



City of Culver City

YEAR-END REPORT AND AUDIT SUMMARY

FOR

**FISCAL YEAR
2021-2022**

CITY OF CULVER CITY
Year-End Report and Audit Summary
Fiscal Year 2021-2022
General Fund and Other City Funds

INTRODUCTION

The purpose of this report is to summarize the City's audited financial results for the year ending June 30, 2022 (FY2021-2022) as reported in the Annual Comprehensive Financial Report (ACFR). The City Charter requires an independent certified public accounting firm to audit the end-of-year financial statements. Vasquez & Company LLP performed the audit of the financial statements for FY2021-2022, the second year of their contract with the City, and issued the opinion that the City's financial statements present fairly, in all material respects, the financial position of the City as of June 30, 2022. This report can be found on pages 1-4 of the ACFR in the Independent Auditor's Report.

The ACFR includes both government-wide financial statements and the more traditional fund-level financial statements. The requirements for the government-wide financial statements are a result of Governmental Accounting Standards Board (GASB) Statement No. 34 which the City implemented in FY2003-2004. Government-wide statements collapse all the various activities of the governmental entity into a single 'snapshot' view, so that the overall financial health and condition of the entity can be more easily understood by investors and other readers of the financial statements. However, this government-wide view does not easily relay to the reader the financial position of those monies where the City has wide discretion versus those where it has little discretion. This information is more easily understood from the traditional fund-level financial statements. For this reason, this report is based on the fund-level financial statements. Those interested in more information on the government-wide financial statements should refer to Management's Discussion and Analysis on pages 5 through 22 of the ACFR.

The City, like other state and local governments, uses fund accounting to maintain control over resources for the purpose of carrying on specific activities and attaining certain objectives in accordance with special regulation, restrictions, or limitations. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for functions that are principally supported by taxes and intergovernmental revenues, and are further categorized into special

revenue funds, capital projects funds, debt service funds and the General Fund. Special revenue funds account for specific revenue sources for specified purposes for non-capital projects. Capital projects funds are used for capital outlays such as facilities and infrastructure improvements. Debt service funds account for the issuance and repayment of debt. The City maintains 26 individual active governmental funds and has no active debt service funds. All other governmental activities that are not restricted or committed for specified purposes, as mentioned above, are accounted for in the General Fund. The General Fund is the City's operating fund that includes functions such as Police, Fire, Parks & Recreation, Public Works, and other general governmental activities. The General Fund offers the City Council the most discretion.

Proprietary funds account primarily for functions that are intended to recover all or a significant portion of their costs through user fees and charges. There are two types of proprietary funds:

- Enterprise funds are considered business-type activities that include the Culver City Bus Lines, Culver City Fiber Network, the refuse (solid waste) utility and the sewer utility.
- Internal service funds are established to provide goods or services to other funds and to allocate shared internal costs among the City's various functions in connection with self-insurance costs, vehicle operations and maintenance, equipment/vehicle replacement and central stores activities.

This report reflects the actual and audited results for FY2021-2022.

GENERAL FUND

General Fund Overview

The General Fund resulted in a net increase of \$34.1M in FY2021-2022 with revenues and transfers-in exceeding expenditures and transfers-out. The original Fiscal Year 2021-2022 Adopted Budget was conservative reflecting the continued COVID-19 pandemic. At the midyear, revenues were trending stronger than anticipated, so most positions that had been frozen were reinstated and funding was restored to many programs. Amid concerns related to supply chain delays and shortages, record-high consumer prices, and labor issues, the City continued to be conservative in budgeting. Culver City has a relatively diverse and strong economy, and the City's business community is comprised of a varied collection of businesses ranging from traditional retail and manufacturing to major film studios. Despite the continued economic conditions related to the pandemic, revenues in certain sectors experienced a faster recovery and exceeded budget expectations.

Revenue Detail

Total revenues for the year were \$171.4M, which was \$39.2M more than the amount budgeted. The increase was a combination of the second and final tranche of \$4.7M allocation of American Rescue Plan Act (ARPA) funds, stronger Sales Tax, Property Tax, Transient Occupancy Tax revenues, and Real Property Transfer Tax receipts.

