

**CITY OF SIMI VALLEY
MEMORANDUM**

June 6, 2016

TO: City Council
Board of Directors, Ventura County Waterworks District No. 8
Successor Agency to the Simi Valley Community Development Agency
Board of Trustees, Simi Valley Library

FROM: Office of the City Manager/District Manager/Executive Director/Executive Director

SUBJECT: REVIEW AND APPROVAL OF THE FY 2016-17 BUDGET, APPROVAL OF FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM FOR FY 2016-17 TO FY 2020-21, APPROVAL OF FY 2016-17 TRANSIT BUDGET AND PROGRAM OF PROJECTS, AND ADOPTION OF RESOLUTIONS

STAFF RECOMMENDATION

It is recommended that the City Council/Boards of Directors/Trustees:

1. Approve the Simi Valley Transit FY 2016-17 Program of Projects (POP) to be forwarded to the Ventura County Transportation Commission (VCTC) for final approval and to be included in the City's Federal Transit Administration (FTA) 49 U.S.C. Section 5307, Congestion Mitigation Air Quality (CMAQ), and Job Access Reverse Commute (JARC) grant applications;
2. Adopt the attached resolution (page 19) authorizing the City Manager to execute and submit the filing of grant applications with the FTA for operating, capital, planning, and preventive maintenance assistance funds under 49 U.S.C. Section 5307, CMAQ, and JARC;
3. Review and approve the proposed Human Resources Actions (pages 10-11);
4. Review the related Capital Asset Requests, Policy Items, and Reductions contained in the Proposed Budget;
5. Review and modify, as appropriate, the FY 2016-17 Proposed Budget and Preliminary Five-Year Capital Improvement Program for FY 2016-17 to FY 2020-21;
6. Adopt the attached joint resolution (page 21) approving the FY 2016-17 Annual Budget and the Five-Year Capital Improvement Program for FY 2016-17 to FY 2020-21.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends approval of the FY 2016-17 Budget. This Budget accomplishes the following:

- A Budget that does not use any anticipated carry-forward funds from the previous Fiscal Year, which is consistent with City Council direction.
- A Budget that does not utilize any Economic Stabilization Funds for the third consecutive year.
- A Budget that moves toward future sustainability through the freezing or elimination of several positions in the organization including the elimination of one position in the City Manager's office and reclassifying the Assistant City Manager position to a Deputy City Manager position which will provide fiscal savings.
- A Budget that maintains the three police officer positions added to the budget by the City Council in the FY 2014-15 Budget.
- A Budget that includes funding for the City to upgrade its major software programs through an ERP process.
- The Police Department will be overfilling the Deputy Police Chief position beginning September 19th as a part of the budget.

I want to thank Rebekka Hosken, Budget Officer, for her excellent work on a difficult budget this year. In addition, I want to thank each of the Departments and their respective staff for their diligent efforts during the development of the Budget.

BACKGROUND AND OVERVIEW

The City Council received the FY 2016-17 Proposed Budget, Supporting Document, and Five-Year Capital Improvement Program under separate cover on May 13, 2016. A public meeting was held to present and gather feedback on May 25, 2016. This budget represents an attempt to balance available funding among many competing priorities and continues on a phased path toward a priority based budget which funds programs in order of value to the community. There are many needs for funding often discussed, such as, the need to invest in our streets and roads; the need for continued public safety resources; the requirement via the State allocation to pay down our unfunded pension liabilities; the need for more community programs; and the need to remain competitive in our employee compensation. Even with the various demands, the City's revenues remain virtually flat and we must allocate existing resources carefully. There is a significant backlog in items which were deferred during the recession of the past five years with no large influx of new money to address that backlog.

The FY 2016-17 Budget continues the goals from FY 2015-16 of investing in staff development and technology in order to make operations more efficient. This year also includes a more stringent review of staff positions with a goal of reducing workforce through attrition when possible. As almost half the City's workforce ages toward retirement, we must remain competitive and use this as an opportunity for succession

planning and to closely evaluate staffing levels as vacancies occur. With better technology tools to manage and take a more analytical approach to operations, we will be better able to use resources efficiently and invest in our many public programs providing direct service to the community. In short, we need to invest now to save later. The Proposed Budget includes a reduction of funding for nine staff positions which may have an impact upon service delivery.

Applying the CDA loan repayment of \$1.5 million as budgeted; we project to end FY 2015-16 with a positive year-end budget (resources over expenditures) of \$344,073. This compares with the FY 2015-16 Amended Budget which had a projected year-end deficit of \$1,420,868 **after** the \$1.5 million repayment was applied. The \$1.5 million is not an operating revenue and was a restricted asset in the fund balance. This turnaround is primarily due to many vacant personnel positions being held open throughout the year as we project ending the year with over \$2.3 million in salary and benefits savings. This will reduce the General Fund balance from \$36.6 million at the start of the year to \$35.5 million at year-end after moving the CDA loan payment from fund balance and having to pay off a negative balance of approximately \$300,000 in the redevelopment funds. This fund balance does not include the Economic Stabilization Fund resources.

The FY 2016-17 Proposed Budget projects revenues of \$65,319,600 and expenditures of \$65,770,000, or \$420,400 more. This difference will be made up by applying the annual CDA loan repayment to the General Fund. The Proposed Budget *does not utilize any transfers from the Economic Stabilization Fund*, reserves which have not been used since 2013-14, nor does it presume carrying forward any operating surplus from FY 2015-16. This continues to meet City Council objectives.

FY 2016-17 total expenditures of \$66,432,100 are budgeted to decrease by \$266,825 (less than 1%) from the FY 2015-16 Amended Budget. The net result is a Proposed Budget for FY 2016-17 that is balanced, with total budgeted resources equaling total budgeted expenditures. The City is projected to begin FY 2016-17 with a General Fund balance of \$35.5 million. As noted above, we end the year balanced, with resources equaling expenditures. Moving the \$450,400 CDA loan repayment from fund balance for use as a resource results in a projected ending balance in FY 2016-17 of \$35.03 million. This does not include the Economic Stabilization Fund.

