



City of Camarillo

Office of the City Manager

MEMORANDUM

Date: June 8, 2011
To: Honorable Mayor and Members of the City Council
From: Bruce Feng, City Manager
Subject: Fiscal Year 2011/12 Budget Executive Summary

INTRODUCTION

This document represents the second year of the two-year 2010-12 Budget for the City of Camarillo, the Camarillo Community Development Commission (CDC), 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 CDC and the CSD, where appropriate.

Adoption of the budget is one of the most important actions taken by the City Council, as it establishes the City's direction for the upcoming fiscal year, and to the extent the decisions have long-term implications into the future. It is the City Council's goals and objectives, as well as the City operations translated into a financial work plan, through expenditures, supported by revenues.

Developing and monitoring the budget is an ongoing process and the document that is developed from this process is modified throughout the fiscal year to respond to unanticipated events. The City Council has already conducted one formal, comprehensive review of the 2010-2012 Budget in June 2010. Midyear review of 2010/11 was conducted in February 2011. This latest review is being conducted to fine-tune the budget for both 2010/11 and 2011/12. At the June 22nd City

Council meeting, the City Council will be requested to formally adopt the 2011/12 Budget and authorize amendments to the 2010/11 Budget. A midyear review of the 2011/12 Budget is planned to be conducted in February 2012.

NAVIGATING THE BUDGET

The 2011/12 Budget document is organized into three sections. This section includes the Executive Summary, followed by the Budget Summary and the Proposed Budget with corresponding notes detailing proposed changes to the revenues and expenditures. For discussion purposes, 2010/11 reflects the change from the current budget to the revised budget and 2011/12 reflects the change from the 2010/11 revised budget to the 2011/12 proposed budget.

THE BUDGET PROCESS

The 2011/12 Budget process began in February 2011 when the City Manager and Director of Finance sent forth the *Guidelines for Budget Preparation for the Fiscal Year 2011/12* to each Department Head and other key staff involved in the budget process. Those instructions were followed by a training session conducted by Finance staff to walk through the budget process and data entry requirements.

Departments were asked to focus on the changes that would occur in both 2010/11 and 2011/12. Budget deliberations were held in March through May with the City Manager, Assistant City Manager, Director of Finance, Assistant Finance Director, each Department Head, and key department staff to review the requested changes.

The proposed budget amendments are now being presented to the City Council at the Budget Study Session on June 8, 2011. Any changes made at the study session will be incorporated into the 2010/11 and 2011/12 Budgets, scheduled for adoption at the June 22, 2011 City Council meeting.

AT A GLANCE

The revised budget for 2010/11 includes revenues of \$83,645,120 and expenditures of \$143,151,466. This results in a use of accumulated fund balances totaling \$59.5 million of which \$43.7 million is planned capital projects, \$4.1 million relates to modified allocations in the Internal Service Funds taking into account their accumulated fund balance and reserve policy goals, and \$11.5 million relates to the CDC loan repayment to the City. The repayment is not reflected in the General Fund balance due to the restricted nature of the funds. When compared to the current budget, these totals represent \$1.5 million (1.9%) more in revenues and \$20.4 million (12.5%) less in expenditures.

The proposed budget for 2011/12 includes revenues of \$83,507,383 and expenditures of \$116,796,078. This results in a use of accumulated fund balances of \$33.3 million, of which \$26.6 million is planned capital projects. Accumulated fund balances of approximately \$2.9 million in the Water Utility Fund and \$1.7 million in the Sanitary District Fund are proposed to be used for ongoing operations, which will be addressed with a Rate and Fee Study to develop rates to cover operating costs and planned capital improvements. Additionally, \$1.5 million relates to modified allocations in the Internal Service Funds for further alignment with reserve policies. Overall, when compared to the revised budget for 2010/11, the totals represent a decrease of \$1,092,737 (1.3%) in revenue and a decrease of \$26.4 million (18.4%) in expenditures. The details of those recommended amendments are described in this report.

