City of Culver City, California

Agenda Item Report

Meeting Date: 02/24/2014	Item Number: A-2
CITY COUNCIL AGENDA ITEM: FOUR-FIFTHS VOTE REQUIREMENT – (1) Receipt and Filing of the Fiscal Year 2013/2014 Mid-Year General Fund Budget Monitoring Report, (2) Receipt and Filing of the General Fund Financial Forecast, and (3) Approval of Proposed Budget Amendments.	
Contact Person/Dept.: Jeff Muir, CFO, Finance Department	Phone Number: (310) 253-5865
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: (Email) Meetings and Agendas – City Council (02/18/14); (Email) Ongoing Topics – Fiscal and Budget Issues (02/18/14)	
Department Approval: Jeff Muir (02/17/14)	City Attorney Approval: Carol Schwab (by H. Baker) (02/18/14)
Chief Financial Officer Approval: Jeff Muir (02/17/14)	City Manager Approval: John M. Nachbar (02/18/14)

RECOMMENDATION:

Staff recommends the City Council (1) receive and file the Fiscal Year 2013/2014 Mid-Year Budget Monitoring Report, (2) receive and file the General Fund Financial Forecast and (3) approve related budget amendments.

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

BACKGROUND / DISCUSSION:

The attached Mid-Year Budget Monitoring Report (Mid-Year Report) presents the City Council with a snapshot of General Fund, Enterprise Fund and Internal Service Fund expenditures and revenues through the first half of Fiscal Year 2013/2014 which began on July 1, 2013. Other City funds are performing within expectations and are not a part of this report. The attached General Fund Financial Forecast (Forecast) takes the mid-year projections and forecasts revenues and expenditures out to Fiscal Year 2020/2021. The Forecast provides details of the various assumptions used to arrive at the revenue and expenditure estimates.

FISCAL ANALYSIS:

The Mid-Year Report provides detail into General Fund revenues received and expenditures disbursed through December 31, 2013, as well as adjusted projections through the end of the Fiscal Year (to June 30, 2014). General Fund expenditures through December 31, 2013 are $41.731 million, or 45.75% of current revised budget projections. General Fund revenues through December 31, 2013 are $31.202 million, or 33.25% of current revised budget projections. Both General Fund revenues and expenditures are higher when compared to this same point in time in the prior fiscal year.

Full year General Fund projections for Fiscal Year 2013/2014 show total estimated revenues at $93.84 million, $3.56 more than the current revised budget total. Total expenditures are estimated at $91.23 million, $2.38 less than the current budget. The projected ending result for the General Fund is a surplus of $2.61 million, an improvement over the $0.98 million deficit as estimated in the City Council Adopted Budget for Fiscal Year 2013/2014.

For the first time in a number of years, the General Fund Financial Forecast shows revenues covering expenditures until the final year, when rising costs are currently projected to surpass revenues. The Forecast document has been significantly revised from prior years, and contains much further detail. Generally, revenues are projected to increase by an average of 2.5% annually, with continued gradual growth in the economy. The Forecast does not make any assumption for another recession during this time. The Forecast also assumes the same staffing levels approved for Fiscal Year 2013/2014 stay in place. For budgetary purposes, cost-of-living adjustments are assumed at 2% per year for safety employees, and 1.5% per year for non-safety employees. Significant increases to pension costs are assumed based on the latest actuarial information provided by CalPERS. For the most part, other expenditure categories are assumed to grow at a 2% inflationary rate. Further details are provided in the Forecast document.

Several factors must be considered when reviewing the Forecast:

- A number of developments, both private and former Redevelopment Agency projects, are assumed to come ‘on line’ during the course of this projection.
- Measure Y, which is estimated to provide slightly over $10 million per year in General Fund revenue by the end of the Forecast, sunsets on March 31, 2023.
- There is no assumption for further potential General Fund impacts from the dissolution of the former Culver City Redevelopment Agency.

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

ATTACHMENTS:

Attachment 1 – Fiscal Year 2013/2014 Mid-Year Budget Monitoring Report
Attachment 2 – Proposed Budget Amendments
Attachment 3 – General Fund Financial Forecast

MOTION:

That the City Council:

(1) Receive and file the Fiscal 2013/2014 Mid-Year Report as provided in Attachment 1;

and

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

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

and

(3) Receive and file the General Fund Financial Forecast as provided in Attachment 3.