



City of Camarillo

Office of the City Manager

MEMORANDUM

Date: June 26, 2013
To: Honorable Mayor and Members of the City Council
From: Bruce Feng, City Manager
Subject: Fiscal Year 2012-2014 Mid-Cycle Budget Executive Summary

CITY COUNCIL MISSION STATEMENT AND GOALS

On February 27, 2013, the City Council met to discuss the City's goals for 2013/14. The Mission Statement is:

“Dedicated to providing effective and efficient municipal services that promote a high quality of life, economic vitality, and a safe environment.”

The goals were categorized into the following major priorities:

FISCAL MANAGEMENT

It is the goal of the City Council to maintain sound and conservative financial practices to ensure the fiscal sustainability of the City.

1. Update the General Fund Seven-year Fiscal Forecast for Fiscal Year (FY)13/14.
2. Develop a strategy to provide a sustainable balanced budget where recurring revenues meet recurring expenditures.

COMMUNITY ENRICHMENT

It is the goal of the City Council to provide a safe and enriched environment where people can live, work, and play.

1. Consider options and opportunities for reuse of the old library site.
2. Enhance community safety through expended public awareness and educational programs.
3. Plan City's 50th Anniversary Celebration.
4. Pursue findings of present and future operations at St. John's Pleasant Valley Hospital.

CALIFORNIA STATE UNIVERSITY CHANNEL ISLANDS

It is the goal of the City Council to maintain a close working relationship with the University.

1. Continue interaction with the University in regard to City, University, and student issues, such as student services, housing, and facilities.

LAND USE AND TRANSPORTATION

It is the goal of the City Council to plan appropriate land uses, streets, bikeways, infrastructure, and transit system.

1. Protect our greenbelts.
2. Improve parking and circulation at the transit station.
3. Enhance local transit and partner with others to enhance regional transit.
4. Develop comprehensive land use inventory.

ENVIRONMENT/RESOURCE MANAGEMENT

It is the goal of the City Council to provide cost-effective, efficient services to the public, while minimizing impacts on the environment.

1. Work with other governmental agencies on development of a regional water treatment plant.

COMMUNITY REDEVELOPMENT

It is the goal of the City Council to provide opportunities to redevelop and develop commercial, industrial, and residential areas to improve services, businesses and housing, and to deter and alleviate blight.

1. Implement ABx1 26 and AB1484 to maximize community benefit.
2. Develop alternate methods to move forward with housing and non-housing projects without redevelopment property tax increment.
3. Evaluate the future role of the Citizens Advisory Committee.

ECONOMIC DEVELOPMENT

It is the goal of the City Council to maintain a positive environment for new business, expansion and retention of existing businesses through staff assistance, and provide efficient processing of proposals.

1. Develop and implement strategy for economic development.

COMMUNITY RELATIONS

It is the goal of the City Council to maintain effective communication with the community.

GOVERNMENTAL RELATIONS

It is the goal of the City Council to maintain effective communications with local, state and federal elected representatives, and other local public agencies including schools, parks, and special districts.

1. Be proactive in defending the City's interests.
2. Initiate a series of meetings with other local Camarillo governmental boards.

EMPLOYEE RELATIONS

It is the goal of the City Council to maintain an effective workforce through competitive salaries, benefits, and training.

While all of the goals collectively provide a basis for the allocation of resources that support established priorities, the goal of Fiscal Management (a multi-year strategy) provides clear direction for the Budget Development process in both the short and long-term. An objective of that goal, developed in the February 27, 2013 Study Session, is to develop a strategy for a sustainable balanced budget. This multi-year strategy began with the reduction of expenditure levels in the adopted FY12/13 Budget with minimal or no impact to existing services levels. The FY12/13 Budget also reflected the elimination of the City of Camarillo's Redevelopment Operations in the Camarillo Community Development Commission. The FY13/14 Budget Process presents another phase in this multi-year strategy toward a sustainable budget for the long-term.

BUDGET OVERVIEW

This document represents the second year of the two-year 2012-14 Budget for the City of Camarillo and the Camarillo Sanitary District (CSD), incorporated into one document. Any reference throughout this memo to the City should also be interpreted to include the CSD, where appropriate.

