City of Culver City

YEAR-END REPORT AND AUDIT SUMMARY

FOR

FISCAL YEAR 2014-15

CITY OF CULVER CITY
Year-End Report and Audit Summary
FY 2014-15
General Fund and Other City Funds

INTRODUCTION

The purpose of this report is to summarize the results of the City's audited financial statements for the year ending June 30, 2015 (Fiscal Year 2014-15). The City Charter requires an independent, certified public accounting firm to audit the end-of-year financial statements. Preparation and responsibility for the financial statements rests with the City, and the independent auditor expresses an opinion about the statements based on their testing and review.

The firm of Moss, Levy & Hartzheim LLP performed the audit of the FY 2014-15 financial statements. This was the fifth year of their contract with the City. In the Independent Auditor's Report included in the City's Comprehensive Annual Financial Report (CAFR), Moss, Levy & Hartzheim LLP report that in their opinion the City's financial statements present fairly, in all material respects, the financial position of the City as of June 30, 2015. This report can be found on pages 1-3 of the CAFR.

The CAFR includes both government-wide financial statements, as well as the more traditional fund-level financial statements. The requirement for the government-wide financial statements are a result of Governmental Accounting Standards Board (GASB) Statement No. 34, implemented by Culver City in FY 2003-04. The idea behind government-wide statements was to collapse all of the various activities of the governmental entity into a single 'snapshot' view, so that the overall financial health and condition of the entity could be more easily understood by investors and other readers of the financial statements. However, this government-wide view does not easily relay to the reader the financial position of those monies where the City has wide discretion versus those where it has very little discretion. This information is more easily understood from the traditional fund-level financial statements. For this reason, this report is based on the fund-level financial statements. Those interested in more information on the government-wide financial statements should refer to Management's Discussion and Analysis on pages 5 through 21 of the CAFR.

One important note regarding the FY 2014-15 CAFR is that the City was required to implement Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 requires the City to record its full net pension liability in the government-wide financial statements. The net pension liability is the different between the actuarially determined present value of benefits (the estimated long-term costs for pensions to current retirees and current employees in today's dollars) and the cash available in the plan to pay for them. As of June 30, 2015, the City's Net Pension Liability is $162.1 million. The City has also elected to early-adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). Similar to GASB 68, GASB 75 requires the City to record its full liability for Other Postemployment Benefits (OPEB), which for the City is certain lifetime medical benefits for retirees. As of June 30, 2015, the City's net OPEB liability is $112.4 million. A long-term amortization plan is in place to retire these unfunded liabilities.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for functions that are principally supported by taxes and intergovernmental revenues. The City maintains 29 individual governmental funds. These funds are further categorized into special revenue funds, capital projects funds, debt service funds and the general fund. Special revenue funds typically are used where there is a legal or other requirement to separately track certain types of funding. Capital projects funds are used to account for capital or infrastructure improvements. Debt service funds account for the issuance and repayment of debt (the City currently has no active debt service funds). All other governmental activities, not required to be accounted for separately, are handled through the City's General Fund. This is the fund for which the City Council has the most discretion, and includes most of the core operating activities that are familiar to citizens, such as Police, Fire, Park & Recreation, Public Works, general governmental activities, etc.

Proprietary funds account primarily for functions that are intended to recover all or a significant portion of their costs through user fees and charges. There are two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds can be considered business-type activities, and are used to account for the Culver City Bus Line, the refuse (solid waste) utility and the sewer utility. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. Internal service funds are used by the City to account for self-insurance activities, vehicle operations and maintenance, equipment replacement and central stores functions.

This report will spend the most time discussing the General Fund, since this is the fund that faces the most financial pressure to provide desired services based on finite resources. The other fund types will be discussed first. The focus of this report is on the actual results for FY 2014-15, and it does not look forward to the current or future fiscal years. This will occur in the upcoming FY 2015-16 Mid-Year Budget Report.

