improvement Program (CIP), Capital Asset Capitalization, User Fee, Fund Balance (GASB 54), Accounting, Audit, Fixed Asset Replacement, Investment, and Debt Policies; and

WHEREAS, GASB 54 requires classification of the ending fund balances into five categories: Non-Spendable, Restricted, Committed, Assigned and Unassigned; and

WHEREAS, GASB 54 requires that a policy for use of financial resources be developed and adopted; and

WHEREAS, the City Manager and Finance Director may assign unclassified revenues to a specific purpose when necessary and appropriate.

NOW, THEREFORE BE IT RESOLVED THAT, the City Council of the City of Thousand Oaks does hereby adopt the following:

SECTION 1: The City of Thousand Oaks Fiscal Year 2019-2020 Operating Budget of \$167,625,818, and Capital Improvement Program Budget of \$46,794,257, which totals \$214,420,075, and Fiscal Year 2020-2021 Operating Budget of \$174,026,514 and Capital Improvement Program Budget of \$47,681,345, which totals \$221,707,859.

SECTION 2: The City Manager is authorized to carry over funds from Fiscal Year 2018-2019 to Fiscal Year 2019-2020 and from Fiscal Year 2019-2020 to Fiscal Year 2020-2021, for projects listed as requiring carryover included in the Capital Improvement Program Budget, Grants, and Project-Related Maintenance and Operations budgets.

SECTION 3: The City of Thousand Oaks Financial Policies for Fiscal Year 2019-2020 and Fiscal Year 2020-2021, including GASB 54 (required fund balance policy), are adopted and the ending fund balance of all governmental funds are to be classified into the aforementioned five categories.

PASSED AND ADOPTED this 11<sup>th</sup> day of June, 2019.

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Robert McCoy, Mayor  
City of Thousand Oaks, California

ATTEST:

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Cynthia M. Rodriguez, City Clerk

APPROVED AS TO FORM:  
Office of the City Attorney

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Tracy Friedl, Deputy City Attorney

APPROVED AS TO ADMINISTRATION:

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Andrew P. Powers, City Manager

**Operating, Capital Improvement Program & User Fees  
Key Budget Contacts, and User Fee Teams**

**Core Budget Team**

Jaime Boscarino  
Brent Sakaida  
Julie Prince

**Key “Budget” Department Contacts**

CAO – Tracy Noonan, Melissa Popham  
CCD – Cynthia Rodriguez, Laura Maguire  
CMO – Andrew Powers, Ingrid Hardy, Ellen Rosa  
HRD – Gary Rogers, Libby White  
CDD – Mark Towne, Peter Gilli, Kelvin Parker, Michelle McMurtry  
FIN – Julie Prince  
DPW – Jay Spurgin, Cliff Finley, Nader Heydari, Joana Smith  
CAD – Barry McComb, Jonathan Serret, Whitney Luxenberger  
LIB – Heather Cousin, Darren Jeffery, Tracey Stockton, Alina Savulescu  
POL – Denise Holts

**Finance Budget Team**

Department’s Budget Review – Elisa Magaña, James Russell-Field, David Brown

Payroll Budget and Capital Project Budget – Elisa Magaña  
Revenues – Melissa Hurtado  
Interest & Debt Service Projections – Jane Adelman  
IT Support – Nick Foster

**Budget Carryover Team**

Capital Projects, M&O, and Grant Projects – Elisa Magaña

**User Fees Team**

Jaime Boscarino  
Brent Sakaida  
Julie Prince

**Staff:**

CDD – Mark Towne, Peter Gilli, Kelvin Parker, Michelle McMurtry  
DPW – Jay Spurgin, Cliff Finley, Mohammad Fatemi, Nader Heydari, Joana Smith  
CAD – Barry McComb, Jonathan Serret, Whitney Luxenberger  
POL – Denise Holts  
CCD – Cynthia Rodriguez, Laura Maguire  
LIB – Heather Cousin, Darren Jeffery, Tracey Stockton, Alina Savulescu  
FIN – Liz Perez, Melissa Hurtado, Elisa Magaña

**Budget Cover**

Allison Fochler