MEETING DATE: 03/09/09

AGENDA ITEM: **Discussion of an Update to the Comprehensive Financial Plan and Direction to Staff as Deemed Appropriate.**

ATTACHMENTS

Comprehensive Financial Plan

February 2009

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CITY OF CULVER CITY

COMPREHENSIVE FINANCIAL STRATEGY UPDATE

INTRODUCTION

PURPOSE

The purpose of this Updated Comprehensive Financial Plan is to provide a continuing perspective on the financial condition of each of the City's major appropriated funds. It is intended to be a planning tool to aid on-going capital and operating budget decision-making by providing insight into the long-term implications of today's policy choices and budgetary decisions.

Information contained in this updated financial plan includes items that were added and approved during the fiscal 2008-09 and 2009-10 budget process as well as other City Council programs and projects approved after the budget was adopted but prior to January 31, 2008.

INTRODUCTION/ABOUT THE CITY

The City of Culver City was incorporated in 1917, operates under a charter modified by voters in 2006, and has a City Council/City Manager form of government. The five-member City Council is elected at-large. The City is located on the Westside of Los Angeles County, generally situated north of LAX, southeast of Santa Monica, south of Beverly Hills and southwest of West Hollywood. The City is five (5) square miles with a residential population slightly over 40,700, and a daytime population of approximately 60,000. Culver City is a full-service city with its own Police Department, Fire Department, Municipal Bus Line, and Public Works Department, which includes a Sanitation Division. The City has approximately 714 full-time employees.

The population of Culver City is broken down as follows: White (59%), African American (12%), Asian (12%), Other (11%), and persons reporting two or more races (6%); approximately 24% of the population reports being of Hispanic or Latino origin[1]. The median age of a Culver City resident is 38 years old; with 43% of the population over age 45; 30% age 25-44; and 27% under the age of 24. The median household income is $60,000, compared to a median household income of $41,500 for Los Angeles County. Approximately 72% of Culver City residents have had at least some college education, with 17% holding a graduate degree.[2]

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[1] Hispanics may be of any race, so they are also included in applicable race categories.
[2] All information contained in this, and the previous paragraph is from the U.S. Census Bureau: 2000 Census Data.

Culver City has a strong economic base, with approximately 25% of the City being zoned for commercial/industrial use. Culver City prides itself on being the "Heart of Screenland," with the film industry being an important part of Culver City's identity; however, there is also a strong presence in the department store, auto dealership, business/industrial, and restaurant industries. Some large commercial businesses located in the City include Sony Pictures Studios, Costco, Best Buy and Target.

The City's total Adopted Budget for 2008-09 is approximately $148 million (excluding internal service funds), with a General Fund budget of approximately $85.6 million. Public Safety expenditures account for approximately 52% of the General Fund budget.

BACKGROUND

The financial environment that municipal governments operate in has changed drastically over the last twenty-five years. Federal and state funding has decreased while unfunded mandates have increased, forcing cities to become more financially independent. State legislation and voter-initiated propositions (e.g. Prop 13, Prop 218) have restricted the way cities raise revenues and levy taxes, forcing cities to become more financially responsible by increasing efficiency and cost effectiveness. Changes to financial reporting requirements by the Government Accounting Standards Board (GASB) have increased financial transparency[3], forcing cities to be more financially accountable. As a result, cities have had to make the tough decision of reducing certain programs/services, contracting out their services, or finding other financing mechanisms to maintain their finances in order to continue to provide the same level of service to their residents.

In addition, a string of devastating natural disasters over the past few years (i.e. hurricanes and tsunamis), recent devastating wildfires in California caused both by nature and by human activity, and ever increasing threats to national security has taught cities they will need to be prepared to deal with emergencies without relying heavily on state and/or federal aid.

Double digit percentage increases in personnel costs, such as medical insurance premiums, pension costs, retiree medical benefits, and workers' compensation costs, continue to severely limit the availability of financial resources for the City's day-to-day operations, including maintenance, capital projects, and unfunded future liabilities.

As in past presentations of the Comprehensive Financial Plan, the document discusses the current economic environment the City is operating in and identifies the revenue constraints and basic operational expenses that must be met. It discusses potential positive and negative impacts facing the City, and how the City might be affected should they be realized.

[3] For example: GASB 34 required cities to track and report fixed assets and GASB 45 requires cities to report retirement benefits, including retiree medical benefits, as a liability.

ECONOMIC OVERVIEW

WHAT A DIFFERENCE A YEAR MAKES

Last year at this time, there were a number of pressures threatening the economy, including fluctuating oil prices, a slowing housing market, the Writers' Guild strike, and a projected $14 billion shortfall in the state budget. However, the consensus among economists was that the national and state economies would experience slow growth in the upcoming year. There were faint whispers of a possible recession, but almost nobody expected what was to come.

Throughout the spring and summer, home foreclosures continued to escalate as homeowners were unable to make their loan payments. This had a ripple effect that has been felt throughout the economy and continues to threaten the Country's economic stability. The first companies to feel the impact were construction companies as new home construction dropped off dramatically. This resulted in a large loss of jobs in the construction industry.

The next companies to feel the impact were small to medium sized financial institutions, who experienced cash flow problems and began to recognize large losses due to an increasing number of loan income that they were losing due to foreclosures. Many economists still thought this would be contained to smaller institutions as the "to big to fail" financial institutions were presumably well diversified and therefore protected against an increase in bad mortgage debt.

As foreclosures continued through the summer, larger banks and financial institutions that had invested in mortgage backed securities began to experience significant losses. This led to the merger or failure of a number of large financial institutions that had previously been though of as the most financially stable institutions in the Country. Institutions such as Lehman Brothers, JP Morgan, Morgan Stanley, Wachovia, Washington Mutual, AIG, among others, all needed to be bailed out through merger, federal assistance, or bankruptcy protection. This resulted in a large loss of jobs in the financial industry.

In addition to the mounting job losses, there were other negative consequences that materialized as a result of these failing financial institutions. The most significant short-term impact was that banks tightened their lending practices to the point that the credit market all but disappeared. This impacted the housing market as consumers interested in taking advantage of affordable housing prices and plenty of housing supply had trouble getting a loan, which made any sort of potential turnaround in the housing market very difficult.

An equally significant impact of the disappearing credit market is the impact on businesses, large and small, ability to access lines of credit that are necessary to keep a business running. A part of doing business is having access to a line of credit to manage cash flow and be sure that all business liabilities can be met on a monthly basis. As the lines of credit are restricted or dry up, businesses must use any reserve funds they may have. As those reserve funds are used up, they must cut costs or close their doors altogether, putting more people out of work.

The failing institutions also caused consternation with investors and the stock market, causing the extreme volatility on Wall Street. In June, the Dow Jones Industrial Average (DJIA) index was still hovering above 12,000 points. Since the collapse of the financial sector in the U.S. and abroad, the DJIA is currently hovering around 8,000 and 500 point swings (both positive and negative) is not uncommon. For many people, a 30% drop in the stock market means a 30% drop in overall wealth and a 30% drop in retirement savings.

In previous down markets, people could still rely on their home as a source of wealth to draw money from in tough times, but in many areas, home values had also dropped 20 – 30%. To make up for this across the board decline in wealth, many people have turned to traditional saving and have pulled back on their spending practices. The combination of increased job loss and increased saving, has caused the economy as a whole to retract. As spending decreases, many companies are experiencing declining revenues, especially in auto, retail, and tourism industries. The declining revenues have led to even more large scale layoffs, especially in the auto industry.

The federal government took unprecedented steps to attempt to stop the bleeding by arranging takeovers of failing banks and by approving a $700 billion bailout package for banks to try to loosen up the credit markets and get money moving again, but this has yet to have a significant impact. Currently, a second stimulus package is making its way through the federal government, and is hoped to further spur assistance for business and the general populace.

As it stands today, the credit market is still very tight, the stock market is still extremely volatile, unemployment continues to rise, businesses are closing in record numbers, and the housing market is still very weak as foreclosures continue to be a problem.

OUTLOOK

The consensus among most experts is that we are in a recession that will, by most accounts, last through the end of 2009 and may continue into 2010. Also, by most accounts, we have not yet hit bottom. Many economists, including the UCLA Anderson Forecast[4], expect things to get worse before they get better.

Over the next year, we expect to see a correction in a number of areas that will effectively weed out riskier financial vehicles in favor of more conservative conventional vehicles. In the financial sector, this weeding out process has already begun. The failure and merger of “weaker” financial institutions has led to the consolidation of larger,

[4] Information reported at the UCLA Anderson Forecast Conference held on December 11, 2008 reports that the outlook for California calls for a very weak first three quarters of 2009, with the glimmer of a recovery in the fourth quarter.

better leveraged banks such as the JPMorgan-Chase-Wamu merger, Wells Fargo-Wachovia merger, and Bank of America's acquisition of Countrywide and Merrill Lynch (just to name a few of the larger mergers).

As these banks become more financially stable, and the federal bailout begins to take effect, the credit markets should begin to loosen as banks become more willing to give loans.

On the real estate side, the price correction that California is experiencing will lure new buyers into the market, who will slowly start to buy down the large housing supply as loans become more readily available. On the commercial side, businesses that were financially stable enough to survive through the tough times will have more financial options available as well. Commercial development should start up again to meet an increasing demand. All of this will create jobs and begin to stabilize the economy. However, this will be a long painful process that may last more than a year.

We also expect the post recession economy to look very different from the pre-recession economy. In the years leading up to this period, the US was experiencing a very gluttonous economy where the average American spent more than 98% of their income and saved less than 2%. This was an incredible boost to the economy as it pushed the value of almost all consumer goods up. But in the end, this level of consumerism was unsustainable. We expect the post recession economy to return to a more historical level of consumer spending. In the mid-1980's, Americans spent closer to 91% of their income and saved the remaining 9 or 10%. In a post-recession America, a savings rate in the neighborhood of 5% seems a little more realistic and sustainable.

ECONOMY'S IMPACT ON CULVER CITY

So what does this all mean for Culver City? In the short term, revenues are expected to experience a significant downward adjustment. Culver City's two largest sources of revenue, Sales Tax and Business Tax (which is based primarily on businesses' gross receipts), are based almost entirely on consumer spending. The immediate pull back on consumer spending is expected to have a big effect on the City's revenues. The City is already experiencing a decline in Sales Tax revenue and based on preliminary estimates of slow retail sales over the holiday season, further loss of Sales Tax revenue is expected. In the long term, if consumers do change their behavior and begin to save a larger portion of their income, the City's base Sales Tax and Business Tax projections will need to be adjusted downward to account for that change.

The credit crunch is also having an impact on a number of development projects that are having trouble securing construction financing. Already, two large development projects are being delayed due to the credit crunch, which will have an impact on the City's immediate plan check and development permit related fees and charges. Culver City is fortunate to have a number of large construction projects already under development, which should help the City through the next few months. Since most development projects span a number of years between the initial planning stages and the construction stage, the projects currently under development were initiated years ago. Since many developers are holding back until the economy shows some signs of recovery, the City may not experience a slowdown in development related fees and charges for 6 to 12 months. However, some negative impact is expected. A discussion of each revenue source and the five-year projection is included in latter sections of this report.

STATE BUDGET IMPACT ON CULVER CITY

On September 23, 2008, 85 days after the beginning of the fiscal year, the state legislature finally reached an agreement on a budget for FY 2008-09. The state did not take revenues from cities; however, they diverted $350 million in redevelopment agency revenues in the form of an ERAF shift, which requires redevelopment agencies to fund a portion of the state's public education funding obligation. Culver City Redevelopment Agency's ERAF payment in FY 2008-09 will be approximately $2.25 million. At this point, this is only a one-year payment.

The predictions that the state budget was a very weak document did not take long to become reality. Consequently, the governor released a proposed change to the FY 2008-09 budget just six weeks after it was finally adopted. Due to a shortage in revenues and the condition of the economy, the governor's office, with concurrence from the Legislative Analyst's Office, estimated a budget deficit of over $42 billion through June 2010.

On February 19, 2009 the State Legislature, after a grueling number of meetings, finally approved a Spending Plan and Budget to bridge the $42 billion gap for the remainder of fiscal 2008-09 and the full year of fiscal 2009-10. The governor followed the next day by signing the package, but not without vetoing approximately $1 billion in line items.

The Plan includes approximately $12.8 billion in revenue increase, $15.1 in cuts, $5 billion in potential borrowing against future lottery revenues, $6 billion in bonds to pay for expenses in this fiscal year, and various other items. Those taking the biggest hit in the Plan are schools, the disabled, and seniors. Cities and counties were left relatively untouched from deferred or shifted funding. Transportation did have STA funding for fiscal 2008-09 taken, as well as this funding source being diverted permanently beginning in fiscal 2009-10. The MTA will be backfilling the eliminated funding for the remainder of fiscal 2008-09. Fiscal 2009-10 will be a new challenge, and could potentially be offset by the additional monies from the ½ cent Measure R.

Significant items to note in the Plan include the increase of one-percent to the state sales tax percentage; increase in the Vehicle License Fee from 0.65% to 1.15%, of which a portion will be dedicated to local law enforcement; and continued one-day-a-month furloughs for 238,000 state workers through June 2010. Also, many of the items in the plan will require voter approval at a special election to be held on May 19, 2009 in order to continue for longer than two years, or to be implemented at all (i.e. borrowing against future lottery revenue).

Even with a Plan in place, there is still uncertainty in the air if it will be successful.

General Fund

Narrative and Projection Worksheets

CITY OF CULVER CITY

COMPREHENSIVE FINANCIAL STRATEGY UPDATE for the GENERAL FUND

INTRODUCTION

The General Fund is the largest fund of the City. It is used to finance most of the basic municipal functions including general administration, police, fire, community development and parks, recreation and community services. The General Fund is used to account for resources traditionally associated with government, which are not required to be accounted for in another fund including property taxes, sales taxes, business taxes, utility taxes, transient occupancy taxes, licenses and permits, and fines and forfeits.

Departments within the General Fund are categorized as either General Administration Departments or Operating Departments. Departments within General Administration include: City Manager's Office, which includes City Clerk; Human Resources; City Attorney; Finance; Information Technology; and Non-Departmental. The Operating Departments are: Parks, Recreation, and Community Services; Police; Fire; Community Development; and Public Works.

Departments and Divisions within the General Fund rely on general taxes, such as sales tax and utility taxes, as well as recouping costs from fees for services, such as plan check fees and meeting room charges.

FISCAL YEAR 2008-09 HIGHLIGHTS

During fiscal 2008-09, a few departments initiated new programs and many purchased enhancement items approved during the budget process. There was also the continued implementation of many on-going programs and enhancements, which will improve the effectiveness and efficiency of City operations. What follows are some of the major highlights from fiscal year 2008-09:

- Initiated a two-year pilot program for an Animal Services Officer within the Police Department. The pilot program includes one full-time position, as well as maintaining an agreement with the County of Los Angeles to provide services during unstaffed hours. The new position will be staffed by the end of the fiscal year.
- Contracted with spcaLA for animal sheltering services.

- Negotiated two year MOU extensions with the Culver City Fire Fighters Association and the Culver City Fire Management Group.
- Initiated a nation-wide recruitment for a new City Manager.
- Continued implementation of the Public Safety Records Management System. Currently in training phase. The new system will increase operational efficiency and reporting capabilities.
- Implemented online renewal and payment of business tax certificates. The new system provides added convenience for business owners, as well enabling staff to focus on enforcement and auditing.
- Continued involvement in the Exposition Light Rail project. Construction of Phase 1 (Downtown Los Angeles to Culver City) is expected to be completed in 2010.

PROJECTIONS AND ANALYSIS OF REVENUES AND EXPENDITURES

OVERVIEW

Using the methodology and assumptions described in the following section, staff developed a five-year base projection of revenues and expenditures. Staff has also prepared a number of alternate projections based on five scenarios that are presented at the end of the General Fund section.

FORECASTING METHODOLOGY: REVENUES

The current economic climate makes projecting revenues a very challenging endeavor. In prior years, the major revenues were forecast by looking at ten-year trends and adjusted for current variables. This year, the task is much more difficult because so many external economic factors affect the City's revenues. Because it is highly likely that most revenues will not continue to grow at recent rates, staff looked at how revenue streams were affected during previous recessions. The last three recessions took place during years: 1980-82, 1991-93, and 2001-02. This recession is deeper and broader than the previous three downturns and the forecasts reflect this assumption.

The underlying assumption in these forecasts is that the economy will continue to struggle until late 2009 or early 2010. Once a recovery begins, it will be long and drawn out. This projection matches the prevalent view among economists and experts.

Many factors may negatively affect the assumptions that were made in these forecasts. The most variable factor in these forecasts is the state of the economy and if the economic situation deteriorates any further, revenues could decline more than anticipated.

BACKGROUND OF FORECAST

Over the past ten years, there have been a number of circumstances that have created a hostile environment for municipal revenues. In 2000, the stock market bubble burst; then on September 11, 2001 the World Trade Center in New York was attacked. The sequential timing of these two events had severe economic implications. As was the case across the nation, the resulting economic downturn was a severe hit to the City's General Fund; a hit which took almost two years from which to recover.

Then, just when the General Fund began to recover, the California Legislature decided to divert revenues that many cities rely on to fund on-going operations (i.e. sales tax, property tax, and vehicle license fees) into the State's coffers in an effort to address the State's financial woes. This put an additional strain on the City's resources.

In exchange for the loss of revenue, cities were successful in negotiating a compromise with the California governor to support Proposition 1A, which made it much more difficult for the legislature to divert City revenues in the future. In 2006-07, the take-away of the "ERAF" revenue diversion that was initiated in 2004-05 was restored. For fiscal 2004-05 and 2005-06, the State took approximately $971,000 each year from Culver City. As a result of voter approval of Proposition 1A in 2004, the revenue forecasts for the next five years assume the state will not take away any more of the City's primary General Fund revenues.

The following section discusses some of the City's major revenues more in-depth and provides information on the assumptions that were made in forecasting those revenues.

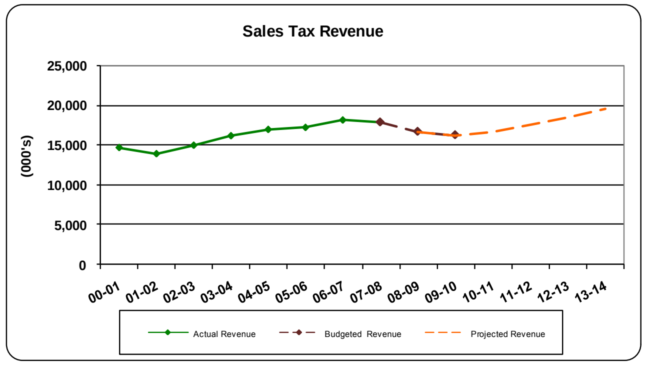
DISCUSSION OF SPECIFIC REVENUE PROJECTIONS

Sales Tax

Sales tax is Culver City's single largest source of revenue and accounts for approximately 20% of adopted revenues for fiscal year 2008-09. Sales tax revenue is a volatile revenue source and even though Culver City has a diverse economic base, the City has seen large sales tax revenue swings in the past. In fiscal year 2007-08, sales tax revenue dipped for the first time since 2001-02. In recent months consumer spending has contracted significantly and the City has lost major sales tax generators; revenues will decline in fiscal years 2008-09 and 2009-10.

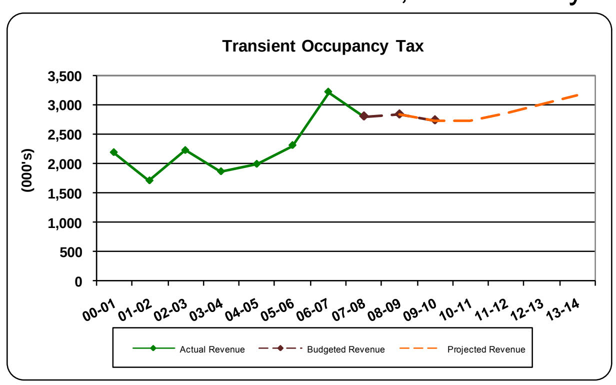
October through December was reported to be one the worst periods in decades for auto sales and general retail sales. With the current renovation of the Westfield Shopping Center and general overall downturn in the economy, general retail sales through the remainder of calendar 2009 are expected to drop even lower than originally anticipated. Also, the unanticipated closing of the Hooman Automotive Group and the loss of the Albertson Chevrolet over a year ago, coupled with extremely poor auto sales during the past several months, resulted in a sharp decline of one of the major sales tax categories. In addition, the upcoming closure of Circuit City will affect receipts beginning in fiscal year 2009-10.

Sales tax revenue for fiscal year 2008-09 is anticipated to decline more than 7.5%, and a further, smaller decline is expected in fiscal year 2009-10. During the mid-year budget presentation a budget amendment will be proposed reducing the base sales tax amount by $975,000 to reflect this expected decline in fiscal 2008-09. Quantitatively, this recession results in sales tax revenue dropping from a high of $18.1 million in fiscal year 2006-07 to an anticipated low of $16.3 million in fiscal year 2009-10. This trend will continue until the economy recovers and consumer spending picks up again. If the economic recovery begins in late 2009 or early 2010, sales tax revenues should begin growing again by fiscal year 2010-11. However, the economic recovery is expected to be long and drawn out, so projections for 2011-12 and beyond are conservative. With the loss of some large retail businesses such as new auto sales and electronic sales, the recovery will also take longer unless the City is able to attract businesses that will take their place.



Transient Occupancy Tax (TOT)

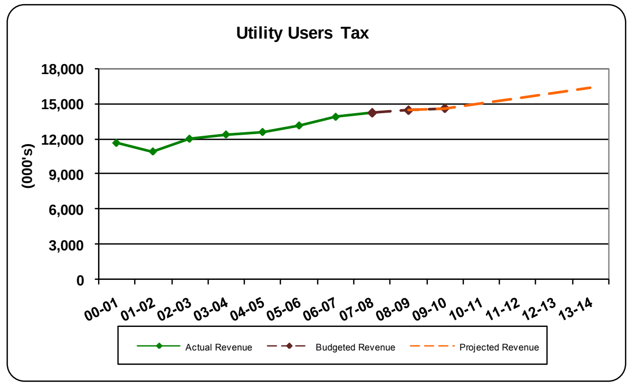
Transient Occupancy tax is levied on occupied hotel/motel rooms and is currently 12% of the room rate. Over the last ten years, TOT revenues have been highly volatile. There was a 22% drop in TOT revenue between 2000-01 and 2001-02, followed by a 30% increase in revenues the following year and then in 2003-04, revenues declined 16%. Events such as September 11th or the closure of large hotel have an adverse impact on TOT revenues.



Through December 2008, TOT receipts for the current fiscal year are 24.5% ahead of receipts at this point last year. This is because one of the major hotels was closed for most of last fiscal year. Excluding the closed hotel, TOT receipts are 7.3% lower than the receipts at this point last year. Based on informal reports from hotels, this trend will worsen in upcoming months. Budget projections were adjusted and it is expected that TOT revenues will drop 5% during this fiscal year. Revenues are expected to drop again in fiscal year 2009-10 and then stabilize in fiscal year 2010-11.

Utility User's Tax

Utility User's Taxes (UUT) are levied on a number of utilities, including electric, gas, water, telephone, and cable. Currently, Culver City's UUT rate is 11% of utility charges. UUT revenues have remained relatively consistent over the last ten years and are dependent on utility rates and consumption. However, there is not necessarily a high positive correlation between utility rates and UUT revenues. Instead, there is a slight negative correlation as higher utility rates often encourage consumers to conserve use.

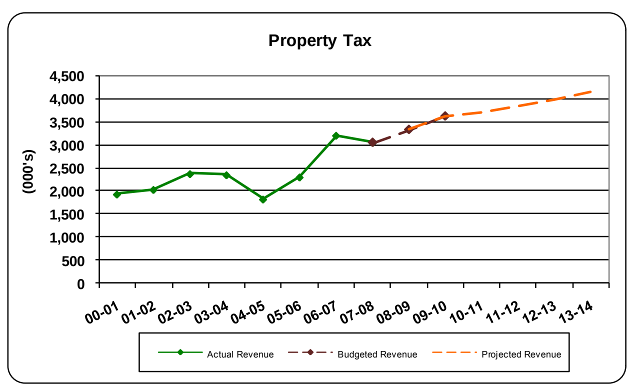


In May 2006, the IRS discontinued collecting certain telephone utility related taxes, mainly as they apply to cell phones. Since most cities in California with a UUT reference the IRS code to define the tax base, this action by the IRS has jeopardized the collection of certain utility taxes for many California cities, including Culver City. In response, Culver City placed a measure on the April 2008 ballot for voter consideration to modernize the ordinance pertaining to this item. The measure passed overwhelmingly.

Additionally, in November, Golden State Water Company changed their rate structure to encourage conservation. The base rate was lowered, but now there is an additional tier of charges for above-average users. It is difficult to project how this will affect water UUT revenues.

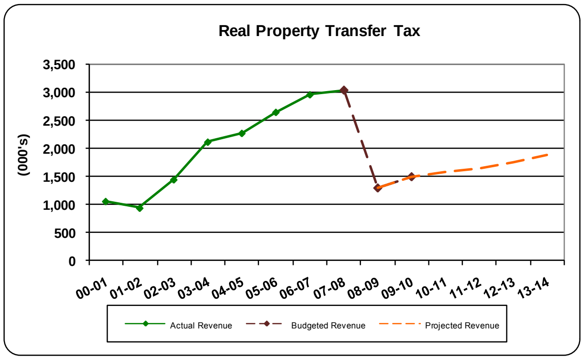
Fortunately, UUT revenue is much more stable than other major revenues. Economic fluctuations have less impact on UUTs because residents still need electricity, gas, water, etc. Over the last ten years, UUT revenues have grown at an average annual rate of 3.08%. However, because of the recession, we are expecting the growth of UUT revenue to slow down to an annual rate of 1.0%-2.0% for the next two years. As the economy recovers, UUT revenues are expected to return to a normal annual increase of 3.0%

Property Tax and
Real Property Transfer Tax



Over the last decade, and especially in the past five years, Southern California experienced a population boom. The housing supply has not been able to keep up with the rapid increase in population. As a result, real estate has been at a premium. Prop 13, passed by the voters in 1978, capped the property tax rate at 1% of assessed values at the time of purchase and permitted a maximum 2% increase in assessed value annually. As a result, the assessed value of many properties is well below market value. Property values are re-assessed when there is a transfer of ownership.

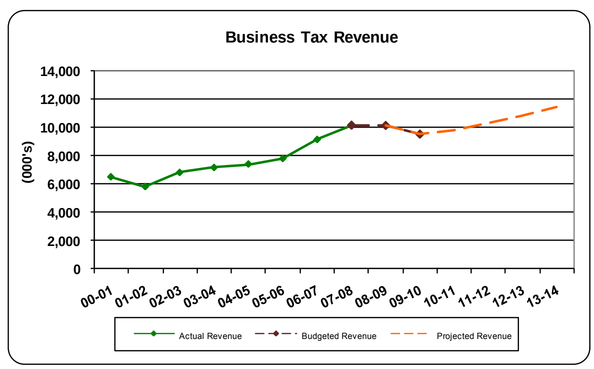
Culver City's property tax revenue has grown relatively consistently over the past five years, averaging a growth rate of approximately 8% annually. Recently, there has been a significant slowdown in the housing market, and especially in the commercial real estate market. As a result, both Property Tax and Real Property Transfer Tax revenues are projected to slow over the next five years.



Property Tax revenue is expected to grow at a 3-4% over the next few years. However, if the annual change in CPI falls below 2%, property tax revenues could be greatly affected. A large percentage of the property in the City was purchased at a lower price than the current market prices. The tax on these properties increases at the rate of CPI, not to exceed 2%. Additionally, if the CPI becomes negative, taxes on all existing property will decrease. The Federal Reserve and the Treasury are acting to fend off deflation, but due to the large decline in real estate and capital markets, deflation is a real threat. Real Property Transfer Tax revenues are heavily dependent on high value real estate transactions and during the current recession, the number of real estate transactions has dropped dramatically. Real Property Transfer Tax revenue is expected to drop dramatically in 2008-09 and begin recovering in late 2009-10 or early 2010-11.