| CITY OF CAMARILLO | | | | | | | |
|--|-----------------------------|--------------|--------------|----------|------------------------------|--------------|----------|
| | 2010/11 REVISED BUDGET (CY) | | | | 2011/12 PROPOSED BUDGET (Y1) | | |
| | Current | Revised | \$ Change | % Change | Proposed | \$ Change | % Change |
| Revenues | 68,367,681 | 69,246,807 | 879,126 | 1.3% | 69,214,498 | (32,309) | 0.0% |
| Expenditures | 124,945,320 | 104,940,148 | (20,005,172) | -16.0% | 90,390,354 | (14,549,794) | -13.9% |
| Transfers | 21,828,832 | 14,689,315 | (7,139,517) | -32.7% | - | (14,689,315) | -100.0% |
| Adjustments | 3,194,225 | 3,194,225 | - | 0.0% | 6,592,000 | 3,397,775 | 106.4% |
| CAMARILLO COMMUNITY DEVELOPMENT COMMISSION | | | | | | | |
| | 2010/11 REVISED BUDGET (CY) | | | | 2011/12 PROPOSED BUDGET (Y1) | | |
| | Current | Revised | \$ Change | % Change | Proposed | \$ Change | % Change |
| Revenues | 4,808,103 | 5,360,077 | 551,974 | 11.5% | 5,351,470 | (8,607) | -0.2% |
| Expenditures | 25,384,586 | 25,630,223 | 245,637 | 1.0% | 8,876,720 | (16,753,503) | -65.4% |
| Transfers | (21,823,678) | (14,684,161) | 7,139,517 | -32.7% | - | 14,684,161 | -100.0% |
| Adjustments | 11,508,000 | 11,508,000 | - | 0.0% | - | (11,508,000) | -100.0% |
| CAMARILLO SANITARY DISTRICT | | | | | | | |
| | 2010/11 REVISED BUDGET (CY) | | | | 2011/12 PROPOSED BUDGET (Y1) | | |
| | Current | Revised | \$ Change | % Change | Proposed | \$ Change | % Change |
| Revenues | 8,945,431 | 9,038,236 | 92,805 | 1.0% | 8,941,415 | (96,821) | -1.1% |
| Expenditures | 13,201,839 | 12,581,095 | (620,744) | -4.7% | 17,529,004 | 4,947,909 | 39.3% |
| Transfers | (5,154) | (5,154) | - | 0.0% | - | 5,154 | -100.0% |
| Adjustments | 2,178,557 | 2,178,557 | - | 0.0% | 2,150,400 | (28,157) | -1.3% |
| GRAND TOTAL | | | | | | | |
| | 2010/11 REVISED BUDGET (CY) | | | | 2011/12 PROPOSED BUDGET (Y1) | | |
| | Current | Revised | \$ Change | % Change | Proposed | \$ Change | % Change |
| Revenues | 82,121,215 | 83,645,120 | 1,523,905 | 1.9% | 83,507,383 | (137,737) | -0.2% |
| Expenditures | 163,531,745 | 143,151,466 | (20,380,279) | -12.5% | 116,796,078 | (26,355,388) | -18.4% |
| Transfers | - | - | - | 0.0% | - | - | 0.0% |
| Adjustments | 16,880,782 | 16,880,782 | - | 0.0% | 8,742,400 | (8,138,382) | -48.2% |

FUNDS, FUNDING AND BUDGETARY CONTROL

The Funds Within the Budget

All of the 49 budgeted funds are segregated into fund types as shown below. They are described in more detail later in this memo.

Although the Community Development Commission (CDC) and the Camarillo Sanitary District (CSD) are budgeted with three separate funds, each entity is presented as one component unit in the City's Comprehensive Annual Financial Report (CAFR). Additionally, the City holds fiduciary responsibility for several funds which are represented in the financial statements, but are not budgeted or shown here.

CITY OF CAMARILLO

General Fund (1)

101-General Fund

Special Revenue Funds (22)

201-Community Service Grants
207-State Transportation
208-TDA Article 8 Roads
209-TDA Article 3
210-Gas Tax
220-Lighting & Landscape Maintenance District
221-Mission Oaks Maintenance District
222-Wittenberg Maintenance District
223-Armitos Storm Basins Maintenance District
224-Mission Oaks Industrial Maintenance District
225-Presley Maintenance District
226-Spanish Hills Maintenance District
227-Sares/Regis Maintenance District
228-Vista Las Posas Maintenance District
229-Adolfo Glen II Maintenance District
230-Adolfo Glen III Maintenance District
270-Storm Water Management
275-Air Quality Management
280-Community Development Block Grant
284-Library Operations
285-Library Special Revenue
286-Cable PEG Fees Special Revenue

Debt Service Funds (3)

310-Las Posas/Upland Bridge Debt Service
320-Police Facility Debt Service
321-Library Debt Service

Capital Projects Funds (4)

410-Capital Improvement Projects
422-West Camarillo Community Facilities District #1
423-CFD #2 Capital Projects
450-CDC CIP Administration

Internal Service Funds (10)

510-Risk Management
520-Human Resources
530-Information Services
540-Vehicles and Equipment
550-City Hall Facility
551-Corporation Yard Facility
552-Police Facility
553-Library Facility
554-Camarillo Ranch Facility
555-Chamber of Commerce Facility

Enterprise Funds (3)

805-Solid Waste
810-Transit
860-Water Utility

COMMUNITY DEVELOPMENT COMMISSION (CDC)

Special Revenue Fund (1)

290-CDC Low-Moderate Income Housing

Debt Service Fund (1)

390-CDC Debt Service

Capital Projects Fund (1)

490-CDC Capital Projects

CAMARILLO SANITARY DISTRICT (CSD)

Enterprise Fund (1)

871-CSD Operating

Debt Service Fund (1)

872-CSD Debt Service

Capital Projects Fund (1)

873-CSD Capital Projects

FUND BALANCES AND WORKING CAPITAL

One of the most important elements of a comprehensive budget is an evaluation of the impact of projected revenue, expenditure appropriation and transfer requests on fund balances and working capital throughout the budgeted funds. These are the balances projected to be available once the budget period has transpired.

Because of the fund accounting requirements in Generally Accepted Accounting Principles (GAAP) require these available balances to be called working capital, in Enterprise Funds and Internal Service Funds these balances are called *working capital* and in all other funds they are called *fund balance*.

Maintaining adequate fund balance and working capital levels is critical to ensuring that the City is adequately prepared financially to meet ongoing cash flow needs and unforeseen events and emergencies.