Overall, the City's financial position remains in good condition with many of the projected Fund Balances at June 30, 2014 meeting or exceeding their established reserve levels. The reduction of expenditure levels in FY12/13 is evident through this mid-cycle review and appears to be sustainable at the adjusted base expenditure level. Although the current economic recovery has shown positive signs of continued growth, the City continues to use conservative revenue assumptions and restraint in expenditure projections.

At the time of adopting the FY12/13 Budget, total fund balances were projected to be \$105.9 million as of June 30, 2013. Increased revenues, along with scheduled changes to capital improvement projects, resulted in updated projected fund balances of \$117.9 million.

REVENUES

The Revised Budget for FY12/13 includes revenues of \$92,013,482, an overall increase of \$1,656,456 over the current budget. This \$1.6 million increase in revenue reflects an additional \$792,550 in City Funds, and \$863,906 in Camarillo Sanitary District revenue.

Two of the primary revenue areas generating increases are Development Services and Capital Improvement Fees, totaling \$3.1 million, as developers begin to move forward with projects in the recovering economy. This increase is offset by a downward projection of \$3.9 million in the Capital Improvement Projects (CIP) Fund, due to the revised timing of completed projects and grant reimbursements that will offset planned expenditures.

Utility enterprise funds are experiencing higher than anticipated fees for services due to continued drought conditions creating higher demand for water by our customer base. Water Sales revenue projection will increase \$1.3 million in the FY12/13 Budget, while Sanitation Service Charges also increased \$887.7 thousand.

Property Tax continues to lag behind other revenues that have started to see favorable effects of the economic recovery. Sales Tax, Transient Occupancy Tax, and Business Tax have modest projected increases, and continue to rebound.

The Adopted FY13/14 Budget projects revenues of \$95.3 million, an increase over FY12/13 of \$3.3 million. Some of the significant revenue increases are Building Permits at \$383,300, Highway User Taxes at \$356,800, Air Quality Fees at \$552,600, Transit FTA Grants at \$415,700, Water Sales at \$881,900, and Sanitation Services at \$736,100.

	Governmental Funds	Enterprise Funds	Total
Charges for Services	\$ 2,624,400	\$ 30,428,400	\$ 33,052,800
Taxes	30,388,500	947,400	31,335,900
Grants & Subventions	9,503,873	4,059,400	13,563,273
Allocated Charges	8,859,800	-	8,859,800
Franchise Fees	2,519,600	-	2,519,600
Fines/Assessments	801,700	647,000	1,448,700
Bonds Issued	-	1,800,000	1,800,000
Licenses & Permits	1,016,000	-	1,016,000
Interest Income	472,600	225,400	698,000
Contributions and Developer Fees	567,000	-	567,000
Miscellaneous	286,200	181,600	467,800
Total	\$ 57,039,673	\$ 38,289,200	\$ 95,328,873

EXPENDITURES

As previously mentioned, the adopted budget for FY12/13 reflected significant expenditure reductions which had minimal or no impact to existing service levels. Those implemented reductions remain on track do not show any need for upward revisions in the short-term.

Overall expenditures in FY13/14 increase by \$6.5 million from FY12/13. This \$6.5 million increase in expenditures reflects a decrease of \$1,866,197 in City funds, and an increase of \$8,313,961 in Camarillo Sanitary District expenditures.

The reduction of \$2.9 million in City Funds is largely reflective of several one-time expenditures related to development which will not occur in FY13/14. Additionally, the realignment of planned expenditures within the CIP Fund offset by increased expenditures in the Water Utility related to the Regional Desalter capital project. The Sanitary District Fund expenditures will increase \$8.3 million due to realignment of planned capital expenditures.

General Fund expenditures will decrease \$1.5 million, primarily due to one-time expenditures that include a \$1 million developer agreement reimbursement.