Business Tax

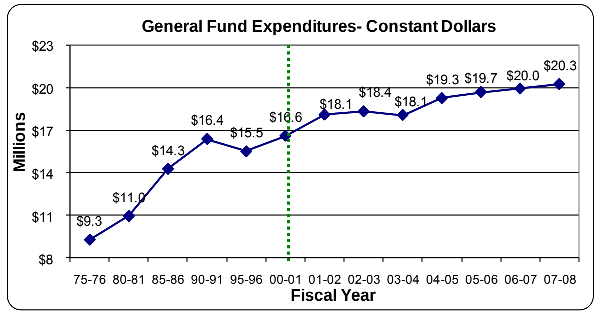
All entities conducting business in Culver City are required to pay a Business Tax annually. This tax has experienced relatively stable growth over the past five years, a testament to the growing economic base in the City. However, most businesses are taxed on their gross receipts, so business tax revenue is expected to decline due to the current recession. In fiscal year 2008-09, revenue is expected remain relatively flat because revenue from a new audit program, should offset any decline in tax receipts from existing tax-paying businesses. The purpose of the audit is to identify non-compliant businesses.



All Other Revenue

All other revenues make up approximately 36% of the General Fund. The most significant of which are Charges for Services. During 2006-07, a comprehensive user fees and charges rate study was performed by an outside consultant. This aided the City in establishing a baseline for all current fees and charges as well as recommended new fees the City considered in order to adequately recoup the cost of providing certain services. Each fiscal year, charges and fees will increase by approximately 4% until the costs of providing a service are fully recovered.

EXPENDITURES



Culver City has been able to maintain a moderate- to high-level of service to its residents, even during the very difficult fiscal times mentioned previously in this report. Over the last 30+ years, the City has grown both economically and in population, which constantly places pressure on the ability of the City to maintain services that contributes to the high quality of life of its residents. Above is a chart showing the City's General Fund expenditures in constant dollars going back to 1975. The chart jumps in five-year intervals and then gives audited actual yearly data from 2000-01 until 2007-08.

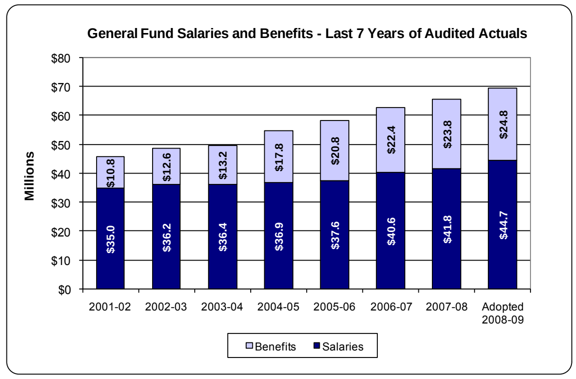
FORECASTING METHODOLOGY: EXPENDITURES

The expenditure forecasts were predicated on the goal of maintaining the present level of City services, along with addressing service level changes and other new projects. For this updated analysis a combination of historical trends, assumptions, and judgments were taken into consideration when forecasting the base-line for expenditure growth for the next fifteen years. The conclusion was to use an average growth rate based on anticipated increases over the next fifteen years. Since personnel costs are the major portion of the City's General Fund expenditures, they were the driving force in calculating the average percentage increase applied to expenditures for this analysis.

There are a few drawbacks in using an average growth rate to calculate expenditures, especially on those tied to economic forces. While some expenses are driven by economic forces, many are based on set increases from year to year, such as cost-of-living adjustments which will be discussed further in the document.

While preparing and analyzing different scenarios and assumptions for the updated Comprehensive Financial Plan, the base expenditure information was kept the same for the different scenarios being discussed in order to have a "constant" for comparison purposes with revenues. This base enables staff to measure the gap between anticipated revenues and expenditures, and impacts, both positive and negative, which have the potential of affecting the City in the near future. The City currently does not have the resources necessary to maintain its existing 30% reserve policy starting in the next couple of years.

PERSONNEL COSTS



Approximately 83.6%, or $71.6 million, of the City's Adopted Fiscal 2008-09 General Fund operating budget is attributable to personnel costs. The City currently has Memorandums of Understanding (MOUs) with all six bargaining groups. During prior negotiations, it was a challenge to forecast with certainty what the overall personnel costs growth would be over the next five years, not to mention the next fifteen. With the adoption of the most current MOUs, the personnel costs and percentages were incorporated into the Plan through the adopted budget for 2008-09. Miscellaneous employees have one more year of set increases through fiscal 2009-10. This information incorporates salary, retirement, medical, and other negotiated personnel cost increases.

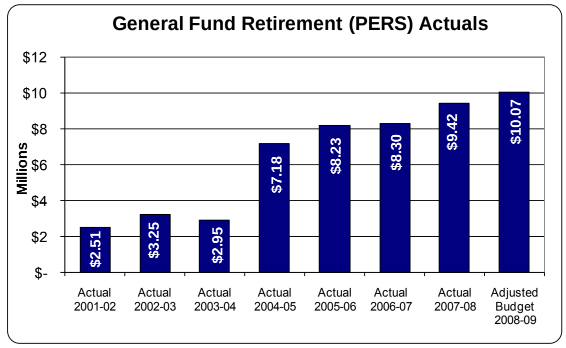
In December 2008, the Culver City Fire Management Group and Culver City Firefighters Association agreed to extend their existing MOU's for two years to December 31, 2010, with the City agreeing to implement a 48/96 schedule for the Fire Department. A factor not affected by the extension of the MOU is the automatic continuation of the Safety Salary Initiative.

The City has a unique situation with its public safety salary increases based on an initiative that was approved by voters in the 1950's. The Safety Salary Initiative ties Culver City public safety employee salary increases to those of the LAPD and LA County Sheriff's salary increases. As mentioned previously, public safety makes up approximately 54% of the General Fund budget. Cost-of-living adjustments for Public Safety personnel historically have grown at a much faster pace than Miscellaneous personnel. Pension costs are also significantly higher for public safety personnel than for miscellaneous employees.

As can be seen by the graph, benefits have grown at a much faster pace than salary over the last six years. This is mostly attributable to increasing medical costs and escalating pension costs.

PENSION COSTS AND BENEFITS

As was mentioned previously in this document, pension costs have skyrocketed, not only for public entities, but also for private entities. CalPERS had exceptionally good years in the late 1990's, which enabled Culver City to become super-funded. At that time, the City did not contribute to CalPERS and also negotiated increased retirement benefits with all six of its bargaining groups, just like many other cities. When the economy went down, CalPERS costs shot up and left Culver City, along with many other cities, scrambling to cover the increased costs. The above graph shows the increased retirement costs over the last six years. In 2006-07, CalPERS adopted a new formula to calculate member contributions using a 15 year smoothing methodology to



avoid these huge fluctuations to members in the future. Even slight fluctuations in percentages, though, can amount to hundreds of thousands of dollars.

The increases for retirement contributions from year-to-year have fluctuated, and estimates for future years are based on estimated percentages received from CalPERS one year in advance. The actual percentage increase for fiscal 2009-10 was received in October 2008 and will result in an estimated $165,000 increase from the General Fund approved budget amount for fiscal 2009-10. Also, given the dismal market activity this past year, which looks to continue, CalPERS has informed agencies that beginning in fiscal 2011-12 they can expect to see hefty increases in their retirement rates to make up for the poor performance currently being experienced. We have built in an approximate 3% increase for retirement costs beginning in fiscal 2011-12 for all funds given this information. For the General Fund this equates to approximately a $1.3 million annual increase.

Medical costs continue to grow at a faster pace than many other personnel costs. The City received estimates from CalPERS for the 2009 medical insurance premiums, which show them to be approximately 3.6% - 8.0% higher than 2008 premiums, based on specific plans. Culver City also offers medical coverage for its retirees and their beneficiaries. It is evident the City must find a solution to contain rising costs of healthcare. During the last round of labor negotiations, it was agreed upon by all bargaining groups that employees would begin paying 5% of their medical insurance premiums. Employees who retired after January 1, 2007 also will pay 5%. Retirees who retired prior to this date will still have their full medical insurance premiums paid by the City.

OPERATING AND MAINTENANCE

In order for the City to balance its General Fund operating budget, the City did not include any budgetary percentage increases to Department's operating and maintenance budgets during fiscal 2004-05 through 2006-07. Historically, this increase had been approximately three percent per year, based on an average CPI rate. Not including this increase caused the City to lag in necessary funds to cover even its basic operating and maintenance needs. A three percent increase for operating and maintenance was included in the 2007-08 and 2008-09 budgets. The approved budget for fiscal 2009-10 does not include a three percent CPI increase in order to help offset a portion of the expected deficit, but subsequent years show the return of the three percent increase beginning in 2010-11.

MAJOR ISSUES

Culver City, like many cities in California, has been hit hard with increasing costs that it has little or no control over. These costs include medical insurance premiums, pension costs, and worker's compensation. In addition to these ever-increasing costs, the City is also facing major deferred maintenance and unfunded liability issues. Per the most recent actuarial valuation received from CalPERS, the City has a $40 million unfunded pension liability ($14.2 million – Miscellaneous, and $25.8 – Safety). CalPERS has initiated “smoothing” techniques that will enable the City to stabilize the annual pension payment and avoid the peaks and valleys in pension rates experienced previously; however, our Safety pension plan shows a trend of increasing future unfunded liability due to this “smoothing” methodology. There is also the looming issue of a rate increase beginning in fiscal 2011-12 due to poor investment returns. This issue continues to be addressed.

As mentioned previously, the City recently received the 2009-10 PERS percentage rates. Both Miscellaneous contribution rates and Public Safety rates increased slightly. The aggregate percentage amount is also higher than 2008-09. The 2009-10 approved budget amount falls short by about $165,000 due to the actual percentage rates received from CalPERS. This will be revisited when the fiscal 2009-10 budget is reviewed in the upcoming months for the two-year rolling budget process.

The City needs to create replacement funds that will enable it to meet ongoing needs without sacrificing ongoing funding for current operating expenses. While the City has been very proactive in meeting its upfront needs, it has not set-up a steady revenue source for funding ongoing capital improvement projects, deferred maintenance and growing unfunded liability for items such as future pension and retiree medical costs. In order to start setting aside funds, the City needs to take decisive action. Consequently, sufficient set-aside funding would be available when the obligation payment is due.

In November of 2007, the City Council approved a professional services contract with Aon Consulting to conduct an actuarial study to determine the City’s outstanding unfunded OPEB retiree liability with regards to Governmental Accounting Standards Board (GASB) Statement No. 45 reporting. The primary purpose of this study was to determine the long-term costs of the City’s medical insurance for retirees. The report was provided to the City and presented to the Budget & Finance Subcommittee. A presentation was given to the full City Council in May 2008. The report analyzed the cost to provide the benefits currently offered over the next thirty years, based on current active and retired employees, and using actuarial assumptions and trends. As a start, the City Council approved setting aside $100,000 in the fiscal 2007-08 budget towards this unfunded liability until a study could be formally conducted. The City currently funds this benefit on a pay-as-you-go basis, and the actual amount expended for Fiscal Year 2007-08 was $3.51 million. The report shows that this cost will continuously rise at a fairly significant rate, doubling from the current amount by 2017 and reaching almost $14 million per year at the end of the thirty years. If the City wanted to pre-fund this benefit today, it will need to invest $105 million with a 7.75% rate-of-return (similar to what CalPERS assumes for their portfolio), or $208 million if it earned 4% (the approximate earnings rate for the City’s investment portfolio). If the City chooses to fund the benefit pursuant to GASB 45 over the thirty years, and deposits funds annually into an irrevocable trust fund, it will require $7.4 million annually in a trust earning 7.75% (lower earnings would require a higher amount). This means basically doubling the current amount the City pays. While there is not a legal requirement to fund this amount, the problem is that in about ten years this is the amount the City will need to fund on a pay-as-you-go basis, and it will only go up from there. Additionally, the City will be required to report the difference between the Actuarial Required Contribution and what it actually funds on its financial statements

It should be noted that the approved $100,000 is only a mere fraction of the amount to fully fund the expected actuary-recommended contribution. This figure would be inclusive of the current costs paid by the City for retiree medical of approximately $3.7 million, and would therefore result in an additional requirement of $7+ million per year. While GASB 45 does not require funding the liability (it requires only reporting the liability on the City's financial statements), the difference between the actuarially computed contribution and the actual contribution will be reflected on the City's audited financial statements as a liability, which could affect the City's future credit rating and cost of borrowing.

Discussions of General Fund assumptions have included beginning funding for OPEB in the following amounts:

Fiscal Year	Amount
2009-10	$1,000,000
2010-11	$2,000,000
2011-12	$4,000,000
2012-13	$6,000,000
2013-14 (continued ↓)	$7,000,000

The City is also facing state mandates for Stormwater cleanup that are expected to cost tens of millions of dollars to implement. The City needs to start making plans now on what funding will be used so that the General Fund is not placed in the situation of paying these ongoing mandated costs. Staff is researching what other cities are doing, and this information will be provided soon as it was not able to be finalized for inclusion in this report.

ADDITIONAL NEEDED RESOURCES

During the preparation of the first Comprehensive Financial Plan, staff met with Departments to identify what resources were needed in order to continue to maintain the current level of service, and what resources would be needed in the near future due to anticipated service level increase or expected needs. During the budget process for fiscal 2007-08, 2008-09, and 2009-10 some of these resources were approved and included in the budget. Approximately $925,000 in on-going (personnel costs) and one-time costs were included in fiscal 2007-08; approximately $1,757,000 in fiscal 2008-09; and approximately $572,000 are projected in fiscal 2009-10. Given the current financial situation, the projections for fiscal 2009-10 will need to be revisited.

To rebuild the Self-Insurance Fund fund balance, an additional $500,000 is being allocated among four funds beginning in fiscal 2008-09. The General Fund's portion of this amount is $445,000 (see Self Insurance Fund section of the Comprehensive Financial Plan for a more detailed discussion of the fund's balance). This amount drops to $427,000 in 2009-10 and is anticipated to continue for another five years. This amount is spread among General Fund departments using the same formula currently used to calculate workers compensation and liability reserve charges, and is based on an experience rate. The other funds that are part of the allocation to the rebuilding the Self-Insurance Fund are the Refuse Fund, Sewer Fund, Redevelopment Agency, and City Garage Fund.

DEFERRED MAINTENANCE, UNFUNDED CAPITAL NEEDS

During fiscal 2006-07, two assessment studies were completed that identified the City's annual deferred maintenance needs for building infrastructure and parks facilities. These assessments continue to be used as a basis for financial needs. Public Works has a program that is updated on an as-needed basis for street infrastructure maintenance.

- Deferred Maintenance – Building: Per the assessment study on the City's building facilities, the annual amount recommended for deferred maintenance of the City's building infrastructure is $480,000 beginning in fiscal 2007-08, with an annual inflationary increase of 4%. In fiscal 2008-09, a little over $450,000 was able to be budgeted for building maintenance capital improvement projects. The Unfunded Capital need is approximately $4,015,000.
- Deferred Maintenance – Parks: Per the assessment study of the City's parks, the annual amount recommended for deferred maintenance is $98,000 beginning fiscal 2008-09, with an annual inflationary increase of 4%. The Unfunded Capital Need is $868,000.
- Deferred Maintenance – Streets: Currently the backlog of street repair is approximately $20 million. This is significantly less than it was a few years ago, and much of the success in reducing this backlog has been due to the fact the City has been able to fund street repair with the use of General Fund funds, Gas Tax funds, and Grant funds. The annual deferred maintenance need to maintain this backlog is approximately $2.0 million.

Currently, the City does not have the resources necessary to fund the full amount of the unfunded capital needs or the necessary deferred maintenance needs each fiscal year. The preservation and growth of our revenue base needs to be a major focus in the coming fiscal years so that an appropriate level of funding will be available to address these needs.

	08-09	09-10	10-11	11-12	12-13	13-14
Deferred Maint.*	$2.60	$2.63	$2.65	$2.68	$2.70	$2.73
Unfunded Capital*	$28.00	→	→	→	→	→
Total*	$30.60	$2.63	$2.65	$2.68	$2.70	$2.73

** Amounts shown in millions.*

SCENARIOS DISCUSSION

Following are four scenarios for discussion, and one for illustration. The first (Scenario 1) takes the most realistic approach, with conservative revenue and expenditure projections given the turn of the current economy and recent closure of businesses. This scenario includes information from the adjusted 2008-09 budget and updated forecast information for fiscal year 2009-10, which includes a 96% approved excess appropriation amount and roll-back of the 3% CPI increase to operating and maintenance (O & M). The second (Scenario 2) includes information from Scenario 1 and adds gradual annual payments for the City's OPEB related funding needs. The third (Scenario 3) includes information from Scenario 1 and Scenario 2, except it reduces the Excess Appropriation amount to 96.5% and adds back the 3% CPI O & M increase. The fourth scenario (Scenario 4) reduces Miscellaneous employee COLA's for Fiscal 2009-10 and 2010-11, and reduces estimate of Public Safety COLA to 2%. Scenario 5 is to show where the City would be if it were to budget 100% of its appropriations.

GENERAL FUND SCENARIO 1:

This scenario takes the adjusted budget information as of December 31, 2008, which includes all adjustments that have been made since July 1, 2008 including encumbrances carryover, and uses it as the base information for fiscal 2008-09. Added to fiscal 2008-09 is the reduction of $1 million for the potential loss of the entire investment amount of the Lehman Brothers bond due to their bankruptcy in August 2008; potential savings from the "pull-back" measures implemented by the City Manager in October; and mid-year adjustments discussed in the mid-year report that include reductions in Sales Tax, Property Tax, and State VLF Fee.

Prior to the closing of the books for mid-year and the extremely recent news of business closures, it was believed the City stood a good chance of weathering fiscal 2008-09 relatively okay. With the "pull-back" measures put in place in October, the projections looked solid to end the year slightly in the black. In the midst of the recent news of business closings, and the bleaker news of the continuing steep decline in the economy, it is now believed fiscal 2008-09 will be short by approximately $500,000.

Fiscal 2009-10 takes into account the continued downturn in the economy that is forecast to remain in place through the remainder of calendar 2009, and into the beginning of calendar 2010. There is much speculation by many camps about when the national – and global – economic picture will start turning around, and the City continues to take a conservative approach when projecting financial information. Given information received in October and November from CalPERS, there is a very real possibility the City will see large increases in its retirement rates beginning in fiscal 2011-12. The recent downturn in the market coupled with poor investment decisions has severely affected the financial health of the CalPERS portfolio. If the poor market performance continues, which it is expected to do for a good portion of this calendar year, CalPERS will not meet its projections, and thus will have to pass on higher rate increases to its contributing agencies. This projected increase has been included for all funds with personnel related costs, and is also included in all other scenarios. For the General Fund the estimated annual increase begins with an estimated $1.3 million hit in fiscal 2011-12 and is shown growing by estimated COLA increases thereafter.

This fifteen (15) year forecast shows what staff believes to be the most realistic picture given information that is currently known. It is important to note this Scenario does not include any funding towards the City's OPEB related funding needs, which amount to approximately $7 million annually for the General Fund.

Through fiscal 2009-10 the General Fund reserve still remains above the 30% policy threshold at approximately 34.5%, but fiscal 2010-11 sees it drop drastically to 27.0%. After this it continues to drop until it is negative in fiscal 2014-15. The reduction of revenues due to the economy and loss of business is not the only cause of this reduction. The City's recurring expenditures have been growing at a faster rate than recurring revenues for years, and the gap is becoming more pronounced. The structural deficit that has been discussed in previous years is upon us.

One-Time (Non-recurring) Revenues

A category of revenues that has received greater attention the last few years are those categorized as one-time, or non-recurring, revenues. These are normally revenues that do not occur on a regular basis, such as the sale of land (i.e. Warner Lot) or additional revenue receipts from audit findings (i.e. Business License, TOT). The current General Fund Fund Balance includes one-time revenues received by the City in prior years, which has assisted the City in funding many one-time purchases (non-personnel related costs), and also helped fund capital improvement projects, such as the Public Safety RMS system recently approved by the City Council, and other large capital improvement projects (i.e. Fire Station #3). Several of the larger one-time revenues received from the last few fiscal years are listed on the spreadsheet to show the extent of the total amount the City has received, and also proposed revenues anticipated in fiscal 2008-09 and 2009-10.

City staff has been extremely thorough over the years in ensuring that one-time revenues only cover one-time expenditures. Each budget year, one-time revenues are forecast and used as a base when reviewing and approving necessary one-time increases and/or enhancements to the City's budget. It has never been the practice of the City to have one-time revenues cover recurring expenditures.

During the Mid-year budget update it is being proposed to reduce two categories that are often categorized as containing funds classified as one-time. These are the Commercial Industrial Development Tax and Real Property Transfer Tax. The Commercial Industrial Development Tax has seen dramatic upticks in revenues given new development activity the last several years, but is proposed to have a $300,000 negative mid-year adjustment for fiscal 2008-09. Several of the new developments noted for this fiscal year have not moved forward due to the difficulty of the developers in securing financing. The Real Property Transfer Tax is proposed to have a $200,000 negative mid-year adjustment, and has seen a slowdown due to the low number of property sales – especially in the commercial real estate market.

GENERAL FUND SCENARIO 2:

This Scenario includes all information from Scenario 1, and adds one additional issue: the gradual annual funding set-aside for future related funding liability related to OPEB. The current study conducted by our consultants, AON, revealed the City had an unfunded liability of approximately $200 million related to retirement health benefits. Currently the City pays retiree health benefits on a pay-as-you-go basis, but sets nothing aside for future liability. The identified amount from AON that should be set-aside on an annual basis is $7 million. Scenario 2 shows the gradual set-aside starting at $1 million in 2009-10, $2 million in 2010-11, 4$ in 2011-12, $6 million in 2012-13, and then the full $7 million from fiscal 2013-14 forward.

The General Fund reserve percentage would be 33.4% in Fiscal 2009-10 with this additional set-aside, 23.6% in fiscal 2010-11, and 11.1% in fiscal 2011-12. Fiscal 2012-13 shows the General Fund going into negative territory.

GENERAL FUND SCENARIO 3:

This scenario includes the base information from prior scenarios for fiscal 2008-09. Beginning in fiscal 2009-10 it leaves revenues the same, and increases the Excess Appropriation limit up to 96.5% and adds back the 3% CPI increase to operating and maintenance expenditures. These two adjustments, which were removed during the budget process last year for the approved fiscal 2009-10 budget, add back approximately $1 million to the overall expenditure amount. The General Fund reserve percentage gets dangerously close to the required 30% threshold. The OPEB set-aside amount is also contained in this scenario.

GENERAL FUND SCENARIO 4:

Scenario 4 includes various potential budget reduction options that could be used to help the City balance the budget over the next several fiscal years. Most of the items are one-time, short-term items that are meant to bridge the gap until fiscal 2011-12 when it is hoped the general economic conditions, not only locally but throughout the state, nation and world, will have improved.

Items used as potential cost reductions or revenue enhancements to bridge the gap in this Scenario include: elimination of temporary agency employees; reduce use of part-time employees; reduce Training & Education by 50% across all Departments; reduce Employee Service Award budget; transfer $1 million from the Equipment Replacement Fund in both fiscal 2009-10 and 2010-11; transfer $275,000 from the Innovation Fund in both fiscal 2009-10 and 2010-11; defer the General Plan study currently budgeted in the Community Development budget; defer 2009-10 CIP Projects or de-allocate certain carryover amounts; negotiate savings measures with bargaining groups (e.g. furloughs, salary increase deferrals, etc.); implement Retirement Incentive Program; review parking rates city-wide; and extending parking meter hours in certain areas.

These are ideas brought forth to help balance the budget of the next two fiscal years in-lieu of implementing deep service cuts up front, that may or may not be necessary right away. If no new revenue sources are introduced by fiscal 2011-12, the need for layoffs will be nearly certain.

GENERAL FUND SCENARIO 5:

Scenario 5 is for illustrative purposes to show where the City's finances would stand if it budgeted at 100% of appropriations. It is clear the City has a ways to go before it will be able to cover 100% of its budgeted recurring appropriations with budgeted recurring revenues. It is important to understand that budgeting at less than 100% means the City could never be truly 'fully staffed' without significantly going over its budget.

CONCLUSION:

When the first Comprehensive Financial Plan was presented in early 2007, far prior to the financial issues which currently plague the nation, the City already showed a looming structural deficit. The bad economy has only made this situation worse and moved it closer. The City has a fundamental problem in that its ongoing revenues are not sufficient to support its ongoing costs based on current service levels, and required staffing. Even if and when the economy improves, the City still shows a structural deficit. While there are certainly some short-term solutions the City can implement to get through the next year, the City is at a crossroads where some difficult decisions must be made. If the current level of services throughout the City are what the community values, then it will be necessary to increase our tax base to support this. If the community wants the City to live within its current tax base, then service level adjustments have to be made. These are the simple, fundamental decisions that any business must face.

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Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		< - - - - Estimated 5-Year - - - - >					< - - - - Estimated 10-Year - - - - >					< - - - - Estimated 15-Year - - - - >				
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
GENERAL FUND (101) - Preliminary Beginning Balance	**34,219**	**33,272**	**29,361**	**23,927**	**17,672**	**10,698**	**3,363**	**(4,642)**	**(12,910)**	**(21,883)**	**(33,038)**	**(43,885)**	**(58,254)**	**(71,780)**	**(85,960)**	**(100,712)**
Fiscal Year Net Change																
Total Recurring Revenue	75,665	74,669	77,262	81,322	84,622	88,232	92,072	96,099	100,315	104,735	112,206	114,174	120,268	125,327	130,621	136,160
Total Interfund Transfers (Admin. Charges)	6,029	6,373	6,628	6,893	7,169	7,384	7,606	7,834	8,069	8,311	8,560	8,817	9,082	9,354	9,635	9,924
Loss of Investment (Lehman Bond) [one-time]	(1,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Revenue	3,947	1,850	56	225	225	225	225	225	225	225	225	225	225	225	225	225
Total Revenue Projection	84,641	82,892	83,946	88,440	92,016	95,841	99,903	104,158	108,609	113,271	120,991	123,216	129,575	134,906	140,481	146,309
Total Recurring Expenditures	84,112	84,971	88,315	93,550	97,925	102,031	106,843	111,281	116,517	123,281	130,773	136,440	142,036	147,941	154,168	160,761
Pull-Back Measures (Est. Recurring Exp. Savings)	(1,900)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Expenditures	3,276	1,832	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145
Total Expenditures Projection	85,488	86,803	89,380	94,695	98,990	103,176	107,908	112,426	117,582	124,426	131,838	137,585	143,101	149,086	155,233	161,906
Total FY Recurring Operating Surplus/Deficit	(518)	(3,929)	(4,425)	(5,335)	(6,134)	(6,415)	(7,165)	(7,348)	(8,133)	(10,235)	(10,007)	(13,449)	(12,686)	(13,260)	(13,912)	(14,677)
Current Set-aside for OPEB	100															
General Fund - Preliminary Ending Balance (Operating)*	**33,272**	**29,361**	**23,927**	**17,672**	**10,698**	**3,363**	**(4,642)**	**(12,910)**	**(21,883)**	**(33,038)**	**(43,885)**	**(58,254)**	**(71,780)**	**(85,960)**	**(100,712)**	**(116,309)**
General Fund Reserve Percentage (Recurring)	**39.56%**	**34.55%**	**27.09%**	**18.89%**	**10.92%**	**3.30%**	**-4.34%**	**-11.60%**	**-18.78%**	**-26.80%**	**-33.56%**	**-42.70%**	**-50.54%**	**-58.10%**	**-65.33%**	**-72.35%**
General Fund Reserve Percentage (Not Including One-time Revenues)	**34.86%**	**32.38%**	**27.03%**	**18.65%**	**10.69%**	**3.08%**	**-4.56%**	**-11.80%**	**-18.97%**	**-26.98%**	**-33.73%**	**-42.86%**	**-50.69%**	**-58.26%**	**-65.47%**	**-72.49%**
[redacted]																
General Fund - Balance (Carried Forward)	33,272	26,760	11,701	(4,204)	(20,854)	(37,892)	(55,628)	(73,656)	(92,419)	(113,395)	(134,096)	(158,353)	(181,802)	(205,942)	(230,693)	(256,329)
Total Deferred Maintenance**	2,601	2,625	2,650	2,676	2,703	2,731	2,760	2,790	2,821	2,854	2,888	2,923	2,960	2,999	3,039	3,080
Potential Annual Payments for OPEB Related Funding Needs	0	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Total Deferred Maintenance & Unfunded Capital Projection	2,601	9,625	9,650	9,676	9,703	9,731	9,760	9,790	9,821	9,854	9,888	9,923	9,960	9,999	10,039	10,080
General Fund - Ending Balance (ALL)	**30,671**	**17,135**	**2,051**	**(13,880)**	**(30,557)**	**(47,623)**	**(65,388)**	**(83,446)**	**(102,240)**	**(123,249)**	**(143,984)**	**(168,276)**	**(191,762)**	**(215,941)**	**(240,732)**	**(266,409)**
General Reserve Percentage (Recurring)	**36.46%**	**20.17%**	**2.32%**	**-14.84%**	**-31.20%**	**-46.68%**	**-61.20%**	**-74.99%**	**-87.75%**	**-99.97%**	**-110.10%**	**-123.33%**	**-135.01%**	**-145.96%**	**-156.15%**	**-165.72%**

