

**City of Culver City, California  
Agenda Item Report**

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| Meeting Date: 07/26/2010                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |  | Item Number: <u>A-3</u>                                                                |  |
| <b>CITY COUNCIL AGENDA ITEM: FOUR-FIFTHS VOTE REQUIREMENT – Approval of a Budget Amendment to Appropriate General Fund Reserves Towards Infrastructure and Technology Improvements.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  |                                                                                        |  |
| Contact Person/Dept.: Jeff Muir/Finance<br>Charles D. Herbertson, Public Works                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |  | Phone Number: (310) 253-5865<br>(310) 253-5630                                         |  |
| Fiscal Impact: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  | General Fund: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>      |  |
| Public Hearing: <input type="checkbox"/>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |  | Action Item: <input checked="" type="checkbox"/> Attachments: <input type="checkbox"/> |  |
| Commission Action Required: Yes <input type="checkbox"/> No <input type="checkbox"/> Date: _____                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |                                                                                        |  |
| Public Notification: (E-Mail) Meetings and Agendas – City Council (07/21/10)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |                                                                                        |  |
| Department Approval:<br>Jeff Muir (07/20/10)<br>Charles D. Herbertson (07/20/10)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  | City Attorney Approval:<br>Carol Schwab (by H. Baker) (07/21/10)                       |  |
| Chief Financial Officer Approval:<br>Jeff Muir (07/20/10)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  | City Manager Approval:<br>P. Lamont Ewell (07/22/10)                                   |  |
| <p><b><u>RECOMMENDATION:</u></b></p> <p>Staff recommends the City Council approve a budget amendment which appropriates \$4 million from the General Fund Reserve towards infrastructure and technology improvements.</p> <p style="text-align: center;"><b>A Budget Amendment requires a 4/5 vote.</b></p> <p><b><u>BACKGROUND:</u></b></p> <p>Financial reports and budget presentations over the last few fiscal years have included in-depth discussion of the substantial backlog the City has in terms of deferred maintenance for its streets, sidewalks, streetlights and public facilities. During the presentation of the City Manager's Proposed Budget for Fiscal Year 2010/2011, the City Manager recommended the City Council consider modifying the Fiscal Policy requiring the City to maintain 30% of the operating General Fund expenditure budget in reserves.</p> <p>The recommendation included lowering the reserve requirement to 20% and investing some portion of reserves in excess of this amount into deferred maintenance and/or technology projects that would increase efficiency (and thereby potentially reduce costs of doing business in the long-term). The City Council deliberated the matter and decided against changing the policy at that time. The City Council did express being open to further discussion of the idea, including temporarily dipping below the current reserve policy in order to make needed deferred maintenance investments.</p> |  |                                                                                        |  |

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The estimated General Fund Reserve balance at the end of Fiscal Year 2010/2011 is \$28.7 million. This represents a 35.1% reserve level based on the adopted operating expenditure budget. Based on the City Council Adopted Budget for Fiscal Year 2010/2011, the City could appropriate approximately \$4.1 million towards one-time projects and still maintain a 30% General Fund reserve as required by the current policy. Therefore, staff is recommending the appropriation and investment of \$4 million of General Fund reserves into deferred maintenance and technology upgrade projects.

**DISCUSSION:**

**Infrastructure Projects**

Staff is recommending investing \$2 million in deferred maintenance projects in the categories of streets (\$1 million), street lights (\$600,000), Vet's Memorial Building (VMB) improvements (\$250,000) and irrigation upgrades at City parks (\$150,000). These areas of investment were identified by the Public Works Director in consultation with the Parks, Recreation, and Community Services Director (for the VMB and irrigation projects) as meeting the criteria of high need and also the ability to complete the projects within the fiscal year. The specific projects within these categories are as follows:

| Project Category                  | Project                                                                                                                                                                                                              | Estimated Budget          |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| <b><u>Streets</u></b>             |                                                                                                                                                                                                                      |                           |
|                                   | Segrell Way                                                                                                                                                                                                          | \$232,000                 |
|                                   | Dobson Way and Stevens Circle                                                                                                                                                                                        | \$185,000                 |
|                                   | Hayter Avenue - Sawtelle to Port                                                                                                                                                                                     | \$97,000                  |
|                                   | Jasmine Avenue - Farragut to Culver                                                                                                                                                                                  | \$157,000                 |
|                                   | Kinston Avenue - Jefferson to Lindberg Park                                                                                                                                                                          | \$102,000                 |
|                                   | Rhoda Way - Cota to Studio                                                                                                                                                                                           | \$113,000                 |
|                                   | Walgrove Avenue - Washington to Zanja                                                                                                                                                                                | \$74,000                  |
|                                   | Contingency                                                                                                                                                                                                          | \$40,000                  |
| <b><u>Total Streets</u></b>       |                                                                                                                                                                                                                      | <b><u>\$1,000,000</u></b> |
| <b><u>Street Lights</u></b>       |                                                                                                                                                                                                                      |                           |
|                                   | Replace Street Lights between Washington Place and Washington Boulevard on the following Streets: Coolidge, Berryman, Minerva, Bledsoe, Albright (except new street lights installed as part of assessment district) | \$600,000                 |
| <b><u>Total Street Lights</u></b> |                                                                                                                                                                                                                      | <b><u>\$600,000</u></b>   |

