DAN PATACCHIA MEETING ROOM
9770 CULVER BOULEVARD
CULVER CITY, CALIFORNIA 90232-0507
CITY HALL Tel. (310) 253-6000
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FINANCE ADVISORY COMMITTEE
Wednesday, August 14, 2013

GORAN ERIKSSON, Chair
CRYSTAL ALEXANDER, Vice-Chair
ALLAN AZRAN, Member
DESMOND BURNS, Member
RICHARD HIBBS, Member
SEAN KEARNEY, Member
ALEJANDRO LARA, Member
STEVEN REITZFELD, Member
DAVID TROVATO, Member

PUBLIC COMMENT
The Finance Advisory Committee will listen to the public on any item on the agenda or item of interest that is not on the agenda. The Finance Advisory Committee cannot take action on any item not scheduled on the agenda. Such items may be referred for administrative action or scheduled on a future agenda.

If you wish to speak to the Committee, please complete a Speaker's Card and present it to the staff liaison before the agenda item is called. You will be called by name when it is your turn to speak to the Committee.

PUBLIC COMMENT FOR ITEMS ON THE AGENDA
Persons wishing to speak on agenda items will be called at the time the agenda item is brought forward. Comments will generally be limited to five minutes per speaker; however, a three-minute limit may be declared by the Chair for agenda items for which many Speaker Cards have been submitted.

PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA
A total of twenty minutes shall be devoted to audience participation at the beginning of the agenda. Speakers will be called on in the order cards were received by City staff. If additional time is needed, the committee chair will allow for same at the end of the agenda.

When your name is called, please stand and state your name and city of residence. Speakers must limit their comments to five minutes. A three-minute limit may be declared by the Chair if there are a large number of individuals desiring to address the Council.

AUTHORITY OF PRESIDING OFFICER
Section 611 of the City Charter provides that during any public meeting, all persons shall have the right to address the City Council, and any City commission, board or committee, subject to reasonable rules of decorum and time limits established by ordinance or the presiding officer. Therefore the presiding officer may, from time to time, establish different time limits than those listed in this Agenda in order to effectively conduct Committee business.

CELL PHONES AND OTHER DISTRACTIONS
Use of cell phones, pagers, and other communication devices is prohibited while the Committee meeting is in session. Please turn all devices off or place on silent alert and leave the meeting area to use. During the meeting, please refrain from applause or other actions that may be disruptive to the speakers or the conduct of City business.

MEETING INFORMATION
Finance Advisory Committee Meetings are regularly scheduled for the second Wednesday of every month. Committee Agenda information is available at least 72 hours before each meeting via posting at City Hall, and on the City website. Information may also be accessed by calling the Finance Department at (310) 253-5865.

Agendas are
Available on the web at
www.culvercity.org

Finance Advisory Committee
REGULAR MEETING AGENDA

Wednesday, August 14, 2013
7:00 PM
Dan Patacchia Meeting Room

CALL TO ORDER & ROLL CALL:

Goran Eriksson, Chair
Allan Azran, Member
Richard Hibbs, Member
Alejandro Lara, Member
David Trovato, Member
Crystal Alexander, Vice-Chair
Desmond Burns, Member
Sean Kearney, Member
Steven Reitzfeld, Member

PLEDGE OF ALLEGIANCE

PUBLIC COMMENT – Items Not on the Agenda

CONSENT CALENDAR *(Consent Calendar items are considered to be routine in nature and may be approved by one motion. Public requests to discuss Consent Calendar items must be filed with the Secretary before the Consent Calendar is called.)*

C-1. Minutes of the June 12, 2013 Regular Meeting.

ACTION ITEMS *(Public requests to discuss Action Items must be filed with the Secretary before the item is called)*

A-1. Discussion of Work Plan.

ITEMS FROM STAFF

ITEMS FROM COMMITTEE MEMBERS

ADJOURN

THESE MINUTES ARE NOT OFFICIAL UNTIL APPROVED BY THE CULVER CITY FINANCE ADVISORY COMMITTEE

REGULAR MEETING OF THE	**June 12, 2013**
CULVER CITY FINANCE ADVISORY COMMITTEE	**7:00 P.M.**
CITY OF CULVER CITY, CALIFORNIA	

CALL TO ORDER & ROLL CALL

The meeting of the Finance Advisory Committee was called to order by Chair Eriksson at 7:00 p.m. in the Dan Patacchia Meeting Room.

Members Present:
GORAN ERIKSSON, Chair
ALLAN AZRAN, Member
DESMOND BURNS, Member
RICHARD HIBBS, Member
SEAN KEARNEY, Member
ALEJANDRO LARA, Member
STEVEN REITZFELD, Member
DAVID TRAVATO, Member

Member Absent: **CRYSTAL ALEXANDER**, Vice-Chair

Staff Present:
Jeff Muir, Chief Financial Officer
Gracie Hasan, Secretary, Finance Advisory Committee

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Pledge of Allegiance

The Pledge of Allegiance was led by Steve Reitzfeld.

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Public Comment for Items NOT On the Agenda

None.

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Consent Calendar

Item C-1

Meeting Minutes

THE FAC PASSED A MOTION APPROVING MINUTES FOR THE REGULAR MEETING OF MAY 8, 2013 WITH THE FOLLOWING CORRECTION:

Consent Calendar Item C-1
(Continued)

Correction:

Agenda Item A: Minutes of May 8, 2013 - Moved by Member Burns, seconded by Member Reitzfeld to nominate Member Alexander to serve as Chair of the FAC.

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Action Items

Item A-1

Discussion of Bylaws

Jeff Muir, Chief Financial Officer, provided a summary of the material of record.

Discussion ensued between Committee Members and staff regarding the FAC Bylaws.

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Item A-2

Discussion of Communications with the Public

Jeff Muir, Chief Financial Officer, provided a summary of the material of record.

Discussion ensued between staff and Committee Members regarding interim solutions; contact information for Committee Members; the Brown Act; appropriate communication; contacting Committee Members from the City website; public record; addressing questions from the public; statements by individuals vs. statements by the group; confidential issues; and notification groups on the website.

MOVED BY MEMBER BURNS, SECONED BY MEMBER LARA AND UNANIMOUSLY CARRIED, THAT STAFF CREATE AN E-MAIL LINK ON FAC WEBPAGE WITH A "FILLABLE FORM" FOR THE PUBLIC TO SUBMIT QUESTIONS OR COMMENTS THAT WILL BE SENT TO COMMITTEE MEMBERS VIA JEFF MUIR, CFO. THE PUBLIC WILL BE NOTIFIED THAT THE QUESTION(S) WILL BE PLACED ON THE NEXT AGENDA FOR DISCUSSION OR ACTION BY THE COMMITTEE.

Upon further discussion between staff and Committee Members, this item will be placed on the Agenda for the next meeting scheduled for July 10, 2013.

MOVED BY MEMBER REITZFELD, SECONDED BY MEMBER HIBBS THAT THIS ITEM WOULD BE DISCUSSED AT THE MEETING OF JULY 10, 2013.

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Item A-3

Presentation and Discussion Regarding Fiscal Year 2013/2014 Proposed Budget

Jeff Muir, Chief Financial Officer, provided a summary of the material of record.

Open discussion ensued between staff and Committee Members regarding the total budget; property taxes; the sewer fund; storm water requirements; landfill costs; transportation funding; fund balances; the Self Insurance Fund; the Housing Authority; property tax increment; the dissolution of the Redevelopment Agency; the Successor Agency; housing assets; Section 8 Housing; the Oversight Board; CALPERS; City owned properties; the Utility Users Tax; Transient Occupancy Tax; filming revenue; sales tax; salary initiative ordinance; pending Redevelopment projects; the disposition plan; and the new financial system.

Jeff Muir, Chief Financial Officer, presented a pictorial presentation of the approved City budget for FY 2013-2014.

Additional discussion ensued between staff and Committee Members regarding reserves; financial policies; the General Fund; enterprise funds; clarification that ongoing revenues are expected to meet ongoing expenses and that the 2013-2014 budget is balanced for the first time in 4-5 years; and the availability of the budget is online for the general public to view.

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Item A-4

Discussion of Work Plan

Chair Eriksson introduced the item noting that requested examples of work plans were not available.

Jeff Muir, Chief Financial Officer, discussed possible items to include in the work plan; the financial policy; the long term forecast; assumptions; storm water compliance; the existing business tax ordinance; and he discussed the original Public Finance Advisory Committee established in the late 1980s.

Discussion ensued between staff and Committee Members regarding when the work plan is due to the City Council; the ability to make changes to the work plan after it is finished; items to include; salaries and pensions; expenditures; assessment districts; Community Development Block Grants; costs of a full-funded City; looking at line items department by department; identifying what other contractual services are; clarifying revenue; looking at the plan and moving forward before bullet points are considered; looking at ways to increase revenue and decrease expenses; City Council direction;

Item A-4
(Continued)

considering details once the work plan is established; what to accomplish by the end of the year; the budget process; looking at the big picture; goal setting; development of the 2014-2015 budget; short term goals; examining the current budget to look for opportunities for revenue enhancement and cost reductions; work by individual departments to streamline processes; policy review; areas of flexibility; the General Fund; Enterprise Funds; fee recovery; clarification that all taxes have to be approved by the voters; the fees and charges study; business taxes; the Proposition Y funds; the storm drain issue; existing General Fund expenditures; parks maintenance; street maintenance; parcel taxes; funding services; expiring taxes; incentives for businesses; sales tax rebates; waiving business tax costs for non-Culver City based production companies; the Westfield incentive; a suggestion to create subcommittees to accomplish additional work; miscellaneous revenue accounts; the PXP settlement; the Teen Center rental; and the long term analysis.