Culver City - SCENARIO 1

February 2009

	Adjusted	<- - - Estimated 5-Year- - -				- - ->	- - - Estimated 10-Year- - -				- - ->	- - - Estimated 15-Year- - -				- - ->
Description	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
** Identified one-time revenues previously received and recorded include:*																
1st payment from Warner Lot (05-06)	*2,620,000*															
Receipts from TOT audit/other (06-07)	*650,000*															
Loan Receivable from RDA (06-07)	*505,818*															
Int. Income from Refunding Bonds (06-07)	*500,000*															
Documentary Tax Audit Receipts (05-06)	*313,086*															
Documentary Tax Audit Receipts (06-07)	*762,400*															
Receipts from Cable UUT Audit (07-08)	*106,788*															
Receipts in Com/Ind Dev Tax from significant development activity (07-08)	*1,757,275*															
Pymnt of Interest for Warner Parking Lot Sale (07-08)	*436,608*															
Bldg Permit Fee from significant dvlpmnt activity (07-08)	*533,000*															
Sub-total Prior Years	**8,184,975**															
Payments included in current and future year projections include:																
Estimated One-time (08-09) [includes final payment from Warner Parking Lot of $2,947,104.]	*3,947,000*															
Estimated One-time (09-10)		*1,850,000*														
Sub-total	**12,131,975**	**1,850,000**														

*** Includes buildings, streets and parks.*

Culver City - SCENARIO 2

February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		< - - - Estimated 5-Year- - - >					< - - - Estimated 10-Year- - - >					< - - - Estimated 15-Year- - - >				
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
GENERAL FUND (101) - Preliminary Beginning Balance	**34,219**	**33,272**	**28,361**	**20,927**	**10,672**	**(2,302)**	**(16,637)**	**(31,642)**	**(46,910)**	**(62,883)**	**(81,038)**	**(98,885)**	**(120,254)**	**(140,780)**	**(161,960)**	**(183,712)**
Fiscal Year Net Change																
Total Recurring Revenue	75,665	74,669	77,262	81,322	84,622	88,232	92,072	96,099	100,315	104,735	112,206	114,174	120,268	125,327	130,621	136,160
Total Interfund Transfers (Admin. Charges)	6,029	6,373	6,628	6,893	7,169	7,384	7,606	7,834	8,069	8,311	8,560	8,817	9,082	9,354	9,635	9,924
Loss of Investment (Lehman Bond) [one-time]	(1,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Revenue	3,947	1,850	56	225	225	225	225	225	225	225	225	225	225	225	225	225
Total Revenue Projection	84,641	82,892	83,946	88,440	92,016	95,841	99,903	104,158	108,609	113,271	120,991	123,216	129,575	134,906	140,481	146,309
Total Recurring Expenditures	84,112	84,971	88,315	93,550	97,925	102,031	106,843	111,281	116,517	123,281	130,773	136,440	142,036	147,941	154,168	160,761
Potential Annual Payments for OPEB Related Funding Needs		1,000	2,000	4,000	6,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Pull-Back Measures (Est. Recurring Exp. Savings)	(1,900)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Expenditures	3,276	1,832	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145
Total Expenditures Projection	85,488	87,803	91,380	98,695	104,990	110,176	114,908	119,426	124,582	131,426	138,838	144,585	150,101	156,086	162,233	168,906
Total FY Recurring Operating Surplus/Deficit	(518)	(4,929)	(6,425)	(9,335)	(12,134)	(13,415)	(14,165)	(14,348)	(15,133)	(17,235)	(17,007)	(20,449)	(19,686)	(20,260)	(13,912)	(14,677)
Current Set-aside for OPEB	100															
General Fund - Preliminary Ending Balance (Operating)*	**33,272**	**28,361**	**20,927**	**10,672**	**(2,302)**	**(16,637)**	**(31,642)**	**(46,910)**	**(62,883)**	**(81,038)**	**(98,885)**	**(120,254)**	**(140,780)**	**(161,960)**	**(183,712)**	**(206,309)**
General Fund Reserve Percentage (Recurring)	**39.56%**	**33.38%**	**23.70%**	**11.41%**	**-2.35%**	**-16.31%**	**-29.62%**	**-42.15%**	**-53.97%**	**-65.73%**	**-75.62%**	**-88.14%**	**-99.12%**	**-109.48%**	**-119.16%**	**-128.33%**
General Fund Reserve Percentage (Not Including One-time Revenues)	**34.86%**	**31.20%**	**23.63%**	**11.17%**	**-2.58%**	**-16.53%**	**-29.83%**	**-42.36%**	**-54.16%**	**-65.92%**	**-75.79%**	**-88.30%**	**-99.27%**	**-109.63%**	**-119.31%**	**-128.47%**
[redacted]																
General Fund - Balance (Carried Forward)	33,272	25,760	15,701	2,796	(12,854)	(29,892)	(58,125)	(87,102)	(117,293)	(150,201)	(183,365)	(220,641)	(257,698)	(296,071)	(335,712)	(376,237)
Total Deferred Maintenance**	2,601	2,625	2,650	2,676	2,703	2,731	2,760	2,790	2,821	2,854	2,888	2,923	2,960	2,999	3,039	3,080
Total Deferred Maintenance & Unfunded Capital Projection	2,601	2,625	2,650	2,676	2,703	2,731	2,760	2,790	2,821	2,854	2,888	2,923	2,960	2,999	3,039	3,080
General Fund - Ending Balance (ALL)	**30,671**	**23,135**	**13,051**	**120**	**(15,557)**	**(43,120)**	**(71,834)**	**(101,320)**	**(132,046)**	**(165,518)**	**(199,272)**	**(237,172)**	**(274,891)**	**(313,960)**	**(353,640)**	**(394,206)**
General Reserve Percentage (Recurring)	**36.46%**	**27.23%**	**14.78%**	**0.13%**	**-15.89%**	**-42.26%**	**-67.23%**	**-91.05%**	**-113.33%**	**-134.26%**	**-152.38%**	**-173.83%**	**-193.54%**	**-212.22%**	**-229.39%**	**-245.21%**

Culver City - SCENARIO 3

February 2009

Description	Adjusted 2008-09	< - - - Estimated 5-Year- - - 2009-10	2010-11	2011-12	2012-13	2013-14 >	- - - Estimated 10-Year- - - 2014-15	2015-16	2016-17	2017-18	2018-19 >	- - - Estimated 15-Year- - - 2019-20	2020-21	2021-22	2022-23	2023-24 >
		(dollars shown in thousands)					(dollars shown in thousands)					(dollars shown in thousands)				
GENERAL FUND (101) - Preliminary Beginning Balance	**34,219**	**33,272**	**27,422**	**18,956**	**7,461**	**(6,794)**	**(22,453)**	**(37,458)**	**(52,726)**	**(68,699)**	**(86,854)**	**(104,701)**	**(126,070)**	**(146,596)**	**(167,776)**	**(189,528)**
Fiscal Year Net Change																
Total Recurring Revenue	75,665	74,669	77,262	81,322	84,622	88,232	92,072	96,099	100,315	104,735	112,206	114,174	120,268	125,327	130,621	136,160
Total Interfund Transfers (Admin. Charges)	6,029	6,373	6,628	6,893	7,169	7,384	7,606	7,834	8,069	8,311	8,560	8,817	9,082	9,354	9,635	9,924
Loss of Investment (Lehman Bond) [one-time]	(1,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Revenue	3,947	1,850	0	0	0	0	225	225	225	225	225	225	225	225	225	225
Total Revenue Projection	84,641	82,892	83,890	88,215	91,791	95,616	99,903	104,158	108,609	113,271	120,991	123,216	129,575	134,906	140,481	146,309
Total Recurring Expenditures	84,112	85,910	89,291	94,565	98,981	103,129	106,843	111,281	116,517	123,281	130,773	136,440	142,036	147,941	154,168	160,761
Potential Annual Payments for OPEB Related Funding Needs		1,000	2,000	4,000	6,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Pull-Back Measures (Est. Recurring Exp. Savings)	(1,900)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Expenditures	3,276	1,832	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145
Total Expenditures Projection	85,488	88,742	92,356	99,710	106,046	111,274	114,908	119,426	124,582	131,426	138,838	144,585	150,101	156,086	162,233	168,906
Total FY Recurring Operating Surplus/Deficit	(518)	(5,868)	(7,401)	(10,350)	(13,190)	(14,513)	(14,165)	(14,348)	(15,133)	(17,235)	(17,007)	(20,449)	(19,686)	(20,260)	(20,912)	(21,677)
Current Set-aside for OPEB	100															
General Fund - Preliminary Ending Balance (Operating)*	**33,272**	**27,422**	**18,956**	**7,461**	**(6,794)**	**(22,453)**	**(37,458)**	**(52,726)**	**(68,699)**	**(86,854)**	**(104,701)**	**(126,070)**	**(146,596)**	**(167,776)**	**(189,528)**	**(212,125)**
General Fund Reserve Percentage (Recurring)	**39.56%**	**31.92%**	**21.23%**	**7.89%**	**-6.86%**	**-21.77%**	**-35.06%**	**-47.38%**	**-58.96%**	**-70.45%**	**-80.06%**	**-92.40%**	**-103.21%**	**-113.41%**	**-122.94%**	**-131.95%**
General Fund Reserve Percentage (Not Including One-time Revenues)	**34.86%**	**29.77%**	**21.23%**	**7.89%**	**-6.86%**	**-21.77%**	**-35.27%**	**-47.58%**	**-59.15%**	**-70.63%**	**-80.23%**	**-92.56%**	**-103.37%**	**-113.56%**	**-123.08%**	**-132.09%**
[redacted]																
General Fund - Balance (Carried Forward)	33,272	24,821	13,730	(415)	(17,346)	(35,708)	(63,940)	(92,918)	(123,109)	(156,017)	(189,181)	(226,457)	(263,513)	(301,887)	(341,527)	(382,053)
Total Deferred Maintenance**	2,601	2,625	2,650	2,676	2,703	2,731	2,760	2,790	2,821	2,854	2,888	2,923	2,960	2,999	3,039	3,080
Total Deferred Maintenance & Unfunded Capital Projection	2,601	2,625	2,650	2,676	2,703	2,731	2,760	2,790	2,821	2,854	2,888	2,923	2,960	2,999	3,039	3,080
General Fund - Ending Balance (ALL)	**30,671**	**22,196**	**11,080**	**(3,091)**	**(20,049)**	**(48,935)**	**(77,650)**	**(107,136)**	**(137,862)**	**(171,334)**	**(205,088)**	**(242,987)**	**(280,707)**	**(319,775)**	**(359,456)**	**(400,022)**
General Reserve Percentage (Recurring)	**36.46%**	**25.84%**	**12.41%**	**-3.27%**	**-20.26%**	**-47.45%**	**-72.68%**	**-96.28%**	**-118.32%**	**-138.98%**	**-156.83%**	**-178.09%**	**-197.63%**	**-216.15%**	**-233.16%**	**-248.83%**

Culver City - SCENARIO 4

February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		<- - - - - - - - - - - - - Estimated 5-Year- - - - - - - - - - - - - - >					- - - - - - - - - - - - - - Estimated 10-Year- - - - - - - - - - - - - - >					- - - - - - - - - - - - - - Estimated 15-Year- - - - - - - - - - - - - - >				
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
GENERAL FUND (101) - Preliminary Beginning Balance	**34,219**	**33,772**	**33,790**	**32,781**	**28,311**	**21,562**	**14,452**	**6,672**	**(1,371)**	**(10,119)**	**(21,049)**	**(31,671)**	**(45,815)**	**(59,116)**	**(73,071)**	**(87,598)**
Fiscal Year Net Change																
Total Recurring Revenue	75,665	74,669	77,262	81,322	84,622	88,232	92,072	96,099	100,315	104,735	112,206	114,174	120,268	125,327	130,621	136,160
Total Interfund Transfers (Admin. Charges)	6,029	6,373	6,628	6,893	7,169	7,384	7,606	7,834	8,069	8,311	8,560	8,817	9,082	9,354	9,635	9,924
Loss of Investment (Lehman Bond) [one-time]	(1,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Potential Budget Balancing Revenue Enhnancement Options	0	225	225	225	225	225	225	225	225	225	225	225	225	225	225	225
Total One-Time Revenue	3,947	1,850	56	225	225	225	225	225	225	225	225	225	225	225	225	225
Total Revenue Projection	84,641	83,117	84,171	88,665	92,241	96,066	100,128	104,383	108,834	113,496	121,216	123,441	129,800	135,131	140,706	146,534
Total Recurring Expenditures	84,112	84,971	88,315	93,550	97,925	102,031	106,843	111,281	116,517	123,281	130,773	136,440	142,036	147,941	154,168	160,761
Pull-Back Measures (Est. Recurring Exp. Savings)	(1,900)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Potential Budget Balancing Reduction Options	(500)	(3,704)	(4,200)	(1,560)	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Expenditures	3,276	1,832	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145
Total Expenditures Projection	84,988	83,099	85,180	93,135	98,990	103,176	107,908	112,426	117,582	124,426	131,838	137,585	143,101	149,086	155,233	161,906
Total FY Recurring Operating Surplus/Deficit	(18)	0	0	(3,550)	(5,909)	(6,190)	(6,940)	(7,123)	(7,908)	(10,010)	(9,782)	(13,224)	(12,461)	(13,035)	(13,687)	(14,452)
Current Set-aside for OPEB	100															
General Fund - Preliminary Ending Balance (Operating)*	**33,772**	**33,790**	**32,781**	**28,311**	**21,562**	**14,452**	**6,672**	**(1,371)**	**(10,119)**	**(21,049)**	**(31,671)**	**(45,815)**	**(59,116)**	**(73,071)**	**(87,598)**	**(102,970)**
General Fund Reserve Percentage (Recurring)	**40.15%**	**39.77%**	**37.12%**	**30.26%**	**22.02%**	**14.16%**	**6.24%**	**-1.23%**	**-8.68%**	**-17.07%**	**-24.22%**	**-33.58%**	**-41.62%**	**-49.39%**	**-56.82%**	**-64.05%**
General Fund Reserve Percentage (Not Including One-time Revenues)	**35.46%**	**37.59%**	**37.05%**	**30.02%**	**21.79%**	**13.94%**	**6.03%**	**-1.43%**	**-8.88%**	**-17.26%**	**-24.39%**	**-33.74%**	**-41.78%**	**-49.54%**	**-56.97%**	**-64.19%**
General Fund - Balance (Carried Forward)	33,772	31,189	20,555	6,435	(9,990)	(26,803)	(44,314)	(62,117)	(80,655)	(101,406)	(121,882)	(145,914)	(169,138)	(193,053)	(217,579)	(242,990)
Total Deferred Maintenance**	2,601	2,625	2,650	2,676	2,703	2,731	2,760	2,790	2,821	2,854	2,888	2,923	2,960	2,999	3,039	3,080
Potential Annual Payments for OPEB Related Funding Needs	0	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Total Deferred Maintenance & Unfunded Capital Projection	2,601	9,625	9,650	9,676	9,703	9,731	9,760	9,790	9,821	9,854	9,888	9,923	9,960	9,999	10,039	10,080
General Fund - Ending Balance (ALL)	**31,171**	**21,564**	**10,905**	**(3,241)**	**(19,693)**	**(36,534)**	**(54,074)**	**(71,907)**	**(90,476)**	**(111,260)**	**(131,770)**	**(155,837)**	**(179,098)**	**(203,052)**	**(227,618)**	**(253,070)**
General Reserve Percentage (Recurring)	**37.06%**	**25.38%**	**12.35%**	**-3.46%**	**-20.11%**	**-35.81%**	**-50.61%**	**-64.62%**	**-77.65%**	**-90.25%**	**-100.76%**	**-114.22%**	**-126.09%**	**-137.25%**	**-147.64%**	**-157.42%**

Culver City - SCENARIO 5

February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		<- - - - - - - - - - - - - Estimated 5-Year- - - - - - - - - - - - - ->					- - - - - - - - - - - - - - Estimated 10-Year- - - - - - - - - - - - - ->					- - - - - - - - - - - - - - Estimated 15-Year- - - - - - - - - - - - - ->				
		(dollars shown in thousands)					(dollars shown in thousands)					(dollars shown in thousands)				
GENERAL FUND (101) - Preliminary Beginning Balance	**34,219**	**30,222**	**21,278**	**10,651**	**(2,444)**	**(17,881)**	**(34,785)**	**(49,790)**	**(65,058)**	**(81,031)**	**(99,186)**	**(117,033)**	**(138,402)**	**(158,928)**	**(180,108)**	**(201,860)**
Fiscal Year Net Change																
Total Recurring Revenue	75,665	74,669	77,262	81,322	84,622	88,232	92,072	96,099	100,315	104,735	112,206	114,174	120,268	125,327	130,621	136,160
Total Interfund Transfers (Admin. Charges)	6,029	6,373	6,628	6,893	7,169	7,384	7,606	7,834	8,069	8,311	8,560	8,817	9,082	9,354	9,635	9,924
Loss of Investment (Lehman Bond) [one-time]	(1,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Revenue	3,947	1,850	56	225	225	225	225	225	225	225	225	225	225	225	225	225
Total Revenue Projection	84,641	82,892	83,946	88,440	92,016	95,841	99,903	104,158	108,609	113,271	120,991	123,216	129,575	134,906	140,481	146,309
Total Recurring Expenditures	87,162	89,004	91,508	96,390	100,388	104,600	106,843	111,281	116,517	123,281	130,773	136,440	142,036	147,941	154,168	160,761
Potential Annual Payments for OPEB Related Funding Needs		1,000	2,000	4,000	6,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Pull-Back Measures (Est. Recurring Exp. Savings)	(1,900)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Expenditures	3,276	1,832	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145	1,065	1,145
Total Expenditures Projection	88,538	91,836	94,573	101,535	107,453	112,745	114,908	119,426	124,582	131,426	138,838	144,585	150,101	156,086	162,233	168,906
Total FY Recurring Operating Surplus/Deficit	(3,568)	(8,962)	(9,618)	(12,175)	(14,597)	(15,984)	(14,165)	(14,348)	(15,133)	(17,235)	(17,007)	(20,449)	(19,686)	(20,260)	(13,912)	(14,677)
Current Set-aside for OPEB	100															
General Fund - Preliminary Ending Balance (Operating)*	**30,222**	**21,278**	**10,651**	**(2,444)**	**(17,881)**	**(34,785)**	**(49,790)**	**(65,058)**	**(81,031)**	**(99,186)**	**(117,033)**	**(138,402)**	**(158,928)**	**(180,108)**	**(201,860)**	**(224,457)**
General Fund Reserve Percentage (Recurring)	**34.67%**	**23.91%**	**11.64%**	**-2.54%**	**-17.81%**	**-33.25%**	**-46.60%**	**-58.46%**	**-69.54%**	**-80.45%**	**-89.49%**	**-101.44%**	**-111.89%**	**-121.74%**	**-130.93%**	**-139.62%**
General Fund Reserve Percentage (Not Including One-time Revenues)	**30.15%**	**21.83%**	**11.58%**	**-2.77%**	**-18.04%**	**-33.47%**	**-46.81%**	**-58.66%**	**-69.74%**	**-80.64%**	**-89.66%**	**-101.60%**	**-112.05%**	**-121.89%**	**-131.08%**	**-139.76%**
General Fund - Balance (Carried Forward)	30,222	18,677	5,425	(10,320)	(28,433)	(48,040)	(65,776)	(83,804)	(102,567)	(123,543)	(144,244)	(168,501)	(191,950)	(216,090)	(240,841)	(266,477)
Total Deferred Maintenance**	2,601	2,625	2,650	2,676	2,703	2,731	2,760	2,790	2,821	2,854	2,888	2,923	2,960	2,999	3,039	3,080
Total Deferred Maintenance & Unfunded Capital Projection	2,601	2,625	2,650	2,676	2,703	2,731	2,760	2,790	2,821	2,854	2,888	2,923	2,960	2,999	3,039	3,080
General Fund - Ending Balance (ALL)	**27,621**	**16,052**	**2,775**	**(12,996)**	**(31,136)**	**(50,771)**	**(68,536)**	**(86,594)**	**(105,388)**	**(126,397)**	**(147,132)**	**(171,424)**	**(194,910)**	**(219,089)**	**(243,880)**	**(269,557)**
General Reserve Percentage (Recurring)	**31.69%**	**18.04%**	**3.03%**	**-13.48%**	**-31.02%**	**-48.54%**	**-64.15%**	**-77.82%**	**-90.45%**	**-102.53%**	**-112.51%**	**-125.64%**	**-137.23%**	**-148.09%**	**-158.19%**	**-167.68%**

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Refuse Fund

Narrative and Projection Worksheet

CITY OF CULVER CITY

COMPREHENSIVE FINANCIAL STRATEGY UPDATE
for
Refuse Fund

INTRODUCTION

The Refuse Fund is an Enterprise Fund that was established to provide for municipal waste removal and recycling services from the residential, commercial, and industrial areas of the City. The Refuse Fund also provides funds for a city-wide street sweeping contract and operation of a transfer station to dispose of non-hazardous solid wastes to material processors for reuse or recycling and transfer all other materials to disposal sites. The Refuse operation strives to provide efficient and effective municipal waste removal services and recover the maximum volume of recyclable or reusable material from the waste stream.

The refuse collection operation is responsible for the administration of the City's street sweeping contract and the removal of solid waste from the residential, commercial, and industrial areas of the City. Residential crews provide weekly trash and recycling removal service to family dwellings consisting of up to four units in size. Residents are billed annually for the trash services through the LA County tax collection system.

Commercial collection crews provide scheduled and non-scheduled trash removal to all businesses and multi-family residential units consisting of more than four units. The commercial collection crews also service pedestrian receptacles located throughout the City, and remove large bulky items set out by residents and businesses. Businesses and property managers are billed monthly for the commercial service that occurs during the month.

The Transfer Station receives and processes non-hazardous municipal solid wastes and transfers it to large transfer vehicles to be hauled to sanitary landfills or salvage or recycling facilities. Personnel at the Transfer Station are also responsible for inspecting wastes to determine if hazardous or toxic materials are in the waste stream and removing and storing such materials for up to 90 days until disposal arrangements can be made in accordance with Federal and State Regulations.

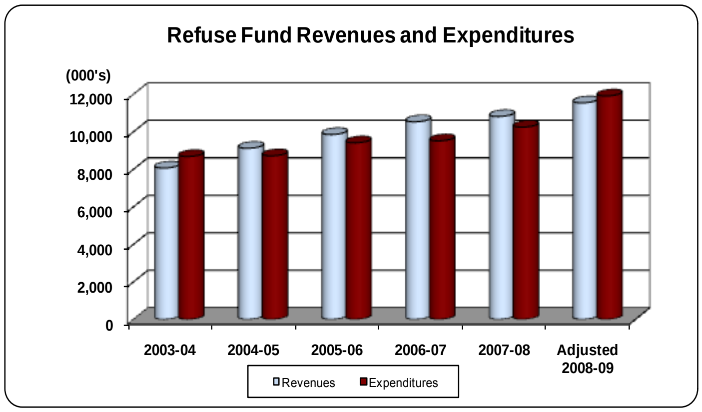
As an Enterprise Fund, the Refuse Fund charges customers for the provision of services. Operating expenses include the cost of providing service, administrative expenses, street-sweeping, recycling outreach, and acquiring, replacing, and maintaining capital assets (e.g. maintenance of the Transfer Station and replacing old refuse vehicles). In order to ensure that revenues are sufficient to cover operating costs, refuse removal rates are reviewed annually and adjusted as necessary.

FISCAL YEAR 2008-09 HIGHLIGHTS

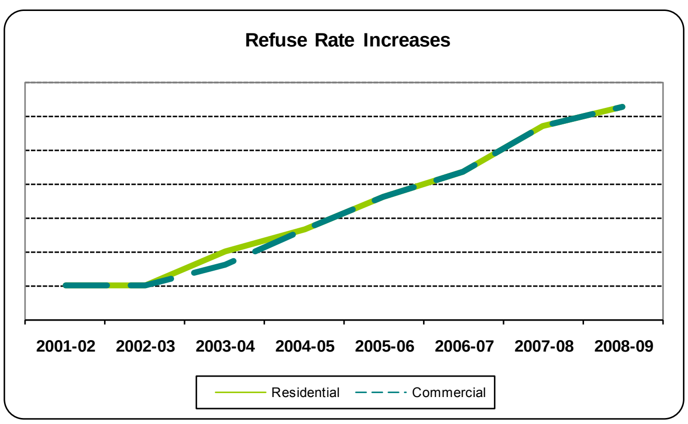
The Adopted 2008-09 Budget includes funding for several capital project upgrades to the transfer station, which include:

- Patching the Transfer Station Floor
- Transfer Station Stairwell and Locker Room Rehab
- Transfer Station Office A/C Repair
- Replacement of Transfer Station Axle Scales

BACKGROUND



Prior to 2003-04, there had been no increase in residential or commercial refuse collection fees for more than five years. However, personnel costs, landfill fees, fuel prices, and regulatory fees continued to increase. As a result, the Refuse fund was operating at a deficit during the early 2000's. To address this issue, a rate study was done prior to the adoption of the 2003-04 budget and rates were increased 10% for residential customers and 6% for commercial customers.



The following year, rates were increased again (6% residential, 10% commercial). To cover prior year deficits and restore the Fund's reserve, rates have been continually increased for all customers in 2005-06 (8%), 2006-07 (6%), and 2007-08 (10%). For fiscal 2008-09, the rates have been increased 4% for all customers and are expected to be enough to cover all expenses for the year.

The County Sanitation District is anticipating significant solid waste disposal cost increases as local landfill capacity is depleted over the next twenty years. In order to smooth this transition, the disposal charges for the City's refuse that is taken to the Sanitation District landfills (which handles the majority of the City's refuse) will increase at a rate of approximately 14% per year over the next sixteen years. Currently, disposal costs represent approximately 17% of the operating costs of the Public Works Department Sanitation Division.

In addition to increasing personnel costs and disposal costs discussed above, the other costs to provide municipal waste services continue to increase as well. The Refuse Fund maintains a fleet of large sanitation trucks and heavy equipment, which require a more rigorous maintenance and replacement schedule. A number of sanitation vehicles were replaced in fiscal 2007-08. Per the City's policy, these trucks were replaced with trucks fueled by Compressed Natural Gas (CNG), which are much cleaner and better for the environment than diesel. Culver City is proud to be a leader in purchasing environmentally responsible vehicles; however, the cost to purchase and maintain CNG powered vehicles is greater than traditional diesel powered vehicles. As more vehicles are manufactured due to mandate requirements, the cost is expected to decrease. This may not happen, though, for a few more years. Fortunately, the purchase price of a few of these vehicles was able to be offset with grant monies obtained through the hard work of the Equipment Maintenance Division.

Currently, the additional cost for CNG vehicles runs about 25% more than traditional diesel-powered vehicles. Future rate increases will be necessary to ensure the financial stability of the refuse operation, and will be captured when the new purchase price of the vehicle is entered into the worksheet amortization calculation.

ECONOMIC OVERVIEW

Many of the same economic pressures constraining the General Fund are also impacting the Refuse Fund. Aside from escalating personnel costs and fluctuating fuel prices, the limited availability of raw materials has greatly increased the price of steel. This has made new bins, replacement parts for older vehicles, and the purchase of new vehicles more expensive.

Additionally, as mentioned earlier, local landfill capacity will be depleted over the next twenty years. As a result, disposal costs will increase dramatically in the future as the transition from local landfills to rail haul disposal to more distant locations occurs. To account for and provide a smooth transition toward these dramatically increased waste disposal costs, the County Sanitation District is increasing the disposal costs it charges to its customers (such as Culver City) at an annual rate of approximately 14% over the next sixteen years. The refuse fund expenditure projections take into account these projected disposal costs increases.

PROJECTIONS AND ANALYSIS OF EXPENDITURES

OVERVIEW

An important focus of the Refuse Fund over the next few years has to be improving its overall fiscal health to eliminate the fund's negative balance and develop a reserve. Additionally, the capital and operational needs of the Refuse fund that have been deferred over the last few years will have to be phased in on a priority basis as the revenue generated by fees for service allow. While increasing the fees is a necessity, we need to be cognizant of the effect it will have on Culver City residents and commercial businesses in the City.

DISCUSSION OF REVENUE PROJECTIONS

In order to restore the financial health of the Refuse Fund, commercial and residential waste removal fees will need to be increased over the next few years. The revenue projections assume that there will be no increase in fiscal 2009-10, and an increase of approximately 4% per year for the next two fiscal years after that. If these revenue increases are realized and current expenditures stay within the anticipated growth forecast, then the Refuse Fund should continue to have a positive fund balance from 2009-10 on.