GENERAL FUND REVENUES					
	2020-21	2021-22	2021-22	% RECEIVED	BUDGET VARIANCE
	ACTUALS	ADJUSTED BUDGET	ACTUALS		
Property Tax	11,830,949	10,511,000	12,896,922	122.70%	2,385,922
Sales Tax	22,441,130	21,650,192	25,867,668	119.48%	4,217,476
Measure Y (Measure CC)	10,193,555	9,937,000	9,928,338	99.91%	-8,662
Measure C	4,709,783	4,914,000	7,063,081	143.73%	2,149,081
Public Safety Sales Tax (PSAF)	486,429	450,000	556,011	123.56%	106,011
Business Tax	15,896,464	15,561,000	16,186,448	104.02%	625,448
Franchise Tax	2,298,715	1,400,000	1,456,175	104.01%	56,175
Real Prop Trans Tax	8,533,467	10,550,000	32,575,269	308.77%	22,025,269
UUT - Electricity	6,577,145	6,769,000	7,820,372	115.53%	1,051,372
UUT - Gas	1,200,734	1,167,000	1,554,888	133.24%	387,888
UUT - Water	1,702,834	1,600,000	1,699,802	106.24%	99,802
UUT - Telecommunications	2,862,005	3,136,000	2,684,070	85.59%	-451,930
UUT - Cable TV	842,076	725,000	1,099,694	151.68%	374,694
TOT	3,072,515	3,704,000	8,813,484	237.95%	5,109,484
Comm/Ind Dev Tax	391,788	500,000	1,969,752	393.95%	1,469,752
Licenses & Permits	3,266,410	5,060,500	5,606,338	110.79%	545,838
Intergovernmental	11,390,216	10,242,259	11,420,723	111.51%	1,178,464
Charges for Services	8,043,400	8,902,965	11,802,825	132.57%	2,899,860
Fines & Forfeitures	3,562,963	2,912,000	3,580,843	122.97%	668,843
Use of Money & Prop	3,090,696	1,913,615	-3,110,896	-162.57%	-5,024,511
Cost Allocation Successor Agency	650,000	630,650	630,650	100.00%	0
Other Revenue	410,970	1,163,345	453,723	39.00%	-709,622
Total GF Revenue - ACFR	\$123,454,244	\$123,399,526	\$162,556,180	131.7%	\$39,156,654
Other: Transfers In & Sale of property	2,717,427	3,958,668	3,958,799	100.00%	131
Admin Cost Allocation Interfund	4,779,932	4,929,799	4,929,799	100.00%	0
TOTAL GF Revenue	\$130,951,603	\$132,287,993	\$171,444,778	129.6%	\$39,156,785

Table 1

➤ Sales Tax and Measure CC and C receipts were more than budgeted by \$6.4M or 117.4%. Sales tax revenues recovered more quickly from the pandemic that had been anticipated. Several sectors including new auto sales, restaurants and hotels, general consumer goods, and the

State and County Pools performed well during the fiscal year.

- Property Tax receipts finished higher than budgeted by \$2.4M, or 122.7%, aided by the property tax increment receipts from the former Redevelopment Agency of \$6.6M.
- Business License Tax was \$16.2M, or 104% of the adjusted budget. It was anticipated that Business Tax receipts would be lower due to business impacts of the pandemic. Fortunately, Business Tax revenue recovered more quickly than anticipated. The increase was also helped by Cannabis business tax receipts of \$1.9M, an increase of \$0.2M over the prior fiscal year.
- Real Property Transfer Tax was \$32.6M, or 308.8% over the revised budget. This was largely driven by the implementation of Measure RE which took effect on April 1, 2021. It was initially estimated that Measure RE would generate approximately \$6M annually. Approximately half of the \$32.6M was due to one large commercial property sale in March 2022. Large receipts like these are not anticipated to occur on a regular basis.
- Intergovernmental revenue was \$11.4M, or 111.5% of the revised budget. The high amount was due to the second and the final tranche of \$4.7M allocations of American Rescue Plan Act (ARPA) funds. The first allocation was received in FY2020-2021.
- Charges for Services were \$11.8M, or 132.6% of the budget. Charges for Services are comprised of fees and charges ranging from recreation, police to plan check fees. As the COVID-19 related restrictions eased during FY2021-2022, this category experienced a significant increase as many programs returned to pre-pandemic service levels.
- Transient Occupancy Tax receipts were \$8.8M, or 238% of the revised budget. The easing of travel restrictions and the opening of the Shay Hotel in October 2021 resulted in TOT revenue rebounding in FY2021-2022 and surpassing revenues received prior to the pandemic.
- Use of money & property decreased by \$6.2M from the prior fiscal

year. This net decrease was due to the year-end GASB 31 recognition to account for unrealized losses on investments held by governmental external investment pools on the City's pension and general investment accounts.