Jeff Muir, Chief Financial Officer, questioned whether the consensus was to conduct a detailed line item review of the General Budget focusing on different departments.

Additional discussion ensued between Committee Members and staff regarding whether the expertise exists in the Committee to really delve deeply into having an impact on the amount that is being spent or brought in by department; agreement to discuss policy to address any outdated components; examining the policies of other area cities; discussing policies with each department; working to make things easier for staff; internal controls; issues with changing from a City Council run form of government to a City Manager run form of government; the level of detail that the City Council gets into; autonomy in the departments; cost structures for other cities; appropriate cities to compare with; and other cities that have been successful identifying cutting costs and raising revenue.

Jeff Muir, Chief Financial Officer, noted that the City had been struggling with the budget for several years with much work done by staff on ways to increase revenue and decrease costs; and he agreed to provide background material to Committee Members to enable a continuation of the discussion with Committee Members armed with some of the things previously done by the City.

Further discussion ensued between Committee Members and staff regarding meeting dates; homework for Committee Members; a review of documents and policies; and agreement to cancel the July meeting and meet in August as necessary to provide information to the City Council at the Council meeting in September 2013.

MEMBERS OF THE FAC CONSENTUALLY MOVED A MOTION TO CANCEL THE NEXT MEETING OF JULY 10, 2013. NEXT MEETING SCHEDULED TO CONVENE ON AUGUST 14, 2013 - SECONED BY MEMBER LARA - MOTION CARRIED.

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<u>Items from Staff</u>

None.

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<u>Items from Committee Members</u>

None.

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Adjournment

There being no further business, at 9:35 p.m., the Finance Advisory Committee adjourned its meeting to Wednesday, August 14, 2013 at 7:00 p.m. in the Dan Patacchia Meeting Room.

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Gracie Hasan
SECRETARY of the Culver City Finance Advisory Committee
Culver City, California

APPROVED

Goran Eriksson
CHAIR of the Finance Advisory Committee
Culver City, California

City of Culver City, California

Finance Advisory Committee Agenda Item Report

Meeting Date: 08/14/2013	Item Number: A-1
AGENDA ITEM: Discussion of Work Plan.	
Contact Person/Dept.: Jeff S. Muir/Finance	Phone Number: 310/253-5865
Public Notification: (E-Mail) Meetings and Agendas – Finance Advisory Committee (08/08/13)	
Department Approval: Jeff Muir (08/07/13)	

RECOMMENDATION:

Staff recommends that the Finance Advisory Committee discuss the work plan for ultimate consideration by the City Council.

DISCUSSION:

The Finance Advisory Committee (FAC) bylaws state that the FAC is supposed to develop a set of work plans of specific tasks or duties for City Council approval within the first four months of its creation. This is a unique requirement in comparison to the City's other Commissions and Committees, where the duties and responsibilities were provided by the City Council.

At the previous meeting the discussion of the work plan began. Staff provided some documents of the previous Public Finance Advisory Committee that may be of some assistance for this discussion. Those documents are attached again for easy reference.

Also attached is a report that was provided to City Council in 2009 as part of the Comprehensive Financial Strategy Update. The document was a Long-Term Financial Operations Summary, and it summarized a number of revenue enhancement and expenditure reduction possibilities. While a number of these items have been implemented, the FAC could consider further discussion of some of the concepts.

Staff still recommends that the initial work plan be viewed similar to a budget, where it can be amended or changed over time. The FAC may choose to include a few items for the initial work plan, with the understanding that as items on the list are addressed, items can be added in the future for further City Council consideration.

A few items for potential consideration now, or in the future, are:

- Develop a communications strategy for financial information on the City's website.

- Develop a methodology for how Measure Y proceeds are reported to the public.
- Budget Benchmarking Project to compare where and how Culver City spends and receives money to some similar communities.
- Review and recommendations for the City's current financial policies.
- Review and recommendations for the long-term financial forecast.
- Review and recommendations for addressing storm water requirement compliance.
- Review and recommendations on the City's existing Business Tax ordinance.

ATTACHMENTS:

1. Notes from PFAC 'Brainstorming' Session in 1989.
2. Final PFAC report from 1991.
3. Long-Term Financial Operations Summary from Comprehensive Financial Strategy Update in 2009.

MOTION:

That the FAC discuss the work plan and provide any recommendations to staff.

PUBLIC FINANCE ADVISORY COMMITTEE
"BRAINSTORMING" SESSION
APRIL 25, 1989

1. Utilize bonds to fund long-term improvements

2. Address projected General Fund shortfall by:

   o Use of Fund Balance excess of $1.0M

     - Determine schedule
     - Determine priorities

   o Use of Business License Tax

   o Fees for services

3. Contracting out where feasible to reduce costs.

4. Establish sunset for City programs - explore whether existing programs are still needed.

5. Look at planning decisions as they relate to City income.

6. Establish a City owned/operated recycling center as opposed to rubbish collection service.

7. Put some City recreation programs on a self-supporting basis.

8. Control of medical and health insurance costs.

9. Are Culver City's accounting policies/practices in measuring/estimating revenues too conservative?

10. Evaluate existing business license assessment methods to determine if alternatives exist.

11. Identify services which are mandates and are not priorities within departments and costs of these services.

12. Charges to Redevelopment Agency and enterprise should be at market value - not cost - if cost exceeds market value, use outside contract.

13. Determine appropriate/effective use of benefit assessment districts.

14. User fees to finance services.

15. Maintenance costs associated with capital improvement projects.

16. 5-year budgeting plan.

17. Joint services and joint purchasing with school district - merge manpower and facilities.

18. Explore divestiture of assets and film libraries to see if appropriate sales tax has been paid.

19. Look at retirement costs.

20. Collection of past-due fees and taxes.

21. What are true reserves and are they too high?

22. Determine true replacement cost and life expectancy for capital improvements.

23. Develop cost/benefit model which identifies sources of funding and beneficiaries by department, including CRA.

24. Determine if City services are over staffed or under staffed.

25. Expand park and recreation facilities to meet increased population.

26. The portion of utility tax on residents is extremely regressive; given percentage of low income should burden be lightened?

27. Line item review of all department budgets, including CRA, to determine potential for combining like functions.

28. Communication with business community to determine method of attracting new businesses.

29. Evaluate business taxes and/or fees to determine impact on business competitiveness and ability to attract businesses in Culver City.

30. Determine feasibility of establishing enterprise zones.

31. Determine method of balancing revenues generated by and resources consumed by residential and business community.

32. Fees and fines related to code enforcement activities.

33. Does cost of Police Department exceed Culver City's ability to pay for it?

34. Good public relation to community about City activities, functions.

35. Grants and contracts - are we exploring them to the fullest?

36. Could Culver City service surrounding unincorporated jurisdictions (i.e., West L.A. College) for Police and Fire (etc.), more cost effectively than the County and to mutual benefit?

37. Benchmark all user fees with comparable public/private services available in the area.

38. Are there overlaps in Human Service area with West L.A. College, School District and private sector?

39. How do we measure and ultimately increase the productivity level of City employees?

CITY OF CULVER CITY

4095 OVERLAND AVENUE • CULVER CITY, CALIFORNIA 90232-0507

PUBLIC FINANCE ADVISORY COMMITTEE

February 26, 1991

The Honorable Mayor and Members of the City Council:

The Public Finance Advisory Committee is pleased to transmit its second and final report herewith culminating nearly two years of work. The Committee met 45 times for over 100 hours of deliberation plus substantial subcommittee work.

To a large degree, the Committee's work is a continuation of Direction 21 in the public finance area. The Committee was very cognizant of the Direction 21 activity, as some of the Committee members also participated in the Direction 21 effort.

The Committee established operating guidelines, which included wide distribution of agendas and minutes, a higher quorum requirement for approval of recommendations and a provision for minority reports. Meetings were frequently attended by various City staff. In addition, the Committee received numerous written staff comments to its draft recommendations.

The deliberations were lively and candid. Community values and professional backgrounds were integrated into the discussion that lead to the ultimate recommendations.

The interim report issued July 23, 1990 focused largely on operations and expenditures. This final report deals with economic development, revenue enhancement and City financial policies.

The objectives of the Committee were as follows:

1. Consider every possible way by which the need for new revenue sources can be minimized or avoided, short term or long term. The recommendations provided relative to this objective would be those directed towards increasing operating efficiencies and maximizing revenues from existing resources.

2. Provide a recommended revenue enhancement strategy to cover the costs of essential services required by factors either beyond the City's control or to meet community demands.

3. Provide a recommended financial strategy to meet the needs of infrastructure improvement and maintenance above and beyond that reasonably funded from current revenue resources.

4. Provide recommendations of revenue sources to be used if, with the <u>real and complete</u> implementation of all other recommendations, there remains a need for additional revenue to fund City operations.

5. Provide recommendations for a program to inform our citizens more fully about the financial needs of the City, present and future.