ENTERPRISE FUND SUMMARY

The table below summarizes the financial results for the City's three enterprise funds for FY 2014-15:

	Beginning Net Assets	Total Revenue & Transfers	Expenses	Ending Net Assets	Unrestricted Net Assets
Refuse Disposal Fund	(6,741,950)	11,815,965	11,783,785	(6,709,770)	(8,287,382)
Municipal Bus Lines Fund	20,471,118	21,917,303	22,624,977	19,763,444	(12,873,155)
Sewer Enterprise Fund	41,083,504	9,330,319	9,765,471	40,648,352	17,986,743

The overall position of the Refuse Disposal Fund was significantly affected by the implementation of GASBs 68 and 75, where net pension and OPEB liabilities totaling $10.5 million were recorded, causing the net assets of the fund to be negative. On an operational basis, revenues slightly exceeded expenses for the year. Unrestricted net position of the fund (assets not restricted by outside sources or invested in capital) is also negative, and will likely remain that way until the long-term amortization of the net pension and OPEB liabilities is substantially complete.

The Municipal Bus Lines Fund had expenses in excess of revenues and transfers by $0.7 million, primarily due to project expenses for funds received in the prior year. This fund was also significantly affected by GASBs 68 and 75, with net pension and OPEB liabilities totaling $21.8 million recorded. Based on the somewhat unpredictable nature of certain funding sources, it is important to keep careful watch on this fund to ensure expenses are aligned with incoming resources. Unrestricted net position of the fund is negative as a result of GASBs 68 and 75, and will likely remain that way until the long-term amortization of the net pension and OPEB liabilities is substantially complete.

The Sewer Enterprise Fund had a minor $0.5 million reduction in net position, with growth in supplies and treatment costs. The fund was less impacted by GASBs 68 and 75 due to the low number of staff members in this fund. The $18.0 million in unrestricted net position appears high, however the significant projects to improve or replace components of the Sewer system are underway or planned.

INTERNAL SERVICE FUND SUMMARY

The table below represents the financial results for the City's four internal service funds for FY 2014-15:

	Beginning Net Assets	Total Revenue & Transfers	Expenses	Ending Net Assets	Unrestricted Net Assets
Equipment Replacement Fund	15,378,275	1,969,922	1,622,006	15,726,191	9,890,095
Fleet Maintenance Fund	(9,297,529)	7,823,102	7,526,458	(9,000,885)	(9,022,644)
Risk Management Fund	(10,773,883)	6,816,538	5,674,931	(9,632,276)	(9,634,522)
Central Stores Fund	272,412	1,350,400	1,653,196	(30,384)	(30,384)

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

The overall position of the Fleet Maintenance Fund was significantly affected by the implementation of GASBs 68 and 75, where net pension and OPEB liabilities totaling $8.5 million were recorded, exacerbating a negative position that has existed for several years. The purpose of this fund is to allocate the repair and maintenance charges of the City's fleet out to the departments where the vehicles are in service. Staff analysis determined several items charged to the fund were not allocated out to departments historically, leading to the negative position of the fund. On an operational basis, for FY 2014-15 revenues and transfers exceeded expenses by $0.3 million. However, unrestricted net position of the fund will remain negative as a result of GASBs 68 and 75 until the long-term amortization of the net pension and OPEB liabilities is substantially complete.

The Risk Management Fund has historically carried a negative fund position. In addition to actual expenses paid out for claims, judgments, attorneys, insurance premiums, etc., the fund also records the estimates for future claims and judgments as an expense. The City is not is a position to fully fund future estimated claims, so this fund will continue in an overall negative position. The fund has adequate cash flows to pay current costs based on its charge outs.

The Central Stores Fund accounts for the inventory of certain items that are used by departments frequently, and where it is more economical to purchase in bulk and then distribute the items as needed. Items are purchased and then ‘sold’ to the department that uses them. Much of the inventory carried supports the fleet maintenance function. The fund ended the year in a slightly negative position, but should recover to a positive position during the current fiscal year.

SPECIAL REVENUE FUND SUMMARY

The City currently utilizes nineteen special revenues funds to account for various resources that are restricted in use. The monies accounted for in these funds are unavailable for discretionary City funding.

With one minor exception in the Operating Grants Fund, all special revenue funds ended the year with a positive or zero fund balance. The fund balance deficit in the Operating Grants Fund is not unusual due to timing issues with grant reimbursements.