After 2009-10 the rate increases are planned to be 4% or 6% per fiscal year. This will be reviewed in the future to ensure that these increases are sufficient to keep pace with operating costs. It is quite likely rates may be needed to be kept at a 4.7% increase per year for longer than the projected three years to assist in generating revenue to cover proposed expanded operations and capital improvement needs for the Transfer Station to support on-going and expanded operations.

DISCUSSION OF EXPENDITURE PROJECTIONS

Personnel expenditures are forecasted to increase 4.0% through fiscal 2009-10 given current MOU agreements. Conservative projections for personnel costs have been included for the remaining fiscal years in this fifteen-year forecast. The exception to this is medical premiums. Medical premiums are forecast to increase 11.1% in fiscal 2009-10, with small adjustments downward in subsequent years. Operating and maintenance expenses are forecasted to grow 3.0% per year. The exception to this could be garage expenses and amortization charges to the Equipment Replacement Fund. Fuel prices have become a large issue for all Funds that utilize vehicles in their operations. These expenses are difficult to forecast, and for the purpose of this analysis have had the same 3.5% growth rate associated with them. New refuse vehicles have recently been purchased, which will increase the annual Equipment Replacement Fund contribution from the Refuse Fund.

A major challenge facing the Refuse Fund is identifying and receiving funding in order to cover needed upgrades and expansion of its operations. Anticipated upgrades and expanded services are discussed below:

- **Transfer Station** through-put tonnage increase from a maximum of 500 tpd to 750 tpd and is scheduled for implementation in **2010-11**. This will allow increased revenue generation through the transfer station and will require additional long hauling which is currently projected to be handled through contract. Also, an additional Heavy Equipment Operator will be required for expanded hours of operation at the Transfer Station. In **2014-15** the Transfer Station through-put will be further expanded from 750 tpd to 900 tpd. This will provide for further revenue generation through the Transfer Station and will require expanded contract operations, an additional loader, Heavy Equipment Operator, and Laborer.
- **Capital Improvements needs over the next several years include installing a closed-circuit motion-sensing camera surveillance system, installing sorting equipment on the Transfer Station floor, and implementation of storm water pollution prevention measures at the Transfer Station.**
- **Bulky Item/Illegal Dumps** are an immediate need. To address the need for more responsive bulky item and illegal dumping pickup, a Driver and Collector will be proposed to be added in **2010-11**. A Rear-Loader Truck was put into service in **2007-08**.
- **Field Supervisor Position is proposed to be added in 2010-11 to address code enforcement issues in the areas of scavenging, illegal dumping, unauthorized bins and refuse services and to provide increased safety monitoring.**
- **GPS Implementation** is projected to be phased in over several years beginning with the Commercial Fleet and Roll-Off Trucks in **2007-08** and expanding to Long Haul Trucks in **2008-09** followed by remaining vehicles in **2009-10**.
- **Route Audits** are proposed for **2008-09** after GPS system implementation which will allow for easier analysis of routes.

Implementation of these measures is projected to increase the funds negative balance in the first year with the fund balance becoming positive in fiscal 2009-10.

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Culver City - SCENARIO 1

February 2009

	Adjusted	< - - - - - - - - - - - - - Estimated 5-Year- - -			- - - - - - - - - - - - >		- - - - - - - - - - - - - Estimated 10-Year- - -			- - - - - - - - - - - >		- - - - - - - - - - - - - Estimated 15-Year- - -			- - - - - - - - - - >
Description	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
REFUSE FUND (202) - Preliminary Beginning Balance	**(80)**	**(45)**	**323**	**611**	**706**	**918**	**1,229**	**1,866**	**2,343**	**2,639**	**2,735**	**2,606**	**2,225**	**1,568**	**607**	**(307)**
Fiscal Year Net Change																
Total Recurring Revenue	11,590	11,846	12,318	12,808	13,574	14,116	14,961	15,558	16,177	16,823	17,493	18,191	18,915	19,671	20,848	21,679
Total One-Time Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue Projection	11,590	11,846	12,318	12,808	13,574	14,357	15,405	16,015	16,647	17,306	17,990	18,702	19,440	20,211	21,403	22,250
Total Recurring Expenditures	11,445	11,478	12,030	12,713	13,362	14,046	14,768	15,538	16,351	17,210	18,119	19,083	20,097	21,172	22,317	23,534
Total One-Time Expenditures	110	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	11,555	11,478	12,030	12,713	13,362	14,046	14,768	15,538	16,351	17,210	18,119	19,083	20,097	21,172	22,317	23,534
Total Refuse FY Operating Surplus/Deficit	35	368	288	95	212	311	637	477	296	96	(129)	(381)	(657)	(961)	(914)	(1,284)
Refuse Fund - Preliminary Ending Balance (Operating)	**(45)**	**323**	**611**	**706**	**918**	**1,229**	**1,866**	**2,343**	**2,639**	**2,735**	**2,606**	**2,225**	**1,568**	**607**	**(307)**	**(1,591)**
Reserve Percentage (Recurring)	**-0.39%**	**2.82%**	**5.08%**	**5.56%**	**6.87%**	**8.75%**	**12.64%**	**15.08%**	**16.14%**	**15.89%**	**14.38%**	**11.66%**	**7.80%**	**2.87%**	**-1.37%**	**-6.76%**

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Transit Fund

Narrative and Projection Worksheet

CITY OF CULVER CITY

COMPREHENSIVE FINANCIAL STRATEGY UPDATE for the Transit Enterprise Fund

INTRODUCTION

The Transit Fund is an Enterprise Fund that was established to provide efficient and effective public transportation services and high quality, low cost equipment maintenance services to the City of Culver City. The Culver City Municipal Bus Line, aka Culver CityBus, provides public transit services on seven regular routes throughout Culver City and the surrounding area and services a number of major employment, health, commercial, educational, and recreational centers in the area.

The Transportation Department is responsible for providing administration and oversight of Transit Fund operations. The Transportation Department also oversees the City's regional transportation planning activities and administers both the Equipment Replacement Fund and the activities of the Equipment Maintenance Division, which is responsible for equipment and vehicle maintenance. A more in-depth discussion of the Equipment Replacement Fund is included in the Equipment Replacement Fund section of this report.

As an Enterprise Fund, the Transit Fund charges customers for the provision of services via bus fares. However, fare revenues do not approach the cost of operations. The majority of the Fund's revenues are derived from other funding sources, including grants and appropriations from the state and federal governments.

Operating expenses include the cost of providing service, administrative expenses, and acquiring, replacing, and maintaining capital assets (e.g. maintaining and replacing the Bus Fleet). Since the Transit Fund is highly subsidized by other governmental agencies, their ability to increase or decrease bus fares to raise revenue has historically been highly restricted. This restriction was recently lifted, and Transportation currently has plans to increase fares in July 2009.

FISCAL YEAR 2008-09 HIGHLIGHTS

The Adopted 2008-09 Budget contains funding for a number of enhancements, including:

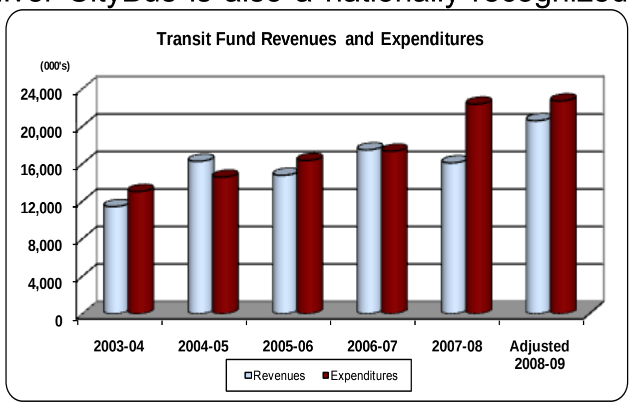
- Expansion of Line 7, including seven additional full-time and 4 additional part-time bus operator positions;
- Purchase of additional new buses to accommodate the Line 7 expansion;
- Sepulveda Blvd Traffic Relief Study;
- New bus stop furniture and transit security cameras and training material.

BACKGROUND

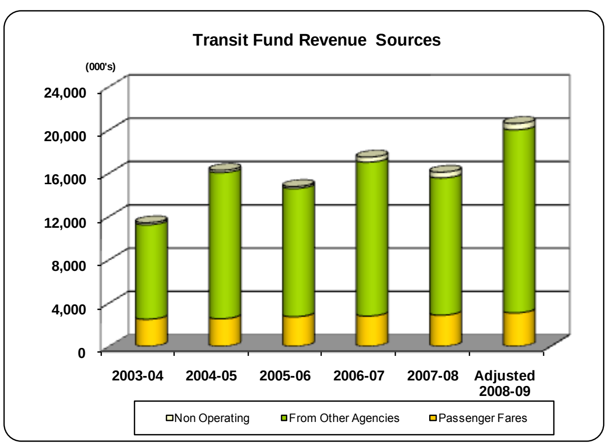
Culver CityBus is the second oldest municipally-owned bus line in the state of California, with over 75 years of tradition and experience behind our service. Culver CityBus was organized in 1928 by the late Mayor Reve E. Houck, with the aid of the City Council, after a dispute with the Pacific Electric Railway over rising fares. Service was initiated on March 4, 1928 when Mayor Houck drove a bus from Washington and Rimpau Boulevards to Venice to inaugurate municipal bus service.

Today, Culver CityBus proudly serves the Westside communities of Blair Hills, Century City, Culver City, Mar Vista, Marina del Rey, Palms, Venice, Venice Beach, West Los Angeles, Westchester, and Westwood.

Culver CityBus is a nationally recognized operation whose fleet was recently ranked seventh of approximately five hundred North American programs in the national trade magazine, *Fleet Equipment* magazine. Culver CityBus is also a nationally recognized leader in transportation technology (Smart Bus) and environmental friendliness with most of the current fleet being fueled by compressed natural gas (CNG).



Currently, the Transit Fund has a healthy reserve and generally collects sufficient revenues to cover annual operational costs. However, the Transit Fund is highly subsidized with funds from other agencies, mostly county, state, and federal. In fact, approximately eighty percent (80%) of the Fund's revenues are from outside agencies. The major sources of the Transit Fund are the Federal Transportation Administration (FTA), State Transit Grants, and Proposition A & C money (see Prop A & C section of this report for more information). In November 2008, voters in LA County approved Measure R, which will provide additional funds for capital projects and operations beginning in FY 2009-10.



Depending on the funding agency's priorities, funding may be highly variable from year to year.

While, public transportation and traffic and congestion relief has been one of California's top priorities over the last decade, the current state budget crisis has shifted transportation away from its priorities.

ECONOMIC OVERVIEW

With the population explosion in California over the last 10 – 15 years, dealing with the related increase in traffic and congestion has become one of the biggest challenges faced by Californians. As such, voters have approved a few funding sources that are specifically dedicated to funding transportation projects and public transportation operations. Propositions A & C are both sales taxes that have been approved by Los Angeles County voters. Since these funding sources are sales taxes, they are economically sensitive (see the Prop A & C section of this report for more information); however, they are much more stable than the alternative of relying on an annual appropriation from the state legislature.

In November 2008, Los Angeles County voters approved Measure R, which is a ½ cent Sales Tax to finance new transportation related capital projects, accelerate those projects already in the pipeline, and provide additional funding for transportation operations. It is expected that Culver City will begin receiving Measure R funds in the second half of fiscal year 2009-10. This additional funding is important to the continued fiscal health of Culver CityBus.

In addition to Props A, C and Measure R, there are a number of state and federal grants programs that are used for transit operations. These funds are allocated annually and are often subject to the existing political and economic climate.

In September, the California legislature finally adopted a budget for FY 2008-09, 85 days past the constitutional deadline. Although the adopted budget did not include taking any city revenues, there was a massive cut to State Transit Assistance funds that funds a portion of the Culver CityBus. With the additional projected state budget deficit, the transportation funding is looking to be cut again, with the Governor proposing to eliminate the State Transit Assistance funds all together after this fiscal year.

As a result of the weak economy, there is also a projected decrease in sales tax revenue at the state and local level. While the level of funding has been set by the County for transit funds in FY 2008-09, it is likely that there will be a significant dip in funding levels for state and local funds in FY 2009-10.

PROJECTIONS AND ANALYSIS OF REVENUES AND EXPENDITURES

OVERVIEW

The Transit Fund is facing similar fiscal issues as the General Fund. Due to the ever-changing variables associated with these issues, it is difficult to realistically foresee more than two or three years into the future for certain funding sources, and even less in some cases. As was mentioned previously, the Transit Fund currently has a healthy reserve and would be able to stave off any unforeseen expenses that may occur in the very near future. Since the Transit Fund is heavily dependant on outside funding sources, it is imperative that it maintains sound oversight of its spending.

DISCUSSION OF REVENUE PROJECTIONS

Assumptions that were made in this analysis after Fiscal Year 2008-09 include a 10% decrease in local revenues. State Transit Assistance (STA) spillover funds ($961,000 allocated to Culver City in fiscal 2007-08) will be eliminated after fiscal 2008-09. The passage of the new sales tax Measure R, will help to fill in the gap of the eliminated STA funds, however, during FY 2009-10, Culver City will likely not receive a full year's worth of funding. Due to the decrease in the overall local sales tax revenues, a fare increase will be considered within the next year in order to raise revenues to meet expenditures. Several of the County municipal operators have recently raised their fares.

The Transit Fund is anticipating just under $1 million a year in funds relating to new bus services to Playa Vista during the first three years of Playa Vista's expansion.

Infrastructure Bond 1B Funds have been expected to be allocated during Fiscal 2008 through 2012. These bond monies will hopefully assist in funding capital projects and one-time expenditures. Anticipated funding should be a total of $8 million. Thus far, Culver City has been allocated $2 million of those funds through two years.

Most of the revenues received from other agencies are projected to remain growing at a fairly constant rate. However, it should be noted that some of those funds can be subject to change in the amount or eligibility at the will of those agencies.

DISCUSSION OF EXPENDITURE PROJECTIONS

To the extent possible, recurring operating expenditures are covered with recurring revenues. Personnel costs are estimated to grow 4.0% per current MOU negotiations through fiscal 2009-10. Conservative projections for personnel costs have been included for the remaining fiscal years in this fifteen-year forecast. The exception to this is medical premiums. Medical premiums are forecasted to increase 11.1% in fiscal 2009-10, with small adjustments downward in subsequent years. Ongoing operating and maintenance costs are estimated to grow at approximately 3.0%.

Costs were also projected to increase due to a new Bus Rapid program along Sepulveda Blvd. and the extension of Line 7. Those projects may need to be deferred until additional funding has been identified.

The Transit Fund currently reimburses the General Fund for administrative charges, which normally increase anywhere between 3% - 5% per year primarily due to personnel cost increases. The administrative charges, or indirect costs, are determined through the Cost Allocation Plan prepared each year, which meets the compliance of Federal and State grants reimbursement guidelines. The Cost Allocation Plan allocates costs of services and programs to using Departments and Enterprise Funds based on the level of services received. Some of these services include payroll processing, information technology, financial, and communications services.

It is clear, though, that beginning in fiscal 2010-11 a gap occurs between revenues and expenditures and needs to be addressed. Transit funding is one of the more volatile financing sources because it relies mainly on funding sources from other agencies, such as the federal and state government. Given the current events of the past year or two with funding being shifted or taken away, it is near impossible to predict what funds will still be available in future years. New revenue sources, fare increases, and service cuts will likely be considered in order to help the expenditures to meet revenues.

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Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	< - - Estimated 5-Year- - 2009-10	2010-11	2011-12	2012-13	2013-14 - - >	< - - Estimated 10-Year- - 2014-15	2015-16	2016-17	2017-18	2018-19 - - >	< - - Estimated 15-Year- - 2019-20	2020-21	2021-22	2022-23	2023-24 - - >
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
TRANSIT FUND (203) - Preliminary Beginning Balance	**8,030**	**9,027**	**11,199**	**10,584**	**9,280**	**12,752**	**12,825**	**14,775**	**17,138**	**14,903**	**11,173**	**6,416**	**901**	**(5,400)**	**(2,570)**	**(10,606)**
Fiscal Year Net Change																
Total Recurring Revenue	19,925	24,128	17,650	17,980	18,390	18,783	20,089	20,531	20,985	20,604	20,732	21,194	21,670	22,159	22,660	23,177
Total One-Time Revenue	4,753	11,568	1,456	1,456	6,716	3,856	5,400	6,400	2,420	2,420	2,430	2,430	2,430	12,400	2,430	2,430
Total Revenue Projection	24,678	35,696	19,106	19,436	25,106	22,639	25,489	26,931	23,405	23,024	23,162	23,624	24,100	34,559	25,090	25,607
Total Recurring Expenditures	17,635	23,089	19,721	20,740	21,634	22,566	23,539	24,568	25,640	26,754	27,919	29,139	30,401	31,729	33,126	34,599
Total One-Time Expenditures	6,046	10,435	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	23,681	33,524	19,721	20,740	21,634	22,566	23,539	24,568	25,640	26,754	27,919	29,139	30,401	31,729	33,126	34,599
Total Transit FY Operating Surplus/Deficit	2,290	1,039	(2,071)	(2,760)	3,472	73	1,950	2,363	(2,235)	(3,730)	(4,757)	(5,515)	(6,301)	2,830	(8,036)	(8,992)
Transit Fund - Preliminary Ending Balance (Operating)	**9,027**	**11,199**	**10,584**	**9,280**	**12,752**	**12,825**	**14,775**	**17,138**	**14,903**	**11,173**	**6,416**	**901**	**(5,400)**	**(2,570)**	**(10,606)**	**(19,598)**
Reserve Percentage (Recurring)	**51.19%**	**48.50%**	**53.67%**	**44.74%**	**58.94%**	**56.83%**	**62.77%**	**69.76%**	**58.12%**	**41.76%**	**22.98%**	**3.09%**	**-17.76%**	**-8.10%**	**-32.02%**	**-56.64%**

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Sewer Fund

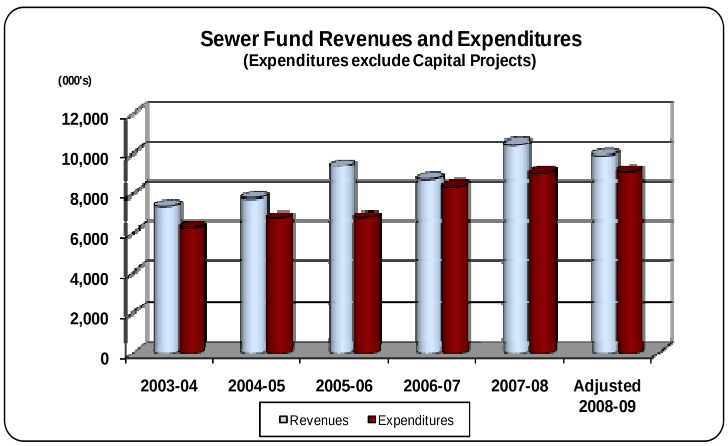
Narrative and Projection Worksheet

CITY OF CULVER CITY

COMPREHENSIVE FINANCIAL STRATEGY UPDATE
for the
Sewer Fund

INTRODUCTION

The Sewer Fund is an Enterprise Fund that was established to provide for conveyance, treatment, maintenance and repair services for the City's sewer system. The Public Works Department oversees the sewer fund and is responsible for maintaining the City's system of subsurface gravity and pressurized sewer lines, sewer gauging devices, and sewage lift stations, including the pumps and auxiliary equipment.



The City charges customers for the provision of services through wastewater fees which are collected by an annual property assessment and deposited in the sewer fund. In addition to the maintenance of the sewer system in Culver City, the wastewater fees are used to pay the debt service for the City's pro-rata share of a wastewater revenue bond that was used to upgrade the Los Angeles Hyperion Wastewater Treatment Plant to meet EPA requirements. The Sewer Fund also pays for the City of Culver City's share of the Los Angeles Amalgamated Cities Capital Improvement Program for conveyance of Culver City sewage to that Treatment Plant.

FISCAL YEAR 2008-09 HIGHLIGHTS

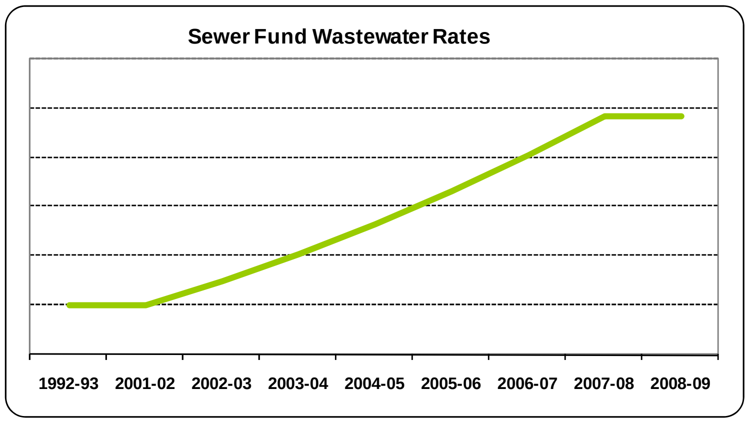
The Adopted 2008-09 Budget includes funding for one (1) additional sub-drain worker and $3,455,000 for sewer repair and pump station improvement projects. After six consecutive years of rate increases, the Sewer User's charge was not increased in FY 2008-09.

BACKGROUND

Prior to 2002-03, sewer wastewater fees had not been increased in more than ten years. However, personnel and operational costs, waste disposal fees, and costs to comply with state and federal mandates continued to increase. As a result, the Sewer Fund was operating at a deficit in the early 2000's. To address this issue, a rate study was done prior to the 2002-03 budget and wastewater rates were increased 10%. There have been rate increases in each subsequent fiscal year, including 2007-08. FY 2008-09 will be the first year in six years that the wastewater fees were not increased.

ECONOMIC OVERVIEW

After a few years of large increases in sewer charges from the City of Los Angeles for use of the Hyperion Treatment Plant, charges decreased in FY 2007-08 by 20% because the City of LA received alternate funding to complete some capital upgrades to the Hyperion system. As a result, the City received a credit. In fiscal 2008-09 the City received another large credit based on an audit performed by LA City. This audit reviewed billings to Culver City for the last three fiscal years and resulted in a credit of approximately $1.7 million which was used to offset this year's payment. Sewer charges to LA City are expected to again increase over the next few fiscal years. Additionally, the City must comply with new Waste Discharge Requirements set by the State Water Resources Control Board.



Currently, the Sewer Fund has a healthy reserve balance. Due to the reduction in sewer charges from the City of LA in 2007-08, the Sewer User's charges were not increased in 2008-09. However, in order to avoid depleting the Sewer Fund's reserve balance, it is anticipated that additional fee increases will be necessary in future fiscal years. If the projected charges from the City of Los Angeles are realized, and the City fully complies with the new Waste Discharge Requirements, future deficits in the Sewer Fund may be unavoidable without a significant increase in wastewater fees.

PROJECTIONS AND ANALYSIS OF EXPENDITURES

OVERVIEW

The Sewer Fund maintains an extremely healthy fund balance due to Wastewater Facility Bonds that were issued in 1992, and subsequently refunded in 1999. These funds were used to fund the City's share of improvements to the Hyperion Wastewater treatment plant and to fund a local sewer replacement program.

DISCUSSION OF REVENUE PROJECTIONS

Revenue projections for the Sewer Fund are held at a steady 4% rate of growth beginning in fiscal 2010-11. This is not as steep an increase as the most recent increases and places a steady increase in fees on users per year rather than hitting them with larger increases every few years. This increase is enough to cover ongoing operating and maintenance increases (assuming that Hyperion charges from the City of LA do not increase too significantly), but will not be sufficient to cover ongoing sewer capital projects. The Public Works Department is currently in the process of researching and developing a full Sewer Capital Improvement Study over the next couple of months. Further, in-depth information will be presented during the upcoming budget process to complement the information contained in this report.

DISCUSSION OF EXPENDITURE PROJECTIONS

Personnel expenditures are forecasted to increase 4.0% through fiscal 2009-10 given current MOU agreements. Conservative projections for personnel costs have been included for the remaining fiscal years in this fifteen-year forecast. The exception to this is medical premiums. Medical premiums are forecast to increase 11.1% in fiscal 2009-10, with small adjustments downward in subsequent years. General operating and maintenance costs are anticipated to grow 3%. As mentioned previously, charges for the City's portion of the Hyperion Wastewater Treatment Plant are increased each year according to the capital improvement needs identified by the City of Los Angeles. While it is anticipated that these increases will continue, it is difficult to determine by how much as the increases have not been consistent from year to year and longer term projections provided by the City of Los Angeles have not been reliable.

Locally, sewer Capital projects are planned and budgeted for each fiscal year and range from $3.15 million to $5.1 million per year. While there are unexpected sewer projects that occur, most are planned in concurrence with street work occurring in the City. All feasible options are taken into consideration to reduce disruption to residents while work is occurring.

The Sewer Fund currently reimburses the General Fund for administrative charges, which increase between 3% - 4% per year primarily due to personnel cost increases. The administrative charges, or indirect costs, are determined through the Cost Allocation Plan prepared each year. The Cost Allocation Plan allocates costs of services and programs to using Departments and Enterprise Funds based on the level of services received. Some of these services include payroll processing, information technology, financial, and communications services.

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Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		< - - - Estimated 5-Year- - - >					- - - Estimated 10-Year- - - >					- - - Estimated 15-Year- - - >				
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
SEWER FUND (204) - Preliminary Beginning Balance	**24,462**	**21,326**	**19,466**	**15,143**	**10,885**	**6,408**	**7,006**	**7,571**	**8,099**	**8,585**	**9,020**	**9,403**	**9,728**	**9,993**	**10,191**	**10,314**
Fiscal Year Net Change																
Total Recurring Revenue	9,897	9,922	9,918	10,119	10,304	10,493	10,686	10,883	11,084	11,289	11,498	11,711	11,928	12,149	12,375	12,605
Total One-Time Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue Projection	9,897	9,922	9,918	10,119	10,304	10,493	10,686	10,883	11,084	11,289	11,498	11,711	11,928	12,149	12,375	12,605
Total Recurring Expenditures	8,505	8,632	9,071	9,557	9,681	9,895	10,121	10,355	10,598	10,854	11,115	11,386	11,663	11,951	12,252	12,567
Total One-Time Expenditures	4,528	3,150	5,170	4,820	5,100	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	13,033	11,782	14,241	14,377	14,781	9,895	10,121	10,355	10,598	10,854	11,115	11,386	11,663	11,951	12,252	12,567
Total Sewer FY Operating Surplus/Deficit	1,392	1,290	847	562	623	598	565	528	486	435	383	325	265	198	123	38
Sewer Fund - Preliminary Ending Balance (Operating)	**21,326**	**19,466**	**15,143**	**10,885**	**6,408**	**7,006**	**7,571**	**8,099**	**8,585**	**9,020**	**9,403**	**9,728**	**9,993**	**10,191**	**10,314**	**10,352**
Reserve Percentage (Recurring)	**250.75%**	**225.51%**	**166.94%**	**113.90%**	**66.19%**	**70.81%**	**74.81%**	**78.22%**	**81.01%**	**83.11%**	**84.60%**	**85.44%**	**85.68%**	**85.28%**	**84.18%**	**82.38%**

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Equipment Replacement Fund

Narrative and Projection Worksheet

CITY OF CULVER CITY

COMPREHENSIVE FINANCIAL STRATEGY UPDATE
for the
Equipment Replacement Fund

INTRODUCTION

The Equipment Replacement Fund (ERF) was established as a mechanism to ensure adequate funding for the replacement of the City's fleet of vehicles and other assets. The fund is overseen by the Equipment Maintenance and Fleet Services Division (EMFS) and the Finance/Administration & Budget Division.

FISCAL YEAR 2008-09 HIGHLIGHTS

The ERF fund has continued to maintain an appropriate fund balance for several years. In a continued effort to reduce costs for operating departments, funding for the ERF fund was again slightly reduced for 2008-09. Amortization charges to the affected General Fund operating departments remained at the 75% funding level. The ERF fund charges are reviewed annually to ensure that the fund remains healthy.

In 2008-09, there are a number of vehicles that are scheduled for replacement including:

- 12 Police Department vehicles (including 3 detective units and 5 black & whites)
- 3 Fire Department vehicles (sedans)
- 4 Semi-trucks in the Refuse Division
- 1 Passenger Van in the Parks, Recreation & Community Services Department

BACKGROUND

The Equipment Maintenance and Fleet Services Division of the Transportation Department retains ownership, and has primary responsibility ("cradle to grave") of all City equipment and vehicle assets. They also assist in overseeing the Equipment Replacement Fund (ERF) working closely together with the Finance/Administration & Budget Division. The Division works in conjunction with Purchasing when removing vehicles and equipment from permanent service in the disposal process. Usual methods for disposal are through auctions whereby the City can better use its resources in allowing an auction company to have the responsibility of shipping and selling the City's old vehicles and equipment.

