City of Culver City, California

City Council Agenda Item Report

Meeting Date: 6/20/05	Item Number: A-3
AGENDA ITEM: PROPOSED 2005-2006 CITY BUDGET STUDY SESSION	
Contact Person/Dept.: Jerry Fulwood/Jim Lavery	Phone Number: (310) 253-6000
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: []	Attachments: [X]
Public Notification: Master Notification List on 6/17/05	
Department Approval: Jerry Fulwood 6/17/05	CAO Approval: Jerry Fulwood 6/17/05
City Controller Approval: Jim Lavery 6/17/05	

RECOMMENDATION:

It is recommended that the City Council divide the attached list (Exhibit D) into two groups: Group Two, items to be discussed at a future City Council meeting, and Group One, items Council would like to address tonight; discuss outstanding Budget issues; and provide direction to staff.

BACKGROUND/DISCUSSION:

The Budget Presentation provided on May 31, 2005 outlined the City's financial limitations and provided a balanced budget for City Council consideration. Additionally, the goal was to start to implement programs that would help to address Culver City's financial problems.

The City is facing serious financial issues. This year's budget is attempting to address the financial issues in a phased approach. The issues facing the City are:

1. Deferred Maintenance of all City infrastructures: building, streets, sidewalks, parks, computer equipment and trees.

2. Culver City should stop its budget dependence on 4% excess appropriations beginning in Fiscal Year 2006-2007.

3. Culver City should review and address Fund balance issues on an ongoing basis. The first overview occurred on May 31, 2005.

4. The City must continue to make progress in managing its Liability and Worker's Compensation programs. A review of the City's Self-Insurance reserve fund fund balance showed that $13 million dollars had been depleted between the years of 1998 and 2005. In order to stabilize the fund in Fiscal Year 2005-2006, staff recommends that charges to the operating departments be increased by $2.7 million, and the transfer of $1 million dollars from the Equipment Replacement Fund to the Self-Insurance Fund. The allocation factor for all funds will be reevaluated to reflect charges in line with individual Department claims expenses.

5. Culver City is facing other unique fiscal challenges over the next few years that will have a significant impact on the City's financial condition. They include:

   - Labor Negotiations with all six bargaining groups.
   - California Public Employee Retirement System – unfunded liability of $24 million.
   - Increased Health Insurance Premiums.
   - Unfunded Worker's Compensation Liability – total $30 million.
   - California and Federal Government fiscal Issues.
   - EXPO Light Rail impacts.
   - Accumulating Replacement and Repair Funds.
   - Salary survey.
   - Salary increase for part-time employees.
   - Making sure departments have the resources they need to get the job done.
   - Provide Public Safety with the resources they need to protect the City.
   - Funding for new programs and increased service levels.
   - Grow reserves.
   - Financial impact of reclassifications.
   - Review Fund Balance.

The concepts behind this year's budget are:

A. To fix the Self Insurance Fund and obtain City Council direction. This includes the one time transfer of one million dollars from the Equipment Replacement Fund. This action will provide working capital and start to recapture the $13 million dollars that had been depleted over the last six years. Additionally, $2.7 million dollars from ongoing revenue had to be allocated to the Self Insurance Fund. We are reviewing all costs charged to the Fund and will provide recommendations to City Council in the near future.

Options

City Council has the option of allocating City resources to cash fund the $3.7 million dollars; reduce City services, and not allocate the $1 million dollars from the Equipment Replacement Fund and have the General Fund subsidize any ongoing operational expenditure on a daily basis.

B. Public Safety Funding items were given first consideration.

City operational efficiency and effectiveness issues were given next consideration.

C. Developed funding reserves to address the ongoing serious problems of deferred maintenance and equipment repair and replacement. These accounts are Pavement Improvement, Slurry Seal, Computer Replacement and Repair, and Park Maintenance. This will give the department heads the ability to better plan the management of their respective areas as opposed to reacting.

D. Grow revenues and reduce expenditures.

The City is looking to maximize its assets in order to generate more revenue for City Operations without always raising taxes. The increased budget for kitchen remodel and the reader board at the Veterans Memorial Complex are entrepreneurial actions to increase the City's revenue base.

Assumptions:

The 2005-2006 Budget is made up of assumptions for revenues and expenditures. During the Mid Year review these assumptions are reviewed and adjustments are made if necessary. City Council has the ability to change any assumptions.

Plan check and impact fees, just like sales tax, are an estimate of what may happen. City Council may want to consider these other options: use City resources and backfill when anticipated impact fees arrive, reduce service levels until impact fees become available, or establish a receivable in case timing issues occur.

Staff believes that any further projected revenue increases are not supportable. Therefore, any funding request beyond the $167,000 should come from the City reserves. It is recommended that we retain a portion of the $167,000 for unanticipated events.

Mid Year Review

The Mid-Year Review occurs after the auditor closes the books. If the year-end books are closed on schedule, the Mid-Year Report will be presented to the City Council by the end January, 2006.

FISCAL ANALYSIS:

The resolution of these pending items will have a major, but yet unquantifiable fiscal impact on the City.

ATTACHMENTS:

Exhibit A Budget Overview.
Exhibit B Pending Items for Council Discussion
Exhibit C Changes to Proposed Budget Fiscal 2005-06
Exhibit D Additional Discussion Items Submitted By City Council
Exhibit E Explanation of Financial Condition of the Self-Insurance Fund

MOTION:

That the City Council:

Review Additional Discussion Items, Changes to the Proposed Budget, and Pending Items; and provide direction to staff.