- Commercial & Industrial Development Tax was \$2M, or 394% of the adjusted budget. In any given year, this revenue category rises and falls depending on development projects within the City. In FY2020-2021, commercial development was significantly curtailed in response to the COVID-19 pandemic. During FY2021-2022, construction of commercial and industrial building rose post-pandemic.
- License and Permits were \$5.6M, or 110.8% of the budget. Building, electrical and plumbing permits surged nearly returning to the pre-pandemic level.

Expenditure Detail

The General Fund expenditures totaled \$137.3M, \$2.1M more than budgeted. The General Fund had a significant portion of budget savings including \$3.7M from reduced Personnel costs but incurred a \$5M transfer to the Risk Management Fund 309 required to maintain the 60% minimum reserves of Self Insurance Fund costs. There was \$6.5M in encumbrances for purchase orders and contracts that were not completed in FY2021-2022 and carried forward into FY2022-2023 as shown in the FY2021-2022 Fund Balance classification. (See Table 4 on page 8.)

GENERAL FUND EXPENDITURES					
	2020-21	2021-22	2021-22		BUDGET
	ACTUALS	ADJUSTED BUDGET	ACTUALS	% EXPENDED	VARIANCE
Personnel Costs	94,634,298	103,846,736	100,248,411	96.53%	3,598,325
Operating O&M	24,246,447	23,209,009	23,394,386	100.80%	-185,377
Capital	281,223	492,509	398,256	80.86%	94,253
Total GF Expenditures - ACFR	\$119,161,968	\$127,548,254	\$124,041,053	97.25%	\$3,507,201
Other: Transfers Out	619,000	2,742,000	8,325,304	303.62%	-5,583,304
Admin Cost Allocation Interfund	4,779,932	4,929,799	4,929,799	100.00%	0
TOTAL GF Expenditures	\$124,560,900	\$135,220,053	\$137,296,156	101.54%	(\$2,076,103)

GENERAL FUND EXPENDITURES					
	2019-20	2020-21	2020-21		BUDGET
	ACTUALS	ADJUSTED BUDGET	ACTUALS	% EXPENDED	VARIANCE
Personnel Costs	87,325,306	94,045,142	94,634,298	100.63%	-589,156
Operating O&M	28,053,005	28,306,369	24,246,447	85.66%	4,059,922
Capital	900,150	391,445	281,223	71.84%	110,222
Total GF Expenditures - ACFR	\$116,278,461	\$122,742,956	\$119,161,968	97.08%	\$3,580,988
Other: Transfers Out	26,521	730,370	619,000	84.75%	111,370
Admin Cost Allocation Interfund	4,649,342	4,779,932	4,779,932	100.00%	0
TOTAL GF Expenditures	\$120,954,324	\$128,253,258	\$124,560,900	97.12%	\$3,692,358

Table 2

GENERAL FUND EXPENDITURES					
	2020-21	2021-22	2021-22	% EXPENDED	BUDGET VARIANCE
	ACTUALS	ADJUSTED BUDGET	ACTUALS		
Administration	1,445,278	1,439,089	1,455,852	101.16%	-16,763
City Attorney	2,272,163	2,352,022	1,993,325	84.75%	358,697
Finance	4,272,765	4,860,824	4,681,489	96.31%	179,335
Human Resources	1,961,248	2,186,366	2,244,357	102.65%	-57,991
Information Technology	3,828,863	4,013,370	3,944,253	98.28%	69,117
Parks, Recreation & Community Svcs.	8,268,396	9,759,843	9,866,398	101.09%	-106,555
Police	44,078,619	48,282,825	45,382,491	93.99%	2,900,334
Fire	25,967,335	27,841,478	27,632,597	99.25%	208,881
Community Development	8,969,068	9,560,327	9,425,787	98.59%	134,540
Public Works	12,891,303	14,588,671	14,018,559	96.09%	570,112
Capital	281,223	0	0	0.00%	0
Non-Departmental	4,925,707	2,663,439	3,395,946	127.50%	-732,507
Total GF Expenditures - ACFR	\$119,161,968	\$127,548,254	\$124,041,053	97.3%	\$3,507,201
Other: Transfers Out	619,000	2,742,000	8,325,304	303.62%	-5,583,304
Admin Cost Allocation Interfund	4,779,932	4,929,799	4,929,799	100.00%	0
TOTAL GF Expenditures	\$124,560,900	\$135,220,053	\$137,296,156	101.5%	(\$2,076,103)