FINDINGS AND ALTERNATIVES

FY 2015-16 Projected General Fund Revenues, Estimated Actual Expenditures, and Fund Balance

Revenues for FY 2015-16 are projected to end at \$62,769,465 which is \$751,735 (1.2%) less than budgeted. Property tax revenues were \$1.5 million less than budgeted due to a \$1.2 million housing agreement buyout which did not occur. Gas tax revenues were over \$622,000 less than budgeted due to a decline in gas tax revenues associated with price drops and lower consumption. Other revenue types such as interest income, developer contributions, and unclaimed property were also below budget.

On the positive side, sales tax revenues were up \$1.1 million over budget due to deferral of triple flip revenues received in FY 2015-16. Licenses and permits revenues and other revenues are projected to end above budget due in part to local development and generous local contributions.

FY 2015-16 total projected expenditures of \$63,931,792 are \$3,796,176 less than budgeted, most of which is the result of staff vacancies and resulting decreases in personnel and benefits costs and also savings in the current expenses items.

It should be noted that FY 2015-16 projected expenditures are \$2.2 million less than actual expenditures in FY 2014-15. There has also been a significant drop in debt savings payments with the payoff of one bond and refunding of another, and savings in employee benefits as employees now pay into their pensions and health insurance premiums, reducing the cost to the City. Changes to Transportation Development Act funding has also impacted our expenditure line as General Fund transfers previously paid to the Transit operation no longer occur.

The estimated actuals revenue and expenditure amounts were updated in late April 2016, prior to the printing of the Proposed Budget. Based on the most current estimates, the General Fund Balance is projected at \$35,478,012 as of June 30, 2016 (end of FY 2015-16). Of this amount, \$18,199,205 would be assigned for encumbrances, cash flow, advances, and loans, including a loan from the former Community Development Agency. Prudent Reserves set by the City Council at 17% expenditures total \$10,868,400. The Prudent Reserve is set aside to respond to catastrophic events (e.g., earthquakes, fires, floods, civil disturbances, etc.). The balance of \$6,410,407 is the Unassigned Fund Balance available for programs designated by the City Council. In addition to these reserves, the City has a separate Economic Stabilization Fund with a balance of \$6,086,838 at the end of FY 2015-16. The City's strong and conservative reserves, has been one contributor to its ability to earn and maintain an overall AAA credit rating from Standard & Poor's Investor Services credit rating agency.

FY 2016-17 General Fund Revenues

FY 2016-17 General Fund Revenues are budgeted at \$65,319,600 and are projected to be \$2.55 million more (4.1%) than FY 2015-16 estimated actuals revenues. The General Fund contains a wide variety of revenue sources grouped into categories. Following is an analysis of revenue projections for each category:

Taxes and Franchises

This category of revenue sources is projected to increase by \$1,568,000 (2.9%) over FY 2015-16 estimated actuals to \$54,914,700 in FY 2016-17. Property tax revenues are projected to increase by \$806,500 (2.9%) to \$28,509,900, due to ongoing improvements in assessed values and the local economy.

FY 2016-17 Sales and Use Tax revenues are projected to increase by \$311,500 (1.8%) over FY 2015-16 estimated actuals, due to strong sales tax growth for new and existing local businesses.

Licenses and Permits

This category is projected to increase by just \$1,800 (0.1% over FY 2015-16 estimated actuals but by 55.3% over FY 2015-16 budgeted levels). This is the result of development as projects are moving forward. The major revenue sources in this category are Building Permits and Plan Check Services.

Fines and Forfeitures

This revenue category is comprised of Vehicle Code Fines, Parking Citations, and Graffiti Citations. FY 2016-17 Fines and Forfeitures revenues are projected to increase by \$9,500 from FY 2015-16 estimated actuals due to anticipated increases in vehicle code fine revenues.

Use of Money and Property

This category is projected to increase by \$38,600 (10.3%) in FY 2016-17 through a combination of interest rate improvements and continued lease and rental revenues from City-owned facilities.

Revenues From Other Governments

The category is projected to decrease by \$45,600 (-11.1%) in FY 2016-17 due to a reduction back to normal levels after a one-time positive bump in SB90 reimbursements for unfunded mandates from the State. Revenues from SB90 in FY 2015-16 were unusually high due to payments for several past years.

Grants

Grant revenues are projected to increase by \$527,000 (277%) in FY 2016-17. Revenue levels in this category can vary greatly from year-to-year, depending on the amount of grant funds available and the City's ability to incorporate grant programs into its operations and activities. The City anticipates significant grant income related to recent lobbying efforts at the Federal and State levels.

Service Charges

This category of revenue sources, generated from the local economy, primarily from land development activity, is projected to increase by \$336,000 (25.3%) in FY 2016-17 over FY 2015-16 estimated actuals. This is inflated somewhat by the addition of offsetting animal services revenues received from the County of Ventura, not previously included in this category. Other revenues are largely flat with some minor increases for Public Works plan check and service charges.

Other Revenues

Other Revenues, also generated from the local economy, are projected to increase by \$133,900 (21.1%) in FY 2016-17 due to anticipated increases in landfill facility agreement fees and developer contributions.

Transfers In

This revenue category is projected to decrease by \$19,065 (-0.5%) in FY 2016-17 due to a continued decrease in Gasoline Tax revenues as a result of lower prices and consumption, as well as a minor reduction in law enforcement grant revenues.

FY 2016-17 General Fund Expenditures

FY 2016-17 General Fund total expenditures including transfers and reimbursements are budgeted at \$65,770,000. This amount is \$1,957,968 (2.9%) less than the FY 2015-16 Amended Budget amount of \$67,727,968.

