Overall, the City is in “GOOD” FISCAL HEALTH

Balanced General Fund Budget FY 2015/16 & FY 2016/17

Sound Financial Policies

Financial strategic planning important role in maintaining fiscal sustainability

– Forecast long-term challenges
– Proactively strategize for these challenges
– Minimize impacts to services
FISCAL SUSTAINABILITY STUDY

Agenda

- Purpose of Study
- Historical Timeline
- Background
- Areas of Focus
- Potential Strategies
- Summary
• Strive to be a government that is:
  – Fiscally responsible
  – Proactive
  – Strategic
  – Long-term vision and focus
  – Transparent
  – Effective and efficient in service delivery
Highlight of “Budget Reduction” Era Strategies 2008-2013:

- General Fund/Library Fund Expenditure Reduction
  - $5.8M Between FY 2008-09 & FY 2012-13
- Salaries and Benefits
  - Position Reductions (108)
  - Salary Freezes
  - Employees paying full 7% PERS
- Police Reverse Contract
- User Fees review & Full Cost Allocation
- Brainstorming Action Group
FSP Update

• 2014 FSP identified several focus areas
  — Immediate
  — Long-term
• City Council Recommendation with FY 2015-2017 Budget
• City Council FY 2015-16 “Top Ten Priority”
  — Fiscal Sustainability Study
LOW TAX CITY – PROPERTY TAX RATES

- Thousand Oaks: 1.053%
- County Average: 1.092%
- State Average: 1.143%
1% Property Tax Allocation

- Water Districts - $0.0084
- Conejo Recreation & Park District - $0.0528
- City of Thousand Oaks - $0.0685
- Fire District - $0.1527
- Ventura County - $0.1720
- Ventura County Schools - $0.5457
LOW TAX CITY - SALES TAX RATES

<table>
<thead>
<tr>
<th>Location</th>
<th>Tax Rate</th>
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<tbody>
<tr>
<td>Thousand Oaks</td>
<td>7.5%</td>
</tr>
<tr>
<td>Oxnard/Port Hueneme/SB</td>
<td>8.0%</td>
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<tr>
<td>Agoura Hills/Westlake Village</td>
<td>9.0%</td>
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<tr>
<td>State Minimum</td>
<td>7.5%</td>
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<tr>
<td>State Average</td>
<td>8.4%</td>
</tr>
<tr>
<td>Highest in State</td>
<td>10.0%</td>
</tr>
</tbody>
</table>
7.5% Sales Tax Allocation – 7/1/15

- State (Education Protection Account) - 0.25%
- Local (County Transportation) - 0.25%
- State (Local Revenue Fund) - 0.50%
- State (Local Public Safety Fund) - 0.50%
- Local (0.967% City & 0.033% County) - 1.0%
- State (General Fund) 5.00%
Report format:
• Review of the process
• Identification of Immediate Challenges and Options
  – Streets Funding
  – Street Lighting and Traffic Signal Lighting Funding
  – Stormwater Funding
• Immediate Challenges Summary
Report format cont’d:

• Identification of Long-term Challenges and Options
  – General Fund Fund Balance
  – Landscaping Funding
  – Solid Waste Funding
• Long-term Challenges Summary
• Overall Summary & Direction
Review of the Process

• July & August 2015 Staff Analysis
  – Significant staff time across the organization
  – Mini “Brainstorming Action Group”

• September 10, 2015 Finance/Audit Committee Meeting
  – Initial findings presented
  – Direction on options presented

• January 11, 2015 Finance/Audit Committee Meeting
IMMEDIATE CHALLENGES - STREETS

• Improvement and Maintenance of Street and Road Infrastructure - $10M+ FY 15-16 and FY 16-17
  – TDA funding for streets eliminated
  – RDA funding eliminated
  – Grant opportunities diminished
• Gas Tax revenue significantly declining
  – Most recent revenue estimates are 25% under FY 16-17 budget
PAVEMENT MAINTENANCE NEEDS

Revenues

$3.0M/Yr

$4.5M/Yr

$6.5M/Yr

Needs

FY 04-05 FY 05-06 FY 06-07 FY 07-08 FY 08-09 FY 09-10 FY 10-11 FY 11-12 FY 12-13 FY 13-14 FY 14-15 Proj FY 15-16 Proj FY 16-17 Proj FY 17-18 Proj FY 18-19 Proj FY 19-20