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|                                                       |                    |
|-------------------------------------------------------|--------------------|
| <b>VMB</b>                                            |                    |
| <u><b>Improvements</b></u>                            |                    |
| Install wireless capabilities                         | \$40,000           |
| Electronic Reader Board                               | \$75,000           |
| Renovate Main Kitchen and Concession Counters         | \$75,000           |
| Renovate backstage meeting/dressing rooms             | \$30,000           |
| Aesthetic improvements to Auditorium & Meeting Rooms  | \$30,000           |
| <b>Total VMB</b>                                      | <b>\$250,000</b>   |
|                                                       |                    |
| <u><b>Parks Irrigation Upgrades</b></u>               |                    |
| Culver City Park                                      | \$65,000           |
| City Wide Upgrades to Weather Based Controllers       | \$30,000           |
| Add Master Valves and Flow Meters where not installed | \$55,000           |
| <b>Total Parks Irrigation Upgrades</b>                | <b>\$150,000</b>   |
|                                                       |                    |
| <b>Grand Total</b>                                    | <b>\$2,000,000</b> |

Staff is also currently investigating the possibility of leveraging the funds through a public/private partnership or other arrangement that may allow the City to do even more with this appropriation. Staff is requesting City Council approval and appropriation for the baseline project list above. If, prior to the end of October, staff is able to identify a way to better leverage these funds, a staff report will be brought to the City Council requesting authority to do so. If this possibility does not materialize by the end of October, staff will move forward with the baseline projects above.

**Technology Upgrade**

Staff is recommending establishment of a project budget for replacement of the City's financial system in the amount of \$2 million. This project will provide the City with a comprehensive financial software package that will include improved efficiencies in various workflows as well as an improved ability for departmental staff and executive management to better leverage the data in the system in decision making and financial planning.

JD Edwards' One World Xe is the current primary Culver City Enterprise Financial System platform. The system provides different modules including General Ledger, Accounts Payable, Accounts Receivable, Payroll and Human Resources, and

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Purchasing. JD Edwards was implemented in Culver City in 1999, largely due to concerns that the prior system could not support Y2K concerns.

The JD Edwards system is difficult to navigate and extract information from for the casual user. There are a number of stand-alone financial software applications that have been internally developed or purchased because JD Edwards does not offer the module, or it was not suited to the City's needs. These include:

- Employee Time Reporting
- Budget Preparation
- Cashiering
- Check Printing
- Report Writing
- Job Costing
- Inventory / Warehouse
- Fixed Assets
- Applicant Tracking
- Business license administration
- Refuse billing

Maintaining these separate systems and any integration they maintain with JD Edwards can be complicated and costly. Some of the internally developed applications are highly reliant on key IT staff members, which can present problems if they are unavailable. One of the goals of a financial system replacement project will be identifying a system that incorporates as many of these modules as possible, where system interfaces are already included and all maintenance and support comes from one vendor.

JD Edwards was acquired by Peoplesoft, which was then acquired by Oracle. This consolidation of three large software vendors into the Oracle umbrella has resulted in uncertainty about future JD Edwards One World product development and support for the municipal government financial and human resources software. Oracle has recently pledged expansion of JD Edwards, and that they will fully support the Microsoft SQL database. However, the City should weigh this against what it has seen during past years in terms of support, which from staff's perspective has been lacking.

The other issue facing the City is the requirement for the City to upgrade the JD Edwards software. Based on our most recent information, this upgrade must be completed by December 31, 2012 or the City will no longer receive software support. Based on new software licensing costs from Oracle and the professional consulting required, this upgrade is estimated to cost between \$250,000 and \$300,000. Staff feels strongly that this money would be better spent on investing in an improved replacement system.

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To summarize, staff strongly recommends moving forward with a financial system replacement project. This will ultimately result in the ability to better optimize workflows and create efficiencies, provide better access to financial data to assist in decision making and allow the City to avoid the substantial cost required just to upgrade the current system.

**FISCAL ANALYSIS:**

The funds recommended for appropriation above will be added to the following accounts:

| <b>Account</b>  | <b>Description</b>                    | <b>Amount</b> |
|-----------------|---------------------------------------|---------------|
| 42000863.730100 | Local Street Resurfacing              | \$1,000,000   |
| 42000684.730100 | Street Light Replacement              | \$600,000     |
| 42000876.730100 | Veterans Memorial Bldg. Refurbishment | \$250,000     |
| 42000612.730100 | Park Irrigation Upgrades              | \$150,000     |
| 42000636.730100 | Financial System Replacement/Enhance  | \$2,000,000   |

**ATTACHMENTS:**

None.

**MOTION:**

That the City Council:

- 1) Approve a Budget Amendment appropriating \$4 million in General Fund Reserves towards infrastructure and technology improvements; and,
- 2) Authorize the City Manager to investigate the ability to further leverage the \$2 million for deferred maintenance projects;
- 3) Authorize the City Manager to move forward on the baseline projects identified if leveraging opportunities are not identified by October, 2010.

**A Budget Amendment requires a 4/5 vote.**