Table 3

At the onset of FY2021-2022, the City Manager continued to direct all Departments to make significant budget reductions. The City was able to end FY2021-2022 with the budget savings of \$3.7M from reduced Personnel costs.

Also, it should be noted that the FY2021-2022 Revised Budget of \$135.2M included the addition of much-needed capital projects and operational costs to address the growing needs of the City and in acknowledgement of the City's faster than anticipated recovery from the financial impacts of the COVID-19 pandemic

Overall, the General Fund expenditures came in at 101.5% of the amount budgeted, and there was a \$34.1M net increase to the FY2021-2022 Fund Balance. The ending fund balance was \$143.0M. (See Table 4 below for a detailed classification of the fund balance.)

	General Fund
Nonspendable:	
Notes receivable	\$ 60,686
Advances to other funds	14,724,416
Total nonspendable	<u>14,785,102</u>
Restricted:	
Pension trust	<u>27,050,540</u>
Total restricted	<u>27,050,540</u>
Committed:	
Contingency	43,852,751
Facility Planning	23,858,726
Recreation facilities	<u>1,789,101</u>
Total committed	<u>69,500,578</u>
Assigned:	
Encumbered contracts	<u>6,527,254</u>
Total assigned	<u>6,527,254</u>
Unassigned:	<u>25,093,180</u>
Total fund balance	<u>\$ 142,956,654</u>

Table 4

As the City navigates through the next fiscal year, the FY2022-2023 revenues for Property Tax, Sales Tax, Business Tax, Charges for Services and other revenues will need to be closely monitored amid economic uncertainty, stock market volatility, and rising interest rates.

ENTERPRISE FUND SUMMARY

The table below summarizes the financial results for the City's four enterprise funds:

Funds	Beginning Net	Revenues &	Expenses &	Ending Net	Unrestricted Net
	Assets as restated	Transfers in	Transfers Out	Assets	Assets
Refuse Disposal	-5,252,289	18,454,893	16,314,382	-3,111,778	-5,576,487
Municipal Bus Lines	22,663,244	27,412,757	28,954,219	21,121,782	-17,613,245
Sewer Enterprise	48,152,715	8,808,563	8,760,599	48,200,679	21,133,841
Municipal Fiber Network (FB as of 6/30/2021 Restated due to the implementation of GASB87)	-9,271,661	3,059,209	2,025,460	-8,237,912	-20,702,581

Table 5

The Refuse Disposal Fund revenues exceeded expenses by \$2.1M during the year. The overall negative net asset position continues to be affected by pension and OPEB liabilities totaling \$8.6M. This situation is expected to continue until the long-term amortization of the net pension and OPEB liabilities is substantially complete.

The Municipal Bus Lines Fund expenses surpassed revenues by \$1.5M largely due to increased maintenance costs. The net pension and OPEB liabilities were \$21.1M, which impacts the ending net assets total. This situation is expected to continue until the long-term amortization of the net pension and OPEB liabilities is substantially complete.

The Sewer Enterprise Fund revenues slightly exceeded expenses by \$0.05M during the year. This fund has pension and OPEB liabilities of \$1.6M. It is less impacted by these liabilities due to the low number of staff members allocated to this fund. The \$21.1M in ending net assets is high due to significant projects that are underway to improve or replace components of the sewer system.

The construction for the Municipal Fiber Network (Culver Connect) backbone was completed, and the construction for network laterals continued. The funding for this project was provided through a loan from the General Fund to design and construct an open access network where Internet Service Providers will utilize the City's fiber infrastructure to service the business community. This fund generated operating

revenues of \$3.1M, which is an increase of \$0.5M over the prior fiscal year.