Overall, the combined City, CDC, and CSD fund balances/working capital changes from \$180.2 million at 6/30/10 to an estimated \$138.6 million by 6/30/11 and \$114 million by 6/30/12. It should be noted that the declines from 6/30/10 to 6/30/11 to 06/30/12 are primarily due to budgeted capital projects in the City Capital Projects Funds, the Community Development Commission and the Camarillo Sanitary District. It is customary to utilize those funds saved over time for capital projects, therefore reducing fund balances accordingly. More detail is provided later in this report.

SALARIES & BENEFITS

Employee Compensation

Overall, budgeted salaries and benefits have been adjusted upwards by 3.49% in 2011/12 from 2010/11.

As presented, there are no proposed increases to the 2011/12 salary bands. The budget does however allow for movement within the existing salary bands according to the Pay for Performance model. California Public Employees Retirement System (CalPERS) has indicated that the City's rate will slightly increase from 15.0661% in

2010/11 to 16.740% in 2011/12. The PERS Healthcare plans are estimated to increase by 10% in January 2012.

Annually, departments are asked to review their respective staffing distributions. 2011/12 reflects any revisions to the current distribution based on new or revised areas of responsibility.

Other Post Employment Benefits

The Governmental Accounting Standards Board (GASB) is an independent advisory board which sets accounting standards for state and local governments. As of 2010, pursuant to GASB 45, the City obtained an actuarial valuation regarding the calculation of "Other Post Employment Benefits" and to recognize the future liability of the healthcare contribution for retirees. The City is required to disclose the liability of these benefits on its financial statements. Currently, the City provides the minimum required PERS contribution to its retirees. The cost is \$108 per retiree per month in 2011 and \$112 in 2012. This cost escalates with the medical component of the CPI in future years. The City also allows retirees to join our dental and vision plan at their own cost.

In July 2009, the City Council approved the City's participation in the PARS Public Agencies Post-Retirement Health Care Plan and adopted the PARS Trust as part of the City Retirement Program. The City continues to fund the trust through payroll allocations based on the Annual Required Costs (ARC) provided in the Actuarial Valuation. GASB 45 requires an actuarial valuation every three years, but the City has elected to have one performed every two years, with the next scheduled for completion in 2012.

CITY OF CAMARILLO

GENERAL FUND

The General Fund is where the majority of discretionary funds are recorded and where the majority of general municipal services are provided. Additionally, through transfers, it is also a major contributor for services and projects that are accounted for in other funds which do not have sufficient resources to cover the associated expenditures. Those funds may include the Community Service Grants Fund, Gas Tax Fund, Citywide Lighting & Landscape Fund, Stormwater Management Fund, Debt Service Funds, Capital Improvement Projects Fund, Library Operations and Debt Service Funds, Vehicles & Equipment Fund, and Transit Fund. When 2010/11 and 2011/12 Operating Transfers are reconciled with expenditures, transfers from the General Fund Reserve are required to cover revenue shortfalls and maintain existing service levels for the Citywide Lighting and Landscape Fund and the Storm Water Management Fund in both fiscal years.

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 budgeting for capital projects is so 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 deferral of certain projects, which have already been funded as part of the “sinking fund” strategy, no contributions were required from the General Fund during 2010/11. In 2011/12, based on the 2011 Five-year Capital Improvement Program, \$1.7 million is recommended for transfer back to the General Fund from the CIP.

Overall, the General Fund revenues are expected to decrease \$987,309 (1.4%) in 2011/12 when compared to 2010/11.

There are significant decreases in expected revenues in the areas of State of California grants and interest earnings. The City’s annual allocation of Supplemental Law Enforcement Services Fund COPS grant funding of \$100,000 is subject to voter approval under the Governor’s current budget proposal. Due to this uncertainty, COPS grant revenue is not included in the budget. Likewise, due to State budget uncertainties, any mandated cost reimbursement claims to be received from the State have not been included in budgeted revenues. Interest income is expected to decline \$919,942, primarily due to interest received in 2010/11 from a one-time loan repayment to the General Fund from the CDC. Otherwise, interest rates are expected to remain stable through 2011/12.

These major decreases are offset by projected increases in Sales Taxes and Transient Occupancy Taxes as the local economy continues to show signs of recovery from the economic downturn.

Expenditures in the General Fund experienced changes in both fiscal years. A decrease of \$202,055 (0.7%) in 2010/11 is recommended primarily due to operational efficiencies. In 2011/12, a net decrease of \$1,504,074 (5.5%) in expenditures is being recommended when compared to 2010/11, the primary elements are summarized as follows:

| | |
|----------------|--|
| (\$ 2,992,586) | Library Operations moved out of General Fund |
| 219,785 | Salary/Benefits – Reallocation of Personnel |
| 5,500 | Facility Reserve Studies |
| 204,775 | Repairs/Improvements to Facilities |
| 5,758 | New Facility – Dizdar Park |
| 35,000 | Administrative Costs – Nuisance/Weed Abatement; Printing |
| 1,013,191 | Police Services |
| 4,503 | Other Adjustments |
| (\$1,504,074) | TOTAL |

Salaries and benefits were previously discussed in the Employee Compensation section on page 4.