Highlights of FY 2016-17 budgeted expenditures include:

- \$500,000 in General Fund support for the Streets and Roads program, which totals \$3.4 million in FY 2016-17;
- Maintaining the level of staffing for three Police Officer positions, which were added to the Budget by the City Council in FY 2014-15 for a two year period at the time;
- Funding for eight mobile dual band radios for new Police vehicles;
- Numerous building and security improvements at City facilities including the Police Department, Senior Center, Cultural Arts Center, Library, and City Hall;
- Funding for a new \$2 million telephone system to replace the City's 21 year-old phone and voicemail system which will no longer be supported by the vendor.
- Increasing a part-time Legal Technician in the City Attorney's Office from 70% to 100% to improve attorney support, provide office continuity, and increase nuisance abatement;

General Fund, Sanitation, and Waterworks District vehicle replacements are scheduled through the Vehicle Replacement Program and financed from the Vehicle Replacement Fund and reserves in the Sanitation and Waterworks District operations funds. A total of 68 vehicles were initially scheduled for replacement in FY 2016-17 at a cost of \$2,415,000. Departments reviewed each vehicle to determine if replacement can be deferred for an additional year, which resulted in the deferral of 46 vehicles. As a result, funding is contained in the Proposed Budget for the replacement of 22 vehicles in all funds at a cost of \$880,000, a reduction of \$1,535,000. Of the 22 being replaced, two are alternative fuel sedans budgeted using \$60,000 of City air quality trust funds, resulting in a return of \$60,000 in prior Vehicle Replacement Fund contributions to the General Fund.

Capital improvement projects of \$30,481,300 from all sources are funded in the Proposed Budget and detailed in the separate Five-Year Capital Improvement Program (CIP) document. Of this, the General Fund is contributing \$698,500 for capital projects, including a transfer of \$500,000 to the Streets and Roads Program and an additional \$198,500 for replacement of the City's enterprise resource planning (ERP) computer system. Funding from other sources contributes to the Vehicle Replacement Fund, Computer Equipment Replacement Fund, Geographic Information Systems and Permits Capital Fund, Financial Information System Capital Fund, and Police Capital Projects Fund. The City funds the majority of its capital projects through grants and loans from State and Federal sources.

The Proposed Budget reflects the City Council's direction to adhere to a conservative budgeting approach and reflects a goal to reduce overall staffing numbers and costs. In order to balance the Proposed General Fund Budget, many reductions were made and are detailed in the Proposed Budget document. The City Manager requested that departments provide potential reduction options totaling 5% of their expenditures including specific targets of personnel cost reductions. Departments presented the City Manager with over \$3.6 million in potential reduction options. Of these proposals, the following reductions are included in the Proposed Budget:

REDUCTION OPTIONS INCLUDED IN PROPOSED BUDGET	
Department	Amount
City Administration	\$150,000
City Attorney	\$79,600
Administrative Services	\$228,000
Community Services	\$148,500
Environmental Services	\$649,700
Public Works	\$462,500
Police Department	\$765,000
GENERAL FUND	\$2,483,300
ENTERPRISE FUNDS	
Sanitation Fund	\$755,000
Waterworks District Fund	\$172,000
ENTERPRISE FUNDS	\$927,000

As noted earlier, funding for nine General Fund staff positions and one Sanitation Fund position was eliminated for FY 2016-17. All the positions are vacant. Those positions include:

STAFF POSITIONS DE-FUNDED IN FY 2016-17		
Fund	Department	Position
General Fund	City Administration	Senior Management Analyst
General Fund	Administrative Services	Enterprise System Analyst
General Fund	Administrative Services	Administrative Aide
General Fund	Community Services	Counter Services Technician
General Fund	Environmental Services	Associate Planner
General Fund	Public Works	Mechanic I
General Fund	Police	Records Technician II
General Fund	Police	Records Technician II
General Fund	Police	Police Services Assistant
Sanitation Fund	Public Works	Plant Operations Manager

Departments also made requests for \$898,000 in new items for the General Fund; just 10.5% of this funding was approved. Policy Items have been limited to budgetary needs that previously received support from the City Council, will relieve a workload backlog, have a potential for expenditure savings, or have a potential for revenue enhancement. Capital Asset Requests represent equipment items in need of replacement that are expected to cost in excess of \$5,000.

Of these proposals, the following amounts are included in the Proposed Budget:

POLICY ITEMS AND CAPITAL ASSET REQUESTS INCLUDED IN PROPOSED BUDGET	
Department	Amount
City Attorney	\$16,300
Police Department	\$78,000
GENERAL FUND	\$94,300
Sanitation Fund	\$638,800
Waterworks District Fund	\$301,400
ENTERPRISE FUNDS	\$940,200

A more detailed description of each item included is presented in the Proposed Budget document, in the appropriate department or fund. Those department proposals not ultimately approved by the City Manager are found in the Supporting Document for information only.

General Fund Balance

Based on the revenue and expenditure amounts in the Proposed Budget, the June 30, 2016 (end of FY 2015-16) General Fund Balance is projected to be \$35,478,012. *This fund balance amount does not include the separate Economic Recovery Fund which has a projected FY 2015-16 ending balance of \$6,087,838.* After applying \$450,400 for the CDA loan repayment to the General Fund results in a projected General Fund balance of \$35,027,612 at the end of FY 2016-17.

GENERAL FUND BALANCE (Funds 100, 102, and 115)				
	FY 2014-15 ACTUAL	FY 2015-16 BUDGET	FY 2015-16 ESTIMATED ACTUAL	FY 2016-17 BUDGET
Beginning General Fund Balance	\$36,419,964	\$36,640,339	\$36,640,339	\$35,478,012
Use of Prior Year Surplus	-	1,279,500	-	-
Use of CDA Loan Repayment	-	(1,506,400)	(1,506,400)	(450,400)
Revenues	63,145,137	63,521,200	62,769,465	65,319,600
Use of CDA Loan Repayment	-	1,506,400	1,506,400	450,400
Expenditures	62,924,762	67,727,968	63,931,792	65,770,000
Net Change in Fund Balance	220,375	(1,420,868)	344,073	-
Ending General Fund Balance	\$36,640,339	\$33,713,071	\$35,478,012	\$35,027,612

Community Development Agency (CDA)

The process of dissolving the former Community Development Agency (CDA) continues. Successor Agency (former Community Development Agency) expenditures are limited by State law to recognized obligations in place prior to July 1, 2011. Staff members continue to process prior obligations and debt service under the Recognized Obligation Payment Schedule (ROPS) agreement with the State of California Department of Finance. The State provides \$250,000 in annual reimbursement to the General Fund which is used to pay for the one staff member working on the Successor Agency. The primary fund expense is the annual debt service cost of \$2.1 million.