INTERNAL SERVICE FUND

The table below represents the financial results for the City's four internal service funds:

Funds	Beginning Net Assets	Revenues & Transfers in	Expenses & Transfers Out	Ending Net Assets	Unrestricted Net Assets
Equipment Replacement	15,989,055	2,153,866	2,385,943	15,756,978	8,912,323
Equipment Maintenance	-11,898,005	8,068,770	8,284,534	-12,113,769	-12,143,120
Risk Management	-15,765,429	14,593,847	11,170,739	-12,342,321	-12,342,321
Central Stores	0	1,765,296	1,765,296	0	0

Table 6

The Equipment Replacement Fund is used to amortize and replace City equipment, primarily vehicles. The expenses can vary significantly from year to year based on what equipment is being replaced.

The purpose of the Equipment Maintenance Fund is to allocate the repair and maintenance charges of the City's fleet to the departments where the vehicles are in service. During FY2021-2022, expenses exceeded revenues by \$0.2M. The net pension and OPEB liabilities were \$7.2M. Unrestricted net position will remain negative until the long-term amortization of the net pension and OPEB liabilities is substantially complete.

The Risk Management Fund has historically carried a negative fund position. In addition to actual expenses paid out for claims, judgments, attorneys, insurance premiums, etc., the fund records the actuarial estimates for future claims and judgments as an expense. The City is not in a financial position to fully fund future estimated claims. Therefore, this fund will continue to remain in an overall negative position and will need to continue to rebuild its cash flows to be in line with the City's reserve policy.

The Central Stores Fund accounts for the certain inventory items that are used by departments where it is more economical to purchase in bulk and distribute the items as needed. Much of the inventory carried supports the equipment maintenance function. Items are purchased and then allocated ('sold') to the department that uses them. The fund ended the year with a zero balance as the annual expenses for items issued for use were fully billed out to the user departments.

SPECIAL REVENUE FUND SUMMARY

The City currently utilizes twenty special revenue funds to account for earmarked revenue sources for designated functions. The monies accounted for in these funds are not available for discretionary City funding.

All special revenue funds ended the year with a positive or zero fund balance except for the Operating Grants Fund, the Paratransit Fund and the Board of State and Community Correction Fund. The negative fund balance in these funds was due to timing issues with grant reimbursements.

The table below represents the summarized financial activity for the various special revenue funds. Descriptions of each fund are included below.

Funds	Beginning Fund Balance	Revenues & Transfers in	Expenditures & Transfers Out	Ending Fund Balance
Gas Tax	3,249,187	1,621,434	655,126	4,215,495
Prop A Local Return	1,079,322	983,974	801,822	1,261,474
Prop C Local Return	1,224,994	809,573	682,265	1,352,302
Measure R Local Return	409,308	614,152	366,649	656,811
Operating Grants	-837,515	2,043,009	2,426,245	-1,220,751
Section 8 Housing	1,025,326	1,762,202	1,767,532	1,019,996
Art in Public Places	3,428,004	873,549	381,724	3,919,829
Community Development	949,004	89,497	56,100	982,401
CDBG	0	40,298	40,298	0
Special Assessment	552,419	77,186	23,269	606,336
Park Facilities	1,136,163	144,053	109,638	1,170,578
Asset Seizure	895,329	71,592	145,822	821,099
Parking Authority	14,360,977	3,784,411	3,163,731	14,981,657
Safe/Clean Water Protection (FB Restated)	7,424,210	3,819,753	2,250,695	8,993,268
Measure W (FB Restated)	1,785,004	2,381,276	33,892	4,132,388
Building Surcharge	820,856	303,780	439,338	685,298
Paratransit	-59,569	374,324	370,963	-56,208
Measure M Local Return	2,169,681	682,310	1184102	1,667,889
AQMD	270725	39,946	14934	295,737
Board of State Community Correction	193624	-561	200,286	-7,223
CC Housing Authority	39,303,362	433,262	2,631,347	37,105,277

Table 7

Gas Tax Fund is used to account for state gasoline taxes received by the City. These funds may be used for street maintenance, right-of-way acquisition and street construction.

Proposition A Local Return Fund is used to account for Proposition A funds received from the state. Proposition A funds are voter approved local sales taxes for transportation-related activities. Proposition A, approved by voters in 1980, is a one-half of one percent (0.5%) tax on retail sales in Los Angeles County. The collection of this tax is administered by the County, which returns twenty five percent (25%) of the collections to cities within the County. The balance of Proposition A tax funds is used for rail development (35%) and discretionary purposes (40%). Almost the entire discretionary portion is used to fund bus service provided by Metro and 16 other municipal bus operators within the County, including Culver City Municipal Bus Lines.