Gas Tax  TDA  Federal  State  Other
**Pavement Maintenance Needs**

- Gas Tax
- TDA
- Federal
- State
- Other

Revenues:
- $3.0M/Yr
- $4.5M/Yr
- $6.5M/Yr

GAP - $4.5M/Yr

Needs:
- FY 04-05
- FY 05-06
- FY 06-07
- FY 07-08
- FY 08-09
- FY 09-10
- FY 10-11
- FY 11-12
- FY 12-13
- FY 13-14
- FY 14-15
- Proj FY 15-16
- Proj FY 16-17
- Proj FY 17-18
- Proj FY 18-19
- Proj FY 19-20

Millions
STREETS FUNDING - STRATEGIES

- Defer Maintenance - $6.5M
- Pavement Preservation Treatments – savings varies
- In-lieu Fees from Refuse Haulers/Transit - $1.0M
- Street Assessment District - $4.5M (avg $104/parcel)
- General Sales Tax Measure - $14M (1/2 cent)

Not under City’s control:
- State Fix Our Roads Coalition - $6.0M for City
- Governor’s Proposed Transportation Legislation - $2.1M for City
- County Transportation Sales Tax - $4.0M for City
COST OF DEFERRING MAINTENANCE

- **Scenario 3**: $6.5 Million Annually
- **Scenario 2**: $4.5 Million Annually - City's Previous Budget
- **Scenario 1**: $2 Million Annually - City's Projected Budget
Immediate Challenges - Lighting

- Operations and maintenance of street lights and traffic signals - $0.4M annually
  - FY 14/15 ending fund balance of $18K
  - Expenditures exceed revenues
  - Lighting assessment capped at 3% increase per year
  - General Fund support required for first time in FY 15/16
Eliminate Battery Back-up for Signals - $11K
Turn Off Half of Residential Street Lights - $165K
Perform Maintenance In-house - $80K
Re-ballot Lighting District - $0.5M
  – Currently ~$14/parcel
  – Increase to $31/parcel to eliminate GF & Dev Fee support
  – Requires vote with 50.1% approval
IMMEDIATE CHALLENGES - STORMWATER

• Stormwater Permit Compliance Costs - $0.5M
  – Renewal of permit expected to increase permit compliance costs
    • Development of new enhanced watershed management plan
    • Expanded water quality monitoring
    • Capital costs for capture and infiltration of storm runoff
  – Already receives General Fund support
STORMWATER FUND - STRATEGIES

• Minimum Permit Compliance - $0.1M

Options Not Under City’s Control:
• Increase in Reclaimed Water Revenue - $100K (not ongoing)
• Re-ballot Stormwater District
  – Double rate ~ $173K
  – Requires County approval
IMMEDIATE CHALLENGES GAP

The diagram illustrates the budgetary gaps for various fiscal years (FY) up to FY 2023/24. The gaps are categorized into three main areas: Streets, Stormwater, and Lighting. Each bar represents the budget allocation for the respective years:

- **Bud FY 15/16**: Streets: $5.5M, Stormwater: $0.4M, Lighting: $0.5M
- **Bud FY 16/17**: Streets: $5.5M, Stormwater: $0.5M, Lighting: $0.5M
- **Proj FY 17/18**: Streets: $5.9M, Stormwater: $0.5M, Lighting: $0.4M
- **Proj FY 18/19**: Streets: $5.9M, Stormwater: $0.5M, Lighting: $0.4M
- **Proj FY 19/20**: Streets: $5.9M, Stormwater: $0.5M, Lighting: $0.4M
- **Proj FY 20/21**: Streets: $5.9M, Stormwater: $0.5M, Lighting: $0.4M
- **Proj FY 21/22**: Streets: $5.9M, Stormwater: $0.5M, Lighting: $0.4M
- **Proj FY 22/23**: Streets: $5.9M, Stormwater: $0.5M, Lighting: $0.4M
- **Proj FY 23/24**: Streets: $5.9M, Stormwater: $0.5M, Lighting: $0.4M
- **Proj FY 24/25**: Streets: $5.9M, Stormwater: $0.5M, Lighting: $0.4M

The gaps are visualized to highlight the financial challenges in each area over the years.
LONG-TERM CHALLENGES – GENERAL FUND

• Projected Declining General Fund Fund Balance in FY 18/19
  – Increasing to $7.5M in FY 24/25
  – Impacts services and operations
  – Impacts ability to support other funds
  – Impacts ability to fund capital projects
GENERAL FUND PROJECTIONS

