City of Culver City, California

Agenda Item Report

Meeting Date: 10/05/2009	Item Number: J-1
JOINT CITY COUNCIL/REDEVELOPMENT AGENCY BOARD AGENDA ITEM: A Presentation by the City Manager Related to a Budget Review for Fiscal Year 2009/2010 – Overview and Revenue Evaluation 2009/10 Budget Review-Overview & Revenue Evaluation	
Contact Person/Dept.: Mark Scott	Phone Number: 310-253-6000
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Commission Action Required: Yes [] No [X]	Date: ________________
Public Notification: Meetings and Agendas – City Council (10/01/09); Ongoing Topics – Fiscal and Budget Issues (10/01/09).	
Department Approval: Mark Scott (10/01/09)	City Attorney/Agency General Counsel Approval: Carol Schwab (by H. Baker) (10/01/09)
Chief Financial Officer Approval: Jeff Muir (10/01/09)	City Manager/Executive Director Approval: Mark Scott (10/01/09)

RECOMMENDATION

Staff recommends that the City Council and Redevelopment Agency Board receive a presentation from the City Manager/Executive Director related to a Budget Review for Fiscal Year 2009/2010 – Overview and Revenue Evaluation and direct staff as deemed appropriate.

BACKGROUND

On June 22, 2009, the City Council and Redevelopment Agency Board adopted Interim 2009/10 Operating Budgets. At that time, it was noted that a final budget could not be adopted because:

a) The State was still considering actions that could negatively impact the City and the Redevelopment Agency;
b) The Interim Budgets included assumption of revenue receipts (especially Sales Tax) that were uncertain and one-time savings from employee groups that had not been negotiated; and
c) The new City Manager/Executive Director had not yet had an opportunity to participate in the workplan/budget development.

Based on the above, the City Council and Redevelopment Agency Board directed that a comprehensive review of the entire budget be conducted with a final budget adopted by November 9, 2009.

DISCUSSION

This evening, the City Manager and Chief Financial Officer will facilitate this initial discussion of a proposed Final Budget for Fiscal Year 2009/2010 by highlighting parts of the following documents included as part of this report (a separate binder has been provided for the Council Members):

1) Culver City Financial Flows Overview (based on the 2009/10 Interim Budget)
2) The 2008/09 Preliminary Year-End Report
3) The September 2009 Revenue Report
4) A listing of "Contract Services" for the past two fiscal years (in response to the City Council's request)

In subsequent meetings, the City Manager will facilitate a "programmatic" discussion of Departmental expenditures. Rather than conducting a traditional "Line Item" review, staff has been taking a more in-depth look at the budget from a programmatic standpoint to see if there are efficiencies, services level reductions or alternative service delivery concepts through which we might reduce the size of the organization and budget, either short or long-term. This discussion is scheduled for the City Council's October 12 and 19 meetings. We will also discuss input we receive from the public. On October 26, we hope to focus on priorities and trade-offs necessary to balance the budget.

October Schedule and Process

The City Council and staff are scheduled to address the 2009/10 & 2010/11 workplan and budget on each of the four October meeting dates. Additionally, the City Manager is hosting four public workshops on the workplan and budget on the four Wednesdays in October (October 7, 14, 21 and 28).

In addition to external workshops, the City's staff team has been engaged in active discussion of the budget situation – including program-by-program review – seeking efficiencies, evaluating service levels and considering whether there are alternative service delivery concepts for each program. The internal evaluation includes all employees, throughout the organization.

Areas of Particular Importance

As part of the presentation this evening, the City Manager will pay particular attention to the Preliminary Year-End Report (Item 2 above), especially the following:

In the Preliminary Year-End Report, Page 16 is a chart that shows:

- FY 2008-09 Year-end Actuals
- FY 2009-10 Interim Adopted Budget
- FY 2009-10 Current Projections (prior to start of the new budget review)

As this chart shows, our budget shortfall is estimated at $3.74 million, which is $3.6 million worse than when we adopted the Interim Budget. The reasons for this change include:

- We are not assuming $1 million in employee salary reduction
- Sales Tax (despite a significant assumed increase for Westfield Culver City Mall) is projected lower than the original projection made in June.
- Staff is assuming lower than historic "assumed budget underspending," largely because the budget is tighter and new vacancies are occurring at a slower rate.

Page 20 is a 5-year projection of the General Fund based on the page 16 "Current Projection" column and realistic future changes. Unless we make significant changes in expenditure or revenue assumptions, this chart shows the potential impact on our General Fund Balance, especially if our Other Post Employment Benefits (OPEB) are factored in as projected by our OPEB actuary. Implicit in the 5-year projection is the escalation of PERS retirement rates, reflecting the recent investment losses of the CALPERS system.

The outcome projected on page 20 is clearly unacceptable. Therefore, during our October budget review, we will focus on a workplan and budget that best balances the tradeoffs inherent in pursuing the following goals:

a) Maintaining Culver City's "brand promise" to our current and future resident and business co-owners;
b) Respecting our community's ability to pay (especially in today's difficult economic climate);
c) Seeking expenditure efficiencies and alternative service delivery methods;
d) Responsibly addressing infrastructure needs (including deferred maintenance);
e) Responsibly addressing our OPEB and future retirement costs;
f) Maintaining an adequate operating reserve; and,
g) Retaining a highly qualified and motivated employee team.

There are, without doubt, some hard decisions to be made to balance this equation. We look forward to initiating this comprehensive review process on October 5.

ATTACHMENTS

1. Culver City Financial Flows Overview (Based on Fiscal Year 2009/2010 Interim Budget)
2. Preliminary Year-End Report for Fiscal Year 2008/2009

3. Revenue Report
4. Contract Services Report

MOTION

That the City Council and the Redevelopment Agency Board:

receive a presentation from the City Manager/Executive Director related to a Budget Review for Fiscal Year 2009/2010 – Overview and Revenue Evaluation and direct staff as deemed appropriate.