RESOLUTION No. 2019- R_________

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CULVER CITY, CALIFORNIA, DECLARING A FISCAL EMERGENCY IN ACCORDANCE WITH ARTICLE XIII C OF THE CALIFORNIA CONSTITUTION.

WHEREAS, Article XIII C of the California Constitution provides, in pertinent part: "…No local government may impose, extend, or increase any general tax unless and until that tax is submitted to the electorate and approved by a majority vote. A general tax shall not be deemed to be increased if it is imposed at a rate not higher than the maximum rate so approved. The election required by this subdivision shall be consolidated with a regularly scheduled general election for members of the governing body of the local government, except in cases of emergency declared by a unanimous vote of the governing body…;" and

WHEREAS, for several years and most recently during the budget process and study session meetings held in May and June of this year, staff has presented the City Council and community with information related to the City's costs increasing at an alarmingly faster rate than revenues, due in large part to paying down the City's unfunded pension liability; and

WHEREAS, the City's financial forecast has made it evident that the General Fund relies heavily on the Measure Y Tax revenues, and without those revenues, the City anticipates the following ongoing fiscal challenges that threaten the City's ability to provide adequate levels of service to its residents:

1. Total General Fund Appropriations are projected to exceed General Fund Revenue estimates over the next ten years.

   a. In the FY 2019/2020 Adopted Budget, even with the one-half cent sales tax in place, the General Fund Budgeted Appropriations exceeded General Fund

Revenue Estimates by $7.3M. If the one-half cent sales tax sunsets, the budget deficit will increase by $9M and the City will be forced to pursue alternate revenue strategies.

b. The City's ten-year financial forecast demonstrates that the General Fund will no longer meet the General Fund Reserve requirement by FY 2023/2024 and if the one-half cent sales tax measure sunsets in FY 2022/2023, the General Fund Reserves will be totally depleted three years after the sunset.

2. Increasing retirement and pension costs related to rates charged by CalPERS have a significant impact on the General Fund's increasing expenditures.

a. PERS costs, are expected to rise from $23,952,000 in FY 2019/2020 to $42,317,000 in FY2029/2030, which is an increase of 77% during this time period.

3. There are additional budget needs that have not been included in the financial forecast which include:

a. Increased maintenance and capital improvement projects for City infrastructure (streets, roads, pavements, traffic safety projects, city buildings, etc.).

i. In a recent study by consultant Faithful + Gould, they assessed twenty-five City owned structures located across the City and found a total of $38M of necessary capital improvements over a ten-year period. Out of the $38M, $20M in improvements has been identified as immediate and $8.5M were identified as Priority 1 Life/Public Safety items.

b. Capital and maintenance expenditures to support updating network infrastructure, cloud-based software deployments and replacement of end-of-life hardware which are critical to supporting secure and reliable operations.

i. The Information Technology (IT) Department administers and manages the network and technical infrastructure for the City. Departments citywide are relying more on emerging technologies that streamline and facilitate efficient operations. Continued investments that support the City's technical infrastructure are essential, and reduce the City's risk as it relates to cyber security. A technology replacement and upgrade program is essential in protecting the City from cyber security threats; and

WHEREAS, as a result of the Great Recession the City has made significant efforts to reduce cost and improve efficiencies by:

1. Eliminating nearly seventeen percent of the positions in the General Fund where further reductions to the authorized positions in the City will have a direct effect on the level of services provided to the community;

2. Departments have been conservative in their spending and sometimes have generated budget savings of up to 4% annually;

3. Employees' cost sharing of PERS cost will generate a ten-year cost savings of $29.5M for the City; and

WHEREAS, despite the City's sound management and disciplined control of its financial health, the City's ability to sustain local services is seriously threatened by rising pension costs and the threat of losing 7%, or $9.8M, of its General Fund Tax Revenues; and

WHEREAS, even with these fiscal difficulties, the City seeks to continue to provide the same level of essential City services for the benefit of its residents, which services include police, fire, street maintenance, traffic improvements, emergency preparedness, maintenance of parks and recreation areas, all of which are deemed very important by an overwhelming majority of City residents, as indicated by a recent survey; and

WHEREAS, it is in the best interest of the public welfare of the residents and businesses that the City of Culver City take measures to avoid any further cuts to essential City services.

NOW, THEREFORE, the City Council of the City of Culver City, California, **DOES HEREBY RESOLVE**, as follows:

SECTION 1. That based upon the above recitals, other substantial information available as part of the public record, and the need to plan for the City's future financial health, a fiscal emergency exists for the purposes described in the California Constitution Section XIII C, Section 2(b).

APPROVED and ADOPTED this ___ day of ____________, 2019.

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MEGHAN SAHLI-WELLS, MAYOR
City of Culver City, California

ATTEST

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JEREMY GREEN, City Clerk

APPROVED AS TO FORM

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CAROL A. SCHWAB, City Attorney