6. Provide recommendations regarding financial policies which will serve to maintain the City's financial health.

The citizens of Culver City want the quality services they now have. In the difficult economic times and tough fiscal environment that all cities now find themselves, it is only through careful planning that our municipality will be able to maintain our present standard of services.

Finally, the Committee would like to thank the Department Heads for their cooperation and contributions, to express its appreciation to Robert Norquist for his professionalism and skill in responding to the Committee's requests and to Mary Noller for keeping the massive flow of paper and information under control.

Respectively submitted,

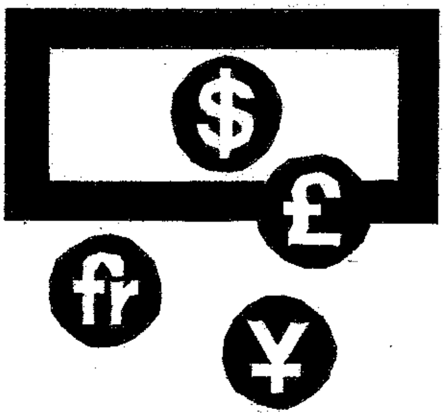
Howard Welinsky
Chair

Ed Little
Vice Chairman

CITY OF CULVER CITY
PUBLIC FINANCE ADVISORY COMMITTEE

FINAL REPORT TO THE CITY COUNCIL

FEBRUARY 1991

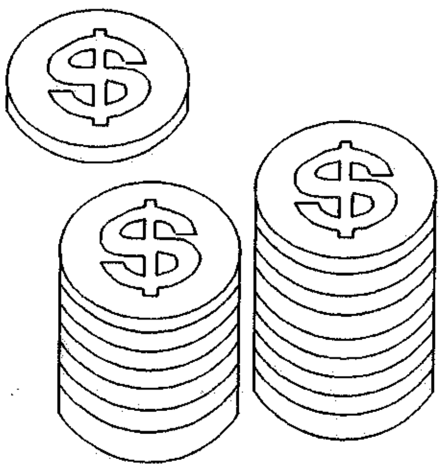


Submitted by
Howard Welinsky
Chairman of the PFAC

RECEIVED AND FILED BY THE CITY COUNCIL ON MARCH 11, 1991

CITY OF CULVER CITY
PUBLIC FINANCE ADVISORY COMMITTEE

Harris Adams
Crystal C. Alexander
Sharon Burns
Bonita Knox Gillette
Bobbi Gold
Walter H. Harris
Barbara M. Holman
Edward Little
Steven J. Rose
Roger Swanson
James G. Turner
Howard Welinsky



Past Members:
Jason Frand
David Lazarus
Norma J. Williams

Staff to PFAC:
Robert C. Norquist
Asst. to the CAO/
Budget & Finance

Secretary:
Mary Noller

PUBLIC FINANCE ADVISORY COMMITTEE

FINAL REPORT

Simply because the recommendations of the Public Finance Advisory Committee can be documented, there is the risk that this written report will overshadow a process which was both challenging and groundbreaking for Culver City. Committee members drew inspiration from each other. Long-time residents shared their history and experiences with relative newcomers to the community, who responded in kind with enthusiasm, often providing valuable insights. Deeply felt beliefs and entrenched points of view on behalf of committee members and City staff were discussed openly, creating an increasing atmosphere of trust. It became apparent that, regardless of beliefs and preconceived notions, everyone cared about the financial well-being of the City. As some members of the PFAC were also participants in the Direction 21 process, the nexus between financial stability and achievement of long-range community goals was never so clear.

Issues of every stripe -- programmatic, procedural, and policy -- were identified, defined, analyzed and debated. Underlying the process was a rarely voiced but consistent search for positions which would yield consensus. It wasn't good enough merely to identify the ideal solution. The ultimate challenge was to agree upon solutions and an overall plan that could be implemented and work for Culver City. While it should be noted there was consensus on many of the major issues, not every debate resulted in a consensus, but a good faith effort was made nonetheless.

It is, then, the spirit of the Public Finance Advisory Committee -- a spirit of investigation, education, cooperation and community ambition -- and not merely the product of its efforts, that is its legacy to the City. It is this spirit that is key, for the future of Culver City will not succeed or fail on the validity of PFAC recommendations, for these may change over time, but by the caring and commitment of our citizens to this community.

Our interim report, issued July 23, 1990, focused largely on City operations and expenditures. This final report deals with our recommendations regarding economic development, revenue enhancement and City financial policies as follows:

1. <u>We recommend the identification of investment opportunities that will enhance the quality of life and the economic well being following the guidelines of "Direction 21". To accomplish this:</u>

   <u>We recommend the establishment of a municipal function, separate from existing regulatory functions, which bears the independent responsibility for economic development within the City.</u>

We recommend the establishment of a mission statement to specify responsibility of the City Staff to positively support economic development using guidelines issued by the Council.

Recommended guidelines would include (but not be limited to) the following:

a. Support with enthusiasm the efforts of all private sector groups and organizations whose objective is to encourage the location and enhancement of desirable business entities in the City. To date, however, the City has not developed an economic development plan to identify and attract those businesses that would provide attractive goods and services to the community and in turn increase business tax revenue.

b. Develop the philosophy that representatives of the City staff, particularly in the Community Development Department, should consider themselves the "Asset Managers" of all revenue producing assets in the City. The implied stewardship is that of doing everything possible to facilitate the development and maintenance of all revenue producing resources, consistent with the community standards for the quality of life.

c. Expedite the development of undeveloped properties under the jurisdiction of the City and Redevelopment Agency to enhance the City's economic and general City revenue base.

d. Make all planning decisions in accordance with the existing Code, not with proposed Code changes, and do so with a spirit of compassion and cooperation without adding unwarranted interpretations.

e. Revise department procedures to give more timely service, particularly for the many relatively simple requests submitted. One-visit completion should be the goal.

f. The spirit of cooperation and help should prevail. When minor accommodations to the code would support, enhance and facilitate the objectives of these recommendations, staff should make every effort to do so.

The objective of these recommendations are to create a greater awareness in the City staff and community as to the crucial role of maintaining and enhancing revenue for the City. Based on a significant amount of community input, the Committee believes that there is a real need for a rejuvenation of thinking and atmosphere. The City should always be an advocate for the revenue producers that have been identified by Council and should be aggressively helpful in the resolution of difficulties with code compliance. Citizens, businessmen and developers should look forward to their dealing with the City as a positive, cooperative experience. One suggestion would be for the City to provide funds for business enhancement seminars.

There is no intent in this recommendation to suggest that the Planning Division depart from its goals of maintaining the quality of life [development standards] in the City. It is the Committee's feeling that the Planning Division's primary function as a regulator need not conflict with the Division operating in a spirit of understanding and cooperation. Where decisions of significant magnitude are involved, the spirit of positive thinking should be maintained. The Council should be informed when a major project might be jeopardized by some code requirement that might be modified. The Council should be the source of major adverse determinations when the code is not specific and defined. A friendly route of appeal should be available for all projects.

2. <u>We recommend the continuing aggressive implementation of the program which is resulting in more reported taxable sales in Culver City by local offices of multi-location businesses.</u>

Efforts in this direction have been successful in generating additional revenue for the City. The formalization of this program would require involvement of City staff and, from time to time, elected officials and willing local business persons.

3. <u>We recommend that the value and contribution of the business community be communicated to the residents of the City.</u>

Many citizens, fearful of the increasing business and industrial development, cannot view the contribution of the business community in a positive way. A serious effort needs to be undertaken to help all residents recognize the importance of businesses and to support the Direction 21 recommendations. Suggested media would include:

a. City newsletter.

b. Presentations before civic groups.

c. Presentations before homeowner's organizations.

d. Press releases for local media coverage.

e. Handouts at local businesses.

Our citizens need to understand that without business-generated revenues, the City really could not function. City residents need to be encouraged as much as possible to "shop at home."

4. <u>We recommend that a summit meeting of public and private sector leaders be initiated to establish more direct communication links. It is important that both sides understand what they offer the community, and why.</u>

One major difference between government and business administration is in the process of identifying, attracting and capturing a "market". Business entrepreneurs speak of "market share" while government administrators speak of "service levels" for an already captured market. It is here where business and civic leaders need to seek a common ground by which economic health of the community, both residential and business, can be strengthened. The two are inexorably linked, most of the time accentuating the positive.

Each side needs to "walk in the other's shoes" a bit. For example, it would prove very enlightening for City staff to understand just how a small business operates, captures a market, and makes the profit the City can **then** tax to fund its own operations. Conversely, business leaders may be surprised to discover how City staff attempts to balance competing interests to meet the directives of the elected and appointed officials of the Council and Planning Commission.

5. <u>We recommend that the City affirmatively recognize the need for businesses to advertise through the use of reasonable signage.</u>

Government officials and staff need to understand the necessity and complexity of adequate advertising in today's competitive business environment. The committee acknowledges the very substantial work accomplished by SORAC. There is a general feeling that, in its present format, the proposed Sign Ordinance adequately addresses the aesthetic needs of the City. However, we are concerned that it should also adequately address the economic needs of business, especially those of small businesses, to promote their enterprises. The committee hopes that in its final form the Ordinance will adequately support this recommendation.