	Governmental Funds	Enterprise Funds	Total
Capital Outlay	\$ 8,655,475	\$ 20,861,000	\$ 29,516,475
Public Safety	17,016,621	-	17,016,621
General Government	15,951,458	-	15,951,458
Water Utility Services	-	12,970,544	12,970,544
Highways & Streets	10,449,955	-	10,449,955
Sanitation Services	-	9,499,964	9,499,964
Solid Waste Services	-	6,569,330	6,569,330
Community Services	5,233,443	-	5,233,443
Debt Service	561,400	1,462,600	2,024,000
Transit Services	-	1,704,472	1,704,472
Total	\$ 57,868,352	\$ 53,067,910	\$110,936,262

Budgeted salaries and benefits were adjusted downward by 1.4% from current FY12/13 budget for the proposed FY13/14 budget. There are no increases to the 2013/14 salary bands. The budget does, however, allow for movement within the existing salary bands according to the City's Performance-Based Evaluation process. Additionally, the employee benefit structure (Medical, Insurance and Retirement Benefits) are to be maintained at existing levels. California Public Employees Retirement System (CalPERS) has indicated that the City's rate will increase from 16.989% in 2012/13 to 18.229% in 2013/14. The CalPERS Healthcare plans were projected to increase by 2% in January 2014.

Annually, departments are asked to review their respective staffing distributions. FY13/14 reflects a few minor revisions to the current distribution based on new or revised areas of responsibility.

SUMMARY

CITY OF CAMARILLO							
	2012/13 REVISED BUDGET (CY)				2013/14 PROPOSED BUDGET (Y1)		
	Current	Revised	\$ Change	% Change	Proposed	\$ Change	% Change
Revenues	80,147,623	80,940,173	792,550	1.0%	79,426,473	(1,513,700)	-1.9%
Expenditures	95,249,746	89,495,545	(5,754,201)	-6.0%	87,629,348	(1,866,197)	-2.1%
Transfers	40,318	40,318	-	0.0%	-	(40,318)	-100.0%
Adjustments	3,311,100	(8,532,550)	(11,843,650)	-357.7%	3,286,100	11,818,650	-138.5%
CAMARILLO SANITARY DISTRICT							
	2012/13 REVISED BUDGET (CY)				2013/14 PROPOSED BUDGET (Y1)		
	Current	Revised	\$ Change	% Change	Proposed	\$ Change	% Change
Revenues	10,209,403	11,073,309	863,906	8.5%	15,902,400	4,829,091	43.6%
Expenditures	25,424,699	14,992,953	(10,431,746)	-41.0%	23,306,914	8,313,961	55.5%
Transfers	(40,318)	(40,318)	-	0.0%	-	40,318	-100.0%
Adjustments	2,148,400	2,148,400	-	0.0%	2,148,400	-	0.0%
GRAND TOTAL							
	2012/13 REVISED BUDGET (CY)				2013/14 PROPOSED BUDGET (Y1)		
	Current	Revised	\$ Change	% Change	Proposed	\$ Change	% Change
Revenues	90,357,026	92,013,482	1,656,456	1.8%	95,328,873	3,315,391	3.6%
Expenditures	120,674,445	104,488,498	(16,185,947)	-13.4%	110,936,262	6,447,764	6.2%
Transfers	-	-	-	0.0%	-	-	0.0%
Adjustments	5,459,500	(6,384,150)	(11,843,650)	-216.9%	5,434,500	11,818,650	-185.1%

CHALLENGES AND UNCERTAINTIES

Fiscal Impact of Pension Reform. On January 1, 2013, AB340 (Pension Reform) was enacted which set in motion various mandatory reforms to the CalPERS Pension system. The full fiscal impact of that reform will not be realized until many years from now....some estimate significant reductions will not materialize until 15-30 years. Subsequent to the passage of AB340, the CalPERS (PERS) Board has taken

action to adjust their methods of amortization and their smoothing policies. The fiscal impact of these two approved changes will impact our PERS employer rates beginning in 2015/16. Future changes being discussed by the CalPERS Board include a revision to other assumptions, such as the discount rate and improvements to a plan participants' mortality. Revisions to these and other assumptions would likely have a fiscal impact on our PERS employer rate in the very near-term, prior to any significant reduction we would realize as a result of Pension Reform.

Fiscal Impact of Health Care Act. Provisions of the Healthcare Act were analyzed during FY13/14 Mid-Cycle Budget preparation. The City will continue to monitor any fiscal impacts, as phases of the Healthcare Act are implemented.

State Budget Status. Cuts in the state budget hold the potential to affect our financial status negatively. While no direct state takeaways are currently in view, this could change as the economy's recovery is slower than projected.