Housing Successor Agency functions are handled by staff located in the Department of Environmental Services. The Agency is responsible for over \$9.1 million in recognized obligations to provide loans to developers for affordable housing projects for the creation of affordable rental or ownership units. In FY 2016-17, \$300,000 is budgeted for a loan for the Camino Esperanza project.

Transit Fund

FY 2016-17 Transit revenues are estimated at \$10,514,200 which is 12% greater than the FY 2015-16 Estimated Actual amount and 25.9% less than the FY 2015-16 Amended Budget amount. *No local City funding pays for Transit operations; Transit is funded solely by state and federal funds and farebox revenues from riding passengers.*

Transit Fund farebox revenues for FY 2016-17 are estimated at \$430,100, an increase of 5.1% from FY 2015-16 estimated actuals. Transit staff members continue to analyze route usage to ensure service is provided where needed.

The FY 2016-17 expenditure budget of \$10,514,200 includes \$3.1 million in capital expenses, primarily for the purchase of three replacement fixed-route buses, an upgrade to the compressed natural gas (CNG) fueling station, Transit Facility improvements, a voice announcement system, farebox upgrade, and dispatching software.

Sanitation Fund

Sanitation Operations Fund revenues for FY 2016-17 are estimated at \$17,679,100 which is an increase of \$1,492,000 (9.2%) from FY 2015-16 estimated actuals due primarily to a projected increase in service charge revenues. FY 2016-17 Operations Fund estimated expenditures are \$15,609,400 which is \$1,549,400 higher than FY 2015-16 estimated actuals and results in a projected operating surplus of \$2.1 million.

The Sanitation Fund is comprised of three sub-funds, one for operations, one for replacement of sewer line and vehicles, and one for capital upgrades to the plant. While the cost for operations has held relatively steady for the past several years, the funds available for transfer to working capital – which funds sewer line and plant upgrade projects – have been significantly reduced. Total working capital for all three funds has dropped from \$23.6 million at end of FY 2010-11 to a projected \$14.5 million at the end of FY 2015-16. New sanitation rates which took effect on July 1, 2015, will assist in stabilizing the Sanitation fund balances by providing new funding to be applied to necessary infrastructure and technology improvements.

Waterworks District No. 8

Waterworks District No. 8 Operations Fund revenues budgeted for FY 2016-17 are \$33,279,100, an increase of \$3,499,100 (11.7%) more than FY 2015-16 estimated actuals, a direct result of rate increases enacted January 1, 2016. Operations Fund budgeted expenditures for FY 2016-17 are \$35,766,500 which is \$2,577,100 (7.8%) greater than FY 2015-16 estimated actuals. This is due primarily to almost \$2.5 million in projected additional water costs.

Revenues are not keeping pace with expenditures and reserves are declining although less than prior to the rate increase; the operating deficit for FY 2016-17 is over \$2.4 million, down from almost \$4 million in FY 2015-16. Total working capital for Operations, Replacement, and Capital sub-funds in Waterworks has dropped from \$21.7 million at the end of FY 2010-11 to a projected \$3.5 million at end of FY 2015-16. The City will need to continue to address the increasing cost of water, which is a statewide issue with very significant local impacts.

Human Resources Actions

The Human Resources Division reviewed the following classifications. Costs, if approved, will be absorbed into existing budgeted levels with no increase in budget. The recommendations are as follows:

- The Public Works Department requested a reclassification of the Engineering Aide position assigned to the public counter in City Hall to Counter Services Technician. To better assist the public and enhance efficiency, this position will perform the same functions as the existing Counter Services Technician that is also assigned to the public counter. This position performs a variety of customer service functions assisting the general public, developers, architects, and engineers and answering questions about City construction projects. Also, the position provides code interpretation and administrative information to the public; initiates and updates computerized files; performs minor residential project plan checks; prepares and processes correspondence, documents and reports; and performs plan check submittal services, issues permits, and collects all related fees.

It is recommended that the vacant Engineering Aide position be reclassified to a Counter Services Technician, with a salary range of \$23.02 to \$29.36 per hour. The estimated additional salary and benefits cost for FY 2016-17 is \$5,372, which will be absorbed in the Public Works Department budget.

- The Environmental Services Department requested a reclassification of the vacant Senior Planner position in the Planning Division to Principal Planner. The position will assist the Deputy Director/City Planner in enhancing Division case management and developing Division staff's ability to exercise interpretive judgment within policy guidelines and community standards. The Principal Planner will also assist the Deputy Director/City Planner in management of the Division, which is comprised of seven (7) Senior Planners, three (3) Associate Planners, two (2) Assistant Planners, one (1) Senior Management Analyst, one (1) Home Rehabilitation Coordinator, one (1) Management Analyst, and one (1) Secretary.

It is recommended that the vacant Senior Planner position be reclassified to a Principal Planner, with a salary range of \$7,753.50 to \$9,973.54 per month. The estimated additional salary and benefits cost for FY 2016-17 is \$6,632, which will be absorbed in the Environmental Services Department budget.

- The Environmental Services Department requested a review of a Senior Engineer position in the Building and Safety Division. Due to recent organizational needs and staff changes, the position is responsible for performing the most complex building plan check duties as well as coordinating the plan reviews and permit issuance processes for the Building & Safety Division, including managing plan check contract consultant services. Further, since the retirement of the Permit Services Coordinator in December of 2015, the position has taken on the responsibilities of managing and overseeing the Building & Safety Permit Services Counter, which includes directly supervising Counter Services Technician staff, managing the approval processes for construction projects, and overseeing permit fees/revenue collection.

It is recommended that the Senior Engineer position and incumbent be reclassified to Principal Engineer, with a salary range of \$8,691.56 to \$11,192.96 per month. The estimated additional salary and benefits cost for FY 2016-17 is \$7,558, which will be absorbed in the Environmental Services Department budget.

Five Year General Fund Projection

For City Council's consideration in deliberating the FY 2016-17 Budget, an updated five-year general fund projection is shown below. This projection is based upon estimated Actual results for FY 2015-16 and the FY 2016-17 Proposed Budget, and information available to date.