The decrease in Library Operations reflects the establishment of a new fund – Library Operations Fund 284, to account for the operational expenditures previously accounted for in the General Fund. A majority of the costs for operating and maintaining the library are accounted for in other funds, and then charged back to this Library Operations Fund. Facility Funds are reviewed annually and allocations adjusted accordingly in order to bring their fund balances closer in line with the Reserve Study findings.

Recommended changes in Police Services primarily relate to a projected 5% increase to the 2011/12 contracted rate for the sworn positions from the County of Ventura Sheriff’s Department, increases in vehicle fuel costs and revisions to internal service fund allocations.

Additionally, the City-sponsored projects and annual community events budgets are in the General Fund Cultural Arts Services Division. The following amounts, which include police overtime and other miscellaneous operating costs, are being recommended to support these projects or events in 2011/12:

| Grantee | Purpose | Amount |
|---------------------------|----------------------|------------|
| Constitution Park | Maintenance | \$ 90,655 |
| Camarillo Ranch House | Operations | 320,000 |
| PV Historical Society | Maintenance | 23,168 |
| Senior Meal Home Delivery | Program operations | 37,000 |
| Former Library Site | Maintenance | 181,164 |
| Interface 2-1-1 | Program operations | 4,725 |
| Dizdar Park | Maintenance | 20,258 |
| Old Courthouse Bldg | Maintenance | 104,210 |
| Fiesta Association | Fiesta costs | 34,300 |
| Pageant Association | Parade costs | 20,200 |
| 4th of July Committee | July 4th Celebration | 32,100 |
| Camarillo Arts Council | Concerts in the Park | 36,950 |
| Art & Jazz Festival | Sponsorship | 5,000 |
| Total | | \$ 909,730 |

While the General Fund fund balance is projected to be healthy, it should be noted that the City anticipates a need for increased transfers

to other funds for on-going operations from \$3.5 million in 2010/11 to \$9.8 million in 2011/12. Also, based on each years recommended Five-Year Capital Improvements Program, future transfers may be required to the Capital Improvement Projects Fund.

SPECIAL REVENUE FUNDS

Community Service Grants Fund

The Community Service Grants Fund was established in 1995/96 for the purpose of providing grants for community programs and/or projects. Annually, the City Council awards grants to community service organizations for programs and/or projects that directly benefit the community.

The sources of funding for each budget year come from companies that the City has acted as a conduit for the issuance of bonds and a transfer from the General Fund. When the City acts as a conduit for bonds issued in the name of the City, the companies benefiting from the issuance of the bonds are required to make an annual contribution for community programs and/or projects throughout the life of the bonds. For the transfer, each year staff calculates the recommended amount to be transferred from the General Fund to the Community Service Grants Fund. Per the Policy, the recommendation will be based on .005 of 1% of Citywide property assessed valuation. Funding for 2011/12 is as follows:

| Funding Source | 2011/12 |
|----------------------------|-----------|
| Multi-Family Housing Bonds | \$ 33,500 |
| Transfer from General Fund | 47,400 |
| Total | \$ 80,900 |

On February 9, 2011, the City Council met to determine the distribution of funding for the Community Service Grants for 2011/12. The City will provide grants to the following organizations utilizing projected 2011/12 funding:

| Grantee | Amount |
|-------------------------------------|-----------|
| ACHS-PTSA | \$ 6,500 |
| Adolfo Camarillo HS Safe and Sober | 3,500 |
| Alzheimer's Association | 2,100 |
| Boys and Girls Club of Camarillo | 15,200 |
| Camarillo Academic Olympics | 2,500 |
| Camarillo Art Center | 4,150 |
| Camarillo Hospice | 7,000 |
| Camarillo Family YMCA | 11,500 |
| Channel Islands Choral Assoc (CICA) | 500 |
| Commemorative Air Force | 3,000 |
| Girl Scouts of CA Central Coast | 3,000 |
| New West Symphony | 4,500 |
| P.V. Education Foundation | 1,900 |
| Pleasant Valley Historical Society | 500 |
| Rio Mesa HS Safe and Sober | 1,500 |
| Save Our Kids Music | 2,450 |
| Special Olympics of So. California | 2,000 |
| Studio Channel Islands Art Center | 3,000 |
| Western Found. Vertebrate Zoo | 6,100 |
| Total | \$ 80,900 |

Transportation Funds

The Transportation Funds record only revenue and transfers to the Capital Improvement Projects Fund. These funds are used to offset costs for projects, such as the overlay/slurry seal and street-related capital projects, thereby reducing the amount of General Fund contribution needed to support these funds. Within the next 2 to 3 years, it is expected that the use of Transportation Development Act (TDA) Article 8 funds will no longer be allowed for street expenditures.

Unless another revenue source is identified, General Fund contributions will again increase in order to maintain current service levels.

Gas Tax Fund

The Gas Tax Fund is where revenues associated with gas tax and the operating expenditures that qualify for the use of gas tax funds are recorded. Services provided by this fund include traffic and signal maintenance, street maintenance, and graffiti removal.

A decrease of \$170,081 (5%) in expenditures is recommended for 2010/11 primarily due to lower than estimated maintenance costs for traffic controller cabinets, street signs, and sidewalk, gutter and curbs.