FINANCIAL HIGHLIGHTS

General Fund Focus

The General Fund is where the majority of discretionary revenues are recorded, and where the majority of general municipal services are provided.

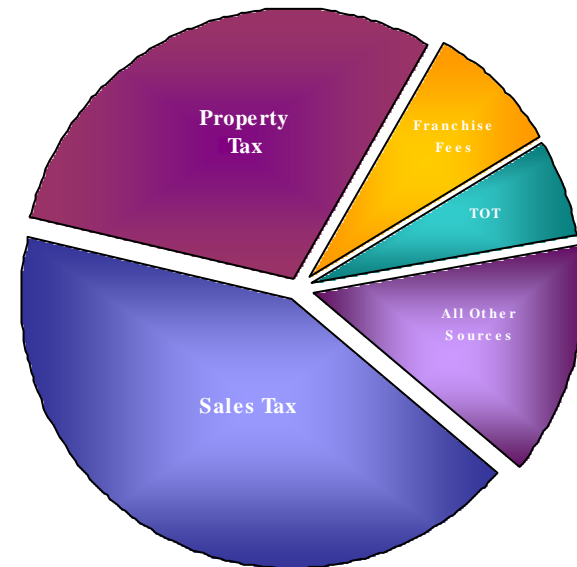
Through transfers, it is also a major contributor of services and projects that are accounted for in other funds including the Gas Tax Fund, Citywide Lighting and Landscape Fund, Library Operations Fund, Transit Fund, and Debt Services Funds that do not have sufficient resources to cover the associated expenditures.

Overall, an increase of \$3.1 million for FY12/13 revenue brings the total revenue to \$35.0 million. Development Services is the primary source of the increase as several key development projects are scheduled to commence construction within the next few years. Development Services is predominately a non-recurring revenue source, with wide variances year over year, and therefore is not

considered key General Fund revenue. FY13/14 revenue is projected at \$32.3 million, a \$2.7 million decrease from FY12/13, as new projects are not anticipated at the same level of activity.

Key General Fund Revenues

The top eight revenue sources account for approximately 95% of the total projected General Fund revenues. The top four, and the related budget assumptions, are outlined as follows:



◆ Sales Tax – This is the largest revenue source, accounting for 43% of total General Fund revenue. This revenue continues to show a positive rebound as the local economy improves. Growth of 2% is anticipated in 2013/14.

◆ Property Tax – This is the second largest revenue source for the General Fund, accounting for 30% of total revenue. While the national and local housing market continues to show signs of improvement, with Camarillo being a No-Low Property Tax City, this revenue has remained relatively flat. While FY13/14 is projected to see a 2% CPI adjustment on all non-Proposition 18 parcels, additional one-time revenue that was received in FY12/13 from the dissolution of former

Camarillo Community Development Commission will provide for an overall decrease of 1% for 2013/14.

- ◆ Franchise Fees – The General Fund’s third largest revenue source, Franchise Fees account for 8% of the total revenue. A modest 1% increase is anticipated, as there are no significant changes to the user base projected for FY13/14.

- ◆ Transient Occupancy Tax (TOT) – This revenue produces 6% of the total General Fund revenue. With a steady increase in hotel occupancy rates, a 2% growth is projected.

The remaining four sources, Business Tax, Development Services, Building Permits, and Investment Income are all expected to increase a combined 17% for 2013/14.

Key General Fund Appropriations

Total appropriations in FY12/13 increase \$28,960. Expenditures for FY13/14 are \$25.5 million, a 5.6% decrease from FY 12/13 total.

Dept/Divisions	FY 12/13 Revised	FY 13/14 Adopted	% Chg
Police Services	\$ 15,286,766	\$ 15,627,519	2.2%
City Administration	3,692,088	2,650,077	-28.2%
Community Development	2,067,974	1,754,187	-15.2%
Public Works	2,052,644	1,726,931	-15.9%
Finance	1,553,362	1,313,218	-15.5%
Code Compliance	742,461	748,687	0.8%
Cultural Arts	670,116	714,938	6.7%
Building & Safety	580,656	561,260	-3.3%
Economic Development	337,383	379,457	12.5%
Total Fund Expenditures	\$ 26,983,450	\$ 25,476,274	-5.6%

The decrease in City Administration is due to a one-time developer project disbursement in FY12/13. The \$1.5 million decrease in General Fund Expenditures is primarily due to a large one-time disbursement related to a developer agreement within the FY12/13. Additional reductions in the Public Works and Community Development areas are related to one-time development related

expenditures as well as savings in the employee services category due to the elimination of Redevelopment Operations and the result of multiple retirements in the 2012/13. The contract with the Building and Safety consultant has been adjusted downward to reflect the level of development activity projected to occur within the City in FY13/14.