The result is a projected deficit of \$2 million in FY 2017-18, a deficit of \$1.8 million in FY 2018-19, and then positive growth in the following years. Staff will continue to work with the City Council to identify opportunities to eliminate this deficit and to prioritize General Fund spending in future years. The five-year projection includes development revenues during the five years.

This update differs from the projection provided during the Mid-Year Financial Report in that assumptions have been refined using the most recent information. Forecasts are always conservative, with revenues projected on the low side and expenditures on the high side. Projections for FY 2017-18 through FY 2020-21 are based on numerous assumptions, some of which resulted from the former Ad Hoc Citizens Fiscal Projection Advisory Committee and some new assumptions adjusted on the basis of actual results or updated projections. We use property and sales tax estimates from consultants and a Consumer Price Index (CPI) increase of 2% for most other revenue types. Future year revenues include \$450,400 per year in annual Redevelopment Agency loan repayments. Personnel expenses are projected to increase by 1.5% per year and general expenses by 1% per year. One of the biggest changes from the Mid-Year forecast is that future year projections include increasing the General Fund contribution to the City's Streets and Roads program from \$500,000 in FY 2016-17 to \$1 million per year thereafter.

**GENERAL FUND
FIVE-YEAR FORECAST**

	2017B	2018F	2019F	2020F	2021F	2022F
REVENUES & SOURCES						
31000-TAXES	\$ 54,914,700	\$ 56,290,720	\$ 58,074,013	\$ 59,734,497	\$ 61,030,293	\$ 62,351,066
32000-LICENSES & PERMITS	2,350,000	3,217,757	3,229,915	6,424,648	7,704,381	6,193,542
33000-FINES & FORFEITURES	629,000	641,580	654,412	667,500	680,850	694,467
34000-USE OF MONEY & PROP	414,600	424,792	435,245	445,965	456,961	468,239
35000-FR OTHER GOVERNMENTS	365,000	372,300	379,746	387,341	395,088	402,989
36000-GRANTS	717,000	221,340	225,767	230,282	234,888	239,586
37000-SERVICE CHARGES	1,666,000	1,161,344	1,182,496	1,330,604	1,402,991	1,364,851
38000-OTHER REVENUES	769,400	784,788	800,484	816,493	832,823	849,480
39000-OPER TRANSFERS IN	3,493,900	3,563,778	3,635,054	3,707,755	3,781,910	3,857,548
TOTAL REVENUES AND SOURCES	\$ 65,319,600	\$ 66,678,400	\$ 68,617,130	\$ 73,745,085	\$ 76,520,185	\$ 76,421,767
EXPENDITURES & USES, BY ACCTGROUP						
41000-SALARIES & BENEFITS	\$ 57,820,700	\$ 60,489,763	\$ 61,899,660	\$ 63,351,628	\$ 64,847,254	\$ 66,388,193
42000-SUPPLIES & MATERIALS	6,055,500	6,176,610	6,200,142	6,324,145	6,450,628	6,579,641
44000-SERVICES	7,415,800	7,195,416	7,139,300	7,282,086	7,427,728	7,576,282
45000-REIMBURSEMENTS FROM	(9,053,300)	(9,427,400)	(9,664,400)	(9,857,688)	(10,054,842)	(10,255,939)
49000-OPER TRANSFERS OUT	3,531,300	4,738,200	5,320,700	5,227,900	5,323,753	5,422,177
TOTAL EXPENDITURES AND USES	\$ 65,770,000	\$ 69,172,589	\$ 70,895,402	\$ 72,328,071	\$ 73,994,521	\$ 75,710,354
Revenues Less Expenditures	\$ (450,400)	\$ (2,494,189)	\$ (2,278,272)	\$ 1,417,014	\$ 2,525,664	\$ 711,413
Apply CDA Loan Repayment	450,400	450,400	450,400	450,400	450,400	450,400
SURPLUS/(DEFICIT)	\$ -	\$ (2,043,789)	\$ (1,827,872)	\$ 1,867,414	\$ 2,976,064	\$ 1,161,813

Five-Year Capital Improvement Program

The City Council/Boards of Directors/Board of Trustees received the Proposed Five-Year Capital Improvement Program (CIP) for FY 2016-17 to FY 2020-21 on May 13, 2016. The CIP provides detailed information regarding capital improvement projects proposed for financing in FY 2016-17. It also serves as a capital improvement spending plan for the subsequent four years. All projects listed in the CIP will not necessarily be funded as proposed; the City Council will consider all projects on a year-by-year basis in conjunction with the Proposed Budget and available funding.

A total of 89 projects at an estimated five-year cost of \$139,873,400 are contained in the City's CIP. Of that amount, \$20,919,200 was appropriated in prior years. Funding for FY 2016-17, included in the annual budget, is proposed at \$30,481,300. The balance of \$115,947,400 is proposed for funding in FY 2017-18 to FY 2020-21.

Those projects identified for funding in FY 2016-17 represent either multi-year projects approved by the City Council in prior years, projects contained in the FY 2016-17 Proposed Budget, or projects submitted as Policy Items.

Transit Fund

FY 2016-17 Transit revenues are estimated at \$10,514,200 which is 25.9% lower than the FY 2014-15 Amended Budget amount of \$14,184,200 due to completion of grant funded capital projects in FY 2015-16. There is zero General Fund money in the Transit budget.

Transit Fund farebox (customer) revenues for FY 2016-17 are estimated at \$430,100, an increase of 14.9% from FY 2015-16 budgeted levels due to projected increased fares and increased ADA/DAR ridership. Transit staff members continue to analyze route usage to ensure service is provided where needed.

The FY 2016-17 expenditure budget of \$10,514,200 includes \$3.1 million in capital expenses, primarily for the purchase of two fixed route buses, improvements to the Transit Maintenance Facility, Transit Management System, and Voice Announcement System for the fixed route buses.

Transit Proposed Program of Projects (POP) for FY 2016-17

On December 19, 1988, the City Council established a policy to annually review the Simi Valley Transit proposed fiscal year budget as part of the City Council's consideration of the Transit Program of Projects (POP). The Transit Program of Projects (POP) provides the foundation for the City's grant applications for Federal funds, which partially offset the cost of operating the Simi Valley Transit System and capital projects. Following City Council approval, Simi Valley Transit's approved POP will be forwarded to the VCTC, the City's current designated recipient of FTA funds, who will conduct a public hearing for final approval and inclusion in the City's FTA Section 5307, CMAQ, and JARC grant applications.

