**City of Culver City, California**

# City Council Agenda Item Report

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| Meeting Date: 02/09/09 | Item Number: A-4 |
| **AGENDA ITEM: Introduction of an Ordinance Amending Chapter 3.07, Finance and Revenue, of the Culver City Municipal Code to Add a New Subchapter 3.07.400, et seq., Entitled "Budget Restrictions," Relating to Regulating the Adoption of Balanced City Budgets and the Use of Reserve Funds** | |
| Contact Person/Dept.: Jeff Muir, Chief Financial Officer | Phone Number: 310-253-6016 |
| Fiscal Impact: Yes [X] No [] | General Fund: Yes [X] No [] |
| Public Hearing: [] Action Item: [X] | Attachments: [X] |
| Public Notification: Master E-Mail Notification List (2/4/09) | |
| Department Approval: Jeff Muir (02/04/08) | City Attorney Approval: Carol Schwab (by H. Baker) (02/03/09) |
| Chief Financial Officer Approval: Jeff Muir (by N. Kimball) (02/04/08) | City Manager Approval: Jerry B. Fulwood (02/04/09) |

## RECOMMENDATION:

Staff recommends the City Council discuss and consider introducing an Ordinance amending Chapter 3.07, Finance and Revenue, of the Culver City Municipal Code to add a new subchapter 3.07.400, et seq., entitled "Budget Restrictions," relating to the adoption of balanced City budgets and the use of reserve funds.

## BACKGROUND/DISCUSSION:

On December 4, 2008, the City Council directed staff to bring back an ordinance that would require the City to adopt a balanced budget. Staff has completed drafting this Ordinance, which is being presented tonight for consideration. The general provisions of the attached Ordinance are as follows:

- Section 3.07.400 would be added to the Culver City Municipal Code requiring that General Fund ***budgeted*** ongoing expenditures shall not exceed ***budgeted*** ongoing revenues for each budget year.
- Section 3.07.405 specifies that for each budget year, for the General Fund, the projected ending reserves shall not be less than thirty (30%) percent of budgeted operating expenditures.
- Section 3.07.410 provides the ability to use reserves for financial emergencies. If a financial emergency is declared by a four-fifths vote of the City Council, the City's required reserves may be used to offset (in whole or in part) an expected operating shortfall in the budget for a single year, but the projected emergency reserves may not fall below twenty-five (25%) percent. Additionally, the City must implement measures to restore the projected ending reserves to thirty (30%) percent by the end of the immediately following budget year.

- Section 3.07.415 provides that ending reserves in excess of thirty (30%) percent may be appropriated only for one-time, non-recurring expenditures that will not increase future operating costs. It also provides that any other use of these excess reserves may be approved by a four-fifths (4/5) vote of the City Council.

The City is facing very difficult financial times in the coming years, and difficult decisions will need to be made. The currently approved financial policies also includes language that the City will adopt a budget where ongoing expenditures do not exceed ongoing revenues, and that reserves in excess of the thirty (30%) percent requirement may only be used for one-time expenditures. The proposed ordinance provides a more formal structure for ensuring the adoption of balanced budgets than the City's current financial policies, while still providing the City Council some flexibility with a four-fifths (4/5) vote.

**FISCAL ANALYSIS:**

This Ordinance will require the City to adopt a balanced budget, where ongoing revenues meet or exceed ongoing expenditures. This will assist the long-term financial viability of the General Fund, but may require difficult decisions to get there.

**ATTACHMENTS:**

1. Proposed Ordinance

**MOTION:**

That the City Council:

1. Discuss and consider the proposed Ordinance; and

2. Introduce the proposed Ordinance;

**or**

3. Provide alternate direction to staff as deemed appropriate.