The City obtains funds for the future replacement of vehicles and equipment through periodic rental rate charges (amortization) to the using departments and/or divisions over the expected life cycle of each unit. The Finance Department invests the funds and credits interest or dividend earnings into the fund. The Finance Department also places the residual (disposal) value of the assets back into the fund after the sale is finalized.

The ERF fund is self-supporting and is the main resource for budgeting and providing adequate funding for all vehicles (except transit buses) and equipment for the City. The Equipment Maintenance Division establishes useful life (life cycles) for all types of vehicles and equipment that are incorporated into the technical amortization schedule managed by staff in the Finance/Administration & Budget Division. This amortization schedule guides departments in their annual cost for purchase-ownership and replacement costs for vehicles and equipment at the termination of the life cycle. This also becomes the fiscal budget for all City vehicle assets, except for vehicles in the Transportation Department (i.e. buses), and vehicles purchased with other sources of funding such as Asset Seizure monies or grant monies.

Using departments justify and budget for the initial procurement of all capital assets. When the City receives new equipment, the Equipment Maintenance Division and the Finance/Administration & Budget Division add the vehicles and equipment into the main asset inventory systems (fleet management and accounting systems), establishes an estimated useful life and calculates the future replacement costs which include adjustments for CPI and inflation, then establishes the amortization schedule for the new piece of equipment.

The Equipment Maintenance Division will communicate on an annual basis (or as required) with all City Departments those vehicles and equipment that are eligible for replacement. This is based on the termination of life cycles, which then enables those vehicles and equipment to become replacement candidates. Life cycle analysis is the benchmark for replacing equipment. Each year during budget preparation, the Equipment Maintenance Division evaluates the vehicles and equipment that are eligible, or requested to be replaced. During this period, departments are required to submit their requests to replace or change their vehicles/equipment. Once the technical evaluations have been completed, the Division then assembles a recommendation for replacement including any new estimated purchase costs.

Because a particular piece of equipment is eligible for replacement (based on its useful life and amortization cycles), does not automatically guarantee the replacement. Many other factors go into the evaluation process to make certain the equipment is no longer feasible to retain, or is otherwise unusable in its originally designed capacity relative to the division's mission. Age, mileage, repair history, current condition, forecasted repair costs, depreciation and market value are included in the evaluation process. After the vehicle evaluations have been completed, the Equipment Maintenance Division meets and discusses the eligible equipment with the affected departments to:

- Review the list of equipment candidates
- Decide further whether to replace or retain the recommended vehicles and equipment.

- Aid the departments with a budget forecast
- Discuss necessary operational equipment needs

The Transportation Department, through the Equipment Maintenance Division, has established a City Council ERF Sub-Committee to inform the City Council of the ERF process and those equipment and vehicles eligible for replacement. A meeting is held each year during the budget preparation process with our ERF Sub-Committee and all departments that have vehicles for replacement to review the list of candidates, evaluate the recommendations, discuss any issues about the process or equipment, and approve the recommendations.

ECONOMIC OVERVIEW

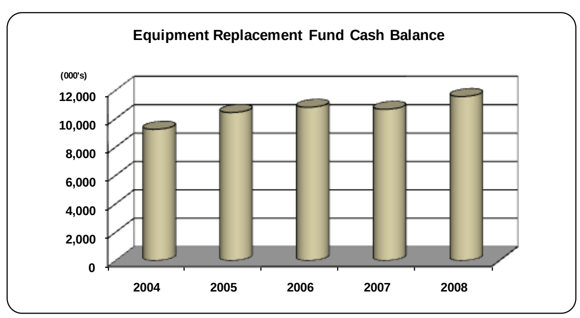
In fiscal 2005-06, $1 million was "loaned" from the Equipment Replacement Fund to the Self-Insurance Fund to help cover a shortfall and assist in establishing a fund balance in this Fund. Once the Self-Insurance Fund is able to maintain a stable fund balance, this funding will be repaid to the Equipment Replacement Fund. It is not foreseen this will occur in the near future, though, due to the Risk Management fund having to transfer $3.6 million to the Improvement & Acquisition fund to cover the costs of the Cranks hill slide project. There is the possibility of this funding being reimbursed to the Self-Insurance fund by FEMA and OES, but not with a certainty.

In fiscal 2008-09, $1,250,000 was transferred from the ERF fund balance to the Improvement & Acquisition fund to pay for the replacement of the City's antiquated telephone system.

PROJECTIONS AND ANALYSIS OF EXPENDITURES

OVERVIEW

The Equipment Replacement Fund has continued to maintain an appropriate fund balance for several years. This is mainly attributable to close oversight by the Equipment Maintenance Division and the Finance/Administration & Budget Division.



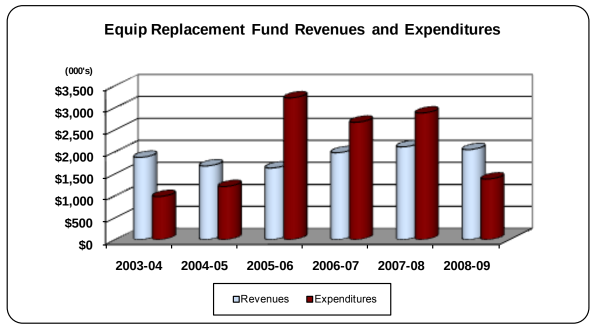
The strategy already in place for this Fund will continue to be administered. The Fifteen (15) Year Forecast shows a continued healthy operation and is not recommended to be changed.

Discussion of Revenue Projections

The revenue projections for this fund are increased using a 3.5% inflation rate growth factor for forecasting purposes. Once the actual replacement cost of a vehicle is determined, this amount is entered into the spreadsheet. Until this time, an estimated budgeted amount is used for calculation purposes. Yearly contribution amounts are calculated based on this estimated future year replacement cost. Often vehicle replacement costs are less than the budgeted amount, thus enabling the fund to cover unanticipated or emergency replacements when authorized. This was the case with the early replacement purchase of three (3) Fire Engines a few years ago.

Discussion of Expenditure Projections

Each vehicle is entered into the amortization spreadsheet with the actual cost of the vehicle and estimated useful life. A formula is then calculated that gives the estimated replacement cost based in part on a 3.5% inflation growth rate per year. Once a vehicle has reached its useful life and is not recommended for replacement, only the 3.5% inflation rate is charged to the using Division.



The amounts currently showing on the Fifteen (15) Year Forecast for Expenditures is based on anticipated replacements in upcoming fiscal years. As can be seen from the main worksheet for this fund, there is ample funding to cover purchases in fiscal 2009-10 and subsequent years.

Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		< - - - Estimated 5-Year- - - >					< - - - Estimated 10-Year- - - >					< - - - Estimated 15-Year- - - >				
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
EQUIPMENT REPLACEMENT FUND (307) - Preliminary Beginning Balance	**11,553**	**10,771**	**7,970**	**8,367**	**9,170**	**9,960**	**10,999**	**10,297**	**11,014**	**12,540**	**11,590**	**11,875**	**13,256**	**13,730**	**13,948**	**14,289**
Fiscal Year Net Change																
Total Recurring Revenue	2,044	2,044	2,103	2,165	2,229	2,295	2,363	2,434	2,509	2,586	2,666	2,748	2,833	2,921	3,012	3,106
Total One-Time Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue Projection	2,044	2,044	2,103	2,165	2,229	2,295	2,363	2,434	2,509	2,586	2,666	2,748	2,833	2,921	3,012	3,106
Total Recurring Expenditures	1,532	4,845	1,706	1,362	1,439	1,256	3,065	1,717	983	3,536	2,381	1,367	2,359	2,703	2,671	2,684
Total One-Time Expenditures	1,294	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	2,826	4,845	1,706	1,362	1,439	1,256	3,065	1,717	983	3,536	2,381	1,367	2,359	2,703	2,671	2,684
Total ERF FY Operating Surplus/Deficit	(782)	(2,801)	397	803	790	1,039	(702)	717	1,526	(950)	285	1,381	474	218	341	422
ERF Fund - Preliminary Ending Balance (Operating)	**10,771**	**7,970**	**8,367**	**9,170**	**9,960**	**10,999**	**10,297**	**11,014**	**12,540**	**11,590**	**11,875**	**13,256**	**13,730**	**13,948**	**14,289**	**14,711**
Reserve Percentage (Recurring)	**703.08%**	**164.50%**	**490.45%**	**673.29%**	**692.16%**	**875.73%**	**335.96%**	**641.48%**	**1275.70%**	**327.78%**	**498.75%**	**969.73%**	**582.03%**	**516.02%**	**534.97%**	**548.11%**

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Equipment Maintenance and Fleet Services Fund

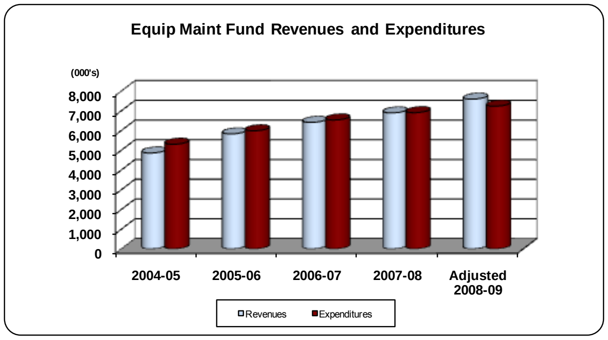
Narrative and Projection Worksheet

CITY OF CULVER CITY

COMPREHENSIVE FINANCIAL STRATEGY UPDATE
for
Equipment Maintenance and Fleet Services Fund

INTRODUCTION

The Equipment Maintenance and Fleet Services Division is an Internal Service Fund that was created to provide the City with safe, efficient, and cost-effective equipment and vehicle repair and replacement services. The Fleet Services Division, along with the Finance Department, is responsible for the administration and operation of the Equipment Replacement Fund.



The Equipment Maintenance and Fleet Services Division is a full-service operation that provides maintenance, repair, welding and asset replacement services for the City. The primary objective of the Equipment Maintenance Division is to provide fleet maintenance services that maximize equipment availability and reliability at the lowest possible cost to all users. As an internal service fund, all personnel and operating costs for the division are allocated to user departments based on their actual use of services.

FISCAL YEAR 2008-09 HIGHLIGHTS

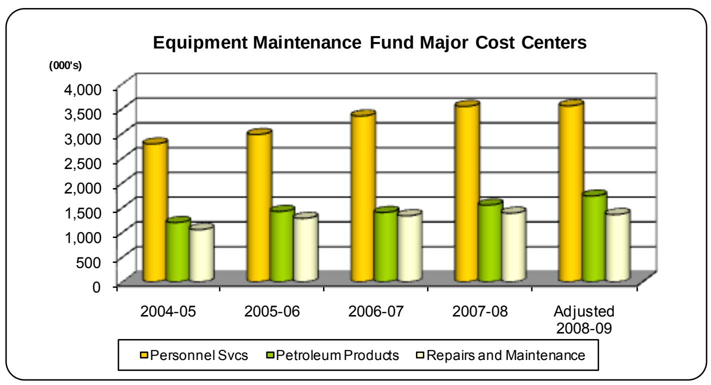
The Adopted 2008-09 Budget includes funding to continue to support the Division's extremely high level of service. The Equipment Maintenance and Fleet Services division's work program in 2008-09 includes:

- Continue to be recognized as one of North America's Top 100 Fleets and have been ranked within the top 20 fleets over the past four years.
- Continue to monitor and apply the Division's new Safety Awareness and Employee Recognition Programs
- Maintain and monitor the new Automatic Vehicle Locator (AVL) system
- Initiate the Maximus InfoCenter Fleet Management system to reduce data entry, improve reporting capabilities, and integrate the billing process.

BACKGROUND

The Equipment Maintenance and Fleet Services Division is a nationally recognized fleet that is a leader in environmental technology, emissions reduction programs and technical workforce. All of the Culver CityBus vehicles (transit buses), and many of the large refuse vehicles, and many other fleet vehicles are powered by clean burning compressed natural gas (CNG), which is much more environmentally responsible than traditional diesel power. We are mandated to purchase alternative fuel powered equipment when replacing diesel vehicles. Our fuel of choice is CNG and this technology is more complex to properly maintain than traditional types of fuels. Acquisition costs are higher than that of fossil fuels, and slightly more costly to maintain. The Division is well trained in the application and maintenance of our CNG fleet with a workforce that has an enhanced set of technical skill sets.

The three major cost centers that drive costs in the Equipment Maintenance Division are personnel costs, petroleum costs (including unleaded gasoline and diesel fuel), and repairs and maintenance on vehicles and equipment with an escalation in material and vehicle parts costs.



Over the past five years, expenditures in the equipment maintenance fund have increased an average of almost 8.2% per year. This is due mainly to increases in petroleum prices and personnel costs, which have increased an average of 15.1% and 9.7% per year, respectively, over the last five years. Increases in personnel costs have included adjustments in salaries for certain positions to bring them more in line with the market, and additional technical staff.

The following section provides a brief discussion of economic overview, and the projected revenues and expenditures for the Equipment Maintenance Fund.

ECONOMIC OVERVIEW

Wildly fluctuating oil prices are reverberating throughout the economy. The price of oil soared to almost $150 per barrel in the summer of 2008 before plummeting to $40 per barrel in recent weeks. This market chaos makes projecting expenditures a difficult endeavor.

What we do know is that as alternative energy vehicles (including CNG) become more widely used, economies of scale dictate that costs to operate (fuel costs) and maintain those vehicles will decrease. With much of the Culver City fleet being converted to, or replaced by, CNG powered vehicles, it is anticipated that costs will start to decline.

PROJECTIONS AND ANALYSIS OF REVENUES AND EXPENDITURES

OVERVIEW

The basic premise of an Internal Service Fund is to charge out for services rendered to user departments to recoup costs. The ideal outcome is to have revenues and expenditures offset each other at the end of a fiscal year. Hourly rates are calculated based on current overhead (personnel, utilities, workers compensation rates, fuel, and general operating, etc.), and charged to Divisions based on services requested and work performed.

DISCUSSION OF REVENUE PROJECTIONS

Recurring revenue is based directly on anticipated expenditures for a fiscal year. Each year rates are reviewed to see if they maintain an acceptable level of coverage over expenditures and are adjusted accordingly. In many cases, charge-outs to Departments for services do not cover all expenses of the Division. This has contributed to the current deficit in this Fund. The Charge for Services (Equipment Maintenance Charges) will be evaluated for the coming year to close the deficit gap by fiscal 2010-11. Currently, if Charges for Services can be increased by approximately 7% for the next two fiscal years, this should assist in closing the gap, all things held equal.

DISCUSSION OF EXPENDITURE PROJECTIONS

Personnel costs are estimated at a 4.0% rate for fiscal 2009-10, with medical insurance premiums estimated to grow at approximately 11.1%% in fiscal 2009-10, and then slightly less in subsequent years. Ongoing operating and maintenance costs are anticipated to increase at an estimated 4.0% overall (depending largely on petroleum costs). Conservative projections for personnel costs have been included for the remaining fiscal years in this fifteen-year forecast.

Included in the operating and maintenance costs are fuel charges, which may grow at a faster rate. The Division continues to monitor the price of all fuels to determine the best price when fuel is purchased.

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Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		<- - - - Estimated 5-Year- - - ->					<- - - - Estimated 10-Year- - - ->					<- - - - Estimated 15-Year- - - ->				
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
EQUIPMENT MAINT. FUND (308) - Preliminary Beginning Balance	**(736)**	**(138)**	**298**	**665**	**883**	**1,044**	**1,175**	**1,301**	**1,386**	**1,428**	**1,507**	**1,626**	**1,790**	**2,009**	**2,285**	**2,617**
Fiscal Year Net Change																
Total Recurring Revenue	7,803	7,959	8,200	8,449	8,743	9,083	9,438	9,807	10,191	10,676	11,185	11,721	12,284	12,876	13,498	14,151
Total One-Time Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue Projection	7,803	7,959	8,200	8,449	8,743	9,083	9,438	9,807	10,191	10,676	11,185	11,721	12,284	12,876	13,498	14,151
Total Recurring Expenditures	7,205	7,523	7,833	8,231	8,582	8,952	9,312	9,722	10,149	10,597	11,066	11,557	12,065	12,600	13,166	13,760
Total One-Time Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	7,205	7,523	7,833	8,231	8,582	8,952	9,312	9,722	10,149	10,597	11,066	11,557	12,065	12,600	13,166	13,760
Total Equip. Maint. FY Operating Surplus/Deficit	598	436	367	218	161	131	126	85	42	79	119	164	219	276	332	391
Equip. Maint. Fund - Preliminary Ending Balance (Operating)	**(138)**	**298**	**665**	**883**	**1,044**	**1,175**	**1,301**	**1,386**	**1,428**	**1,507**	**1,626**	**1,790**	**2,009**	**2,285**	**2,617**	**3,008**
Reserve Percentage (Recurring)	**-1.92%**	**3.96%**	**8.49%**	**10.72%**	**12.16%**	**13.12%**	**13.97%**	**14.25%**	**14.07%**	**14.22%**	**14.69%**	**15.49%**	**16.65%**	**18.13%**	**19.87%**	**21.86%**

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Self Insurance Fund

Narrative and Projection Worksheet

CITY OF CULVER CITY

COMPREHENSIVE FINANCIAL STRATEGY UPDATE for the Self Insurance Fund

INTRODUCTION

The Self Insurance Fund is an internal service fund that was established to pay administration costs for the risk management program, salary continuance costs for employees injured at work, workers' compensation and liability claims costs, and excess insurance premiums to protect the City's assets. As an internal service fund, all costs for the Self Insurance Fund are allocated among operating departments using a formula that equitably distributes costs based on each department's experience rating.

The City is self-insured for general liability and workers' compensation and has been a member of the Independent Cities Risk Management Authority (ICRMA), a Joint Powers Authority risk sharing pool, for more than 20 years. The ICRMA provides a number of training classes throughout the year and services the City's three main insurance programs; excess General Liability, excess Workers' Compensation, and All-Risk Property.

FISCAL YEAR 2008-09 HIGHLIGHTS

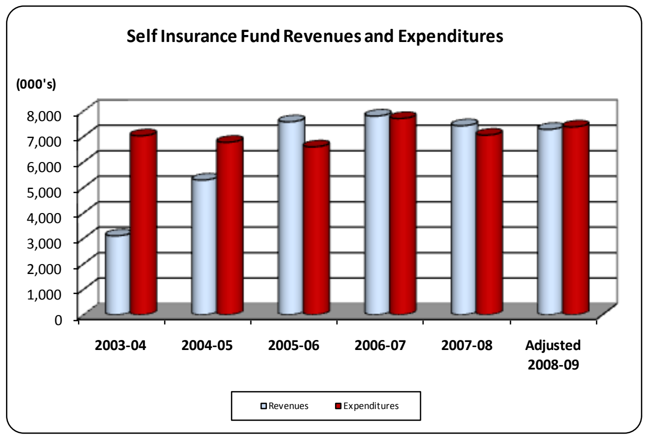
The focus for the Self Insurance Fund in FY 2008-09 is on rebuilding the fund's reserve balance after a number of large settlement related costs, including $3.6 million to repair the Cranks/Tellefson hillside, have severely reduced the fund's cash reserve in case of another large settlement. The Adopted 2008-09 Self Insurance Fund operating budget increased by less than 1% from the previous year's budget due to a projected reduction in costs in insurance and claims costs. Budget highlights for 2008-09 include:

- Increase Salary Continuance budget by 33% to reflect an increase in employee lost time experienced in FY 2007-08.
- Slight decrease in excess insurance premiums.

BACKGROUND

The two largest cost centers within the Self Insurance Fund are insurance premiums and workers' comp related expenses. From 2001 through 2007, insurance costs increased significantly due to a number of factors outside of the City's control, including 9/11 and subsequent natural disasters, such as hurricanes Katrina and Wilma. These events caused insurance companies to re-evaluate their risks in other natural disaster prone areas, especially Southern California. Prior to 9/11, the City's insurance premiums were approximately $300,000 annually. Today, the City's cost for insurance premiums, excluding medical premiums, exceeds $1.3 million. This has placed added pressures on City resources.

Workers' compensation costs also experienced large increases from 2001 through 2005. With double digit increases in medical costs and a system that was considered by many to be broken, the rapid increase in costs were not unique to Culver City and it caused a state-wide evaluation of the workers' compensation system. Lawmakers recognized that the system needed to be "fixed" and passed a large scale reform package in April 2004 (SB 899). SB899 has helped to reduce costs and stabilize the workers' compensation system somewhat; however, the costs for Culver City continue to be in the millions of dollars.



There were a few years when the City was facing a tight timeframe to balance its General Fund budget, and the allocation percentages for the worker's compensation charge and/or liability reserve charge to all departments/funds were reduced based on the projected sufficient reserve cash balance in the SIF. Historically, those charges were calculated based on the salary of the positions; consequently, if there were vacancies, the charges were not fully collected by the SIF. In addition to these two factors, staff was exploring another financing mechanism for this fund; however, the option was not viable. As a result, the cash reserves dropped significantly. In 2004-05, the cash reserve was just over $1 million.

In order to keep the Self Insurance Fund solvent, charges to departments were increased approximately $2.7 million in 2005-06 (60% increase) and $1 million was transferred into the Self Insurance Fund from the Equipment Replacement Fund. In fiscal 2006-07, staff implemented a new formula that allocated expenses to departments based entirely on actual experience over a five-year period rather than payroll. This new methodology has been successful in stabilizing SIF revenues and reflecting the "true risk cost" for each division.

The City will continue to implement best management practices to reduce insurance costs and the frequency and cost of workers' compensation claims; however, the Self Insurance program is moving in the right direction. Due to increased claims management and with the help of legislative improvements to the system, the City has already experienced a decrease in workers' compensation related expenses. As a result, the program has come in under budget each fiscal year since 2005-06 with a reserve cash balance to approximately $1.8 million.

ECONOMIC OVERVIEW

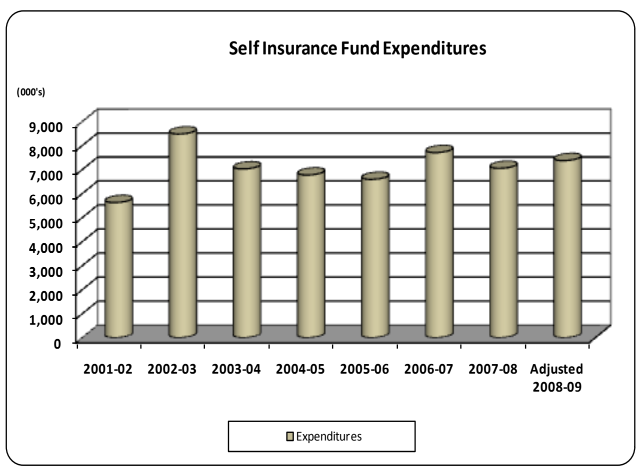
As previously mentioned, many of the Self Insurance Fund's costs are driven by factors outside of the City's control, including medical costs, changes in state and federal legislation, and the state of the insurance industry. For example, the 2006-07 policy year saw a dramatic increase in All Risk Property insurance. The earthquake insurance market collapsed as many insurance carriers dropped out of the market and stopped offering earthquake insurance. This was driven by three main factors: huge losses experienced by property insurance companies from hurricanes Katrina and Wilma, the introduction of new modeling software to estimate loss risks from natural disasters, and the 100 year anniversary of the San Francisco earthquake. With many providers leaving the earthquake market, the remaining few insurers had less price competition and demanded higher premiums and offered less coverage. The earthquake market has since stabilized as more insurers have entered the market, but premiums still remain relatively high and coverage limits relatively low.

In the workers' compensation arena, there are two major components driving costs; medical cost inflation and legal challenges to the new legislation. Medical costs are expected to continue to increase as the baby boomer generation ages and require increased medical services. This will continue to put pressure on medical costs and consequently the costs to provide medical care to injured workers.

There have also been many legal challenges and ballot initiatives to overturn many cost containing measures included in SB 899. For the most part, these challenges have been relatively unsuccessful; however, a changing political environment may jeopardize the improvements to the system achieved by SB 899.

BACKGROUND

The graph on the right illustrates the dramatic increase in Self Insurance fund costs in the early 2000's, hitting a high mark in 2002-03. Costs have since decreased; however, they are still above what they were prior to 2002-03. As previously discussed, the main drivers for the increased costs are industry wide increases in both insurance premiums and workers' compensation costs. The major cost centers for the Self Insurance fund are illustrated below.



During this five year period, the Self Insurance Fund's cash reserve was used to fill the gap between revenues and expenditures. To minimize the impact of these increases, operating departments were not charged the full cost of the Self Insurance Fund. There was already a significant strain on resources that led to staff reductions in 2003-04. If the cash reserve had not been used to subsidize Self Insurance Fund's operations, there may have been a need to reduce staff even further. Now that the City's financial situation has somewhat stabilized, the City is focused on rebuilding the Self Insurance Fund's cash reserve to adequate levels by equitably charging all costs to operating departments.

PROJECTIONS AND ANALYSIS OF EXPENDITURES

OVERVIEW

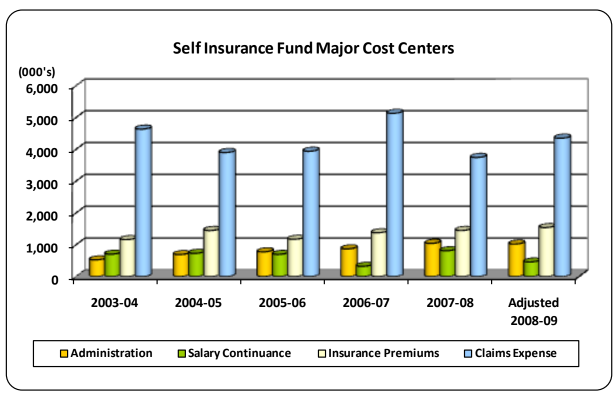
Beginning in fiscal year 2006-07, staff implemented a formula to allocate all Self Insurance Fund expenses to departments based on an experience rating rather than payroll. In order to establish a relatively stable SIF charge and smooth out peaks and valleys in claims and insurance costs for each department, the allocation formula is based on a five year average of each department's actual claims costs.

Self Insurance costs will be divided into two categories: 1) fixed costs and 2) experience based costs. Fixed costs are the administration costs (personnel and operating costs) and insurance premium costs. The fixed costs are allocated to each division based on their portion of the City's total salary expense. Experience based costs are workers' compensation and general liability claims expenses and salary continuance costs. Experience based costs are allocated to each division based on a five-year average of their actual experience.

DISCUSSION OF EXPENDITURE PROJECTIONS

Expenditures are projected by calculating the five year average percentage change in each of the expenditure categories listed below:

1. Risk Management Administration
2. Salary Continuance for Injured Workers
3. Insurance Premiums
4. Liability Claims Costs
5. Workers' Compensation Claims Costs



The average percentage change for each category is reviewed and adjusted based on future operational needs and program expectations.

<u>Risk Management Admin</u> – The Risk Management Administration division comprises of staff and operations and maintenance costs. The division currently has three (3) full time staff, including a Safety & Claims Coordinator, Safety Officer, and Claims Technician. Additionally, a number of positions in the City Attorney's office are partially funded in this division due to their involvement in managing the General Liability program. Also, 40% of the Assistance City Manager overseeing Risk Management is funded by the Self-Insurance Fund. Personnel costs are estimated to grow 4.0% per current MOU negotiations through fiscal 2009-10. Conservative projections for personnel costs have been included for the remaining fiscal years in this fifteen-year forecast. The exception to this is medical premiums. Medical premiums are forecasted to increase 11.1% in fiscal 2009-10, with small adjustments downward in subsequent years. Ongoing operating and maintenance costs are estimated to grow at approximately 3.0%.

Salary Continuance – When an employee is injured on duty (IOD) and must miss work as a result, the City will pay that employee's full salary up to one year for public safety (per the Labor Code) and six months for general employees. During the period of time the employee is off work due to an injury, their salary and benefits are paid from the Self Insurance Fund rather than their respective department. This is to allow the department the option to use salary savings to hire temporary help until the injured employee returns. It is expected that, with increased claims management and preventative safety programs, salary continuance costs should decrease slightly over the next few years before leveling off and increasing consistent with MOU negotiated increases.