Under 49 U.S.C. Section 5307, the CMAQ program, and the JARC program, the City of Simi Valley's Transit Division is eligible to apply for FTA grant funding to assist with its FY 2016-17 operating and capital expenditures. The City Council's review and approval or modification of Simi Valley Transit's proposed POP will be forwarded to the VCTC for final approval and will become the basis for the City's FY 2016-17 Section 5307 grant application for federal financial assistance.

The proposed POP allocates Simi Valley Transit's FTA 5307 grant allocation of \$2,653,974 and FTA 5339 allocation of \$296,533, which combined total the Federal Grant amount as follows:

	Federal Grant	Local Match
Operating Assistance		
Countywide Planning	\$ 375,663	\$ 0
Simi Valley Transit	\$ 2,045,447	\$ 2,045,447
Capital Assistance		
Preventive Maintenance	\$ 231,360	\$ 57,840
Non Fixed Route ADA Paratransit	\$ 265,397	\$ 66,349
Dispatch Software	\$ 32,640	\$ 8,160
Total	\$ 2,950,507	\$ 2,177,796

After City Council consideration, any adjustments to the POP will be made as appropriate. It is not yet known whether JARC funding will be available for FY 2016-17. The POP also includes FTA 5339 funds of \$296,533 that go directly to VCTC for Countywide planning costs.

A resolution authorizing the City Manager to execute and submit the filing of an application with the U.S. Department of Transportation, FTA, for operating, capital, planning, and preventive maintenance assistance funds under 49 U.S.C. Section 5307, CMAQ program, and JARC program is required and is included on page 19.

Planning Commission Review of the Capital Improvement Program

The Planning Commission, at its meeting of May 18, 2016, reviewed the program of capital improvement projects for conformance with the City of Simi Valley General Plan. Such a review is required under Government Code Section 65401. The Planning Commission adopted Resolution No. SVPC 08-2016, finding that each proposed major public works project for FY 2016-17 is in conformance with the Simi Valley General Plan.

Citizen Participation Meeting

A Citizen Participation Meeting to review and discuss the Proposed Budget was held on May 25, 2016. Notice of the meeting was provided through a press release, a posting on the City's website, and e-mails to Neighborhood Council Executive Board members. Staff from each City department was in attendance to respond to questions from the public. A summary of the meeting is found in Attachment A, page 16.

Alternatives

The following alternatives are available to the City Council/Boards of Directors/Board of Trustees. City Council must first adopt the Transit Program of Projects and Human Resources actions prior to adoption of the FY 2016-17 Annual Budget.

1. Approve the Simi Valley Transit FY 2016-17 Program of Projects (POP) to be forwarded to the Ventura County Transportation Commission (VCTC) for final approval and to be included in the City's Federal Transit Administration (FTA) 49 U.S.C. Section 5307, Congestion Mitigation Air Quality (CMAQ), and Job Access Reverse Commute (JARC) grant applications;
2. Adopt the attached resolution (page 19) authorizing the City Manager to execute and submit the filing of grant applications with the FTA for operating, capital, planning, and preventive maintenance assistance funds under 49 U.S.C. Section 5307, CMAQ, and JARC;
3. Review and approve the proposed Human Resources Actions (pages 10-11);
4. Review the related Capital Asset Requests, Policy Items, and Reductions contained in the Supporting Document;
5. Review and modify, as appropriate, the FY 2016-17 Proposed Budget and Preliminary Five-Year Capital Improvement Program for FY 2016-17 to FY 2020-21;
6. Adopt the attached joint resolution (page 21) approving the FY 2016-17 Annual Budget and the Five-Year Capital Improvement Program for FY 2016-17 to FY 2020-21;
7. Provide staff with other direction.

Staff recommends Alternative Nos. 1 through 6.

SUGGESTED CITY COUNCIL/BOARDS MOTIONS

1. I move to approve the Simi Valley Transit FY 2016-17 Program of Projects to be forwarded to the Ventura County Transportation Commission;
2. I move to adopt the attached resolution authorizing the City Manager to execute and submit the filing of grant applications with the FTA;
3. I move to approve the proposed Human Resources Actions; and
4. I move to adopt the attached resolution approving the FY 2016-17 Annual Budget and the Five-Year Capital Improvement Program for FY 2016-17 to FY 2020-21.

SUMMARY

The City Council/Boards of Directors/Board of Trustees received the FY 2016-17 Proposed Budget, Supporting Document, and Five-Year Capital Improvement Program on May 13, 2016. Review and adoption of the Simi Valley Transit FY 2016-17 Program of Projects will be held concurrent with review of the budget.

The City of Simi Valley is eligible to apply for FTA 49 U.S.C. Section 5307 and CMAQ funds, and if available, JARC funds, for Simi Valley Transit’s operating, capital, planning, and preventive maintenance for FY 2016-17. Upon City Council approval, Simi Valley Transit’s Program of Projects will be forwarded to the VCTC for final approval at a public hearing and for inclusion in the City’s FTA grant applications. The City Council is also required to adopt a resolution authorizing the City Manager to execute and submit an application with the U.S. Department of Transportation, Federal Transit Administration for funding assistance under 49 U.S.C. Sections 5307, the CMAQ program, and the JARC program.

Staff is recommending that the City Council/Boards of Directors/Board of Trustees, after making any desired adjustments, approve the FY 2016-17 Transit Program of Projects, adopt a resolution approving application for CMAQ and JARC Transit funding, adopt resolutions approving human resources actions, and adopt a resolution approving the FY 2016-17 Budget and Five-Year Capital Improvement Program for FY 2016-17 to FY 2020-21.