The Cultural Arts division increased by \$44.8 thousand over FY12/13. The City-sponsored projects and annual community event budgets are within the General Fund, in the Cultural Arts Services Division. The following amounts, which include police overtime and other miscellaneous operating costs, were approved to support these projects and events in 2013/14:

Grantee	Purpose	Amount
4th of July Committee	July 4th Celebration	\$ 31,000
Camarillo Arts Council	Concerts in the Park	36,200
Camarillo Ranch House	Operations	170,000
Constitution Park	Maintenance	98,874
Dizdar Park	Maintenance	25,104
Fiesta Association	Fiesta costs	23,300
Former Library Site	Maintenance	156,990
Interface 2-1-1	Program operations	5,487
Old Courthouse Bldg	Maintenance	99,613
Pageant Association	Parade costs	19,500
PV Historical Society	Maintenance	11,870
Senior Meal Home Delivery	Program operations	37,000
Total		\$ 714,938

General Fund Interfund Transfers

Through transfers, the General Fund is a major contributor for services and projects that are accounted for in other funds that do not have sufficient resources to cover the associated expenditures. Those funds may include the Gas Tax Fund, Citywide Lighting & Landscape Fund, Storm water Management Fund, Capital Improvement Projects Fund, Library Operations and Debt Service Funds, Camarillo Chamber of Commerce Facility Fund, and Transit Fund. For FY12/13, portions of the accumulated Fund Balances were used in a number of funds, thereby decreasing the amount needed from the General Fund.

As mentioned above, the General Fund provides contributions to the Capital Improvement Projects (CIP) Fund. The City has a policy to establish and maintain a designated fund balance, based on a formula for the applicable projects as outlined in the annual Five-Year Capital Improvement Plan. The City has continued this “sinking fund” strategy for the General Fund’s contribution to the Capital Improvement Fund over a five-year period, as outlined in the Reserve Policy. The objective in implementing this approach, to budget for capital projects, is that when the projects are due to be constructed the General Fund’s portion of the funding will be available to begin the project.

Because of the several projects being completed under budget, and the select deferral of others that have already been funded as part of the “sinking fund” strategy, no contributions were required from the General Fund during 2012/13 and 2013/14. Based on the 2013 Five-Year Capital Improvement Program, \$300,000 in 2012/13, and \$600,000 in 2013/14, will be transferred back to the General Fund from the CIP Fund. The following are the net interfund transfers from the General Fund:

	FY 12/13 Current Budget	FY 12/13 Revised Budget	FY 13/14 Adopted Budget
Community Service Grants Fund	\$ 35,050	\$ 35,050	\$ -
Gas Tax Fund	1,550,000	2,160,000	1,350,000
Citywide Lighting & Landscape MD Fund	1,910,000	1,930,000	2,025,000
Storm Water Management Fund	100,000	165,000	900,000
Adolfo Glen II MD Fund	-	-	20,000
Library Operations Fund	1,700,000	1,700,000	1,900,000
Police Facility Debt Service Fund	220,000	220,000	-
Library Facility Debt Service Fund	587,850	587,850	525,000
Vehicle & Equipment Fund	53,766	53,766	28,700
Chamber of commerce Facility Fund	4,000	4,000	45,000
Transit Fund	575,000	575,000	150,000
From Las Posas/Upland Rd Debt Svc Fund	-	(25,275)	-
From Capital Improvement Projects Fund	(300,000)	(300,000)	(600,000)
Total	\$ 6,435,666	\$ 7,105,391	\$ 6,343,700