6. <u>We recommend that a study be done reviewing the functions and procedures of Planning, Engineering, and Building/ Safety to improve coordination to more effectively serve the public.</u>

Having to deal with many different City staff members is a burden to any developer; for large projects, the burden is often compounded by involvement with possibly dozens of different governmental jurisdictions. Better coordination of development review, planning, engineering and building/safety so as to simplify the developer's procedures will encourage local development rather than discourage it. Cross-training and economies of scale might also arise from improved coordination,

7. <u>We recommend that the parking requirements be reviewed and adjusted particularly in existing strip commercial areas where it is impossible for a business to create more parking in order to meet current code.</u>

   Without an in-depth review of the current plan, the City faces a loss of investor interest, as existing buildings remain vacant due to burdens of upgrading parking. The parking code needs to be adjusted to provide more reasonable standards for existing buildings, particularly in strip commercial. New use or remodeling of these buildings where square footage is not increased might perhaps carry forward the existing parking requirements from current or prior use.

8. <u>We recommend that, if the City Council determines additional funds are necessary to maintain essential services, the first priority method for revenue generation should be a Street Light/Landscape Maintenance Benefit Assessment District. This recommendation is made in concert with the following caveats:</u>

   a. The City Council must give budget policy guidance to departments **<u>prior</u>** to budget preparation for FY 1991-92, so that both elected and appointed decision makers can work together to address short term budget deficits. This guidance should include the identification of primary, secondary and tertiary programs **<u>and</u>** levels of service. Ultimately, it is the City Council's responsibility to set service priorities and to allocate sufficient funds to meet community needs. Across the board percentage cuts should be avoided. It is incumbent on the City council to make the final call to the citizens for any new revenues that may be needed, bearing in mind that the individual family must often opt to cut costs when additional revenue (salary) is not forthcoming.

   b. Any upward adjustment to the Utility User Tax should be held as a last resort revenue option that should not be implemented until all other reasonable budget cuts and revenue options are explored. This revenue is seen as the City's "ace in the hole" in times of catastrophic financial conditions.

c. Projected cash flows for the next three years indicate that, **absent** any change from current spending patterns or proactive approaches to revenue generation, the City will experience continued budget deficits. This challenge should be addressed immediately before the compounded effects leave the City with fewer viable options for the future.

d. Projected cash flows after five years indicate a moderation of the budget deficit, primarily due to assumptions concerning the buildout of the Marina Place project. These projections indicate that any revenue options would be needed for a short and finite period of time.

e. The maintenance of street lighting, traffic signals, street trees and the landscaping in parks, street medians and parkways are an important aspect of the character and quality of life in our City. Given the projected budget deficit, the financial allocations to these services and facilities are more likely to be reduced than many of the vital services provided by the Police and Fire Departments to provide for the health, safety and protection of the community. Citizens are usually not inclined or equipped to provide the latter type of services for themselves.

f. Institution of a Street Light/Landscape Maintenance District allows the Council a mechanism to determine funding for services in the secondary and tertiary priority levels. In short, it provides an opportunity to re-confirm commitments to maintaining and/or expanding these services and facilities for our community. Benefits to each citizen are direct and measurable. Annually, the Council should reaffirm its intention to elect to use district funds as part of the decision-making process. Full assessment of annual fees must be weighed against budget reduction options throughout the entire budget.

9. <u>The Culver City Public Finance Advisory Committee recommends that the City Council adopt a series of financial policies which are appended to the Committee's final report.</u>

The policies reflect the general public finance philosophy developed by the PFAC and City staff over its two year tenure. We feel these policies will serve to guide the City in the years to come, and assure a sound financial future.

APPENDIX

PROPOSED CITY
FINANCIAL POLICIES

CITY OF CULVER CITY

FINANCIAL POLICIES

LONG-TERM PLANNING

1. The City shall seek a better balance in the overall revenue structure between stable and economically sensitive revenues. When new revenue sources are proposed, they should be designed to achieve the desirable balance.

2. The City shall enhance the economic development of the community as a whole through prudent long-range financial planning to encourage desirable businesses to locate in the City of Culver City.

3. The City shall develop and maintain methods of forecasting future revenues and expenditures. These methods shall project the City's future revenues and expenditures through a variety of methods including but not limited to forecasts of the economy and future development of the City. Each year, the City will update revenue and expenditure projections for the next four fiscal years to include current information; a revised fiscal forecast will be submitted to City Council during the budget process.

4. The City shall develop and maintain a projection of capital improvement needs for the next five years based on the General Plan, Specific Plans, and on City Council approved projects consistent with projected revenue and expenditure constraints. Future planning should consider periods of revenue surplus and shortfall and adjust future programs accordingly. Planning for Capital Improvement Projects shall also consider operating and maintenance cost impacts.

5. The City shall develop and maintain methods for the evaluation of future development in the City and the related fiscal impacts on the City budget.

6. The Staff shall keep City Council apprised of financial opportunities available to the City and shall develop appropriate recommendations.

7. The City shall avoid using one time revenues to subsidize an ongoing imbalance between operating revenues and expenditures unless a five-year forecast shows no continuance of structural operating deficits.

8. The City shall develop and implement a financial plan to address its unfunded liabilities.

9. Cost analysis of salary increases shall be based on direct salary plus City share of fringe benefits and pay for time not worked; and be projected over at least a five-year period.

REVENUE POLICIES

1. The City will estimate annual General Fund revenues using an objective, analytical process; specific assumptions will be documented and maintained. In instances where there is uncertainty as to assumptions, conservative revenue projections shall be provided.

2. The City shall annually, project revenues for the current and following four years, re-evaluating each existing and potential revenue source. These revenue projections and their assumptions shall be included in a forecast submitted to the City Council during the annual budget process.

3. The City shall prepare quarterly reports which discuss revenue projections in light of actual receipts, and shall provide new projections, as appropriate.

4. The City shall identify basic tax-provided services and will establish user fees and charges for services provided in excess of basic services and/or to non-taxpaying users.

5. Where direct services to citizens can be measured, the City shall consider use of appropriate fees, charges or assessments rather than general tax funds.

6. User fees and charges for specialized services shall be established at a level related to the cost of providing such service except where the City Council has determined there is a public benefit to subsidize the service with tax based revenue.

7. Annually the City will review the cost of activities supported by user fees to identify the impact of inflation and other cost increases. Fees shall be adjusted where appropriate to reflect these increases.

8. Enterprise funds (refuse/sewer/transit) shall be fully supported from their own revenue sources. This support shall include covering indirect costs such as General Fund services and annual depreciation.

9. The City shall identify the costs associated with new development as a basis for establishing development impact fees. The long-term benefit of the development to the City should be considered in establishing such fees.

APPROPRIATION POLICIES

1. The City shall, to the extent possible, pay for current year expenditures with current year revenues. Where authorized activities/equipment remain incomplete and/or unpurchased, revenues and/or fund balance may be carried forward at the Chief Administrative Officer's direction to the next fiscal year to support such an activity/purchase.

2. The City shall avoid budgetary procedures that balance current expenditures at the expense of meeting future years' expenses.

3. The City shall develop and implement a five year infrastructure, facilities and equipment maintenance/ replacement plan, which shall be updated annually. A further goal shall be the development of a maintenance plan for all infrastructure, facilities and equipment over their expected life.

4. The Chief Administrative Officer shall be held accountable for assuring that department expenditures stay within the department's budget appropriation, and will notify the City Council immediately of the necessity to overexpend any department appropriation, prior to such overexpenditure.

5. All requests for City Council action shall include an analysis of the immediate and future fiscal impact of such action. No appropriation for new or expanded programs or staffing levels shall be approved without identifying the amount and source of available funds.

6. All externally mandated services for which funding is available shall be fully costed out, including overhead, to allow for complete reimbursement of expenses.

CAPITAL IMPROVEMENTS

1. The Capital Improvement Program is budgeted on a multi-year basis. Monies shall be allocated to projects when they become available regardless of the fiscal year in which construction will actually take place. The annual expenditure increment for any Capital Improvement project shall be contained within the appropriate annual budget categories.

2. The budget shall contain an annual allocation and an additional four-year revenue projection and needs analysis which specifies the revenue sources and allocation schedule for individual projects. This five-year plan shall be updated annually.

3. Unexpended capital project budgets shall be carried forward to future fiscal years to complete the intent of the original budget, contingent upon reappropriation by the City Council.

4. The City shall actively pursue outside funding sources for all projects for the CIP funding. Outside funding sources, such as grants, shall be used to finance only those Capital Improvement Projects that are consistent with the Five Year CIP and local governmental priorities, and whose operating and maintenance costs have been included in future operating budget forecasts.

5. Use of Bonds and/or Certificates of Participation to fund capital improvements shall be considered when it is cost effective or necessary to do so to meet a public need. Long-term borrowing shall be restricted to projects too large to be financed from current revenues. Where possible, special assessment, revenue or other self-supporting bonds shall be used in lieu of general obligation bonds.

FUND BALANCE/RESERVE POLICIES

1. The City shall maintain a reserve in the General Fund for cash flow, emergencies and economic uncertainties at a minimum of 10% of projected General Fund expenditures for each fiscal year.

2. The City shall establish, at the beginning of each fiscal year, an "appropriated reserve" to provide funding for special projects which are approved after the annual budget is adopted, for unanticipated expenditures of a nonrecurring nature, or to meet unexpected increases in current service delivery costs. This reserve shall be established at a minimum of $200,000.