The table below represents the summarized financial activity for the various special revenue funds. Below the table is a brief description of the purpose of each fund.

	Beginning Fund Balance	Total Revenue & Other Transfers	Expenditures	Ending Fund Balance
Economic Development Fund	5,140,395	1,480,004	3,209,895	3,410,504
Gas Tax Fund	1,626,444	1,036,035	542,563	2,119,916
Prop A Local Return Fund	924,089	700,068	686,592	937,565
Prop C Local Return Fund	1,050,432	584,022	563,097	1,071,357
Measure R Fund	115,007	432,474	427,139	120,342
Prop 1B Fund	(2,369)	2,369	-	-
Operating Grants Fund	71,783	1,358,665	1,435,139	(4,691)
Section 8 Housing Fund	1,485,194	1,372,635	1,639,630	1,218,199
Art in Public Places Fund	1,478,539	154,792	154,180	1,479,151
Community Development Fund	156,167	241,173	77,564	319,776
CDBG Fund	-	28,491	28,491	-
Landscape Maintenance Fund	213,917	92,097	16,566	289,448
Park Facilities Fund	445,359	46,115	60,424	431,050
Asset Seizure Fund	963,748	347,122	137,504	1,173,366
Housing Fund	7,584	-	7,584	-
Parking Authority Fund	251,638	335,185	207,090	379,733
Housing Authority Fund	30,965,468	483,910	1,178,027	30,271,351
Capital Grant Fund	26,132	177	-	26,309
Building Surcharge Fund	493,444	197,677	83,157	607,964

Economic Development Fund is used to account for revenue and resources provided for economic development related programs and activities.

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

Proposition A Local Return Fund is used to account for Proposition A funds received from the state. Proposition A funds are voter approved local sales taxes for transportation-related activities. Proposition A, approved by voters in 1980, is a one-half of one percent (0.5%) tax on retail sales in Los Angeles County. The collection of this tax is administered by the County, which returns twenty five percent (25%) of the collections to cities within the County. The balance of Proposition A tax funds 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, including Culver City Municipal Bus Lines.

Proposition C Local Return Fund is used to account for Proposition C funds received from the state. Proposition C, approved by voters in 1990, is an additional one-half of one percent (1.5%) tax on retail sales in Los Angeles County. Proposition C funds are allocated to the construction and operation of the bus transit and rail system (40%), expansion of rail and bus security (5%), construction of commuter rail transit centers, park and ride lots, and freeway bus stops (10%), and other transit related improvements to freeways and state highways (25%). Each year, more than $1 billion dollars is generated in local transportation revenue.

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

Proposition 1B Fund is used to account for funds received for a Transportation Infrastructure Bond approved in November 2006 by California voters. The funds allocated to the City have been expended.

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

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

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

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

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

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

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

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

Housing Fund is used to account for former Low/Moderate Income Housing funds transferred to the City under the 2011 Cooperation and Implementation Agreement (Agreement). The remaining balance of this fund will be transferred to the Housing Authority Fund in Fiscal Year 2014-15.

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

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

Capital Grant Fund is used to account for grants that involve the purchase of capital equipment items that do not require construction or otherwise fall under what would be considered a capital project.

Building Surcharge Fund is used to account for funds received from a four percent (4%) surcharge on certain development related permit fees. The surcharge is used by City to fund digital imaging and storage of plans and documents, and technology improvements and maintenance to enhance customer service.

CAPITAL PROJECTS FUND SUMMARY

The table below represents the summary financial activity for the City's capital projects funds for FY 2014-15. Descriptions of each fund are included below the table.

	Beginning Fund Balance	Total Revenue & Other Transfers	Expenditures	Ending Fund Balance
Cooperative Projects Fund	8,875,882	252,877	3,033,742	6,095,017
Parking Improvement Fund	1,629,724	1,781,836	949,019	2,462,541
Capital Improvement Grants Fund	(1,768,910)	1,916,044	1,974,537	(1,827,403)
CDBG Capital Fund	(16,654)	150,821	134,167	-
2002 Cooperative Fund	13,939,623	94,241	63,644	13,970,220
2004 Cooperative Fund	2,770,740	18,739	16,430	2,773,049
2011 Cooperative Fund	9,165,683	27,987	9,997,372	(803,702)
2011 Bond Fund	15,086,008	5,949	1,122,426	13,969,531
Capital Improvement & Acquisition Fund	2,541,439	3,777,023	3,579,796	2,738,666

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

Parking Improvement Fund is used to account for revenues from parking meter collections and other parking lots owned and operated by the City. These funds are used for parking related operations and major parking improvements by action of the City Council.