Each year, the costs in this fund exceed the actual gas tax revenues received and a General Fund contribution is needed to cover the revenue shortfall and maintain established service levels. This fund is expected to require a transfer from the General Fund of \$1,800,000 in 2010/11 and \$1,700,000 in 2011/12.

Maintenance District Funds

The City has a Citywide Lighting and Landscape Maintenance District which supports lighting and landscape maintenance throughout the City. The source of funding for this district is the City's share of the 1% ad valorem property tax which is designated for this purpose.

An increase of \$144,533 (4.2%) in expenditures is recommended for 2011/12 for the changes in the personnel distribution, salary/benefit projections, increased tree service and landscape maintenance contract costs, increased stormwater permit requirements, additional landscaping water meters, and reactivation of internal service fund allocations.

This fund will require a transfer from the General Fund of \$1,600,000 in 2010/11 and \$1,950,000 in 2011/12 as costs in this fund exceed the actual property tax revenues received. As additional streetlights and medians are added throughout the City, a greater General Fund contribution will be needed to cover the revenue shortfall. The City is

pursuing an option to more closely align the maintenance districts assessments with their operational costs.

All the other maintenance districts support specific areas within the community and were established as a development requirement. Each year, staff brings forth to Council the recommended assessments to be levied on properties for the following fiscal year to cover the operating and maintenance costs of the districts. In most of these funds, expenditures are increasing in 2011/12 due to a projected increase in landscape maintenance contract costs and storm water permit requirements.

Community Development Block Grant Fund (CDBG)

The City of Camarillo participates in the Community Development Block Grant (CDBG) Program, funded by an entitlement grant from the United States Department of Housing and Urban Development (HUD). The 2010/11 expenditures reflect the total available in program funds. It is a combination of the current grant cycle award and carry forward of prior year unused funding. The 2011/12 expenditures of \$322,609 reflects the 2011 formula grant allocations.

On April 26, 2011, HUD provided Camarillo with its estimated 2011/12 CDBG allocation, which is a 17% reduction from the 2010/11 allocation of \$386,599. HUD stated that the allocation may be adjusted an additional 15 to 20 percent (+) by the White House Office of Management and Budgets (OMB).

Storm Water Fund

The Storm Water Fund was established in 1993/94. A majority of its revenue is from the Ventura County Flood Control District's \$5 per parcel per year Benefit Assessment Program for storm water management. The purpose of the program is to implement a "National Pollutant Discharge Elimination Systems (NPDES) Permit" to meet the Environmental Protection Agency's (EPA) storm water management requirements. Revenues are projected to remain relatively constant as in prior years.

A decrease of \$52,000 (4.5%) in expenditures is recommended for 2010/11 as plan check services have decreased. The overall increase of \$80,162 (7.2%) in 2011/12 is primarily due to Ventura Regional Sanitation District (VRSD) storm water inspection services and changes in internal service fund allocations.

Each year, the costs in this fund exceed the actual revenues received and a General Fund contribution is needed to cover the revenue shortfall and maintain established service levels. This fund is expected to require a transfer from the General Fund of \$900,000 in 2010/11 and in 2011/12.

Air Quality Management Fund

The Air Quality Management Fund was established in 1993/94. Revenues for this fund are development related. This fund will be used to offset costs for qualified capital projects in the Capital Improvement Projects Fund and/or operational costs in the Transit Fund, thereby reducing the amount of General Fund contribution needed to support these funds. In 2010/11, \$41,000 and \$75,000 are recommended to be transferred to the Capital Improvement Projects Fund and Transit Fund, respectively. In 2011/12, \$150,000 is recommended to be transferred to the Transit Fund.

Library Operations Fund

On January 1, 2011, the City assumed operations from the Ventura County Library System and established the Camarillo Free Library. In 2010/11, the City established the Library Operations Fund (284) to account for the revenue and expenditures associated with the library operations. The City's portion of property tax revenue generated within the Library Service Area will be accounted for in this fund. In 2011/12, \$1,409,080 in revenue, \$2,000,000 in transfers from other funds, and \$4,071,652 in expenditures are budgeted for day-to-day operations. The difference of \$662,572 will be funded by existing fund balance.

Library Special Revenue Fund

In 2010/11, the City established the Library Special Revenue Fund (285) which is utilized to collect and record donations from the Friends of the Library, as well as the proceeds from fund raising for the Camarillo Library. The City held a very successful Next Chapter fund raising campaign during 2006/07 to build up the fund balance. These funds are earmarked for book collection and database services enhancements for the Library. In 2011/12, \$259,900 in revenue and \$550,000 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 the debt service of \$3,150,000 in COPs to acquire and renovate the privately owned Bill Esty Community Center for a police facility, which was acquired in April 1993. Renovation of the facility was completed in May 1995. The COPs were refunded in 1998/99 for a net cumulative savings of \$872,081. Budgeted expenditures in the Police Facility Debt Service Fund are for principal and interest on the bonds and related administrative costs.

Library Debt Service Fund

The Library Debt Service Fund was established in 2002/03 to account for the debt service of \$8.8 million in Lease Revenue Bonds issued for the acquisition of land and construction for the new Camarillo Library. Budgeted expenditures in the Library Debt Service Fund are for principal and interest on the bonds and related administrative costs.