Insurance Premiums – Insurance premiums are widely variable from year to year. However, through the ICRMA, the City was able to mitigate this variability somewhat by securing a two year pricing structure from insurance carriers for the 2008-09 and 2009-10 policy years. In addition, the insurance market softened somewhat in 2007-08, resulting in very competitive renewal premiums that are guaranteed for two fiscal years. Overall, insurance costs decreased by approximately 4% from 2007-08 to 2008-09, and insurance costs will remain flat in 2009-10. After FY 2009-10, it is projected that the increase in insurance premiums will be slightly more than inflation (5% per year).

Liability Claims – It is almost impossible to accurately predict liability claims costs from year to year. However, historically claims costs have remained relatively stable over a five year period. Therefore, liability claims costs are projected to be consistent with the projected inflation rate (3.5%).

Workers' Compensation Claims – Similar to Liability claims, it is extremely difficult to accurately predict workers' comp claims costs from year to year. Based on the recent evaluation of the program, it is projected that costs may be reduced further over the next few years before they stabilize. It is projected that workers' compensation claims will decrease approximately 2% per year for the next three years before leveling off and increasing commensurate with projected inflation (3.5%).

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Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		< - - - Estimated 5-Year - - - >					< - - - Estimated 10-Year - - - >					< - - - Estimated 15-Year - - - >				
		(dollars shown in thousands)					(dollars shown in thousands)					(dollars shown in thousands)				
RISK MANAGEMENT FUND (309) - Preliminary Beginning Balance	**1,813**	**1,692**	**1,637**	**1,877**	**2,120**	**2,368**	**2,620**	**2,877**	**3,039**	**3,206**	**3,378**	**3,555**	**3,739**	**3,928**	**4,123**	**4,324**
Fiscal Year Net Change																
Total Recurring Revenue	7,330	7,336	7,795	8,084	8,372	8,675	8,987	9,310	9,646	9,995	10,357	10,734	11,120	11,521	11,938	12,372
Total One-Time Revenue	0	0	100	100	100	100	100	0	0	0	0	0	0	0	0	0
Total Revenue Projection	7,330	7,336	7,895	8,184	8,472	8,775	9,087	9,310	9,646	9,995	10,357	10,734	11,120	11,521	11,938	12,372
Total Recurring Expenditures	7,450	7,391	7,655	7,941	8,225	8,522	8,830	9,148	9,479	9,823	10,180	10,550	10,931	11,326	11,737	12,165
Total One-Time Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	7,450	7,391	7,655	7,941	8,225	8,522	8,830	9,148	9,479	9,823	10,180	10,550	10,931	11,326	11,737	12,165
Total Risk Mgmt FY Operating Surplus/Deficit	(120)	(55)	240	243	247	253	257	162	167	172	177	184	189	195	201	207
Risk Mgmt Fund - Preliminary Ending Balance (Operating)	**1,692**	**1,637**	**1,877**	**2,120**	**2,368**	**2,620**	**2,877**	**3,039**	**3,206**	**3,378**	**3,555**	**3,739**	**3,928**	**4,123**	**4,324**	**4,531**
Reserve Percentage (Recurring)	**22.72%**	**22.15%**	**24.52%**	**26.70%**	**28.79%**	**30.75%**	**32.58%**	**33.22%**	**33.82%**	**34.38%**	**34.92%**	**35.44%**	**35.93%**	**36.40%**	**36.84%**	**37.24%**

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Operating Grants Fund

Narrative and Projection Worksheets

CITY OF CULVER CITY

COMPREHENSIVE FINANCIAL STRATEGY UPDATE
for
Operating Grant Funds

INTRODUCTION

The City has a number of operating grants that allow the City to provide a level of service that may not otherwise be feasible, including the Community Development Block Grant (CDBG), Senior Nutrition Program, and the COPS program. Operating grants are used to fund personnel and operations costs for specific activities allowed by the grant.

It is the City's policy to apply for grants that are directed toward achieving and maximizing external financial resources while protecting the integrity of the City's operating budget and long-term financial condition. When contemplating a grant application, the applying department must consider the fiscal impact and shall complete a financial analysis to measure the cost and benefit of the grant activity. If the cost of administering the proposed grant exceeds the grant amount or the matching requirement causes excessive burden on the City's financial resources, or the grant funded project creates significant ongoing operating costs, the department should choose not to apply.

It is the responsible department's obligation to ensure that all requirements and timelines set forth in the grant agreement are satisfied. The department is also responsible for following the policies and procedures laid out in the City's "Administrative Procedures for Grant Submission and Management."

Federal and State Grants are an important source of funds that the City can use to leverage its own money and maximize the level of service provided to the community. Many operating grants have strict procedures that must be followed or the City risks not being able to collect the funds. Therefore, the City must be diligent in adhering to requirements of the grant agreement to ensure the most effective and efficient use of resources.

FISCAL YEAR 2008-09 HIGHLIGHTS

The Adopted 2008-09 Budget continues funding for CDBG, the Senior Nutrition Program, Paratransit Services, Retired Seniors Volunteer Program, COPS, La Ballona Bikeway, and Air Quality Programs.

BACKGROUND

Grant fund opportunities are variable from year-to-year. Some operating grants are appropriated on a multi-year basis, but there is no guarantee that additional funds will be available once the grant expires.

Currently, the City has a number of programs that are funded in whole or in part by operating grants. These programs include the Disability Services Specialist through the Community Development Block Grant (CDBG), Senior Nutrition Program, Paratransit Services, Retired Seniors Volunteer Program, and the COPS program. The grant funds are used to fund personnel and operating costs associated with the grant activity.

CDBG funds are used for projects that meet the needs of the community in low-moderate income areas. CDBG funds are used to off-set personnel costs for managing the CDBG program as well as continued funding of the Disability Services Specialist and implementation of new projects that are approved by the CDBG Advisory Committee, which is a citizen participation committee. The Disability Services Specialist is a member of the Senior & Social Services Division.

The Senior Nutrition Program is administered by the Senior and Social Services Division and provides seniors who are sixty years and older with hot lunches on-site, home delivered meals to Culver City residents, telephone reassurance, and nutritional education. This program is intended to be 100% funded by the grant and donations.

The Paratransit Services program provides transportation to people who cannot use normal public transportation services. This is accomplished through deployment of City vans and contracts with cab companies licensed to operate in Culver City. This program is also intended to be 100% grant funded and is administered by the Senior and Social Services Division.

The Retired Seniors Volunteer Program is also administered by the Senior and Social Services Division. The mission of the program is to meet the critical needs of the community through volunteerism and to provide citizens age 55 and above with meaningful service opportunities that utilize their experiences, knowledge, skills, and wisdom. In order to meet these goals, the program matches seniors with volunteer opportunities in Culver City and surrounding areas.

ECONOMIC OVERVIEW

Operating Grant funding is variable from year-to-year based on the Granting Authority's (usually the Federal, State or County government) annual appropriation. With an increased amount of funds being appropriated for the war in Iraq and the and other uses due to the downturn of the economy, domestic funding for grants and other federally funded programs is shrinking.

The variable nature of grant funding was made apparent when the CDBG program was nearly eliminated from the Federal budget for Fiscal 2006-07. In response to public opposition, the CDBG program was ultimately funded in the Federal budget; however, the funds were reduced significantly from the prior year and have been reduced in each subsequent year. In recent years, grant funding has been directed towards homeland security and defense type activities, but now that a new administration is in place, Federal funding for other grant types may begin to increase.

PROJECTIONS AND ANALYSIS OF EXPENDITURES

OVERVIEW

Because of the many variables that come into play with grant funding, it is very difficult to project any type of ongoing forecast or trend. Many of the operating grants the City receives are for one-time items and purchases of which most are special equipment. These one-time operating grants are listed on the Fifteen (15) Year Forecast in fiscal 2008-09 and in some cases for 2009-10, but do not show any funding in future years. Only historical on-going operating grants are shown.

More often than not, operating grants are “reimbursable,” meaning the City must spend (front) the money first and then submit the paperwork to be reimbursed by the granting authority. This creates a lag between the time the expense goes out and the reimbursement comes in. In a perfect situation the operating grant balance would be zero, but because of the reimbursable status of most grants, a negative balance is created until the funding is received from the granting authority. Staff from Accounting and participating departments have done a good job in keeping this time difference to a minimum. In fiscal 2009-10, this process will be thoroughly analyzed to see if there are further streamlining procedures that can be implemented to ensure the City receives funds as soon as possible.

For purposes of forecasting both ongoing operating grant revenues and expenditures, the **Senior Nutrition Program**, **Paratransit Services**, **Retired Senior Volunteer Program (RSVP)**, **Disability Services**, **La Ballona Creek Bikeway**, and **Air Quality Programs** are the only Divisions showing ongoing funding. Historically, these have had dedicated grant funding sources; although, any grant funding can be discontinued or reduced from one year to another.

For a few of the Divisions listed below, General Fund monies are used to supplement the grant to cover the entire cost of the program. It has been a goal of the City that all grant-funded programs be self-sufficient, but this goal is not feasible in all cases and will likely not be met in the near future.

DISCUSSION OF REVENUE PROJECTIONS

The **Senior Nutrition** Division receives its funding mainly from the County of Los Angeles. This funding is approved on a three to four year basis, and was recently renewed. The City was able to secure an increased amount due to the number of meals served.

The **Paratransit Services** Division is mainly funded using Prop A Incentive funding, County Paratransit Reimbursement, and Prop C funding. The County Paratransit Reimbursement contract was up in 2008, and discussed with the County Department of Public Works. The funding was continued for this program. Funding for all except the Prop A Incentive funding was kept at a 4% growth per year for forecasting purposes. The Prop A Incentive funding is projected to grow by 2.1% per year. This may change in the future, but is not possible to predict.

The **Retired Senior Volunteer Program (RSVP)** is only grant funded by approximately one-third. The other portion is covered by the General Fund. The Corporation for National and Community Service designates funding for senior volunteer programs, and renewed this funding for a three-year cycle in fiscal 2007-08.

The **Disability Services** Specialist is funded using Community Development Block Grant (CDBG) monies. As was discussed earlier, this funding has been reduced the last several years, and has the possibility of being eliminated in the future. Each year the funding is reduced, the General Fund has picked up the difference. Currently, the grant pays approximately 47% of the Specialist's position in fiscal 2008-09. Actual program expenditures including supplies and part-time personnel are supported by the General Fund.

For the four Divisions just discussed, strategies are currently being developed to address potential grant funding shortfalls and possible restructuring of the programs and were not included in this document. It is expected that these strategies will be introduced and presented during the upcoming 2009-10 and 2010-11 budget process.

AB 2766 funding, which funds our **Air Quality Programs** Division, is expected to continue to be received, and is projected to grow by approximately 0.5% per year. The current per-year amount of funding is approximately $40,000 and is roughly based on the City's residential population (approximately $1 per resident [$1 x 40,000 = $40,000]). Currently, there is no legislation that is expected to change this formula.

Funding for the **La Ballona Creek Bikeway** is received from the Transportation Development Act Article 3 – Bicycle and Pedestrian Funds. This funding is granted to municipalities on a per capita basis and varies slightly from year-to-year. This funding helps cover some of the personnel expenses of our Public Works personnel who assist in maintaining the Bikeway. For revenue projections, this funding source has been held steady at the current funding amount. There is currently no formula or calculation to determine the amount to be allocated from year-to-year.

All other grant revenues shown in fiscal 2008-09 have been identified as one-time grants, and are not carried forward in projections.

DISCUSSION OF EXPENDITURE PROJECTIONS

Personnel expenditures are forecasted to increase 4.0% through fiscal 2009-10 given current MOU agreements. Conservative projections for personnel costs have been included for the remaining fiscal years in this fifteen-year forecast. Operating and maintenance costs are forecasted to grow by 3.0% per year. Ongoing personnel expenditures are found in the Senior Nutrition Division, Paratransit Division, Retired Senior Volunteer Program (RSVP), and Disability Services Division.

Each budget year, grant-funded Divisions must be reviewed to determine the amount of funding available. Grant funding is aggressively sought, and staff constantly keeps abreast of any changes in funding that may occur from year to year. They actively seek to at least maintain the current levels of grant funding. Appropriations for expenditures are made based on identified available funding for the upcoming budget year. If there is a gap between available funding and expenditures, all avenues are explored to close the gap before General Fund money is used.

Expenditures in the **Air Quality Programs** Division are currently projected at a steady rate. Funding in this Division is used for the City's Rideshare program through AQMD, and to help fund the additional cost of alternative-fuel vehicles, which is the policy of the City to purchase when feasible and available.

The **La Ballona Creek Bikeway** expenditures are set against the available revenue funding. Each year the City is contacted regarding the amount of funding it will receive per the Transportation Development Act Article 3 for this program and budgets accordingly.

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Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	Estimated 5-Year 2009-10	2010-11	2011-12	2012-13	2013-14	Estimated 10-Year 2014-15	2015-16	2016-17	2017-18	2018-19	Estimated 15-Year 2019-20	2020-21	2021-22	2022-23	2023-24
		(dollars shown in thousands)					(dollars shown in thousands)					(dollars shown in thousands)				
GRANTS OPERATING FUND (414) - Preliminary Beginning Balance	**(272)**	**(239)**	**(298)**	**(291)**	**(292)**	**(289)**	**(282)**	**(271)**	**(258)**	**(244)**	**(227)**	**(205)**	**(181)**	**(157)**	**(131)**	**(104)**
Fiscal Year Net Change																
Total Recurring Revenue	1,513	1,083	1,089	1,128	1,167	1,208	1,250	1,295	1,341	1,389	1,439	1,491	1,544	1,599	1,656	1,715
Total One-Time Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue Projection	1,513	1,083	1,089	1,128	1,167	1,208	1,250	1,295	1,341	1,389	1,439	1,491	1,544	1,599	1,656	1,715
Total Recurring Expenditures	1,480	1,143	1,081	1,129	1,164	1,201	1,238	1,282	1,327	1,371	1,417	1,467	1,519	1,573	1,629	1,687
Total One-Time Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	1,480	1,143	1,081	1,129	1,164	1,201	1,238	1,282	1,327	1,371	1,417	1,467	1,519	1,573	1,629	1,687
Total Grants Op FY Operating Surplus/Deficit	33	(60)	8	(1)	3	7	12	13	14	18	22	24	25	26	27	28
Grants Operating Fund - Preliminary Ending Balance (Operating)	**(239)**	**(298)**	**(291)**	**(292)**	**(289)**	**(282)**	**(271)**	**(258)**	**(244)**	**(227)**	**(205)**	**(181)**	**(157)**	**(131)**	**(104)**	**(76)**
Reserve Percentage (Recurring)	**-16.12%**	**-26.10%**	**-26.87%**	**-25.84%**	**-24.83%**	**-23.51%**	**-21.86%**	**-20.12%**	**-18.41%**	**-16.53%**	**-14.46%**	**-12.35%**	**-10.30%**	**-8.31%**	**-6.39%**	**-4.53%**

Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		<- - - Estimated 5-Year- - ->					<- - - Estimated 10-Year- - ->					<- - - Estimated 15-Year- - ->				
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
CDBG-Operating (427) - Preliminary Beginning Balance	**1**	**1**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Fiscal Year Net Change																
Total Recurring Revenue	70	73	74	76	79	82	85	89	93	97	101	107	113	119	126	133
Total One-Time Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue Projection	70	73	74	76	79	82	85	89	93	97	101	107	113	119	126	133
Total Recurring Expenditures	70	72	74	76	79	82	85	89	93	97	101	107	113	119	126	133
Total One-Time Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	70	72	74	76	79	82	85	89	93	97	101	107	113	119	126	133
Total CDBG-Operating FY Operating Surplus/Deficit	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CDBG-Operating - Preliminary Ending Balance (Operating)	**1**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Reserve Percentage (Recurring)	**1.43%**	**2.78%**	**2.70%**	**2.63%**	**2.53%**	**2.44%**	**2.35%**	**2.25%**	**2.15%**	**2.06%**	**1.98%**	**1.87%**	**1.77%**	**1.68%**	**1.59%**	**1.50%**

Capital Projects Fund

Narrative and Projection Worksheets

CITY OF CULVER CITY

COMPREHENSIVE FINANCIAL STRATEGY UPDATE
for the
Capital Projects Funds

INTRODUCTION

The Capital Projects Funds were established to address the City's various capital and infrastructure improvement needs that are above and beyond the annual operating budget. Capital Improvement Projects (CIP) are critical as they represent an investment in the betterment of the community through physical infrastructure and service improvements. CIPs are also the City's main tool to address current deferred maintenance costs for street paving, streetlight upgrades, and facility maintenance, etc.

FISCAL YEAR 2008-09 HIGHLIGHTS

The Adopted 2008-09 CIP Budget includes new funding for a number of projects that begin to address some critical deferred maintenance issues.

Facility Maintenance and Park Projects
- Building Repairs ($225,000)
- Sepulveda Streetscape ($351,000)
- Underground Storage Tank Replacement ($105,000)
- Upgrade Park Irrigation System and Resurface Sports Courts ($10,000)
- Drainage Swale at Culver City Park ($30,000)

Street and Sidewalk Repair and Maintenance
- Minor Pavement and Concrete Improvement Program ($50,000)
- Residential Paving Program ($150,000)
- Prop 1B Street Repair Funding ($656,112)
- Culver Blvd Resurfacing ($401,045)
- Duquesne Blvd Widening ($60,000)
- Overland Ave/Jefferson Blvd Capacity Enhancement ($60,000)
- Curb, Gutter, Sidewalk Replacement ($50,000)

Traffic Improvement
- Traffic Signal Replacement/Upgrade ($10,000)
- Neighborhood Traffic Management Plan ($60,000)
- Traffic Signal @ Washington/McLaughlin ($300,000)

Other Significant Projects
- Technology Equipment and Software ($251,000)
- Telephone System Replacement ($1,250,000)
- Sewer system upgrade projects ($3,705,000)

Additionally, a number of major projects have been completed, or are scheduled to be completed, in fiscal year 2008-09. Some of the highlights include:

- Fire Station #3
- Public Safety Records Management System
- Street Repaving Projects:
  - Culver Blvd (Sepulveda Blvd to Elenda)

More street repaving projects were originally planned; however, due to the state freezing many grant funds and their inability to sell Prop 1B bonds at this time, many of the street projects have been delayed until funding becomes available again.

BACKGROUND

The City has established a five-year Capital Improvement Plan that is reviewed and updated annually. The Capital Improvement Plan is a comprehensive document that identifies the City's capital improvement needs, potential funding sources for each need, a five-year projection of the project cost, and any ongoing operating and maintenance costs associated with the project.

The plan is designed to provide basic public improvements, facilities, and services that meet community needs and improve the quality of life for City residents. There are a number of factors involved in the prioritization and selection of projects to be funded, including:

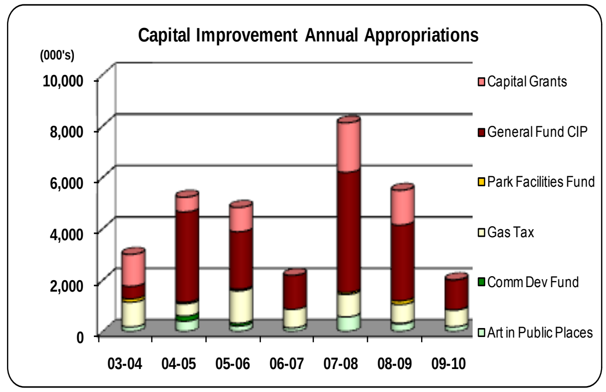
- Availability of funding;
- Utilization of existing facilities;
- Ability to meet projected, as well as existing, levels of need;
- Elimination of conditions dangerous to the health, safety and welfare of the public;
- Compliance with legal requirements;
- Reduction of maintenance and operations costs;
- Participation in Federal, State, Regional or Special District plans and programs;
- Consistency with goals and policies of the City's General Plan;
- Promotion of environmental quality.

During the annual budget process, funding for projects identified in the Capital Improvement Plan is appropriated based on the City's priority.

ECONOMIC OVERVIEW

BACKGROUND

Culver City has parks, streets, sidewalks, buildings, computers, etc., that must be maintained on an ongoing basis. Over the last fifteen years or so, the City has been unable to consistently generate sufficient funds to keep up with the annual maintenance of its infrastructure. As a result, that maintenance must be deferred to future years, which means the projects will continue to deteriorate, ultimately increasing the total maintenance cost. In short, the longer maintenance is put off, the more it will end up costing the City in the future.



With substantially increasing operational costs, funding available for Capital Projects has shrunk over the last few years. The graph to the right illustrates the variability in available funding from year-to-year. Without a consistent and reliable funding stream, many critical maintenance projects will continue to be deferred.

Additionally, due to the financial problems being experienced by the state, a number of CIP projects that are being funded by state grants will be delayed. Some of the projects effected at this time include the Bill Botts Baseball Field Lighting Project (P-869), Ballona Creek Bikepath Enhancement (P-900), Sepulveda Blvd Streetscape Project (P-797), and a Stormwater Discharge Program grant (p-497). Grant funding for these projects has been suspended until the state is able to fix their substantial cash flow and budget problems.

PROJECTIONS AND ANALYSIS OF REVENUES AND EXPENDITURES

OVERVIEW

Availability of funding for capital projects varies annually based on the financial condition of the General Fund. The City has been able to transfer approximately $1 million a year from the General Fund for the last few years to the capital projects fund due to one-time revenues received in previous fiscal years, but this is only due to some major one-time development occurring in the City. With no consistent funding stream, it is difficult to project how much funding will be available from year to year. At this time, only projects identified as high priority in the five-year Capital Improvement Plan are included.

A facility assessment study has been conducted that identified the maintenance needs of most City building facilities over the next twelve (12) years. The study is used as a guide to assist in appropriating building maintenance funding each fiscal year. Similarly, a park assessment study was conducted, and results from the report are used to assist with funding needs during the budget process for parks.

The City is not in a position at this time to set aside the needed amount of funding each year identified in the study. Funding was appropriated in fiscal 2008-09 that should meet the needs of current maintenance, but does not sufficiently address deferred maintenance or set aside funds for known improvements that will be needed in the near future (e.g. carpet replacement at City Hall).

Additionally, the City has identified a number of other infrastructure maintenance needs and has begun to quantify those needs by developing the following:

- Pavement Management System
- Building Infrastructure Master Plan
- Computer Replacement Fund
- NPDES/TMDL – (A CIP project has been created for this program to act as a funding source for mandated storm water cleanup issues, but the total amount needed is still unknown at this point)

DISCUSSION OF REVENUE PROJECTIONS

As mentioned above, one of the City's greatest challenges has been to identify a steady revenue stream for capital projects. There are a number of other options for funding capital projects, including grant opportunities and issuing bonds. However, these options do not result in a stable, ongoing, long term revenue stream for capital projects. One of the policy challenges that will need to be addressed in the upcoming years is how to establish a revenue stream that will support the large backlog of capital project needs and ensure that, in the future, the City is able to consistently fund all necessary capital projects in order to reduce the current identified maintenance and operating costs.

Capital Grants: It is the City's policy to apply for grants that are directed toward achieving and maximizing external financial resources while protecting the integrity of the City's operating budget and long-term financial condition. When contemplating a grant application, the applying department must consider the fiscal impact and shall complete a financial analysis to measure the cost and benefit of the grant activity. If the cost of administering the proposed grant exceeds the grant amount or the matching requirement causes excessive burden on the City's financial resources, or the grant funded project creates significant ongoing operating costs, the department should choose not to apply.

In compliance with the City's Financial Policies, grant funds for capital projects are appropriated only after a signed contract with the granting agency is received and a copy is forwarded to the Finance Department. Once the money is appropriated, it is the responsible department's obligation to ensure that all requirements and timelines set forth in the grant agreement are satisfied until the project is completed and all grant funds have been received. The department is also responsible for following the policies and procedures laid out in the City's "Administrative Procedures for Grant Submission and Management."

Federal and State Grants are an important source of funds that the City can use to leverage its own money and maximize the number of capital projects that can be funded in any given year. However, many grants have strict procedures that must be followed or the City risks not being able to collect funds once the project has been completed. Therefore, the City must continue to be diligent in adhering to requirements of the grant agreement to ensure the most effective and efficient use of resources. Additionally, as previously mentioned, economic troubles have impacted the availability of grant funds and caused many granting agencies to delay grant reimbursement payments. This has caused staff to stop work on those effected projects until the funding becomes available again.

The **Community Development (New Development Impact) Fund** receives its funding from fees collected on new non-residential development in excess of 5,000 square feet. These fees may only be used to finance street improvements, traffic controls and traffic management projects. Currently there is a small amount of funding available in this fund because many projects are statutorily exempt from paying this fee per the Municipal Code (e.g. parking structures and developments that have a Development Agreement with the Redevelopment Agency are exempt). Actual receipts are related to the level of development in the City at any given time, therefore, it is difficult to forecast future receipts. However, appropriations for expenditures are not budgeted above available revenue.

The **Gas Tax Fund,** also known as the Highway User's Tax, is a dedicated funding source that is generated from the $0.18 per gallon state tax on gasoline and diesel fuel. This amount was set by legislative action in the mid-1990's, and has not changed since. Regardless of the price of a gallon of fuel, this amount stays the same. The City receives roughly $750,000 per year in Gas Tax monies. While the City would like to receive increased funding in this category, it would take State legislative action in order to raise the per gallon tax rate.

During fiscal 2007-08 the State deferred several months worth of this funding source, which caused the City to delay some much needed capital projects. There is a high probability the State will again defer this funding (currently seven months is being discussed) in fiscal 2008-09 and part of 2009-10, which will again cause the City to delay or cancel capital projects. The aggregate amount of potentially deferred gas tax funds being discussed is approximately $401,000.

The **Improvement & Acquisition (I & A) Fund** is funded mainly by one-time and audited surplus monies in the General Fund. In the recent past, most of the funding has been from one-time General Fund revenues such as developer fees or land sale proceeds. Additionally, the City will receive mitigation funds from large scale development that can be used to fund capital projects that mitigate an impact from a specific new development. Funding varies based on available one-time General Fund receipts.

DISCUSSION OF EXPENDITURE PROJECTIONS

The **Pavement Management Plan** calculates the current backlog for street paving at approximately $20 million. This would bring the condition of the City's streets up to an acceptable level. Approximately $2.0 million is needed annually just to keep the backlog at the current level ($20 million). Approximately $3.1 million is appropriated (includes new appropriations of $1.5 million in 2008-09 and $500,000 in 2009-10 plus

$1.1 million in carryover funds) for street and alley improvements through fiscal 2009-10. Also, per a state ballot measure approved in November 2006 (Proposition 1B), the City received $656,000 for street repair in FY 2007-08. The City was anticipating another $606,428 in FY 2008-09; however, due to the state's financial troubles and difficulty selling municipal bonds in the current economic environment, it is expected that receipt of those funds will also be delayed.

In fiscal 2005-06, the City started the process of setting aside annual maintenance funds for **pavement, slurry seal, and computer/technology replacement**. This was accomplished by using one-time funds from new development activities in the General Fund. However, there is no dedicated revenue stream for these activities; therefore, the City will need to rely on available one-time monies to continue funding these items. In FY 2008-09, a total of $200,000 was appropriated for ongoing paving and slurry seal activities and $131,200 was appropriated for computer/technology replacement (not including the $150,000 appropriated in the "computer replacement fund" 30724100). This amount is nowhere near the level of funding needed to adequately address the deferred maintenance need and, as revenues tighten over the next few years, funding may not be available to continue setting aside funds annually.

In order to obtain funding other than one-time monies for capital projects, the City needs to be cognizant of all factors associated with the financing. A statement under "Capital Improvement Project Policies" in the City's financial policy addresses this issue and states:

> "The City must carefully seek and analyze the appropriate type of financing instrument appropriate for financing capital projects. Several options are available – general obligation debt, fee-supported debt, fund reserves, etc. All debt financing mechanisms shall be carefully considered and analyzed for fiscal benefit and cost effectiveness. Long-term borrowing shall be restricted to projects too large to be financed from current revenues (pay-as-you-go). Where possible, special assessment, revenue or other self-supporting bonds shall be used in lieu of general obligation bonds."

One of the largest capital project expenses facing the City is related to State-mandated cleanup of pollutants resulting from stormwater and urban runoff, specifically those that enter Ballona Creek and empty into Santa Monica Bay. Although the total cost of this effort is not yet known, it will be a significant sum of money. Since this is a regional issue, staff will work with surrounding affected agencies to develop a regional funding mechanism. This cleanup effort is an unfunded mandate by the State.

The **Art Fund** is a dedicated funding source for: design, acquisition, commission, installation, improvement, maintenance and insurance of public art work; sponsorship and/or financial support of performing arts; and acquisition and improvement of real property for the purpose of displaying art work. The **Art Fund** currently has a healthy reserve and receives its funding from developers who elect to pay 1% of their development/construction costs rather than install artwork themselves, as required by the Municipal Code. Depending on the scope of a project, this can amount to a large sum. Appropriations vary based on the level of development activity in the City at any given time.