General Fund Balance and Reserves

The Reserve Policy sets a goal for the General Fund reserve as 50% of expenditures, including operating transfers. For the FY12/13, as detailed in the Reserve Analysis section of this Budget Document, the reserve level is projected to be in excess of that goal, at 104% or \$35.6 million. This is a change from the projected reserve level when the FY12/13 Budget was adopted. As a part of the implementation of AB1484, the City in its capacity as Successor Agency to the former Camarillo Community Development Commission (CDC) was required to complete a Due Diligence Review of its Non-Housing Funds (DDR-Other). One of the final determinations of that DDR-Other was the reversal of a Capital Projects Loan repayment to the City’s General Fund by the former CDC. The reversal of this transaction caused the City’s General Fund Balance to decrease to a projected \$35.6 million for 2012/13. Without this adjustment, the General Fund balance would have increased by 1.8% from ending FY11/12 to estimated ending FY12/13. For 2013/14, that reservation of funding is increased to \$36.6 million, or 115% of FY13/14 Budgeted General Fund Expenditures and Operating Transfers.

While the General Fund is projected to continue to meet/exceed the established reserve level, it is important to continually monitor its level given the draw required to subsidize operations in other funds, and the ongoing economic uncertainties at both the national and state levels, combined with possible loss of other funding sources in the very near future that would have a significant impact on our operating transfers.

Special Revenue Funds

Community Service Grants Fund. Annually, the City Council awards grants to community service organizations for programs or projects that directly benefit the community. The source of funding for each budget year comes from companies that the City has acted as a conduit for the issuance of bonds. On March 28, 2013, the City Council met to determine the distribution of funding for the Community Service Grants for 2013/14. Funding for 2013/14 was approved as follows:

Grantee	Amount
ACHS Safe & Sober	\$ 3,500
Boys and Girls Club of Camarillo	4,300
Camarillo Art Center	800
Camarillo Council of PTAs	6,500
Camarillo Hospice	2,500
New West Symphony	7,000
Rio Mesa HS Safe and Sober	2,000
Save Our Kids Music	5,400
Studio Channel Islands Art Center	1,500
Total	\$ 33,500

Transportation Funds. Within the next 2 to 3 years, there is the possibility that the use of Transportation Development Act (TDA) Article 8 funds will no longer be allowed for street expenditures. Staff has been working with our local legislators and VCTC to secure an exemption that would allow continued use of TDA funds for local street maintenance. Unless another revenue source is identified, General Fund contributions would be required in order to maintain current service levels. The potential fiscal impact to the City's General Fund would be an additional transfer of \$2.1 million, starting in FY15/16 and beyond.

Air Quality Management Fund. This fund will be used to offset costs for qualified capital projects in the CIP Fund and/or certain costs in the Transit Fund, thereby reducing the amount of General Fund contributions needed to support these funds. In 2013/14, revenue is projected to increase by \$522,550, due to anticipated development. In FY13/14, a transfer of \$780,000 to the Transit Fund is budgeted.

Community Development Block Grant Fund (CDBG). The City of Camarillo participates in the CDBG Program, funded by an entitlement grant from the United States Department of Housing and Urban Development (HUD). The final 2013/14 HUD allocation is \$279,930, an increase over 2012/13 of 1.5%. On May 13, 2013, City Council met and approved the following Public Service Grants:

Grantee	Amount
Food Share	\$ 8,561
Interface 2-1-1	4,645
Long-term Care Ombudsman	6,677
Project Rain Homeless Program	4,258
Senior OASIS/BICS Program	3,664
Turning Point Homeless Program	3,364
Winter Warming Shelter	7,368
Total	\$ 38,537

Library Operations Fund. The City's portion of property tax revenue generated from properties located within the Library Service Area is accounted for in this fund. In 2013/14, \$1.6 million in revenue, \$1.9 million in transfers from the General Fund, and \$ 3.5 million in expenditures, are budgeted for day-to-day operations. The \$272 thousand increase in expenditures primarily reflects adjustment to the reserve funding level for the Library Facility. Facility Funds are reviewed annually, with allocations adjusted accordingly in order to bring their fund balances in line with the Reserve Study findings.

Library Special Revenue Fund. This fund is utilized to collect and record donations from the Friends of the Library, the Fischer Trust, as well as the proceeds from fund raising for the Camarillo Library. Funds are earmarked for book collection and database service enhancements for the Library. In addition, the Fischer Trust funding provides exclusively for the business center activities. In 2013/14, \$271,100 in revenue, and \$650,000 in expenditures are budgeted.