3. The uncommitted fund balance from any prior fiscal year should not be used to fund ongoing operations in an upcoming year. Such monies should be committed to capital improvement projects, other one-time programs or shall be placed in the Reserve for Economic Uncertainties.

4. One-time funds should not be used for ongoing City programs. Such monies should be committed to Capital Improvement Projects or other one-time programs.

5. The City shall maintain a fund with a sufficient balance for eventual replacement of vehicles, equipment and facilities.

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CITY OF CULVER CITY

COMPREHENSIVE FINANCIAL STRATEGY UPDATE
Long-Term Financial Options Summary
Report of Findings

INTRODUCTION

Over the past few years, the City has placed an emphasis on long-term financial planning to further improve the long-term fiscal health of the City. The City has taken a number of steps to achieve this longer term view, including implementing a two-year rolling budget and developing a Comprehensive Financial Plan that includes a 5- to 15-year projection for each of the City's funds and provides a discussion of current and future year financial issues facing each fund.

During this time, staff has identified and researched a number of potential revenue enhancement and cost reducing items that will help to solidify the City's long-term finances. Many of these ideas have been collected from suggestions by employees, bargaining groups, staff task forces and City Council subcommittees that have been formed to address the City's financial condition.

The following report summarizes the revenue generating and cost reducing items that have been received by staff over the years. While not every idea is included in this report, staff has attempted to present the most feasible options for the City Council's consideration. Each option is followed by a brief description and, if known, the additional annual revenue or cost reduction that may be achieved if implemented.

REVENUE ENHANCEMENT OPTIONS

The revenue enhancement options are presented in two categories: 1) Ballot Options, and 2) Policy Driven Options.

BALLOT OPTIONS

1. Increase **Transient Occupancy Tax** (TOT, aka hotel tax)
2. Increase **Sales Tax** (Transaction Tax)
3. Create **Parking Tax**
4. General Purpose **Ad Valorem Property Tax**
5. Create **Admissions Tax**
6. Review/Increase **Business Tax**
7. Create Additional **Special Financing Districts**
    a. *Community Facilities District for Paramedic Services, Street and Alley repair, or other infrastructure improvements.*
    b. *Benefit Assessment District for Fire Suppression, Landscaping, Tree Trimming, Streetlights, etc.*
8. Issue **General Obligation Bond** for Capital Projects
9. Issue **Pension Obligation Bond**

Approval Process – Taxes (Options 1 – 6)

Proposition 218, enacted in 1996, limited local government's ability to raise taxes and create assessment districts. The State Constitution (approved by voters as Props 13 and 218) requires that *special taxes (i.e. earmarked for a certain purpose)* require two-thirds voter approval and *general taxes (non-earmarked)* require a simple majority voter approval. Prop 218, much like Prop 13 before it, fundamentally changed the control of local government funding and greatly complicated the process involved in implementing an increase in taxes.

Therefore, the tax options noted above would need approval by the electorate. Placing an item on the ballot would require a significant effort by the City not only in staff time, but also in consultation expenses related to public education and polling. While the law is fairly strict on what cities may spend on public education and polling during an election campaign, activities that take place prior to placing an item on the ballot are generally more allowable.

Additionally, if the City Council selects any of the tax options (1 – 4), it should be noted that, per state law, such a ballot measure must be part of the City's general election ballot. The City's next general election is in April 2010. Reviewing what state and county level tax issues may appear on the same ballot will be one important area of analysis.

The current national, statewide and local economic problems will make a revenue increasing ballot item that much more difficult to have approved. Locally, there is discussion by the school district of a local parcel tax for education. The California teachers union is indicating they may seek a statewide 1% sales tax increase for education. Part of the Governor's budget solution involves a three year increase to the State sales tax of 1.5%. Any of these items taking place prior to the City going to ballot, or even concurrently will decrease the City's chances of having such a measure approved.

Approval Process – Special Financing Districts (Options 7a and 7b)

Another result of Prop 218 was the extensive process required before a city can create an assessment district. For the assessment options listed above, the City would be required to prepare reports describing the amount of the assessments, per parcel, and the benefits to be received by those assessments. The City would be required to hold public hearings to review the possible assessments. Formal written notice of the assessments, along with ballots, must be sent to all those who would be subject to the assessments. The City could only impose the assessment if a majority of those returning ballots approve the assessment. No increase to an existing assessment can occur without going through a similar process.

While community facility districts (CFD) vary from assessment districts slightly, the formation and approval process is very similar. The biggest difference in the approval process between an assessment district and a CFD is an assessment district requires approval by *50% of the affected property owners* that return a ballot. A CFD requires approval by *67% of registered voters* in the proposed district that return a ballot.

Public education and campaign requirements and restrictions similar to those imposed on ballot measures for tax increases would apply to the assessment process.

Approval Process – General Obligation Bond and Pension Obligation Bond (Options 8 – 9)

General obligation and pension obligation bonds must be approved at a general or special election by a majority of electors voting at that election. Public education and campaign requirements and restrictions similar to those imposed on ballot measures for tax increases would apply to the election where the voters would be asked to approve the general obligation bonds.

Option 1: *Increase Transient Occupancy Tax (TOT)*

The Culver City Municipal Code authorizes the City to levy a tax for the privilege of occupying lodgings on a transient basis. The current Transient Occupancy Tax (TOT) rate is 12%. An increase in TOT would slightly increase the taxes that area hotel customers would pay to stay in Culver City. Currently, the average nightly room rate for Culver City hotels is $125, not including taxes. The current 12% TOT rate adds $15 in tax to that rate. A 2% increase to the TOT would add $2.50 for a total of $16.50 in taxes. Many nearby cities have increased their TOT rates over the last few years, as noted below.

<u>Area TOT rates</u>:
Los Angeles: 14%
Santa Monica: 14%
Beverly Hills: 14%
West Hollywood: 14%
Culver City: 12%

Based on current TOT receipts, increasing the TOT by 2% would increase revenues by approximately $420,000. If a hotel is included in the future Washington/National Transit Oriented Development site, this additional 2% may be significant.

Option 2: *Increase Sales Tax (Transaction Tax)*

In 1969, the State Legislature first authorized counties to seek voter approval of special transaction and use tax districts. Shortly thereafter, the Legislature also began granting permission to specific cities to seek voter consideration of a District Tax. In January 2004, the requirement that cities first obtain permission from the State Legislature was dropped and cities were authorized to go directly to their voters for transaction and use taxes in multiples of 0.25%. Currently, the combined district transactions tax rates in any county cannot exceed a total rate of 9.25%.

With the exception of certain goods sold to operators of common carrier aircraft, a transaction and use tax is imposed on the same goods and merchandise as the local sales and use tax. However, the sales and use tax is generally allocated to the jurisdiction where the sale is negotiated or order taken, while the transaction and use tax is allocated to the district where the goods are delivered or placed into use. As outlined below, this is an important distinction as it relates to Culver City residents purchasing merchandise in another jurisdiction.

For "walk-in" retail stores, the Board of Equalization generally assumes that the merchandise will be used within the district where the store is located, unless the retailer is asked to ship the merchandise outside the district as part of the sale. For merchandise that is shipped, the transaction tax is levied based on the district to which the merchandise is being shipped. Therefore, Culver City residents and businesses would pay the additional transaction tax.

Sellers or lessors of vehicles, vessels or licensed aircraft are required to collect the transaction tax for the district where the conveyance is to be registered. Therefore, residents cannot escape the tax by purchasing from a dealer outside Culver City as dealers statewide must collect transaction taxes based on the location of the registration, not the location of the purchase.

With the approval of Measure R in November 2008, the base sales tax for all LA County cities will be 8.75% sales and use tax rate. Recently, a number of LA County cities have successfully added a transaction tax for their jurisdictions, including the Cities of Avalon (0.50%), Inglewood (0.50%) and South Gate (1.0%). Some early budget proposals by the state include a 1.5% increase in the existing sales tax, which would push all cities in LA County above the 9.25% cap. Legislation will most likely be drafted to address this potential conflict.

Based on current receipts, each 0.25% increase to the transaction tax would generate $3.5 to $4 million.

Option 3: *Create Parking Tax*

A parking tax is a tax levied on the rental of public and private non-residential parking spaces for the privilege of occupying space in a parking facility[1] in the City. Generally, a parking tax is calculated as a percentage of the monthly lease amount for that space. Examples of some surrounding parking taxes are as follows:

<u>Sample Parking Tax rates:</u>
Los Angeles: 10% ($74 million in FY 05-06)
Santa Monica: 10% ($6.8 million in FY 05-06)
Inglewood: 10% ($250,000 in FY 05-06)
San Francisco: 25% ($36 million in FY 05-06)

To determine the amount of money generated by a parking tax, an in-depth analysis would need to be conducted on the number of spaces in the City and the rental rates charged for those spaces. However, assuming there was a 10% parking tax in effect in FY 2007-08, approximately $110,000 would have been generated from the City's three parking structures alone.

[1] Definition of parking facility as defined in the LA City municipal code – any outdoor space or uncovered plot, street, lot, parcel, yard or enclosure, or any portion thereof, or any building or structure, or any portion thereof, where or in which a motor vehicle may be parked, stored, housed or kept, for which any charge is made.