In the near future, anticipated expenditures are within the level of available and expected revenues. Each year this is evaluated to ensure that funding is available for the proposed projects and administrative costs.

As mentioned previously in the revenue section, **Gas Tax** funding can only be used for street and road related purposes. This includes street maintenance operations as well as street and traffic light capital projects. Currently, the City utilizes the full amount of funding received each year for Capital Projects and to offset street related operating expenses in the General Fund. This funding is often used as a source of matching funds for capital grants. Despite the volatility of gas prices, it is not anticipated the City will receive a larger amount of revenue from this source because it is a flat tax levied per gallon. Changing the tax would require State legislative action.

Parks Facility Funding is received by the City from new residential development that does not include "green space" as part of the project. This funding source has not been a large source of revenue for the City in many years, and must be used specifically for Park projects, such as park rehabilitation and improvements. When available, this funding has also been used as a matching source for grants awarded to the City. Appropriations vary based on the level of development activity in the City at any given time. Currently, budgeted and projected expenditures do not exceed the available revenue amount.

The **Improvement and Acquisition (I & A) Fund** is the primary funding source for capital projects. The I&A fund is funded almost exclusively using General Fund reserve money and therefore funds general type capital projects that are not funded by another dedicated funding source. I & A funds are also used to supplement funding for capital projects that receive insufficient funding from other funding sources. Appropriations vary based on projected one-time General Fund receipts.

The **Parking Fund** receives its funding from parking meter receipts and street film permits. A portion of this funding is transferred into the General Fund to cover General Fund operational expenses for parking and street related activities. This funding has also been used for capital projects related to installation of parking meters and other parking related capital projects. Since parking is a fixed commodity, Parking Fund receipts are relatively stable and only grow as parking meter rates increase.

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Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		<- - - Estimated 5-Year- - ->					<- - - Estimated 10-Year- - ->					<- - - Estimated 15-Year- - ->				
		(dollars shown in thousands)					(dollars shown in thousands)					(dollars shown in thousands)				
ARTS FUND (413) - Preliminary Beginning Balance	**879**	**(61)**	**(80)**	**(18)**	**44**	**106**	**168**	**230**	**292**	**354**	**416**	**478**	**540**	**602**	**664**	**726**
Fiscal Year Net Change																
Total Recurring Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Revenue	556	165	115	115	115	115	115	115	115	115	115	115	115	115	115	115
Total Revenue Projection	556	165	115	115	115	115	115	115	115	115	115	115	115	115	115	115
Total Recurring Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Expenditures	1,140	184	53	53	53	53	53	53	53	53	53	53	53	53	53	53
Total Expenditures Projection	1,140	184	53	53	53	53	53	53	53	53	53	53	53	53	53	53
Total Arts Fund FY Operating Surplus/Deficit	(584)	(19)	62	62	62	62	62	62	62	62	62	62	62	62	62	62
Arts Fund - Preliminary Ending Balance (Operating)	**295**	**(80)**	**(18)**	**44**	**106**	**168**	**230**	**292**	**354**	**416**	**478**	**540**	**602**	**664**	**726**	**788**
Reserve Percentage (One-time)	**25.86%**	**-43.48%**	**-33.96%**	**83.02%**	**200.00%**	**316.98%**	**433.96%**	**550.94%**	**667.92%**	**784.91%**	**901.89%**	**1018.87%**	**1135.85%**	**1252.83%**	**1369.81%**	**1486.79%**

Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	Estimated 5-Year 2009-10	2010-11	2011-12	2012-13	2013-14	Estimated 10-Year 2014-15	2015-16	2016-17	2017-18	2018-19	Estimated 15-Year 2019-20	2020-21	2021-22	2022-23	2023-24
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
ASSET SEIZURES (416) - Preliminary Beginning Balance	**1,099**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**
Fiscal Year Net Change																
Total Recurring Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue Projection	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Recurring Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Expenditures	735	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	735	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Asset Seizures FY Operating Surplus/Deficit	(735)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Asset Seizures - Preliminary Ending Balance (Operating)	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**	**364**
Reserve Percentage (One-time)	**49.51%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Culver City - SCENARIO 1

February 2009

	Adjusted	<- - - - - - - - - - - - - Estimated 5-Year- - -		- - - - - - - - - - - ->			- - - - - - - - - - - - - Estimated 10-Year- -		- - - - - - - - - - - ->			- - - - - - - - - - - - - Estimated 15-Year- -		- - - - - - - - - - - ->		
Description	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
NEW DEVELOPMENT IMPACT (417) - Preliminary Beginning Balance	**284**	**256**	**259**	**260**	**261**	**262**	**263**	**264**	**265**	**266**	**267**	**268**	**269**	**270**	**271**	**272**
Fiscal Year Net Change																
Total Recurring Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Revenue	3	3	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Total Revenue Projection	3	3	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Total Recurring Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Expenditures	31	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	31	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total New Dev Imp FY Operating Surplus/Deficit	(28)	3	1	1	1	1	1	1	1	1	1	1	1	1	1	1
New Dev Imp - Preliminary Ending Balance (Operating)	**256**	**259**	**260**	**261**	**262**	**263**	**264**	**265**	**266**	**267**	**268**	**269**	**270**	**271**	**272**	**273**
Reserve Percentage (One-time)	**827.39%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		< - - Estimated 5-Year- - >					>- - Estimated 10-Year- - >					>- - Estimated 15-Year- - >				
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
GAS TAX (418) - Preliminary Beginning Balance	**787**	**73**	**179**	**85**	**491**	**897**	**1,303**	**1,709**	**2,115**	**2,521**	**2,927**	**3,333**	**3,739**	**4,145**	**4,551**	**4,957**
Fiscal Year Net Change																
Total Recurring Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Revenue	756	756	756	756	756	756	756	756	756	756	756	756	756	756	756	756
Total Revenue Projection	756	756	756	756	756	756	756	756	756	756	756	756	756	756	756	756
Total Recurring Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Expenditures	1,470	650	850	350	350	350	350	350	350	350	350	350	350	350	350	350
Total Expenditures Projection	1,470	650	850	350	350	350	350	350	350	350	350	350	350	350	350	350
Total Gas Tax Fund FY Operating Surplus/Deficit	(714)	106	(94)	406	406	406	406	406	406	406	406	406	406	406	406	406
Gas Tax Fund - Preliminary Ending Balance (Operating)	**73**	**179**	**85**	**491**	**897**	**1,303**	**1,709**	**2,115**	**2,521**	**2,927**	**3,333**	**3,739**	**4,145**	**4,551**	**4,957**	**5,363**
Reserve Percentage (One-time)	**4.96%**	**27.53%**	**9.99%**	**140.27%**	**256.27%**	**372.27%**	**488.27%**	**604.27%**	**720.27%**	**836.27%**	**952.27%**	**1068.27%**	**1184.27%**	**1300.27%**	**1416.27%**	**1532.27%**

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Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		< - - - Estimated 5-Year - - - >					< - - - Estimated 10-Year - - - >					< - - - Estimated 15-Year - - - >				
		(dollars shown in thousands)					(dollars shown in thousands)					(dollars shown in thousands)				
Parks (419) - Preliminary Beginning Balance	**330**	**228**	**274**	**270**	**156**	**212**	**268**	**324**	**380**	**436**	**492**	**548**	**604**	**660**	**716**	**772**
Fiscal Year Net Change																
Total Recurring Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Revenue	56	56	56	56	56	56	56	56	56	56	56	56	56	56	56	56
Total Revenue Projection	56	56	56	56	56	56	56	56	56	56	56	56	56	56	56	56
Total Recurring Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Expenditures	158	10	60	170	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	158	10	60	170	0	0	0	0	0	0	0	0	0	0	0	0
Total Parks Fund FY Operating Surplus/Deficit	(102)	46	(4)	(114)	56	56	56	56	56	56	56	56	56	56	56	56
Parks Fund - Preliminary Ending Balance (Operating)	**228**	**274**	**270**	**156**	**212**	**268**	**324**	**380**	**436**	**492**	**548**	**604**	**660**	**716**	**772**	**828**
Reserve Percentage (One-time)	**144.51%**	**2743.27%**	**450.55%**	**91.96%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

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February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		< - - - Estimated 5-Year - - - >					< - - - Estimated 10-Year - - - >					< - - - Estimated 15-Year - - - >				
		(dollars shown in thousands)					(dollars shown in thousands)					(dollars shown in thousands)				
Improvements & Acquisition (420) - Preliminary Beginning Balance	**2,649**	**(5,816)**	**(5,606)**	**(8,786)**	**(11,844)**	**(14,529)**	**(14,124)**	**(12,754)**	**(11,384)**	**(10,014)**	**(8,644)**	**(7,274)**	**(5,904)**	**(4,534)**	**(3,164)**	**(1,794)**
Fiscal Year Net Change																
Total Recurring Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Revenue	2,815	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370
Total Revenue Projection	2,815	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370
Total Recurring Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Expenditures	11,280	1,160	4,550	4,428	4,055	965	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	11,280	1,160	4,550	4,428	4,055	965	0	0	0	0	0	0	0	0	0	0
Total I & A Fund FY Operating Surplus/Deficit	(8,465)	210	(3,180)	(3,058)	(2,685)	405	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370
I & A Fund - Preliminary Ending Balance (Operating)	**(5,816)**	**(5,606)**	**(8,786)**	**(11,844)**	**(14,529)**	**(14,124)**	**(12,754)**	**(11,384)**	**(10,014)**	**(8,644)**	**(7,274)**	**(5,904)**	**(4,534)**	**(3,164)**	**(1,794)**	**(424)**
Reserve Percentage (One-time)	**-51.56%**	**-483.28%**	**-193.10%**	**-267.48%**	**-358.30%**	**-1463.63%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**

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Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		< - - - - Estimated 5-Year- - - - >					< - - - - Estimated 10-Year- - - - >					< - - - - Estimated 15-Year- - - - >				
		(dollars shown in thousands)					(dollars shown in thousands)					(dollars shown in thousands)				
Parking Improvement (421) - Preliminary Beginning Balance	**1,321**	**1,489**	**1,698**	**1,936**	**2,204**	**2,503**	**2,834**	**3,198**	**3,596**	**4,029**	**4,498**	**5,004**	**5,548**	**6,131**	**6,754**	**7,377**
Fiscal Year Net Change																
Total Recurring Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Revenue	983	989	1,018	1,048	1,079	1,111	1,144	1,178	1,213	1,249	1,286	1,324	1,363	1,403	1,403	1,403
Total Revenue Projection	983	989	1,018	1,048	1,079	1,111	1,144	1,178	1,213	1,249	1,286	1,324	1,363	1,403	1,403	1,403
Total Recurring Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Expenditures	815	780	780	780	780	780	780	780	780	780	780	780	780	780	780	780
Total Expenditures Projection	815	780	780	780	780	780	780	780	780	780	780	780	780	780	780	780
Total Parking Fund FY Operating Surplus/Deficit	168	209	238	268	299	331	364	398	433	469	506	544	583	623	623	623
Parking Fund - Preliminary Ending Balance (Operating)	**1,489**	**1,698**	**1,936**	**2,204**	**2,503**	**2,834**	**3,198**	**3,596**	**4,029**	**4,498**	**5,004**	**5,548**	**6,131**	**6,754**	**7,377**	**8,000**
Reserve Percentage (One-time)	**182.72%**	**217.71%**	**248.23%**	**282.59%**	**320.92%**	**363.35%**	**410.02%**	**461.05%**	**516.56%**	**576.69%**	**641.56%**	**711.30%**	**786.05%**	**865.92%**	**945.79%**	**1025.66%**

Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		<- - - - Estimated 5-Year- - - - >					<- - - - Estimated 10-Year- - - - >					<- - - - Estimated 15-Year- - - - >				
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
Capital Grants (423) - Preliminary Beginning Balance	**(17)**	**(7)**	**3**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Fiscal Year Net Change																
Total Recurring Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Revenue	4,870	21	5,184	11	11	11	11	11	11	11	11	11	11	11	11	11
Total Revenue Projection	4,870	21	5,184	11	11	11	11	11	11	11	11	11	11	11	11	11
Total Recurring Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Expenditures	4,860	11	5,185	11	11	11	11	11	11	11	11	11	11	11	11	11
Total Expenditures Projection	4,860	11	5,185	11	11	11	11	11	11	11	11	11	11	11	11	11
Total Capital Grants FY Operating Surplus/Deficit	10	10	(1)	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Grants - Preliminary Ending Balance (Operating)	**(7)**	**3**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Reserve Percentage (One-time)	**-0.14%**	**26.87%**	**0.04%**	**17.78%**	**17.78%**	**17.78%**	**17.78%**	**17.78%**	**17.78%**	**17.78%**	**17.78%**	**17.78%**	**17.78%**	**17.78%**	**17.78%**	**17.78%**

Culver City - SCENARIO 1

February 2009

	Adjusted	< - - - - - - - - - - - - - Estimated 5-Year- - - - - - - - - - - - - - >					- - - - - - - - - - - - - Estimated 10-Year- - - - - - - - - - - - - - >					- - - - - - - - - - - - - Estimated 15-Year- - - - - - - - - - - - - - >				
Description	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
CDBG-Capital (428) - Preliminary Beginning Balance	**(19)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**
Fiscal Year Net Change																
Total Recurring Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Revenue	228	181	210	194	177	177	0	0	0	0	0	0	0	0	0	0
Total Revenue Projection	228	181	210	194	177	177	0	0	0	0	0	0	0	0	0	0
Total Recurring Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Expenditures	258	181	210	194	177	177	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	258	181	210	194	177	177	0	0	0	0	0	0	0	0	0	0
Total CDBG-Capital FY Capital Surplus/Deficit	(30)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CDBG-Capital - Preliminary Ending Balance (Capital)	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**	**(49)**
Reserve Percentage (One-time)	**-19.11%**	**-27.23%**	**-23.47%**	**-25.41%**	**-27.85%**	**-27.85%**	**-100.00%**	**-100.00%**	**-100.00%**	**-100.00%**	**-100.00%**	**-100.00%**	**-100.00%**	**-100.00%**	**-100.00%**	**-100.00%**

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Proposition A & C Funds

Narrative and Projection Worksheets

CITY OF CULVER CITY

COMPREHENSIVE FINANCIAL STRATEGY UPDATE for the Proposition A & C Funds

INTRODUCTION

Proposition A & C Funds are both 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 25% of the collections to cities within the County. The balance of Proposition A tax funds are 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.

Proposition C sales tax, approved by voters in 1990, is an additional one-half of one percent (0.5%) tax on retail sales in Los Angeles County. The balance of Prop C tax 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 is generated in local transportation revenue.

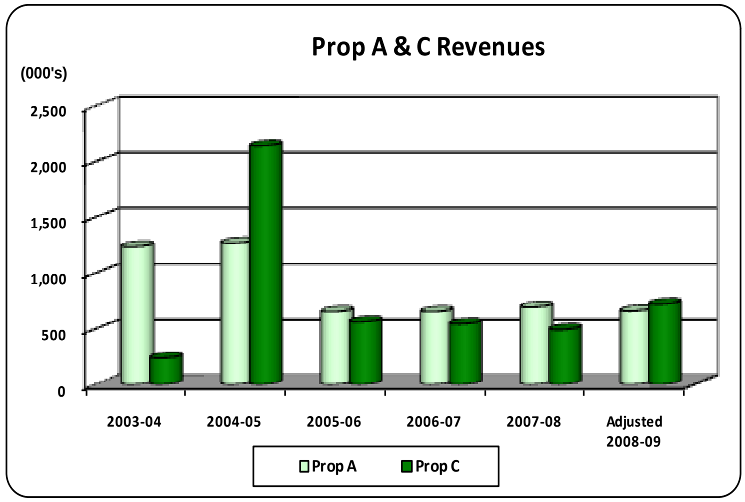
FISCAL YEAR 2008-09 HIGHLIGHTS

The Adopted 2008-09 Budget includes Prop A funding in the amount of $662,000, which represents a 1.2% increase from the prior year, and Prop C funding in the amount of $721,959, which represents a 33% increase from the prior year. The increase in Prop C funds is primarily the result of a decrease in funds received in 2007-08, which offset the additional funds that were received in 2006-07 for transit projects. Fiscal Year 2008-09 represents a return to a more normal allocation.

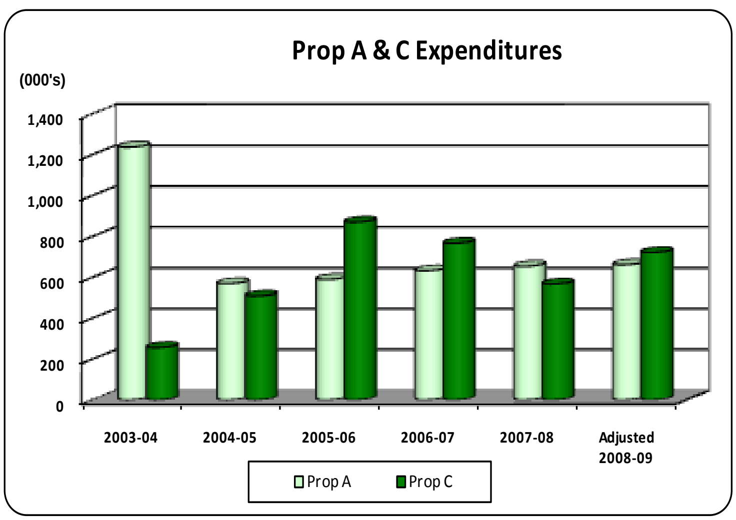
BACKGROUND and ECONOMIC OVERVIEW

As a condition of voter approval, 25% of the Proposition A tax revenues and 20% of the Proposition C tax revenues are earmarked for the Local Return Programs to be used by cities and the County of Los Angeles in developing and/or improving local public transit, paratransit and related transportation infrastructure. Local Return funds are allocated and distributed monthly to jurisdictions on a "per capita" basis by Metro. Most of these funds are expended on street improvement projects and maintenance and improvement to the Transportation facility.

Additionally, Culver City is eligible to receive additional Prop A and C funds because it operates its own bus line. Most of the additional money is used for Transportation Department operations. A portion of the Prop C funding also helps offset costs of the City's Paratransit program.



Per voter approval, a portion of Prop A and C money is distributed to cities based on population; therefore, both of those funding sources are relatively stable. Any attempt to alter these funding sources would need voter approval. Given the current state of transportation in California, especially Southern California, it seems unlikely that voters would choose to reduce funding for transportation related projects in the near future. In fact, LA County voters approved an additional half cent sales tax in November 2008 to fund transportation projects in the County (known as Measure R). This illustrates southern Californians' support of transportation initiatives and should help increase transportation revenues. However, since Prop A and C are both sales taxes, they are economically sensitive, which may offset any potential increase gained by the ½ cent increase.



The diversity of the Los Angeles County economy makes it relatively robust, which helps to create an environment for a relatively stable funding source in Prop A and C sales tax receipts. However, the economy as a whole (i.e. federal, state, and local) is currently contracting, which will have a negative impact on these revenues. A more in-depth economic outlook for sales tax is included in the "Economic Overview" section of the General Fund's Comprehensive Financial Strategy.

PROJECTIONS AND ANALYSIS OF EXPENDITURES

OVERVIEW

Since Prop A & C are sales taxes, those funding sources are projected to be similar to the City's sales tax projection trends over the next fifteen years. The graph above shows the annual Prop A & Prop C expenditures for the past five years. Prop A & C funds may be carried over if the entire amount received is not expended in the same fiscal year. As a result, there are some peaks and valleys in short term expenditures. However, over the long term, these peaks and valleys average out. The projections in the Comprehensive Financial Plan assume that all Prop A & C monies received will be spent. Consequently, over the fifteen-year projection, revenues are equal to expenditures.

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Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		Estimated 5-Year					Estimated 10-Year					Estimated 15-Year				
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
Prop A (415) - Preliminary Beginning Balance	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**
Fiscal Year Net Change																
Total Recurring Revenue	662	669	676	690	718	747	777	808	840	874	909	945	983	1,022	1,063	1,106
Total One-Time Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue Projection	662	669	676	690	718	747	777	808	840	874	909	945	983	1,022	1,063	1,106
Total Recurring Expenditures	662	669	676	690	718	747	777	808	840	874	909	945	983	1,022	1,063	1,106
Total One-Time Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	662	669	676	690	718	747	777	808	840	874	909	945	983	1,022	1,063	1,106
Total Prop A FY Operating Surplus/Deficit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prop A - Preliminary Ending Balance (Operating)	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**	**940**
Reserve Percentage (Recurring)	**141.99%**	**140.50%**	**139.05%**	**136.23%**	**130.92%**	**125.83%**	**120.97%**	**116.33%**	**111.90%**	**107.55%**	**103.41%**	**99.47%**	**95.62%**	**91.97%**	**88.43%**	**84.99%**

Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	<- - - Estimated 5-Year- - - 2009-10	2010-11	2011-12	2012-13	2013-14 - - ->	<- - - Estimated 10-Year- - - 2014-15	2015-16	2016-17	2017-18	2018-19 - - ->	<- - - Estimated 15-Year- - - 2019-20	2020-21	2021-22	2022-23	2023-24 - - ->
		(dollars shown in thousands)					(dollars shown in thousands)					(dollars shown in thousands)				
Prop C (424) - Preliminary Beginning Balance	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**
Fiscal Year Net Change																
Total Recurring Revenue	722	742	749	764	795	827	860	894	930	967	1,006	1,046	1,088	1,132	1,177	1,224
Total One-Time Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue Projection	722	742	749	764	795	827	860	894	930	967	1,006	1,046	1,088	1,132	1,177	1,224
Total Recurring Expenditures	722	742	749	764	795	827	860	894	930	967	1,006	1,046	1,088	1,132	1,177	1,224
Total One-Time Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	722	742	749	764	795	827	860	894	930	967	1,006	1,046	1,088	1,132	1,177	1,224
Total Prop C FY Operating Surplus/Deficit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prop C - Preliminary Ending Balance (Operating)	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**	**1,223**
Reserve Percentage (Recurring)	**169.38%**	**164.82%**	**163.28%**	**160.07%**	**153.83%**	**147.88%**	**142.20%**	**136.80%**	**131.50%**	**126.47%**	**121.57%**	**116.92%**	**112.40%**	**108.03%**	**103.90%**	**99.91%**

Section 8 Fund

Narrative and Projection Worksheet

CITY OF CULVER CITY

COMPREHENSIVE FINANCIAL STRATEGY UPDATE
for
Section 8/Low Moderate Income Housing Fund

INTRODUCTION

Section 8 is a type of Federal assistance provided by the United States Federal government dedicated to sponsoring subsidized housing for low-income families and individuals. The Housing Agency in the Community Development Department is responsible for managing and administering Culver City's Section 8 Housing Choice Voucher Program (HCVP) to provide rental subsidies for very low-income households.

The Housing Agency contracts with HUD to provide funding for more than 300 families. The Division closely monitors all applicable Federal regulations to insure compliance. The Division inspects units annually and negotiates property upgrades with owners.

FISCAL YEAR 2008-09 HIGHLIGHTS

The Adopted 2008-09 Budget includes funding to continue to support the Section 8 program. Some additions to the Section 8 work program in 2008-09 include:

- Utilize new Housing Market and Outreach Campaign slogan "Culture of Home";
- Host roundtable discussion with various housing agencies throughout the region;
- Host the fall Housing Agency Management Association meeting; and
- Submit a Family Self Sufficiency Grant application to HUD to fund case management services.

BACKGROUND

Federal housing assistance programs began during the Great Depression to address the country's housing crisis. In the 1960s and 1970s, the federal government created subsidy programs to increase the production of low-income housing and to help low income families pay their rent.

In the 1970s, studies showed that the major low income housing crises was no longer substandard housing, but the high percentage of income spent on housing. In response, Congress passed the Housing and Community Development Act of 1974, which created the Section 8 program. In the Section 8 Program, tenants pay about thirty percent of their income for rent, while the rest of the rent is paid with federal money. The number of units a local housing authority can subsidize under its Section 8 programs is determined by Congressional funding.

Currently, the two primary Section 8 programs are tenant-based vouchers and project-based vouchers. In the tenant-based program, eligible families with a certificate or voucher find and lease a unit and pay a portion of a reasonable rent. Their portion is based on income, generally around 30%. The local housing authority pays the owner the remaining rent, capped by the Fair Market Rent (FMR) or a fixed percentage thereof. The local housing authority determines the reasonable rent and the FMR is determined by the U.S. Department of Housing and Urban Development (HUD).

Local housing authorities can also choose to project-base up to 25% of their vouchers. Project based vouchers are linked to a particular apartment, not an individual family. Eligible families pay 30% of their income for rent while living in the apartment, but cannot take the voucher with them if they move.

Whether a voucher is tenant-based or project-based, all subsidized units must meet federal Housing Quality Standards, ensuring that the family has a healthy and safe place to live. Currently, there are no time limits for family participation in the program, though occasionally reform bills are introduced in Congress that suggest imposing time limits on the program.

In many localities, the waiting lists for Section 8 vouchers may be thousands of families long, with waits of three to five years. Families who participate in the program must abide by a series of rules and regulations, often referred to as “family obligations,” in order to maintain their voucher. In recent years, the HUD Office of the Inspector General has spent more time and money on fraud detection and prevention.

ECONOMIC OVERVIEW

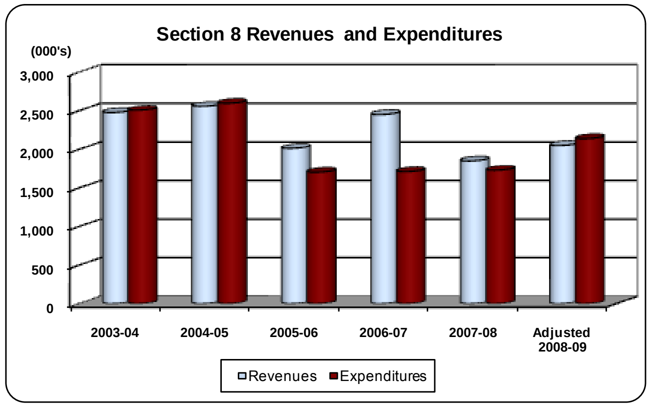
The housing market boom prior to the current downturn made housing assistance programs for low-to-moderate income families increasingly important. In fact, there were a number of programs that the Culver City Housing Agency had to discontinue, such as the Mortgage Assistance Program (MAP), because they were no longer feasible given the extremely high cost of housing and the affordability gap. However, the current declining housing market may make these programs feasible once again.

While the declining real estate market is good news for prospective buyers, it may put upward pressure on the rental market. As families sell or lose their homes, they may need to move into an apartment, either temporarily or on a long term basis. This decreases the rental property supply and drives prices upward.

Additionally, Section 8 funding is variable from year-to-year based on annual appropriation of Congress. Depending on the federal government’s financial situation and priorities, there is a possibility that Section 8 funds will shrink. However, the current economic situation has made the need for housing assistance programs such as Section 8 imperative to help an increasing number of Americans meet their basic housing needs during this economic contraction.

PROJECTIONS AND ANALYSIS OF EXPENDITURES

OVERVIEW



A more detailed policy discussion of the Housing Fund's finances, including the Section 8 program, has been initiated with the Redevelopment Agency Board through the Comprehensive Housing Strategy.

Revenues and expenditures for Section 8 Housing are based on available Section 8 funding, mainly received through HUD. For this reason, Revenues and Expenditures are shown to offset each other. Expenditures are not budgeted at a higher rate than available revenues.

DISCUSSION OF REVENUE PROJECTIONS

Because of the uncertainty of continued HUD funding, revenue projections are shown to grow at the same growth rate as expenditures. As mentioned above, the Section 8 Housing budget is prepared based on available HUD funding. This fund also currently has a positive fund balance to cover any revenue shortfall during a given fiscal year in case HUD funding is not fully received, or expenses run over projections due to uncontrollable circumstances.

DISCUSSION OF EXPENDITURE PROJECTIONS

Personnel costs are estimated to grow 4.0% per current MOU negotiations through fiscal 2009-10. Conservative projections have been included for personnel costs for the remaining fiscal years in this fifteen-year forecast. The exception to this is medical premiums. Medical premiums are forecasted to increase 11.1% in fiscal 2009-10, with small adjustments downward in subsequent years. Ongoing operating and maintenance costs are estimated to grow at approximately 3.0%.