Proposition C Local Return Fund is used to account for Proposition C funds received from the State. Proposition C, approved by voters in 1990, is an additional one-half percent (0.5%) tax on retail sales in Los Angeles County. Proposition C funds are allocated to the construction and operation of the bus transit and rail system (40%), expansion of rail and bus security (5%), construction of commuter rail transit centers, park and ride lots, and freeway bus stops (10%), and other transit related improvements to freeways and state highways (25%). Each year more than \$1 billion dollars is generated in local transportation revenue.

Measure R Local Return Fund is to account for Measure R funds and is used to fund new transportation projects and programs. Measure R is a one-half cent (0.5%) sales tax approved by Los Angeles County voters in November 2008. The Transportation and Public Works departments utilize most of this funding.

Operating Grants Fund is used to account for operating grant funds resulting from the City's federal, state, and local operating grants, and the qualified expenditures of these restricted funds.

Section 8 Housing Fund is used to account for assistance provided by the Federal government dedicated to sponsoring subsidized housing for low-income families and individuals. The Housing Division in the Community Development Department is responsible for managing and administering the City's Section 8 Housing Choice Voucher Program (HCVP) to provide rental subsidies for qualified low-income households.

Art in Public Places Fund is used to account for the “Art in Public Places” program. The revenues for this Fund come from developer in-lieu fees.

Community Development Fund is used to account for funds received from new development impact fees collected on non-residential construction in excess of 5,000 square feet. These fees may only be used to fund street improvements, traffic controls and traffic management projects.

CDBG Fund is used to account for federal Community Development Block Grant (CDBG) funds, and the qualified expenditures of these restricted funds for administrative expenditures such as personnel costs.

Special Assessment Fund is used to account for benefit assessment district funds received from homeowners for special landscaping services of certain properties within the City.

Park Facilities Fund is used to account for funds received from development impact fees assessed on subdivision/residential development. These fees may be used for the improvement and expansion of public parks and park facilities throughout the City.

Asset Seizure Fund is used to account for funds received from federal and local seized and forfeited properties. Such funds may be used for the detection and prevention of criminal activity, and the apprehension of criminals through Drug Abuse Resistance Education (D.A.R.E.), and other law enforcement programs.

Parking Authority Fund is used to account for the operations of the Culver City Parking Authority, which currently includes the Cardiff Parking Structure. These funds may be used for parking related operations and infrastructure improvements.

Safe/Clean Water Protection Fund is used to account for all activities associated with the mitigation and clean-up of urban water runoff.

Measure W Fund, approved by Los Angeles County voters in 2018, is a parcel tax of 2.5 cents per square foot of impermeable land area in the Los Angeles County Flood Control District, which covers the majority of Los Angeles County. Such funds may be used to increase water supply, improve water quality, and provide community enhancements throughout LA County.

Building Surcharge Fund is used to account for funds received from a four percent (4%) surcharge on certain development related permit fees. The surcharge is used

by the City to fund digital imaging and storage of plans and documents, and technology improvements and maintenance to enhance customer service.

Paratransit Fund is used to account for the portion of sales tax to be used to transport seniors and people with disabilities.

Measure M Local Return Fund is used to account for Measure M funds. Measure M is a one-half cent (0.5%) sales tax approved by Los Angeles County voters in November 2016 and is to be used to fund new transportation projects and programs. The Transportation and Public Works departments utilize most of this funding.

AQMD Fund is used to account for funds received from the Air Quality Management District for air quality planning, monitoring, and stationary source and facility permitting. Funds are also used to offset costs for alternative fuel vehicle and equipment purchases.

Board of State and Community Correction Fund is used to account for funds received for the Youth Reinvestment Grant Program. The City acts as a pass-through agency to fund the development of a youth diversion program which provides Culver City youth facing expulsion and/or arrest with an individualized care plan to include arrest alternatives and educational and mental health services.

Housing Authority Fund is used to account for the assets and liabilities of the Low/Moderate Income Housing Fund of the dissolved Culver City Redevelopment Agency. These funds may be used only for qualified low/moderate income housing projects and programs.