Capital Improvement Grants Fund is used to account for grant funds awarded to the City by federal, state and local grant agencies for capital improvements, and the qualified expenditure of these restricted funds. Due to reimbursement timing issues, this fund can carry a negative fund balance.

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

2002 Cooperative Fund is used to account for former Redevelopment Agency tax exempt bond proceeds received from the 2002 Tax Allocation Bond Issue.

2004 Cooperative Fund is used to account for former Redevelopment Agency tax exempt bond proceeds received from the 2004 Tax Allocation Bond Issue.

2011 Cooperative Fund is used to account for former Redevelopment Agency tax exempt bond proceeds received from the 2011 Series A Tax Allocation Capital Appreciation Bond Issue. Remaining proceeds were transferred to the Successor Agency to the Culver City Redevelopment Agency (Successsor Agency). The negative fund balance will be zeroed out in the current fiscal year.

2011 Bond Fund is used to account for former Redevelopment Agency taxable bond proceeds received from the 2011 Series B Taxable Tax Allocation Bond Issue. Remaining proceeds were transferred to the Successor Agency to the Culver City Redevelopment Agency (Successsor Agency).

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

GENERAL FUND

General Fund Overview

Fiscal Year 2014-15 continued to experience a noticeable recovery in the overall economy, as well as the local economy. Total revenues for the year were $118.2 million, however, $14.2 million of this was one-time revenue resulting from two property sales. Revenues excluding the property sales were $103.9 million, which was $6.7 million, or 6.9%, higher than prior year revenues. This is largely in part to revenues performing better than expected in categories such as Sales Tax, Measure Y, Business Tax, Transient Occupancy Tax, and Real Property Transfer Tax. Fiscal Year 2014-15 expenditures totaled $94.5 million, and ended the year higher than the prior year by $3.2 million, or 3.5%, due to increased pension funding and increased costs for salaries and benefits. The use of the surplus generated during Fiscal Year 2014-15 will be discussed further in this report.

Revenue Detail

GENERAL FUND REVENUES					
	2013-14 ACTUALS	ADJUSTED BUDGET 2014-15	2014-15 ACTUALS	% RECEIVED	BUDGET VARIANCE
Property Tax	5,447,052	4,428,000	5,714,273	129.0%	1,286,273
Sales Tax	18,817,179	19,631,000	19,698,255	100.3%	67,255
Measure Y	8,189,558	8,440,000	9,319,093	110.4%	879,093
Public Safety Sales Tax (PSAF)	429,102	359,000	408,035	113.7%	49,035
Business Tax	11,214,234	11,200,000	11,808,710	105.4%	608,710
Franchise Tax	1,449,956	1,400,000	1,516,279	108.3%	116,279
Real Prop Trans Tax	1,861,564	2,750,000	4,294,892	156.2%	1,544,892
UUT - Electricity	6,266,653	6,433,000	6,797,406	105.7%	364,406
UUT - Gas	1,040,876	1,035,000	942,031	91.0%	(92,969)
UUT - Water	1,728,841	1,400,000	1,447,254	103.4%	47,254
UUT - Telecommunications	5,000,907	5,040,000	4,687,780	93.0%	(352,220)
UUT - Cable TV	802,597	882,000	899,860	102.0%	17,860
TOT	5,608,151	5,600,000	6,699,816	119.6%	1,099,816
Comm/Ind Dev Tax	884,591	600,000	966,603	161.1%	366,603
Licenses & Permits	3,620,621	3,089,000	3,420,936	110.7%	331,936
Intergovernmental	3,893,140	3,992,793	4,306,470	107.9%	313,677
Charges for Services	8,083,168	7,947,972	8,238,269	103.7%	290,297
Fines & Forfeitures	4,174,721	3,835,500	4,104,462	107.0%	268,962
Use of Money & Prop	1,585,847	1,500,526	1,505,144	100.3%	4,618
Other Revenue	557,619	14,532,181	14,693,326	101.1%	161,145
Other - Transfers	6,575,969	5,957,964	6,683,207	112.2%	725,243
TOTAL GENERAL FUND	**$97,232,344**	**$110,053,936**	**$118,152,100**	**107.4%**	**$8,098,164**