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Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		<- - - - Estimated 5-Year- - - ->					<- - - - Estimated 10-Year- - - ->					<- - - - Estimated 15-Year- - - ->				
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
Section 8 Housing (426) - Preliminary Beginning Balance	**1,677**	**1,498**	**1,460**	**1,427**	**1,396**	**1,368**	**1,345**	**1,324**	**1,308**	**1,296**	**1,288**	**1,285**	**1,286**	**1,294**	**1,307**	**1,325**
Fiscal Year Net Change																
Total Recurring Revenue	2,054	2,119	2,129	2,139	2,150	2,161	2,172	2,184	2,196	2,209	2,222	2,236	2,251	2,266	2,282	2,299
Total One-Time Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue Projection	2,054	2,119	2,129	2,139	2,150	2,161	2,172	2,184	2,196	2,209	2,222	2,236	2,251	2,266	2,282	2,299
Total Recurring Expenditures	2,233	2,156	2,162	2,170	2,177	2,184	2,192	2,200	2,208	2,216	2,225	2,234	2,243	2,253	2,263	2,275
Total One-Time Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	2,233	2,156	2,162	2,170	2,177	2,184	2,192	2,200	2,208	2,216	2,225	2,234	2,243	2,253	2,263	2,275
Total Section 8 Housing FY Operating Surplus/Deficit	(179)	(37)	(33)	(31)	(27)	(23)	(20)	(16)	(12)	(7)	(3)	2	8	13	19	24
Section 8 Housing - Preliminary Ending Balance (Operating)	**1,498**	**1,460**	**1,427**	**1,396**	**1,368**	**1,345**	**1,324**	**1,308**	**1,296**	**1,288**	**1,285**	**1,286**	**1,294**	**1,307**	**1,325**	**1,349**
Reserve Percentage (Recurring)	**67.07%**	**67.73%**	**66.00%**	**64.31%**	**62.84%**	**61.57%**	**60.41%**	**59.45%**	**58.67%**	**58.13%**	**57.74%**	**57.58%**	**57.68%**	**57.99%**	**58.55%**	**59.28%**

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Innovation Fund

Projection Worksheet

Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		<- - - - - - - Estimated 5-Year- - - - - - - ->					<- - - - - - - Estimated 10-Year- - - - - - - ->					<- - - - - - - Estimated 15-Year- - - - - - - ->				
		(dollars shown in thousands)					(dollars shown in thousands)					(dollars shown in thousands)				
INNOVATION FUND (312) - Preliminary Beginning Balance	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**
Fiscal Year Net Change																
Total Recurring Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue Projection	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Recurring Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total One-Time Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Innovation FY Operating Surplus/Deficit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Innovation Fund - Preliminary Ending Balance (Operating)	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**	**532**
Reserve Percentage (Recurring)	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

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Landscape Maintenance District Fund

Narrative and Projection Worksheet

Culver City - SCENARIO 1

February 2009

Description	Adjusted 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		Estimated 5-Year					Estimated 10-Year					Estimated 15-Year				
		(dollars shown in thousands)					*(dollars shown in thousands)*					*(dollars shown in thousands)*				
Landscape Maint. District (425) - Preliminary Beginning Balance	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**
Fiscal Year Net Change																
Total Recurring Revenue	47	47	47	47	47	47	47	47	47	47	47	47	47	47	47	47
Total One-Time Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue Projection	47	47	47	47	47	47	47	47	47	47	47	47	47	47	47	47
Total Recurring Expenditures	47	47	47	47	47	47	47	47	47	47	47	47	47	47	47	47
Total One-Time Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures Projection	47	47	47	47	47	47	47	47	47	47	47	47	47	47	47	47
Total Landscape Maint. Dist. FY Operating Surplus/Deficit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Landscape Maint. Dist - Preliminary Ending Balance (Operating)	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**
Reserve Percentage (Recurring)	**175.31%**	**175.31%**	**175.31%**	**175.31%**	**175.31%**	**175.31%**	**175.31%**	**175.31%**	**175.31%**	**175.31%**	**175.31%**	**175.31%**	**175.31%**	**175.31%**	**175.31%**	**175.31%**

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Redevelopment Agency, Low/Moderate Income Housing Fund, and Bond Funds

Narrative and Projection Worksheets

CITY OF CULVER CITY

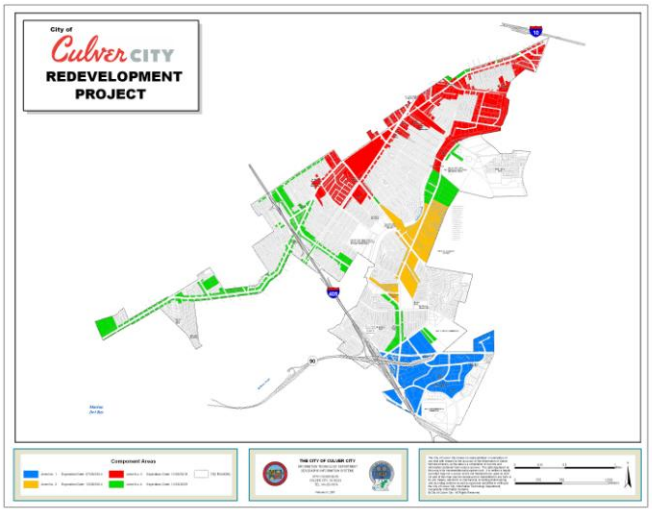
COMPREHENSIVE FINANCIAL STRATEGY UPDATE
for the
Redevelopment Agency, Low/Moderate Income Housing Fund and Bonds Fund

INTRODUCTION

Redevelopment is a locally driven activity that assists local governments in revitalizing their communities. Redevelopment encourages new development, creates jobs and generates tax revenues in declining urbanized areas by developing partnerships between local governments and private entities. Over 400 California cities and counties have activated Redevelopment Agencies. Redevelopment Agencies are locally created and adopted so they can respond to a community's unique needs and vision, most often by adopting a redevelopment plan for a designated redevelopment project area.

BACKGROUND

The Culver City Redevelopment Agency (the "Agency") was established on February 8, 1971, pursuant to the State of California Health and Safety Code, Section 33000, entitled *Community Redevelopment Law*. Its purpose is to carry out plans to improve, rehabilitate and redevelop physically and economically blighted areas and provide more affordable housing units within the City of Culver City. The State Health and Safety Code provides that upon the approval of a redevelopment plan, property taxes levied on future incremental increases in the assessed value within the designated project area will be paid to the redevelopment agency until all indebtedness incurred to finance the project area has been paid.



The Culver City City Council declared itself to be the governing body of the Agency and functions as the Agency's Board of Directors. The Agency is staffed by employees of the City and the Agency reimburses the City for the cost of these and other services provided to the Agency.

The Culver City Redevelopment Agency originally established three project areas, which were merged and expanded to create the present-day project, known as the Culver City

Redevelopment Project. In 1971, Project Areas 1 (Blue) and 2 (Yellow) were formed. These project areas generally encompass the area south of Playa Ave and the Industrial areas of Jefferson Blvd, respectively. Project Area 3 (Red) was formed in 1975 and generally consists of the Downtown area and Hayden Tract. In 1998, the three Projects were merged and various non-contiguous areas were added (Green), including portions of Sepulveda Blvd and Washington Blvd between Sepulveda and Lincoln. The three former individual project areas and the added territory are known as Component Areas 1 through 4 respectively.

The Agency has three critical objectives: eliminate blight, create jobs, and provide affordable housing. Over the last 35 years, the Agency has undertaken pivotal projects that have met these objectives and enhanced the economic health and property value in the Culver City community. Some of these projects include funding a number of infrastructure improvements (e.g. constructing three parking structures and a movie theater downtown), renovation of the Kirk Douglas Theater, and provide various levels of development assistance to Westfield Fox Hills Mall, the Heritage Classics Homes, and many small businesses throughout the project areas.

Additionally, there are a number of exciting projects that the Agency is currently spearheading, including further expansion of the Town Plaza area downtown, revitalizing the area surrounding the future site of the Expo light rail station at Washington and National, and funding for the construction of a new Fire Station #3.

ECONOMIC OVERVIEW

To achieve its stated objectives, the Agency has two primary financing sources: tax increment and debt issuance (i.e. Bonds), both of which are economically sensitive. Tax increment is based on the incremental increase in property tax values above a base year; therefore, tax increment revenues can be sensitive to ebbs and flows in the economy and property values.

The amount of bond proceeds that the Agency receives is dependent on interest rates at the time of bond issuance. If interest rates are high when the bonds are sold, then the Agency will pay more interest to bond holders and receive less in proceeds. If the inverse is true and interest rates are low when the Agency decides to issue debt, then the Agency will receive more proceeds and pay less interest to bond holders. Bond proceeds are available to finance a wide variety of activities.

The following sections will provide a brief background of property values and interest rates in California as well as a brief outlook for the future based on current economic conditions.

BACKGROUND

The primary financing source for implementing redevelopment projects is tax increment, which are property tax revenues in excess of the property tax revenue collected at a base year. The base year is the year prior to the adoption of a redevelopment plan for a particular component area. Since tax increment is the Agency's primary financing source, redevelopment revenues are almost entirely dependent on local property values and the real estate market.

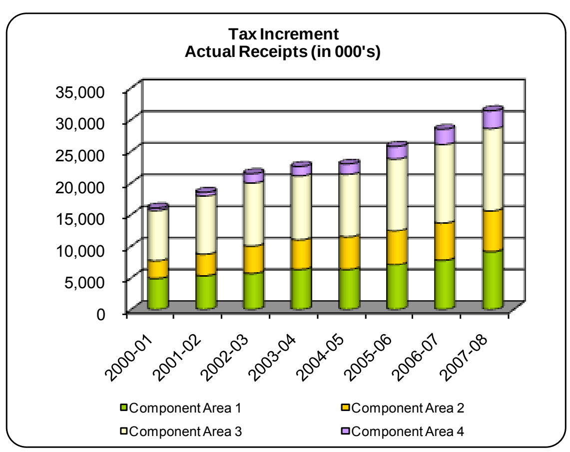
The real estate market in the U.S. has been strong since the mid-1990's. In California, housing prices have experienced astronomical increases over the past five years. This increase was fueled by extremely low interest rates and creative financing that decreased monthly payments, including financial institutions' willingness to extend loan terms beyond the standard 30 years to 40 and 50 year terms; the ability to finance 100% of the housing cost without having a down-payment; and adjustable rate interest only loans.

Proposition 13

Proposition 13 had a significant impact on the way that property in California is valued and taxed. Prior to the adoption of Prop 13 in 1978, property taxes could increase dramatically from year to year based on the assessed value of the property. During the seventies, the real estate market experienced dramatic growth and an escalation in property values. Because assessors were required to keep assessed values current, property taxes skyrocketed at a substantial rate.

As a result, California residents put Proposition 13 on the ballot. Prop 13 re-defined the methodology that County assessors' could use in calculating the value of property and placed limits on the amount of property tax that could be collected. As a result of Prop 13, the assessed value of property cannot exceed the 1975-76 assessed value, which is subject to an annual increase commensurate with the Consumer Price Index (CPI) or two percent (2%), whichever is less. If a transfer in ownership takes place or improvements are made, the property is subject to reassessment at current market value. The newly assessed value will then increase on a yearly basis, not to exceed two percent (2%) per year.

Prior to the current downturn, the real estate market had been gaining strength since the mid-1990's, which encouraged property development, speculation and investment. All of this activity caused many properties to be reassessed at market value, which often times results in a dramatic increase in property taxes collected from that property. This is a boost for tax increment receipts.



Culver City experienced strong tax increment growth over that period. Many of the tax increment funds were used to issue debt for infrastructure projects (e.g. downtown parking structures) or leveraged against a private developer's funds. This strong tax increment growth helped to revitalize the downtown area as well as other blighted areas of Culver City.

The following section discusses the economic outlook over the next five to ten years and the potential impact on the Redevelopment Agency's tax increment resources.

OUTLOOK

The economy has been in a recession since December 2007, which has significantly slowed, almost to a halt, property sales, renovation/remodel, and development activity. It is expected that the housing market will continue to lose value before it bottoms out and begins to recover towards the end of 2009. However, the widespread impact of this current recession (i.e. it has not been contained to one industry or one sector, every facet of the economy has been impacted) will most likely result in a fundamental shift in the economy. Over the past ten plus years, the U.S. economy was driven by consumers who spent more than 99% of their income and saved less than 1%. This will begin to change as consumers begin to realize that this is not sustainable. As the savings rate increases, money is being taken out of the consumer economy. With people spending less, a price adjustment, especially for very large ticket items such as property and real estate, is inevitable.

The price adjustment has already begun to impact business' bottom lines and they are shedding hundreds of thousands of employees every month to cut costs, which further decreases consumers' buying power, further effecting business' bottom lines, and so-on and so-forth. Until this cycle is broken, the economy will continue to be in trouble.

The virtual shutdown of the credit markets, which were the first markets hit by the dramatic increase in foreclosures, is effecting developers ability to secure construction financing. As a result, there are a number of projects in Culver City that have been delayed until the credit markets loosen and they can secure financing. This is going to have a significant impact on tax increment receipts over the next few years.

Tax increment receipts lag a full year, which means that in FY 2008-09 the RDA is receiving property tax revenues based on calendar year 2007 values. The dramatic dip in property values did not begin in most of LA County until the middle of calendar year 2008. Although the Agency is still experiencing very strong tax increment growth beyond the 2% statutory rate, that will begin to diminish in FY 2009-10. As a result, projections over the next 5 years show only a 2% statutory growth plus some value from additional projects that are expected to be completed within the next few years (e.g. Westfield renovation and Sony Studios expansion).

PROJECTIONS AND ANALYSIS OF REVENUES AND EXPENDITURES

OVERVIEW

The worksheets for the fifteen-year forecasts of revenues and expenditures are included as attachments to this report. The worksheets are based on revenue projections provided by the Agency's fiscal consultant, Keyser Marston Associates (KMA), and expenditure projections provided by Agency and Budget staff.

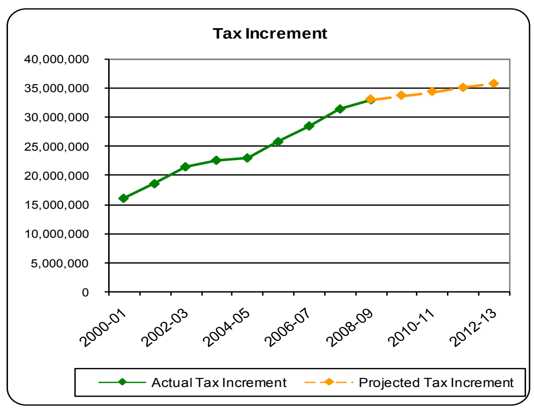
Keyser Marston takes a conservative approach to projecting tax increment receipts. Projects that are currently under way are factored into future projections and all other assessed values are projected to increase at the statutory limit of two (2) percent per year. The projections also take into account the effect on tax increment receipts as project areas expire and increasing statutory pass through payments.

Expenditures have been projected by staff based on the most current information regarding current and potential projects.

DISCUSSION OF SPECIFIC REVENUE PROJECTIONS

Tax Increment

Tax increment is the Redevelopment Agency's primary source of revenue. It accounts for approximately 90% of the Agency's ongoing revenue. California's strong property market prior to 2007 resulted in strong tax increment receipts, which grew by an average of 10.5% per year since 1999-2000. Also, the proactive approach by the Agency to identify and reduce blighted areas of the City has paid off in the form of increased tax increment.



As previously discussed, despite the fact the Agency is still experiencing very strong tax increment growth; it will begin to slow in FY 2009-10. As a result, projections over the next 5 years show only a 2% statutory growth plus some value from additional projects that are expected to be completed within the next few years (e.g. Westfield renovation and Sony Studios expansion).

Other Revenues

The remainder of ongoing Agency revenues is derived mainly from operating a number of properties, including the Ince, Cardiff, and Watseka parking structures and the Pacific Theatres. Occasionally, one-time revenue is also generated from the sale of property owned by the Redevelopment Agency.

EXPENDITURES

To identify the nature of the Agency's expenditures, staff has divided them into a five categories. These categories are:

1. Debt Service and Statutory Indebtedness
2. Administrative Costs
3. Ongoing Projects/Programs
4. Under Development Projects/Programs
5. Potential Projects/Programs

Debt Service and Statutory Indebtedness – Expenditures grouped into this category consist of:

A. Debt Service payments. Debt Service Payments include all principal and interest payments on all outstanding bond issues and all are based on interest rates at the time of bond issuance, therefore the payment amounts are a known quantity; and

B. Indebtedness that the Redevelopment Agency is statutorily obligated to pay such as the 20% housing set-aside requirement, statutory pass through agreement payments, and Education Revenue Augmentation Fund (ERAF) payments. Housing set-aside and statutory pass through payments are calculated as a set percentage of the total tax increment that the Agency receives in any given year. Consequently, those payment amounts are dependant on tax increment projections. In FY 2008-09, the state has required redevelopment agencies to make ERAF payments ($2.25 million for CCRA). At this point, it is a one year payment; however, there have been proposals in the legislature to make this payment permanent. The California Redevelopment Association has filed a lawsuit alleging that ERAF shifts are constitutionally illegal per Prop 1A passed by California voters in 2004 that protects local revenues. The outcome of this lawsuit is still pending. Since there are still a number of unknowns associated with ERAF, only the known 2008-09 requirement is included in the projection.

Administrative Costs – The Administrative costs category includes the salaries and benefits for the Redevelopment and Economic Development divisions, general supplies and operations expenses, contract services, and reimbursement costs that the Agency pays to the City for a number of positions that are impacted by redevelopment activities (e.g. planning staff, code enforcement staff, building and safety staff, etc.). Administrative costs are basically the Agency's day to day operating costs.

Ongoing Projects/Programs – This expenditure category consists of the ongoing projects and programs managed by the Agency. This includes the costs for management activities for Agency owned and/or operated properties (e.g. downtown parking structures, and the Pacific Theaters) and many cultural affairs type programs, including Music in the Chambers, "The Art of…" speaker series, Farmer's Market, and the Culver City Music Festival.

Current Projects/Programs – Current projects/programs have been presented and considered by the Agency Board and are in varying stages of implementation (i.e. planning, demolition, construction, or project closeout stage). Once these projects/programs are completed, there will be no associated direct ongoing cost assumed by the Agency. Expenditures in this category are subject to change as projects progress due to a variety of project specific factors.

Potential Projects/Programs – Potential projects/programs are in the exploratory stages of development, i.e. staff is researching potential projects that community investors and community members may be interested in implementing. For the most part, costs in this category are to identify projects in certain areas that may ultimately be brought before the Agency Board for consideration. Once a potential program is approved by the Agency Board, it becomes a current project/program. This is the most dynamic and changing expenditure category.

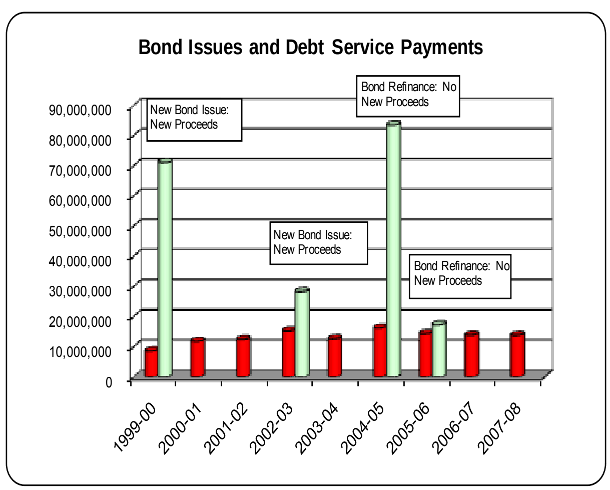
HOUSING SET-ASIDE FUND

Community Redevelopment Law mandates that 20% of the Redevelopment Agency's tax increment receipts must be set-aside and used to facilitate housing opportunities and rehabilitation for low-to-moderate income residents. Various financial incentives and mechanisms are provided for the purpose of improving and preserving the affordable housing stock and encouraging first time home ownership.

A more detailed policy discussion of the Housing Fund's finances will be initiated with the Redevelopment Agency Board in the upcoming months. The 15 year projection includes funds for potential projects to be identified and discussed with the Agency Board as opportunities present themselves.

BOND FUNDS

As previously discussed, the Agency also raises funds to finance various projects by selling bonds. Issuing debt pledges future tax increment receipts to pay the debt service (i.e. principal and interest) to bond holders. Basically, issuing debt gives the Agency a lump sum of cash to use for projects now, which will be paid off in the future.



There are two types of bonds that the Agency can sell; tax exempt bonds and taxable bonds. In a normal credit market, tax exempt bonds are cheaper to issue and attractive in the bond market as they are not subject to capital gains taxes. The trade off is that proceeds from tax exempt bonds have greater restrictions on their use. They can mainly be used for capital infrastructure improvements and certain types of property acquisitions.

Taxable bonds are typically more expensive to issue since the interest rate is higher than on tax exempt bonds; however, proceeds from taxable bonds are unrestricted and may be used for a much wider variety of projects.

To date, the Agency has limited its bond issues to the restrictive tax exempt bonds. As illustrated in the Bond Fund cash flow, it is expected that bond proceeds will be expended over the next few years on a number of capital improvement, infrastructure, and property acquisition projects.

REDEVELOPMENT AGENCY
TAX EXEMPT BOND FUNDS: 15 YEAR CASH FLOW SUMMARY (000's Omitted)

ANNUAL CASH FLOW	Adjusted 2008-09	Projected 2009-10	Projected 2010-11	Projected 2011-12	Projected 2012-13	Projected 2013-14	Projected 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24
Beginning Fund Balance	**21,850**	**6,533**	**2,123**	**1,772**	**1,818**	**1,865**	**1,913**	**1,962**	**2,012**	**2,064**	**2,117**	**2,171**	**2,227**	**2,283**	**2,341**	**2,400**
Interest Income	359	110	49	46	47	48	49	50	52	53	54	56	56	58	59	61
Total Revenues	**359**	**110**	**49**	**46**	**47**	**48**	**49**	**50**	**52**	**53**	**54**	**56**	**56**	**58**	**59**	**61**
Expenditures																
SubTotal Component Area 1	*1,639*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
SubTotal Component Area 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SubTotal Component Area 3	*4,524*	*1,170*	*400*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
SubTotal Component Area 4	*2,913*	*350*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
SubTotal Potential Projects	*6,600*	*3,000*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total Bond Expenditures	**15,676**	**4,520**	**400**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Ending Fund Balance	**6,533**	**2,123**	**1,772**	**1,818**	**1,865**	**1,913**	**1,962**	**2,012**	**2,064**	**2,117**	**2,171**	**2,227**	**2,283**	**2,341**	**2,400**	**2,461**

CULVER CITY REDEVELOPMENT AGENCY

LOW/MODERATE INCOME HOUSING FUND: 15-YEAR CASH FLOW SUMMARY (000's Omitted)

ANNUAL CASH FLOW	Adjusted 2008-09	Projected 2009-10	Projected 2010-11	Projected 2011-12	Projected 2012-13	Projected 2013-14	Projected 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24
Beginning Fund Balance	**19,000**	**20,953**	**22,639**	**24,700**	**26,954**	**29,732**	**32,787**	**36,392**	**40,000**	**43,440**	**46,943**	**50,489**	**54,075**	**57,699**	**61,358**	**65,050**
REVENUES																
Tax Increment Set-Aside Revenue	*6,592*	*6,728*	*7,233*	*7,557*	*8,216*	*8,626*	*9,313*	*9,520*	*9,715*	*9,931*	*10,134*	*10,341*	*10,552*	*10,768*	*10,988*	*11,212*
Other Revenues	*953*	*682*	*703*	*729*	*757*	*792*	*830*	*875*	*700*	*743*	*787*	*831*	*876*	*921*	*967*	*1,013*
Total Housing Revenues	**7,545**	**7,410**	**7,936**	**8,286**	**8,973**	**9,418**	**10,143**	**10,395**	**10,415**	**10,674**	**10,921**	**11,172**	**11,428**	**11,689**	**11,955**	**12,225**
EXPENDITURES																
Subtotal Admin Expenditures	*2,918*	*2,984*	*3,078*	*3,175*	*3,276*	*3,381*	*3,490*	*3,603*	*3,721*	*3,844*	*3,972*	*4,105*	*4,243*	*4,386*	*4,535*	*4,690*
Subtotal Ongoing Expenditures	*2,424*	*2,739*	*2,797*	*2,857*	*2,919*	*2,983*	*3,048*	*3,184*	*3,254*	*3,327*	*3,403*	*3,481*	*3,561*	*3,644*	*3,728*	*3,816*
Potential Projects	*250*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total Housing Expenditures	**5,593**	**5,724**	**5,875**	**6,032**	**6,195**	**6,364**	**6,538**	**6,787**	**6,975**	**7,171**	**7,375**	**7,586**	**7,804**	**8,030**	**8,263**	**8,506**
Projected Annual Surplus/(Deficit)	*1,953*	*1,687*	*2,061*	*2,254*	*2,778*	*3,054*	*3,605*	*3,608*	*3,440*	*3,503*	*3,546*	*3,586*	*3,624*	*3,659*	*3,692*	*3,719*
Ending Fund Balance	**20,953**	**22,639**	**24,700**	**26,954**	**29,732**	**32,787**	**36,392**	**40,000**	**43,440**	**46,943**	**50,489**	**54,075**	**57,699**	**61,358**	**65,050**	**68,768**

CULVER CITY REDEVELOPMENT AGENCY

UNRESTRICTED FUNDS: 15 YEAR CASH FLOW SUMMARY (000's Omitted)

ANNUAL CASH FLOW	Adjusted 2008-09	Projected 2009-10	Projected 2010-11	Projected 2011-12	Projected 2012-13	Projected 2013-14	Projected 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2022-23	Projected 2023-24
Beginning Unrestricted Fund Balance	**10,771**	**2,431**	**8,436**	**6,440**	**4,895**	**4,605**	**5,037**	**7,271**	**12,116**	**17,447**	**23,077**	**33,161**	**48,848**	**65,783**	**82,339**
RDA REVENUES															
Tax Increment Revenue	33,620	34,315	36,886	38,542	41,903	43,994	47,496	48,554	49,549	50,647	51,682	52,739	53,816	54,916	56,037
Other Ongoing Revenue	3,437	3,519	3,649	3,687	3,751	3,837	4,055	4,286	4,589	4,895	5,308	5,926	6,681	5,814	6,001
One-time Revenue (includes Property Sale)	5,900	10,600	200	200	0	0	0	0	0	0	0	0	0	0	0
TOTAL RDA REVENUES	**42,957**	**48,433**	**40,735**	**42,429**	**45,654**	**47,831**	**51,551**	**52,840**	**54,138**	**55,542**	**56,990**	**58,665**	**60,497**	**60,730**	**62,038**
ERAF (based on CRA estimate)	*2,252*	*2,297*	*2,343*	*2,390*	*2,438*	*2,486*	*2,536*	*2,587*	*2,639*	*2,691*	*2,745*	*2,800*	*2,856*	*2,913*	*2,971*
Subtotal -- Admin/General Expenditures	**44,098**	**34,948**	**36,387**	**37,484**	**39,373**	**40,673**	**43,020**	**41,535**	**42,178**	**43,110**	**43,773**	**41,570**	**42,123**	**42,701**	**43,307**
Subtotal -- Ongoing Programs/Projects	**4,340**	**4,661**	**4,774**	**4,890**	**5,010**	**5,133**	**4,674**	**4,805**	**4,940**	**5,079**	**1,376**	**1,408**	**1,439**	**1,472**	**1,506**
Subtotal -- Current Projects	**1,341**	**1,998**	**1,570**	**1,600**	**1,561**	**1,592**	**1,624**	**1,656**	**1,689**	**1,723**	**1,757**	**0**	**0**	**0**	**0**
Subtotal -- Potential Projects	**1,517**	**821**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL EXPENDITURES	**51,297**	**42,429**	**42,731**	**43,974**	**45,943**	**47,398**	**49,317**	**47,995**	**48,807**	**49,912**	**46,906**	**42,978**	**43,562**	**44,173**	**44,813**
Ongoing Rev - Onging Expenditures	**686**	**(1,776)**	**(626)**	**(145)**	**1,271**	**2,024**	**3,858**	**6,501**	**7,020**	**7,353**	**11,841**	**15,687**	**16,935**	**16,556**	**17,224**
Total Projected Annual Surplus/Deficit	**(8,340)**	**6,005**	**(1,996)**	**(1,545)**	**(290)**	**432**	**2,234**	**4,845**	**5,331**	**5,630**	**10,084**	**15,687**	**16,935**	**16,556**	**17,224**
Ending Unrestricted Fund Balance	**2,431**	**8,436**	**6,440**	**4,895**	**4,605**	**5,037**	**7,271**	**12,116**	**17,447**	**23,077**	**33,161**	**48,848**	**65,783**	**82,339**	**99,563**

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Financial Options Summary Report

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.

Sample Admissions Tax rates:

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.