CAPITAL PROJECTS FUND SUMMARY

The table below represents the summary financial activity for the City's four capital projects funds. Descriptions of each fund are included below. The CDBG Capital Fund ended the year with a negative fund balance, due to the timing of grant reimbursements.

	Beginning Fund	Revenues &	Expenditures &	Ending Fund
Funds	Balance	Transfers in	Transfers Out	Balance
Cooperative Projects	8,154,602	48,358	340,700	7,862,260
Capital Improvement Grants	-7,810,426	37,185,205	8,079,436	21,295,343
Capital Improvement & Acquisition	1,746,332	6,121,858	3,564,381	4,303,809
CDBG Capital	-289,858	321,623	47,454	-15,689

Table 8

Cooperative Projects Fund is used to account for former Redevelopment Agency unrestricted tax increment funds. These assets (primarily land held for resale) were transferred to the City under the 2011 Cooperation and Implementation Agreement (Agreement) and may only be used for qualified capital projects identified in the Agreement.

Capital Improvement Grants Fund is used to account for grant funds awarded to the City by federal, state, and local grant agencies for capital improvements, and the qualified expenditure of these restricted funds.

Capital Improvement and Acquisition Fund is used to account for capital projects that are not otherwise funded by a special revenue fund or other specifically identified by the source of funding. Project funding is mainly from general revenues allocated by action of the City Council.

CDBG Capital Fund is used to account for Community Development Block Grant (CDBG) funds, and the qualified expenditures of these restricted funds for capital improvement projects.

CONCLUSION

The General Fund finished the FY2021-2022 with positive operating financial results, with total revenues exceeding total expenditures by \$34.1M.

Pursuant to the financial policies adopted by the City Council in FY2013-2014, thirty percent (30%) of the adopted operating budget for the General Fund is to be reserved for future contingencies and emergencies. The City's financial policies also call for forty percent (40%) of any surplus, after meeting the future contingencies requirement, to be set aside in a Facilities Planning Reserve for the future replacement or improvements of City facilities. Lastly, the financial policies call for ten percent (10%) of specific parks and recreation revenues to be set aside for the improvement of recreational facilities. Funds were set aside in accordance with the

policies, and a total of \$69.5M was committed to these purposes at the end of FY2021-2022. Use of any of these reserves requires specific City Council action. Beyond these required reserves, there is \$25.1M remaining in unassigned General Fund reserves as of June 30, 2022.

The City has been proactive in its response to the changing economic conditions and has successfully implemented measures to improve its fiscal position over the last decade. In November 2012, voters approved Measure Y, a one-half cent local sales tax, that went into effect in April 2013. In November 2020, voters approved Measure CC extended the tax another ten years until 2033. The voters also approved an additional quarter-cent sales tax, Measure C, on November 6, 2018, with the effective date of April 1, 2019. In November 2020, the voters passed Measure RE establishing a marginal tax rate for the City's real property transfer tax with the effective date of April 1, 2021.

As part of the November 8, 2022 General Election Culver City voters approved Measure BL which updates the City's business license tax rates that were established in 1965 and the City's business classifications. Measure BL is a general tax and may be used for general City purposes, including services like emergency response, addressing homelessness and maintaining parks. The updated tax rates and classifications will take effect on April 1, 2023 for new businesses registering in the City. Existing businesses will pay the new rates with their renewals for calendar year 2024.

The net investment gain of CalPERS was 21.3% in FY2020-2021 with the discount rate of 6.8%. The CalPERS investment performance declined to a net loss of 6.1% in FY2021-2022. The current investment loss of CalPERS for FY2022-2023 is estimated to be approximately 7%, largely due to asset holdings in public equity and fixed income assets. The City's Unfunded Accrued Liability (UAL) for pensions will reflect these losses in the coming years. Despite the tax-exempt Section 115 Trust and the OPEB Trust established to address the unfunded pension and OPEB liabilities respectively, the City continues to face steep increases in pension, health care and workers' compensation costs, and staff will monitor future budget impacts.

This report is intended to summarize the City's audited financial results for the year ending June 30, 2022. Vasquez & Company LLP performed the audit of the financial statements for FY2021-2022 and issued the opinion that the City's financial statements present fairly, in all material respects, the financial position of the City as of June 30, 2022. The complete ACFR is provided as Attachment No. 2 to the staff report and is available on the City's website. The Independent Auditor's Report can be found on pages 1-4 of the ACFR.