Millions

$50.0 $60.0 $70.0 $80.0 $90.0 $100.0

Actual 09/10 Actual 10/11 Actual 11/12 Actual 12/13 Actual 13/14 Actual 14/15 Budget 15/16 Budget 16/17 Proj 17/18 Proj 18/19 Proj 19/20 Proj 20/21 Proj 21/22 Proj 22/23 Proj 23/24 Proj 24/25

Revenue
Expenditures
Potential Revenue Enhancements

- New Economic Development – up to $1M dependent upon developments
- Sale of Existing Property - varies
- User Fees – 100% Full Cost Recovery $3.7M
- TOT - $360K per 1%
  - Currently set at 10%
  - Median state rate is 10%
  - Maximum rate is 15%
Potential Revenue Enhancements – cont’d

- Business License - $36K for 2% CPI increase
- Library Parcel Tax - $20/parcel = $900K
  - Based on 45,000 parcels
- Utility User Tax - $3.0M for 5%
  - Average rate 5.4%
  - Calculated based on Edison and So. Cal. Gas only
- Sales Tax - $14M per ½ cent
LONG-TERM CHALLENGES - STRATEGIES

Potential Expenditure Reductions
– People Strategy/Organizational Restructuring
– Process Improvements/Efficiencies
– Technology/Automation
– Service Level Reductions
– Private/Public Partnership Opportunities
Background

Strategies Implemented cont’d

• Process Improvements/Efficiencies/Technology
• Service Level Reductions
• Privatization of Services (Street Sweeping)
• Deferred Maintenance of Facilities/Infrastructure
• Deferred/Canceled Future Capital Improvement Projects
• Suspension of Open Space Contribution/Sports Facilities & Social Services Grants
LONG-TERM CHALLENGES - LANDSCAPING

• Operations and capital improvements of landscaping within the LLAD - $0.8M
  – Expenditures exceed revenues
  – Fund balance expected to cover deficit for next few years
  – Major expenditures for contract maintenance, water, and payroll
LANDSCAPING FUND PROJECTIONS
LANDSCAPING FUND - STRATEGIES

• Drought Tolerant Landscaping - $320K
  — 25% water conservation
• Defer Tree Trimming - $50K
  — Long-term costs could increase
• Staffing Reduction - $89K
• Re-ballot Landscape District
  — $200K increase = 6%
• Defer Capital Improvements - $200K
LONG-TERM CHALLENGES – SOLID WASTE

• Operations of Solid Waste Program - $0.3M
  – Expenses exceed revenues
  – Adequate fund balance projected to cover deficit
  – Solid Waste Enhancement Trust Fund $2.0M
SOLID WASTE FUND PROJECTIONS

- Revenue
- Expenditures
- Fund Balance
- Enhancement Trust Fund Balance

<table>
<thead>
<tr>
<th></th>
<th>Actual 09/10</th>
<th>Actual 10/11</th>
<th>Actual 11/12</th>
<th>Actual 12/13</th>
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<th>Actual 14/15</th>
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<th>Proj 23/24</th>
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Yearly Projections from 2009/2010 to 2024/2025.
SOLID WASTE FUND - STRATEGIES

• Fee Adjustments - $320K
  – Solid Waste Management Fee
  – HHW Fee for Non-City Participants
  – Business Disposal Fee
• Evaluate Contract Staffing - $46K
• Staff HHW In-house - $28K Increase
• Reduce HHW Operating Hours - $45K
• Reduce City Special Events - $49K
• One-time Transfer of Enhancement Funds - $2.0M
LONG-TERM CHALLENGES GAP

Millions

- Proj FY 17/18
- Proj FY 18/19
- Proj FY 19/20
- Proj FY 20/21
- Proj FY 21/22
- Proj FY 22/23
- Proj FY 23/24
- Proj FY 24/25

General Fund
Landscape
Solid Waste
Total Citywide Funding Gap

Millions

<table>
<thead>
<tr>
<th>Proj FY 17/18</th>
<th>Proj FY 18/19</th>
<th>Proj FY 19/20</th>
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<td>$5.3</td>
<td>$6.5</td>
<td>$7.5</td>
<td>$8.7</td>
</tr>
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Immediate  Long-Term
• City is in Good Fiscal Health
• Important Exercise in Long-term Financial Management
• Staff has researched many options, both revenue enhancements and expenditure reductions
• Key to Success
  — Proactive and Long-term Planning
  — Understanding decisions today impact us well into the future
• Provide direction to develop a process to establish recommendations/options necessary to ensure long-term fiscal sustainability of the City