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 and Air Quality Management Fund. Projects in 2010/11 and 2011/12 are reflective of the 2011 Five-Year Capital Improvement Program (CIP) as presented at the April 13, 2011, CIP Study Session. Any subsequent changes since the CIP Study Session will be discussed during the Budget Study Session.

As discussed at the CIP Study Session, the City is planning to spend \$18.3 million in 2010/11 and \$10.0 million in 2011/12 on projects throughout the City. These projects include completion of the Las Posas Road repaving, Adolfo Road widening, continuation of the annual Overlay/Slurry maintenance program, and Phases 2 and 3 of the Calleguas Creek Bike Trail.

As previously discussed, no contributions were required from the General Fund during 2010/11, and \$1.7 million is recommended to be transferred back to the General Fund in 2011/12.

West Camarillo Community Facilities District (CFD) #1 Capital Projects Fund

This Capital Projects Fund is for the purpose of funding the storm drainage project in the West Camarillo Community Facilities District #1 (CFD). In 1990, the City of Camarillo approved three elements of the CFD, in concept, which were: 1) sewer improvements, 2) certain drainage improvements, and 3) bridge improvements. A total of \$13.5 million in Mello-Roos bonds were issued to support the sewer component. In 1999, the City refunded the existing bond issue and added \$980,000 in new money for the drainage improvements to supplement the previously collected buy-in monies resulting from new annexations into the CFD.

As discussed at the CIP Study Session, in 2010/11 the City is planning to spend the final funding of \$2 million to complete all projects within the District. These projects include completion of the channel widening of the Camarillo Hills Drain at the Airport and construction of the storm drain at Springville Road.

Camarillo Community Facilities District (CFD) #2 Capital Projects Fund

This Capital Projects Fund is for the purpose of funding the Springville Interchange project in the Camarillo Facilities District #2. In 2009, the city of Camarillo authorized \$12.5 million in Mello-Roos bonds to be issued for the construction of a freeway interchange overcrossing over US 101 between existing interchanges at Las Posas Road and Central Avenue. A total of \$2 million in Mello-Roos bonds were issued.

As discussed at the CIP Study Session, the City is planning to spend \$1.7 million in 2010/11 on projects within the District. These projects include completion of the channel widening of the Camarillo Hills Drain at the Airport and construction of the storm drain at Springville.

Community Development Commission (CDC) Capital Projects Administration Fund

In 1995/96, the City established the Community Development Commission (CDC) to implement redevelopment in the City of Camarillo. In January 2011, the CDC entered into a funding contract agreement with the City whereby current capital projects planned within the Redevelopment Project Area would be administered by the City. In February 2011, the CDC entered into a funding contract agreement with the City whereby future capital projects planned within the Redevelopment Project Area would be funded with future tax increment revenue and be administered by the City. As such, a Capital Projects Administration Fund (450) was established to administer these current and future CDC Capital Projects.

Projects in 2010/11 and 2011/12 are reflective of the 2011 Five-Year Capital Improvement Program (CIP). As discussed in the CIP study session, the CDC is planning to spend \$11.0 million in 2010/11 and \$7.6 million in 2011/12 on capital projects within the redevelopment area. Projects include Springville Interchange, The Hotel Channel, Dizdar Park renovation and undergrounding of utilities on Ventura Boulevard.

In addition to the capital projects expenditures, an additional \$3.1 million and \$3.0 million for housing projects is reflected in 2010/11 and

2011/12, respectively. These new low-moderate housing projects are funded through the 20% annual set-aside of Tax Increment payments and from proceeds of the 2006 CDC Housing Bonds.

INTERNAL SERVICE FUNDS

Internal Service Funds (ISFs) are created to account for costs associated with services that benefit a wide variety of other funds and provides an opportunity to accumulate those costs in one fund to allocate them to the benefiting departments for services rendered. ISFs also provide a mechanism for accumulating funds for the replacement of vehicles, equipment, and facilities.

Risk Management Fund

This fund is where costs associated with the City's risk management function are recorded and then charged back to the other funds.

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.

A decrease of \$952,794 (34.5%) in expenditures is recommended for 2011/12 primarily due to one-time deposit payments for General Liability and Auto Insurance in order to adjust to the CJPIA new prospective funding model.

Human Resources Fund

This fund was established to account for all costs associated with the administration of the City's human resources function and to charge benefiting departments for services rendered.

A decrease of \$75,065 in expenditures is recommended for 2011/12 primarily due to a reduction of legal and recruitment costs.

Information Services Fund

This fund is where costs associated with operating the City's information services function are recorded and charged back to the other funds based on the level of services provided. Information Services includes the telephone system, H.T.E. financial accounting system, local and wide area network systems, personal computers, Geographic Information System (GIS), Internet, Intranet, and miscellaneous computerized systems.

A decrease of \$117,958 (4.8%) in expenditures is recommended for 2011/12, primarily due to one-time costs incurred in 2010/11, such as library transition software/support and technology, and network security threat assessment monitoring.

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 \$599,904 (34.6%) in expenditures is recommended for 2011/12 as the vehicles replacement schedule has been revised.

City Hall Facility Fund

This fund was established to keep track of costs associated with the City Hall facility. Isolating those expenditures provides an efficient mechanism for charging the costs back to user departments.

