City of Culver City, California

Agenda Item Report

Meeting Date: 02/23/15	Item Number: A-3
CITY COUNCIL AGENDA ITEM: FOUR-FIFTHS VOTE REQUIREMENT – (1) Receipt and Filing of the Fiscal Year 2014/2015 Mid-Year General Fund Budget Monitoring Report, (2) Receipt and Filing of the General Fund Financial Forecast, (3) Provide Notification Inviting Public Comment and Input for the Upcoming Proposed Budget for Fiscal Year 2015/2016, and (4) Approval of Proposed Budget Amendments.	
Contact Person/Dept.: Jeff Muir, CFO, Finance Department	Phone Number: (310) 253-5865
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: (Email) Meetings and Agendas – City Council (02/17/15); (Email) Ongoing Topics – Fiscal and Budget Issues (02/17/15)	
Department Approval: Jeff Muir (02/17/15)	City Attorney Approval: Carol Schwab (by H. Baker) (02/17/15)
Chief Financial Officer Approval: Jeff Muir (02/17/14)	City Manager Approval: John M. Nachbar (02/17/15)

RECOMMENDATION:

Staff recommends the City Council (1) receive and file the Fiscal Year 2014/2015 Mid-Year Budget Monitoring Report, (2) receive and file the General Fund Financial Forecast, (3) provide notification inviting public comment and input for the upcoming Proposed Budget for Fiscal Year 2015/2016, and (4) approve related budget amendments.

A budget amendment requires a 4/5ths vote.

BACKGROUND / DISCUSSION:

Mid-Year and Forecast Reports

The attached Mid-Year Budget Monitoring Report (Mid-Year Report) presents the City Council with a snapshot of General Fund, Enterprise Fund, and Internal Service Fund expenditures and revenues through the first half of Fiscal Year 2014/2015, which began on July 1, 2014. Other City funds are performing within expectations and are not a part of this report. The attached General Fund Financial Forecast (Forecast) takes the mid-year projections and forecasts revenues and expenditures out to Fiscal Year 2023/2024. The Forecast provides details of the various assumptions used to arrive at the revenue and expenditure estimates.

Notification Inviting Public Comment and Input

Consistent with the City Council's general policy, the City is committed to being open and transparent in all matters, especially those involving the collection and expenditure of public funds. In order to continue this commitment, the public is being provided this first of several opportunities to comment and offer input on the City's upcoming FY 2015/2016 proposed budget.

The City Manager's Proposed Budget for Fiscal Year 2015/2016 is scheduled to be formally presented to the City Council on Monday, May 11, 2015. Prior to this date, there will an additional public comment opportunities currently scheduled for the end of March, and opportunities during the period when the City Council discusses the proposed budget with City staff in May and June.

In addition to the public comment opportunities, consistent with the City Council's direction, the City's Commissions, Committees, and Board (CCB) will all have several opportunities to provide comment and input on the budget process. The first of these opportunities begin with the CCB's meetings in March.

Should the City Council adopt the proposed resolution, the City Clerk's Office will also provide several public notices related to the opportunities of the public to provide input an comment on the budget process over the coming weeks.

The public is also invited to submit comments and suggestions to the City at the following e-mail address: Budget.Priorities@culvercity.org.

FISCAL ANALYSIS:

The Mid-Year Report provides detail into General Fund revenues received and expenditures disbursed through December 31, 2014, as well as adjusted projections through the end of the Fiscal Year (to June 30, 2015). General Fund expenditures through December 31, 2014 are $41.322 million, or 43.1% of current revised budget projections. General Fund operating revenues through December 31, 2014 are $33.81 million, or 36.5% of current revised budget projections. Significant one-time revenues for the sale of property have also been received and total $14.2 million. Both General Fund operating revenues and expenditures are higher when compared to this same point in time in the prior fiscal year.

Full year General Fund projections for Fiscal Year 2014/2015 show total estimated operating revenues at $95.624 million, $3.06 more than the current revised budget total. Total expenditures are estimated at $93.91 million, $2.06 less than the current budget. The projected ending result for the General Fund is an operating surplus of $1.7 million.

As recommended by the Finance Advisory Committee, the Forecast has been expanded out through Fiscal Year 2023/2024 in order to show the effect of Measure Y ending in March 2023. The Forecast predicts operating surpluses for the next several years, but shows that expenditures will catch up to revenues by Fiscal Year 2022/2023. The final year of the Forecast shows a deficit of approximately $11 million if Measure Y does sunset in March 2023.

Generally, revenues are projected to increase by an average of 2.4% annually, with continued gradual growth in the economy. The Forecast does not make any assumption for another recession during this time. The Forecast also assumes the same staffing levels approved for Fiscal Year 2014/2015 stay in place. For budgetary purposes, cost-of-living adjustments for both safety and non-safety employees are assumed at 2.0% per year. Significant increases to pension costs are assumed based on the latest actuarial information provided by CalPERS. For the most part, other expenditure categories are assumed to grow at an average 2.2% inflationary rate. Further details are provided in the Forecast document.

Several factors must be considered when reviewing the Forecast:

- A number of developments, both private and former Redevelopment Agency projects, are assumed to come 'on line' during the course of this projection.
- Measure Y, which is estimated to provide slightly over $11 million per year in General Fund revenues by the end of the Forecast, sunsets on March 31, 2023.

Staff will make a presentation of the report and also discuss in more detail future policy discussions on whether and how to use General Fund reserves in excess of the 30% Contingency Reserve.

ATTACHMENTS:

Attachment 1 – Fiscal Year 2014/2015 Mid-Year Budget Monitoring Report
Attachment 2 – Proposed Budget Amendments
Attachment 3 – General Fund Financial Forecast

MOTION:

That the City Council:

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(1) Receive and file the Fiscal 2014/2015 Mid-Year Report as provided in Attachment 1; and,

(2) Receive and file the General Fund Financial Forecast as provided in Attachment 3; and,

(3) Provide notification to public inviting comment and input for the upcoming Proposed Budget for Fiscal Year 2015/2016; and,

(4) Approve the Budget Amendments as proposed in Attachment 2.

A budget amendment requires a 4/5^{ths} vote.