- Property Tax receipts came in higher than the prior year by 4.9% or $0.3 million. One-time pass-through payments of incremental property taxes generated by the former redevelopment agency were attributable to overall Property Tax revenues coming in 29% higher than budgeted.

- Sales Tax is the General Fund's largest revenue source. FY 2014-15 receipts increased by $0.9 million over the prior year or 4.7%. Strong auto sales along with increases in business and retail contributed to the City's continued sales tax receipts growth over the past year.

- The City's Measure Y transactions tax, which went into effect on April 1, 2013, generated $0.9 million more than budgeted. This is in part due to Board of Equalization enforcement for businesses that did not implement Measure Y when it went into effect, and also due to the improving economy.

- Real Property Transfer Tax surpassed the budget projection by 56.2%, and was 130.7% higher than FY 2013-14. This revenue source is dependent on real estate sales transactions occurring, and can vary wildly from year to year. The sale of a significant commercial property can greatly inflate the amount received in a particular year. Most of this revenue is considered 'one-time' for forecasting purposes.

- Historic levels in Transient Occupancy Tax receipts continued into FY 2014-15. TOT revenues exceeded the prior year by 19.5%. Increases in hotel occupancy, coupled with room rate increases have continued to create tax base growth.

- Commercial/Industrial Development Tax is another revenue that is very hard to predict, and varies significantly from year to year. It is completely dependent upon new commercial development activity. The amount realized in FY 2014-15 was slightly more than the prior year amount.

- Charges for Services were fairly consistent with the prior year, increasing by 1.9%, and exceeded the adjusted budget projection by 3.7%. This category consists of a variety of charges administered by virtually all City departments.

- Fines and Forfeitures is primarily comprised of red light camera violations, moving violations written by Culver City traffic enforcement in the Police Department, and parking violations. These sources were slightly less than the prior year by 1.7%, and slightly exceeded the adjusted budget projection by 7.0%.

- Use of Money & Property includes interest income and income from the rental of city property. Receipts were slightly less than the prior year by 5.1%, and were basically equivalent to the budget projection.

- Other Revenues consists primarily of unscheduled or unanticipated revenues outside of the other categories. These are normally one-time items, with the exception of the annual sign revenue from Westfield. The City realized $14.2 million in land sale proceeds from the sale of the downtown theater and the Cranks Road property.

- Other – Transfers is comprised of interfund transfers and cost allocation transfers from other funds. Revenue was 1.6% higher than last year.

Expenditure Detail

Overall, General Fund expenditures were $94.5 million, or 96.3**%** of revised appropriations.

Total General Fund expenditures for FY 2014-15 were 3.5% (approximately $3.2 million) more than FY 2013-14.

GENERAL FUND EXPENDITURES					
	2013-14 ACTUALS	**2014-15 REVISED BUDGET**	**2014-15 ACTUALS**	**% EXPENDED**	**BUDGET VARIANCE**
ADMINISTRATION	$1,345,339	$1,503,635	$1,525,259	101.4%	($21,624)
CITY CLERK	$413,668	$346,201	$288,298	83.3%	$57,902
CITY ATTORNEY	$1,900,806	$1,994,970	$2,046,177	102.6%	($51,207)
FINANCE	$4,847,722	$4,748,668	$4,792,755	100.9%	($44,086)
HUMAN RESOURCES	$1,134,826	$1,141,174	$1,105,479	96.9%	$35,695
INFORMATION TECH.	$2,971,770	$3,374,642	$3,200,767	94.8%	$173,875
PARKS, REC. & COMMUNITY SVCS	$6,857,433	$7,653,124	$7,414,638	96.9%	$238,486
POLICE DEPARTMENT	$32,422,023	$32,643,993	$32,011,889	98.1%	$632,104
FIRE DEPARTMENT	$18,076,429	$19,096,321	$19,015,671	99.6%	$80,650
COMMUNITY DEVELOPMENT	$5,819,648	$7,151,997	$6,222,661	87.0%	$929,336
PUBLIC WORKS	$9,517,136	$10,339,588	$9,895,993	95.7%	$443,594
NON-DEPARTMENTAL	$3,404,300	$4,209,347	$3,522,975	83.7%	$686,372
Transfers	$2,571,696	$3,721,260	$3,390,984	91.1%	$330,276
Retiree Health Pre-funding	$47,800	$142,960	$52,960	37.0%	$90,000
TOTAL GENERAL FUND	**$91,330,595**	**$98,067,880**	**$94,486,505**	**96.3%**	**$3,581,374**