Option 4: *Create Ad Valorem Tax or Parcel Tax*

An ad valorem tax is a tax based on the value of the property being taxed (e.g. 1.0% of assessed value) while a parcel tax is typically a per parcel tax that can be levied in a variety of ways, including a flat per parcel tax or a tax rate based on land use (i.e. commercial vs. residential) or parcel size. Examples of property based taxes include the 1.0% property tax levy, voter approved debt (such as school revenue bonds), special financing/assessment districts, parcel taxes, etc.

Culver City contains approximately 13,500 parcels with a total assessed value (including redevelopment areas) of approximately $6.9 billion ($3.1 billion City; $3.8 billion RDA). Proposition 13 limits the ad valorem tax on real property to 1% of the full cash value (i.e. assessed value) except for certain voter approved charges, such as the voter approved debt and special financing districts mentioned above. Therefore, the City could not levy an ad valorem tax in addition to the current 1.0% ad valorem tax that is already levied. With regards to a special financing district or a parcel tax, levying a charge of $100 per parcel would generate approximately $1.35 million annually and is subject to voter approval.

Option 5: *Create Admissions Tax*

An Admissions Tax is a tax on admission tickets sold for events held within the City and is typically applied to larger capacity venues (e.g. race track, sporting venue, large live theater, etc.). The general idea behind an admissions tax is, due to the large number of people coming into the City for a particular event, a significant impact on the City's infrastructure and staffing is created. The purpose of the tax is to recover some of the costs related to that impact.

<u>Sample Admissions Tax rates</u>:
Los Angeles:

- 6% on gross receipts attributable to distribution of tickets of admission to or attendance at events of the 1984 Olympic Games.

Inglewood:

- $0.45 per admission for Horse Racing (adjusted annually by CPI);
- $0.56 per admission for live sporting events, theater events, musical events, etc. (adjusted annually by CPI);
- 10% of admission price for venues with seating capacity of greater than 25,000.

Pasadena:

- Tax on admission to Rose Bowl equal to 5 cents per dollar admission price but not to exceed 50 cents.

Due to the relative scarcity of large venues, there are few surrounding cities that have an admissions tax in place. The City of LA charged an admission tax for ticket sales for the events of the 1984 Olympics and Inglewood has an admission tax that is mainly applicable to Hollywood Park and the former LA Forum. Although Culver City does have live theater venues, such as Culver Theater, they are very small venues that would generate very little revenue.

Option 6: *Review/Increase Business Tax (submitted by CCMG)*

As a requirement for conducting business in Culver City, every business must apply for and receive a business tax certificate and pay the application fee, the required business tax, and any applicable permit fees. Currently, the application fee is $65 and the tax amount is approximately 0.1% of a business' gross receipts.

Over the last few years, the Finance Department has been focused on increasing compliance and more aggressively collecting revenues due to the City. Currently, the Finance Department is working with a consultant to conduct a business tax audit to ensure that businesses are complying with this requirement. The consultant will also be working with the City to review the current business tax structure and process and make recommendations on possible ways to simplify the tax structure and streamline the collection process to ensure greater compliance. Increasing compliance will result in increased revenue without having to adjust the amount of the tax. The consultant will help determine if Culver City's business tax is in line with other cities business tax amounts.

Option 7a and 7b: *Special Financing Districts*

Special Financing Districts, such as benefit assessment districts or community facilities districts, are intended to charge those whose property is receiving a direct and measurable City service where the relative "benefit" to the property owner can be computed. One type of Special Assessment District is a Benefit Assessment District, which is administered as a parcel assessment and is used to fund the provision of a particular service in a particular area. Benefit Assessment Districts can be formed to fund fire suppression services, tree-trimming, streetlights, parks, and landscaping. Benefit Assessment Districts require a nexus between the additional benefit being provided and the actual cost to provide that benefit. Creating these districts is basically a method to increase service in a particular area without increasing costs to the City. Assessment Districts cannot be used to pay for services that the City is currently providing, therefore, there is no net financial impact on the City's General Fund when a Benefit Assessment District is created.

Another form of a Special Financing District is a Mello-Roos Community Facilities District, which allows funding of the construction or acquisition of real or tangible property with a useful life of five years or more (e.g. streets, sewers, etc.). It also allows financing of police and fire services, including personnel costs, to accommodate the growing needs of an area. A Community Facilities District is a special tax levied annually on each parcel.

While both forms of special financing districts are a way to increase service without increasing costs, only the CFD can be used to actually offset costs of an existing service and reduce costs for the General Fund. The City has hired a consultant to assist with special district formation services and, based on their early assessments, the City may be able to raise $1.3 to $1.5 million annually to pay for paramedic services. However, the consultant recommends the use of a polling agency to get a better idea from residents regarding their priorities and willingness to pay additional taxes to fund services.

Option 8: *Issue General Obligation Bond*

Another financing option is to issue general obligation bonds. General obligation bonds are bonds that are legally backed by the full faith and credit of the issuing government. The government is legally obligated to use its full taxing power, if necessary, to repay the debt. Basically, issuing debt gives the City a lump sum of cash now to use for capital projects, which will be paid off, with interest, in the future.

Because the City is legally obligated to repay the bond, which includes raising taxes if the City cannot meet its debt service payments, registered voters must approve issuing a bond.

The primary advantage to using general obligation bonds is the associated low interest costs. Since the bonds are legally backed by the full faith and credit of the issuer, they are considered very low risk for the investor; consequently, they usually sell at the lowest rates of interest. The bond issue is often less complex then other types of bonds so administrative costs are less in preparing the issue.

A final advantage to general obligation bonds arises from the necessity of receiving approval through a bond referendum. The vote confirms popular support for the project(s) being financed.

There are also disadvantages to issuing general obligation bonds, including the possibility that the voters will not approve the bond referendum. If a bond referendum is not approved, City Council will need to find other ways to finance needed projects. Additionally, repayment of the debt will tie up the City's revenues for 20 or 30 years to pay the required debt service (i.e. principal and interest payments on the bonds).

Option 9: *Issue Pension Obligation Bond*

A Pension Obligation Bond is similar to a General Obligation Bond; with the exception that the bond proceeds received must be invested and used to pay the issuing entities pension obligation. For example, the City could issue a $100 million POB and invest that in a trust with PERS (one of many options). The annual investment returns would be used to offset the City's pay-as-you-go payment. In return, the City would have a steady annual debt service obligation.

Because the City is legally obligated to pay the bond's debt service, which includes raising taxes if the City cannot meet its debt service payments, the voters also must approve issuing a POB, which, like a General Obligation Bond, confirms popular support for the obligation being financed.

The disadvantages to issuing a Pension Obligation Bond are similar to the disadvantages to issuing a General Obligation Bond outlined above.

POLICY DRIVEN OPTIONS

Options:

1. Review and Update City Fees & Charges Annually
2. Review Development Impact Fees
3. Implement Aggressive Fee/Tax Collection Strategies
4. Privatize Parking Meter Operations and Meter Enforcement
5. Advertise in/on City Vehicles
6. Sponsorship of City-owned Property/Programs/Events
7. Review Parking Rates at All City Structures and Meters
8. Establish Employee Suggestion Incentive Program
9. Establish Stormwater Fund to Capture Mandated Costs

The options presented in this section do not require voter approval; however, they do require policy direction by the Council. Some of these options may be more popular or feasible than others. The following provides a brief description and analysis of each option as well as a discussion of the fiscal impact.

Option 1: *Review and Update City Fees & Charges Annually (submitted by CCMG)*

There are some service fees and charges the City collects that do not fall under the restrictions set forth in Proposition 218, and the City must regularly review and update these fees and charges as applicable to cover and recoup the costs associated with the services being given. General Fund service charges, though, cannot exceed the cost of service, including overhead.

In FY 2006-07, City Council approved a comprehensive review of the City's fees and charges by a consultant. This study resulted in the City Council adopting higher fees for FY 2007-08 to increase the overall cost recovery level. Subsequently, staff worked with the City Council Budget & Finance Subcommittee to set a multi-year cost recovery policy to recover close to 100% of the cost of many fee based activities.

The fees and charges schedule is updated, reviewed and approved by City Council annually to insure proper cost recovery levels. Now that staff has clear direction on the City Council's desire to increase cost recovery levels on existing fees, staff will begin reviewing the fee structure in certain areas as well as explore possible new fees and charges. For example, the Parks, Recreation, and Community Services Department is taking a much closer look at their fee structure and whether or not it is the most effective structure for their operations. PRCS is reviewing the structure of pool fees, facility rental fees, skateboard park fees, etc. to evaluate possible new fee structures.

Additionally, staff is exploring the possibility of placing a surcharge on certain fees, similar to the technology surcharge placed on certain development related fees, to help fund the City's Other Post Employment Benefits (OPEB) obligation. At this point, staff is still exploring the legal and operational issues related to this type of surcharge. Once those issues have been vetted, information will be provided to City Council.

A comprehensive fee study by an outside consultant should be conducted approximately every five years. In FY 2011-12, staff will explore engaging a consultant to do a comprehensive review of the City's fees and cost recovery percentages.