Eric J. Levitt
 City Manager/District Manager/
 Executive Director/Executive Officer

Prepared by Rebekka G. Hosken, Budget Officer

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**CITY OF SIMI VALLEY
MEMORANDUM**

May 26, 2016

TO: City Council
Board of Directors, Ventura County Waterworks District No. 8

FROM: Administrative Services Department

SUBJECT: PUBLIC BUDGET MEETING SUMMARY

A citizen participation meeting to provide the community with an opportunity to voice opinions on budget items and submit ideas on items that they believe should be included in the FY 2016-17 City Budget was conducted on May 25, 2016. The meeting began at 5:30 p.m. and ended at 6:30 p.m. In attendance were staff members representing each City department and six members of the public. Eric Levitt, City Manager, welcomed everyone and explained that it had been a difficult budget year requiring reductions in all departments. Rebekka Hosken, Budget Officer, provided a brief PowerPoint presentation outlining the budget for FY 2016-17. Attendees were then asked for any questions, which were as follows:

- *One thing I didn't see in the budget was money for cameras for the police officers. Do you know where that stands?*
 - Deputy Police Chief John McGinty: We are in a trial program right now through this summer. The actual funding source for the full program hasn't been identified yet. We have applied for a federal DOJ grant which will be announced in late September. Until we hear the answer, we won't know. Another option is Asset Forfeiture but we will have to see later this Fall.
- *In that last summary slide you stated, "Revenues are lagging behind expenditures and need improvement." What do you mean by that?*
 - Rebekka Hosken, Budget Officer: On the Revenue History slide I showed that our 10-year average was 0.29% revenue increase per year. This compares with 0.39% per year growth in expenditures over the same period, which I consider very conservative for a City our size. So even as we are cutting positions and deferring items and making reductions, our revenues are not keeping pace with our expenditures.
- *For the Enterprise Funds (Water, Sanitation, Transit) you describe them as needing to be self-generating and stand-alone. My question is why?*
 - Eric Levitt, City Manager: That's basically government accounting. Enterprise funds mean that they are profit centers or self-sustaining centers. GASB, the Government Accounting Standards Board, requires that they should support themselves by the users who are directly

benefitted. With that said, sometimes the General Fund will subsidize them when you have no choice, but when they look at you for funding or for bonds, they really look at whether they are self-sustaining operations. I don't know any City that handles them differently.

- *Can we get a copy of your PowerPoint?*
 - Rebekka Hosken, Budget Officer: Sure, we will put it online, probably tomorrow.

- *About the recycled water project, is that being built from the ground up or from existing infrastructure?*
 - Ron Fuchiwaki, Public Works Director: We have a small recycled system right now from our sanitation plant that serves the landfill. What we are doing is expanding that system on the West end of town up and down Madera Road. We are working with large water users to get customers online. Right now it is part of Waterworks but we have been talking about perhaps making it its own enterprise fund. We are in the initial stages of developing the program.

- *About the recycled water project, do you see that revenue coming in to be significant?*
 - Eric Levitt, City Manager: Based upon projections, I see that revenue, if certain users come online, to be self-sustaining and pay for the recycled water program but not generating a lot of extra revenue.

- *About the recycled water project, will that qualify for any State or Federal funding?*
 - Eric Levitt, City Manager: We currently are working on potential long-term grants although most funding right now is in the form of low-interest loans. We are working at both the State and Federal level to find funding.

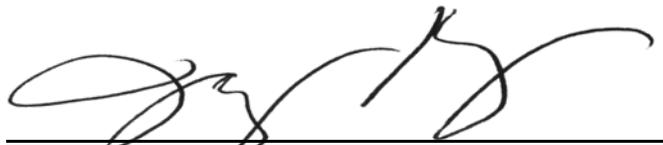
- *I have questions about the forecasting and some of your assumptions. Can you go through them?*
 - Rebekka Hosken, Budget Officer: We are going to talk about these at the City Council meeting but I have some slides that we can go through. (Presented more detailed slides and discussed forecasts.) The forecast is just that, our best guess, but an educated guess based upon consultant figures for property and sales tax, growth projections based upon Planning and Building Division approved and upcoming projects, the City Council Fiscal Oversight Committee recommendations, and historical averages.

Property tax projections are 2% per year plus an annual growth amount. While Prop. 13 allows a 2% maximum annual increase but our total revenues includes larger jumps due to changes in assessed values as homes are sold. Sales Taxes are 2% per year plus an annual growth amount and these are without the proposed increase; that could potentially lower sales tax for us as sales may drop due to the increase, IF the increase is approved. Transient Occupancy goes up in 2016-17 because we anticipate a drop in 2015-16 due to the impacts of the Porter Ranch Gas Leak. Most other revenues are at 2% per year projected growth.

On the expenditure side for 2016-17 salaries are projected at 1.5% per year, PERS is at 5% per year and this includes rate increases to help reduce the long-term pension liability and employees paying into their pensions as negotiated, reducing the City's share. Health benefits are projected at 5% per year rate increase, worker's compensation is projected at 3% per year, and most other expenditures are at 1% per year.

- *Since Police is so much of the budget, is there any thought of contracting for service with the Sheriff in order to save money? Wouldn't that get us closer to a sustainable budget?*
 - Eric Levitt, City Manager: We have not recently looked into that. It has been communicated to me by the City Council and the public that having our own Police Department is important for community identity and quality of service. We have not looked at contracting out in recent years. We do pay a little bit more because of that but I think people in Simi Valley feel they get a higher level of service and feel a sense of pride. As for fiscal sustainability, we are looking at strategies citywide such as reducing staff and overtime and making things more efficient while maintaining our own Police Department.

The City Manager thanked attendees for their participation and for becoming educated on the City's finances. The Budget Officer reminded them that their input was welcome at the public meeting, in writing or by email prior to the June 6th City Council meeting, or in person at the meeting.