A decrease of \$279,800 in expenditures is recommended for 2010/11, primarily due to revised timing of capital repairs, such as carpet and an emergency generator replacement to 2012/13. A decrease of \$5,413 (.3%) in expenditures is recommended for 2011/12.

A transfer to the Capital Improvement Projects Fund of \$400,000 in 2011/12 is being recommended to fund a portion of the Council Chamber and City Hall improvements planned for FY 2015/16 as outlined in the 2011 Five-Year Capital Improvement Program.

Corporation Yard Facility Fund

This fund was established to keep track of costs associated with the Corporation Yard facility. Isolating those expenditures provides an efficient mechanism for charging costs back to the user departments and funds.

The decrease of \$78,900 is due to the flat roof and generator replacement being deferred from 2010/11 to 2011/12. Increased allocated costs account for approximately \$68,000 for a total increase of \$144,939 (57.8%) in expenditures recommended for 2011/12.

Police Facility Fund

This fund was established to keep track of costs associated with the Police facility. Isolating those expenditures provides an efficient mechanism for charging the costs back to the Police Department, plus allows treatment of this facility to be similar to the accounting treatment of other City facilities.

A decrease of \$130,000 in expenditures is recommended for 2010/11 as the Federal UASI grant expenditures for an emergency generator have been deferred to 2011/12.

Library Facility Fund

This fund was established to keep track of costs associated with the operation and maintenance of the Library facility. Costs in this fund are then allocated to the Library Operations Fund.

A decrease of \$175,439 (7.3%) in expenditures recommended for 2011/12 is primarily related to a reduction of general liability insurance costs due to the CJPIA funding model changes.

Camarillo Ranch Facility Fund

This fund was established in 2007/08 to keep track of the costs associated with the maintenance of the Camarillo Ranch facility. Costs in this fund are then allocated to the General Fund.

A decrease of \$85,840 (40.1%) in expenditures is recommended for 2011/12. The majority of the decrease is related to the changes in the personnel distribution and reduced building and grounds maintenance items.

Chamber of Commerce Facility Fund

This fund was established in 2010/11 after acquiring the facility to keep track of the costs associated with the maintenance. Costs in this fund are then allocated to the General Fund.

A 2010/11 budget of \$48,000 was established. A decrease of \$6,012 (12.5%) in expenditures is recommended for 2011/12 as the City staff has gathered more accurate data for projections.

ENTERPRISE FUNDS

Solid Waste Fund

The City provides a refuse, recycling, and green waste program for residential customers, and a refuse and recycling service for commercial customers. The City contracts, through an exclusive franchise agreement, with a private refuse hauler to haul all the waste in Camarillo. The City provides billing services for residential customers from single-family residential up to four-unit residential. The hauler performs the billing services for commercial and multi-family residential customers. Refuse and greenwaste services are provided weekly to Camarillo residential customers. The recycling service is provided bi-weekly.

The City also administers the Household Hazardous Waste Program, by which residents of Camarillo may dispose of hazardous household and garden products safely and effectively without charge. Local businesses may also dispose of small quantities of hazardous waste by payment of a fee.

An increase of \$137,233 (2.2%) in expenditures is recommended for 2011/12 and primarily relates to anticipated increases in collections for rubbish services, which are then passed through amount to the waste hauler.

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.

In both 2010/11 and 2011/12, 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.

A decrease of \$450,000 in expenditures is recommended in 2010/11 due to the return of Prop 1B funds and deferral of vehicle purchases to 2011/12. An increase of \$76,221 (4.3%) is recommended in 2011/12 primarily related to personnel reallocation and one Dial-A-Ride bus purchase.

This fund relies on a transfer from the General Fund and/or Air Quality Management Fund to meet its operational needs. In 2010/11, \$59,000 is recommended to be transferred from the Air Quality Management Fund. In 2011/12, \$650,000 and \$150,000 is recommended to be transferred from the General Fund and Air Quality Management Fund, respectively.

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, but only to agriculture customers; that water is not treated to residential use standards. 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.

A decrease of \$5,014,568 in expenditures is proposed in 2010/11 primarily attributed to the removal of the Well E development project, which will be incorporated into the Regional Desalter Project. A slight decrease of \$60,821 (.5%) is proposed in 2011/12. Projects in 2011/12 are reflective of the 2011 Five-Year Capital Improvement Program (CIP). As discussed at the CIP Study Session, the City is planning to spend \$1.3 million in 2010/11 and \$600,000 in 2011/12 on projects throughout the City. Projects include completion of the airport water improvements, improvements to Reservoirs #1, #3, and #4, and the initial stages of the Regional Desalter treatment facility.

In addition to the adjustment to the capital projects expenditures, an increase of \$411,913 (7.3% annualized) in the cost of purchased water is reflected in 2011/12.

COMMUNITY DEVELOPMENT COMMISSION

In 1995/96, the City of Camarillo established the Community Development Commission (CDC) to implement redevelopment in the City of Camarillo. In 1997/98, the CDC received its first tax increment revenues. The startup funding for the CDC came from a \$400,000

loan from the General Fund. Since then, additional loans have also been provided from the General Fund. The CDC consolidated its outstanding loans to the General Fund and established a longer repayment schedule. Tax increment received by the CDC can only be used to pay debt. Each year, the CDC must demonstrate that it has sufficient debt in order to qualify for the available tax increment.

