City of Culver City, California

City Council Agenda Item Report

Meeting Date: 03/09/09	Item Number: PH-3
AGENDA ITEM: Introduction of a Balanced Budget Ordinance	
Contact Person/Dept.: Jeff Muir, Chief Financial Officer	Phone Number: 310-253-5865
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [X] Action Item: []	Attachments: [X]
Public Notification: Master E-Mail Notification List (03/04/09)	
Department Approval: Jeff Muir (03/03/09)	City Attorney Approval: Carol Schwab (by H. Baker) (03/03/09)
Chief Financial Officer Approval: Jeff Muir (03/03/09)	City Manager Approval: Jerry B. Fulwood (03/05/09)

RECOMMENDATION:

It is recommended the City Council discuss and consider introduction of a Balanced Budget Ordinance.

BACKGROUND/DISCUSSION:

On December 1, 2008, the City Council directed staff to bring back a proposed ordinance that would require the City to adopt a balanced budget. Staff has completed drafting this proposed Ordinance, and it has been reviewed by the Budget & Finance Subcommittee. The general provisions of the attached proposed Ordinance are as follows:

- Section 3.07.400 would be added to the Culver City Municipal Code requiring that General Fund ongoing expenditures shall not exceed budgeted ongoing revenues for each budget year.
- Section 3.07.405 specifies that for each budget year, the City's projected ending reserves shall not be less than thirty (30%) percent of budgeted operating expenditures.
- Section 3.07.410 provides the ability to use reserves for financial emergencies. If a financial emergency is declared by a four-fifths vote of the City Council, the City's reserves may be used to help balance the budget for a single year, but the projected reserves may not fall below twenty-five (25%) percent. Additionally, the City must implement measures to restore the projected ending reserves to thirty (30%) percent by the end of the immediately following budget year, or with a four-fifths vote of City Council a longer payback period can be adopted.

- Section 3.07.415 provides that ending reserves in excess of thirty (30%) percent may be appropriated only for one-time, non-recurring expenditures that will not increase future operating costs. It also provides that any other use of these excess reserves may be approved by a four-fifths (4/5) vote of the City Council.

The City is facing very difficult financial times in the coming years, and difficult decisions will need to be made. The currently approved financial policies also include language that the City will adopt a budget where ongoing expenditures do not exceed ongoing revenues, and that reserves in excess of the thirty (30%) percent requirement may only be used for one-time expenditures. This proposed ordinance provides a more formal structure for ensuring the adoption of balanced budget than the City's current financial policies, while still providing the City Council some flexibility with a four-fifths (4/5) vote.

FISCAL ANALYSIS:

This proposed Ordinance will require the City to adopt a balanced budget, where ongoing revenues meet or exceed ongoing expenditures. This will assist the long-term financial viability of the General Fund, but may require difficult decisions to get there.

ATTACHMENTS:

1. Proposed Ordinance
2. Council Policy Number 5002 – Financial Policies

MOTION:

That the City Council:

1. Discuss and consider introduction of the Ordinance; and

2. Introduce the Balanced Budget Ordinance (if desired); or

3. Direct staff as deemed appropriate.