Jody Kershberg, Director/Deputy City Treasurer
Department of Administrative Services

RESOLUTION NO. 2016-28

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SIMI VALLEY, AUTHORIZING THE FILING OF APPLICATIONS WITH THE U.S. DEPARTMENT OF TRANSPORTATION, FEDERAL TRANSIT ADMINISTRATION FOR OPERATING, CAPITAL, PLANNING, AND PREVENTIVE MAINTENANCE ASSISTANCE FUNDS UNDER 49 U.S.C. SECTION 5307, CONGESTION MITIGATION AIR QUALITY FUNDS, AND JOB ACCESS REVERSE COMMUTE FUNDS

WHEREAS, the Secretary of Transportation is authorized to make grants for public transportation projects; and

WHEREAS, Simi Valley Transit is interested in making applications for available Federal funds to support local transit services; and

WHEREAS, the contract for financial assistance will impose certain obligations upon the applicant, including provisions for the local share of project costs; and

WHEREAS, it is required by the U.S. Department of Transportation in accordance with the provisions of Title VI of the Civil Rights Act of 1964 that, in connection with the filing of an application for assistance under 49 U.S.C. Chapter 53, the applicant gives an assurance that it will comply with Title VI of the Civil Rights Act of 1964 and the U.S. Department of Transportation requirements thereunder; and

WHEREAS, it is the goal of the applicant that minority business enterprises be utilized to the fullest extent possible in connection with these projects and that definitive procedures shall be established and administered to ensure that minority business enterprises shall have the maximum feasible opportunity to compete for contracts, supplies, equipment contracts, or consultant and other services.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SIMI VALLEY DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City Manager is hereby authorized to execute and file applications on behalf of the City of Simi Valley with the U.S. Department of Transportation, to aid in the financing of operating, planning, preventive maintenance, and capital assistance for FY 2016-17, pursuant to 49 U.S.C. Section 5307, CMAQ, and JARC.

SECTION 2. The City Manager is hereby authorized to execute and file with such applications an assurance or any other documents required by the U.S. Department of Transportation effectuating the purposes of Title VI of the Civil Rights Act of 1964.

SECTION 3. The City Manager is hereby authorized to furnish such additional information as the U.S. Department of Transportation, State of California, or Ventura County Transportation Commission may require in connection with the application for the project.

SECTION 4. The City Manager is hereby authorized to set forth and execute affirmative minority business policies in connection with the projects' procurement needs.

SECTION 5. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the Office of the City Clerk.

PASSED and ADOPTED this 6th day of June 2016.

Attest:

Ky Spangler, Deputy Director/City Clerk

Robert O. Huber, Mayor of the City of
Simi Valley, California

Approved as to Form:

Approved as to Content:

Lonnie J. Eldridge, City Attorney

Eric J. Levitt, City Manager

Sommer Barwick, Director
Department of Community Services

RESOLUTION NO. 2016-29
RESOLUTION NO. WWD-258
RESOLUTION NO. SA-03
RESOLUTION NO. PL-14

A JOINT RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SIMI VALLEY, BOARDS OF DIRECTORS OF VENTURA COUNTY WATERWORKS DISTRICT NO. 8, SUCCESSOR AGENCY TO THE SIMI VALLEY COMMUNITY DEVELOPMENT AGENCY, AND BOARD OF TRUSTEES OF THE SIMI VALLEY LIBRARY APPROVING THE FY 2016-17 ANNUAL BUDGET AND THE FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM FOR FY 2016-17 TO FY 2020-21

WHEREAS, the City Manager/District Manager/Executive Director/Executive Officer has submitted the FY 2016-17 Proposed Budget and the Preliminary Five-Year Capital Improvement Program for FY 2016-17 to FY 2020-21 to the City Council/Boards of Directors/Board of Trustees for their review and consideration on May 13, 2016 in accordance with budget policies and a schedule established by the City Council; and

WHEREAS, a Citizens' Participation meeting was conducted with staff on May 25, 2016, at which time members of the public were invited to voice their opinions on any budget items and provide ideas that they believe should be included in the FY 2016-17 Annual Budget; and

WHEREAS, subsequent to providing the public an opportunity to submit written and oral comments, the City Council/Boards of Directors/Board of Trustees reviewed and modified, as appropriate, the FY 2016-17 Proposed Budget and Preliminary Five-Year Capital Improvement Program for FY 2016-17 to FY 2020-21; and

WHEREAS, pursuant to Governmental Accounting Standards Board Statement No. 54, an action of the City Council/Boards of Directors/Board of Trustees is necessary to commit budget amounts in various funds for the specific purposes they are intended.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Simi Valley/Boards of Directors of Ventura County Waterworks District No. 8/Successor Agency to the Simi Valley Community Development Agency, and Board of Trustees of the Simi Valley Library as follows:

SECTION 1. The FY 2016-17 Annual Budget and Five-Year Capital Improvement Program for FY 2016-17 to FY 2020-21 are hereby approved; copies of which are on file with the City Clerk's Office.

SECTION 2. All budget amounts that are to be used for specific purposes, as evidenced by the approved budget document, and any amendments thereto, are committed to these specific purposes by action of the City Council/Boards of Directors/Board of Trustees.

SECTION 3. A General Fund Prudent Reserve, equivalent to 17% of budgeted expenditures, is hereby established. The Prudent Reserve is to be used to respond to catastrophic events (e.g., earthquakes, fires, floods, civil disturbances, etc.). The City Manager or his/her designee is authorized to expend the reserved funds as necessary.

SECTION 4. The City Manager/District Manager/Executive Director/Executive Officer or his/her designee is authorized to make administrative amendments to the budget, provided the amendments do not have a significant policy impact or affect budgeted year-end fund balances.

SECTION 5. The City Council/Boards of Directors/Board of Trustees hereby finds and determines that the planning and administrative expenses outlined in the FY 2016-17 Budget for the Community Development Agency Housing Successor Agency Administration Fund are necessary for the production, improvement, or preservation of low- and moderate-income housing.

SECTION 6. This Resolution shall take effect immediately upon its adoption.

SECTION 7. The City Clerk/District Secretary/Agency Secretary/Board Secretary shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the Office of the City Clerk.

PASSED and ADOPTED this 6th day of June 2016.

Attest:

Ky Spangler, Deputy Director/City Clerk/
District Secretary/Agency Secretary/Board
Secretary

Robert O. Huber, Mayor of the City of Simi
Valley, California, Chair of the Ventura
County Waterworks District No. 8,
Successor Agency to the Simi Valley
Community Development Agency, and
President of the Simi Valley Library Board of
Trustees

Approved as to Form:

Approved as to Content:

Lonnie J. Eldridge, City Attorney/District
Counsel/Agency Counsel/General Counsel

Eric J. Levitt, City Manager/District Manager
Executive Director/Executive Officer