As is common, position vacancies during the course of the year create savings versus the budget. There is a lag time between when positions become vacant and when a recruitment process is completed and a new individual put in place. While the formal hiring freeze has been lifted, the City still reviews each vacancy prior to conducting a recruitment. To the extent no vacancies occur during a particular year, the full budget appropriation authority would be required, and therefore such annual savings are considered one-time, or non-recurring.

Year to year comparisons of actual expenditures within a department can be difficult if there are vacancies that exist in one year that did not in a prior year, or vice versa. This can make it appear that departmental expenditures increased or decreased more than they would all other things being equal. Beyond such year to year variations, there were several items that worked to increase or decrease expenditures over the prior year:

- Increased costs for salaries and overtime, primarily due to negotiated cost-of-living or salary initiative ordinance increases of $1.3 million.
- Increased retirement contribution rates to CalPERS attributed to an overall increase of $1.2 million.
- Increase of $2.0 million over prior year transferred to Capital Improvements & Acquisitions Fund 420 from the General Fund for necessary infrastructure projects.
- Worker's Comp and Liability Reserve contributions were decreased $1.6 million over the prior year, as fund balance levels in the Self-Insurance fund reached satisfactory levels in the prior year.

CONCLUSION

Culver City finished FY 2014-15 with positive financial results. In the General Fund, total revenues exceeded expenditures by $23.7 million, or $9.5 million when not considering the property sales revenues. Pursuant to the updated financial policies adopted by the City Council in FY 2013-14, thirty percent (30%) of the adopted operating budget for the General Fund is to be reserved for future contingencies/emergencies. Accordingly, $27.6 million has been committed to this purpose. The financial policies also call for fifty percent (40%) of any surplus between revenues and expenditures after meeting the future contingencies requirement to be set aside in a Facilities Planning Reserve, for the future replacement or improvements of City facilities. The City Council approved excluding the land sale proceeds from this calculation so that they could be used for the Municipal Fiber Network project and other infrastructure needs, therefore, another $3.9 million was been set aside for this purpose. Lastly, the updated financial policies call for ten percent (10%) of specific parks and recreation revenues to be set aside for the improvement of recreational facilities, and $0.2 million has been set aside for this purpose. Use of any of these reserves requires specific City Council action. Beyond these required reserves, there were $36.9 million in remaining unassigned General Fund reserves as of June 30, 2015. Ultimate use of these funds remains uncertain due to pending litigation with the State's Department of Finance, related to the dissolution of the Redevelopment Agency. However, the City Manager will be presenting some options to the City Council as budget discussions for FY 2016-17 commence.

Even with the improving financial condition of the City, the General Fund Financial Forecast shows we must continue to remain vigilant about controlling costs due to the known significant increases in pension costs that are phasing in over the next five years. Currently, our forecast shows us able to absorb these costs without further reductions in expenditures. But this will only remain the case if we live within the general assumption of status quo for General Fund programs. Looking beyond the forecast, Measure Y is set to sunset in 2023 unless extended by the voters. Barring dramatic changes to current revenue projections, loss of Measure Y would result in the General Fund being in a deficit situation again. The General Fund Financial Forecast will be updated and discussed in much more detail during the FY 2015-16 Mid-Year Budget Report, as well as during the development of the FY 2016-17 budget.