Option 2: *Review Development Impact Fees*

Subsequent to the annual review of the General Fund user fees and charges in June 2008, City Council requested information on the development related taxes and impact fees that the City levies. An agenda item containing that information was presented to City Council on August 25, 2008. At that meeting, City Council directed staff to resume charging a Condominium Tax that was already in the City's Municipal Code but, for some reason, had not been charged historically. The City Council also directed staff to do an analysis of a 'typical project' to compare the amount of fees and taxes charged for a typical project in Culver City versus surrounding cities. The Community Development Department is finalizing that analysis and a full report will be provided to City Council shortly.

Option 3: *Implement Aggressive Fee/Tax Collection Strategies (submitted by CCMG)*

Under the direction of the City Council and City Manager, the City has taken steps to more diligently collect monies and implemented processes to collect funds more efficiently. Some of the steps that have been taken over the last few years include:

- Drafting and implementing a grants management policy to ensure that grant funds are collected in a timely manner and do not expire;
- Billing for the annual Fire Inspection and Outdoor Dining Permit fees have been moved to the Finance Department to improve collections;
- New contract approval procedures that require the Finance Department to sign off on all contracts with vendors that do business with the City to ensure that they have a business tax certificate before the contract can be fully executed and signed by the City Manager;
- The City has begun taking credit card and online payments for certain services, such as business tax renewal payments, recreation classes, and parking tickets;
- A business tax audit is being performed by an outside consultant to increase compliance with the City's Business Tax;
- Online payments are being developed for building permits;
- Periodic audits on property and sales tax remittances from the County are performed by the HdL to ensure that the City is receiving proper payments;
- Periodic audits are performed related to the City's franchise agreements with the cable company and various oil pipelines.

Improving revenue collection and streamlining collection processes continues to be one of the City's top priorities. The Finance Department is continually working with staff from other departments to identify opportunities to increase revenue collection. Increased revenue collection is a best management practice that does not require specific direction from City Council. As programs are identified and implemented, the City Council will be informed and, depending on the program, may need to provide direction to staff.

Option 4: *Privatize Parking Meter Operations and Meter Enforcement*

Parking meter operations and enforcement are services that are historically operated by municipalities. Over the last few years, some cities have recognized a benefit to privatizing these activities through a public-private venture or by contracting these services to a third party. In this particular area, privatization has the potential to simultaneously enhance revenue and reduce costs while maintaining or increasing the level of service. More research needs to be done to fully vet the potential benefits and drawbacks. Staff is looking for direction from the City Council to bring this item back for consideration at a future meeting.

Option 5: *Advertise In/On City Property (submitted by CCMG)*

The City and Enterprise funds may be able to generate some revenue by selling advertising space in/on City property, especially the City's rolling stock. The most obvious potential candidate for selling ad space is Culver CityBus. In addition to Culver CityBus, the City could also explore the possibility of selling exterior advertising space on other rolling stock, including public works vehicles.

Currently, the MTA sells advertising space on the exterior of its buses as well as in designated interior locations. MTA also offers video advertising shown on video monitors inside each bus.

In the past, Transit staff has contacted vendors that coordinate and administer ad sales to explore the potential amount of revenue that could be generated. Due to the relatively small population reached by advertising on Culver CityBus (as compared to larger transit operators like MTA and Big Blue Bus), potential ad revenues would be limited. The ad sales vendor had also indicated that, due to the limited reach of Culver CityBus, ad revenues might not justify the capital expenditure to install video monitors on the buses. Bus wraps generate the most amount of revenue. However, to generate that revenue, Culver CityBus would sacrifice some of its signature brand recognition because the bus wrap would cover the entire bus, making it less distinguishable from other transit providers.

If the City Council would like to further explore this option, staff can do some additional research and agendize the item for future discussion.

Option 6: *Sponsorship of City-owned Programs/Events/Facilities (submitted by CCMG)*

The City manages and staffs a number of events and programs that are offered free of charge to the public, including the Fiesta La Ballona (entrance is free, but vendors do pay a fee to set up a booth), Farmers' Market, Culver City Music Festival, Music in the Chambers, and "The Art of…" speaker series. Despite the growing popularity of many of these programs, the funds available to manage them continue to diminish.

In some cases, programs are sponsored by a business or organization that contributes money in exchange for name recognition. However, the City could increase its efforts to solicit monetary or in-kind sponsorships to offset some of the costs of running these programs. Increasing efforts to solicit sponsorship for community events is a policy decision that, if directed, staff may begin to implement immediately.

Additionally, the City may consider soliciting corporate sponsorships in exchange for naming rights at certain City facilities (such as Vet's Memorial Building, teen center, or various facilities at City parks). If the City Council were interested in pursuing naming rights, a policy would need to be drafted and presented to City Council to ensure consistency and transparency in the process.

Option 7: *Review Parking Rates at all City Structures and Meters*

Culver City and the Redevelopment Agency own and operate a number of parking structures and lots to encourage better traffic flow and address some of the parking issues that most southern California communities face. As parking becomes a scarce resource, parking rates throughout the region continue to rise, as do costs associated with operating a parking structure.

In an effort to create a unified parking strategy throughout the City, and especially in the downtown area, the Redevelopment Agency and Community Development Department are bringing forward a number of policy options for the City Council to consider over the next few months, including a comprehensive parking study to review available parking, parking rates, parking operations, and parking equipment and make recommendations. A unified parking strategy will then be developed to include policy options for the Ince, Watseka, Cardiff, and City Hall parking structures, pricing options for parking meters downtown, and reviewing the City's zoning requirements as they relate to parking in the downtown area.

Option 8: *Establish Employee Suggestion Incentive Program*

Employees are sometimes the best resource for new innovative revenue enhancing and/or cost reducing suggestions since they know the City's operations best and are experts in their field. Many organizations have developed some form of employee suggestion program that offers some incentive ranging from recognition to days off to potentially significant bonuses based on the value of the suggestion. The effectiveness of a program like this is often directly related to the desirability of the incentive or reward being offered. Depending on the size and scope of a potential program, it may also need to be negotiated with the bargaining groups if there is an impact on employee salary or benefits.

Option 9: *Establish Stormwater Enterprise Fund to Recover Mandated Costs*

See Cost Reduction Option 8(h) on page 16 of this report for more information.

COST REDUCTION OPTIONS

Over the last few years, a great number of cost reduction options have been identified through suggestions submitted by City Council members, the bargaining groups, members of various task forces and subcommittees, and staff research. CCMG submitted some additional cost reduction proposals in December in response to a request to all the bargaining groups by the Chief Financial Officer. The current task force reviewed all ideas and considered the merits of every proposal. The following options identify the most creative and feasible of those ideas.

Options:

1. Review and Evaluate the City's Organizational Efficiency
2. Flexible Compensation & Benefit Plans
    a. Two tiered PERS program for new hires
    b. Cafeteria Plan for Medical Insurance
3. Staff Certain Public Safety Positions with Civilians
4. Reduce Overtime and Shift Trades
5. Reconsider the City's Call Back Policy
6. Reduce Subsidies to Special Events (e.g. MLK, Car Show and Taste of the Nation)
7. Streamline Public Notification
8. Explore Public Private Partnership Opportunities
    a. Solar power installations on City facilities
    b. Streetlight maintenance
    c. Street maintenance
    d. Sewer Pump Station improvements
    e. Parking meter operations
    f. Parking enforcement
    g. Construct municipal parking structure
    h. Stormwater treatment
9. Short-term Options submitted by CCMG
    a. Moratorium on non-self supporting programs;
    b. Moratorium on non-essential capital projects;
    c. Moratorium on the City's Animal Control Program.

Option 1: *Review and Evaluate the City's Organizational Efficiency*

The elimination of positions that took place as part of the budget cutbacks in fiscal years 2002-03 and 2003-04 has placed an additional burden on current staff. Consequently, it is more important than ever that all operating departments are "working smarter not harder" in order to maximize efficiency and productivity. There may be technological advancements that the City can take advantage of to increase revenue collection and facilitate the flow of information leading to an even greater level of efficiency and productivity. Additionally, the City should evaluate its organizational efficiency and internal procedures to ensure effective workflow and lines of communication between and within operating departments.

In difficult financial times, it is more important than ever to be able to do more with less as a cost containment measure. Organizational efficiency is a best management practice, as such; the City Manager's office will continue to work with Department

Heads to explore methods to further increase organizational and operational efficiency. The new City Manager may have further ideas in this area.

Option 2: *Flexible Benefits and Compensation Packages*

Prior to the next MOU negotiations, the subcommittee recommends that the City look into the following benefit related cost containment measures:

a. <u>Two tiered PERS program for new hires</u>
b. <u>Cafeteria Plan for Medical Insurance</u>

Option 3: *Staff Certain Positions in the Police and Fire Departments with Civilians*

With the implementation of the 2006-07 Budget, the Police Department has begun the process of staffing certain positions with civilians rather than sworn personnel. As lieutenants have retired over the last two years, 5 of those positions have been replaced with non-sworn personnel. This saves the City money because the salaries for the non-sworn positions are typically lower, the retirement costs are less, and it reduces the City's long term OPEB obligation. The City Manager's Office will continue to work with the public safety departments to staff positions with civilians where appropriate.

Option 4: *Reduce Overtime and Shift Trades (submitted by CCMG)*

Overtime costs for the General Fund are approximately $1.5 million (excluding Constant Staffing for the Fire Department, which is an additional $1.4 million). Some overtime is unavoidable, as emergencies and special situations will arise that require employees to work beyond their regular schedule. However, one possible way to manage overtime is to encourage flexible scheduling between the manager and employee. For example, with adequate advance notice, an employee who needs to attend a work related meeting after hours might agree with his/her supervisor to start work later in the morning rather than be paid overtime for the meeting.