Debt Service Funds

Police Facility Debt Service Fund. The Police Facility Debt Service Fund was established in 1993/94 to account for debt service, and to acquire and renovate the privately owned Bill Esty Community Center for a police facility. As of FY13/14, all outstanding debt has been paid.

Capital Projects Funds

Capital Improvement Projects Fund. The Capital Improvement Projects Fund sets forth the general capital projects that are funded from development fees, state and federal grants, and transfers from the General Fund, Transportation Funds, Gas Tax Fund, and Air Quality Management Fund. Projects in 2013/14 are reflective of the 2013 Five-Year Capital Improvement Program (CIP), as adopted by City Council on June 26, 2013.

The City is planning to spend \$8,010,000 in 2013/14 on projects throughout the City. These projects include completion of Santa Rosa Road Widening, Lewis Road Monument, Wall & Landscaping improvements, continuation of the annual Overlay/Slurry maintenance program, and Phases 2, 3, and 4 of the Calleguas Creek Bike Trail.

No contributions were required from the General Fund during 2012/13, and none planned in 2013/14. As a result of completed projects and a reprioritizing of planned capital projects, \$300 thousand was transferred back to the General Fund in 2012/13, and \$600 thousand is proposed in 2013/14.

Internal Service Funds

Risk Management Fund. The City of Camarillo is a member of the California Joint Powers Insurance Authority (CJPIA), along with over 100 other California public entities, and is self-insured for general liability and workers' compensation. The City takes advantage of the CJPIA buying power to purchase Property, Earthquake, Flood, Boiler and Machinery Insurance, etc. Claims administration, for both general liability and workers' compensation, are provided through a third party contractual agreement administered by the CJPIA.

Expenditures increase \$381,240 (20%) in FY13/14, primarily due to rising costs for General, Auto, Property and Earthquake Insurances. Additionally, the City's Worker's Compensation Insurance is projected to increase 101% above the current rate in FY13/14. Three contributing factors to this increase are an increase in property valuations, increased claim activity, and a change in funding strategy.

The retroactive deposit from prior years has been fully exhausted and CJPIA now operates on a prospective basis.

Information Services Fund. A decrease of \$492,123 (21%) in expenditures is budgeted in 2013/14. This reflects completion of FY12/13 one-time costs incurred to upgrade computers City-wide.

Vehicles and Equipment Fund. This fund is where costs associated with procurement, maintenance and operations of the City's vehicles and field equipment are recorded and charged back to the departments based on the services received.

One of the goals of this fund is to provide funding to replace vehicles and field equipment. It is also to recover the costs associated with maintaining all of the City's vehicles and field equipment. Through a "use" charge, departments that use City vehicles contribute to this fund.

A decrease of \$329,527 (23%) in expenditures for 2013/14 reflects the vehicle and equipment replacement schedule.

City Hall Facility Fund. An increase of \$312,467 (20%) in expenditures for 2013/14 is primarily due to revised timing of capital repairs, such as carpet and an emergency generator replacement.

A transfer to the Capital Improvement Projects Fund of \$400,000 in 2013/14, is to fund the City Hall Chamber Remodel project planned for FY13/14, as outlined in the 2013 Five-Year Capital Improvement Program.

Police Facility Fund. A decrease of \$237,488 (44%) in expenditures for 2013/14 reflects the completion of improvements associated with the Federal UASI grant.

Enterprise Funds

Transit Fund. This fund records revenues and expenditures associated with operating the City's transit system. The City contracts for Fixed Route and Dial-A-Ride (DAR) services. A transit service provider, under City contract, is responsible for dispatching, operation, and maintenance. The City owns the buses.

Federal Transit Administration (FTA) Grants provide for a majority of the revenues received in this fund. The City receives FTA Grants for the operations and maintenance of the transit service and the Metrolink Station, and an FTA Capital Grant that will offset up to 80% of the costs for bus purchases. An increase of \$422,900 in FTA operating and maintenance grant revenue is anticipated.

An increase of \$194,347 in FY13/14 expenditures primarily reflects expanded transit services, offset with the increase in related grant revenue.

This fund relies on a transfer from the General Fund and/or Air Quality Management Fund to meet its capital and operational needs. In FY13/14, \$150,000 is to be transferred from the Air Quality Management Fund, and \$575,000 from the General Fund.