In January 2011, the CDC repaid the City loan in full, and entered into a funding contract agreement with the City whereby the current capital projects planned within the Redevelopment Project Area would be administered by the City. In February 2011, the CDC entered into a funding contract agreement with the City whereby future capital projects planned within the Redevelopment Project Area would be funded with future tax increment revenue and be administered by the City. As such, a Capital Projects Administration Fund (450) was established to administer these current and future CDC Capital Projects.

CDC Debt Service Fund

In the Debt Service Fund, property tax increment revenues are reflective of the information received from the County Auditor-Controller and the City's consultant on property tax assessed valuations. A decrease of \$73,343 (1%) is recommended in 2011/12 due to anticipated commercial property assessed valuation appeals.

A decrease of \$12.1 million in 2011/12 is proposed due to the one-time loan repayment to the City in 2010/11.

CDC Capital Improvement Projects Fund

An increase of \$245,637 (4%) in expenditures in 2010/11 and a decrease of \$4.5 million (73%) in 2011/12 are recommended. The decrease can be primarily attributed to the reallocation of capital projects into the City CDC Projects Administration Fund.

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

A recommended increase of \$684,067 (7.7%) in expenditures for 2011/12 is primarily related to the changes in the personnel distribution, increased chemical costs, anaerobic digester cleaning, increased TMDL locations, a coagulation study, and the addition of the Fats, Oils and Grease (FOG) control device loan program.

CSD Debt Service Fund

In the Debt Service Fund, property tax revenues are reflective of the information received from the County Auditor-Controller and the City's consultant on property tax assessed valuations. A decrease of \$10,376 (1%) is recommended in 2011/12 due to anticipated commercial property assessed valuation appeals.

CSD Capital Improvement Projects Fund

A decrease of \$622,044 in 2010/11 and an increase of \$4,264,592 (51%) in 2011/12 are recommended and can be attributable to the deferral of capital projects. Projects in 2011/12 are reflective of the 2011 Five-Year Capital Improvement Program (CIP). As discussed in the CIP study session, the CSD is planning to spend \$1.9 million in 2010/11 and \$6.1 million in 2011/12 on capital projects. Projects include improvements per the Sewer System Management Plan and the diversion of discharge to Camrosa holding ponds.

RESERVE ANALYSIS

The City of Camarillo has a policy that during the budget process and again at mid-year, as well as when any substantial changes are made in the budget, a reserve analysis will be prepared and submitted to the City Council. Attached is an analysis which outlines the results of the proposed budgeted amendments for the funds included in the policy. Following are highlights from that analysis:

The Reserve Policy sets a goal for the General Fund reserve as 50% of expenditures, including operating transfers. During the 2010/11 Mid-Year Budget Review process, the projected reserve level was at 99%, or \$30.2 million. Through various staff recommendations, the General Fund reserve level is now projected to be 101%, or \$31.4 million for 2010/11, and 80%, or \$21.9 million for 2011/12. The increase to the reserve level is directly related to upward revisions to revenue estimates related to Property Tax, Sales Tax, Transient Occupancy Tax and Franchise Tax which have begun to show signs of a local economic recovery. The one-time influx of interest related to the CDC loan repayment also contributed to higher revenue estimates for 2010/11. While the General Fund will continue to meet/exceed the established reserve level, it will be important to continually monitor its level given the draw required to subsidize operations in other funds, as well as ongoing economic uncertainties at both the national and state levels.

The Reserve Policy sets a goal for the Facility Funds of 100% of the reserve study capital replacement plan, to fund cash flow and the rehabilitation and/or replacement costs of existing City facility plan components. All Facility Funds are reviewed annually and adjusted accordingly in order to bring their fund balances closer in line with the Reserve Study findings. For the Camarillo Ranch Facility Fund, 2010/11 marks the fourth year of implementation. Progress is being made towards bringing this fund to the minimum level per the Reserve Policy. The current funding brings our reserve level to 69% for 2010/11 and 104% in 2011/12.

The reserve in the Water Utility Fund is decreasing from 211% in 2010/11 to 187% in 2011/12 primarily due to capital improvement projects.

POTENTIAL STATE IMPACTS

Several issues of direct concern exist for cities given the State's ongoing budget woes. Even as approximately \$350 billion was taken in May 2011 from Redevelopment Agencies as a Supplemental ERAF shift, the State continues to propose the elimination of Redevelopment Agencies altogether. Other legislation to extend a 1% sales tax and a 0.5% vehicle license fee would mean the loss of approximately \$305,000 in revenues to the City if not approved by voters.

The City will continue to monitor the State Budget and potential impacts on our own budget.

SUMMARY

As in the past years, it is anticipated that the City of Camarillo will remain in good financial condition throughout the next fiscal year. The City has been very committed to establishing and maintaining good fiscal health. The ever changing horizon of the State Budget impacts and the regulations and mandates placed on the City continue to shape our financial future. The City has several impacts to revenue from the current economy which will be monitored carefully. Steps have been taken over the past few years to become fiscally sound by focusing on economic development.

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