Option 5: *Reconsider the City's Call Back Policy (submitted by CCMG)*

The City may want to review and update its call-back policy and limit standing pay to those positions that are truly needed in emergencies (i.e. electricians) and eliminate other positions (i.e. painters) whose services may not be required on a time-critical basis. A similar analysis of the necessity for "beeper pay" may also be conducted.

Alternately, the City may wish to allow departments to designate a certain number of call back slots, which can be filled based on expected conditions or usual problems rather than designating specific trades or positions.

This is an MOU item and will need to be negotiated with the CCEA bargaining unit during upcoming MOU negotiations.

Option 6: *Reduce Subsidies to Special Events (submitted by CCMG)*

There are a number of special community events that the City and/or Redevelopment Agency subsidize either through a direct contribution or in-kind services. Some of these events include the Martin Luther King celebration, Culver City Car Show, and Taste of the Nation. Some of these events have grown in popularity to the point that they are revenue neutral for the organizations that operate them; therefore, the City can reduce its direct monetary contribution without having to downsize the event.

Option 7: *Streamline Public Notification (submitted by CCMG)*

Over the past few years, the City has significantly increased public notification, which has had an impact on staff time and costs for mailing and other forms of notification. The current practice of sending out mass mailings on an almost weekly basis is very inefficient and costly. A more streamlined process could save valuable staff time and money. One possibility suggested by CCMG is to send a mailing to all Culver City households on a periodic basis (annually, semi-annually, quarterly, etc.) notifying them of the many ways that they can stay informed. This mailing could include web addresses, phone numbers, PEG channels, meeting times, master notification email list, etc. that will allow any citizen who chooses to remain in touch with the City. Providing this mailing should replace all special purpose notification, limiting notification to those required by law.

Option 8: *Explore Public Private Partnership Opportunities*

An emerging trend for certain large infrastructure projects in the U.S. is the use of Public Private Partnerships (PPP). PPPs are not new, as many Culver City projects are public private partnerships to a certain extent. Most street and sewer work is bid out to private contractors and managed by City staff. In this traditional model, the contractor is typically responsible for designing and building the project while the City is responsible for financing and operating the project once construction is complete.

Another PPP model that shifts even more responsibility to the private sector is the Design-Build-Finance-Operate (DBFO) model. This arrangement has been used more often in Europe, but is now gaining traction in the U.S. Basically, the responsibility for designing, building, financing, and operating the project is all shifted to the private sector. In return, the public agency typically pays a fixed annually payment to the private operator. The idea is the annual payments made by the public agency would be less than the cost to the public agency if they were to do the work in-house; while the private company would garner a profit by taking advantage of the efficiency and cost savings of the private sector.

a. *Solar Power installations on City facilities* – Solar power is gaining momentum as a viable green energy alternative and is also a good fit for a public-private partnership. Solar power requires a significant initial capital investment for installation. There are private companies that work with cities to construct and install the photovoltaic system and amortize the cost over a 30-year period, for example. Basically, the City would have a debt service payment for 30 years. The idea is that the annual debt service will be funded through cost savings from using less energy. Cost savings may be minimal at first, but as energy costs increase over time, cost savings would also increase.

b. *Streetlight Maintenance* – Approximately 1,000 of the City's 3,000 streetlights are the high voltage series circuit, which are much less energy efficient than newer multiple circuit lights. As funds become available, the City has been upgrading to energy efficient low voltage parallel circuit streetlights. However, due to recent budget constraints, this process has been very slow. Streetlight replacement and maintenance may be a candidate for the DBFO model with a private company responsible for replacing and maintaining all of the streetlights over a certain time period with compensation based on 1) the initial replacement of all streetlights and 2) a performance schedule for the ongoing maintenance of streetlights. Similar to the solar power model, cost savings from the increased energy efficiency may be used to fund the annual payments.

c. *Street Maintenance* – The City is responsible for maintaining approximately 94 miles of roads and alleyways. Currently, there is a backlog of approximately $20 million in street maintenance work that needs to be done to bring all of the City's streets to an "A" level. That amount is in addition to the ongoing costs to keep the streets maintained at their current level. There may be potential for a private company to assume the responsibility for addressing the backlog of street resurfacing and maintaining the City's streets for a fixed annual payment. There would still need to be a certain level of oversight, interaction, and cooperation between the private company and the City with certain required performance measures that must be met. The City may be interested in hearing from private companies that are set up to do this type of work to explore whether or not this type of arrangement is even feasible.

d. *Sewer Pump Station Improvements* – the City operates a system of sewer pipelines and pump stations that convey sewage from Culver City properties to the Hyperion Sewer System and charges a user fee for the service. The City may explore the possibility of charging a private company with the responsibility for capital improvements, operations, and maintenance of the sewer system. The user fee would be the source of funding for the operating contract.

e. *Parking Meter Operations* – the City's parking meter infrastructure is in need of a major facelift. Most of the parking meters in the City use older technology, which are more subject to theft, damage, fraud, etc. than the newer meter technologies. Since parking meters generate quantifiable revenue, parking meter operations are a prime candidate for a DBFO structure. Under the DBFO structure, a private company would be responsible for securing financing to replace and upgrade all of the City's parking meters (and possibly install additional meters at the City's direction), replace and upgrade those meters, provide ongoing maintenance on the meters, and collect meter revenue. The meter revenue would be the revenue stream to fund the ongoing contract with the private company for providing all of these services. In addition to the upgraded meters, the City may realize staff savings since all of the parking meter related services (except enforcement, see below) would be contracted out.

f. *Parking Enforcement* – Currently, the City employs parking enforcement officers to issue citations for parking infractions. Some cities have realized savings by contracting these services to a private company. Enforcement is a key component to making any potential parking meter program successful. With effective enforcement, the meters will generate increased revenue and parking would become more efficient as they would be used for short-term parking, as intended, instead of long-term parking. Depending on the expertise of private industry, this may be added to the meter installation, maintenance and collection activities discussed above, or it may be considered separately.

g. *Parking Structure Construction* – Parking is a major issue in Southern California. For any area to remain vibrant and successful, adequate parking is a must. The Redevelopment Agency had the vision to construct the three downtown parking structures in anticipation of increased use. However, more parking is needed, not just in downtown, but in other areas of the City, particularly the Hayden Tract and Washington/National. Since there is a dedicated revenue stream through daily and monthly parking fees, construction of new parking structures are potential candidates for public private partnerships.

h. *Stormwater Treatment* – Over the last few years, there have been a number of federal and state environmental quality laws enacted that require greatly enhanced regional and local stormwater treatment efforts. These requirements include public outreach, commercial and industrial stormwater inspections, and management of the local NPDES permit program. All of these additional mandates have resulted in increased compliance related costs, which are anticipated to increase significantly as certain compliance deadlines approach. Some cities have established Stormwater Enterprise funds to fund certain stormwater related programs through user charges established through City Council actions. The City currently charges user fees for Local Stormwater Pollution Prevention Plan and Standard Urban Stormwater Mitigation Plan review fees that reviewed and approved annually by City Council. These are currently General Fund user fees. Staff is exploring the possibility of creating an Enterprise Fund specifically for stormwater treatment purposes and expanding the number and scope of stormwater user fees that are charged. There are also capital funds (P-497) currently appropriated to establish a reserve for stormwater related projects that may potentially be rolled into an Enterprise Fund. If consistent fee revenue can be generated, stormwater treatment may also be a candidate for a public-private partnership arrangement.

California's Governor is a proponent of these public-private arrangements and, as part of his Strategic Growth Plan, has a website dedicated to providing real examples of "Performance Based Infrastructure." Many state agencies are currently soliciting opportunities for public private partnerships.

Additionally, the City of Beverly Hills recently used the DBFO model for their reverse osmosis water treatment plant and a 30,000-square-foot public works building. Beverly Hills had been purchasing all of its drinking water from the Metropolitan Water District of Southern California. Beverly Hills was looking for a cost-effective and comprehensive approach to build both a water treatment facility and a much-needed public works facility. They were approached with, and implemented, an all-inclusive integrated water management approach offering seamless services in design, construction, project finance, and operations. The project is funded with water user fees and is the first design-build-finance-operate (DBFO) water facility in California.

In order to get additional information on potential public-private partnership projects, staff will pursue a meeting with a firm specializing in facilitating these types of arrangements. Staff hopes to get some indication as to the feasibility of a public-private partnership in Culver City, especially as it relates to the projects identified above. After meeting with the firm, staff will be in a better position to determine whether this type of partnership may be a possibility in Culver City at this time.

Option 9: *Short-term Options submitted by CCMG*

In addition to the long term ideas submitted by CCMG, a number of short term options were also submitted to cut costs. These options include:

a. *Moratorium on non-self supporting programs* – Place a moratorium on increasing a subsidized City service or creating new programs unless there is a revenue stream that offsets the entire cost of the increase or new program.
b. *Moratorium on non-essential capital projects* – Current capital projects should be reviewed and those projects that are not absolutely necessary should be delayed.
c. *Moratorium on the City's Animal Control Program* – This is a very costly program that will be highly subsidized by the General Fund even with the fees that have been adopted.