

# City Manager's Budget Message

It is my pleasure to transmit the proposed budget for FY 2016-17. This document is a starting point for a discussion with the community and the City Council about our collective aspirations for the coming year and the years beyond. It is one of the most important policy documents that the City Council must address because it makes the choices about how the City will use its limited resources.

## **Historical Perspective:**

The City of Ojai is highly dependent upon tax revenue from the tourism industry, by way of Transient Occupancy Taxes (TOT) and related sales tax revenues. Ojai is one of the most tourist-revenue dependent cities in the State of California in terms of the percentage of revenues to the general fund from tourism. As a result, the City is subject to potentially significant shifts in revenues depending on how the economy is affecting travel and tourism. A key contributor is the Ojai Valley Inn and Spa. In 2003 the Inn was closed for renovation for an extended period of time which was much longer than expected. During this period City operations were curtailed, and reserves were essentially depleted. From 2005 to 2008 the Inn was reopened and the City was able to replenish reserves. The trend was interrupted by the recession, starting in 2009, and transient occupancy taxes are only now achieving the levels experienced during that brief interlude.

## **Commitment to Infrastructure:**

As the recession started to abate, the City Council made strategic decisions about how to structure the budget in future years. The most pressing issue was to provide secure on-going funding to maintain infrastructure, especially streets. The Council decided to keep its operations lean, and to dedicate most of the growth in transient occupancy tax (TOT) to its capital improvement fund. By FY 2014-15 20% of the TOT was being directly deposited in that fund. That commitment continues in the proposed budget for FY 2016-17. In addition the City has successfully leveraged its contributions with grants and donations. Oftentimes, having local "match" money available has enabled the City to receive top rankings for its grant applications.

**Operational Efficiency:**

The flip side of setting aside adequate funding for capital improvements is the need to keep operations lean and efficient. This budget proposes to begin to reverse that trend with the goal of restoring service levels to near pre-recession levels. The budget also proposes to address the shortage of clerical-level staff necessary to maintain good customer service and responsiveness. The move from a four-day work week to a five-day work week has made it more difficult for staff to meet the demands of the public and slowly over time we have adjusted positions and schedules to meet the schedule demands.

**Planned Equipment Replacement:**

Another part of efficiency is making sure the employees we do employ have the tools needed to do their jobs in the most productive way possible. Starting in FY 2013-14 a replacement fund was established for vehicles. The goal is to accumulate enough money to replace a vehicle toward the end of its useful life when repair costs accelerate. That practice is proposed to be expanded in the upcoming budget to include information technology and other equipment. The proposed budget will include more than \$62,000 for the vehicle replacement fund, and \$40,000 for technology.

**City Hall Office Space and Council Chambers:**

Currently, City Hall suffers from a lack of available office and meeting room space. If the staffing levels proposed in the budget are funded, even partially, then additional office space will be needed. To address this, it is recommended the City acquire a modular building for temporary office space and house these temporary offices on the parcel north of City Hall (on Santa Ana Street). It is not recommended that a permanent expansion be sought, due to the costs involved and the likelihood that the current development activity will eventually abate. This would also free up the potential for an additional temporary meeting room in City Hall. This approach keeps the City Hall campus more or less intact in one location.

It is also recommended that the City explore a re-orientation or reconfiguration of the City Council Chambers, in order to maximize seating space, and in general, improve the functionality of the chambers. Staff recommends preparing specific budgets for each improvement, and to use a one-time funding source (a portion of the approximately \$206,000 RDA loan repayment back to the City) to address these needs. However, the Council chamber needs are not necessarily timely, and could be considered for a future budget if the improvements are so desired.

**Reserves:**

Due to our dependence on one potentially volatile source of revenue, it is important to have substantial reserves. The City Council policy is to have reserves equal to 50% of the general fund appropriations. At the time Libbey Bowl was built, of the reserves that had not been depleted by the recession were used to back Libbey Bowl pledges. Those have now been paid off. We are estimating that the reserve balance will be about 35% of budgeted General Fund expenditures by the end of the current fiscal year. Furthermore, we are recommending that any loan repayment received by the Redevelopment Successor Agency should be added to reserves.

**Budget Format:**

The following sections contain information that is intended to help readers understand more about the financial status of the City, the budget policies that have been adopted in the past and are continued in this document:

**Statement of Financial Principles:** These principles were adopted during the depth of the recession and have guided the budget development since that time. The intent is to manage taxpayer money in a prudent and conservative way. The principals lay out goals that we have been taking steps to achieve as resources become available over the long haul.

**Statement of Investment Policy:** The City holds substantial sums of money for various reasons, including retention of prudent reserves, coverage of cash flow needs, and building up funds for capital improvements. The investment policy values preservation of principle higher and eschews the risk associated with seeking higher yields.

**Summaries:** This section includes charts and some graphs intended to provide a more clear understanding of the budget structure.

**Revenue Sections:** These sections break down the variety of revenue sources in detail and show actual performance in the past and estimates for the current and coming year.

**Expenditure Sections:** Expenses are shown by line item and each department is broken into operational divisions for budget purposes.

Respectfully Submitted,

A handwritten signature in black ink that reads "Steve McClary". The signature is written in a cursive, flowing style.

Steve McClary,  
Interim City Manager