Water Utility Fund. The Water Utility Fund is where revenue and expenses associated with the City's water service are recorded. This fund is fully self-supporting, and derives the majority of its revenue from ratepayers.

The City provides water and associated maintenance to approximately 13,000 customers. Not all of the property owners within the City limits are provided water service by the City. There are a total of five water companies in Camarillo that provide water to residential customers: City of Camarillo, Cal American, Camrosa, Crestview Mutual and Pleasant Valley Mutual. Additionally, Pleasant Valley County Water Company sells water (not treated to residential use standards), but only to agriculture customers. The largest of the five is Camrosa Water District, which provides water services to the Mission Oaks area within the City. For City water customers, meters are read and water bills are mailed to each of the customers on a monthly basis.

Overall, expenses are projected to increase \$5.1 million in FY13/14. Upon closer examination, the operating expenses will decrease \$887 thousand (7%), primarily due to the absence of the Master Plan update performed in 2012/13 and an estimated reduction in 2013/14 for purchased water due to the addition of the Airport Well. Total capital purchases and projects will increase \$6 million for projects reflective of the 2013 Five-Year Capital Improvement Program (CIP) as adopted by City Council on June 26, 2013, such as Airport Water Improvements-Phase 3, Regional Desalter, Reservoir 5 Improvements, and Water Main replacement projects.

Camarillo Sanitary District

The Camarillo Sanitary District (CSD) is a separate governmental entity that provides sewer services for residential and commercial customers within its boundaries. The CSD boundaries are not contiguous with the City of Camarillo boundaries. The CSD is fully self-supporting, and derives the majority of its revenue from ratepayers for services rendered. The Directors of the Board are the same elected officials who also sit as the members of the City Council.

The CSD has been divided into three separate funds for budgeting purposes. The separation of these funds allows for ease in cash flow and rate setting.

CSD Operating Fund. Revenue is projected to increase \$710,295 (7%), which reflects increases in sanitation service charges. A decrease of \$141,906 (1%) in expenditures for 2013/14, is primarily related to one-time expenditures that were completed in FY12/13 (FOG Loan Program, Annexation expense, etc.), and reduced TMDL monitoring and miscellaneous special studies.

CSD Debt Service Fund. A revenue increase of \$1.76 million is projected for anticipated bond proceeds to fund the Wastewater Treatment Plant Levee, and Renewable Energy projects.

CSD Capital Improvement Projects Fund. Revenue is projected to increase \$2.35 million, primarily due to anticipated Proposition 84 Grant funds of \$2.75 million for the Wastewater Treatment Plant (WWTP) Salts Management, and the Camrosa Discharge Diversion projects. Decreases of \$10.4 million in FY12/13, and an increase of

\$8.5 million FY13/14, can be attributable to planned capital projects. Projects are reflective of the 2013 Five-Year Capital Improvement Program (CIP). The CSD is planning to spend \$3.9 million in 2012/13, and \$12.4 million in 2013/14, on such projects as Daily Drive Sewer, Waste Water Treatment Plant Salt Management Pipeline, and Flood Improvements at WWTP.

IN CONCLUSION

As in the past years, it is anticipated that the City of Camarillo will remain in good financial condition throughout the next fiscal year. While not immune from the impacts of the national and state economy, the local economy of the City of Camarillo continues the slow recovery from the recent recession.

As delineated in its goal of Fiscal Management, the City affirms its commitment to sound and conservative financial practices to ensure the City's ability to navigate through these economically challenging times. The FY13/14 Budget reflects a 2nd phase towards fiscal sustainability, a multi-year strategy. A formal refresh of the Seven-Year General Fund Fiscal Forecast, which will include a thorough analysis of the fiscal impacts of Pension Reform, Health Care, and the State Budget, will then provide a roadmap for the next phase of the fiscal sustainability objective contained within the goal of Fiscal Management. The City will continue to monitor proposed legislation from the State that would have negative fiscal impacts and be proactive in defending the City's interest.

I appreciate the support and cooperative policy direction given by the City Council during the past year, and believe that this budget fully supports the adopted policies and programs of the Camarillo City Council.

Respectfully,



Bruce Feng
City Manager